Dignity
CARING FUNERAL SERVICES

For immediate release **4 March 2015**

Dignity plc

Preliminary results for the 52 week period ended 26 December 2014

Dignity plc (Dignity or the Group), the UK's only listed provider of funeral related services, announces its preliminary results for the 52 week period ended 26 December 2014.

Financial highlights

	52 week Period ended 26 December 2014	52 week Period ended 27 December 2013	Increase per cent
Revenue (£million)	**268.9**	256.7	5
Underlying operating profit[(a)] (£million)	**84.9**	78.4	8
Underlying profit before tax[(a)] (£million)	**58.5**	52.9	11
Underlying earnings per share[(b)] (pence)	**85.8**	72.1	19
Cash generated from operations[(c)] (£million)	**104.4**	94.2	11
Operating profit (£million)	**82.9**	75.1	10
(Loss)/profit before tax (£million)[(d)]	**(67.7)**	49.6	n/a
Basic earnings per share (pence)[(d)]	**(104.0)**	72.8	n/a
Interim dividend paid in the period[(e, f)] (pence)	**6.49**	-	n/a
Final dividend proposed in the period[(g)] (pence)	**13.01**	11.83	10
Return of Cash (£million)	**64.4**	61.9	4

(a) Underlying profit is calculated as profit (or loss) excluding profit (or loss) on sale of fixed assets, external transaction costs and exceptional items.

(b) Underlying earnings per share is calculated as profit (or loss) on ordinary activities after taxation, before profit (or loss) on sale of fixed assets and external transaction costs and exceptional items (all net of tax), divided by the weighted average number of Ordinary Shares in issue in the period.

(c) Cash generated from operations excludes external transaction costs and pension contributions made from the proceeds of debt issues.

(d) As previously announced, non-cash charges resulting from the refinancing during the period have led to a reported statutory loss.

(e) The interim dividend represents the interim dividend that was declared and paid in the period out of earnings generated in the same period.

(f) An interim dividend was not paid separately in 2013, but was instead included within the £1.08 Return of Cash per Ordinary Share paid in August 2013.

(g) The final dividend in 2014 is the proposed dividend expected to be approved at the annual general meeting on 11 June 2015. The 2013 final dividend is the dividend declared and paid in 2014.

Highlights

- Capital structure refinanced with new 35 year investment grade secured debt, reducing annual debt service obligations (principal and interest) from approximately £40 million to approximately £33 million per annum;

- As previously announced, non-cash charges resulting from this refinancing have led to a reported statutory loss;

- £64.4 million of cash returned to shareholders (£1.20 per share) following this refinancing;

- Eleventh consecutive year of operating profit growth since flotation in 2004;

- Strong operating performance by all three operating divisions;

- Profits continue to be converted to cash;

- Customer satisfaction remains at very high levels, with 99 per cent of families saying we met or exceeded their expectations and 98 per cent saying they would recommend us;

- £24.7 million invested in funeral acquisitions, adding a further 30 funeral locations to the Group's portfolio;

- Four satellite locations opened within the funeral business;

- Memorial sales remain robust; and

- Another strong year of pre-arranged funeral plan sales, with unfulfilled pre-arranged funeral plans increasing to 348,000.

Mike McCollum, Chief Executive of Dignity plc commented:

"The Group has continued to perform strongly, delivering operational performance ahead of consensus estimates. This performance was underpinned by our ongoing commitment to outstanding customer service, further investment in our business and continued tight cost control.

2015 has started strongly and the Board's expectations for the year remain positive and unchanged."

For more information

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From the Chairman

Overview

The Group continues to go from strength to strength. Continued improvement in our financial performance has been possible through a combination of exceptional client service from our staff, supported by further investment to ensure we have excellent facilities, delivering growth from our core operations. Our strong, consistent track record and positive outlook for the business allowed us to refinance our capital structure with 35 year investment grade debt.

The excellent financial performance is quantified as an eight per cent growth in underlying operating profit to £84.9 million (2013: £78.4 million). Underlying earnings per share increased 19 per cent to 85.8 pence per Ordinary Share (2013: 72.1 pence per Ordinary Share). During the period, we invested £24.7 million in acquisitions of funeral businesses.

This year's Strategic and Governance Reports (within the Annual Report) seek to describe the year's events in a concise, understandable manner and build on the reporting developed last year.

Dividends

This performance allows the Board to propose a final dividend of 13.01 pence per Ordinary Share; another increase of 10 per cent on the previous year. If shareholders approve this payment at the Annual General Meeting ('AGM') on 11 June 2015, then it will be paid on 26 June 2015 to members on the register at close of business on 29 May 2015.

Refinancing

During the period and as previously announced, the Group successfully refinanced its secured debt structure, resetting the repayment period to 35 years. This allowed a return of cash to shareholders of £64.4 million, £1.20 per Ordinary Share. The transaction is described fully in the Financial Review. As previously announced, the accounting treatment for the transaction resulted in a statutory loss for the period as a consequence of certain non-cash charges.

Delivering consistent increases

The business has performed consistently over a long period. Underlying operating profit has increased on average by eight per cent per year since 2004, with the lowest annual increase being six per cent. Underlying earnings per share has increased on average by 16 per cent per year since 2004, with the lowest annual increase being six per cent. This has been achieved by remaining focused on a consistent strategy over that time.

The Board

There have been no changes to the Board in the year. I am pleased to confirm that Alan and Ishbel have renewed their contracts for a further two years.

The Board continues to operate effectively and I am grateful to my colleagues for their continued support.

Our people

Our staff continue to deliver outstanding service for our clients, recognising at all times that they are here to help at a very difficult time. My thanks for their support and dedication extend to each individual, irrespective of the role they perform.

Outlook for 2015

The Group remains committed to the strategy set out in the 'Strategy and business model' section of the Annual Report. It has served the Group well for 11 years as a public company and the Board continues to believe it is an appropriate strategy for the future.

Deaths in the first eight weeks of 2015 are approximately 23 per cent higher than the abnormally low number in the same period last year. The Group's first quarter 2015 result should therefore be significantly higher than the same period in the prior year. However, as seen in previous years, this is likely to normalise over the remainder of the year. The Board's expectations for 2015 therefore remain positive and unchanged.

Peter Hindley
Chairman
4 March 2015

Chief Executive's Overview

Overview

2014 has been another eventful year for the Group. Investment in funeral acquisitions has continued apace and we have reset our capital structure, releasing further cash to shareholders and reducing the combined annual cash cost of servicing the principal and interest of our debt by approximately £7 million. Alongside these corporate activities, our core business has performed strongly whilst maintaining outstanding levels of client service.

Our performance in 2014

All three operating divisions have contributed to the success of the business in the year. We continue to follow our long standing strategy and have seen revenues and operating profit grow within our core business. Although we do not separately disclose the operating performance of the Yew Holdings Limited acquisition made in 2013, it has performed very strongly and exceeded our expectations.

Acquisitions

Whilst 2013 was a busy year because of a single large acquisition, 2014 was a year of many smaller acquisitions. A total net investment of £24.7 million was made to acquire 30 funeral locations. Each acquisition met our strict criteria of being well established, successful businesses in their own right prior to acquisition and I am delighted that they have joined the Group.

Continued investment across our core business

We continue to invest significant amounts of capital and resource in the core business. In 2014, £5.4 million was invested in new specialist vehicles, with a further £11.7 million invested in our properties and infrastructure. This helps to support our employees as they strive to deliver the best service they can.

People and values

Our staff continue to support the business and the families we have the privilege of caring for in whatever way their role requires. Their performance helps to build the reputation of the Group which in turn leads to its future success and I remain grateful for their commitment. I am delighted that once again they have been able to share in the Group's success and have received a discretionary bonus equivalent to £1,100 for each full time member of staff. The total cost was £2.7 million.

Outstanding service delivery remains at the heart of our business and long-term focus

2014 was underpinned by another year of outstanding client service results, the detail of which is included later in the Preliminary Announcement. We have committed staff who follow a simple, consistent strategy. We run the business in ways that make economic sense for all our stakeholders in both the short-term and the long-term, never losing sight of the fact that a significant proportion of our business occurs as a result of recommendation, reputation and previous experience.

A positive outlook

The business remains well placed for the future. Customer satisfaction remains very high; our core portfolio is performing well with costs under control; we are achieving good pre-arranged funeral plan sales; our pipeline of corporate development activity looks strong; and our capital structure is once again appropriately leveraged. Whilst the rate of growth of operating profit will inevitably slow as the Group continues to get bigger, we continue to believe that a 10 per cent per annum increase in EPS remains a suitable target for the business over the medium-term.

Operating Review

Introduction
The Group's operations are managed across three distinct divisions: funerals, crematoria and pre-arranged funeral plans, which respectively represent 65 per cent, 28 per cent and seven per cent of the Group's underlying operating profit (before central overheads).

Funeral services

Overview
Funeral services relate to the provision of funerals and ancillary items, such as memorials and floral tributes.

Performance
As at 26 December 2014, the Group operated a network of 718 (2013: 690) funeral locations throughout the United Kingdom, generally trading under local established names. During the period, the Group conducted 65,600 funerals.

Approximately two per cent of all funerals were conducted in Northern Ireland. Excluding Northern Ireland, these funerals represent approximately 11.7 per cent (2013: 11.9 per cent) of total estimated deaths in Britain. Whilst funerals divided by estimated deaths is a reasonable measure of our market share, the Group does not have a complete national presence and consequently, this calculation can only ever be an estimate.

Underlying operating profit was £66.3 million (2013: £60.8 million), an increase of nine per cent.

This strong performance has been achieved despite the reduction in the number of deaths compared to the previous period, partly as a result of the annual price rise being made earlier in the year than was previously the case. Cost control has remained good. Average income per funeral increased and remained robust.

The collection of 78 satellite locations opened in recent years contributed to the Group's profitability in the year in line with the Board's expectations. These locations are selected to be close enough to existing business centres to use their specialist vehicles and mortuary equipment. In this way, the locations will provide the same outstanding levels of client service without the need for significant capital investment.

Progress and Developments
Investment in the core portfolio
Significant cash resources continue to be used to maintain the Group's locations and fleet. In 2014, £11.5 million was invested in maintenance capital expenditure.

Funeral location portfolio
The Group acquired 12 funeral businesses representing 30 funeral locations during the period. In addition, four satellite locations were opened and six locations were closed, principally where it was considered commercially appropriate not to renew leases.

Outlook
The funeral division has performed strongly in the year and is well placed for the future.

Approximately 23 per cent of the funerals performed in the year had previously been pre-arranged. This compares to approximately 12 per cent in 2004. This proportion is anticipated to continue to increase over time. Whilst these funerals represent a substantially lower average revenue per funeral, their incremental nature means they are a positive contributor to the Group's performance.

Crematoria

Overview
Crematoria services relate to cremation services and the sale of memorials and burial plots at the Group's crematoria and cemeteries.

Performance
The Group remains the largest single operator of crematoria in Britain, operating 39 (2013: 39) crematoria as at 26 December 2014. The Group performed 53,400 cremations (2013: 55,500) in the period, representing 9.7 per cent (2013: 9.9 per cent) of total estimated deaths in Britain.

One of the Group's crematoria was flooded and not operational for approximately three months of the period. It has since reopened and the financial loss suffered has been recovered through insurance. These lost cremations represent approximately 0.1 per cent of total estimated deaths in Britain during the period.

Underlying operating profit was £29.1 million (2013: £27.4 million), an increase of six per cent.

This operating performance is driven by increasing average revenues per cremation, which has offset the reduction in the number of cremations performed in the year given the lower number of deaths in the period.

Sales of memorials and other items have been strong, equating to approximately £262 per cremation compared to £254 in the previous period.

Progress and Developments
Investment of £1.6 million has been made to develop two locations that were acquired from local authorities in 2012 and also to acquire additional land for use as a cemetery at another location. A further £0.8 million is expected to be incurred in 2015 to complete the local authority developments. The Group has also invested £1.8 million maintaining its locations in the period.

The Group is actively seeking planning permission to develop crematoria at four locations in the United Kingdom. The initial planning application at one of these locations has been denied and the Group is currently considering its options. During the period, the Group's appeal on a further planning application was denied and as a result, the Group has ceased to pursue this location.

Whilst development of such locations is not expected to be successful in all cases, they represent a potential opportunity to create new facilities in areas that will benefit the local community, whilst representing a potential opportunity to invest shareholder money profitably.

Outlook
The Group continues to identify further locations suitable for new crematoria and is also continuing to seek partnerships with local authorities. Progress on this is expected to be slow, albeit this supports the relative robustness and value of the Group's existing locations.

Pre-arranged funeral plans

Overview
Pre-arranged funeral plans represent the sale of funerals in advance to customers wishing to make their own funeral arrangements and the marketing and administration costs associated with making such sales. The Group continues to have a strong market presence in this area. These plans represent potential future incremental business for the funeral division, as the Group expects to perform the majority of these funerals.

Performance
Underlying operating performance in the period has been strong, with operating profit of £7.4 million (2013: £6.7 million), an increase of 10 per cent.

This improvement reflects very focused, cost efficient marketing combined with a small change in the relative sales volumes of each affinity partner.

In overall terms, approximately 40,000 new plan sales were made and the number of unfulfilled pre-arranged funeral plans increased to 348,000 (2013: 323,000) as at 26 December 2014.

Whilst the contribution to this year's operating profit from the marketing activity is reported at the time of sale, it is important to recognise that the sales made represent significant potential future revenues for the funeral division. These amounts will be recognised as and when the funerals are performed.

As with all the Group's operating profit, pre-arranged funeral plan profits convert efficiently into cash.

Progress and Developments
The increase in the number of unfulfilled plans follows plans sold in the year.

The Group has continued to work hard at developing its portfolio of affinity partners and has formed a number of new partnerships in the period with organisations in the retail and financial services arena with further trials expected in 2015.

For the third year running, the Group's customer service centre, based at its head office in Sutton Coldfield, gained first prize in the annual 'Top 50 Call Centres for Customer Service' awards. This tremendous achievement independently underlines the Group's commitment to providing excellent client service.

The financial position of the independent trusts holding members' monies is crucial, given the Group ultimately guarantees the promises made to members. At the end of 2014, the Trusts held over £700 million of assets. The latest actuarial valuations of the pre-arranged funeral plan trusts (at 26 September 2014) showed them to have sufficient assets to pay out all funerals at the current projected rates anticipated by the actuary. The Trustees, the majority of whom are independent of the Group, have informed the Group that they have now, with independent external advice, completed a review of the Trust's investment strategy. This will result in the Trust's assets moving to a wider mix of investments, including exposures overseas and in equities.

Outlook
Opportunities for growth continue through the development of existing relationships and the creation of new ones.

The change in the Trust's investment strategy is expected to enhance investment returns in the longer term for a similar level of risk. The strategy will however result in greater volatility year on year in the reported value of the Trust's assets.

Central overheads

Overview
Central overheads relate to central services that are not specifically attributed to a particular operating division. These include the provision of IT, finance, personnel and Directors' emoluments. In addition and consistent with previous periods, the Group records the costs of incentive bonus arrangements, such as Long-Term Incentive Plans ('LTIPs') and annual performance bonuses, which are provided to over 100 managers working across the business.

Developments
Costs in the period were £17.9 million (2013: £16.5 million), an increase of 8.5 per cent.

As predicted in last year's annual report, investment has continued in central support functions (particularly IT and HR) to ensure operational activity is appropriately supported as the business grows. Incentive costs including LTIP costs and cash bonuses have increased from £4.8 million to £5.8 million.

Capital expenditure of £0.8 million has been incurred on central projects predominantly relating to IT that will help the business as a whole operate more efficiently.

Outlook
Further investment in head office departments is expected in 2015 as the business continues to grow.

Mike McCollum
Chief Executive
4 March 2015

Financial Review

Introduction
These financial results have been prepared in accordance with International Financial Reporting Standards ('IFRSs').

Financial highlights
The Group's financial performance is summarised below:

	52 week period ended 26 December 2014	**52 week period ended 27 December 2013**	Increase %
Revenue (£ million)	**268.9**	256.7	5
Underlying operating profit[(a)] (£ million)	**84.9**	78.4	8
Underlying profit before tax[(a)] (£ million)	**58.5**	52.9	11
Underlying earnings per share[(a)] (pence)	**85.8**	72.1	19
Cash generated from operations (£ million)[(b)]	**104.4**	94.2	11
Operating profit (£ million)	**82.9**	75.1	10
(Loss)/ profit before tax (£ million)	**(67.7)**	49.6	n/a
Basic (loss)/ earnings per share (pence)	**(104.0)**	72.8	n/a
Dividends paid in the period:			
Interim dividend (pence)	**6.49**	-	n/a
Final dividend (pence)	**11.83**	10.75	10
Return of cash (£ million)	**64.4**	61.9	4

(a) Underlying amounts exclude profit (or loss) on sale of fixed assets, external transaction costs and exceptional items, net of tax where appropriate.
(b) Cash generated from operations excludes external transaction costs and pension contributions made from the proceeds of debt issues.

The Board has proposed a dividend of 13.01 pence per Ordinary Share as a final distribution of profits relating to 2014 to be paid on 26 June 2015, subject to shareholder approval.

Terminology
During the period, the Group refinanced its capital structure. Prior to 17 October 2014, the Group had on various occasions issued Class A Secured Notes due for final repayment in 2023 ('Old Class A Notes') and Class B Secured Notes due for final repayment in 2031 ('Old Class B Notes' and together with the Old Class A Notes, the 'Old Notes'). On 17 October 2014, the Group issued £238,904,000 Class A Secured 3.5456% Notes due 2034 ('New Class A Notes') and £356,402,000 Class B Secured 4.6956% Notes due 2049 ('New Class B Notes' and together with the New Class A Notes, the 'New Notes'). Secured Notes refers to either the New Notes or the Old Notes depending on the period.

Exceptional items and underlying reporting measures
The market value of the Old Notes was significantly in excess of their carrying value. As previously announced, the refinancing during the period resulted in an exceptional charge of £124.2 million. The majority (£117.4 million) of this charge was non-cash reflecting the mark to market of the Old Notes and the write-off of associated unamortised issue costs on the Group's balance sheet in respect of these financial liabilities. As a result, the Group reported a statutory loss for the year. This and the associated costs of the transaction have, because of their nature and amount, been disclosed as exceptional and are excluded from the Group's underlying performance measure in line with previous guidance. The refinancing and associated transactions are described in more detail later in this review and detailed in the Annual Report.

The Board believes that whilst statutory reporting measures provide a useful indication of the financial performance of the Group, additional insight is gained by excluding certain non-recurring or non-trading transactions. This is particularly relevant in 2014 because of the exceptional items described above. Accordingly, the following information is presented to aid understanding of the performance of the Group:

	52 week period ended 26 December 2014 £m	52 week period ended 27 December 2013 £m
Operating profit for the period as reported	**82.9**	75.1
Add the effects of:		
Loss on sale of fixed assets	0.3	0.1
External transaction costs	1.7	3.2
Underlying operating profit	**84.9**	78.4
Underlying net finance costs[c]	**(26.4)**	(25.5)
Underlying profit before tax	**58.5**	52.9
Tax charge on underlying profit before tax[d]	**(13.1)**	(12.9)
Underlying profit after tax	**45.4**	40.0
Weighted average number of Ordinary Shares in issue during the period (million)	**52.9**	55.5
Underlying EPS (pence)	**85.8p**	72.1p
Increase in Underlying EPS (per cent)	**19%**	15%

(c) Excludes exceptional finance costs of £124.2 million (2013: £nil).
(d) Excludes exceptional tax credit of £25.8 million (2013: £3.5 million).

Earnings per share

The Group's statutory loss after tax was £55.0 million (2013: profit after tax of £40.4 million). Basic earnings per share were a loss of 104.0 pence per share (2013: earnings per share of 72.8 pence per share). The Group's measures of underlying performance exclude the effect (after tax) of the profit (or loss) on sale of fixed assets, external transaction costs and exceptional items. Consequently, underlying profit after tax was £45.4 million (2013: £40.0 million), giving underlying earnings per share of 85.8 pence per share (2013: 72.1 pence per share), an increase of 19 per cent.

The growth rate for underlying EPS exceeded the growth in underlying operating profit, reflecting the leveraging effect of the Group's capital structure, a reduction in the number of shares in issue as well as some benefit from the reduction in headline Corporation Tax rates.

External transaction costs include amounts paid to external parties for legal, tax and other advice in respect of the Group's acquisitions.

Cash flow and cash balances

Cash generated from operations was £104.4 million (2013: £94.2 million) before external transaction costs of £1.1 million (2013: £1.6 million) and exceptional contribution to the Group's pension scheme of £1.0 million (2013: £1.0 million). This reflects the Group's continued ability to convert profits into cash.

Capital expenditure on property, plant and equipment was £17.2 million (2013: £18.2 million).

This is analysed as:

	26 December 2014 £m	27 December 2013 £m
Vehicle replacement programme and improvements to locations	**14.1**	14.2
Branch relocations	**1.4**	1.1
Satellite locations	**0.1**	0.3
Development of new crematoria	**1.6**	2.0
Mercury abatement project	**-**	0.6
Total property, plant and equipment	**17.2**	18.2
Partly funded by:		
Disposal proceeds	**(0.5)**	(0.6)
Net capital expenditure	**16.7**	17.6

In addition, the Group spent a net £24.7 million on the acquisition of 30 funeral locations.

The Group also paid dividends on Ordinary Shares totalling £9.8 million (2013: £6.2 million) in the period. This is higher than the prior year, as the Return of Cash in 2013 incorporated the interim dividend that would have been paid in October that year.

Cash balances at the end of the period were £86.5 million (2013: £142.3 million). The Group had £9.6 million (2013: £20.3 million) of cash that was, under the terms of the Group's securitisation, held in a separate account and used to pay amounts falling due on the Group's Secured Notes on 31 December 2014 (2013: 31 December 2013). These amounts do not therefore meet the definition of cash for cash flow reporting purposes. As a result of the issue of the New Notes, a new Liquidity Facility was entered into. This did not require any cash collateralisation by the provider, the Royal Bank of Scotland ('RBS'), thereby reducing overall cash levels compared to the previous period by £63 million.

Approximately £53 million of the remaining cash balance was immediately available for acquisitions and developments and approximately £15 million was set aside for future Corporation Tax and dividend payments.

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

Pensions
The balance sheet shows a deficit of £10.5 million before deferred tax (2013: deficit of £1.0 million). This reflects reductions in the period in the AA bond rate and thus the discount rate used by the actuary.

Taxation
The Group's effective tax rate in the period was 22.5 per cent (2013: 24.5 per cent (excluding the exceptional rate change)). Following the Government's announcement to reduce the rate of Corporation Tax in future years, the Group expects its effective rate in 2015 to be approximately 21.5 per cent and 21 per cent thereafter.

The Group's cash tax payments were £6.9 million (2013: £10.9 million) in the period. As a consequence of the refinancing, the Group does not anticipate having a Corporation Tax liability in respect of 2014. As a result, payments made on account in 2014 were refunded. The Group therefore expects reduced cash tax liabilities in 2015 and 2016.

Capital structure and financing

Issue of New Notes
Transaction summary and rationale
Since its flotation in 2004, the Group had periodically issued Old Notes, returning the majority of the net proceeds on each occasion to shareholders. The Board considers that maintaining a leveraged balance sheet is appropriate for the Group, given the stable and predictable nature of its cash flows.

The Group believed that given the low interest rate environment and the narrow spreads implicit in the market value of the Old Notes, there was an opportunity to extend the term of the Group's securitised debt and raise new funds.

The Group therefore approached existing noteholders, who approved a proposal to redeem all existing Old Notes, receiving New Notes in consideration. The transaction successfully completed on 17 October 2014.

Crucially, the Group was able to replicate two key aspects of the Old Notes in the structure of the New Notes: firstly, that the principal amounts outstanding would amortise and be repaid over the life of the New Notes and secondly, that the interest rate would be fixed, thereby giving the debt a fixed annual debt service obligation for the life of the New Notes, akin to a 35 year fixed rate mortgage.

The key terms of the New Notes (which are significantly different to the terms of the Old Notes) are summarised in the table below:

	New A Notes	New B Notes
Total new issuance at par	£238.9 million	£356.4 million
Legal maturity	31 December 2034	31 December 2049
Coupon	3.5456%	4.6956%
Rating by Standard & Poor's and Fitch	A	BBB

The New Notes have an annual debt service obligation (principal and interest) of circa £33.2 million compared to circa £40 million for the Old Notes.

Given the longer duration of the New Notes, this structure is capable of being used to periodically issue further New Notes when deemed appropriate and subject to market conditions. The majority of such proceeds have historically been returned to shareholders.

Use of proceeds

The gross proceeds of the New Notes were used as follows:

	£m
Repay Old Notes	507.2
Repay swap	5.1
External transaction costs	6.8
Contribution to pension scheme	1.0
Cash returned to shareholders	64.4
Cash retained for corporate purposes	10.8
	595.3

The Old Notes had a carrying value of £404.6 million but a significantly higher market value. Consequently, the redemption at £507.2 million resulted in a non-cash charge to the income statement of £102.6 million as a finance cost.

Unamortised issue costs of £14.8 million relating to the Old Notes were expensed as a result of the redemption as a finance cost taking the non-cash charge to £117.4 million.

The swap terminated with £5.1 million of the proceeds had a carrying value on the Group's balance sheet of £4.1 million at termination, resulting in a charge to the income statement of £1.0 million as a finance cost. This has resulted in the Group avoiding an ongoing cash liability of £0.7 million per annum until 2017 and £0.3 million per annum thereafter until 2028.

As required by international accounting standards, £5.8 million of the external transaction costs (estimated to relate to the extinguishment of the Old Notes) has been expensed immediately as a finance cost and £0.3 million (estimated to relate to the return of cash to shareholders) has been expensed immediately as an operating cost. The remaining £0.7 million will be carried against the financial liability and will be expensed in line with the anticipated annual interest costs of the New Notes as a finance cost. Of the £6.8 million total cost, £0.1 million was paid after the period end.

£64.4 million was returned to shareholders. Following this, the Ordinary Shares were consolidated on an 11 for 12 basis, maintaining the comparability of financial indicators such as the Group's share price. On the balance sheet date, the Company had 49.2 million Ordinary Shares in issue.

Financial Covenant

The Group's primary financial covenant under the New Notes requires EBITDA to total debt service to be above 1.5 times. The ratio at 26 December 2014 was 10.69 times (2013: 2.46 times). The high ratio reflects the timing of the transaction, meaning that a full year's EBITDA is being compared against a partial year of debt service. If the debt service was annualised the ratio would have been 2.95 times.

Crematoria Acquisition Facility

The only other external source of debt funding is the Group's £15.8 million Crematoria Acquisition Facility, which is fully drawn. The facility is repayable in one amount in February 2018. Interest is fixed at approximately 3.3 per cent.

Net debt

The Group's net debt is analysed as:

	26 December 2014 £m	27 December 2013 £m
Net amounts owing on Old Notes	**-**	(403.0)
Net amounts owing on New Notes	**(594.6)**	-
Add: unamortised issue costs	**(0.7)**	(16.3)
Gross amounts owing on Secured Notes	**(595.3)**	(419.3)
Net amounts owing on Crematoria Acquisition Facility	**(15.6)**	(15.6)
Add: unamortised issue costs on Crematoria Acquisition Facility	**(0.2)**	(0.2)
Gross amounts owing	**(611.1)**	(435.1)
Accrued interest on Secured Notes	**(5.7)**	(14.3)
Cash and cash equivalents(1)	**86.5**	79.3
Net debt	**(530.3)**	(370.1)

(1) Cash held as collateral for the Liquidity Facility in 2013 has been excluded as it does not meet the definition of cash and cash equivalents in IAS 7.

The Group's gross debt outstanding was £611.1 million (2013: £435.1 million). Net debt was £530.3 million (2013: £370.1 million). The increase in gross debt reflects the net new money raised from the issue of the New Notes and that the New Notes effectively replaced Old Notes with a carrying value significantly lower than their market value. Gross debt includes £4.0 million (2013: £5.7 million) that was repaid on 31 December 2014.

The market value of the New Notes at the balance sheet date was £643.2 million.

Net finance costs
The Group's underlying finance costs substantially consists of the interest on the Old and New Notes and ancillary instruments. The net finance cost in the period relating to these instruments was £25.2 million (2013: £23.6 million).

Finance costs of £0.6 million (2013: £0.6 million) were incurred in respect of the Crematoria Acquisition Facility.

Other ongoing finance costs incurred in the period amounted to £1.6 million (2013: £1.1 million), including the unwinding of discounts on the Group's provisions and other financial liabilities.

Interest receivable on bank deposits was £1.0 million (2013: £0.5 million).

In addition to the underlying net finance cost, a total of £123.2 million of exceptional finance costs relating to the extinguishment of Old Notes have been recognised as described earlier in the Financial Review. A further £1 million of exceptional costs were recognised following the termination of a swap liability described earlier in the Financial Review.

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

Steve Whittern
Finance Director
4 March 2015

Our key performance indicators

The Group uses the following key performance indicators to both manage the business and ensure that the Group's strategy and objectives are being delivered. We monitor our performance by measuring and tracking KPIs that we believe are important to our longer term success.

KPI	KPI definitions	52 week period ended 26 December 2014	52 week period ended 27 December 2013	Developments in 2014
Total estimated number of deaths in Britain (number)	This is as reported by the Office of National Statistics.	**550,000**	560,000	The number of deaths was lower than the previous year. Over the last three years, the number of deaths has been broadly flat.
Funeral market share excluding Northern Ireland (per cent)	This is the number of funerals performed by the Group in Britain divided by the total estimated number of deaths in Britain.	**11.7%**	11.9%	Acquisition activity occurred later in the year and the overall reduction in market share was in line with the Board's expectations given continued increases in competition.
Number of funerals performed (number)	This is the number of funerals performed according to our operational data.	**65,600**	68,000	Changes are a consequence of the total number of deaths and the Group's market share.
Crematoria market share (per cent)	This is the number of cremations performed by the Group divided by the total estimated number of deaths in Britain.	**9.7%**	9.9%	One of the Group's crematoria was flooded and not operational for approximately three months of the period. It has since reopened and any financial loss has been recovered through insurance. These lost cremations represent approximately 0.1 per cent of total estimated deaths in the period.
Number of cremations performed (number)	This is the number of cremations performed according to our operational data.	**53,400**	55,500	Changes are a consequence of the total number of deaths and the Group's market share.
Unfulfilled pre-arranged funeral plans (number)	This is the number of pre-arranged funeral plans where the Group has an obligation to provide a funeral in the future.	**348,000**	323,000	This increase reflects continued strong sales activity offset by the crystallisation of plans sold in previous years.
Underlying earnings per share (pence)	This is underlying profit after tax divided by the weighted average number of Ordinary Shares in issue in the period.	**85.8p**	72.1p	Strong growth following the increase in operating profit.
Underlying operating profit (£ million)	This is the statutory operating profit (or loss) of the Group excluding profit (or loss) on sale of fixed assets and external transaction costs.	**£84.9m**	£78.4m	Strong growth driven by the core business as well as acquisition activity.
Cash generated from operations (£ million)	This is the statutory cash generated from operations excluding external transaction costs and exceptional pension contributions.	**£104.4m**	£94.2m	The Group continues to convert operating profit into cash efficiently.

Office for National Statistics data
Some of the Group's key performance indicators rely on the total number of estimated deaths for each period. This information is obtained from the Office for National Statistics ('ONS').

The initial publication of recorded total estimated deaths in Britain for the 52 weeks in 2014 was 550,000 compared to 560,000 for 2013. Historically, the ONS has updated these estimates from time to time. As in previous years, the Group does not restate any of its key performance indicators when these figures are restated in the following year.

Although annual deaths have declined significantly since the early 1990s from 640,000 to a recent low of 539,000 in 2011, the last five years have seen a more stable number of reported deaths between 539,000 and 560,000 per annum.

The Dignity client survey

In addition to these key performance indicators, we also closely monitor the results of our client surveys to ensure we continue to maintain the highest levels of excellent client service.

In the last five years, we have received over 161,000 responses.

The Client Survey Performance

Why it is important
Ensuring the highest levels of client service is one of our key strategic objectives and is fundamental to our continued success.

How we performed in 2014
The results of the client survey clearly demonstrate client service is at the heart of everything we do and the quality of our service remains at consistently high levels.

Reputation and recommendation

99.2% (2013: 99.2%)
99.2 per cent of respondents said that we met or exceeded their expectations.

98.1% (2013: 98.1%)
98.1 per cent of respondents would recommend us.

Quality of service and care

99.9% (2013: 99.9%)
99.9 per cent thought our staff were respectful.

99.7% (2013: 99.7%)
99.7 per cent thought our staff listened to their needs and wishes.

99.2% (2013: 99.2%)
99.2 per cent agreed that our staff were compassionate and caring.

High Standards of facilities and fleet

99.8% (2013: 99.9%)
99.8 per cent thought our premises were clean and tidy.

99.8% (2013: 99.8%)
99.8 per cent thought our vehicles were clean and comfortable.

In the detail

99.4% (2013: 99.2%)
99.4 per cent of clients agreed that our staff had fully explained what would happen before and during the funeral.

99.0% (2013: 98.9%)
99.0 per cent said that the funeral service took place on time.

98.7% (2013: 98.7%)
98.7 per cent said that the final invoice matched the estimate provided.

Consolidated income statement
for the 52 week period ended 26 December 2014

	Note	**52 week period ended 26 December 2014 £m**	52 week period ended 27 December 2013 £m
Revenue	1	**268.9**	256.7
Cost of sales		**(109.0)**	(105.4)
Gross profit		**159.9**	151.3
Administrative expenses		**(77.0)**	(76.2)
Operating profit	1	**82.9**	75.1
Analysed as:			
Underlying operating profit	1	**84.9**	78.4
Loss on sale of fixed assets		**(0.3)**	(0.1)
External transaction costs		**(1.7)**	(3.2)
Operating profit		**82.9**	75.1
Finance costs	2	**(154.8)**	(28.9)
Analysed as:			
Underlying finance costs	2	**(30.6)**	(28.9)
Loss on extinguishment of Old Notes – exceptional	2	**(123.2)**	-
Elimination of swap – exceptional	2	**(1.0)**	-
Finance costs		**(154.8)**	(28.9)
Finance income	2	**4.2**	3.4
(Loss)/ profit before tax	1	**(67.7)**	49.6
Taxation – before exceptional items		**(13.1)**	(12.7)
Taxation – exceptional		**25.8**	3.5
Taxation	3	**12.7**	(9.2)
(Loss)/ profit for the period attributable to equity shareholders		**(55.0)**	40.4
Earnings per share for (loss)/ profit attributable to equity shareholders			
– Basic and diluted (pence)	4	**(104.0p)**	72.8p
Underlying Earnings per share (pence)	4	**85.8p**	72.1p

Consolidated statement of comprehensive income
for the 52 week period ended 26 December 2014

	Note	**52 week period ended 26 December 2014 £m**	52 week period ended 27 December 2013 £m
(Loss)/ profit for the period		**(55.0)**	40.4
Items that will not be reclassified to profit or loss			
Remeasurement loss on retirement benefit obligations	9	**(10.8)**	(2.0)
Tax on remeasurement loss on retirement benefit obligations		**2.2**	0.5
Other comprehensive loss		**(8.6)**	(1.5)
Total comprehensive (loss)/ income for the period		**(63.6)**	38.9
Attributable to:			
Equity shareholders of the parent		**(63.6)**	38.9

Consolidated balance sheet
as at 26 December 2014

	Note	26 December 2014 £m	27 December 2013 £m
Assets			
Non-current assets			
Goodwill		**182.3**	173.7
Intangible assets		**94.2**	76.7
Property, plant and equipment		**192.3**	183.6
Financial and other assets		**10.4**	12.7
		479.2	446.7
Current assets			
Inventories		**6.5**	6.6
Trade and other receivables		**30.0**	27.8
Cash and cash equivalents - excluding collateralisation of Liquidity Facility		**86.5**	79.3
Cash and cash equivalents - collateralisation of Liquidity Facility(1)		**-**	63.0
Cash and cash equivalents	6	**86.5**	142.3
		123.0	176.7
Total assets		**602.2**	623.4
Liabilities			
Current liabilities			
Financial liabilities - excluding collateralisation of Liquidity Facility		**8.0**	20.8
Financial liabilities - collateralisation of Liquidity Facility(1)		**-**	63.0
Financial liabilities		**8.0**	83.8
Trade and other payables		**51.2**	52.0
Current tax liabilities		**-**	6.7
Provisions for liabilities and charges		**1.4**	1.1
		60.6	143.6
Non-current liabilities			
Financial liabilities		**602.9**	403.1
Deferred tax liabilities		**13.6**	26.9
Other non–current liabilities		**2.6**	2.8
Provisions for liabilities and charges		**4.5**	3.8
Retirement benefit obligation	9	**10.5**	1.0
		634.1	437.6
Total liabilities		**694.7**	581.2
Shareholders' equity			
Ordinary share capital		**6.1**	6.0
Share premium account		**2.8**	20.8
Capital redemption reserve		**141.7**	121.6
Other reserves		**(5.5)**	(6.4)
Retained earnings		**(237.6)**	(99.8)
Total equity		**(92.5)**	42.2
Total equity and liabilities		**602.2**	623.4

(1) In 2013, the Group forced the cash collateralisation of the Liquidity Facility, which supported the repayment of Secured Notes in the event of default. This followed the downgrade of RBS by S&P. Following the Group's refinancing in October 2014 this collateralisation is no longer required. Further information may be found in the Financial Review.

Consolidated statement of changes in equity
for the 52 week period ended 26 December 2014

	Ordinary share capital £m	Share premium account £m	Capital redemption reserve £m	Other reserves £m	Retained earnings £m	Total equity £m
Shareholders' equity as at 28 December 2012	5.7	17.4	99.3	(7.2)	(70.6)	44.6
Profit for the 52 weeks ended 27 December 2013	-	-	-	-	40.4	40.4
Remeasurement loss on defined benefit plans	-	-	-	-	(2.0)	(2.0)
Tax on pensions	-	-	-	-	0.5	0.5
Total comprehensive income	-	-	-	-	38.9	38.9
Effects of employee share options	-	-	-	1.5	-	1.5
Tax on employee share options	-	-	-	1.1	-	1.1
Proceeds from share issue[(1)]	0.3	26.6	-	-	-	26.9
Issue costs in respect of shares issued	-	(0.9)	-	-	-	(0.9)
Gift to Employee Benefit Trust	-	-	-	(1.7)	-	(1.7)
Adjustment for tax rate change 23% to 20%	-	-	-	(0.1)	-	(0.1)
Issue and redemption of B Shares in respect of Capital Option (see note 5)	-	(22.3)	22.3	-	(22.3)	(22.3)
Dividend in respect of Special Dividend Option (see note 5)	-	-	-	-	(39.6)	(39.6)
Dividends (see note 5)	-	-	-	-	(6.2)	(6.2)
Shareholders' equity as at 27 December 2013	6.0	20.8	121.6	(6.4)	(99.8)	42.2
Loss for the 52 weeks ended 26 December 2014	-	-	-	-	(55.0)	**(55.0)**
Remeasurement loss on defined benefit plans	-	-	-	-	(10.8)	**(10.8)**
Tax on pensions	-	-	-	-	2.2	**2.2**
Total comprehensive income	-	-	-	-	(63.6)	**(63.6)**
Effects of employee share options	-	-	-	2.0	-	**2.0**
Tax on employee share options	-	-	-	0.9	-	**0.9**
Proceeds from share issue[(2)]	0.1	2.1	-	-	-	**2.2**
Gift to Employee Benefit Trust	-	-	-	(2.0)	-	**(2.0)**
Issue and redemption of B Shares in respect of Capital Option (see note 5)	-	(20.1)	20.1	-	(20.1)	**(20.1)**
Dividend in respect of Special Dividend Option (see note 5)	-	-	-	-	(44.3)	**(44.3)**
Dividends (see note 5)	-	-	-	-	(9.8)	**(9.8)**
Shareholders' equity as at 26 December 2014	**6.1**	**2.8**	**141.7**	**(5.5)**	**(237.6)**	**(92.5)**

(1) Relating to issue of 253,844 shares under 2010 LTIP scheme, 2,283,019 shares issued as an equity placing in January 2013 and 141,981 shares under 2010 SAYE scheme.
(2) Relating to issue of 281,430 shares under 2011 LTIP scheme and 14,896 shares under 2010 SAYE scheme.

The above amounts relate to transactions with owners of the Company except for the items reported within total comprehensive income.

Capital redemption reserve
The capital redemption reserve represents £80,002,465 B Shares that were issued on 2 August 2006 and redeemed for cash on the same day, £19,274,610 B Shares that were issued on 10 October 2010 and redeemed for cash on 11 October 2010, and £22,263,112 B Shares that were issued on 12 August 2013 and redeemed for cash on 20 August 2013 and £20,154,070 B Shares that were issued and redeemed for cash in November 2014.

Other reserves
Other reserves includes movements relating to the Group's SAYE and LTIP schemes and associated deferred tax, together with a £12.3 million merger reserve.

£9.6 million (2013: £7.6 million) in other reserves relates to investments in own shares.

Consolidated statement of cash flows
for the 52 week period ended 26 December 2014

	Note	52 week period ended 26 December 2014 £m	52 week period ended 27 December 2013 £m
Cash flows from operating activities			
Cash generated from operations before external transaction costs and exceptional pension contributions	8	**104.4**	94.2
Exceptional contribution to pension scheme		**(1.0)**	(1.0)
External transaction costs in respect of acquisitions		**(1.1)**	(1.6)
Cash generated from operations		**102.3**	91.6
Finance income received		**0.6**	0.6
Finance costs paid		**(38.0)**	(25.0)
Transfer from restricted bank accounts for finance costs		**14.6**	11.9
Payments to restricted bank accounts for finance costs	6	**(5.6)**	(14.6)
Total payments in respect of finance costs		**(29.0)**	(27.7)
Tax paid		**(6.9)**	(10.9)
Transfers from restricted bank accounts		**-**	1.5
Net cash generated from operating activities		**67.0**	55.1
Cash flows from investing activities			
Acquisition of subsidiaries and businesses (net of cash acquired)		**(24.7)**	(60.7)
Proceeds from sale of property, plant and equipment		**0.5**	0.6
Vehicle replacement programme and improvements to locations		**(14.1)**	(14.2)
Branch relocations		**(1.4)**	(1.1)
Satellite locations		**(0.1)**	(0.3)
Development of new crematoria and cemeteries		**(1.6)**	(2.0)
Mercury abatement project		**-**	(0.6)
Purchase of property, plant and equipment		**(17.2)**	(18.2)
Net cash used in investing activities		**(41.4)**	(78.3)
Cash flows from financing activities			
Proceeds from issue of New Notes		**94.0**	-
Cash settlement of Old Notes		**(5.9)**	-
External transaction costs relating to extinguishment of Old Notes		**(5.8)**	-
Net proceeds from issue of New Notes		**82.3**	-
Proceeds from issue of Old Notes		**-**	97.7
Proceeds from borrowings		**-**	39.8
Issue costs in respect of borrowings and Secured Notes		**(0.9)**	(5.4)
Proceeds from share issue		**0.1**	25.2
Issue costs in respect of shares issued		**-**	(0.9)
Repayment of swaps		**(5.1)**	-
Repayment of borrowings		**(11.6)**	(42.6)
Transfer from restricted bank accounts for repayment of borrowings		**5.7**	4.2
Payments to restricted bank accounts for repayment of borrowings	6	**(4.0)**	(5.7)
Total payments in respect of borrowings		**(9.9)**	(44.1)
Dividends paid to shareholders on Ordinary Shares	5	**(9.8)**	(6.2)
Redemption of B Shares in respect of Capital Option		**(20.1)**	(22.3)
Redemption of C Shares in respect of Special Dividend Option		**(44.3)**	(39.6)
Net cash (used)/ generated in financing activities		**(7.7)**	44.2
Net increase in cash and cash equivalents		**17.9**	21.0
Cash and cash equivalents at the beginning of the period		**59.0**	38.0
Cash and cash equivalents at the end of the period		**76.9**	59.0
Restricted cash		**9.6**	20.3
Collateralisation of Liquidity Facility (restricted)		**-**	63.0
Cash and cash equivalents at the end of the period as reported in the consolidated balance sheet	6	**86.5**	142.3

1 Revenue and segmental analysis

Operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision maker who is responsible for allocating resources and assessing performance of the operating segments. The chief operating decision maker of the Group has been identified as the four Executive Directors. The Group has three reporting segments, funeral services, crematoria and pre-arranged funeral plans. The Group also reports central overheads, which comprise unallocated central expenses.

Funeral services relate to the provision of funerals and ancillary items, such as memorials and floral tributes.

Crematoria services relate to cremation services and the sale of memorials and burial plots at the Dignity operated crematoria and cemeteries.

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

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

Underlying profit is stated before profit or loss on sale of fixed assets, external transaction costs and exceptional items. Underlying operating profit is included as it is felt that adjusting operating profit/ (loss) for these items provides a useful indication of the Group's performance.

The revenue and operating profit/ (loss), by segment, was as follows:

52 week period ended 26 December 2014

	Revenue £m	Underlying operating profit/ (loss) before depreciation and amortisation £m	Depreciation and amortisation £m	Underlying operating profit/ (loss) £m	Loss on sale of fixed assets, external transaction costs and exceptional items £m	Operating profit/(loss) £m
Funeral services	**184.4**	**75.9**	**(9.6)**	**66.3**	**(1.5)**	**64.8**
Crematoria	**55.2**	**32.3**	**(3.2)**	**29.1**	**(0.2)**	**28.9**
Pre-arranged funeral plans	**29.3**	**7.6**	**(0.2)**	**7.4**	**-**	**7.4**
Central overheads	**-**	**(17.4)**	**(0.5)**	**(17.9)**	**(0.3)**	**(18.2)**
Group	**268.9**	**98.4**	**(13.5)**	**84.9**	**(2.0)**	**82.9**
Finance costs				**(30.6)**	**(124.2)**	**(154.8)**
Finance income				**4.2**	**-**	**4.2**
(Loss)/ Profit before tax				**58.5**	**(126.2)**	**(67.7)**
Taxation – continuing activities				**(13.1)**	**-**	**(13.1)**
Taxation – exceptional				**-**	**25.8**	**25.8**
Taxation				**(13.1)**	**25.8**	**12.7**
Underlying earnings for the period				**45.4**		
Total other items					**(100.4)**	
Loss after taxation						**(55.0)**
Earnings per share for (loss)/ profit attributable to equity shareholders						
- Basic and diluted (pence)				**85.8p**		**(104.0)p**

The segment assets and liabilities were as follows:

As at 26 December 2014	**Funeral services £m**	**Crematoria £m**	**Pre-arranged funeral plans £m**	**Central overheads £m**	**Group £m**
Segment assets	**350.8**	**141.3**	**19.5**	**3.1**	**514.7**
Unallocated assets:					
Cash and cash equivalents					**86.5**
Corporation tax					**1.0**
Total assets					**602.2**
Segment liabilities	**(39.7)**	**(7.8)**	**(8.1)**	**(9.6)**	**(65.2)**
Unallocated liabilities:					
Borrowings – excluding finance leases					**(610.2)**
Accrued interest					**(5.7)**
Deferred tax					**(13.6)**
Total liabilities					**(694.7)**
Other segment items:					
Additions to non-current assets (other than financial instruments and deferred tax)	**40.5**	**3.4**	**-**	**1.3**	**45.2**
Depreciation	**9.6**	**3.2**	**-**	**0.5**	**13.3**
Amortisation	**-**	**-**	**0.2**	**-**	**0.2**
Impairment of trade receivables	**1.6**	**-**	**-**	**-**	**1.6**
Other non-cash expenses	**-**	**-**	**-**	**2.0**	**2.0**
Loss on sale of fixed assets	**(0.3)**	**-**	**-**	**-**	**(0.3)**

The revenue and operating profit, by segment, was as follows:
52 week period ended 27 December 2013

	Revenue £m	Underlying operating profit before depreciation and amortisation £m	Depreciation and amortisation £m	Underlying operating profit/ (loss) £m	Loss on sale of fixed assets, external transaction costs and exceptional items £m	Operating profit /(loss) £m
Funeral services – existing	166.3	66.0	(8.3)	57.7	(0.1)	57.6
Funeral services – acquisitions	9.9	3.7	(0.6)	3.1	(1.7)	1.4
Funeral services	176.2	69.7	(8.9)	60.8	(1.8)	59.0
Crematoria – existing	52.1	29.4	(3.0)	26.4	-	26.4
Crematoria – acquisitions	1.7	1.0	-	1.0	-	1.0
Crematoria	53.8	30.4	(3.0)	27.4	-	27.4
Pre-arranged funeral plans	26.7	6.8	(0.1)	6.7	-	6.7
Central overheads	-	(16.0)	(0.5)	(16.5)	(1.5)	(18.0)
Group	256.7	90.9	(12.5)	78.4	(3.3)	75.1
Finance costs				(28.9)	-	(28.9)
Finance income				3.4	-	3.4
Profit before tax				52.9	(3.3)	49.6
Taxation – continuing activities				(12.9)	0.2	(12.7)
Taxation – exceptional				-	3.5	3.5
Taxation				(12.9)	3.7	(9.2)
Underlying earnings for the period				40.0		
Total other items					0.4	
Profit after taxation						40.4
Earnings per share for profit attributable to equity shareholders						
-Basic and diluted (pence)				72.1p		72.8p

The segment assets and liabilities were as follows:

As at 27 December 2013	Funeral services £m	Crematoria £m	Pre-arranged funeral plans £m	Central overheads £m	Group £m
Segment assets	329.5	130.6	18.2	2.8	481.1
Unallocated assets:					
Cash and cash equivalents – excluding collateralisation of Liquidity Facility					79.3
Cash and cash equivalents – collateralisation of Liquidity Facility					63.0
Cash and cash equivalents					142.3
Total assets					623.4
Segment liabilities	(27.7)	(6.5)	(6.3)	(6.6)	(47.1)
Unallocated liabilities:					
Borrowings – excluding finance leases					(423.2)
Collateralisation of Liquidity Facility					(63.0)
Accrued interest					(14.3)
Corporation tax					(6.7)
Deferred tax					(26.9)
Total liabilities					(581.2)
Other segment items:					
Additions to non-current assets (other than financial instruments and deferred tax)	72.8	4.4	-	1.5	78.7
Depreciation	8.9	3.0	-	0.4	12.3
Amortisation	-	-	0.1	0.1	0.2
Impairment of trade receivables	2.1	0.1	-	-	2.2
Other non-cash expenses	-	-	-	1.5	1.5
Loss on sale of fixed assets	(0.1)	-	-	-	(0.1)

2 Net finance costs

	52 week period ended 26 December 2014 £m	52 week period ended 27 December 2013 £m
Finance costs		
Old Notes	**21.8**	24.7
New Notes	**5.1**	-
Amortisation of issue costs	**1.5**	1.8
Crematoria Acquisition Facility	**0.6**	0.6
Term loan	**-**	0.7
Other loans	**1.3**	0.6
Interest payable on finance leases	**-**	0.1
Unwinding of discounts	**0.3**	0.4
Underlying finance costs	**30.6**	28.9
Extinguishment of Old Notes - exceptional	**123.2**	-
Elimination of swap – exceptional	**1.0**	-
Finance costs	**154.8**	**28.9**
Finance income		
Bank deposits	**(1.0)**	(0.5)
Amortisation of premium on Old Notes	**(3.2)**	(2.9)
Finance income	**(4.2)**	(3.4)
Net finance costs	**150.6**	25.5

3 Taxation

Analysis of charge in the period	**52 week period ended 26 December 2014 £m**	52 week period ended 27 December 2013 £m
Current tax – current period	**0.6**	13.3
Adjustments for prior period	**(0.7)**	(0.2)
Total corporation tax	**(0.1)**	13.1
Deferred tax – current period	**(1.2)**	(0.6)
Non trade deficit recognised in the period	**(11.6)**	-
Adjustments for prior period	**0.2**	0.2
Exceptional adjustment for rate change in 2013 23% to 20%	**-**	(3.5)
Total deferred tax	**(12.6)**	(3.9)
Taxation	**(12.7)**	9.2

4 Earnings per share

The calculation of basic earnings per Ordinary Share has been based on the profit or loss attributable to equity shareholders for the relevant period.

For diluted earnings per Ordinary Share, the weighted average number of Ordinary Shares in issue is adjusted to assume conversion of any dilutive potential Ordinary Shares.

The Group has two classes of potentially dilutive Ordinary Shares being those share options granted to employees under the Group's SAYE Scheme and the contingently issuable 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 are assessed, as required by IAS 33, and to the extent that the performance criteria have been met those contingently issuable shares are included within the diluted EPS calculations. In prior periods, the potential issue of new shares pursuant to the Group's share option plans had no impact on the calculation of earnings per share.

For the period ended 26 December 2014, any potential ordinary shares to be included when considering diluted earnings per share were anti-dilutive. As a result there was no difference between basic earnings per share and basic diluted earnings per share.

The Board believes that profit on ordinary activities before profit (or loss) on sale of fixed assets, external transaction costs, exceptional items and after taxation is a useful indication of the Group's performance, as it excludes significant non-recurring items. This reporting measure is defined as 'Underlying profit after taxation'.

Accordingly, the Board believes that earnings per share calculated by reference to this underlying profit after taxation is also a useful indicator of financial performance.

In 2013 and 2014, shareholders approved a share capital consolidation together with a Special Dividend of £1.08 and £1.20 per Ordinary Share respectively. The overall effect of these transactions was that of a share repurchase at fair value. The reduction in the number of Ordinary Shares is the result of a corresponding reduction in resources and therefore no adjustment has been made to the earnings per share calculation.

Reconciliations of the earnings and the weighted average number of shares used in the calculations are set out below:

	Earnings £m	**Weighted average number of shares millions**	**Per share amount pence**
52 week period ended 26 December 2014			
Underlying profit after taxation and EPS	**45.4**	**52.9**	**85.8**
Add: Exceptional items, loss on sale of fixed assets and external transaction costs (net of taxation of £25.8 million)	(100.4)		
Loss attributable to shareholders – Basic and dilutive EPS	**(55.0)**	**52.9**	**(104.0)**
52 week period ended 27 December 2013			
Underlying profit after taxation and EPS	40.0	55.5	72.1
Add: Exceptional items, loss on sale of fixed assets and external transaction costs (net of taxation of £0.2 million)	0.4		
Profit attributable to shareholders – Basic and dilutive EPS	40.4	55.5	72.8

5 Dividends

	52 week period ended 26 December 2014 £m	52 week period ended 27 December 2013 £m
Final dividend paid: 11.83p per Ordinary Share (2013: 10.75p)	**6.3**	6.2
Interim dividend paid: 6.49p per Ordinary Share (2013: nil)	**3.5**	-
Dividend on Ordinary Shares	**9.8**	6.2

2014 Return of Cash
On 7 November 2014, the Group returned a total of £64.4 million to ordinary shareholders equating to £1.20 for each Ordinary Share held following the issue of the New Notes. Ordinary shareholders were able to elect to receive this Return of Cash as either:

(a) A return of capital (the 'Capital Option').
(b) A special dividend (the 'Special Dividend Option').

Ordinary shareholders elected to receive £20.1 million as a return of capital and £44.3 million as a special dividend.

2013 Return of Cash
On 9 August 2013, the Group returned a total of £61.9 million to ordinary shareholders equating to £1.08 for each Ordinary Share held following the issue of Old Notes. Ordinary shareholders were able to elect to receive this Return of Cash as either:

(c) A return of capital (the 'Capital Option').
(d) A special dividend (the 'Special Dividend Option').

Ordinary shareholders elected to receive £22.3 million as a return of capital and £39.6 million as a special dividend.

The interim dividend represents the interim dividend that was approved and paid in the period out of earnings generated in the same period. No interim dividend was paid in 2013 as it was included within the Return of Cash.

The final dividend represents the final dividend that was approved and paid in the period relating to the earnings generated in the previous period.

Consequently, total dividends recognised in the period were £74.2 million, 138.32 pence per share (2013: £68.1 million, 118.75 pence per share).

A final dividend of 13.01 pence per share, in respect of 2014, has been proposed by the Board. Based on the number of shares in issue at the date of signing this report the total dividend payment is approximately £6.4 million. This will be paid on 26 June 2015 provided that approval is gained from shareholders at the Annual General Meeting on 11 June 2015 and will be paid to shareholders on the register at close of business on 29 May 2015.

6 Cash and cash equivalents

	Note	26 December 2014 £m	27 December 2013 £m
Operating cash as reported in the consolidated statement of cash flows as cash and cash equivalents		**76.9**	59.0
Amounts set aside for debt service payments	(a)	**9.6**	20.3
Collateralisation of Liquidity Facility	(b)	**-**	63.0
Cash and cash equivalents as reported in the balance sheet		**86.5**	142.3

(a) This amount was transferred to restricted bank accounts which could only be used for the payment of the interest and principal on the Secured Notes, the repayment of liabilities due on the Group's interest rate swaps and commitment fees due on its undrawn borrowing facilities and for no other purpose. Consequently, this amount does not meet the definition of cash and cash equivalents in IAS 7, Statement of Cash Flows this amount was used to pay these respective parties on 31 December 2014. Of this amount, £5.6 million (2013: £14.6 million) is shown within the Statement of Cash Flows as 'Payments to restricted bank accounts for finance costs' and £4.0 million (2013: £5.7 million) is shown within 'Financing activities' as 'Payments to restricted bank accounts for repayment of borrowings'.

(b) This amount represents the cash collateralisation of the Liquidity Facility, which does not meet the definition of cash and cash equivalents in IAS 7.

7 Net debt

	26 December 2014 £m	27 December 2013 £m
Net amounts owing on Old Notes	**-**	(403.0)
Net amounts owing on New Notes	**(594.6)**	-
Add: unamortised issue costs – issued 2014	**(0.7)**	(16.3)
Gross amounts owing on Secured Notes per financial statements	**(595.3)**	(419.3)
Net amounts owing on Crematoria Acquisition Facility per financial statements	**(15.6)**	(15.6)
Add: unamortised issue costs on Crematoria Acquisition Facility	**(0.2)**	(0.2)
Gross amounts owing	**(611.1)**	(435.1)
Accrued interest on Secured Notes	**(5.7)**	(14.3)
Cash and cash equivalents [(a)]	**86.5**	79.3
Net debt	**(530.3)**	(370.1)

(a) In 2013, cash held as collateral for the Liquidity Facility was excluded as it did not meet the definition of cash and cash equivalents in IAS 7.

In addition to the above, the consolidated balance sheet also includes finance lease obligations and other financial liabilities which totalled £0.7 million (2013: £5.3 million). These amounts do not represent sources of funding for the Group and are therefore excluded from the calculation of net debt.

The Group’s primary financial covenant in respect of the New Notes requires EBITDA to total debt service to be at least 1.5 times. At 26 December 2014, the actual ratio was 10.69 times (2013: 2.46 times). The New Notes were issued on 17 October 2014. Consequently, Senior Interest only accrues from this date for the Relevant Period. Debt Service, assuming a full year Senior Interest would have been approximately £33.7 million. On this basis, the EBITDA DSCR would have been 2.95 times and the Free Cashflow DSCR would have been 2.47 times.

These ratios are calculated for EBITDA and total debt service on a 12 month rolling basis and reported quarterly. In addition, both terms are specifically defined in the legal agreement relating to the Secured Notes. As such, they cannot be accurately calculated from the contents of this report.

8 Reconciliation of cash generated from operations

	52 week period ended 26 December 2014 £m	52 week period ended 27 December 2013 £m
Net (loss)/ profit for the period	**(55.0)**	40.4
Adjustments for:		
Taxation	**(12.7)**	9.2
Net finance costs	**26.4**	25.5
Loss on disposal of fixed assets	**0.3**	0.1
Depreciation charges	**13.3**	12.3
Amortisation of intangibles	**0.2**	0.2
Movement in inventories	**0.2**	-
Movement in trade receivables	**0.3**	2.0
Movement in trade payables	**(0.6)**	(1.4)
External transaction costs	**1.7**	3.2
Loss on extinguishment of Old Notes – exceptional	**123.2**	-
Elimination of swap – exceptional	**1.0**	-
Changes in other working capital (excluding acquisitions)	**4.1**	1.2
Employee share option charges	**2.0**	1.5
Cash generated from operations before external transaction costs and exceptional pension contributions	**104.4**	94.2

9 Analysis of movement in retirement benefit (obligation) / asset

	26 December 2014 £m	27 December 2013 £m
At beginning of period	**(1.0)**	0.1
Total expense as above charged to the income statement	**(1.3)**	(1.6)
Remeasurement losses charged to other comprehensive income	**(10.8)**	(2.0)
Contributions by Group	**2.6**	2.5
At end of period	**(10.5)**	(1.0)

10 Basis of preparation

European law requires that the Group's consolidated financial statements for the 52 week period ended 26 December 2014 are prepared in accordance with all applicable International Financial Reporting Standards ('IFRSs'), as adopted by the European Union. These financial statements have been prepared in accordance with IFRS, International Financial Reporting Interpretations Committee ('IFRIC') interpretations (as issued by the International Accounting Standards Board) and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The financial information set out above does not constitute the Company's statutory accounts for the years ended 26 December 2014 or 27 December 2013 but is derived from those accounts. Statutory accounts for 2013 have been delivered to the registrar of companies, and those for 2014 will be delivered in due course. The auditors have reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006 in respect of the accounts for 2013 and 2014.

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2014 that would be expected to have a material impact on the Group.

The consolidated financial statements are prepared on a going concern basis and have been prepared under the historical cost convention, as modified by financial assets and liabilities at fair value through the income statement.

The principal accounting policies adopted in the preparation of these financial statements have been consistently applied to all periods presented.

11 Securitisation

In accordance with the terms of the Secured Notes issued October 2014, Dignity (2002) Limited (the holding company of those companies subject to the securitisation) has today issued reports to the Rating Agencies (Fitch Ratings and Standard & Poors), the Security Trustee and the holders of the Secured Notes issued in connection with the securitisation, confirming compliance with the covenants established under the securitisation.

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

12 Principal risks and uncertainties

Our approach to risk management

The Board recognises it is responsible for the Group's system of internal control and risk management, which is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable, and not absolute, assurance against material misstatement or loss. A formal ongoing process of identifying, evaluating and managing the significant risks faced by the Group was in place for the period and in place up to the date the Corporate Governance report was signed and approved for the Annual Report and Accounts 2014. This process was in place at the date of approval of the Annual Report and is in accordance with the Code.

The Group manages the operational and financial risks described through a combination of regular Board reports and also monthly and weekly management information that is reviewed by the Executive Directors.

Operational risk management

Risk and impact	Mitigating activities	2014 Commentary	Change
Significant reduction in the death rate There is a risk that the number of deaths in any year significantly reduces. This would have a direct result on the financial performance of both the funeral and crematoria divisions.	The profile of deaths has historically followed a similar profile to that predicted by the ONS, giving the Group the ability to plan its business accordingly.	The number of deaths in 2014 is consistent with the ONS medium term view.	No change
Nationwide adverse publicity Nationwide adverse publicity for Dignity could result in a significant reduction in the number of funerals or cremations performed in any financial period. This would have a direct result on the financial performance of that division.	This risk is addressed by ensuring appropriate policies and procedures are in place, which are designed to ensure excellent client service. These policies and procedures retain flexibility for the business to serve families in accordance with local traditions.	There have been no such events in the period.	No change
Ability to increase average revenues per funeral or cremation Operating profit growth is in part attributable to the Group's ability to increase the average revenue per funeral or cremation. There can be no guarantee that future average revenues per funeral or cremation will be maintained or increased.	The Group believes that its focus on excellent client service helps to mitigate this risk.	Average revenues were increased in line with the Board's expectations.	No change
Significant reduction in market share It is possible that other external factors, such as new competitors, could result in a significant reduction in market share within funeral or crematoria operations. This would have a direct result on the financial performance of those divisions.	The Group believes that this risk is mitigated for funeral operations by reputation and recommendation being a key driver to the choice of funeral director being used and for crematoria operations is mitigated by difficulties associated with building new crematoria.	Changes in market share were in line with the Board's expectations.	No change
Demographic shifts in population There can be no assurance that demographic shifts in population will not lead to a reduced demand for funeral services in areas where Dignity operates.	In such situations, Dignity would seek to follow the population shift.	There have been no material changes, with satellites being opened and businesses acquired in appropriate areas.	No change

Operational risk management

Risk and impact	Mitigating activities	2014 Commentary	Change
Competition The UK funeral services market and crematoria market is currently very fragmented. There can be no assurance that there will not be further consolidation in the industry or that increased competition in the industry, whether in the form of intensified price competition, service competition, over capacity or otherwise, would not lead to an erosion of the Group's market share, average revenues or costs and consequently a reduction in its profitability. The retention of affinity partners who sell the Group's pre-arranged funeral plans is essential to the long-term development of the pre-arranged funeral plan division. The loss of an affinity partner could lead to a reduction in the amount of profit recognised in that division at the time of sale. Failure to replenish or increase the bank of pre-arranged funeral plans could affect market share of the funeral division in the longer term.	There are barriers to entry in the funerals services market due to the importance of established local reputation and in the crematoria market due to the need to obtain planning approval for new crematoria and the cost of developing new crematoria. There are a number of potential affinity partners who could replace existing ones or add to existing relationships. Evidence suggests that such partnerships can and are being developed.	No major changes noted. Denials of planning applications for crematoria in the period demonstrate the barriers to entry.	No change
Taxes There can be no assurance that changes will not be made to UK taxes, such as VAT. VAT is not currently chargeable on the majority of the Group's services. The introduction of such a tax could therefore significantly increase the cost to clients of the Group's services.	There are currently specific exemptions under European legislation for the UK on the VAT treatment of funerals. Any change would apply to the industry as a whole and not just the Group.	No significant changes noted in the period.	No change
Regulation of pre-arranged funeral plans Pre-arranged funeral plans are not a regulated product, but are subject to a specific financial services exemption. Changes to the basis of any regulation could affect the Group's opportunity to sell pre-arranged funeral plans in the future or could result in the Group not being able to draw down the current level of market allowances, which would have a direct impact on the profitability of the pre-arranged funeral plan division.	Any changes would apply to the industry as a whole and not just the Group.	No significant changes noted in the period.	No change
Changes in the funding of the pre-arranged funeral plan business The Group has given commitments to pre-arranged funeral plan members to provide certain funeral services in the future. Funding for these plans is reliant on either insurance companies paying the amounts owed or the pre-arranged funeral plan trusts having sufficient assets to meet their liabilities in the future. If this is not the case, then the Group may receive a lower amount per funeral than expected and thus generate lower profits.	There is considerable regulation around insurance companies which is designed, amongst other things, to ensure that the insurance companies meet their obligations. The Trusts hold assets with the objective of achieving returns slightly in excess of inflation. Historically, these assets have been heavily weighted towards gilts and corporate bonds. The Trustees, who operate independently of the Group, have advised that they are implementing a new investment strategy covering a wider range of assets classes. The new strategy is intended to enhance investment returns for a similar level of risk, albeit with greater volatility.	The latest actuarial valuation of the pre-arranged funeral plan trusts confirmed that the Trusts continue to have sufficient assets to meet their liabilities.	No change

Financial risk management

Risk and impact	Mitigating activities	2014 Commentary	Change
Financial Covenant under the Secured Notes The Group's Secured Notes requires EBITDA to total debt service to be above 1.5 times. If this financial covenant is not achieved, then this may lead to an Event of Default under the terms of the Secured Notes, which could result in the Security Trustee taking control of the securitisation group on behalf of the Secured Noteholders. In addition, the Group is required to achieve a more stringent ratio of 1.85 times for the same test in order to be permitted to transfer excess cash from the securitisation group to Dignity plc. If this stricter test is not achieved, then the Group's ability to pay dividends would be impacted.	The nature of the Group's debt means that the denominator is now fixed unless further Secured Notes are issued in the future. This means that the covenant headroom will change proportionately with changes in EBITDA.	The restructuring of the Group's debt obligations provides greater headroom against the financial covenant as the annual debt service obligation is approximately 15 per cent lower.	Decreased

13 Pre-arranged funeral plans

(a) Contingent liabilities and commitments

Dignity Pre-arrangement Limited, Dignity Securities Limited and Advance Planning Limited are fellow members of the Dignity Group in the United Kingdom. These companies have sold pre-arranged funeral plans to their clients in the past. All monies from these sales are held and controlled by three independent Trusts, being the National Funeral Trust, the Dignity Limited Trust Fund and the Trust for Age UK Funeral Plans respectively (the 'Principal Trusts'). Further details of the transactions can be found in the financial statements of these companies, which are available from 4 King Edwards Court, King Edwards Square, Sutton Coldfield, West Midlands, B73 6AP.

The Group has given commitments to these clients to perform their funeral. The agreed amounts payable to either the Group or to third party funeral directors will be paid out of the funds held in the Trusts.

Similar commitments have arisen following acquisitions of businesses since 2013, which had sold pre-arranged funeral plans through a similar trust based structure (the 'Recent Trusts'). The Recent Trusts hold assets of approximately £24 million. Only the National Funeral Trust and the Trust for Age UK Funeral Plans receive funds relating to the sale of new plans (the 'Active Trusts').

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

(b) Pre-arranged funeral plan trust assets

The trustees have advised that the market value of the assets of the pre-arranged funeral plan trusts was £678.0 million at 26 December 2014 (2013: £578.9 million) in respect of 275,000 (2013: 257,000) unfulfilled pre-arranged funeral plans. The remaining 73,000 (2013: 66,000) unfulfilled pre-arranged funeral plans related to those backed by Insurance Plans, as described in note 1 in the Annual Report.

The majority of the trustees of each of the pre-arranged funeral plan trusts are unconnected to the Group, as required by current UK legislation.

The trustees of the Principal Trusts are required to have the Trusts' liabilities actuarially valued once a year (once every three years in the case of the Recent Trusts). The trustees have advised that the latest actuarial valuations of the Principal Trusts were performed as at 26 September 2014 (2013: 27 September 2013) using assumptions determined by the trustees. These valuations showed the Trusts to have liabilities in respect of the pre-arranged funeral plan trusts of £612.9 million as at 26 September 2014 (2013: £528.2 million). The corresponding market value of the assets of the pre-arranged funeral plan trusts was £630.6 million (2013: £544.8 million) as at the same date. Consequently the actuarial valuations recorded total surpluses of £17.7 million at 26 September 2014 (2013: £16.6 million).

The trustees have advised that the Recent Trusts have approximately £24 million of assets as at the balance sheet date and no material surplus or deficit.

Transaction with the Group

During the period, the Group entered into transactions with the Principal Trusts and the Recent Trusts (the 'Trusts') associated with the pre-arranged funeral plan businesses. The nature of the relationship with the Trusts is set out in the accounting policies. Amounts may only be paid out of the Trusts in accordance with the relevant Trust Deeds.

Transactions principally comprise:

- The recovery of marketing and administration allowances in relation to plans sold net of cancellations; and
- Receipts from the Trusts in respect of funerals provided.

Transactions also include:

- Receipts from the Trusts in respect of cancellations by existing members;
- Reimbursement by the Trusts of expenses paid by the Group on behalf of the respective Trusts; and
- The payment of realised surpluses generated by the Trust funds as and when the trustees sanction such payments.

Transactions are summarised below:

	Transactions during the period		**Amounts due to the Group at the period end**	
	2014 £m	2013 £m	**2014 £m**	2013 £m
Dignity Limited Trust Fund	**0.3**	0.3	**-**	-
National Funeral Trust	**34.8**	31.1	**2.4**	1.5
Trust for Age UK Funeral Plans	**35.1**	34.0	**2.8**	1.5
Peace of Mind Trusts	**1.5**	1.2	**0.3**	0.1

A further £3.7 million (2013: £3.6 million) is due from the Trusts after more than one year.

Average transaction amounts

The Trusts hold assets of approximately £2,400 (2013: £2,200) per active plan at the balance sheet date. On average the Group received £2,300 (2013: £2,200) for the performance of each funeral (including amounts to cover disbursements such as crematoria fees, ministers' fees and doctors' fees).