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Dignity plc

Preliminary results for the 52 week period ended 26 December 2008

Dignity plc, announces its preliminary results for the 52 week period ended 26 December 2008.

Financial highlights

Underlying earnings per share[(a)]	Up 14% to 38.2p (2007: 33.4p)
Revenue	Up 10% to £175.8 million (2007: £159.5 million)
Underlying operating profit[(b)]	Up 9% to £52.1 million (2007: £47.6 million)
Underlying profit before tax[(b)]	Up 14% to £34.3 million (2007: £30.1 million)
Cash generated from operations	Up 8% to £62.3 million (2007: £57.5 million)
Basic earnings per share	Up 13% to 38.8p (2007: 34.4p)
Operating profit	Up 12% to £53.2 million (2007: £47.7 million)
Profit before tax	Up 17% to £35.4 million (2007: £30.2 million)
Dividends per share	Interim dividend of 3.66p paid with a further 7.34p final dividend proposed (2007: interim dividend 3.33p, final dividend 6.67p)

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

(b) Underlying profit is calculated as profit excluding profit on sale of fixed assets.

Highlights

- Strong trading performance;
- Positive outlook;
- Funeral division produced excellent results and margins continued to expand;
- Continued excellent customer satisfaction results;
- 9 funeral locations acquired, including 6 in Northern Ireland;
- Crematoria division has performed well despite pressure on costs;
- 2 crematoria acquired and Rotherham now being operated;
- 5 further crematoria properties acquired and under lease to a third party operator; and
- Unfulfilled pre-arranged funeral plans increased to 204,000.

Mike McCollum, Chief Executive of Dignity plc commented:

"This is another strong set of results with earnings per share increasing 14 per cent. All three business areas continue to perform well in the first quarter of 2009 and the outlook remains positive."

For more information

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Chairman's Statement

I am delighted to present my first statement as Chairman of the Group.

Underlying earnings per share (which excludes profit on sale of fixed assets and exceptional tax items) increased 14 per cent to 38.2 pence per share (2007: 33.4 pence per share). Basic earnings per share were 38.8 pence per share (2007: 34.4 pence per share), an increase of 13 per cent.

This is another strong performance by the Group and is the result of maintaining our focus on the same strategy that has served this business so well in recent years, namely that we plan to grow the profitability of our business by:

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

Dividends
The Board has proposed that a final dividend of 7.34 pence per Ordinary Share should be paid from profits generated in 2008. This will be paid on 26 June 2009 to members on the register at close of business on 29 May 2009, provided shareholder consent is obtained at the Annual General Meeting on 5 June 2009.

This will follow an interim dividend of 3.66 pence per Ordinary Share, which was paid in October 2008.

These dividends represent a 10 per cent increase year on year, a rate that has been maintained since flotation in 2004.

Changes to the Board
A number of changes were made to the composition of the Board since the last Annual Report.

Richard Connell retired as Chairman. Richard guided the Group through two very successful periods of its history. Firstly during its private equity ownership and more recently as a public company. I would like to thank him, on behalf of the Board, for his contribution and wish him well with his numerous other business interests.

Mike McCollum, the previous Finance Director, was appointed Chief Executive. Mike has over 13 years within the business and has made a significant contribution in guiding the Group through all its significant changes since the management buy out. I am sure that he will be an outstanding Chief Executive.

Steve Whittern has succeeded Mike as Finance Director. Steve was previously the Group's Financial Controller and has been with the Group for ten years in various roles within the finance team.

As well as these changes to the Executive Directors, at the beginning of 2009 we also appointed two additional Non-Executive Directors, Ishbel Macpherson and Alan McWalter. Their biographies demonstrate their extensive experience and they are welcome additions to the Board.

Ishbel and Alan's appointments also give the necessary balance to the Board, required by the Combined Code, given our responsibilities as a constituent member of the FTSE 250.

Our people
I know from my time as Chief Executive that our people are a tremendous asset to the Group. Their dedication to doing the best possible job, be it directly with families, or supporting operational staff, is at the heart of this business and I thank them for their individual contributions.

Outlook for 2009
All three business areas continue to perform well in the first quarter of 2009 and the outlook for the Group remains positive for the year ahead.

Peter Hindley
Chairman
12 March 2009

Chief Executive's Overview

Introduction
I would like to begin my first overview as Chief Executive, by recognising the tremendous contribution Peter Hindley made during his 17 years as Chief Executive of this business. I am delighted that Peter agreed to become Non-Executive Chairman, as this will allow the Group to continue to benefit from his vast experience of the industry in the coming years. This experience was clearly recognised by our major shareholders, who were consulted and supported Peter's transition to Chairman.

Delivering profitable growth
Underlying operating profits (which excludes profit on sale of fixed assets) increased 9 per cent to £52.1 million (2007: £47.6 million). Operating profits increased 12 per cent to £53.2 million (2007: £47.7 million).

This strong performance reflects good growth in our core operations, together with benefits from acquisitions made in the period.

This solid operational performance continues to be underpinned by our funding strategy, which helps to improve returns to our shareholders.

Building value for shareholders
The Group continues to be very cash generative. I believe that the Group makes the best use of that cash for the benefit of its shareholders, by using it for three main purposes, in addition to the traditional payment of dividends.

First, the business generates sufficient cash to fund continued programmes of renewal and improvement to its infrastructure. This helps our staff to provide the best possible service. For many years now, we have invested significantly in improving our locations and maintaining a modern fleet of hearses, limousines and other vehicles.

Second, the stability of our cash flows enables us to maintain an efficient balance sheet with long term fixed rate debt. Importantly, the principal of this debt amortises over its life and is scheduled to be fully repaid by 2031.

Third, we have historically been able to finance acquisitions of funeral locations from internally generated cash flows. These acquisitions deliver good incremental shareholder value from the outset.

Valuing our people
The business continues to grow thanks to the dedication of all our staff. Irrespective of their role within the business, they are focused on delivering client service excellence.

Another successful year has allowed the Group to make discretionary payments totalling £1.3 million to permanent members of staff not covered by any bonus scheme, an increase of 8 per cent over that paid in the previous period.

In addition, we continue to maintain our final salary pension scheme, keeping it open to new employees. The scheme continues to show a healthy surplus on an accounting basis and the most recent actuarial valuation, as at 5 April 2008, also showed the scheme to be fully funded.

Building on our reputation, relationships and responsibilities
Our strategy has been consistent for many years and has proved to be very effective. At its core is the service we provide to our customers. We help bereaved people at a sad time by providing a compassionate service whether through our funeral businesses, our crematoria, or our pre-arranged funeral plan business. The result of this focus is that over 70 per cent of our business is generated by previous experience, recommendation and reputation.

We continue to work on improving our already very high levels of service.

Business Review

Introduction
The Group's operations are managed across three main areas; funeral services, crematoria and pre-arranged funeral plans, which respectively represent 78 per cent, 17 per cent and 5 per cent of the Group's revenues. 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 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 of National Statistics (ONS).

In 2007, the ONS changed their reporting systems. Consequently, there is possibly a lack of comparability between 2007 and 2008 estimated deaths. Nonetheless, the figures continue to give a good general background to the Group's performance.

The initial publication of recorded total estimated deaths in Britain for 2008 was 553,000 (2007: 553,000). Historically the ONS has updated these estimates from time to time. As in previous years, the Group does not restate any of its key performance indicators when these figures are restated in the following year.

Funeral services

Overview
The Group operates a network of 544 (2007: 540) funeral locations throughout the United Kingdom, trading under local established names. During the period, the Group conducted 68,700 funerals (2007: 66,500). Approximately 1 per cent of these funerals were conducted in Northern Ireland. Excluding Northern Ireland, these funerals represent approximately 12.3 per cent (2007: 12.0 per cent) of total estimated deaths in Britain.

Developments
Underlying operating profits were £46.3 million (2007: £42.1 million), an increase of 10 per cent. This reflects good growth in our core portfolio arising from increased spend per funeral and continued cost control, together with the incremental benefits from acquisitions made in 2008 and acquisitions made in 2007 having a full year effect for the first time.

Reported operating profits were £47.4 million (2007: £42.2 million), an increase of 12 per cent. The difference between statutory amounts and underlying amounts is represented by profit on sale of fixed assets of £1.1 million (2007: £0.1 million).

The vast majority of our funeral locations comprise those owned and operated by the Group for many years. These locations have continued to perform well and have benefited from the continued investment in our funeral locations and fleet, with a total of approximately £6.9 million being invested in the period. This investment has resulted in the acquisition of a further 31 new hearses and limousines, 99 other vehicles and the refurbishment of approximately one fifth of our property portfolio.

The operating results also demonstrate our high level of client service, which has been supported for another year by our client survey results. Approximately 89 per cent of responding families would definitely recommend our services and a further 9 per cent would probably do so. These statistics speak volumes about the quality of service provided by our staff to the families we help at their time of need.

Sometimes, changing demographics or market conditions in local areas mean that individual funeral locations can become unprofitable. The Group has closed five (2007: two) such locations in the period.

Acquisition spend has again been higher than average annual spend since flotation in the period, with £16.3 million invested in acquiring nine funeral locations in the United Kingdom, including six funeral locations 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. The Group will also continue to acquire businesses that meet the Group's stringent acquisition criteria. No acquisitions have been completed since the end of 2008.

The funeral business is built on the reputation of each of our funeral locations. Consequently, client service will continue to be a key priority in 2009 and the coming years.

Crematoria

Overview

The Group operates 25 crematoria and performed 39,600 cremations (2007: 38,900) in the period. This represents 7.2 per cent (2007: 7.0 per cent) of deaths in Britain and reflects the Group's position as the largest single operator of crematoria in Britain.

Developments

Revenues of £29.2 million (2007: £25.7 million) have resulted in operating profits of £14.6 million (2007: £14.0 million), an increase of 4 per cent. This reflects a consistent performance by the division, which has experienced some cost pressures during the period, such as an increase in utility prices and some anticipated operating losses at the start of the Rotherham contract.

During the period, the Group has acquired two crematoria from private operators and started to develop and operate the crematorium in Rotherham on behalf of Rotherham Metropolitan Borough Council. The site was initially closed for two days a week to allow redevelopment work to begin. During this period, the site was loss making. However, work is nearing a close, the site is open five days a week and became profitable in December.

In addition, the Group acquired the property interest in five crematoria. At present, the sites are leased to a third party not connected to the Group. Three of these locations were fully operational at the year end with a further one having since become operational and the fifth one expected to become operational in the second quarter of 2009. The leases expire by 2039, at which point the Group will take over operational control of the locations. These properties are not counted within the 25 reported crematoria that we operate.

The Group has spent £0.8 million improving the facilities at its operational locations.

The Group continues to look at opportunities to work with local authorities. In addition, the Group is, in conjunction with the developer of the five sites recently acquired, evaluating a number of locations for potential new build crematoria.

Pre-arranged funeral plans

Overview

The Group continues to have a strong market presence in this area. Unfulfilled pre-arranged funeral plans were 204,000 at the end of the period (2007: 197,300). These plans represent future incremental business for the funeral division, as the Group expects to perform the majority of these funerals.

Developments

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. This activity has been complemented by continued development and marketing of plans endorsed by the actor Christopher Timothy, together with good sales via our funeral locations.

The Group is in discussion with a number of new potential partners with tests planned for 2009.

Central overheads

Overview

Head office costs relate to central services that are not specifically attributed to a particular operational 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 £11.3 million (2007: £10.9 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.

Mike McCollum
Chief Executive
12 March 2009

Financial Review

Introduction

The market conditions in which the Group operates and its trading performance during the 52 week period ended 26 December 2008 are described in the Chairman's Statement, the Chief Executive's Overview and the Business Review.

Financial highlights

	2008	2007	% increase
Revenue (£ million)	175.8	159.5	10
Underlying operating profit* (£ million)	52.1	47.6	9
Underlying profit before tax* (£ million)	34.3	30.1	14
Underlying earnings per share* (pence)	38.2	33.4	14
Cash generated from operations (£ million)	62.3	57.5	8
Operating profit (£ million)	53.2	47.7	12
Profit before tax (£ million)	35.4	30.2	17
Basic earnings per share (pence)	38.8	34.4	13
Interim dividend (pence)	3.66	3.33	10
Final dividend (pence)	6.67	6.06	10

* Underlying amounts exclude profit on sale of fixed assets and exceptional tax items.

The Board has proposed a dividend of 7.34 pence per Ordinary Share as a final distribution of profits relating to 2008 to be paid in 2009. This brings the total dividend in respect of 2008 to 11 pence per share, an increase of 10 per cent.

Capital structure and financing

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 maximising shareholder returns, whilst leaving sufficient flexibility to invest in the growth of the business.

At the end of November 2008, the Group borrowed £7.4 million to help fund the acquisition of the freehold or long leasehold interests in five crematoria properties. The Group also has the facility to draw down a further £2.6 million in 2009 once the two locations under construction are complete.

This is a five-year facility with all interest cash paid. The principal is repayable in one amount at the end of the facility. The interest rate on this facility is fixed at approximately 5.6 per cent on the first tranche and is capped at approximately 5.6 per cent on the second tranche.

Outstanding net debt as at 26 December 2008 was:

	26 December 2008 £m	28 December 2007 £m
Net amounts owing on Class A and B Secured Notes per financial statements	**(263.0)**	(267.0)
Add: unamortised issue costs on Secured Notes	**(15.9)**	(17.2)
Net amounts owing on crematoria acquisition facility per financial statements	**(7.2)**	-
Add: unamortised issue costs on crematoria acquisition facility	**(0.2)**	-
Gross amounts owing	**(286.3)**	(284.2)
Accrued interest on Class A and B Secured Notes (paid 31 December)	**(9.7)**	(9.9)
Cash and cash equivalents	**46.7**	52.6
Net debt	**(249.3)**	(241.5)

The Group's finance expense substantially consists of the interest on the Class A and B Secured Notes and ancillary instruments. The net finance charge in the period relating to these instruments was £19.9 million (2007: £20.1 million).

Other ongoing finance costs incurred in the period amounted to £0.9 million (2007: £0.8 million), including the unwinding of discounts on the Group's provisions and other financial liabilities. This amount also includes the very small amount of interest incurred on the crematoria acquisition facility in the last month of the period.

Interest receivable on bank deposits was £2.3 million (2007: £2.7 million). These receipts are a direct reflection of the Bank of England Base Rate, which averaged approximately 4.7 per cent (2007: 5.5 per cent) in the period. Given the current low Bank of England Base Rate, the Group is likely to receive less interest on its substantial cash deposits in 2009 and is exploring ways to more effectively generate returns from its cash balances.

Net finance income of £0.7 million (2007: £0.7 million) was recognised in respect of the Group's pension scheme in accordance with IAS 19.

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 26 December 2008 £m	52 week period ended 28 December 2007 £m
Operating profit for the period end as reported	**53.2**	47.7
Deduct the effects of:		
Profit on sale of fixed assets	**(1.1)**	(0.1)
Underlying operating profit	**52.1**	47.6
Net finance charges	**(17.8)**	(17.5)
Underlying profit before tax	**34.3**	30.1
Tax charge on underlying profit before tax	**(10.1)**	(9.1)
Underlying profit after tax	**24.2**	21.0
Weighted average number of Ordinary Shares in issue during the period (million)	**63.4**	62.8
Underlying EPS (pence)	**38.2p**	33.4p
Increase in underlying EPS (per cent)	**14%**	

Earnings per share

The Group's earnings were £24.6 million (2007: £21.6 million). Basic earnings per share were 38.8 pence per share (2007: 34.4 pence per share).

However, the Group's reported earnings include a £0.4 million one off charge for taxation described later in this review and £1.1 million profit on sale of fixed assets. Consequently, the Group's underlying profit after tax was £24.2 million (2007: £21.0 million), giving underlying earnings per share of 38.2 pence per share (2007: 33.4 pence per share), an increase of 14 per cent.

This increase demonstrates the strong operating performance combined with the beneficial leveraging effect of the Secured Notes.

The average number of shares increased year on year as a result of the 2005 LTIP scheme maturing in the period.

Cash flow and cash balances

Cash generated from operations was £62.3 million (2007: £57.5 million), demonstrating the cash generative nature of the business and further improvements in working capital management.

Acquisition activity in the period was strong, with £31.5 million (2007: £16.6 million) being spent on funeral and crematoria acquisitions. As described above, £7.4 million of this amount was funded by way of a new loan facility.

Capital expenditure increased year on year, with £8.0 million (2007: £8.3 million) being spent on replacing older vehicles in the Group's fleet, in line with a planned replacement programme, and improvements to the Group's premises and plant. A further £1.1 million (2007: £0.2 million) was spent on branch relocations and £2.1 million (2007: £nil million) was spent on Rotherham and other crematoria property developments. This capital expenditure was offset by disposal proceeds of £2.5 million (2007: £0.9 million).

The Group also paid dividends totalling £6.5 million (2007: £5.9 million) in the period.

Cash balances at the end of the period were £46.7 million. £12.4 million represents amounts legally set aside to fund the Group's liabilities to Class A and B Secured Noteholders. This payment was made on 31 December 2008, which falls in the Group's 2009 financial year as it reports on a 52 week basis rather than on a calendar year. These funds do not qualify as cash or cash equivalents for the purposes of IAS 7, Cash Flow Statements. Accordingly, £10.0 million has been reported within the cash flow statement as 'Payments to restricted bank accounts for finance charges' and £2.4 million has been reported as 'Payments to restricted bank accounts for repayment of borrowings'.

£1.5 million (2007: £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.

£10.9 million of the remainder has been set aside for acquisitions and developments. Approximately £1.0 million has been spent on Rotherham since the balance sheet date. £10.8 million has also been set aside for future corporation tax and dividend payments. However, these funds could be used for further acquisitions if suitable opportunities arose, with statutory payments being funded out of future operating cash flows.

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

Pensions

During the period, the Group's pension scheme had a formal actuarial valuation, as required once every three years. This reported that the scheme was fully funded on an ongoing basis. As a consequence of the valuation, the Group has agreed the rate of employer contributions for the next three years, which is anticipated to result in a similar cash obligation in 2009 as that experienced in 2008.

The balance sheet shows a surplus of £13.2 million before deferred tax (2007: £6.8 million). This significant increase year on year is principally a result of the changes in assumptions based on increased gilt yields experienced in the market.

Taxation
As anticipated last year, legislation was passed during the period amending the Industrial Buildings Allowances regime. This change resulted in an exceptional charge of £0.4 million in the period.

Furthermore, the rate of Corporation Tax was reduced to 28 per cent with effect from April 2008. This change resulted in the Group's effective tax rate reducing to 29.5 per cent in the period. As the 28 per cent rate will be effective for the whole of 2009, the Group's effective tax rate for 2009 is anticipated to be 29 per cent.

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 26December 2008 £m	52 week period ended 28December 2007 £m
Total estimated number of deaths in Britain (number)	**553,000**	553,000
Number of funerals performed (number)	**68,700**	66,500
Funeral market share excluding Northern Ireland (per cent)	**12.3**	12.0
Number of cremations performed (number)	**39,600**	38,900
Crematoria market share (per cent)	**7.2**	7.0
Unfulfilled pre-arranged funeral plans (number)	**204,000**	197,300
Underlying earnings per share (£ million)	**38.2**	33.4
Underlying operating profit (£ million)	**52.1**	47.6
Cash generated from operations (£ million)	**62.3**	57.5

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

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
12 March 2009

Consolidated income statement

	Note	52 week period ended 26 December 2008 £m	52 week period ended 28 December 2007 £m
Revenue	1	**175.8**	159.5
Cost of sales		**(83.6)**	(77.0)
Gross profit		**92.2**	82.5
Administrative expenses		**(40.5)**	(36.3)
Other operating income		**1.5**	1.5
Operating profit	1	**53.2**	47.7
Finance charges	2	**(21.6)**	(21.7)
Finance income	2	**3.8**	4.2
Profit before tax	1	**35.4**	30.2
Taxation – before exceptional items	3	**(10.4)**	(9.1)
Taxation – exceptional	3	**(0.4)**	0.5
Taxation	3	**(10.8)**	(8.6)
Profit for the period attributable to equity shareholders		**24.6**	21.6
Earnings per share for profit attributable to equity shareholders (pence)			
– Basic and diluted	4	**38.8p**	34.4p

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

Consolidated statement of recognised income and expense

	Note	52 week period ended 26 December 2008 £m	52 week period ended 28 December 2007 £m
Profit for the period		**24.6**	21.6
Actuarial gains on retirement benefit obligations	9	**5.6**	5.4
Deferred tax on actuarial gains on retirement benefit obligations		**(1.6)**	(1.5)
Net income not recognised in income statement		**4.0**	3.9
Total recognised income for the period		**28.6**	25.5
Attributable to:			
Equity shareholders of the parent		**28.6**	25.5

Consolidated balance sheet

	Note	26 December 2008 £m	28 December 2007 £m
Assets			
Non-current assets			
Goodwill		**129.8**	119.6
Intangible assets		**33.3**	24.7
Property, plant and equipment		**101.3**	91.1
Investment properties		**9.6**	-
Financial and other assets		**4.5**	4.5
Retirement benefit asset	9	**13.2**	6.8
		291.7	246.7
Current assets			
Inventories		**3.9**	3.4
Trade and other receivables		**22.4**	22.7
Cash and cash equivalents	6	**46.7**	52.6
		73.0	78.7
Total assets		**364.7**	325.4
Liabilities			
Current liabilities			
Financial liabilities		**8.0**	7.1
Trade and other payables		**34.4**	33.0
Current tax liabilities		**3.9**	1.9
Provisions for liabilities and charges		**1.3**	1.3
		47.6	43.3
Non-current liabilities			
Financial liabilities		**269.2**	267.1
Deferred tax liabilities		**24.4**	14.9
Other non–current liabilities		**2.8**	2.8
Provisions for liabilities and charges		**2.3**	1.9
		298.7	286.7
Total liabilities		**346.3**	330.0
Shareholders' equity			
Ordinary shares	7	**5.7**	5.7
Share premium account	7	**34.6**	33.8
Capital redemption reserve	7	**80.0**	80.0
Other reserves	7	**(8.9)**	(9.0)
Retained earnings	7	**(93.0)**	(115.1)
Equity attributable to shareholders	7	**18.4**	(4.6)
Total equity and liabilities		**364.7**	325.4

Consolidated cash flow statement

	Note	52 week period ended 26 December 2008 £m	52 week period ended 28 December 2007 £m
Cash flows from operating activities			
Cash generated from operations	8	**62.3**	57.5
Finance income received		**2.7**	2.1
Finance charges paid		**(20.5)**	(10.3)
Transfer from restricted bank accounts for finance charges		**10.2**	-
Payments to restricted bank accounts for finance charges	6	**(10.0)**	(10.2)
Total cash obligation of finance charges		**(20.3)**	(20.5)
Tax paid		**(6.4)**	(6.4)
Net cash generated from operating activities		**38.3**	32.7
Cash flows from investing activities			
Acquisition of subsidiaries and businesses		**(31.5)**	(16.6)
Acquisition of minority interest		**-**	(2.0)
Proceeds from sale of property, plant and equipment		**2.5**	0.9
Purchase of property, plant and equipment		**(11.2)**	(8.5)
Transfers to restricted bank accounts		**-**	(0.3)
Net cash used in investing activities		**(40.2)**	(26.5)
Cash flows from financing activities			
Proceeds from borrowings		**7.4**	-
Issue costs in respect of borrowings		**(0.2)**	-
Receipt of debenture loan		**-**	1.0
Repayment of borrowings		**(4.5)**	(2.1)
Transfer from restricted bank accounts for repayment of borrowings		**2.2**	-
Payments to restricted bank accounts for repayment of borrowings	6	**(2.4)**	(2.2)
Total cash obligation of borrowings		**(4.7)**	(4.3)
Dividends paid to shareholders	5	**(6.5)**	(5.9)
Proceeds from issue of shares under SAYE Scheme		**-**	1.5
Net cash used in financing activities		**(4.0)**	(7.7)
Net decrease in cash and cash equivalents		**(5.9)**	(1.5)
Cash and cash equivalents at the beginning of the period		**38.7**	40.2
Cash and cash equivalents at the end of the period		**32.8**	38.7
Restricted cash		**13.9**	13.9
Cash and cash equivalents at the end of the period as reported in the consolidated balance sheet	6	**46.7**	52.6

1 Revenue and segmental analysis

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

52 week period ended 26 December 2008

	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 charge £m	Operating profit /(loss) £m
Funeral services	**137.2**	**52.4**	**(6.1)**	**46.3**	**1.1**	**47.4**
Crematoria	**29.2**	**16.2**	**(1.6)**	**14.6**	**-**	**14.6**
Pre-arranged funeral plans	**9.4**	**2.5**	**-**	**2.5**	**-**	**2.5**
Central overheads	**-**	**(10.9)**	**(0.4)**	**(11.3)**	**-**	**(11.3)**
Group	**175.8**	**60.2**	**(8.1)**	**52.1**	**1.1**	**53.2**
Finance costs				**(21.6)**	**-**	**(21.6)**
Finance income				**3.8**	**-**	**3.8**
Profit before tax				**34.3**	**1.1**	**35.4**
Taxation – continuing activities				**(10.1)**	**(0.3)**	**(10.4)**
Taxation – exceptional				**-**	**(0.4)**	**(0.4)**
Taxation				**(10.1)**	**(0.7)**	**(10.8)**
Underlying earnings for the period				**24.2**		
Total other items					**0.4**	
Profit after taxation						**24.6**

The segment assets and liabilities were as follows:

As at 26 December 2008	Funeral services £m	Crematoria £m	Pre-arranged funeral plans £m	Head office £m	Group £m
Segment assets	**226.9**	**74.9**	**13.4**	**2.7**	**317.9**
Unallocated assets:					
Financial assets – loans and receivables					**0.1**
Cash and cash equivalents					**46.7**
Total assets					**364.7**
Segment liabilities	**(21.7)**	**(2.8)**	**(2.3)**	**(5.0)**	**(31.8)**
Unallocated liabilities:					
Borrowings					**(276.4)**
Accrued interest					**(9.8)**
Corporation tax					**(3.9)**
Deferred tax					**(24.4)**
Total liabilities					**(346.3)**
Other segment items:					
Capital expenditure (including acquisitions)	**24.0**	**18.6**	**-**	**0.6**	**43.2**
Depreciation	**6.1**	**1.5**	**-**	**0.3**	**7.9**
Amortisation	**-**	**-**	**-**	**0.2**	**0.2**
Impairment of trade receivables	**1.4**	**0.6**	**-**	**-**	**2.0**
Other non cash expenses	**-**	**-**	**-**	**0.8**	**0.8**
Profit on sale of fixed assets	**1.1**	**-**	**-**	**-**	**1.1**

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

52 week period ended 28 December 2007

	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	126.3	47.9	(5.8)	42.1	0.1	42.2
Crematoria	25.7	15.2	(1.2)	14.0	-	14.0
Pre-arranged funeral plans	7.5	2.4	-	2.4	-	2.4
Central overheads	-	(9.9)	(1.0)	(10.9)	-	(10.9)
Group	159.5	55.6	(8.0)	47.6	0.1	47.7
Finance costs				(21.7)	-	(21.7)
Finance income				4.2	-	4.2
Profit before tax				30.1	0.1	30.2
Taxation – continuing activities				(9.1)	-	(9.1)
Taxation – exceptional				-	0.5	0.5
Taxation				(9.1)	0.5	(8.6)
Underlying earnings for the period				21.0		
Total other items					0.6	
Profit after taxation						21.6

The segment assets and liabilities were as follows:

As at 28 December 2007	**Funeral services £m**	**Crematoria £m**	**Pre-arranged funeral plans £m**	**Head office £m**	**Group £m**
Segment assets	201.4	56.8	12.7	1.8	272.7
Unallocated assets:					
Financial assets – loans and receivables					0.1
Cash and cash equivalents					52.6
Total assets					325.4
Segment liabilities	(19.9)	(2.7)	(2.1)	(5.2)	(29.9)
Unallocated liabilities:					
Borrowings					(273.4)
Accrued interest					(9.9)
Corporation tax					(1.9)
Deferred tax					(14.9)
Total liabilities					(330.0)
Other segment items:					
Capital expenditure (including acquisitions)	23.9	0.7	-	0.4	25.0
Depreciation	5.8	1.2	-	0.3	7.3
Amortisation	0.1	-	-	0.6	0.7
Impairment of trade receivables	1.0	-	-	-	1.0
Other non cash expenses	-	-	-	0.8	0.8
Profit on sale of fixed assets	0.1	-	-	-	0.1

2 Net finance charges

	52 week period ended 26 December 2008 £m	52 week period ended 28 December 2007 £m
Finance charges		
Class A and B Secured Notes – issued April 2003	**14.2**	14.4
Class A and B Secured Notes – issued February 2006	**5.2**	5.2
Amortisation of issue costs – issued April 2003	**1.1**	1.1
Amortisation of issue costs – issued February 2006	**0.2**	0.2
Other loans	**0.2**	0.1
Interest payable on finance leases	**0.1**	0.1
Unwinding of discounts	**0.6**	0.6
Finance charges	**21.6**	21.7
Finance income		
Bank deposits	**(2.3)**	(2.7)
Release of premium on Secured Notes – issued February 2006	**(0.8)**	(0.8)
Net finance income on retirement benefit obligations	**(0.7)**	(0.7)
Finance income	**(3.8)**	(4.2)
Net finance charges	**17.8**	17.5

3 Taxation

Analysis of charge in the period

	52 week period ended 26 December 2008 £m	52 week period ended 28 December 2007 £m
Current tax – current period	**8.7**	7.0
Adjustment for prior period	**(0.3)**	(0.2)
	8.4	6.8
Deferred tax – current period	**1.8**	2.3
Adjustment for prior period	**0.2**	-
Exceptional adjustment for change in industrial building allowances	**0.4**	-
Exceptional adjustment for rate change – 30% to 28%	**-**	(0.5)
	2.4	1.8
Taxation	**10.8**	8.6

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 issueable 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 issueable shares have been excluded from the diluted EPS calculations.

The Board believes that profit on ordinary activities before exceptional items, profit on sale of fixed assets 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' in the Financial Review.

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.

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 26 December 2008	**24.6**	63.4	38.8
Profit attributable to shareholders – Basic and diluted EPS			
Deduct: Exceptional items and profit on sale of fixed assets (net of taxation)	**(0.4)**		
Underlying profit after taxation – Basic EPS	**24.2**	**63.4**	**38.2**
52 week period ended 28 December 2007			
Profit attributable to shareholders – Basic and diluted EPS	21.6	62.8	34.4
Deduct: Exceptional items and profit on sale of fixed assets (net of taxation)	(0.6)		
Underlying profit after taxation – Basic EPS	21.0	62.8	33.4

In 2008 and 2007, the potential issue of new shares pursuant to the Group's share option plans in the period would not affect the earnings per share.

5 Dividends

	52 week period ended 26 December 2008 £m	52 week period ended 28 December 2007 £m
Final dividend paid: 6.67p per Ordinary Share (2007: 6.06p)	**4.2**	3.8
Interim dividend paid: 3.66p per Ordinary Share (2007: 3.33p)	**2.3**	2.1
Total dividends recognised in the period	**6.5**	5.9

A final dividend of 7.34 pence per share, in respect of 2008, has been proposed by the Board. This will be paid on 26 June 2009 provided approval is gained from shareholders at the Annual General Meeting on 5 June 2009 and will be paid to shareholders on the register at close of business on 29 May 2009.

6 Cash and cash equivalents

	Note	26 December 2008 £m	28 December 2007 £m
Operating cash as reported in the cash flow statement as cash and cash equivalents		**32.8**	38.7
Recoveries: pre-arranged funeral plans	(a)	**1.5**	1.5
Amounts set aside for debt service payments	(b)	**12.4**	12.4
Cash and cash equivalents as reported in the balance sheet		**46.7**	52.6

(a) Recoveries may not be used for one year following receipt and therefore do not meet the definition of cash and cash equivalents in IAS 7, Cash Flow Statements. Movements in these amounts are shown as ‘Transfers to restricted bank accounts’ in ‘Investing activities’.

(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. This amount was used to pay these respective parties on 31 December 2008. £10.0 million (2007:10.2 million) is shown within the cash flow statement as ‘Payments to restricted bank accounts for finance charges’. £2.4 million (2007: £2.2 million) is shown within ‘Financing activities’ as ‘Payments to restricted bank accounts for repayment of borrowings’.

7 Statement of changes in shareholders' equity

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Other reserves £m	Retained earnings £m	Total £m	Minority interest £m	Total equity £m
Shareholders' equity as at 29 December 2006	5.6	31.6	80.0	(9.5)	(134.8)	(27.1)	(1.2)	(28.3)
Profit for the 52 weeks ended 28 December 2007	-	-	-	-	21.6	21.6	-	21.6
Actuarial gains and losses on defined benefit plans	-	-	-	-	5.4	5.4	-	5.4
Deferred tax on pensions	-	-	-	-	(1.5)	(1.5)	-	(1.5)
Effects of employee share options	-	-	-	0.8	-	0.8	-	0.8
Tax on employee share options	-	-	-	0.6	-	0.6	-	0.6
Adjustment for tax rate change 30%to 28%	-	-	-	(0.1)	0.1	-	-	-
Share issue under 2004 SAYE scheme	0.1	1.4	-	-	-	1.5	-	1.5
Share issue under 2004 LTIP Scheme	-	0.8	-	-	-	0.8	-	0.8
Gift to Employee Benefit Trust	-	-	-	(0.8)	-	(0.8)	-	(0.8)
Acquisition of minority interest	-	-	-	-	-	-	1.2	1.2
Dividends	-	-	-	-	(5.9)	(5.9)	-	(5.9)
Shareholders' equity as at 28 December 2007	5.7	33.8	80.0	(9.0)	(115.1)	(4.6)	-	(4.6)
Profit for the 52 weeks ended 26 December 2008	-	-	-	-	24.6	**24.6**	-	**24.6**
Actuarial gains and losses on defined benefit plans	-	-	-	-	5.6	**5.6**	-	**5.6**
Deferred tax on pensions	-	-	-	-	(1.6)	**(1.6)**	-	**(1.6)**
Effects of employee share options	-	-	-	0.8	-	**0.8**	-	**0.8**
Tax on employee share options	-	-	-	0.1	-	**0.1**	-	**0.1**
Share issue under 2005 LTIP Scheme	-	0.8	-	-	-	**0.8**	-	**0.8**
Gift to Employee Benefit Trust	-	-	-	(0.8)	-	**(0.8)**	-	**(0.8)**
Dividends	-	-	-	-	(6.5)	**(6.5)**	-	**(6.5)**
Shareholders' equity as at 26 December 2008	**5.7**	**34.6**	**80.0**	**(8.9)**	**(93.0)**	**18.4**	**-**	**18.4**

Included within other reserves is the merger accounting consolidation difference of £12.3 million, which arose on 20 December 2002 as part of the Group reconstruction effected at that time.

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.

8 Reconciliation of cash generated from operations

	2008 £m	2007 £m
Net profit for the period	**24.6**	21.6
Adjustments for:		
Taxation	**10.8**	8.6
Net finance charges	**17.8**	17.5
Profit on disposal of fixed assets	**(1.1)**	(0.1)
Depreciation charges	**7.9**	7.3
Amortisation of intangibles	**0.2**	0.7
Changes in working capital (excluding acquisitions)	**1.3**	1.1
Employee share option charges	**0.8**	0.8
Cash generated from operations	**62.3**	57.5

9 Analysis of movement in retirement benefit asset

	2008 £m	2007 £m
At beginning of period	**6.8**	0.6
Total service cost recognised in the income statement	**(1.1)**	(1.1)
Net finance income recognised in the income statement	**0.7**	0.7
Actuarial gains	**5.6**	5.4
Contributions by Group	**1.2**	1.2
At end of period	**13.2**	6.8

10 Basis of preparation

European law requires that the Group's consolidated financial statements for the 52 week period ended 26 December 2008 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 1985/2006 applicable to companies reporting under IFRS.

The financial information contained in this announcement does not constitute statutory accounts within the meaning of section 240(3) of the Companies Act 1985. Statutory accounts of the Group in respect of the financial year ended 28 December 2007, upon which the Group's auditors have given a report which was unqualified and did not contain a statement under Section 237(2) or Section 237(3) of that Act, have been delivered to the Registrar of Companies.

The consolidated financial statements have been prepared under the historic cost convention, as modified by the revaluation of land and buildings, share-based payments, pensions, and financial assets and liabilities at fair value through the income statement.

11 Securitisation

In accordance with the terms of the securitisation carried out in April 2003 and the subsequent further Secured Notes issue in February 2006, 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