For immediate release **1 August 2018**

Dignity plc

Interim results for the 26 week period ended 29 June 2018

Dignity plc (Dignity or the Group), the UK's only listed provider of funeral related services, announces its unaudited interim results for the 26 week period ended 29 June 2018.

	26 week period ended 29 June 2018	26 week period ended 30 June 2017	Increase/ (decrease) per cent
Revenue (£million)	**174.7**	169.8	3
Underlying operating profit* (£million)	**56.4**	59.5	(5)
Underlying profit before tax* (£million)	**43.4**	46.1	(6)
Underlying earnings per share* (pence)	**69.4**	74.1	(6)
Cash generated from operations before non-underlying items* (£million)	**65.6**	61.9	6
Operating profit (£million)	**51.5**	58.7	(12)
Profit before tax (£million)	**38.5**	45.3	(15)
Basic earnings per share (pence)	**61.4**	72.5	(15)
Number of deaths	**324,000**	308,000	5
Interim dividend (pence)	**8.64**	8.64	-

* The reasons for the Group's use of alternative performance measures, definitions and where relevant reconciliations, are provided in the section on Non-GAAP measures on page 30.

Key points

- Strong financial performance ahead of market's expectations;
- Number of deaths significantly higher than the prior period;
- Increased funeral market share;
- Three year transformation plan for funeral operations now determined;
- Solid performance from crematoria;
- Acquisition activity continues;
- Pre-need business experiencing tougher market conditions; and
- Strong cash generation continues to fund the Group's plans.

Mike McCollum, Chief Executive of Dignity plc commented:

"We are pleased with the strong and better than originally expected financial performance in the first half of this year. Strong cash generation will support planned investments and costs which form part of our plan for the funeral business. Our focus remains on building a new lower cost model in our funeral business which will provide more competitive prices and a superior, future ready proposition. We have made good progress, but it is still early days. We have completed our operating review which has yielded a three part transformation plan while our trials continue to yield valuable information. We are confident that the changes will position Dignity for long-term, sustainable and profitable growth while maintaining the highest possible standards of client service."

For more information

Mike McCollum, Chief Executive
Steve Whittern, Finance Director
Dignity plc **+44 (0)20 7466 5000**

Richard Oldworth
Chris Lane
Catriona Flint
Buchanan **+44 (0)20 7466 5000**
www.buchanan.uk.com **Dignity@buchanan.uk.com**

Notes

A presentation for analysts and institutional investors will be held today at 9.00am (BST) at Buchanan Communications, 107 Cheapside, London EC2V 6DN. All participants must be pre-registered in order to attend the meeting.

A live audio webcast and conference call facility will be available. A webcast replay facility will be available after the analyst meeting via the same link.

Webcast	http://webcasting.buchanan.uk.com/broadcast/5b321921f8666a0e93e96cde
Conference call	UK Toll: 02034281542 UK Toll Free: 08082370040 Participant PIN code: 13821565#
(listen only)	URL for international dial in numbers: http://events.arkadin.com/ev/docs/FEL_Events_International_Access_List.pdf

Chairman's statement

Financial summary
Following the unexpected eight per cent increase in the number of deaths in the first quarter of the year, the number of deaths in the second quarter were approximately one per cent higher than the same period in 2017. The Board now anticipates 600,000 deaths based on the first half of 2018.

Underlying operating profits decreased by five per cent to £56.4 million (2017: £59.5 million), a smaller decline than anticipated at the beginning of the year. This primarily reflects:

- lower average incomes in funeral operations following the changes to pricing made in January 2018;
- lower profitability of the Group's pre-arranged funeral plan business; and
- a higher than anticipated number of deaths.

Further details are provided in the Business and Financial Review.

Underlying earnings per share decreased by six per cent to 69.4 pence per share (2017: 74.1 pence per share), principally driven by the reduction in underlying operating profits.

CMA and HM Treasury
We support and welcome the Competition and Markets Authority ('CMA') market study of funeral and crematoria services and the HM Treasury consultation on the funeral plan sector, which were both announced on 1 June 2018.

We believe there is a need for much higher standards, greater transparency on pricing and more consumer choice across the sector. We have made this case to the CMA and HM Treasury and will continue to work closely with both parties.

Our commitment to putting funeral prices online, to unbundle the price structure in our funeral business and our decision to request that a greater percentage of each funeral plan's sales value remains in the Trust rather than being paid to us at the time of sale, demonstrates our desire to lead the industry in best practice. See Business and Financial Review for further information.

Given the CMA is not due to issue its preliminary findings until November 2018 and the HM Treasury consultation on pre-need closes on 1 August 2018, it is too early to report anything further at this stage. The Group will make further announcements as appropriate.

Dividends
The Group paid a final dividend of 15.74 pence per Ordinary Share on 29 June 2018.

The Group proposes to pay an unchanged interim dividend of 8.64 pence per Ordinary Share on 26 October 2018 to shareholders on the register at 21 September 2018.

Our staff
We continue to have a group of very dedicated, professional staff, who continue to be focused on serving families to the best of their ability.

Our funeral business
A significant amount of resource has been invested in the review of our funeral business. As the Group has acquired businesses, it has in many cases, consciously decided to maintain their autonomy. This creates an opportunity to rationalise our operations. In addition, through significant investment in technology, price and promotional activities, we can enable our customer facing staff to focus on the parts of the job they find most rewarding: looking after families with an unrivalled level of service using appropriate facilities. The conclusions and plan for the coming years are set out in this announcement, supported by a more detailed presentation, which is available on the Group's investor website www.dignityfuneralsplc.co.uk.

Outlook
The Group is performing well compared to current market expectations. Whilst lower profitability is expected from pre-need, reflecting a greater proportion of each funeral plan's sales value being retained in the Trusts until the plan is used, this is offset by the stronger than expected performance from funeral operations. Consequently, the Board's expectations for 2018 remain as upgraded in May 2018.

2019 is likely to see underlying profitability lower than 2018, but in line with current market expectations. In the medium term, the Board believes that targeting solid single digit increases in underlying operating profit is appropriate and achievable.

Peter Hindley
Chairman
1 August 2018

The Group's funeral business: the transformation plan

The need for change

For over two years, the Group has consistently alerted the investment community to the increasingly competitive environment in which it operates. Some customers are increasingly price-conscious and, in an over-supplied industry, are shopping around more. This continued to have an increasing impact on the Group's market share, with a significant reduction in the average number of funerals per location noted since 2015. Specifically, the largest player in the market, the Co-operative Group ('the Co-op'), reduced the price of its entry level funerals in 2016 and again in late 2017.

In January 2018, we announced that we had taken decisive action to reduce the price of our Simple Funerals by approximately 25 per cent to match the Co-op's prices. We subsequently announced that we were working to develop our plans for the funeral business and that we had engaged L.E.K. Consulting ('LEK') to help us focus on three areas, namely:

1. Understanding the relationship between price, service and volume to develop a broader proposition for customers across a number of market segments;
2. Developing a more streamlined network operating model that can consistently deliver these propositions at lower cost; and
3. Developing a modern, efficient central operating model to support the reconfigured network.

Progress to date

Market share

Market share for the first half of 2018 was 12.1 per cent, compared to 11.8 per cent for the same period in 2017 and 11.5 per cent for 2017 as a whole. This position includes the benefit of acquisitions made part way through 2017 and 2018. On a comparable basis, excluding any volumes from locations not contributing for the whole of 2017 and 2018 to date, market share was 11.4 per cent, compared to 11.5 per cent for the same period in 2017 and 11.1 per cent for the whole of 2017. This very positive performance is indicative that the changes to the Group's pricing and service model to date have already made a significant difference.

While still too early to be certain, this leads the Group to conclude that a future outlook of stable, comparable market share, should be achievable through a combination of service, price and promotion. We will have a clearer picture at the end of the year.

Trials

Trials are fundamental to understanding the relationship between price, service and volume and building a new proposition.

In addition to the price changes announced in January 2018, we announced in May 2018 that further trials were under way, structured in the following way:

- One quarter of the Group's portfolio had no changes applied;
- A similar proportion had introduced a Limited Service Funeral Package;
- A third quarter had implemented reductions to full service prices; and
- The remaining quarter had introduced a new funeral package and reduced prices.

We extended these trials to the end of June 2018 and they are still ongoing with a variety of iterations planned. The price reduction in the Simple Funeral in January 2018 and the trials have had a significant impact on overall average income, albeit with average income remaining above our original expectations.

	Funeral type	FY 2018* Board's expectations	Q1 2018 Actual	Q2 2018 Actual	H1 2018 Actual
Average revenue (£)	Full service	3,800	3,875	3,700	3,800
	Simple and Limited service	1,965	2,100	2,340	2,240
	Pre-need	1,650	1,680	1,680	1,680
	Other	500	580	535	560
Volume mix (%)	Full service	44	55	48	52
	Simple and Limited service	20	12	20	15
	Pre-need	30	28	26	27
	Other	6	5	6	6
Weighted average		2,590	2,883	2,713	2,799
Ancillary revenue		280	212	225	224
Average revenue		2,870	3,095	2,938	3,023

*As per January 2018 trading update

There is insufficient data to conclude on whether individual trials have had a meaningfully different impact on market share, with the entire country so far responding in a broadly similar manner since the original price reduction in January 2018.

Our transformation plan

We are now in a position to report on our operational review. We are embarking on a wide-ranging transformation plan, backed by a major investment programme. Our plan underlines our commitment to build a funeral business that remains focused on quality, whilst being able to adapt to a changing marketplace. Our plan has three objectives:

1. Enhance the customer proposition;
2. Invest in and simplify the operating model; and
3. Streamline support to enable investment.

1. Enhance the customer proposition

Implement a more client-centric service model

The service model will be adapted to better suit evolving client needs and to improve efficiency.

We will provide customers with a more tailored service, allowing them to choose how they wish to interact with Dignity in arranging a funeral through more mobile staff and improved digital capabilities.

Launch new product and pricing structure

We have developed a new tiered proposition, specifically targeting different market segments, that will provide greater flexibility to meet individual client needs. We will have a clearer picture of our preferred service offers and price points by the end of the year, but currently anticipate overall average income in the second half of 2018 and in 2019 to broadly reflect our original January 2018 expectations.

By unbundling our prices and services to provide our customers with greater flexibility to create the right funeral for their loved one, we will be able to provide greater consistency and competitiveness on price, while reflecting Dignity's premium service levels.

Build national brands

Building national brands leverages our scale and addresses the needs of increasingly digital clients. Through the Dignity and Simplicity names, we plan to build known, national brands to leverage scale advantages in the digital age. We will develop our marketing proposition to promote the Group's commitment to high standards of care, quality of service delivery and competitive entry prices. We also recognise that our established local trading names continue to have significant value.

2. Invest in and simplify the operating model

Separate front and back of house

The purpose or our operational review was to develop a more streamlined network operating model that can consistently deliver a broader proposition at lower cost. This will be achieved by separating the network used to interact with customers (e.g. locations to arrange funerals and pay respects to the deceased supported by funeral arrangement staff); and that used for service delivery (e.g. mortuaries and fleet supported by funeral staff). The separation of front and back of house activities in this way will enable specialisation and drive efficiency gains.

As a result of the high standards operated by Dignity, service delivery locations have always required significant investment to ensure appropriate mortuary facilities, refrigeration and fleet. As we have acquired a substantial number of autonomous businesses over many years, the number of these service locations has inevitably grown and a degree of rationalisation is now appropriate. The focus of the service delivery model changes will be to ensure the Group benefits from its scale. As such, investment will be focused on fewer service locations, improving capital efficiency and technology will be implemented to optimise rostering of staff and vehicles.

Right-sized branch network

The existing network will be right-sized and enhanced. Low performing and highly geographically overlapping locations will be rationalised. Customer facing locations will be focused on three formats: Prestige (offering outstanding facilities), full service (offering full facilities including chapels of rest) and satellites (primarily offering arrangement meetings). Furthermore, mobile staff will be introduced to extend coverage to areas where traditional branches are not economically viable. Our focus will also be to ensure that all facilities continue to set the industry standard for the quality of care provided for the deceased.

Scale operating networks

By better allocating resources, efficiencies will allow us to reduce the number of operating networks (e.g. collections of locations sharing facilities) and centralise operations where appropriate (e.g. mortuaries and fleet) more consistently. This new structure will also enable synergies from new geographical openings and acquisitions.

3. Streamline support to enable investment

Simplified, focused management structure

We will introduce consistency and focus on management roles, which will enable simplification. Specialised front and back of house roles will be created to support process excellence, whilst lowering the cost base.

Invest in support capabilities and IT systems

We can support our operational staff better by investing in centralised facilities and staff to help their effectiveness. This will be supported through significant investment in technology.

Locations and jobs

We need to ensure that we are located in the right locations around the country. This will involve closing some locations in areas where we have many and adding others in areas where we have few or none.

Clearly these are significant changes to the way we operate and will take a number of years to implement, so this is the start of the journey. I am sad to say there will be implications for headcount in the funeral division where there will be an overall modest reduction in staff. However, our aim will be to, as far as possible, manage that through natural turnover.

Timetable

The transition programme is expected to be largely completed over a three year timeframe. Our focus will initially be on back of house facilities and the necessary changes to the management structure.

A Transformation Director, reporting directly to the Chief Executive, has been appointed and will begin in early August. His role will be to establish the project management office and coordinate all necessary resources, both internal and external, to ensure the plan is delivered on time. He will be supported by external advisers and a project management team as necessary.

Additional investment and costs

Delivering the transformation outlined above will require investment of approximately £50 million over the next three years, with £17 million funded from property disposals and the remaining £33 million from existing resources. This investment is anticipated to deliver £8 million of annualised additional underlying operating profits by 2021.

Any provisions related to transformation costs are expected to be made in the second half of 2018 once the detailed implementation approach has been approved by the Board.

The Group will provide its next update on progress when it releases its third quarter trading update on 12 November 2018.

Business and financial review

Introduction
The Group's operations are managed across three distinct divisions: funerals, crematoria and pre-arranged funeral plans. 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 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 in advance.

Initial estimated deaths in Britain for the first half of 2018 were 324,000 (2017: 308,000), an increase of five per cent compared to the same period last year.

Funeral services
At 29 June 2018, the Group operated a network of 831 (June 2017: 811; December 2017: 826) funeral locations throughout the UK generally trading under established local trading names. The change to the portfolio reflects the acquisition of four additional funeral locations, six new satellite locations and five closures.

In the first half of 2018, the Group conducted 39,700 funerals (2017: 36,700) in the United Kingdom; an eight per cent increase on the prior year. Approximately one and a half per cent of these funerals were performed in Northern Ireland (2017: one and a half per cent). Excluding Northern Ireland, these funerals represented approximately 12.1 per cent (June 2017: 11.8 per cent; December 2017: 11.5 per cent) of total estimated deaths in Great 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 £42.1 million (2017: £45.1 million), 6.7 per cent lower than the same period in 2017. In broad terms, this can be explained by the following factors:

	£m
Underlying operating profit – June 2017	45.1
Impact of:	
Higher deaths	5.5
Market share	(1.5)
Lower average incomes	(5.5)
Cost base increases	(3.5)
Acquisition activity	2.0
Underlying operating profit – June 2018	42.1

Dignity will shortly publish the first of two major research projects which commenced in 2017 and concluded in May 2018. It identifies what UK consumers assume, want and expect from Funeral Directors. This very much supports our view that care of the deceased is a critical element of the important service funeral directors provide for the bereaved. UK consumers assume funeral directors are the same, that the market is regulated and operating to minimum standards, when in fact none of these statements are true. The Group will share this research with policymakers and call for greater regulation and transparency, whilst ensuring that customers get the best service and choice of pricing.

Crematoria
The Group operates 45 crematoria (June 2017: 45; December 2017: 45) and is the largest single operator of crematoria in Great Britain. The Group performed 35,400 cremations (2017: 33,700) in the period.

These volumes represent approximately 10.9 per cent (June 2017: 11.0 per cent; December 2017: 10.7 per cent) of total estimated deaths in Great Britain.

Underlying operating profit was £23.4 million (2017: £20.9 million), an increase of 12.0 per cent. Sales of memorials and other items equated to £258 per cremation (2017: £255 per cremation).

In July 2018, the Group's 46th crematorium in Derby began trading. Trent Valley crematorium represents an investment of £5.1 million and follows a similar model to previous new build locations. This state of the art location is expected to perform approximately 1,000 cremations per year, albeit it is likely to take five to seven years before reaching this level of activity. The Group's two other locations under construction are due to open in late 2019. Options for further locations are being pursued, but are limited by the lack of locations where the necessary 800 to 1,000 cremations would be demanded on an annual basis. This is the level, at current cremation fees, that is necessary to justify the capital investment.

Dignity will shortly publish the report "Cost, Quality, Seclusion and Time. What do UK customers want from a cremation funeral?" Commencing in July 2017 and the second of two major research studies, it includes qualitative and quantitative research with customers and funeral directors, qualitative research with representatives of industry bodies and local authority crematoria representatives, plus an audit conducted by Trajectory of the service standards and practices of 292 crematoria in the UK. It reveals customers' relative priorities regarding crematoria costs, time and other aspects of quality, with privacy provided from longer service times being their highest priority. Dignity leads the industry, providing service times of 54 minutes on average. This is significantly in excess of the industry average, with some crematoria offering as little as 20 minutes. Dignity will be calling for 45 minutes as the minimum standard.

Pre-arranged funeral plans

Active pre-arranged funeral plans were approximately 470,000 at the end of the period (June 2017: 427,000; December 2017: 450,000). Although a broadly similar number of plans were sold in each period, 20 per cent fewer trust based plans were sold, offset by greater insurance based plans in 2018. There has been considerable adverse publicity about the funeral plan market which may have contributed to the reduced activity. These plans continue to represent future potential incremental business for the funeral division. However, insurance based plans do not generate a profit for the pre-need division and thus underlying operating profits were lower, at £2.8 million (2017: £4.9 million).

Although the pre-arranged funeral plan trusts are well funded, holding approximately £500 more assets per plan at 29 December 2017 than was paid out in 2017 to perform each funeral, the Group has concluded that it should reduce the level of marketing allowance it seeks to claim from the trusts when it makes a plan sale, thereby leaving a greater proportion of the plan's sales value in the trust available for when the plan holder dies and the plan is used. The Group believes that it has long led the industry in best practice and given its calls for higher levels of capital solvency to protect consumers, feels this is the appropriate course of action.

This change will be made from the beginning of the second half of 2018 to a level that covers the marketing costs incurred. Therefore, the pre-need division is not expected to contribute any profit at the time of sale following the change. However, for the vast majority of pre-arranged funerals which are ultimately performed by the Group, this represents a timing difference as the Group will benefit from the greater proportion of the plan value when the funeral is provided.

Despite a smaller number of trust based plans sold in the period, the unfulfilled trust plans still represent approximately £1 billion of cash flows due to the Group in future years.

As described in note 1, forthcoming accounting standards may result in the Group being required to change its accounting policy for the recognition of monies received from the trust in advance of performing the funeral (e.g. marketing allowances). Although the analysis is ongoing it is likely that marketing allowances will not be recognised as revenue at the time of the sale but instead at the time the funeral is performed.

Central overheads

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 centrally 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.

Costs in the period were £11.9 million (2017: £11.4 million). The current period includes approximately £1 million relating to digital promotion and associated activities, together with a release of £1.7 million in respect of executive directors' bonuses earned in 2017 but waived in 2018.

Marketing and digital activity
The Group has made further progress with the implementation of its digital strategy. Traffic to the Group's websites for the first half comparable year on year period has significantly increased, with site visits up 33 per cent from 550,000 to 735,000. Our new Funeral Notices digital service was successfully trialled in the first half of 2018 and which, once fully adopted, has the potential to introduce two and a half million new consumers annually to our brands. Further development on mobile friendly architecture and optimisation have seen us retain our position as the funeral website with the highest domain authority in the UK.

Significant progress is being made on a new website and on the development of essential local and national content. Listing our funeral prices online is a priority for the Group. Our Simple Funeral prices have been listed online since the first quarter of 2018. A database of local disbursement prices is being collated along with a new central database of our local funeral prices, which combined will allow us to fully publish our prices online by the end of the first quarter of 2019.

The Group has committed an additional £3 million per annum to its marketing budget. This brings the total anticipated annual marketing investment to an increase of £6 million over that incurred in 2016. A significant proportion of this will be allocated to pay per click promotional activities. Investment is also being directed into building a strong internal digital marketing unit, supported by leading external experts. Clearer and stronger positions are being developed for the Group's brands, which will receive significant advertising support from the fourth quarter of 2018 onward.

Simplicity Cremations
Our Simplicity Cremation business continues to perform well and is operating at a run rate of approximately 1,000 cremations per year. We have launched the Simplicity pre-arranged funeral plan and the Group launched in April 2018 an attended direct cremation under the Simplicity brand to help this business continue to grow. This allows a limited number of people to attend a short committal service at a time and date of the Group's choosing for an additional £250. The Group's direct cremation services are only currently available online. Visits to the Simplicity website increase significantly to 280,000 in the first half of 2018 compared to 37,000 in the same period in 2017.

Corporate development activity
The Group has invested £5.4 million in acquiring four established funeral locations and has invested £0.7 million in the current satellite location programme.

The Group continues to progress the remaining two locations with planning permission for new crematoria. These are due to open in 2019 and represent a capital commitment of approximately £11 million. The Group is also appealing an unsuccessful application.

Earnings per share
Underlying earnings per share decreased six per cent to 69.4 pence per Ordinary Share, principally driven by the five per cent decrease in underlying operating profits.

Cash flow and cash balances

The Group continues to be strongly cash generative. Cash generated from operations, before non-underlying items, was £65.6 million (2017: £61.9 million). This cash generation reflects continued efficient operating profit conversion, which has been assisted by much lower working capital movements than last year. This is attributed to timing differences and lower cash bonus payments than the previous period.

In addition to the corporate development activity in the period, the Group spent £9.9 million (2017: £12.8 million) on purchases of property, plant and equipment. The Group continues to expect to incur approximately £20 million in the full year on maintenance capital expenditure.

This is analysed as:	**29 Jun 2018 £m**	30 Jun 2017 £m
Maintenance capital expenditure:		
Funeral services	**3.5**	5.3
Crematoria	**2.7**	2.2
Other	**0.6**	2.0
Total maintenance capital expenditure[(a)]	**6.8**	9.5
Branch relocations	**0.3**	2.0
Satellite locations	**0.7**	0.4
Development of new crematoria and cemeteries	**2.1**	0.9
Total property, plant and equipment	**9.9**	12.8
Partly funded by:		
Disposal proceeds	**(0.3)**	(0.4)
Net capital expenditure	**9.6**	12.4

(a) Maintenance capital expenditure includes vehicle replacement programme, improvements to locations and purchases of other tangible and intangible assets.

Cash balances at the end of the period were £64.0 million (June 2017: £65.4 million; December 2017: £49.3 million).

Pensions

The Group's pension scheme deficit has improved since December 2017 to £20.7 million (June 2017: £24.9 million; December 2017: £24.0 million). During the period, the Group agreed a schedule of contributions with the pension scheme trustees following completion of the triennial valuation to April 2017. This has resulted in an annual cash obligation of approximately £2.2 million per annum with effect from 2018.

Taxation

The Group's effective tax rate for 2018 is expected to be 20 per cent before the effect of non-underlying items. The effective rate for 2019 and beyond is expected to be approximately one per cent higher than the headline rate of Corporation Tax for the relevant period.

Capital structure and financing

Drawn facilities

The Group's principal source of long-term debt financing continues to be the Secured Notes issued in 2014. The Group's Secured A Notes are rated A by Fitch and Standard & Poor's. The Group's Secured B Notes are rated BBB by Fitch. During the period and as previously announced, Standard & Poor's lowered the rating of the Group's Secured B Notes to BB from BBB. This has no impact on the financial covenant or any other obligation of the Secured Notes from a Group perspective. Given the duration of the Secured Notes, this structure is capable of being used to periodically issue further Secured Notes when deemed appropriate and subject to market conditions. Given the recent trading updates, the Group does not have any plans for such an issue in the immediate future. Such an issue would also require the rating of the Secured B Notes by Standard & Poor's to be at least BBB.

The Group's primary financial covenant under the Secured Notes (which is applicable to the securitised subgroup of Dignity) requires EBITDA to total debt service to be above 1.5 times. The ratio at 29 June 2018 was 3.09 times (June 2017: 3.41 times; December 2017: 3.24 times). Further details are in note 8.

As set out in note 8, the Group's gross amounts owing on its debt obligations were £561.2 million (June 2017: £586.0 million; December 2017: £565.7 million). Net debt was £497.4 million (June 2017 £520.8 million; December 2017: £516.9 million).

Revolving credit facility

The Group has the benefit of a £50 million revolving credit facility ('RCF'), provided by the Royal Bank of Scotland, which is secured against certain trade and assets held by legal entities outside the Group's securitisation structure.

The facility is available until July 2021, with the option to renew, subject to the bank's consent at the time, by a further year. The margin on the facility ranges from 150 to 225 basis points depending on the resulting gross leverage.

This provides the Group ongoing flexibility in a cost effective manner, as if undrawn, the facility represents an annual cost of approximately £0.3 million. Given the Group's healthy cash balances, the RCF is undrawn at the time of the release of this announcement.

Post balance sheet events
There were no significant post balance sheet events.

Forward-looking statements
Certain statements in this Interim Report are forward-looking. Please see page 33 for further details.

Going concern
The Directors receive and review regularly management accounts, cash balances, forecasts and the annual budget together, with covenant reporting. After careful consideration and mindful of the current market conditions, the Directors confirm they are satisfied that the Group has adequate resources to continue operating for the foreseeable future. The Directors formally considered this matter at the Board meeting held on 26 July 2018. For this reason, they continue to adopt the going concern basis for preparing the Interim Report.

Our key performance indicators

The Group uses the following key performance indicators both to manage the business and monitor the Group's delivery against its strategy and objectives. We monitor our performance by measuring and tracking KPIs that we believe are important to our longer-term success. In the light of the change in pricing strategy and transformation plan announced, it is expected that the Group's KPIs, as they relate to a newly stated set of strategic objectives, will be reviewed during the second half of 2018 to ensure they remain appropriate.

Group Performance

KPI	KPI definitions	26 week period ended 29 June 2018	Developments in 2018
Total estimated number of deaths in Britain (number)	This is as reported by the Office for National Statistics.	324,000 (H1 2017: 308,000) [a] (FY 2017: 590,000)[b]	Deaths were higher than anticipated in the period. ONS expectations are for lower deaths in 2018.
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.	12.1% (H1 2017: 11.8%)[a] (FY 2017: 11.5%)[b]	The increase in market share is more than anticipated, as discussed in the report.
Number of funerals performed (number)	This is the number of funerals performed according to our operational data.	39,700 (H1 2017: 36,700)[a] (FY 2017: 68,800)[b]	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.	10.9% (H1 2017: 11.0%)[a] (FY 2017: 10.7%)[b]	Market share has increased, principally reflecting the effect of recent acquisitions and Simplicity Cremations.
Number of cremations performed (number)	This is the number of cremations performed according to our operational data.	35,400 (H1 2017: 33,700)[a] (FY 2017: 63,400)[b]	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.	470,000 (H1 2017: 427,000)[a] (FY 2017: 450,000)[b]	This increase reflects continued sales activity offset by the crystallisation of plans sold in previous periods.
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.	69.4 pence (H1 2017: 74.1 pence)[a] (FY 2017: 128.3 pence)[b]	This reduction follows the decrease in underlying operating profit.
Underlying operating profit (£ million)	This is the statutory operating profit of the Group excluding non-underlying items.	£56.4 million (H1 2017: £59.5 million)[a] (FY 2017: £104.6 million)[b]	This primarily reflects lower profitability of the Group's funeral and pre-arranged funeral plan businesses.
Cash generated from operations (£ million)	This is the statutory cash generated from operations excluding non-underlying items.	£65.6 million (H1 2017: £61.9 million)[a] (FY 2017: £115.4 million)[b]	The Group continues to convert operating profit into cash efficiently.

In addition to these key performance indicators, the Group closely monitors the results of its client surveys. Highlights of these results can be found on the following page.

(a) H1 2017 relates to the 26 weeks ended 30 June 2017.

(b) FY 2017 relates to the 52 weeks ended 29 December 2017.

Client satisfaction in our funeral business

We strive to maintain and improve client satisfaction across our business. Our funeral service survey results continue to demonstrate this commitment. In the last five years, we have received approximately 160,000 responses. The percentages below report the responses for the one year up to the relevant balance sheet date.

Reputation and recommendation

99.0% (December 2017: 99.0%)
99.0 per cent of respondents said that we met or exceeded their expectations.

97.5% (December 2017: 97.7%)
97.5 per cent of respondents would recommend us.

Quality of service and care

99.9% (December 2017: 99.9%)
99.9 per cent thought our staff were respectful.

99.6% (December 2017: 99.7%)
99.6 per cent thought our staff listened to their needs and wishes.

99.1% (December 2017: 99.1%)
99.1 per cent agreed that our staff were compassionate and caring.

High standards of facilities and fleet

99.8% (December 2017: 99.8%)
99.8 per cent thought our premises were clean and tidy.

99.7% (December 2017: 99.8%)
99.7 per cent thought our vehicles were clean and comfortable.

In the detail

99.2% (December 2017: 99.3%)
99.2 per cent of clients agreed that our staff had fully explained what would happen before and during the funeral.

99.1% (December 2017: 99.0%)
99.1 per cent said that the funeral service took place on time.

98.4% (December 2017: 98.0%)
98.4 per cent said that the final invoice matched the estimate provided.

Mike McCollum
Chief Executive
1 August 2018

Principal risks and uncertainties

Our principal Group risks

Outlined here is our assessment of the principal risks facing the Group. In assessing which risks should be classified as principal, we assess the probability of the risk materialising and the financial or strategic impact of the risk.

Risk appetite

Risk appetite is the level of risk the Group is willing to take to achieve its strategic objectives and is set by the Board. The Board looks at the Group's appetite to risk across a number of areas including market, financing, operations, strategy and execution, developments, cybersecurity and technology and brand.

The Group's risk appetite is set in the context of our focus on one sector – funeral services. As experts in this sector we are able to mitigate the risk involved in growing the business by acquisition, development and our active asset management strategy. This focus on our core strengths is balanced by a more cautious approach to risk in other areas.

Whilst the Group's structured approach to risk management continues, its risk appetite increased as detailed in the 2017 Annual Report, given the changes in the market and the Group's subsequent response. Consequently commentary below indicating no change in risk is in comparison to a higher comparative risk.

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 Group's 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 formally 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.

Risk governance

The Board has overall responsibility for the Group's internal control systems and for reviewing their effectiveness. This has been designed to assist the Board in making more risk-informed, strategic decisions with a view to creating and protecting shareholder value.

Operational risk management

Risk and impact	Mitigating activities	2018 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 risk is mitigated by the geographical spread of locations, the ability to control costs and the ability to acquire funerals.	The number of deaths in 2018 was higher than expected.	No significant change to 2017
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 significant change to 2017

Risk and impact	Mitigating activities	2018 commentary	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. However, in the light of developing market conditions, the Group took decisive action to reduce its funeral pricing in January 2018, which will be supported by an improved online presence. Whilst the Group has no desire to engage in a price war we have responded to the price reduction instigated by the Co-op, the largest player in the UK, and given how competitive the market is, if necessary Dignity will revisit its pricing again.	Average revenues reduced in the first half of 2018 and may continue to do so.	No significant change to 2017
Significant reduction in market share It is possible that other external factors, such as new competitors and the increased impact of the internet on the sector, 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. In addition, the Group's actions in January 2018 on pricing and promotion seek to protect the Group's funeral market share. For crematoria operations this is mitigated by the lack of geographical areas where there are sufficient potential clients to justify the capital required to build new crematoria.	Market share was stronger than expected in the first half of 2018.	No significant change to 2017
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. This is mitigated by the geographical spread of locations coupled with the ability to acquire funeral locations in areas of higher demand.	There have been no material changes, with satellites being opened and businesses acquired in appropriate areas.	No significant change to 2017
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.	Established local reputation continues to be important in attracting clients, although this is declining. In addition, the Group is enhancing and developing its digital presence. There are barriers to entry 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.	We have commented on the increasingly competitive environment across our business.	No significant change to 2017, but increased competition for the pre-need business
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 significant change to 2017
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. This risk is also mitigated through the high standards of selling and administration of pre-arranged funeral plans operated by the Group.	We continue to seek regulation of our markets and welcome the consultation by HM Treasury and hopefully, consequential regulation.	See commentary on HM Treasury consultation
Regulation of the funeral industry Regulation could result in increased compliance costs for the industry as a whole or other unforeseen consequences.	The Group already operates at a very high standard, using facilities appropriate for the dignified care of the deceased.	We continue to seek regulation of our markets and welcome the market study by the CMA, which will hopefully drive regulation of the industry.	See comment on CMA market study

Risk and impact	Mitigating activities	2018 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. 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.	The latest actuarial valuation of the pre-arranged funeral plan Trusts demonstrates an actuarial surplus. This is supported by robust average assets per plan.	No significant change to 2017
Implementation of the Transformation Plan Following the Stock Market Announcement on 19 January 2018 Dignity appointed LEK to conduct an operational review and assist in developing a transformation plan. This plan has three objectives: 1. Enhance the customer proposition; 2. Invest in and simplify the operating model; and 3. Streamline support to enable investment. A risk exists that the plan Is either not implemented correctly or proves to be materially disruptive to the funeral business.	This risk is being mitigated by the detailed plans developed with LEK who have a proven track record in business transformation, their continued involvement and the appointment of a Transformation Director who will manage the process within a clearly defined and accountable project framework.	Work begins on the implementation on 1 August 2018.	New risk

Financial risk management

Risk and impact	Mitigating activities	2018 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.	Current trading continues to support the Group's financial obligations with significant headroom. The downgrade by Standard & Poor's of the Groups Secured B Notes has no impact on the financial covenant or any other obligation of the Secured Notes from a Group perspective.	No significant change to 2017

Consolidated income statement (unaudited)
for the 26 week period ended 29 June 2018

	Note	26 week period ended 29 Jun 2018 £m	26 week period ended 30 Jun 2017 £m	52 week period ended 29 Dec 2017 (audited) £m
Revenue	2	**174.7**	169.8	324.0
Cost of sales		**(68.3)**	(66.3)	(130.6)
Gross profit		**106.4**	103.5	193.4
Administrative expenses		**(54.9)**	(44.8)	(95.4)
Operating profit	2	**51.5**	58.7	98.0
Finance costs	3	**(13.1)**	(13.5)	(26.9)
Finance income	3	**0.1**	0.1	0.1
Profit before tax	2	**38.5**	45.3	71.2
Taxation	4	**(7.8)**	(9.2)	(13.4)
Profit for the period attributable to equity shareholders		**30.7**	36.1	57.8
Earnings per share for profit attributable to equity shareholders				
– Basic (pence)	5	**61.4p**	72.5p	115.8p
– Diluted (pence)	5	**61.4p**	72.3p	115.6p

Consolidated statement of comprehensive income (unaudited)
for the 26 week period ended 29 June 2018

	26 week period ended 29 Jun 2018 £m	26 week period ended 30 Jun 2017 £m	52 week period ended 29 Dec 2017 (audited) £m
Profit for the period	**30.7**	36.1	57.8
Items that will not be reclassified to profit or loss			
Remeasurement gain on retirement benefit obligations	**2.8**	1.8	3.2
Tax charge on remeasurement on retirement benefit obligations	**(0.5)**	(0.3)	(0.5)
Other comprehensive income	**2.3**	1.5	2.7
Comprehensive income for the period	**33.0**	37.6	60.5
Attributable to:			
Equity shareholders of the parent	**33.0**	37.6	60.5

Consolidated balance sheet (unaudited)
as at 29 June 2018

	Note	**29 Jun 2018 £m**	30 Jun 2017 £m	29 Dec 17 (audited) £m
Assets				
Non-current assets				
Goodwill		**231.5**	223.3	226.1
Intangible assets		**157.3**	155.3	159.4
Property, plant and equipment		**248.3**	242.1	248.0
Financial and other assets		**15.5**	12.6	14.3
		652.6	633.3	647.8
Current assets				
Inventories		**7.4**	7.0	7.3
Trade and other receivables		**33.0**	34.7	38.3
Cash and cash equivalents	7	**64.0**	65.4	49.3
		104.4	107.1	94.9
Total assets		**757.0**	740.4	742.7
Liabilities				
Current liabilities				
Financial liabilities		**9.3**	24.8	4.5
Trade and other payables		**52.2**	52.3	57.8
Current tax liabilities		**7.2**	7.9	6.2
Provisions for liabilities		**1.6**	1.6	1.5
		70.3	86.6	70.0
Non-current liabilities				
Financial liabilities		**551.9**	561.2	561.2
Deferred tax liabilities		**31.2**	29.4	30.3
Other non-current liabilities		**2.2**	2.7	2.3
Provisions for liabilities		**8.9**	7.7	8.5
Retirement benefit obligation		**20.7**	24.9	24.0
		614.9	625.9	626.3
Total liabilities		**685.2**	712.5	696.3
Shareholders' equity				
Ordinary share capital		**6.2**	6.2	6.2
Share premium account		**12.4**	11.4	11.1
Capital redemption reserve		**141.7**	141.7	141.7
Other reserves		**(5.6)**	(4.8)	(4.6)
Retained earnings		**(82.9)**	(126.6)	(108.0)
Total equity		**71.8**	27.9	46.4
Total equity and liabilities		**757.0**	740.4	742.7

Consolidated statement of changes in equity (unaudited)
as at 29 June 2018

	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 30 December 2016	6.1	8.5	141.7	(3.5)	(156.3)	(3.5)
Profit for the 26 weeks ended 30 June 2017	-	-	-	-	36.1	36.1
Remeasurement gain on defined benefit obligations	-	-	-	-	1.8	1.8
Tax on pensions	-	-	-	-	(0.3)	(0.3)
Total comprehensive income	-	-	-	-	37.6	37.6
Effects of employee share options	-	-	-	1.3	-	1.3
Tax on employee share options	-	-	-	0.2	-	0.2
Proceeds from share issue(1)	0.1	2.9	-	-	-	3.0
Gift to Employee Benefit Trust	-	-	-	(2.8)	-	(2.8)
Dividends (note 6)	-	-	-	-	(7.9)	(7.9)
Shareholders' equity as at 30 June 2017	6.2	11.4	141.7	(4.8)	(126.6)	27.9
Profit for the 26 weeks ended 29 December 2017	-	-	-	-	21.7	21.7
Remeasurement gain on defined benefit obligations	-	-	-	-	1.4	1.4
Tax on pensions	-	-	-	-	(0.2)	(0.2)
Total comprehensive income	-	-	-	-	22.9	22.9
Tax on employee share options	-	-	-	(0.1)	-	(0.1)
Adjustment relating to share options and Employee Benefit Trust	-	(0.3)	-	0.3	-	-
Dividends (note 6)	-	-	-	-	(4.3)	(4.3)
Shareholders' equity as at 29 December 2017	6.2	11.1	141.7	(4.6)	(108.0)	46.4
Profit for the 26 weeks ended 29 June 2018	-	-	-	-	30.7	**30.7**
Remeasurement gain on defined benefit obligations	-	-	-	-	2.8	**2.8**
Tax on pensions	-	-	-	-	(0.5)	**(0.5)**
Total comprehensive income	-	-	-	-	33.0	**33.0**
Effects of employee share options	-	-	-	0.4	-	**0.4**
Tax on employee share options	-	-	-	(0.1)	-	**(0.1)**
Proceeds from share issue(2)	-	1.3	-	-	-	**1.3**
Gift to Employee Benefit Trust	-	-	-	(1.3)	-	**(1.3)**
Dividends (note 6)	-	-	-	-	(7.9)	**(7.9)**
Shareholders' equity as at 29 June 2018	**6.2**	**12.4**	**141.7**	**(5.6)**	**(82.9)**	**71.8**

(1) Relating to issue of 184,672 shares under 2014 LTIP scheme and 9,079 shares under 2013 SAYE scheme.
(2) Relating to issue of 77,038 shares under 2015 LTIP 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 and £19,274,610 B Shares that were issued on 10 October 2010 and redeemed for cash on 11 October 2010, £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 (unaudited)
for the 26 week period ended 29 June 2018

	Note	26 week period ended 29 Jun 2018 £m	26 week period ended 30 Jun 2017 £m	52 week period ended 29 Dec 2017 (audited) £m
Cash flows from operating activities				
Cash generated from operations before non-underlying items	9	**65.6**	61.9	115.4
External transaction costs in respect of acquisitions and aborted transactions		**(1.4)**	(0.8)	(2.9)
Transformation costs		**(1.6)**	-	-
Cash generated from operations		**62.6**	61.1	112.5
Finance income received		**0.1**	0.1	0.1
Finance costs paid		**(12.9)**	(13.2)	(25.7)
Transfer from restricted bank accounts for finance costs		**0.3**	0.3	0.3
Payments to restricted bank accounts for finance costs	7	**-**	-	(0.3)
Total payments in respect of finance costs		**(12.6)**	(12.9)	(25.7)
Tax paid		**(6.6)**	(5.4)	(11.9)
Net cash generated from operating activities		**43.5**	42.9	75.0
Cash flows from investing activities				
Investment in financial asset		**-**	-	(1.0)
Acquisition of subsidiaries and businesses (net of cash acquired)	11	**(6.5)**	(20.0)	(28.3)
Proceeds from sale of property, plant and equipment		**0.3**	0.4	0.6
Maintenance capital expenditure[1]		**(6.8)**	(9.5)	(20.2)
Branch relocations		**(0.3)**	(2.0)	(2.2)
Satellite locations		**(0.7)**	(0.4)	(1.1)
Development of new crematoria and cemeteries		**(2.1)**	(0.9)	(3.5)
Purchase of property, plant and equipment and intangible assets		**(9.9)**	(12.8)	(27.0)
Net cash used in investing activities		**(16.1)**	(32.4)	(55.7)
Cash flows from financing activities				
Issue costs in respect of debt facility		**-**	-	(0.4)
Proceeds from share issue		**-**	0.1	0.1
Repayment of Crematoria Acquisition Facility		**-**	-	(15.8)
Payments due under Secured Notes		**(4.5)**	(4.4)	(8.8)
Total payments in respect of borrowings		**(4.5)**	(4.4)	(24.6)
Dividends paid to shareholders on Ordinary Shares	6	**(7.9)**	(7.9)	(12.2)
Net cash used in financing activities		**(12.4)**	(12.2)	(37.1)
Net increase/ (decrease) in cash and cash equivalents		**15.0**	(1.7)	(17.8)
Cash and cash equivalents at the beginning of the period		**49.0**	67.1	66.8
Cash and cash equivalents at the end of the period	7	**64.0**	65.4	49.0
Restricted cash	7	**-**	-	0.3
Cash and cash equivalents at the end of the period as reported in the consolidated balance sheet	7	**64.0**	65.4	49.3

(1) Maintenance capital expenditure includes vehicle replacement programme, improvements to locations and purchases of other tangible and intangible assets.

Notes to the interim financial information 2018 (unaudited)
for the 26 week period ended 29 June 2018

1 Accounting policies

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

Basis of preparation

The interim condensed consolidated financial information of Dignity plc (the 'Company') is for the 26 week period ended 29 June 2018 and comprises the results, assets and liabilities of the Company and its subsidiaries (the 'Group').

The interim condensed consolidated financial information has been reviewed, not audited and does not constitute statutory accounts within the meaning of s434 of the Companies Act 2006. This interim condensed consolidated financial information has been prepared in accordance with the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority and with IAS 34 'Interim Financial Reporting' as adopted by the European Union.

The interim condensed consolidated financial information has been prepared in accordance with all applicable International Financial Reporting Standards ('IFRSs'), as adopted by the European Union, that are expected to apply to the Group's Financial Report for the 52 week period ended 28 December 2018. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the audited consolidated financial statements of the Group as at and for the 52 week period ended 29 December 2017. The Directors approved this interim condensed consolidated financial information on 1 August 2018.

The accounting policies applied by the Group in this interim condensed consolidated financial information are the same as those applied by the Group in its audited consolidated financial statements as at and for the 52 week period ended 29 December 2017, which are prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The basis of consolidation is set out in the Group's accounting policies in those financial statements.

The preparation of interim condensed consolidated financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, and income and expenses. In preparing this interim condensed consolidated financial information, the significant judgments made by management in applying the Group's accounting policies and key source of estimation uncertainty were the same as those applied to the audited consolidated financial statements as at and for the 52 week period ended 29 December 2017. Comparative information has been presented as at and for the 26 week period ended 30 June 2017, and as at and for the 52 week period ended 29 December 2017.

The comparative figures for the 52 week period ended 29 December 2017 do not constitute statutory accounts for the purposes of s434 of the Companies Act 2006. A copy of the Group's statutory accounts for the 52 week period ended 29 December 2017 have been delivered to the Registrar of Companies and contained an unqualified auditors' report which did not contain a statement made under section 498 (2) or (3) of the Companies Act 2006.

Update to standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted

IFRS 9, Financial Instruments. This standard is effective for accounting periods beginning on or after 1 January 2018 and will therefore impact the Group's 2019 financial results. The impact of this standard is currently being assessed however, it is not expected to have a material impact on the Group due to the nature of the Group's financial instruments.

IFRS 15, Revenue from contracts with customers. This standard is effective for accounting periods beginning on or after 1 January 2018 and will therefore impact the Group's 2019 financial results. This standard establishes a new five step model that will apply to revenue arising from contracts with customers. The principles in IFRS 15 provide a more structured approach to measure and recognise revenue. The impact of this standard is currently being assessed. It is likely that this will result in a change to the accounting policy for the Group's pre-arranged funeral plan operation, whereby marketing allowances received at the point of sale will, in essence, be viewed as a deposit for a future service. Marketing allowances are therefore likely to be shown as deferred revenue until the funeral is performed, at which point the revenue will be recognised, in addition (and as currently) to the funds received for the performance of the funeral. As a consequence, commissions paid relating to plans sold would be carried as an asset until the point of death.

IFRS 16, Leases. This standard is effective for accounting periods beginning on or after 1 January 2019 and will therefore impact the Group's 2020 financial results. Under the standard a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Approximately 50 per cent of the Group's properties are on lease terms that are currently accounted for as an operating lease but which will result in the recognition of both an asset and a liability under the new standard. As the notes to the 29 December 2017 consolidated accounts demonstrate, the Group has total minimum future lease payments under non-cancellable operating leases of approximately £213 million. Whilst the net present value of this commitment 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 also impact on the Group's reported profit after tax. The Group is assessing this and is currently collating all the necessary historical data for each lease to complete its analysis. This accounting change does not affect the cash flows or underlying economics of the business.

The Group's securitisation documents contemplate accounting policy changes and provide a mechanism that ensure covenant calculations are not materially impacted to the detriment of either the Group or Noteholders.

2 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 three 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 operating profit is stated before non-underlying items as defined on page 30.

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

26 week period ended 29 June 2018

	Revenue £m	Underlying operating profit/ (loss) before depreciation and amortisation £m	Underlying depreciation and amortisation £m	Underlying operating profit/ (loss) £m	Non-underlying items £m	Operating profit/ (loss) £m
Funeral services	**120.1**	**48.4**	**(6.3)**	**42.1**	**(2.4)**	**39.7**
Crematoria	**42.1**	**25.6**	**(2.2)**	**23.4**	**(0.2)**	**23.2**
Pre-arranged funeral plans	**12.5**	**2.8**	**-**	**2.8**	**(0.3)**	**2.5**
Central overheads	**-**	**(11.2)**	**(0.7)**	**(11.9)**	**(2.0)**	**(13.9)**
Group	**174.7**	**65.6**	**(9.2)**	**56.4**	**(4.9)**	**51.5**
Finance costs				**(13.1)**	**-**	**(13.1)**
Finance income				**0.1**	**-**	**0.1**
Profit before tax				**43.4**	**(4.9)**	**38.5**
Taxation				**(8.7)**	**0.9**	**(7.8)**
Underlying earnings for the period				**34.7**		
Total other items					**(4.0)**	
Profit after taxation						**30.7**
Earnings per share for profit attributable to equity shareholders						
– Basic (pence)				**69.4p**		**61.4p**
– Diluted (pence)						**61.4p**

2 Revenue and segmental analysis (continued)

26 week period ended 30 June 2017

	Revenue £m	Underlying operating profit/ (loss) before depreciation and amortisation £m	Underlying depreciation and amortisation £m	Underlying operating profit/ (loss) £m	Non-underlying items £m	Operating profit/ (loss) £m
Funeral services	116.7	51.2	(6.1)	45.1	(0.7)	44.4
Crematoria	38.4	23.1	(2.2)	20.9	(0.1)	20.8
Pre-arranged funeral plans	14.7	5.0	(0.1)	4.9	-	4.9
Central overheads	-	(10.9)	(0.5)	(11.4)	-	(11.4)
Group	169.8	68.4	(8.9)	59.5	(0.8)	58.7
Finance costs				(13.5)	-	(13.5)
Finance income				0.1	-	0.1
Profit before tax				46.1	(0.8)	45.3
Taxation				(9.2)	-	(9.2)
Underlying earnings for the period				36.9		
Total other items					(0.8)	
Profit after taxation						36.1
Earnings per share for profit attributable to equity shareholders						
– Basic (pence)				74.1p		72.5p
– Diluted (pence)						72.3p

52 week period ended 29 December 2017

	Revenue £m	Underlying operating profit/ (loss) before depreciation and amortisation £m	Underlying depreciation and amortisation £m	Underlying operating profit/ (loss) £m	Non-underlying items £m	Operating profit/ (loss) £m
Funeral services	221.8	91.7	(12.2)	79.5	(2.5)	77.0
Crematoria	74.0	43.9	(3.9)	40.0	(1.8)	38.2
Pre-arranged funeral plans	28.2	8.0	-	8.0	(0.2)	7.8
Central overheads	-	(21.9)	(1.0)	(22.9)	(2.1)	(25.0)
Group	324.0	121.7	(17.1)	104.6	(6.6)	98.0
Finance costs				(26.9)	-	(26.9)
Finance income				0.1	-	0.1
Profit before tax				77.8	(6.6)	71.2
Taxation				(13.8)	0.4	(13.4)
Underlying earnings for the period				64.0		
Total other items					(6.2)	
Profit after taxation						57.8
Earnings per share for profit attributable to equity shareholders						
– Basic (pence)				128.3p		115.8p
– Diluted (pence)						115.6p

3 Net finance costs

	26 week period ended 29 Jun 2018 £m	26 week period ended 30 Jun 2017 £m	52 week period ended 29 Dec 2017 £m
Finance costs			
Secured Notes	**12.1**	12.2	24.4
Amortisation of issue costs	**-**	-	0.1
Crematoria Acquisition Facility	**-**	0.3	0.4
Other loans	**0.7**	0.7	1.3
Net finance cost on retirement benefit obligations	**0.3**	0.3	0.6
Unwinding of discounts	**-**	-	0.1
Finance costs	**13.1**	13.5	26.9
Finance income			
Bank deposits	**(0.1)**	(0.1)	(0.1)
Finance income	**(0.1)**	(0.1)	(0.1)
Net finance costs	**13.0**	13.4	26.8

4 Taxation

The taxation charge on continuing operations in the period is based on a full year estimated effective tax rate, before the effects of non-underlying items, of 20.0 per cent (2017: 20.0 per cent) on profit before tax for the 26 week period ended 29 June 2018.

	26 week period ended 29 Jun 2018 £m	26 week period ended 30 Jun 2017 £m	52 week period ended 29 Dec 2017 £m
Taxation	**7.8**	9.2	13.4

In the prior period, the standard rate of Corporation Tax in the UK changed from 20 per cent to 19 per cent. Changes were also substantively enacted that will mean the standard rate will reduce further to 17 per cent from 1 April 2020. Further rate changes are possible. Each percentage point reduction in Corporation Tax rate is expected to reduce the deferred tax liability by approximately £0.3 million.

5 Earnings per share (EPS)

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

The Group's underlying measures of profitability exclude non-underlying items (net of taxation).

5 Earnings per share (EPS) (continued)

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
26 week period ended 29 June 2018			
Underlying profit after taxation and EPS	**34.7**	**50.0**	**69.4**
Less: Non-underlying items (net of taxation of £0.9 million)	(4.0)		
Profit attributable to shareholders – Basic EPS	**30.7**	**50.0**	**61.4**
Profit attributable to shareholders – Diluted EPS	30.7	50.0	61.4
26 week period ended 30 June 2017			
Underlying profit after taxation and EPS	36.9	49.8	74.1
Less: Non-underlying items (net of taxation of £nil million)	(0.8)		
Profit attributable to shareholders – Basic EPS	36.1	49.8	72.5
Profit attributable to shareholders – Diluted EPS	36.1	49.9	72.3
52 week period ended 29 December 2017			
Underlying profit after taxation and EPS	64.0	49.9	128.3
Add: Non-underlying items (net of taxation of £0.4 million)	(6.2)		
Profit attributable to shareholders – Basic EPS	57.8	49.9	115.8
Profit attributable to shareholders – Diluted EPS	57.8	50.0	115.6

6 Dividends

On 29 June 2018, the Group paid a final dividend, in respect of 2017, of 15.74 pence per share (2017: 15.74 pence per share) totalling £7.9 million (2017: £7.9 million).

On 1 August 2018, the Directors declared an interim dividend, in respect of 2018, of 8.64 pence per share (2017: 8.64 pence per share) totalling £4.3 million (2017: £4.3 million), which will be paid on 26 October 2018 to those shareholders on the register at the close of business on 21 September 2018.

7 Cash and cash equivalents

	29 Jun 2018 £m	30 Jun 2017 £m	29 Dec 2017 £m
Operating cash as reported in the consolidated statement of cash flows as cash and cash equivalents	**64.0**	65.4	49.0
Amounts set aside for debt service payments	**-**	-	0.3
Cash and cash equivalents as reported in the balance sheet	**64.0**	65.4	49.3

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, the repayment of liabilities due on the Group's 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. In June 2018 and June 2017, no amounts were required to be set aside. In December 2017 this amount was used to pay these respective parties on 3 January 2018. Of this amount £nil million (December 2017: £0.3 million) is shown within the Statement of Cash Flows as 'Payments to restricted bank accounts for finance costs'.

8 Net debt

	29 Jun 2018 £m	30 Jun 2017 £m	29 Dec 2017 £m
Net amounts owing on Secured Notes per financial statements	**(560.6)**	(569.5)	(565.1)
Add: unamortised issue costs	**(0.6)**	(0.7)	(0.6)
Gross amounts owing on Secured Notes	**(561.2)**	(570.2)	(565.7)
Net amounts owing on Crematoria Acquisition Facility per financial statements	**-**	(15.8)	-
Gross amounts owing	**(561.2)**	(586.0)	(565.7)
Accrued interest on Secured Notes	**-**	-	(0.3)
Accrued interest on Crematoria Acquisition Facility and Revolving Credit Facility	**(0.2)**	(0.2)	(0.2)
Cash and cash equivalents	**64.0**	65.4	49.3
Net debt	**(497.4)**	(520.8)	(516.9)

In addition to the above, the consolidated balance sheet also includes finance lease obligations and other financial liabilities which totalled £0.6 million (June 2017: £0.7 million; December 2017: £0.6 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 Secured Notes requires EBITDA to total debt service ('EBITDA DSCR') to be at least 1.5 times. At 29 June 2018, the actual ratio was 3.09 times (June 2017: 3.41 times; December 2017: 3.24 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.

9 Reconciliation of cash generated from operations

	26 week period ended		52 week period ended
	29 Jun 2018	30 Jun 2017	29 Dec 2017
	£m	£m	£m
Net profit for the period	**30.7**	36.1	57.8
Adjustments for:			
Taxation	**7.8**	9.2	13.4
Net finance costs	**13.0**	13.4	26.8
Loss on disposal of fixed assets	**-**	-	0.1
Depreciation charges	**9.2**	8.4	17.0
Amortisation of intangibles	**2.5**	0.5	1.9
Movement in inventories	**(0.1)**	(0.9)	(1.2)
Movement in trade receivables	**3.7**	1.7	(0.1)
Movement in trade payables	**(3.3)**	(1.6)	0.9
External transaction costs	**0.4**	0.8	4.7
Transformation costs	**2.0**	-	-
Changes in other working capital (excluding acquisitions)	**(0.7)**	(7.2)	(7.1)
Employee share option charges	**0.4**	1.5	1.2
Cash generated from operations before non-underlying items	**65.6**	61.9	115.4

10 Financial risk management and financial instruments

(a) Financial risk factors
The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk and other price risk), credit risk and liquidity risk.

The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's annual financial statements as at 29 December 2017. There have been no changes in the approach to risk management or in any risk management policies since the year end.

(b) Liquidity risk
Compared to 29 December 2017, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

(c) Fair value of current and non-current financial assets and liabilities

	29 Jun 2018			30 Jun 2017			29 Dec 2017		
	Nominal value £m	**Book value £m**	**Fair value £m**	Nominal value £m	Book value £m	Fair value £m	Nominal value £m	Book value £m	Fair value £m
Secured A Notes – 3.5456% maturing 31 December 2034	**204.8**	**204.6**	**218.5**	213.7	213.5	238.9	209.3	209.1	234.9
Secured B Notes – 4.6956% maturing 31 December 2049	**356.4**	**356.0**	**346.3**	356.4	356.0	440.3	356.4	356.0	451.6
Crematoria Acquisition Facility	**-**	**-**	**-**	15.8	15.8	15.8	-	-	-
Total	**561.2**	**560.6**	**564.8**	585.9	585.3	695.0	565.7	565.1	686.5

The Crematoria Acquisition Facility and Secured Notes are held at amortised cost. Other categories of financial instruments include trade receivables and trade payables, however there is no difference between the book value and fair value of these items.

The fair values of the Secured Notes are their market value at the balance sheet date and are considered to be level 1.

The fair value of the Crematoria Acquisition Facility is considered to be nominal value, given the nature of the loan and the source of the cash flows support its repayment and is considered to be level 3. During 2017, the Group repaid the £15.8 million Crematoria Acquisition Facility that was previously fully drawn.

In addition to the above:

(a) Financial liabilities include finance lease payables of £0.6 million (June 2017: £0.7 million; December 2017: £0.6 million), which represent the present value of future minimum lease payments. At 29 June 2018 there is no difference between the nominal value, book value and fair value of this liability; and

(b) Financial assets include £1.0 million in respect of assets held at fair value. The underlying investment is accounted for as an asset held for sale in accordance with IAS 39 and has been initially measured at the fair value of consideration paid with subsequent measurement based upon a level 3 fair value estimate. At 29 June 2018 there is no difference between the nominal value, book value and fair value of this asset.

11 Acquisitions and disposals

(a) Acquisition of subsidiary and other businesses

	Provisional fair value £m
Property, plant and equipment	**0.2**
Intangible assets: trade names	**3.4**
Cash acquired	**0.1**
Receivables	**0.3**
Provisions	**(0.1)**
Other working capital	**(0.3)**
Deferred taxation	**(0.6)**
Net assets acquired	**3.0**
Goodwill arising	**2.9**
	5.9
Satisfied by:	
Cash paid on completion (funded from internally generated cash)	**5.3**
Accrued consideration	**0.1**
Adjustment to prior year consideration	**0.5**
Total consideration	**5.9**

During 2018, the Group acquired the operational interest of four funeral locations.

The residual excess of the consideration paid over the net assets acquired is recognised as goodwill, none of which is tax deductible. This goodwill represents future benefits to the Group in terms of revenue, market share and delivering the Group's strategy.

The fair values ascribed reflect provisional amounts, which will be finalised in 2018. These fair values reflect the recognition of trade names and associated deferred taxation, and adjustments to reflect the fair value of other working capital items such as receivables, inventories and accruals which are immaterial.

During 2018, the fair values ascribed to trade names that were acquired as part of 2017 acquisitions were revisited as permitted under IFRS 3. This has resulted in a reduction in the fair value ascribed to 2017 acquired trade names of £3.0 million, with a corresponding reduction in related deferred tax liabilities of £0.5 million and an increase in goodwill of £2.5 million.

Each acquisition made followed the Group's strategy to acquire locations that will help the Group grow and create value for shareholders.

All acquisitions have been accounted for under the acquisition method. None were individually material and consequently have been aggregated. The aggregated impact of the acquisitions on the Income Statement for the period is not material.

(b) Reconciliation to cash flow statement

	£m
Cash paid on completion	**5.3**
Cash paid in respect of prior year acquisitions	**1.2**
Cash paid in respect of deferred consideration	**0.1**
Cash acquired on acquisition	**(0.1)**
Acquisition of subsidiaries and businesses as reported in the cash flow statement	**6.5**

(c) Acquisition and disposals of property, plant and equipment

In addition to the above, there were additions in relation to crematoria developments totalling £2.1 million (June 2017: £0.9 million; December 2017: £3.5 million) and £7.8 million (June 2017: £11.9 million; December 2017: £23.5 million) of other additions to property, plant and equipment in the period. The Group also received proceeds of £0.3 million (June 2017: £0.4 million; December 2017: £0.6 million) from disposals of property, plant and equipment, which had a net book value of £0.3 million (June 2017: £0.4 million; December 2017: £0.7 million).

The Group had capital expenditure authorised by the Board and contracted for at the balance sheet date of £24.4 million (June 2017: £22.0 million; December 2017: £11.7 million) in respect of property, plant and equipment.

12 Pensions
An actuarial valuation of the Scheme as at 6 April 2017 was completed on 31 May 2018 using the Projected Unit funding method and assumptions agreed by the Company and the Scheme Trustees. The valuation disclosed a funding shortfall at 6 April 2017 of £16.4 million. To eliminate this shortfall, the Company has agreed to pay contributions of £1.7 million per annum over the period from 1 July 2018 to 31 March 2024, a total of £9.8 million. The Company is also paying £0.5 million per annum to fund Scheme expenses and the cost of future benefit accrual for the remaining active members of the Scheme. In addition, the Group made a payment of £1.1 million to the scheme in May 2018 to settle the s75 liability which arose when Dignity (2002) Limited ceased its participation in the scheme.

13 Pre-arranged funeral plan trust
During the period, the Group entered into transactions with the National Funeral Trust, the Trust for Age UK Funeral Plans and the Dignity Limited Trust Fund (the 'Principal Trusts') and the Trusts related to businesses acquired since 2013 ('Recent Trusts') (and collectively, 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 in the 2017 Annual Report in. 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		
	26 week period ended		52 week period ended	26 week period ended		52 week period ended
	29 Jun 2018 £m	30 Jun 2017 £m	29 Dec 2017 £m	**29 Jun 2018 £m**	30 Jun 2017 £m	29 Dec 2017 £m
Dignity Limited Trust Fund	**0.1**	0.2	0.3	**-**	-	-
National Funeral Trust	**27.0**	25.8	49.0	**7.9**	7.0	8.2
Trust for Age UK Funeral Plans	**18.4**	18.8	35.0	**3.6**	3.7	3.9
Recent Trusts	**0.6**	2.8	3.7	**0.1**	0.1	-
Total	**46.1**	47.6	88.0	**11.6**	10.8	12.1

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

14 Post balance sheet events
There were no significant post balance sheet events.

15 Interim Report
Copies of this Interim Report are available at the Group's website www.dignityfuneralsplc.co.uk.

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

17 Seasonality
The Group's financial results and cash flows have historically been subject to seasonal trends between the first half and second half of the financial period. Traditionally, the first half of the financial period sees slightly higher revenue and profitability. There is no assurance that this trend will continue in the future.

Non-GAAP measures

(a) Alternative performance 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. Underlying measures are those used in the day to day management of the business.

1. The Group's underlying measures of profitability exclude profit or loss on sale of fixed assets, external transaction costs, amortisation of acquisition related intangibles and exceptional items in respect of taxation. Given the planned transformation of the Group's funeral business will result in significant, directly attributable non-recurring costs, these amounts will also be excluded from the Group's underlying profit measures. Non-recurring costs will include external advisers' fees, directly attributable internal costs, including staff costs wholly related to the transformation (such as the Transformation Director and project management office) and direct costs relating to activities terminated part way through the year. These items have been adjusted for in determining underlying measures of profitability as these underlying measures are those used in the day to day management of the business and allow for greater comparability across periods and are collectively referred to as 'non-underlying items'.
2. Underlying profit measures (including divisional measures) are calculated as profit before non-underlying items.
3. Underlying earnings per share is calculated as profit on ordinary activities after taxation, before non-underlying items (net of tax), divided by the weighted average number of Ordinary Shares in issue in the period.
4. Cash generated from operations excludes non-underlying items on a cash paid basis.

In December 2017, following the commencement of amortisation of acquired intangible trade names and other crematoria related acquired intangibles, acquisition related amortisation was excluded in determining underlying profitability measures. Acquisition related amortisation is defined as being the amortisation arising in respect of trade names, use of third party brand names and other crematoria related acquired intangibles. Reported amounts for the first half of 2017 have not been restated. If restated, underlying operating profit would have been £59.9 million and underlying earnings per share would have been 74.7 pence.

(b) Non-underlying items

	Funeral services £m	Crematoria £m	Pre-arranged funeral plans £m	Central overheads £m	Group £m
26 week period ended 29 June 2018					
Amortisation of acquisition related intangibles	**2.2**	**0.2**	**0.1**	**-**	**2.5**
External transaction costs	**0.2**	**-**	**0.2**	**-**	**0.4**
Transformation costs	**-**	**-**	**-**	**2.0**	**2.0**
	2.4	**0.2**	**0.3**	**2.0**	**4.9**
26 week period ended 30 June 2017					
External transaction costs	0.7	0.1	-	-	0.8
52 week period ended 29 December 2017					
Amortisation of acquisition related intangibles	1.1	0.5	0.2	-	1.8
External transaction costs	1.3	1.3	-	2.1	4.7
Loss on sale of fixed assets	0.1	-	-	-	0.1
	2.5	1.8	0.2	2.1	6.6

Statement of Directors' responsibilities

The Directors confirm to the best of their knowledge that:

(a) The interim condensed consolidated financial information has been prepared in accordance with IAS 34 as adopted by the European Union; and

(b) The Interim Report includes a fair review of the information as required by:

- DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first half of 2018 and their impact on the interim condensed consolidated financial information; and a description of the principal risks and uncertainties for the remaining second half of the year; and

- DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first half of 2018 and any material changes in the related party transactions described in the last Annual Report.

The Directors of Dignity plc and their functions are listed below:

Peter Hindley - Non-Executive Chairman
Mike McCollum - Chief Executive
Steve Whittern - Finance Director
Richard Portman - Corporate Services Director
David Blackwood – Senior Non-Executive Director
Jane Ashcroft - Non-Executive Director
Mary McNamara - Non-Executive Director

By order of the Board

Steve Whittern
Finance Director
1 August 2018

Independent review report to Dignity plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the Interim Report for the 26 week period ended 29 June 2018 which comprises the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated statement of cash flows and notes 1 to 17. We have read the other information contained in the Interim Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

Directors' Responsibilities

The Interim Report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the Interim Report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this Interim Report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the Interim Report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the Interim Report for 26 week period ended 29 June 2018 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Ernst & Young LLP
Birmingham
1 August 2018

Forward-looking statements

This Interim Report and the Dignity plc investor website may contain certain ‘forward-looking statements’ with respect to Dignity plc (‘Company’) and the Group’s financial condition, results of its operations and business, and certain plans, strategy, objectives, goals and expectations with respect to these items and the economies and markets in which the Group operates.

Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as ‘anticipates’, ‘aims’, ‘due’, ‘could’, ‘may’, ‘should’, ‘will’, ‘would’, ‘expects’, ‘believes’, ‘intends’, ‘plans’, ‘targets’, ‘goal’ or ‘estimates’ or, in each case, their negative or other variations or comparable terminology. Forward-looking statements are not guarantees of future performance. By their very nature forward-looking statements are inherently unpredictable, speculative and involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. Many of these assumptions, risks and uncertainties relate to factors that are beyond the Group’s ability to control or estimate precisely. There are a number of such factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, but are not limited to, changes in the economies and markets in which the Group operates; changes in the legal, regulatory and competition frameworks in which the Group operates; changes in the markets from which the Group raises finance; the impact of legal or other proceedings against or which affect the Group; changes in accounting practices and interpretation of accounting standards under IFRS, and changes in interest and exchange rates.

Any forward-looking statements made in this Interim Report or the Dignity plc investor website, or made subsequently, which are attributable to the Company or any other member of the Group, or persons acting on their behalf, are expressly qualified in their entirety by the factors referred to in this statement. Each forward-looking statement speaks only as of the date it is made. Except as required by its legal or statutory obligations, the Company does not intend to update any forward-looking statements.

Nothing in this Interim Report or on the Dignity plc investor website should be construed as a profit forecast or an invitation to deal in the securities of the Company.