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Dignity plc Interim Report 2005

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Dignity
CARING FUNERAL SERVICES

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About Dignity

Dignity is Britain's largest single provider of funeral-related services. The Group owns 516 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.
- We want to be the company that everyone knows they can trust in their time of need.

Key Financial Highlights
for the 26 week period ended 1 July 2005

Current period financial highlights

	2005	2004
Revenue (£million)	**74.6**	69.1
Operating profit (£million)	**23.4**	21.0
Underlying profit before tax[a] (£million)	**15.8**	13.2
Profit/(loss) before tax (£million)	**15.8**	(2.1)
Earnings/(loss) per share (pence)	**13.8**	(3.1)
Cash generated from operations (£million)	**26.5**	26.1

(a) Before non-recurring finance charges in 2004.

Additional shareholder information

	2005	2004
Interim dividend per share (pence)	**2.75**	1.875

Chairman's Statement

"I am pleased to report a strong trading performance in the first 26 weeks of 2005."

Richard Connell, Chairman

Introduction

Dignity plc is the largest provider of funeral-related services, namely funeral services, crematoria and pre-arranged funeral plans in Britain, and is the only UK listed company in this area.

The Group historically prepared its consolidated financial statements under UK Generally Accepted Accounting Principles (UK GAAP). Following regulation 1606/2002 passed by the European Parliament in 2002, all listed EU companies are required to prepare consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) for accounting periods beginning on or after 1 January 2005.

The Group's first Annual Report and Accounts prepared under IFRS will be for the 52 week period ending 30 December 2005. This Interim Report has been prepared under IFRS and includes explanations of all adjustments arising from the change from UK GAAP to IFRS.

The adoption of IFRS represents an accounting change only and does not affect the ongoing operations or cash flows of the Group for 2005 or beyond.

Results

I am pleased to report a strong trading performance in the first 26 weeks of 2005. Operating profit reported under IFRS has increased by 11.4 per cent to £23.4 million (2004: £21.0 million). An explanation of the adjustments between IFRS and UK GAAP is shown in Appendix 1 of this report.

The Group performed 36,000 (2004: 35,100) funerals from our network of 516 funeral homes around the country and 21,200 (2004: 19,800) cremations from our 22 crematoria. Total estimated deaths for the 26 week period to 1 July 2005 in Great Britain were 300,800 compared to 295,800 in the comparative 26 week period in 2004. This is an increase of 1.7 per cent, which is marginally ahead of our expectations for the period. The Board's view on death rates continues to rely on government forecasts and its view on medium term death rates remains unchanged.

The number of unfulfilled pre-arranged funeral plans at 1 July 2005 was 171,500 (2004: 170,200).

Underlying profit before tax and dividend

Underlying profit before tax in the first 26 weeks of the year was £15.8 million compared to £13.2 million in the previous period, an increase of 19.7 per cent. This was slightly ahead of our expectations and is stated before non-recurring finance charges in 2004. After taking account of these items, the reported profit before taxation was £15.8 million (2004: loss £(2.1) million).

The Board has declared an interim dividend of 2.75 pence per share (2004: 1.875 pence per share) which will be paid on 28 October 2005 to shareholders on the register at 7 October 2005. This is an increase of 10 per cent on the annualised 2004 interim dividend. This is consistent with the Group's policy of progressing the dividend based on the Group's performance.

Developments

As part of its stated strategy, the Group acquired four funeral home locations in the period to 1 July 2005, funded from existing cash reserves and internally generated cash flows. In addition, in July, the Group acquired a further six funeral home locations. This brings the total investment in acquisitions in 2005 to £6.9 million. The Group continues to look for further suitable opportunities.

Outlook

The Group has recorded a strong performance in the first 26 weeks of this year. We expect the future development of the Group to be achieved by a combination of further acquisitions, seeking additional partners for our pre-arranged funeral plan business and from time to time, the opening of new locations. The Group continues to trade well and the Board's expectations for the remainder of 2005 remain positive.

Finally, I would like to thank all our staff for their continued hard work and dedication to client service.

Introduction

The Group's operations are managed across three main areas, namely funeral services, crematoria and pre-arranged funeral plans, which respectively represent 80 per cent, 16 per cent and 4 per cent of the Group's revenues. Funeral services 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 administering the sale of plans.

Adoption of IFRS

As the Chairman has noted in his statement, this Interim Report has been prepared under IFRS.

IFRS (as endorsed by the European Commission) are subject to amendment and/or interpretation by the International Accounting Standards Board (IASB) (and its committees). Furthermore, emerging industry consensus may differ to the policies adopted by the Board. As such, it is possible that further adjustments to the accounting policies adopted may be necessary and consequently, the financial information presented in this report may differ from that subsequently shown in the Group's Annual Report and Accounts for the 52 week period ending 30 December 2005.

Appendix 1, on page 17, explains the changes arising from the adoption of IFRS.

The principal changes to the Income Statement are:

- The elimination of amortisation of goodwill.
- The adoption of IAS 19 in respect of pension obligations.
- Changes to the charge for deferred taxation.

With the exception of IAS 19, the accounting impact on profit before tax and amortisation is minimal.

The principal changes that affect the Balance Sheet are:

- The recognition of pension obligations under IAS 19.
- The inclusion of a full provision for deferred taxation.
- The recognition of separate intangible assets principally attributable to trade names.
- The recognition of dividends on a liability basis.

Financial highlights

- Revenue has increased 8.0 per cent to £74.6 million (2004: £69.1 million).
- Operating profit has increased 11.4 per cent to £23.4 million (2004: £21.0 million).
- Underlying profit before tax has increased 19.7 per cent to £15.8 million (2004: £13.2 million).
- Profit before tax was £15.8 million (2004: loss £(2.1) million).
- Cash generated from operations has increased 1.5 per cent to £26.5 million (2004: £26.1 million).
- Earnings per share were 13.8 pence (2004: loss (3.1) pence).
- An interim dividend of 2.75 pence per share (2004: 1.875 pence per share).

Trading overview

	26 week period ended	
	1 Jul 2005 £m	25 Jun 2004 £m
Revenue		
Funeral services	**60.0**	55.3
Crematoria	**11.7**	11.1
Pre-arranged funeral plans	**2.9**	2.7
	74.6	69.1
Operating profit*		
Funeral services	**20.2**	17.7
Crematoria	**6.4**	6.0
Pre-arranged funeral plans	**1.6**	2.1
Central overheads	**(4.8)**	(4.8)
	23.4	21.0

*Operating profit includes Recoveries within pre-arranged funeral plans of £1.2 million (2004: £1.2 million) and profit on sale of property, plant & equipment of £0.5 million (2004: £0.8 million).

Funeral services

The Group operates a network of 516 funeral homes throughout Britain, trading under local established names. In the period to 1 July 2005, the Group conducted 36,000 (2004: 35,100) funerals, representing 12.0 per cent (2004: 11.9 per cent) of estimated deaths in Britain.

Revenue within funeral services was £60.0 million (2004: £55.3 million) and increased in all areas of the division. Operating profits were £20.2 million (2004: £17.7 million), an increase of 14.1 per cent.

Crematoria

The Group operates 22 crematoria and carried out 21,200 cremations in 2005 representing 7.0 per cent (2004: 6.7 per cent) of estimated deaths in Britain. The Group is the largest single operator of crematoria in Britain.

Revenue within crematoria was £11.7 million (2004: £11.1 million). Operating profits were £6.4 million (2004: £6.0 million), an increase of 6.7 per cent.

In January 2005 the Department of Environment, Food and Rural Affairs announced that crematoria operators should install equipment to cut mercury emissions by 50 per cent by 2012 under new statutory guidance. The Group is confident that it can meet all the new emissions legislation in the required timescales. We expect funding for these changes to be via an industry wide environmental levy.

Pre-arranged funeral 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. Unfulfilled pre-arranged funeral plans increased to 171,500 from 170,200 during the period.

The Group received Recoveries of £1.2 million (2004: £1.2 million) during the period. Operating profit was lower in 2005 as a result of the sales mix.

Operating & Financial Review
continued

Underlying profit before tax
Last year witnessed a significant reorganisation of the Group's capital structure, with the listing of its shares and redemption of expensive debt associated with the management buyout in 2002 and the subsequent whole business securitisation in 2003. Therefore, comparison with the prior period is not straightforward. The Directors are of the opinion that the following provides additional indicative information regarding the underlying profits of the Group:

	26 week period ended	
	1 Jul 2005 £m	25 Jun 2004 £m
Profit/(loss) before tax for the period as reported	**15.8**	(2.1)
Add the effects of:		
Exceptional interest expense	–	10.1
Interest expense of Mezzanine Loan and Loan Notes 2013	–	4.7
Amortisation of debt issues costs of Mezzanine Loan and Loan Notes 2013	–	0.5
Underlying profit before tax	**15.8**	13.2

Cash flow and cash balances
Operating cash flow was £26.5 million in the period (2004: £26.1 million). Expenditure on funeral home acquisitions amounted to £4.3 million (2004: £1.5 million). A further £3.4 million (2004: £1.9 million) was spent on capital expenditure, the majority of which was spent on replacing or enhancing existing assets.

Cash balances at the end of the financial period amounted to £33.5 million although under the terms of the Group's secured borrowing, there are certain restrictions on elements of this balance as described further in note 7 of this report. The Group's operations continue to be significantly cash generative.

Capital structure and financing
The Group's only material external debt financing is the Class A and B secured notes, rated A and BBB respectively, of which £204.0 million (2004: £207.7 million) was outstanding as at 1 July 2005. Both tranches of debt were issued at fixed rates of interest and will be progressively repaid over the next 25 years.

	1 Jul 2005 £m	25 Jun 2004 £m
Class A and B secured notes	**(204.0)**	(207.7)
Accrued interest on Class A and B secured notes	**–**	(7.3)
Loan Notes 2006	**(0.1)**	(0.1)
Cash balances	**33.5**	42.5
Economic Net Debt	**170.6**	172.6

Going forward, the Group's finance expense will substantially consist of the interest on the Class A and B secured notes and the related ancillary instruments that were issued in April 2003. The finance charge in the period was £8.5 million, including the amortisation of debt issue costs of £0.5 million, unwinding of discounts of £0.3 million and pension charges of £0.2 million.

Taxation

The overall effective tax rate on earnings before exceptional items is approximately 31.0 per cent (2004: 31.0 per cent).

This tax rate is 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 corporation tax purposes. The latter will also cause the effective tax rate to increase slightly in the future.

Pensions

The Group operates two principal defined benefit pension schemes. Under IAS 19, the pension deficit has decreased by £0.3 million with a period end deficit (before deferred tax) of £13.5 million.

Earnings per share

The basic earnings per share were 13.8 pence per share for the period (2004: loss (3.1) pence per share). See note 5 for further information.

Consolidated Income Statement (Unaudited)

for the 26 week period ended 1 July 2005

	Note	26 week period ended 1 Jul 2005 £m	26 week period ended 25 Jun 2004 £m	53 week period ended 31 Dec 2004 £m
Revenue	2	**74.6**	69.1	135.7
Gross profit		**38.6**	34.7	67.7
Trading expenses		**(16.4)**	(14.9)	(29.7)
Other operating income		**1.2**	1.2	1.2
Operating profit	2	**23.4**	21.0	39.2
Interest payable before exceptional charges		**(8.5)**	(13.8)	(22.6)
Exceptional interest payable on redemption of debt		**–**	(10.1)	(10.1)
Interest payable and similar charges	3	**(8.5)**	(23.9)	(32.7)
Interest receivable	3	**0.9**	0.8	1.5
Profit/(loss) before tax	2	**15.8**	(2.1)	8.0
Taxation	4	**(4.8)**	0.5	(2.5)
Profit/(loss) for the period		**11.0**	(1.6)	5.5
Profit/(loss) attributable to minority interest		**–**	–	–
Profit/(loss) attributable to equity shareholders	6	**11.0**	(1.6)	5.5
		11.0	(1.6)	5.5
Earnings/(loss) per share attributable to equity shareholders (pence)	5			
– Basic		**13.8p**	(3.1)p	8.5p
– Diluted		**13.7p**	(3.1)p	8.5p

Consolidated Statement of Recognised Income & Expense (Unaudited)

for the 26 week period ended 1 July 2005

	26 week period ended 1 Jul 2005 £m	26 week period ended 25 Jun 2004 £m	53 week period ended 31 Dec 2004 £m
Profit/(loss) for the period	**11.0**	(1.6)	5.5
Actuarial gains/(losses) on retirement benefit obligations	**0.4**	(2.1)	(0.7)
Employee share options	**0.2**	0.1	0.2
Deferred tax	**(0.1)**	0.6	0.3
Net income/(expense) not recognised in income statement	**0.5**	(1.4)	(0.2)
Total recognised income/(expense) for the period	**11.5**	(3.0)	5.3

Consolidated Balance Sheet (Unaudited)

as at 1 July 2005

	Note	**1 Jul 2005 £m**	25 Jun 2004 £m	31 Dec 2004 £m
Non-current assets				
Goodwill		**108.9**	107.1	107.8
Intangible assets		**7.8**	2.9	5.2
Property, plant & equipment		**84.0**	79.5	84.0
Financial assets		**5.5**	4.9	5.4
Assets held for sale		**0.8**	0.8	0.8
Deferred tax assets		**–**	1.6	–
		207.0	196.8	203.2
Current assets				
Inventories		**3.3**	3.1	3.4
Trade and other receivables		**19.1**	20.0	19.7
Cash and cash equivalents	(a)	**33.5**	42.5	24.9
		55.9	65.6	48.0
Current liabilities				
Financial liabilities		**(2.1)**	(10.7)	(2.0)
Trade and other payables		**(17.0)**	(26.5)	(17.6)
Current tax		**(3.4)**	(0.1)	(0.1)
Provisions		**(1.0)**	(1.2)	(1.0)
		(23.5)	(38.5)	(20.7)
Net current assets		**32.4**	27.1	27.3
Non-current liabilities				
Financial liabilities		**(193.0)**	(194.9)	(193.9)
Deferred tax liabilities		**(3.3)**	–	(1.6)
Retirement benefit obligations		**(13.5)**	(15.0)	(13.8)
Other non-current liabilities		**(2.7)**	(2.5)	(2.7)
Provisions		**(2.2)**	(2.1)	(2.3)
		(214.7)	(214.5)	(214.3)
Net assets		**24.7**	9.4	16.2
Shareholders' equity				
Ordinary shares	8	**5.6**	5.6	5.6
Share premium account	8	**111.6**	111.6	111.6
Other reserves	8	**(12.0)**	(13.7)	(12.5)
Retained earnings	8	**(79.3)**	(92.9)	(87.3)
Total shareholders' equity	8	**25.9**	10.6	17.4
Minority interest in equity		**(1.2)**	(1.2)	(1.2)
Total equity		**24.7**	9.4	16.2

(a) Certain cash balances are subject to restrictions. See note 7.

Consolidated Cash Flow Statement (Unaudited)

for the 26 week period ended 1 July 2005

	Note	26 week period ended 1 Jul 2005 £m	26 week period ended 25 Jun 2004 £m	53 week period ended 31 Dec 2004 £m
Cash flows from operating activities				
Cash generated from operations	9	**26.5**	26.1	44.2
Interest received		**0.9**	0.8	1.6
Interest paid		**(7.8)**	(23.5)	(39.4)
Tax paid		**–**	(0.1)	(0.1)
Net cash from operating activities		**19.6**	3.3	6.3
Cash flows from investing activities				
Acquisition of subsidiaries		**(4.3)**	(1.5)	(5.3)
Purchase of property, plant & equipment		**(3.4)**	(1.9)	(8.5)
Proceeds from sale of property, plant & equipment		**0.9**	1.1	2.3
Transfers from restricted bank accounts	7	**–**	15.9	18.3
Net cash (used in)/from investing activities		**(6.8)**	13.6	6.8
Cash flows from financing activities				
Net proceeds from issue of ordinary share capital		**–**	115.2	115.2
Finance lease principal repayments		**–**	–	–
Repayment of borrowings		**(1.2)**	(115.6)	(125.5)
Dividends paid to shareholders		**(3.0)**	–	(1.5)
Net cash used in financing activities		**(4.2)**	(0.4)	(11.8)
Net increase in cash and cash equivalents	7	**8.6**	16.5	1.3
Cash and cash equivalents at beginning of the period		**23.7**	22.4	22.4
Cash and cash equivalents at the end of the period	7	**32.3**	38.9	23.7

Notes to the Interim Report 2005

for the 26 week period ended 1 July 2005

1 Basis of preparation

Historically, the Group prepared its consolidated financial statements under UK Generally Accepted Accounting Principles ('UK GAAP'). Following Regulation No. 1606/2002 passed by the European Parliament in 2002, the Group is required to prepare its consolidated financial statements for the 52 week period ending 30 December 2005 in accordance with all applicable International Financial Reporting Standards ('IFRS'), including International Accounting Standards ('IAS') and related interpretations issued by the International Accounting Standards Board ('IASB') and its committees, as endorsed by the European Commission.

These interim financial statements have been prepared in accordance with IFRS and in accordance with the Listing Rules of the Financial Services Authority covering interim reports.

IFRS (as endorsed by the European Commission) are subject to amendment and/or interpretation by the IASB (and its committees). Furthermore, emerging industry consensus may differ to the policies adopted by the Board. As such, it is possible that further adjustments to the accounting policies adopted may be necessary and consequently, the financial information presented in this report may differ from that shown in the Group's Annual Report and Accounts for the 52 week period ending 30 December 2005.

Full details of the changes in accounting policies, which have been consistently applied to all periods, and the reconciliations between IFRS and UK GAAP are set out in Appendix 1 to this report.

The statements were approved by the Board of Directors on 14 September 2005 and are unaudited. The Group's auditors have carried out a review of the statements and their report is set out on page 16.

The figures for all periods presented have been extracted from the underlying accounting records.

2 Revenue and segmental analysis

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

	26 week period ended 1 Jul 2005		26 week period ended 25 Jun 2004		53 week period ended 31 Dec 2004	
	Revenue £m	**Operating profit/ (loss) £m**	Revenue £m	Operating profit/ (loss) £m	Revenue £m	Operating profit/ (loss) £m
Funeral services	**60.0**	**20.2**	55.3	17.7	108.8	33.9
Crematoria	**11.7**	**6.4**	11.1	6.0	21.6	11.8
Pre-arranged funeral plans	**2.9**	**1.6**	2.7	2.1	5.3	2.5
Central overheads	**–**	**(4.8)**	–	(4.8)	–	(9.0)
	74.6	**23.4**	69.1	21.0	135.7	39.2
Net interest expense		**(7.6)**		(23.1)		(31.2)
Profit/(loss) before tax		**15.8**		(2.1)		8.0

*Operating profit includes Recoveries within pre-arranged funeral plans of £1.2 million (2004: £1.2 million; December 2004: £1.2 million) and profit on sale of property, plant & equipment of £0.5 million (2004: £0.8 million; December 2004: £1.2 million).

3 Net interest payable

	26 week period ended		53 week period ended
	1 Jul 2005 £m	25 Jun 2004 £m	31 Dec 2004 £m
Interest payable and similar charges			
Class A and B secured notes	**7.4**	7.5	15.1
Mezzanine Loan	**–**	2.1	2.1
Loan Notes	**–**	2.6	2.6
Amortisation of issue costs	**0.5**	1.0	1.6
Other loans	**0.1**	0.1	0.1
Interest payable on finance leases	**–**	–	0.1
Net finance expense of retirement obligations	**0.2**	0.1	0.3
Unwinding of discount	**0.3**	0.4	0.7
Interest payable and similar charges before exceptional items	**8.5**	13.8	22.6
Exceptional interest payable and similar charges			
Premium on early redemption of Mezzanine Loan	**–**	4.0	4.0
Write-off deferred debt issue costs	**–**	6.1	6.1
Exceptional interest payable and similar charges	**–**	10.1	10.1
Total interest payable and similar charges	**8.5**	23.9	32.7
Interest receivable and similar income			
Bank deposits	**(0.8)**	(0.7)	(1.3)
Debenture loan	**(0.1)**	(0.1)	(0.2)
Interest receivable and similar income	**(0.9)**	(0.8)	(1.5)
Net interest payable and similar charges	**7.6**	23.1	31.2

4 Taxation

The taxation charge in the period is based on an estimated effective tax rate of 31.0 per cent on profit before tax for the 52 week period ending 30 December 2005.

5 Earnings/(loss) per share

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

For diluted earnings/(loss) per Ordinary Share, the weighted average number of Ordinary Shares in issue is adjusted to assume conversion of all potentially dilutive 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. Consequently, these contingently issueable shares have been excluded from the diluted EPS calculations.

	Earnings/(loss) £m	Weighted average no. of shares £m	Per share amount pence
26 week period ended 1 July 2005 – basic	**11.0**	**80.0**	**13.8**
26 week period ended 1 July 2005 – diluted	**11.0**	**80.2**	**13.7**
26 week period ended 25 June 2004 – basic and diluted	(1.6)	51.5	(3.1)
53 week period ended 31 December 2004 – basic and diluted	5.5	65.0	8.5

6 Dividends

On 14 September 2005, the Directors approved an interim dividend of 2.75 pence per share (2004: 1.875 pence per share) totalling £2.2 million (2004: £1.5 million), which will be paid on 28 October 2005 to those shareholders on the register at the close of business on 7 October 2005. The amount recognised in the period of £3.0 million (2004: £nil) relates to the final dividend of 3.75 pence per share in respect of the 2004 results approved by shareholders on 20 May 2005.

7 Cash and cash equivalents

	Note	1 Jul 2005 £m	25 Jun 2004 £m	31 Dec 2004 £m
Cash and cash equivalents		**33.5**	42.5	24.9
Represented by:				
Operating cash		**10.2**	11.6	12.4
Cash for acquisitions	(a)	**7.3**	11.3	7.2
Cash collateralised for Loan Notes 2012	(b)	**–**	1.4	–
Amounts set aside for intercompany loan	(c)	**16.0**	9.2	5.3
Amounts set aside for Class A and B secured notes	(d)	**–**	9.0	–
		33.5	42.5	24.9

(a) Under the terms of the Group's secured borrowings, this amount is required to be retained in a separate account. This account may, in normal circumstances, only be used for acquiring tangible fixed assets and businesses (either trade and assets or share purchases). Included in this amount is £1.2 million (2004: £2.2 million; December 2004: £1.2 million) relating to Recoveries, which may not be used for one year following receipt and hence does not meet the definition of cash and cash equivalents in IAS 7, 'Cash Flow Statements'.

(b) This amount was subject to a charge in favour of the Loan Notes 2012. This amount did not meet the definition of cash and cash equivalents in IAS 7.

(c) This amount (save for circumstances where the Directors believe there may be a risk of defaulting on the Class A and B secured notes) may only be 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.

(d) This amount was required under the terms of the Group's secured borrowings to be used to pay interest and principal on 30 June 2004.

Movements in the amounts described in notes (a) as Recoveries, together with the amounts described in note (b), have been treated as 'transfers from /(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.

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

Notes to the Interim Report 2005

for the 26 week period ended 1 July 2005 continued

8 Statement of changes in shareholders' equity

	Share capital £m	Share premium account £m	Other reserves £m	Profit & loss account £m	**Total £m**
Shareholders' equity as at 26 December 2003	2.0	–	(12.3)	(91.3)	(101.6)
Share issue	3.6	111.6	–	–	115.2
Actuarial gains and losses on defined benefit plans (net of deferred tax)	–	–	(1.5)	–	(1.5)
Effects of employee share options (net of deferred tax)	–	–	0.1	–	0.1
Loss for the 26 weeks ended 25 June 2004	–	–	–	(1.6)	(1.6)
Shareholders' equity as at 25 June 2004	5.6	111.6	(13.7)	(92.9)	10.6
Profit for the 27 weeks ended 31 December 2004	–	–	–	7.1	7.1
Actuarial gains and losses on defined benefit plans (net of deferred tax)	–	–	1.0	–	1.0
Effects of employee share options (net of deferred tax)	–	–	0.2	–	0.2
Dividends	–	–	–	(1.5)	(1.5)
Shareholders' equity as at 31 December 2004	5.6	111.6	(12.5)	(87.3)	17.4
Profit for the 26 weeks ended 1 July 2005	**–**	**–**	**–**	**11.0**	**11.0**
Actuarial gains and losses on defined benefit plans (net of deferred tax)	**–**	**–**	**0.2**	**–**	**0.2**
Effects of employee share options (net of deferred tax)	**–**	**–**	**0.3**	**–**	**0.3**
Dividends	**–**	**–**	**–**	**(3.0)**	**(3.0)**
Shareholders' equity as at 1 July 2005	**5.6**	**111.6**	**(12.0)**	**(79.3)**	**25.9**

9 Cash generated from operations

	26 week period ended		53 week period ended
	1 Jul 2005 £m	25 Jun 2004 £m	31 Dec 2004 £m
Net profit/(loss) for the period	**11.0**	(1.6)	5.5
Adjustments for:			
Taxation	**4.8**	(0.5)	2.5
Net interest payable	**7.6**	23.1	31.2
Profit on disposal of property, plant & equipment	**(0.5)**	(0.8)	(1.2)
Depreciation charges	**3.7**	3.7	7.2
Changes in working capital (excluding acquisitions)	**(0.3)**	2.1	(1.2)
Employee share options	**0.2**	0.1	0.2
Cash generated from operations	**26.5**	26.1	44.2

10 Interim statement
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 1 July 2005 which comprises the consolidated balance sheet as at 1 July 2005 and the consolidated income statement, consolidated statement of recognised income and expense, consolidated cash flow statement and the related notes for the 26 weeks then ended. 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 contained therein, is the responsibility of, and has been approved by the Directors. The Directors are responsible for preparing the Interim Report in accordance with the Listing Rules of the Financial Services Authority.

As disclosed in note 1, the next annual financial statements of the Group will be prepared in accordance with accounting standards adopted for use in the European Union. This Interim Report has been prepared in accordance with the basis set out in note 1 and Appendix 1 to this report.

The accounting policies are consistent with those that the Directors intend to use in the next annual financial statements. As explained in note 1, there is, however, a possibility that the Directors may determine that some changes are necessary when preparing the full annual financial statements for the first time in accordance with accounting standards adopted for use in the European Union. The IFRS standards and IFRIC interpretations that will be applicable and adopted for use in the European Union at 30 December 2005 are not known with certainty at the time of preparing this interim financial information.

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 group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the disclosed accounting policies have been 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 1 July 2005.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants
Birmingham
14 September 2005

Notes:

(a) The maintenance and integrity of the Dignity plc website is 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 Interim Report since it was initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

Appendix 1 – Transition to IFRS

1 Introduction

As described on page 11, the Group is required to prepare its consolidated financial statements for the 52 week period ending 30 December 2005 in accordance with IFRS.

The Group will present one period of comparative financial information, being the 53 week period ended 31 December 2004, in its first financial statements prepared under IFRS and therefore, the date of transition to IFRS is 27 December 2003 being the first day of that comparative period ('the transition date').

The purpose of this appendix is to explain the accounting changes arising from the adoption of IFRS and the effect that the adoption of IFRS has had on the Group's results and net assets as previously reported under UK GAAP.

2 Basis of preparation

The financial information presented in this report has been prepared in accordance with the accounting policies and estimates that the Board expect to adopt for the 52 week period ending 30 December 2005. These policies are based on those IFRS that are anticipated to be applicable as at 30 December 2005. Specifically, it is anticipated that the European Commission will endorse the amendment to IAS 19, 'Employee benefits – actuarial gains and losses, Group plans and disclosures', issued by the IASB in December 2004.

IFRS (as endorsed by the European Commission) are subject to amendment and/or interpretation by the IASB (and its committees). Furthermore, emerging industry consensus may differ to the policies adopted by the Board. As such, it is possible that further adjustments to the accounting policies adopted may be necessary and consequently, the financial information presented in this report may differ from that shown in the Group's first IFRS financial statements for the 52 week period ending 30 December 2005.

(a) First-time adoption

IFRS 1, 'First-time adoption of International Financial Reporting Standards' sets out the requirements for first-time adoption of IFRS. Generally, IFRS 1 requires that accounting policies be adopted that are compliant with all applicable IFRS (including IAS and related interpretations) as at the date the first full financial statements are presented, being 30 December 2005 for the Group. Furthermore, those accounting policies should be applied retrospectively to all comparative periods presented. However, IFRS 1 affords a first-time adopter a number of optional and mandatory exemptions from full retrospective application of the adopted accounting policies in preparing the balance sheet at the transition date and where applicable, the comparative information.

Specifically, the Directors have not revised any estimates required under IFRS that were also required under UK GAAP as at 27 December 2003, 25 June 2004 and 31 December 2004. In addition, where IFRS requires the use of estimates that were not required under UK GAAP, they have been based on information available at that time and not on subsequent events.

Certain of the exemptions allowed in IFRS 1 do not affect the reported financial performance or position of the Group. Insofar as they affect the Group, the Directors have elected to apply the following permitted exemptions:

- Business combinations before the transition date – IFRS 3, 'Business combinations'
  The Group has elected not to apply IFRS 3 retrospectively to acquisitions that took place before the transition date. As a result, the carrying amount of goodwill in the UK GAAP balance sheet as at 26 December 2003 of £106.5 million is brought forward to the IFRS opening balance sheet without adjustment.

- Actuarial gains and losses on retirement benefit obligations – IAS 19, 'Employee benefits'.
  The Group has elected to recognise all cumulative actuarial gains and losses in relation to employee benefit schemes of £12.7 million (before deferred tax) at the transition date.

  In addition, subject to endorsement by the European Commission, the Group has elected to adopt early the amendment to IAS 19 issued in December 2004. The Group has selected the option within this standard, similar to FRS 17, 'Retirement Benefits' under UK GAAP, for immediate recognition of all actuarial gains and losses in a statement of recognised income and expense.

- Valuation of property, plant & equipment – IAS 16, 'Property, plant & equipment'.
  The UK GAAP net book value of the tangible fixed assets at the date of transition has been treated as deemed cost. Specifically, the net book value of any assets that were subject to a fair value assessment in accordance with FRS 7, 'Fair values in acquisition accounting' have been brought forward to the IFRS opening balance sheet without adjustment.

- Financial Instruments – IAS 32, 'Financial instruments: disclosure and presentation' and IAS 39, 'Financial instruments: recognition and measurement'.
  The Group has elected to apply IAS 32 and IAS 39 (as endorsed by the European Commission) from the transition date.

3 Significant differences between UK GAAP and IFRS

The significant differences between UK GAAP and IFRS on the reported results and net assets of the Group are described below. These differences affect the 2004 comparative information which will be presented in the 2005 consolidated financial statements and, unless otherwise stated above, have been applied retrospectively in preparing the opening balance sheet under IFRS at the transition date.

(a) Employee benefits

Post employment benefits

Under UK GAAP, the Group accounted for post employment benefits under SSAP 24, 'Accounting for pension costs'. This effectively spread the cost of providing defined benefit pensions over the estimated average remaining service life of the schemes members based on triennial valuations. The timing difference between the pension charge recognised in the profit and loss account and the actual cash payments made to schemes was carried as a prepayment (or accrual).

IAS 19 takes a balance sheet approach to accounting for defined benefit schemes similar to FRS 17. The pension charge for defined benefit schemes is calculated using the 'projected unit credit' method, with actuarial valuations being carried out or updated at each balance sheet date. The Group intends to apply the option within the amendment to IAS 19 that allows for immediate recognition of all actuarial gains and losses in the period in which they occur, outside the income statement in the Statement of Recognised Income and Expense ('SORIE').

Therefore, on transition, a deficit of £12.7 million has been recognised which represents an incremental liability of £12.9 million compared with the asset recognised under SSAP 24 principles. As at 31 December 2004 the liability had increased to £13.8 million compared to a SSAP 24 asset recognised of £0.8 million. These figures are offset by the recognition of a corresponding deferred tax asset of £3.8 million at transition rising to £4.1 million at 31 December 2004, coupled with the derecognition of the corresponding deferred tax liability recognised under UK GAAP.

The Group intends to present current and past service pension costs as a charge to operating profit. The unwinding of the discount on pension liabilities and the expected return on pension assets will be presented as a financing item.

The application of IAS 19 increases the trading expenses for the 53 week period ended 31 December 2004 by £0.7 million and increases the net finance charge by £0.3 million. A further expense of £0.5 million (net of deferred tax) is recognised in the SORIE. The accounting for defined contribution pension schemes under IFRS is consistent with that applied under UK GAAP.

	26 week period ended 25 Jun 2004 £m	53 week period ended 31 Dec 2004 £m
Impact on the income statement		
Defined benefit pension charge under UK GAAP	0.4	0.9
IFRS adjustment	0.5	1.0
Defined benefit pension charge under IFRS	0.9	1.9
Charged to operating profit	0.8	1.6
Charged to finance expense	0.1	0.3

	As at 26 Dec 2003 £m	As at 25 Jun 2004 £m	As at 31 Dec 2004 £m
Impact on the balance sheet			
Defined benefit asset under UK GAAP	0.2	0.5	0.8
IFRS adjustment	(12.9)	(15.5)	(14.6)
Defined benefit obligation under IFRS	(12.7)	(15.0)	(13.8)
Increase in deferred tax asset	3.9	4.6	4.4

Long-service awards

The Group has an established practice of rewarding staff for long-service after ten years and thereafter every five years. Under UK GAAP, the cost of these long-service awards was expensed as incurred. Under IAS 19, the costs of these awards are accrued over the period in which the service is provided by the employee. Consequently, a provision of £0.9 million for long-service awards is included in the opening IFRS balance sheet. The associated deferred tax asset amounts to £0.3 million. The impact on the income statement is minimal.

Other employee benefits

Under UK GAAP, no provision was made for annual leave accrued. IAS 19 requires the expected cost of compensated short term absences to be recognised at the time the related service is provided. Whilst this has no effect on the reported results or net assets at transition or 31 December 2004, it has resulted in an additional charge to operating profit of £0.6 million in the comparative interim period.

(b) Intangible assets

Under UK GAAP, goodwill was amortised over its estimated life of twenty years. In the 53 week period ended 31 December 2004 the amortisation charge was £5.9 million. Furthermore, intangible assets were only recognised when they were separable and as such the Group did not recognise any intangible assets arising from acquisitions. The goodwill arising on acquisitions that was recognised during 2004 was £4.6 million.

Under IFRS 3, goodwill is deemed to have an indefinite life and is subject to annual impairment tests, whilst other intangible assets can arise from contractual or legal rights and need not be separable.

Appendix 1 – Transition to IFRS
continued

Accordingly, an element of the goodwill arising on acquisitions under UK GAAP will be carried as an intangible asset in the form of trade names under IFRS.

Under IFRS, intangible assets will continue to be amortised over their useful life unless circumstances indicate that the asset has an indefinite life. The significant majority of the intangible assets the Group will recognise under IFRS relate to the trading names acquired via business combinations. IAS 38, 'Intangible assets' sets out certain factors to be considered when determining the useful life of intangible assets. After due consideration, the Directors are of the opinion that it would be inappropriate to set a finite life on those assets acquired to date as they will continue to trade under such names for the foreseeable future. Therefore, these assets will not be amortised but subject to annual impairment reviews.

The application of IFRS 3 to business combinations effected after 26 December 2003 has resulted in the reversal of £5.9 million goodwill amortisation charged under UK GAAP in the 53 week period ended 31 December 2004, with a corresponding increase in goodwill. The amortisation charge of intangible assets relating to non-compete agreements is immaterial. Under UK GAAP, the amortisation charge was excluded from the Group's underlying performance measures.

The recognition of intangible trade names and non-compete agreements has resulted in the £4.6 million goodwill additions recognised under UK GAAP in 2004 being reclassified as £3.6 million of intangible assets, £0.1 million of deferred tax liabilities and £1.1 million of goodwill.

There was no impairment charge required either on transition or in 2004 in respect of either goodwill or intangible trade names.

In summary, the adjustments to the carrying value of goodwill are as follows:

	As at 25 Jun 2004 £m	As at 31 Dec 2004 £m
Net book value of Goodwill under UK GAAP at end of period	105.2	105.4
Reversal of UK GAAP amortisation in the period	2.9	5.9
Acquisitions – intangible trade names	(1.1)	(3.5)
Acquisitions – intangible non-compete agreements	–	(0.1)
Acquisitions – deferred tax on properties	–	0.1
Hindsight adjustments*	0.1	–
Net book value of goodwill under IFRS	107.1	107.8

* Under UK GAAP, hindsight adjustments are accounted for prospectively whereas under IFRS 3 they are applied retrospectively. The £0.1 million at June 2004 is carried as an accrual in the IFRS balance sheet.

(c) Share-based payments

Following the flotation in April 2004, the Group has used share awards to provide incentives to employees. Under UK GAAP, the Group recorded a charge for employee share schemes based on the intrinsic value of the award, being the difference between the option price of the conditional award and the share price at the date of grant. In addition, the Group had taken advantage of the dispensation in the Urgent Issues Task Force's Abstract 17, 'Employee Share Schemes' not to apply that Abstract to the Group's Inland Revenue approved SAYE scheme.

IFRS 2, 'Share-based payments' requires the Group to recognise a charge for all share-based payments (including approved SAYE schemes), equivalent to the fair value of the award as at the date of grant. An expense is recognised to spread the fair value of each award over its vesting period on a straight-line basis, after allowing for an estimate of the awards that will eventually vest.

The calculation of the fair values for employee incentive share awards requires the Directors to select the option valuation model which they consider the most appropriate for each award. The fair value of the awards made under the Group's SAYE scheme has been calculated using the Black-Scholes model, whilst the Monte-Carlo simulation model has been used to calculate the fair value of awards under the LTIP schemes. The key variables in arriving at the share option charge are the expected volatility of the Company's share price, the expected level of forfeiture that will occur between the grant and vesting dates and the expected period of time between grant and exercise of an award.

As a result, the expense recognised in 2004 for share-based payments is £0.1 million in respect of the LTIPs and £0.1 million in respect of the SAYE schemes. These charges can be compared to £0.2 million and £nil respectively recognised under UK GAAP. The combined charge at June 2004 for both schemes is £0.1 million (UK GAAP: £0.1 million).

The basis of calculation of deferred tax is the difference between the share price at the balance sheet date and the exercise price of the award. Accordingly, the tax effect does not correlate to the charge in the income statement and an element of deferred tax is recognised within other reserves.

(d) Leases of land and buildings

The most significant difference between UK GAAP and IFRS in the accounting for leases is the requirement under IAS 17, 'Leases' to split the rental obligations on properties between land and buildings for the purposes of determining whether the lease is a finance or an operating lease.

As land is considered to have an indefinite life under IFRS, the lease of land must always be an operating lease. This applies equally to assets held under long leases (greater than 50 years). Under UK GAAP, the value of long lease land was £2.8 million at transition. Under IFRS, this is considered to represent a prepayment of operating lease commitments and as such is reclassified from property, plant & equipment to prepayments.

The value attributed to long lease land was not depreciated under UK GAAP until the lease had less than 50 years to expiry. Under IFRS, the release of the prepayment will occur over the term of the lease. This results in a £0.1 million charge to reserves on transition. Prospectively, there will be a limited impact upon reported earnings.

The majority of the Group's leased buildings are held under short term leases and, consistent with UK GAAP, are classified as operating leases under IFRS. However, there are a limited number of leasehold properties where the rental obligations have been reclassified as finance leases based on the criteria set out in IAS 17.

This has resulted in the recognition of finance lease obligations of £0.9 million at the transition date, partially offset by an increase in property, plant & equipment of £0.7 million. The impact on the 2004 results is to reduce trading expenses by £0.1 million with a corresponding increase in finance expense, such that profit before tax is unaffected.

(e) Deferred tax

Under UK GAAP tax was provided on all 'timing' differences that arose due to inclusion of gains and losses in tax assessments in different periods or amounts to that recorded in the financial statements.

Under IAS 12, 'Deferred taxes', deferred tax is recognised in respect of the majority of differences between the tax base and the carrying value of balance sheet items.

Appendix 1 – Transition to IFRS
continued

Most significantly for the Group, this results in the recognition of deferred tax on the majority of the Group's properties: as the majority of the Group's properties do not attract writing-down allowances for tax purposes the depreciation thereon creates a taxable temporary difference. Under UK GAAP, tax was not provided on such permanent differences.

Similarly, under IAS 12, deferred tax is provided on anticipated taxable gains on assets held for sale, freehold land revaluations and chargeable gains rolled over.

At transition, deferred tax is provided on the properties acquired via business combinations(b) of £39.1 million, in addition to the 'prepayment' of long lease land as noted above.

Under UK GAAP, the deferred tax asset recognised at December 2003 was £9.7 million. This is substantially eliminated under IFRS. At December 2004, these figures were an asset of £7.1 million under UK GAAP compared to a liability of £1.6 million under IFRS.

As a result of the elimination of goodwill amortisation and the tax provision on a large percentage of the property portfolio, it is estimated that the effective tax rate under IFRS will be approximately 31.0 per cent compared to 32.5 per cent under UK GAAP.

The impact of IAS 12 on net assets and results of the Group is summarised below.

	As at 26 Dec 2003 £m	As at 25 Jun 2004 £m	As at 31 Dec 2004 £m
Deferred tax asset under UK GAAP	9.7	9.8	7.1
Deferred tax adjustments in respect of:			
Defined benefit obligations*	3.9	4.6	4.4
Long-service awards	0.3	0.3	0.3
Long lease rental prepayments	(0.8)	(0.8)	(1.1)
Property acquired via business combinations	(11.9)	(11.5)	(11.1)
Assets held for sale, land revaluations and rolled over gains	(0.6)	(0.9)	(1.3)
Share based payments*	–	0.1	0.1
Deferred tax asset/(liability) under IFRS	0.6	1.6	(1.6)

* An element of the deferred tax movements will be recognised directly in equity.

(f) Dividends payable

Under UK GAAP, dividends payable were recognised under the matching principle and recorded in the period to which they related even if the formal authorisation of the dividend did not take place until after the balance sheet date.

IAS 10, 'Events after the balance sheet date' requires that dividends are only recognised when they are appropriately approved and are no longer at the discretion of the Directors.

Consequently, the final dividend of £3.0 million recognised in the 2004 UK GAAP financial statements is not recorded under IFRS until the 2005 period and the 2004 interim dividend is not recognised until August 2004.

(b) Properties acquired otherwise than via a business combination will have no deferred tax provided on them. This also includes subsequent expenditure.

(g) Presentational changes

Format of the financial statements

The formats of the primary financial statements in this report are presented in accordance with IAS 1, 'Presentation of financial statements'.

In addition to the key accounting policy changes and IFRS adjustments highlighted above, there are a number of presentational changes, which will have a minimal impact on the results and net assets of the Group.

Swaps

As detailed in the 2004 Annual Report and Accounts (note 18 (e)), the Group is party to a number of interest rate swap contracts, the commercial effect of which is that the Group makes fixed and determinable bi-annual payments on a notional principal. Accordingly, these contracts were considered onerous and classified as provisions in the UK GAAP balance sheet and carried at their present value. The unwinding of the discount was charged to net interest payable and similar items in the UK GAAP profit and loss account.

Under IFRS, the accounting treatment is consistent with UK GAAP and there is no adjustment required to either the net assets or results of the Group. However, in accordance with IAS 39, the Board considered that the obligation is more appropriately disclosed in the balance sheet as an other financial liability rather than within provisions.

Accordingly, the balance at the transition date of £6.5 million has transferred from provisions to other financial liabilities. Part of this balance is shown within current liabilities.

Capitalised software

Under UK GAAP, all capitalised computer software was included within tangible fixed assets. IAS 38, 'Intangible assets' requires software that is not an integral part of an item of computer hardware be classified within intangible assets.

As such, a net reclassification of £2.1 million has been made in the transition balance sheet between property, plant & equipment and intangible assets. Neither the useful economic life nor the depreciation/ amortisation rate are affected.

Non-current assets held for sale

Under UK GAAP, tangible assets held for sale were tested for impairment at the balance sheet date and included within tangible fixed assets.

IFRS 5, 'Non-current assets held for sale and discontinued operations' requires that items of property, plant & equipment whose carrying value is expected to be recovered through sale (rather than continued use) should be separately disclosed on the face of the balance sheet.

No material adjustment is required to the carrying value.

Provisions

Under UK GAAP, provisions were disclosed in the balance sheet after liabilities falling due after more than one year. Under IFRS, the element of provisions that is expected to mature in less than twelve months is reported within current liabilities and the balance is shown within non-current liabilities.

Cash equivalents
The adoption of IFRS does not affect the Group's underlying cash flows. However, under IAS 7 liquid investments with maturities of less than three months to maturity are classified within cash and cash equivalents. Under UK GAAP, certain of the Group's cash balances were restricted in use and, where the maturity was less than three months these amounts were reported in the cash flow statements as management of liquid resources.

Under UK GAAP, a reconciliation of cash movements in the period was presented. This included as a reconciling item the cash flow arising from the investment in or realisation of liquid resources. Under IFRS, the cash flow statement reconciles to cash and cash equivalents and as such any movements arising due to cash equivalents do not represent reconciling items.

4 Accounting policies
The significant accounting policies adopted in the preparation of the Group's consolidated financial statements in accordance with IFRS, are set out below. In certain instances, the accounting policy adopted under IFRS is the same as that employed under UK GAAP and in the preparation of the Annual Report & Accounts for the 53 week period ended 31 December 2004. As such, those accounting policies are set out in that report.

Basis of preparation
The consolidated interim financial statements include the financial statements of the Company and all its subsidiaries ('the Group').

Historically, the Group prepared its consolidated financial statements under UK GAAP. European law requires that the Group's financial statements for the 52 week period ending 30 December 2005 are prepared in accordance with IFRS, including IAS and related interpretations issued by the IASB and its committees, as endorsed by the European Commission.

Further details on the basis of preparation are set out in note 2.

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 and 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 could differ from those estimates.

Statement of Directors' responsibilities
The Directors consider in preparing the preliminary comparative IFRS financial information on the basis set out above that the Company and the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, including the assumptions the Directors have made about the standards and interpretations expected to be effective, and the policies expected to be adopted, when they prepare its first complete set of IFRS financial statements as at 30 December 2005 and that all accounting standards which they consider to be applicable have been followed.

Basis of consolidation
The financial statements are presented in the form of Group consolidated financial statements. These 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.

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, 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 of subsidiary undertakings
Results of subsidiary undertakings acquired during the financial period are included in Group profit from the effective date of control. 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.

Associated undertakings
Entities in which the Group is in a position to exercise significant influence but does not have control are associated undertakings. The results, assets and liabilities of associated undertakings are incorporated into the Group's financial statements using the equity method of accounting. The Group's share of the profit after interest and tax of associated undertakings is included as one line below operating profit, where material. Investment in associated undertakings are carried in the balance sheet at cost as adjusted by post-acquisition changes in the Group's share of the net assets of the entity.

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.

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 businesses 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
Trade names are recognised as intangible 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 regular 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 of 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 names life such as competition, shifting demographics or development 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.
- The likely support the Group will give to the name in its local environment through marketing, promotion and raising and maintaining community awareness etc.

The useful lives of all capitalised trade names are reviewed on an annual 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 – 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.

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

Property, plant & equipment
The accounting polices adopted under IFRS are identical to those employed under UK GAAP.

However, during the period, the Directors have reassessed the estimated useful life of major renovations on its trading premises resulting in an additional depreciation charge of £0.3 million in the 26 weeks to 1 July 2005.

The Directors have also reassessed the residual values attributed to the Group's motor vehicles resulting in a reduction in the depreciation charge of £0.5 million in the period.

Property, plant & equipment held under leases
When assets are financed by leasing agreements, where the risks and rewards are substantially transferred to the Group ('finance leases') 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 wholly to the income statement.

Impairment of assets

The carrying values of goodwill, intangible assets and property, plant & 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 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 2.25 per cent 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.

Non-current assets held for sale

Non-current assets classified as held for sale are measured at the lower of carrying value and fair value less costs to sell. Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and expected to be completed within one year from classification and the asset is available for immediate sale in its present condition.

Taxation

The tax charge for the period includes the charge for tax currently payable and deferred taxation. 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 base or where the carrying value of a liability is less than its associated tax base. Deferred tax is provided for any differences that exist between the tax base and accounting base of intangible assets 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.

The Group is able to control the timing of dividends from its subsidiaries and hence does not expect to remit overseas earnings in the foreseeable future in a way that would result in a charge to taxable profit. Consequently, deferred tax is recognised in respect of the retained earnings of overseas subsidiaries only to the extent that, at the balance sheet date, dividends have been accrued as receivable or a binding agreement to distribute past earnings in future has been entered into by the subsidiary.

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 straight line 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 SORIE. 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 obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost and 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.

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 derivatives such as interest rate swaps. Interest differentials under interest rate swaps are recognised by adjustments of the

underlying interest payable over the term of the agreement and are charged to the income statement over the term of the instrument. The cash flows from, and losses arising on terminations of, these contracts are recognised as cash flows from operating activities.

Trade receivables
Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

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.

5 Reconciliations from UK GAAP to IFRS
The following reconciliations provide details of the financial impact of the transition to IFRS from UK GAAP on the net assets and results of the Group as previously reported on the following:

- Reconciliation of equity as at 27 December 2003.
- Reconciliation of equity as at 25 June 2004.
- Reconciliation of equity as at 31 December 2004.
- Reconciliation of net loss for the 26 week period ended 25 June 2004.
- Reconciliation of net profit for the 53 week period ended 31 December 2004.
- Reconciliation of cash flows for the 26 week period ended 25 June 2004.
- Reconciliation of cash flows for the 53 week period ended 31 December 2004.

In restating the consolidated balance sheet from UK GAAP formats into IFRS formats, the balances previously reported within current assets as ‘Debtors – amounts falling due after more than one year’ have been shown within non-current assets. Otherwise, the formats of the primary financial statements adopted under IFRS are substantially similar to those reported under UK GAAP.

Reconciliation of Equity

as at 27 December 2003

	UK GAAP in IFRS format £m	IAS 19 Employee benefits £m
Goodwill	106.5	–
Intangible assets	–	–
Property, plant & equipment	86.2	–
Financial assets	2.4	(0.2)
Assets held for sale	–	–
Deferred tax assets	9.7	4.2
Non-current assets	204.8	4.0
Inventories	3.1	–
Trade and other receivables	20.8	–
Cash and cash equivalents	41.9	–
Current assets	65.8	–
Financial liabilities	(15.5)	–
Trade and other payables	(31.6)	–
Current tax	–	–
Provisions	–	–
Current liabilities	(47.1)	–
Net current assets	18.7	–
Financial liabilities	(291.3)	–
Deferred tax liabilities	–	–
Retirement benefit obligation	–	(12.7)
Other non-current liabilities	(1.8)	(0.9)
Provisions	(10.0)	–
Non-current liabilities	(303.1)	(13.6)
Net liabilities	(79.6)	(9.6)
Shareholders' equity		
Share capital and premium	2.0	–
Other reserves	(12.3)	–
Retained earnings	(68.1)	(9.6)
Total shareholders' equity	(78.4)	(9.6)
Minority interest in equity	(1.2)	–
Total equity	(79.6)	(9.6)

IFRS 3 Business combinations £m	IFRS 2 Share-based payments £m	IAS 17 Leases £m	IAS 12 Taxation £m	IAS 10 Dividends £m	Reclassifi-cations £m	**Restated IFRS £m**
0.2	–	–	–	–	–	**106.7**
–	–	–	–	–	2.1	**2.1**
–	–	(2.1)	–	–	(2.9)	**81.2**
–	–	2.7	–	–	–	**4.9**
–	–	–	–	–	0.8	**0.8**
–	–	–	(13.3)	–	–	**0.6**
0.2	–	0.6	(13.3)	–	–	**196.3**
–	–	–	–	–	–	**3.1**
–	–	–	–	–	–	**20.8**
–	–	–	–	–	–	**41.9**
–	–	–	–	–	–	**65.8**
–	–	–	–	–	(0.5)	**(16.0)**
(0.2)	–	–	–	–	–	**(31.8)**
–	–	–	–	–	–	**–**
–	–	–	–	–	(1.0)	**(1.0)**
(0.2)	–	–	–	–	(1.5)	**(48.8)**
(0.2)	–	–	–	–	(1.5)	**17.0**
–	–	(0.9)	–	–	(6.0)	**(298.2)**
–	–	–	–	–	–	**–**
–	–	–	–	–	–	**(12.7)**
–	–	–	–	–	–	**(2.7)**
–	–	–	–	–	7.5	**(2.5)**
–	–	(0.9)	–	–	1.5	**(316.1)**
–	–	(0.3)	(13.3)	–	–	**(102.8)**
–	–	–	–	–	–	**2.0**
–	–	–	–	–	–	**(12.3)**
–	–	(0.3)	(13.3)	–	–	**(91.3)**
–	–	(0.3)	(13.3)	–	–	**(101.6)**
–	–	–	–	–	–	**(1.2)**
–	–	(0.3)	(13.3)	–	–	**(102.8)**

Reconciliation of Equity

as at 25 June 2004

	UK GAAP in IFRS format £m	IAS 19 Employee benefits £m
Goodwill	105.2	–
Intangible assets	–	–
Property, plant & equipment	84.3	–
Financial assets	2.6	(0.5)
Assets held for sale	–	–
Deferred tax assets	9.8	4.9
Non-current assets	201.9	4.4
Inventories	3.1	–
Trade and other receivables	20.0	–
Cash and cash equivalents	42.5	–
Current assets	65.6	–
Financial liabilities	(10.1)	–
Trade and other payables	(27.3)	(0.6)
Current tax	(0.1)	–
Provisions	–	–
Current liabilities	(37.5)	(0.6)
Net current assets	28.1	(0.6)
Financial liabilities	(187.4)	–
Deferred tax liabilities	–	–
Retirement benefit obligation	–	(15.0)
Other non-current liabilities	(1.6)	(0.9)
Provisions	(10.5)	–
Non-current liabilities	(199.5)	(15.9)
Net assets	30.5	(12.1)
Shareholders' equity		
Share capital and premium	117.2	–
Other reserves	(12.2)	(1.5)
Retained earnings	(73.3)	(10.6)
Total shareholders' equity	31.7	(12.1)
Minority interest in equity	(1.2)	–
Total equity	30.5	(12.1)

IFRS 3 Business combinations £m	IFRS 2 Share-based payments £m	IAS 17 Leases £m	IAS 12 Taxation £m	IAS 10 Dividends £m	Reclassifi-cations £m	**Restated IFRS £m**
1.9	–	–	–	–	–	**107.1**
1.1	–	–	–	–	1.8	**2.9**
–	–	(2.2)	–	–	(2.6)	**79.5**
–	–	2.8	–	–	–	**4.9**
–	–	–	–	–	0.8	**0.8**
–	–	–	(13.1)	–	–	**1.6**
3.0	–	0.6	(13.1)	–	–	**196.8**
–	–	–	–	–	–	**3.1**
–	–	–	–	–	–	**20.0**
–	–	–	–	–	–	**42.5**
–	–	–	–	–	–	**65.6**
–	–	–	–	–	(0.6)	**(10.7)**
(0.1)	–	–	–	1.5	–	**(26.5)**
–	–	–	–	–	–	**(0.1)**
–	–	–	–	–	(1.2)	**(1.2)**
(0.1)	–	–	–	1.5	(1.8)	**(38.5)**
(0.1)	–	–	–	1.5	(1.8)	**27.1**
–	–	(0.9)	–	–	(6.6)	**(194.9)**
–	–	–	–	–	–	**–**
–	–	–	–	–	–	**(15.0)**
–	–	–	–	–	–	**(2.5)**
–	–	–	–	–	8.4	**(2.1)**
–	–	(0.9)	–	–	1.8	**(214.5)**
2.9	–	(0.3)	(13.1)	1.5	–	**9.4**
–	–	–	–	–	–	**117.2**
–	–	–	–	–	–	**(13.7)**
2.9	–	(0.3)	(13.1)	1.5	–	**(92.9)**
2.9	–	(0.3)	(13.1)	1.5	–	**10.6**
–	–	–	–	–	–	**(1.2)**
2.9	–	(0.3)	(13.1)	1.5	–	**9.4**

Reconciliation of Equity

as at 31 December 2004

	UK GAAP in IFRS format £m	IAS 19 Employee benefits £m
Goodwill	105.4	–
Intangible assets	–	–
Property, plant & equipment	89.3	–
Financial assets	2.7	(0.8)
Assets held for sale	–	–
Deferred tax assets	7.1	4.7
Non-current assets	204.5	3.9
Inventories	3.4	–
Trade and other receivables	19.7	–
Cash and cash equivalents	24.9	–
Current assets	48.0	–
Financial liabilities	(1.8)	–
Trade and other payables	(20.6)	–
Current tax	(0.1)	–
Provisions	–	–
Current liabilities	(22.5)	–
Net current assets	25.5	–
Financial liabilities	(186.5)	–
Deferred tax liabilities	–	–
Retirement benefit obligation	–	(13.8)
Other non-current liabilities	(1.8)	(0.9)
Provisions	(10.0)	–
Non-current liabilities	(198.3)	(14.7)
Net assets	31.7	(10.8)
Shareholders' equity		
Share capital and premium	117.2	–
Other reserves	(12.1)	(0.5)
Retained earnings	(72.2)	(10.3)
Total shareholders' equity	32.9	(10.8)
Minority interest in equity	(1.2)	–
Total equity	31.7	(10.8)

IFRS 3 Business combinations £m	IFRS 2 Share-based payments £m	IAS 17 Leases £m	IAS 12 Taxation £m	IAS 10 Dividends £m	Reclassifi-cations £m	**Restated IFRS £m**
2.4	–	–	–	–	–	**107.8**
3.6	–	–	–	–	1.6	**5.2**
–	–	(2.9)	–	–	(2.4)	**84.0**
–	–	3.5	–	–	–	**5.4**
–	–	–	–	–	0.8	**0.8**
(0.1)	0.1	–	(13.4)	–	1.6	**–**
5.9	0.1	0.6	(13.4)	–	1.6	**203.2**
–	–	–	–	–	–	**3.4**
–	–	–	–	–	–	**19.7**
–	–	–	–	–	–	**24.9**
–	–	–	–	–	–	**48.0**
–	–	–	–	–	(0.2)	**(2.0)**
–	–	–	–	3.0	–	**(17.6)**
–	–	–	–	–	–	**(0.1)**
–	–	–	–	–	(1.0)	**(1.0)**
–	–	–	–	3.0	(1.2)	**(20.7)**
–	–	–	–	3.0	(1.2)	**27.3**
–	–	(0.9)	–	–	(6.5)	**(193.9)**
–	–	–	–	–	(1.6)	**(1.6)**
–	–	–	–	–	–	**(13.8)**
–	–	–	–	–	–	**(2.7)**
–	–	–	–	–	7.7	**(2.3)**
–	–	(0.9)	–	–	(0.4)	**(214.3)**
5.9	0.1	(0.3)	(13.4)	3.0	–	**16.2**
–	–	–	–	–	–	**117.2**
–	0.1	–	–	–	–	**(12.5)**
5.9	–	(0.3)	(13.4)	3.0	–	**(87.3)**
5.9	0.1	(0.3)	(13.4)	3.0	–	**17.4**
–	–	–	–	–	–	**(1.2)**
5.9	0.1	(0.3)	(13.4)	3.0	–	**16.2**

Reconciliation of Net Loss
for the 26 week period ended 25 June 2004

	UK GAAP in IFRS format £m	IAS 19 Employee benefits £m
Revenue	69.1	–
Gross profit	35.7	(1.0)
Trading expenses	(17.8)	–
Other operating income	1.2	–
Operating profit	19.1	(1.0)
Interest payable before exceptional charges	(13.7)	(0.1)
Exceptional interest payable on redemption of debt	(10.1)	–
Interest payable and similar charges	(23.8)	(0.1)
Interest receivable	0.8	–
Loss before tax	(3.9)	(1.1)
Taxation	0.2	0.1
Loss for the period	(3.7)	(1.0)

Reconciliation of Net Profit
for the 53 week period ended 31 December 2004

	UK GAAP in IFRS format £m	IAS 19 Employee benefits £m
Revenue	135.7	–
Gross profit	68.4	(0.7)
Trading expenses	(35.7)	–
Other operating income	1.2	–
Operating profit	33.9	(0.7)
Interest payable before exceptional charges	(22.2)	(0.3)
Exceptional interest payable on redemption of debt	(10.1)	–
Interest payable and similar charges	(32.3)	(0.3)
Interest receivable	1.5	–
Profit/(loss) before tax	3.1	(1.0)
Taxation	(2.7)	0.3
Profit/(loss) for the period	0.4	(0.7)

IFRS 3 Business combinations £m	IFRS 2 Share-based payments £m	IAS 17 Leases £m	IAS 12 Taxation £m	IAS 10 Dividends £m	Reclassi-fications £m	**Restated IFRS £m**
–	–	–	–	–	–	**69.1**
–	–	–	–	–	–	**34.7**
2.9	–	–	–	–	–	**(14.9)**
–	–	–	–	–	–	**1.2**
2.9	–	–	–	–	–	**21.0**
–	–	–	–	–	–	**(13.8)**
–	–	–	–	–	–	**(10.1)**
–	–	–	–	–	–	**(23.9)**
–	–	–	–	–	–	**0.8**
2.9	–	–	–	–	–	**(2.1)**
–	–	–	0.2	–	–	**0.5**
2.9	–	–	0.2	–	–	**(1.6)**

IFRS 3 Business combinations £m	IFRS 2 Share-based payments £m	IAS 17 Leases £m	IAS 12 Taxation £m	IAS 10 Dividends £m	Reclassifi-cations £m	**Restated IFRS £m**
–	–	–	–	–	–	**135.7**
–	–	–	–	–	–	**67.7**
5.9	–	0.1	–	–	–	**(29.7)**
–	–	–	–	–	–	**1.2**
5.9	–	0.1	–	–	–	**39.2**
–	–	(0.1)	–	–	–	**(22.6)**
–	–	–	–	–	–	**(10.1)**
–	–	(0.1)	–	–	–	**(32.7)**
–	–	–	–	–	–	**1.5**
5.9	–	–	–	–	–	**8.0**
–	–	–	(0.1)	–	–	**(2.5)**
5.9	–	–	(0.1)	–	–	**5.5**

Reconciliation of Cash Flows

for the 26 week period ended 25 June 2004

	UK GAAP in IFRS format £m	Adjustments £m	Restated IFRS £m
Cash flows from operating activities			
Cash generated from operations	26.1	–	**26.1**
Interest received	0.8	–	**0.8**
Interest paid	(23.5)	–	**(23.5)**
Tax paid	(0.1)	–	**(0.1)**
Net cash from operating activities	3.3	–	**3.3**
Cash flows from investing activities			
Acquisition of subsidiaries	(1.5)	–	**(1.5)**
Purchase of property, plant & equipment ('PPE')	(1.9)	–	**(1.9)**
Proceeds from sale of PPE	1.1	–	**1.1**
Transfers from restricted bank accounts	15.9	–	**15.9**
Net cash from investing activities	13.6	–	**13.6**
Cash flows from financing activities			
Net proceeds from issue of shares	115.2	–	**115.2**
Finance lease principal repayments	–	–	**–**
Repayment of borrowings	(115.6)	–	**(115.6)**
Dividends paid to shareholders	–	–	**–**
Net cash used in financing activities	(0.4)	–	**(0.4)**
Management of liquid resources	(9.2)	9.2	**–**
Net increase in cash and cash equivalents	7.3	9.2	**16.5**
Cash and cash equivalents at beginning of the period	22.4	–	**22.4**
Cash and cash equivalents at the end of the period	29.7	9.2	**38.9**

Reconciliation of Cash Flows

for the 53 week period ended 31 December 2004

	UK GAAP in IFRS format £m	Adjustments £m	**Restated IFRS £m**
Cash flows from operating activities			
Cash generated from operations	44.1	0.1	**44.2**
Interest received	1.6	–	**1.6**
Interest paid	(39.4)	–	**(39.4)**
Tax paid	(0.1)	–	**(0.1)**
Net cash from operating activities	6.2	0.1	**6.3**
Cash flows from investing activities			
Acquisition of subsidiaries	(5.3)	–	**(5.3)**
Purchase of PPE	(8.5)	–	**(8.5)**
Proceeds from sale of PPE	2.3	–	**2.3**
Transfers from restricted bank accounts	18.3	–	**18.3**
Net cash from investing activities	6.8	–	**6.8**
Cash flows from financing activities			
Net proceeds from issue of shares	115.2	–	**115.2**
Finance lease principal repayments	–	–	**–**
Repayment of borrowings	(125.4)	(0.1)	**(125.5)**
Dividends paid to shareholders	(1.5)	–	**(1.5)**
Net cash used in financing activities	(11.7)	(0.1)	**(11.8)**
Management of liquid resources	(5.3)	5.3	**–**
Net (decrease)/increase in cash and cash equivalents	(4.0)	5.3	**1.3**
Cash and cash equivalents at beginning of the period	22.4	–	**22.4**
Cash and cash equivalents at the end of the period	18.4	5.3	**23.7**

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, 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 at 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 29, LON20771, London, W1E 0ZT or telephone +44 (0)845 703 4599 for an application form.

Financial calendar

Details of the Company's financial calendar may be found on the inside back cover of this Interim Report.

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Financial Calendar

15 September 2005
Announcement of interim results

28 October 2005
Payment of interim dividend
on Ordinary Shares

30 December 2005
Financial period end

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