Dignity plc Interim Report 2007

Dignity

CARING FUNERAL SERVICES

About Dignity

Dignity is Britain's largest single provider of funeral-related services. The Group owns 530 funeral locations 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.
- we want to be the company that everyone knows they can trust in their time of need.

Our strategy

We plan to grow the profitability of our business by:

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

Contents

Key financial highlights
for the 26 week period ended 29 June 2007

Current period financial highlights

	2007	2006	Increase per cent
Underlying earnings per share[(a)] (pence)	**20.2**	14.9	35.6
Revenue (£million)	**81.1**	78.3	3.6
Operating profit (£million)	**27.0**	24.7	9.3
Profit before tax (£million)	**18.3**	17.2	6.4
Cash generated from operations (£million)	**30.4**	28.3	7.4
Basic earnings per share (pence)	**21.1**	14.9	41.6
Interim dividend per share (pence)	**3.33**	3.03	10.0

(a) Underlying earnings per share is calculated as earnings before a one off tax credit of £0.5 million (2006: £nil million) and before profit on sale of fixed assets (net of tax) of £0.1 million (2006: £nil million) divided by the weighted average number of Ordinary Shares in issue in the period. See the business and financial review for further information.

Trading overview

	26 week period ended	
	29 June 2007 £m	30 June 2006 £m
Revenue		
Funeral services	**64.5**	62.8
Crematoria	**13.2**	12.0
Pre-arranged funeral plans	**3.4**	3.5
	81.1	78.3
Operating profit[(b)]		
Funeral services	**22.8**	21.9
Crematoria	**7.2**	6.3
Pre-arranged funeral plans	**2.2**	1.7
Central overheads	**(5.2)**	(5.2)
	27.0	24.7

(b) Operating profit includes profit on sale of fixed assets of £0.2 million (2006: £nil million) within funeral services and Recoveries within pre-arranged funeral plans of £1.5 million (2006: £1.2 million).

Chairman's statement

R.A. Connell

Richard Connell, Chairman

"The business continues to trade strongly and performance remains consistent with full year expectations"

Results

The Group has continued its strong trading performance into the first half of 2007. Operating profit was £27.0 million, an increase of 9.3 per cent (2006: £24.7 million).

Underlying earnings per share has increased 35.6 per cent to 20.2 pence per share (2006: 14.9 pence per share). This demonstrates the strong operating performance and the value created by the return of value and reduction in equity last year.

Basic earnings per share were 21.1 pence per share (2006: 14.9 pence per share), an increase of 41.6 per cent.

The differences between basic earnings per share and underlying earnings per share relate to tax and profit on sale of fixed assets and are explained further in the business and financial review.

Dividends

During the period, the Group paid a final dividend of 6.06 pence per share (2006: nil pence per share) in respect of 2006 operating performance. No final dividend was paid in the previous year because of the issue of further Secured Notes in February 2006 and subsequent return of value of £1 per share to shareholders in August 2006.

The Board has declared an interim dividend of 3.33 pence per share (2006: 3.03 pence per share), an increase of 10.0 per cent. This dividend will be paid on 26 October 2007, to shareholders who are on the register at the close of business on 21 September 2007.

Our staff

Our staff continue to be vital to the Group in delivering its strategy. I would like to thank each of them for their cooperation and devotion to giving our clients the best possible service. I am delighted that many of them are investing in the Group's second save as you earn (SAYE) option scheme. This scheme started this year following the successful conclusion of the first SAYE scheme operated by the Group, which enabled approximately 600 staff members to receive shares worth over £4.5 million.

Outlook

We have made progress in all aspects of our strategy. We have acquired a further 21 funeral locations, been appointed as Rotherham Metropolitan Borough Council's preferred bidder to operate their crematorium and cemeteries, the first deal of its kind and pre-arranged funeral plans continue to add new partners. Overall, the business continues to trade strongly. The Group's performance remains consistent with full year expectations.

Business and financial review

Introduction

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

Financial highlights

- Underlying earnings per share have increased 35.6 per cent to 20.2 pence per share (2006: 14.9 pence per share).
- Revenue has increased 3.6 per cent to £81.1 million (2006: £78.3 million).
- Operating profit has increased 9.3 per cent to £27.0 million (2006: £24.7 million).
- Profit before tax has increased 6.4 per cent to £18.3 million (2006: £17.2 million).
- Cash generated from operations has increased 7.4 per cent to £30.4 million (2006: £28.3 million).
- Basic earnings per share have increased 41.6 per cent to 21.1 pence per share (2006: 14.9 pence per share).
- The Group has paid a final dividend of 6.06 pence per share (2006:nil pence per share) in respect of 2006 and declared an interim dividend in relation to 2007 of 3.33 pence per share (2006: 3.03 pence per share), an increase of 10.0 per cent.

Office for National Statistics data

As part of its results announcements since flotation, the Group has reported total estimated deaths and market share based on the initial Office of National Statistics (ONS) estimates for each calendar year.

However, in April this year, the ONS suspended the provision of this information. We believe this to be pending the implementation of a new births, marriages and deaths computer system. At the time of writing, the ONS have not confirmed when this information will be provided again.

Whilst this information is useful to the Group, its absence has no impact on the Group's operations, results or future prospects.

Funeral services

Revenue within the division was £64.5 million (2006: £62.8 million). Operating profits were £22.8 million (2006: £21.9 million). These results were generated by performing 34,700 funerals (2006: 35,600).

The first half of 2007 has also seen the acquisition of 10 funeral locations, representing an investment of £8.5 million. Since the period end, the Group has invested an additional £8.0 million to acquire 11 more funeral locations. This reflects a greater number of opportunities being available this year, which are consistent with the Group's acquisition criteria.

During the period, one funeral location was closed. As a result, the Group operated 530 funeral locations at the balance sheet date and 541 as at 13 September 2007.

Business and financial review continued

Crematoria

The Group continues to operate 22 crematoria and is Britain's largest single operator. This portfolio performed 20,600 cremations (2006: 20,500) in the period. Revenue within the division was £13.2 million (2006: £12.0 million), whilst operating profits were £7.2 million (2006: £6.3 million). The improved performance in the period reflects stronger memorial sales generally and additional cremation volumes at two locations following the temporary closure of a nearby local authority crematorium.

After a comprehensive tendering process, the Group was awarded preferred bidder status by Rotherham Metropolitan Borough Council to operate and maintain its crematorium and cemeteries, commencing in 2008. As part of this process, approximately £3.5 million will be invested by the Group in improving the crematorium's facilities. The Group continues to pursue similar opportunities with five other local authorities.

Pre-arranged funeral plans

The Group continues to be the market leader in the provision of pre-arranged funeral plans, which allow people to plan and pay for their funeral in advance. The Group sells pre-arranged funeral plans through various affinity partners such as Age Concern, AXA, Royal London and Liverpool Victoria. Pre-arranged funeral plans are also sold through the Group's network of funeral locations.

Unfulfilled pre-arranged funeral plans at 29 June 2007 were 192,400 (2006: 185,300). These unfulfilled pre-arranged funeral plans help to support our future market share. This is because the Group expects to perform the majority of these funerals and the manner in which they are marketed means that the majority of sales are likely to represent funerals that would not ordinarily have been performed by the Group.

In the first half of 2007, the Group has continued to successfully test and develop various propositions with other partners, most notably, News International and Reader's Digest.

In January, the Group signed a new exclusive 10 year marketing agreement with Age Concern, securing an important route to market. As part of this arrangement, the Group paid £2 million to acquire the 25 per cent held by Age Concern in Advance Planning Limited, one of the subsidiaries of the Group.

Cash flow and cash balances

Cash generated from operations was £30.4 million (2006: £28.3 million), an increase consistent with the growth in operating profits.

During the period, the Group spent £3.6 million (2006: £3.6 million) on maintenance capital expenditure.

Cash balances at the end of the period amounted to £42.4 million (2006: £131.6 million). £23.7 million was available for future acquisitions, of which

£8.0 million has already been spent since the period end. A further £10.0 million has been set aside for tax and dividend payments to be made in the period to June 2008.

Cash balances at June 2006 included the net proceeds of the issue of further Secured Notes. £10 million was paid into the Group's pension scheme and £80 million (£1 per share) was returned to shareholders in the second half of 2006.

Capital structure and financing
The Group's capital structure is unchanged compared to December 2006, with the only material external debt financing being the A and BBB rated Class A and B Secured Notes. Further details of these Secured Notes may be found in the Group's 2006 Annual Report.

The comparative net debt positions were as follows:

	29 Jun 2007 £m	29 Dec 2006 £m	30 Jun 2006 £m
Class A and B Secured Notes*			
– issued April 2003	**(198.3)**	(199.7)	(201.2)
– issued February 2006	**(86.3)**	(87.3)	(88.2)
Cash balances	**42.4**	41.4	131.6
Net debt	**(242.2)**	(245.6)	(157.8)

* The amounts above exclude any costs incurred in issuing the Secured Notes, which are netted off the gross amounts outstanding in the presentation of the Group's balance sheet on page 8 in accordance with IAS 23.

The net finance cost in the period was £8.7 million (2006: £7.5 million), an increase of 16.0 per cent. This increase is because the comparative period includes net interest costs on the Notes issued in February 2006 for approximately 19 weeks, compared to a full 26 weeks in 2007. Furthermore, as the Group retained the proceeds of this issue in cash until July 2006, the Group's bank deposit interest is significantly lower this period at £1.3 million (2006: £2.3 million).

Pensions
The Group's pension scheme asset was £4.2 million (2006: deficit of £9.7 million) on an IAS 19 basis. The movement reflects the £10 million cash injection in August 2006 as well as favourable movements in gilt yields. The surplus of the scheme at the year end will depend on market factors at that time.

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 a release of £0.5 million through its income statement to reflect the one off reduction in the period of the Group's required 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.

Further legislation is anticipated in respect of Industrial Buildings Allowances. If this is substantially enacted in the form currently expected prior to the end of December 2007, then this will result in a one off charge to the income statement of £0.5 million in its full year results. Otherwise, this charge will impact on the Group's results in 2008. This legislation is not anticipated to affect the Group's future effective tax rate.

Earnings per share

The Group's earnings were £13.2 million (2006: £11.9 million). Basic earnings per share were 21.1 pence per share (2006: 14.9 pence per share), an increase of 41.6 per cent.

However, the Group's reported earnings include the one off benefit of £0.5 million for taxation described above and £0.1 million (2006: £nil million), net of tax in respect of profit on sale of fixed assets. Consequently, the Group's underlying earnings were £12.6 million (2006: £11.9 million), giving an underlying earnings per share of 20.2 pence per share (2006: 14.9 pence per share), an increase of 35.6 per cent.

This increase demonstrates the strong operating performance combined with a 22 per cent reduction in the number of shares in issue. This reduction was a 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.

Underlying earnings increased less than operating profits because of the 16.0 per cent increase in net finance costs described above.

Overall the result for the period represents an excellent performance for our shareholders. It demonstrates the ongoing benefit of the changes to the capital structure made last year, made possible by the predictable and stable nature of the business.

Consolidated income statement (unaudited)
for the 26 week period ended 29 June 2007

	Note	26 week period ended 29 Jun 2007 £m	26 week period ended 30 Jun 2006 £m	52 week period ended 29 Dec 2006 £m
Revenue	2	**81.1**	78.3	149.8
Cost of sales		**(37.9)**	(37.5)	(73.2)
Gross profit		**43.2**	40.8	76.6
Administrative expenses		**(17.7)**	(17.3)	(34.4)
Other operating income		**1.5**	1.2	1.2
Operating profit before exceptional charges	2	**27.0**	24.7	44.1
Exceptional charges	2	**–**	–	(0.7)
Operating profit	2	**27.0**	24.7	43.4
Finance charges	3	**(10.8)**	(11.1)	(22.1)
Finance income	3	**2.1**	3.6	5.9
Profit before tax	2	**18.3**	17.2	27.2
Taxation – continuing activities	4	**(5.6)**	(5.3)	(8.4)
Taxation – exceptional	4	**0.5**	–	–
Taxation	4	**(5.1)**	(5.3)	(8.4)
Profit for the period		**13.2**	11.9	18.8
Profit attributable to minority interest		**–**	–	–
Profit attributable to equity shareholders	8	**13.2**	11.9	18.8
		13.2	11.9	18.8
Earnings per share attributable to equity shareholders (pence)	5			
– Basic and diluted		**21.1p**	14.9p	25.9p
Dividends per share attributable to equity shareholders (pence)	6			
– Dividend per share paid (2007: £3.8 million, 2006: £1.9 million)		**6.06p**	–	3.03p
– Dividend per share proposed		**3.33p**	3.03p	6.06p

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

Consolidated statement of recognised income and expense (unaudited)
for the 26 week period ended 29 June 2007

	26 week period ended 29 Jun 2007 £m	26 week period ended 30 Jun 2006 £m	52 week period ended 29 Dec 2006 £m
Profit for the period	**13.2**	11.9	18.8
Actuarial gains on retirement benefit obligations	**3.1**	2.3	2.4
Deferred tax on actuarial gains on retirement benefit obligations	**(0.9)**	(0.7)	(0.7)
Net income not recognised in income statement	**2.2**	1.6	1.7
Total recognised income for the period	**15.4**	13.5	20.5
Attributable to:			
Minority interest	**–**	–	–
Equity shareholders of the parent	**15.4**	13.5	20.5

Consolidated balance sheet (unaudited)

as at 29 June 2007

	Note	**29 Jun 2007 £m**	30 Jun 2006 £m	29 Dec 2006 £m
Non-current assets				
Goodwill		**113.8**	109.9	111.3
Other intangible assets		**20.2**	10.5	12.1
Property, plant and equipment		**89.3**	87.4	89.1
Financial assets		**4.6**	5.5	5.6
Retirement benefit asset		**4.2**	–	0.6
		232.1	213.3	218.7
Current assets				
Inventories		**2.8**	3.0	3.0
Trade and other receivables		**20.7**	19.7	19.2
Assets held for sale		**–**	0.2	–
Cash and cash equivalents	7	**42.4**	131.6	41.4
		65.9	154.5	63.6
Total assets		**298.0**	367.8	282.3
Liabilities				
Current liabilities				
Financial liabilities		**4.8**	4.0	4.6
Trade and other payables		**19.5**	18.6	19.2
Current tax liabilities		**3.0**	3.7	2.7
Provisions for liabilities and charges		**1.4**	1.1	1.4
		28.7	27.4	27.9
Non-current liabilities				
Financial liabilities		**268.8**	273.3	271.0
Deferred tax liabilities		**10.9**	7.3	7.2
Retirement benefit obligation		**–**	9.7	–
Other non-current liabilities		**2.8**	2.9	2.9
Provisions for liabilities and charges		**1.6**	1.9	1.6
		284.1	295.1	282.7
Total liabilities		**312.8**	322.5	310.6
Shareholders' equity				
Ordinary shares	8	**5.7**	5.6	5.6
Share premium account	8	**33.6**	111.6	31.6
Capital redemption reserve	8	**80.0**	–	80.0
Other reserves	8	**(10.9)**	(10.8)	(9.5)
Retained earnings	8	**(123.2)**	(59.9)	(134.8)
Equity attributable to shareholders	8	**(14.8)**	46.5	(27.1)
Minority interest in equity	8	**–**	(1.2)	(1.2)
Total equity		**(14.8)**	45.3	(28.3)
Total equity and liabilities		**298.0**	367.8	282.3

Consolidated cash flow statement (unaudited)

for the 26 week period ended 29 June 2007

	Note	26 week period ended 29 Jun 2007 £m	26 week period ended 30 Jun 2006 £m	52 week period ended 29 Dec 2006 £m
Cash flows from operating activities				
Cash generated from operations before exceptional payments	9	**30.4**	28.3	51.7
Exceptional costs in respect of redemption of B shares		**–**	–	(0.7)
Exceptional contribution to pension scheme		**–**	–	(10.0)
Cash generated from operations		**30.4**	28.3	41.0
Finance income received		**1.4**	2.2	4.2
Finance charges paid		**(10.3)**	(10.5)	(20.8)
Tax paid		**(3.3)**	(2.7)	(6.1)
Net cash generated from operating activities		**18.2**	17.3	18.3
Cash flows from investing activities				
Acquisition of subsidiaries and businesses		**(8.5)**	(3.7)	(7.3)
Acquisition of minority interest		**(2.0)**	–	–
Proceeds from sale of property, plant and equipment		**0.5**	0.3	0.6
Purchase of property, plant and equipment		**(3.6)**	(3.6)	(8.0)
Transfers to restricted bank accounts	7	**(0.3)**	–	–
Net cash used in investing activities		**(13.9)**	(7.0)	(14.7)
Cash flows from financing activities				
Proceeds from issue of Secured Notes		**–**	90.2	90.2
Issue costs in respect of Secured Notes		**–**	(4.2)	(3.7)
Receipt of debenture loan		**1.0**	–	–
Repayment of borrowings		**(2.1)**	(2.0)	(4.1)
Dividends paid to shareholders		**(3.8)**	–	(1.9)
Proceeds from issue of shares under SAYE scheme		**1.3**	–	–
Redemption of B shares		**–**	–	(80.0)
Net cash (used in)/generated from financing activities		**(3.6)**	84.0	0.5
Net increase in cash and cash equivalents	7	**0.7**	94.3	4.1
Cash and cash equivalents at the beginning of the period		**40.2**	36.1	36.1
Cash and cash equivalents at the end of the period	7	**40.9**	130.4	40.2

Notes to the interim report 2007 (unaudited)

for the 26 week period ended 29 June 2007

1 Basis of preparation

The interim consolidated financial statements of Dignity plc (the 'Company') are for the 26 weeks ended 29 June 2007 and comprise the results, assets and liabilities of the Company and its subsidiaries (the 'Group').

These interim consolidated financial statements have been prepared in accordance with the Listing Rules of the Financial Services Authority. The Group has chosen not to adopt the full disclosure requirements of IAS 34, 'Interim Financial Reporting'. Therefore this interim financial information is not fully in compliance with International Financial Reporting Standards. However, the consolidated financial statements have been prepared in accordance with all other applicable International Financial Reporting Standards that are expected to apply to the Group's financial report for the 52 week period ended 28 December 2007. The interim financial information is also consistent with the audited consolidated financial statements for the 52 weeks ended 29 December 2006. It does not include all of the information required for full annual financial statements, and should be read in conjunction with the audited consolidated financial statements of the Group as at and for the 52 week period ended 29 December 2006. The Directors approved these consolidated interim financial statements on 12 September 2007.

The accounting policies applied by the Group in these interim consolidated financial statements are the same as those applied by the Group in its audited consolidated financial statements as at and for the 52 week period ended 29 December 2006. The basis of consolidation is set out in the Group's accounting policies in those financial statements.

The preparation of interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, and income and expenses. In preparing these consolidated interim financial statements, the significant judgments made by the management in applying the Group's accounting policies and key source of estimation uncertainty were the same as those applied to the audited consolidated financial statements as at and for the 52 week period ended 29 December 2006.

Comparative information has been presented as at and for the 26 weeks ended 30 June 2006 and as at and for the 52 week period ended 29 December 2006.

The comparative figures for the 52 week period ended 29 December 2006 do not constitute statutory accounts for the purposes of s240 of the Companies Act 1985. A copy of the Group's statutory accounts for the 52 week period ended 29 December 2006 has been delivered to the Registrar of Companies and contained an unqualified auditors' report in accordance with s235 of the Companies Act 1985.

2 Revenue and segmental analysis

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

	26 week period ended 29 Jun 2007		26 week period ended 30 Jun 2006		52 week period ended 29 Dec 2006	
	Revenue £m	**Operating profit/(loss) £m**	Revenue £m	Operating profit/(loss) £m	Revenue £m	Operating profit/(loss) £m
Funeral services	**64.5**	**22.8**	62.8	21.9	120.0	39.3
Crematoria	**13.2**	**7.2**	12.0	6.3	23.2	12.1
Pre-arranged funeral plans	**3.4**	**2.2**	3.5	1.7	6.6	2.4
Head Office	**–**	**(5.2)**	–	(5.2)	–	(9.7)
Group before exceptional items	**81.1**	**27.0**	78.3	24.7	149.8	44.1
Exceptional items		**–**		–		(0.7)
Finance costs		**(10.8)**		(11.1)		(22.1)
Finance income		**2.1**		3.6		5.9
Profit before tax		**18.3**		17.2		27.2
Taxation – continuing activities		**(5.6)**		(5.3)		(8.4)
Taxation – exceptional		**0.5**		–		–
Taxation		**(5.1)**		(5.3)		(8.4)
Profit for the period		**13.2**		11.9		18.8

*Operating profit includes Recoveries within pre-arranged funeral plans of £1.5 million (June 2006: £1.2 million; December 2006: £1.2 million) and profit on sale of property, plant and equipment of £0.2 million (June 2006: £nil million; December 2006: £nil million) within funeral services.

December 2006 exceptional items relate to £0.7 million professional fees expensed within Head Office in relation to the redemption of B Shares.

3 Net finance costs

	26 week period ended		52 week period ended
	29 Jun 2007 £m	30 Jun 2006 £m	29 Dec 2006 £m
Finance costs			
Class A and B Secured Notes – issued April 2003	**7.2**	7.3	14.6
Class A and B Secured Notes – issued February 2006	**2.6**	2.7	5.3
Amortisation of issue costs – issued April 2003	**0.5**	0.5	0.9
Amortisation of issue costs – issued February 2006	**0.1**	0.1	0.3
Other loans	**0.1**	0.1	0.1
Interest payable on finance leases	**–**	–	0.1
Net finance expense on retirement benefit obligations	**–**	0.1	–
Unwinding of discounts	**0.3**	0.3	0.8
Finance costs	**10.8**	11.1	22.1
Finance income			
Bank deposits	**(1.3)**	(2.3)	(4.0)
Net finance income on retirement benefit obligations	**(0.3)**	–	–
Release of premium on issue of Secured Notes – issued February 2006	**(0.4)**	(0.4)	(0.9)
Prepaid interest on issue of Class A and B Secured Notes	**–**	(0.8)	(0.8)
Debenture loan	**(0.1)**	(0.1)	(0.2)
Finance income	**(2.1)**	(3.6)	(5.9)
Net finance costs	**8.7**	7.5	16.2

Notes to the interim report 2007 continued

for the 26 week period ended 29 June 2007

4 Taxation

The taxation charge on continuing operations in the period is based on an estimated effective tax rate of 30 per cent (2006: 31 per cent) on profit before tax for the 52 week period ending 28 December 2007.

In addition, the Group recognised a non-recurring credit of £0.5 million, representing the step change in the Group's opening deferred taxation provision following the Chancellor's change to the standard rate of Corporation Tax with effect from 1 April 2008.

The Chancellor's proposals on Industrial Buildings Allowances were not substantially enacted at the balance sheet date. If they are prior to 28 December 2007, then the Group would incur a non-recurring write off of deferred taxation of approximately £0.5 million, based on the Group's current understanding of the proposed legislation. The Group's effective tax rate (excluding the one off impacts) would not change.

5 Earnings per share (EPS)

The calculation of basic earnings per Ordinary Share has been based on the profit for the relevant period.

The Group has two classes of potentially dilutive Ordinary Shares being those share options granted to employees under the Group's SAYE scheme and the contingently issueable shares under the Group's long term incentive plan (LTIP) schemes.

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

Underlying earnings is calculated as profit after tax excluding the one off credit of £0.5 million (June 2006: £nil million; December 2006: £nil million) in respect of taxation adjustments described in note 4, £0.1 million (June 2006: £nil million; December 2006: £nil million), net of tax, in respect of profit on sale of fixed assets and £nil million (June 2006: £nil million; December 2006: £0.5 million), net of tax, in respect of professional fees expensed in relation to the redemption of B Shares.

	Earnings £m	Weighted average no. of shares m	Per share amount pence
26 week period ended 29 June 2007 – basic and diluted	**13.2**	**62.5**	**21.1**
26 week period ended 30 June 2006 – basic and diluted	11.9	80.1	14.9
52 week period ended 29 December 2006 – basic and diluted	18.8	72.6	25.9

	Underlying earnings £m	Weighted average no. of shares m	Per share amount pence
26 week period ended 29 June 2007	**12.6**	**62.5**	**20.2**
26 week period ended 30 June 2006	11.9	80.1	14.9
52 week period ended 29 December 2006	19.3	72.6	26.6

6 Dividends

On 29 June 2007, the Group paid a final dividend of 6.06 pence per share (2006: nil pence per share) totalling £3.8 million.

On 12 September 2007, the Directors approved an interim dividend of 3.33 pence per share (2006: 3.03 pence per share) totalling £2.1 million (2006: £1.9 million), which will be paid on 26 October 2007 to those shareholders on the register at the close of business on 21 September 2007.

7 Cash and cash equivalents

	Note	**29 Jun 2007 £m**	30 Jun 2006 £m	29 Dec 2006 £m
Operating cash		**40.9**	30.4	40.2
Amounts set aside for intercompany loan	(a)	**–**	17.7	–
Amounts set aside until 31 July 2006	(b)	**–**	82.3	–
Cash and cash equivalents as reported in the cash flow statement		**40.9**	130.4	40.2
Recoveries: pre-arranged funeral plans	(c)	**1.5**	1.2	1.2
Cash and cash equivalents as reported in the balance sheet		**42.4**	131.6	41.4

(a) This amount (save for circumstances where the Directors believed that there may have been a risk of defaulting on the Secured Notes) may only have been used in paying the interest and principal due on a loan between Dignity (2002) Limited and Dignity Mezzco Limited, both of whom are wholly owned subsidiaries of the Company. This loan was repaid in full using these monies on 31 July 2006.

(b) This amount (save for circumstances where the Directors believed that there may have been a risk of defaulting on the Secured Notes) could not be used for any purpose until 31 July 2006, when funds became available for any corporate purpose.

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

Movements in the amounts described in note (a) have been treated as cash equivalents in the cash flow statement as they became available for the Group's use once the intercompany payment was made.

Movements in the amounts described in note (b) have been treated as cash equivalents in the cash flow statement as they became available for the Group's use on 31 July 2006.

Movements in the amounts described in note (c) have been treated as 'transfers to restricted bank accounts' in the cash flow statement and are reported within 'Cash flows from investing activities' as they do not meet the definition of cash and cash equivalents in IAS 7.

Notes to the interim report 2007 continued

for the 26 week period ended 29 June 2007

8 Statement of changes in shareholders' equity

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Other reserves £m	Retained earnings £m	**Total £m**	Minority interest £m	**Total £m**
Shareholders' equity as at 30 December 2005	5.6	111.6	–	(10.4)	(74.2)	32.6	(1.2)	31.4
Profit for the 26 weeks ended 30 June 2006	–	–	–	–	11.9	11.9	–	11.9
Reclassification of actuarial gains and losses on defined benefit plans (net of deferred tax)(1)	–	–	–	(0.8)	0.8	–	–	–
Actuarial gains and losses on defined benefit plans	–	–	–	–	2.3	2.3	–	2.3
Deferred tax on pensions	–	–	–	–	(0.7)	(0.7)	–	(0.7)
Effects of employee share options	–	–	–	0.3	–	0.3	–	0.3
Deferred tax on employee share options	–	–	–	0.1	–	0.1	–	0.1
Shareholders' equity as at 30 June 2006	5.6	111.6	–	(10.8)	(59.9)	46.5	(1.2)	45.3
Profit for the 26 weeks ended 29 December 2006	–	–	–	–	6.9	6.9	–	6.9
Actuarial gains and losses on defined benefit plans	–	–	–	–	0.1	0.1	–	0.1
Effects of employee share options	–	–	–	0.4	–	0.4	–	0.4
Deferred tax on employee share options	–	–	–	0.9	–	0.9	–	0.9
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 26 weeks ended 29 June 2007	**–**	**–**	**–**	**–**	**13.2**	**13.2**	**–**	**13.2**
Actuarial gains and losses on defined benefit plans	**–**	**–**	**–**	**–**	**3.1**	**3.1**	**–**	**3.1**
Deferred tax on pensions	**–**	**–**	**–**	**–**	**(0.9)**	**(0.9)**	**–**	**(0.9)**
Effects of employee share options	**–**	**–**	**–**	**0.3**	**–**	**0.3**	**–**	**0.3**
Tax on employee share options	**–**	**–**	**–**	**(0.9)**	**–**	**(0.9)**	**–**	**(0.9)**
Share issue under 2004 SAYE scheme	**0.1**	**1.2**	**–**	**–**	**–**	**1.3**	**–**	**1.3**
Share issue under 2004 LTIP scheme	**–**	**0.8**	**–**	**–**	**–**	**0.8**	**–**	**0.8**
Gift to Employee Benefit Trust(2)	**–**	**–**	**–**	**(0.8)**	**–**	**(0.8)**	**–**	**(0.8)**
Acquisition of minority interest(3)	**–**	**–**	**–**	**–**	**–**	**–**	**1.2**	**1.2**
Dividends	**–**	**–**	**–**	**–**	**(3.8)**	**(3.8)**	**–**	**(3.8)**
Shareholders' equity as at 29 June 2007	**5.7**	**33.6**	**80.0**	**(10.9)**	**(123.2)**	**(14.8)**	**–**	**(14.8)**

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

(2) Relating to issue of shares under 2004 LTIP scheme.

(3) Resulting from acquisition of 25 per cent minority interest in Advance Planning Limited in January 2007.

9 Reconciliation of cash generated from operations

	26 week period ended		52 week period ended
	29 Jun 2007 £m	30 Jun 2006 £m	29 Dec 2006 £m
Net profit for the period	**13.2**	11.9	18.8
Adjustments for:			
Taxation	**5.1**	5.3	8.4
Net finance costs	**8.7**	7.5	16.2
Profit on disposal of fixed assets	**(0.2)**	–	–
Depreciation charges	**3.6**	3.4	6.9
Amortisation of intangibles	**0.3**	0.3	0.6
Changes in working capital (excluding acquisitions)	**(0.6)**	(0.4)	0.1
Employee share options	**0.3**	0.3	0.7
Cash generated from operations before exceptional items	**30.4**	28.3	51.7
Exceptional costs in respect of redemption of B shares	**–**	–	(0.7)
Exceptional contribution to pension scheme	**–**	–	(10.0)
Cash generated from operations	**30.4**	28.3	41.0

10 Interim report

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

11 Securitisation

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

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

Independent review report to Dignity plc

Introduction
We have been instructed by the Company to review the financial information for the 26 weeks ended 29 June 2007 which comprises the consolidated balance sheet at 29 June 2007 and the related consolidated income statement, consolidated statement of recognised income and expense and consolidated cash flow statement for the 26 weeks then ended and the related notes. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities
The interim report, including the financial information therein, is the responsibility of, and has been approved by the Directors. The Listing Rules of the Financial Services Authority require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

This interim report has been prepared in accordance with the basis set out in note 1.

Review work performed
We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and underlying financial data and based thereon, assessing whether the accounting policies and presentation have been consistently applied. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance. Accordingly we do not express an audit opinion on the financial information. This report, including the conclusion, has been prepared for and only for the Company for the purpose of the Listing Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Review conclusion
On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the 26 weeks ended 29 June 2007.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants
Birmingham
12 September 2007

Shareholder information and financial calendar

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

Company registrars
Enquiries concerning shareholdings, change of address or other particulars, should be directed in the first instance to the Company's Registrars, Lloyds TSB Registrars. 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.

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.

Financial calendar

13 September 2007
Announcement of interim results

21 September 2007
Record date for interim dividend

26 October 2007
Payment of 2007 interim dividend

28 December 2007
Financial period end

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