For immediate release **31 July 2019**

Dignity plc

Interim results for the 26 week period ended 28 June 2019

Dignity plc (Dignity, the Company or the Group), the UK's only listed provider of funeral related services, announces its unaudited interim results for the 26 week period ended 28 June 2019.

	26 week period ended 28 June 2019	26 week period ended 29 June 2018	Decrease per cent
Underlying revenue (£million)	**155.3**	174.7	11
Underlying operating profit (£million)	**36.7**	56.4	35
Underlying profit before tax (£million)	**23.9**	43.4	45
Underlying earnings per share (pence)	**37.8**	69.4	46
Underlying cash generated from operations (£million)	**41.3**	65.6	37
Revenue (£million)	**153.3**	174.7	12
Operating profit (£million)	**28.0**	51.5	46
Profit before tax (£million)	**14.9**	38.5	61
Basic earnings per share (pence)	**23.0**	61.4	63
Cash generated from operations (£million)	**36.0**	62.6	42
Number of deaths	**300,000**	324,000	7
Interim dividend (pence)	**-**	8.64	n/a

Alternative performance measures
All measures marked as underlying in the table above and throughout this Interim Report 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 Interim Report.

Comparative information presented on a statutory basis is not comparable due to the effects of adopting IFRS 15. To aid a user of the financial statements, for the foreseeable future, the Group has amended its definition of underlying revenue and underlying operating profit so that the effects of adopting IFRS 15 are removed.

Key points

- Number of deaths significantly lower than originally expected leading to lower financial performance
- Funeral market share stable since 2018 year end
- Transformation Plan on track and key branch pilots commencing in the second half of the year
- Strong market share performance by crematoria business
- Simplicity continues to grow strongly
- Company fully engaged with the CMA sector investigation
- The Group welcomes regulation of pre-paid funerals announced in March 2019
- Temporary cessation of dividends

Mike McCollum, Chief Executive of Dignity plc, commented:

"While the number of deaths in the first half meant that our financial performance for the period was lower than originally anticipated, we remain confident that the changes we are introducing will generate sustainable growth in the medium to long-term. Longer-term expectations, based on the ONS forecasts remain unchanged, with increases in the long-term number of deaths, reaching approximately 700,000 per year by 2040.

Building on the momentum and significant progress already made in the past 12 months, our Transformation Plan is now entering a new phase. In the second half of the year we will begin transforming our branches, starting with a three network pilot programme. As the Board always anticipated, the transformation of our branches will be radical, complicated and challenging. We have over 800 branches, with each network reflecting a range of differing local and historical approaches. Our staff will be working in materially different ways and we fully expect there to be refinements during the piloting process which is likely to take a number of months. We are committed to ensuring that the design of our branch model is right before we embark on what will be a careful roll-out across the entire network, which we expect to start in 2020.

Across the business, we are pleased with the development of our Simplicity offering which is now available in three forms. We are making good progress with our digital capability, which is crucial in order to secure existing business and acquire new customers.

As a Board we are determined to seize the current opportunity to create a business that is clearly differentiated from the competition and gives customers a clear choice. We are building a more coherent, cohesive and technology-enabled business, one geared to meet the changing needs of our customers while remaining focused on excellent client service. We look forward to delivering our vision to lead the funeral sector in terms of quality, standards and value for money."

For more information

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Notes

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

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

Webcast	https://webcasting.buchanan.uk.com/broadcast/5d039bf4221579216107de01
Conference call	UK Toll: 0333 300 0804 UK Toll Free: 0800 358 9473 Participant PIN code: 98211659#
(listen only)	URL for international dial in numbers: http://events.arkadin.com/ev/docs/FEL_Events_International_Access_List.pdf

Interim Chairman's statement

Financial summary

The number of deaths in the first half was 300,000 (June 2018: 324,000), seven per cent lower than the same period last year. Underlying operating profits decreased by 35 per cent to £36.7 million (2018: £56.4 million).

Our funeral market share remained stable. Underlying average funeral income in the second quarter increased, to be in line with the Board's expectation of £2,940. Underlying average income for the first half of the year was £2,919.

Further details are provided in the business and financial review.

CMA

On 28 March 2019, the Competition and Markets Authority ('CMA') confirmed its widely anticipated full market investigation into the funeral and crematoria sector. Dignity welcomed the investigation and is cooperating fully with the CMA's enquiries. The Company has established a strong working group of internal and external resource and seeks to focus on the following key areas:

- Quality of service provided to meet customer needs;
- Regulation of the industry to protect customers; and
- Capital employed in crematoria.

Since the announcement in March 2019, Dignity has attended a hearing of the CMA's panel, facilitated site visits and has responded to detailed questions necessary for a proper analysis of the industry.

We hope that through its enquiry, the CMA is able to create a framework that ensures that customers are supported, feel respected and are able to exercise the choices available to them in an informed way.

HM Treasury

In June 2019, HM Treasury announced its decision to introduce statutory regulation of pre-paid funerals through the Financial Conduct Authority. Dignity's recent research, published together with Fairer Finance, has highlighted the poor sales practices and financial management risks that certain providers engage in. The Group welcomes this decision by HM Treasury as, for a long time, it has led the industry in best practice and called for regulation of the pre-paid funeral sector to protect consumers.

Dividends

The Group paid a final dividend of 15.74 pence per Ordinary Share on 28 June 2019.

Although the Group has significant cash resources at hand and continues to be cash generative, in order to maintain maximum flexibility and liquidity during the transformation, the Board has concluded that it is prudent to temporarily cease dividend payments. The Group has an established track record of returning cash to shareholders at appropriate times over many years and once the current uncertain competitive environment becomes clearer, it anticipates resuming dividend payments or returning excess cash to shareholders.

Our staff

The Board continues to be extremely mindful of the diligence and support of staff during this time of radical change to the Group's funeral business. Our staff continue to prove their dedication and professionalism in the service of Dignity's customers on a daily basis. This continued commitment will be essential as the Group enters the next phase of its Transformation Plan, implementing major change at branch level. We thank them for their work in this challenging time and look forward to their continued support over the coming months.

The Board

In May 2018, Peter Hindley, Dignity's Non-Executive Chairman since 2009, indicated to the Board that he would like to retire from the Board in 2019. The process of identifying a successor began in the summer of 2018 and the Board made good progress in identifying a suitable candidate. However, given the significant changes being made to the operating model of the Company and the current levels of uncertainty surrounding the funeral industry, and after consulting with major shareholders, the Board subsequently concluded that the nature of the role and the experience needed had changed and accordingly the search process to select a new Chairman was amended.

The Board had hoped to be in a position to announce Peter's replacement at the time of the Company's Annual General Meeting on 13 June of this year, but that was not possible. Instead the Company announced in May that I, David Blackwood, then the Senior Independent Non-Executive Director, would replace Peter at the AGM as Interim Chairman until a permanent successor could be found. The Board is also seeking to appoint additional Non-Executive Directors with the experience and expertise to assist the Board in the Transformation Plan and future growth of the business. The process to identify candidates has commenced with a view to the Board comprising a majority of independent Non-Executive Directors in due course.

In May, the Board also announced that James Wilson had joined the Board as a Non-Executive Director and been appointed a member of the Nomination Committee. James is a partner at Phoenix Asset Management Partners Ltd ('Phoenix') and as of the date of this interim report, funds managed by Phoenix held 26.7 per cent of the Company's shares.

Outlook

The decrease in the absolute number of deaths continued in the second quarter (albeit at a lesser rate) following a 12 per cent decrease in the first three months. The overall decrease in the first six months was seven per cent compared to the comparative period last year. Historical data over the last 20 years indicates that the number of deaths in 2019 is likely to be within three per cent of the previous year. If deaths were 580,000 (approximately three per cent lower than the previous year), then all other matters being equal, underlying operating profits for the full year could be approximately £3 million to £4 million lower than anticipated at the start of the year. The outlook for the full year therefore remains dependent on a greater number of deaths in the second half of this year than the previous year.

Following completion of the Transformation Plan, the Board continues to believe that targeting solid single digit increases in underlying earnings per share is appropriate and achievable.

David Blackwood
Interim Chairman
31 July 2019

The Group's funeral business: the Transformation Plan

Our Transformation Plan has been developed following a major strategic review in 2018 and its execution is scheduled to be complete by the end of 2021.

The need for change
The combination of increased price competition and more demanding consumers required 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, with 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 see it as an opportunity. Our response is to build a lower-cost model and develop 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 continue to embrace online and build a leading digital presence, unbundle 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 with staff to gather their insights and perspectives.

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.

Three key strategic strands and imperatives emerged from the review: modernise the client proposition; invest in and simplify the operating model; streamline central support and invest in technology to centralise and automate administrative processes.

(1) Modernise the client proposition

Adapting our service model to better suit evolving client needs and 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 provides 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 this year is 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.

Areas of focus in year 2019
In order to support efficient operational activity, it is essential that the operating model is simplified. The focus this year is therefore on:

- Introduction of consistent management roles nationwide
- Operation of pilot networks

(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.

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 our implementation plans.

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 year 2019
In order to support efficient operational activity, it is essential that central processes are streamlined. The focus this year is therefore on:

- 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
- Selection of a modern purchase-to-pay solution for all procurement activities.

The Transformation Plan – update
As previously reported in our first quarter trading update in mid-May, activity during the period has continued to accelerate with a focus on:

- Following the finalisation of future efficient branch networks, the commissioning of a development partner to co-ordinate the property investment agenda;
- Ongoing development and monitoring of trials of unbundled services for bespoke funeral arrangements;
- Continued enhancement for clients in the Group's online digital offering including Funeral Notices and improved site structure and ease of use;
- Formalisation of projects addressing central capability including initiatives focused on the Group's Client Service Centre, purchase-to-pay cycle and procurement expertise;
- Continued investment in central capabilities particularly Human Resources and Marketing;
- Detailed engagement with front-line colleagues on specific role design and ways of working ahead of testing the Group's future network operating model; and
- Recruitment of a new IT Director to lead product selection and enhance the Group's development capabilities.

Crucially since the last update, we have developed detailed plans for the pilot network tests:

The first branch pilots
A great deal has been achieved over the past year to get us to the point of piloting radical changes in how our branches operate. Transforming them will be every bit as big a challenge as we originally thought it would be.

We have 826 branches, and more than 120 branch networks. There is no uniform branch network model, each network reflecting local and historical approaches. The plan includes reducing the number of networks to approximately 75 and within the branches themselves, defining different roles and relationships for staff. There will be new technology, processes and practices and our people will be working in a more collaborative way within our networks. Changing existing practices and introducing a new model will be complicated and involve managing significant change.

We will start by piloting change in three branch networks in the third quarter, in the Midlands region. We fully expect there to be important points to learn from this, which we will build into our future plans. The work will be painstaking and granular because we must, and will, get the design of our branch model absolutely right before we embark on the full roll-out. Then, given the nature of our business, it will be a sensitive and pragmatic roll-out, something that has been factored into our planning.

Business and financial review

Introduction
The Group's underlying operations are managed across three distinct divisions: funerals, crematoria and pre-arranged funeral plans. Funeral services relate to the provision of funerals and ancillary items, such as memorials and floral tributes. Crematoria services relate to cremation services and the sale of memorials and burial plots at Dignity operated crematoria and cemeteries. Pre-arranged funeral plans represent the sale of funerals in advance to customers wishing to make their own funeral arrangements.

The initial publication of recorded deaths in Britain for the first half of 2019 was 300,000 (2018: 324,000), a decrease of seven per cent compared to the same period last year.

Funeral services
At 28 June 2019, the Group operated a network of 826 (June 2018: 831; December 2018: 831) funeral locations throughout the UK, generally trading under established local trading names. The change to the portfolio reflects one new satellite location and six closures.

Market share
In the first half of 2019 the Group conducted 36,200 funerals (2018: 39,700) in the United Kingdom, a nine per cent decrease on the prior year. Slightly less than one and a half per cent of these funerals were performed in Northern Ireland (2018: one and a half per cent). Excluding Northern Ireland, these funerals represented approximately 11.9 per cent (June 2018: 12.1 per cent; December 2018: 11.9 per cent) of total estimated deaths in Great Britain. Whilst funerals divided by estimated deaths is a reasonable measure of Dignity's market share, the Group does not have a complete national presence and consequently, this calculation can only ever be an estimate. The second quarter of 2018 witnessed particularly strong funeral market share and the Board is pleased that market share for the first half of this year has remained stable.

On a comparable basis, excluding any volumes from locations not contributing for the whole of 2018 and 2019 to date (and therefore excluding eight locations closed in 2018 and a further six locations closed in the first half of 2019), market share was 11.8 per cent compared to 12.0 per cent for the same period in 2018.

Funeral mix and underlying average income

	Funeral type	**FY 2018 Actual**	**Q1 2019 Actual**	**Q2 2019 Actual**	**H1 2019 Actual**	**Q1 2018 Actual**	**Q2 2018 Actual**	**H1 2018 Actual**
Underlying average revenue (£)	Full service	3,735	3,542	3,585	3,558	3,875	3,700	3,800
	Simple and limited service	2,350	2,159	2,000	2,089	2,100	2,340	2,240
	Pre-need	1,705	1,826	1,789	1,806	1,680	1,680	1,680
	Other (including Simplicity)	570	773	734	756	580	535	560
Volume mix (%)	Full service	48	52	53	52	55	48	52
	Simple and limited service	19	14	13	14	12	20	15
	Pre-need	27	27	28	28	28	26	27
	Other (including Simplicity)	6	7	6	6	5	6	6
Underlying weighted average (£)		2,734	2,691	2,705	2,694	2,883	2,713	2,799
Ancillary revenue (£)		239	213	233	225	212	225	224
Underlying average revenue (£)		2,973	2,904	2,938	2,919	3,095	2,938	3,023

As demonstrated in the table, underlying average funeral income in the second quarter of 2019 increased to be in line with the Board's expectation of £2,940. Underlying average income for the first half of the year was £2,919.

During the first quarter, the Group removed the limited service offering from its trials.

Underlying operating profit was £30.5 million (June 2018: £42.1 million), 27.6 per cent lower than the same period in 2018. In broad terms, this can be explained by the following factors:

	£m
Underlying operating profit – June 2018	42.1
Impact of:	
Number of deaths	(7.0)
Market share	(2.0)
Lower average incomes	(4.4)
Cost base decreases	1.6
Acquisition activity	0.2
Underlying operating profit – June 2019	**30.5**

Crematoria

Crematoria operations
Underlying operating profit was £20.8 million (June 2018: £23.4 million), a decrease of 11.1 per cent. This reduction in profitability is driven by the number of deaths and lower average incomes from the increased use of direct cremation, slightly off-set by an improvement in market share. This is explained in the table below:

	£m
Underlying operating profit – June 2018	23.4
Impact of:	
Number of deaths	(2.4)
Market share	0.8
Lower average incomes	(0.6)
Cost base increases	(0.5)
Acquisition activity	0.1
Underlying operating profit – June 2019	**20.8**

The Group operates 46 crematoria (June 2018: 45; December 2018: 46) and is the largest single operator of crematoria in Great Britain. The Group performed 33,800 cremations (2018: 35,400) in the period.

These volumes represent approximately 11.3 per cent (June 2018: 10.9 per cent; December 2018: 10.9 per cent) of total estimated deaths in Great Britain. Sales of memorials and other items equated to £273 per cremation (2018: £258 per cremation).

Pre-arranged funeral plans
Active pre-arranged funeral plans were approximately 503,000 at the end of the period (June 2018: 470,000; December 2018: 486,000). Although a broadly similar number of plans were sold in each period, there was a slight increase in the number of trust based plans sold, offset by greater reduction in the insurance based plans. These plans continue to represent future potential incremental business for the funeral division.

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

Underlying costs in the period were £14.6 million (2018: £11.9 million), reflecting continued investment in digital activities and central capabilities, as previously articulated. The table below summarises the key movements:

	£m
Central overheads – June 2018	11.9
Impact of:	
Digital activities	1.5
Salaries – central support functions	0.7
IT support fees	0.3
Depreciation	0.2
Central overheads – June 2019	**14.6**

Non-underlying items of £6.0 million (June 2018: £2.0 million) excluded from underlying costs resulted in costs of £20.6 million (June 2018: £13.9 million).

Marketing and digital activity
The Group's online Funeral Notices service is now fully rolled out and is being used by clients across the country. In the first half of the year 1.2 million people have viewed a Funeral Notice and approximately £0.5 million in charitable donations has been pledged via the online donations facility. The Group has continued to expand its online reach, providing more advice and guidance, which has resulted in an approximately 70 per cent increase in visits to the Group's websites, which equates to over half a million additional visitors compared to the same period last year.

The Group has continued to make good progress in developing and implementing its brand strategy. Funeral plans have been advertised on television and a radio campaign for Dignity Funerals has been running across national stations. Additionally, approximately 100 branches now have new fasciae and local websites in the Group's new blue Dignity brand.

Simplicity Cremations
The Group's Simplicity Cremation business continues to perform well. At the beginning of the year, the Group added to its £995 direct cremation service, providing two enhanced services where clients can attend a service at the crematorium – Intimate service (£1,395) and Attended service (£1,895). Two new prepaid plans were also introduced to match the new services, should clients wish to arrange their cremation in advance.

Corporate development activity

In November 2018, the Group announced that acquisitions of small funeral businesses were inconsistent with the Group's strategy and plans for the future. Although no such acquisition opportunities are currently being pursued, should opportunities of larger, more established businesses become available, the Group will consider these on a case by case basis. Consequently, no funeral acquisitions were made in the period.

The Group now has planning permission for four new crematoria. Three of these locations are due to be operational in 2020 and the fourth in 2021. The total capital commitment for these four projects is expected to be approximately £26 million to £27 million, with £5.3 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 one location where it is appealing the planning decision and another three that are currently in the planning process.

Earnings per share

Underlying earnings per share decreased 46 per cent to 37.8 pence per Ordinary Share, principally driven by the 35 per cent decrease in underlying operating profits.

Alternative performance measures

The Group's alternative performance measures exclude non-underlying items and the effects of IFRS 15. 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 following information is presented to aid understanding of the performance of the Group:

	26 week Period ended 28 Jun 2019 £m	26 week Period ended 29 Jun 2018 £m	52 week period ended 28 Dec 2018 £m
Operating profit for the period as reported	**28.0**	51.5	66.3
Add the effects of:			
(Profit)/loss on sale of fixed assets	**(0.9)**	-	0.3
External transaction costs in respect of completed and aborted transactions	**0.2**	0.4	0.8
Acquisition related amortisation	**2.4**	2.5	4.9
Transformation Plan costs	**4.3**	2.0	2.7
Operating and competition review costs	**1.7**	-	2.7
GMP past service cost	**-**	-	1.4
Trade name write-off	**-**	-	1.1
Effect of IFRS 15	**1.0**	-	-
Underlying operating profit	**36.7**	56.4	80.2
Net finance costs	**(12.8)**	(13.0)	(25.8)
Underlying profit before tax	**23.9**	43.4	54.4
Tax charge on underlying profit before tax	**(5.0)**	(8.7)	(11.5)
Underlying profit after tax	**18.9**	34.7	42.9
Weighted average number of Ordinary Shares in issue during the period (million)	**50.0**	50.0	50.0
Underlying EPS (pence)	**37.8**	69.4	85.8

Cash flow and cash balances

The Group continues to be strongly cash generative. Cash generated from operations, before non-underlying items, was £41.3 million (2018: £65.6 million). This cash generation reflects continued efficient operating profit conversion. 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 period end and the level of bonuses paid.

In addition to the corporate development activity in the period, the Group spent £8.0 million (2018: £9.9 million) on purchases of property, plant and equipment. The Group would ordinarily expect to incur approximately £20 million in the full year on maintenance capital expenditure. The Group's Transformation Plan will capture the majority of this planned capital expenditure on its funeral business. Consequently maintenance capital expenditure in 2019 is expected to be lower than 2018.

This is analysed as:	**28 Jun 2019 £m**	29 Jun 2018 £m
Maintenance capital expenditure:		
Funeral services	**2.0**	3.5
Crematoria	**1.5**	2.7
Other	**0.4**	0.6
Total maintenance capital expenditure[a]	**3.9**	6.8
Branch relocations	**0.4**	0.3
Transformation capital expenditure	**0.9**	-
Satellite locations	**0.2**	0.7
Development of new crematoria and cemeteries	**2.6**	2.1
Total property, plant and equipment	**8.0**	9.9
Partly funded by:		
Disposal proceeds	**(1.6)**	(0.3)
Net capital expenditure	**6.4**	9.6

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

Cash balances at the end of the period were £49.8 million (June 2018: £64.0 million; December 2018: £66.9 million). December 2018 includes £16.9 million of restricted cash, see note 7.

Taxation

The Group's effective tax rate for 2019 is expected to be approximately 21 per cent before the effect of non-underlying items. The effective rate for 2020 and beyond is expected to be approximately one and a half to two per cent above the headline rate of Corporation Tax for the relevant period.

Capital structure and financing

Secured Notes

The Group's principal source of long-term debt financing is the Secured Notes issued in 2014. 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 table reflects a further one notch downgrade by S&P of each class of Secured Notes on 8 July 2019.

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 ratings at original 2014 levels (A/ 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.

Secured Notes 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 June 2019 was 2.05 times (June 2018: 3.09 times; December 2018: 2.55 times). In addition, in order for the Group to transfer excess from the securitisation group to Dignity plc, it must achieve both a higher EBITDA to total debt service ratio of 1.85 times and achieve a Free Cash Flow to total debt service (a defined term in the securitisation documentation) of at least 1.4 times. This latter ratio at June 2019 was 1.53 times (June 2018: 2.48 times; December 2018 1.98 times). These combined requirements are known as the Restricted Payment Condition ('RPC'). Given the ratios achieved, the RPC was achieved at June 2019. If the RPC is not achieved, then the Group's ability to pay dividends could be impacted. These covenant calculations use 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 uses the last twelve months ('LTM') results and can be reconciled to the Group's statutory operating profit as follows:

	H1 28 Jun 2019 £m	LTM 28 Jun 2019 £m
EBITDA per covenant calculation - securitisation group	**40.9**	**69.6**
Add: EBITDA of entities outside securitisation group	**6.4**	**12.1**
Add: Non cash items[(a)]	**(0.6)**	**(1.4)**
Underlying operating profit before depreciation and amortisation – Group	**46.7**	**80.3**
Underlying depreciation and amortisation	**(10.0)**	**(19.8)**
Non-underlying items	**(7.7)**	**(16.7)**
Effect of IFRS 15	**(1.0)**	**(1.0)**
Operating profit	**28.0**	**42.8**

Notes

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

As set out in note 8, the Group's gross amounts owing on its debt obligations were £551.8 million (June 2018: £561.2 million; December 2018: £561.2 million). Net debt was £502.2 million (June 2018 £497.4 million; December 2018: £506.8 million).

The market value of the Secured Notes at the balance sheet date was £501.4 million (June 2018: £564.8 million; December 2018: £531.6 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 28 June 2019 would have been approximately £792 million.

Revolving credit facility

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

New accounting standards

The Group's 2019 interim results are the first period incorporating the changes necessary to comply with IFRS 15, Revenue from contracts with customers as a consequence the results for the current period presented on a statutory basis are not comparable to the amounts shown in the earlier periods presented. Details regarding the impact of adopting IFRS 15 may be found in note 18. The effect on the Group's alternative performance measures is detailed in note 2 and on page 34.

Post balance sheet events

There were no significant post balance sheet events.

Forward-looking statements

Certain statements in this Interim Report are forward-looking. Please see page 39 for further details.

Going concern

The Directors receive and review regularly management accounts, cash balances, forecasts and the annual budget together with covenant reporting. Total shareholders' equity as at 28 June 2019 is a negative £13.8 million however, this has no impact to the Board's view on going concern due to the non-cash effect of IFRS 15. After careful consideration and mindful of the current market conditions, the Directors confirm they are satisfied that the Group has adequate resources to continue operating for the foreseeable future. The Directors formally considered this matter at the Board meeting held on 25 July 2019. For this reason, they continue to adopt the going concern basis for preparing the Interim Report.

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.

Group Performance

KPI	KPI definitions	26 week period ended 28 June 2019	Developments in 2019
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.	37.8 pence (H1 2018: 69.4 pence)[(a)] (FY 2018: 85.8 pence)[(b)]	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 and the effect of IFRS 15.	£36.7 million (H1 2018: £56.4 million)[(a)] (FY 2018: £80.2 million)[(b)]	Underlying operating profit declined year-on-year, primarily driven by significantly lower deaths and lower average incomes.
Underlying cash generated from operations (£ million)	This is the statutory cash generated from operations excluding non-underlying items.	£41.3 million (H1 2018: £65.6 million)[(a)] (FY 2018: £101.9 million)[(b)]	The Group continues to convert operating profit into cash efficiently.
Underlying average income per funeral (£)	Net underlying funeral revenue divided by the number of funerals performed in the relevant period.	£2,919 (H1 2018: £3,023)[(a)] (FY 2018: £2,973)[(b)]	This reduction year-on-year is 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.	300,000 (H1 2018: 324,000) [(a)] (FY 2018: 599,000)[(b)]	Deaths were significantly lower than anticipated.
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% (H1 2018: 12.1%)[(a)] (FY 2018: 11.9%)[(b)]	Market share has been broadly stable in the first half of 2019 compared to 2018 as a whole.
Number of funerals performed (number)	This is the number of funerals performed according to our operational data.	36,200 (H1 2018: 39,700)[(a)] (FY 2018: 72,300)[(b)]	Changes are a consequence of the total number of deaths and the Group's market share.
Crematoria market share (per cent)	This is the number of cremations performed by the Group divided by the total estimated number of deaths in Britain.	11.3% (H1 2018: 10.9%)[(a)] (FY 2018: 10.9%)[(b)]	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.	33,800 (H1 2018: 35,400)[(a)] (FY 2018: 65,200)[(b)]	Changes are a consequence of the total number of deaths and the Group's market share.
Active pre-arranged funeral plans (number)	This is the number of pre-arranged funeral plans where the Group has an obligation to provide a funeral in the future.	503,000 (H1 2018: 470,000)[(a)] (FY 2018: 486,000)[(b)]	This increase reflects continued sales activity offset by the crystallisation of plans sold in previous periods.

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

(a) H1 2018 relates to the 26 weeks ended 29 June 2018.

(b) FY 2018 relates to the 52 weeks ended 28 December 2018.

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 2019

Reputation and recommendation

99.1% (December 2018: 98.9%)
99.1 per cent of respondents said that we met or exceeded their expectations.

97.9% (December 2018: 97.7%)
97.9 per cent of respondents would recommend us.

Quality of service and care

99.9% (December 2018: 99.9%)
99.9 per cent thought our staff were respectful.

99.7% (December 2018: 99.6%)
99.7 per cent thought our staff listened to their needs and wishes.

99.2% (December 2018: 99.1%)
99.2 per cent agreed that our staff were compassionate and caring.

High Standards of facilities and fleet

99.9% (December 2018: 99.8%)
99.9 per cent thought our premises were clean and tidy.

99.7% (December 2018: 99.7%)
99.7 per cent thought our vehicles were clean and comfortable.

In the detail

99.2% (December 2018: 99.2%)
99.2 per cent of clients agreed that our staff had fully explained what would happen before and during the funeral.

99.0% (December 2018: 99.1%)
99.0 per cent said that the funeral service took place on time.

98.4% (December 2018: 98.4%)
98.4 per cent said that the final invoice matched the estimate provided.

Mike McCollum
Chief Executive
31 July 2019

Principal risks and uncertainties

Our principal Group risks

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

Risk appetite

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

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

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 highlighted increased risk from its ability to maintain average incomes. This risk continues to increase and may result in average income reducing further. This, combined with lower death rates, could impact the Groups headroom against its debt covenant.

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.

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 absolute number of deaths in the first quarter of 2019 decreased by approximately 12 per cent to 159,000 from 181,000 in the comparative period in 2018. Historical data indicates that it is likely that this proportional decrease will not continue throughout the remainder of the year and that the full year will finish within approximately three per cent of the previous year.	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

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 HM Treasury has announced its decision to introduce statutory regulation of pre-arranged funerals through the Financial Conduct Authority. 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. Dignity has long led the industry in best practice and has called for regulation of the pre-paid funeral plan sector to protect consumers. We are pleased that HM Treasury has taken this decision and, during the transition period, will continue to deliver the high standards of selling and administration of pre-arranged funeral plans that we already provide.	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
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

Risk description and impact	Mitigating activities and commentary	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.	No change
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.	No change
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 investigation. The initial CMA report indicates possible remedies including pricing controls, which, if implemented, could have a significantly detrimental impact on the Group.	Dignity has engaged constructively with the CMA and strongly supports the opportunity to improve standards within the sector and meet the expectations of consumers. 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.	No change

Financial risk management

Risk description and impact	Mitigating activities	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 and also require Free Cash Flow to total debt service to be at least 1.4 times in order to be permitted to transfer excess cash from the securitisation group to Dignity plc (the Restricted Payment Condition, 'RPC'). If the RPC 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

Consolidated income statement (unaudited)
for the 26 week period ended 28 June 2019

	Note	26 week period ended 28 Jun 2019 £m	26 week period ended 29 Jun 2018 £m	52 week period ended 28 Dec 2018 (audited) £m
Revenue	2	**153.3**	174.7	315.6
Cost of sales		**(68.6)**	(68.3)	(135.0)
Gross profit		**84.7**	106.4	180.6
Administrative expenses		**(56.7)**	(54.9)	(114.3)
Operating profit	2	**28.0**	51.5	66.3
Finance costs	3	**(12.9)**	(13.1)	(26.0)
Finance income	3	**0.1**	0.1	0.2
Share of loss of associated undertakings		**(0.3)**	-	-
Profit before tax	2	**14.9**	38.5	40.5
Taxation	4	**(3.4)**	(7.8)	(9.0)
Profit for the period attributable to equity shareholders		**11.5**	30.7	31.5
Earnings per share for profit attributable to equity shareholders				
– Basic (pence)	5	**23.0p**	61.4p	63.0p
– Diluted (pence)	5	**23.0p**	61.4p	63.0p

Following the adoption of IFRS 15 as set out in note 18, the consolidated income statement and consolidated balance sheet for the comparative periods are not directly comparable to the current period, due to the use of the modified retrospective approach to transition.

The alternative performance measures included within this interim statement present information on a comparable basis.

Consolidated statement of comprehensive income (unaudited)
for the 26 week period ended 28 June 2019

	26 week period ended 28 Jun 2019 £m	26 week period ended 29 Jun 2018 £m	52 week period ended 28 Dec 2018 (audited) £m
Profit for the period	**11.5**	30.7	31.5
Items that will not be reclassified to profit or loss			
Remeasurement (loss)/gain on retirement benefit obligations	**(2.3)**	2.8	(0.6)
Tax credit/(charge) on remeasurement on retirement benefit obligations	**0.4**	(0.5)	0.1
Other comprehensive (loss)/income	**(1.9)**	2.3	(0.5)
Comprehensive income for the period	**9.6**	33.0	31.0
Attributable to:			
Equity shareholders of the parent	**9.6**	33.0	31.0

Consolidated balance sheet (unaudited)
as at 28 June 2019

	Note	**28 Jun 2019** £m	29 Jun 2018 £m	28 Dec 18 (audited) £m
Assets				
Non-current assets				
Goodwill		**232.5**	231.5	232.6
Intangible assets		**149.8**	157.3	152.3
Property, plant and equipment		**251.0**	248.3	254.1
Investments in associated undertakings		**5.8**	-	6.0
Financial and other assets		**17.2**	15.5	15.7
Deferred commissions(1)	18	**95.8**	-	-
		752.1	652.6	660.7
Current assets				
Inventories		**8.1**	7.4	8.5
Trade and other receivables		**31.5**	33.0	32.9
Deferred commissions(1)	18	**7.2**	-	-
Cash and cash equivalents	7	**49.8**	64.0	66.9
		96.6	104.4	108.3
Total assets		**848.7**	757.0	769.0
Liabilities				
Current liabilities				
Financial liabilities		**4.8**	9.3	9.3
Trade and other payables		**51.7**	52.2	68.9
Deferred revenue(1)	18	**14.2**	-	-
Current tax liabilities		**3.3**	7.2	4.8
Provisions for liabilities		**1.6**	1.6	1.7
		75.6	70.3	84.7
Non-current liabilities				
Financial liabilities		**547.1**	551.9	551.9
Deferred tax liabilities		**11.9**	31.2	29.2
Other non-current liabilities		**2.1**	2.2	2.1
Deferred revenue(1)	18	**189.2**	-	-
Provisions for liabilities		**9.5**	8.9	9.9
Retirement benefit obligation	12	**27.1**	20.7	25.2
		786.9	614.9	618.3
Total liabilities		**862.5**	685.2	703.0
Shareholders' equity				
Ordinary share capital		**6.2**	6.2	6.2
Share premium account		**12.4**	12.4	12.4
Capital redemption reserve		**141.7**	141.7	141.7
Other reserves		**(4.5)**	(5.6)	(5.1)
Retained earnings		**(169.6)**	(82.9)	(89.2)
Total equity		**(13.8)**	71.8	66.0
Total equity and liabilities		**848.7**	757.0	769.0

(1) In respect of pre-arranged funerals – see note 18.

Following the adoption of IFRS 15 as set out in note 18, the consolidated income statement and consolidated balance sheet for the comparative periods are not directly comparable to the current period, due to the use of the modified retrospective approach to transition.

The alternative performance measures included within this interim statement present information on a comparable basis.

Consolidated statement of changes in equity (unaudited)
as at 28 June 2019

	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 29 December 2017	6.2	11.1	141.7	(4.6)	(108.0)	46.4
Profit for the 26 weeks ended 29 June 2018	-	-	-	-	30.7	30.7
Remeasurement gain on retirement benefit obligations	-	-	-	-	2.8	2.8
Tax on retirement benefit obligations	-	-	-	-	(0.5)	(0.5)
Total comprehensive income	-	-	-	-	33.0	33.0
Effects of employee share options	-	-	-	0.4	-	0.4
Tax on employee share options	-	-	-	(0.1)	-	(0.1)
Proceeds from share issue(1)	-	1.3	-	-	-	1.3
Gift to Employee Benefit Trust	-	-	-	(1.3)	-	(1.3)
Dividends (note 6)	-	-	-	-	(7.9)	(7.9)
Shareholders' equity as at 29 June 2018	6.2	12.4	141.7	(5.6)	(82.9)	71.8
Profit for the 26 weeks ended 28 December 2018	-	-	-	-	0.8	0.8
Remeasurement loss on retirement benefit obligations	-	-	-	-	(3.4)	(3.4)
Tax on retirement benefit obligations	-	-	-	-	0.6	0.6
Total comprehensive loss	-	-	-	-	(2.0)	(2.0)
Effects of employee share options	-	-	-	0.4	-	0.4
Tax on employee share options	-	-	-	0.1	-	0.1
Dividends (note 6)	-	-	-	-	(4.3)	(4.3)
Shareholders' equity as at 28 December 2018 (as originally presented)	6.2	12.4	141.7	(5.1)	(89.2)	66.0
Adjustment on initial application of IFRS 15 (note 18)	-	-	-	-	(82.1)	(82.1)
Shareholders' equity as at 29 December 2018 (adjusted)	6.2	12.4	141.7	(5.1)	(171.3)	(16.1)
Profit for the 26 weeks ended 28 June 2019	-	-	-	-	11.5	**11.5**
Remeasurement loss on retirement benefit obligations	-	-	-	-	(2.3)	**(2.3)**
Tax on retirement benefit obligations	-	-	-	-	0.4	**0.4**
Total comprehensive income	-	-	-	-	9.6	**9.6**
Effects of employee share options	-	-	-	0.6	-	**0.6**
Dividends (note 6)	-	-	-	-	(7.9)	**(7.9)**
Shareholders' equity as at 28 June 2019	**6.2**	**12.4**	**141.7**	**(4.5)**	**(169.6)**	**(13.8)**

(1) Relating to issue of 77,038 shares under 2015 LTIP scheme.

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

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

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

Consolidated statement of cash flows (unaudited)
for the 26 week period ended 28 June 2019

	Note	26 week period ended 28 Jun 2019 £m	26 week period ended 29 Jun 2018 £m	52 week period ended 28 Dec 2018 (audited) £m
Cash flows from operating activities				
Cash generated from operations	9	**36.0**	62.6	94.9
Finance income received		**0.2**	0.1	0.2
Finance costs paid		**(24.7)**	(12.9)	(13.1)
Transfer from restricted bank accounts for finance costs	7	**12.3**	0.3	0.3
Payments to restricted bank accounts for finance costs	7	**-**	-	(12.3)
Total payments in respect of finance costs		**(12.4)**	(12.6)	(25.1)
Tax paid		**(5.0)**	(6.6)	(11.6)
Net cash generated from operating activities		**18.8**	43.5	58.4
Cash flows from investing activities				
Investment in financial asset and associated undertakings		**-**	-	(5.0)
Acquisition of subsidiaries and businesses (net of cash acquired)		-	(6.5)	(6.5)
Proceeds from sale of property, plant and equipment		**1.6**	0.3	0.4
Maintenance capital expenditure[1]		**(3.9)**	(6.8)	(16.1)
Branch relocations		**(0.4)**	(0.3)	(0.8)
Transformation capital expenditure		**(0.9)**	-	-
Satellite locations		**(0.2)**	(0.7)	(1.4)
Development of new crematoria and cemeteries		**(2.6)**	(2.1)	(6.7)
Purchase of property, plant and equipment and intangible assets		**(8.0)**	(9.9)	(25.0)
Net cash used in investing activities		**(6.4)**	(16.1)	(36.1)
Cash flows from financing activities				
Payments due under Secured Notes		**(9.3)**	(4.5)	(4.5)
Transfer from restricted bank accounts for repayment of borrowings	7	**4.6**	-	-
Payments to restricted bank accounts for repayment of borrowings	7	**-**	-	(4.6)
Total payments in respect of borrowings		**(4.7)**	(4.5)	(9.1)
Dividends paid to shareholders on Ordinary Shares	6	**(7.9)**	(7.9)	(12.2)
Net cash used in financing activities		**(12.6)**	(12.4)	(21.3)
Net (decrease)/increase in cash and cash equivalents		**(0.2)**	15.0	1.0
Cash and cash equivalents at the beginning of the period		**50.0**	49.0	49.0
Cash and cash equivalents at the end of the period	7	**49.8**	64.0	50.0
Restricted cash	7	**-**	-	16.9
Cash and cash equivalents at the end of the period as reported in the consolidated balance sheet	7	**49.8**	64.0	66.9

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

Notes to the interim financial information 2019 (unaudited)
for the 26 week period ended 28 June 2019

1 Accounting policies

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

Basis of preparation

The interim condensed consolidated financial information of Dignity plc (the 'Company') is for the 26 week period ended 28 June 2019 and comprises the results, assets and liabilities of the Company and its subsidiaries (the 'Group').

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

The interim condensed consolidated financial information has been prepared in accordance with all applicable International Financial Reporting Standards ('IFRSs'), as adopted by the European Union, that are expected to apply to the Group's Financial Report for the 52 week period ended 27 December 2019. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the audited consolidated financial statements of the Group as at and for the 52 week period ended 28 December 2018. The Directors approved this interim condensed consolidated financial information on 31 July 2019.

The accounting policies applied by the Group in this interim condensed consolidated financial information are the same as those applied by the Group in its audited consolidated financial statements as at and for the 52 week period ended 28 December 2018, which are prepared in accordance with International Financial Reporting Standards as adopted by the European Union, except for the adoption of new accounting standards effective as of 29 December 2018. The basis of consolidation is set out in the Group's accounting policies in those financial statements.

The preparation of interim condensed consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, and income and expenses. In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and key sources of estimation uncertainty were the same as those applied to the audited consolidated financial statements as at and for the 52 week period ended 28 December 2018. Comparative information has been presented as at and for the 26 week period ended 29 June 2018, and as at and for the 52 week period ended 28 December 2018.

The comparative figures for the 52 week period ended 28 December 2018 do not constitute statutory accounts for the purposes of s434 of the Companies Act 2006. A copy of the Group's statutory accounts for the 52 week period ended 28 December 2018 have been delivered to the Registrar of Companies and contained an unqualified auditors' report which did not contain a statement made under section 498 (2) or (3) of the Companies Act 2006.

New accounting standards, interpretations and amendments adopted by the Group

The Group has applied IFRS 15, Revenue from contracts with customers and IFRS 9, Financial instruments for the first time in the preparation of this interim condensed consolidated financial information.

IFRS 15, Revenue from contracts

A description of the nature and effect of transition to this standard and the Group's revised accounting policy are presented in note 18.

IFRS 9, Financial Instruments – impact of adoption

Due to the nature of the Group's financial instruments there has been no material impact on the adoption of IFRS 9.

Under IFRS 9 all financial assets and liabilities are measured at fair value on initial recognition, with the exception of certain trade receivables. Trade receivables that do not have a significant financing component are measured at their transaction price, being the invoice amount excluding sales tax. The Group has applied the practical expedient within the standard, as trade receivables are expected to be settled in less than one year it can presume that all trade receivables do not contain a significant financing component. This represents a change in accounting policy. However, as the transaction price is not materially different to the fair value, this change in accounting policy has not had a material impact.

IFRS 9 subsequently measures financial assets and liabilities at amortised cost, fair value through other comprehensive income ('FVOCI') or fair value through profit and loss ('FVTPL'). As all assets and liabilities were measured at amortised cost under IAS 39 there is no change in accounting policy on adoption of IFRS 9.

IFRS 9 establishes a new model for recognition and measurement of impairments for loans and receivables that are measured at amortised cost called the 'expected credit losses' model which replaces the IAS 39 incurred loss model. The Group has applied the expected credit loss model to its provisioning for trade receivable balances and its receivables due from pre-arranged funeral plan trusts using the simplified approach within the standard. This approach tracks trade receivable balances over an historic rolling 12 month period to create a provision matrix to be applied. This has not had a material impact.

IFRS 9, Financial Instruments – updated accounting policy

Borrowings
All borrowings are stated at the fair value of consideration received after deduction of transaction costs and subsequently at amortised cost. The transaction costs, interest payable and premium on debt finance are charged/credited to the consolidated income statement, as finance costs/income, on a constant-yield basis over the term of the borrowings, or over a shorter period where it is more likely than not that the lender will require earlier repayment, using the effective interest method.

Trade receivables
Trade and other receivables that do not have a significant financing component are measured at their transaction price, being the invoice amount excluding sales tax. As trade and other receivables are expected to be settled within one year from inception it is presumed that all trade and other receivables do not contain a significant financing component. Trade and other receivables are subsequently measured at amortised cost. A provision for impairment is established using the expected credit loss model. When a trade receivable is not collectable it is written-off against the allowance account. Subsequent recovery of amounts previously written-off are credited against administrative expenses in the consolidated income statement.

Trade payables
Trade payables are not interest bearing and are initially recognised at fair value and subsequently measured at amortised cost.

Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct transaction costs.

Cash and cash equivalents
Cash and cash equivalents comprise cash in hand and on demand deposits and amounts included in accounts restricted for specific uses.

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

IFRS 16, Leases

This standard is effective for accounting periods beginning on or after 1 January 2019 and will therefore impact the Group's 2020 financial results. The standard, which will replace IAS 17 Leases, is expected to have material impact on the reported assets, liabilities and consolidated income statement of the Group.

Under the standard a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a corresponding lease liability representing its obligation to make lease payments for all leases. As a result of this change, the consolidated income statement will include depreciation of the right-of-use asset and interest on the liability, rather than the rental expense recognised under IAS 17.

The Group will elect to use the exemptions in the standard on lease contracts for which the lease term ends within 12 months as at the date of initial application, and lease contracts for which the underlying asset is of low value.

Approximately 50 per cent of the Group's properties are on lease terms that are currently accounted for as an operating lease but which will result in the recognition of both a right of use asset and a liability under the new standard. As set out in the Annual Report and Accounts 2018, the Group has total minimum future lease payments under non-cancellable operating leases of approximately £220 million and circa 500 leases that will be captured by the standard. Whilst the net present value of this commitment will be less than this amount, the grossing up of the balance sheet will be material.

Given the number of leases and historical data requirements to adopt the fully retrospective approach, the Group intends to apply the modified retrospective approach, with assets equal to liabilities, at transition. This approach will not require restatement of comparative information.

The Group has established a working group to ensure we take all the necessary steps to comply with the requirements of IFRS 16. The working group includes key members of our finance and property teams. The project is well progressed, with appropriate software designed, a database completed of all lease contracts, a detailed review of lease data complete, discount rate methodology underway and the agreement of accounting policies. We have also reviewed the tax treatment on transition and have concluded that no deferred tax will be created on adoption. Furthermore, corporation tax will follow the income statement charge going forwards.

Until the project has been finalised, it is not practicable to provide a reasonable estimate of the financial effect of IFRS 16 on the financial statements of the Group. The estimated impact on the Group's results and financial position will be provided in the Annual Report and Accounts for the 52 weeks ending 27 December 2019.

The Group's securitisation documents contemplate accounting policy changes and provide a mechanism that ensure covenant calculations are not materially impacted to the detriment of either the Group or Noteholders. As a result, the adoption of IFRS 16 will not impact on covenant calculations.

Other

There are no other updates to standards, amendments and interpretations to existing standards that are not yet effective that are expected to have a material impact on the Group.

2 Revenue and segmental analysis

Operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision maker who is responsible for allocating resources and assessing performance of the operating segments. The chief operating decision maker of the Group has been identified as the three Executive Directors. For statutory purposes the Group now has two reporting segments, funeral services and crematoria. This follows the adoption of IFRS 15, in which the timing of the recognition of revenue associated with marketing allowances received at the inception of a pre-need plan is now deferred until the single performance obligation under each plan, being the funeral. This results in marketing allowances, previously recognised within the pre-need segment at the inception of a pre-need plan, being recognised within the funerals services segment at the point a plan is utilised. In addition, certain other revenue streams and the costs of running the pre-need division, aside from the directly attributable costs of marketing pre-arranged plans which are held as deferred commissions until performance of a funeral, have prospectively been reclassified into the funeral service segment. The Group also reports central overheads, which comprise unallocated central expenses. For the purpose of alternative performance measures the Group has three reporting segments, funeral services, crematoria and pre-arranged funeral plans as the chief operating decision maker reviews segmental performance before applying the effect of IFRS 15.

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 revenue and underlying operating profit are stated before non-underlying items and the effect of IFRS 15 as defined on page 34.

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

26 week period ended 28 June 2019

	Underlying Revenue £m	Effect of IFRS 15 £m	Revenue £m
Funeral services	**105.7**	**7.5**	**113.2**
Crematoria	**40.1**	**-**	**40.1**
Pre-arranged funeral plans	**9.5**	**(9.5)**	**n/a**
Group	**155.3**	**(2.0)**	**153.3**

	Underlying operating profit/ (loss) before depreciation and amortisation £m	Underlying depreciation and amortisation £m	Underlying operating profit/ (loss) £m	Non-underlying items £m	Effect of IFRS 15 £m	Operating profit/ (loss) £m
Funeral services	**37.0**	**(6.5)**	**30.5**	**(1.2)**	**(1.1)**	**28.2**
Crematoria	**23.4**	**(2.6)**	**20.8**	**(0.4)**	**-**	**20.4**
Pre-arranged funeral plans	**-**	**-**	**-**	**(0.1)**	**0.1**	**n/a**
Central overheads	**(13.7)**	**(0.9)**	**(14.6)**	**(6.0)**	**-**	**(20.6)**
Group	**46.7**	**(10.0)**	**36.7**	**(7.7)**	**(1.0)**	**28.0**
Finance costs			**(12.9)**	**-**	**-**	**(12.9)**
Finance income			**0.1**	**-**	**-**	**0.1**
Share of loss of associated undertakings			**-**	**(0.3)**	**-**	**(0.3)**
Profit before tax			**23.9**	**(8.0)**	**(1.0)**	**14.9**
Taxation			**(5.0)**	**1.4**	**0.2**	**(3.4)**
Underlying earnings for the period			**18.9**			
Non-underlying items				**(6.6)**		
Effect of IFRS 15					**(0.8)**	
Profit after taxation						**11.5**
Earnings per share for profit attributable to equity shareholders						
- Basic (pence)			**37.8p**			**23.0p**
- Diluted (pence)						**23.0p**

2 Revenue and segmental analysis (continued)

26 week period ended 29 June 2018

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

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

3 Net finance costs

	26 week period ended		52 week period ended
	28 Jun 2019	29 Jun 2018	28 Dec 2018
	£m	£m	£m
Finance costs			
Secured Notes	**11.9**	12.1	24.1
Other loans	**0.6**	0.7	1.2
Net finance cost on retirement benefit obligations	**0.3**	0.3	0.6
Unwinding of discounts	**0.1**	-	0.1
Finance costs	**12.9**	13.1	26.0
Finance income			
Bank deposits	**(0.1)**	(0.1)	(0.2)
Finance income	**(0.1)**	(0.1)	(0.2)
Net finance costs	**12.8**	13.0	25.8

4 Taxation

The taxation charge on continuing operations in the period is based on a full year estimated effective tax rate, before the effects of non-underlying items, of 21.0 per cent (2018: 20.0 per cent) on profit before tax for the 26 week period ended 28 June 2019.

	26 week period ended		52 week period ended
	28 Jun 2019	**29 Jun 2018**	28 Dec 2018
	£m	**£m**	£m
Taxation	**3.4**	7.8	9.0

Changes to the standard rate of Corporation Tax in the UK have been substantively enacted that will mean the standard rate will reduce to 17 per cent from 1 April 2020. Further rate changes are possible.

5 Earnings per share (EPS)

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

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

The Group has two classes of potentially dilutive Ordinary Shares being those share options granted to employees under the Group's SAYE Scheme and the contingently issuable shares under the Group's LTIP Schemes. At the balance sheet date, the performance criteria for the vesting of the awards under the LTIP Schemes, 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 and the effects of IFRS 15 as set out on page 34. 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.

5 Earnings per share (EPS) (continued)

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

	Earnings £m	Weighted average number of shares millions	Per share amount pence
26 week period ended 28 June 2019			
Underlying profit after taxation and EPS	**18.9**	**50.0**	**37.8**
Add: Non-underlying items (net of taxation of £1.4 million)	(6.6)		
Add: Effect of IFRS 15 (net of taxation of £0.2 million)	(0.8)		
Profit attributable to shareholders – Basic EPS	**11.5**	**50.0**	**23.0**
Profit attributable to shareholders – Diluted EPS	**11.5**	**50.0**	**23.0**
26 week period ended 29 June 2018			
Underlying profit after taxation and EPS	34.7	50.0	69.4
Add: Non-underlying items (net of taxation of £0.9 million)	(4.0)		
Profit attributable to shareholders – Basic EPS	30.7	50.0	61.4
Profit attributable to shareholders – Diluted EPS	30.7	50.0	61.4
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

6 Dividends

On 28 June 2019, the Group paid a final dividend, in respect of 2018, of 15.74 pence per share (2018: 15.74 pence per share) totalling £7.9 million (2018: £7.9 million). The Group is not proposing any dividend for the period ended 28 June 2019 (2018: 8.64 pence per share).

7 Cash and cash equivalents

	28 Jun 2019 £m	29 Jun 2018 £m	28 Dec 2018 £m
Operating cash as reported in the consolidated statement of cash flows as cash and cash equivalents	**49.8**	64.0	50.0
Amounts set aside for debt service payments	-	-	16.9
Cash and cash equivalents as reported in the consolidated balance sheet	**49.8**	64.0	66.9

Amounts set aside for debt service payments

This amount was transferred to restricted bank accounts which could only be used for the payment of the interest and principal on the Secured Notes, the repayment of liabilities due on the Group's commitment fees due on its undrawn borrowing facilities and for no other purpose. Consequently, this amount does not meet the definition of cash and cash equivalents in IAS 7, Statement of Cash Flows. In December 2018 this amount was used to pay these respective parties on 31 December 2018. Of this amount £12.3 million is shown within the Statement of Cash Flows as 'Payments to restricted bank accounts for finance costs' and £4.6 million is shown within 'Financing activities' as 'Payments to restricted bank accounts for repayment of borrowings'.

8 Net debt

	28 Jun 2019 £m	29 Jun 2018 £m	28 Dec 2018 £m
Net amounts owing on Secured Notes per financial statements	**(551.3)**	(560.6)	(560.6)
Add: unamortised issue costs	**(0.5)**	(0.6)	(0.6)
Gross amounts owing	**(551.8)**	(561.2)	(561.2)
Accrued interest on Secured Notes	**-**	-	(12.3)
Accrued interest on Revolving Credit Facility	**(0.2)**	(0.2)	(0.2)
Cash and cash equivalents	**49.8**	64.0	66.9
Net debt	**(502.2)**	(497.4)	(506.8)

In addition to the above, the consolidated balance sheet also includes finance lease obligations and other financial liabilities which totalled £0.6 million (June 2018: £0.6 million; December 2018: £0.6 million). These amounts do not represent sources of funding for the Group and are therefore excluded from the calculation of net debt.

The Group's primary financial covenant in respect of the Secured Notes requires EBITDA to total debt service ('EBITDA DSCR') to be at least 1.5 times. At 28 June 2019, the actual ratio was 2.05 times (June 2018: 3.09 times; December 2018: 2.55 times).

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

9 Reconciliation of cash generated from operations

	26 week period ended		52 week period ended
	28 Jun 2019	29 Jun 2018	28 Dec 2018
	£m	£m	£m
Net profit for the period	**11.5**	30.7	31.5
Adjustments for:			
Taxation	**3.4**	7.8	9.0
Net finance costs	**12.8**	13.0	25.8
(Profit)/loss on disposal of fixed assets	**(0.9)**	-	0.3
Depreciation charges	**10.0**	9.2	18.7
Amortisation of intangibles	**2.4**	2.5	5.1
Share of loss of associated undertakings	**0.3**	-	-
Movement in inventories	**0.4**	(0.1)	(1.2)
Movement in trade receivables	**0.4**	3.7	5.5
Movement in deferred commissions(1)	**(1.0)**	-	-
Movement in trade payables	**(1.3)**	(3.3)	(1.0)
Movement in deferred revenue(1)	**1.7**	-	-
Net pension charges less contribution	**(0.5)**	(0.6)	0.6
Trade name write off	**-**	-	1.1
Changes in other working capital (excluding acquisitions)	**(3.7)**	(0.7)	(1.4)
Employee share option charges	**0.5**	0.4	0.9
Cash flows from operating activities	**36.0**	62.6	94.9

(1) In respect of pre-arranged funerals – see note 18.

10 Financial risk management and financial instruments

(a) Financial risk factors

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

The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's annual financial statements as at 28 December 2018. There have been no changes in the approach to risk management or in any risk management policies since the year end.

(b) Liquidity risk

Compared to 28 December 2018, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

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

	28 Jun 2019			29 Jun 2018			28 Dec 2018		
	Nominal value £m	**Book value £m**	**Fair value £m**	Nominal value £m	Book value £m	Fair value £m	Nominal value £m	Book value £m	Fair value £m
Secured A Notes – 3.5456% maturing 31 December 2034	**195.4**	**195.2**	**210.1**	204.8	204.6	218.5	204.8	204.6	214.8
Secured B Notes – 4.6956% maturing 31 December 2049	**356.4**	**356.1**	**291.3**	356.4	356.0	346.3	356.4	356.0	316.8
Total	**551.8**	**551.3**	**501.4**	561.2	560.6	564.8	561.2	560.6	531.6

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

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

In addition to the above:

(a) Financial liabilities include finance lease payables of £0.6 million (June 2018: £0.6 million; December 2018: £0.6 million), which represent the present value of future minimum lease payments. At 28 June 2019 there is no difference between the nominal value, book value and fair value of this liability; and

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

11 Acquisitions and disposals

(a) Acquisition of subsidiary and other businesses

During the period the Group did not make any acquisitions. The Group also did not make any adjustments to the provisional fair value ascribed on 2018 acquisitions.

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

During the period there were additions in relation to crematoria developments totalling £2.6 million (June 2018: £2.1 million; December 2018: £6.7 million) and £5.4 million (June 2018: £7.8 million; December 2018: £18.3 million) of other additions to property, plant and equipment. The Group also received proceeds of £1.6 million (June 2018: £0.3 million; December 2018: £0.4 million) from disposals of property, plant and equipment, which had a net book value of £0.7 million (June 2018: £0.3 million; December 2018: £0.7 million).

The Group had capital expenditure authorised by the Board and contracted for at the balance sheet date of £20.4 million (June 2018: £24.4 million; December 2018: £17.3 million) in respect of property, plant and equipment.

12 Retirement benefit obligation

The retirement benefit obligation at the end of the period was £27.1 million (June 2018: £20.7 million; December 2018: £25.2 million).

The Company is currently paying contributions of £1.7 million per annum over the period from 1 July 2018 to 31 March 2024, a total of £9.8 million, to cover a funding shortfall. The Company is also paying £0.5 million per annum to fund Scheme expenses and the cost of future benefit accrual for the remaining active members of the Scheme.

13 Pre-arranged funeral plan trust

During the period, the Group entered into transactions with the National Funeral Trust, the Trust for Age UK Funeral Plans and the Dignity Limited Trust Fund (the 'Principal Trusts') and the Trusts related to businesses acquired since 2013 ('Recent Trusts') (and collectively, the 'Trusts') associated with the pre-arranged funeral plan businesses. The nature of the relationship with the Trusts is set out in the accounting policies in the 2018 Annual Report. Amounts may only be paid out of the Trusts in accordance with the relevant Trust Deeds.

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

Transactions also include:
- Receipts from the Trusts in respect of cancellations by existing members; 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		
	26 week period ended		52 week period ended	26 week period ended		52 week period ended
	28 Jun 2019 £m	29 Jun 2018 £m	28 Dec 2018 £m	**28 Jun 2019 £m**	29 Jun 2018 £m	28 Dec 2018 £m
Dignity Limited Trust Fund	**0.1**	0.1	0.2	**-**	-	-
National Funeral Trust	**24.9**	27.0	49.3	**8.1**	7.9	8.5
Trust for Age UK Funeral Plans	**16.0**	18.4	33.7	**3.1**	3.6	3.4
Recent Trusts	**0.9**	0.6	1.3	**0.1**	0.1	-
Total	**41.9**	46.1	84.5	**11.3**	11.6	11.9

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

14 Post balance sheet events

There were no significant post balance sheet events.

15 Interim Report

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

16 Securitisation

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

17 Seasonality

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

18 Adoption of IFRS 15

IFRS 15 Revenue from contracts with customers – nature and impact of adoption

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 new standard establishes a five-step model to account for revenue arising from contracts with customers. IFRS 15, defines performance obligations as a 'promise to provide a distinct good or service or a series of distinct goods or services'. Revenue is recognised when a performance obligation has been satisfied which reflects the point when control over a product or service transfers to a customer. Revenue is measured based on the consideration set out in the contract with the customer. Adoption of IFRS 15 has resulted in a change in accounting policy as set out below, which has impacted the timing of recognition of income and direct costs related to pre-arranged funeral plans ('pre-need').

The Group has adopted IFRS 15 using the modified retrospective method. Under the modified retrospective method of transition prior year comparatives are not restated, therefore information presented within the interim condensed consolidated financial information in respect of the 52 week period ended 28 December 2018 and the 26 week period ended 29 June 2018 is not comparable with the current period.

On transition to IFRS 15 on 29 December 2018 a cumulative transition adjustment of £82.1 million has been recorded which reduces retained earnings and represents the following impact on the consolidated balance sheet:

Consolidated balance sheet (extract)

	28 Dec 2018 As originally presented £m	Recognition of deferred revenue in respect of marketing allowances £m	De-recognition of cancellation provision £m	Recognition of deferred costs in respect of commissions £m	Deferred tax impact £m	**Total adjustment £m**	**29 Dec 2018 Restated £m**
Non-current assets							
Deferred commissions	-	-	-	94.9	-	**94.9**	**94.9**
Current assets							
Deferred commissions	-	-	-	7.1	-	**7.1**	**7.1**
Current liabilities							
Deferred revenue	-	14.1	-	-	-	**14.1**	**14.1**
Provisions for liabilities	1.7	-	(0.3)	-	-	**(0.3)**	**1.4**
Non-current liabilities							
Deferred tax liabilities	29.2	-	-	-	(16.8)	**(16.8)**	**12.4**
Deferred revenue	-	187.6	-	-	-	**187.6**	**187.6**
Provisions for liabilities	9.9	-	(0.5)	-	-	**(0.5)**	**9.4**
Total (reduction)/increase to retained earnings		**(201.7)**	**0.8**	**102.0**	**16.8**	**(82.1)**	
Retained earnings	(89.2)					**(82.1)**	**(171.3)**

The Group has concluded that in applying 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 a pre-need plan being recognised on the performance of the funeral. This represents a change in accounting policy as the Group no longer separately recognises 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.

As a result, marketing allowances received at the inception of a pre-need plan are now held as contract liabilities defined as 'deferred revenue' 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. Furthermore, 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 held as deferred commissions 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 are recognised in the consolidated income statement. Deferred revenue and deferred commission balances are split between current and non-current based on historical experience.

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, therefore there is no change in accounting policy in relation to this revenue stream, except that this revenue will now be recognised within the funeral segment.

Furthermore, there is no change to payments made on behalf of the Trusts to third party funeral directors when the funeral is ultimately performed as it has been concluded that the Group is deemed to be acting as an agent and revenue is treated as pass through revenue and not grossed up within the consolidated income statement.

The effect of IFRS 15 for the period ended 28 June 2019 on the consolidated income statement is shown within the revenue and segmental analysis in note 2, which also shows current year results as they would be been reported under IAS 18. Under IAS 18 the consolidated balance sheet would not include deferred commissions or deferred revenue but would recognise a cancellation provision of £0.5 million.

IFRS 15 Revenue from contracts with customers – updated accounting policy

Revenue

Revenue from funeral operations comprises the amount recoverable from customers for the provision of funerals, income from crematoria and other services, once those services have been performed or the goods supplied.

Revenues include amounts receivable from the pre-arranged funeral plan trusts for funerals performed by the Group for pre-arranged funeral plan members.

Income from memorial sales is recognised at the point of sale, to the extent that the goods have been supplied. Costs of maintaining memorials are recognised as incurred.

The Group pays certain disbursements (such as crematoria fees, burial plots, ministers' fees and doctors' fees) on behalf of its clients. These amounts are recovered as part of the invoicing process. However, these amounts are not included within net revenues as they are simply passed on to the customer at cost and not controlled by Dignity.

The accounting policies for recognising turnover for pre-arranged funeral plans are stated below.

The Group views the UK and Channel Islands as one geographical segment, given each local business exhibits similar long-term characteristics.

All amounts are exclusive of VAT.

Pre-arranged funeral plans

Trust plans

The Group markets and sells pre-arranged funeral plans, with monies received from selling funeral plans being held and controlled by independent pre-arranged funeral plan trusts (the 'Trusts'). The responsibility for the ultimate performance of funerals is allocated to funeral directors, who are selected by the beneficiary of the plan, some of whom are not owned by the Group. The sale of a pre-arranged plan is considered a single performance obligation fulfilled by the delivery of the funeral service.

The Group receives monies from the Trusts in respect of the following transactions:

- A marketing allowance in respect of each plan sold. The marketing element is only refundable in the event that the plan is subsequently cancelled. Marketing allowances are deferred within deferred revenue on the consolidated balance sheet when the related plan is sold and are included in Group revenue, within the funeral services operating segment, on performance of a funeral; and
- Further contributions are also received from the Trusts in return for the provision of general ongoing administrative services supplied to the Trusts. These contributions are included in Group revenue for the period to which they relate and are included in the funeral services operating segment.

All directly attributable costs in respect of the marketing of the pre-arranged funeral plans are held as deferred commissions in the consolidated balance sheet and recognised in the Group's income statement, within administration expenses, on the performance of a funeral.

Deferred revenue and deferred commission balances are split between current and non-current based on historical experience.

All costs in respect of the administration of the pre-arranged funeral plans are expensed in the Group income statement as incurred.

The Group makes payments on behalf of the Trusts relating to the ongoing overheads of the Trusts, refunds to members of the Trusts in event of cancellation, and the payments made to third party funeral directors when the funeral is ultimately performed. All such payments are reimbursed in full by the Trusts on demand, in accordance with the terms of the relevant Trust's deed. The Group is deemed to be acting as an agent and revenue is treated as pass through revenue and not grossed up within the consolidated income statement. This conclusion reflects the third party funeral director's relationship with the customer at the time the funeral is performed.

Neither the sales value of plans nor the costs of providing funerals are recognised in the financial statements of the Group when a pre-arranged funeral plan is sold.

Each Dignity marketing company contractually guarantees with the customer of a pre-arranged funeral plan that (i) if the customer chooses to cancel their selected funeral plan, a full refund will be made to the customer of all monies paid in respect thereof (less in certain cases an administration fee payable to the relevant Dignity marketing company); (ii) the funeral director's services (as selected by the customer) will be provided regardless of price rises in the future; and (iii) for the majority of plans sold, specific disbursements (such as crematoria fees, ministers' fees and doctors' fees) will be provided regardless of price rises in the future.

Insurance plans
The Group is the named beneficiary on a number of life assurance products sold by third party insurance companies, in consideration for which the Group has committed to performing the funeral (including some disbursements) of the plan holder at a discount to its rates prevailing at the time of death.

A commission is paid to the insurers when the policy is initially charged to the Group. These costs are carried as a prepayment and charged to the consolidated income statement as a funeral is performed, with the cost per funeral estimated based on the total costs incurred and the expected level of policies, allowing for cancellations, where the Group will be involved in the fulfilment of the funeral. This expectation is reviewed annually.

In the event of the death of the policyholder, if the Group performs the funeral, it receives an agreed amount from the insurers which is recognised as revenue within the funeral services division. On occasions a third party will perform the funeral and the Group will pass on all monies received to that party and in this situation the Group is deemed to be acting as an agent and revenue is treated as pass through revenue and not grossed up within the consolidated income statement.

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 and the effects of IFRS 15.

Calculation of underlying reporting measures
Underlying revenue and profit measures (including divisional measures) are calculated as revenue and/or profit before non-underlying items and the effect of IFRS 15.

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) Effects of IFRS 15
On adoption of IFRS 15 on 29 December 2018 the Group no longer separately recognises revenue for pre-need marketing activities as all pre-need activities are deemed to relate to a single performance obligation, being the performance of a funeral.

To aid a user of the financial statements, for the foreseeable future, the Group has amended its definition of underlying revenue and underlying operating profit so that the effects of adopting IFRS 15 are removed. The impact in 2019 can be seen within note 2.

(c) Non-underlying items
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;
- Group's share of profit or loss of associated undertakings; 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.

	Funeral services £m	Crematoria £m	Pre-arranged funeral plans £m	Central overheads £m	Group £m
26 week period ended 28 June 2019					
Non-trading					
Amortisation of acquisition related intangibles	**2.1**	**0.2**	**0.1**	**-**	**2.4**
External transaction costs	**-**	**0.2**	**-**	**-**	**0.2**
Profit on sale of fixed assets	**(0.9)**	**-**	**-**	**-**	**(0.9)**
Group's share of loss of associated undertakings	**-**	**-**	**-**	**0.3**	**0.3**
Non-recurring					
Transformation Plan costs	**-**	**-**	**-**	**4.3**	**4.3**
Operating and competition review costs	**-**	**-**	**-**	**1.7**	**1.7**
	1.2	**0.4**	**0.1**	**6.3**	**8.0**
Taxation					**(1.4)**
					6.6
26 week period ended 29 June 2018					
Non-trading					
Amortisation of acquisition related intangibles	2.2	0.2	0.1	-	2.5
External transaction costs	0.2	-	0.2	-	0.4
Non-recurring					
Transformation Plan costs	-	-	-	2.0	2.0
	2.4	0.2	0.3	2.0	4.9
Taxation					(0.9)
					4.0
52 week period ended 28 December 2018					
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

(d) Non-underlying cash flow items

	26 week period ended		52 week period ended
	28 Jun 2019	29 Jun 2018	28 Dec 2018
	£m	£m	£m
Cash flows from operating activities	**36.0**	62.6	94.9
External transaction costs	**0.6**	1.4	1.7
Transformation Plan costs	**4.2**	1.6	2.6
Operating and competition review costs	**0.5**	-	2.7
Underlying cash generated from operations	**41.3**	65.6	101.9

(e) 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 material changes in locations or staffing in 2019, LFL annualised operating profit is considered to be the same as underlying operating profit for the first half of 2019.

Statement of Directors' responsibilities

The Directors confirm to the best of their knowledge that:

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

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

- DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first half of 2019 and their impact on the interim condensed consolidated financial information; and a description of the principal risks and uncertainties for the remaining second half of the year; and

- DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first half of 2019 and any material changes in the related party transactions described in the last Annual Report.

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

David Blackwood – Interim Non-Executive Chairman
Mike McCollum - Chief Executive
Steve Whittern - Finance Director
Richard Portman - Corporate Services Director
Jane Ashcroft - Non-Executive Director
Mary McNamara - Non-Executive Director
James Wilson - Non-Executive Director

By order of the Board

Steve Whittern
Finance Director
31 July 2019

Independent review report to Dignity plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the Interim Report for the 26 week period ended 28 June 2019 which comprises the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated statement of cash flows and notes 1 to 18. We have read the other information contained in the Interim Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

Directors' Responsibilities

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

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

Our Responsibility

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

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the Interim Report for 26 week period ended 28 June 2019 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Ernst & Young LLP
Birmingham
31 July 2019

Forward-looking statements

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

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

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

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