For immediate release **10 March 2011**

Dignity plc

Preliminary results for the 53 week period ended 31 December 2010

Dignity plc announces its preliminary results for the 53 week period ended 31 December 2010.

Financial highlights

Revenue	Up 8% to £199.1 million (2009: £184.7 million)
Underlying operating profit[(a)]	Up 8% to £61.0 million (2009: £56.4 million)
Underlying profit before tax[(a)]	Up 11% to £40.4 million (2009: £36.4 million)
Underlying earnings per share[(b)]	Up 15% to 46.4p (2009: 40.5p)
Cash generated from operations	Up 14% to £74.5 million (2009: £65.3 million)
Operating profit	Up 5% to £60.4 million (2009: £57.5 million)
Profit before tax	Up 6% to £39.8 million (2009: £37.5 million)
Basic earnings per share	Up 12% to 46.9p (2009: 41.8p)
Dividends per share	8.88p final dividend proposed (2009: interim dividend 4.03p, final dividend 8.07p)
Return of value	£63.9 million, equating to £1 per Ordinary Share returned to shareholders in October

(a) Underlying profit is calculated as profit excluding profit on sale of fixed assets and transaction costs.

(b) Underlying earnings per share is calculated as profit on ordinary activities after taxation, before profit on sale of fixed assets and transaction costs (both net of tax) and before exceptional items.

Highlights

- Strong trading performance from all areas of the business;
- Cash generation remained strong;
- Continued excellent customer satisfaction results, with 99 per cent of families saying we met or exceeded their expectations and 98 per cent saying they would recommend us;
- £5.8 million invested to acquire 6 funeral locations. A further £6.4 million has been invested to acquire 3 locations since the period end;
- 18 satellite locations opened within the funeral business;
- Three additional crematoria have been added in the year;
- Two further crematoria are due to open in 2011;
- A very strong year of sales for pre-arranged funeral plans, with unfulfilled pre-arranged funeral plans increasing to 238,000; and
- £81.8 million raised from issue of additional long term securitised debt, the majority of which was returned to shareholders.

Mike McCollum, Chief Executive of Dignity plc commented:

“We have delivered on all areas of our strategy. Customer service is excellent. We have added locations in both the funeral and crematorium business and sold more pre-arranged funeral plans than ever before. The net result is a 15 per cent increase in EPS.

The return of value in the year means that an investor at the time of the IPO will have had nearly all their initial investment returned in cash and still hold shares in Dignity which, at the current market price, are worth approximately twice their original investment.

2011 has started well and the Board remains confident in the Group’s prospects.”

For more information

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Chairman's Statement

Results

I am pleased to report that Dignity has continued its track record of strong profit growth.

Underlying operating profits have increased by 8 per cent to £61.0 million (2009: £56.4 million). Underlying earnings per share have increased 15 per cent to 46.4 pence per Ordinary Share (2009: 40.5 pence per Ordinary Share).

Dividends

The Board is proposing a final dividend of 8.88 pence per Ordinary Share to be paid on 24 June 2011 to members on the register at close of business on 27 May 2011. This dividend is subject to the approval of shareholders at the Annual General Meeting on 9 June 2011. This final dividend represents a 10 per cent increase on the equivalent dividend paid in the previous year.

This will be the only dividend paid in respect of profits generated in 2010, as an interim dividend was not paid separately, but was instead included within the £1 Return of Value per Ordinary Share paid in October 2010.

New Secured Notes and Return of Value

In the second half of the year, the Group issued further Secured Notes, raising gross proceeds of £87.1 million. The majority of the proceeds were returned to shareholders. This demonstrates the Group's continued ability to leverage its stable cash flows for the benefit of its shareholders by replacing relatively expensive equity with cheaper debt that also benefits from a tax deduction.

The Board

There were no changes to the Board in the year and I am pleased that Ishbel Macpherson and Alan McWalter have both agreed to remain Non-Executive Directors until the end of 2012 to serve alongside James Newman and Bill Forrester. I have also signed a new contract for a further three year period I will therefore, remain Chairman until December 2013.

I would like to thank all my fellow Directors for their support during another successful year.

Our people

This business continues to set client service excellence as a key objective. Once again, 98 per cent of families would recommend our services and 99 per cent said we either met or exceeded their expectations. This is due to the continued dedication of our staff across the entire business and I thank them for the roles they have each played during the year.

I am delighted that as a Group, we continue to invest heavily to support our staff by keeping open our defined benefit pension scheme, through training, a generous staff sick pay scheme, awards for long service and grants for personal development via the Welfare Trust. In return, we have loyal staff, with more than half having worked for the Group for over five years, who are all dedicated to helping our clients every step of the way.

Outlook for 2011

The year has started well in all three divisions of our business and the Board remains confident in the Group's prospects.

Peter Hindley
Chairman
10 March 2011

Chief Executive's Overview

Delivering profitable growth and building value for shareholders

I am delighted that yet again, Dignity has delivered strong growth in its operating performance and earnings per share by continuing to follow its long term strategy. Since the end of 2007, which marked the start of the recent economic crisis, the Group's underlying operating profits have grown by 28 per cent, cash generated from operations has increased by 26 per cent and underlying earnings per share have increased by 39 per cent. The results for 2010 represent the seventh consecutive year of growth in each of these measures.

The return of value in the year means that an investor at the time of the IPO will have had nearly all their initial investment returned in cash and still hold shares in Dignity which, at the current market price, are worth approximately twice their original investment.

Our consistent strategy and business model continue to drive performance:

Continued commitment to client service excellence

We monitor many details about the services we perform and the tremendous responses we get back from the families we serve demonstrate the high level of service that we provide. Details of these responses are summarised in the Business Review.

Continuing to control our costs

It is crucial that as well as increasing revenues, we control our costs. I am pleased that cost control has remained strong and that the Group remains focused on this important aspect of our strategy.

Selective acquisitions of additional funeral locations

We continue to identify and acquire well established businesses and incorporate them into our funeral location portfolio. The funeral services market remains very fragmented, which should lead to further acquisition opportunities in the coming years.

In addition, we are testing a number of satellite funeral locations.

Developing, managing or acquiring additional crematoria where possible

In the last couple of years, development activity in the crematoria division has increased significantly. Our crematoria portfolio has increased to 33 with a further two due to become operational in 2011.

National marketing, principally through affinity partners, of pre-arranged funeral plans

This source of incremental future business for our funeral division has had a very successful year. This is attributable to strong relationships being developed with our affinity partners, in particular the Age UK charity.

A strong platform for sustainable growth

Over the years, we have demonstrated that the strategy we operate suits the stable nature of this business. This was demonstrated very well in 2010 with the Group rebalancing its capital structure through the issue of further Secured Notes and the return of £1 per Ordinary Share to our shareholders.

Valuing our people

Our history of success is undoubtedly due to our stable and experienced management team. I remain grateful for their ceaseless efforts to improve the service we provide.

All our staff remain key to the success of this business. I would like to pay tribute to each of them and in particular thank them for the extraordinary lengths they went to in December during the terrible weather. As a result of their efforts, only a very small number of funerals and cremations had to be rescheduled.

It gives me great pleasure that we were able to share the Group's success with our staff, by paying a total of £1.7 million discretionary bonus payments, an increase of 13 per cent on the previous year. All full time employees with full attendance received over £1,000.

Serving our local communities for generations

We are funeral people. This is all we do and we are obsessive about it. Our local businesses have, in many cases, been established in their communities for generations and to this day we have many employees who are descendants of the founders of those businesses.

Serving the people in our local communities at one of the most difficult times in their lives remains at the centre of everything we do at Dignity.

Business Review

Introduction

The Group's operations are managed across three main areas; funeral services, crematoria and pre-arranged funeral plans, which respectively represented 72 per cent, 19 per cent and 9 per cent of the Group's revenues in 2010. 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 income represents amounts to cover the costs of marketing and administering the sale of these 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).

The initial publication of recorded total estimated deaths in Britain for the 53 weeks in 2010 was 557,000 compared to 545,000 for the 52 weeks in 2009. 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 567 (2009: 546) funeral locations throughout the United Kingdom, trading under local established names. During the period, the Group conducted 64,500 funerals (2009: 65,000). Approximately 1 per cent of these funerals were conducted in Northern Ireland. Excluding Northern Ireland, these funerals represent approximately 11.4 per cent (2009: 11.8 per cent) of total estimated deaths in Britain. However, because 2010 was a 53 week year, the 53rd week produces non-comparable market share data. Taking the more comparable trailing 52 weeks, market share was essentially flat at 11.5 per cent (2009: 11.6 per cent).

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:*

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

Developments

2010 has been a good year for funeral operations. Underlying operating profits were £49.3 million (2009: £47.3 million), an increase of 4 per cent. The difference between statutory amounts and underlying amounts is represented by profit on sale of fixed assets and transaction costs totalling £0.2 million (2009: £1.1 million).

This performance continues to reflect organic revenue growth. Continued strong cost control has ensured that this has translated into operating profit growth.

The Group's funeral services division has benefited from continued investment in the year, with approximately £7.7 million being invested in the period on the refurbishment of our properties and the ongoing renewal of 129 of our fleet of hearses, limousines and other vehicles.

Funeral location portfolio
The Group's funeral location portfolio has increased by 21 in the year, reflecting acquisitions, disposals and the opening of new satellite funeral locations.

Net acquisition investment of £5.8 million increased the portfolio by six funeral locations in the United Kingdom. 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.

The Group continues to seek businesses that meet the Group's stringent acquisition criteria and has acquired three funeral locations since the end of 2010, representing an investment of £6.4 million. Two of these funeral locations are in Northern Ireland.

18 new satellite funeral locations (2009: one) were opened in the year. The locations are 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.

Such locations are anticipated to be loss making in their first full year of operation and be profitable in their third year of operation.

Three locations (2009: six locations) were closed in the period. This reflects the disposal of some valuable freehold locations for cash that can be reinvested in the business and also some smaller locations at the end of their leases.

Crematoria

Overview
The Group is the largest single operator of crematoria in Britain, operating 33 (2009: 30) crematoria. The Group performed 45,200 cremations (2009: 42,700) in the period, representing 8.1 per cent (2009: 7.8 per cent) of deaths in Britain.

Developments
Operating profits were £19.9 million (2009: £17.6 million), an increase of 13 per cent. This reflects a strong performance from the 22 crematoria owned by the Group for many years, together with the full year effect of recent acquisitions.

The Group has spent £2.1 million (2009: £1.7 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, five 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. We expect to be fully compliant before the 31 December 2012 deadline, by installing equipment at nine other locations.

£1.3 million (2009: £1.7 million) has also been spent on new cremators and other improvements to the crematoria locations. These new cremators have been installed earlier than necessary, as it was more efficient to replace them now given the works being performed on installing mercury abatement equipment.

During the period, the Group has completed the construction of a crematorium in Cambridgeshire, acquired an established crematorium in Shropshire and started operating Weston-super-Mare crematorium on behalf of the local authority.

Since the year end, the Group has completed construction of a crematorium in Somerset which is due to open by the end of March 2011 and work continues to build a new crematorium in Worcestershire in partnership with the local authority.

These developments represent an investment of £13.9 million in the year and will require capital investment of approximately £6.5 million in 2011.

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 238,000 (2009: 216,000) with profits in the division increasing to £2.8 million excluding Recoveries (2009: £2.0 million excluding Recoveries).

From time to time, 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 each period.

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.

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 50 managers working across the business.

Developments
Costs in the period were £12.5 million (2009: £12.0 million), an increase of 4 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 also relocated its head office to refurbished premises within Sutton Coldfield, investing £0.9 million. The new head office also accommodates the Group's customer service centre, which was previously in a separate building within the town.

Mike McCollum
Chief Executive
10 March 2011

Financial Review

Financial highlights

The Group's financial performance is summarised below:

	2010	2009	% increase
Revenue (£ million)	**199.1**	184.7	8
Underlying operating profit* (£ million)	**61.0**	56.4	8
Underlying profit before tax* (£ million)	**40.4**	36.4	11
Underlying earnings per share* (pence)	**46.4**	40.5	15
Cash generated from operations (£ million)	**74.5**	65.3	14
Operating profit (£ million)	**60.4**	57.5	5
Profit before tax (£ million)	**39.8**	37.5	6
Basic earnings per share (pence)	**46.9**	41.8	12
Dividends paid in the period:			
Interim dividend (pence)	**-**	4.03	n/a
Final dividend (pence)	**8.07**	7.34	10

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

The Board has proposed a dividend of 8.88 pence per Ordinary Share as a final distribution of profits relating to 2010 to be paid on 24 June 2011.

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:

	53 week period ended 31 December 2010 £m	52 week period ended 25 December 2009 £m
Operating profit for the period as reported	**60.4**	57.5
Deduct the effects of:		
Profit on sale of fixed assets	**(0.5)**	(1.1)
Transaction costs	**1.1**	-
Underlying operating profit	**61.0**	56.4
Net finance costs	**(20.6)**	(20.0)
Underlying profit before tax	**40.4**	36.4
Tax charge on underlying profit before tax	**(11.7)**	(10.6)
Underlying profit after tax	**28.7**	25.8
Weighted average number of Ordinary Shares in issue during the period (million)	**61.8**	63.7
Underlying EPS (pence)	**46.4p**	40.5p
Increase in underlying EPS (per cent)	**15%**	6%

Earnings per share
The Group's earnings were £29.0 million (2009: £26.6 million). Basic earnings per share were 46.9 pence per share (2009: 41.8 pence per share).

The Group's measures of underlying performance exclude the effect (after tax) of the profit on sale of fixed assets, transaction costs and exceptional items. Consequently, underlying profit after tax was £28.7 million (2009: £25.8 million), giving underlying earnings per share of 46.4 pence per share (2009: 40.5 pence per share), an increase of 15 per cent.

The issue of further Secured Notes and subsequent Return of Value had a negligible impact on earnings per share. This is because of the timing of the transaction. The full benefit of the transaction will be witnessed in the Group's 2011 results and beyond when the reduction in the number of shares in issue is expected to enhance earnings per share.

Cash flow and cash balances
Cash generated from operations was £74.5 million (2009: £65.3 million). This increase year on year reflects the Group's increase in operating profits together with a later cut off than the previous year which has resulted in £4.4 million of positive working capital movements.

Capital expenditure increased year on year, with £27.9 million (2009: £17.2 million) being spent on the purchase of property, plant and equipment.

This is analysed as:

	31 December 2010 £m	25 December 2009 £m
Vehicle replacements programme and improvements to locations	**10.3**	8.0
Branch relocations	**0.6**	1.3
Satellite locations	**1.0**	-
Development of new crematoria	**13.9**	6.2
Mercury abatement project	**2.1**	1.7
Total property, plant and equipment	**27.9**	17.2
Partly funded by:		
Disposal proceeds	**(1.1)**	(2.1)
Crematoria acquisition facility	**-**	(2.6)
Net capital expenditure	**26.8**	12.5

In addition, the Group spent £5.8 million on acquisitions of six funeral locations.

Capital expenditure on mercury abatement represents the monies incurred to comply with new legislation. The total spent to date is £3.8 million and the total anticipated capital expenditure is approximately £7 million. The project will be completed by the end of 2012.

The Group also paid dividends on Ordinary Shares totalling £5.1 million (2009: £7.2 million) in the period.

Cash balances at the end of the period were £48.1 million (2009: £45.8 million).

£1.5 million (2009: £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 £24.7 million of the remaining cash balance was immediately available for acquisitions and developments and approximately £18.7 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 £8.5 million before deferred tax (2009: £9.1 million). This includes a one off contribution from the Group of £1 million from the proceeds of the issue of further Secured Notes.

The scheme remains open to both new and existing members of staff.

Taxation
The Group's effective tax rate in the period was 29 per cent (excluding the exceptional rate change) (2009: 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 2011 to be approximately 28.5 per cent.

The Group's consolidated income statement includes exceptional income of £0.7 million which reflects the reduction in the headline Corporation Tax Rate to 27 per cent. The Group expects similar exceptional credits in future years as and when each reduction is substantively enacted.

Capital structure and financing

Secured Notes
The Group's principal source of long term debt financing is the Class A and B Secured Notes, rated A and BBB respectively.

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 and interest on the Secured Notes amortise fully over their life and are completely 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.

During the period, the Group issued further Class A and B Secured Notes with a nominal value outstanding of £38.9 million and £33.1 million respectively. These Notes were issued at a premium and raised a total of £81.8 million after fees and expenses.

The Board believes that this fund raising, which equated to a pre tax cost of debt of approximately 4.9 per cent and subsequent Return of Value described later, is consistent with the Group's strategy of operating an efficient balance sheet to enhance total shareholder returns, as it has enabled the Group to replace some expensive equity with cheaper debt that also attracts a tax deduction.

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 31 December 2010 was 2.56 (2009: 2.60 times). 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 £359.1 million (2009: £283.2 million). Net debt was £311.1 million (2009: £247.1 million), including the premia on the Secured Notes. This change reflects an increase in debt of £84.7 million resulting from the issue of further Secured Notes which has been mitigated by strong cash generation and repayments of principal on the Secured Notes.

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 £20.3 million (2009: £19.6 million).

Interest costs of £0.5 million (2009: £0.4 million) were incurred in respect of the crematoria acquisition facility.

Other ongoing finance costs incurred in the period amounted to £0.6 million (2009: £0.8 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 £0.4 million (2009: £0.5 million). Net finance income of £0.4 million (2009: £0.3 million) was recognised in respect of the Group's pension scheme in accordance with IAS 19.

Return of value and share consolidation
As planned, the Group returned £63.9 million to shareholders in October 2010 using the majority of the proceeds of the issue of further Secured Notes. Shareholders were given the choice to receive either capital or income return, but in each case received £1 per Ordinary Share.

In addition, following approval by shareholders, the Ordinary Share Capital of the Company was consolidated on a six for seven basis in order to maintain the comparability of financial indicators such as share price and earnings per share.

Combined with the Return of Value, the effect was the same as buying back 9.1 million shares at a market price of approximately £7.00 per share.

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.

	53 week period ended 31 December 2010	52 week period ended 25 December 2009
Total estimated number of deaths in Britain (number)	**557,000**	545,000
Number of funerals performed (number)	**64,500**	65,000
Funeral market share excluding Northern Ireland (per cent)	**11.4**	11.8
Number of cremations performed (number)	**45,200**	42,700
Crematoria market share (per cent)	**8.1**	7.8
Unfulfilled pre-arranged funeral plans (number)	**238,000**	216,000
Underlying earnings per share (pence)	**46.4**	40.5
Underlying operating profit (£ million)	**61.0**	56.4
Cash generated from operations (£ million)	**74.5**	65.3

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 for 2010 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 Annual 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.

Steve Whittern
Finance Director
10 March 2011

Consolidated income statement

	Note	53 week period ended 31 December 2010 £m	52 week period ended 25 December 2009 £m
Revenue	1	**199.1**	184.7
Cost of sales		**(87.3)**	(85.1)
Gross profit		**111.8**	99.6
Administrative expenses		**(53.2)**	(43.6)
Other income		**1.8**	1.5
Operating profit	1	**60.4**	57.5
Analysed as:			
Operating profit before profit on sales of fixed assets and before transaction costs		61.0	56.4
Profit on sale of fixed assets		0.5	1.1
Transaction costs		(1.1)	-
Operating profit		**60.4**	57.5
Finance costs	2	**(22.5)**	(21.6)
Finance income	2	**1.9**	1.6
Profit before tax	1	**39.8**	37.5
Taxation – before exceptional items	3	**(11.5)**	(10.9)
Taxation – exceptional	3	**0.7**	-
Taxation	3	**(10.8)**	(10.9)
Profit for the period attributable to equity shareholders		**29.0**	26.6
Earnings per share for profit attributable to equity shareholders (pence)			
– Basic and diluted	4	**46.9p**	41.8p
Underlying Earnings per share (pence)	4	**46.4p**	40.5p

Consolidated statement of comprehensive income

	Note	53 week period ended 31 December 2010 £m	52 week period ended 25 December 2009 £m
Profit for the period		**29.0**	26.6
Actuarial loss on retirement benefit obligations	9	**(2.0)**	(4.8)
Tax on actuarial loss on retirement benefit obligations		**0.6**	1.3
Other comprehensive loss		**(1.4)**	(3.5)
Comprehensive income for the period		**27.6**	23.1
Attributable to:			
Equity shareholders of the parent		**27.6**	23.1

Consolidated balance sheet

	Note	**31 December 2010 £m**	25 December 2009 Restated (a) £m
Assets			
Non-current assets			
Goodwill		**142.9**	139.7
Intangible assets		**39.5**	35.9
Property, plant and equipment		**133.6**	116.8
Financial and other assets		**12.0**	9.4
Retirement benefit asset	9	**8.5**	9.1
		336.5	310.9
Current assets			
Inventories		**5.2**	4.1
Trade and other receivables		**24.0**	21.5
Cash and cash equivalents	6	**48.1**	45.8
		77.3	71.4
Total assets		**413.8**	382.3
Liabilities			
Current liabilities			
Financial liabilities		**8.7**	8.5
Trade and other payables		**32.0**	34.5
Current tax liabilities		**4.8**	4.3
Provisions for liabilities and charges		**1.5**	1.3
		47.0	48.6
Non-current liabilities			
Financial liabilities		**338.5**	266.6
Deferred tax liabilities		**27.3**	26.0
Other non–current liabilities		**2.9**	3.1
Provisions for liabilities and charges		**2.9**	2.5
		371.6	298.2
Total liabilities		**418.6**	346.8
Shareholders' equity			
Ordinary share capital		**5.7**	5.7
Share premium account		**17.4**	35.8
Capital redemption reserve		**99.3**	80.0
Other reserves		**(8.8)**	(8.9)
Retained earnings		**(118.4)**	(77.1)
Equity attributable to shareholders		**(4.8)**	35.5
Total equity and liabilities		**413.8**	382.3

(a) In accordance with IFRS 3, the Group has been required to restate its prior year balance sheet.

Consolidated statement of changes in equity

	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 26 December 2008	5.7	34.6	80.0	(8.9)	(93.0)	18.4
Profit for the 52 weeks ended 25 December 2009	-	-	-	-	26.6	26.6
Actuarial loss on defined benefit plans	-	-	-	-	(4.8)	(4.8)
Tax on pensions	-	-	-	-	1.3	1.3
Effects of employee share options	-	-	-	1.0	-	1.0
Tax on employee share options	-	-	-	0.2	-	0.2
Share issue under 2006 LTIP Scheme	-	1.2	-	-	-	1.2
Gift to Employee Benefit Trust (1)	-	-	-	(1.2)	-	(1.2)
Dividends	-	-	-	-	(7.2)	(7.2)
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**
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 (2)	-	-	-	(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	-	-	-	-	(5.1)	**(5.1)**
Shareholders' equity as at 31 December 2010	**5.7**	**17.4**	**99.3**	**(8.8)**	**(118.4)**	**(4.8)**

(1) Relating to issue of shares under 2006 LTIP scheme.
(2) 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 £1.4 million loss (December 2009: £3.5 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

	Note	**53 week period ended 31 December 2010 £m**	52 week period ended 25 December 2009 £m
Cash flows from operating activities			
Cash generated from operations before transaction costs and exceptional pension contributions	8	**74.5**	65.3
Costs in respect of redemption of B and C shares		**(0.8)**	-
Exceptional contribution to pension scheme		**(1.0)**	-
Transaction costs in respect of acquisitions		**(0.3)**	-
Cash generated from operations		**72.4**	65.3
Finance income received		**0.4**	0.7
Finance costs paid		**(32.6)**	(20.5)
Transfer from restricted bank accounts for finance costs		**9.9**	10.0
Payments to restricted bank accounts for finance costs	6	**-**	(9.9)
Total payments in respect of finance costs		**(22.7)**	(20.4)
Tax paid		**(10.1)**	(8.5)
Net cash generated from operating activities		**40.0**	37.1
Cash flows from investing activities			
Acquisition of subsidiaries and businesses (net of cash acquired)		**(5.8)**	(13.3)
Proceeds from sale of property, plant and equipment		**1.1**	2.1
Vehicle replacement programme and improvements to locations		**(10.3)**	(8.0)
Branch relocations		**(0.6)**	(1.3)
Satellite locations		**(1.0)**	-
Development of new crematoria		**(13.9)**	(6.2)
Mercury abatement project		**(2.1)**	(1.7)
Purchase of property, plant and equipment		**(27.9)**	(17.2)
Net cash used in investing activities		**(32.6)**	(28.4)
Cash flows from financing activities			
Proceeds from issue of Secured Notes		**87.1**	-
Proceeds from borrowings		**-**	2.6
Issue costs in respect of borrowings of Secured Notes		**(4.5)**	-
Repayment of borrowings		**(8.9)**	(4.9)
Transfer from restricted bank accounts for repayment of borrowings		**2.6**	2.4
Payments to restricted bank accounts for repayment of borrowings	6	**-**	(2.6)
Total payments in respect of borrowings		**(6.3)**	(5.1)
Dividends paid to shareholders on Ordinary Shares	5	**(5.1)**	(7.2)
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)**	-
Net cash generated / (used) in financing activities		**7.4**	(9.7)
Net increase / (decrease) in cash and cash equivalents		**14.8**	(1.0)
Cash and cash equivalents at the beginning of the period		**31.8**	32.8
Cash and cash equivalents at the end of the period		**46.6**	31.8
Restricted cash		**1.5**	14.0
Cash and cash equivalents at the end of the period as reported in the consolidated balance sheet	6	**48.1**	45.8

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. Overseas transactions are not material.

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

The revenue and operating profit (which includes Recoveries within pre-arranged funeral plans of £1.5 million in both periods and £0.3 million dividend from a fixed asset investment received (2009: nil)), 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, 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 (pence)						
– Basic and diluted				**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**

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

52 week period ended 25 December 2009

	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 exceptional tax credit £m	Operating profit /(loss) £m
Funeral services	138.5	53.4	(6.1)	47.3	1.1	48.4
Crematoria	34.4	19.4	(1.8)	17.6	-	17.6
Pre-arranged funeral plans	11.8	3.5	-	3.5	-	3.5
Central overheads	-	(11.4)	(0.6)	(12.0)	-	(12.0)
Group	184.7	64.9	(8.5)	56.4	1.1	57.5
Finance costs				(21.6)	-	(21.6)
Finance income				1.6	-	1.6
Profit before tax				36.4	1.1	37.5
Taxation				(10.6)	(0.3)	(10.9)
Underlying earnings for the period				25.8		
Total other items					0.8	
Profit after taxation						26.6
Earnings per share for profit attributable to equity shareholders (pence)						
– Basic and diluted				40.5p		41.8p

The segment assets and liabilities were as follows:

As at 25 December 2009	Funeral Services (restated) £m	Crematoria £m	Pre-arranged funeral plans £m	Head office £m	Group (restated) £m
Segment assets	236.4	84.1	13.7	2.2	336.4
Unallocated assets:					
Financial assets – loans and receivables					0.1
Cash and cash equivalents					45.8
Total assets					382.3
Segment liabilities	(21.8)	(3.4)	(2.8)	(4.5)	(32.5)
Unallocated liabilities:					
Borrowings – excluding finance leases					(274.3)
Accrued interest					(9.7)
Corporation tax					(4.3)
Deferred tax					(26.0)
Total liabilities					(346.8)
Other segment items:					
Additions to non-current assets (other than financial instruments and deferred tax)	12.7	18.0	-	0.5	31.2
Depreciation	6.1	1.8	-	0.4	8.3
Amortisation	-	-	-	0.2	0.2
Impairment of trade receivables	1.1	-	-	-	1.1
Other non cash expenses	-	-	-	1.0	1.0
Profit on sale of fixed assets	1.1	-	-	-	1.1

2 Net finance costs

	53 week period ended 31 December 2010 £m	52 week period ended 25 December 2009 £m
Finance costs		
Class A and B Secured Notes – issued April 2003	**13.8**	14.0
Class A and B Secured Notes – issued February 2006	**5.0**	5.1
Class A and B Secured Notes – issued September 2010	**1.3**	-
Amortisation of issue costs – issued April 2003	**1.0**	1.0
Amortisation of issue costs – issued February 2006	**0.2**	0.3
Amortisation of issue costs – issued September 2010	**0.1**	-
Crematoria acquisition facility	**0.5**	0.4
Other loans	**0.2**	0.1
Interest payable on finance leases	**0.1**	0.1
Unwinding of discounts	**0.5**	0.6
Finance costs	**22.7**	21.6
Less: interest capitalised	**(0.2)**	-
Net finance costs	**22.5**	21.6
Finance income		
Bank deposits	**(0.4)**	(0.5)
Release of premium on Secured Notes – issued February 2006	**(0.8)**	(0.8)
Release of premium on Secured Notes – issued September 2010	**(0.3)**	-
Net finance income on retirement benefit obligations	**(0.4)**	(0.3)
Finance income	**(1.9)**	(1.6)
Net finance costs	**20.6**	20.0

3 Taxation

Analysis of charge in the period	**53 week period ended 31 December 2010 £m**	52 week period ended 25 December 2009 £m
Current tax – current period	**11.2**	10.3
Adjustments for prior period	**(0.3)**	(0.3)
	10.9	10.0
Deferred tax – current period	**0.4**	0.7
Adjustments for prior period	**0.2**	0.2
Exceptional adjustment for rate change 28% to 27%	**(0.7)**	-
	(0.1)	0.9
Taxation	**10.8**	10.9

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, 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, 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
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 transaction costs (net of taxation)	**(0.3)**		
Underlying profit after taxation – Basic EPS	**28.7**	**61.8**	**46.4**
52 week period ended 25 December 2009			
Profit attributable to shareholders – Basic and diluted EPS	26.6	63.7	41.8
Deduct: Profit on sale of fixed assets (net of taxation)	(0.8)		
Underlying profit after taxation – Basic EPS	25.8	63.7	40.5

In 2010 and 2009, the potential issue of new shares pursuant to the Group's share option plans would have no impact on the earnings per share**.**

5 Dividends

	53 week period ended 31 December 2010 £m	52 week period ended 25 December 2009 £m
Final dividend paid: 8.07p per Ordinary Share (2009: 7.34p)	**5.1**	4.7
Interim dividend paid: nil p per Ordinary Share (2009: 4.03p)	**-**	2.5
Dividend on Ordinary Shares (excluding special dividend)	**5.1**	7.2
Special dividend relating to return of value: £1 per C Share (2009: n/a)	**44.6**	-

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.

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

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 £49.7 million, 108.07p per share (2009: £7.2 million, 11.37p per share).

A final dividend of 8.88 pence per share, in respect of 2010, has been proposed by the Board. This will be paid on 24 June 2011 provided that approval is gained from shareholders at the Annual General Meeting on 9 June 2011 and will be paid to shareholders on the register at close of business on 27 May 2011.

6 Cash and cash equivalents

	Note	31 December 2010 £m	25 December 2009 £m
Operating cash as reported in the consolidated statement of cash flows as cash and cash equivalents		**46.6**	31.8
Recoveries: pre-arranged funeral plans	(a)	**1.5**	1.5
Amounts set aside for debt service payments	(b)	**-**	12.5
Cash and cash equivalents as reported in the balance sheet		**48.1**	45.8

(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, Cash Flow Statements. Whilst not applicable in 2010, in 2009, this amount was used to pay these respective parties on 31 December 2009. Of this amount £9.9 million is shown within the cash flow statement as 'Payments to restricted bank accounts for finance costs' and £2.6 million is shown within 'Financing activities' as 'Payments to restricted bank accounts for repayment of borrowings'.

7 Net Debt

	31 December 2010 £m	25 December 2009 £m
Net amounts owing on 2003 and 2006 Class A and B Secured Notes per financial statements	**(251.0)**	(258.6)
Add: unamortised issue costs	**(13.4)**	(14.6)
Gross amounts owing on 2003 and 2006 Class A and B Secured Notes per financial statements	**(264.4)**	(273.2)
Net amounts owing on 2010 Class A and B Secured Notes per financial statements	**(80.3)**	-
Add: unamortised issue costs	**(4.4)**	-
Gross amounts owing on all Class A and B Secured Notes per financial statements	**(349.1)**	(273.2)
Net amounts owing on Crematoria Acquisition Facility per financial statements	**(9.9)**	(9.8)
Add: unamortised issue costs on Crematoria Acquisition Facility	**(0.1)**	(0.2)
Gross amounts owing	**(359.1)**	(283.2)
Accrued interest on Class A and B Secured Notes (paid 31 December)	**-**	(9.6)
Accrued interest on Crematoria Acquisition Facility	**(0.1)**	(0.1)
Cash and cash equivalents	**48.1**	45.8
Net debt	**(311.1)**	(247.1)

In addition to the above, the consolidated balance sheet also includes finance lease obligations and other financial liabilities which totalled £5.9 million (2009: £6.7 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 at least 1.5 times. At 31 December 2010, the actual ratio was 2.56 times (2009: 2.60 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.

8 Reconciliation of cash generated from operations

	2010 £m	2009 £m
Net profit for the period	**29.0**	26.6
Adjustments for:		
Taxation	**10.8**	10.9
Net finance costs	**20.6**	20.0
Profit on disposal of fixed assets	**(0.5)**	(1.1)
Depreciation charges	**9.0**	8.3
Amortisation of intangibles	**0.2**	0.2
Inventories	**(1.0)**	(0.2)
Trade receivables	**(2.4)**	1.4
Trade payables	**5.0**	(1.8)
Transaction costs	**1.1**	-
Changes in other working capital (excluding acquisitions)	**1.7**	-
Employee share option charges	**1.0**	1.0
Cash generated from operations before transaction costs and exceptional pension contributions	**74.5**	65.3

9 Analysis of movement in retirement benefit asset

	2010 £m	2009 £m
At beginning of period	**9.1**	13.2
Total expense as above	**(0.9)**	(0.6)
Actuarial losses	**(2.0)**	(4.8)
Contributions by Group	**2.3**	1.3
At end of period	**8.5**	9.1

10 Basis of preparation

European law requires that the Group's consolidated financial statements for the 53 week period ended 31 December 2010 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 31 December 2010 or 2009 but is derived from those accounts. Statutory accounts for 2009 have been delivered to the registrar of companies, and those for 2010 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 2009 and 2010.

The Group has adopted the following new and amended accounting standards as of 1 January 2010:

IFRS 2 (amendment), Group cash-settled share-based payment transaction;
IFRS 3 (revised), Business combinations;
IFRS 5 (amendment), Non-current assets held-for-sale and discontinued operations;
IAS 1 (amendment), Presentation of financial statements;
IAS 27 (revised), Consolidated and separate financial statements;
IAS 36 (amendment), Impairment of assets;
IAS 38 (amendment), Intangible assets;
IAS 39(amendment), Financial Instruments;
IFRIC 9, Reassessment of embedded derivatives and IAS 39, Financial instruments;
IFRIC 15, Agreements for construction of real estates;
IFRIC 16, Hedges of a net investment in a foreign operation;
IFRIC 17, Distribution of non-cash assets to owners;
IFRIC 18, Transfers of assets from customers; and
IAS 39 (amendment), Financial instruments: recognition and measurement and IFRS 7, Financial instruments: disclosures on the reclassification of financial assets.

The consolidated financial statements have been prepared under the historic cost convention, as modified by the revaluation of pensions, and 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 to the consolidated financial statements.

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, in order to issue the further Secured Notes, the Group certified based on independent advice, that the stricter condition was expected to be met for at least the first year after the issue of further Secured Notes.

Financial Covenant under the Secured Notes
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