For immediate release **2 March 2016**

Dignity plc

Preliminary results for the 52 week period ended 25 December 2015

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 25 December 2015.

Financial highlights

	52 week Period ended 25 December 2015	52 week Period ended 26 December 2014	Increase per cent
Revenue (£million)	**305.3**	268.9	14
Underlying operating profit[(a)] (£million)	**98.7**	84.9	16
Underlying profit before tax[(a)] (£million)	**72.2**	58.5	23
Underlying earnings per share[(b)] (pence)	**114.8**	85.8	34
Cash generated from operations[(c)] (£million)	**125.2**	104.4	20
Operating profit (£million)	**95.5**	82.9	15
Profit/(loss) before tax[(d)] (£million)	**69.0**	(67.7)	n/a
Basic earnings per share[(d)] (pence)	**115.2**	(104.0)	n/a
Interim dividend paid in the period[(e)] (pence)	**7.14**	6.49	10
Final dividend proposed in the period[(f)] (pence)	**14.31**	13.01	10
Return of Cash (£million)	**-**	64.4	n/a
Deaths	**588,000**	550,000	7

(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 (in 2014) pension contributions made from the proceeds of debt issues.

(d) Non-cash charges resulting from the refinancing in 2014 led to a reported statutory loss in the comparative period.

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

(f) The final dividend in 2015 is the proposed dividend expected to be approved at the annual general meeting on 9 June 2016. The 2014 final dividend is the dividend declared and paid in 2015.

Key points

- Deaths were seven per cent higher than the comparative period, a rate of change not seen for over 60 years;

- Strong operating performance by all three operating divisions;

- Client satisfaction remained 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;

- Profits continued to be converted to cash;

- The 36 funeral locations acquired from Laurel Funerals in July 2015 have integrated well and have performed in line with the Board's expectations;

- £50 million invested in funeral acquisitions (including Laurel), adding a further 48 funeral locations to the Group's portfolio;

- Three satellite locations opened within the funeral business;

- Planning permission granted for two new crematoria due for opening by early 2018;

- Another good year of pre-arranged funeral plan sales, with active pre-arranged funeral plans increasing to 374,000 (2014: 348,000);

- The Group expects the number of deaths in 2016 to revert to the level seen in 2014; and

- Outlook is consistent with the Group view provided throughout 2015.

Mike McCollum, Chief Executive of Dignity plc commented:

"Our staff have performed tremendously in a year when we had to look after a lot more families than originally anticipated. Our standards remained high, as reflected in the outstanding responses from our client surveys. Our financial performance was very strong as a result, helped by our continued focus on maintaining good cost controls alongside excellent client service and investment in the business."

For more information

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From the Chairman

Overview

This has been an extraordinary year, with the number of deaths changing in percentage terms by a greater amount than any year since 1952. As a result, the Group's funeral and cremation volumes were much higher than originally expected. However, I am delighted that across the country our standards did not falter and that we continued to give families we had the privilege of helping, the excellent client service for which we are known.

In financial terms, this has resulted in underlying operating profit increasing 16 per cent to £98.7 million (2014: £84.9 million) and underlying earnings per share increasing 34 per cent to 114.8 pence (2014: 85.8 pence).

Dividends

The Board is proposing a final dividend of 14.31 pence per Ordinary Share, bringing the total dividend for the year to 21.45 pence; another increase of 10 per cent on the previous year. If shareholders approve this payment at the Annual General Meeting ('AGM') on 9 June 2016, then it will be paid on 24 June 2016 to members on the register at close of business on 20 May 2016.

Delivering a consistent performance

The high number of deaths in 2015 to some extent masks the fact that it was another good and consistent performance by the Group: client service remained high; costs continued to be controlled; cash continued to be invested in corporate activity, including the larger than normal acquisition of 36 locations from Laurel Funerals; crematoria opportunities have been developed; sales of pre-arranged funeral plans continued; and profits continued to be converted efficiently into cash to fund these activities.

As such, the investment case for shareholders of Dignity being a stable, predictable, cash generative business continues.

Board priorities and changes

During the period, Ishbel Macpherson left the Board and was replaced by David Blackwood. Ishbel has supported the Group since 2009 when I became Chairman. I am grateful for her contribution over that time, both on the Board and as chair of the Group's Audit Committee since 2012.

David joined us following his retirement as Chief Financial Officer of Synthomer plc, a FTSE 250 group. Given his recent experience, David has been appointed Chair of the Audit Committee and will also sit on both the Remuneration and Nomination Committees. I am sure he will make a valuable contribution in the coming years.

My thanks extend to the entire Board for its support and assistance in keeping the Group focused on its strategic objectives.

Our people

This year has been significantly busier for our staff than anyone could have imagined a year ago. Despite this, client service has remained very high. Each member of staff has ensured that, in their own way, nothing was too much trouble for each family we looked after at one of the most difficult times in their lives. Thank you to each and every member of staff for your hard work.

Outlook for 2016

The Group stated several times during 2015 that, based on long-term historical data, there is a strong possibility the number of deaths in 2016 may be significantly lower than 2015. The first two months of the new financial year have not changed this view and therefore the Group's financial expectations for 2016 and beyond continue to remain unchanged. As a result, current market expectations are that profit before tax in 2016 will be slightly lower than that reported in 2015.

Nevertheless, the Group notes that achievement of current market expectations in 2016 would mean earnings per share would have increased by approximately 30 per cent over the period 2014 to 2016, well ahead of the Group's continuing medium-term target of increasing earnings per share by 10 per cent per year.

Peter Hindley
Chairman
2 March 2016

Chief Executive's Overview

Overview

It is impossible to talk about the Group's performance in 2015 without discussing the almost unprecedented percentage increase in the number of deaths compared to 2014. As the chart below shows, a change of more than five per cent has not been seen for over 40 years. Dignity's role is not to speculate on why this has happened, but rather to ensure our business can respond to the resulting increase in need for our services, without impacting the quality of service we provide. I am delighted to say that we achieved this. In 2015, 98.0 per cent of clients stated they would recommend our services, compared to 98.1 per cent in 2014. Similarly, 99.2 per cent of clients said that we met or exceeded their expectations which is unchanged from the previous year.

Corporate activity

The business invested £50 million in acquisitions in the period, including £38.1 million to acquire 36 locations from Laurel Funerals ('Laurel') in July 2015. These acquisitions were all funded from the Group's cash reserves, as a result of the strong financial performance and cash generation in the year.

These acquisitions are performing in line with our expectations and contributed £2.3 million of operating profit in the period, with £1.4 million of this being generated by the Laurel acquisition. All these acquisitions represent excellent investments for the business and shareholders alike.

I am pleased that we also now have planning permission for two crematoria. Whilst these are both in the early stages of development and will not open until mid-2017 or early 2018, they represent a good long-term use of capital. As we have seen with the other crematoria opened in recent years, these locations will probably take at least five to seven years to fully develop their market share.

Maintaining investment and development momentum in our core business

Whilst a lot of time has been invested in corporate activity in the year, we remain focused on the value generated by our core business. Investment in these locations has continued, with a total of £15.6 million invested in the period to ensure our properties and specialised fleet are able to support the excellent service we provide to the families we care for.

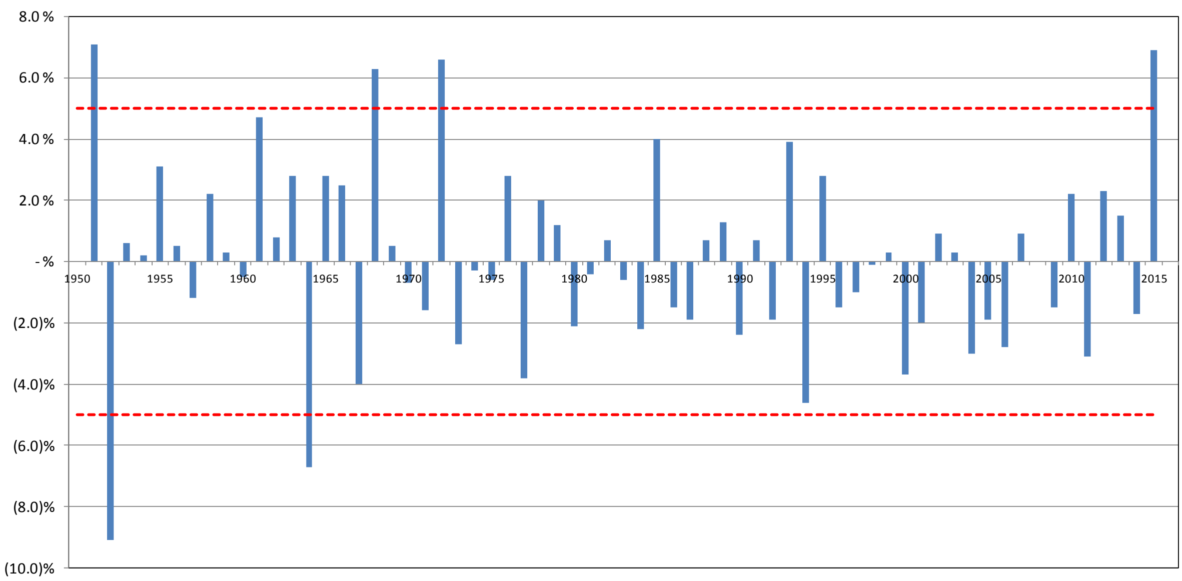
People and values

Our staff have performed tremendously this year, responding positively to the sudden increase in demands required to care for so many families this year. We have chosen to share the resulting financial success of the Group by paying a bonus of £1,800 for each full time member of staff, a 64 per cent increase on the amount paid per full time employee last year. The total cost of the bonus is approximately £5 million (2014: £2.7 million).

Quality and consistency of service delivery remains our long-term focus

The business has yet again demonstrated its robustness and is well placed for the future. We hope to achieve our medium-term target of 10 per cent per annum increases in earnings per share by staying focused on excellent service, operating efficiently, selling pre-arranged funeral plans, acquiring and developing quality businesses where possible and keeping our capital structure appropriately leveraged.

Year on year change in the number of deaths



Operating Review

Overview
The Group's operations are managed across three distinct divisions: funerals, crematoria and pre-arranged funeral plans, which respectively represent 64 per cent, 29 per cent and seven per cent of the Group's underlying operating profit (before central overheads).

Funeral services

Performance
As at 25 December 2015, the Group operated a network of 767 (2014: 718) funeral locations throughout the United Kingdom, generally trading under local established names. During the period, the Group conducted 73,500 funerals.

Approximately two per cent of all funerals were conducted in Northern Ireland. Excluding Northern Ireland, these funerals represent approximately 12.3 per cent (2014: 11.7 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 £76.8 million (2014: £66.3 million), an increase of 16 per cent.

This strong performance has been achieved as a consequence of the higher number of funerals being performed at a higher average revenue per funeral. In addition, costs remained well controlled and acquisition activity in the period contributed £2.3 million of underlying operating profit.

The collection of 81 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 2015, £12.1 million was invested in maintenance capital expenditure.

Funeral location portfolio
The Group acquired nine funeral businesses representing 48 funeral locations during the period. In addition, three satellite locations were opened and two 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 24 per cent of the funerals performed in the year (2014: 23 per cent) had previously been pre-arranged. This proportion is anticipated to continue to increase over time. Whilst these funerals represent substantially lower average revenue per funeral, their incremental nature means they are a positive contributor to the Group's performance.

Crematoria

Performance
The Group remains the largest single operator of crematoria in Britain, operating 39 (2014: 39) crematoria as at 25 December 2015. The Group performed 57,700 cremations (2014: 53,400) in the period, representing 9.8 per cent (2014: 9.7 per cent) of total estimated deaths in Britain.

Underlying operating profit was £34.6 million (2014: £29.1 million), an increase of 19 per cent.

This operating performance is driven by increasing average revenues per cremation, which has been assisted by the increase in the number of cremations performed in the year.

Sales of memorials and other items have been strong, equating to approximately £276 per cremation compared to £262 in the previous period.

Progress and Developments
Investment of £0.1 million has been made to develop a location that was acquired from a local authority in 2012. A further £0.8 million is expected to be incurred in 2016 to complete the local authority development. The Group has also invested £2.5 million maintaining its locations in the period.

The Group has been successful in two planning applications for new crematoria. Building work will commence later in 2016, with the locations due to open mid-2017 or early 2018. These locations will take at least five to seven years to reach maturity, performing 800 to 1,000 cremations per year. The total capital cost of these developments will be approximately £6.5 million.

A further two applications are in the process of appeal, with decisions expected later in 2016.

As highlighted in previous years, the Group does not expect to be successful in all applications but believes each location represents 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

Performance
The Group continues to have a strong market presence in pre-arranged funeral plans. These plans represent potential future incremental business for the funeral division, as the Group expects to perform the majority of these funerals.

Underlying operating performance in the period has been solid, with operating profit of £7.8 million (2014: £7.4 million), an increase of five per cent.

In overall terms, approximately 38,000 (2014: 40,000) new plan sales were made and the number of active pre-arranged funeral plans increased to 374,000 (2014: 348,000) as at 25 December 2015.

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 divisions, pre-arranged funeral plan profits broadly reflect the cash generated by that activity.

Progress and Developments
The increase in the number of active 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 2016.

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 2015, the Trusts held over £736 million of assets. The latest actuarial valuations of the pre-arranged funeral plan trusts (at 25 September 2015) showed them to have sufficient assets to pay out all funerals at the current projected rates payable to the Group anticipated by the actuary. The Trustees, the majority of whom are (and who are required by law to be) independent of the Group, have informed the Group that they have now, following independent external advice, completed a restructuring of the Trust's investments following a review of the Trust's investment strategy.

The Trustees have informed the Group that their strategy envisages holding investments in the following approximate profile:

	Target (%)
Equities	22
Alternative investments	13
Developed credit and cash	65

Equities will in the main be invested in developed markets, but will contain an exposure to emerging markets. Alternative investments relate to investments in markets such as reinsurance, emerging market debt and property funds.

This 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 probably result in greater volatility year on year in the value of the Trust's assets.

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

The Trustees have indicated that they will continue to work with their advisers to keep the investment strategy under review and amend it where appropriate.

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 £20.5 million (2014: £17.9 million), an increase of 14.5 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 £5.8 million to £6.3 million. Excluding these bonus costs, central overheads represent 4.7 per cent (2014: 4.5 per cent) of revenues.

Capital expenditure of £1 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 2016 as the business continues to grow.

The Group plans to update its accounting software in 2016. This is expected to generate a one-off capital cost of up to £3 million (including VAT, which represents a cost to the Group on such projects).

Mike McCollum
Chief Executive
2 March 2016

Financial Review

Introduction

These financial results have been prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted in the EU.

Financial highlights

The Group's financial performance is summarised below:

	52 week period ended 25 December 2015	52 week period ended 26 December 2014	Increase %
Revenue (£ million)	**305.3**	268.9	14
Underlying operating profit[(a)] (£ million)	**98.7**	84.9	16
Underlying profit before tax[(a)] (£ million)	**72.2**	58.5	23
Underlying earnings per share[(a)] (pence)	**114.8**	85.8	34
Cash generated from operations [(b)] (£ million)	**125.2**	104.4	20
Operating profit (£ million)	**95.5**	82.9	15
Profit/ (loss) before tax (£ million)	**69.0**	(67.7)	n/a
Basic earnings/ (loss) per share (pence)	**115.2**	(104.0)	n/a
Dividends paid in the period:			
Interim dividend (pence)	**7.14**	6.49	10
Final dividend (pence)	**13.01**	11.83	10
Return of Cash (£ million)	**-**	64.4	n/a

(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 the £1 million pension contribution made in 2014.

The Board has proposed a dividend of 14.31 pence per Ordinary Share as a final distribution of profits relating to 2015 to be paid on 24 June 2016, subject to shareholder approval.

Terminology – 2014 refinancing

In 2014, 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.

The market value of the Old Notes was significantly in excess of their carrying value. The refinancing in 2014 resulted in an exceptional charge of £124.2 million. As a result, the Group reported a statutory loss for the year. This and the associated costs of the transaction were, because of their nature and amount, disclosed as exceptional and excluded from the Group's underlying performance measure. Further details on the refinancing can be found in the 2014 Annual Report.

Exceptional items and underlying reporting measures

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

	52 week period ended 25 December 2015 £m	52 week period ended 26 December 2014 £m
Operating profit for the period as reported	**95.5**	82.9
Add the effects of:		
Loss on sale of fixed assets	**-**	0.3
External transaction costs	**3.2**	1.7
Underlying operating profit	**98.7**	84.9
Underlying net finance costs(c)	**(26.5)**	(26.4)
Underlying profit before tax	**72.2**	58.5
Tax charge on underlying profit before tax(d)	**(15.5)**	(13.1)
Underlying profit after tax	**56.7**	45.4
Weighted average number of Ordinary Shares in issue during the period (million)	**49.4**	52.9
Underlying EPS (pence)	**114.8p**	85.8p
Increase in Underlying EPS (per cent)	**34%**	19%

(c) Excludes exceptional finance costs of £nil (2014: £124.2 million).

(d) Excludes exceptional tax credit of £3.4 million (2014: £25.8 million).

Earnings per share

The Group's statutory profit after tax was £56.9 million (2014: loss after tax of £55.0 million). Basic earnings per share were 115.2 pence per share (2014: loss of earnings per share of 104.0 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 £56.7 million (2014: £45.4 million), giving underlying earnings per share of 114.8 pence per share (2014: 85.8 pence per share), an increase of 34 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 £125.2 million (2014: £104.4 million) stated before external transaction costs of £3.2 million (2014: £1.1 million), 2014's amount also included an exceptional contribution to the Group's pension scheme of £1.0 million. This has increased faster than the increase in operating profit as a result of positive working capital movements. As a principle, the Group continues to convert its accounting profits into cash broadly pound for pound.

Capital expenditure on property, plant and equipment was £19.9 million (2014: £17.2 million).

This is analysed as:

	25 December 2015 £m	26 December 2014 £m
Vehicle replacement programme and improvements to locations	**15.6**	14.1
Branch relocations	**3.9**	1.4
Satellite locations	**0.3**	0.1
Development of new crematoria and cemeteries	**0.1**	1.6
Total property, plant and equipment	**19.9**	17.2
Partly funded by:		
Disposal proceeds	**(0.8)**	(0.5)
Net capital expenditure	**19.1**	16.7

Capital spend on branch relocations includes the purchase of the freehold interest of one of the Group's main service centres in London, which became available during the period. This secures a key support facility for the local businesses in the area, where suitable alternative premises were scarce.

As a result of the strong year, the Group was able to fund all of its corporate activity from its cash reserves, spending a net £50.0 million on the acquisition of 48 funeral locations and balancing payments in respect of 2014 acquisitions.

Cash balances at the end of the period were £98.8 million (2014: £86.5 million). The Group had £16.9 million (2014: £9.6 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 2015 (2014: 31 December 2014). These amounts do not therefore meet the definition of cash for cash flow reporting purposes.

Approximately £52.7 million of the remaining cash balance was immediately available for acquisitions and developments and approximately £19.8 million was set aside for future corporation tax and dividend payments (although this could be used for corporate activity if the Group saw fit).

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

Pensions
The balance sheet shows a deficit of £12.5 million before deferred tax (2014: deficit of £10.5 million). The size of the deficit remains manageable and the Group will continue to consider options for mitigating its liabilities.

Taxation
The Group's effective tax rate on underlying profits in the period was 21.5 per cent (2014: 22.5 per cent) (excluding the exceptional rate change). Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015. This will mean headline corporation tax rates will reduce to 19 per cent from 1 April 2017 and 18 per cent from 1 April 2020. The Group has therefore recognised an exceptional credit in the income statement of £3.4 million in order to restate its deferred tax balances to the new long-term rate.

The Group continues to expect its effective tax rate to be approximately one per cent above the headline rate of corporation tax. This translates to an effective rate for 2016, 2017 and 2018 of 21.0 per cent, 20.5 per cent and 20.0 per cent respectively.

The Group's net cash tax payments were £3.7 million (2014: £6.9 million) in the period as a consequence of the 2014 refinancing. The Group expects corporation tax payments to increase in 2016 and 2017. Legislative changes requiring an acceleration of quarterly payments on account of corporation tax will result in the Group paying 18 months of cash tax in 2018. This will then revert to 12 months of cash tax in 2019 and beyond at a level approximately the same as the charge in the income statement.

Capital structure and financing

Secured Notes
The Group's principal source of long–term debt financing is the New Class A Notes and the New Class B Notes. They are rated A and BBB respectively by Fitch and Standard and Poor's (S&P).

The Board considers that maintaining a leveraged balance sheet is appropriate for the Group, given the stable and predictable nature of its cash flows. This predictability is matched in the New Notes. The principal is repaid completely over the life of the New Notes and is therefore scheduled to be repaid by 2049. The interest rate is fixed for the life of the New Notes and interest is calculated on the principal.

The key terms of the New 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.

Given the 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. This has the benefit of enhancing shareholder returns, whilst leaving sufficient free cash to invest in the growth of the business.

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 25 December 2015 was 3.35 times (2014: 10.69 times). The year on year reduction in the ratio reflects the timing of the issue of the New Notes in 2014, meaning that in the period to December 2014, a full year's EBITDA is being compared against a partial year of debt service. If the debt service was annualised the ratio for the comparative period would have been 2.95 times.

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

Funeral Acquisition Facility
During the period, the Group obtained a Funeral Acquisition Facility of £26.25 million which was originally created to help fund the acquisition of Laurel Funerals. However, given the strong trading in the period leading up to the acquisition, the level of cash held by the Group meant that this facility was not required. The facility remains undrawn, attracting a non utilisation fee of approximately £150,000 per annum. If drawn, the facility will charge interest at a rate between 125 and 165 basis points per annum above LIBOR (depending on the ratio of EBITDA to gross debt). The facility is currently available until mid June 2016. However, the Group expects to extend its availability until the end of 2016 in order to maintain an efficient and flexible source of additional funding if required.

Net debt
The Group's net debt is analysed as:

	25 December 2015 £m	26 December 2014 £m
Net amounts owing on New Notes	**(586.5)**	(594.6)
Add: unamortised issue costs	**(0.7)**	(0.7)
Gross amounts owing on Secured Notes	**(587.2)**	(595.3)
Net amounts owing on Crematoria Acquisition Facility	**(15.7)**	(15.6)
Add: unamortised issue costs on Crematoria Acquisition Facility	**(0.1)**	(0.2)
Gross amounts owing	**(603.0)**	(611.1)
Accrued interest on Secured Notes	**(12.8)**	(5.7)
Accrued interest on Crematoria Acquisition Facility	**(0.1)**	-
Cash and cash equivalents (note 6)	**98.8**	86.5
Net debt	**(517.1)**	(530.3)

The Group's gross debt outstanding was £603.0 million (2014: £611.1 million). Net debt was £517.1 million (2014: £530.3 million). Gross debt includes £4.1 million (2014: £4.0 million) that was repaid on 31 December 2015.

The market value of the New Notes at the balance sheet date was £615.5 million (2014: £643.2 million).

Net finance costs
The Group's underlying finance costs substantially consist of the interest on the New Notes and ancillary instruments. The net finance cost in the period relating to these instruments was £25.6 million (2014: £25.2 million).

Finance costs of £0.6 million (2014: £0.6 million) were incurred in respect of the Crematoria Acquisition Facility.

Other ongoing finance costs incurred in the period amounted to £0.8 million (2014: £1.6 million), including the unwinding of discounts on the Group's provisions and other financial liabilities.

Interest receivable on bank deposits was £0.5 million (2014: £1.0 million).

New accounting standard on leases
In January 2016, IFRS 16, Leases was issued. This is effective for accounting periods beginning on or after 1 January 2019 and will therefore impact the Group's 2020 financial results. Approximately 50 per cent of the Group's properties are on lease terms that are currently accounted for as an operating lease. As the notes to the consolidated accounts demonstrate, the Group has total minimum lease payments under non-cancellable operating leases of approximately £175 million. Whilst the net present value of these commitments will be less than this amount, the grossing up of the Group's balance sheet that will be required to reflect this new standard will be material and will have some impact on the Group's reported profit after tax. The Group will be assessing this in due course but notes that the accounting standard does not affect the cash flows or underlying economics of the business.

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
2 March 2016

Our key performance indicators

We continue to 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 25 December 2015	52 week period ended 26 December 2014	Developments in 2015
Total estimated number of deaths in Britain (number)	This is as reported by the Office of National Statistics.	**588,000**	550,000	The number of deaths was significantly higher than the previous year. The Group expects this increase to reverse in 2016.
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.	**12.3%**	11.7%	Market share has increased, principally reflecting the effect of recent acquisitions.
Number of funerals performed (number)	This is the number of funerals performed according to our operational data.	**73,500**	65,600	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.	**9.8%**	9.7 %	Market share has remained broadly flat, reflecting the stable market position of the Group's locations.
Number of cremations performed (number)	This is the number of cremations performed according to our operational data.	**57,700**	53,400	Changes are a consequence of the total number of deaths and the Group's market share.
Active 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.	**374,000**	348,000	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.	**114.8p**	85.8p	Strong growth following the increase in operating profit.
Underlying operating profit (£ million)	This is the statutory operating profit of the Group excluding profit (or loss) on sale of fixed assets and external transaction costs.	**£98.7m**	£84.9m	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.	**£125.2m**	£104.4m	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 2015 was 588,000 compared to 550,000 for 2014. 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 four years have seen deaths above that level.

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

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.

We closely monitor the results of our client surveys to achieve this. In the last five years, we have received over 161,000 responses.

How we performed in 2015
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.

Maintaining client satisfaction
We have seen consistently high levels of satisfaction from our survey results. Our ongoing commitment to high levels of client satisfaction continues to generate high levels of referrals.

Reputation and recommendation
99.2% (2014: 99.2%)
99.2 per cent of respondents said that we met or exceeded their expectations.

98.0% (2014: 98.1%)
98.0 per cent of respondents said they would recommend us.

Quality of service and care
99.9% (2014: 99.9%)
99.9 per cent thought our staff were respectful.

99.7% (2014: 99.7%)
99.7 per cent thought our staff listened to their needs and wishes.

99.3% (2014: 99.2%)
99.3 per cent agreed that our staff were compassionate and caring.

High Standards of facilities and fleet
99.8% (2014: 99.8%)
99.8 per cent thought our premises were clean and tidy.

99.8% (2014: 99.8%)
99.8 per cent thought our vehicles were clean and comfortable.

In the detail
99.3% (2014: 99.4%)
99.3 per cent of clients agreed that our staff had fully explained what would happen before and during the funeral.

99.1% (2014: 99.0%)
99.1 per cent said that the funeral service took place on time.

98.6% (2014: 98.7%)
98.6 per cent said that the final invoice matched the estimate provided.

Consolidated income statement
for the 52 week period ended 25 December 2015

	Note	**52 week period ended 25 December 2015 £m**	52 week period ended 26 December 2014 £m
Revenue	1	**305.3**	268.9
Cost of sales		**(123.3)**	(109.0)
Gross profit		**182.0**	159.9
Administrative expenses		**(86.5)**	(77.0)
Operating profit	1	**95.5**	82.9
Analysed as:			
Underlying operating profit	1	**98.7**	84.9
Loss on sale of fixed assets		**-**	(0.3)
External transaction costs		**(3.2)**	(1.7)
Operating profit		**95.5**	82.9
Finance costs	2	**(27.0)**	(154.8)
Analysed as:			
Underlying finance costs	2	**(27.0)**	(30.6)
Loss on extinguishment of Old Notes – exceptional	2	**-**	(123.2)
Elimination of swap – exceptional	2	**-**	(1.0)
Finance costs		**(27.0)**	(154.8)
Finance income	2	**0.5**	4.2
Profit/ (loss) before tax	1	**69.0**	(67.7)
Taxation – before exceptional items		**(15.5)**	(13.1)
Taxation – exceptional		**3.4**	25.8
Taxation	3	**(12.1)**	12.7
Profit / (loss) for the period attributable to equity shareholders		**56.9**	(55.0)
Earnings per share for profit/ (loss) attributable to equity shareholders			
– Basic (pence)	4	**115.2p**	(104.0p)
– Diluted (pence)	4	**114.5p**	(104.0p)
Underlying Earnings per share (pence)	4	**114.8p**	85.8p

Consolidated statement of comprehensive income
for the 52 week period ended 25 December 2015

	Note	**52 week period ended 25 December 2015 £m**	52 week period ended 26 December 2014 £m
Profit/ (loss) for the period		**56.9**	(55.0)
Items that will not be reclassified to profit or loss			
Remeasurement loss on retirement benefit obligations	9	**(1.4)**	(10.8)
Tax on remeasurement loss on retirement benefit obligations		**0.3**	2.2
Restatement of deferred tax for the change in UK tax rate		**(0.2)**	-
Other comprehensive loss		**(1.3)**	(8.6)
Total comprehensive income/ (loss) for the period		**55.6**	(63.6)
Attributable to:			
Equity shareholders of the parent		**55.6**	(63.6)

Consolidated balance sheet
as at 25 December 2015

	Note	25 December 2015 £m	26 December 2014 £m
Assets			
Non-current assets			
Goodwill		**201.5**	182.3
Intangible assets		**126.7**	94.2
Property, plant and equipment		**200.6**	192.3
Financial and other assets		**10.3**	10.4
		539.1	479.2
Current assets			
Inventories		**6.4**	6.5
Trade and other receivables		**31.9**	30.0
Cash and cash equivalents	6	**98.8**	86.5
		137.1	123.0
Total assets		**676.2**	602.2
Liabilities			
Current liabilities			
Financial liabilities		**8.3**	8.0
Trade and other payables		**67.5**	51.2
Current tax liabilities		**5.4**	-
Provisions for liabilities		**1.5**	1.4
		82.7	60.6
Non-current liabilities			
Financial liabilities		**594.6**	602.9
Deferred tax liabilities		**21.7**	13.6
Other non–current liabilities		**2.3**	2.6
Provisions for liabilities		**6.3**	4.5
Retirement benefit obligation	9	**12.5**	10.5
		637.4	634.1
Total liabilities		**720.1**	694.7
Shareholders' equity			
Ordinary share capital		**6.1**	6.1
Share premium account		**4.8**	2.8
Capital redemption reserve		**141.7**	141.7
Other reserves		**(4.5)**	(5.5)
Retained earnings		**(192.0)**	(237.6)
Total equity		**(43.9)**	(92.5)
Total equity and liabilities		**676.2**	602.2

Consolidated statement of changes in equity
for the 52 week period ended 25 December 2015

	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 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 obligations	-	-	-	-	(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(1)	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)
Profit for the 52 weeks ended 25 December 2015	-	-	-	-	56.9	**56.9**
Remeasurement loss on defined benefit obligations	-	-	-	-	(1.4)	**(1.4)**
Tax on pensions	-	-	-	-	0.3	**0.3**
Restatement of deferred tax for the change in UK tax rate	-	-	-	-	(0.2)	**(0.2)**
Total comprehensive income	-	-	-	-	55.6	**55.6**
Effects of employee share options	-	-	-	2.4	-	**2.4**
Tax on employee share options	-	-	-	0.7	-	**0.7**
Restatement of deferred tax for the change in UK tax rate	-	-	-	(0.1)	-	**(0.1)**
Proceeds from share issue(2)	-	2.0	-	-	-	**2.0**
Gift to Employee Benefit Trust	-	-	-	(2.0)	-	**(2.0)**
Dividends (see note 5)	-	-	-	-	(10.0)	**(10.0)**
Shareholders' equity as at 25 December 2015	**6.1**	**4.8**	**141.7**	**(4.5)**	**(192.0)**	**(43.9)**

(1) Relating to issue of 281,430 shares under 2011 LTIP scheme and 14,896 shares under 2010 SAYE scheme.
(2) Relating to issue of 249,067 shares under 2012 LTIP scheme and 1,044 shares under 2013 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.

Consolidated statement of cash flows
for the 52 week period ended 25 December 2015

	Note	**52 week period ended 25 December 2015 £m**	52 week period ended 26 December 2014 £m
Cash flows from operating activities			
Cash generated from operations before external transaction costs and exceptional pension contributions	8	**125.2**	104.4
Exceptional contribution to pension scheme		**-**	(1.0)
External transaction costs in respect of acquisitions		**(3.2)**	(1.1)
Cash generated from operations		**122.0**	102.3
Finance income received		**0.6**	0.6
Finance costs paid		**(19.1)**	(38.0)
Transfer from restricted bank accounts for finance costs		**5.6**	14.6
Payments to restricted bank accounts for finance costs	6	**(12.8)**	(5.6)
Total payments in respect of finance costs		**(26.3)**	(29.0)
Tax paid		**(3.7)**	(6.9)
Net cash generated from operating activities		**92.6**	67.0
Cash flows from investing activities			
Acquisition of subsidiaries and businesses (net of cash acquired)		**(50.0)**	(24.7)
Proceeds from sale of property, plant and equipment		**0.8**	0.5
Vehicle replacement programme and improvements to locations		**(15.6)**	(14.1)
Branch relocations		**(3.9)**	(1.4)
Satellite locations		**(0.3)**	(0.1)
Development of new crematoria and cemeteries		**(0.1)**	(1.6)
Purchase of property, plant and equipment		**(19.9)**	(17.2)
Net cash used in investing activities		**(69.1)**	(41.4)
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
Issue costs in respect of borrowings and Secured Notes		**(0.1)**	(0.9)
Issue costs in respect of debt facility		**(0.2)**	-
Proceeds from share issue		**-**	0.1
Repayment of swaps		**-**	(5.1)
Repayment of borrowings		**(8.1)**	(11.6)
Transfer from restricted bank accounts for repayment of borrowings		**4.0**	5.7
Payments to restricted bank accounts for repayment of borrowings	6	**(4.1)**	(4.0)
Total payments in respect of borrowings		**(8.2)**	(9.9)
Dividends paid to shareholders on Ordinary Shares	5	**(10.0)**	(9.8)
Redemption of B Shares in respect of Capital Option		**-**	(20.1)
Redemption of C Shares in respect of Special Dividend Option		**-**	(44.3)
Net cash used in financing activities		**(18.5)**	(7.7)
Net increase in cash and cash equivalents		**5.0**	17.9
Cash and cash equivalents at the beginning of the period		**76.9**	59.0
Cash and cash equivalents at the end of the period		**81.9**	76.9
Restricted cash		**16.9**	9.6
Cash and cash equivalents at the end of the period as reported in the consolidated balance sheet	6	**98.8**	86.5

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 and liabilities 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 25 December 2015

	Revenue £m	Underlying operating profit/ (loss) before depreciation and amortisation £m	Depreciation and amortisation £m	Underlying operating profit/ (loss) £m	Profit on sale of fixed assets, external transaction costs and exceptional items £m	Operating profit/ (loss) £m
Funeral services – existing	**206.2**	**85.0**	**(10.5)**	**74.5**	**-**	**74.5**
Funeral services – acquisitions(1)	**6.4**	**2.4**	**(0.1)**	**2.3**	**(3.2)**	**(0.9)**
Funeral services	**212.6**	**87.4**	**(10.6)**	**76.8**	**(3.2)**	**73.6**
Crematoria	**63.1**	**37.8**	**(3.2)**	**34.6**	**-**	**34.6**
Pre-arranged funeral plans	**29.6**	**8.0**	**(0.2)**	**7.8**	**-**	**7.8**
Central overheads	**-**	**(19.9)**	**(0.6)**	**(20.5)**	**-**	**(20.5)**
Group	**305.3**	**113.3**	**(14.6)**	**98.7**	**(3.2)**	**95.5**
Finance costs				**(27.0)**	**-**	**(27.0)**
Finance income				**0.5**	**-**	**0.5**
Profit before tax				**72.2**	**(3.2)**	**69.0**
Taxation – continuing activities				**(15.5)**	**-**	**(15.5)**
Taxation – exceptional				**-**	**3.4**	**3.4**
Taxation				**(15.5)**	**3.4**	**(12.1)**
Underlying earnings for the period				**56.7**		
Total other items					**0.2**	
Profit after taxation						**56.9**
Earnings per share for profit attributable to equity shareholders						
- Basic (pence)				**114.8p**		**115.2p**
- Diluted (pence)				**114.1p**		**114.5p**

(1) Included within acquisitions is revenue of £4.3 million and underlying operating profit of £1.4 million in respect of the Laurel Funeral acquisition.

The segment assets and liabilities were as follows:

As at 25 December 2015	Funeral services £m	Crematoria £m	Pre-arranged funeral plans £m	Central overheads £m	Group £m
Segment assets	**412.9**	**140.8**	**19.6**	**4.1**	**577.4**
Unallocated assets:					
Cash and cash equivalents					**98.8**
Total assets					**676.2**
Segment liabilities	**(48.2)**	**(8.7)**	**(8.3)**	**(12.7)**	**(77.9)**
Unallocated liabilities:					
Borrowings – excluding finance leases					**(602.2)**
Accrued interest					**(12.9)**
Corporation tax					**(5.4)**
Deferred tax					**(21.7)**
Total liabilities					**(720.1)**
Other segment items:					
Additions to non-current assets (other than financial instruments and deferred tax)	**64.7**	**2.6**	**-**	**1.5**	**68.8**
Depreciation	**10.6**	**3.2**	**-**	**0.7**	**14.5**
Amortisation	**-**	**-**	**0.1**	**-**	**0.1**
Impairment of trade receivables	**2.0**	**0.2**	**-**	**-**	**2.2**
Other non-cash expenses	**-**	**-**	**-**	**2.4**	**2.4**

The revenue and operating profit, 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)

Cash generated from operations, at a divisional level, is considered to be broadly similar to the amount of underlying operating profit by each division.

2 Net finance costs

	52 week period ended 25 December 2015 £m	52 week period ended 26 December 2014 £m
Finance costs		
Old Notes	**-**	21.8
New Notes	**25.0**	5.1
Amortisation of issue costs	**-**	1.5
Crematoria Acquisition Facility	**0.6**	0.6
Other loans	**0.9**	1.3
Net finance cost on retirement benefit obligations	**0.3**	-
Unwinding of discounts	**0.2**	0.3
Underlying finance costs	**27.0**	30.6
Extinguishment of Old Notes - exceptional	**-**	123.2
Elimination of swap – exceptional	**-**	1.0
Finance costs	**27.0**	154.8
Finance income		
Bank deposits	**(0.5)**	(1.0)
Amortisation of premium on Old Notes	**-**	(3.2)
Finance income	**(0.5)**	(4.2)
Net finance costs	**26.5**	150.6

3 Taxation

Analysis of charge in the period	**52 week period ended 25 December 2015 £m**	52 week period ended 26 December 2014 £m
Current tax – current period	**10.4**	0.6
Adjustments for prior period	**-**	(0.7)
Total corporation tax	**10.4**	(0.1)
Deferred tax – current period	**5.1**	(1.2)
Non trade deficit recognised in the period	**-**	(11.6)
Adjustments for prior period	**-**	0.2
Restatement of deferred tax for the change in UK tax rate	**(3.4)**	-
Total deferred tax	**1.7**	(12.6)
Taxation	**12.1**	(12.7)

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 2014, shareholders approved a share capital consolidation together with a Special Dividend of £1.08 per Ordinary Share. The overall effect of this 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 25 December 2015			
Underlying profit after taxation and EPS	**56.7**	**49.4**	**114.8**
Add: Exceptional items, loss on sale of fixed assets and external transaction costs (net of taxation of £nil million)	**0.2**		
Profit attributable to shareholders – Basic EPS	**56.9**	**49.4**	**115.2**
Profit attributable to shareholders – Diluted EPS	**56.9**	**49.7**	**114.5**
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 diluted EPS	(55.0)	52.9	(104.0)

5 Dividends

	52 week period ended 25 December 2015 £m	52 week period ended 26 December 2014 £m
Final dividend paid: 13.01p per Ordinary Share (2014: 11.83p)	**6.5**	6.3
Interim dividend paid: 7.14p per Ordinary Share (2014: 6.49p)	**3.5**	3.5
Dividend on Ordinary Shares	**10.0**	9.8

The interim dividend represents the interim dividend that was approved and paid in the period out of earnings generated in the same period.

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 £10.0 million, 20.15 pence per share (2014: £74.2 million, 138.32 pence per share).

A final dividend of 14.31 pence per share, in respect of 2015, has been proposed by the Board. Based on the number of shares in issue at the date of signing this report the total final dividend payment is approximately £7.1 million. This will be paid on 24 June 2016 provided that approval is gained from shareholders at the Annual General Meeting on 9 June 2016 and will be paid to shareholders on the register at close of business on 20 May 2016.

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.

6 Cash and cash equivalents

	25 December 2015 £m	26 December 2014 £m
Operating cash as reported in the consolidated statement of cash flows as cash and cash equivalents	**81.9**	76.9
Amounts set aside for debt service payments	**16.9**	9.6
Cash and cash equivalents as reported in the balance sheet	**98.8**	86.5

Amounts set aside for debt service payments

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 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 2015. Of this amount, £12.8 million (2014: £5.6 million) is shown within the Statement of Cash Flows as 'Payments to restricted bank accounts for finance costs' and £4.1 million (2014: £4.0 million) is shown within 'Financing activities' as 'Payments to restricted bank accounts for repayment of borrowings'.

7 Net debt

	25 December 2015 £m	26 December 2014 £m
Net amounts owing on New Notes	**(586.5)**	(594.6)
Add: unamortised issue costs	**(0.7)**	(0.7)
Gross amounts owing on Secured Notes per financial statements	**(587.2)**	(595.3)
Net amounts owing on Crematoria Acquisition Facility per financial statements	**(15.7)**	(15.6)
Add: unamortised issue costs on Crematoria Acquisition Facility	**(0.1)**	(0.2)
Gross amounts owing	**(603.0)**	(611.1)
Accrued interest on Secured Notes	**(12.8)**	(5.7)
Accrued interest on Crematoria Acquisition Facility	**(0.1)**	-
Cash and cash equivalents (note 6)	**98.8**	86.5
Net debt	**(517.1)**	(530.3)

In addition to the above, the consolidated balance sheet also includes finance lease obligations and other financial liabilities which totalled £0.7 million (2014: £0.7 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 25 December 2015, the actual ratio was 3.35 times (2014: 10.69 times). The New Notes were issued on 17 October 2014. Consequently, Senior Interest only accrues from this date for the Relevant Period. Debt Service in 2014, 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.

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.

See the Group's 2014 Annual Report for further details of the replacement of the Old Notes.

8 Reconciliation of cash generated from operations

	52 week period ended 25 December 2015 £m	52 week period ended 26 December 2014 £m
Net profit/ (loss) for the period	**56.9**	(55.0)
Adjustments for:		
Taxation	**12.1**	(12.7)
Net finance costs	**26.5**	26.4
Loss on disposal of fixed assets	**-**	0.3
Depreciation charges	**14.5**	13.3
Amortisation of intangibles	**0.1**	0.2
Movement in inventories	**0.1**	0.2
Movement in trade receivables	**(1.6)**	0.3
Movement in trade payables	**3.2**	(0.6)
External transaction costs	**3.2**	1.7
Loss on extinguishment of Old Notes – exceptional	**-**	123.2
Elimination of swap – exceptional	**-**	1.0
Changes in other working capital (excluding acquisitions)	**7.8**	4.1
Employee share option charges	**2.4**	2.0
Cash generated from operations before external transaction costs and exceptional pension contributions	**125.2**	104.4

9 Analysis of the movement in the retirement benefit obligation

	25 December 2015 £m	26 December 2014 £m
At beginning of period	**(10.5)**	(1.0)
Total expense as above charged to the income statement	**(2.0)**	(1.3)
Remeasurement losses charged to other comprehensive income	**(1.4)**	(10.8)
Contributions by Group	**1.4**	2.6
At end of period	**(12.5)**	(10.5)

10 Basis of preparation

European law requires that the Group's consolidated financial statements for the 52 week period ended 25 December 2015 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 25 December 2015 or 26 December 2014 but is derived from those accounts. Statutory accounts for 2014 have been delivered to the registrar of companies, and those for 2015 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 2014 and 2015.

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2015 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.

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 & Poor's), 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 Group has a well established governance structure with internal control and risk management systems. The risk management process:

- Provides a framework to identify, assess and manage risks, both positive and negative, to the Groups overall strategy and the contribution of its individual operations.

- Allows the Board to fulfil its governance responsibilities by making a balanced and understandable assessment of the operation of the risk management process and inputs.

Responsibilities and actions

The Board

The Board is responsible for monitoring the Group's risk and their mitigants.

Risk process

Every six months the Audit Committee considers the risk register and approves it for adoption by the Board.

Risk assessment

Executive Directors and senior management are responsible for identifying and assessing business risks.

Identify

Risks are identified through discussion with senior management and incorporated in the risk register as appropriate.

Assess

The potential impact and likelihood of occurrence of each risk is considered.

Mitigating activities

Mitigants are identified against each risk where possible.

Review and internal audit

The link between each risk and the Group's policies and procedures is identified. Where relevant, appropriate work is performed by the Group's internal audit function to assist in ensuring the related procedures and policies are appropriately understood and operated where they serve to mitigate risks.

Operational risk management

Risk and impact	Mitigating activities	2015 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 was unusually high. However, there is a reasonable chance that 2016 may see a significant reduction, offsetting the high number of deaths in 2015.	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. For pre-arranged funeral plans, adverse publicity for the Group or one of its partners could result in a reduction in the number of plans sold or an increase in the number of plans cancelled. This would have a direct and significant impact on the financial performance of that division and the Group as a whole.	This risk is addressed by ensuring appropriate policies and procedures are in place, which are designed to ensure excellent client service and careful selection of reputable partners.	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 increases in 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 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. For crematoria operations this is mitigated by difficulties associated with building new crematoria.	Changes in market share were in line with the Board's expectations.	No change

Operational risk management (continued)

Risk and impact	Mitigating activities	2015 Commentary	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
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 marketing 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
Regulation of the funeral industry The Scottish and Westminster parliaments have set up an inquiry to consider issues surrounding funeral poverty. The Scottish Government is seeking to enact new legislation. Amongst other things, this could lead to the licensing of funeral directors in Scotland and the appointment of a Scottish Inspector of funerals. Regulation would most likely result in increased compliance costs for the industry as a whole.	The Group already operates at a very high standard, using facilities appropriate for the dignified care of the deceased.	Whilst regulation has always been considered a risk, the increased rhetoric has led the Group to highlight the matter in its summary of principal risks. The Group would welcome the introduction of regulation requiring minimum standards of care.	Increased

Operational risk management (continued)

Risk and impact	Mitigating activities	2015 Commentary	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 have implemented 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	2015 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 (which is applicable to the securitised subgroup of Dignity) 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 generated by the securitised subgroup.	No significant changes noted in the period.	No change

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. 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 investment strategy is set, implemented and monitored by the Trustees.

It is the view of the Directors that none of the commitments given to these clients, which are explained further below, are onerous to the Group. However ultimately, the Group is obligated to perform these funerals in exchange for the assets of the Trust, whatever they may be.

Similar commitments have arisen following acquisitions of businesses, since 2013, which have sold pre-arranged funeral plans through similar trust based structures (the 'Recent Trusts'). 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').

(b) Pre-arranged funeral plan trust assets

As noted above, the Group has given commitments to perform the funerals covered by the pre-arranged plans, regardless of whether or not the Trusts have available assets to fund the funeral. The Group, therefore, has a potential exposure in the form of a reduced fee should the Trusts investment strategy, over which it has no control, fail to deliver an appropriate return or result in a fall in underlying asset values, or if the cost of delivery for a funeral increase at rates in excess of investment returns.

The Trustees have informed the Group that they have, following independent external advice, completed a restructuring of the Trust's investments following a review of the Trust's investment strategy.

Under their revised strategy the Trustees intend holding investments in the following approximate profile:

	Target (%)
Equities	22
Alternative investments	13
Developed credit and cash	65

Equities will in the main be invested in developed markets, but will contain an exposure to emerging markets. Alternative investments relate to investments in markets such as reinsurance, emerging market debt and property funds.

This 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, potentially result in greater volatility year on year in the reported value of the Trust's assets.

The trustees have advised that the market value of the assets of the pre-arranged funeral plan trusts was £736.0 million at 25 December 2015 (2014: £678.0 million) in respect of 290,000 (2014: 275,000) active pre-arranged funeral plans. 49,000 (2014: 46,000) of the remaining active pre-arranged funeral plans related to those backed by Insurance Plans, as described in note 1 in the Annual Report, with the balance of 35,000 (2014: 27,000) being plans arising from acquisitions.

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). This actuarial valuation is of liabilities of the Trusts to secure funerals through Dignity and other third party funeral directors and does not, in respect of those funerals delivered by the Group represent the cost of delivery of the funeral. It is only in the event that there are insufficient funds within the Trusts to cover the cost of delivery to Dignity that the commitment would become onerous to Dignity as described in (a) above.

The trustees have advised that the latest actuarial valuations of the Principal Trusts were performed as at 25 September 2015 (2014: 26 September 2014) using assumptions determined by the trustees. These valuations showed the Trusts to have liabilities in respect of the pre-arranged funeral plan trusts of £692.1 million as at 25 September 2015 (2014: £612.9 million). The corresponding market value of the assets of the pre-arranged funeral plan trusts was £696.9 million (2014: £630.6 million) as at the same date. Consequently the actuarial valuations recorded total surpluses of £4.8 million at 25 September 2015 (2014: £17.7 million).

The trustees have advised that the Recent Trusts have approximately £22 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 above and 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 (which are recognised by the Group as revenue within the pre-arranged funeral plan division at the time of the sale); and
- Receipts from the Trusts in respect of funerals provided (which are recognised by the Group as revenue within the funeral division when the funeral is performed).

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	
	2015 £m	2014 £m	**2015 £m**	2014 £m
Dignity Limited Trust Fund	**0.3**	0.3	**-**	-
National Funeral Trust	**41.5**	34.8	**4.7**	3.6
Trust for Age UK Funeral Plans	**38.5**	35.1	**4.6**	5.3
Recent Trusts	**2.0**	1.5	**0.4**	0.3
Total	**82.3**	71.7	**9.7**	9.2

Amounts due to the Group from the Trusts are included in Trade and other receivables.

The above transactions were included within revenue under the following captions:

	Transactions during the period	
	2015 £m	2014 £m
Funeral services revenue	**40.0**	32.1
Pre-arranged funeral plans revenue	**29.0**	28.0

In addition to the transactions recognised within revenue in the table above, there were £13.3 million (2014: £11.6 million) of transactions between the Group and the Trusts which represented amounts paid to the Group to reimburse them for trust expenses, monies repaid to members on cancellation and monies paid to third parties for the performance of some funeral services; all of which have no impact on the income statement.

Average transaction amounts

The trustees have advised that the Trusts hold assets of approximately £2,500 (2014: £2,400) per active plan at the balance sheet date. On average the Group received approximately £2,450 (2014: £2,300) in the period for the performance of each funeral (including amounts to cover disbursements such as crematoria fees, ministers' fees and doctors' fees).