



Investing in our growth responsibly

About Dignity

Dignity owns 540 funeral homes and operates 22 crematoria in Britain. The Group is also the market leader in 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; and
- 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

01	Key financial highlights
02	Dignity at a glance
04	Chairman's statement
05	Chief Executive's overview
06	Business review
12	Corporate and social responsibility
15	Financial review
18	Our Board of Directors
20	Directors' report
23	Report on Directors' remuneration
30	Directors' statement on corporate governance

Group Accounts	
34	Independent auditors' report to the members of Dignity plc
36	Consolidated income statement
36	Consolidated statement of recognised income and expense
37	Consolidated balance sheet
38	Consolidated cash flow statement
39	Notes to the financial statements
Company Accounts	
71	Independent auditors' report to the members of Dignity plc
72	Dignity plc company balance sheet
72	Statement of total recognised gains and losses
73	Notes to the Dignity plc financial statements
Annual General Meeting	
76	Notice of Meeting
78	Shareholder information
79	Form of Proxy
ibc	Contact details and advisers
	Financial calendar

Key financial highlights

Current period financial highlights	2007	2006	Increase %
Revenue (£million)	159.5	149.8	6
Underlying operating profit ^(a) (£million)	47.6	44.1	8
Underlying profit before tax ^(a) (£million)	30.1	27.9	8
Underlying earnings per share ^(b) (pence)	33.4	26.6	26
Underlying cash generated from operations ^(c) (£million)	57.5	51.7	11
Operating profit (£million)	47.7	43.4	10
Profit before tax (£million)	30.2	27.2	11
Basic earnings per share (pence)	34.4	25.9	33
Interim dividend (pence)	3.33	3.03	10
Final dividend (pence)	6.06	–	n/a

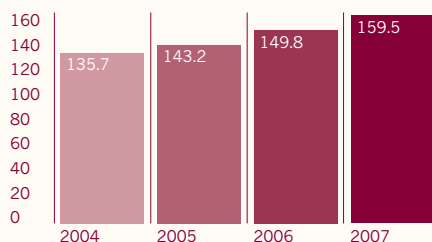
^(a) Before profit on sale of fixed assets and non-recurring costs expensed relating to redemption of B Shares in August 2006.

^(b) Underlying earnings per share is calculated as profit on ordinary activities before exceptional items and after taxation divided by the weighted average number of Ordinary Shares in issue in the period.

^(c) Before lump sum payment to final salary pension scheme of £10 million in August 2006 and £0.7 million payment in respect of return of redemption of B Shares in August 2006.

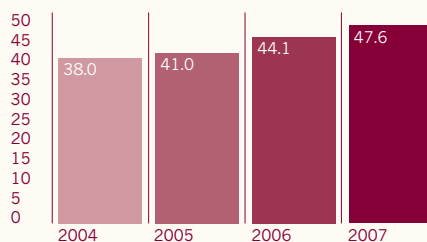
Revenue up 6%
to £159.5 million

Revenue
(£million)



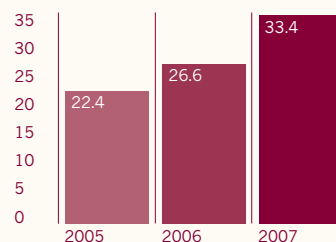
Underlying operating
profit up 8% to
£47.6 million

Underlying operating profit
(£million)

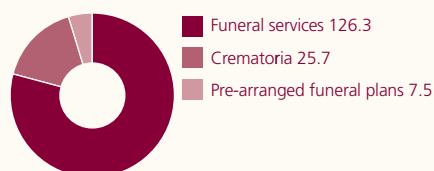


Underlying earnings
per share up 26% to
33.4 pence per share

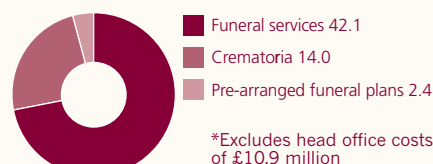
Underlying earnings per share
(pence) (2004 not included as not comparable)



Revenue by area
(£million)



Underlying operating profit by area*
(£million)



Dignity at a glance

The Group's operations are managed across three main areas, namely funeral services, crematoria and pre-arranged funeral plans. We aim to achieve our business objectives in a caring and responsible manner, recognising the economic, social and environmental impact of our activities.

Funeral services



Business overview

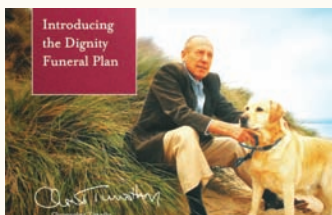
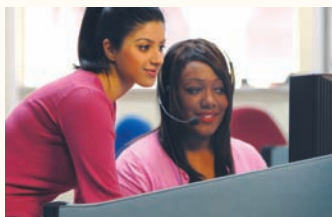
Funeral services represent 79 per cent of the Group's revenues and relate to the provision of funerals and ancillary items such as memorials and floral tributes. We operate a network of 540 funeral locations throughout Britain, trading under established local trading names. In 2007, the Group conducted 66,500 funerals, which represents approximately 12 per cent of estimated total deaths in Britain. During the period, the Group acquired 21 new funeral locations.

Crematoria



Crematoria represent 16 per cent of the Group's revenues and arise from cremation services and the sale of memorials and burial plots at the Group's crematoria and cemeteries. We are the largest single operator of crematoria in Britain. We operate 22 crematoria in England and Scotland and carried out 38,900 cremations in 2007 representing 7 per cent of estimated total deaths in Britain.

Pre-arranged funeral plans

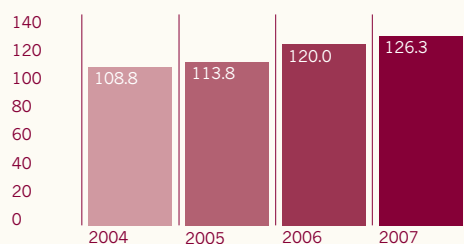


Pre-arranged funeral plans represent 5 per cent of the Group's revenues. Income represents amounts to cover the costs of marketing and administering the sale of plans. Pre-arranged funeral plans allow people to plan and pay for their funeral in advance. The Group is the market leader in the provision of pre-arranged funeral plans with 197,300 unfulfilled funeral plans as at 28 December 2007. Dignity works with a number of reputable affinity partners.

Operational and financial summary

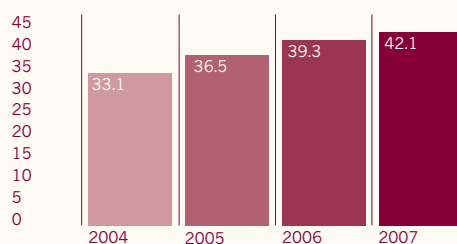
Revenue up 5.3%
to £126.3 million

Revenue (£million)



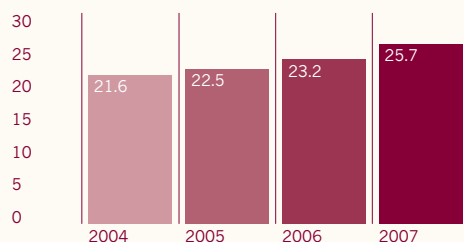
Underlying operating profit
up 7.1% to £42.1 million

Underlying operating profit (£million)



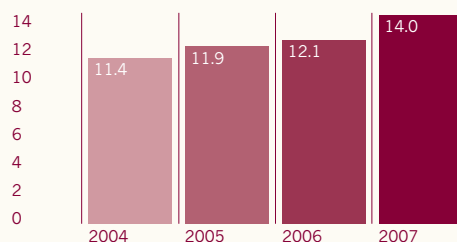
Revenue up 10.8%
to £25.7 million

Revenue (£million)



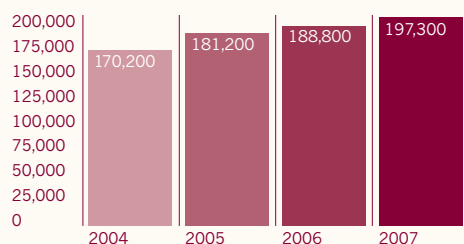
Underlying operating profit
up 15.7% to £14.0 million

Underlying operating profit (£million)



Total unfulfilled pre-arranged
funeral plans increased to 197,300

Total number of unfulfilled pre-arranged funeral plans



Chairman's statement

"We have delivered on all aspects of our strategy, which has been in place since flotation."



Richard Connell, Chairman

Results

The Group's fourth year as a listed company has once again been successful. We have delivered on all aspects of our strategy, which has been in place since flotation.

Good performance from all divisions, supported by an efficient capital structure, has resulted in a 26 per cent increase in underlying earnings per share (which excludes profit on sale of fixed assets and non-recurring exceptional items) to 33.4 pence per share (2006: 26.6 pence per share).

Basic earnings per share were 34.4 pence per share (2006: 25.9 pence per share), an increase of 33 per cent.

The year finished on a high, with the Group entering the FTSE 250 in December 2007.

Dividends

In October, an interim dividend of 3.33 pence per Ordinary Share was paid in respect of profits relating to 2007.

The Board has proposed that a final dividend of 6.67 pence per Ordinary Share should be paid from profits generated in 2007. Subject to shareholder consent at the Annual General Meeting, this will be paid on 27 June 2008 to members on the register at close of business on 6 June 2008.

These dividends represent a 10 per cent increase year on year, continuing the pattern of progressive dividends since flotation.

The Board, management and people

One of Dignity's key strengths is its people, who are all focused on providing client service excellence in whatever role they perform. According to our clients, our service continues to be excellent, which taken with these operating results demonstrates that commitment.

There were no changes to the Board in 2007 and I thank my fellow Directors for their continued support. I am delighted the Non-Executive Directors have agreed to extend their commitment to work with the Group for a further two years.

Outlook for 2008

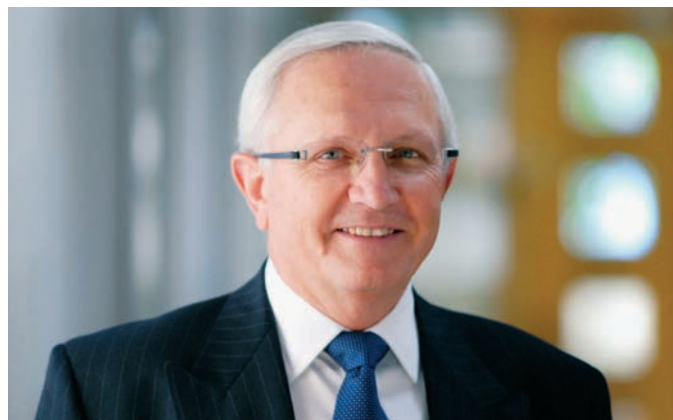
Given the success of our strategy so far, we plan that our approach for 2008 will remain unchanged.

Trading in the first eight weeks of 2008 has been strong and the Group is well placed to deliver further growth in this coming year.

Chief Executive's overview

"I am delighted that service excellence has been converted into strong operating results."

Peter Hindley, Chief Executive



Strong performance

Dignity's stable and predictable business has once again delivered strong growth in underlying operating profits, increasing 8 per cent to £47.6 million (2006: £44.1 million). Operating profits increased 10 per cent to £47.7 million (2006: £43.4 million). Combined with our funding strategy, this has delivered an excellent return for our shareholders in the period.

Valuing our people

During the period, my fellow Executive Directors and I have increased the number of visits to our funeral locations to see at first hand the quality of service being provided by our staff. During each visit, we have spoken to colleagues who are passionate about looking after each and every family to the best of their ability. They truly are a credit to this business and we look forward to meeting other colleagues in similar visits in 2008.

I am delighted that service excellence has been converted into strong operating results. This enabled us to make a discretionary bonus payment of £1.2 million to permanent members of staff not covered by any other bonus scheme. This equates to £600 for each full time employee and is an increase of 20 per cent over that paid in the previous period.

Furthermore, we continue to maintain our final salary pension scheme, keeping it open to new employees. Following our £10.0 million lump sum contribution in 2006, the scheme shows a surplus within these financial statements of £6.8 million (2006: £0.6 million).

Investing in growth responsibly

Since flotation, the Group has invested £35.9 million in acquisitions of funeral businesses, representing 43 funeral locations. This investment in quality businesses delivers excellent returns for our shareholders and is a very effective use of our excess operating cash.

Similarly, £20.9 million has been invested in 224 hearses and limousines and 436 other new vehicles in the last four years, whilst £14.6 million of other capital expenditure has been spent to improve the facilities at 169 locations. This substantial investment is helping to provide our staff with a better environment for delivering excellent client service.

The marketing of pre-arranged funeral plans also serves as a significant investment in the business, being a key driver of incremental revenues for future periods. The Group expects to carry out the funeral for the majority of these sales, which in turn, through client service excellence and recommendations, will deliver further volumes going forward. At the same time, these plans provide great peace of mind to people in our communities, who know that their affairs will be dealt with as they wish.

Our focus

The Group's strategy is very clearly focused on growing profitability in a responsible and sustainable manner. Underpinning this is a commitment to excellent client service and recognition of the importance of balancing the needs of our customers, our employees, our shareholders and the communities in which we work.

We satisfy the needs of all our stakeholders by staying committed to both helping people through one of the most difficult times of their lives and to our strategy. These have remained consistent for many years.

The remainder of this Annual Report describes in more detail how this approach has translated into success in each aspect of our business, whilst encompassing our corporate and social responsibilities.

Business review

£4.9 million

The Group has invested £4.9 million improving the Group's fleet of hearses, limousines and other vehicles.

79%

Funeral services represent 79 per cent of the Group's revenues.

We are investing in our growth responsibly by...

Introduction

The Group's operations are managed across three main areas, namely funeral services, crematoria and pre-arranged funeral plans, which respectively represent 79 per cent, 16 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 for National Statistics (ONS).

In April 2007, the ONS suspended the provision of this information, pending the implementation of a new computerised births, marriages and deaths system.

In October 2007, provision of the information recommenced. 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 2007 estimates are directly comparable to the 2006 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 publication recorded total estimated deaths for 2007 of 553,000 (2006: 548,100).

Funeral services

The Group operates a network of 540 (2006: 521) funeral locations throughout Britain, trading under local established names. During the period, the Group conducted 66,500 funerals (2006: 66,500) representing approximately 12.0 per cent (2006: 12.1 per cent) of total estimated deaths in Britain.

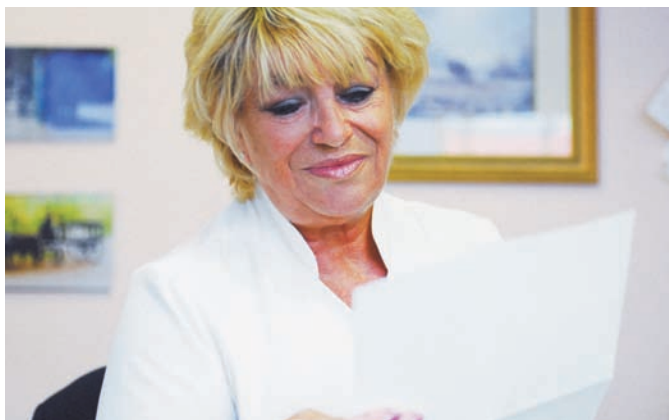
Underlying operating profits were £42.1 million (2006: £39.3 million), an increase of 7.1 per cent. This reflects the benefit from increased spend per funeral and continued cost control. Reported operating profits were £42.2 million (2006: £39.3 million), an increase of 7.4 per cent.

2007 has been the busiest period for funeral acquisitions since flotation, with a total of £16.6 million being invested in 21 funeral locations. All acquisitions matched the

Below: Listening to the needs of our families and giving our full attention to every detail is a high priority for all our staff, offering our clients peace of mind.



Below: We receive thousands of testimonials every year from families we have helped at a very difficult time. We listen to their needs and understand that giving less than 100 per cent of our attention is never an option.





Valuing our people and relationships...

Client service excellence remains at the heart of our strategy to grow the business and we recognise the significant part our people play in the Group's performance.

During 2007 we invested £16.6 million in acquiring a further 21 funeral locations that complement the key Dignity values of quality, tradition of service, dedication and trust, further enhancing our reputation in the marketplace. These acquisitions add great value to the growing Dignity family of businesses.

Business review continued

“Our quality of client service is borne out in the responses to the surveys that are sent out to each family we care for.”

98%

98 per cent of families say that they would either definitely or probably recommend our services.

22 locations

The Group is the largest private operator of crematoria, with 22 locations serving families across Britain.

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

The Group closed two (2006: six) unprofitable locations in the period.

The division has continued to benefit from financial investment in the period to help maintain and improve the network. £4.9 million has been spent in the period to acquire 46 new hearses and limousines and 99 other vehicles. Furthermore, the Group has spent £2.4 million on ongoing maintenance capital expenditure to refurbish and improve 84 locations.

Client service

The Group has always been clear that client service excellence is at the heart of our strategy for growth. Our quality of client service is borne out in the responses to the surveys that are sent out to each family we care for.

These results continue to demonstrate exceptional levels of service, with 98 per cent (2006: 98 per cent) of families responding saying that they would either definitely or probably recommend our services.

Maintaining this level of service is of key importance, given that 75 per cent of the Group's funeral business comes from reputation and recommendation.

As a result, close monitoring of local survey results, regular training and detailed procedures are in place to ensure standards are maintained.

Crematoria

The Group operates 22 crematoria and performed 38,900 cremations (2006: 38,500) in the period. This market share of 7.0 per cent (2006: 7.0 per cent) reflects the Group's position as the largest single operator of crematoria in Britain. The market share in 2007 includes approximately 500 additional cremations at two locations following the temporary closure of a nearby local authority crematorium.

Revenues of £25.7 million (2006: £23.2 million) have resulted in operating profits of £14.0 million (2006: £12.1 million), an increase of 15.7 per cent. This reflects an improved performance in memorial sales following detailed training and focus in the period. This programme of training continues into 2008.

During the period, the Group opened new memorial areas at its locations in South London and Crawley, at a cost of £0.5 million. These developments will in time hold many commemorative memorials and provide space for quiet contemplation when families visit in the following years to remember their loved ones.

In addition to this investment, the Group has spent £0.7 million improving the facilities at its 22 locations.

Below: We offer a wide range of memorials through our 22 crematoria in response to the growing and diverse needs of our clients. We aim to offer the best possible choice to our families.



Below: Our gardens of remembrance offer visitors a place for quiet contemplation for generations to come. We have invested heavily to ensure that every crematorium offers a tranquil environment in which friends and family can remember their loved ones.





Improving our facilities and services...

The needs of families are at the centre of everything we do. This year we have opened two new memorial gardens at our crematoria, including a four acre memorial garden at Surrey and Sussex Crematorium in Crawley.

We continue to invest in improving our facilities and providing more choice for families and as part of this we have refurbished 84 funeral locations. Recognising the needs of the whole community, we held our first ever memorial service for Hindu families in London.

Business review continued

10 year

The Group has a 10 year agreement to use the Age Concern brand, continuing an established relationship that has been in place for many years.

21 locations

The Group acquired 21 new funeral locations in the period and continues to seek well established, respected businesses that can contribute to the Group's future growth.

Pre-arranged funeral plans

The Group continues to be the market leader in this area. Unfulfilled pre-arranged funeral plans were 197,300 at the end of the period (2006: 188,800). These plans represent future incremental business for the funeral division, as the Group expects to perform the majority of these funerals.

On 8 January 2007, the Group acquired the minority interest in Advance Planning Limited from Age Concern Enterprises Limited (ACEnt). As part of this arrangement, the Group has a 10-year marketing agreement in place with ACEnt to provide pre-arranged funeral plans using the Age Concern brand during this time. This is an excellent development, as this route to market has proved to be successful in the past.

In order to grow this part of the business, our focus has been on two distinct areas; developing the Dignity Funeral Plan endorsed by the actor Christopher Timothy and developing marketing and distribution relationships with further reputable affinity partners. In both cases, successful tests lead us to expect further progress in 2008.

Head office

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, the Group records the costs of incentive bonus arrangements such as Long Term Incentive Plans (LTIPs) and management incentives for 95 managers across all divisions within this segment.

Costs in the period were £10.9 million (2006: £9.7 million), an increase of 12.4 per cent. This primarily reflects the increased pay-out of bonus arrangements and a payment to a former director in lieu of notice.

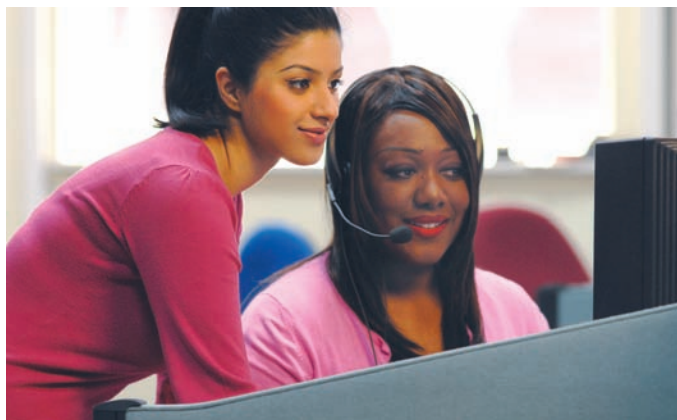
Investment for the future

Acquisition activity in funeral services has continued in the first quarter of 2008, with a further six funeral locations being acquired for a total consideration of £4.4 million. Consistent application of our acquisition criteria will continue, ensuring only well established, respected businesses are acquired that will contribute to the future growth of the Group.

The Group continues to seek opportunities with local authorities to manage their crematoria and cemeteries. We continue to be the preferred bidder for Rotherham Metropolitan Borough Council's crematorium and cemeteries and anticipate legal completion in the second quarter of 2008.

In the pre-arranged funeral plan division, testing of various opportunities continues, each focused on the overall goal of increasing the number of unfulfilled pre-arranged funeral plans.

Below: We have invested heavily in our client services team, ensuring that our training, coaching and development programme reflects ongoing product training, telephone skills, and the delivery of excellent customer service to our clients at all times.



Below: This year our pre-arranged funeral plan sales have been supported by the launch of the Dignity Funeral Plan endorsed by the actor Christopher Timothy.





Continuing to lead and develop...

Dignity continues to be the UK's leading provider of pre-arranged funeral plans and through our UK wide network of funeral locations and affinity partnerships, we have already helped over 300,000 people plan and pay for their funerals in advance.

Our pre-paid funeral plans continue to grow and as part of our ongoing commitment to delivering client service excellence we invest in training and support of our staff to ensure that we are able to best meet the needs of our customers and where appropriate, we look to explore and develop new opportunities to market our plans with other added-value affinity partners.

Corporate and social responsibility



Left: Dignity's chosen charity of the year 2008 is Help the Hospices. **Centre:** Mason & Gerald Martin Funeral Director's Choir of the Year competition winners, Eldon Grove Primary School. **Right:** Dignity issued all locations with its Recycling Mission Statement, reinforcing its commitment to the environment.

Introduction

The Group is committed to integrating corporate and social responsibility into all areas of the business. We recognise the importance of balancing the needs of our customers, our shareholders, our employees and the communities in which we work. This is central to the service we provide to our clients and is reflected in our business policies and procedures. The Group also believes in creating the appropriate culture for our staff, who are the most important asset of the business. We aim to achieve our business objectives in a caring and responsible manner recognising the economic, social and environmental impact of our activities.

Richard Portman, the Corporate Services Director, is the Board member responsible for corporate and social responsibility. It is his responsibility to identify key impacts and report to the Board on such matters.

In our communities

Making a difference to the local communities we serve is at the heart of everything we do. Dignity staff are extremely committed to this ethos and support hundreds of local activities every year. From organising fundraising events for national charities to helping out at local church fêtes, our staff give a large amount of their time to help good causes and charities.

By listening to and understanding the needs of local communities our staff are able to provide help where it is really needed.

For example, Zealley Funeral Service in Newton Abbott, Devon provides office space at no charge to their local CRUSE Bereavement counselling charity providing a valuable service to the local community and a useful resource to the charity. Blackburn's Funeral Service of Broadstairs, Kent arranged a summer outing for residents of a local nursing home, enjoying fish and chips at the seaside.

In Scotland, branches came together to raise over £8,000 at a charity dinner and dance. Daredevils from E F Edwards of Erdington in Birmingham raised £250 for The Stroke Association by abseiling 125ft down the side of Good Hope Hospital in Sutton Coldfield.

At Dignity, we believe in supporting our staff every step of the way and provide advice and support for those who want to give something back to their local community.



Supporting charities

As part of our commitment to local communities, staff also raise thousands of pounds every year for national and local charities of their choosing.

At the beginning of March 2007, we presented a cheque to World Vision for £50,000. This marked the end of our successful national charity campaign to support communities in Sri Lanka, affected by the 2005 Boxing Day Tsunami.

Following the success of the Tsunami Appeal, the opportunity to run another annual charity campaign was put to Dignity employees. Three staff favourites were identified for the mantle of Charity of the Year; British Heart Foundation; Guide Dogs for the Blind and Help the Hospices, the final selection was put to a staff ballot.

Nearly 1,000 staff took part in the ballot and 43 per cent of those responding voted for Help the Hospices as our Charity of the Year 2008.

Our four charity fairground organs are provided for use by local charities. In 2007 the four organs helped to raise over £130,000 during the year for a variety of good causes, church halls and community centres, hospices for children and adults, care homes and national charity partners. This is the highest annual total amount ever raised by the charity organs.



Environment

As in previous years, our business continues to have a low environmental impact and its activities are not expected to give rise to any significant environmental risk over the next 12 months.

Maintaining the quality of the environment in which we all live is an important concern for the Group. All areas of the business operate in accordance with the Group's Environmental Policy. We recognise the impact of our operations on the environment and our aim is to reduce this impact and to operate in an environmentally responsible manner.

At our coffin manufacturing facility in East Yorkshire, all wood waste from the manufacture of coffins is used to heat the factory. A significant and increasing proportion of packaging which coffins are packed in for transit to our funeral locations is now returned to the factory for re-use. As this is done when the next delivery is made, there is no increase in the use of vehicles or emissions to achieve this.



Recognising our role and responsibilities

We are committed to achieving our strategic objectives and integrating corporate and social responsibility into all areas of our business. We recognise the importance of balancing the needs of our customers, our shareholders, our employees and the communities in which we work.

We aim to achieve our business objectives in a caring and responsible manner recognising the economic, social and environmental impact of our activities.

Throughout the year our staff participate in many fundraising activities, raising thousands of pounds for national and local charities.

Corporate and social responsibility continued



Left: London's Air Ambulance receives a donation from the North East London community group. **Centre:** Trekking in Iceland to raise funds for local hospice care. **Right:** Dignity uses various materials and paper with FSC accreditations.

All our raw materials are sourced from well-managed and sustainable sources, the majority of whom have Forest Stewardship Council (FSC) accreditation. All promotional literature produced and despatched by the pre-arranged funeral plan division is printed on paper with FSC Mixed Sources accreditation.

At our head office in Sutton Coldfield paper and card recycling policies have been successfully introduced, leading to the introduction of can and bottle recycling on the premises thus cutting waste by over half.

A recycling mission statement has been developed and will be rolled out to all locations in 2008.

The Group and its employees undertake to act whenever necessary to meet or exceed the standards of current environmental legislation and continue to review the policies, systems and services to this end. All waste generated is properly disposed of in accordance with current legislation and steps are taken to recycle waste wherever practical.

Health and Safety

Effective health and safety management is critical to the Group and is a key priority of the Directors. Its operations are conducted at all times in such a way as to ensure, as far as is reasonably practical, the health, safety and welfare of all of our employees and all persons who may be attending our premises.

The Group is committed to the prevention of accidents and regularly reviews and updates procedures and training to ensure that staff minimise any risks associated with their tasks. During 2007, we produced and issued policies on smoking, pregnancy and distance driving to ensure that our employees understood their responsibilities and to keep them safe. This adds to the range of policies the Group has already created covering health and safety.

For our staff involved in the preparation of the deceased, a training and assessment programme has been developed and rolled out during the period. By the end of 2007, the majority of embalmers had been successfully assessed and further training and assessment is continuing.

The Group has a full time dedicated Health and Safety Manager who is supported by a network of co-ordinators who are based and work in all areas of the business. In addition there are two other full time members of staff in the health and safety team. They are both qualified embalmers and have conducted the assessment of

embalmers and the vaccination programme. Their roles will be broadened in 2008 to include all health and safety matters thus strengthening the overall team in this area.



Supporting our staff

Our employees are critical in the continued success of the Group. We are committed to high standards of employment practice and aim to encourage and develop successful employees.

The Group provides direct support to employees through both in-house training and external training courses. Such external training includes both relevant job training and tutoring for professional qualifications. These professional qualifications include the National Association of Funeral Directors (NAFD) Diploma and Membership of the British Institute of Embalmers (BIE). In addition, the Group has three members of staff who are qualified to act as tutors for the NAFD Diploma and two members of staff who are accredited BIE tutor.

Furthermore, the Group supported staff development and welfare through its Welfare Trust. The Welfare Trust provides funds for staff for professional training and hardship grants. The Trust has approximately £2.1 million of funds available for use in the future.

The Group publishes a quarterly in-house magazine 'Dignity Express' which is supplemented by monthly news bulletins to keep all employees informed of what is happening in the Group. Copies of 'Dignity Express' are further provided to employees who have retired from the Group. In addition, the Group has developed a dedicated employee website which contains news, useful information and background on the Group.



Above: Dignity Express is a quarterly newsletter for all Dignity staff, highlighting our news and communicating new initiatives.

Financial review

“Underlying earnings per share were 33.4 pence, an increase of 26 per cent.”

Mike McCollum, Finance Director



The market conditions in which the Group operates and its trading performance during the 52 week period ended 28 December 2007 are described in the Chairman's Statement, the Chief Executive's Overview and the Business Review.

Financial highlights

	2007	2006	Increase %
Revenue (£million)	159.5	149.8	6
Underlying operating profit* (£million)	47.6	44.1	8
Underlying profit before tax* (£million)	30.1	27.9	8
Underlying earnings per share* (pence)	33.4	26.6	26
Underlying cash generated from operations* (£million)	57.5	51.7	11
Operating profit (£million)	47.7	43.4	10
Profit before tax (£million)	30.2	27.2	11
Basic earnings per share (pence)	34.4	25.9	33
Interim dividend (pence)	3.33	3.03	10
Final dividend (pence)	6.06	–	n/a

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

The Board has proposed a dividend of 6.67 pence per Ordinary Share as a final distribution of profits relating to 2007. This brings the total dividend in respect of 2007 to 10 pence per share, an increase of 10 per cent.

Capital structure and financing

The Group's only external 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 has the benefit of maximising shareholder returns, whilst leaving sufficient flexibility to invest in the growth of the business.

The Board is of the opinion that the following provides additional indicative information regarding the net debt position of the Group:

	28 December 2007 £m	29 December 2006 £m
Net amounts owing on Class A and B Secured Notes per financial statements	(267.0)	(268.4)
Add: unamortised issue costs	(17.2)	(18.6)
Gross amounts owing	(284.2)	(287.0)
Accrued interest on Class A and B Secured Notes (paid 31 December 2007)	(9.9)	–
Cash and cash equivalents	52.6	41.4
Net debt	(241.5)	(245.6)

The Group's finance expense substantially consists of the interest on the Class A and B Secured Notes and ancillary instruments. 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. The net finance charge in the period relating to these instruments was £20.1 million (2006: £19.4 million). This year on year increase reflects the Secured Notes issued in February 2006 only incurring interest since issue in 2006 and for a full 52 week period in 2007.

Other ongoing finance costs incurred in the period amounted to £0.8 million (2006: £1.0 million), including the unwinding of discounts on the Group's provisions and other financial liabilities.

Interest receivable on bank deposits was £2.7 million (2006: £4.0 million). Interest receivable in 2006 was greater due to the £90.0 million proceeds of the debt issue in 2006, which were retained in cash for approximately six months before being returned to shareholders and used to pay a £10.0 million contribution to the Group's pension scheme.

This contribution to the pension scheme has helped to improve its position, demonstrated by the £0.7 million (2006: £nil) of net finance income. No significant interest was earned on the debenture loan (2006: £0.2 million) following its repayment during the period.

Financial review continued

+8%

Underlying operating profits have increased 8 per cent to £47.6 million.

+26%

Underlying earnings per share have increased 26 per cent to 33.4 pence per share.

+11%

Underlying cash generated from operations has increased 11 per cent to £57.5 million.

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 28 December 2007 £m	52 week period ended 29 December 2006 £m
Operating profit for the period as reported	47.7	43.4
Add/(deduct) the effects of:		
Exceptional costs of redemption of B shares	–	0.7
Profit on sale of fixed assets	(0.1)	–
Underlying operating profit	47.6	44.1
Net finance charges	(17.5)	(16.2)
Underlying profit before tax	30.1	27.9
Tax charge on underlying profit before tax	(9.1)	(8.6)
Underlying profit after tax	21.0	19.3
Weighted average number of Ordinary Shares in issue during the period (million)	62.8	72.6
Underlying EPS (pence)	33.4p	26.6p
Increase in underlying EPS (per cent)	26	

Earnings per share

The Group's earnings were £21.6 million (2006: £18.8 million). Basic earnings per share were 34.4 pence per share (2006: 25.9 pence per share).

However, the Group's reported earnings include the £0.5 million one off benefit for taxation described later in this review and £0.1 million profit on sale of fixed assets. Consequently, the Group's underlying profit after tax was £21.0 million (2006: £19.3 million), giving underlying earnings per share of 33.4 pence per share (2006: 26.6 pence per share), an increase of 26 per cent.

This increase demonstrates the strong operating performance combined with a 13 per cent reduction in the weighted average number of shares in issue. This reduction was a combination of two factors.

The principal factor is the result of what was effectively a share buy back programme, made possible by the issue of Secured Notes and return of value of £1 per share (£80 million) in August 2006.

Secondly, the first Save As You Earn (SAYE) and Long Term Incentive Plan (LTIP) Schemes introduced in 2004, the year of flotation, matured. This resulted in 1.0 million new Ordinary Shares being issued at various points during the period. Consequently, the weighted average number of shares was 62.8 million in the period, compared to 72.6 million in the previous period.

Cash flow and cash balances

Cash generated from operations before exceptional items was £57.5 million (2006: £51.7 million). This increase in cash generation is more than the equivalent increase in operating profits before depreciation. This demonstrates that the Group's operations convert trading activities to cash efficiently, with effective working capital management also positively impacting the position.

A busy year for acquisitions witnessed £16.6 million (2006: £7.3 million) being spent on funeral acquisitions, with a further £2.0 million (2006: £nil million) being incurred in the period to acquire the minority interest in Advance Planning Limited.

Capital expenditure increased year on year, with £8.5 million (2006: £8.0 million) being spent principally 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.

During the period, the Group's £1.0 million debenture loan to KCH Repatriation Limited was repaid. In addition, £1.5 million was received in exchange for new Ordinary Shares following the completion of the Group's first SAYE scheme.

The Group also made a final dividend payment in the period totalling £3.8 million. No separate final dividend was paid in 2006, as a result of the £1 per share return of value in August 2006.

Cash balances at the end of the period were £52.6 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 due on 31 December 2007, the first day of the Group's 2008 trading period as it reports on a 52

+10%Dividends have increased
10 per cent per annum.**£21.5 million**

The Group has set aside £21.5 million for future acquisitions. £4.4 million has been invested in six funeral locations since the balance sheet date.

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, £10.2 million has been reported within the cash flow statement as 'Payments to restricted bank accounts for finance charges' and £2.2 million has been reported as 'Payments to restricted bank accounts for repayment of borrowings'.

£21.5 million of the remainder has been set aside for acquisitions, of which £4.4 million has been used since the balance sheet date. £10.6 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 15 to the consolidated financial statements.

Taxation

In June 2007, legislation was passed confirming that the rate of corporation tax would reduce from 30 per cent to 28 per cent from 1 April 2008. As a result, the Group recognised exceptional tax income of £0.5 million through its income statement to reflect the one off reduction in the period of the Group's deferred tax position.

This also had the effect of reducing the Group's effective tax rate (excluding the non-recurring adjustment) to 30 per cent in 2007, compared to 31 per cent in the previous period.

The Group anticipates its effective tax rate will transition to 29 per cent in the 2009 financial period and beyond following these legislative changes.

The latest Budget Report was issued on 12 March 2008, the day before the release of this Annual Report. Accordingly, it is too early to have completed any detailed analysis on any new proposals announced by the Chancellor of the Exchequer. The Group will make appropriate announcements in due course as required by the Listing Rules if any aspect is considered to have a material effect on the Group's earnings.

However, further legislation is anticipated in respect of Industrial Buildings Allowances. If this is substantially enacted in the form expected in 2008, then this will result in a one off charge to the income statement of £0.5 million.

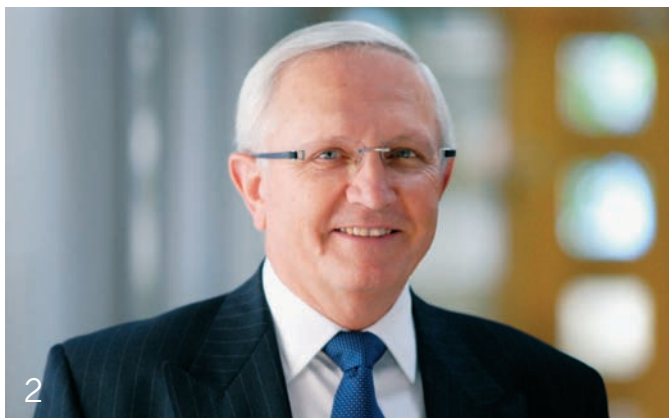
Key performance indicators

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 28 December 2007	52 week period ended 29 December 2006
Total estimated number of deaths (number)	553,000	548,100
Number of funerals performed (number)	66,500	66,500
Funeral market share (per cent)	12.0	12.1
Number of cremations performed (number)	38,900	38,500
Crematoria market share (per cent)	7.0	7.0
Unfulfilled pre-arranged funeral plans (number)	197,300	188,800
Underlying earnings per share (£million)	33.4	26.6
Underlying operating profit (£million)	47.6	44.1
Underlying cash generated from operations (£million)	57.5	51.7

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

Our Board of Directors



1. Richard Connell (53) ^{(a)(n)(r)} (Non-Executive Chairman)

Richard has held senior positions within a number of financial institutions including 3i Group, Amvescap and HSBC. In addition to his current role at Dignity, he is Chairman of Ideal Stelrad Group, a major European heating business, Chairman of CVS, and a Director of a number of other companies. Richard has a PPE degree from Oxford University and is an FCA.

3. Mike McCollum (40) (Finance Director)

Mike joined Dignity's former parent, SCI, in 1995 from KPMG Corporate Finance in London to manage acquisition activity in the UK and later in Europe. In 1999, he became responsible for the pre-arranged funeral plan division. As Finance Director, he has overseen the management buyout and bank refinancing, both in 2002, the whole business securitisation in 2003, the IPO in 2004 and the bond issue and return of value in 2006. He has a law degree from Birmingham University (LL.B), is a qualified solicitor and also holds an MBA from Warwick University.

2. Peter Hindley (64) (Chief Executive)

Peter has extensive experience of the industry, and led the management buyout of the Group from SCI in 2002. In 1991, he was appointed Chief Executive of Plantsbrook Group plc. Following the acquisition of both Plantsbrook Group plc and Great Southern Group plc by SCI in 1994, he was appointed CEO of SCI (UK). Before entering the funeral services industry, Peter spent 25 years in retailing, holding senior positions in Debenhams, Burtons and Harris Queensway.

4. Andrew Davies (46) (Operations Director)

Andrew joined his family owned business in 1979 and worked as a funeral director and embalmer until the business was sold to Great Southern Group in 1993. He then held various management positions within Great Southern Group and following the acquisition by SCI in 1994, held senior operational positions within SCI (UK). He became Operations Director in 2001 and was a member of the management buyout team in 2002.



(a) Member of the Audit Committee
 (n) Member of the Nomination Committee
 (r) Member of the Remuneration Committee

5. Richard Portman (46)
 (Corporate Services Director)

Richard joined SCL from HSBC as Chief Accountant in 1999. In 2001 he was appointed Head of Finance and was responsible for the running of Dignity's finance department. Richard was part of the team that took Dignity through the management buyout in 2002, the whole business securitisation in 2003 and the IPO in 2004. Following the IPO Richard was appointed as Company Secretary and became Corporate Services Director in 2006. Richard is an FCA, holds a geography degree from Birmingham University and is a Member of the Chartered Management Institute.

7. William Forrester (67) (a)(n)(r)
 (Non-Executive Director)

Bill is the Chairman of Linpac Group, Chairman of Nuaire Group Ltd and a Director of Brittpac Limited. Prior to this he was Group Chief Executive of SIG plc, Europe's largest distributor of insulation, ceiling, partitioning and roofing products and Chairman of John Laing plc, the infrastructure investment group. He was also the Managing Director at Kuwait Insulation Manufacturing Company and the Sales and Marketing Director at BP Rockwool Limited.

6. James Newman (58) (a)(n)(r)
 (Non-Executive Director)

James is Chairman of Straight plc, Brulines (Holdings) plc, Infoserve Group plc and bglobal plc and a Non-Executive Director of Scott Wilson Group plc as well as a Governor of Sheffield Hallam University. He was formerly Deputy Chief Executive and Group Finance Director of Kelda Group plc and a number of other public companies. He has also been Chairman of Waste Recycling Group plc and a Non-Executive Director of Richmond Foods plc before their respective takeovers in 2003 and 2006. James is a Chartered Accountant and Member of the Association of Corporate Treasurers.

Directors' report

The Directors present their report and the audited consolidated financial statements for Dignity plc and its subsidiaries for the 52 week period ended 28 December 2007.

Statement of Directors' responsibilities

Company law requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of the affairs of the Company and the Group and of the profit or loss of the Group for that period. The Directors are required to prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Company and Group will continue in business.

The Directors confirm that suitable accounting policies have been applied consistently, as explained in note 1 to the consolidated financial statements. They also confirm that reasonable and prudent judgments and estimates have been made in preparing the financial statements for the 52 week period ended 28 December 2007 and that applicable accounting standards have been followed.

The Directors are also responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that as far as each Director is aware there is no relevant audit information of which the Group's auditors are unaware. The Directors further confirm each of them have taken all steps that they ought to have done as Directors to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

The maintenance and integrity of the Dignity plc websites are the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the Dignity plc investor website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Principal activities and business review

The principal activity of the Group is the provision of funeral services including funeral directing, crematoria operation and the marketing and administration of pre-arranged funeral plans. The principal activity of the Company is that of a holding company.

The principal activities and key performance indicators of the Group are also described on pages 15 to 17 of the Financial Review, which is incorporated into this Directors' Report by reference. A review of the development of the business in 2007, events affecting the Group since the end of the year and likely future developments are referred to in the Business Review. The review of business activities in the Business Review and Financial Review are in line with the requirements of the Companies Act 1985.

Risks and uncertainties

Operational and financial risks are considered in the Business Review and the Financial Review.

The Group's principal operational risks are a significant reduction in the death rate and nationwide adverse publicity, which could affect the Group's market share.

However, the profile of deaths has historically followed a similar profile to that predicted by the ONS, giving the Group the ability to plan its business accordingly. Adverse publicity is addressed by ensuring appropriate policies and procedures are in place to ensure client service excellence.

An assessment of the Group's exposure to financial risks and a description of how these risks are managed are included in note 2 to the consolidated financial statements.

Share capital

The issued share capital of Dignity plc at 28 December 2007 consists of 63,240,971 Ordinary Shares of 9 pence each. All the Ordinary Shares carry the same rights and obligations. There are no other class or type of share in issue.

During the period the Group issued 1,016,832 Ordinary Shares of 9 pence each. 368,806 Ordinary Shares of 9 pence each were issued to satisfy Long Term Incentive Plan share options exercised in the period and 648,026 shares issued to satisfy options exercised under the Save As You Earn Scheme. Both lots of options were granted in 2004.

A special resolution passed at the last Annual General Meeting on 8 June 2007 gives Dignity plc the authority to purchase up to 3,111,111 Ordinary Shares of 9 pence each at not less than nominal value and not more than 5 per cent above the average middle market quotation for the preceding 5 business days. At the same meeting the Company was also given authority to allot Ordinary Shares up to an aggregate nominal value of £1,120,000 of which up to £280,000 may be for cash. These authorities will expire at the conclusion of the next Annual General Meeting

on 6 June 2008. It is the intention of the Directors to seek renewal of these authorities at that Annual General Meeting.

Results

The results for the period are set out in the Consolidated Income Statement on page 36. Group profit before tax amounted to £30.2 million (2006: £27.2 million).

Dividends

An interim dividend of 3.33 pence per share was paid on 26 October 2007. The Board has declared a final dividend of 6.67 pence per share, which subject to approval at the Annual General Meeting, will be paid on 27 June 2008 to shareholders on the register at 6 June 2008. This makes a total of 10 pence per share for the period.

Payments policy

The Group has no formal code or standard that deals specifically with the payment of suppliers. However, the Group's policy on the payment of all creditors is to ensure that the terms of payment as specified by, and agreed with, the supplier are not exceeded, provided all trading terms and conditions have been complied with. The average creditor payment period for the Group was 31 days (2006: 31 days). The Company has no trade creditors.

Employment policies

During the period the Group has maintained its obligations to develop and improve arrangements aimed at involving employees in its affairs. Methods of communication used include an in-house newsletter, an employee website, bulletins and management briefings. This is discussed in more detail in the Corporate and Social Responsibility Report on pages 12 to 14.

Employment policies are designed to provide equal opportunities irrespective of age, sexuality, colour, ethnic or national origin, religion, nationality, sex or marital status. Full consideration is given to the employment, training and career development of disabled persons subject only to their aptitudes and abilities. The Group makes every effort to treat disabled persons equally with others.

Directors and their interests

Details of the Directors of the Company who served during the period are shown in the Report on Directors' Remuneration on page 26. In accordance with the Articles of Association, at the Annual General Meeting, Mike McCollum and James Newman retire as Directors of the Company and, being eligible, offer themselves for re-election at the Annual General Meeting on 6 June 2008.

During the period, the Company maintained liability insurance for its Directors and Officers. The Directors of each of the Company's subsidiaries, have the benefit of an indemnity provision in the Company's Articles of Association. The indemnity provision, which is a qualifying third-party indemnity provision as defined by section 234 of the Companies Act 2006, was in force throughout the period and is currently in force.

Substantial shareholdings

As at 12 March 2008, the Company had been notified of the following interests of 3 per cent or more of the issued share capital:

Holder	Number of Ordinary Shares	Percentage of issued share capital
Lloyds TSB Group plc	5,732,622	9.01%
Standard Life Investments	3,544,063	5.60%
Tiger Global Management LLC	3,513,901	5.56%
Legal and General Investment Management Ltd	3,162,381	5.00%
Baillie Gifford and Co	3,136,178	4.96%
BlackRock Inc	3,097,322	4.90%
Aegon Asset Management UK plc	2,573,861	4.07%
UBS Global Asset Management Ltd	2,175,289	3.44%
The Goldman Sachs Group	1,902,031	3.01%

The takeover directive

The Group has one class of share capital, Ordinary Shares. All of the shares rank pari passu. There are no special control rights in relation to the Group's shares. The rules governing the appointment and replacement of Board members and changes to the Articles of Association accord with usual English company law provisions. The Board has authority to purchase its own shares and is seeking renewal of that power at the forthcoming Annual General Meeting within the limits set out in the notice of that meeting. There are no significant agreements to which the Group is party which take effect, alter or terminate in the event of change of control of the Group.

Health and safety policy

The Group's operations are executed at all times in such a way as to ensure, so far as reasonably practical, the health, safety and welfare of all of our employees and all other persons who may be attending our premises. This is discussed in the Corporate and Social Responsibility Report on pages 12 to 14.

Directors' report continued

Environmental policy

Maintaining the quality of the environment in which we all live is an important concern for the Group. This is discussed in the Corporate and Social Responsibility Report on pages 12 to 14.

Donations

The Group made charitable donations amounting to £0.1 million (2006: £0.1 million) during the period. There were no political donations. Further information can be found on page 12.

Going concern

The Directors have formed a judgment at the time of approving the financial statements that both the Company and the Group have adequate resources available to continue operating in the foreseeable future. For this reason, the going concern basis continues to be adopted in preparing the financial statements.

Post balance sheet events

See note 32 to the financial statements for further information.

Auditors

A resolution for the reappointment of PricewaterhouseCoopers LLP will be proposed at the forthcoming Annual General Meeting.

By order of the Board

Richard Portman

Company Secretary
13 March 2008

Report on Directors' remuneration

for the 52 week period ended 28 December 2007

This report sets out the remuneration policy operated by the Group in respect of the Executive Directors, together with disclosures on all Directors' remuneration. The auditors are required to report on the 'auditable' part of this report and to state whether, in their opinion, that part of the report has been properly prepared in accordance with the Companies Act 2006.

The Board has reviewed the Group's compliance with the 2006 Combined Code ('the Code') on remuneration related matters and has followed the Code in the preparation of the report of the Remuneration Committee. It is the opinion of the Board that the Group complied with all remuneration related aspects of the Code during the period except that, the annual bonus awarded to the Chief Executive is pensionable. He is however not a member of the Group pension scheme and maintains his own personal pension scheme. As a consequence there is no impact on the Group's pension scheme.

The Remuneration Committee is responsible for developing policy on remuneration for Executive Directors and senior management and for determining specific remuneration packages for each of the Executive Directors.

Bill Forrester chairs the Remuneration Committee and its other members are James Newman and the Non-Executive Chairman, Richard Connell. The Code requires that a Group of this size has a Remuneration Committee with a minimum of two members. The Chairman is specifically excluded from discussions regarding his remuneration. The Remuneration Committee members have no personal financial interest other than as shareholders in matters to be decided, no potential conflicts of interests arising from cross directorships and no day-to-day involvement in running the business.

The Chief Executive attended Remuneration Committee meetings when required and Richard Portman attended meetings as Company Secretary and hence Secretary to the Remuneration Committee. No Executive Director takes part in discussions relating to their own remuneration and benefits.

The Remuneration Committee is formally constituted with written terms of reference. A copy of the terms of reference is available for inspection on the Group's investor website www.dignityfuneralsplc.co.uk. The Committee met five times during 2007. At those meetings basic salaries of Executive Directors and senior managers were reviewed, the targets and quantum of annual performance related bonuses for directors were also agreed as were options granted under the Group's Long Term Incentive Plan (LTIP). The meetings also approved the payment of the 2006 performance related bonus and the vesting of the options granted under the LTIP scheme in 2004.

Remuneration policy

The Remuneration Committee's policy has been to progressively set the main elements of the Executive Directors' remuneration at the following quartiles in comparison to a comparable group of companies ('the Comparator Group'):

- Basic salary – median.
- Annual bonus potential – median to upper quartile.
- Share incentives – median to upper quartile.
- Total compensation – median to upper quartile.

The Comparator Group is a group of 20 companies with similar corporate attributes to the Group such as market capitalisation, turnover and number of employees. However, since the Group was promoted to the FTSE 250 in December 2007 and given the lack of any clear peer group, it is the intention of the Committee to, in the future, set the elements of the remuneration package by reference to the constituent companies of the bottom half of the FTSE 250.

The objective of the remuneration policy is to provide remuneration packages to each Executive Director that will:

- Motivate and encourage superior performance;
- Allow the Group to retain the talent needed to execute its business strategy;
- Enable the Group to be competitive when recruiting appropriately skilled and experienced management; and
- Align rewards with the interests of shareholders.

The Remuneration Committee believes that this policy will retain and develop further the Group's entrepreneurial culture whilst also focusing executive remuneration on performance, which the Committee believes will best serve shareholders' interests. It is therefore the aim of the Remuneration Committee to encourage and reward superior performance by Executive Directors with that performance being based on the measurable delivery of strong financial performance and returns to shareholders. This is achieved by weighting the overall remuneration package towards achievement of that performance. Only 31 per cent of each Executive Directors' total remuneration package (ignoring benefits and pension contributions) is accounted for by basic salary assuming a full annual related bonus is achieved and a maximum conditional award under the LTIP is made.

Report on Directors' remuneration continued

for the 52 week period ended 28 December 2007

The Remuneration Committee will continue to review the policy on an annual basis to ensure that it is in line with the Group's objectives and shareholders' interests.

Basic salary

No significant changes were made to the Executive Directors' basic salaries during the period. Available market information and Comparator Group information was reviewed during the period to ensure that basic salaries remained appropriate and competitive given the roles and responsibilities of each individual Director.

When determining the basic salary of the Executive Directors, the Remuneration Committee takes into consideration:

- The levels of base salary for similar positions with comparable status, responsibility and skills, in organisations of broadly similar size and complexity;
- The performance of the individual Executive Director;
- The individual Executive Director's experience and responsibilities; and
- Pay and conditions throughout the Group.

Annual performance related bonus

The Committee's policy during the period was to set the maximum annual bonus potential for Executive Directors between the median and the upper quartile in relation to the Comparator Group.

The targets for the year, which are based on the achievement of set earnings per share targets, are reviewed and set annually by the Committee to ensure that they are appropriate to the current market conditions and remain challenging. They are ratified by the full Board. The targets are designed to enhance shareholder value.

The maximum bonus attainable for 2007 by Executive Directors was 100 per cent of basic salary. A bonus of 70 per cent is attainable for meeting the first earnings per share target set by the Committee and a further bonus of 30 per cent may be earned by achieving a second and more demanding earnings per share target. The increase in underlying earnings per share during the period was 26 per cent and the bonus percentage earned by the Executive Directors in the period was 100 per cent.

No other bonuses of any description were paid in the period to Executive Directors.

Share incentives

Shareholders approved the current discretionary share incentive plan, the LTIP on 31 March 2004 prior to admission to the London Stock Exchange on 8 April 2004.

If existing LTIP's were to be amended or if there was a new LTIP Scheme, approval would be sought from the shareholders.

The Remuneration Committee reviews awards each year to Executive Directors at the median to upper quartile level compared to the Comparator Group.

All Executive Directors and other employees are entitled to be considered for the grant of conditional share awards under the LTIP. Under the rules, the maximum annual award that can be made to an individual is 125 per cent of salary. All four Executive Directors, serving at the start of the year, were granted conditional share awards during 2007 equivalent to the maximum award. The Committee deemed this award appropriate, as in previous years, mindful of the need to encourage superior performance from the Executive Directors and ensure that a significant proportion of their total remuneration is linked to the performance of the Group. This award is in addition to those granted in 2004, 2005 and 2006. Richard Portman, prior to his appointment to the Board, received a conditional share award in 2006 equal to 100 per cent of his salary. Total awards made to the Executive Directors under the scheme are shown on page 28.

Eligible Executives are awarded rights, in the form of nil cost conditional share awards, to acquire a maximum number of shares at the beginning of a three year period, a proportion of which they will be entitled to receive at the end of that period depending on the extent to which the performance conditions set by the Remuneration Committee at the time the allocation is made, are satisfied.

The Remuneration Committee selected comparative Total Shareholder Return (TSR) as the performance condition for LTIP awards as it ensures that the Group outperform the FTSE 350 Index over the measurement period in delivering shareholder value, before being entitled to receive any of their awards irrespective of general market conditions. The constituent companies of the FTSE 350 Index, at the time the awards are made, were selected as a benchmark as there are no directly comparable quoted companies in the UK and the 'enterprise value' of the Group (debt plus equity) gives it a comparative value to FTSE 350 companies. The Remuneration Committee will calculate the TSR in accordance with the rules of the scheme and ratify the calculation prior to the release of any award. Performance conditions under the LTIP are not subject to re-testing.

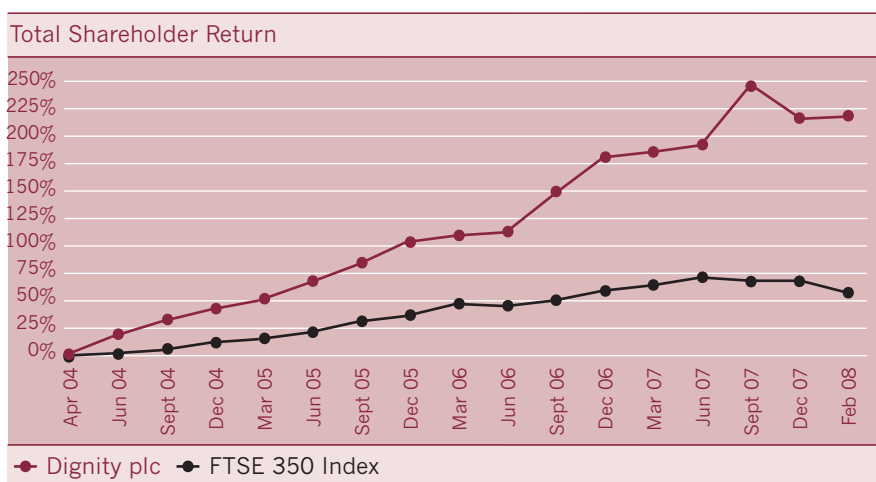
The percentage of the conditional share award exercisable or vesting is calculated as follows:

- Ranked in the top quintile: 100 per cent of the total award.
- Ranked at median: 40 per cent of the total award.
- Ranked below median: zero.
- Ranked between median and top quintile: straight-line apportionment.

The Remuneration Committee has set the percentage of conditional awards exercisable at 40 per cent for median performance. This is based on the Committee's assessment of an appropriate and necessary award for achieving such a performance after considering all elements of the total remuneration package.

In addition and irrespective of the TSR performance target, no award will vest unless in the opinion of the Remuneration Committee the underlying financial performance of the Group has been satisfactory over the measurement period.

The graph shows the Group's TSR compared to the FTSE 350. This gives a broad indication of the likelihood of any conditional award vesting.



On 8 April 2007 the conditional share awards made in 2004 under the LTIP became capable of vesting. The TSR of the Group over the measurement period was compared to that of the constituent companies of the FTSE 350 at the time the awards were made. The performance of the Group was found to be in the top quintile. On that basis the Remuneration Committee, mindful also of the continued strong performance of the Group, recommended that the entire 2004 share award vest and be issued to the relevant Directors. The shares were issued to the Directors on 11 April 2007 and sold in their entirety the following day by the Group's brokers.

The total conditional awards held by each Director are shown on page 28 in the section of the Remuneration Committee's Report that is subject to audit.

In accordance with the ABI guidelines, the Group can issue a maximum of 10 per cent of its issued share capital in a rolling ten year period to employees under all share plans. In addition, of this 10 per cent, the Company can only issue 5 per cent to satisfy awards under discretionary or executive plans. At the period end, conditional awards under the LTIP Scheme to Executive Directors and senior managers amount to 1.28 per cent of the current issued share capital. If the awards made in 2004, that have just vested, are included that percentage is 1.87 per cent. The total including SAYE options granted in both the 2004 and 2007 Schemes is 3.36 per cent.

Pensions

The Group provides Peter Hindley with a contribution to his personal pension plan of 10 per cent of his salary and any bonus payable. As this is a personal pension plan any pension contributions paid on a bonus do not affect the Group's pension scheme. Mike McCollum and Richard Portman are members of the Group's pension scheme into which the Group contributed 10.5 per cent of salary (details are set out within the audited section of this report on page 27). The Group makes no pension contributions for Andrew Davies. No Non-Executive Directors receive any pension contributions.

Benefits in kind

Benefits included the following elements: provision of a company car or allowance, fuel, landline telephone at each Executive Director's home residence and a mobile telephone together with a pre-arranged funeral plan in accordance with any scheme established by the Group in respect of the funeral of the Executive Director or his wife. All Executive Directors received all of their benefits in kind.

Report on Directors' remuneration continued

for the 52 week period ended 28 December 2007

Service contracts

Details of the service contracts with all Executive Directors and letters of appointment with Non-Executive Directors are as follows:

Name	Contract date	Notice period	Unexpired term of contract or letter of approval
Peter Hindley	1 April 2004	12 months	Rolling Contract
Mike McCollum	1 April 2004	12 months	Rolling Contract
Andrew Davies	1 April 2004	12 months	Rolling Contract
Richard Portman	1 November 2006	12 months	Rolling Contract
Richard Connell	1 March 2006	3 months	2 months
James Newman	31 March 2006	3 months	3 months
Bill Forrester	31 March 2006	3 months	3 months

The Board has recently reviewed the terms and conditions of the Non-Executive Directors and the Chairman and have agreed further Letters of Appointment. These Letters are for a period of 24 months.

There are no special provisions in service contracts of employees or Directors relating to cessation of employment or change of control. The policy on termination is that the Group does not make payments beyond its contractual obligations, which do not include any payment from the takeover or liquidation of the Group. In addition, the Remuneration Committee ensures that there have been no unjustified payments for failure.

Under the Company's Articles of Association, one third of the Directors are required to submit themselves for re-election every year. The Board determines the fees of the Non-Executive Directors. It is based upon recommendations from the Chairman and Chief Executive (or, in the case of the Chairman, based on recommendations from the Remuneration Committee and the Chief Executive). The level of fees of the Non-Executive Directors reflects the time commitment and responsibility of their respective roles. In future, their fees will be set by reference to the constituent companies of the bottom half of the FTSE 250.

No Executive Directors hold a Non-Executive position with any other company. However, the Group encourages one such appointment per Executive Director.

The following information on pages 26 to 29 has been audited.

Directors' interest in shares

The interests of the Directors and their families in the Ordinary Shares of the Company at 28 December 2007 and 29 December 2006 were as follows:

Name	Ordinary Shares of 9 pence	
	28 December 2007 Number	29 December 2006 Number
Peter Hindley	720,256	720,256
Mike McCollum	363,288	360,125
Andrew Davies	188,125	360,125
Richard Portman	106,983	103,820
Richard Connell	69,254	69,254
James Newman	7,777	7,777
Bill Forrester	7,777	7,777

There have been no changes in Directors' share holdings since the period end.

Directors' remuneration

The total of Directors' remuneration for the period was £2,138,000 (2006: £2,144,000), including pension contributions of £80,000 (2006: £45,000). The remuneration of individual Directors for the year or from their date of appointment was as follows:

	Salary and fees £'000	Non cash benefits* £'000	Cash benefits* £'000	Annual performance related bonus £'000	Total 2007 £'000	Total 2006 £'000
Executive Directors						
Peter Hindley	335	28	–	335	698	708
Mike McCollum	250	1	10	250	511	501
Andrew Davies	186	23	–	186	395	396
Jim Wilkinson**	–	–	–	–	–	287
Richard Portman***	135	1	10	135	281	40
Non-Executive Directors						
Richard Connell	81	–	–	–	81	79
James Newman****	53	–	–	–	53	51
Bill Forrester	39	–	–	–	39	37
Total	1,079	53	20	906	2,058	2,099

*Benefits include the following elements: provision of a company car or allowance, fuel, landline telephone at each Executive Director's home residence and a mobile telephone together with a pre-arranged funeral plan in accordance with any scheme established by the Group in respect of the funeral of the Executive Director or his wife.

** Jim Wilkinson resigned as a Director on 19 October 2006. Remuneration in 2006 is shown for the period to that date. He left the employment of the Group in January 2007 and received a payment of £173,045 in lieu of notice in accordance with the terms of his contract of employment.

*** Richard Portman was appointed as a Director on 19 October 2006. Remuneration in 2006 is shown for the period from that date.

**** James Newman's fees and expenses are invoiced to the Company by West Wood on Derwent Ltd.

Directors' pension entitlements

Defined benefit salary scheme

	Change in accrued benefit over the period (1) £	Transfer value at 28 December 2007 (2) £	Transfer value at 29 December 2006 or date of appointment (2) £	Change in transfer value less Directors' contributions £	Change in accrued benefit in excess of inflation £	Transfer value of change in accrued benefit net of Directors' contributions £	Accumulated total accrued pension at 28 December 2007 (3) £
Mike McCollum	9,821	167,137	101,362	55,275	9,158	46,018	26,823
Richard Portman	7,984	134,204	68,981	55,773	7,624	49,539	17,203

(1) Throughout 2007 the above Directors were members of the Dignity Pension and Assurance Scheme, which is a defined benefit and tax approved scheme to which both the Director and the Company contribute.

(2) Transfer values have been calculated in accordance with Guidance Note GN11 issued by the Faculty and Institute of Actuaries. The transfers represent the actuarial liability of the pension plan and not the sum paid or due to an individual.

(3) Pension accruals shown are the amounts that would be paid annually on retirement based on service at the end of the current period.

Pension contribution

	Contribution 2007 £'000	Contribution 2006 £'000
Peter Hindley	66	31

Report on Directors' remuneration continued

for the 52 week period ended 28 December 2007

Long Term Incentive Plan

Members approved the LTIP on 31 March 2004.

Awarded in 2007 for £nil consideration:

	2007			Date of the end of the holding period when shares may be exercised
	Market value of shares conditionally awarded during the period (2) £	Value of shares conditionally awarded during the year as a percentage of salary (3)	Number of shares conditionally awarded during the period	
Peter Hindley	418,750	125%	63,799	After 27 March 2010
Mike McCollum	312,500	125%	47,611	After 27 March 2010
Andrew Davies	232,500	125%	35,423	After 27 March 2010
Richard Portman	168,750	125%	25,710	After 27 March 2010

Awarded in 2006 for £nil consideration:

	2006			Date of the end of the holding period when shares may be exercised
	Market value of shares conditionally awarded during the period (4) £	Value of shares conditionally awarded during the year as a percentage of salary (3)	Number of shares conditionally awarded during the period	
Peter Hindley	406,250	125%	87,092	After 23 March 2009
Mike McCollum	293,750	125%	62,974	After 23 March 2009
Andrew Davies	225,000	125%	48,236	After 23 March 2009
Richard Portman	95,000	100%	20,366	After 23 March 2009

Awarded in 2005 for £nil consideration:

	2005			Date of the end of the holding period when shares may be exercised
	Market value of shares conditionally awarded during the period (5) £	Value of shares conditionally awarded during the year as a percentage of salary (3)	Number of shares conditionally awarded during the period	
Peter Hindley	321,875	125%	94,669	After 13 April 2008
Mike McCollum	231,875	125%	68,198	After 13 April 2008
Andrew Davies	175,000	125%	51,470	After 13 April 2008

Awarded in 2004 for £nil consideration:

	2004					Date options exercised
	Number of shares conditionally awarded on 8 April 2004	Value of shares conditionally awarded on 8 April 2004 £	Number of shares vesting in the period to 28 December 2007 (6)	Gain on vesting £	Market value of shares at the date of vesting (7) £	
Peter Hindley	135,870	312,501	135,870	932,067	932,068	11 April 2007
Mike McCollum	97,826	225,000	97,826	671,085	671,086	11 April 2007
Andrew Davies	70,652	162,500	70,652	484,671	484,672	11 April 2007

(1) Awards under the LTIP will only be released if the Group's comparative TSR performance is equal to or greater than the median level of performance over the holding period at which point 40 per cent of the award will be released, with full vesting occurring for upper quintile performance. Vesting occurs on a straight-line basis between those points.

(2) Value based on the average mid market share price for the previous 28 days to 28 March 2007.

(3) Value as a percentage of salary as at the date the options were granted.

(4) Value based on the average mid market share price for the previous 28 days to 22 March 2006.

(5) Value based on the mid market price of the Group's Ordinary Shares on 12 April 2005.

(6) All shares conditionally awarded on 8 April 2004 vested as the TSR of the Group was in the top quintile when compared to the TSR of the constituent companies of the FTSE 350 at the time the awards were made.

(7) Based on a closing market price of £6.86 per share on 11 April 2007.

Inland Revenue Approved SAYE Share Option Scheme

	Date of grant	Number held at 29 December 2006	Granted	Exercised	Gain on exercise £	Number held at 28 December 2007	Exercise date
Mike McCollum	6 May 2004	3,163	Nil	3,163	15,499	Nil	5 June 2007
	21 May 2007	Nil	1,322	Nil	Nil	1,322	30 June 2010
Richard Portman	6 May 2004	3,163	Nil	3,163	15,499	Nil	5 June 2007
	21 May 2007	Nil	1,322	Nil	Nil	1,322	30 June 2010

SAYE options granted on 6 May 2004 had an exercise price of £2.30 per share. The share price on 6 May 2004 was £2.41 per share. The share price on 5 June 2007, the date the options were exercised, was £7.20 per share thus the total gain on exercise was £30,998.

The SAYE options granted on 21 May 2007 have an exercise price of £7.15 per share and must be exercised within six months of the exercise date shown above. The share price on this day was £7.26.

The market price of the Group's shares on 28 December 2007 was £7.25 per share. The high and low share closing prices in the period were £8.04 per share and £6.27 per share respectively.

On behalf of the Board

Bill Forrester

Chairman of the Remuneration Committee

Directors' statement on corporate governance

Introduction

The Board is committed to high standards of corporate governance in order to achieve its objectives and meet the necessary standards of accountability and integrity. In accordance with the Listing Rules of the Financial Services Authority Dignity plc is required to state whether it has complied with the relevant provisions set out in Section 1 of the 2006 Combined Code on Corporate Governance (the Code) and, where the provisions have not been complied with, to provide an explanation. Dignity plc is also required to explain how it has applied the principles set out in the Code. The following paragraphs, together with the Audit Committee report on pages 32 and 33 and the Report on Directors' Remuneration on pages 23 to 29 provide a description of how the main and supporting principles of the Code have been applied within Dignity plc during 2007.

The Group has complied with all provisions of the Code during 2007, with the exception of the annual bonus awarded to the Chief Executive, which is pensionable. He is however not a member of the Group pension scheme and maintains his own personal pension scheme. As a consequence there is no impact on the Group pension schemes (schedule A, note 6).

The Board is accountable to the Group's shareholders for good governance. A narrative statement on how the Company has applied the principles of the Code and a statement explaining how the provisions of the Code have been applied and complied with are described below.

Narrative statement

The Code establishes nine principles of good governance, which are split into four areas as outlined below:

1. The Board

The Group is controlled through the Board of Directors that meets regularly throughout the year. Informal meetings are held between individual Directors as required. The Board has adopted a formal schedule of matters reserved to it.

The Board is responsible for:

- Overall management of the Group;
- Strategy;
- Approval of major capital expenditure projects and consideration of significant financial matters;
- Monitoring the exposure to key business risks;
- Reviewing the strategic direction of the Group; and
- Setting annual budgets and reviewing progress towards achievement of these budgets.

All Directors are provided with the necessary papers in advance of the meetings to permit them to make informed decisions at those meetings. The Board also considers employee issues and key appointments including the role of Company Secretary.

The Board comprises four Executive Directors and three Non-Executive Directors including the Chairman, Richard Connell. The Chief Executive is Peter Hindley and the Finance Director is Mike McCollum. The Board considers that four Executive Directors were sufficient to manage a Company of this size and organisational structure. As the Company was not part of the FTSE 250 for the majority of 2007, the Board considers that two independent Non-Executive Directors was sufficient and appropriate for the Group and was specifically permitted under the Code. However, in late December 2007, the Company was promoted to the FTSE 250. To comply with the terms of the Code two further Non-Executive Directors will be appointed to the Board and its Committees by the end of the 2008, assuming the Company remains in the FTSE 250, so that there are the same number of independent Non-Executive Directors as Executive Directors, excluding the Chairman.

There is a clear division of responsibility between the Non-Executive Chairman and the Chief Executive so as to give no individual unfettered powers of decision making. The Chairman is responsible for:

- Ensuring the Board functions in all aspects of its role;
- Facilitating the effective contribution of Non-Executive Directors and ensuring constructive relations between Executive and Non-Executive Directors;
- Setting the agenda so all relevant issues are discussed; and
- Ensuring effective communication with stakeholders and acting as the public face of the Group.

The Chief Executive is responsible for:

- Operational management and control of the Group on a day-to-day basis;
- Formulating and proposing strategy to the Board; and
- Implementing the strategy and policies adopted by the Board.

There are two independent Non-Executive Directors, Bill Forrester and James Newman. James Newman is the appointed Senior Independent Director of the Group. Biographical details, including committee membership, appears on pages 18 to 19. The Chairman and the Non-Executive Directors have formally confirmed to the Board, mindful of their other commitments, that they have and will have sufficient time to devote to their responsibilities as Directors of the Group.

All Directors are able to take independent professional advice on the furtherance of their duties if necessary. They also have access to the advice and services of the Company Secretary, who is also the Corporate Services Director and, where it is considered appropriate and necessary, training is made available to Directors. All Directors receive annual training and updates on the duties and responsibilities of being a Director of a listed company. This covers legal, accounting and tax matters as required. The Company maintains appropriate insurance cover in respect of any legal action against its Directors. The level of cover is currently £40 million.

All Directors, in accordance with the Code, submit themselves for re-election at least once every three years. In addition any Director appointed in the year must submit himself for re-election.

The Board has established a Remuneration Committee, an Audit Committee and a Nomination Committee all of which operate within defined terms of reference. The specific terms of reference for all the committees may be obtained from the Company Secretary at the Registered Office and are also available for inspection on the Group's investor website www.dignityfuneralsplc.co.uk. All Committees are provided with sufficient resources to undertake their duties.

Those attending and the frequency of Board and Committee meetings held during the year was as follows:

	Main Board(i)	Audit Committee	Remuneration Committee	Nomination Committee
Number of meetings	7	3	5	2
Richard Connell	7	3	5	2
Andrew Davies	7	0	0	0
Bill Forrester	7	3	5	2
Peter Hindley	7	3 ⁽ⁱⁱ⁾	2 ⁽ⁱⁱ⁾	2 ⁽ⁱⁱ⁾
Mike McCollum	7	3 ⁽ⁱⁱ⁾	0	0
James Newman	7	3	5	2
Richard Portman	7	3 ⁽ⁱⁱⁱ⁾	4 ⁽ⁱⁱⁱ⁾	1 ⁽ⁱⁱⁱ⁾

(i) Only full Board meetings have been included in the attendance analysis. 18 further meetings were held with a quorum of Directors to approve announcements, documents or the issue of shares under the LTIP and SAYE.

(ii) In attendance by invitation of the respective Committee.

(iii) Richard Portman attended Committee meetings in his capacity as Company Secretary.

When Directors are unable to attend a meeting, they are advised of the matters to be discussed and given an opportunity to make their views known to the Chairman prior to the meeting. A process exists whereby such views will be included in the minutes of the meeting if necessary.

A process exists whereby the Non-Executive Directors can meet without the Executive Directors being present. Three such meetings were held during 2007. During the year the Board again undertook a formal and rigorous evaluation of its own performance and that of its Committees by way of the issue of a detailed questionnaire to all Directors. This was then followed by a detailed review of the responses, by the Directors, and identification of any actions arising. The Non-Executive Directors, led by the Senior Independent Director, were responsible for the performance evaluation of the Chairman. The Board was satisfied that its performance and that of its individual Directors and Committees was of the appropriate standard. Full evaluations will be completed again during 2008.

Bill Forrester and James Newman are independent of management, as defined by the Code.

The Company Secretary, Richard Portman, is responsible for the preparation and distribution of all agendas, minutes and related Board and Committee papers. As Corporate Services Director he attends the Board meetings in his capacity as a Director of the Company but also acts as Secretary to those meetings. He attends the Committee meetings in his capacity as Company Secretary and thus Secretary of those Committees when requested to do so by the Chairman of that Committee. He is also responsible for ensuring all Board procedures are followed and for advising the Board on corporate governance matters.

2. Directors' remuneration

The Remuneration Committee, chaired by Bill Forrester, determines and agrees with the Board, within formal terms of reference, the framework and policy of Directors' and senior managements' remuneration and its cost to the Group. The Committee met five times during 2007. The Committee measures the performance of the Executive Directors as a prelude to recommending and approving their annual remuneration, bonus awards and awards of share options to the Board for final determination.

Directors' statement on corporate governance continued

The Committee members are the independent Non-Executive Directors and the Chairman. This reflects the requirements of the Code to have a Committee of at least two members. The Chairman is a member of the Committee to provide additional experience and balance given the small number of Non-Executive Directors. The Chief Executive, Peter Hindley, also attends the meetings by invitation of the Committee. No Director or senior manager is involved in any decisions with regard to their own remuneration.

The Executive Directors recommend the remuneration of Non-Executive Directors and recommendations take into account time commitment and role responsibilities in the fulfilment of those duties. The Non-Executive Directors are not eligible for pensions and do not participate in the Group's bonus or share schemes. The Committee has considered the remuneration of senior management immediately below Board level during the year. It concluded that their remuneration was commensurate with their various duties and in line with market rates.

3. Accountability and audit *Audit Committee*

The Audit Committee comprises the two Non-Executive Directors and the Chairman. James Newman, who is a Fellow of the Institute of Chartered Accountants in England and Wales, is considered to have recent and relevant financial experience to chair this Committee. Its membership is restricted to Non-Executive Directors. The Committee has specific written terms of reference that explain its authority and duties. The Committee has met three times during 2007 and again in March 2008. The external auditors, the Chief Executive and the Finance Director have attended all the meetings by invitation. The external auditors and the Internal Audit Function also have the right to discrete private audiences with the Audit Committee or its Chairman if either party requires or requests them. One such meeting was held during 2007 between the Chairman and the Head of Internal Audit and one between the Chairman and the external auditors.

The Committee reviews the Group's Annual Report and Interim Report before submission to the Board. It keeps under review the Group's accounting policies, financial controls and internal control and risk management systems. It also evaluates, on a regular basis, the work of the Internal Audit Function and reviews its effectiveness. The Committee also reviews matters brought to its attention both internally and by the external auditors. The Committee reports all findings to the Board.

A formal process, established via the Audit Committee, exists by which employees of the Group may, in confidence, raise concerns about possible improprieties in financial reporting or other matters. This ensures arrangements are in place for the proportionate and independent investigation of such matters and appropriate follow-up action.

The Committee also keeps under review the relationship with the external auditors, including their terms of engagement, independence, objectivity and effectiveness. The Committee reviews the remuneration received by the external auditors for non-audit work, which ongoing principally relates to taxation advice. Where considered necessary the Committee approves such work. The external auditors have confirmed their audit independence in writing to the Committee. The Committee also retains responsibility for the appointment and removal of the external auditors.

Reporting responsibilities

The Board is required to present a balanced and understandable assessment of the Group's position and prospects, not only in the Directors' Report and Accounts but also in the Chairman's Statement (page 4), the Chief Executive's Overview (page 5), the Business Review (pages 6 to 10), the Financial Review (pages 15 to 17), Interim Reports, Interim Management Statements and in price sensitive announcements. The Group will release its Annual Information Update by 2 April 2008. A summary of the Directors' responsibilities for the financial statements is set out on page 20.

Going concern

The Directors regularly receive and review management accounts, cash balances, forecasts and the annual budget. After careful consideration the Directors confirm they are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis for preparing the accounts.

Internal control

The Board recognises it is responsible for the Group's system of internal control, which is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable, and not absolute, assurance against material misstatement or loss. A formal process of identifying, evaluating and managing the significant risks faced by the Group exists. This process was in place at the date of approval of the Annual Report and is, in accordance with Turnbull guidance (as revised in 2005), within the Code.

Internal controls are formally reviewed on an ongoing basis. Internal Audit completes a programme of work each year that provides assurance that the internal controls they have tested are working effectively and also propose improvements where appropriate and necessary. Coupled with this, the bi-annual review of the Risk Register provides a further formal review mechanism for considering and reviewing internal controls. All such work is reported to and monitored by the Audit Committee.

The Audit Committee on behalf of the Board, as part of an ongoing process, has formally reviewed and continues to keep under review the effectiveness of the Group's systems of internal controls, including financial, operational and

compliance controls and risk management systems. The Audit Committee reviews risk management annually and receives reports from executive management regarding weaknesses in internal control, any losses arising out of weaknesses in internal control and progress in implementing revised procedures to improve and enhance internal control. There have been no reports of system weaknesses that have resulted or would have resulted in a material misstatement or loss.

The key procedures, which operated throughout the period, are as follows:

- Financial reporting – The Group has a comprehensive system of internal budgeting and forecasting. Monthly actual results analysed by operating division are reported to the Board and significant variances to budget are investigated with revised forecasts prepared as necessary. Operational management receives comprehensive management accounts covering their areas of responsibility;
- Financial controls – The Executive Directors have defined appropriate and necessary financial controls and procedures to be employed by operational management. Key controls over major business risks include reviews against budgets and forecasts, review against key performance indicators and exception reporting;
- Quality and integrity of personnel – One of the Group's core values is integrity. This is regarded as vital to the maintenance of the Group's system of internal financial control. The Directors have put in place an organisation structure appropriate to the size and complexity of the Group with defined lines of responsibility and delegation of authority where the Board considers it necessary;
- Internal audit – The Group has a dedicated Internal Audit team, which reports to the Chief Executive. It coordinates the completion of self-assessment reports by operational management that assists in highlighting areas of control weakness or exposure. Internal audit reviews are completed on such areas together with selected areas of the head office function and any area where an Executive Director requests a review. During 2007 (as in 2006), there were quarterly meetings between the Head of Internal Audit, the Executive Directors and the Financial Controller to formally review and discuss Internal Audit's work programme and findings. In addition, regular meetings between Internal Audit and the external auditors, PricewaterhouseCoopers LLP, were held during the year to discuss and plan audit work and to ensure a coordinated approach. The Head of Internal Audit reports to the Audit Committee at every meeting of that Committee;
- Procedures – The Group has established and documented processes and procedures covering most parts of its operations, both client facing and in support departments. These provide clear guidance on the correct or most appropriate course of action in various circumstances. Procedures are supplemented by training where needs have been identified. Both Internal Audit and a comprehensive management structure monitor the adherence to such processes and procedures; and
- Risk assessment – Management has responsibility for the identification and evaluation of significant risks that might arise in their area of responsibility together with the design of suitable internal controls. The Executive Directors and the wider management team continually assess the risks. A Risk Register is maintained, which is formally presented to and reviewed by the Audit Committee twice a year.

Nomination Committee

Richard Connell chairs the Nomination Committee, which has met twice during the year. The other members of the Committee are James Newman and Bill Forrester, the Non-Executive Directors.

The Committee regularly reviews and makes recommendations to the Board on the structure, size and composition of the Board and the senior management team. It is also responsible for identifying and nominating for the approval of the Board, replacement or additional Directors and members of the senior management team. The Committee formally considered succession planning during 2007. The Committee concluded that appropriate succession planning exists within the Group.

4. Relations with shareholders

The Group encourages two-way communication with both its institutional and private shareholders and responds promptly to any queries received either verbally or in writing.

The Chief Executive and Finance Director have regular meetings with institutional investors, fund managers and analysts to discuss information made public by the Group. Where appropriate or if requested, such meetings could include either or both of the Chairman and the Senior Non-Executive Director or be without any Executive Directors present. The Chairman discusses governance and strategy matters with the major shareholders. Further, the Group has and will arrange visits to their facilities, if requested by a shareholder, where it will not disrupt normal operational activity.

Each year every shareholder receives a full Annual Report and Accounts and an Interim Report at the half year. The Group has a separate investor relations website, www.dignityfuneralsplc.co.uk, upon which users can access the latest financial and corporate news and information. The Company Secretary is also available to answer general investor queries.

The Board regards the Annual General Meeting as an opportunity to communicate directly with all shareholders. At least 20 working days notice will be given of the Annual General Meeting at which all Directors and Committee Chairmen plan to be present and available to answer questions.

Independent auditors' report to the members of Dignity plc

We have audited the consolidated financial statements of Dignity plc for the 52 week period ended 28 December 2007 which comprise the Consolidated Income Statement, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Recognised Income and Expense and the related notes. These consolidated financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the parent company financial statements of Dignity plc for the 52 week period ended 28 December 2007 and on the information in the Directors' Remuneration Report that is described as having been audited.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the consolidated financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the consolidated financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the consolidated financial statements give a true and fair view and whether the consolidated financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the consolidated financial statements. The information given in the Directors' Report includes that specific information presented in the Business Review and Financial Review that is cross referred from the principal activities and business review section of the Directors' Report.

In addition we report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding director's remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the Combined Code (2006) specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited consolidated financial statements. The other information comprises only the Directors' Report, the Chairman's Statement, the Chief Executive's Overview, the Business Review, the Financial Review, the Corporate and Social Responsibility Report, the unaudited section of the Directors' Remuneration Report and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the consolidated financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the consolidated financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the consolidated financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the consolidated financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the consolidated financial statements.

Opinion

In our opinion:

- the consolidated financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 28 December 2007 and of its profit and cash flows for the 52 week period then ended;
- the consolidated financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the consolidated financial statements.

As explained in Note 1 to the consolidated financial statements, the group in addition to complying with its legal obligation to comply with IFRSs as adopted by the European Union, has also complied with the IFRSs as issued by the International Accounting Standards Board.

In our opinion the consolidated financial statements give a true and fair view, in accordance with IFRSs, of the state of the group's affairs as at 28 December 2007 and of its profit and cash flows for the 52 week period then ended.

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Birmingham

13 March 2008

Consolidated income statement

for the 52 week period ended 28 December 2007

	Note	52 week period ended 28 December 2007 £m	52 week period ended 29 December 2006 £m
Revenue	3	159.5	149.8
Cost of sales		(77.0)	(73.2)
Gross profit		82.5	76.6
Administrative expenses		(36.3)	(34.4)
Other operating income		1.5	1.2
Operating profit before exceptional charges	3	47.7	44.1
Exceptional charges	5	–	(0.7)
Operating profit	3	47.7	43.4
Finance charges	4	(21.7)	(22.1)
Finance income	4	4.2	5.9
Profit before tax	5	30.2	27.2
Taxation – before exceptional items	6	(9.1)	(8.4)
Taxation – exceptional	6	0.5	–
Taxation	6	(8.6)	(8.4)
Profit for the period attributable to equity shareholders		21.6	18.8
Earnings per share for profit attributable to equity shareholders (pence)			
– Basic and diluted	8	34.4p	25.9p

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

Consolidated statement of recognised income and expense

for the 52 week period ended 28 December 2007

	Note	52 week period ended 28 December 2007 £m	52 week period ended 29 December 2006 £m
Profit for the period		21.6	18.8
Actuarial gains on retirement benefit obligations	28	5.4	2.4
Deferred tax on actuarial gains on retirement benefit obligations	6	(1.5)	(0.7)
Net income not recognised in income statement		3.9	1.7
Total recognised income for the period		25.5	20.5
Attributable to:			
Equity shareholders of the parent		25.5	20.5

Consolidated balance sheet

as at 28 December 2007

	Note	28 December 2007 £m	29 December 2006 £m
Assets			
Non-current assets			
Goodwill	9	119.6	111.3
Intangible assets	9	24.7	12.1
Property, plant and equipment	10	91.1	89.1
Financial and other assets	11	4.5	5.6
Retirement benefit asset	28	6.8	0.6
		246.7	218.7
Current assets			
Inventories	13	3.4	3.0
Trade and other receivables	14	22.7	19.2
Cash and cash equivalents	15	52.6	41.4
		78.7	63.6
Total assets		325.4	282.3
Liabilities			
Current liabilities			
Financial liabilities	16	7.1	4.6
Trade and other payables	17	33.0	19.2
Current tax liabilities		1.9	2.7
Provisions for liabilities and charges	19	1.3	1.4
		43.3	27.9
Non-current liabilities			
Financial liabilities	16	267.1	271.0
Deferred tax liabilities	20	14.9	7.2
Other non-current liabilities	17	2.8	2.9
Provisions for liabilities and charges	19	1.9	1.6
		286.7	282.7
Total liabilities		330.0	310.6
Shareholders' equity			
Ordinary shares	22	5.7	5.6
Share premium account	24	33.8	31.6
Capital redemption reserve	24	80.0	80.0
Other reserves	24	(9.0)	(9.5)
Retained earnings	24	(115.1)	(134.8)
Equity attributable to shareholders		(4.6)	(27.1)
Minority interest in equity	24	–	(1.2)
Total equity		(4.6)	(28.3)
Total equity and liabilities		325.4	282.3

The financial statements on pages 36 to 70 were approved by the Board of Directors on 13 March 2008, and were signed on its behalf by:

P T Hindley
Chief Executive

M K McCollum
Finance Director

Consolidated cash flow statement

for the 52 week period ended 28 December 2007

	Note	52 week period ended 28 December 2007 £m	52 week period ended 29 December 2006 £m
Cash flows from operating activities			
Cash generated from operations before exceptional payments	25	57.5	51.7
Exceptional costs in respect of redemption of B shares		–	(0.7)
Exceptional contribution to pension scheme		–	(10.0)
Cash generated from operations	25	57.5	41.0
Finance income received		2.1	4.2
Finance charges paid		(10.3)	(20.8)
Payments to restricted bank accounts for finance charges	15	(10.2)	–
Tax paid		(6.4)	(6.1)
Net cash generated from operating activities		32.7	18.3
Cash flows from investing activities			
Acquisition of subsidiaries and businesses	26	(16.6)	(7.3)
Acquisition of minority interest	26	(2.0)	–
Proceeds from sale of property, plant and equipment		0.9	0.6
Purchase of property, plant and equipment		(8.5)	(8.0)
Transfers to restricted bank accounts	15	(0.3)	–
Net cash used in investing activities		(26.5)	(14.7)
Cash flows from financing activities			
Proceeds from issue of Secured Notes		–	90.2
Issue costs in respect of Secured Notes		–	(3.7)
Receipt of debenture loan	11	1.0	–
Repayment of borrowings		(2.1)	(4.1)
Payments to restricted bank accounts for repayment of borrowings	15	(2.2)	–
Interim dividends paid to shareholders	7	(2.1)	(1.9)
Final dividends paid to shareholders*	7	(3.8)	–
Proceeds from issue of shares under SAYE Scheme		1.5	–
Redemption of B shares*		–	(80.0)
Net cash (used)/generated in financing activities		(7.7)	0.5
Net (decrease)/increase in cash and cash equivalents		(1.5)	4.1
Cash and cash equivalents at the beginning of the period		40.2	36.1
Cash and cash equivalents at the end of the period	15	38.7	40.2

*No final dividend was paid in 2006 because of the redemption of B shares made in August 2006, which equated to £1 per Ordinary Share.

Notes to the financial statements

for the 52 week period ended 28 December 2007

1 Accounting policies

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

Basis of preparation

European law requires that the Group's consolidated financial statements for the 52 week period ended 28 December 2007 are prepared in accordance with all applicable International Financial Reporting Standards ('IFRSs'), as adopted by the European Union. These financial statements have been prepared in accordance with IFRS, International Financial Reporting Interpretations Committee ('IFRIC') interpretations (as issued by the International Accounting Standards Board) and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

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

Preparation of financial statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. This will also affect the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results may differ from those estimates.

Basis of consolidation

The financial statements are presented in the form of Group financial statements. The Group financial statements consolidate the accounts of the Company and the entities controlled by the Company (including all of its subsidiary entities) after eliminating internal transactions and recognising any minority interests in those entities. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain economic benefits from its activities.

Standards, amendments and interpretations effective in 2007

IFRS 7, Financial instruments disclosures, these have been implemented in the period. This standard does not have any impact on the classification and valuation of the Groups financial instruments.

IFRIC 10, Interim financial reporting and impairment, prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This standard does not have any impact on the Group's financial statements.

Exceptional items

Exceptional items are those significant items which are disclosed separately by virtue of their size or incidence to enable a full understanding of the Group's financial performance. Transactions which may give rise to exceptional items are principally:

- professional fees relating to capital restructuring where they cannot be offset against amounts borrowed in accordance with IAS 23; and
- non-recurring changes in taxation following the implementation of new legislation.

Pre-arranged funeral plan trusts

The three pre-arranged funeral plan trusts were not consolidated during the period as they were not controlled by the Group. Specifically, Article 60 of the Financial Services and Markets Act 2000 (Regulated Activities) order 2001 requires a majority of the managing trustees to be independent of the Group. Furthermore, the Group did not direct their financial and operating policies, nor did it have substantially all of the risks and rewards of their ownership.

Acquisition or disposal of subsidiary undertakings

Results of subsidiary undertakings acquired during the period are included from the effective date of control using the acquisition method of accounting. The separable net assets, both tangible and intangible, of newly acquired subsidiary undertakings are incorporated into the financial statements on the basis of the fair value to the Group as at the effective date of control.

Revenue

Revenue from funeral operations comprises the amount recoverable from customers for the provision of funerals, income from crematoria and other services, to the extent that those services have been performed or the goods supplied.

Income from memorial sales is recognised at the point of sale, to the extent that the goods have been supplied. Costs of maintaining memorials are recognised as incurred.

Notes to the financial statements continued

for the 52 week period ended 28 December 2007

1 Accounting policies (continued)

The accounting policies for recognising turnover for pre-arranged funeral plans are stated below.

The Group pays certain disbursements such as crematoria fees, burial plots, ministers' fees and doctors' fees on behalf of its clients. These amounts are recovered as part of the invoicing process. However, these amounts are not included within net revenues as they are simply passed on to the customer at cost.

The Group views the UK as one geographical segment, given each local business exhibits similar long term characteristics.

All amounts are exclusive of VAT.

Pre-arranged funeral plans

Trust plans

The Group markets and sells pre-arranged funeral plans, monies received from selling funeral plans being held and controlled by independent pre-arranged funeral plan trusts ('the Trusts'). The responsibility for the ultimate performance of funerals is allocated to funeral directors, who are selected by the beneficiary of the plan and some of whom are not owned by the Group.

The Group receives monies from the Trusts in respect of the following transactions:

- A marketing and administration fee in respect of each plan sold. The marketing element is refundable in the event that the plan is subsequently cancelled. A provision is made for cancellations, where material, to cover the estimated marketing element refundable to the Trusts. Marketing and administration fees are included in Group revenue when the related plan is sold.
- Further contributions are also received from the Trusts in return for the provision of general ongoing administrative services supplied to the Trusts. These contributions are included in Group revenue for the period to which they relate.

All costs in respect of the marketing and administration of the pre-arranged funeral plans are expensed in the Group income statement as incurred.

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

The Group makes payments on behalf of the Trusts relating to the ongoing overheads of the Trusts, refunds to members of the Trusts in event of cancellation, and the payments made to funeral directors when the funeral is ultimately performed. All such payments are reimbursed in full by the Trusts on demand, in accordance with the terms of the relevant Trust's deed.

Neither the sales value of plans nor the costs of providing funerals are recognised in the financial statements of the Group when a pre-arranged funeral plan is sold.

Each Dignity marketing company contractually guarantees with the customer of a pre-arranged funeral plan that (i) if the customer chooses to cancel their selected funeral plan, a full refund will be made to the customer of all monies paid in respect thereof (less in certain cases an administration fee payable to the relevant Dignity marketing company); (ii) the funeral director's services (as selected by the customer) will be provided regardless of price rises in the future; and (iii) for certain plans sold, specific disbursements will be provided regardless of price rises in the future.

Insurance plans

Previously marketed propositions

The Group is the named beneficiary on a number of life assurance products sold by an insurance company in consideration for which the Group has committed to performing the funeral (including some disbursements) of the plan holder at no further charge. Marketing of these policies has now ceased.

In the event of death of the policyholder, the Group makes an agreed payment to the nominated funeral director and a debtor is recognised. At this time a commission fee is recognised as turnover. All monies are reclaimed in full from the life insurance company.

Actively marketed propositions

The Group is the named beneficiary on a number of life assurance products sold by third party insurance companies, in consideration for which the Group has committed to performing the funeral (including some disbursements) of the plan holder at no further charge.

A commission is paid when the policy is charged to the Group. As this commission is fully refundable if the Group does not perform the funeral for any reason, it is carried as a debtor and expensed when the funeral is performed.

Share-based payments

The Group issues equity settled share-based payments to certain employees. A fair value for the equity settled share awards is measured at the date of grant. Management measures the fair value using the valuation technique that they consider to be the most appropriate to value each class of award, which include Black-Scholes calculations and Monte Carlo simulations. The valuations take into account factors such as non-transferability, exercise restrictions and behavioural considerations.

An expense is recognised to spread the fair value of each award over the vesting period on a straight-line basis, after allowing for an estimate of the share awards that will eventually vest. The estimate of the level of vesting is reviewed at least annually, with any impact on the cumulative charge being recognised immediately.

Earnings per Ordinary Share

Basic Earnings per Ordinary Share ('EPS') is calculated by dividing the profit on ordinary activities after taxation and minority interests by the weighted average number of shares in issue during the period. Diluted EPS is calculated by dividing profit on ordinary activities after taxation and minority interests by the weighted average number of shares in issue during the period increased by the effects of all dilutive potential ordinary shares (primarily share options).

Intangible assets – goodwill

Goodwill, which represents the excess of the fair value of the consideration for subsidiaries and other businesses over the fair values of the net assets acquired and liabilities assumed, is capitalised and stated at historical cost less provisions for impairment.

Goodwill is allocated to cash generating units for the purpose of impairment testing. The business and subsidiaries acquired are generally combined with existing operations in the year of acquisition. For this reason, the cash-generating units typically consist of those business segments, which are engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

Intangible assets – trade names

Intangible trade names are recognised as assets at the fair value of the consideration paid to acquire them and are carried at historical cost less provisions for amortisation and impairment. When acquired as part of a business combination the fair value is calculated by reference to the estimated incremental cash flows expected to arise by virtue of the trade name being well-established.

Amortisation is provided from the date of acquisition so as to write-off the asset on a straight-line basis over the term of its useful life. Where there are indicators that a trade name has an indefinite life then these assets are not amortised but are subject to annual impairment reviews. The factors that indicate an indefinite life of trade names acquired include the fact that the Group is a significant operator in a well-established market with inelastic demand, the conservative nature of the UK funeral industry that acts as a barrier to entry for new trade names, and the Group's track record for actively monitoring and relocating trade names to combat shifting demographics. In addition, when allocating a useful life to acquired trade names, the following matters are considered:

- The strength of the trade name in its local environment which is assessed by reference to relative market share and anticipated profitability;
- The likelihood that market based factors could truncate a trade name's life such as competition and shifting demographics and the Group's ability to combat these;
- The length of time, prior to acquisition, for which trade has been conducted under the name acquired; and
- The likely support the Group will give to the name in its local environment through marketing and promotion, maintaining community awareness etc.

The useful lives of all capitalised trade names are considered to be indefinite and are reviewed on a regular basis.

Intangible assets – non-compete contracts

Non-compete contracts arising from business combinations are capitalised at the fair value, which is calculated as the present value of any consideration paid discounted at the Group's cost of capital.

Notes to the financial statements continued

for the 52 week period ended 28 December 2007

1 Accounting policies (continued)

All costs are amortised over the term of the relevant agreement on a straight-line basis.

Intangible assets – software

Where computer software is not an integral part of a related item of computer hardware, the software is treated as an intangible asset. Acquired computer software licences are capitalised on the basis of costs incurred to acquire and bring into use the specific software.

An internally generated intangible asset arising from the Group's development of computer systems (including web-sites) is recognised if and only if the costs are directly associated with the production of identifiable and unique software products, controlled by the Group and it is probable that future economic benefits will flow to the Group. All other costs incurred in research or development are expensed as incurred. Capitalised costs will include, where appropriate, directly attributable payroll costs and a portion of direct overheads. Costs recognised as assets are amortised over their estimated useful lives (three to eight years).

Intangible assets – use of third party brand

On 8 January 2007, the Group acquired the remaining 25 per cent voting share capital of Advance Planning Limited for consideration of £2.0 million. As part of this arrangement, the Group obtained a 10-year marketing commitment from Age Concern Enterprises Limited, the previous minority shareholder, giving rights to use the Age Concern brand for the next ten years. The value of this right has been recognised as a separate intangible asset.

This asset is being amortised over twenty years on a straight-line basis, recognising that each year's additional marketing activity generates incremental revenues and profits to the Group for at least the following twenty years.

Property, plant and equipment

Assets are recorded in the balance sheet at cost less accumulated depreciation and any recognised impairment loss. Cost includes, where appropriate, directly attributable costs incurred in bringing each asset to its present location and condition. Depreciation is charged (excluding freehold land and assets in the course of construction) so as to write off the cost of assets to their residual value, over their expected useful lives using the straight-line method. The bases and annual depreciation rates in use for the various classes of assets are as follows:

Freehold and long leasehold buildings	2% – 10%
Short leasehold buildings	Over term of lease
Motor vehicles	11% – 20%
Computers	20%
Other plant and equipment	5% – 33%
Fixtures and fittings	15%

Freehold land is not depreciated on the basis that land has an unlimited life. Where the historical cost of land and buildings cannot be split, the Directors have estimated that the historical cost attributable to land is one third of the original cost of acquiring the land and buildings. This estimate is regularly reviewed.

Major renovations of the Group's trading premises and crematory re-linings are depreciated over the remaining life of the related asset or to the estimated date of the next major renovation or cremator re-lining, whichever is sooner. Depreciation rates and residual values for each class of asset are reviewed annually.

Repairs and renewals

All repairs and renewals are charged to the income statement unless they represent an enhancement to the original asset.

Property, plant and equipment held under leases

When assets are financed by leasing agreements, where the risks and rewards are substantially transferred to the Group, the assets are treated as if they had been purchased outright and the corresponding liability to the lessor is included as an obligation under finance leases. Depreciation on leased assets is charged to the income statement on the same basis as owned assets. Leasing payments are treated as consisting of capital and interest elements and the interest is charged to the income statement so as to achieve a constant rate on the outstanding lease obligation.

All other leases are 'operating leases' and the relevant annual rentals are charged to the income statement.

Impairment of assets

The carrying values of intangible assets and property, plant and equipment are reviewed for impairment in periods where events or changes in circumstances indicate that the carrying value may not be recoverable. Assets that have an indefinite useful life (e.g. goodwill) are not subject to amortisation and are tested annually for impairment.

Where an asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future discounted cash flows of the cash-generating unit are estimated, based on latest budgets for the following year and an annual growth rate of UK GDP in subsequent years. These cash flows are discounted at rates that management estimate to be the risk affected average cost of capital for the particular segment and compared to the carrying value of the relevant asset. Any impairment in the value of an asset below its carrying value is charged to the income statement within operating profit. A reversal of an impairment loss is recognised in the income statement to the extent that the original loss was recognised.

Inventories

Inventories, which comprise funeral supplies and monumental masonry, are stated at the lower of cost and fair value less costs to sell. Cost includes all directly attributable costs incurred in bringing each product to its present location and condition. Fair value less costs to sell is based on estimated selling price less any further costs expected to be incurred in completion and sale.

Taxation

The tax charge for the period includes the charge for tax currently payable and deferred tax. The current tax charge represents the estimated amount due that arises from the operations of the Group in the period and after making adjustments to estimates in respect of prior years.

Deferred tax is recognised in respect of all differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, except where the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised where the carrying value of an asset is greater than its associated tax basis or where the carrying value of a liability is less than its associated tax basis. Deferred tax is provided for any differences that exist between the tax base and accounting base of intangibles arising from a business combination that does not involve the acquisition of a subsidiary.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the deductible temporary difference can be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted, by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Pensions

The cost of defined contribution retirement schemes is charged as an expense as the costs become payable. Any difference between the payments and the charge is recognised as a short term asset or liability.

For defined benefit retirement schemes, the cost of providing the benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date.

Past service cost is recognised immediately to the extent the benefits are vested, and otherwise are amortised on a straight line basis over the average period until the benefits become vested. The current service cost and the recognised element of any past service cost are presented within operating profit. The expected return on plan assets less the interest arising on the pension liabilities is presented within net interest payable. Actuarial gains and losses are recognised in full in the period in which they occur, outside of the income statement and presented in the consolidated statement of recognised income and expense.

The expected return on plan assets reflects the estimate made by management of the long term yields that will arise from the specific assets held within the pension plan. The retirement benefit net asset recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost net of the fair value of any relevant scheme assets. The discount rate applied in arriving at the present value represents yields on high quality corporate bonds in a similar economic environment with lives similar to the maturity of the pension liabilities.

Notes to the financial statements continued

for the 52 week period ended 28 December 2007

1 Accounting policies (continued)

Provisions

Provisions are recognised when the Company or the Group has a present obligation (legal or constructive) as a result of a past event, where it is probable that a transfer of economic benefits will be required to settle the obligation and where a reliable estimate can be made of the amount of the obligation.

Provisions (other than deferred tax) are discounted where the present value of the provision is materially different to the undiscounted value. The unwinding of discounts is included within net interest payable and similar charges.

Dividends

Interim dividends payable are recognised when they are paid. Year end dividends are recognised when they are appropriately approved.

Foreign currency

Foreign currency transactions recognised in the income statement are translated into Sterling at the exchange rate on the date the transaction took place.

Financial instruments

Borrowings

All borrowings are stated at the fair value of consideration received after deduction of transaction costs. The transaction costs and interest payable on debt finance are charged to the income statement, as finance costs, on a constant-yield basis over the term of the borrowings, or over a shorter period where it is more likely than not that the lender will require earlier repayment using the effective interest method.

Early termination costs on borrowings

Premiums and discounts arising on the early repayment of borrowings are written-off to the income statement as incurred.

Interest rate swaps

The Group currently uses several types of financial instruments as part of an overall interest rate risk management strategy. It does not enter into financial instruments for trading purposes. Interest rate risk associated with net debt is managed by using a combination of fixed and floating rate borrowings and financial liabilities. The cash flows from, and losses arising on terminations of, these contracts are recognised as cash flows from operating activities. See note 16(d) for further information.

Trade receivables

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost. A provision for impairment is established based on historical experience. When a trade receivable is not collectable it is written off against the allowance account for trade receivables.

Trade payables

Trade payables are not interest bearing and are stated at their nominal value.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct transaction costs. Dividend distributions to the Company's shareholders are recognised as a liability in the financial statements in the period in which they are approved by the Company's shareholders. Interim dividends are recorded in the financial statements when paid.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and demand deposits.

Standards, amendments and interpretations effective in 2007 but not relevant

The following standard, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2007 but they are not relevant to the Group's operations:

IFRS 4, Insurance contracts

IFRIC 7, Applying the restatement approach under IAS 29, Financial reporting in hyper-inflationary economies

IFRIC 8, Scope of IFRS 2

IFRIC 9, Re-assessment of embedded derivatives.

Interpretations to existing standards that are not yet effective and have not been early adopted

The following interpretations to existing standards have been published that are mandatory for accounting periods beginning on or after 29 December 2007 or later periods but which the Group has not early adopted:

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 payment in the stand-alone accounts of the parent and Group companies. This is not expected to have any impact on the Group's accounts.

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. The Group will apply IFRIC 14 from 1 January 2008, but it 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 but is currently not applicable to the Group as there are no qualifying assets.

Interpretations to existing standards that are not yet effective and not relevant for the Group's operations

The following interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 28 December 2007 or later periods but are not relevant for the Group's operations:

IFRIC 12, Service concession arrangements. IFRIC 12 is not relevant to the Group's operations as it does not have any service concession arrangements.

IFRIC 13, Customer loyalty programs. IFRIC 13 is not relevant to the Group's operations as it does not operate any loyalty programs.

Critical accounting estimates

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions in certain circumstances that affect reported amounts. The most sensitive estimates affecting the financial statements are in the areas of assessing the recoverability of receivables and post-retirement benefits.

Provision for doubtful trade receivables

Provision is made against accounts that in the estimation of management may be impaired. Within each division, assessment is made of the recoverability of trade receivables based on a range of factors including the age of the receivable and the type of services provided. The provision is assessed monthly against actual experience of irrecoverable accounts and adjusted if appropriate.

The Group held a provision for impairment of trade receivables at the balance sheet date of £2.5 million (2006: £2.8 million).

Pensions

The Group operates a defined benefit pension scheme that is accounted for using methods that rely on actuarial assumptions to estimate costs and liabilities for inclusion in the financial statements. These actuarial assumptions include discount rates, assumed rates of return, salary increases and mortality rates.

While management believes that the actuarial assumptions are appropriate, any significant changes to those used would affect the balance sheet and income statement. The Group considers that the most significant assumptions are the discount rate and the expected return on plan assets.

Employee share trust

The assets of the employee share trust are held by a separate limited company, of which the directors consider that Dignity plc has de facto control. In accordance with UITF 38, Accounting for ESOP Trusts and the substance of the transaction, the trust's assets and liabilities are recognised in the Group's balance sheet within share capital and reserves.

Notes to the financial statements continued

for the 52 week period ended 28 December 2007

2 Financial risk management

The Group finances its operations by a mixture of shareholders' funds, Secured Notes, with other bank borrowings available if required. This approach seeks to minimise financing costs and generate optimum shareholder value through efficient leveraging of the Group's balance sheet, which is made possible by the stable and predictable cash generative nature of the business.

It is not the Group policy to actively trade in derivatives.

Market risk

Currency risk

All the Group's financial assets and liabilities are denominated in Sterling. The Group purchases minimal amounts from overseas. Accordingly, exposure to currency fluctuations are not significant and therefore not actively managed.

Interest rate risk and other price risk

The Group's main borrowings consist of Class A and B Secured Notes, which are at fixed interest rates, resulting in a predetermined repayment profile. The fair value of these financial instruments is based on underlying gilt prices and yield spreads based on the market's current view of the risk profile of the Secured Notes. Consequently, the fair value of these instruments will fluctuate. Fair values are not relevant to the Group unless it was to change its funding strategy and repays the Secured Notes early.

The Group has significant cash balances that are held by institutions rated at least A-1 by Standard and Poors. These balances earn interest by reference to the Bank of England base rate. If base rates reduced by one per cent at the beginning of 2008 then the Group would receive £0.1 million less interest income on an annualised basis for each £10 million held. Given the level of cash held during the period the Group does not consider this to be a significant exposure.

None of the Group's other financial liabilities or financial assets carry any significant interest rate risk.

Credit risk

Trade receivables are the main source of credit risk to the Group. However, this risk is minimised as much as possible through well-established credit control procedures. Quantitative disclosures regarding the aging of these receivables are included in note 21(c).

Liquidity risk

The Group manages its liquidity risk by maintaining sufficient cash reserves, committed undrawn borrowing facilities and regular monitoring and forecasting of cash balances. In addition, the Group is required under the terms of its secured borrowings to maintain a precisely defined EBITDA to total debt service ratio of at least 1.5:1. This ratio was determined when raising the debt as being sufficient to ensure all borrowings could be repaid. At 28 December 2007 the actual ratio was 2.31:1 (2006: 2.32:1).

Capital risk management

The Group's objective under managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders, repay holders of Class A and B Secured Notes and benefit other shareholders. It also aims to reduce its cost of capital by maintaining an optimal capital structure.

In order to achieve these expectations, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or issue further Class A and B Secured Notes.

During the period, the Group achieved its covenants under the terms of the Group's secured borrowings (see 'Liquidity risk' above).

3 Revenue and segmental analysis

As described in the Business Review and Financial Review, the Group is organised into three main business segments: funeral services, crematoria and pre-arranged funeral plans.

Funeral services represent the sale of funerals and memorials at the time of need.

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

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

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

3 Revenue and segmental analysis (continued)

The segment revenue and segment result were as follows:

52 week period ended 28 December 2007	Funeral services £m	Crematoria £m	Pre-arranged funeral plans £m	Head office £m	Group £m
Revenue	126.3	25.7	7.5	–	159.5
Segment result	42.2	14.0	2.4	(10.9)	47.7
Finance charges					(21.7)
Finance income					4.2
Profit before tax					30.2
Taxation					(8.6)
Profit for the period					21.6
Attributable to: Equity shareholders of the parent					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

Notes to the financial statements continued

for the 52 week period ended 28 December 2007

3 Revenue and segmental analysis (continued)

The segment revenue and segment result were as follows:

52 week period ended 29 December 2006	Funeral services £m	Crematoria £m	Pre-arranged funeral plans £m	Head office £m	Group £m
Revenue	120.0	23.2	6.6	–	149.8
Segment result before exceptional charges	39.3	12.1	2.4	(9.7)	44.1
Exceptional charges	–	–	–	(0.7)	(0.7)
Segment result	39.3	12.1	2.4	(10.4)	43.4
Finance charges					(22.1)
Finance income					5.9
Profit before tax					27.2
Taxation					(8.4)
Profit for the period					18.8
Attributable to: Equity shareholders of the parent					18.8

The segment assets and liabilities were as follows:

As at 29 December 2006	Funeral services £m	Crematoria £m	Pre-arranged funeral plans £m	Head office £m	Group £m
Segment assets	174.0	55.6	8.4	1.8	239.8
Unallocated assets:					
Financial assets – loans and receivables					1.1
Cash and cash equivalents					41.4
Total assets					282.3
Segment liabilities	(17.7)	(2.4)	(1.8)	(4.0)	(25.9)
Unallocated liabilities:					
Borrowings					(274.8)
Corporation tax					(2.7)
Deferred tax					(7.2)
Total liabilities					(310.6)
Other segment items:					
Capital expenditure (including acquisitions)	14.1	0.9	–	0.2	15.2
Depreciation	5.4	1.2	–	0.3	6.9
Amortisation	0.1	–	–	0.5	0.6
Impairment of trade receivables	1.0	0.1	–	–	1.1
Other non-cash expenses	0.2	–	–	0.8	1.0

4 Net finance charges

	52 week period ended 28 December 2007 £m	52 week period ended 29 December 2006 £m
Finance charges		
Class A and B Secured Notes – issued April 2003	14.4	14.6
Class A and B Secured Notes – issued February 2006	5.2	5.3
Amortisation of issue costs – issued April 2003	1.1	0.9
Amortisation of issue costs – issued February 2006	0.2	0.3
Other loans	0.1	0.1
Interest payable on finance leases	0.1	0.1
Unwinding of discounts	0.6	0.8
Finance charges	21.7	22.1
Finance income		
Bank deposits	(2.7)	(4.0)
Release of premium on Secured Notes – issued February 2006	(0.8)	(0.9)
Prepaid interest on issue of Class A and B Secured Notes	–	(0.8)
Net finance income on retirement benefit obligations	(0.7)	–
Debenture loan	–	(0.2)
Finance income	(4.2)	(5.9)
Net finance charges	17.5	16.2

5 Profit before tax

	52 week period ended 28 December 2007 £m	52 week period ended 29 December 2006 £m
Analysis by nature		
The following items have been included in arriving at profit before tax		
Staff costs (note 27)	56.1	53.0
Inventories		
– Cost of inventories recognised as an expense (included in cost of sales)	11.9	11.1
– Written down to net realisable value (note 13)	–	(0.1)
Depreciation of property, plant and equipment:		
– Owned assets (note 10)	7.3	6.9
Amortisation of intangible assets (included in administrative expenses) (note 9)	0.7	0.6
Operating lease rentals:		
– Property	5.0	4.7
Recoveries (included within other operating income)	1.5	1.2
Trade receivables impairment (included in administrative expenses)	1.0	1.1
Services provided by the Group's auditor		
– Audit fees for the parent company and consolidated financial statements	0.2	0.2
– Fees in relation to taxation	0.1	0.1
– Fees in relation to issue of loan notes and redemption of B Shares	–	0.4
Exceptional expense		
Professional fees in relation to redemption of B Shares	–	0.7
Total exceptional expenses	–	0.7

Amounts payable to the Group's auditor in respect of the company subsidiaries audit fees, pursuant to legislation, were not significant.

Services provided by the Group's auditor

During 2006, the Group paid fees of £1.4 million to the auditors in connection with issue of Secured Notes and redemption of B Shares. Costs of £0.4 million have been expensed and £1.0 million has been deferred under IAS 23. No such fees were paid in 2007.

Notes to the financial statements continued

for the 52 week period ended 28 December 2007

6 Taxation

Analysis of charge in the period

	52 week period ended 28 December 2007 £m	52 week period ended 29 December 2006 £m
Current tax – current period	7.0	6.6
Adjustment for prior period	(0.2)	(0.2)
	6.8	6.4
Deferred tax – current period	2.3	1.8
Adjustment for prior period	–	0.2
Exceptional adjustment for rate change – 30% to 28%	(0.5)	–
	1.8	2.0
Taxation	8.6	8.4

All tax relates to continuing operations.

Tax on items charged to equity

	52 week period ended 28 December 2007 £m	52 week period ended 29 December 2006 £m
Deferred tax charge on actuarial gains on retirement benefit obligations	1.5	0.7
Deferred tax charge/(credit) on employee share options	0.7	(1.0)
Corporation tax relief relating to maturity of option schemes	(1.3)	–
Adjustment for rate change – 30% to 28%	–	–
	0.9	(0.3)
Total tax charge		
Total current tax charge	5.5	6.4
Total deferred tax charge	4.0	1.7

The taxation charge in the period is lower (2006: higher) than the standard rate of corporation tax in the UK (30 per cent). The differences are explained below:

	52 week period ended 28 December 2007 £m	52 week period ended 29 December 2006 £m
Profit before taxation	30.2	27.2
Profit before taxation multiplied by the standard rate of corporation tax in the UK of 30% (2006: 30%)	9.1	8.2
Effects of:		
Adjustments in respect of prior period	(0.2)	–
Exceptional adjustments in respect of opening deferred tax rate change – 30% to 28%	(0.5)	–
Expenses not deductible for tax purposes	0.2	0.2
Total taxation	8.6	8.4

Under IFRS the tax rate is lower (2006: higher) than the standard UK tax rate of 30 per cent due to the impact of disallowable trading expenses and expenditure on the Group's premises that does not attract any deductions for tax purposes, which has been offset in 2007 by the change in deferred tax rates from 30 per cent to 28 per cent.

In June 2007, legislation was passed confirming that the rate of Corporation Tax would reduce from 30 per cent to 28 per cent from 1 April 2008. As a result, the Group recognised exceptional tax income of £0.5 million through its income statement to reflect the one off reduction in the period of the Group's deferred tax provision.

This also had the effect of reducing the Group's effective tax rate (excluding the non-recurring adjustment) to 30 per cent in 2007, compared to 31 per cent in the previous period.

The Group anticipates its effective tax rate will transition to 29 per cent in the 2009 financial period and beyond following these legislative changes.

6 Taxation (continued)

The latest Budget Report was issued on 12 March 2008, the day before the release of this annual report. Accordingly, it is too early to have completed any detailed analysis on any new proposals announced by the Chancellor of the Exchequer. The Group will make appropriate announcements in due course as required by the Listing Rules if any aspect is considered to have a material effect on the Group's earnings.

Further legislation is anticipated in respect of Industrial Buildings Allowances. If this is substantially enacted in the form expected in 2008, then this will result in a one off charge to the income statement of £0.5 million.

7 Dividends

	52 week period ended 28 December 2007 £m	52 week period ended 29 December 2006 £m
Final dividend paid: 6.06p per Ordinary Share (2006: nil p)	3.8	–
Interim dividend paid: 3.33p (2006: 3.03p) per Ordinary Share	2.1	1.9
Total dividends recognised in the period	5.9	1.9

A final dividend of 6.67 pence per share, in respect of 2007, has been proposed by the Board. This will be paid on 27 June 2008 provided approval is gained from shareholders at the Annual General Meeting on 6 June 2008 and will be paid to shareholders on the register at close of business on 6 June 2008.

8 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 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
52 week period ended 29 December 2006			
Profit attributable to shareholders – Basic and diluted EPS	18.8	72.6	25.9
Add back: Exceptional items (net of taxation)	0.5		
Underlying profit after taxation – Basic EPS	19.3	72.6	26.6

In 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 (2006: would affect earnings per share by less than 0.1 pence per share if exercised).

Notes to the financial statements continued

for the 52 week period ended 28 December 2007

9 Goodwill and other intangible assets

	Trade names £m	Use of third party brand name £m	Software £m	Non-compete agreements £m	Sub-total £m	Goodwill £m	Total £m
Cost							
At 30 December 2005	7.8	–	4.1	0.2	12.1	109.1	121.2
Disposals	–	–	(0.3)	–	(0.3)	–	(0.3)
Acquisition of subsidiaries and other businesses	3.7	–	–	–	3.7	2.2	5.9
At 29 December 2006	11.5	–	3.8	0.2	15.5	111.3	126.8
Additions	–	–	0.1	–	0.1	–	0.1
Acquisition of subsidiaries and other businesses (note 26(a))	10.0	3.2	–	–	13.2	8.3	21.5
At 28 December 2007	21.5	3.2	3.9	0.2	28.8	119.6	148.4
Accumulated amortisation							
At 30 December 2005	–	–	(3.1)	–	(3.1)	–	(3.1)
Amortisation charge	–	–	(0.5)	(0.1)	(0.6)	–	(0.6)
Disposals	–	–	0.3	–	0.3	–	0.3
At 29 December 2006	–	–	(3.3)	(0.1)	(3.4)	–	(3.4)
Amortisation charge	–	(0.2)	(0.5)	–	(0.7)	–	(0.7)
At 28 December 2007	–	(0.2)	(3.8)	(0.1)	(4.1)	–	(4.1)
Net book amount at 28 December 2007	21.5	3.0	0.1	0.1	24.7	119.6	144.3
Net book amount at 29 December 2006	11.5	–	0.5	0.1	12.1	111.3	123.4
Net book amount at 30 December 2005	7.8	–	1.0	0.2	9.0	109.1	118.1

Impairment tests for goodwill and other intangible assets

As described in note 1, goodwill and other intangible assets with an indefinite life are subject to annual impairment tests in accordance with IAS 36, Impairment of Assets.

For the purpose of impairment testing, the goodwill and other intangibles are allocated to the Group's cash generating units ('CGUs') according to business segment. The segmental allocation is shown below:

	Intangible assets £m	Goodwill £m	Total £m
As at 28 December 2007			
Funeral services	21.6	86.3	107.9
Crematoria	–	28.6	28.6
Pre-arranged funeral plans	3.0	4.7	7.7
Head office	0.1	–	0.1
	24.7	119.6	144.3
As at 29 December 2006			
Funeral services	11.6	78.0	89.6
Crematoria	–	28.6	28.6
Pre-arranged funeral plans	–	4.7	4.7
Head office	0.5	–	0.5
	12.1	111.3	123.4

9 Goodwill and other intangible assets (continued)

The recoverable amount of a CGU is based on a value-in-use calculation. However, the assets allocated to head office are tested for impairment by reference to the Group as a whole.

The value-in-use calculations use cash flow projections based on the latest annual budgets approved by management. Key assumptions used to produce the annual budget are the estimated UK death rates (based on historical death rates supplied by ONS), anticipated market share (based on actual experience) and anticipated price increases. Cash flows beyond the initial 12 month period are extrapolated using the historic UK GDP growth rate. The cash flows are discounted at a pre-tax rate of 9.2 per cent (2006: 9.2 per cent). Given the stability and predictability of the industry, cash flows for the following 20 years have been taken into account.

On the basis of the above, the review indicated that no impairment arose in any segment (2006: £nil).

10 Property, plant and equipment

	Freehold land and buildings £m	Leasehold buildings £m	Plant, machinery, fixtures and fittings £m	Motor vehicles £m	Total £m
Cost					
At 30 December 2005	50.8	15.3	13.8	28.6	108.5
Additions	0.3	–	3.1	4.8	8.2
Acquisition of subsidiaries and other businesses	1.6	0.1	0.1	0.3	2.1
Disposals	(0.1)	–	(0.7)	(1.8)	(2.6)
Reclassification	0.6	0.4	(1.1)	0.1	–
At 29 December 2006	53.2	15.8	15.2	32.0	116.2
Additions	0.3	0.1	3.2	4.8	8.4
Acquisition of subsidiaries and other businesses (note 26(a))	0.9	–	–	0.8	1.7
Disposals	(0.1)	(0.1)	(0.1)	(2.0)	(2.3)
Reclassification	0.7	0.4	(1.2)	0.1	–
At 28 December 2007	55.0	16.2	17.1	35.7	124.0
Accumulated depreciation					
At 30 December 2005	(3.4)	(3.1)	(5.8)	(9.9)	(22.2)
Depreciation charge	(1.2)	(1.1)	(1.5)	(3.1)	(6.9)
Disposals	–	–	0.7	1.3	2.0
At 29 December 2006	(4.6)	(4.2)	(6.6)	(11.7)	(27.1)
Depreciation charge	(1.2)	(1.1)	(1.6)	(3.4)	(7.3)
Disposals	–	–	0.1	1.4	1.5
At 28 December 2007	(5.8)	(5.3)	(8.1)	(13.7)	(32.9)
Net book amount at 28 December 2007	49.2	10.9	9.0	22.0	91.1
Net book amount at 29 December 2006	48.6	11.6	8.6	20.3	89.1
Net book amount at 30 December 2005	47.4	12.2	8.0	18.7	86.3

Depreciation expense of £3.4 million (2006: £3.1 million) is included within cost of sales and £3.9 million (2006: £3.8 million) is included within administrative expenses.

Included within plant, machinery, fixtures and fittings net book value is £1.5 million (2006: £1.0 million) relating to assets held in the course of construction.

Notes to the financial statements continued

for the 52 week period ended 28 December 2007

10 Property, plant and equipment (continued)

Assets held under finance leases, which relate solely to leasehold land and buildings, have the following net book amount:

	28 December 2007 £m	29 December 2006 £m
Cost	1.1	1.1
Accumulated depreciation	(0.5)	(0.4)
Net book amount	0.6	0.7

The Group had capital expenditure authorised by the Board and contracted for at the balance sheet date of £1.6 million (2006: £1.3 million).

11 Non-current financial and other assets

	Note	28 December 2007 £m	29 December 2006 £m
Debenture loan	(a)	—	1.0
Prepayments	(b)	3.4	3.4
Deferred commissions	(c)	0.9	0.8
Other receivables		0.2	0.4
		4.5	5.6

(a) Debenture loan

This investment represented a £1,000,000 debenture loan to KCH Repatriation Limited (formerly Kenyon Christopher Henley Limited) a company incorporated in the United Kingdom.

The debenture loan to KCH Repatriation Limited was secured on the assets of that business, earned interest at 15 per cent per annum and was repayable in 2022.

The loan was repaid in full in the second quarter of the 52 week period.

(b) Prepayments

This balance represents the amounts paid to acquire the long leasehold interest in land at certain of the Group's properties. Management consider that leases greater than fifty years at inception are long leases. The balance is expensed on a straight-line basis over the term of the relevant lease. The leases expire at various times over the next thirty to nine hundred years.

(c) Deferred commissions

The Group is the named beneficiary on a number of life assurance products sold by third party insurance companies.

A commission is paid when the policy is charged to the Group. As this commission is fully refundable if the Group does not perform the funeral for any reason, it is carried as a debtor and expensed when the funeral is performed.

12 Investments

A list of the trading entities included within the financial information are included in note C2 to the Company's financial statements.

13 Inventories

	28 December 2007 £m	29 December 2006 £m
Materials	0.6	0.6
Finished goods	2.8	2.4
	3.4	3.0

The cost of inventories recognised within cost of sales amounted to £11.9 million (2006: £11.1 million).

Finished goods of £1.5 million (2006: £1.3 million) are carried at fair value less costs to sell. During the period £nil million (2006: £0.1 million) was credited in relation to inventory write-downs within cost of sales.

14 Trade and other receivables

	28 December 2007 £m	29 December 2006 £m
Trade receivables	17.8	16.3
Less: provision for impairment (note 21(c))	(2.5)	(2.8)
Net trade receivables	15.3	13.5
Receivables due from related parties (note 31)	2.3	2.1
Prepayments and accrued income	3.2	3.0
Other receivables	1.9	0.6
	22.7	19.2

Concentrations of credit risk with respect to trade receivables are limited due to the Group's customer base being large and unrelated. Due to this, management believes there is no further credit risk provision required in excess of normal provision for doubtful recoverables. For further details of the trade receivables past due and impaired refer to note 21(c).

Due to the short term nature of these balances, the carrying value is considered to be their fair value.

15 Cash and cash equivalents

	Note	28 December 2007 £m	29 December 2006 £m
Operating cash as reported in the cash flow statement as cash and cash equivalents		38.7	40.2
Recoveries: pre-arranged funeral plans	(a)	1.5	1.2
Amounts set aside for debt service payments	(b)	12.4	–
Cash and cash equivalents as reported in the balance sheet		52.6	41.4

(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 (see note 16(d)) and commitment fees due on its undrawn borrowing facilities (see note 21(d)) 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 2007. £10.2 million is shown within the cash flow statement as 'Payments to restricted bank accounts for finance charges'. £2.2 million is shown within 'Financing activities' as 'Payments to restricted bank accounts for repayment of borrowings'.

16 Financial liabilities

	Note	28 December 2007 £m	29 December 2006 £m
Current			
Class A Secured Notes – issued April 2003	(a)	3.8	2.1
Class A Secured Notes – issued February 2006	(b)	1.8	1.0
Premium on Secured Notes – issued February 2006	(b)	0.8	0.8
Other current financial liabilities	(d)	0.7	0.7
	(e)	7.1	4.6
Non-current			
Class A and B Secured Notes – issued April 2003	(a)	180.5	182.5
Class A and B Secured Notes – issued February 2006	(b)	68.2	69.3
Premium on Secured Notes – issued February 2006	(b)	11.9	12.7
Finance lease obligations	(c)	0.8	0.8
Other non-current financial liabilities	(d)	5.7	5.7
		267.1	271.0

Notes to the financial statements continued

for the 52 week period ended 28 December 2007

16 Financial liabilities (continued)

(a) Class A and B Secured Notes – issued April 2003

On 11 April 2003, Dignity Finance PLC issued £110,000,000 Class A Secured Notes (the 'A notes') and £100,000,000 Class B Secured Notes (the 'B notes').

The A notes carry interest at 6.31 per cent, payable half yearly in arrears. The A notes are repayable in instalments ending in December 2023. The transaction costs incurred on issue of the A notes totalled £9.8 million. The B notes carry interest at 8.151 per cent, payable half yearly in arrears. The B notes are repayable in instalments ending in December 2030. The transaction costs incurred on issue of the B notes totalled £8.9 million.

The principal outstanding on the Secured Notes and related issue costs have been presented on a net basis in the table above. Both the A notes and the B notes are secured by first ranking security in respect of the undertakings and assets of Dignity (2002) Limited and its subsidiaries.

At 28 December 2007, £98.3 million (2006: £99.7 million) of the principal of the A notes and £100.0 million (2006: £100.0 million) of the principal of the B notes was outstanding.

At 28 December 2007, £7.0 million (2006: £7.6 million) and £7.0 million (2006: £7.5 million) of the transaction costs in respect of the A notes and the B notes respectively remain unamortised.

(b) Class A and B Secured Notes – issued February 2006

On 21 February 2006, Dignity Finance PLC issued £45,550,000 Class A Secured Notes (the 'Further A notes') and £32,500,000 Class B Secured Notes (the 'Further B notes').

The Further A notes carry interest at 6.31 per cent, payable half yearly in arrears. The Further A notes are repayable in instalments ending in December 2023. The transaction costs incurred on issue of the Further A notes totalled £1.9 million (2006: £2.0 million). The change year on year follows the receipt of the final invoices being of a lower value than expected. The Further B notes carry interest at 8.151 per cent, payable half yearly in arrears. The Further B notes are repayable in instalments ending in December 2030. The transaction costs incurred on issue of the Further B notes totalled £1.8 million. The principal outstanding on the Secured Notes and related issue costs have been presented on a net basis in the table above. Both the Further A notes and the Further B notes are secured by first ranking security in respect of the undertakings and assets of Dignity (2002) Limited and its subsidiaries.

At 28 December 2007, £40.7 million (2006: £41.3 million) of the principal of the Further A notes and £32.5 million (2006: £32.5 million) of the principal of the Further B notes was outstanding.

At 28 December 2007, £1.6 million (2006: £1.8 million) and £1.6 million (2006: £1.7 million) of the transaction costs in respect of the Further A notes and the Further B notes respectively remain unamortised.

The Further A notes and Further B notes were issued at a premium of £3.6 million and £10.8 million respectively, which is being released in proportion to the interest cost in the notes. At the balance sheet date £3.0 million (2006: £3.3 million) and £9.7 million (2006: £10.2 million) respectively remained unamortised.

(c) Obligations under finance leases

	28 December 2007 £m	29 December 2006 £m
Obligations under finance leases and hire purchase payable:		
Within one year	–	–
Between one and two years	–	–
Between two and five years	0.2	0.2
After five years	0.6	0.6
	0.8	0.8

The finance leases and hire purchase liabilities are secured on the related assets.

16 Financial liabilities (continued)

(d) Other financial liabilities

On 20 December 2002, Dignity (2002) Limited entered into contracts to swap the floating rate interest on a bank loan into fixed rate. Contractually, these swaps were not effective until 30 April 2003.

On 11 April 2003, as described in note 16(a), the Group issued Secured Notes at a fixed rate of interest. These notes replaced the bank loan. Consequently, the swaps were no longer required as the Group had no interest rate risk on the Secured Notes. As result, the Group entered into further contracts on 11 April 2003 to swap fixed rate interest into floating in order to offset the original swaps and eliminate any interest rate risk in this regard.

As a result of interest rate movements between these two dates, the combined effect of all the contracts was that the Group makes fixed and determinable bi-annual payments on a notional principal amount.

These swap agreements were entered into under one ISDA master agreement. This master agreement forces the swaps to be viewed and settled on a net basis only; a position that cannot be altered without the written consent of both parties.

Accordingly, the overall transaction represents a financial liability. The fair value represents the discounted net present value of future cash flows. Further, as these contracts related to the raising of the Secured Notes, the liability has been accounted for as a transaction cost of the Class A and B Secured Notes and is being amortised in accordance with IAS 39.

(e) Current financial liabilities

The current financial liabilities represent the amounts falling due within one year of the Group's accounting reference date, 31 December.

17 Trade and other payables

	28 December 2007 £m	29 December 2006 £m
Current		
Trade payables	7.1	5.7
Tax and social security	1.6	1.6
Other current liabilities	0.9	0.4
Accruals and deferred income	23.4	11.5
	33.0	19.2
Non-current		
Deferred income	1.3	1.4
Deferred consideration for acquisitions	0.4	0.5
Long service awards	1.0	0.9
Other non-current liabilities	0.1	0.1
	2.8	2.9

18 Obligations under finance leases and operating leases

For minimum lease payments obligations under finance leases refer to note 21(d)(ii).

	28 December 2007 £m	29 December 2006 £m
The minimum lease payments under non-cancellable operating leases fall due as follows:		
Not later than one year	4.9	4.4
Later than one year but not more than five years	13.6	11.7
More than five years	29.3	27.2
	47.8	43.3

The non-cancellable operating leases principally relate to leasehold land and buildings.

Of the total operating lease payments charged to trading expenses, £0.1 million (2006: £0.1 million) are in respect of contingent rentals. The contingent rentals are based on the revenues generated at the specific locations.

Sublease payments received in the year amount to £0.6 million (2006: £0.6 million). Total future sublease payments receivable relating to operating leases amount to £0.5 million (2006: £0.8 million).

In addition, the Group has operating lease commitments with rentals determined in relation to sales. It is not possible to quantify future rentals payable under such leases.

Notes to the financial statements continued

for the 52 week period ended 28 December 2007

19 Provisions

	Dilapidations £m (a)	Asbestos rectification £m (b)	Onerous contracts £m (c)	Cancellation provision £m (d)	Total £m
At beginning of period	1.4	0.3	0.9	0.4	3.0
Charged to income statement	0.6	0.1	0.1	0.2	1.0
Utilised in period	(0.3)	(0.1)	(0.2)	(0.3)	(0.9)
Amortisation of discount	0.1	–	–	–	0.1
At end of period	1.8	0.3	0.8	0.3	3.2

Provisions have been analysed between current and non-current as follows:

	28 December 2007 £m	29 December 2006 £m
Current	1.3	1.4
Non-current	1.9	1.6
	3.2	3.0

(a) Dilapidations

The provision for dilapidations covers the costs of repair to leased premises occupied by the Group in respect of which a dilapidations notification has been received, and properties where a dilapidation obligation exists but for which no notification has been received.

It is anticipated that the element of provision relating to dilapidation notices served, £0.4 million (2006: £0.6 million), will be incurred in the following financial year, and the element relating to dilapidation obligations where no notice has been served will be utilised over the terms of the relevant property leases, the majority of which is expected to be by 31 December 2017.

(b) Asbestos rectification

In May 2004, the Control of Asbestos at Work regulations came into effect. This introduces an explicit duty to manage asbestos in all non-domestic properties. Those who have responsibility for the maintenance and/or repair of the premises are similarly responsible for the control of asbestos. Therefore, where the Group has entered into leases with a 'tenant-repairing' clause, it is also responsible for the control of asbestos.

The provision includes the expected rectification costs of properties not yet surveyed for asbestos plus the estimated costs of surveying these properties. It is anticipated that the provision will be utilised by the end of 2008.

(c) Onerous contracts

The Group has provided for the discounted future costs of certain contracts to which the Group is legally bound. These contracts relate to vacant leasehold properties and other contracts from which no economic benefit is derived. The provision will be utilised over the term of the contracts and it is anticipated that it will be fully utilised after nine years.

Included within the provision is an amount of £0.2 million (2006: £0.1 million) relating to the expected costs of ongoing rent reviews, the outcomes of which have been based on recent experience of similar reviews on other properties.

(d) Cancellation provision

As described in note 1, the Group receives monies from certain pre-arranged funeral plan Trusts in respect of the marketing of pre-arranged funeral plans, which are refundable to the trust in the event of cancellation.

The provision covers the expected cost of such cancellations anticipated to occur in future years relating to plans sold before the balance sheet date and is anticipated to be utilised over the next three years.

20 Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 28 per cent (2006: 30 per cent).

The movement on the deferred tax account is as shown below:

	2007 £m	2006 £m
At beginning of period	7.2	5.2
Charged to income statement (note 6)	2.3	2.0
Adjustment for rate change – 30% to 28% (note 6)	(0.5)	–
Arising on acquisitions	3.7	0.3
Taken to equity	2.2	(0.3)
At end of period	14.9	7.2

The movements in deferred tax assets and liabilities (prior to the offsetting of balances within the same jurisdiction as permitted by IAS 12) during the period are shown below.

Deferred tax liabilities

	Pensions £m	Accelerated tax depreciation £m	Other £m	Total £m
At beginning of period	–	10.1	0.9	11.0
Charged to income statement	–	1.5	–	1.5
Adjustment for rate change – 30% to 28%	–	(0.7)	–	(0.7)
Arising on acquisitions	–	–	3.7	3.7
Reclassify pensions from deferred tax assets	0.5	–	–	0.5
At end of period	0.5	10.9	4.6	16.0

Deferred tax assets

	Provisions £m	Tax losses £m	Pensions £m	Other £m	Total £m
At beginning of period	(0.1)	(0.1)	(2.0)	(1.6)	(3.8)
Charged to income statement	(0.2)	0.1	0.9	–	0.8
Adjustment for rate change – 30% to 28%	–	–	0.1	0.1	0.2
Pensions taken to equity (note 24)	–	–	1.5	–	1.5
Share options taken to equity (note 24)	–	–	–	0.7	0.7
Reclassify pensions to deferred tax liabilities	–	–	(0.5)	–	(0.5)
At end of period	(0.3)	–	–	(0.8)	(1.1)

All of the deferred tax assets were available for offset against deferred tax liabilities and hence the net deferred tax provision at 28 December 2007 was £14.9 million (2006: £7.2 million).

No deferred tax asset is recognised in respect of losses within the Group amounting to £4.1 million net at 28 per cent (2006: £4.4 million net at 30 per cent). Based on the current debt structure of the Group and the nature of these losses, the Directors do not consider that taxable profits will arise in the relevant company from which the future reversal of the underlying timing differences can be deducted.

Elements of these deferred tax balances may be payable/recoverable within one year. However, the Directors consider that it is not possible to quantify the amount because of a significant level of uncertainty in the timing of events and have therefore classified the whole balance as due after more than one year.

The deferred income tax (credited)/charged to equity during the period was as follows:

	2007 £m	2006 £m
Deferred tax charge on actuarial gains on retirement benefit obligations	1.5	0.7
Deferred tax charge/(credit) on employee share options	0.8	(1.0)

Notes to the financial statements continued

for the 52 week period ended 28 December 2007

21 Financial instruments

Fair values of non-derivative financial assets and financial liabilities

Where market values are not available, fair values of financial assets and financial liabilities have been calculated by discounting expected future cash flows at relevant interest rates. The carrying values of short term borrowings approximate to book value.

Trade receivables are held net of impairment.

(a) Fair value of current and non-current financial liabilities

	28 December 2007		29 December 2006	
	Book value £m	Fair value £m	Book value £m	Fair value £m
Long term borrowings (note 16)	(267.1)	(300.4)	(271.0)	(344.2)
Fair values of other financial assets and financial liabilities				
Primary financial instruments held or issued to finance the Group's operations:				
Short term borrowings (note 16)	(7.1)	(7.3)	(4.6)	(4.9)
Trade and other payables (note 17)	(33.0)	(33.0)	(19.2)	(19.2)
Trade and other receivables (note 14)	22.7	22.7	19.2	19.2
Cash at bank and in hand (note 15)	52.6	52.6	41.4	41.4
Other non-current liabilities (note 17)	(2.8)	(2.8)	(2.9)	(2.9)

(b) Maturity of financial liabilities

The tables below analyse the Group's financial liabilities which will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amount disclosed in the tables are the contractual undiscounted cash flows, including interest costs yet to be incurred.

	28 December 2007					Total £m
	In less than one year £m	In more than one year but not more than two years £m	In more than two years but not more than three years £m	In more than three years but not more than five years £m	In more than five years £m	
Cash liabilities						
Class A and B Secured Notes (gross)	6.9*	5.1	5.4	12.2	241.9	271.5
Interest payable on Notes	29.1**	19.1	18.7	36.4	205.2	308.5
Swaps	1.0***	0.7	0.7	1.4	6.7	10.5
Debt repayments	37.0	24.9	24.8	50.0	453.8	590.5
Other financial liabilities	33.0****	0.4	0.5	0.7	2.4	37.0
Total	70.0	25.3	25.3	50.7	456.2	627.5

* This amount includes £2.2 million that was paid on 31 December 2007. See note 15(b).

** This amount includes £9.8 million that was paid on 31 December 2007. See note 15(b).

*** This amount includes £0.3 million that was paid on 31 December 2007. See note 15(b).

**** This amount includes £0.1 million that was paid on 31 December 2007. See note 15(b).

	29 December 2006					Total £m
	In less than one year £m	In more than one year but not more than two years £m	In more than two years but not more than three years £m	In more than three years but not more than five years £m	In more than five years £m	
Cash liabilities						
Class A and B Secured Notes (gross)	4.3	4.7	5.1	11.3	248.1	273.5
Interest payable on Notes	19.6	19.4	19.1	37.1	223.1	318.3
Swaps	0.7	0.7	0.7	1.4	7.4	10.9
Debt repayments	24.6	24.8	24.9	49.8	478.6	602.7
Other financial liabilities	19.2	0.5	0.4	0.7	2.5	23.3
Total	43.8	25.3	25.3	50.5	481.1	626.0

21 Financial instruments (continued)

The amounts disclosed in the tables below represent the anticipated amortisation profile for the issue costs and premium relating to the issue of the A and B Secured Notes.

28 December 2007					
	In less than one year £m	In more than one year but not more than two years £m	In more than two years but not more than three years £m	In more than three years but not more than five years £m	In more than five years £m
Non-cash liabilities					
Issue costs	1.3	1.3	1.2	2.4	11.0
Premium on Secured Notes	(0.8)	(0.8)	(0.8)	(1.5)	(8.8)
Total	0.5	0.5	0.4	0.9	2.2

29 December 2006					
	In less than one year £m	In more than one year but not more than two years £m	In more than two years but not more than three years £m	In more than three years but not more than five years £m	In more than five years £m
Non-cash liabilities					
Issue costs	1.2	1.2	1.2	2.3	12.7
Premium on Secured Notes	(0.8)	(0.8)	(0.8)	(1.5)	(9.6)
Total	0.4	0.4	0.4	0.8	3.1

(c) Trade receivables

As at 28 December 2007, £7.0 million of the gross trade receivables (2006: £6.6 million) were past due and partially impaired. A provision for impairment is established based on historical experience. The amount of the provision was £2.5 million (2006: £2.8 million). The individually impaired receivables principally relate to monies owing for funerals performed by the funeral services division. The aging of these receivables is as follows:

	28 December 2007 £m	29 December 2006 £m
One to six months	4.9	4.5
Over six months	2.1	2.4
	7.0	6.9

The amount of gross trade receivables past due that were not impaired was not significant.

Movements on the Group's provision for impairment of trade receivables are as follows:

	28 December 2007 £m	29 December 2006 £m
At beginning of period	(2.8)	(3.3)
Charged to income statement	(1.0)	(1.1)
Utilised in period	1.3	1.6
At end of period	(2.5)	(2.8)

Notes to the financial statements continued

for the 52 week period ended 28 December 2007

21 Financial instruments (continued)

(d) Borrowing facilities

(i) The Group has the following undrawn committed borrowing facilities available at 28 December 2007, all of which were at floating interest rates, in respect of which all conditions precedent had been met at that date:

	28 December 2007 £m	29 December 2006 £m
Expiring within one year	45.0	40.0
Expiring between one and two years	—	5.0
Expiring in more than two years	—	—
	45.0	45.0

£40.0 million of the amount above is a liquidity facility relating to the Class A and B Secured Notes. This facility may only be used to repay interest and principal on the Secured Notes in the event of insufficient cash to service these instruments. The facility is subject to annual renewal. However, if the bank providing the facility does not renew it, then the provider is required to place £40.0 million in a bank account, which the Group may access as if it represented a borrowing facility on the same terms.

The remaining £5.0 million facility is expected to be renewed for a further five years in April 2008. All these facilities incur commitment fees at market rates.

(ii) The minimum lease payments under finance leases fall due as follows:

	28 December 2007 £m	29 December 2006 £m
Not later than one year	0.1	0.1
Later than one year but not more than five years	0.2	0.2
More than five years	2.9	3.0
	3.2	3.3
Future finance charges on finance leases	(2.4)	(2.5)
Present value of finance lease liabilities	0.8	0.8

22 Called up share capital

	28 December 2007 £m	29 December 2006 £m
Authorised Equity shares		
77,777,777 (2006: 77,777,777) Ordinary Shares of £0.09 each	7.0	7.0
Allotted, called up and fully paid Equity shares		
63,240,971 (2006: 62,224,139) Ordinary Shares of £0.09 each	5.7	5.6

Each Ordinary Share carries equal voting rights and there are no restrictions on any share.

During the period the Group received £1.5 million relating to the 1,016,832 shares issued.

22 Called up share capital (continued)

Potential issues of Ordinary Shares

Certain employees hold options to subscribe for shares in the Company under an approved Save As You Earn (SAYE) Scheme started in 2007. In addition, Executive Directors and senior management hold options to subscribe for shares in the Company under Long Term Incentive Plans (LTIP) awarded in 2005, 2006 and 2007.

The number of shares subject to options (excluding lapses), the periods in which they were granted and the periods in which they may be exercised are given below:

Year of grant	Exercise price (pence)	Exercise period	2007 Number	2006 Number	2005 Number
2007 – SAYE	714.67	1 July 2010 to 1 January 2011	280,873	n/a	n/a
2005 – LTIP	–	13 April 2008 to 13 April 2009	242,610	263,601	263,601
2006 – LTIP	–	23 March 2009 to 23 March 2010	254,686	286,413	n/a
2007 – LTIP	–	27 March 2010 to 27 March 2011	232,543	n/a	n/a

23 Share-based payments

LTIP Schemes

The LTIP Scheme was introduced after the flotation of the Group in 2004. Under the LTIP Scheme, the Remuneration Committee can grant options over shares in the Company to employees of the Group. Awards under the LTIP Scheme are generally reserved for Executive Directors and senior management. The Company has made annual grants since April 2004. Options granted under the LTIP Scheme will become exercisable on the third anniversary of the date of grant, subject to the conditions described on page 24. Exercise of an option is subject to continued employment unless an individual ceases to be an employee by reason of death, illness, redundancy or other similar circumstances.

Options were valued using the Monte Carlo option pricing model. Performance conditions were included in the fair value calculations. The fair value per option granted and the assumptions used in the calculation are as follows:

Grant date	27 March 2007	23 March 2006	13 April 2005	8 April 2004
Share price at grant date	£6.68	£4.78	£3.40	£2.30
Exercise price	–	–	–	–
Number of employees	31	7	4	4
Shares under option	234,543	286,413	263,601	375,000
Vesting period (years)	3	3	3	3
Expected volatility	16.6%	25.0%	42.0%	37.6%
Option life (years)	1	1	1	1
Expected life (years)	Immediate	Immediate	Immediate	Immediate
Risk free rate	5.22%	4.36%	4.50%	4.50%
Expected dividends expressed as a dividend yield	1.6%	1.8%	3.3%	3.2%
Possibility of ceasing employment before vesting	0%	0%	0%	0%
Fair value per option	£3.62	£2.67	£1.94	£1.34

The expected volatility is calculated by reference to the estimated volatility over the last three years of the members of the Comparator Group. The expected life is the average expected period to exercise. The risk free rate of return is the yield on zero-coupon UK government bonds of a term consistent with the assumed option life.

During the period 6,194 options (2006: none) under the 2004 LTIP Scheme, 20,991 options (2006: none) under the 2005 LTIP Scheme, 31,727 options (2006: none) under the 2006 LTIP Scheme and 2,000 options under the 2007 LTIP Scheme were forfeited. 368,806 options (2006: none) were exercised under the 2004 LTIP Scheme during the period. The share price of the options exercised during the period was £6.86.

The charge to the income statement in the period in respect of the LTIP Schemes was £0.6 million (2006: £0.5 million).

Notes to the financial statements continued

for the 52 week period ended 28 December 2007

23 Share-based payments (continued)

SAYE Scheme

Two Inland Revenue approved SAYE Schemes were in place during the period, with both carrying the same terms and conditions. Options were valued using the Black-Scholes option pricing model. No performance conditions were included in the fair value calculations. The fair value per option granted and the assumptions used in the calculation are as follows:

Grant date	2007 Scheme 21 May 2007	2004 Scheme 6 May 2004
Share price at grant date	£7.25	£2.30
Exercise price	£7.15	£2.30
Number of employees	680	807
Shares under option	292,377	799,807
Vesting period (years)	3.25	3.25
Expected volatility	16.8%	47.6%
Option life (years)	4	4
Expected life (years)	Immediate	Immediate
Risk free rate	5.48%	5.10%
Expected dividends expressed as a dividend yield	1.4%	4.1%
Possibility of ceasing employment before vesting (per annum)	5.8%	5.9%
Fair value per option	£1.34	£0.79

During the period 29,729 options (2006: 38,836) under the 2004 SAYE Scheme and 11,504 (2006: none) under the 2007 SAYE Scheme were forfeited. 648,026 options (2006: 548) were exercised under the 2004 SAYE Scheme during the period. The weighted average share price of the options exercised during the period was £7.14.

The charge to the income statement in the period in respect of the SAYE Schemes was £0.2 million (2006: £0.2 million).

24 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 30 December 2005	5.6	111.6	–	(10.4)	(74.2)	32.6	(1.2)	31.4
Profit for the 52 weeks ended 29 December 2006	–	–	–	–	18.8	18.8	–	18.8
Reclassification of actuarial gains and losses on defined benefit plans (net of deferred tax)*	–	–	–	(0.8)	0.8	–	–	–
Actuarial gains and losses on defined benefit plans	–	–	–	–	2.4	2.4	–	2.4
Deferred tax on pensions	–	–	–	–	(0.7)	(0.7)	–	(0.7)
Effects of employee share options	–	–	–	0.7	–	0.7	–	0.7
Deferred tax on employee share options	–	–	–	1.0	–	1.0	–	1.0
Issue of B shares	–	(80.0)	–	–	–	(80.0)	–	(80.0)
Redemption of B shares	–	–	80.0	–	(80.0)	–	–	–
Dividends	–	–	–	–	(1.9)	(1.9)	–	(1.9)
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)

* These amounts have been reclassified in accordance with IAS 19 (Revised).

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.

25 Reconciliation of cash generated from operations

	2007 £m	2006 £m
Net profit for the period	21.6	18.8
Adjustments for:		
Taxation	8.6	8.4
Net finance charges	17.5	16.2
Profit on disposal of fixed assets	(0.1)	–
Depreciation charges	7.3	6.9
Amortisation of intangibles	0.7	0.6
Changes in working capital (excluding acquisitions)	1.1	0.1
Employee share options	0.8	0.7
Cash generated from operations before exceptional items	57.5	51.7
Exceptional costs in respect of redemption of B shares	–	(0.7)
Exceptional contribution to pension scheme	–	(10.0)
Cash generated from operations	57.5	41.0

Other non-cash transactions

Non-cash charges comprise amortisation of deferred debt issue costs, as discussed in note 16(a) and (b).

Notes to the financial statements continued

for the 52 week period ended 28 December 2007

26 Acquisition and disposals

(a) Acquisition of subsidiary and other businesses

	Carrying values pre acquisition £m	Adjustments £m	Provisional fair value £m
Tangible fixed assets	1.7	–	1.7
Intangible assets:			
Trade names	–	10.0	10.0
Use of third party marketing brand	–	3.2	3.2
Other working capital	(0.1)	0.3	0.2
Deferred taxation	–	(3.7)	(3.7)
Net assets acquired	1.6	9.8	11.4
Goodwill arising			8.3
			19.7
Satisfied by:			
Cash paid on completion			18.5
Elimination of minority interest			1.2
Total consideration			19.7

During 2007, the Group acquired seven funeral businesses and on 8 January 2007 the remaining minority interest of APL. 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 2008. 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.

The profit before tax generated by APL in the period was £1.7 million.

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 cash flow statement

	2007 £m	2006 £m
Cash paid on completion	16.5	7.2
Cash paid in respect of deferred consideration obligations	0.1	0.1
Acquisition of subsidiaries and businesses as reported in cash flow statement	16.6	7.3
Acquisition of minority interest as reported in cash flow statement	2.0	–

27 Employees and Directors

	2007 £m	2006 £m
Wages and salaries	49.7	46.8
Social security costs	4.0	4.0
Other pension costs	1.2	1.2
LTIP costs	0.6	0.5
	55.5	52.5

Key management are considered to be the Board of Directors only and thus no additional disclosures are presented than that included in the Report on Directors' Remuneration. The monthly average number of people, including Directors, employed by the Group during the period was as follows:

	2007 Number	2006 Number
Management and administration	112	114
Funeral services staff	1,932	1,906
Crematoria staff	214	221
Pre-arranged funeral plan staff	35	30
	2,293	2,271

Directors' emoluments

Details of Directors' emoluments are disclosed in the Report on Directors' Remuneration on pages 27 to 29 which form part of these consolidated financial statements.

28 Pension commitments

Defined contribution plans

The Group contributes to certain individuals' personal pension schemes. These contributions are accounted for as defined contributions.

The pension costs for defined contribution schemes are as follows:

	2007 £m	2006 £m	2005 £m	2004 £m
Defined contribution schemes	0.1	0.2	0.1	0.1

Defined benefit plans

In 2005 the Group operated two defined benefit plans in the UK. On 6 April 2006 the Dignity 1972 Pension Scheme was merged into the Dignity Pension and Assurance Scheme. A full actuarial valuation was carried out in respect of both plans at 6 April 2005. The valuation results of the merged scheme were updated to 31 December 2007 by a qualified independent Actuary.

For 2007 the employer's contribution rate payable was 5.5 per cent of Pensionable Salaries plus £39,750 per month (2006: 10.5 per cent of Pensionable Salaries to 5 April 2006 and 5.5 per cent of Pensionable Salaries plus £39,750 per month thereafter). No special contributions have been paid for 2007 (2006: £10.0 million). The total monetary contribution paid by the employer for 2007 was £1.2 million (2006: £11.2 million).

The principal assumptions used by the actuary were:

Assumptions	2007	2006
Discount rate	5.85%	5.1%
Expected long-term rate of return on assets	6.3%	6.2%
Rate of increase in salaries	3.7%	3.6%
Rate of increase in payment of pre April 1997 excess over GMP pensions – Dignity Pension and Assurance Scheme members	0%	0%
Rate of increase in payment of post April 1997 pensionable service	3.2%	3.1%
Rate of increase in payment of post April 2005 pensionable service	2.5%	2.5%
Price inflation assumption	3.2%	3.1%

The underlying mortality assumption is PA92 on a year of birth usage with medium cohort improvement factors (2006: PA92, scaled to 2007 for current pensioners and PA92, scaled to 2020 for deferred pensioners and active members).

Notes to the financial statements continued

for the 52 week period ended 28 December 2007

28 Pension commitments (continued)

Pensions and other post-retirement obligations

The amounts recognised in the balance sheet are determined as follows:

	2007 £m	2006 £m
Fair value of plan assets	67.9	59.9
Present value of funded obligations	(61.1)	(59.3)
Net asset recognised in the balance sheet	6.8	0.6

Analysis of amount charged to income statement in respect of defined benefit schemes

	2007 £m	2006 £m
Current service cost	1.0	1.0
Past service cost	0.1	–
Total included within cost of sales (staff costs)	1.1	1.0
Interest cost	3.0	2.8
Expected return on plan assets	(3.7)	(2.8)
Total included within finance income	(0.7)	–

Expected contributions to post employment benefit plans for the 52 week period ended 26 December 2008 are £1.2 million.

Analysis of fair value of plan assets

	2007		2006		2005		2004	
	£m	%	£m	%	£m	%	£m	%
Equity and property	37.7	55.5	30.9	51.6	28.2	61.4	23.8	61.0
Debt	–	–	5.7	9.5	14.2	30.9	12.5	32.1
Cash	30.2	44.5	23.3	38.9	3.5	7.7	2.7	6.9
Fair value of plan assets	67.9	100.0	59.9	100.0	45.9	100.0	39.0	100.0

Changes in the present value of the defined benefit obligation are as follows:

	2007 £m	2006 £m	2005 £m	2004 £m
Present value of obligation at beginning of period	(59.3)	(57.8)	(52.9)	(46.6)
Service cost	(1.0)	(1.0)	(1.0)	(1.6)
Past service cost	(0.1)	–	–	–
Interest cost	(3.0)	(2.8)	(2.8)	(2.5)
Benefits paid	2.6	2.3	1.9	1.9
Contributions by participants	(1.3)	(1.4)	(0.9)	(1.3)
Actuarial gains/(losses)	1.0	1.4	(2.1)	(2.8)
Present value of obligation at end of period	(61.1)	(59.3)	(57.8)	(52.9)

Changes in the fair value of plan assets are as follows:

	2007 £m	2006 £m	2005 £m	2004 £m
Fair value of plan assets at beginning of period	59.9	45.8	39.1	33.9
Expected return on plan assets	3.7	2.8	2.4	2.2
Contributions by Group	1.2	11.2	1.4	1.5
Contributions by participants	1.3	1.4	0.9	1.3
Benefits paid	(2.6)	(2.3)	(1.9)	(1.9)
Actuarial gains	4.4	1.0	3.9	2.1
Fair value of plan assets at end of period	67.9	59.9	45.8	39.1

28 Pension commitments (continued)

Analysis of the movement in the balance sheet asset/(liability)

	2007 £m	2006 £m
At beginning of period	0.6	(12.0)
Total expense as above	(0.4)	(1.0)
Actuarial gains	5.4	2.4
Contributions by Group	1.2	11.2
At end of period	6.8	0.6

Cumulative actuarial gains and losses recognised in equity

	2007 £m	2006 £m
At beginning of period	3.5	1.1
Net actuarial gains recognised in the period	5.4	2.4
At end of period	8.9	3.5

The actual return on plan assets was £8.1 million (2006: £3.8 million).

History of experience gains and losses

	2007	2006	2005	2004
Experience adjustments arising on scheme assets:				
Amount (£m)	(4.4)	(1.0)	(3.9)	(2.1)
Percentage of scheme's assets	6.5%	1.7%	8.5%	5.4%
Experience adjustments arising on scheme liabilities:				
Amount (£m)	(0.9)	0.5	0.5	0.1
Percentage of the present value of the scheme's liabilities	1.3%	0.8%	0.9%	0.2%
Present value of scheme liabilities (£m)	(61.1)	(59.3)	(57.8)	(52.9)
Fair value of scheme assets (£m)	67.9	59.9	45.8	39.1
Surplus/(deficit) (£m)	6.8	0.6	(12.0)	(13.8)

29 Other commitments

Dignity Pre-Arrangement Limited, Dignity Securities Limited and Advance Planning Limited are fellow members of the Dignity Group in the United Kingdom. These companies have sold pre-arranged funeral plans to their clients in the past. All monies from these sales are held and controlled by three independent Trusts, being the National Funeral Trust, the Dignity Limited Trust Fund and the Trust for Age Concern Funeral Plans respectively. Full details of the transactions can be found in the financial statements of these companies, which are available from Plantsbrook House, 94 The Parade, Sutton Coldfield, West Midlands, B72 1PH.

The Group has given commitments to certain of these clients to perform their funeral. The cost of the performance of these funerals will be paid out of the funds held in the Trusts.

It is the view of the Directors that none of these commitments are onerous to the Group.

30 Contingent liabilities

On 11 April 2003, the Group refinanced its debt by way of a whole business securitisation. Furthermore on 21 February 2006 further Secured Notes were issued on identical terms. As a result, the following guarantees and charges were granted to BNY Corporate Trustee Services Limited in its capacity as Security Trustee in the securitisation:

- The Dignity (2002) Group have granted the Security Trustee fixed and floating charges over the assets and undertakings of the Dignity (2002) Group;
- Dignity Holdings No. 2 Limited has granted the Security Trustee, with full title guarantee a first fixed charge over the shares (and any monies receivable in respect of the shares) which it holds in Dignity Holdings Limited;
- Dignity Holdings Limited has granted the Security Trustee, with full title guarantee a first fixed charge over the shares (and any monies receivable in respect of the shares) which it holds in Dignity Mezzco Limited;
- Dignity Holdings Limited has also assigned to the Security Trustee by way of security with full title guarantee, its right title and interest in the loans (both interest and non interest bearing) to Dignity Mezzco Limited;
- Dignity (2004) Limited has granted the Security Trustee, with full title guarantee a first fixed charge over the shares (and any monies receivable in respect of the shares) which it holds in Dignity (2002) Limited; and
- Dignity Mezzco Limited has also assigned to the Security Trustee by way of security with full title guarantee, its right and interest in the loan to Dignity (2002) Limited.

Notes to the financial statements continued

for the 52 week period ended 28 December 2007

30 Contingent liabilities (continued)

At 28 December 2007, the amount outstanding in relation to these borrowings was £284.2 million (2006: £287.0 million).

In the opinion of the Directors no liability is likely to crystallise in respect of these guarantees.

On 28 August 2007, the Group acquired the trade and assets of seven funeral locations. As part of this acquisition there is a contingent consideration clause, payable during 2009. The maximum amount payable in accordance with this clause is £1.8 million. However, at 28 December 2007, no provision has been recognised in respect of this clause as the Board do not believe that any further consideration will be payable, based on information currently available.

31 Related party transactions

The ultimate controlling party of the Group is Dignity plc.

Pre-arrangement trusts

During the period the Group entered into transactions with the Trusts associated with the pre-arranged funeral plan businesses. The nature of the relationship with the Trusts is set out in the accounting policies. 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;
- 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	
	2007 £m	2006 £m	2007 £m	2006 £m
Dignity Limited Trust Fund	0.4	0.4	—	—
National Funeral Trust	13.5	12.7	1.3	1.2
Trust for Age Concern Funeral Plans	11.7	11.4	1.0	0.9

Age Concern

On 8 January 2007, the Group acquired all the allotted and issued ordinary B shares in Advance Planning Limited from Age Concern Enterprises Limited, for consideration of £2 million. As the Group already owned all the allotted and issued ordinary A shares of Advance Planning Limited, it became a wholly owned subsidiary of the Group on this date and Age Concern Enterprises Limited ceased to be a related party on this date.

The Group paid commissions to Age Concern Enterprises Limited that relate to the period to 8 January 2007 totalling £0.2 million (52 week period ended 29 December 2006: £2.3 million).

32 Post balance sheet events

The Group acquired six funeral locations subsequent to the balance sheet date for total consideration of £4.4 million.

The latest Budget Report was issued on 12 March 2008, the day before the release of this annual report. Accordingly, it is too early to have completed any detailed analysis on any new proposals announced by the Chancellor of the Exchequer. The Group will make appropriate announcements in due course as required by the Listing Rules if any aspect is considered to have a material effect on the Group's earnings.

However, further legislation is anticipated in respect of Industrial Buildings Allowances. If this is substantially enacted in the form expected in 2008, then this will result in a one off charge to the income statement of £0.5 million.

Independent auditors' report to the members of Dignity plc

We have audited the parent company financial statements of Dignity plc for the 52 week period ended 28 December 2007 which comprise the Balance Sheet and the related notes. These parent company financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

We have reported separately on the group financial statements of Dignity plc for the 52 week period ended 28 December 2007.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the parent company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the parent company financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the parent company financial statements give a true and fair view and whether the parent company financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the parent company financial statements. The information given in the Directors' report includes that specific information presented in the Business Review and Financial Review that is cross referred from the principal activities and Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited parent company financial statements. The other information comprises only the Directors' Report, the Chairman's Statement, the Chief Executive's Overview, the Business Review, the Financial Review, the Corporate and Social Responsibility Report, the unaudited section of the Directors' Remuneration Report and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent company financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the parent company financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the parent company financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the parent company financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the parent company financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 28 December 2007;
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the parent company financial statements.

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors
Birmingham, 13 March 2008

Dignity plc company balance sheet

as at 28 December 2007

	Note	28 December 2007 £m	29 December 2006 £m restated
Fixed assets			
Investments	C2	132.4	131.7
Current assets			
Debtors: amounts falling due within one year	C3	33.4	14.4
Debtors: amounts falling due after more than one year	C3	—	—
Cash at bank and in hand		23.3	32.7
Total current assets		56.7	47.1
Creditors: amounts falling due within one year	C4	(16.4)	(16.7)
Net current assets		40.3	30.4
Total assets less current liabilities		172.7	162.1
Net assets		172.7	162.1
Capital and reserves			
Called up share capital	C5	5.7	5.6
Share premium account	C5	33.8	31.6
Capital redemption reserve	C5	80.0	80.0
Other reserves	C5	1.3	1.4
Profit and loss account	C5	51.9	43.5
Equity shareholders' funds	C6	172.7	162.1

The financial statements on pages 72 to 75 were approved by the Board of Directors on 13 March 2008 and were signed on its behalf by:

P T Hindley
Chief Executive

M K McCollum
Finance Director

Statement of total recognised gains and losses

for the 52 week period ended 28 December 2007

	Note	52 week period ended 28 December 2007 £m	52 week period ended 29 December 2006 £m restated
Profit for the period		14.3	25.4
Total recognised income for the period		14.3	25.4
Prior year adjustment – UITF 44	C1	(0.4)	—
Total		13.9	25.4

Notes to the Dignity plc financial statements

C1 Principal accounting policies

Basis of preparation

These financial statements are prepared on a going concern basis under the historical cost convention and in accordance with the Companies Act 1985 and applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). A summary of the principal accounting policies, which have been consistently applied, is set out below.

In accordance with the concession granted under section 230 of the Companies Act 1985, the profit and loss account of the Company has not been separately presented in the financial statements.

In the current period, the Company's financial statements have been prepared for the 52 week period ended 28 December 2007. For the comparative period, the Company's financial statements have been prepared for the 52 week period ended 29 December 2006.

The Company has taken advantage of the exemption contained in FRS 1, Cash Flow Statements and has not prepared a cash flow statement as the Company is included in the consolidated financial statements of Dignity plc, which include a cash flow statement.

Furthermore, the Company has taken advantage of the exemption provided within FRS 8, Related Party Transactions, not to disclose transactions with subsidiary undertakings, 90 per cent or more of whose voting rights are controlled within the Group.

Furthermore, the Company has taken advantage of the exemption provided within FRS 29, Financial Instruments and Disclosures, not to disclose details of any financial instruments held.

Implementation of UITF 44

During the period, the Group has adopted UITF 44 in respect of share option schemes, which has required a prior year adjustment to the Company's financial statements. As a result, the charge for such schemes is recognised in a subsidiary of the Company. The Company's financial statements now reflect the cost of the scheme as an increase in the cost of investment in the subsidiary. The financial impact for the Company is to decrease the reported net assets at 29 December 2006 by £0.4 million. This represents a £1.4 million increase in investments and a £1.8 million reduction in deferred taxation.

Fixed assets investments

Fixed asset investments are stated at historical cost, less any provision for impairment.

Impairment of fixed assets

The carrying values of fixed assets are reviewed for impairment in periods where events or changes in circumstances indicate that the carrying value may not be recoverable or at the end of the first full financial year following the recognition. Any impairment in the value of fixed assets below depreciated historical cost is charged to the profit and loss account within operating profit. A reversal of an impairment loss is recognised in the profit and loss account to the extent that the original loss was recognised.

Employee share schemes

The Company operates two employee share schemes: The Save As You Earn Scheme ('SAYE') and Long Term Incentive Plan Scheme ('LTIP').

The expected fair value of the share options awarded under the LTIP scheme are charged to the profit and loss account over the period in which the right to the options is earned. The fair value is calculated by reference to the market value of the shares at the date on which the options are awarded reduced by any consideration payable by the relevant employee.

Details of Directors' remuneration can be found in the Report on Directors' Remuneration on pages 23 to 29.

Taxation including deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, except that deferred tax assets are only recognised to the extent that they are regarded as more likely than not to be recoverable. Deferred tax balances are not discounted.

Employee share trust

The assets of the employee share trust are held by a separate limited company, of which the Directors consider that Dignity plc has de facto control. In accordance with UITF 38, Accounting for ESOP Trusts and the substance of the transaction, the trust's assets and liabilities are recognised in the Company's balance sheet within share capital and reserves.

Notes to the Dignity plc financial statements continued

C2 Investments in subsidiary undertakings

Cost and net book amount	£m restated
At beginning of the of period	131.7
Additions in respect of share-based payments	0.7
End of period	132.4

	Activity	Number of shares at 28 December 2007	Percentage held
Dignity Services	Intermediate holding company	203,746,505 Ordinary at £1 each	100%
Dignity Funerals Limited	Funeral services	577,376,905 Ordinary at 10p each	100%
Pitcher and Le Quesne Limited	Funeral directors	100 Ordinary at £1 each	99%
Dignity Pre-Arrangement Limited	Pre-arranged funeral plans	5,001,001 Ordinary at £1 each	100%
Dignity Securities Limited	Pre-arranged funeral plans	19,801 Ordinary at £1 each	100%
		750,000 Redeemable Preference Shares at £1 each	100%
Advance Planning Limited	Pre-arranged funeral plans	7,500 A Ordinary at £1 each	100%
		2,500 B Ordinary at £1 each	100%
		6,911,000 0.0000001 pence Redeemable Preference Shares at £1 each	100%
Dignity Finance PLC	Finance company	50,000 Ordinary at £1 each	100%
Birkbeck Securities Limited	Intermediate holding company	1,102,271 Ordinary at £1 each	100%
Dignity Finance Holdings Limited	Intermediate holding company	50,000 Ordinary at £1 each	100%
Dignity Holdings No. 2 Limited	Intermediate holding company	2,000,000 Ordinary at £1 each	100%
Dignity Mezzco Limited	Intermediate holding company	1,000 Ordinary at £1 each	100%
Dignity Holdings Limited	Intermediate holding company	1,500,000 Ordinary at £1 each	100%
Dignity (2002) Limited	Intermediate holding company	2 Ordinary at £1 each	100%
Dignity (2004) Limited	Intermediate holding company	1,000 Ordinary at £1 each	100%

All of the subsidiaries are incorporated in the United Kingdom except for Pitcher and Le Quesne Limited which is incorporated in Jersey and is effectively 100 per cent controlled. All of the above shareholdings are held indirectly, with the exception of Dignity (2004) Limited.

On 8 January 2007, the Group acquired the 2,500 B Ordinary Shares of £1 each in Advance Planning Limited.

Additions in the period reflect the effect of capital contributions to subsidiaries as a result of share-based payment schemes operated in those company's over the shares of Dignity plc.

C3 Debtors

	2007 £m	2006 £m
Amounts falling due within one year:		
Prepayments	0.5	0.1
Corporation tax	0.2	–
Amounts due from group undertakings	32.7	14.3
	33.4	14.4

As detailed in note C1, following the implementation of UITF 44 no deferred tax asset has been recognised.

C4 Creditors: amounts falling due within one year

	2007 £m	2006 £m
Amounts due to subsidiary undertakings	16.3	16.3
Accruals and deferred income	0.1	0.1
Corporation tax	–	0.3
	16.4	16.7

C5 Share capital and reserves

	2007 £m	2006 £m
Authorised Equity shares		
77,777,777 (2006: 77,777,777) Ordinary Shares of £0.09 each	7.0	7.0
Allotted, called up and fully paid Equity shares		
63,240,971 (2006: 62,224,139) Ordinary Shares of £0.09 each	5.7	5.6

During the period the Company received £1.5 million relating to the 1,016,832 shares issued.

Reserves and share premium account	Share premium account £m	Capital redemption reserve £m	Other reserves £m	Profit and loss account £m	Total £m
At beginning of period as previously reported	31.6	80.0	2.8	42.5	156.9
Implementation of UITF 44	–	–	(1.4)	1.0	(0.4)
At the beginning of the period restated	31.6	80.0	1.4	43.5	156.5
Profit for the period	–	–	–	14.3	14.3
Share issue under 2004 SAYE Scheme	1.4	–	–	–	1.4
Share issue under 2004 LTIP Scheme	0.8	–	–	–	0.8
Dividends paid	–	–	–	(5.9)	(5.9)
Effects of capital contribution	–	–	0.7	–	0.7
Gift to Employee Benefit Trust	–	–	(0.8)	–	(0.8)
At end of period	33.8	80.0	1.3	51.9	167.0

C6 Reconciliation of movement in shareholders' funds

	2007 £m	2006 £m restated
Profit for the period	14.3	106.4
Dividends	(5.9)	(1.9)
Effects of long term incentive plan	0.7	0.7
Tax on employee share options	–	1.0
Gift to Employee Benefit Trust	(0.8)	–
Redemption of B shares	–	(80.0)
Shares issued under 2004 SAYE Scheme	1.5	–
Shares issued under 2004 LTIP Scheme	0.8	–
Net additions to shareholders' funds	10.6	26.2
Opening shareholders' funds as previously reported	162.1	136.3
UITF 44 adjustment	–	(0.4)
Opening shareholders' funds as restated	162.1	135.9
Closing shareholders' funds	172.7	162.1

C7 Staff costs**(a) Employees**

There were no staff costs in the period (2006: £nil)

The average number of people, including Directors, employed by the Company during the period was:

	2007 £m	2006 £m
Administration and managerial	4	4
Total	4	4

(b) Directors' remuneration

The Directors are directors of the ultimate parent company, Dignity plc and details of their emoluments are included in pages 27 to 29. They received no emoluments in respect of their services to the Company (2006: £nil).

Notice of Meeting

Notice is hereby given that the 2008 Annual General Meeting of Dignity plc ('the Company') will be held at DLA Piper UK LLP, Victoria Square House, Victoria Square, Birmingham, West Midlands, B2 4AJ on Friday 6 June 2008 at 11.00am for the following purposes:

Ordinary Business

To propose the following as ordinary resolutions:

1. To receive and consider the Group's financial statements, and the reports of the Directors and auditors thereon for the 52 week period ended 28 December 2007.
2. To approve the Directors' Remuneration Report for the 52 weeks ended 28 December 2007 as set out on pages 18 to 22 of the Annual Report 2007.
3. To re-appoint James Newman as a Director, who retires by rotation, as a Director of the Company.
4. To re-appoint Mike McCollum as a Director, who retires by rotation, as a Director of the Company.
5. To re-appoint PricewaterhouseCoopers LLP as auditors of the Company to hold office from conclusion of the meeting to the conclusion of the next meeting at which accounts are laid before the Company and to authorise the Directors to fix their remuneration.
6. To approve the proposed dividend of 6.67 pence per share and to authorise its payments on 27 June 2008 to shareholders on the register of members on 6 June 2008; and
7. That, in substitution for all existing authorities to the extent unused, the Directors be and are hereby generally and unconditionally authorised pursuant to Section 80 of the Companies Act 1985 ('the Act') to exercise all powers of the Company to allot relevant securities (within the meaning of Section 80 of the Act) up to an aggregate nominal amount of £1,138,337 provided that (unless previously revoked, varied or renewed) such authority shall expire at the conclusion of the next Annual General Meeting after passing this resolution or after 15 months (whichever is earlier), save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Board may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

Special Business

To propose the following as special resolutions:

8. That subject to the passing of resolution 7 the Directors be and are hereby empowered pursuant to Section 95 of the Act to allot equity securities (within the meaning of Section 94(2) and Section 94(3A) of the Act) for cash pursuant to the authority conferred by resolution 7 as if sub-section (1) of Section 89 of the Act did not apply to any such allotment provided that this power shall be limited:
 - a) to the allotment of equity securities in connection with an issue in favour of ordinary shareholders where the equity securities respectively attributable to the interests of all ordinary shareholders are proportionate (as nearly as may be) to the respective number of Ordinary Shares in the capital of the Company ('Ordinary Shares') held by them, but subject to such exclusions or other arrangements as the Board may deem necessary or expedient to deal with fractional entitlements or legal problems which may arise in any overseas territory or under the requirements of any regulatory body or any stock exchange;
 - b) to the allotment (otherwise than pursuant to sub paragraph (a) above) of equity securities up to an aggregate nominal amount of £284,584;

and (unless previously revoked, varied or renewed) shall expire at the conclusion of the next Annual General Meeting after passing this resolution or after 15 months (whichever is earlier), save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Board may allot equity securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

This power applies in relation to the sale of shares, which is an allotment of equity securities by virtue of Section 94(3A) of the Act as if in the first paragraph of this resolution the words 'pursuant to the authority conferred by the previous resolution' were omitted.

9. That the Company be and is hereby generally and unconditionally authorised for the purposes of Section 166 of the Act to make market purchases (as defined in Section 163(3) of the Act) of Ordinary Shares, subject as follows:
- a) the maximum number of Ordinary Shares which may be purchased is 3,162,048;
 - b) the minimum price to be paid for each Ordinary Share shall be the nominal value of the Ordinary Share and the maximum price shall not be more than 5 per cent above the average of the middle market quotation of the Company's Ordinary Shares for the five business days immediately prior to the day on which the purchase is made;
 - c) unless previously revoked, varied or renewed the authority conferred by this resolution shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or after 15 months (whichever is earlier), except in relation to the purchase of shares the contract for which was concluded before the expiry of such authority and which may be executed wholly or partly after such expiry.

Registered office:
Plantsbrook House
94 The Parade
Sutton Coldfield
West Midlands B72 1PH

By order of the Board
Richard Portman
Company Secretary
14 April 2008

Notes

1. A member of the Company entitled to attend, speak and to vote may appoint one or more proxies to attend and vote instead. A proxy need not be a member of the Company. A proxy form is enclosed. Completed proxy forms must be received by the Company's Registrar, Equiniti, The Causeway, Worthing, West Sussex BN99 6ZX, no later than 48 hours before the time of the Annual General Meeting or in the event the meeting is adjourned, no later than 48 hours before the time of any adjourned meeting.
2. The appointment of a proxy will not preclude a member of the Company from attending, speaking and voting in person at the meeting if he or she so wishes.
3. In the case of shares held in uncertificated form, the Company pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only members registered on the register of members of the Company at 6.00pm on 4 June 2008 shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries on the register of members after 6.00pm on 4 June 2008 shall be disregarded in determining the rights of any person to attend, speak or vote at the meeting.
4. The following are available for inspection at the Company's registered office during normal business hours on any weekday (excluding public holidays) and will be available for at least 15 minutes prior to, and during, the Annual General Meeting:
 - the register of Directors' interests and those of their immediate families in the share capital of the Company;
 - copies of the Directors' service contracts; and
 - a copy of the Company's memorandum and articles of association.
5. Biographical details of those Directors who are offering themselves for re-election at the meeting are set out on pages 18 to 19 of the enclosed Annual Report and Accounts.

Shareholder information

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.

Annual General Meeting

The Company's Annual General Meeting will be held on Friday 6 June 2008, at 11.00am at DLA Piper UK LLP, Victoria Square House, Victoria Square, Birmingham, West Midlands, B2 4AJ. A circular to shareholders, which includes the Notice convening the Meeting is included on pages 76 and 77 of this document.

Dignity plc Form of Proxy – Annual General Meeting

If you are not able to attend the Annual General Meeting, you can appoint another person or persons (proxy or proxies) to attend and vote on your behalf. Before completing this Form of Proxy, please read the notes below carefully.



I/We, the undersigned, being a member/members of Dignity plc, hereby appoint the Chairman of the meeting, or (Note1)

as my/our proxy to vote for me/us at the Annual General Meeting of the Company to be held on Friday 6 June 2008 at DLA Piper UK LLP, Victoria Square House, Victoria Square, Birmingham, West Midlands, B2 4DL and at any adjournment thereof.

Ordinary Resolutions	For	Against	Withheld
1. To receive the report and accounts for the 52 weeks ended 28 December 2007			
2. To approve the Directors' remuneration report for the 52 weeks ended 28 December 2007			
3. To re-appoint James Newman as a Director			
4. To re-appoint Mike McCollum as a Director			
5. To re-appoint PricewaterhouseCoopers LLP as auditors and to authorise the Directors to fix their remuneration			
6. To approve the proposed dividend of 6.67 pence per Ordinary Share			
7. To grant the Directors authority to allot relevant securities up to an aggregate nominal amount of £1,138,337 pursuant to section 80 of the Companies Act 1985			
Special Resolutions			
8. To disapply the pre-emption rights contained in section 89 of the Companies Act 1985 in respect of an aggregate nominal amount of £284,584			
9. To authorise the Company to make market purchases of 3,162,048 Ordinary Shares pursuant to section 166 of the Companies Act 1985			

Please indicate which way you wish your proxy to vote by inserting "X" in the appropriate box. If you do not give such an indication regarding any resolution the proxy will be authorised to vote or abstain from voting as he/she thinks fit.

Dated this _____ Address _____
(Please use block letters)

Signature(s) or common seal _____

Full name(s) _____
(Please use block letters)

Dignity plc Admission Card

Annual General Meeting at DLA Piper UK LLP, Victoria Square House, Victoria Square, Birmingham, West Midlands, B2 4DL, Friday 6 June 2008 at 11:00 am.

If you come to the meeting please bring this card with you. It is evidence of your right to attend and vote at the meeting and will help you gain admission as quickly as possible.

Notes:

1. A member entitled to attend and vote at the meeting may appoint one or more proxies to attend and (on a poll) vote instead of him/her. A proxy need not be a member of the Company.
2. To be valid your signed and dated proxy form must be completed and deposited together with any power of attorney or authority under which it is signed or a certified copy of such power or authority (whether delivered personally or by post), at the offices of the Company's Registrars, Equiniti, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA as soon as possible and no later than 11:00 am on 4 June 2008. In the case of a corporation, the proxy form should be executed under its common seal and/or the hand of a duly authorised officer or person.
3. The "Withheld" box is provided to enable you to abstain on any particular resolution. However, it should be noted that a "vote withheld" is not a vote in law and will not be counted in the calculation of the proportion of votes "for" and "against" a resolution but will be counted to establish if a quorum is present.
4. Only those members registered in the register of members of the Company at 6:00 pm on 4 June 2008 shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to the entries on the register of members after 6:00 pm on 4 June 2008 shall be disregarded in determining the rights of any person to attend or vote at the meeting.
5. In the case of joint registered holders, the signature of one holder on a proxy card will be accepted and the vote of the senior holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand on the register of members of the Company in respect of the relevant joint holding.
6. Return of this form of proxy will not prevent a registered member from attending the meeting and voting in person.

Equiniti
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA

Map and Directions to AGM Venue

DLA Piper UK LLP, Victoria Square House, Victoria Square, Birmingham, West Midlands, B2 4DL.

Directions

DLA Piper UK LLP's office is located at Victoria Square House, Victoria Square, in the centre of Birmingham, close to New Street Station.

DLA Piper UK LLP's reception is situated on the 2nd floor.

Directions to the Birmingham office of DLA Piper UK LLP
Leave M6 at Junction 6 onto the A38 (M).

Continue along A38 (M).

Go over the flyover and continue under St Chads Queensway.

On exiting the Queensway move to the left-hand lane and proceed up Great Charles Street.

Go straight on at the traffic lights and stay in the left-hand lane as you go under Paradise Circus Tunnel.

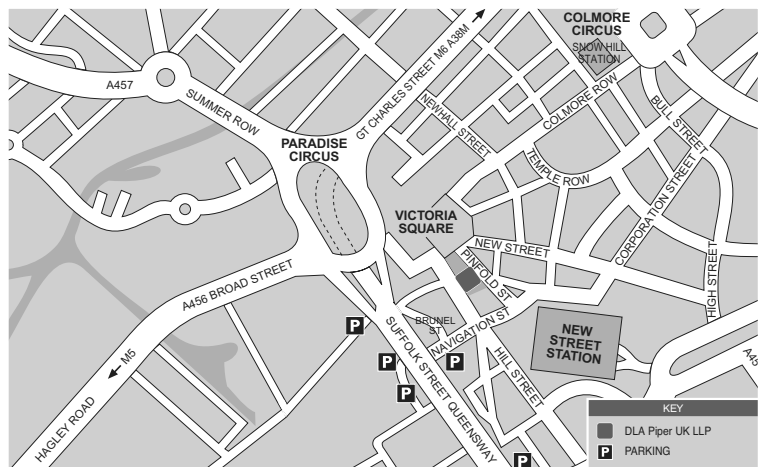
As you exit the tunnel take the first left onto Suffolk Street Queensway and first left again onto Brunel Street.

At the end of Brunel Street turn left onto Navigation Street and go straight on through the traffic lights.

Turn left onto Pinfold Street.

Victoria Square House car park is on your left.

Advance bookings only please. **(0121 262 5705)**



Contact details and advisers

Registered Office:

Dignity plc
Plantsbrook House
94 The Parade
Sutton Coldfield
West Midlands B72 1PH

Tel: 0121 354 1557
Fax: 0121 321 5644
Email: enquiries@dignityuk.co.uk
www.dignityfuneralsplc.co.uk

Company Secretary:

Richard Portman FCA

Registered Number:

4569346

Registrars:

Equiniti
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA

Tel: 0870 600 3970
Fax: 0870 600 3980
www.shareview.co.uk

Auditors:

PricewaterhouseCoopers LLP
Cornwall Court
19 Cornwall Street
Birmingham B3 2DT

Joint Brokers:

Panmure Gordon & Co plc
Moorgate Hall
155 Moorgate
London EC2M 6XB

Investec

A division of Investec Bank (UK) Limited
2 Gresham Street
London EC2V 7EE

Principal Bankers:

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

Legal Advisor:

DLA Piper UK LLP
Victoria Square House
Victoria Square
Birmingham B2 4DL

Financial calendar

13 March 2008

Preliminary announcement
of 2007 results

6 June 2008

Annual General Meeting

27 June 2008

2008 financial half year end

27 June 2008 (provisional)

Payment of 2007 final dividend

29 July 2008 (provisional)

Announcement of interim results

24 October 2008 (provisional)

Payment of 2008 interim dividend

26 December 2008

Financial period end

Designed & produced by Bexon Woodhouse Creative
www.bexonwoodhouse.com
Main photography by Martyn Woodhouse
Printed by Royle Print, a Carbon Neutral Company

CarbonNeutral®
protecting our climate

This Annual Report is printed on material which is made
up of FSC pulp and is 100% Elemental Chlorine Free.
Both paper mill and printer have ISO14001 accreditation.

Dignity plc
Plantsbrook House
94 The Parade
Sutton Coldfield
West Midlands
B72 1PH

**For more information on
investor relations please visit:**

www.dignityfuneralsplc.co.uk

