Dignity
CARING FUNERAL SERVICES

For immediate release **7 March 2012**

Dignity plc

Preliminary results for the 52 week period ended 30 December 2011

Dignity plc (the 'Group'), the UK's only listed provider of funeral related services, announces its preliminary results for the 52 week period ended 30 December 2011.

Financial highlights

	52 week Period ended 30 December 2011	53 week Period ended 31 December 2010	Increase / (decrease) per cent
Revenue (£million)	**210.1**	199.1	5.5
Underlying operating profit[a] (£million)	**64.5**	61.0	5.7
Underlying profit before tax[a] (£million)	**41.6**	40.4	3.0
Underlying earnings per share[a] (pence)	**55.1**	46.4	18.8
Cash generated from operations[b] (£million)	**74.2**	74.5	(0.4)
Operating profit (£million)	**63.2**	60.4	4.6
Profit before tax (£million)	**40.3**	39.8	1.3
Basic earnings per share (pence)	**62.6**	46.9	33.5
Interim dividend[c] (pence)	**4.87**	-	n/a
Final dividend[d] (pence)	**9.77**	8.88	10.0

(a) Underlying profit and underlying earnings are calculated as profit excluding profit on sale of fixed assets, external transaction costs and exceptional items.

(b) Cash generated from operations excludes external transaction costs.

(c) An interim dividend was not paid separately in 2010, but was instead included within the £1 Return of Value per Ordinary Share paid in October 2010.

(d) The final dividend in 2011 is the proposed dividend expected to be approved at the annual general meeting on 14 June 2012. The 2010 final dividend is the dividend approved and paid in 2011.

Highlights

- Strong operating performance by the Group, particularly given the prior year was a 53 week trading period;

- Profits continue to be converted to cash;

- Funeral operations continue to deliver high levels of customer satisfaction. Having received the final invoice, 99 per cent of families say we met or exceeded their expectations and 98 per cent say they would recommend us;

- £12 million invested to acquire 10 funeral locations. A further four locations have been acquired since the period end;

- 25 satellite locations opened within the funeral business and the project as a whole, which commenced in 2010, broke even in the year;

- Two crematoria have been built and opened in the year;

- Two further crematoria are due to become operational in 2012; and

- The strongest year ever of pre-arranged funeral plan sales, with unfulfilled pre-arranged funeral plans increasing to 265,000.

Mike McCollum, Chief Executive of Dignity plc commented:

“We have made good progress in each of our businesses. Customer service remains excellent. We have developed and acquired new funeral and crematoria locations, pre-arranged sales continued to grow strongly and the core business has performed well. This, combined with the full effect of the 2010 Return of Value has resulted in a 19 per cent increase in EPS.

Whilst 2012 has started more quietly than 2011, the Board remains confident in the Group’s prospects and its expectations for 2012 remain positive and unchanged.”

For more information

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Chairman's Statement

Results

I am pleased to report another successful year for the Group.

Underlying operating profits have increased by 6 per cent to £64.5 million (2010: £61.0 million). Underlying earnings per share have increased 19 per cent to 55.1 pence per Ordinary Share (2010: 46.4 pence per Ordinary Share).

Dividends

The Board is proposing a final dividend of 9.77 pence per Ordinary Share to be paid on 29 June 2012 to members on the register at close of business on 25 May 2012. This dividend is subject to the approval of shareholders at the Annual General Meeting on 14 June 2012. This final dividend represents a 10 per cent increase on the previous year and is consistent with the annual increases made since flotation in 2004.

The Board

We have announced a number of changes regarding our Non-Executive Directors, which will be effective from 1 April 2012.

James Newman and Bill Forrester will be retiring from the Board. James has been Senior Non-Executive Director and Chair of the Audit Committee since flotation. Bill has, until recently, been Chair of the Remuneration Committee during the same period.

I would like to thank both of them for their support over the last eight years, which has been a period of great success for the Group.

I am also pleased to welcome Jane Ashcroft and Martin Pexton to the Board. Their biographies describe their background and I am sure they will contribute to the Board enormously and will help Dignity to continue to generate value for its shareholders in the future. Jane and Martin will also sit on the Audit, Remuneration and Nomination Committees.

I am also delighted that Alan McWalter has agreed to become the Senior Non-Executive Director. Alan has also become Chair of the Remuneration Committee. Ishbel Macpherson will become Chair of the Audit Committee.

Our people

Dignity remains dependent on the quality of its staff, who care for our clients at one of the most difficult times in their lives. They continue to deliver outstanding client service and I am grateful for the part each member of staff has played during the year.

Outlook for 2012

The number of deaths in the first quarter of 2012 is expected to be a lower proportion of the year as a whole than in 2011. However, the Board's expectations for 2012 remain positive and unchanged.

Peter Hindley
Chairman
7 March 2012

Chief Executive's Overview

Our performance
The Group has performed well, with underlying operating profits increasing 6 per cent despite a continued reduction in the number of deaths per year and a challenging 53 week comparable period. We remain focused on our commitment to help as many families as possible at one of the most difficult times in their lives, which in turn we believe will allow us to create value for our shareholders.

Delivering on our strategy
Continued commitment to client service excellence
Client service excellence remains central to our operations. Given approximately three-quarters of our funeral business is generated through our reputation or through recommendations, this focus has created, and will continue to, create value.

Continuing to control our costs
We remain focused on cost control and continue to identify ways to minimise our cost base without compromising on the quality of our customer service.

Acquiring and developing additional funeral locations
This year has witnessed the acquisition of 10 established funeral locations. We have also opened 25 new satellite locations, bringing the total number opened since the project started in 2010 to 43.

Developing, managing or acquiring additional crematoria
Opportunities continue to arise within the crematoria division. Two newly built locations became operational in 2011 and a further two are due to become operational in 2012.

National marketing, principally through affinity partners, of pre-arranged funeral plans
This has been the most successful year to date for pre-arranged funeral plans, both in terms of profitability and the number of plans sold. This reflects continued focus on developing new affinity relationships with reputable third parties as well as strengthening relationships with existing partners such as Age UK.

A strong platform for sustainable growth
Yet again this year, the Group has been able to invest in the maintenance of its existing assets, grow the business through acquisition and open new locations, all without the need for any additional external funding. This is a testament to the continued highly cash generative nature of the Group as a whole.

Valuing our people
I am always heartened by the time many families take to write directly to me to record their thanks for the wonderful job we did for their particular family. Similar evidence of the care and dedication shown by our staff can be found in each and every one of our locations. They continue to do a tremendous job and I am very grateful for all their support in an increasingly competitive market.

I was once again delighted that the Group's success was able to be shared with staff with discretionary bonus payments totalling £1.6 million.

Dedicated to the local communities we serve
Working at the heart of local communities is a crucial part of our success and of our future. We continue to expand our network into areas of the country we do not currently serve. This will allow us to help more families at one of the most difficult times in their lives.

Business Review

Introduction
The Group's operations are managed across three main areas; funeral services, crematoria and pre-arranged funeral plans, which respectively represented 65 per cent, 28 per cent and 7 per cent of the Group's operating profits in 2011. 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 represents the sale of new plans and administration of existing plan holders.

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).

The initial publication of recorded total estimated deaths in Britain for the 52 weeks in 2011 was 539,000 compared to 557,000 for the 53 weeks in 2010. 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

Overview
The Group operates a network of 600 (2010: 567) funeral locations throughout the United Kingdom, generally trading under local established names. During the period, the Group conducted 62,300 funerals (2010: 64,500). Approximately two per cent of these funerals were conducted in Northern Ireland. Excluding Northern Ireland, these funerals represent approximately 11.3 per cent (2010: 11.4 per cent) of total estimated deaths in Britain.

In addition, whilst funerals divided by estimated deaths is a reasonable measure of our market share, the Group does not have a complete national presence. Consequently, this calculation can only ever be an estimate.

Delivering client service excellence: the Dignity client survey
To ensure we maintain the highest levels of client service excellence, all Dignity funeral locations send a written client survey to the families we serve. In the last five years, we have received over 150,000 responses and from the responses in the last year we know that, having received the final invoice:

- 99.3 (2010: 99.2) per cent of respondents said that we met or exceeded their expectations;
- 98.1 (2010: 98.1) per cent of respondents would recommend us;
- 99.9 (2010: 99.9) per cent thought our staff were respectful;
- 99.8 (2010: 99.8) per cent thought our premises were clean and tidy;
- 99.7 (2010: 99.8) per cent thought our vehicles were clean and comfortable;
- 99.7 (2010: 99.7) per cent thought our staff listened to their needs and wishes;
- 99.2 (2010: 99.2) per cent of clients agreed that our staff had fully explained what would happen before and during the funeral;
- 99.3 (2010: 99.2) per cent agreed that our staff were compassionate and caring;
- 98.8 (2010: 98.9) per cent said that the funeral service took place on time; and
- 98.8 (2010: 98.9) per cent said that the final invoice matched the estimate provided.

This consistent level of service underpins our funeral business.

Developments
Underlying operating profits were £50.8 million (2010: £49.3 million), an increase of 3 per cent. This is a good performance by the division, particularly considering the comparable period is for 53 weeks.

This performance has been achieved through successful execution of our strategy. Average revenues have increased, costs have remained well controlled and acquisition activity has generated incremental profits.

Investment in our properties and our fleet remains central to the delivery of our strategy. This year, the funeral services division has received investment of approximately £9.5 million. Approximately 53 per cent of this has funded the routine replacement of our hearses and limousines. The remainder has been used to improve our premises, including investment 'behind the scenes' on mortuary equipment and associated requirements, which we believe is essential to provide the best possible service to our families.

Funeral location portfolio
The Group's funeral location portfolio has increased by 33 in the year, reflecting acquisitions, disposals and the continuation of the new satellite funeral locations programme, which started in 2010.

Net acquisition investment of £12 million increased the portfolio by 10 funeral locations in the United Kingdom (including two in Northern Ireland). Each of these acquisitions met the Group's criteria of being larger than average, long-established businesses that fit well within the Group's existing network.

25 new satellite funeral locations (2010: 18) were opened in the year. The principle of these locations is that they must be situated close enough to existing business centres to use their specialist vehicles and mortuary equipment, but far enough away that they service new families. In this way, these funeral locations will provide the same outstanding level of client service that people experience from other Dignity funeral locations without the need for significant capital investment.

Satellite locations are anticipated to be loss making in their first full year of operation and be profitable in their third year of operation. The total portfolio opened under this initiative broadly broke even in 2011.

Two locations were closed in the period. This reflects the disposal of two valuable freehold locations for cash that can be reinvested in the business.

Since the year end, the Group has acquired four established funeral locations and opened a further three new satellite locations.

Crematoria

Overview
The Group is the largest single operator of crematoria in Britain, operating 35 (2010: 33) crematoria. The Group performed 47,600 cremations (2010: 45,200) in the period, representing 8.8 per cent (2010: 8.1 per cent) of deaths in Britain.

Developments
Operating profits were £21.3 million (2010: £19.9 million), an increase of 7 per cent. This reflects a strong performance from the established crematoria and an improving contribution from recently opened locations.

The Group has spent £1.0 million (2010: £2.1 million) during the year as part of its obligations to comply with the mercury abatement legislation, which is effective from the end of 2012. As a result of the investment so far, nine crematoria now have the required equipment installed and operational. Legislation requires any crematorium constructed after October 2006 to have mercury abatement equipment. Consequently an additional four crematoria within the Group's portfolio already comply with the legislation. The Group expects to be fully compliant before the 31 December 2012 deadline, by installing equipment at six further locations.

£1.7 million (2010: £1.3 million) has also been spent on new cremators and other improvements to the crematoria locations. This investment helps our locations provide the best possible service in comfortable surroundings to the funeral directors and families that use them.

During the period, the Group completed the construction of two crematoria in Somerset and Worcestershire. Somerset became operational at the end of the first quarter of 2011, whilst Worcestershire became operational shortly before the end of the year.

Work continues to complete the construction of a new crematorium in Essex. The Group is also the preferred bidder to operate Haringey Council's crematorium.

The changes to the portfolio in the year represented an investment of £9.0 million. A further capital investment of approximately £5.9 million is expected in 2012 to complete the current developments.

The Group continues to identify further locations suitable for a new crematorium and is also continuing to seek partnerships with local authorities.

Pre-arranged funeral plans

Overview
The Group continues to have a strong market presence in this area. These plans represent future incremental business for the funeral division, as the Group expects to perform the majority of these funerals.

Developments
The division has performed strongly in the period. Focused marketing activity with its partners has resulted in the number of unfulfilled pre-arranged funeral plans increasing to 265,000 (2010: 238,000) with operating profits in the division increasing to £4.0 million excluding Recoveries (2010: £2.8 million excluding Recoveries).

In recent years, the Group receives monies from the Trusts, in line with the relevant Trust's deed, which have been assessed by the trustees as not required to ensure the Trust has sufficient assets to meet its future liabilities in respect of current members ('Recoveries'). Recoveries were £1.5 million in both 2010 and 2011.

As with all the Group's operating profits, pre-arranged funeral plan profits convert efficiently into a similar amount of cash.

The Group has continued to work hard at developing its portfolio of affinity partners and has formed a number of new partnerships in the period with organisations in the retail and financial services arena.

The number of plan sales and also operating profits have increased strongly for a number of years.

Central overheads

Overview
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 the costs of incentive bonus arrangements, such as Long Term Incentive Plans (LTIPs) and annual performance bonuses, which are provided to over 100 managers working across the business.

Developments
Costs in the period were £13.1 million (2010: £12.5 million), an increase of 5 per cent. This year on year increase principally reflects the additional cost of bonuses paid to the operational managers of the business, together with some additional pension costs. The Group has also invested in greater numbers of IT and personnel staff to support the ever growing business.

Mike McCollum
Chief Executive
7 March 2012

Financial Review

Financial highlights

The Group's financial performance is summarised below:

	52 week period ended 30 December 2011	53 week period ended 31 December 2010	% increase
Revenue (£ million)	**210.1**	199.1	6
Underlying operating profit* (£ million)	**64.5**	61.0	6
Underlying profit before tax* (£ million)	**41.6**	40.4	3
Underlying earnings per share* (pence)	**55.1**	46.4	19
Cash generated from operations (£ million)	**74.2**	74.5	-
Operating profit (£ million)	**63.2**	60.4	5
Profit before tax (£ million)	**40.3**	39.8	1
Basic earnings per share (pence)	**62.6**	46.9	33
Dividends paid in the period:			
Interim dividend (pence)	**4.87**	-	n/a
Final dividend (pence)	**8.88**	8.07	10

* Underlying amounts exclude profit on sale of fixed assets, external transaction costs and exceptional items.

The Board has proposed a dividend of 9.77 pence per Ordinary Share as a final distribution of profits relating to 2011 to be paid on 29 June 2012, subject to shareholder approval.

Underlying profit after tax

The Board believes that, whilst statutory reporting measures provide a useful indication of the financial performance of the Group, additional insight is gained by excluding certain non-recurring or non-trading transactions. Accordingly, the following information is presented to aid understanding of the performance of the Group:

	52 week period ended 30 December 2011 £m	53 week period ended 31 December 2010 £m
Operating profit for the period as reported	**63.2**	60.4
Deduct the effects of:		
Profit on sale of fixed assets	**(0.2)**	(0.5)
External transaction costs	**1.5**	1.1
Underlying operating profit	**64.5**	61.0
Net finance costs	**(22.9)**	(20.6)
Underlying profit before tax	**41.6**	40.4
Tax charge on underlying profit before tax	**(11.4)**	(11.7)
Underlying profit after tax	**30.2**	28.7
Weighted average number of Ordinary Shares in issue during the period (million)	**54.8**	61.8
Underlying EPS (pence)	**55.1**	46.4
Increase in Underlying EPS (per cent)	**19%**	15%

Earnings per share
The Group's earnings were £34.3 million (2010: £29.0 million). Basic earnings per share were 62.6 pence per share (2010: 46.9 pence per share).

The Group's measures of underlying performance exclude the effect (after tax) of the profit on sale of fixed assets, external transaction costs and exceptional items. Consequently, underlying profit after tax was £30.2 million (2010: £28.7 million), giving underlying earnings per share of 55.1 pence per share (2010: 46.4 pence per share), an increase of 19 per cent.

This year on year growth reflects the full benefit of the Return of Value and subsequent share consolidation that was completed in 2010. Further details of this transaction may be found in the 2010 Annual Report.

Cash flow and cash balances
Cash generated from operations was £74.2 million (2010: £74.5 million). This reflects the Group's continued ability to convert profits into cash. The previous year's cashflow was stronger than normal as a result of certain timing differences.

Capital expenditure on property, plant and equipment was £22.8 million (2010: £27.9 million). This is analysed as:

	30 December 2011 £m	31 December 2010 £m
Vehicle replacements programme and improvements to locations	**10.8**	10.3
Branch relocations	**0.9**	0.6
Satellite locations	**1.1**	1.0
Development of new crematoria	**9.0**	13.9
Mercury abatement project	**1.0**	2.1
Total property, plant and equipment	**22.8**	27.9
Partly funded by:		
Disposal proceeds	**(0.9)**	(1.1)
Net capital expenditure	**21.9**	26.8

In addition, the Group spent £12.0 million on the acquisition of 10 funeral locations.

Capital expenditure on mercury abatement represents the monies incurred to comply with new legislation. The total spent to date is £4.8 million and the total anticipated capital expenditure is approximately £7.0 million. The project will be completed by the end of 2012.

The Group also paid dividends on Ordinary Shares totalling £7.5 million (2010: £5.1 million) in the period. In 2010, no interim dividend was paid, as it was included within the Return of Value. The underlying increase in dividend per Ordinary Share is 10 per cent.

Cash balances at the end of the period were £36.9 million (2010: £48.1 million). £1.5 million (2010: £1.5 million) represents amounts received as Recoveries from the pre-arranged funeral plan trusts. These amounts are legally required, under the terms of the Group's securitisation, to be retained in a separate bank account for one year following receipt and do not therefore meet the definition of cash for cash flow reporting purposes.

Approximately £14.1 million of the remaining cash balance was immediately available for acquisitions and developments and approximately £17.0 million was set aside for future corporation tax and dividend payments.

Further details and analysis of the Group's cash balances are included in note 6.

Pensions
The balance sheet shows a surplus of £1.3 million before deferred tax (2010: £8.5 million). This reduction is explained by the significant reduction in gilt yields during the year and thus the discount rate used by the actuary to calculate the liabilities at the year end.

The scheme remains open to both new and existing members of staff. The Board is currently investigating the implications of auto enrolment, which is expected to impact the Group from April 2013.

Taxation
The Group's effective tax rate in the period was 27.5 per cent (excluding the exceptional rate change) (2010: 29 per cent). Following the Government's announcement to reduce the rate of Corporation Tax in future years, the Group expects its effective rate in 2012 to be approximately 26.5 per cent.

The Group's consolidated income statement includes exceptional income of £1.8 million which reflects the reduction in the headline Corporation Tax rate from 27 per cent to 25 per cent. Further exceptional credits will be recognised in future years if the Chancellor substantively enacts additional reductions in Corporation Tax rates.

The Group has also recognised a non-recurring tax credit of £3.4 million in the period reflecting the utilisation of losses incurred in the past and previously unrecognised for deferred tax purposes. This follows the completion of an exercise which investigated the Group's ability to simplify its structure. This project became possible following changes to the terms of the Group's Secured Notes in 2010. Approximately 90 per cent of this will be recognised as a cash benefit in 2012, with the balance expected to crystallise in 2013. External transaction costs of £0.4 million have been incurred in relation to this project.

Capital structure and financing
Secured Notes
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 and Poor's. Following an upgrade in the year, the Secured Notes are rated A+ and BBB+ by Fitch.

The Board considers that maintaining a leveraged balance sheet is appropriate for the Group, given the highly stable and 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 30 December 2011 was 2.27 times (2010: 2.56 times). This is a direct consequence of the additional debt issued in 2010. Further details may be found in note 7.

Crematoria Acquisition Facility
The Group is also fully drawn on a £10 million Crematoria Acquisition Facility, which was used to fund the acquisition of five crematoria locations in the last quarter of 2008.

The principal on this facility is repayable in one amount in November 2013 and interest is either fixed or capped at approximately 5.6 per cent. All interest is payable in cash on a quarterly basis.

Net debt
As set out in note 7, the Group's gross debt outstanding was £349.5 million (2010: £359.1 million). Net debt was £312.7 million (2010: £311.1 million), including the premia on the Secured Notes. The reduction in gross debt reflects the amortisation profile of the Secured Notes and associated premia.

Net finance costs
The Group's finance expense substantially consists of the interest on the Class A and B Secured Notes and ancillary instruments. The net finance cost in the period relating to these instruments was £23.1 million (2010: £20.3 million). This increase recognises the full year effect of the further Secured Notes that were issued in 2010.

Finance costs of £0.5 million (2010: £0.5 million) were incurred in respect of the Crematoria Acquisition Facility.

Other ongoing finance costs incurred in the period amounted to £0.3 million (2010: £0.6 million), including the unwinding of discounts on the Group's provisions, other financial liabilities and interest capitalised in accordance with IAS 23.

Interest receivable on bank deposits was £0.3 million (2010: £0.4 million). Net finance income of £0.7 million (2010: £0.4 million) was recognised in respect of the Group's pension scheme in accordance with IAS 19.

Key performance indicators

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.

	52 week period ended 30 December 2011	**53 week period ended 31 December 2010**
Total estimated number of deaths in Britain (number)	**539,000**	557,000
Number of funerals performed (number)	**62,300**	64,500
Funeral market share excluding Northern Ireland (per cent)	**11.3**	11.4
Number of cremations performed (number)	**47,600**	45,200
Crematoria market share (per cent)	**8.8**	8.1
Unfulfilled pre-arranged funeral plans (number)	**265,000**	238,000
Underlying earnings per share (pence)	**55.1**	46.4
Underlying operating profit (£ million)	**64.5**	61.0
Cash generated from operations[(a)] (£ million)	**74.2**	74.5

(a) Cash generated from operations excludes external transaction costs.

(b) These key performance indicators are produced using information supplied by ONS and company data.

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 Review.

A summary of the Group's financial record for the last five years can be found in the Annual Report.

Forward-looking statements

Certain statements in this Preliminary Announcement 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.

Steve Whittern
Finance Director
7 March 2012

Consolidated income statement
for the 52 week period ended 30 December 2011

	Note	52 week period ended 30 December 2011 £m	53 week period ended 31 December 2010 £m
Revenue	1	**210.1**	199.1
Cost of sales		**(89.2)**	(87.3)
Gross profit		**120.9**	111.8
Administrative expenses		**(59.2)**	(53.2)
Other income		**1.5**	1.8
Operating profit	1	63.2	60.4
Analysed as:			
Operating profit before profit on sale of fixed assets and before external transaction costs		64.5	61.0
Profit on sale of fixed assets		0.2	0.5
External transaction costs		(1.5)	(1.1)
Operating profit		**63.2**	60.4
Finance costs	2	**(25.9)**	(22.5)
Finance income	2	**3.0**	1.9
Profit before tax	1	**40.3**	39.8
Taxation – before exceptional items	3	**(11.2)**	(11.5)
Taxation – exceptional	3	**5.2**	0.7
Taxation	3	**(6.0)**	(10.8)
Profit for the period attributable to equity shareholders		**34.3**	29.0
Earnings per share for profit attributable to equity shareholders			
– Basic and diluted (pence)	4	**62.6p**	46.9p
Underlying Earnings per share (pence)	4	**55.1p**	46.4p

Consolidated statement of comprehensive income
for the 52 week period ended 30 December 2011

	Note	52 week period ended 30 December 2011 £m	53 week period ended 31 December 2010 £m
Profit for the period		**34.3**	29.0
Actuarial loss on retirement benefit obligations	9	**(7.9)**	(2.0)
Tax on actuarial loss on retirement benefit obligations		**2.1**	0.6
Other comprehensive loss		**(5.8)**	(1.4)
Comprehensive income for the period		**28.5**	27.6
Attributable to:			
Equity shareholders of the parent		**28.5**	27.6

Consolidated balance sheet
as at 30 December 2011

	Note	**30 December 2011 £m**	31 December 2010 £m
Assets			
Non-current assets			
Goodwill		**148.0**	142.9
Intangible assets		**46.3**	39.5
Property, plant and equipment		**147.6**	133.6
Financial and other assets		**12.6**	12.0
Retirement benefit asset	9	**1.3**	8.5
		355.8	336.5
Current assets			
Inventories		**5.9**	5.2
Trade and other receivables		**24.6**	24.0
Cash and cash equivalents	6	**36.9**	48.1
		67.4	77.3
Total assets		**423.2**	413.8
Liabilities			
Current liabilities			
Financial liabilities		**9.3**	8.7
Trade and other payables		**32.6**	32.0
Current tax liabilities		**2.3**	4.8
Provisions for liabilities and charges		**1.4**	1.5
		45.6	47.0
Non-current liabilities			
Financial liabilities		**329.6**	338.5
Deferred tax liabilities		**25.1**	27.3
Other non–current liabilities		**2.6**	2.9
Provisions for liabilities and charges		**3.1**	2.9
		360.4	371.6
Total liabilities		**406.0**	418.6
Shareholders' equity			
Ordinary share capital		**5.7**	5.7
Share premium account		**17.4**	17.4
Capital redemption reserve		**99.3**	99.3
Other reserves		**(7.9)**	(8.8)
Retained earnings		**(97.3)**	(118.4)
Equity attributable to shareholders		**17.2**	(4.8)
Total equity and liabilities		**423.2**	413.8

Consolidated statement of changes in equity
as at 30 December 2011

	Ordinary share capital £m	Share premium account £m	Capital redemption reserve £m	Other reserves £m	Retained earnings £m	Total equity £m
Shareholders' equity as at 25 December 2009	5.7	35.8	80.0	(8.9)	(77.1)	35.5
Profit for the 53 weeks ended 31 December 2010	-	-	-	-	29.0	29.0
Actuarial loss on defined benefit plans	-	-	-	-	(2.0)	(2.0)
Tax on pensions	-	-	-	-	0.6	0.6
Total comprehensive income	-	-	-	-	27.6	27.6
Effects of employee share options	-	-	-	0.9	-	0.9
Tax on employee share options	-	-	-	0.1	-	0.1
Adjustment for tax rate change 28% to 27%	-	-	-	-	0.1	0.1
Share issue under 2007 LTIP Scheme	-	0.9	-	-	-	0.9
Gift to Employee Benefit Trust (1)	-	-	-	(0.9)	-	(0.9)
Issue of B Shares in respect of Capital Option	-	(19.3)	-	-	-	(19.3)
Redemption of B Shares in respect of Capital Option	-	-	19.3	-	(19.3)	**-**
Dividend in respect of Special Dividend Option and Deferred Dividend Option	-	-	-	-	(44.6)	(44.6)
Dividends (note 5)	-	-	-	-	(5.1)	(5.1)
Shareholders' equity as at 31 December 2010	5.7	17.4	99.3	(8.8)	(118.4)	(4.8)
Profit for the 52 weeks ended 30 December 2011	-	-	-	-	34.3	**34.3**
Actuarial loss on defined benefit plans	-	-	-	-	(7.9)	**(7.9)**
Tax on pensions	-	-	-	-	2.1	**2.1**
Total comprehensive income	-	-	-	-	28.5	**28.5**
Effects of employee share options	-	-	-	1.1	-	**1.1**
Tax on employee share options	-	-	-	(0.1)	-	**(0.1)**
Adjustment for tax rate change 27% to 25%	-	-	-	(0.1)	0.1	**-**
Dividends (note 5)	-	-	-	-	(7.5)	**(7.5)**
Shareholders' equity as at 30 December 2011	**5.7**	**17.4**	**99.3**	**(7.9)**	**(97.3)**	**17.2**

(1) Relating to issue of shares under 2007 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 £5.8 million loss (December 2010: £1.4 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
for the 52 week period ended 30 December 2011

	Note	**52 week period ended 30 December 2011 £m**	53 week period ended 31 December 2010 £m
Cash flows from operating activities			
Cash generated from operations before external transaction costs and exceptional pension contributions	8	**74.2**	74.5
Costs in respect of redemption of B and C Shares		**-**	(0.8)
Exceptional contribution to pension scheme		**-**	(1.0)
External transaction costs in respect of acquisitions		**(1.2)**	(0.3)
Cash generated from operations		**73.0**	72.4
Finance income received		**0.3**	0.4
Finance costs paid		**(24.9)**	(32.6)
Transfer from restricted bank accounts for finance costs		**-**	9.9
Total payments in respect of finance costs		**(24.9)**	(22.7)
Tax paid		**(10.4)**	(10.1)
Net cash generated from operating activities		**38.0**	40.0
Cash flows from investing activities			
Acquisition of subsidiaries and businesses (net of cash acquired)		**(12.0)**	(5.8)
Proceeds from sale of property, plant and equipment		**0.9**	1.1
Vehicle replacement programme and improvements to locations		**(10.8)**	(10.3)
Branch relocations		**(0.9)**	(0.6)
Satellite locations		**(1.1)**	(1.0)
Development of new crematoria		**(9.0)**	(13.9)
Mercury abatement project		**(1.0)**	(2.1)
Purchase of property, plant and equipment		**(22.8)**	(27.9)
Net cash used in investing activities		**(33.9)**	(32.6)
Cash flows from financing activities			
Proceeds from issue of Secured Notes		**-**	87.1
Issue costs in respect of borrowings of Secured Notes		**-**	(4.5)
Repayment of borrowings		**(7.7)**	(8.9)
Transfer from restricted bank accounts for repayment of borrowings		**-**	2.6
Total payments in respect of borrowings		**(7.7)**	(6.3)
Dividends paid to shareholders on Ordinary Shares	5	**(7.5)**	(5.1)
Redemption of B Shares in respect of Capital Option	5	**-**	(19.3)
Redemption of C Shares in respect of Special Dividend Option	5	**-**	(44.5)
Purchase of C Shares in respect of Deferred Dividend Option	5	**(0.1)**	-
Net cash (used) /generated in financing activities		**(15.3)**	7.4
Net (decrease) / increase in cash and cash Equivalents		**(11.2)**	14.8
Cash and cash equivalents at the beginning of the period		**46.6**	31.8
Cash and cash equivalents at the end of the period		**35.4**	46.6
Restricted cash		**1.5**	1.5
Cash and cash equivalents at the end of the period as reported in the consolidated balance sheet	6	**36.9**	48.1

1 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 represent the sale of funerals and memorials at the time of need.

Crematoria represent the performance of cremations at the time of need, together with the sale of memorials.

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 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 £1.5 million in both periods and £nil dividend from a fixed asset investment received (2010: £0.3 million)), by segment, was as follows:

52 week period ended 30 December 2011

	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	**146.5**	**57.8**	**(7.0)**	**50.8**	**(1.5)**	**49.3**
Crematoria	**41.6**	**23.6**	**(2.3)**	**21.3**	**-**	**21.3**
Pre-arranged funeral plans	**22.0**	**5.6**	**(0.1)**	**5.5**	**-**	**5.5**
Central overheads	**-**	**(12.7)**	**(0.4)**	**(13.1)**	**0.2**	**(12.9)**
Group	**210.1**	**74.3**	**(9.8)**	**64.5**	**(1.3)**	**63.2**
Finance costs				**(25.9)**	**-**	**(25.9)**
Finance income				**3.0**	**-**	**3.0**
Profit before tax				**41.6**	**(1.3)**	**40.3**
Taxation – continuing activities				**(11.4)**	**0.2**	**(11.2)**
Taxation – exceptional				**-**	**5.2**	**5.2**
Taxation				**(11.4)**	**5.4**	**(6.0)**
Underlying earnings for the period				**30.2**		
Total other items					**4.1**	
Profit after taxation						**34.3**
Earnings per share for profit attributable to equity shareholders						
– Basic and diluted (pence)				**55.1p**		**62.6p**

The segment assets and liabilities were as follows:

As at 30 December 2011	Funeral services £m	Crematoria £m	Pre-arranged funeral plans £m	Head office £m	Group £m
Segment assets	**249.5**	**117.5**	**16.7**	**2.6**	**386.3**
Unallocated assets:					
Cash and cash equivalents					**36.9**
Total assets					**423.2**
Segment liabilities	**(23.5)**	**(4.9)**	**(6.0)**	**(5.9)**	**(40.3)**
Unallocated liabilities:					
Borrowings – excluding finance leases					**(338.2)**
Accrued interest					**(0.1)**
Corporation tax					**(2.3)**
Deferred tax					**(25.1)**
Total liabilities					**(406.0)**
Other segment items:					
Additions to non-current assets (other than financial instruments and deferred tax)	**23.0**	**11.6**	**-**	**0.4**	**35.0**
Depreciation	**7.0**	**2.3**	**-**	**0.4**	**9.7**
Amortisation	**-**	**-**	**0.1**	**-**	**0.1**
Impairment of trade receivables	**1.1**	**(0.2)**	**-**	**-**	**0.9**
Other non cash expenses	**-**	**-**	**-**	**1.1**	**1.1**
Profit on sale of fixed assets	**-**	**-**	**-**	**0.2**	**0.2**

The revenue and operating profit, by segment, was as follows:

53 week period ended 31 December 2010

	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	143.3	56.0	(6.7)	49.3	0.2	49.5
Crematoria	37.5	22.0	(2.1)	19.9	-	19.9
Pre-arranged funeral plans	18.3	4.4	(0.1)	4.3	-	4.3
Central overheads	-	(12.2)	(0.3)	(12.5)	(0.8)	(13.3)
Group	199.1	70.2	(9.2)	61.0	(0.6)	60.4
Finance costs				(22.5)	-	(22.5)
Finance income				1.9	-	1.9
Profit before tax				40.4	(0.6)	39.8
Taxation – continuing activities				(11.7)	0.2	(11.5)
Taxation – exceptional				-	0.7	0.7
Taxation				(11.7)	0.9	(10.8)
Underlying earnings for the period				28.7		
Total other items					0.3	
Profit after taxation						29.0
Earnings per share for profit attributable to equity shareholders						
– Basic and diluted (pence)				46.4p		46.9p

The segment assets and liabilities were as follows:

As at 31 December 2010	**Funeral services £m**	**Crematoria £m**	**Pre-arranged funeral plans £m**	**Head office £m**	**Group £m**
Segment assets	247.1	101.2	14.0	3.4	365.7
Unallocated assets:					
Cash and cash equivalents					48.1
Total assets					413.8
Segment liabilities	**(22.8)**	**(4.7)**	**(5.2)**	**(7.2)**	**(39.9)**
Unallocated liabilities:					
Borrowings – excluding finance leases					(346.5)
Accrued interest					(0.1)
Corporation tax					(4.8)
Deferred tax					(27.3)
Total liabilities					(418.6)
Other segment items:					
Additions to non-current assets (other than financial instruments and deferred tax)	**14.5**	**17.8**	**-**	**1.3**	**33.6**
Depreciation	**6.7**	**2.1**	**-**	**0.2**	**9.0**
Amortisation	**-**	**-**	**-**	**0.2**	**0.2**
Impairment of trade receivables	**1.3**	**-**	**-**	**-**	**1.3**
Other non cash expenses	**-**	**-**	**-**	**1.0**	**1.0**
Profit on sale of fixed assets	**0.5**	**-**	**-**	**-**	**0.5**

2 Net finance costs

	52 week period ended 30 December 2011 £m	53 week period ended 31 December 2010 £m
Finance costs		
Class A and B Secured Notes – issued April 2003	**13.5**	13.8
Class A and B Secured Notes – issued February 2006	**4.9**	5.0
Class A and B Secured Notes – issued September 2010	**5.1**	1.3
Amortisation of issue costs – issued April 2003	**1.0**	1.0
Amortisation of issue costs – issued February 2006	**0.2**	0.2
Amortisation of issue costs – issued September 2010	**0.4**	0.1
Crematoria Acquisition Facility	**0.5**	0.5
Other loans	**0.3**	0.2
Interest payable on finance leases	**0.1**	0.1
Unwinding of discounts	**0.5**	0.5
Finance costs	**26.5**	22.7
Less: interest capitalised	**(0.6)**	(0.2)
Net finance costs	**25.9**	22.5
Finance income		
Bank deposits	**(0.3)**	(0.4)
Release of premium on Secured Notes – issued February 2006	**(0.8)**	(0.8)
Release of premium on Secured Notes – issued September 2010	**(1.2)**	(0.3)
Net finance income on retirement benefit obligations	**(0.7)**	(0.4)
Finance income	**(3.0)**	(1.9)
Net finance costs	**22.9**	20.6

3 Taxation

Analysis of charge in the period	**52 week period ended 30 December 2011 £m**	53 week period ended 31 December 2010 £m
Current tax – current period	**8.0**	11.2
Adjustments for prior period	**(0.3)**	(0.3)
	7.7	10.9
Deferred tax – current period	**3.2**	0.4
Adjustments for prior period	**0.3**	0.2
Exceptional adjustment for rate change - 27% to 25% (2010: 28% to 27%)	**(1.8)**	(0.7)
Exceptional adjustment for recognition of brought forward losses	**(3.4)**	-
	(1.7)	(0.1)
Taxation	**6.0**	10.8

All tax relates to continuing operations.

4 Earnings per share

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.

On 8 October 2010, shareholders approved a share capital consolidation together with a Special Dividend of £1 per Ordinary Share. The overall effect of the transaction was that of a share repurchase at fair value. The reduction in the number of Ordinary Shares is the result of a corresponding reduction in resources.

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
52 week period ended 30 December 2011			
Profit attributable to shareholders – Basic and diluted EPS	**34.3**	**54.8**	**62.6**
Deduct: Exceptional items, profit on sale of fixed assets and external transaction costs (net of taxation of £0.2 million)	**(4.1)**		
Underlying profit after taxation – Basic EPS	**30.2**	**54.8**	**55.1**
53 week period ended 31 December 2010			
Profit attributable to shareholders – Basic and diluted EPS	29.0	61.8	46.9
Deduct: Exceptional items, profit on sale of fixed assets and external transaction costs (net of taxation of £0.2 million)	(0.3)		
Underlying profit after taxation – Basic EPS	28.7	61.8	46.4

In 2011 and 2010, 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.

5 Dividends

	52 week period ended 30 December 2011 £m	53 week period ended 31 December 2010 £m
Final dividend paid: 8.88p per Ordinary Share (2010: 8.07p)	**4.9**	5.1
Interim dividend paid: 4.87p per Ordinary Share (2010: nil p)	**2.6**	-
Dividend on Ordinary Shares (excluding special dividend)	**7.5**	5.1
Special dividend relating to Return of Value: £1 per C Share	**-**	44.6

Current year
The Interim dividend represents the interim dividend that was approved and paid in the period out of earnings generated in the same period.

The final dividend represents the final dividend that was approved and paid in the period relating to the earnings generated in the previous period.

Consequently, total dividends recognised in the period were £7.5 million, 13.75 pence per share (2010: £49.7 million, 108.07 pence per share).

A final dividend of 9.77 pence per share, in respect of 2011, has been proposed by the Board. This will be paid on 29 June 2012 provided that approval is gained from shareholders at the Annual General Meeting on 14 June 2012 and will be paid to shareholders on the register at close of business on 25 May 2012.

Prior year
On 15 October 2010, the Group returned a total of £63.9 million to Ordinary Shareholders equating to £1 for each Ordinary Share held following the issue of further Secured Notes. Ordinary Shareholders were able to elect to receive this Return of Value as either:

(a) A return of capital (the 'Capital Option');
(b) A special dividend (the 'Special Dividend Option'); or
(c) A deferred income option (the 'Deferred Dividend Option').

Ordinary Shareholders elected to receive £19.3 million as a return of capital, £44.6 million as a special dividend including £0.1 million as deferred income.

No interim dividend was paid in the year as it was included within the Return of Value. The planned interim dividend of 4.43 pence per share which was due to be paid on 29 October 2010 was declared but cancelled following the decision to return capital to shareholders.

6 Cash and cash equivalents

	Note	30 December 2011 £m	31 December 2010 £m
Operating cash as reported in the consolidated statement of cash flows as cash and cash equivalents		**35.4**	46.6
Recoveries: pre-arranged funeral plans	(a)	**1.5**	1.5
Cash and cash equivalents as reported in the balance sheet		**36.9**	48.1

(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.

7 Net debt

	30 December 2011 £m	31 December 2010 £m
Net amounts owing on all Class A and B Secured Notes per financial statements	**(323.3)**	(331.3)
Add: unamortised issue costs	**(16.2)**	(17.8)
Gross amounts owing on all Class A and B Secured Notes per financial statements	**(339.5)**	(349.1)
Net amounts owing on Crematoria Acquisition Facility per financial statements	**(9.9)**	(9.9)
Add: unamortised issue costs on Crematoria Acquisition Facility	**(0.1)**	(0.1)
Gross amounts owing	**(349.5)**	(359.1)
Accrued interest on Crematoria Acquisition Facility	**(0.1)**	(0.1)
Cash and cash equivalents (note 6)	**36.9**	48.1
Net debt	**(312.7)**	(311.1)

In addition to the above, the consolidated balance sheet also includes finance lease obligations and other financial liabilities which totalled £5.7 million (2010: £5.9 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 at least 1.5 times. At 30 December 2011, the actual ratio was 2.27 times (2010: 2.56 times). This is a direct consequence of the additional debt issued in 2010.

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.

8 Reconciliation of cash generated from operations

	2011 £m	2010 £m
Net profit for the period	**34.3**	29.0
Adjustments for:		
Taxation	**6.0**	10.8
Net finance costs	**22.9**	20.6
Profit on disposal of fixed assets	**(0.2)**	(0.5)
Depreciation charges	**9.7**	9.0
Amortisation of intangibles	**0.1**	0.2
Movement in inventories	**(0.7)**	(1.0)
Movement in trade receivables	**1.8**	(2.4)
Movement in trade payables	**-**	5.0
External transaction costs	**1.2**	1.1
Changes in other working capital (excluding acquisitions)	**(2.0)**	1.7
Employee share option charges	**1.1**	1.0
Cash generated from operations before external transaction costs and exceptional pension contributions	**74.2**	74.5

9 Analysis of movement in retirement benefit asset

	2011 £m	2010 £m
At beginning of period	**8.5**	9.1
Total expense	**(0.7)**	(0.9)
Actuarial losses	**(7.9)**	(2.0)
Contributions by Group	**1.4**	2.3
At end of period	**1.3**	8.5

10 Basis of preparation

European law requires that the Group's consolidated financial statements for the 52 week period ended 30 December 2011 are prepared in accordance with all applicable International Financial Reporting Standards ('IFRSs'), as adopted by the European Union. These financial statements have been prepared in accordance with IFRS, International Financial Reporting Interpretations Committee ('IFRIC') interpretations (as issued by the International Accounting Standards Board) and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The financial information set out above does not constitute the Company's statutory accounts for the years ended 30 December 2011 or 31 December 2010 but is derived from those accounts. Statutory accounts for 2010 have been delivered to the registrar of companies, and those for 2011 will be delivered in due course. The auditors have reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006 in respect of the accounts for 2010 and 2011.

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2011 that would be expected to have a material impact on the Group.

The consolidated financial statements are prepared on a going concern basis and have been prepared under the historic cost convention, as modified by financial assets and liabilities at fair value through the income statement.

The principal accounting policies adopted in the preparation of these financial statements have been consistently applied to all periods presented, unless otherwise stated.

11 Securitisation

In accordance with the terms of the securitisation carried out in April 2003 and the subsequent further Secured Notes issues in February 2006 and September 2010, 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 & Poors), the Security Trustee and the holders of the Secured Notes issued in connection with the securitisation, confirming compliance with the covenants established under the securitisation.

Copies of these reports are available at **www.dignityfuneralsplc.co.uk**

12 Principal risks and uncertainties

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

Operational risk management

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.

However, 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.

However, 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 increase at rates similar to previous periods.

However, 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.

However, 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 market is 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 of funerals and consequently a reduction in its profitability.

However, there are barriers to entry in the funerals services market due to the importance of established local reputation and to the crematoria market due to the need to obtain planning approval for new crematoria and the cost of developing new crematoria.

Financial risk management
An assessment of the Group's exposure to financial risks and a description of how these risks are managed are included in note 2 in the Annual Report.

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

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. However, 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.