Dignity plc

Interim Report 2008

Dignity

CARING FUNERAL SERVICES

About Dignity

Dignity owns 548 funeral locations and operates 23 crematoria in the United Kingdom. The Group also provides pre-arranged funeral plans, where people plan and pay for their funeral in advance.

What we believe in:

- we are here to help people through one of the most difficult times in their lives.
- we do this with compassion, respect, openness and care.
- we want to be the company that everyone knows they can trust in their time of need.

Our strategy

We plan to grow the profitability of our business by:

- operating in a traditional market where people use our services based on our reputation and through recommendations, where we believe our continued commitment to excellent service for our clients will generate a high level of referral and organic revenue growth;
- continuing to control our operating costs;
- selective acquisition of additional funeral locations, funded by internally generated cash flows;
- national marketing, principally through affinity partners, of pre-arranged funeral plans; and
- developing, managing or acquiring additional crematoria where possible.

Contents

Key financial highlights
for the 26 week period ended 27 June 2008

Current period financial highlights	**2008**	2007	Increase per cent
Revenue (£million)	**90.6**	81.1	11.7
Underlying operating profit[a] (£million)	**29.9**	26.8	11.6
Underlying profit before tax[a] (£million)	**21.1**	18.1	16.6
Underlying earnings per share[b] (pence)	**23.5**	20.2	16.3
Cash generated from operations (£million)	**37.1**	30.4	22.0
Operating profit (£million)	**30.9**	27.0	14.4
Profit before tax (£million)	**22.1**	18.3	20.8
Basic earnings per share (pence)	**24.6**	21.1	16.6
Interim dividend proposed (pence)	**3.66**	3.33	10.0

Trading overview	**26 week period ended**	
	27 June 2008 £m	29 June 2007 £m
Revenue		
Funeral services	**71.7**	64.5
Crematoria	**14.7**	13.2
Pre-arranged funeral plans	**4.2**	3.4
	90.6	81.1
Underlying operating profit[a]		
Funeral services	**25.3**	22.6
Crematoria	**8.0**	7.2
Pre-arranged funeral plans[c]	**2.0**	2.2
Central overheads	**(5.4)**	(5.2)
	29.9	26.8

(a) Underlying operating profit and underlying profit before tax exclude profit on sale of fixed assets of £1.0 million (2007: £0.2 million), within funeral services.

(b) Underlying earnings per share is calculated as earnings before profit on sale of fixed assets (net of tax) of £0.7 million (2007: £0.1 million) and an exceptional tax credit of £nil (2007: £0.5 million) divided by the weighted average number of Ordinary Shares in issue in the period.

(c) Pre-arranged funeral plans includes Recoveries of £1.5 million (2007: £1.5 million).

(d) A full reconciliation between statutory and underlying amounts is detailed in note 2.

Chairman's statement

"Underlying earnings per share has increased 16.3 per cent to 23.5 pence per Ordinary Share."

Richard Connell, Chairman

Results

The Group has performed strongly in the first half of 2008, recording underlying operating profits of £29.9 million (2007: £26.8 million), an increase of 11.6 per cent. Operating profits were £30.9 million (2007: £27.0 million).

Underlying earnings per share has increased 16.3 per cent to 23.5 pence per share (2007: 20.2 pence per share). This increase demonstrates the effective combination of the Group's operating performance and the beneficial leveraging effect of the Group's long-term fixed rate debt.

Basic earnings per share were 24.6 pence per share (2007: 21.1 pence per share), an increase of 16.6 per cent.

Dividends

During the period, the Group paid a dividend of 6.67 pence per share (2007: 6.06 pence per share) in respect of 2007 performance, an increase of 10 per cent.

The Board has declared an interim dividend of 3.66 pence per share (2007: 3.33 pence per share). This dividend will be paid on 31 October 2008 to shareholders who are on the register of members at close of business on 26 September 2008.

The Board, management and people

At the Group's Annual General Meeting on 6 June 2008, it was announced that I will stand down as Chairman on 26 December 2008 and that Peter Hindley, the current Chief Executive, will be appointed Non-Executive Chairman. Mike McCollum will take over as Chief Executive on the same date, relinquishing his current role as Finance Director.

Our staff are key to the ongoing success of the business. Their consistent delivery of high levels of client service excellence help us to continue to achieve our strategy. I would like to thank each of them for their commitment.

Outlook

The Group has performed strongly in the first half of the year and the Board's expectations for the rest of 2008 remain positive.

Business and financial review

Introduction

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

During the second half of 2007, the ONS implemented a new computerised births, marriages and deaths system. Historically, the estimates were updated by the ONS from time to time, with such results typically fluctuating by approximately one per cent. To maintain consistency of its key performance indicators, the Group has not amended its reporting for these changes in the past.

It is unclear at present whether the new computerised system will cause similar or smaller differences between the initial and final published deaths in any period and therefore it is unclear to what extent the 2008 estimates are directly comparable to the 2007 estimates, which were reported under the old system.

Nonetheless, the figures continue to give a good general background to the Group's performance.

The initial estimated deaths in Great Britain for the first half of 2008 were 286,600 (2007: 288,700).

Funeral services

The Group operates a network of 548 (2007: 530) funeral locations throughout the United Kingdom, including six funeral locations in Northern Ireland, following an acquisition in the period.

In the first half of 2008, the Group conducted 36,400 funerals (2007: 34,700) in the United Kingdom. Approximately one per cent of these funerals were performed in Northern Ireland. Excluding Northern Ireland, these funerals represent approximately 12.5 per cent (2007: 12.0 per cent) of total estimated deaths in Great Britain, a key measure of the division's performance.

Underlying operating profits were £25.3 million (2007: £22.6 million), an increase of 11.9 per cent. This period on period increase represents a strong performance by the Group's core portfolio of funeral locations, supplemented by recent acquisitions.

Crematoria

The Group operates 23 crematoria and remains Great Britain's largest single operator. During the period, the Group performed 20,300 cremations (2007: 20,600). This represents approximately 7.1 per cent (2007: 7.1 per cent) of total estimated deaths in Great Britain.

Business and financial review continued

Revenues in the period were £14.7 million (2007: £13.2 million) and operating profits were £8.0 million (2007: £7.2 million). This performance reflects increases in average revenue, which have been offset by additional operating expenditure, particularly in respect of utilities.

Pre-arranged funeral plans

Unfulfilled pre-arranged funeral plans were 200,000 at the end of the period (2007: 192,400). The majority of these plans continue to represent future incremental business for the funeral division.

Testing of various opportunities has been successful and the Group continues to expand its portfolio of affinity partners.

Acquisition activity

The Group has invested £16.9 million in nine funeral locations in 2008, together with the acquisition of one crematorium. This is the first addition to the Group's portfolio since the construction of North Lanarkshire crematorium in 2004.

All acquisitions matched the Group's criteria for investment and have complemented the existing core business well with their geographical locations and client service ethic.

Earnings per share

Underlying earnings per share increased 16.3 per cent to 23.5 pence per Ordinary Share. This increase underlines a strong operating performance, which has been further enhanced by the financial leveraging effect of the Group's fixed rate debt.

Cash flow and cash balances

Cash generated from operations was £37.1 million (2007: £30.4 million). This increase demonstrates the Group's continued ability to efficiently convert operating profits into cash. It also reflects a temporary benefit of approximately £3 million, which represents the Group's June 2008 payroll. This was not paid until 30 June 2008, after the period end date. This timing difference will reverse itself in the second half of the year.

Cash balances at the end of the period were £54.2 million. £12.4 million represents amounts contractually set aside to fund the Group's liabilities to Class A and B Secured Noteholders on 30 June 2008. These funds do not qualify as cash or cash equivalents for the purposes of IAS 7, Cash Flow Statements. Accordingly, £10.1 million has been reported within the cash flow statement as 'Payments to restricted bank accounts for finance charges' and £2.3 million has been reported as 'Payments to restricted bank accounts for repayment of borrowings'.

Furthermore, as a similar matter arose in respect of the Group's December 2007 debt service payment, equal and opposite amounts are shown in the cash flow statement within 'Finance charges paid' and 'Transfers from restricted bank accounts for finance charges', to reflect the transfer of cash from restricted monies to Noteholders for interest payments.

The Group's cash tax payments reduced period on period as the Group benefited from the tax deduction from the vesting of the LTIP and SAYE schemes in 2007 as well as receiving refunds from HM Revenue & Customs following agreement of prior year computations.

Capital structure and financing

The Group's capital structure is unchanged since December 2007, with the Group's only external debt financing being the A and BBB rated Class A and B 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. Further details of these Secured Notes may be found in the Group's 2007 Annual Report.

The comparative net debt positions were:

	27 Jun 2008	28 Dec 2007	29 Jun 2007
Net amounts owing on Class A and B Secured Notes per financial statements	**(265.1)**	(267.0)	(266.8)
Add: unamortised issue costs	**(16.5)**	(17.2)	(17.8)
Gross amounts owing	**(281.6)**	(284.2)	(284.6)
Accrued interest on Class A and B Secured Notes (paid 30 June 2008/ 31 December 2007)	**(9.8)**	(9.9)	–
Cash and cash equivalents	**54.2**	52.6	42.4
Net debt	**(237.2)**	(241.5)	(242.2)

This emphasises the Group's strong cash generation. Net debt has decreased by £4.3 million despite an investment of £16.9 million in acquisitions.

Taxation

The Group's effective tax rate for 2008 is expected to be 29.5 per cent, moving to 29 per cent in 2009. This follows the change in the rate of Corporation Tax on 1 April 2008 and excludes any potential impact from the recent legislation on Industrial Buildings Allowances, which is anticipated to result in a £0.5 million non-recurring charge to the income statement in the second half of 2008. The Group does not anticipate its long-term effective tax rate changing unless further changes in legislation are announced.

Principal risks and uncertainties

The Group's principal operational risks are:

- a significant reduction in the number of deaths;
- material damage to its reputation; and
- a significant adverse change in the trend of average income per funeral.

However, the profile of deaths has historically followed a similar pattern to that predicted by the ONS, giving the Group the ability to plan its business accordingly.

Reputation is managed by ensuring appropriate policies and procedures are in place to ensure client service excellence.

Average incomes continue to follow the historical trend.

Business and financial review continued

An assessment of the Group's exposure to financial risks and a description of how these risks are managed is included in note 2 of the Group's 2007 Annual Report. The financial risks and how they are managed have not changed since the year-end, save that the Group is actively holding cash balances across more financial institutions than previously in order to mitigate the Group's exposure to a single failure of any one institution.

Key performance indicators

	26 Weeks ended 27 Jun 2008	26 Weeks ended 29 Jun 2007	52 Weeks ended 28 Dec 2007
Total estimated number of deaths (number)	**286,600**	288,700	553,000
Number of funerals performed (number)	**36,400**	34,700	66,500
Funeral market share in Great Britain (per cent)	**12.5**	12.0	12.0
Number of cremations performed (number)	**20,300**	20,600	38,900
Crematoria market share (per cent)	**7.1**	7.1	7.0
Unfulfilled pre-arranged funeral plans (number)	**200,000**	192,400	197,300
Underlying earnings per share (pence)	**23.5**	20.2	33.4
Underlying operating profit (£million)	**29.9**	26.8	47.6
Cash generated from operations (£million)	**37.1**	30.4	57.5

Forward-looking statements

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

Consolidated income statement (unaudited)

for the 26 week period ended 27 June 2008

	Note	26 week period ended 27 Jun 2008 £m	26 week period ended 29 Jun 2007 £m	52 week period ended 28 Dec 2007 £m
Revenue	2	**90.6**	81.1	159.5
Cost of sales		**(41.8)**	(37.9)	(77.0)
Gross profit		**48.8**	43.2	82.5
Administrative expenses		**(19.4)**	(17.7)	(36.3)
Other operating income		**1.5**	1.5	1.5
Operating profit	2	**30.9**	27.0	47.7
Finance charges	3	**(10.8)**	(10.8)	(21.7)
Finance income	3	**2.0**	2.1	4.2
Profit before tax	2	**22.1**	18.3	30.2
Taxation – before exceptional items	4	**(6.5)**	(5.6)	(9.1)
Taxation – exceptional	4	**–**	0.5	0.5
Taxation	4	**(6.5)**	(5.1)	(8.6)
Profit for the period attributable to equity shareholders	8	**15.6**	13.2	21.6
Earnings per share for profit attributable to equity shareholders (pence)	5			
– Basic and diluted		**24.6p**	21.1p	34.4p

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

Consolidated statement of recognised income and expense (unaudited)

for the 26 week period ended 27 June 2008

	26 week period ended 27 Jun 2008 £m	26 week period ended 29 Jun 2007 £m	52 week period ended 28 Dec 2007 £m
Profit for the period	**15.6**	13.2	21.6
Actuarial gains on retirement benefit obligations(a)	**–**	3.1	5.4
Deferred tax on actuarial gains on retirement benefit obligations	**–**	(0.9)	(1.5)
Net income not recognised in income statement	**–**	2.2	3.9
Total recognised income for the period	**15.6**	15.4	25.5
Attributable to:			
Equity shareholders of the parent	**15.6**	15.4	25.5

(a) No actuarial gain or loss was made on retirement benefit obligations in the first six months of 2008.

Consolidated balance sheet (unaudited)

as at 27 June 2008

	Note	**27 Jun 2008 £m**	29 Jun 2007 £m	28 Dec 2007 £m
Assets				
Non-current assets				
Goodwill		**124.4**	113.8	119.6
Intangible assets		**33.4**	20.2	24.7
Property, plant and equipment		**93.4**	89.3	91.1
Financial and other assets		**4.4**	4.6	4.5
Retirement benefit asset		**7.3**	4.2	6.8
		262.9	232.1	246.7
Current assets				
Inventories		**3.4**	2.8	3.4
Trade and other receivables		**23.5**	20.7	22.7
Cash and cash equivalents	7	**54.2**	42.4	52.6
		81.1	65.9	78.7
Total assets		**344.0**	298.0	325.4
Liabilities				
Current liabilities				
Financial liabilities		**7.4**	4.8	7.1
Trade and other payables		**35.8**	19.5	33.0
Current tax liabilities		**5.0**	3.0	1.9
Provisions for liabilities and charges		**1.1**	1.4	1.3
		49.3	28.7	43.3
Non-current liabilities				
Financial liabilities		**264.8**	268.8	267.1
Deferred tax liabilities		**17.7**	10.9	14.9
Other non-current liabilities		**2.8**	2.8	2.8
Provisions for liabilities and charges		**2.0**	1.6	1.9
		287.3	284.1	286.7
Total liabilities		**336.6**	312.8	330.0
Shareholders' equity				
Ordinary shares	8	**5.7**	5.7	5.7
Share premium account	8	**34.6**	33.6	33.8
Capital redemption reserve	8	**80.0**	80.0	80.0
Other reserves	8	**(9.2)**	(10.9)	(9.0)
Retained earnings	8	**(103.7)**	(123.2)	(115.1)
Total equity attributable to shareholders	8	**7.4**	(14.8)	(4.6)
Total equity and liabilities		**344.0**	298.0	325.4

Consolidated cash flow statement (unaudited)

for the 26 week period ended 27 June 2008

	Note	26 week period ended 27 Jun 2008 £m	26 week period ended 29 Jun 2007 £m	52 week period ended 28 Dec 2007 £m
Cash flows from operating activities				
Cash generated from operations	9	**37.1**	30.4	57.5
Finance charges paid		**(10.2)**	(10.3)	(10.3)
Transfers from restricted bank accounts for finance charges	7	**10.2**	–	–
Payments to restricted bank accounts for finance charges	7	**(10.1)**	–	(10.2)
Finance income received		**1.3**	1.4	2.1
Tax paid		**(1.9)**	(3.3)	(6.4)
Net cash generated from operating activities		**26.4**	18.2	32.7
Cash flows from investing activities				
Acquisition of subsidiaries and businesses		**(16.9)**	(8.5)	(16.6)
Acquisition of minority interest		**–**	(2.0)	(2.0)
Proceeds from sale of property, plant and equipment		**1.3**	0.5	0.9
Purchase of property, plant and equipment		**(2.7)**	(3.6)	(8.5)
Transfers to restricted bank accounts	7	**–**	(0.3)	(0.3)
Net cash used in investing activities		**(18.3)**	(13.9)	(26.5)
Cash flows from financing activities				
Repayment of borrowings		**(2.2)**	(2.1)	(2.1)
Transfers from restricted bank accounts for repayment of borrowings	7	**2.2**	–	–
Payments to restricted bank accounts for repayment of borrowings	7	**(2.3)**	–	(2.2)
Receipt of debenture loan		**–**	1.0	1.0
Interim dividends paid to shareholders		**–**	–	(2.1)
Final dividends paid to shareholders		**(4.2)**	(3.8)	(3.8)
Proceeds from issue of shares under SAYE scheme		**–**	1.3	1.5
Net cash used in financing activities		**(6.5)**	(3.6)	(7.7)
Net increase/(decrease) in cash and cash equivalents	7	**1.6**	0.7	(1.5)
Cash and cash equivalents at the beginning of the period		**38.7**	40.2	40.2
Cash and cash equivalents at the end of the period	7	**40.3**	40.9	38.7

Notes to the interim financial information 2008 (unaudited)
for the 26 week period ended 27 June 2008

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

Basis of preparation
The interim condensed consolidated financial statements of Dignity plc (the 'Company') are for the 26 week period ended 27 June 2008 and comprise of the results, assets and liabilities of the Company and its subsidiaries (the 'Group').

The interim condensed consolidated financial statements are unaudited and do not constitute audited accounts within the meaning of s240 of the Companies Act 1985. These interim condensed consolidated financial statements have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Service Authority and with IAS 34 'interim financial reporting' as adopted by the European Union.

The interim condensed consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards, as adopted by the European Union, that are expected to apply to the Group's Financial Report for the 52 week period ended 26 December 2008. The interim condensed consolidated financial statements are also consistent with the audited consolidated financial statements for the 52 week period ended 28 December 2007. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the audited consolidated financial statements of the Group as at and for the 52 week period ended 28 December 2007. The Directors approved these interim condensed consolidated financial statements on 29 July 2008.

The accounting policies applied by the Group in these interim condensed consolidated financial statements are the same as those applied by the Group in its audited consolidated financial statements as at and for the 52 week period ended 28 December 2007. The basis of consolidation is set out in the Group's accounting policies in those financial statements.

The preparation of interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, and income and expenses. In preparing these interim condensed consolidated financial statements, the significant judgments made by the management in applying the Group's accounting policies and key source of estimation uncertainty were the same as those applied to the audited consolidated financial statements as at and for the 52 week period ended 28 December 2007.

Comparative information has been presented as at and for the 26 week period ended 29 June 2007 and as at and for the 52 week period ended 28 December 2007.

The comparative figures for the 52 week period ended 28 December 2007 do not constitute statutory accounts for the purposes of s240 of the Companies Act 1985. A copy of the Group's statutory accounts for the 52 week period ended 28 December 2007 have been delivered to the Registrar of Companies and contained an unqualified auditors' report in accordance with s235 of the Companies Act 1985.

Exceptional Items
Exceptional items, by their nature, are not indicative of the underlying operating performance of the Group. Exceptional items are material to the results for the period and are of a non-recurring nature and are therefore presented separately. Transactions which may give rise to exceptional items are principally non-recurring changes in taxation following the implementation of new legislation.

1 Accounting policies (continued)

Standards, amendments and interpretations effective in 2008

IFRIC 14, IAS 19, the limit on a defined benefit asset, minimum funding requirements and their interaction. IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. This standard has had no impact on the interim condensed consolidated financial statements.

Standards, amendments and interpretations effective in 2008 but not relevant

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2008 but they are not relevant to the Group's operations:

IFRIC 12, Service concession arrangements.
IFRIC 13, Customer loyalty programs.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted

The following standards, amendments and interpretations to existing standards have been published that are mandatory for accounting periods beginning on or after 26 December 2008 or later periods but which the Group has not early adopted:

IFRS 3 (Amendment), Business combinations. The revision to this standard amends the way business combinations are accounted for. This revision is effective for all business combinations on or after 1 July 2009.

IFRS 8, Operating segments. This standard is effective for accounting periods beginning on or after 1 January 2009 and introduces new rules on the disclosure of operating results by business segment.

IFRIC 11, IFRS 2, Group and treasury transactions. It provides guidance on whether share-based payments involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payments in the stand-alone accounts of the parent and Group companies. This is not expected to have any impact on the Group's consolidated financial statements.

IAS 23 (Amendment), Borrowing costs. The amendment to the standard is still subject to endorsement by the European Union. It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group will apply IAS 23 (Amended) from 1 January 2009, subject to endorsement by the EU. This is not expected to have an impact on the Group.

IAS 32 (Amendment), Financial instruments: presentation and IAS 1, Presentation of Financial statements. This amendment is effective for accounting periods beginning on or after 1 January 2009 and introduced new rules on how certain financial instruments should be classified as equity. This is not expected to have an impact on the Group.

Standards, amendments and interpretations to existing standards that are not yet effective and not relevant for the Group's operations

IAS 27 (Amendment), Consolidated and separate financial statements. This standard requires all transactions with non-controlling interests to be recorded in equity if there is no change in control. This amendment is effective for accounting periods on or after 1 July 2009.

Notes to the interim financial information 2008 (unaudited) continued
for the 26 week period ended 27 June 2008

2 Revenue and segmental analysis
The revenue and operating profit*, by segment, was as follows:

26 week period ended 27 June 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 £m	Operating profit/(loss) £m
Funeral services	**71.7**	**28.4**	**(3.1)**	**25.3**	**1.0**	**26.3**
Crematoria	**14.7**	**8.8**	**(0.8)**	**8.0**	**–**	**8.0**
Pre-arranged funeral plans	**4.2**	**2.0**	**–**	**2.0**	**–**	**2.0**
Central overheads	**–**	**(5.2)**	**(0.2)**	**(5.4)**	**–**	**(5.4)**
Group	**90.6**	**34.0**	**(4.1)**	**29.9**	**1.0**	**30.9**
Finance costs				**(10.8)**	**–**	**(10.8)**
Finance income				**2.0**	**–**	**2.0**
Profit before tax				**21.1**	**1.0**	**22.1**
Taxation				**(6.2)**	**(0.3)**	**(6.5)**
Underlying earnings for the period				**14.9**		
Total other items					**0.7**	
Profit after taxation						**15.6**

26 week period ended 29 June 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	64.5	25.5	(2.9)	22.6	0.2	22.8
Crematoria	13.2	7.8	(0.6)	7.2	–	7.2
Pre-arranged funeral plans	3.4	2.2	–	2.2	–	2.2
Central overheads	–	(4.8)	(0.4)	(5.2)	–	(5.2)
Group	81.1	30.7	(3.9)	26.8	0.2	27.0
Finance costs				(10.8)	–	(10.8)
Finance income				2.1	–	2.1
Profit before tax				18.1	0.2	18.3
Taxation – continuing activities				(5.5)	(0.1)	(5.6)
Taxation – exceptional				–	0.5	0.5
Taxation				(5.5)	0.4	(5.1)
Underlying earnings for the period				12.6		
Total other items					0.6	
Profit after taxation						13.2

2 Revenue and segmental analysis (continued)

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

* Operating profit includes Recoveries within pre-arranged funeral plans of £1.5 million (June 2007: £1.5 million; December 2007: £1.5 million).

3 Net finance charges

	26 week period ended		52 week period ended
	27 Jun 2008 £m	29 Jun 2007 £m	28 Dec 2007 £m
Finance charges			
Class A and B Secured Notes – issued April 2003	**7.1**	7.2	14.4
Class A and B Secured Notes – issued February 2006	**2.6**	2.6	5.2
Amortisation of issue costs – issued April 2003	**0.5**	0.5	1.1
Amortisation of issue costs – issued February 2006	**0.1**	0.1	0.2
Other loans	**0.2**	0.1	0.1
Interest payable on finance leases	**–**	–	0.1
Unwinding of discounts	**0.3**	0.3	0.6
Finance charges	**10.8**	10.8	21.7
Finance income			
Bank deposits	**(1.3)**	(1.3)	(2.7)
Release of premium on issue of Secured Notes – issued February 2006	**(0.4)**	(0.4)	(0.8)
Net finance income on retirement benefit obligations	**(0.3)**	(0.3)	(0.7)
Debenture loan	**–**	(0.1)	–
Finance income	**(2.0)**	(2.1)	(4.2)
Net finance charges	**8.8**	8.7	17.5

Notes to the interim financial information 2008 (unaudited) continued
for the 26 week period ended 27 June 2008

4 Taxation
The taxation charge on continuing operations in the period is based on a full year estimated effective tax rate, before exceptional items, of 29.5 per cent (2007: 30.1 per cent) on profit before tax for the 26 week period ended 27 June 2008.

	Note	26 week period ended 27 Jun 2008 £m	26 week period ended 29 Jun 2007 £m	52 week period ended 28 Dec 2007 £m
Taxation – before exceptional items		**6.5**	5.6	9.1
Taxation – exceptional	(a)	**–**	(0.5)	(0.5)
Taxation		**6.5**	5.1	8.6

(a) In 2007 the Group recognised an exceptional tax credit of £0.5 million representing the impact of the change in corporation tax rate on the Group's opening deferred taxation provision.

Further legislation was enacted on 21 July 2008 in respect of Industrial Building Allowances. This is expected to result in a one off charge to the consolidated income statement of £0.5 million in the second half of 2008.

5 Earnings per share (EPS)
The calculation of basic earnings per Ordinary Share has been based on the profit for the relevant period.

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.

The performance criteria for the vesting of the awards under the LTIP schemes cannot be met until the third anniversary of their issue. Consequently, these contingently issueable shares have been excluded from the diluted EPS calculations.

Underlying earnings is calculated as profit after tax excluding profit on sale of fixed assets (net of taxation) of £0.7 million (June 2007: £0.1 million; December 2007: £0.1 million) and exceptional taxation adjustments described in note 4 of £nil (June 2007: credit of £0.5 million; December 2007: credit of £0.5 million).

	Earnings £m	Weighted average no. of shares m	Per share amount pence
26 week period ended 27 June 2008 – basic and diluted	**15.6**	**63.3**	**24.6**
26 week period ended 29 June 2007 – basic and diluted	13.2	62.5	21.1
52 week period ended 28 December 2007 – basic and diluted	21.6	62.8	34.4

	Underlying earnings £m	Weighted average no. of shares m	Per share amount pence
26 week period ended 27 June 2008 – basic and diluted	**14.9**	**63.3**	**23.5**
26 week period ended 29 June 2007 – basic and diluted	12.6	62.5	20.2
52 week period ended 28 December 2007 – basic and diluted	21.0	62.8	33.4

In all periods, the potential issue of new shares pursuant to the Group's share option plans would not materially affect the earnings per share if exercised.

6 Dividends

On 27 June 2008, the Group paid a final dividend, in respect of 2007, of 6.67 pence per share (2007: 6.06 pence per share) totalling £4.2 million (2007: £3.8 million).

On 29 July 2008, the Directors approved an interim dividend, in respect of 2008, of 3.66 pence per share (2007: 3.33 pence per share) totalling £2.3 million (2007: £2.1 million), which will be paid on 31 October 2008 to those shareholders on the register at the close of business on 26 September 2008.

7 Cash and cash equivalents

	Note	**27 Jun 2008 £m**	29 Jun 2007 £m	28 Dec 2007 £m
Cash and cash equivalents as reported in cash flow statement		**40.3**	40.9	38.7
Recoveries: pre-arranged funeral plans	(a)	**1.5**	1.5	1.5
Amounts set aside for debt service payments	(b)	**12.4**	–	12.4
Cash and cash equivalents		**54.2**	42.4	52.6

(a) Recoveries may not be used for one year following receipt.

(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 30 June 2008 (December 2007: 31 December 2007). £10.1 million (December 2007: £10.2 million) is shown within the cash flow statement as 'Payments to restricted bank accounts for finance charges'. £2.3 million (December 2007: £2.2 million) is shown within 'Financing activities' as 'Payments to restricted bank accounts for repayment of borrowings'.

Notes to the interim financial information 2008 (unaudited) continued

for the 26 week period ended 27 June 2008

8 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 £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 26 weeks ended 29 June 2007	–	–	–	–	13.2	13.2	–	13.2
Actuarial gains and losses on defined benefit plans	–	–	–	–	3.1	3.1	–	3.1
Deferred tax on pensions	–	–	–	–	(0.9)	(0.9)	–	(0.9)
Effects of employee share options	–	–	–	0.3	–	0.3	–	0.3
Tax on employee share options	–	–	–	(0.9)	–	(0.9)	–	(0.9)
Share issue under 2004 SAYE scheme	0.1	1.2	–	–	–	1.3	–	1.3
Share issue under 2004 LTIP scheme	–	0.8	–	–	–	0.8	–	0.8
Gift to Employee Benefit Trust(1)	–	–	–	(0.8)	–	(0.8)	–	(0.8)
Acquisition of minority interest(2)	–	–	–	–	–	–	1.2	1.2
Dividends	–	–	–	–	(3.8)	(3.8)	–	(3.8)
Shareholders' equity as at 29 June 2007	5.7	33.6	80.0	(10.9)	(123.2)	(14.8)	–	(14.8)
Profit for the 26 weeks ended 28 December 2007	–	–	–	–	8.4	8.4	–	8.4
Actuarial gains and losses on defined benefit plans	–	–	–	–	2.3	2.3	–	2.3
Deferred tax on pensions	–	–	–	–	(0.6)	(0.6)	–	(0.6)
Effects of employee share options	–	–	–	0.5	–	0.5	–	0.5
Tax on employee share options	–	–	–	1.5	–	1.5	–	1.5
Adjustment for tax rate change 30% to 28%	–	–	–	(0.1)	0.1	–	–	–
Share issue under 2004 SAYE scheme	–	0.2	–	–	–	0.2	–	0.2
Dividends	–	–	–	–	(2.1)	(2.1)	–	(2.1)
Shareholders' equity as at 28 December 2007	5.7	33.8	80.0	(9.0)	(115.1)	(4.6)	–	(4.6)
Profit for the 26 weeks ended 27 June 2008	**–**	**–**	**–**	**–**	**15.6**	**15.6**	**–**	**15.6**
Effects of employee share options	**–**	**–**	**–**	**0.4**	**–**	**0.4**	**–**	**0.4**
Tax on employee share options	**–**	**–**	**–**	**0.2**	**–**	**0.2**	**–**	**0.2**
Share issue under 2005 LTIP scheme	**–**	**0.8**	**–**	**–**	**–**	**0.8**	**–**	**0.8**
Gift to Employee Benefit Trust(3)	**–**	**–**	**–**	**(0.8)**	**–**	**(0.8)**	**–**	**(0.8)**
Dividends	**–**	**–**	**–**	**–**	**(4.2)**	**(4.2)**	**–**	**(4.2)**
Shareholders' equity as at 27 June 2008	**5.7**	**34.6**	**80.0**	**(9.2)**	**(103.7)**	**7.4**	**–**	**7.4**

(1) Relating to issue of shares under 2004 LTIP scheme.
(2) Resulting from acquisition of 25 per cent minority interest in Advance Planning Limited in January 2007.
(3) Relating to issue of shares under 2005 LTIP scheme.

9 Reconciliation of cash generated from operations

	26 week period ended		52 week period ended
	27 Jun 2008 £m	29 Jun 2007 £m	28 Dec 2007 £m
Net profit for the period	**15.6**	13.2	21.6
Adjustments for:			
Taxation	**6.5**	5.1	8.6
Net finance charges	**8.8**	8.7	17.5
Profit on disposal of fixed assets	**(1.0)**	(0.2)	(0.1)
Depreciation charges	**4.0**	3.6	7.3
Amortisation of intangibles	**0.1**	0.3	0.7
Changes in working capital (excluding acquisitions)	**2.7**	(0.6)	1.1
Employee share options	**0.4**	0.3	0.8
Cash generated from operations	**37.1**	30.4	57.5

10 Business combinations

(a) Acquisition of subsidiary and other businesses

	Carrying values pre acquisition £m	**Adjustments £m**	**Provisional fair value £m**
Tangible fixed assets	**3.2**	**0.8**	**4.0**
Intangible assets:			
Trade names	**–**	**8.8**	**8.8**
Other working capital	**0.7**	**–**	**0.7**
Deferred taxation	**–**	**(1.3)**	**(1.3)**
Net assets acquired	**3.9**	**8.3**	**12.2**
Goodwill arising			**4.8**
			17.0
Satisfied by:			
Deferred consideration			**0.2**
Cash paid on completion			**16.8**
Total consideration			**17.0**

During the period, the Group acquired the trade and assets of eight funeral locations and one crematorium. The Group also acquired 100 per cent of the share capital of one further funeral location.

These have been accounted for under the acquisition method. All intangible assets were recognised at their respective fair values. The residual excess over the net assets acquired is recognised as goodwill. This represents the value to the Group of the funeral locations.

The fair value adjustments contain some provisional amounts, which will be finalised in 2009. These adjustments reflect the recognition of trade names and associated deferred taxation and adjustments to reflect the fair value of other working capital.

The businesses acquired have their assets and liabilities amalgamated within the existing business structure and as such, it is impractical to determine, without undue expense and delay due to the immaterial size of each, the post acquisition results.

Notes to the interim financial information 2008 (unaudited) continued

for the 26 week period ended 27 June 2008

10 Business combinations (continued)

It is also not possible to quantify the results of these businesses prior to acquisition as it represents confidential information relating to the vendors, which the Directors do not have authority to disclose.

(b) Reconciliation to cashflow statement	2008 £m
Cash paid on completion	**16.8**
Cash paid in respect of deferred consideration obligations	**0.1**
Acquisition of subsidiaries and businesses as reported in cashflow statement	**16.9**

11 Related party transactions

The ultimate controlling party of the Group is Dignity plc.

Pre-arranged funeral plan trusts

During the period, the Group entered into transactions with the Trusts associated with the pre-arranged funeral plan businesses. The nature of the relationship with the Trusts is set out in the accounting polices, which can be found in the Group's 2007 Annual Report. Transactions represent:

- expenses paid by the Group on behalf of the respective Trusts;
- transfers of funds in relation to payments in respect of deaths and cancellations of existing members (which represents the majority of the amounts below);
- the recovery of marketing and administration expenses in relation to plans sold net of cancellations; and
- the payment of realised surpluses generated by the Trust funds as and when the trustees sanction such payments.

Related party transactions are summarised below:

	Transactions during the period			Amounts due to the Group at the period end		
	26 week period ended		52 week period ended			
	27 June 2008 £m	29 June 2007 £m	28 Dec 2007 £m	**27 June 2008 £m**	29 June 2007 £m	28 Dec 2007 £m
Dignity Limited Trust Fund	**0.2**	0.2	0.4	**–**	–	–
National Funeral Trust	**7.5**	6.6	13.5	**1.3**	1.2	1.3
Trust for Age Concern Funeral Plans	**8.2**	7.0	11.7	**1.2**	1.1	1.0

12 Post balance sheet events

There have been no significant events subsequent to the balance sheet date, save for that disclosed in note 4.

13 Interim report

Copies of the Interim Report are available from the registered office, Plantsbrook House, 94 The Parade, Sutton Coldfield, West Midlands, B72 1PH and at the Group's website www.dignityfuneralsplc.co.uk.

14 Securitisation

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

15 Seasonality

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

Directors' responsibility statement

The Directors confirm to the best of their knowledge that:

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

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

- DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first half of 2008 and their impact on the interim condensed consolidated financial statements; and a description of the principal risks and uncertainties for the remaining second half of the year; and

- DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of 2008 and that have materially effected the financial position or performance of the entity during the period; and any changes in the last Annual Report that could do so.

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

Richard Connell – Chairman
Peter Hindley – Chief Executive
Mike McCollum – Finance Director
Andrew Davies – Operations Director
Richard Portman – Corporate Services Director
James Newman – Non-Executive Director
William Forrester – Non-Executive Director

By order of the Board

29 July 2008

Independent review report to Dignity plc

Introduction

We have been engaged by the company to review the interim condensed consolidated financial statements in the Interim Report for the 26 week period ended 27 June 2008, which comprises the consolidated income statement, consolidated balance sheet, consolidated statement of recognised income and expense, consolidated cash flow statement and related notes. We have read the other information contained in the Interim Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim condensed consolidated financial statements.

Directors' responsibilities

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

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

Our responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements in the Interim Report for the 26 week period ended 27 June 2008 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

PricewaterhouseCoopers LLP
Chartered Accountants, Birmingham
29 July 2008

Shareholder information and financial calendar

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

Company registrars
Enquiries concerning shareholdings, change of address or other particulars, should be directed in the first instance to the Company's Registrars, Equiniti. They also provide a range of online shareholder information services at www.shareview.com where shareholders can check their holdings and find practical help on transferring shares and updating personal details. Alternatively they can be contacted by telephone on 0871 384 2674 or by fax on 0871 384 2125. Calls to these numbers are charged at 8p per minute from a BT landline. Other telephone providers costs may vary.

Share price information
The latest Dignity plc share price can be obtained via the Company's investor website www.dignityfuneralsplc.co.uk. It can also be obtained in the UK on Ceefax and Teletext.

Unsolicited mail
The Company is obliged by law to make its share register available upon request to the public and to other organisations which may use it as a mailing list resulting in shareholders receiving unsolicited mail. Shareholders wishing to limit the receipt of such mail should write to the Mailing Preference Service, Freepost 22, London W1E 7EZ or telephone +44 (0)845 703 4599 for an application form. Calls to this number are charged at local rate.

Financial calendar

29 July 2008
Announcement of interim results

26 September 2008
Record date for interim dividend

31 October 2008
Payment of 2008 interim dividend

26 December 2008
Financial period end

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