For immediate release **13 March 2019**

Dignity plc

Preliminary results for the 52 week period ended 28 December 2018

Dignity plc (Dignity, the Company or the Group), the UK's only listed provider of funeral related services, announces its preliminary results for the 52 week period ended 28 December 2018.

Financial highlights

	52 week period ended 28 December 2018	52 week period ended 29 December 2017	Increase / (decrease) per cent
Revenue (£million)	**315.6**	324.0	(3)
Underlying operating profit (£million)	**80.2**	104.6	(23)
Underlying profit before tax (£million)	**54.4**	77.8	(30)
Underlying earnings per share (pence)	**85.8**	128.3	(33)
Underlying cash generated from operations (£million)	**101.9**	115.4	(12)
Operating profit (£million)	**66.3**	98.0	(32)
Profit before tax (£million)	**40.5**	71.2	(43)
Basic earnings per share (pence)	**63.0**	115.8	(46)
Cash generated from operations (£million)	**94.9**	112.5	(16)
Interim dividend paid in the period (pence)	**8.64**	8.64	-
Final dividend proposed in respect of the period (pence)	**15.74**	15.74	-
Number of deaths	**599,000**	590,000	2

Alternative performance measures
All measures marked as underlying in the table above and throughout this Preliminary Announcement are alternative performance measures. The reasons for the Group's use of alternative performance measures, definitions and where relevant, reconciliations are provided in the section on alternative performance measures at the end of this announcement.

Key points

- Number of deaths as expected;
- Comparable funeral market share increased slightly following significant declines in 2016 and 2017;
- Simple funeral pricing reset;
- Unbundled funeral replacing full service package;
- Simplicity service offering expanded;
- Transformation team in place;
- 3 year detailed Transformation Plan established;
- Good performance from crematoria; and
- Pre-need environment remains challenging.

Mike McCollum, Chief Executive of Dignity plc, commented:

"2018 marked the beginning of a period of radical change for Dignity. We reduced our funeral prices, created a broader range of choices for clients and embarked on plans to transform the business by the end of 2021.

Our vision is to lead the funeral sector in terms of quality, standards and value-for-money. To achieve this we are building a more coherent, cohesive and technology-enabled business, one geared to meeting the changing needs of our customers. I am pleased with the progress we made during the year, we built momentum and our Transformation Plan is on track. A lot of work remains to be done, but I am confident that with our highly experienced staff and the new transformation expertise we have brought in, we will achieve our goals.

2019 is likely to mark the start of the Competition and Markets Authority's ('CMA's) investigation into our industry. Our surveys demonstrate that the majority of clients assume the funeral industry is regulated, when it is not. Some may assume that they will receive the same quality of service from different operators irrespective of price. They will not. I am proud that underpinning all of the changes we are making to our business is a continued, relentless commitment to the highest levels of client service. This commitment makes me confident that we have the quality necessary to achieve our ambition of getting ahead of the competitive curve, leading the industry and providing sustainable growth."

For more information

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Notes

An analysts' briefing will be held at 9:00 am this morning at the offices of Buchanan, 107 Cheapside, London, EC2V 6DN. A live audio webcast and conference call facility will be available.

Webcast http://webcasting.buchanan.uk.com/broadcast/5c61476be6e1d92d38f4d21b

Conference call (Listen only)	UK Toll: +44 3333000804 UK Toll Free: 08003589473 Participant PIN code: 19727101# URL for international dial in numbers: http://events.arkadin.com/ev/docs/NE_W2_TF_Events_International_Access_List.pdf

The webcast link and conference call will be listen only. A webcast replay facility will be available after the analyst meeting via the same link.

Dignity's preliminary results and corporate presentation are available at https://www.dignityfunerals.co.uk/corporate/investors/.

For further information, please contact dignity@buchanan.uk.com.

Chairman's statement

Overview
In 2018 we delivered a resilient performance, ahead of market expectations in what was a challenging and transitional year. Against a backdrop of continued change in the funeral market we began the transformation of our business while remaining focused and committed to our customers, shareholders and wider stakeholders.

The Group is undergoing radical change. We have built momentum and our plan is on track. The Board is confident that we will achieve our goal of transforming the Group as planned over the next three years.

Along with change has come opportunity and a renewed vision and ambition for the Group. Quite simply, the Board's vision is to lead the funeral sector in terms of quality, standards and value-for-money. To achieve this we are building a more coherent, cohesive and technology-enabled business, one geared to meet the changing needs of our customers.

Our ambition is to fully reposition Dignity in the funeral market and ensure a sustainable and successful long-term future. Offering customers an enhanced and very competitive range of services and price options is at the core of this change.

Industry regulation
More broadly, we have continued to advocate that the funeral industry must also change. Regulation is needed and we support moves to bring this about. Customers must be treated fairly and be assured of minimum acceptable standards whichever funeral director they choose.

We therefore noted with great interest the Competition and Markets Authority's ('CMA') proposal in November 2018 to launch a full investigation into the funeral market as part of its interim report into the industry. At the time of writing, that full investigation has not yet been confirmed. We have made public our support for such an investigation if it happens and believe it could help improve standards across the sector and deliver better outcomes for customers. We are also keen to work closely with the CMA and help them understand the challenges of providing a quality funeral service.

In addition, we have made the following points to the CMA:

***On competition**:* the funerals market is already competitive, however, more can be done to improve the ability of customers to exercise the choice that exists, especially through greater pricing transparency.

***On improvements in the sector**:* we hope that the CMA will take more account of the lower prices and greater transparency that already exists in the sector, including Dignity's own pricing structure which has already changed significantly over the past year. We believe it is essential that the CMA clearly acknowledges the variation in quality among different funeral providers.

***On vulnerable consumers**:* we are especially keen to work with the CMA to improve the experience of all customers organising a funeral, and ensure they are given the appropriate support to take informed decisions.

On regulation: research indicates that 92 per cent of consumers believe the industry is already regulated, and many are surprised that it is not. We hope that the CMA investigation will examine how regulation can improve standards and transparency in the sector.

In short, we want to continue to play a leading role as a responsible and progressive corporate citizen in the funeral industry as it undergoes long overdue change.

Dividends
The Board is proposing a final dividend of 15.74 pence (2017: 15.74 pence) per share, which, subject to approval at the AGM, will be paid on 28 June 2019 to shareholders on the register at close of business on 17 May 2019. This will bring the total dividend for the year to 24.38 pence (2017: 24.38 pence) per share.

Company Secretary change
During the period, Richard Portman relinquished his role as Company Secretary while continuing as Corporate Services Director. He was replaced as Company Secretary by Tim George, who joined the Group in 2018.

My role as Chairman
The Board has been seeking my successor following the announcement of my intention to retire in 2019. The Board is in the process of conducting an extensive search and will announce my successor in due course.

Our people and resources

I want to thank our people for continuing to deliver outstanding customer service in what has been an uncertain and challenging year. This speaks volumes for their professionalism and commitment to our customers. Their continued loyalty and commitment will be essential if we are to deliver our Transformation Plan.

Executive performance and remuneration

A new Remuneration Policy will be presented to the annual general meeting for approval. This follows a period of consultation with our significant shareholders and institutional voting services.

Planned change of name

Given the increasing focus on our brands across our entire business, the Company will, as permitted by its Articles of Association, change its name. The Company will confirm its new name later in the year. This change will help to remove confusion between our trading brands and our corporate profile.

Outlook for 2019 and beyond

The Board's expectations for the year ahead are unchanged from the most recent guidance. 2019 is likely to see underlying profitability lower than 2018 but in line with market expectations. In the medium-term the Board believes that targeting solid single digit increases in underlying EPS is appropriate and achievable.

Governance during a time of change

The Company continues to pride itself on the strength and effectiveness of its governance. It is of particular importance during a time of change within the Company and when there is increasing scrutiny of the industry as a whole.

Good governance is the basis on which we as a business build an environment of trust, transparency and accountability. As such it provides assurance and confidence to our customers and fosters long-term investment, financial stability and business integrity. As a Board we are therefore committed to maintaining our high standards of corporate governance and ensuring there is a high level of cultural integrity embedded within the way we operate.

Board priorities

The Board provides strategic leadership to the Group within a framework of robust corporate governance and internal control, setting values and standards that are embedded throughout the business to deliver long-term sustainable growth for the benefit of our shareholders and other stakeholders.

Compliance

Our governance framework, which is shaped by the UK Corporate Governance Code, the Companies Act 2006 and secondary legislation and Financial Conduct Authority rules and guidance, sets out standards of good practice in relation to Board leadership and effectiveness, remuneration, accountability and relations with shareholders.

Peter Hindley
Chairman
13 March 2019

Chief Executive's review

Overview

In 2018 we exceeded market expectations and following the significant decline in funeral market share seen in the previous two years, our comparable funeral market share increased slightly in 2018. This was a key objective of the year and I am delighted with the progression we made in 2018. Encouragingly, comparable market share increased to 11.2 per cent from 11.1 per cent in the previous year. However, as anticipated, underlying operating profit decreased by 23 per cent (to £80.2 million) and average income per funeral reduced to £2,973 from £3,222 in the previous year, reflecting the 25 per cent reduction in our simple funeral price and the full service price reductions we have made so far. The funeral mix continues to evolve in the light of new service offers and ongoing pricing trials and we have made good progress in identifying the best balance between price and service offer.

As the Chairman has said in his statement we are on track with our Transformation Plan; we have built good momentum and the Board is confident of achieving its goals. The fundamentals of our business remain compelling and strong. We are confident we have the platform, focus and ambition to get ahead of the competitive curve and to continue to provide sustainable growth while maintaining the highest possible standards of client service. However, we recognise that we are still in the early stages of a three year journey and the Board does not underestimate the scale of the challenge the Group faces.

In his statement the Chairman also discussed the CMA's consultation on a full investigation into the funeral market, following its market study. On pages 8 to 10 we publish extracts from our responses to the CMA over the past few months. In them we have made clear our support for such an investigation in the interest of helping to create a properly regulated industry while highlighting a number of important issues.

What is also clear is that such an investigation (if it takes place) will most likely last 18 months to two years and, if other market investigations are a guide, will generate much interest and comment, some of it hostile towards major industry players like ourselves. We will remain focussed on the final outcome and findings of the investigation, not the inevitable twists, turns and comments that such a process will trigger. We will remain calm and helpful throughout what could be a high profile and testing period, ensuring that the CMA sees all sides of any issues.

Where we are now

Radical transformation

In 2018 we began a period of radical transformation for the Group. During and after this change we will remain a caring business with core values built around quality and providing excellent customer service. We have a long-term commitment to the customer and we are shaping our services around their evolving needs; we are committed to change and are responding to change.

A major opportunity

This change presents a major opportunity for the Group to become the pre-eminent modern funeral services business in the UK once the Transformation Plan is complete. We will build on our existing strong market positions, quality, and scale and the Board is determined to seize this opportunity.

How people remember their loved ones is changing which means funerals are changing. Dignity is responding by offering greater flexibility and choice and taking alternative types of funerals into the mainstream. For example, in 2018 the Group launched a TV campaign for its low-cost cremation service Simplicity.

Updates

We have made good progress in 2018 and built the momentum necessary to begin executing our Transformation Plan:

- Our market share stabilised following our price changes;
- Our websites continue to improve, with increasing numbers of people selecting our websites from searches they make;
- We have updated our Simplicity brand, relaunching it with modern marketing, including a TV campaign;
- We have made great progress on our Dignity brand and expect to report significant developments on this during 2019; and
- Our Transformation Plan has an excellent base. As of the end of 2018, there was a team of 17 experienced individuals in the business to support our ambitious plans and this number is expected to grow.

Our Transformation Plan

The core components of our Transformation Plan are:

- Modernise the client proposition;
- Invest in and simplify the operating model; and
- Streamline central support and invest in technology to centralise and automate administrative processes.

Transformation Plan summary update

So far our focus has been in the following areas:

- Engaging the senior leadership team within Funeral Operations including creating a new national role to focus on service delivery;
- Completing a thorough review of the current IT applications and support model for the funeral business against the requirements of the Transformation Plan and agreeing the IT architecture for the future;
- Monitoring and developing trials of the Group's funeral services leading to the unbundling of services offered within bespoke funeral arrangements;
- Managing the ongoing development of the brand identity for the Group's Simplicity offering; and
- Finalising the number and structure of efficient branch networks in advance of the testing of our new operating model.

In 2019, we began to execute the broader plan following this detailed work.

Financial objectives

As we set out in August 2018, we expect to invest £50 million (partly funded by £17 million of surplus property disposals) in our business and achieve annualised net cost savings of £8 million per year by the end of 2021, increasing to £13 million per year by the end of 2028.

Our purpose – to serve our customers

Our customers are at the heart of what we do. We are here to help them at one of the most difficult times in their lives and we are honoured to serve the communities we are part of.

Listening to our customers and understanding their changing attitudes and lifestyles must drive what we do as a business.

Our brands, products, services and technology must reflect those changes and are the reason why we now offer enhanced choice and value-for-money. The high-quality of our offering, competitively priced, is how we will differentiate ourselves from the competition, both nationally and locally.

Every day we want to meet and exceed our customers' expectations. We aim to do this by delivering excellent client service through the continued dedication of our people and by serving our customers with expertise, compassion and commitment.

Our customer insights and research mean we are in a strong position to develop the services they want and become an informed and valuable commentator on emerging societal trends with regard to death and funerals.

This year we have introduced the following services and price points:

- Simplicity extended its offering beyond unattended direct cremation to allow options for a small gathering at the point of cremation and for a full cremation service. With all Simplicity offerings, traditional elements, such as the use of a hearse or procession into the crematorium, are not provided. Simplicity is available from £995 and is also available as a pre-arranged funeral plan.
- Dignity has been trialling a tailored funeral, where clients can choose to pay for additional services to personalise their requirements, rather than paying a single package price.
- In January 2018, our Simple funeral was reduced to £1,995 (plus disbursements) in England and Wales and to £1,695 (plus disbursements) in Scotland.
- With effect from January 2019, all of our locations offer a full service funeral for no more than £3,545 plus disbursements.

Our vision

Our vision is to lead the funeral sector in terms of quality, standards and value-for-money. As the Chairman said in his statement, to achieve this we are building a more coherent, cohesive and technology-enabled business, one geared to meet the changing needs of our customers.

In addition, we have always taken our role as a responsible corporate citizen extremely seriously and recognised that our broader role in society goes beyond just creating value for our shareholders. We will therefore continue to be a responsible and sustainable business, determined to meet both our social responsibilities and the expectations of all our stakeholders.

Quality of care for the deceased is a critical aspect of funeral provision. The need for proper facilities is more important today than ever. The biggest factor missing from conversations around the funeral sector is quality when it comes to caring for the deceased.

Our vision for the funeral industry is for it to be properly regulated. There is a misconception that the funeral sector is already regulated or operates to a minimum standard. It does not. We therefore continue to lead the call for change as we seek a regulated market that will be good for clients and society.

Dignity is working collaboratively with industry partners and other stakeholders to improve standards across the sector. At the end of 2018 we initiated a round table discussion and invited the CMA and other representatives from the funeral sector, co-operating together to try and find a solution. The Chairman has commented on the CMA and its proposed full market investigation into the funeral industry and there is more background on page 10 of this review.

Major research on funerals and crematoria

In 2018 we commissioned and published two pieces of research, one on funerals and the other on crematoria. The first, 'Time to talk about quality and standards', is the most comprehensive study of funeral directors ever in the UK, exploring how families perceive the funeral sector and expect funeral directors to operate. The report forms the basis of discussions and debate that the Group wants to stimulate on the best way to protect consumers and achieve appropriate quality standards.

We also published the results of a report on UK crematoria entitled, 'Cost, Quality, Seclusion and Time.' Our research shows that while price is important, customers consider time or the length of a service as often more valuable.

As one of the leading funeral providers in the UK, we believe it is important to understand what consumers think and to raise issues that are of concern to them and need addressing by policy makers and politicians beyond the funeral industry.

People and culture

We have always been a people business, helping families at an extremely difficult time in their lives. Our plans to transform the business mean that we are setting the bar even higher and asking more of our staff. I am pleased with how positively employees have responded so far and thank them for their support during this time of change.

The CMA report into the funeral market

The Competition and Markets Authority is the UK's primary competition authority. It is an independent, non-ministerial government department with responsibility for carrying out investigations into mergers, markets and the regulated industries and enforcing competition and consumer law. In June 2018 the CMA announced a market study into the funeral industry "to review how well the market works and whether consumers are getting a good deal." In November 2018 it published its interim report and consultation, part of which proposed that the funerals market should be referred to a CMA Group for a full market investigation. Such an investigation has not yet been confirmed but a decision must be reached by the end of May 2019.

As a leading player in the funeral industry and a long-standing campaigner for its regulation, Dignity welcomed the CMA's interest in the funeral sector and has made two public statements in response. The first, in November 2018 was an immediate response on the day of the release of the CMA's interim report. The second, in January 2019, was in response to an invitation by the CMA for views from interested parties on the issues raised in its report.

CMA funeral market study interim report: Dignity's response
November 2018 statement

These are some of the key points from Dignity's November 2018 CMA statement:

Dignity plc, the UK's only listed provider of funeral-related services, acknowledges today's announcement from the Competition and Markets Authority regarding the provisional findings of its study into the funerals market and notes its proposal to carry out a full market investigation. Dignity is considering the recommendations in detail and notes the key findings. Dignity has engaged constructively with the CMA since the market study was announced in June 2018 and strongly supports the opportunity to improve standards within the sector and meet the expectations of consumers.

Greater choice for consumers

Dignity welcomes the focus in the report on transparency and competition.

Dignity believes there is a need for greater transparency on pricing, more consumer choice and high levels of quality across the sector. The Group has acknowledged that there is rising consumer demand for lower-cost funeral options and has already been making considerable steps to provide a wider range of choice for its customers.

In January 2018, in advance of the CMA market study being announced, the Group implemented a new pricing policy and continues to test and consider a range of new price points and services for its customers, while preserving Dignity's unrivalled levels of service and quality. Delivering excellent client service remains a key strategic priority and means that the Group can offer best-quality service at each price point and market segment in which it chooses to operate.

Leading the call for regulation and higher standards

Dignity has led calls for greater regulation of both at need and pre-paid funeral sectors for some time, while continuing to set the standard for what constitutes best practice in the industry.

The CMA's work in the sector provides a significant opportunity to improve standards and protect consumers. The Group welcomes the CMA's initial focus on this area, and would encourage them to explore this further.

UK consumers assume all funeral directors are the same, that their market is already regulated and each of them is operating to a consistent set of professional standards, when in fact none of these statements are true. Dignity's research showed that 92 per cent of consumers did not know that funeral directors were not regulated in the UK, but once aware 80 per cent supported regulation to ensure minimum standards.

Dignity believes the funeral industry will benefit significantly from proper regulation to ensure that clients can assume minimum standards, and effectively assess and compare what a funeral service includes. The Group would welcome regulation which sets out minimum standards for core activities such as the care of the deceased, minimum standards of facilities and also operating procedures in crematoria.

The Group has shared its research and supporting information with the CMA and will continue to make the case for agreed minimum higher standards. As part of this the Group is leading a cross-industry initiative, bringing together industry, consumer bodies and policymakers, to develop collaborative long-term solutions to improve standards and transparency across the sector.

These are some of the key points from Dignity's letter in January 2019 to the CMA:
Given the concerns that the CMA has identified, Dignity supports a market investigation which will enable the CMA to undertake a thorough analysis of the market. We recognise that there are specific challenges relating to vulnerable customers, particularly those who are financially vulnerable and would welcome thoughts about how to ensure the market works better for them.

A competitive market that works for customers
In many respects the funeral market is highly competitive: there are many competitors; no single provider has a market share greater than approximately 16 per cent; and the number of funeral directors has increased significantly in recent years. There is also growing evidence that customers have started to more actively 'shop around', driven in part by an increase in online searches for funeral directors.

In our view, a key issue the CMA should address is how best to improve the ability of customers to exercise the choice that already exists, providing them with clear and relevant information on prices, the range of different products available, and quality, in a way that will make comparisons easy for customers, allowing them to make informed choices.

Price lists are available in our locations and over the phone. We have already posted our crematoria prices online and have basic pricing available online for all funeral services.

Central to transparency and greater information for customers must be a recognition that there is significant variation in the quality of funeral services, and quality differentials are not always visible to customers. Funeral services are not a homogenous commodity. We would encourage the CMA to explore ways to allow customers to compare the different service providers and their respective facilities and services.

Resulting in better outcomes for customers for the long-term
We note that there is a significant focus on historic pricing in their interim report. Price is hugely important for our customers, and we are committed to offering fairness and transparency in our pricing structure. While we understand the CMA has some concerns in this area, we believe there are some key points that warrant further consideration and clarification in a market investigation.

First, we have taken steps to reduce prices and change our pricing structure both on simple and full funeral services. Structural factors that contributed to historic price rises in the sector are now changing. We therefore envisage a sustained, long-term change of approach to pricing and have communicated this to our investors.

Second, we believe that many of our customers are price aware and actively exercise informed choice. In many cases where death is anticipated, the decision process can begin earlier.

Third, we believe it is important to take into account quality in any analysis of how competition works in this market. Many aspects of quality are not observable to the customer in advance, and it may be the case that customers use pricing as a guide to quality in addition to recommendations from others. We would encourage the CMA to think about how best to measure customers' preferences for quality and to understand the costs of quality in terms of operating costs, capital expenditure on maintenance and investment in both front of house and back of house facilities.

We consider that their interim report does not sufficiently consider these issues and see the full investigation as an opportunity to undertake a more thorough analysis.

Supporting financially vulnerable customers
We recognise that some customers face particular challenges in relation to funeral affordability.

We already have processes in place to support these customers, including affordability checks and signposting to more affordable options where appropriate. We have a longstanding policy of providing child funerals for free across both our funeral and crematoria businesses, with around 1,000 child funerals performed at no cost each year. We have introduced a number of new low-cost, affordable options which increase choice for customers and in October 2018 introduced the lowest price, nationally available, attended cremation service through our Simplicity proposition.

HM Treasury's consultation on the funeral plan sector
HM Treasury is continuing its consultation into the pre-paid funeral plan market, which it announced in June 2018. Dignity has led calls in recent years for regulation and its research, published together with Fairer Finance, has highlighted the poor sales practices and financial management risks that certain providers engage in. An update from HM Treasury is expected in the first half of 2019 and Dignity hopes HM Treasury acts swiftly to regulate the market and minimise further consumer detriment.

The UK funeral market
The UK funeral market is getting more complex. The internet continues to change everything, and consumer behaviour is evolving rapidly. Until 2015, the death rate slowly decreased while the number of funeral directors has increased rapidly.

Scale and structure of the market
The funeral director market remains very fragmented, with approximately two thirds of funeral directors being small owner- manager businesses. There are approximately 290 crematoria in the UK, with around 66 per cent owned by local authorities. It is estimated that three quarters of all funerals result in a cremation with the remainder being burials.

In 2018 the initial publication of recorded total estimated deaths in Britain for 52 weeks was 599,000, a small increase on 2017. Some of the Group's key performance indicators rely on the total number of estimated deaths for each period and this information is obtained from the Office for National Statistics (ONS). The ONS expects long-term increases in the number of deaths, reaching approximately 700,000 per year by 2040.

Increasing competition
The funeral market is already extremely competitive, however, more can be done to improve the ability of customers to exercise the choice that exists, especially through greater pricing transparency.

The pre-paid funeral plan market environment
The UK pre-paid funeral plan market declined in 2018. New plan sale volumes for providers registered with the Funeral Planning Authority, which represents more than 90 per cent of the market, were 177,000 in 2018, a reduction of 15 per cent against the 207,700 plans sold in 2017.

Consumers have become wary of the market following heightened negative press surrounding poor industry practices and HM Treasury announcing a consultation considering formal FCA regulation of the market.

Price competition intensified in 2018, with many of the leading providers cutting their prices. The majority of plans continue to be sold directly through funeral directors, but significant plan volumes are still being written by online lead generators and outbound call centre operations.

Our Transformation Plan
Our Transformation Plan has been developed following a major strategic review in 2018. The Board has appointed a Transformation Director who is driving change with full project management support. Execution of the Transformation Plan is scheduled to be complete by the end of 2021.

The need for change
The combination of increased price competition and more demanding consumers requires a new approach, namely, a radical transformation of our business and business model.

The landscape in our industry has changed, with a growth in lower-quality providers, lower-cost funeral alternatives and with online channels driving increased price transparency.
Consumers are becoming more demanding and sophisticated. Values are changing, there is increased secularism and a growing demand for personalised, lower-cost services, supported with online resources. There are fewer visits to the High Street and more online research and shopping around.

Market opportunity
While this degree of change could be seen as unnerving, we chose to see it as an opportunity. Our response will be to build a lower-cost model and build recognisable national brands associated with quality in support of competitive prices. Specifically, we will grow our presence in the low-cost cremation market.

We will embrace online and build a leading digital presence; unbundling our full service funeral pricing to create a more compelling proposition and greater flexibility for clients; and further develop our low-cost Simplicity Cremations service.

Strategic review
The strategic review took place over the first half of 2018. It involved focus groups and quantitative surveys with clients, consumers and other stakeholders from across the market. The company analysed data spanning the last 10 years on clients, transactions, fleet, property and people. It involved a review of our branch network footprint and service delivery model. And we engaged, naturally, with staff to gather their insights and perspectives.

1. Modernise the client proposition

Adapting our service model to better suit evolving client needs and to improve efficiency
We will provide client-facing staff with better tools to improve service levels and efficiency. This will include having vehicles and mobile devices to support arrangements at a location of the client's choice.
We will reward the delivery of key objectives such as exceptional client service and will drive increased front line productivity through more flexible ways of working.

A new tiered proposition providing greater flexibility to meet individual client needs
We will implement across our business a structure of services that gives clients the most appropriate range of choices. This will be achieved through ongoing testing of different propositions to ensure their appropriateness.

Building our national brands leverages our scale and addresses the needs of increasingly digital clients
We will build known, national brands to leverage our scale advantage in the digital age. We will market our commitment to high standards of care, quality of service delivery and competitive entry prices.

In our full service offer we will increase the prominence of the national brand over local brands while retaining strong local names. In the low-cost market we will grow Simplicity into the leading national provider of low-cost cremations.

Areas of focus in 2019
Building on the successes of 2018, the focus will be on:

• Implementing trials of new technologies in simplified forms to test client responses;

• Further trials of different service propositions;

• Relaunch the Dignity brand; and

• Further support and marketing of the Simplicity brand.

2. Invest in and simplify the operating model

Enabling specialisation and efficiency gains by separating front and back of house activities

Front of house
This will increase the focus on client service and community engagement, will establish a flexible arrangement model to meet changing consumer needs as these migrate from local to digital, and will enable us to move to more appropriately-sized locations.

Back of house
This will increase the focus on operational efficiency, create a superior operational platform for future growth and leverage organisational scale to realise operational efficiency benefits.

The existing network will be right-sized and enhanced and greater efficiency in funeral delivery will be achieved by leveraging scale and better allocating resources.

We expect to reduce the number of branch networks we operate from more than 120 to approximately 75. The average number of funeral locations per network will increase and we plan to move from a mix of distributed and centralised operations to centralised operations where appropriate.

3. Streamline central support and invest in technology to centralise and automate administrative processes

Consistency and focus in management roles
We will introduce consistent management roles nationwide in support of the strategy. There will be operational focus with managers unencumbered by non-management tasks. We will create specialised front and back of house roles to support process excellence and introduce clearly defined KPIs to assist management. We will also provide greater recognition of strong performance and reduce overall costs.

Central investment will enable improved support function effectiveness
Finance will automate and centralise supplier/client payments and produce standardised reporting. The marketing function will produce centrally created marketing materials and improve the targeting of digital spend. There will be centralised HR capabilities to reduce management time spent on non-core activities. We will also realise savings in key procurement activities such as mortuary equipment and stationery.

New IT capabilities to improve operational efficiency and enable delivery of plan
Our CRM System will enable consistent and informed communication and support for clients along the full journey from initial contact to final follow up, potential referrals or returning clients.

Our tablet based arrangement software will capture funeral arrangement data digitally to maximise accuracy and efficiency (versus the existing paper based process) and provide rich, relevant visual content e.g. choice of flowers. A workflow management tool will implement a new end-to-end workflow system to optimise funeral arrangements and the delivery process. Resource management will optimise the scheduling of limousines and hearses to maximise usage and also optimise the rostering of funeral director and support staff.

Areas of focus in 2019
In order to support efficient operational activity, it is essential that central processes are streamlined. Focus will therefore be on:

- Introduction of consistent management roles nationwide;
- Finalisation of the overall IT strategy and selection of relevant IT partners to support change;
- Modernisation of business intelligence reporting to support operational activities; and
- Implementation of a modern purchase-to-pay solution for all procurement activities.

IT roadmap established
As so much of our Transformation Journey will rely on having the right IT solutions we have laid out a clear IT roadmap.

This addresses:

- A full maturity assessment of our IT systems and services today;
- The plan of where we will invest in our IT capabilities to support the delivery of our strategy;
- Review of alternative overarching architecture options;
- Prioritisation and selection of individual applications to enable the strategy; and
- Selection of partners to work with on our implementation plans.

People are central to realising our Transformation
Our people
Our people will be central to the success of our Transformation. Perhaps the most crucial group will be those who have direct contact with our customers. It is essential that our service levels, of which we are justly proud, do not falter.

Managers across the business also have a major responsibility during this time of change to keep close to their teams. To encourage and to lead by example. The same is true of the Board. We have a duty to make the best decisions we can but also to make sure that we communicate well and lead by example. This may well be the biggest test that we have faced in the last 20 years.

A strong management team
The Board acted decisively at the beginning of 2018, recognising that the business had to change radically. Since that decision was taken the senior management team across the Group has responded swiftly and well in supporting this decision. I am confident that we are on the front foot as we face what will be a challenging and testing time.

An enhanced communications strategy
One of the consequences of the decisions taken last year has been to review the way we communicate and explain ourselves. While we have always done this with investors, we are now increasingly reaching out to other groups; policy makers, regulators and the general public, to cite just three. Above all, we are looking to improve the quality of our dialogue internally.

Why culture matters
The culture of a company matters, no more so than in one which is in contact with people at one of the most difficult times of their lives. We already have a strong and caring culture. It is essential that this culture remains rooted and strong as the Group transforms. The transformation is about the type of service and value-for-money that we offer customers. We have demonstrated significant flexibility with our prices over the past year and this will continue. What is not negotiable is the care and attention we give our customers. That compassionate culture has grown and strengthened over many years and is the cornerstone of who we are.

Engaging with and managing the expectations of wider stakeholders
While our employees are crucial to the success of our plan we are also mindful of our wider stakeholders. These include shareholders, customers, industry bodies and politicians and as industry scrutiny grows, this last group will become increasingly important. Explaining ourselves and the industry, while also continuing to call for regulation, will remain an important strand to our communications.

Shaping the future
Leadership
Our focus at present is on transforming the Group and securing a sustainable and successful future. But we also want to help shape the future beyond the four walls of our Group. We see the bigger picture of a changing industry, one in need of minimum standards and regulation.

Standards, quality and regulation
We are proud of the stand we have taken with regard to campaigning and arguing for minimum standards, quality and regulation in our industry. But we will not be content until this becomes a reality.

As an industry leader
We are one of the largest companies in the funeral sector and as such have a responsibility as a good corporate citizen to lead. This means listening to customers and finding out what they want, along with making their and our case to the powers that be.

Our broader societal purpose
As a leader we have to take account of broader issues than just our own performance as a business. Of course it is essential that we deliver value to our shareholders. But it is also important that we provide value to our customers and make a positive contribution to society at large. As a funeral company, we are involved in a fundamental and timeless human ritual and we are mindful of the responsibility this places on us.

Research and insight
Societal trends over the next ten years
Our recent research projects mean that we have a good understanding of trends in society with regard to funerals. One might assume that in the next ten years almost universal digitisation and individualisation of funerals is inevitable and becomes the norm. One might predict a rapid increase in “green” funerals. But we might be wrong on at least one of those counts, which means we will continue to research and test our assumptions and remain alert to the unexpected.

In 2018 we published two significant research projects which helped us understand the big picture as well as crucial smaller details. For example, our major research project into funerals revealed that 92 per cent of people were unaware that funeral directors are not already regulated and 80 per cent of participants supported regulation of minimum professional standards. At a more granular level, our crematoria research revealed that 59 per cent of people felt that 30 minutes for a service was not long enough. 13 per cent of all crematoria have times of 30 minutes or less and 30 per cent have times of less than 45 minutes. Approximately 72 per cent of Dignity’s own crematoria allocate 60 minutes, with the remainder of locations offering 45 minutes for a standard service.

Operating Review

FUNERAL SERVICES

Performance
As at 28 December 2018, the Group operated a network of 831 (2017: 826) funeral locations throughout the United Kingdom, generally trading under local established names.

During the period, the Group conducted 72,300 funerals compared to 68,800 in 2017.

Underlying operating profit was £62.2 million (2017: £79.5 million), reflecting lower average incomes from the Group's strategic changes in January 2018.

Non-underlying items of £7.4 million (2017: £2.5 million) excluded from underlying operating profit resulted in statutory operating profit of £54.8 million (2017: £77.0 million).

Progress and Developments
Market share
Approximately one per cent of all funerals were conducted in Northern Ireland. Excluding Northern Ireland, these funerals represented approximately 11.9 per cent (2017: 11.5 per cent) of total estimated deaths in Britain. Whilst funerals divided by estimated deaths is a reasonable measure of our market share, the Group does not have a complete national presence and consequently, this calculation can only ever be an estimate.

On a comparable basis, excluding any funerals from locations not contributing to the whole of 2017 and 2018, market share was 11.2 per cent, compared to 11.1 per cent in 2017. Given market share has reduced in previous periods, this shows a very positive response to the Group's introduction of a broader range of funeral choices, combined with lower prices. It demonstrates significant progress in a key objective of the year: to understand the changing relationship between price, choice and consumer demand.

Funeral mix
The trial in part of the country of a limited funeral in 2018 resulted in a smaller proportion of full service funerals than expected. Given the introduction of the Group's Tailored funeral, which provides even greater choice to customers and which will be introduced to all locations during 2019, the limited service funeral is no longer necessary and trials of this type of service have ceased.

Average income
In the final quarter of 2018, average income per funeral reduced to £2,897, slightly ahead of the Board's expectations at the start of the year. Higher than anticipated average incomes throughout the year resulted in a full year performance approximately £100 per funeral higher than originally anticipated.

Funeral mix and average income

	Funeral type	FY 2017 Actual	FY2018 Board's original expectation	H1 2018 Actual	Q4 2018 Actual	FY 2018 Actual
Average revenue (£)	Full service	3,800	3,800	3,800	3,590	3,735
	Simple and limited service	2,700	1,965	2,240	2,435	2,350
	Pre-need	1,650	1,650	1,680	1,750	1,705
	Other (including Simplicity)	500	500	560	610	570
Volume mix (%)	Full service	60	44	52	43	48
	Simple and limited service	7	20	15	24	19
	Pre-need	27	30	27	27	27
	Other (including Simplicity)	6	6	6	6	6
Weighted average (£)		2,945	2,590	2,799	2,637	2,734
Ancillary revenue (£)		277	280	224	260	239
Average revenue (£)		3,222	2,870	3,023	2,897	2,973

Investment
Significant cash resources continue to be used to maintain the Group's locations and fleet. In 2018, £10.4 million was invested in maintenance capital expenditure.

The Group also acquired four funeral locations for consideration of £5.4 million. There were a total of nine other openings and eight closures in the year.

In November 2018, the Group announced that acquisitions of small funeral businesses were inconsistent with the Group's strategy and current plans for the future. Should opportunities of larger, more established businesses become available, the Group will consider these on a case by case basis.

Transparency
The Group is very supportive of improving transparency across the industry to ensure consumers can properly understand differences in facilities, standards of care, service and price. Since the year end, the Group's website publishes prices for the various types of services offered.

Outlook
The Group plans to continue trialling various changes to its service offerings during 2019. As part of this, it anticipates continuing to roll out its Tailored funeral offering, where customers can select relevant services for their needs with support from the Group's outstanding funeral arranging staff. The Group anticipates overall average income per funeral to be approximately £2,940.

CREMATORIA

Performance
The Group remains the largest single operator of crematoria in Britain, operating 46 (2017: 45) crematoria as at 28 December 2018. The Group performed 65,200 cremations (2017: 63,400) in the period, representing 10.9 per cent (2017: 10.7 per cent) of total estimated deaths in Britain.

The Group did not increase its cremation fees during the year.

Sales of memorials and other items have been robust, equating to approximately £276 per cremation compared to £270 in the previous period.

These factors, combined with costs increasing in line with the Group's expectations resulted in underlying operating profit of £40.3 million (2017: £40.0 million), broadly flat year-on-year.

Non-underlying items of £0.7 million (2017: £1.8 million) excluded from underlying operating profit resulted in statutory operating profit of £39.6 million (2017: £38.2 million).

Progress and Developments
The Group has invested £4.5 million maintaining its locations in the period.

The Group's 46th crematorium opened in July 2018, representing a total investment of £5.2 million.

The Group now has planning permission for three new crematoria, following the acquisition of a third location in 2018. Two of these locations are due to open in late 2019 and the third is expected to be operational in 2020. The total capital commitment for these three projects is expected to be approximately £20 million to £21 million, with £4.3 million of this amount having already been invested. Each of the locations with planning permission will take five to seven years to reach maturity, performing 800 to 1,000 cremations per year.

The Group has two locations where it is appealing the planning decisions and another two that are currently in the planning process.

During the period, the Group re-branded its crematoria business as 'The Crematorium and Memorial Group'.

Outlook
We remain confident about the future of our crematoria business. The continued growth of the Group's Simplicity Cremations business should generate further opportunity to help more families in a way that suits them.

The capital invested in new crematoria developments is expected to generate an after tax return of approximately 13 per cent. Developments will take five to seven years to reach maturity.

PRE-ARRANGED FUNERAL PLANS

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

Underlying operating profit was £2.8 million compared to £8.0 million in the previous year. As previously announced, this reflects the Group's conclusion 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.

Non-underlying items of £0.2 million (2017: £0.2 million) excluded from underlying operating profit resulted in statutory operating profit of £2.6 million (2017: £7.8 million).

In overall terms, approximately 58,000 (2017: 69,000) new plan sales were made and the number of active pre-arranged funeral plans increased to 486,000 (2017: 450,000) as at 28 December 2018. Trust based sales in the year were 24,000 (2017: 34,000).

Of the sales in the period 34,000 (2017: 35,000) represent plans linked to life assurance plans with third parties rather than trust based plan sales and 134,000 (2017: 102,000) active insurance plans are in place at 28 December 2018. Not all of these insurance backed plans include an obligation to provide a guaranteed funeral and we anticipate the cancellation experience to be significantly higher than is witnessed on trust based sales.

Whilst the contribution to this year's operating profit from the marketing activity is reported at the time of sale, it is important to recognise that the sales made represent significant potential future revenues for the funeral division.

These amounts will be recognised as and when the funerals are performed. As with all the Group's divisions, pre-arranged funeral plan profits broadly reflect the cash generated by that activity. This will change in 2019 when the Group adopts IFRS 15.

The adoption of IFRS 15 will change the Group's accounting policy for the pre-need business, impacting statutory and non-statutory measures of financial performance.

Progress and Developments

The increase in the number of active plans follows plans sold in the year. The market has been particularly competitive, with the internet and 'cold calling' featuring extensively in activity by competitors. Dignity has remained focused on selling high-quality business, in ways that support the strong reputation of the Group.

The Group has continued to work hard at developing its portfolio of affinity partners and has formed a number of new partnerships in the period with organisations in the retail and financial services arena with further trials expected in 2019.

The financial position of the independent trusts holding members' monies is crucial, given the Group ultimately guarantees the promises made to members. At the end of 2018, the Trusts held approximately £928 million of assets in respect of 308,000 trust based funeral plans. Average assets per plan are greater than the amount currently received for performing a funeral.

The latest actuarial valuations of the pre-arranged funeral plan trusts (at 28 September 2018) showed them to have a surplus of £33.0 million, based on prudent assumptions. If the discount rate used had equalled the long-term investment target of the trust funds, then the trusts would have reported aggregate surpluses of approximately £160 million.

Crucially, each plan sold creates additional headroom, since the funds paid in are more at the point of sale than those received by the Group if the member died immediately.

Outlook

The Group's approach to lower marketing allowances will continue for the foreseeable future, meaning the Group's trust based pre-need marketing activity is expected to be cash flow neutral in 2019 and beyond.

As detailed elsewhere, the consultation and likely regulation of the pre-need division is likely to develop in 2019 and the Group will actively participate in that process.

The Trusts' investment strategies are expected to provide returns in excess of inflation in the longer-term but will, however, potentially result in greater volatility year-on-year in the reported value of the Trusts' assets. The current allocation that is subject to annual review by the independent Trustees with support from their investment advisers, is summarised below.

	Example investment types	**Target (%)**
Defensive investments	Index linked gilts and corporate bonds	18
Illiquid investments	Private investments	16
Core growth investments	Equities	23
Growth fixed income and alternative investments	Property funds and emerging market debt	43

Pre-arranged funerals represent a stable source of incremental funerals for the Group, providing high-levels of certainty of cash flows as existing plans mature.

The Group intends to continue to sell as many plans as is commercially possible and economically sensible.

CENTRAL OVERHEADS

Overview
Central overheads relate to central services that are not specifically attributed to a particular operating division. These include the provision of IT, finance, personnel and Directors' emoluments. In addition and consistent with previous periods, the Group records 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.

Developments
Underlying costs in the period were £25.1 million (2017: £22.9 million).

Non-underlying items of £5.6 million (2017: £2.1 million) excluded from underlying costs resulted in costs of £30.7 million (2017: £25.0 million).

On-going marketing activity represented an increased cost of approximately £3 million year-on-year. This investment will continue to increase.

Investment in central overheads continues in order to respond to the activities of the Group. Additional staff costs of approximately £1.5 million were incurred to support ongoing activities. Other costs, including depreciation and general administrative costs were approximately £1 million higher year-on-year. Offsetting this, incentive costs, including LTIP costs and cash bonuses, were £1.7 million (2017: £5.2 million). The current period includes a release of £1.7 million in respect of Executive Directors' bonuses earned in 2017 but waived in 2018.

Maintenance capital expenditure of £1.2 million has been incurred on central projects predominantly relating to IT that will help the business as a whole operate more efficiently.

Outlook
The Group will continue to invest in central functions and marketing activity to support the Group's plans, through the recruitment of more employees and increased marketing online and in other media. Underlying central overheads are therefore anticipated to increase by 25 to 30 per cent in 2019.

Mike McCollum
Chief Executive
13 March 2019

Financial Review

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

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

	52 week period ended 28 December 2018	52 week period ended 29 December 2017	Decrease %
Revenue (£ million)	**315.6**	324.0	3
Underlying operating profit[a] (£ million)	**80.2**	104.6	23
Underlying profit before tax[a] (£ million)	**54.4**	77.8	30
Underlying earnings per share[a] (pence)	**85.8**	128.3	33
Underlying cash generated from operations [a] (£ million)	**101.9**	115.4	12
Operating profit (£ million)	**66.3**	98.0	32
Profit before tax (£ million)	**40.5**	71.2	43
Basic earnings per share (pence)	**63.0**	115.8	46
Cash generated from operations (£ million)	**94.9**	112.5	16
Dividends paid in the period:			
Interim dividend (pence)	**8.64**	8.64	-
Final dividend (pence)	**15.74**	15.74	-

(a) Further details of alternative performance measures can be found on page 44.

The Board has proposed a dividend of 15.74 pence per Ordinary Share as a final distribution of profits relating to 2018 to be paid on 28 June 2019, subject to shareholder approval.

Alternative performance measures
The Group's alternative performance measures exclude non-underlying items. 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. Detailed information on non-underlying items is set out on pages 44 and 45.

Accordingly, the following information is presented to aid understanding of the performance of the Group:

	52 week period ended 28 December 2018 £m	52 week period ended 29 December 2017 £m
Operating profit for the period as reported	**66.3**	98.0
Add the effects of:		
Loss on sale of fixed assets	**0.3**	0.1
External transaction costs in respect of completed and aborted transactions	**0.8**	4.7
Acquisition related amortisation	**4.9**	1.8
Transformation Plan costs	**2.7**	-
Operating and competition review costs	**2.7**	-
GMP past service cost	**1.4**	-
Trade name write-off	**1.1**	-
Underlying operating profit [(a)]	**80.2**	104.6
Net finance costs	**(25.8)**	(26.8)
Underlying profit before tax [(a)]	**54.4**	77.8
Tax charge on underlying profit before tax	**(11.5)**	(13.8)
Underlying profit after tax [(a)]	**42.9**	64.0
Weighted average number of Ordinary Shares in issue during the period (million)	**50.0**	49.9
Underlying EPS (pence) [(a)]	**85.8**	128.3
(Decrease)/increase in underlying EPS (per cent)	**(33)**	7

(a) Further details of alternative performance measures can be found on page 44.

Earnings per share

The Group's statutory profit after tax was £31.5 million (2017: £57.8 million). Basic earnings per share were 63.0 pence per share (2017: 115.8 pence per share). Underlying profit after tax was £42.9 million (2017: £64.0 million), giving underlying earnings per share of 85.8 pence per share (2017: 128.3 pence per share), a reduction of 33 per cent.

Key changes in the profitability of the Group's funeral business

Underlying operating profit was £62.2 million (2017: £79.5 million), a reduction of 22 per cent. In broad terms, this can be explained by the following factors:

This is analysed as:	H1 £m	H2 £m	Full year £m
Underlying operating profit – 2017	45.1	34.4	79.5
Impact of:			
Number of deaths	5.5	(3.0)	2.5
Market share	(1.5)	3.0	1.5
Lower average incomes	(5.5)	(11.5)	(17.0)
Cost base increases	(3.5)	(3.8)	(7.3)
Acquisition activity	2.0	1.0	3.0
Underlying operating profit – 2018	**42.1**	**20.1**	**62.2**

Transformation Plan

Costs incurred in 2018

The Group incurred significant costs in 2018 to support the revisions to its strategy and to start the Transformation Plan. They can be summarised as follows:

	28 December 2018 £m
External advisers' fees	**1.1**
Brand development and marketing costs	**1.1**
Costs of additional staff to support the Transformation	**0.5**
Total costs incurred	**2.7**

The overall cost and benefit of the Transformation Plan

The Group's view of the overall cost of the Plan remain unchanged from that detailed in its 2018 interim results:

Costs

The Group anticipates a total investment of £50 million by the end of 2021 to deliver the Transformation Plan:

	Total £m
IT systems	6
Property and equipment	35
Other costs to implement plan	9
	50

£35 million of this investment is expected to be capital in nature. Approximately £17 million of this investment will be funded from surplus property disposals.

In addition to these non-recurring amounts, the Group anticipates £7 million per year of incremental costs:

	Short-term (2021) £m	Long-term (2028) £m
Extending coverage (branch and service delivery network)	2	1
Investment in marketing and demand generation (central support)	5	6
	7	**7**

Benefits

The Transformation Plan is expected to realise the following net operating profit benefits:

	Short-term (2021) £m	Long-term (2028) £m
Branch and service delivery network	7	12
Streamlined management and administration	5	5
Investments in central support and IT	(4)	(4)
	8	**13**

Other items excluded from underlying operating profit

Amortisation of acquisition related intangibles

Amortisation of acquisition related intangibles reflects the write-off of acquired intangibles over the term of its useful life.

External transaction costs

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

Operating and competition review costs

In the first half of 2018 the Group incurred costs with external advisors to aid its operational review. Costs were also incurred with external advisors to support the Group's response to the CMA's funeral market study and HM Treasury's consultation on the funeral plan sector.

GMP past service cost

This represents the estimate for the impact of the implementation of Guaranteed Minimum Pension ('GMP') equalisation.

Trade name write-off

During the period, the Group closed the last location trading under a particular trading name. As this trading name had specific intangible assets related to it, they were required to be written-off.

Loss on sale of fixed assets

Losses from the sale of fixed assets are excluded as they are unconnected with the trading performance in the period.

Capital expenditure
Capital expenditure on property, plant and equipment and intangible assets was £25.0 million (2017: £27.0 million).

This is analysed as:

	28 December 2018 £m	29 December 2017 £m
Maintenance capital expenditure:		
Funeral services	**10.4**	12.7
Crematoria	**4.5**	4.6
Other	**1.2**	2.9
Total maintenance capital expenditure[(a)]	**16.1**	20.2
Branch relocations	**0.8**	2.2
Satellite locations	**1.4**	1.1
Development of new crematoria and cemeteries	**6.7**	3.5
Total property, plant and equipment	**25.0**	27.0
Partly funded by:		
Disposal proceeds	**(0.4)**	(0.6)
Net capital expenditure	**24.6**	26.4

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

The Group will continue to invest in the maintenance of its existing portfolio of vehicles and funeral and crematoria locations. The Group's Transformation Plan will capture the majority of planned capital expenditure on its funeral business. Consequently capital maintenance expenditure in 2019 is expected to be lower than 2018.

Cash flow and cash balances
Underlying cash generated from operations was £101.9 million (2017: £115.4 million).

During the period, the Group invested £6.5 million in the acquisition of established funeral businesses. £5 million was invested in acquiring a further equity stake in Funeral Zone Limited which is a UK online funeral resource for funeral directors and clients. This brought the Group's total equity interest in Funeral Zone Limited to 23.8 per cent. Consequently, this investment is accounted for as an associate.

Other working capital changes were consistent with the Group's experience of converting profits into cash. These changes fluctuate year-on-year as a result of timings of the Group's year end and the level of bonuses paid.

Cash balances at the end of the period were £66.9 million (2017: £49.3 million). In its planning, the Group sets aside approximately £22.2 million for future corporation tax and dividend payments expected to be spent in 2019.

Further details and analysis of the Group's cash balances are included in note 15 to the consolidated financial statements.

Pensions
The balance sheet shows a deficit of £25.2 million before deferred tax (2017: deficit of £24.0 million). As previously announced, 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 £2.2 million with effect from 2018.

Following the Lloyds GMP equalisation case in October 2018, which ruled that treatment of men and women be brought in line for schemes with a guaranteed minimum pension, the Group has been required to recalculate member benefits. This has resulted in the Group recognising a past service cost of £1.4 million in the current year income statement, representing approximately 1.1 per cent of the Group's defined benefit pension liability.

Taxation
The Group's effective tax rate on underlying profits in the period was 21.2 per cent (2017: 17.7 per cent).

The current period underlying effective tax rate is higher due to the effects of prior year items, option schemes and permanent disallowables, with a tax impact totalling £1.4 million.

In 2019, the Group expects its underlying effective tax rate to be approximately one and a half to two per cent above the headline rate of corporation tax. This translates to an underlying effective rate of between 20.5 per cent and 21.0 per cent.

Capital structure and financing

Secured Notes

The Group's principal source of long-term debt financing is the Secured A Notes and the Secured B Notes. The principal is repaid completely over the life of the Secured Notes and is therefore scheduled to be repaid by 2049. The interest rate is fixed for the life of the Secured Notes and interest is calculated on the principal.

The key terms of the Secured Notes are summarised in the table below:

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

The Secured Notes have an annual debt service obligation (principal and interest) of circa £33.2 million.

It is not currently possible to issue further Secured Notes, as such an issue would require the rating of the Secured B Notes to raise to BBB by both rating agencies. In any event, the Group does not have any requirement to issue any further Secured Notes for the foreseeable future. This position will be reassessed following the completion of the Group's Transformation Plan.

Financial Covenant

The Group's primary financial covenant under the Secured Notes requires EBITDA to total debt service to be above 1.5 times. The ratio at 28 December 2018 was 2.55 times (2017: 3.24 times). This covenant calculation uses a prescribed definition of EBITDA detailed in the loan documentation and only represents the profit of a sub group of the Group which is party to the loans (the 'securitisation group'). EBITDA for this calculation can be reconciled to the Group's statutory operating profit as follows:

	28 December 2018 £m
EBITDA per covenant calculation – Securitisation Group	**86.8**
Add: EBITDA of entities outside Securitisation Group	**13.9**
Add: Non cash items[(a)]	**(1.5)**
Underlying operating profit before depreciation and amortisation - Group	**99.2**
Underlying depreciation and amortisation	**(19.0)**
Non-underlying items	**(13.9)**
Operating profit	**66.3**

(a) The terms of the securitisation require certain items (such as pensions) to be adjusted from an accounting basis to a cash basis.

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 of the Group's securitisation structure. The RCF can be drawn down subject to a set of financial tests applied to these legal entities.

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 and as at the year end.

Net debt

The Group's net debt is analysed as:

	28 December 2018 £m	29 December 2017 £m
Net amounts owing on Secured Notes	**(560.6)**	(565.1)
Add: unamortised issue costs	**(0.6)**	(0.6)
Gross amounts owing	**(561.2)**	(565.7)
Accrued interest on Secured Notes	**(12.3)**	(0.3)
Accrued interest on Crematoria Acquisition Facility and Revolving Credit Facility	**(0.2)**	(0.2)
Cash and cash equivalents	**66.9**	49.3
Net debt	**(506.8)**	(516.9)

The Group's gross debt outstanding was £561.2 million (2017: £565.7 million). Net debt was £506.8 million (2017: £516.9 million).

The market value of the Secured Notes at the balance sheet date was £531.6 million (2017: £686.5 million).

Whilst the Group has no plans to do so, should it wish to repay all amounts due under the Secured Notes, the cost to do so at the year end would have been approximately £751.6 million.

Net finance costs

The Group's underlying finance costs substantially consist of the interest on the Secured Notes and ancillary instruments. The net finance cost in the period relating to these instruments was £24.8 million (2017: £25.1 million).

Finance costs of £nil million (2017: £0.4 million) were incurred in respect of the Crematoria Acquisition Facility.

Other ongoing finance costs incurred in the period amounted to £1.2 million (2017: £1.4 million), including the unwinding of discounts on the Group's provisions and other financial liabilities.

Interest receivable on bank deposits was £0.2 million (2017: £0.1 million).

IFRS 15, Revenue from contracts with customers

The Group has completed its assessment of this accounting standard, which is effective for its 2019 accounting period. The standard will result in a change to the Group's accounting policies for the sale of trust based pre-arranged funeral plans.

The Group plans to apply the modified retrospective application approach, meaning that comparative periods will not be restated according to IFRS 15. Instead, the cumulative effect of the application of the standard will be recognised in the opening balance sheet reserves for 2019.

Further details are included on page 43.

The Group intends as a consequence of these changes to update its definition of underlying operating profit. This is set out in the section on alternative performance measures on page 44 and details the revised underlying operating profit that will be used by the Group for comparative purposes when it announces its 2019 results, beginning with the first quarter trading update in May 2019.

Steve Whittern
Finance Director
13 March 2019

Our key performance indicators

We use non-financial and financial KPIs to both manage the business and ensure that the Group's strategy and objectives are being delivered.

KPI	KPI definitions	52 week period ended 28 December 2018	52 week period ended 29 December 2017	Developments in 2018
Underlying earnings per share (pence)	This is underlying profit after tax divided by the weighted average number of Ordinary Shares in issue in the period.	**85.8p**	128.3p	The 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.	**£80.2m**	£104.6m	Underlying operating profit declined year-on-year, but was ahead of market expectations.
Underlying cash generated from operations (£ million)	This is the statutory cash generated from operations excluding non-underlying items.	**£101.9m**	£115.4m	The Group continues to convert operating profit into cash efficiently.
Average income per funeral (£)	Net funeral revenue divided by the number of funerals performed in the relevant period.	**£2,973**	£3,222	This reduced year-on-year in line with the Group's strategic price changes.
Total estimated number of deaths in Britain (number)	This is as reported by the Office for National Statistics.	**599,000**	590,000	Deaths were higher than originally anticipated in the period.
Funeral market share excluding Northern Ireland (per cent)	This is the number of funerals performed by the Group in Britain divided by the total estimated number of deaths in Britain.	**11.9%**	11.5%	Growth in market share reflects acquisition activity and the stabilisation of comparable funeral market share driven by price and service changes.
Number of funerals performed (number)	This is the number of funerals performed according to our operational data.	**72,300**	68,800	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%**	10.7%	Market share has increased, reflecting the effect of increases in the number of locations combined with an increase in the number of Simplicity and other direct cremations being performed.
Number of cremations performed (number)	This is the number of cremations performed according to our operational data.	**65,200**	63,400	Changes are a consequence of the total number of deaths and the Group's market share.
Active pre-arranged funeral plans (number)	This is the number of pre-arranged funeral plans where the Group has an obligation to provide a funeral in the future.	**486,000**	450,000	This increase reflects continued sales activity offset by the crystallisation of plans sold in previous periods.

Maintaining consistently high-quality and standards
We closely monitor the results of our client surveys which are conducted by our Funeral Services division. In the last five years, we have received approximately 160,000 responses. This is our measure of how these services meet or exceed client expectations.

Our consistently high satisfaction scores reflect the strength of our relationships with our clients. We listen to our clients and use our survey responses to focus on areas in which we can improve and add value.

The Dignity Client Survey 2018
Reputation and recommendation
98.9% (2017: 99.0%)
98.9 per cent of respondents said that we met or exceeded their expectations.

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

Quality of service and care
99.9% (2017: 99.9%)
99.9 per cent thought our staff were respectful.

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

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

High Standards of facilities and fleet
99.8% (2017: 99.8%)
99.8 per cent thought our premises were clean and tidy.

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

In the detail
99.2% (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% (2017: 99.0%)
99.1 per cent said that the funeral service took place on time.

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

Consolidated income statement
for the 52 week period ended 28 December 2018

	Note	**52 week period ended 28 December 2018 £m**	52 week period ended 29 December 2017 £m
Revenue	1	**315.6**	324.0
Cost of sales		**(135.0)**	(130.6)
Gross profit	1	**180.6**	193.4
Administrative expenses		**(114.3)**	(95.4)
Operating profit		**66.3**	98.0
Finance costs	2	**(26.0)**	(26.9)
Finance income	2	**0.2**	0.1
Profit before tax	1	**40.5**	71.2
Taxation	3	**(9.0)**	(13.4)
Profit for the period attributable to equity shareholders		**31.5**	57.8
Earnings per share for profit attributable to equity shareholders			
– Basic (pence)	4	**63.0p**	115.8p
– Diluted (pence)	4	**63.0p**	115.6p

Consolidated statement of comprehensive income
for the 52 week period ended 28 December 2018

	Note	**52 week period ended 28 December 2018 £m**	52 week period ended 29 December 2017 £m
Profit for the period		**31.5**	57.8
Items that will not be reclassified to profit or loss			
Remeasurement (loss)/gain on retirement benefit obligations	9	**(0.6)**	3.2
Tax credit/(charge) on remeasurement on retirement benefit obligations		**0.1**	(0.5)
Other comprehensive (loss)/ income		**(0.5)**	2.7
Comprehensive income for the period		**31.0**	60.5
Attributable to:			
Equity shareholders of the parent		**31.0**	60.5

Consolidated balance sheet
as at 28 December 2018

	Note	**28 December 2018 £m**	29 December 2017 £m
Assets			
Non-current assets			
Goodwill		**232.6**	226.1
Intangible assets		**152.3**	159.4
Property, plant and equipment		**254.1**	248.0
Investments in associated undertakings		**6.0**	-
Financial and other assets		**15.7**	14.3
		660.7	647.8
Current assets			
Inventories		**8.5**	7.3
Trade and other receivables		**32.9**	38.3
Cash and cash equivalents	6	**66.9**	49.3
		108.3	94.9
Total assets		**769.0**	742.7
Liabilities			
Current liabilities			
Financial liabilities		**9.3**	4.5
Trade and other payables		**68.9**	57.8
Current tax liabilities		**4.8**	6.2
Provisions for liabilities		**1.7**	1.5
		84.7	70.0
Non-current liabilities			
Financial liabilities		**551.9**	561.2
Deferred tax liabilities		**29.2**	30.3
Other non-current liabilities		**2.1**	2.3
Provisions for liabilities		**9.9**	8.5
Retirement benefit obligation	9	**25.2**	24.0
		618.3	626.3
Total liabilities		**703.0**	696.3
Shareholders' equity			
Ordinary share capital		**6.2**	6.2
Share premium account		**12.4**	11.1
Capital redemption reserve		**141.7**	141.7
Other reserves		**(5.1)**	(4.6)
Retained earnings		**(89.2)**	(108.0)
Total equity		**66.0**	46.4
Total equity and liabilities		**769.0**	742.7

Consolidated statement of changes in equity
for the 52 week period ended 28 December 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 52 weeks ended 29 December 2017	-	-	-	-	57.8	57.8
Remeasurement gain on defined benefit obligations	-	-	-	-	3.2	3.2
Tax on pensions	-	-	-	-	(0.5)	(0.5)
Total comprehensive income	-	-	-	-	60.5	60.5
Effects of employee share options	-	-	-	1.3	-	1.3
Tax on employee share options	-	-	-	0.1	-	0.1
Proceeds from share issue(1)	0.1	2.6	-	-	-	2.7
Gift to Employee Benefit Trust	-	-	-	(2.5)	-	(2.5)
Dividends (note 5)	-	-	-	-	(12.2)	(12.2)
Shareholders' equity as at 29 December 2017	6.2	11.1	141.7	(4.6)	(108.0)	46.4
Profit for the 52 weeks ended 28 December 2018	-	-	-	-	31.5	**31.5**
Remeasurement loss on retirement benefit options	-	-	-	-	(0.6)	**(0.6)**
Tax on pensions	-	-	-	-	0.1	**0.1**
Total comprehensive income	-	-	-	-	31.0	**31.0**
Effects of employee share options	-	-	-	0.8	-	**0.8**
Proceeds from share issue(2)	-	1.3	-	-	-	**1.3**
Gift to Employee Benefit Trust	-	-	-	(1.3)	-	**(1.3)**
Dividends (note 5)	-	-	-	-	(12.2)	**(12.2)**
Shareholders' equity as at 28 December 2018	**6.2**	**12.4**	**141.7**	**(5.1)**	**(89.2)**	**66.0**

(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, £19,274,610 B Shares that were issued on 10 October 2010 and redeemed for cash on 11 October 2010, and £22,263,112 B Shares that were issued on 12 August 2013 and redeemed for cash on 20 August 2013 and £20,154,070 B Shares that were issued and redeemed for cash in November 2014.

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

Consolidated statement of cash flows
for the 52 week period ended 28 December 2018

	Note	52 week period ended 28 December 2018 £m	52 week period ended 29 December 2017 £m
Cash flows from operating activities			
Cash generated from operations		**94.9**	112.5
Finance income received		**0.2**	0.1
Finance costs paid		**(13.1)**	(25.7)
Transfer from restricted bank accounts for finance costs		**0.3**	0.3
Payments to restricted bank accounts for finance costs	6	**(12.3)**	(0.3)
Total payments in respect of finance costs		**(25.1)**	(25.7)
Tax paid		**(11.6)**	(11.9)
Net cash generated from operating activities		**58.4**	75.0
Cash flows from investing activities			
Investment in financial asset and associated undertakings		**(5.0)**	(1.0)
Acquisition of subsidiaries and businesses (net of cash acquired)		**(6.5)**	(28.3)
Proceeds from sale of property, plant and equipment		**0.4**	0.6
Maintenance capital expenditure(1)		**(16.1)**	(20.2)
Branch relocations		**(0.8)**	(2.2)
Satellite locations		**(1.4)**	(1.1)
Development of new crematoria and cemeteries		**(6.7)**	(3.5)
Purchase of property, plant and equipment and intangible assets		**(25.0)**	(27.0)
Net cash used in investing activities		**(36.1)**	(55.7)
Cash flows from financing activities			
Issue costs in respect of debt facility		**-**	(0.4)
Proceeds from share issue		**-**	0.1
Repayment of Crematoria Acquisition Facility		**-**	(15.8)
Payments due under Secured Notes		**(4.5)**	(8.8)
Payments to restricted bank accounts for repayment of borrowings		**(4.6)**	-
Total payments in respect of borrowings		**(9.1)**	(24.6)
Dividends paid to shareholders on Ordinary Shares	5	**(12.2)**	(12.2)
Net cash used in financing activities		**(21.3)**	(37.1)
Net increase/(decrease) in cash and cash equivalents		**1.0**	(17.8)
Cash and cash equivalents at the beginning of the period		**49.0**	66.8
Cash and cash equivalents at the end of the period		**50.0**	49.0
Restricted cash		**16.9**	0.3
Cash and cash equivalents at the end of the period as reported in the consolidated balance sheet	6	**66.9**	49.3

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

1 Revenue and segmental analysis

Operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision maker who is responsible for allocating resources and assessing performance of the operating segments. The chief operating decision maker of the Group has been identified as the 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 44.

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

52 week period ended 28 December 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	**214.9**	**75.0**	**(12.8)**	**62.2**	**(7.4)**	**54.8**
Crematoria	**78.0**	**44.9**	**(4.6)**	**40.3**	**(0.7)**	**39.6**
Pre-arranged funeral plans	**22.7**	**2.8**	**-**	**2.8**	**(0.2)**	**2.6**
Central overheads	**-**	**(23.5)**	**(1.6)**	**(25.1)**	**(5.6)**	**(30.7)**
Group	**315.6**	**99.2**	**(19.0)**	**80.2**	**(13.9)**	**66.3**
Finance costs				**(26.0)**	**-**	**(26.0)**
Finance income				**0.2**	**-**	**0.2**
Profit before tax				**54.4**	**(13.9)**	**40.5**
Taxation				**(11.5)**	**2.5**	**(9.0)**
Underlying earnings for the period				**42.9**		
Non-underlying items					**(11.4)**	
Profit after taxation						**31.5**
Earnings per share for profit attributable to equity shareholders						
- Basic (pence)				**85.8p**		**63.0p**
- Diluted (pence)						**63.0p**

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		
Non-underlying 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

2 Net finance costs

	52 week period ended 28 December 2018 £m	52 week period ended 29 December 2017 £m
Finance costs		
Secured Notes	**24.1**	24.4
Amortisation of issue costs	**-**	0.1
Crematoria Acquisition Facility	**-**	0.4
Other loans	**1.2**	1.3
Net finance cost on retirement benefit obligations	**0.6**	0.6
Unwinding of discounts	**0.1**	0.1
Finance costs	**26.0**	26.9
Finance income		
Bank deposits	**(0.2)**	(0.1)
Finance income	**(0.2)**	(0.1)
Net finance costs	**25.8**	26.8

3 Taxation

Analysis of charge in the period	**52 week period ended 28 December 2018 £m**	52 week period ended 29 December 2017 £m
Current tax – current period	**9.6**	13.3
Adjustments for prior period	**0.3**	(0.7)
Total corporation tax	**9.9**	12.6
Deferred tax – current period	**(0.8)**	2.1
Adjustments for prior period	**(0.1)**	(1.3)
Total deferred tax	**(0.9)**	0.8
Taxation	**9.0**	13.4

4 Earnings per share

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, including any deferred annual bonus, 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 as set out on page 44. 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.

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

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

	Earnings £m	Weighted average number of shares millions	Per share amount pence
52 week period ended 28 December 2018			
Underlying profit after taxation and EPS	**42.9**	**50.0**	**85.8**
Add: Non-underlying items (net of taxation of £2.5 million)	**(11.4)**		
Profit attributable to shareholders – Basic EPS	**31.5**	**50.0**	**63.0**
Profit attributable to shareholders – Diluted EPS	**31.5**	**50.0**	**63.0**
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

5 Dividends

	52 week period ended 28 December 2018 £m	52 week period ended 29 December 2017 £m
Final dividend paid: 15.74p per Ordinary Share (2017: 15.74p)	**7.9**	7.9
Interim dividend paid: 8.64p per Ordinary Share (2017: 8.64p)	**4.3**	4.3
Dividend on Ordinary Shares	**12.2**	12.2

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

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

Consequently, total dividends recognised in the period were £12.2 million, 24.38 pence per share (2017: £12.2 million, 24.38 pence per share).

A final dividend of 15.74 pence per share, in respect of 2018, has been proposed by the Board. Based on the number of shares in issue at the date of signing this report the total final dividend payment is approximately £7.9 million. This will be paid on 28 June 2019 provided that approval is gained from shareholders at the Annual General Meeting on 13 June 2019 and will be paid to shareholders on the register at close of business on 17 May 2019.

6 Cash and cash equivalents

	28 December 2018 £m	29 December 2017 £m
Operating cash as reported in the consolidated statement of cash flows as cash and cash equivalents	**50.0**	49.0
Amounts set aside for debt service payments	**16.9**	0.3
Cash and cash equivalents as reported in the balance sheet	**66.9**	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 did not meet the definition of cash and cash equivalents in IAS 7, Statement of Cash Flows. This amount was used to pay these respective parties on 31 December 2018. Of this amount, £12.3 million (2017: £0.3 million) is shown within the Statement of Cash Flows as 'Payments to restricted bank accounts for finance costs' and £4.6 million (2017: £nil million) is shown within 'Financing activities' as 'Payments to restricted bank accounts for repayment of borrowings'.

7 Net debt

	28 December 2018 £m	29 December 2017 £m
Net amounts owing on Secured Notes per financial statements	**(560.6)**	(565.1)
Add: unamortised issue costs	**(0.6)**	(0.6)
Gross amounts owing	**(561.2)**	(565.7)
Accrued interest on Secured Notes	**(12.3)**	(0.3)
Accrued interest on Crematoria Acquisition Facility and Revolving Credit Facility	**(0.2)**	(0.2)
Cash and cash equivalents (note 6)	**66.9**	49.3
Net debt	**(506.8)**	(516.9)

In addition to the above, the consolidated balance sheet also includes finance lease obligations which totalled £0.6 million (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'), in the securitisation group, to be at least 1.5 times. At 28 December 2018, the actual ratio was 2.55 times (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.

8 Reconciliation of cash generated from operations

	52 week period ended 28 December 2018 £m	52 week period ended 29 December 2017 £m
Net profit for the period	**31.5**	57.8
Adjustments for:		
Taxation	**9.0**	13.4
Net finance costs	**25.8**	26.8
Loss on sale of fixed assets	**0.3**	0.1
Depreciation charges	**18.7**	17.0
Amortisation of intangibles	**5.1**	1.9
Movement in inventories	**(1.2)**	(1.2)
Movement in trade receivables	**5.5**	(0.1)
Movement in trade payables	**(1.0)**	0.9
Net pension charges less contribution	**0.6**	1.2
Trade name write-off	**1.1**	-
Changes in other working capital (excluding acquisitions)	**(1.4)**	(6.5)
Employee share option charges	**0.9**	1.2
Cash flows from operating activities	**94.9**	112.5

9 Analysis of the movement in the retirement benefit obligation

	2018 £m	2017 £m
At beginning of period	**(24.0)**	(25.9)
Total expense as above charged to the income statement	**(2.7)**	(1.6)
Remeasurement (losses)/gains and administration expenses (charged)/credited to other comprehensive income	**(0.6)**	3.2
Contributions by Group	**2.1**	0.3
At end of period	**(25.2)**	(24.0)

10 Basis of preparation

European law requires that the Group's consolidated financial statements for the 52 week period ended 28 December 2018 are prepared in accordance with all applicable International Financial Reporting Standards ('IFRSs'), as adopted by the European Union. These financial statements have been prepared in accordance with IFRS, International Financial Reporting Interpretations Committee ('IFRIC') interpretations (as issued by the International Accounting Standards Board) and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

In the current period, the Group's consolidated financial statements have been prepared for the 52 week period ended 28 December 2018. For the comparative period, the Group's consolidated financial statements have been prepared for the 52 week period ended 29 December 2017.

The financial information set out above does not constitute the Company's statutory accounts for the years ended 28 December 2018 or 29 December 2017 but is derived from those accounts. Statutory accounts for 2017 have been delivered to the registrar of companies, and those for 2018 will be delivered in due course. The auditors have reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006 in respect of the accounts for 2017 and 2018.

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year that have a material impact on the Group.

The Group's consolidated financial statements are prepared on a going concern basis and have been prepared under the historical cost convention.

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

11 Securitisation

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

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

12 Principal risks and uncertainties

Risk management is embedded throughout the business with all employees aware of the role they play.

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.

There has been no change to the Group's risk appetite in the period.

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.

Risk status summary and new risks

The ongoing review of the Group's principal risks focuses on how these risks may evolve.

Increasing risk trends

The impact of the Group's decisive response in January 2018 to changes in the competitive landscape highlight increased risk from its ability to maintain average incomes.

Regulation could also result from both the CMA investigation and HM Treasury's review of pre-arranged funeral plans. Whilst the Group believes that regulation would be beneficial, there remains a risk that regulation could be imposed that may result in a significant cost burden to the Group.

New risks
2018 marked the start of a period of change for the Group following changes in the markets in which it operates. This has therefore resulted in the following new risks being identified:

- The implementation of the Transformation Plan;
- Direct cremations; and
- The CMA investigation into the funeral market.

Cyber risk
The increasing prevalence of cyber attacks across the world, means that along with all large corporates, our business systems are under increasing level of attack. Over the last few years we have invested significantly in this area both in upgrading all aspects of our systems and our internal resources and also using external consultants to perform regular external and internal penetration tests and using the results to drive a continuous improvement programme.

Our principal risks and uncertainties
Outlined here are 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.

The principal risks we have identified
We maintain a detailed register of principal risks and uncertainties covering strategic, operational, financial and compliance risks. We rate them according to likelihood of occurrence and their potential impact.

In the tables below we provide a summary of each risk, a description of the potential impact and a summary of mitigating actions.

Operational risk management

Risk description and impact	Mitigating activities and 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 seen intra year changes of +/- 1 per cent giving the Group the ability to plan its business accordingly. The ONS long term projection is for deaths to increase. The risk is mitigated by the ability to control costs and the price structure and the ability to acquire funerals and crematoria, although this would not mitigate a short term significant reduction in the number of deaths. The number of deaths in 2018 was higher than originally anticipated.	No change
Nationwide adverse publicity Nationwide adverse publicity for Dignity could result in a significant reduction in the number of funerals or cremations performed in any financial period. For pre-arranged funeral plans, adverse publicity for the Group or one of its partners could result in a reduction in the number of plans sold or an increase in the number of plans cancelled. This would have a direct and significant impact on the financial performance of that division and the Group as a whole.	This risk is addressed by the strategic decision made as part of the Transformation Plan to support development of strong national brands via the Group's websites, TV and radio advertising and prominent signage at our funeral locations leading to increased awareness of the Group and its services. With significant investment committed already and planned for subsequent years, we are building and positioning a strong brand that will be more resilient to adverse publicity should that arise.	No change
Fall in average revenues per funeral or cremation Operating profit growth has in part historically been attributable to increases in the average revenue per funeral or cremation. There has been increasing price competition in the funeral market, resulting in material price reductions by the Group in 2018. It is highly likely that pricing pressure will remain for the foreseeable future and it may not therefore be possible to maintain average incomes per funeral or cremations at the current level.	The Group's Transformation Plan will result in a more efficient business that can accommodate more competitive pricing, but which continues to provide clients with a greater range of choice, underpinned by excellent client service. This will be supported by strong reputational management together with significant investment in both marketing and the Group's online profile and presence. The Group will continue to adapt to serve evolving client needs.	Increased
Disruptive new business models leading to a significant reduction in market share It is possible that 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 and crematoria operations. This would have a direct result on the financial performance of those divisions.	The Group believes that this risk is mitigated by its reputation as a high quality provider and with 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 sought to protect the Group's funeral market share by offering more affordable options. This focus on affordability has allowed our market share to start to recover. For crematoria operations this is mitigated by the Group's experience and ability in managing the development of new crematoria. Additionally, the combination of the development of strong national brands and significant investment in digital capability together with a range of product and price offerings to clients will strengthen the Group's competitiveness.	No change
Demographic shifts in population There can be no assurance that demographic shifts in population will not lead to a reduced demand for funeral services in areas where Dignity operates.	In such situations, Dignity would seek to follow the population shift by rebalancing the funeral location network together with meeting the developing cultural requirements.	No change

Operational risk management (continued)

Risk description and impact	Mitigating activities and commentary	Change
Competition The UK funeral services, crematoria and pre-need markets are currently fragmented. There could be further consolidation or increased competition in the industry, whether in the form of intensified price competition, service competition, over capacity facilitated by the internet or otherwise, which could lead to an erosion of the Group's market share, average revenues or costs and consequently a reduction in its profitability. Failure to replenish or increase the bank of pre-arranged funeral plans could affect market share of the funeral division in the longer term.	Under the Transformation Plan, the funeral 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. We have developed a new tiered funeral pricing proposition, specifically targeting different market segments that will provide greater flexibility to meet individual client needs. By unbundling our prices and services to provide our customers with greater flexibility to create the right funeral, we will be able to provide greater consistency and competitiveness on price, while reflecting Dignity's premium service levels. Building national brands with a significant online presence and visibility leverages our scale and addresses the needs of increasingly digitally focused 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 funeral trading names continue to have significant value in the communities they serve. Through better allocation of our resources, the resultant efficiencies will allow us to reduce the number of funeral operating networks and their associated cost. Support functions are being centralised where appropriate to ensure a cost effective and consistent high standard of service. There are challenges to opening new crematoria due to the need to obtain planning approval and the costs of development. Dignity has extensive experience in managing the development of new crematoria and continues to be very active in that market. The Group offers a market leading pre-need product, the marketing of which will benefit from the current and future significant investment in marketing and enhanced digital presence.	Increased
Regulation of pre-arranged funeral plans Pre-arranged funeral plans are not currently a regulated product although this is being reviewed by HM Treasury. 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.	Any changes would apply to the industry as a whole and not just the Group. Regulation could materially change the business model and would likely increase costs. The risk is mitigated through the high standards of selling and administration of market leading pre-arranged funeral plans operated by the Group which will benefit from the significant investment in marketing and an enhanced digital presence. We continue to seek appropriate regulation of our markets and welcome the consultation by HM Treasury, in which we are actively engaged.	Increased
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.	Increased

Operational risk management (continued)

Risk description and impact	Mitigating activities and commentary	Change
Changes in the funding of the pre-arranged funeral plan business In the current regulatory environment, 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 change
Implementation of the Transformation Plan In 2018, Dignity conducted an operational review which resulted in the development of a Transformation Plan. The core components of the Transformation Plan are: • Modernise the client proposition • Invest in and simplify the operating model; and • Streamline central support and invest in technology to centralise and automate administrative processes. A risk exists that the Plan is either not implemented correctly or proves to be materially disruptive to the funeral business.	This risk has been and will be mitigated by executive leadership in the business supported by the Transformation Director who was appointed in August 2018 and who reports to the Chief Executive. The Transformation team has made substantial progress within a clearly defined and accountable project framework.	New risk
Direct cremations Growth in the direct cremation market could reduce average income in the funeral business and adversely affect the business mix in the crematoria business.	The Group has addressed this with Simplicity Cremations which offers low cost direct cremations without any initial funeral service that are both respectful and dignified. They are an affordable alternative to a full funeral or for those who wish to have a simple cremation. The Group also now offers a Simplicity pre-arranged funeral plan option. Simplicity Cremations is being promoted via a strong online presence together with television advertising. Other media advertising is also planned.	New risk
Competition and Markets Authority (CMA) investigation into the Funerals Market The CMA investigation into the funeral market will examine whether the information provided by funeral directors on prices and services is clear enough for people to be able to choose the best option for them. It will also look at how prices have changed over time and the factors that affect them. Cremation fees will be considered as part of the review. The initial CMA report indicates possible remedies including pricing controls, which, if implemented, could have a significantly detrimental impact on the Group.	Dignity has pro-actively been making changes to its business for some time in response to changing customer demand and will continue to review its operations to ensure that the CMA's concerns are addressed. The Group is focused on enhancing the customer proposition, its service and pricing model and will continue to adapt to serve evolving client needs. Price is a factor when making a decision, but quality is also a vital component and ultimately ensures that consumers are happy with services provided. Whilst Dignity's Simplicity service is the lowest price, nationally available, attended funeral service, our research demonstrates that consumers consider the smooth running of the funeral and proper care of the deceased more than cost. Our business has been built with a focus on high quality service delivery and we closely monitor the results of our client surveys to ensure we continue to maintain the highest levels of excellent client service and standards of care.	New risk

Financial risk management

Risk description and impact	Mitigating activities and 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 Note holders. 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, however lower reported profitability increases the risk of breaching covenants.	Increased

13 Pre-arranged funeral plans

(a) Contingent liabilities and commitments

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

The Group has given commitments to these clients to perform their funeral. The agreed amounts payable to either the Group or to third party funeral directors will be paid out of the funds held in the Trusts. The majority of the Trustees of each of the pre-arranged funeral plan trusts are unconnected to the Group, as required by current UK legislation. The investment strategy is set, implemented and monitored by the Trustees.

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

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

(b) Pre-arranged funeral plan trust assets

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

The Trustees have informed the Group that they continue to take independent advice regarding the Trust's investment strategy. As a result, it is anticipated that the investment allocation by class will develop further during 2019 and beyond, gradually resulting in a portfolio in the following profile:

	Example investment types	**Target (%)**
Defensive investments	Index linked gilts and corporate bonds	18
Illiquid investments	Private investments	16
Core growth investments	Equities	23
Growth fixed income and alternative investments	Property funds and emerging market debt	43

The Trusts' investment strategies are expected to provide returns in excess of inflation in the longer-term but will, however, potentially result in greater volatility year-on-year in the reported value of the Trusts' assets.

The Trustees have advised that the market value of the assets of the pre-arranged funeral plan trusts were approximately £928 million at 28 December 2018 (2017: approximately £940 million) in respect of 308,000 (2017: 306,000) active pre-arranged funeral plans. 134,000 (2017: 102,000) of the remaining active pre-arranged funeral plans related to those backed by Insurance Plans, as described in note 1 to the consolidated financial statements, with the balance of 44,000 (2017: 42,000) being plans arising from acquisitions.

The Trustees of the Principal Trusts are required to have the Trusts' liabilities actuarially valued once a year (once every three years in the case of the Recent Trusts). This actuarial valuation is of liabilities of the Trusts to secure funerals through Dignity and other third party funeral directors and does not, in respect of those funerals delivered by the Group represent the cost of delivery of the funeral. It is only in the event that there are insufficient funds within the Trusts to cover the cost of delivery to Dignity that the commitment would become onerous to Dignity as described in (a) above.

The Trustees have advised that the latest actuarial valuations of the Principal Trusts were performed as at 28 September 2018 (2017: 29 September) using assumptions determined by the Trustees. Actuarial liabilities in respect of the pre-arranged funeral plan trusts have increased to £899.9 million as at 28 September 2018 (2017: £877.2 million). The corresponding market value of the assets of the pre-arranged funeral plan trusts was £932.9 million (2017: £904.5 million) as at the same date. Consequently the actuarial valuations recorded a total surplus of £33.0 million at 28 September 2018 (2017: surplus of £27.3 million). The Group considers these to be prudent assumptions. If the valuation had been performed using a discount rate equal to the long-term investment strategy target of the Trustees, then the valuations would have reported an aggregate surplus of approximately £160 million (2017: £160 million).

Nonetheless, the Trustees have advised that the Trusts hold assets of approximately £3,000 (2017: £3,100) per active plan at the balance sheet date. On average the Group received approximately £2,700 (2017: £2,600) in the period for the performance of each funeral (including amounts to cover disbursements such as crematoria fees, ministers' fees and doctors' fees).

The Trustees have advised that the Recent Trusts have approximately £15 million (2017: £17 million) of net assets as at the balance sheet date and no material actuarial surplus or deficit.

Transactions with the Group

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 above. 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; and
- Reimbursement by the Trusts of expenses paid by the Group on behalf of the respective Trusts.

Transactions are summarised below:

	Transactions during the period		Amounts due to the Group at the period end	
	2018	2017	**2018**	2017
	£m	£m	**£m**	£m
Dignity Limited Trust Fund	**0.2**	0.3	**-**	-
National Funeral Trust	**49.3**	49.0	**8.5**	8.2
Trust for Age UK Funeral Plans	**33.7**	35.0	**3.4**	3.9
Recent Trusts	**1.3**	3.7	**-**	-
Total	**84.5**	88.0	**11.9**	12.1

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

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

	Transactions during the period	
	2018	2017
	£m	£m
Funeral services revenue	**48.4**	45.6
Pre-arranged funeral plans revenue	**21.7**	26.7

In addition to the transactions recognised within revenue in the table above, there were £14.4 million (2017: £15.7 million) of transactions between the Group and the Trusts which represented amounts paid to the Group to reimburse them for trust expenses, monies repaid to members on cancellation and monies paid to third parties for the performance of some funeral services; all of which have no impact on the income statement.

14 IFRS 15, Revenue from Contracts with Customers

In its 2019 financial statements, the Group will adopt IFRS 15, issued by the International Accounting Standard Board. IFRS 15 establishes principles for reporting the nature, amount and timing of revenue arising from contracts with customers and replaces IAS 18, Revenue Recognition. The Group's intention is to apply the modified retrospective approach upon adoption of the standard. This approach will mean that the Group will not restate comparative periods but will record a cumulative transition adjustment to equity within opening reserves on 29 December 2018. The Group has performed a detailed analysis in order to establish the impact of IFRS 15 on the Group's accounting policy for revenue recognition and to quantify this impact.

Adoption of IFRS 15 will result in a change in accounting policy in respect of income received related to pre-arranged funeral plans ("pre-need"). The Group will no longer separately recognise revenue for pre-need marketing activities at the inception of a pre-need plan and for the performance of the funeral on the utilisation of the plan. Under IFRS 15 all pre-need activities are deemed to relate to a single performance obligation, being the delivery of a funeral, with all revenue associated with the plan being recognised on the performance of the funeral.

As a result, marketing allowances received at the inception of a pre-need plan will be held as deferred income in the consolidated balance sheet up to the time the funeral is performed. Having deferred all the marketing allowances received, it is no longer necessary to maintain a separate cancellation provision in this respect. This represents a change from the current approach applied under IAS 18, where marketing allowances are recognised as revenue at the inception of a pre-need plan. IFRS 15 also requires that the directly attributable costs associated with the inception of a pre-need plan, in the form of commissions payable either to employees or third parties, are also held as deferred costs in the consolidated balance sheet up to the time the associated funeral is performed. Once the funeral is performed both deferred marketing allowance revenues and deferred commission costs will be released and recognised in the income statement.

The timing of revenue recognised by the Group from the Trusts for the ongoing administration services performed on behalf of the Trusts is unaffected by IFRS 15, with revenue continuing to be recognised in the period to which it relates.

The Group's initial assessment of the expected impact of IFRS 15 to be recorded as a cumulative transition adjustment to equity on 29 December 2018 will be a net reduction of £81.8 million to retained earnings, which reflects the recognition of £201.2 million of deferred revenue in respect of marketing allowances, the derecognition of the £0.8 million cancellation provision and £101.8 million of deferred costs in respect of commissions paid and a deferred tax adjustment of £16.8 million.

There are no further adjustments required on the adoption of IFRS 15.

The Group will present its revised accounting policy, updated for the application of IFRS 15, in its interim results report for the 26 week period ended 28 June 2019.

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 non-underlying items which comprise certain non-recurring or non-trading transactions.

Non-underlying items

The Group's underlying measures of profitability exclude:

- amortisation of acquisition related intangibles;
- external transaction costs;
- profit or loss on sale of fixed assets;
- Transformation Plan costs (see below);
- operating and competition review costs;
- one-off costs in respect of the defined benefit pension obligations;
- trade name write-off and impairments; and
- the taxation impact of the above items together with the impact of taxation rate changes.

Non-underlying 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.

Transformation Plan costs

Given the on-going transformation of the Group's business will result in significant, directly attributable non-recurring costs over the period of the Transformation Plan, these amounts are excluded from the Group's underlying profit measures and treated as a non-underlying item.

These costs will include, but are not limited to:

- external advisers' fees;
- directly attributable internal costs, including staff costs wholly related to the Transformation (such as the Transformation Director and project management office);
- costs relating to any property openings, closures or relocations;
- rebranding costs;
- speculative marketing costs; and
- redundancy costs.

Calculation of underlying reporting measures

Underlying profit measures (including divisional measures) are calculated as profit before non-underlying items.

Underlying earnings per share is calculated as profit after taxation, before non-underlying items (net of tax), divided by the weighted average number of Ordinary Shares in issue in the period.

Underlying cash generated from operations excludes non-underlying items on a cash paid basis.

(b) Non-underlying items

52 week period ended 28 December 2018	Funeral services £m	Crematoria £m	Pre-arranged funeral plans £m	Central overheads £m	Group £m
Non-trading					
Amortisation of acquisition related intangibles	**4.4**	**0.4**	**0.1**	**-**	**4.9**
External transaction costs	**0.6**	**-**	**-**	**0.2**	**0.8**
Loss on sale of fixed assets	**0.3**	**-**	**-**	**-**	**0.3**
Non-recurring					
Transformation Plan costs	**-**	**-**	**-**	**2.7**	**2.7**
Operating and competition review costs	**-**	**-**	**-**	**2.7**	**2.7**
GMP past service cost	**1.0**	**0.3**	**0.1**	**-**	**1.4**
Trade name write-off	**1.1**	**-**	**-**	**-**	**1.1**
	7.4	**0.7**	**0.2**	**5.6**	**13.9**
Taxation					**(2.5)**
					11.4

52 week period ended 29 December 2017	Funeral services £m	Crematoria £m	Pre-arranged funeral plans £m	Central overheads £m	Group £m
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**
Taxation					**(0.4)**
					6.2

(c) Non-underlying cash flow items

	28 December 2018 £m	29 December 2017 £m
External transaction costs	**1.7**	2.9
Transformation Plan costs	**2.6**	-
Operating and competition review costs	**2.7**	-
	7.0	2.9

(d) 2019 alternative performance measures

In 2019, the Group will change its alternative performance measures in two ways:

Adjustment to the definition of underlying operating profit

Non-underlying items in 2019 will also include the Group's share of profit or loss of associates following the first such investment by the Group in Funeral Zone Limited in 2018. Given the nature of the investment, the results of the investment are not considered by the Directors to be part of their day-to-day management of the business.

The impact of adopting IFRS 15

On adoption of IFRS 15 the Group will no longer separately recognise revenue for pre-need marketing activities, as for revenue recognition purposes, all pre-need activities are deemed to relate to a single performance obligation, being the performance of a funeral. All revenues will therefore be recorded within the funeral segment.

To aid a user of the financial statements, for the foreseeable future, the Group will amend its definition of underlying operating profit so that the effects of adopting IFRS 15 are removed.

Like-for-like annualised operating profit ('LFL annualised operating profit')

The Group recognises that its current measure of underlying operating profit and statutory measures of financial performance will not provide a transparent view of financial performance whilst the Group's Transformation Plan is being implemented. This is because such existing measures will not give clarity of the economic impact of changes made part way through the period (e.g. new investments, location closures and staff changes). The Group therefore plans to introduce an additional alternative performance measure for the period of the Transformation Plan.

LFL annualised operating profit will adjust underlying operating profit in such a way as to reflect a best estimate of the Group's sustainable profitability into the following year. An explanation of the changes to underlying operating profit in arriving at LFL annualised operating profit will be provided in each reporting period.

As there have not been any changes in locations or staffing in 2018, LFL annualised operating profit is considered to be the same as underlying operating profit for 2018.

Forward-looking statements
This Preliminary Announcement and the Dignity plc investor website may contain certain 'forward-looking statements' with respect to Dignity plc ("the 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 Preliminary Announcement 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 above. 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 Preliminary Announcement 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.