Dignity plc Interim Report 2013

Dignity®
CARING FUNERAL SERVICES

About Dignity

Dignity owns 685 funeral locations and operates 39 crematoria in the United Kingdom. The Group continues to have a strong market presence in pre-arranged funeral plans, where people plan and pay for their funeral in advance.

We are a FTSE 250 company listed on the London Stock Exchange, with over 2,700 employees serving families and local communities across the United Kingdom for generations.

Helping people at one of the most difficult times in their lives remains at the very heart of everything we do.

Our strategy

We plan to grow the profitability of our business by:

- Operating in a traditional market where people use our services based on our reputation and through recommendations, where we believe our continued commitment to excellent service for our clients will generate a high level of referral and organic revenue growth;
- Continuing to control our operating costs;
- Developing or acquiring additional funeral locations;
- Developing, managing or acquiring additional crematoria; and
- National marketing, principally through affinity partners, of pre-arranged funeral plans.

Our key priorities

Ensuring the highest levels of client service excellence:

- High levels of client service demonstrably affect clients' willingness to recommend our services. Recommendations and our reputation generate approximately 70 per cent of our funeral business.

Attracting, developing and retaining the best people:

- Our employees are central to the success of the business. We seek to attract and retain the best people through appropriate remuneration, and ongoing training.

Continued investment:

- We invest heavily in our existing business to ensure it is of the best possible standard, both in client facing areas and behind the scenes. We also seek to invest in new businesses that will help Dignity to grow and create value for shareholders.

Delivering long term shareholder returns:

- Our business is driven by relatively predictable factors over long periods of time. This allows us to operate and fund our business in a way that generates value over the long term.

Contents

01 Key financial highlights
02 From the Chairman
03 Business and financial review
06 Our key performance indicators
07 Principal risks and uncertainties
09 Consolidated income statement (unaudited)
09 Consolidated statement of comprehensive income (unaudited)
10 Consolidated balance sheet (unaudited)
11 Consolidated statement of changes in equity (unaudited)
12 Consolidated statement of cash flows (unaudited)
13 Notes to the interim financial information 2013 (unaudited)
22 Statement of Directors' responsibilities
23 Independent review report to Dignity plc
24 Shareholder information and financial calendar
25 Contact details and advisers

Key financial highlights

for the 26 week period ended 28 June 2013

Current period financial highlights	**2013**	2012	Increase per cent
Revenue (£million)	**133.2**	116.5	14.3
Underlying operating profit[a] (£million)	**45.3**	39.2	15.6
Underlying profit before tax[a] (£million)	**33.1**	27.5	20.4
Underlying earnings per share[b] (pence)	**44.0**	37.4	17.6
Cash generated from operations[c] (£million)	**47.8**	40.8	17.2
Operating profit (£million)	**44.2**	38.9	13.6
Profit before tax (£million)	**32.0**	27.2	17.6
Basic earnings per share (pence)	**42.1**	38.7	8.8
Interim dividend (pence)	**–**	5.36	n/a

No interim dividend is being paid in 2013, as the Group has announced a Return of Cash to shareholders of £1.08 per Ordinary Share, which, subject to shareholder approval on 8 August 2013, will be paid to shareholders in August 2013.

Trading overview	**26 week period ended**	
	28 June 2013 £m	29 June 2012 £m
Revenue		
Funeral services – existing	**88.9**	81.6
Funeral services – acquisition	**4.9**	–
Funeral services	**93.8**	81.6
Crematoria – existing	**27.1**	23.7
Crematoria – acquisition	**0.8**	–
Crematoria	**27.9**	23.7
Pre-arranged funeral plans	**11.5**	11.2
	133.2	116.5
Underlying operating profit[a]		
Funeral services – existing	**33.7**	30.3
Funeral services – acquisition	**1.7**	–
Funeral services	**35.4**	30.3
Crematoria – existing	**14.4**	12.3
Crematoria – acquisition	**0.5**	–
Crematoria	**14.9**	12.3
Pre-arranged funeral plans[d]	**2.9**	3.7
Central overheads	**(7.9)**	(7.1)
	45.3	39.2

(a) Underlying profit is calculated as profit excluding profit on sale of fixed assets and external transaction costs.
(b) Underlying earnings per share is calculated as profit on ordinary activities after taxation, before profit on sale of fixed assets, external transaction costs (both net of tax) and exceptional items, divided by the weighted average number of Ordinary Shares in issue in the period.
(c) Cash generated from operations excludes external transaction costs.
(d) Pre-arranged funeral plans include Recoveries of £nil (2012: £1.5 million).

Since flotation, assuming the proposed Return of Cash is approved, Dignity would have returned £261 million to shareholders

Peter Hindley, Chairman

Results

This has been a strong start to the year for the Group. Underlying operating profits were £45.3 million (2012: £39.2 million). This increase of 15.6 per cent is slightly ahead of the Board's expectations.

This operating performance has been assisted by a 5.6 per cent increase in the number of deaths compared to the same period last year.

Operating profits were £44.2 million (2012: £38.9 million).

Underlying earnings per share increased 17.6 per cent to 44.0 pence per share (2012: 37.4 pence per share).

Basic earnings per share were 42.1 pence per share (2012: 38.7 pence per share), an increase of 8.8 per cent.

Further issue of Secured Notes and Return of Cash to shareholders

On 30 July 2013, the Group completed an issue of further Secured Notes which has raised £97.7 million of gross proceeds. Some of these proceeds have been used to repay the Group's £34 million term loan obtained on the acquisition of Yew Holdings Limited in January 2013. The majority of the remainder will, subject to shareholder approval on 8 August 2013, be used to provide shareholders with a £61.9 million Return of Cash, equating to £1.08 per Ordinary Share.

Since flotation, assuming the proposed Return of Cash is approved, Dignity would have returned £261 million to shareholders compared to our initial market capitalisation of £184 million.

Dividends

Following the announcement of the Return of Cash to shareholders, the Board has concluded that no separate interim dividend will be paid (2012: 5.36 pence per share).

The Board expects to resume dividend payments with a final dividend in respect of the 52 week period ended 27 December 2013.

Our staff

Our staff work tirelessly to help families at their time of need and I remain grateful for the support they show in their local communities.

Outlook

The Board expects the number of deaths to normalise over the remainder of the year. The Group remains on track to achieve the Board's expectations for the full year.

"Our staff work tirelessly to help families at their time of need."

15.6%

Underlying operating profit up 15.6 per cent to £45.3 million (2012: £39.2 million).

£61.9 million Return of Cash

£61.9 million is expected to be returned to shareholders in August 2013.

Committed to client service

Mike McCollum, Chief Executive

Introduction

The Group's operations are managed across three main areas, namely funeral services, crematoria and pre-arranged funeral plans. Funeral services revenues relate to the provision of funerals and ancillary items such as memorials and floral tributes. Crematoria revenues arise from cremation services and the sale of memorials and burial plots at the Group's crematoria and cemeteries. Pre-arranged funeral plan revenue represents amounts in respect of marketing and administering the sale of plans.

Office for National Statistics Data

Some of the Group's key performance indicators rely on the total number of estimated deaths for each period.

This information is obtained from the Office for National Statistics (ONS) and helps to provide good general background to the Group's performance.

Initial estimated deaths in Great Britain for the first half of 2013 were 301,000 (2012: 285,000). Historically, the ONS has updated these estimates from time to time. As in previous years, the Group does not restate any of its key performance indicators when these figures are restated in the following year.

Funeral services

The Group operates a network of 685 (June 2012: 616; December 2012: 636) funeral locations throughout the United Kingdom. The change to the portfolio reflects the acquisition of 41 additional funeral locations, nine new satellite locations and one closure. The additions include the 40 funeral locations acquired in January 2013 as part of the acquisition of Yew Holdings Limited. The Group has now opened a total of 71 satellite locations since 2010.

In the first half of 2013, the Group conducted 37,200 funerals (2012: 33,300) in the United Kingdom, of which approximately 2,800 were from current year acquisitions. Approximately two per cent of these funerals were performed in Northern Ireland (2012: two per cent). Excluding Northern Ireland, these funerals represent approximately 12.1 per cent (June 2012: 11.5 per cent; December 2012: 11.2 per cent) of total estimated deaths in Great Britain. Whilst funerals divided by estimated deaths is a reasonable measure of our market share, the Group does not have a complete national presence and this calculation can only ever be an estimate.

Underlying operating profits were £35.4 million (2012: £30.3 million), an increase of 16.8 per cent.

Our commitment to client service excellence – The Dignity client survey

Serving the people in our local communities remains at the heart of everything we do and we are committed to providing the highest standards of service and care and to helping our clients every step of the way when they need us.

To ensure we maintain the highest levels of client service excellence, all Dignity funeral locations send a written client survey to the families they serve.

We strive to set the highest standards for the funeral profession:

In the last five years, we have received over 165,000 responses and from the responses this year so far, we know that, having received the final invoice:

- 99.1 (December 2012: 99.3) per cent of respondents said that we met or exceeded their expectations;
- 98.1 (December 2012: 98.2) per cent of respondents would recommend us;
- 99.9 (December 2012: 99.9) per cent thought our staff were respectful;
- 99.8 (December 2012: 99.8) per cent thought our premises were clean and tidy;
- 99.7 (December 2012: 99.8) per cent thought our vehicles were clean and comfortable;
- 99.7 (December 2012: 99.7) per cent thought our staff listened to their needs and wishes;
- 99.2 (December 2012: 99.3) per cent of clients agreed that our staff had fully explained what would happen before and during the funeral;
- 99.2 (December 2012: 99.3) per cent agreed that our staff were compassionate and caring;
- 98.8 (December 2012: 98.9) per cent said that the funeral service took place on time; and
- 98.6 (December 2012: 98.8) per cent said that the final invoice matched the estimate provided.

This consistently high level of service underpins our funeral business.

Crematoria

The Group operates 39 crematoria (June 2012: 36; December 2012: 37) and is the largest single operator of crematoria in Great Britain. This includes two crematoria acquired as part of the acquisition of Yew Holdings Limited. The Group performed 30,000 cremations (2012: 26,200), of which approximately 1,200 were from the current year acquisition, reflecting the increase in the number of crematoria being operated.

These volumes represent approximately 10.0 per cent (June 2012: 9.2 per cent; December 2012: 9.2 per cent) of total estimated deaths in Great Britain.

Underlying operating profits were £14.9 million (2012: £12.3 million), an increase of 21.1 per cent.

Pre-arranged funeral plans

Unfulfilled pre-arranged funeral plans were approximately 308,000 at the end of the period (June 2012: 275,000; December 2012: 290,000). These plans continue to represent future potential incremental business for the funeral division.

Whilst the number of plan sales has been lower than in the comparable period in 2012, good control of costs has resulted in operating profits before Recoveries ahead of the prior year. As highlighted in previous announcements, no Recoveries were received in the period (2012: £1.5 million).

The Group continues to seek additional partners and to increase plan sales.

Central overheads

Head office costs relate to central services that are not specifically attributed to a particular operating division. These include the provision of IT, finance, personnel and Directors' emoluments. In addition, and consistent with previous periods, the Group records centrally the costs of incentive bonus arrangements, such as Long Term Incentive Plans and annual performance bonuses, which are provided to over 100 managers working across the business.

Costs were £7.9 million in the period (2012: £7.1 million).

Acquisition activity

The Group has invested £59.2 million in acquiring 41 funeral locations and two crematoria during the period. The majority of this amount relates to the acquisition of Yew Holdings Limited, which was described in the Group's 2012 Annual Report. This acquisition was funded by way of a share issue of 2.3 million Ordinary Shares (which raised £24.2 million), a new £34 million term loan and the drawing of £5.8 million under the Group's Crematoria Acquisition Facility.

The integration of the Yew acquisition has progressed well, with the business now operating on the Group's IT systems. Operating profits of £2.1 million were generated in the period, in line with the Board's expectations.

In addition, £0.3 million has been invested in new funeral satellite locations, with nine opening in the period.

Earnings per share

Underlying earnings per share increased 17.6 per cent to 44.0 pence per Ordinary Share. This increase demonstrates the leveraging effect of the Group's funding structure, together with a reduction in the headline Corporation Tax rate.

External transaction costs

External transaction costs include:

- a charge of £1.1 million in respect of the acquisition of Yew Holdings Limited; and
- a charge of £0.2 million in respect of other acquisitions made by the Group.

Cash flow and cash balances

The Group continues to be strongly cash generative. Cash generated from operations, before external transaction costs, was £47.8 million (2012: £40.8 million). This increase is slightly ahead of the increase in the Group's operating profits, confirming its ability to convert profits into cash very efficiently.

During the period, the Group spent £9.1 million (2012: £8.0 million) on purchases of property, plant and equipment.

This is analysed as:

	28 June 2013 £m	29 June 2012 £m
Vehicle replacement programme and improvements to locations	**7.2**	5.1
Branch relocations	**0.5**	0.4
Satellite locations	**0.3**	0.6
Development of new crematoria	**0.9**	1.8
Mercury abatement project	**0.2**	0.1
Total property, plant and equipment	**9.1**	8.0
Partly funded by:		
Disposal proceeds	**(0.4)**	(0.4)
Net capital expenditure	**8.7**	7.6

Cash balances at the end of the period were £51.2 million.

Taxation

The Group's effective tax rate for 2013 is expected to be 24.5 per cent before exceptionals. The effective rate for 2014 is expected to be 22.5 per cent following the continued reductions in headline Corporation Tax announced by the Chancellor of the Exchequer.

Pensions

The Group's defined benefit pension scheme shows a deficit on an accounting basis of £3.2 million at the end of the period. This compares to a surplus of £0.1 million at the end of December 2012 and a surplus of £0.5 million at the end of June 2012.

This follows the reduction in gilt yields to record low levels. This is something that will apply to all schemes. In Dignity's case, this resulted in an assumed discount rate of 4.65 per cent for June 2013 and December 2012 compared to 4.8 per cent in June 2012.

In July, the Group announced its intention to staff to close the Group's defined benefit pension scheme to new entrants and also increase the level of contributions paid by employees and the Group to 10 per cent each on 1 October 2013.

The Group also announced its intention to staff to use a defined contribution scheme from the same date for staff to join as part of the Group's obligations with auto enrolment legislation. Contributions to this scheme are expected to be 4 per cent from both the employer and the employee.

Capital structure and financing

The Group's principal source of long term debt financing is the Class A and B Secured Notes. They are rated A and BBB respectively by Standard & Poor's and A+ and BBB+ respectively by Fitch. Both agencies affirmed the rating of the Secured Notes in September 2012.

The Board considers that maintaining a leveraged balance sheet is appropriate for the Group, given the stable and relatively predictable nature of its cash flows. This predictability is matched in the Secured Notes. The principal amortises fully over their life and is scheduled to be repaid by 2031. The interest rate is fixed for the life of the Secured Notes and interest is calculated on the outstanding principal.

This has the benefit of enhancing shareholder returns, whilst leaving sufficient flexibility to invest in the growth of the business.

The Group's primary financial covenant under the Secured Notes requires EBITDA to total debt service to be above 1.5 times. The ratio at 28 June 2013 was 2.61 times (June 2012: 2.35 times; December 2012: 2.43 times). Further details may be found in note 9.

As described in the Group's 2012 Annual Report, the Group is also fully drawn on a £15.8 million Crematoria Acquisition Facility.

The principal on the facility is repayable in one amount in January 2018 and interest is either fixed or capped at approximately 3.3 per cent. All interest is payable in cash on a quarterly basis.

The Group is also fully drawn on a £34 million term loan, of which £33 million was outstanding at the balance sheet date.

As set out in note 9, the Group's gross amounts owing were £372.7 million (June 2012: £344.5 million; December 2012: £343.5 million). Net debt was £321.6 million (June 2012: £304.1 million; December 2012: £299.6 million).

Post balance sheet events

On 30 July 2013, the Group completed a further issue of Secured Notes with a nominal amount of £75 million. This raised gross proceeds of £97.7 million. £33 million has been used to repay the Group's term loan, referred to above, raised in January 2013 partly to finance the acquisition of Yew Holdings Limited. £1 million will be paid into the Group's defined benefit pension scheme. The Group has announced a proposed Return of Cash of £1.08 per Ordinary Share which will be made if shareholder approval is obtained at an Extraordinary General Meeting on 8 August 2013. Approval is also sought at that meeting to consolidate the Group's shares with shareholders receiving 13 new shares for every 14 existing Dignity shares held. This is in order to maintain performance indicators such as the Group's share price. The transaction is anticipated to be earnings enhancing.

As part of the issue, Standard & Poor's and Fitch reaffirmed the rating of the Secured Notes as A and BBB and A+ and BBB+ respectively.

Forward-looking statements

Certain statements in this Interim Report are forward-looking. Although the Board believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to have been correct. Because these statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements.

Going concern

The Directors receive and review regularly management accounts, cash balances, forecasts and the annual budget together, with covenant reporting. After careful consideration and mindful of the current market conditions, the Directors confirm they are satisfied that the Group has adequate resources to continue operating for the foreseeable future. The Directors formally considered this matter at the Board meeting held on 24 July 2013. For this reason, they continue to adopt the going concern basis for preparing the Interim Report.

Our key performance indicators

Our business goal is to continue building a sustainable business that meets the needs of all our stakeholders. The Group uses a number of performance indicators to both manage the business and ensure that the Group's strategy and objectives are being delivered and measured against them.

KPI	26 week period ended 28 June 2013	KPI definitions	Developments in 2013
Total estimated number of deaths in Britain (number)	301,000 (H1 2012: 285,000)(a) (FY 2012: 551,000)(b)	This is as reported by the Office of National Statistics.	The number of deaths was higher than the previous year. Over the last three years, the number of deaths has been broadly flat.
Funeral market share excluding Northern Ireland (per cent)	12.1% (H1 2012: 11.5%)(a) (FY 2012: 11.2%)(b)	This is the number of funerals performed by the Group in Britain divided by the total estimated number of deaths in Britain.	Acquisition activity has more than offset reductions in core market share resulting from increased competition. This change in core market share has been a feature of Dignity's business model for many years.
Number of funerals performed (number)	37,200 (H1 2012: 33,300)(a) (FY 2012: 63,200)(b)	This is the number of funerals performed according to our operational data.	Changes are a consequence of the total number of deaths and the Group's market share.
Number of cremations performed (number)	30,000 (H1 2012: 26,200)(a) (FY 2012: 50,500)(b)	This is the number of cremations performed according to our operational data.	Changes are a consequence of the total number of deaths and the Group's market share.
Crematoria market share (per cent)	10% (H1 2012: 9.2%)(a) (FY 2012: 9.2%)(b)	This is the number of cremations performed by the Group divided by the total estimated number of deaths in Britain.	This increase reflects the additional locations acquired and the maturing of recently constructed crematoria.
Unfulfilled pre-arranged funeral plans (number)	308,000 (H1 2012: 275,000)(a) (FY 2012: 290,000)(b)	This is the number of pre-arranged funeral plans where the Group has an obligation to provide a funeral in the future.	This increase reflects continued strong sales activity offset by the crystallisation of plans sold in previous years.
Underlying earnings per share (pence)	44.0 pence (H1 2012: 37.4 pence)(a) (FY 2012: 62.8 pence)(b)	This is underlying profit after tax divided by the weighted average number of Ordinary Shares in issue in the period.	Strong growth following the increase in operating profit and a reduction in the Group's effective tax rate.
Underlying operating profit (£million)	£45.3 million (H1 2012: £39.2 million)(a) (FY 2012: £69.4 million)(b)	This is the statutory operating profit of the Group excluding profit on sale of fixed assets and external transaction costs.	Strong growth driven by the core business combined with acquisition activity.
Cash generated from operations (£million)	£47.8 million (H1 2012: £40.8 million)(a) (FY 2012: £83.3 million)(b)	This is the statutory cash generated from operations excluding external transaction costs.	The Group continues to convert operating profits into cash efficiently.

In addition to these key performance indicators, the Group closely monitors the results of its client surveys. Highlights of these results can be found in the Business and financial review.

(a) H1 2012 relates to the 26 weeks ended 29 June 2012.
(b) FY 2012 relates to the 52 weeks ended 28 December 2012.

Principal risks and uncertainties

Our approach to risk management

This section highlights the principal risks affecting the Group, together with the key mitigating activities in place to manage those risks.

The Group manages the operational and financial risks described through a combination of regular Board reports and also monthly and weekly management information that is reviewed by the Executive Directors.

Risk process

Our risk process is designed to identify, evaluate and manage our operational and financial risks.

The principal risks and how they are managed has not changed since the year end. These principal risks and uncertainties will continue to affect the Group in the second half of the year.

Risk management process

Overall Board responsibilities

Risks and impact identified

- Risks mapped to controls currently in place
- Residual risks prioritised for mitigation
- Confirmed with the Board

Existing control enforced and tested

- Remedial action plans implemented
- Board member accountable

Controls identified

- Suggested action plans agreed
- Options for controls identified and costed
- Plans approved by the Board

Operational risk management	Risk description	Mitigating activities
Significant reduction in the death rate	There is a risk that the number of deaths in any year significantly reduces. This would have a direct result on the financial performance of both the funerals and crematoria divisions.	The profile of deaths has historically followed a similar profile to that predicted by the ONS, giving the Group the ability to plan its business accordingly.
Nationwide adverse publicity	Nationwide adverse publicity could result in a significant reduction in the number of funerals or cremations performed in any financial period. This would have a direct result on the financial performance of that division.	This risk is addressed by ensuring appropriate policies and procedures are in place, which are designed to ensure client service excellence. These policies and procedures retain flexibility for the business to serve families in accordance with local traditions.
Ability to increase average revenues per funeral or cremation	Operating profit growth is in part attributable to the Group's ability to increase the average revenue per funeral or cremation. There can be no guarantee that future average revenues per funeral or cremation will be maintained or increased.	The Group believes that its focus on client service excellence helps to mitigate this risk.
Significant reduction in market share	It is possible that other external factors, such as new competitors, could result in a significant reduction in market share within funeral or crematoria operations. This would have a direct result on the financial performance of that division.	The Group believes that this risk is mitigated for funeral operations by reputation and recommendation being a key driver to the choice of funeral director being used and for crematoria operations is mitigated by difficulties associated with building new crematoria.
Demographic shifts in population	There can be no assurance that demographic shifts in population will not lead to a reduced demand for funeral services in areas where Dignity operates.	In such situations, Dignity would seek to follow the population shift.
Competition	The UK funeral services market and crematoria markets are currently very fragmented. There can be no assurance that there will not be further consolidation in the industry or that increased competition in the industry, whether in the form of intensified price competition, service competition, over capacity or otherwise, would not lead to an erosion of the Group's market share, average revenues or costs and consequently a reduction in its profitability.	There are barriers to entry in the funerals services market due to the importance of established local reputation and in the crematoria market due to the need to obtain planning approval for new crematoria and the cost of developing new crematoria.
Taxes	There can be no assurance that changes will not be made to UK taxes, such as VAT. VAT is not currently chargeable on the majority of the Group's services. The introduction of such a tax could therefore significantly increase the cost to clients of the Group's services.	There are currently specific exemptions under European legislation for the UK on the VAT treatment of funerals. Any change would apply to the industry as a whole and not just the Group.
Regulation of pre-arranged funeral plans	Pre-arranged funeral plans are not a regulated product, but are subject to a specific financial services exemption. Changes to the basis of any regulation could affect the Group's opportunity to sell pre-arranged funeral plans in the future.	Any changes would apply to the industry as a whole and not just the Group.

Financial risk management	Risk description	Mitigating activities
Financial Covenant under the Secured Notes	The Group's Secured Notes requires EBITDA to total debt service to be above 1.5 times. If this financial covenant is not achieved, then this may lead to an Event of Default under the terms of the Secured Notes, which could result in the Security Trustee taking control of the securitisation group on behalf of the Secured Noteholders. In addition, the Group is required to achieve a more stringent ratio of 1.85 times for the same test in order to be permitted to transfer excess cash from the securitisation group to Dignity plc. If this stricter test is not achieved, then the Group's ability to pay dividends would be impacted.	The nature of the Group's debt means that the denominator is now fixed unless further Secured Notes are issued in the future. This means that the covenant headroom will change proportionately with changes in EBITDA.

Consolidated income statement (unaudited)

for the 26 week period ended 28 June 2013

	Note	26 week period ended 28 Jun 2013 £m	26 week period ended 29 Jun 2012 £m	52 week period ended 28 Dec 2012 (audited) £m
Revenue	2	**133.2**	116.5	229.6
Cost of sales		**(53.2)**	(47.8)	(95.3)
Gross profit		**80.0**	68.7	134.3
Administrative expenses		**(35.8)**	(31.3)	(67.1)
Other income		**–**	1.5	1.5
Operating profit	2	**44.2**	38.9	68.7
Analysed as:				
Operating profit before profit on sale of fixed assets and before external transaction costs	2	**45.3**	39.2	69.4
Profit on sale of fixed assets		**0.2**	0.1	0.1
External transaction costs		**(1.3)**	(0.4)	(0.8)
Operating profit		**44.2**	38.9	68.7
Finance costs	3	**(13.4)**	(12.9)	(25.8)
Finance income	3	**1.2**	1.2	2.5
Profit before tax	2	**32.0**	27.2	45.4
Taxation – before exceptional items	4	**(8.1)**	(7.0)	(11.7)
Taxation – exceptional	4	**–**	1.0	2.0
Taxation	4	**(8.1)**	(6.0)	(9.7)
Profit for the period attributable to equity shareholders		**23.9**	21.2	35.7
Earnings per share for profit attributable to equity shareholders				
– Basic and diluted (pence)	5	**42.1p**	38.7p	65.1p
Underlying earnings per share (pence)	5	**44.0p**	37.4p	62.8p

The results have been derived wholly from continuing activities throughout the period.

Consolidated statement of comprehensive income (unaudited)

for the 26 week period ended 28 June 2013

	26 week period ended 28 Jun 2013 £m	26 week period ended 29 Jun 2012 £m	52 week period ended 28 Dec 2012 (audited) £m
Profit for the period	**23.9**	21.2	35.7
Actuarial loss on retirement benefit obligations	**(3.1)**	(0.8)	(0.9)
Tax on actuarial loss on retirement benefit obligations	**0.7**	0.2	0.2
Other comprehensive loss	**(2.4)**	(0.6)	(0.7)
Comprehensive income for the period	**21.5**	20.6	35.0
Attributable to:			
Equity shareholders of the parent	**21.5**	20.6	35.0

Consolidated balance sheet (unaudited)

as at 28 June 2013

	Note	28 Jun 2013 £m	29 Jun 2012 £m	28 Dec 2012 (audited) £m
Assets				
Non-current assets				
Goodwill		**176.2**	148.8	151.1
Intangible assets		**75.8**	49.6	53.4
Property, plant and equipment		**181.2**	150.2	157.1
Financial and other assets		**12.7**	12.8	12.6
Retirement benefit asset		**–**	0.5	0.1
		445.9	361.9	374.3
Current assets				
Inventories		**6.6**	6.1	6.5
Trade and other receivables		**30.4**	25.8	25.6
Cash and cash equivalents	7	**51.2**	40.5	55.6
		88.2	72.4	87.7
Total assets		**534.1**	434.3	462.0
Liabilities				
Current liabilities				
Financial liabilities		**11.2**	9.6	24.5
Trade and other payables		**35.6**	28.9	46.2
Current tax liabilities		**8.0**	6.6	5.1
Provisions for liabilities and charges		**0.9**	1.5	1.1
		55.7	46.6	76.9
Non-current liabilities				
Financial liabilities		**352.0**	324.9	310.1
Deferred tax liabilities		**32.1**	24.2	24.2
Other non-current liabilities		**2.5**	2.6	2.8
Provisions for liabilities and charges		**3.3**	3.2	3.4
Retirement benefit obligation		**3.2**	–	–
		393.1	354.9	340.5
Total liabilities		**448.8**	401.5	417.4
Shareholders' equity				
Ordinary share capital		**6.0**	5.7	5.7
Share premium account		**42.1**	17.4	17.4
Capital redemption reserve		**99.3**	99.3	99.3
Other reserves		**(6.8)**	(7.6)	(7.2)
Retained earnings		**(55.3)**	(82.0)	(70.6)
Equity attributable to shareholders		**85.3**	32.8	44.6
Total equity and liabilities		**534.1**	434.3	462.0

Consolidated statement of changes in equity (unaudited)

as at 28 June 2013

	Ordinary share capital £m	Share premium account £m	Capital redemption reserve £m	Other reserves £m	Retained earnings £m	Total £m
Shareholders' equity as at 30 December 2011	5.7	17.4	99.3	(7.9)	(97.3)	17.2
Profit for the 26 weeks ended 29 June 2012	–	–	–	–	21.2	21.2
Actuarial loss on defined benefit plans	–	–	–	–	(0.8)	(0.8)
Tax on pensions	–	–	–	–	0.2	0.2
Total comprehensive income	–	–	–	–	20.6	20.6
Effects of employee share options	–	–	–	0.6	–	0.6
Tax on employee share options	–	–	–	(0.2)	–	(0.2)
Adjustment for tax rate change 25% to 24%	–	–	–	(0.1)	–	(0.1)
Dividends (note 6)	–	–	–	–	(5.3)	(5.3)
Shareholders' equity as at 29 June 2012	5.7	17.4	99.3	(7.6)	(82.0)	32.8
Profit for the 26 weeks ended 28 December 2012	–	–	–	–	14.5	14.5
Actuarial loss on defined benefit plans	–	–	–	–	(0.1)	(0.1)
Tax on pensions	–	–	–	–	–	–
Total comprehensive income	–	–	–	–	14.4	14.4
Effects of employee share options	–	–	–	0.6	–	0.6
Tax on employee share options	–	–	–	(0.2)	–	(0.2)
Adjustment for tax rate change 24% to 23%	–	–	–	–	–	–
Dividend (note 6)	–	–	–	–	(3.0)	(3.0)
Shareholders' equity as at 28 December 2012	5.7	17.4	99.3	(7.2)	(70.6)	44.6
Profit for the 26 weeks ended 28 June 2013	–	–	–	–	23.9	**23.9**
Actuarial loss on defined benefit plans	–	–	–	–	(3.1)	**(3.1)**
Tax on pensions	–	–	–	–	0.7	**0.7**
Total comprehensive income	–	–	–	–	21.5	**21.5**
Effects of employee share options	–	–	–	0.7	–	**0.7**
Tax on employee share options	–	–	–	1.4	–	**1.4**
Proceeds from share issue	0.3	23.9	–	–	–	**24.2**
Issue costs in respect of shares issued	–	(0.9)	–	–	–	**(0.9)**
Issue of shares under LTIP scheme[1]	–	1.7	–	–	–	**1.7**
Gift to Employee Benefit Trust	–	–	–	(1.7)	–	**(1.7)**
Dividends (note 6)	–	–	–	–	(6.2)	**(6.2)**
Shareholders' equity as at 28 June 2013	**6.0**	**42.1**	**99.3**	**(6.8)**	**(55.3)**	**85.3**

[1] Relating to issue of 0.2 million shares under 2010 LTIP scheme.

The above amounts relate to transactions with owners of the Company except for the profit for the period and also pension items (net of tax) of £2.4 million loss (June 2012: £0.6 million loss; December 2012: £0.7 million loss).

The capital redemption reserve represents £80,002,465 B Shares that were issued on 2 August 2006 and redeemed for cash on the same day and £19,274,610 B Shares that were issued on 10 October 2010 and redeemed for cash on 11 October 2010.

Consolidated statement of cash flows (unaudited)

for the 26 week period ended 28 June 2013

	Note	26 week period ended 28 Jun 2013 £m	26 week period ended 29 Jun 2012 £m	52 week period ended 28 Dec 2012 (audited) £m
Cash flows from operating activities				
Cash generated from operations before external transaction costs	8	**47.8**	40.8	83.3
External transaction costs in respect of acquisitions		**(1.3)**	(0.5)	(1.0)
Cash generated from operations		**46.5**	40.3	82.3
Finance income received		**0.4**	0.2	0.3
Finance costs paid		**(24.6)**	(12.3)	(12.6)
Transfer from restricted bank accounts for finance costs		**11.9**	–	–
Payments to restricted bank accounts for finance costs		**–**	–	(11.9)
Total payments in respect of finance costs		**(12.7)**	(12.3)	(24.5)
Tax paid		**(5.1)**	(2.4)	(8.6)
Net cash generated from operating activities		**29.1**	25.8	49.5
Cash flows from investing activities				
Acquisition of subsidiaries and businesses (net of cash acquired)	11	**(59.2)**	(5.2)	(10.7)
Proceeds from sale of property, plant and equipment	11	**0.4**	0.4	0.8
Vehicle replacement programme and improvements to locations		**(7.2)**	(5.1)	(11.8)
Branch relocations		**(0.5)**	(0.4)	(1.0)
Satellite locations		**(0.3)**	(0.6)	(1.3)
Development of new crematoria		**(0.9)**	(1.8)	(4.4)
Mercury abatement project		**(0.2)**	(0.1)	(1.9)
Purchase of property, plant and equipment		**(9.1)**	(8.0)	(20.4)
Net cash used in investing activities		**(67.9)**	(12.8)	(30.3)
Cash flows from financing activities				
Transfers from restricted bank accounts		**1.5**	–	–
Proceeds from shares issued		**24.2**	–	–
Issue costs in respect of shares issued		**(0.9)**	–	–
Proceeds from borrowings		**39.8**	–	–
Issue costs in respect of borrowings		**(0.9)**	–	–
Repayment of borrowings		**(9.7)**	(4.1)	(4.1)
Transfer from restricted bank accounts for repayment of borrowings		**4.2**	–	–
Payments to restricted bank accounts for repayment of borrowings		**–**	–	(4.2)
Total payments in respect of borrowings		**(5.5)**	(4.1)	(8.3)
Dividends paid to shareholders on Ordinary Shares	6	**(6.2)**	(5.3)	(8.3)
Net cash used in financing activities		**52.0**	(9.4)	(16.6)
Net increase in cash and cash equivalents		**13.2**	3.6	2.6
Cash and cash equivalents at the beginning of the period		**38.0**	35.4	35.4
Cash and cash equivalents at the end of the period	7	**51.2**	39.0	38.0
Restricted cash		**–**	1.5	17.6
Cash and cash equivalents at the end of the period as reported in the consolidated balance sheet	7	**51.2**	40.5	55.6

1 Accounting policies

The principal accounting policies adopted in the preparation of this interim condensed consolidated financial information are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

Basis of preparation

The interim condensed consolidated financial information of Dignity plc (the 'Company') is for the 26 week period ended 28 June 2013 and comprises the results, assets and liabilities of the Company and its subsidiaries (the 'Group').

The interim condensed consolidated financial information has been reviewed, not audited and does not constitute statutory accounts within the meaning of s434 of the Companies Act 2006. This interim condensed consolidated financial information has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Service Authority and with IAS 34 'interim financial reporting' as adopted by the European Union.

The interim condensed consolidated financial information has been prepared in accordance with all applicable International Financial Reporting Standards, as adopted by the European Union, that are expected to apply to the Group's Financial Report for the 52 week period ended 27 December 2013. The interim condensed consolidated financial information is also consistent with the audited consolidated financial statements for the 52 week period ended 28 December 2012. This does not include all of the information required for full annual financial statements, and should be read in conjunction with the audited consolidated financial statements of the Group as at and for the 52 week period ended 28 December 2012. The Directors approved this interim condensed consolidated financial information on 31 July 2013.

With the exception of Employee benefits, the accounting policies applied by the Group in this interim condensed consolidated financial information are the same as those applied by the Group in its audited consolidated financial statements as at and for the 52 week period ended 28 December 2012, which are prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The basis of consolidation is set out in the Group's accounting policies in those financial statements.

The Group has applied IAS 19 (revised) Employee benefits and this has had a negligible impact on the Group and there is therefore no restatement to prior year comparable numbers.

The preparation of interim condensed consolidated financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, and income and expenses. In preparing this interim condensed consolidated financial information, the significant judgments made by the management in applying the Group's accounting policies and key source of estimation uncertainty were the same as those applied to the audited consolidated financial statements as at and for the 52 week period ended 28 December 2012.

Comparative information has been presented as at and for the 26 week period ended 29 June 2012 and as at and for the 52 week period ended 28 December 2012.

The comparative figures for the 52 week period ended 28 December 2012 do not constitute statutory accounts for the purposes of s434 of the Companies Act 2006. A copy of the Group's statutory accounts for the 52 week period ended 28 December 2012 have been delivered to the Registrar of Companies and contained an unqualified auditors' report in accordance with s498 of the Companies Act 2006.

Pre-arranged funeral plans – Recoveries

From time to time, the Group receives monies from certain of the Trusts, in line with the relevant Trust's deed, which have been assessed by the trustees as not being required to ensure the Trust has sufficient assets to meet its future liabilities in respect of current members ('Recoveries'). All Recoveries are recognised as other operating income in the period in which the trustees approve their payment.

2 Revenue and segmental analysis

Operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision maker who is responsible for allocating resources and assessing performance of the operating segments. The chief operating decision maker of the Group has been identified as the four Executive Directors. The Group has three reporting segments, funeral services, crematoria and pre-arranged funeral plans. The Group also reports central overheads, which comprise unallocated central expenses.

Funeral services relate to the provision of funerals and ancillary items, such as memorials and floral tributes.

Crematoria services relate to cremation services and the sale of memorials and burial plots at the Group's crematoria and cemeteries.

Pre-arranged funeral plans represent the sale of funerals in advance to customers wishing to make their own funeral arrangements, and the marketing and administration costs associated with making such sales.

Substantially all Group revenue is derived from, and substantially all of the Group's net assets are located in, the United Kingdom and Channel Islands and relates to services provided. Overseas transactions are not material.

Underlying profit is stated before profit on sale of fixed assets, external transaction costs and exceptional items. Underlying operating profit is included as it is felt that adjusting operating profit for these items provides a useful indication of the Group's performance.

The operating profit (which includes Recoveries within pre-arranged funeral plans of £nil (2012: £1.5 million)), by segment, was as follows:

26 week period ended 28 June 2013

	Revenue £m	Underlying operating profit before depreciation and amortisation £m	Depreciation and amortisation £m	Underlying operating profit/(loss) £m	Profit on sale of fixed assets and external transaction costs £m	Operating profit/(loss) £m
Funeral services – existing	88.9	37.7	(4.0)	33.7	0.2	33.9
Funeral services – acquisition	4.9	1.9	(0.2)	1.7	(1.1)	0.6
Funeral services	93.8	39.6	(4.2)	35.4	(0.9)	34.5
Crematoria – existing	27.1	15.8	(1.4)	14.4	–	14.4
Crematoria – acquisition	0.8	0.5	–	0.5	(0.2)	0.3
Crematoria	27.9	16.3	(1.4)	14.9	(0.2)	14.7
Pre-arranged funeral plans	11.5	3.0	(0.1)	2.9	–	2.9
Central overheads	–	(7.6)	(0.3)	(7.9)	–	(7.9)
Group	133.2	51.3	(6.0)	45.3	(1.1)	44.2
Finance costs				(13.4)	–	(13.4)
Finance income				1.2	–	1.2
Profit before tax				33.1	(1.1)	32.0
Taxation – continuing activities				(8.1)	–	(8.1)
Underlying earnings for the period				25.0		
Total other items					(1.1)	
Profit after taxation						23.9
Earnings per share for profit attributable to equity shareholders (pence)						
– Basic and diluted				44.0p		42.1p

The acquisitions included separately in the table above represent approximately 2,800 funerals and 1,200 cremations performed in the period.

26 week period ended 29 June 2012

	Revenue £m	Underlying operating profit before depreciation and amortisation £m	Depreciation and amortisation £m	Underlying operating profit/(loss) £m	Profit on sale of fixed assets, external transaction costs and exceptional items £m	Operating profit/(loss) £m
Funeral services	81.6	34.0	(3.7)	30.3	(0.3)	30.0
Crematoria	23.7	13.6	(1.3)	12.3	–	12.3
Pre-arranged funeral plans	11.2	3.8	(0.1)	3.7	–	3.7
Central overheads	–	(7.0)	(0.1)	(7.1)	–	(7.1)
Group	116.5	44.4	(5.2)	39.2	(0.3)	38.9
Finance costs				(12.9)	–	(12.9)
Finance income				1.2	–	1.2
Profit before tax				27.5	(0.3)	27.2
Taxation – continuing activities				(7.0)	–	(7.0)
Taxation – exceptional				–	1.0	1.0
Taxation				(7.0)	1.0	(6.0)
Underlying earnings for the period				20.5		
Total other items					0.7	
Profit after taxation						21.2

Earnings per share for profit attributable to equity shareholders (pence)

– Basic and diluted	37.4p	38.7p

52 week period ended 28 December 2012

	Revenue £m	Underlying operating profit before depreciation and amortisation £m	Depreciation and amortisation £m	Underlying operating profit/(loss) £m	Profit on sale of fixed assets, external transaction costs and exceptional items £m	Operating profit/(loss) £m
Funeral services	157.9	61.7	(7.5)	54.2	(0.5)	53.7
Crematoria	46.6	25.9	(2.6)	23.3	(0.2)	23.1
Pre-arranged funeral plans	25.1	6.7	(0.2)	6.5	–	6.5
Central overheads	–	(14.2)	(0.4)	(14.6)	–	(14.6)
Group	229.6	80.1	(10.7)	69.4	(0.7)	68.7
Finance costs				(25.8)	–	(25.8)
Finance income				2.5	–	2.5
Profit before tax				46.1	(0.7)	45.4
Taxation – continuing activities				(11.7)	–	(11.7)
Taxation – exceptional				–	2.0	2.0
Taxation				(11.7)	2.0	(9.7)
Underlying earnings for the period				34.4		
Total other items					1.3	
Profit after taxation						35.7

Earnings per share for profit attributable to equity shareholders (pence)

– Basic and diluted	62.8p	65.1p

3 Net finance costs

	26 week period ended 28 Jun 2013 £m	26 week period ended 29 Jun 2012 £m	52 week period ended 28 Dec 2012 £m
Finance costs			
Class A and B Secured Notes	**11.3**	11.5	23.0
Amortisation of issue costs	**0.8**	0.9	1.6
Crematoria Acquisition Facility	**0.3**	0.2	0.5
Term loan	**0.6**	–	–
Other loans	**0.2**	0.2	0.4
Interest payable on finance leases	**–**	–	0.1
Unwinding of discounts	**0.2**	0.2	0.4
Finance costs	**13.4**	13.0	26.0
Less: interest capitalised	**–**	(0.1)	(0.2)
Net finance costs	**13.4**	12.9	25.8
Finance income			
Bank deposits	**(0.3)**	(0.2)	(0.4)
Release of premium on Secured Notes	**(0.9)**	(0.9)	(1.9)
Net finance income on retirement benefit obligations	**–**	(0.1)	(0.2)
Finance income	**(1.2)**	(1.2)	(2.5)
Net finance costs	**12.2**	11.7	23.3

Borrowing costs of £nil million (June 2012: £0.1 million; December 2012: £0.2 million) were capitalised as components of the cost of construction of qualifying assets, applying an annualised average capitalisation rate of nil per cent (June 2012: 6.9 per cent; December 2012: 6.8 per cent).

4 Taxation

The taxation charge on continuing operations in the period is based on a full year estimated effective tax rate, before exceptional items, of 24.5 per cent (2012: 25.5 per cent) on profit before tax for the 26 week period ended 28 June 2013.

	26 week period ended 28 Jun 2013 £m	26 week period ended 29 Jun 2012 £m	52 week period ended 28 Dec 2012 £m
Taxation	**8.1**	6.0	9.7

The main rate of Corporation Tax in the UK changed from 24 per cent to 23 per cent from 1 April 2013.

The Group has recognised £nil (June 2012: £1.0 million; December 2012: £2.0 million) through its income statement to reflect one off changes in the tax rate.

Legislation to reduce the main rate of Corporation Tax from 23 per cent to 21 per cent from 1 April 2014 and a further reduction to 20 per cent from 1 April 2015 was included in the Finance Bill 2013. None of these rate reductions have been substantively enacted at the balance sheet date and therefore are not included in these financial statements.

Each percentage point reduction in Corporation Tax rate is expected to reduce the deferred tax liability by approximately £1.5 million. These impacts will be recognised in the period in which substantive enactment occurs.

5 Earnings per share (EPS)

The calculation of basic earnings per Ordinary Share has been based on the profit for the relevant period.

For diluted earnings per Ordinary Share, the weighted average number of Ordinary Shares in issue is adjusted to assume conversion of all dilutive potential Ordinary Shares.

The Group has two classes of potentially dilutive Ordinary Shares being those share options granted to employees under the Group's SAYE Scheme and the contingently issuable shares under the Group's LTIP Schemes. At the balance sheet date, the performance criteria for the vesting of the awards under the LTIP Schemes had not been met and these contingently issuable shares have been excluded from the diluted EPS calculations.

The Board believes that profit on ordinary activities before profit on sale of fixed assets, external transaction costs, exceptional items and after taxation is a useful indication of the Group's performance, as it excludes significant non-recurring items. This reporting measure is defined as 'Underlying profit after taxation'.

Accordingly, the Board believes that earnings per share calculated by reference to this underlying profit after taxation is also a useful indicator of financial performance.

5 Earnings per share (EPS) (continued)

Reconciliations of the earnings and the weighted average number of shares used in the calculations are set out below:

	Earnings £m	Weighted average number of shares millions	Per share amount pence
26 week period ended 28 June 2013			
Profit attributable to shareholders – Basic and diluted EPS	**23.9**	**56.8**	**42.1**
Add:			
Profit on sale of fixed assets and external transaction costs (net of taxation of £nil million)	**1.1**		
Underlying profit after taxation – Basic EPS	**25.0**	**56.8**	**44.0**
26 week period ended 29 June 2012			
Profit attributable to shareholders – Basic and diluted EPS	21.2	54.8	38.7
Deduct:			
Exceptional items, profit on sale of fixed assets and external transaction costs (net of taxation of £nil million)	(0.7)		
Underlying profit after taxation – Basic EPS	20.5	54.8	37.4
52 week period ended 28 December 2012			
Profit attributable to shareholders – Basic and diluted EPS	35.7	54.8	65.1
Deduct:			
Exceptional items, profit on sale of fixed assets and external transaction costs (net of taxation of £nil million)	(1.3)		
Underlying profit after taxation – Basic EPS	34.4	54.8	62.8

In all periods, the potential issue of new shares pursuant to the Group's share option plans would have no impact on the calculation of earnings per share.

6 Dividends

On 28 June 2013, the Group paid a final dividend, in respect of 2012, of 10.75 pence per share (2012: 9.77 pence per share) totalling £6.2 million (2012: £5.3 million).

7 Cash and cash equivalents

	Note	28 Jun 2013 £m	29 Jun 2012 £m	28 Dec 2012 £m
Cash as reported in the consolidated statement of cash flows as cash and cash equivalents		**51.2**	39.0	38.0
Recoveries: pre-arranged funeral plans	(a)	**–**	1.5	1.5
Amounts set aside for debt service payments	(b)	**–**	–	16.1
Cash and cash equivalents as reported in the balance sheet		**51.2**	40.5	55.6

(a) Recoveries may not be used for one year following receipt and therefore do not meet the definition of cash and cash equivalents in IAS 7, Cash Flow Statements.

(b) This amount was transferred to restricted bank accounts which could only be used for the payment of the interest and principal on the Secured Notes, the repayment of liabilities due on the Group's interest rate swaps and commitment fees due on its undrawn borrowing facilities and for no other purpose.

This amount does not meet the definition of cash and cash equivalents in IAS 7, Statement of Cash Flows. Whilst not applicable in 2013, this amount was used to pay these respective parties on 31 December 2012. Of this amount £nil million (December 2012: £11.9 million) is shown within the Statement of Cash Flows as 'Payments to restricted bank accounts for finance costs' and £nil million (December 2012: £4.2 million) is shown within 'Financing activities' as 'Payments to restricted bank accounts for repayment of borrowings'.

8 Reconciliation of cash generated from operations

	26 week period ended		52 week period ended
	28 Jun 2013 £m	29 Jun 2012 £m	28 Dec 2012 £m
Net profit for the period	**23.9**	21.2	35.7
Adjustments for:			
Taxation	**8.1**	6.0	9.7
Net finance costs	**12.2**	11.7	23.3
Profit on disposal of fixed assets	**(0.2)**	(0.1)	(0.1)
Depreciation charges	**5.9**	5.1	10.5
Amortisation of intangibles	**0.1**	0.1	0.2
Movement in inventories	**–**	(0.1)	(0.4)
Movement in trade receivables	**0.1**	(1.8)	(1.2)
Movement in trade payables	**(0.4)**	(1.3)	0.4
External transaction costs	**1.3**	0.4	0.8
Changes in other working capital (excluding acquisitions)	**(3.9)**	(1.0)	3.2
Employee share option charges	**0.7**	0.6	1.2
Cash generated from operations before external transaction costs	**47.8**	40.8	83.3

9 Net debt

	28 Jun 2013 £m	29 Jun 2012 £m	28 Dec 2012 £m
Net amounts owing on all Class A and B Secured Notes per financial statements	**(310.2)**	(319.2)	(318.9)
Add: unamortised issue costs	**(13.8)**	(15.3)	(14.6)
Gross amounts owing on all Class A and B Secured Notes per financial statements	**(324.0)**	(334.5)	(333.5)
Net amounts owing on Crematoria Acquisition Facility per financial statements	**(15.6)**	(9.9)	(10.0)
Add: unamortised issue costs on Crematoria Acquisition Facility	**(0.2)**	(0.1)	–
Net amounts owing on Term Loan per financial statements	**(32.3)**	–	–
Add: unamortised issue costs on Term Loan	**(0.6)**	–	–
Gross amounts owing	**(372.7)**	(344.5)	(343.5)
Accrued interest on Class A and B Secured Notes	**–**	–	(11.6)
Accrued interest on Crematoria Acquisition Facility	**(0.1)**	(0.1)	(0.1)
Cash and cash equivalents	**51.2**	40.5	55.6
Net debt	**(321.6)**	(304.1)	(299.6)

In addition to the above, the consolidated balance sheet also includes finance lease obligations and other financial liabilities which totalled £5.1 million (June 2012: £5.4 million; December 2012: £5.7 million). These amounts do not represent sources of funding for the Group and are therefore excluded from the calculation of net debt.

The Group's primary financial covenant in respect of the Secured Notes requires EBITDA to total debt service to be above 1.5 times. At 28 June 2013, the actual ratio was 2.61 times (June 2012: 2.35 times; December 2012: 2.43 times).

These ratios are calculated for EBITDA and total debt service on a 12 month rolling basis and reported quarterly. In addition, both terms are specifically defined in the legal agreement relating to the Secured Notes. As such, they cannot be accurately calculated from the contents of this Report.

10 Financial risk management and financial instruments

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's annual financial statements as at 28 December 2012. There have been no changes in the approach to risk management or in any risk management policies since the year end.

(b) Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities. On 30 July 2013, the Group's term loan with the Royal Bank of Scotland was repaid following the issue of further Secured Notes.

(c) Fair value estimation

All assets and liabilities are held at amortised cost other than interest rate swaps which are held at fair value. These swaps are level 2. The fair value represents the discounted net present value of future cash flows and is being amortised in accordance with IAS 39. See Note 16 (c) of the Dignity plc Annual Report & Accounts 2012 for further details.

Other than the swaps, all financial assets and liabilities are carried at amortised cost. The fair value and book value of the borrowings are set out below, the fair value of all other financial assets and liabilities approximate their carrying amount.

	28 June 2013		28 December 2012	
	Book value £m	**Fair value £m**	Book value £m	Fair value £m
Long term borrowings (excluding finance lease obligations)	**351.3**	**433.8**	309.4	410.2

11 Acquisitions and disposals

(a) Acquisition of subsidiary and other businesses

	Provisional fair value £m
Property, plant and equipment	**21.1**
Intangible assets:	
Trade names	**22.4**
Cash acquired	**1.1**
Other working capital	**0.2**
Deferred taxation	**(9.6)**
Net assets acquired	**35.2**
Goodwill arising	**25.1**
	60.3
Satisfied by:	
Cash paid on completion funded from internally generated cash flows	**60.3**

During 2013, the Group acquired the operational interest of 41 funeral locations and two crematoria locations. These acquisitions were made by one acquisition of the trade and assets of a business and the acquisition of the entire issued share capital of Yew Holdings Limited (the 'Yew Acquisition').

These acquisitions have been accounted for under the acquisition method. The Yew Acquisition represents the vast majority of the consideration paid and associated assets acquired.

All intangible assets were recognised at their provisional respective fair values. The residual excess over the net assets acquired is recognised as goodwill. This represents the value to the Group of the funeral locations.

The fair value adjustments contain provisional amounts, which will be finalised in 2013 full year results. These adjustments reflect the recognition of trade names and associated deferred taxation. Adjustments to reflect the fair value of other working capital movements such as receivables, inventories and accruals and are immaterial.

11 Acquisitions and disposals (continued)

Post acquisition operating performance of these acquisitions is disclosed in note 2 to the Interim Report.

If the Group owned the Yew Acquisition for the entire period of the Interim Report, then the estimated revenue for the Yew Acquisition would be £6.6 million and the estimated operating profit would be £2.5 million. These estimates assume a pro rata extrapolation of the Yew Acquisition's operating performance post acquisition. No material changes resulted from aligning the Yew Acquisition's accounting policies to those of the Group.

(b) Reconciliation to cash flow statement

	£m
Cash paid on completion	**60.3**
Cash paid in respect of deferred consideration obligations	**–**
Cash acquired on acquisition	**(1.1)**
Acquisition of subsidiaries and businesses as reported in the cash flow statement	**59.2**

(c) Acquisition and disposals of property, plant and equipment

In addition to the above, there were additions in relation to crematoria developments totalling £0.9 million (2012: £1.6 million) and £8.2 million (2012: £5.9 million) of other additions to property, plant and equipment in the period. The Group also received proceeds of £0.4 million (2012: £0.4 million) from disposals of property, plant and equipment, which had a net book value of £0.2 million (2012: £0.3 million).

The Group had capital expenditure authorised by the Board and contracted for at the balance sheet date of £8.6 million (June 2012: £13.3 million; December 2012: £5.4 million) in respect of property, plant and equipment.

12 Related party transactions

The ultimate controlling party of the Group is Dignity plc.

Pre-arrangement trusts

During the period, the Group entered into transactions with the Trusts associated with the pre-arranged funeral plan businesses. The nature of the relationship with the Trusts is set out in the accounting policies, which can be found in the Group's 2012 Annual Report. Amounts may only be paid out of the Trusts in accordance with the relevant Trust Deeds.

Transactions principally comprise:

- The recovery of marketing and administration expenses in relation to plans sold net of cancellations; and
- Receipts from the Trusts in respect of carrying out funerals.

Transactions also include:

- Receipts from the Trusts in respect of cancellations by existing members;
- Reimbursement by the Trusts of expenses paid by the Group on behalf of the respective Trusts; and
- The payment of realised surpluses generated by the Trust funds as and when the trustees sanction such payments.

Related party transactions are summarised below:

	Transactions during the period			Amounts due to the Group within one year at the period end		
	26 week period ended		52 week period ended	26 week period ended		52 week period ended
	28 Jun 2013 £m	29 Jun 2012 £m	28 Dec 2012 £m	**28 Jun 2013 £m**	29 Jun 2012 £m	28 Dec 2012 £m
Dignity Limited Trust Fund	**0.2**	0.2	0.3	**–**	–	–
National Funeral Trust	**15.3**	14.1	28.9	**1.5**	1.4	1.4
Trust for Age UK Funeral Plans	**16.3**	16.4	31.6	**1.6**	1.2	1.6

13 Post balance sheet events

On 30 July 2013, the Group completed a further issue of Secured Notes with a nominal amount of £75 million. This raised gross proceeds of £97.7 million. £33 million has been used to repay the Group's term loan raised in January 2013 partly to finance the acquisition of Yew Holdings Limited. £1 million will be paid into the Group's defined benefit pension scheme. The Group has announced a proposed Return of Cash of £1.08 per Ordinary Share which will be made if shareholder approval is obtained at an Extraordinary General Meeting on 8 August 2013. Approval is also sought at that meeting to consolidate the Group's shares with shareholders receiving 13 new shares for every 14 existing Dignity shares held. This is in order to maintain performance indicators such as the Group's share price.

14 Interim Report

Copies of the Interim Report are available at the Group's website www.dignityfuneralsplc.co.uk.

15 Securitisation

In accordance with the terms of the securitisation carried out in April 2003, Dignity (2002) Limited (the holding company of those companies subject to the securitisation) has today issued reports to the Rating Agencies (Fitch Ratings and Standard & Poor's), the Security Trustee and the holders of the notes issued in connection with the securitisation confirming compliance with the covenants established under the securitisation.

16 Seasonality

The Group's financial results and cash flows have historically been subject to seasonal trends between the first half and second half of the financial year. Traditionally, the first half of the financial year sees slightly higher revenue and profitability. There is no assurance that this trend will continue in the future.

Statement of Directors' responsibilities

The Directors confirm to the best of their knowledge that:

(a) The interim condensed consolidated financial information has been prepared in accordance with IAS 34 as adopted by the European Union; and

(b) The Interim Report includes a fair review of the information as required by:

- DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first half of 2013 and their impact on the interim condensed consolidated financial information; and a description of the principal risks and uncertainties for the remaining second half of the year; and

- DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first half of 2013 and any material changes in the related party transactions described in the last annual report.

The Directors of Dignity plc and their functions are listed below:

Peter Hindley – Non-Executive Chairman
Mike McCollum – Chief Executive
Steve Whittern – Finance Director
Andrew Davies – Operations Director
Richard Portman – Corporate Services Director
Ishbel Macpherson – Non-Executive Director
Alan McWalter – Senior Independent Director
Jane Ashcroft – Non-Executive Director
Martin Pexton – Non-Executive Director

By order of the Board

Steve Whittern
Finance Director
31 July 2013

Independent review report to Dignity plc

Introduction
We have been engaged by the company to review the interim condensed consolidated financial information in the Interim Report for the 26 week period ended 28 June 2013, which comprises the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated statement of cash flows and related notes. We have read the other information contained in the Interim Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim condensed consolidated financial information.

Directors' responsibilities
The Interim Report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Interim Report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The interim condensed consolidated financial information included in this Interim Report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility
Our responsibility is to express to the company a conclusion on the interim condensed consolidated financial information in the Interim Report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Disclosure and Transparency Rules of the Financial Conduct Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of review
We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of the interim condensed consolidated financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial information in the Interim Report for the 26 week period ended 28 June 2013 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

PricewaterhouseCoopers LLP
Chartered Accountants, Birmingham
31 July 2013

Notes:

(a) The maintenance and integrity of the Dignity plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Shareholder information and financial calendar

General enquiries may be addressed to the Company Secretary, Richard Portman, at the Company's registered office. Other useful information is as follows:

General information
The Company is a public limited company which is listed on the London Stock Exchange and is incorporated and domiciled in the United Kingdom.

Company registrars
Enquiries concerning shareholdings, change of address or other particulars, should be directed in the first instance to the Company's Registrars, Equiniti. They also provide a range of online shareholder information services at www.shareview.co.uk where shareholders can check their holdings and find practical help on transferring shares and updating personal details. Alternatively they can be contacted by telephone on +44 (0) 871 384 2674* if calling from within the UK, or +44 (0) 121 415 7047 if calling from outside the UK, or by fax on +44 (0) 871 384 2100* if faxing from within the UK, or +44 (0) 190 383 3113 if faxing from outside the UK.

*At the time of publication, calls to these numbers cost eight pence per minute plus network extras. Lines are open from 8.30am to 5.30pm Monday to Friday.

Shareholder communications
Shareholder documents are only sent in paper format to shareholders who have elected to receive documents in this way. This approach enables the Company to reduce printing and distribution costs and its impact on the environment. Shareholders who have not elected to receive paper copies are sent a notification whenever shareholder documents are published to advise them how to access the documents via the Group website at www.dignityfuneralsplc.co.uk. Shareholders may also choose to receive this notification via email with a link to the relevant page on the website.

Shareholders who wish to receive email notification should register online at www.shareview.co.uk click on 'Register' under the 'Portfolio' section. You will require your Shareholder Reference Number, which is given on your share certificate or dividend tax voucher. Choosing e-mail notification will result in you joining the Equiniti Shareview Service in accordance with its terms and conditions.

Share price information
The latest Dignity plc share price can be obtained via the Company's investor website www.dignityfuneralsplc.co.uk.

Unsolicited mail
The Company is obliged by law to make its share register available upon request to the public and to other organisations which may use it as a mailing list resulting in shareholders receiving unsolicited mail. Shareholders wishing to limit the receipt of such mail should register to do so with the Mailing Preference Service at www.mpsonline.org.uk.

Financial calendar

31 July 2013
Announcement of interim results

27 December 2013
Financial period end

Contact details and advisers

Registered Office:
Dignity plc
4 King Edwards Court
King Edwards Square
Sutton Coldfield
West Midlands B73 6AP

Tel: +44 (0) 121 354 1557
Fax: +44 (0) 121 321 5644
Email: enquiries@dignityuk.co.uk
www.dignityfuneralsplc.co.uk

Company Secretary:
Richard Portman FCA

Registered Number:
4569346

Registrars:
Equiniti
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA

Tel: +44 (0) 871 384 2674
Fax: +44 (0) 871 384 2100
www.shareview.co.uk

Auditors:
PricewaterhouseCoopers LLP
Cornwall Court
19 Cornwall Street
Birmingham B3 2DT

Joint Brokers:
Panmure Gordon & Co
One New Change
London EC4M 9AF

Investec
A division of Investec Bank plc
2 Gresham Street
London EC2V 7QP

Principal Bankers:
Royal Bank of Scotland plc
West Midlands Corporate Office
2 St Philips Place
Birmingham B3 2RB

Legal Adviser:
DLA Piper UK LLP
Victoria Square House
Victoria Square
Birmingham B2 4DL

Designed and produced by Bexon Woodhouse
www.bexonwoodhouse.com

Dignity plc

4 King Edwards Court
King Edwards Square
Sutton Coldfield
West Midlands B73 6AP

For more information on Dignity,
please visit our investor relations website:

www.dignityfuneralsplc.co.uk

Dignity
CARING FUNERAL SERVICES