

Corporate Profile 2020

Dignity plc



Delivering
excellent client
service and
leading through
change

Contents

Inside This Corporate Profile

02	Leading through change
10	Our summary performance in 2019
12	Chairman's statement
16	Chief Executive's review
27	Strategy and business model
29	Key performance indicators
33	Financial review
38	Board of Directors
39	Executive Management Team
40	Financial record
42	Alternative performance measures
44	Shareholder information
45	Contact details and advisers
46	Market update, Board and Broker changes
47	Financial calendar



Stay informed

Find out more about Dignity and the latest financial information, results, presentations, reports and shareholder services or to view and download a PDF version of the 2019 Annual Report:



www.dignityfunerals.co.uk/corporate



We are here to help people at one of the most difficult times in their lives and we are honoured to serve the communities we are part of

Our Purpose

- We are committed to meeting our customers' changing needs and exceeding their expectations.

In a changing and increasingly competitive funeral sector

Market Context

- We are adapting to change and responding to market challenges and opportunities.

We have clear strategic objectives

Strategy and Business Model

- We are continuing to build on the strong fundamentals of the business and use these as a platform for change.
- Being more distinctive in the marketplace.
- Embracing technology in developing and delivering our services for customers.
- Continuing to be a good corporate citizen.

Our Transformation Plan is evolving to changing circumstances and on track

The Core Components

- We are modernising the client proposition.
- Investing in and simplifying the operating model.
- Streamlining central support and investing in technology to centralise and automate administrative processes.

We have a strong culture and shared values

People and Culture

- We are passionate about delivering excellent client service.

Values

- We serve our customers with expertise, compassion and commitment.

We are focused on sustainable growth

Key performance indicators

- Measuring progress and performance.

Group summary performance

- Delivering in line with expectations, after allowing for lower than anticipated deaths.

We have strong leadership and act responsibly and sustainably

Non-financial performance

- We are helping to make a difference as a responsible and sustainable business.

Governance

- We have a strong Board committed to robust corporate governance.

To achieve our ambition and meet our stakeholder expectations

Our Vision

- To lead the funeral sector in terms of quality, standards and value-for-money.
- Creating and preserving value for all our stakeholders.

Leading through change/

We are a strong but changing business

Our Purpose

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

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

Technology Services & Brands

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

Our People & Culture

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

Our Vision

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



Our Transformation Journey

In 2018 we began a period of radical transformation and we are making good progress on our journey to deliver our objectives. During and after this change we will continue to be a caring business with core values built around quality, providing excellent customer service and high standards of care.

In a rapidly changing and competitive funeral industry, we are alert to the challenges we face and are determined to seize the opportunity to create a business that is clearly differentiated from the competition and gives customers a clear choice.

**Leading through
quality, standards
& value-for-money**

Leading through change/

We are building a distinctive and powerful market offer

Our market offer and brand propositions must resonate with customers and differentiate us from our competition. By providing greater choice, flexibility and innovation we are able to make a greater impact and deliver a better experience for our customers.

Together they enable us to make what is a difficult time a little easier for the families we serve.


DIGNITY
FUNERAL DIRECTORS

 **Simplicity**
Cremations

CMG
The Crematorium and Memorial Group

What **We stand** for

- It's the promise we make to our customers;
- It's the quality of our products and services; and
- It's the expectations of our customer service standards.



Creating a differentiated customer experience

Engaging

with more customers through digital and promotional channels.

The way that we connect with our customers continues to change. Going online is now increasingly the preferred route for people looking for information and our industry is no exception. 45 per cent (compared to 38 per cent a year ago) of our clients now find us online and over 67 per cent of our website traffic comes from mobile devices. We continue to develop our online support services and promotional initiatives to meet customer expectations. We are building a leading digital presence and a compelling multi-channel service offering.

Empowering

customers to choose and arrange the funeral that's right for them and their family.

We are determined to ensure that our distinctive Dignity and Simplicity brands provide families with greater choice and flexibility, whether they are looking for a traditional value-for-money service or a simple affordable alternative. We will achieve this without losing the heritage embedded in our local trading names. In addition, our Online Funeral Notices service provides customers with a convenient way to share details of funeral arrangements through social media and the internet. It also allows friends and family to arrange flowers and make donations.

Enabling

customers to interact with us when and how they want.

We are developing a more customer-centric service model adapted to better suit evolving client needs. Our enhanced digital offering is part of this with the Group's websites registering approximately 5.6 million visits on a year to date basis, up 211 per cent on the comparable prior year period. We are starting to change the way we work at branch level too and have started to pilot home visits to customers by our staff as part of a radical overhaul of how we serve our customers.

Evolving

our customer proposition and the way we work to support change.

The changing way in which people are choosing to arrange a funeral and what they value drives how we evolve and modernise our services to support them better and meet their priorities and expectations.

We have commenced one of the most radical, complicated and challenging elements of our Transformation Plan in terms of transforming our branches. This involves working in materially different ways, revising our processes and changing the way we arrange funerals for our customers.

Leading through change/

We are determined to meet our stakeholder expectations



Society

Changes in societal expectations and attitudes towards arranging a funeral, the role of technology in our daily lives and increased customer choice is transforming the way we need to serve our customers today and in the future. We must use this opportunity to stay connected, relevant and responsive to change through our customer propositions.

& Sustainability

Sustainability is about the actions we take to fulfil our purpose against the backdrop of an ever changing world and we remain committed to driving a sustainable business that is both socially and environmentally responsible and commercially successful.

A responsible and sustainable business with a broader societal purpose

We are involved in a fundamental and timeless human ritual and are mindful of the responsibility this places on us.

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

As a leader we must take account of broader issues than just our own performance as a business. Of course, it is essential that we deliver value to our shareholders. But it is also important that we provide value to our customers and make a positive contribution to society as a whole.

Beyond Transformation

Our continued focus is rightly on meeting the transformational challenges we face and achieving our goals. However, sizing up this challenge has re-energised the Group because we recognise that with change comes opportunity.

We are confident about the future and about the possibilities that will open up for the business and the role we continue to play in helping to raise standards in the industry.

Engaging with stakeholders

We engage with our stakeholders to gain insights into their needs and identify the material issues they have. This feedback forms part of our decision making and helps us continually improve and progress towards our vision.



• Our Customers



• Our People



• Investors



• Industry & Policymakers



• Communities & Society

Leading through change/

We remain focused on delivering excellent client service

Funeral services

We are a major provider of funeral services in the UK and we strive to set the highest standards of service and care.

Services we provide

Dignity provides customers with access to our national network of funeral locations where they can arrange a funeral personal to their needs.

Simplicity Cremations allows customers to organise a less traditional funeral, taking advantage of Dignity's national network of mortuaries and crematoria.

69,400 (2018: 72,300)

Number of funerals conducted during 2019.

820 (2018: 831)

Number of funeral locations we operate in the UK.

Crematoria

We are the largest single operator of crematoria in Britain with a significant portfolio of well-established and state-of-the-art crematoria that meet the needs of the local communities we serve.

Services we provide

Our crematoria provide a range of cremation services, from basic unattended cremations to traditional full services.

Our extensive, peaceful grounds allow clients to remember their loved ones in a very personal way.

64,800 (2018: 65,200)

Number of cremations conducted during 2019.

46 (2018: 46)

Number of crematoria we operate in England and Scotland.

Pre-arranged funeral plans

We are one of the UK's largest providers of pre-arranged funeral plans and we continue to strengthen our business in this growing market.

Services we provide

Our pre-need business allows clients to pre-arrange their funeral through our national network of funeral locations and established relationships with many affinity partners.

523,000 (2018: 486,000)

Number of active funeral plans as at 27 December 2019.

We have a long-term commitment to the customer and we are shaping our services around their evolving needs.



Leading through change/

A strong and caring business

We are proud to be one of the UK's leading funeral service providers. We are a strong and caring business and our reputation, experience and dedicated people are our most valuable assets. By striving for the highest standards and through the quality of our products and services we provide across our business, we build trust with society and the families and communities we serve.

Alongside the expansion of our digital offerings we continue to offer a wide choice for consumers and our focus on high standards and excellent client service remains central to our plans for the future.



45%

Approximately 45 per cent (compared to 38 per cent in 2018) of our customers now find us online, with over 67 per cent of our website traffic coming from mobile devices.



Low-cost cremation service

As part of our commitment to providing simple and affordable alternatives we were the first funeral company to provide a nationwide low-cost attended cremation service without a funeral director.



National network

We are the only operator with a national network of funeral locations and crematoria.



30%

Over 30 per cent of Dignity staff have over 10 years long service.



60 minutes

72 per cent of Dignity's own crematoria offer 60 minutes for a standard cremation. The remainder have a minimum of 45 minutes.



5.6 million visits to our websites

Dignity receives approximately 5.6 million visits to our websites annually. This compares to 1.8 million visits in 2018.



99% reputation & recommendation

99 per cent of respondents said that we met or exceeded their expectations.

Source: Dignity Client Survey 2019



997,000 pre-arranged plans

We have already helped more than 997,000 people plan for their funerals in advance, of which 523,000 remain outstanding.

We are privileged to provide services that mean so much to our customers

Taking the greatest care

Being trusted with something as important as a person's final wishes is an honour and a privilege that we never take lightly.

DIGNITY

Simple, low-cost funerals

We offer families greater choice and flexibility in how they remember their loved ones whilst we focus on providing the essential care and practical elements of the cremation.

SIMPLICITY
CREMATIONS

We know that families value quality, seclusion and time

We serve at the heart of our local communities and take great care to create a peaceful and tranquil environment for people to visit and reflect.

THE CREMATORIUM
AND MEMORIAL GROUP

We're helping more people plan ahead

We are one of the UK's most trusted providers of pre-arranged funeral plans, providing peace of mind to you and your family.

FUNERAL PLANS

Our Summary Performance 2019

Our performance in 2019 was consistent with market expectations. However, underlying operating profit decreased by 21 per cent to £63.3 million and average income per funeral reduced from £2,973 to £2,930 reflecting the impact of a changing competitive landscape. On a statutory basis, operating profit was £44.8 million, a decrease of 41 per cent.

We are engaged in a wide-ranging Transformation Plan, alongside a major investment programme which continues to make good progress. This Plan will create a funeral business that remains focused on quality, whilst evolving to adapt to, and lead, a changing marketplace.

The Group has changed its accounting policy in respect of certain pre-arranged funeral plan trusts and the adoption of IFRS 15. This has resulted in the consolidation of the Group's primary pre-arranged funeral plan trusts. This has been applied retrospectively and therefore certain statutory amounts have been restated. See the Financial review and accounting policies note for further details.

Further to the RNS announcement on 3 April 2020, please refer to page 46 of this document for Market update, Board and Broker changes.

- **Funeral market share** showing positive response to changes in proposition compared to 2016 and 2017.

- **Transformation Plan progressed as planned** and key pilot initiatives underway.

- **Strong market share** performance by crematoria business.

- **Simplicity Cremations continues to grow** strongly.

- **Group fully engaged with the CMA** market investigation.

- **The Group welcomes proposed regulation of pre-arranged funerals** HM Treasury announced in June 2019.

The progression of our Transformation Plan

1/ • **Modernise the client proposition**

2/ • **Invest in and simplify the operating model**

3/ • **Streamline central support and invest in technology to centralise and automate administrative processes**

Timing will change

The Group is adapting aspects of the Plan pending the outcome of the CMA investigation.



Forward-looking statements

This Corporate Profile 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 Corporate Profile 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 Corporate Profile 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.

Financial highlights

Revenue⁽¹⁾ £338.9m (2018: £353.7m)	Operating profit £44.8m (2018: £75.9m)	Underlying operating profit £63.3m (2018: £80.2m)
Dividends paid in the period 15.74p (2018: 24.38p)	Basic earnings per share 69.8p (2018: Loss of 34.0p)	Underlying earnings per share 60.6p (2018: 85.8p)
Number of deaths 584,000 (2018: 599,000)	Cash generated from operations £64.6m (2018: £104.2m)	Underlying cash generated from operations £71.8m (2018: £101.9m)

By division

Funeral services			Group operating profit share (before central overheads) (%)		60%	Group underlying operating profit share (before central overheads) (%)		59%
Underlying revenue ⁽¹⁾ £203.3m (2018: £214.9m)			Operating profit £54.7m (2018: £67.0m)			Underlying operating profit £56.3m (2018: £62.2m)		
Crematoria			Group operating profit share (before central overheads) (%)		40%	Group underlying operating profit share (before central overheads) (%)		41%
Underlying revenue ⁽¹⁾ £76.8m (2018: £78.0m)			Operating profit £37.2m (2018: £39.6m)			Underlying operating profit £38.4m (2018: £40.3m)		
Pre-arranged funeral plans			Underlying revenue ⁽¹⁾ £21.2m (2018: £22.7m)			Underlying operating profit £nil (2018: £2.8m)		
Central overheads			Costs £47.1m (2018: £30.7m)			Underlying costs £31.4m (2018: £25.1m)		

(1) Total underlying revenue was £301.3 million (2018: £315.6 million). On a statutory basis the Group recognised Funeral services revenue of £262.1 million (2018: £275.7 million) and Crematoria revenue of £76.8 million (2018: £78.0 million). Pre-arranged funeral plans are not a separate division in statutory terms.

Prior year adjustments

The Group has changed its accounting policy in respect of certain pre-arranged funeral plan trusts and the adoption of IFRS 15. This has been applied retrospectively and therefore certain statutory amounts have been restated. See accounting policies note in the Annual Report 2019 for further details.

Alternative performance measures (APMs)

The Board believes that whilst statutory reporting measures provide financial performance of the Group under GAAP, APMs are necessary to enable users of the financial statements to fully understand the trading performance and financial position of the business. The APMs provided are aligned with those used in the day-to-day management of the business and allow for greater comparability across periods. For this reason, the APMs provided exclude the impact of consolidating the Trusts and the changes which relate to the adoption of IFRS 15, both of which are considered to mask the underlying trading performance of the Group, as well as non-underlying items comprising certain non-recurring and non-trading transactions. Further detail may be found on pages 42 and 43.

Chairman's statement

We are seeking to build a responsive, resilient business capable of adapting to a backdrop of change



Clive Whiley, Executive Chairman

“At the moment we are navigating our way through a period of unprecedented industry and Group change, driven by a rapidly changing yet still unregulated marketplace. However, I share the Board’s vision for stronger regulation of our industry, one in which high-quality providers like Dignity can thrive, offering the customer competitively priced and excellent services.”

Introduction and overview

At the outset I would like to thank my predecessor, Peter Hindley, who led the IPO in 2004 before serving as Chairman for a decade leading up to his retirement from the Board in June 2019. I am delighted to have been invited to become Chairman of Dignity and it is a privilege to be involved in determining the future direction of the UK’s leading funeral services provider.

The funeral industry is experiencing a period of unprecedented change and I join as the Group enters the formative stages of a radical overhaul, being delivered through its Transformation Plan. Given my previous experience of change management I will bring a fresh perspective and encouragement to the Board and the many individuals involved in delivering what is a major corporate undertaking. In essence the complete re-engineering of a national, 800 plus branch network across the full bandwidth of the business.

Whilst the backdrop of falling underlying operating profit and the suspension of the dividend is obviously disappointing for shareholders, the senior management team deserve credit for their foresight in commencing these radical changes at the beginning of 2018. This strategic focus and determination developed with their advisers and project team, has enabled the Transformation Plan to run alongside business as usual activities ensuring that the Group continues to deliver day in day out for its customers. It is easy to forget that these decisions were taken before the Competition and Markets Authority (‘CMA’) launched its market study on 1 June 2018.

Overall 2019 has been a productive year, with significant work undertaken to improve our client proposition, develop our digital presence and build our central capabilities.

I strongly endorse the leadership role the Group has taken in calling for proper regulation, both for the at-need sector and pre-arranged sector of the funeral industry. The lack of regulation in the industry will continue to shock members of the public when press stories appear highlighting poor or scandalous care of a family’s loved one. I know that Dignity upholds the highest professional standards. I also now know that some others do not.

That is why the Group welcomed the CMA investigation (which was launched in March 2019, shortly after the release of the Group's 2018 preliminary results), even though it creates further uncertainty in the short-term. This investigation, along with HM Treasury's determination to regulate pre-arranged funerals, means that the next year or so will be even more challenging.

Therefore it is undoubtedly true to say that at the moment we are navigating our way through a period of unprecedented industry and Group change, driven by a rapidly changing and still unregulated marketplace. However, I share the Board's vision for a regulated industry, one in which strong and high-quality providers like Dignity can thrive, offering the customer competitively priced and excellent services.

That is the goal that we as a Board are working towards. We are determined and confident that we can get ahead of the curve and land in a strong, leadership position. This will benefit our customers, shareholders and all stakeholders and help usher in a new era for the funeral industry.

Strategy

In order to achieve our vision and meet the challenges we face it is essential that our strategy and the plans to support it are periodically reviewed to ensure they are still fit for purpose. Therefore, as the incoming Chairman my priority is to review the strategy with the Board, as highlighted in our Third Quarter trading update in November 2019.

That review cannot conclude prior to the outcome of the CMA's investigation which has the potential to require significant change of the industry beyond that originally contemplated by our Transformation Plan. Hence we are focused on how our plans might need to change to cover all eventualities and we will report further once the CMA position becomes clearer. In the meantime, we have paused or adapted certain aspects of our plans pending the outcome of our review and the CMA's work. Although these plans are commercially sensitive, it is unlikely that

the Group will begin to realise any material savings from the transformation until 2021 (a year later than planned). However, our overall expected annualised savings of £8 million (increasing to £13 million in the longer-term) and investment cost of £33 million (net of £17 million disposal proceeds) is unchanged.

Even with this backdrop, several issues and priorities requiring focus remain and these are as follows:

Pricing

There is inescapably downward pressure on average incomes. They need to reduce to stabilise and ultimately grow market share. They will also naturally reduce as more and more people select simpler, less traditional options such as direct cremation. Our proposition and associated pricing remain key priorities for 2020 and the years ahead.

Transformation Plan priorities

The pilot initiatives launched recently are providing us with invaluable insight on the likely success of new ways of working and job roles for operational staff. However, the challenge of affecting major change to working practices while continuing to run a business day-to-day cannot be underestimated. This, coupled with the scale of the change: 800 plus branches and associated new mortuary care centres, and deliberate changes to our timing plans for the reasons described earlier strongly suggest caution with regard to the original target date for completion at the end of 2021.

Given this information and the importance of getting the customer interface right, we as a Board judged it appropriate to signal a 12 month extension to ensure a full and effective roll out. Change at branch and customer level must be permanent and entrenched. We will not, and cannot, cut corners.

Addressing the challenges our business and the funeral industry faces

The funeral industry must change. This means regulation and we support moves to bring this about. Customers must be treated fairly and be assured of minimum acceptable standards whichever funeral director they choose.

This need for regulation applies also to pre-arranged funeral plans and we have played our part in highlighting the questionable practices of some providers and have welcomed the opinion from HM Treasury on regulation.

Chairman's statement continued

A strong business

Despite the challenges outlined above, the 2019 performance described in this Annual Report clearly demonstrates the underlying strength of the business. I am confident also that the shifts of emphasis on strategy and the Transformation Plan outlined above will ensure we remain successful in the long-term.

It is clear that we are changing and we have momentum. We have a strategy and a plan and we are confident we will achieve our goal of transforming the Group.

Our vision is to lead the industry in terms of quality, standards and value-for-money and to become the pre-eminent funeral services business in the UK. We now offer customers an unprecedented and extremely competitive range of services and price options. This is a sign of our future intent.

Engaging with the CMA

We welcomed the CMA's full market investigation into the funeral and crematoria sector when it was announced in March 2019 and we are cooperating fully. Since then we have attended a hearing of the CMA panel, facilitated site visits and responded to detailed questions necessary for a proper analysis of the industry. We want to play a leading role as a responsible and progressive corporate citizen in the funeral industry as it undergoes long overdue change.

The CMA's work in the sector provides an unparalleled opportunity to improve standards and protect consumers. UK consumers assume all funeral directors are the same, that their market is regulated and each of them is operating to a consistent set of professional standards, when in fact none of these statements are true.

Dignity's research has shown that 92 per cent of consumers did not know that funeral directors were not regulated in the UK, but once they were aware 80 per cent supported regulation to ensure minimum standards. The Group would welcome regulation which sets out minimum standards for core activities such as the care of the deceased and minimum standards of storage facilities.

Board changes

I am pleased to announce today that Dean Moore has joined the Group as a Non-Executive Director. Given Dean's experience, he will succeed David Blackwood as Chair of the Audit Committee from the conclusion of the Annual General Meeting on 11 June 2020.

David Blackwood will not seek re-election at the AGM and I would like to thank him for his involvement in the Group over the last five years, in particular for his efforts as Interim Chairman prior to my appointment on 26 September 2019.

We continue to seek a further non-executive director who can act as Remuneration Committee Chair and will make a further announcement in due course.

Governance and Corporate Social Responsibility

Dignity has a strong record of good corporate governance and this will continue under my chairmanship.

Regarding corporate responsibility, the Group has always operated to high standards of corporate behaviour and sought to be a responsible corporate citizen. It has valued its people and sought to engage in society at large, something that comes naturally in a business such as ours. We have also sought to minimise our impact on the environment. We have recognised, however, that the major changes afoot within the business present an opportunity to review our role and performance as a good corporate citizen. We provide further information on that in our CSR section.

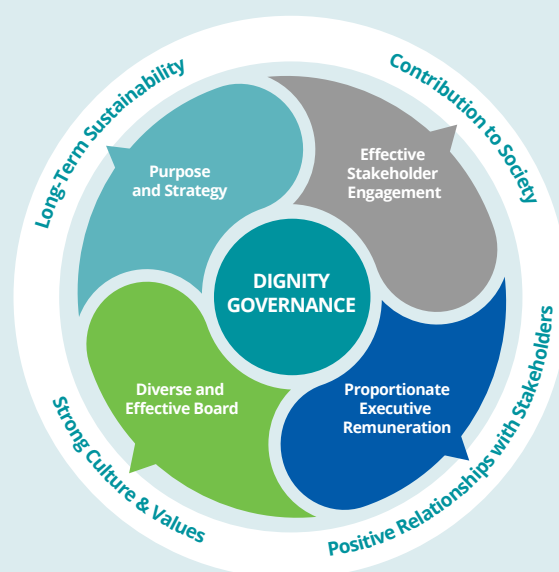
Our people, culture and values

Dignity's strong reputation for customer service rests with the diligence and care of its front line staff. This culture of caring has once again been evident during the work the Transformation Team has done on the initial branch pilots. Genuine admiration for the lengths to which Dignity staff routinely go to serve customers has been a constant refrain from within the Team.

Strong governance, leadership and purpose

The Board is fully committed to ensuring that high standards of good governance are in place and consistently applied in the boardroom and throughout the organisation. It will embrace the new UK Corporate Governance Code 2018, which applies to the Group from next year.

This pronounces that a positive relationship between companies, shareholders and other stakeholders, including the workforce is a driver of long-term sustainable growth and having a strong workplace culture aligned with the Company's purpose, business strategy and values is an essential underpin to any successful business. At Dignity, many of these fundamentals already exist, and we will continue to look at ways in which we can further strengthen and extend our current position in response to the new Code.



During the year, the percentage of clients who would definitely recommend our services increased to 91 per cent (from 90 per cent), so notwithstanding the changes facing the business, client service has not been sacrificed in any way.

This professionalism, pride and empathy clearly extends across the whole workforce given the outstanding client service research results that the Group publishes year after year. As the incoming Chairman I can only add my voice and thanks to all of you who make the Dignity promise come alive, especially during these challenging times. For us as a Board it is essential that in a bid to make the business more efficient and effective we do not lose that which makes us special: the commitment of our people.

Dividends

As previously announced, 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 uncertain competitive environment becomes clearer, it anticipates resuming dividend payments or returning excess cash to shareholders.

Looking ahead

We have a strong business that is ready and willing to adapt to the challenges ahead. However, the challenges are significant. Average income per funeral and cremation are likely to reduce further; the CMA investigation could materially

impact our plans; our Transformation Plan is strong however timing needs to be amended pending the outcome of the CMA investigation, thereby delaying anticipated savings.

The impact of these challenges is currently unclear. For example, the draft report from the CMA is not anticipated until April or May 2020, with their final report currently due by the end of September 2020. The Board anticipates making further comment on the Group's outlook following the release of the Provisional Decision Report.

Clive Whiley, Executive Chairman
11 March 2020

Summary outlook

- The outcome of the CMA's investigation could materially impact the industry and the Group.
- To manage this change we are adapting and pausing certain aspects of our Transformation Plan.
- Realisation of cost savings is expected to be delayed.
- There is downward pressure on average income per funeral and cremation.

Chief Executive's review

We are adapting and responding to change

"We are pleased with progress against our set objectives and with our Transformation Plan. At the end of the year we began our first branch pilot, testing new ways of working at three networks in the Midlands. These pilots have yielded invaluable insights and very significant encouragement about the potential to enhance our level of service to the customer.

Our digital presence has grown strongly, and alongside significant work on our pricing and proposition, we are seeing market share responding in a more positive way than two years ago. Central capabilities have been developed. All this work has also been achieved whilst improving the service provided to our clients."

Overview and performance

In 2019 we posted another resilient performance amid unprecedented change in the funeral industry. We met market expectations and delivered an operating performance in line with the Board's expectations, allowing for the significantly lower number of deaths particularly in the first half of the year. Our market share remained robust, demonstrating a continued positive response to the Group's updated service offer and price points introduced since January 2018. Lower deaths and the expected reduction in average funeral income meant that underlying operating profit decreased by 21 per cent (to £63.3 million). Average income per funeral was down from £2,973 to £2,930. The funeral mix continues to evolve in the light of new service offers and ongoing pricing trials and we continue to make good progress in identifying the best balance between price and service offer. Our crematoria and pre-arranged funeral plan businesses also performed well. Average income per cremation was £1,186 (2018: £1,197), reflecting the evolving mix of our locations and service offerings.

We are pleased with progress against our set objectives and with our Transformation Plan which we set out in detail in last year's Annual Report. In 2019, activity has been focused on all aspects of the Plan. We commenced one of the most radical, complicated and challenging elements of our Transformation Plan, transforming our branches, working in materially different ways and changing our processes and the way we arrange funerals for our customers. These branch pilots have yielded invaluable insights and very significant encouragement about the potential to enhance our level of service to the customer. Further pilots will build on the lessons learned from earlier ones.

As our new Chairman, Clive Whiley, indicated in his statement, given the profound impact the CMA investigation could have on the size and shape of our business we have decided to delay the roll-out of key aspects of our Transformation Plan. Expected savings will therefore be realised later than originally anticipated.

The arrival of Clive in September has provided fresh focus and additional perspective and under his leadership the Board is reviewing the Group's strategy and Transformation Plan.

The Board recognises that there is still a lot of work to do but we are confident of achieving our goals. We have the platform, focus and ambition to get ahead of the competitive curve and to continue to provide sustainable growth while maintaining the highest possible standards of customer service. The fundamentals of our business remain compelling and strong in an industry experiencing unprecedented change and scrutiny.

Much of this scrutiny has come from the CMA and HM Treasury. On 28 March 2019 the CMA confirmed its widely anticipated full market investigation into the funeral and crematoria sector. We made clear our support for such an investigation in the interest of helping to create a properly regulated industry while highlighting a number of important issues. In last year's Annual Report we published extracts from our response to the CMA and since then we have established a strong working group of internal and external colleagues. The Group has continued to engage with the CMA to provide it with detailed

information on the Group's at-need and crematoria markets and its wider observations on these markets generally. The CMA has started to release its working papers and is expected to issue its Provisional Decision Report in April or May.

At this point it is worth restating what I said in last year's Annual Report. A CMA investigation will last many months and, if other market investigations are a guide, will generate much interest and comment, some of it hostile towards major industry players like ourselves. However, it is important for our stakeholders and interested parties to remember that what matters is the outcome and findings of the investigation, not the inevitable twists, turns and commentary.

Meanwhile, in a separate development, the Group continues to anticipate Financial Conduct Authority ('FCA') regulation of pre-arranged funerals and is preparing accordingly. In June 2019 HM Treasury confirmed consumer detriment is present in the funeral plan market, and that the

government has maintained its position that bringing funeral plan providers within the remit of the FCA would be the most effective policy response for strengthening the regulation of the market. The Group welcomed this decision as, for a long time, it has led the industry in best practice and called for regulation of the pre-arranged funeral sector to protect customers. Dignity's research, published together with Fairer Finance, has highlighted the poor sales practices and financial management risks that certain providers engage in. The Group currently anticipates regulation in approximately two years time and is planning accordingly.

Where we are now

The Transformation Plan is helping us to build a distinctive and powerful market offer. We are delivering a differentiated customer experience and we remain determined to meet stakeholder expectations. One of the key objectives of the Transformation Plan is to mobilise our funeral arrangers. We have concluded an initial branch pilot and the response from

The right strategy for change and delivering our Transformation Plan

We have acted with speed and purpose in the light of unprecedented changes to our industry. Our focus is on delivering our Transformation Plan while at the same time continuing to deliver day in day out for our customers.

The Group is adapting aspects of the Plan pending the outcome of the CMA investigation.

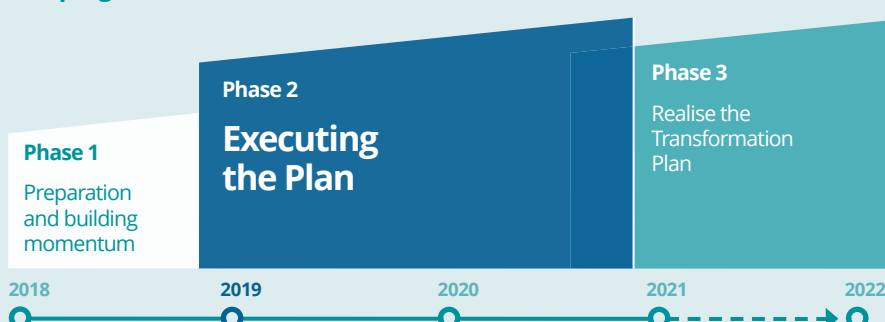
Our opportunity is clear

We have a clear opportunity to ensure the business is fit for the future, whatever that may bring. The uncertainty of the CMA investigation means that we do however need to plan carefully to ensure we can respond to any outcome without wasting resources in the meantime.

Our Strategic priorities

- 1/ Identify the appropriate propositions and price points to stabilise and then grow market share.
- 2/ Modernise the ways of working with appropriate technology to enhance client service.
- 3/ Adapt our plans as necessary to respond to the CMA investigation.
- 4/ Balance keeping the momentum of the transformation, without wasting time or capital on aspects that may need adjustment before implementation.
- 5/ Ensure decisions support excellent client service.

The progression of our Transformation Plan



Chief Executive's review continued

customers and staff has been very positive. We are confident that the significant work put into the design of the pilots is paying off.

For example approximately 50 per cent of funeral arrangements are now being made in the client's home in the pilot area. However, no pilot is perfect, and we are currently understanding how things should be refined to address areas for improvement.

We have made further good progress on identifying the optimum price/service mix. We have not however completely stabilised our funeral market share which saw a small like-for-like decline in 2019. Work continues to develop and launch various trials to gain additional understanding. However we do expect a further reduction in average funeral income will be necessary to stabilise and then grow market share.

Whilst we have described a conscious pausing of aspects of the transformation, our overall expectations of realising net annualised savings of £8 million, growing to £13 million in due course, from a net investment of £33 million, remain unchanged at this time.

I am also pleased with our progress in marketing and the digital arena. Customers are changing the way they make their decisions and it is important we are visible, transparent and have an attractive proposition that represents good value.

Finally, our pre-need and crematoria businesses continue to perform well relative to their markets. However, we are mindful of the pressure possible on average income per cremation as customers make alternative choices.

Purpose and vision

We have a clear purpose. We are here to help people at one of the most difficult times in their lives and we are honoured to serve the communities we are part of. Listening to our customers and understanding their changing attitudes and lifestyles drives what we do as a business. Every day we want to meet and exceed our customers' expectations. We aim to do this by delivering excellent client service through the continued dedication of our people and by serving our customers with expertise, compassion and commitment.

Our vision is to lead the funeral industry in terms of quality, standards and value-for-money. To achieve this we are building a more coherent, cohesive and technology-enabled business, one geared to meeting the changing needs of our customers. In addition, we have always taken our role as a responsible corporate citizen extremely seriously and recognised that our broader role in society goes beyond just creating value for our shareholders. We will therefore continue to be a responsible and sustainable business, determined to meet both our social responsibilities and the expectations of all our stakeholders.

People and culture

Our people will be central to whether our transformation succeeds. Perhaps the most crucial group will be those who have direct contact with our customers. It is essential that our service levels, of which we are justly proud, do not falter. We help people at an extremely vulnerable time in their lives which means that we are a truly people business. This means that our employees must be caring, thoughtful and truly engaged with our customers. Their continued care and commitment is the bedrock on which this Group and its culture are based, something that has been described as 'The Dignity Way'.

Managers across the business also have a major responsibility during this time of change to keep close to their teams, to encourage and to lead by example. The same is true of the Board. We have a duty to make the best decisions we can but also to make sure that we communicate well and lead by example.

CMA investigation into the funeral industry

Introduction and overview

A lot has happened since we announced a reduction to our pricing in January 2018. The CMA is the UK's competition authority. It is an independent, non-ministerial government department with responsibility for carrying out investigations into mergers, markets and the regulated industries and enforcing competition and consumer law. In June 2018 it announced a market study into the funeral industry 'to review how well the market works and whether consumers are getting a good deal.'

In November 2018 it published its interim report and consultation, part of which proposed that an 18-month market investigation should be conducted by the CMA to consider how the market could be made to work better.

As a leading player in the funeral industry and a long-standing campaigner for its regulation, Dignity welcomed the CMA's interest in the funeral industry and made two public statements in response. The first, in November 2018 was an immediate response on the day of the release of the CMA's interim report. The second, in January 2019, was in response to an invitation by the CMA for views from interested parties on the issues raised in its report. Details of these responses can be found in last year's Annual Report or on the Group's website.

Update and Dignity's response

Since then, in March 2019, the CMA confirmed its widely anticipated market investigation into the funeral and crematoria markets. Dignity welcomed the investigation and is cooperating fully with the CMA. In particular, it has established a strong working group of internal and external resource and will seek to focus on these key areas:

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

1/ Dignity has received and is responding to several working papers on the qualitative aspects of funeral and crematoria provision. Dignity believes that improving the qualitative aspects of the funeral industry is an important part of delivering customer value.

2/ Further, Dignity has received and is responding to a number of working papers relating to regulation remedies and increased price transparency of the funeral market. Dignity has repeatedly called for regulation of the funeral sector and will continue to work with the CMA to assist in the development of an appropriate regulatory standard.

3/ Dignity continues to highlight the capital intensive nature of building new crematoria and continues to work with the CMA in its analysis of this area.

Where we are now

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.



Next steps and timeline

The CMA has published a number of working papers as it gathers and analyses evidence. Dignity is responding to these papers where appropriate. The papers are expected to form the basis of the Provisional Decision Report which is due to be released in April or May 2020. A period of consultation will follow, culminating in the release of the Final Report, which – according to the CMA's current published timetable – must be issued by 27 September 2020. The CMA may propose remedies or regulation to improve how the market works for consumers.

The CMA can seek an extension of six months to this timeline, if they consider it necessary.

HM Treasury – Opinion on statutory regulation of pre-arranged funerals through the Financial Conduct Authority

In June 2019, HM Treasury announced its opinion that it would be appropriate to introduce statutory regulation of pre-arranged 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 opinion from HM Treasury as, for a long time, it has led the industry in best practice and called for regulation of the pre-arranged funeral sector to protect consumers.

The Group continues to anticipate regulation of pre-arranged funerals in approximately two years and is preparing accordingly.

“The Group welcomes this opinion from HM Treasury as, for a long time, it has led the industry in best practice and called for regulation of the pre-arranged funeral sector to protect consumers.”

“We hope that through its investigation, 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.”

Chief Executive's review *continued*

The funeral market is significantly changing

Market context

The UK funeral market

The UK funeral market is getting more dynamic. The internet continues to change everything, and consumer behaviour is evolving rapidly. The death rate has slowly decreased while the number of funeral directors has increased rapidly. There are around 30 per cent fewer deaths per funeral director in the UK compared to 25 years ago.

Scale and structure of the market

The funeral director market remains very fragmented, with approximately two thirds of funeral directors being small owner managed businesses. There are approximately 300 crematoria in the UK, with circa 64 per cent owned by local authorities. It is estimated that three quarters of all funerals result in a cremation with the remainder being burials.

Changes in the competitive dynamics of the sector

The funeral market is already extremely competitive, however, more can be done to improve the ability of customers to exercise the choice that exists, especially through greater pricing transparency. In addition we have a growing and ageing population. In short, the changing way in which people are choosing to arrange a funeral and what they value drives how we evolve and modernise our services to support them better and meet their priorities and expectations.

Deaths in Great Britain

In 2019 the initial publication of recorded total estimated deaths in Britain for 52 weeks was 584,000, two and a half percent lower than the 52 weeks in 2018. Some of the Group's key performance indicators rely on the total number of estimated deaths for each period and this information is obtained from the Office for National Statistics (ONS). Although annual deaths

have declined significantly since the early 1990s from 640,000 to a low of 539,000 in 2011, the last five years have seen deaths above that level. The ONS expects long-term increases in the number of deaths. These estimates were updated by ONS in October 2019, increasing expectations by approximately 20,000 per year. They anticipate approximately 600,000 deaths in 2020, increasing to approximately 740,000 in 2040.

A Changing Funeral Market

Updated data from ONS

Latest ONS expectations increase the anticipated number of deaths from 2020 onwards.

Increasing competition

The UK market is already very competitive and increasingly dynamic. The number of funeral directors has increased rapidly, the internet continues to change everything and consumer behaviour is evolving quickly.

78%

The proportion of funerals involving a cremation has grown in the past 60 years, from 35 per cent in 1960 to 78 per cent in 2019.

Source: Cremation Society Statistics

Increase

In low-cost and alternative funeral arrangements.

Changing Expectations



• Regulation & Standards



• Connecting Digitally



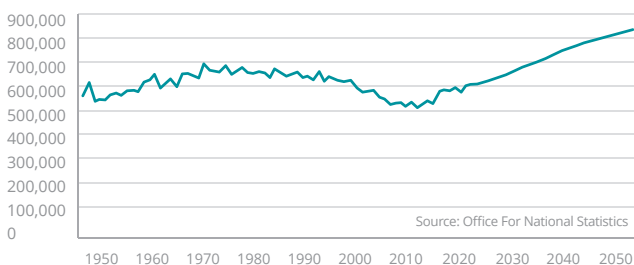
• Flexibility & Choice



• Price & Affordability

Deaths in Great Britain

Long-term expectations are for the number of deaths to reach 740,000 by 2040.



We are progressing our Transformation Plan

Our Transformation Journey – where we are now

Good progress has been made in understanding the changing relationship between prices and our market share. This has been supported by tremendous work to develop our online presence and new customer literature. Alongside this, successful tests of new ways of working and positive responses to our new branding, provide a good position to progress further changes.

Strategic priorities and areas of focus

We have to be mindful of our priorities given the outcome of the CMA investigation is unknown. That said, our priorities are:

- understanding the most appropriate price and service offer for the future;
- continuing to roll out new ways of working supported by appropriate technology; and
- continuing to build a leading digital presence.

Components of the Transformation Plan

1/ Modernise the client proposition

- Implement more client-centric service model.
- Launch new product and pricing structure.
- Build national brands (Dignity and Simplicity Cremations).

2/ Invest in and simplify the operating model

- Separate front and back of house.
- Right-sized branch network.
- Scale operating networks.

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

- Simplified, focused management structure.
- Invest in support capabilities and IT systems.

The progression of our Transformation Plan



Financial implications

We continue to anticipate a net investment of £33 million to deliver £8 million of annualised savings in the near term, increasing to £13 million over time. As detailed earlier, this will take a little longer to realise.



Chief Executive's review continued

We are progressing our Transformation Plan continued

1/ 2/ 3/

Modernise the client proposition

Our initiatives cover four core areas:

- Implementing new technologies to support the arrangement process.
- Trialling of different service propositions.
- Continued marketing and development of the Simplicity Cremations brand and proposition.
- Build a national Dignity brand.



New advertising campaigns for Simplicity Cremations launched

2019 saw further trials of Simplicity campaigns and their success is encouraging. At-need Simplicity volumes have increased 117 per cent year-on-year in aggregate.



WHY SIMPLICITY CREMATIONS

We're changing the way funerals are arranged

We offer families greater choice and flexibility in how they remember their loved ones – whilst we focus on providing the essential care and practical elements of the cremation.



Pilot networks

We are trialling and testing response to new technologies and different service propositions

The Group continues to trial various propositions at different price points. At its core is a move away from a packaged service offering to an unbundled approach, where customers can personalise their own requirements.



Initial launch and testing response to our new Dignity brand

In 2019, we began to introduce new signage on our locations, supported by new marketing literature using the new brand identity.



1/ 2/ 3/

Invest in and simplify the operating model

Our initiatives cover three core areas:

- Separation of front of house and back of house activities.
- Focus on operational efficiency through the use of technology.
- Right size the operational network.



Front of house

We are trialling mobile technology for client facing arrangers

We have launched trials of new ways of working and operational management in three pilot networks and we are mobilising our funeral managers to enable them to respond more proactively to clients' needs.

Back of house

New resource management tool

A new resource management tool is in place. This initial version provides the basic functionality to manage staff and vehicle resources more efficiently. It will be enhanced over time with greater functionality.



Increasing our focus on client service and community engagement

By providing staff with roles focusing on their strengths either in the front or back of house, those tasked with arranging funerals can spend more time focusing on client service and getting involved in their local communities.



Chief Executive's review continued

We are progressing our Transformation Plan continued

1/ 2/ 3/

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

Our initiatives cover four core areas:

- Introduction of consistent management roles.
- Use of technology to enhance customer service and improve operational efficiency.
- Evolving operational and business reporting for the new ways of working and changing competitive environment.
- Implementation of a modern source-to-pay solution to support efficient procurement.



Modern telephone system implemented in our Client Service Centre

A new telephone system has been implemented at our Client Service Centre in Sutton Coldfield to help enhance our business resilience and to use the latest technology to improve the way we interact with our clients.

We have an IT strategy in place to support change

Technology is central to our transformation plans and selecting appropriate solutions for each task is critical to their success.

Modern source-to-pay solution for procurement activities

This system will give staff a more efficient way of ordering items they need and to process the purchase efficiently. It will also help to ensure we can realise synergies from our size by ensuring the correct suppliers are used.



Tablet-based arrangement software

The pilot networks are trialling a new tablet-based software to help the client understand the funeral arrangements they are making.



We are transforming through continued collaboration

Our people and culture matter during and beyond Transformation

A strong culture and shared values across our business

Everyone at Dignity recognises the important part they play in helping clients at one of the most difficult times in their lives. The transformation is about enhancing the service we provide. It is not about compromising on standards. To achieve this, it is vital that our staff understand our plans at the appropriate times; receive the correct training to perform their roles to the best of their ability; and receive constructive feedback on how they have performed.

It is inevitably an uncertain time for staff. Sadly, a small number of people did choose to take redundancy as part of the implementation of our pilot networks. However, others also saw their roles changed for the better, received promotions and are now enjoying new challenges in the business.



We are a caring business

What we are here to do:

To help people at one of the most difficult times in their lives.

How we do this:

By helping to create unique and personal funerals, done with care, compassion, respect, knowledge and professionalism.

What we want to be:

The company that everyone knows they can trust in their time of need.

What we stand for

- It's the promise we make to our customers;
- It's the purpose we have as a business, why we exist;
- It's the values we stand for that guide our behaviour;
- It's the quality of the products we sell and services we deliver;
- It's the expectations of our customer service standards;
- It's the experiences we create;
- It's the way we communicate;
- It's the way we work with suppliers;
- It's the way we treat the environment; and
- It's the way we treat each other.

From Good to Great

Good to Great is how we describe our Transformation Plan internally. We do a good job (and actually provide excellent client service), but we can do better: we can provide an even better service; we can enhance our facilities where needed; we can avoid some of the small things that sometimes go wrong by paying even greater attention to detail.

Putting this all together, we can go from Good to Great.

"During and after this change we will continue to be a caring business with core values built around quality, providing excellent customer service and high standards of care."

Chief Executive's review continued

Leading the way in increasing choice for consumers



“Reflecting a changing society”

Playing a leading role in the funeral industry

A research report by Trajectory and Simplicity Cremations

As one of the leading funeral services providers in the UK, we are committed to increasing choice for consumers and ensuring there is a wide range of options available to them at different price points.

Our study, **'Low-cost and alternative funeral solutions'**, adds to the range of research we have undertaken in recent years, with the intention of creating a robust evidence base grounded in consumer insight that allows us to better understand what people want and need from the funeral sector.

The report comes at a time when policymakers are considering their approach to the funeral industry. The CMA is expected to publish its recommendations for the funeral market later this year, the Department for Work and Pensions (DWP) is currently exploring options for improving the Social Fund Funeral Expenses Payment, and the Scottish Government is undertaking significant work on funeral costs and standards. The recent decision by DWP to increase the value of the Social Fund Funeral Expenses Payment reflects the willingness of policymakers to act in this area, and the wider collaboration of agents operating in the funeral market whether parliamentarians, funeral directors, crematoria, faith groups, celebrants and importantly consumer groups.

We hope that this research will prove useful as policymakers consider the changes currently taking place in the sector, and the policy changes that are required to ensure consumers get the best possible outcomes. At the same time we will continue to facilitate and encourage greater collaboration across the industry and with others who have an interest in the sector.

Our report considers consumer awareness of, and attitudes towards, a range of low-cost and alternative funeral solutions, including direct cremation, natural burial, DIY funerals, state support and even donating to medical science. Findings highlight the discomfort some people feel in selecting low-cost and alternative funerals. Many hold back due to a lack of awareness, explicit instruction or because they feel judged if they deviate from a traditional funeral and go against perceived societal and cultural norms.

In our conclusion we set out a series of recommendations directed at both policymakers and the industry for how we believe less traditional solutions can be normalised, creating an environment where people can freely select the funeral they and their loved ones want.

In most cases a traditional funeral probably will remain the option that most closely fits a person's needs, but it should not be their only option. There is no one reason why consumers may want to explore low-cost or alternative options: for some it is about need, others what they want, and finally for others what they can afford. Whatever the reason, people should have a choice.

At Dignity we have led the way in increasing choice for consumers. We were the first funeral director to offer a national direct cremation service and have built on this by developing our Simplicity Cremations brand which offers a range of lower cost and alternative funeral services.

But we also recognise that some consumers who choose a more traditional funeral will also need help with funeral costs. That is why we have been working closely with both the DWP and the Scottish Government to ensure the state benefit system works for those arranging a funeral. We have offered to look at aligning our processes where possible to make the application process smoother and have reduced our prices significantly with more to come.



“We will continue to facilitate and encourage greater collaboration across the industry and with others who have an interest in the sector.”

Strategy and business model

Evolving our strategy to create and deliver sustainable value

2018 marked the start of a new strategy for the Group in response to a quickly changing competitive landscape and this approach was maintained in 2019.

Our strategic objectives

Protect market share and reposition the Group for growth

Our key strategic objective and priority continues to be to protect market share and reposition the Group for growth.

How:

- By offering a wide choice of new price points and services to our clients while preserving our unrivalled levels of service.
- By continuing to prioritise excellent client service regardless of market segment which we believe will lead to organic growth.
- Our Transformation Plan will result in our funeral operations being organised to run more efficiently and effectively.

Establish new market positioning

We establish ourselves as the best value service provider in the market.

How:

- By combining our unrivalled service levels based on historic, long-term investment, with a new, competitively priced range of service and product options for clients.
- Through our comprehensive digital strategy be the leading online presence in the funeral sector.
- Build our brands to stand out in an increasingly commoditised and competitive market.

Re-base the business model and market expectations

Find the optimum relationship between price, service and demand for our funeral business going forward.

How:

- By continuing to gauge market response to various pricing and service scenarios while maintaining our high levels of professional service and care.
- Segmented approach to the market, borne out by the developments of the Simplicity Cremations business.

Our overall strategic approach

Our strategic objectives and the means of delivering them are based on the following four key elements:

1/ Continue to build on the strong fundamentals of the business and use these as a platform for change

These strengths, which derive from our well-established and highly regarded local businesses, our proven ability to deliver exceptional service and strong corporate governance, allows us to remain robust and flexible in the face of change.

2/ Be more distinctive in the marketplace

Define clear market positions and build on our positive reputation, and business, by delivering a high-quality and value-for-money service.

3/ Embrace technology in developing and delivering our services for customers

Efficient use of appropriate technology will help to create significant improvements in how the Group operates, understands its business and delivers outstanding service to its clients.

4/ Continue to be a good corporate citizen

Corporate responsibility is integral to our business as it supports the delivery of our strategy and aligns with our values.

Strategy and business model continued

How we operate

Operating profitably and efficiently:

- Our consistent track record in strong cash generation and financial discipline enables us to reinvest and grow the business. We generate revenues from new and returning customers. This discipline means that we expect to fund the Transformation Plan from existing resources.

Controlling and measuring performance:

- We do this by making well informed decisions, supported by careful risk management and good governance.

Operating responsibly:

- We do this through embedded policies and robust initiatives, appropriate to the distinct needs of our stakeholders, alongside reducing our impact on the environment and making a positive social impact.

Maintaining performance across our operations:

- We strive to provide our clients with the highest standards of facilities, service and care. We achieve this by our commitment to continuous improvement and investment in our portfolio and consistently delivering excellent client service.

Building strong relationships:

- Our clients are the foundation of our business and their trust is earned through our actions both individually and as a Group.
- Our people are our most important asset and we value and invest in them as they are integral to the delivery of our strategic objectives.
- For shareholders, our priority is to reposition the Group for long-term success.
- We play an important part in, and are valued by, the local communities we serve and we are committed to making a difference.

Creating and delivering value



Our clients

- Our objective is to be the company that everyone knows they can trust in their time of need. We achieve this through continuous improvement and delivering products and services to our clients.



Our people

- We believe that the quality of our people is a strong enabler of business growth. We value our people and they are a great asset. We support them by recognising and rewarding performance and long service plays a key part in this.



Our shareholders

- We aim to deliver the best possible operational performance from the business to deliver maximum returns to our shareholders over the long-term.



Communities

- Contributing to the communities in which we operate benefits both local people and our business. It enhances our profile and reputation and promotes employee engagement.

Governance

Our approach to good governance continues to be robust and effective. Clear Board roles and governance processes offer balance and experience to our strong executive team, helping drive strategic and performance progress.

Risk

Dignity has a well-established risk management process which is embedded within its business to support the identification and effective management of risks across the business.

KPIs

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

Remuneration

Our strategy is focused on delivering short and long-term financial performance. Earnings targets, share price return and the achievement of strategic objectives are measures of performance used to incentivise Executive Directors to deliver the Group's strategy.

Key performance indicators

Measuring our performance

The link between our strategy and our KPIs

Historical KPIs remain relevant

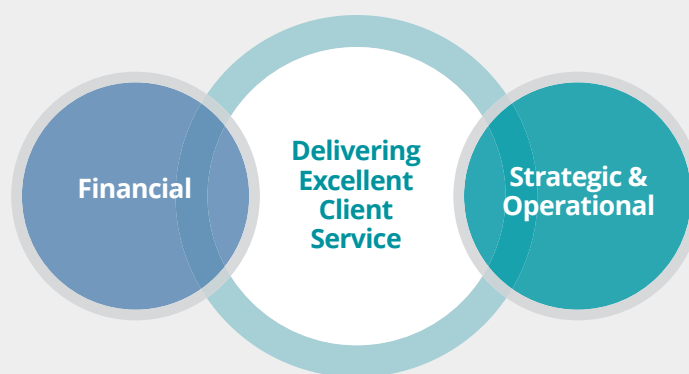
The Group has had a consistent set of KPIs used to monitor the performance of the business against its strategy for many years. These KPIs have continued to remain relevant during the changes in the last year. Financial KPIs are measured by reference to underlying operating performance and are therefore unaffected by the accounting policy changes made in the period.

How we measure performance

- We monitor our performance by measuring and tracking KPIs that we believe are important to our longer-term success.
- Each KPI reflects a quantifiable measure of different aspects of the Group's strategy. They act as headlines for the Board, allowing them to use more detailed management information to consider the Group's strategy and financial performance in greater depth where appropriate.
- Our KPIs and goals are set to measure our progress in improving our financial performance and in embedding sustainable long-term growth.

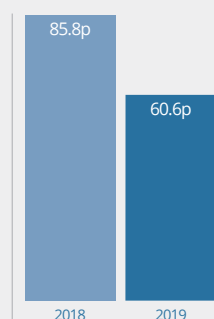
Our KPIs are aligned with our strategic objectives

All KPIs are focused on ensuring that the Group delivers the strategy set at the beginning of 2018. No particular KPI is solely relevant to one aspect of the Group's strategy.



Financial KPIs

Underlying earnings per share (pence) **60.6p**

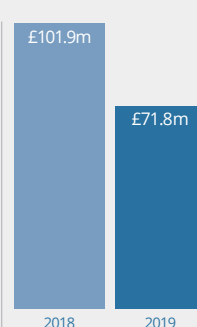


Definition

This is underlying profit after tax divided by the weighted average number of Ordinary Shares in issue in the period.

Developments in 2019
The reduction follows the decrease in underlying operating profit.

Underlying cash generated from operations (£m) **£71.8m**

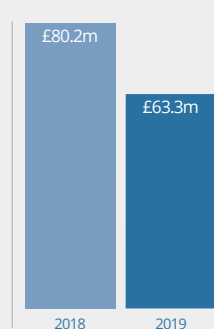


Definition

This is the statutory cash generated from operations excluding non-underlying items and the impact of the change in pre-need trust accounting and IFRS 15.

Developments in 2019
The Group continues to convert operating profit into cash efficiently, subject to timing differences and cash incurred in respect of commission payments.

Underlying operating profit (£m) **£63.3m**

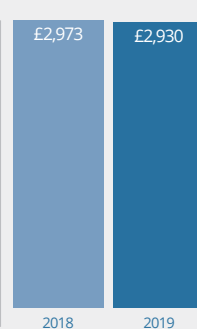


Definition

This is the statutory operating profit of the Group excluding non-underlying items and the impact of the change in pre-need trust accounting and IFRS 15.

Developments in 2019
Underlying operating profit declined year-on-year, primarily driven by lower deaths, lower average incomes and ongoing cost inflation.

Average income per funeral (£) **£2,930**



Definition

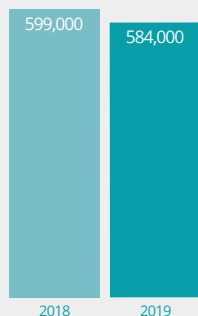
Net underlying funeral revenue divided by the number of funerals performed in the relevant period.

Developments in 2019
This reduction year-on-year is consistent with the Group's strategic price changes.

Key performance indicators continued

Non-financial KPIs

Total estimated number of deaths in Britain (number) **584,000**

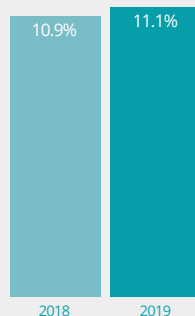
**Definition**

This is as reported by the Office for National Statistics.

Developments in 2019

Deaths were lower than originally anticipated at the beginning of the year.

Crematoria market share (per cent) **11.1%**

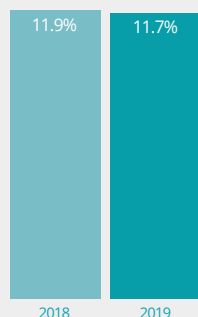
**Definition**

This is the number of cremations performed by the Group divided by the total estimated number of deaths in Britain.

Developments in 2019

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.

Funeral market share excluding Northern Ireland (per cent) **11.7%**

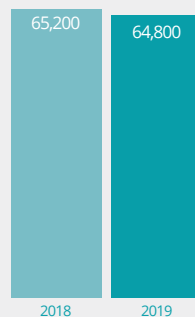
**Definition**

This is the number of funerals performed by the Group in Britain divided by the total estimated number of deaths in Britain.

Developments in 2019

Whilst market share is lower than 2018, it continues to show a positive response from changes in proposition and pricing.

Number of cremations performed (number) **64,800**

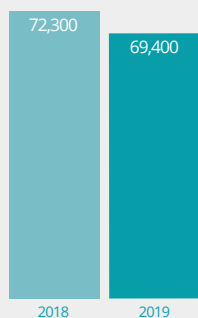
**Definition**

This is the number of cremations performed according to our operational data.

Developments in 2019

Changes are a consequence of the total number of deaths and the Group's market share.

Number of funerals performed (number) **69,400**

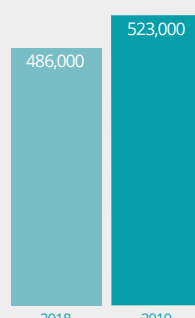
**Definition**

This is the number of funerals performed by the Group according to our operational data.

Developments in 2019

Changes are a consequence of the total number of deaths and the Group's market share.

Active pre-arranged funeral plans (number) **523,000**

**Definition**

This is the number of pre-arranged funeral plans where the Group has an obligation to provide a funeral in the future.

Developments in 2019

This increase reflects continued sales activity offset by the crystallisation of plans sold in previous periods.

Key performance indicators continued

Our objective is to lead the funeral industry in professional standards and services. Our priorities and our success are determined by our impact on our clients.



Non-financial KPIs continued

Delivering excellent client service

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.

Customer perception on quality and value-for-money

Although many things are changing within the industry, it is still the case that reputation, recommendation and previous experience are key to protecting our market share. To achieve this, we need to ensure our clients perceive us positively and consider us to provide value-for-money, irrespective of the type of service we have performed for them. Our survey data helps us understand this.

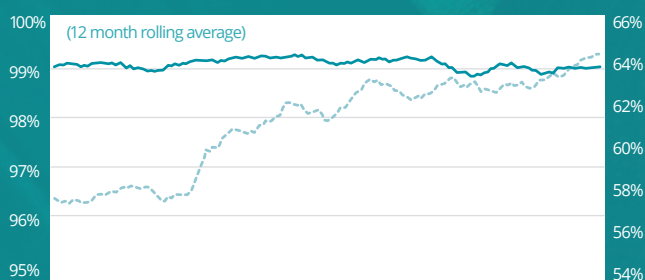
Broader client choice

Clients' needs are changing: not everyone wants a traditional funeral; some may want more personalised choices as part of a traditional funeral service. Dignity already provides these choices and uses the survey data to understand how clients have responded to that choice. Alongside this information, meaningful information on website and telephone activity is analysed to refine the choices we provide.

Brands and customer experience

Awareness of our brands and a positive customer experience will help protect and ultimately grow market share. Our surveys provide some information and we support this through broader activities to understand how aware people are of our brands.

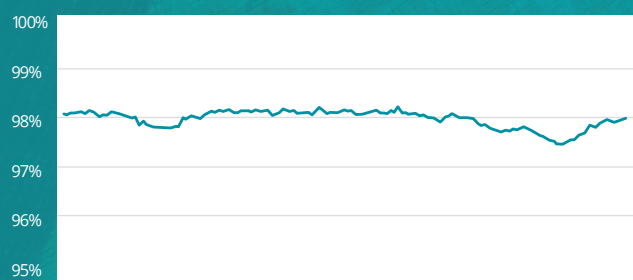
Meeting and exceeding expectations (% of clients)



Met and exceeded expectations (left hand axis)

Exceeded expectations (right hand axis)

Recommending our services (% of clients)



Percentage of clients willing to recommend Dignity's services

Key performance indicators continued

Alongside the expansion of our digital offerings, we continue to provide a greater choice for consumers and our focus on high standards and excellent client service remains central to our plans for the future.

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

99.2% (2018: 98.9%)

99.2 per cent of respondents said that we met or exceeded their expectations.

98.0% (2018: 97.7%)

98.0 per cent of respondents would recommend us.

High standards of facilities and fleet

99.8% (2018: 99.8%)

99.8 per cent thought our premises were clean and tidy.

99.7% (2018: 99.7%)

99.7 per cent thought our vehicles were clean and comfortable.

Quality of service and care

99.9% (2018: 99.9%)

99.9 per cent thought our staff were respectful.

99.7% (2018: 99.6%)

99.7 per cent thought our staff listened to their needs and wishes.

99.1% (2018: 99.1%)

99.1 per cent agreed that our staff were compassionate and caring.

In the detail

99.2% (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% (2018: 99.1%)

99.0 per cent said that the funeral service took place on time.

98.3% (2018: 98.4%)

98.3 per cent said that the final invoice matched the estimate provided.

Financial review

We have delivered a resilient performance in line with expectations



Steve Whittern, Finance Director

"Our performance in 2019 was resilient and in line with market expectations. However, underlying operating profit decreased by 21 per cent to £63.3 million and average income per funeral reduced from £2,973 to £2,930 reflecting the impact of a changing competitive landscape.

Against this, our funeral market share showed a positive response to changes in our market proposition compared to 2016 and 2017 (which saw significant funeral market share reductions), there was a strong market share performance by our crematoria business and our Transformation Plan progressed as planned with key branch pilots underway. Strong cash generation will enable us to continue to invest in our business in line with our strategic objectives.

The fundamentals of our business remain compelling and strong and we have continued our relentless commitment to quality, value-for-money and service levels."

Introduction

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

In 2019, the Group has adopted IFRS 15 and has also changed its accounting policy in respect of its two principal pre-need trusts being the Trust for Age UK Plans ('Age UK') and the National Funeral Trust ('NFT'), together the 'Trusts'. For accounting purposes, the Trusts are now considered to be controlled by the Group and are incorporated in the Group's consolidated financial statements. The Trading Group refers to Dignity and its subsidiaries, excluding the Trusts. Further details can be found in the Group's accounting policy disclosures.

The Board believes that whilst statutory reporting measures provide financial performance of the Group under GAAP, alternative performance measures are necessary to enable users of the financial statements to fully understand the trading performance and financial position of the business.

The alternative performance measures provided are aligned with those used in the day-to-day management of the business and allow for greater comparability across periods.

For this reason, the alternative performance measures provided exclude the impact of consolidating the Trusts and the changes which relate to the adoption of IFRS 15, both of which are considered to mask the underlying trading performance of the Group, as well as non-underlying items comprising certain non-recurring and non-trading transactions.

Financial highlights

The Group's financial performance is summarised below:

	52 week period ended 27 Dec 2019	52 week period ended 28 Dec 2018 restated	Decrease %
Underlying revenue ^(a) (£million)	301.3	315.6	5
Underlying operating profit ^(a) (£million)	63.3	80.2	21
Underlying profit before tax ^(a) (£million)	37.7	54.4	31
Underlying earnings per share ^(a) (pence)	60.6	85.8	29
Underlying cash generated from operations ^(a) (£million)	71.8	101.9	30
Revenue (£million)	338.9	353.7	4
Operating profit (£million)	44.8	75.9	41
Profit/(loss) before tax (£million)	44.1	(18.0)	
Basic earnings/(loss) per share (pence)	69.8	(34.0)	
Cash generated from operations (£million)	64.6	104.2	38
Dividends paid in the period:			
Interim dividend (pence)	-	8.64	n/a
Final dividend (pence)	15.74	15.74	-

^(a) Further details of alternative performance measures can be found on pages 42 and 43.

Underlying revenue
£301.3m
(2018: £315.6m)

Underlying cash generated from operations
£71.8m
(2018: £101.9m)

Underlying operating profit
£63.3m
(2018: £80.2m)

Transformation Plan costs
£12.1m
(2018: £2.7m)

Financial review continued

As announced in the Group's 2019 interim results, 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.

Alternative performance measures

The Group's alternative performance measures exclude non-underlying items. These items have been adjusted for in determining underlying measures of profitability as these underlying measures are those used in the day-to-day management of the business and allow for greater comparability across periods.

In particular, as the Group's change of accounting policy in respect of the Trusts has not impacted the way it operates or considers the economics of this operating activity, underlying measures have not had to be restated as a consequence of the accounting policy change.

Detailed information on non-underlying items is set out on page 167 of the Annual Report 2019, and a reconciliation of statutory revenue to underlying revenue is detailed in note 3.

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

	52 week period ended 27 Dec 2019 £m	52 week period ended 28 Dec 2018 restated £m
Operating profit for the period as reported	44.8	75.9
Add the effects of:		
Transformation Plan costs	12.1	2.7
(Profit)/loss on sale of fixed assets	(1.0)	0.3
External transaction costs in respect of completed and aborted transactions	0.9	0.8
Acquisition related amortisation	4.8	4.9
Operating and competition review costs	3.5	2.7
GMP past service cost	-	1.4
Trade name impairment/write-off	6.8	1.1
Impact of Trust consolidation and IFRS 15	(8.6)	(9.6)
Underlying operating profit^(a)	63.3	80.2
Underlying net finance costs	(25.6)	(25.8)
Underlying profit before tax^(a)	37.7	54.4
Tax charge on underlying profit before tax	(7.4)	(11.5)
Underlying profit after tax^(a)	30.3	42.9
Weighted average number of Ordinary Shares in issue during the period (million)	50.0	50.0
Underlying EPS (pence) ^(a)	60.6	85.8
Decrease in underlying EPS (per cent)	29	33

^(a) Further details of alternative performance measures can be found on pages 42 and 43.

Earnings per share

The Group's statutory profit after tax was £34.9 million (2018: Loss of £17.0 million). Basic earnings per share were 69.8 pence per share (2018: Loss of 34.0 pence per share). Underlying profit after tax was £30.3 million (2018: £42.9 million), giving underlying earnings per share of 60.6 pence per share (2018: 85.8 pence per share), a reduction of 29 per cent.

Transformation Plan

Costs incurred in 2019

The Group continued to invest significantly in 2019 to support the Transformation Plan. Costs incurred to date are summarised as follows:

	Total £m	2019 £m	2018 £m
External advisers' fees	1.7	0.6	1.1
Brand development and marketing costs	5.4	4.3	1.1
Costs of additional staff to support the Transformation	5.2	4.7	0.5
Dilapidation costs	0.5	0.5	-
Irrecoverable VAT	1.6	1.6	-
Other	0.4	0.4	-
Total costs incurred	14.8	12.1	2.7

The overall cost and benefit of the Transformation Plan

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

Costs

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

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

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

Benefits

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

	Short-term (2022) £m	Long-term (2028) £m
Branch and service delivery network	7	12
Streamlined management and administration	5	5
Investments in central support and IT	(4)	(4)
	8	13

Financial review continued

Other items excluded from underlying operating profit

Profit on sale of fixed assets

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

External transaction costs

External transaction costs primarily reflect amounts paid to external parties for legal, tax and other advice in respect of the Group's acquisitions and unsuccessful crematoria planning developments.

Amortisation of acquisition related intangibles

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

Operating and competition review costs

The Group has incurred costs with external advisers to support the Group's response to the CMA's funeral market study and HM Treasury's consultation on the funeral plan sector. Costs were also incurred in 2018 with external advisers to support its operational review.

GMP past service cost

In 2018, the Group was required to recognise an estimate of the impact of the implementation of Guaranteed Minimum Pension ('GMP') equalisation.

Trade name impairment

In 2019, the Group assessed the carrying value of its trade names. In light of the lower level of profitability and lower anticipated average income per funeral, an impairment of £6.8 million has been recognised.

Trade name write-off

During 2018, the Group closed the last location trading under a particular trading name. As this trading name had specific intangible assets related to it, they were required to be written-off.

Pre-need accounting policy/IFRS 15

As described elsewhere in this report, the Group changed its accounting policy in respect of the Trusts and in respect of IFRS 15. This adjustment reverses the impact of these policy changes in order to maintain underlying performance measures with those used in the day-to-day management of the business.

Capital expenditure

Capital expenditure on property, plant and equipment and intangible assets was £18.3 million (2018: £25.0 million).

	27 Dec 2019 £m	28 Dec 2018 £m
This is analysed as:		
Maintenance capital expenditure:		
Funeral services	5.4	10.4
Crematoria	3.3	4.5
Other	1.1	1.2
Total maintenance capital expenditure ^(a)	9.8	16.1
Branch relocations	1.1	0.8
Transformation capital expenditure	1.7	–
Satellite locations	0.3	1.4
Development of new crematoria and cemeteries	5.4	6.7
Total property, plant and equipment	18.3	25.0
Partly funded by:		
Disposal proceeds – vehicles	(0.2)	(0.4)
Disposal proceeds – properties ^(b)	(1.9)	–
Net capital expenditure	16.2	24.6

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

^(b) Property disposals are the result of the Transformation Plan.

The Group will continue to invest in the maintenance of its existing portfolio of vehicles and funeral and crematoria locations. The Group's Transformation Plan will capture the majority of planned capital expenditure on its funeral business.

Impairment of investment in associated undertaking

The Group has previously invested in Funeral Zone Limited ('Funeral Zone'). In October 2019, Funeral Zone filed statutory accounts recognising the inherent going concern risks it faced. The Group has reviewed and assessed the performance outlook of Funeral Zone and concluded that its investment is fully impaired.

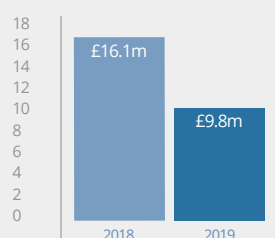
Cash flow and cash balances for the Trading Group

Underlying cash generated from operations was £71.8 million (2018: £101.9 million).

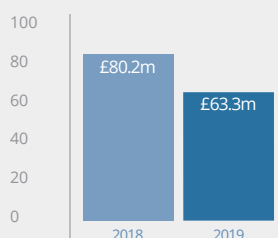
Other working capital changes were consistent with the Group's experience of converting profits into cash, subject to timing differences and cash incurred in respect of commission payments.

Cash balances at the end of the period were £57.9 million (2018: £66.9 million). Further details and analysis of the Group's cash balances are included in note 16 to the consolidated financial statements.

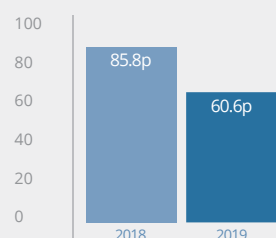
Maintenance capital expenditure (£m)



Underlying operating profit (£m)



Underlying earnings per share (pence)



Financial review continued

Pensions

The balance sheet shows a deficit of £26.0 million before deferred tax (2018: deficit of £25.2 million). The scheme currently represents an annual cash obligation of £2.2 million. However, the scheme is due its next triennial valuation as at April 2020, the outcome of which will determine future annual cash obligations, most likely from 2021 onwards.

Taxation

The Group's effective tax rate on underlying profits in the period was 19.5 per cent (2018: 21.2 per cent).

The current period underlying effective tax rate is lower than originally anticipated due to the effects of prior year items with a tax impact totalling £0.5 million.

In 2020, the Group expects its underlying effective tax rate to be approximately one and a half to two per cent above the headline rate of corporation tax. This translates to an underlying effective rate of between 19.0 per cent and 19.5 per cent.

Capital structure and financing for the Trading Group

Secured Notes

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

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

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

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

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

Financial Covenant

The Group's primary financial covenant under the Secured Notes requires EBITDA to total debt service to be above 1.5 times. The ratio at 27 December 2019 was 2.13 times (2018: 2.55 times). This covenant calculation uses a prescribed definition of EBITDA detailed in the loan documentation and only represents the profit of a sub group of the Group which is party to the loans (the 'securitisation group'). Furthermore, the calculations are unaffected by the changes in accounting policy described elsewhere, as the Group was able to elect to disregard those changes when making the calculations.

EBITDA for this calculation can be reconciled to the Group's statutory operating profit as follows:

	27 Dec 2019 £m
EBITDA per covenant calculation – Securitisation Group	72.3
Add: EBITDA of entities outside Securitisation Group	11.6
Add: Non cash items ^(a)	(1.3)
Underlying operating profit before depreciation and amortisation – Group	82.6
Underlying depreciation and amortisation	(19.3)
Non-underlying items	(27.1)
Impact of Trust consolidation and IFRS 15	8.6
Operating profit	44.8

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

Revolving Credit Facility

The Group has the benefit of a £50 million Revolving Credit Facility ('RCF'), provided by the Royal Bank of Scotland, which is secured against certain trade and assets held by legal entities outside of the Group's securitisation structure. The RCF can be drawn down subject to a set of financial tests applied to these legal entities.

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

This provides the Group ongoing flexibility in a cost effective manner, as if undrawn, the facility represents an annual cost of approximately £0.3 million. Given the Group's healthy cash balances, the RCF is undrawn at the time of the release of this announcement and was not drawn at any point in the year.

Net debt

The Group had net debt of £506.2 million (2018: £506.8 million) at the balance sheet date. See note 26 for further details.

Whilst the Group has no plans to do so, should it wish to repay all amounts due under the Secured Notes, the cost to do so at the year end would have been approximately £791.9 million, (Class A Notes: £231.4 million; Class B Notes: £560.5 million).

Net finance costs

The Group's underlying finance costs substantially consist of the interest on the Secured Notes and ancillary instruments. The net finance cost in the period relating to these instruments was £24.4 million (2018: £24.8 million).

Other ongoing underlying finance costs incurred in the period amounted to £1.4 million (2018: £1.2 million), including the unwinding of discounts on the Group's provisions and other financial liabilities.

Interest receivable on bank deposits was £0.2 million (2018: £0.2 million).

Financial review continued

Maintaining highest standards of client service

New low-cost model and competitive pricing associated with quality

Strong cash generation supporting investment

A future-ready proposition

Positioning Dignity for long-term sustainable growth

Shareholders' deficit

Consolidating the Trusts and adopting IFRS 15, has a significant impact on our reported results. The recognition of contract liabilities (the majority of which are expected to fall due after one year) in excess of the Trusts' financial assets has caused the Group's balance sheet to show an overall deficit in shareholders' funds.

This deficit, which only arises on consolidation, has no impact on the Group's future ability to pay dividends to shareholders, which relies on the reserves in the Company and not the Group.

Trust balances

At the balance sheet date, the Trusts had £947.5 million (2018: £862.4 million) of financial assets and £15.5 million (2018: £13.8 million) of cash, which was recognised in the consolidated balance sheet. The movement in financial assets is primarily attributable to remeasurement gains recognised in the consolidated income statement of £79.5 million (2018: loss of £24.0 million), reflecting changes in asset values and net purchases of financial assets of £9.5 million (2018: £20.7 million).

Aggregated contract liabilities totalled £1,304.6 million (2018: £1,256.1 million) with the primary movements being sales of new plans of £91.2 million (2018: £92.7 million), increases due to significant financing of £54.1 million (2018: £53.3 million) and releases due to death or cancellation totalling £96.8 million (2018: £95.5 million).

Accounting policy changes

As described elsewhere, the Group has changed its accounting policy in respect of the Trusts. As a consequence, the Group has also decided not to apply IFRS 15 on a modified retrospective approach, but rather to apply it fully retrospectively. The impact of these changes are detailed in note 35 in the Annual Report 2019.

The impact of IFRS 16 – Leases

As the Group's balance sheet date is the nearest Friday to 31 December, it is not required to and will not adopt IFRS 16 until its 2020 results. In broad terms, this standard requires the Group to recognise an asset and liability on its balance sheet for operating leases that are currently held off balance sheet. As approximately half of the Group's funeral properties and some of its crematoria are leased, this will have a material impact in the Group's statutory results. The Group currently anticipates recognising an initial asset of approximately £94.9 million and an initial liability of approximately £93.8 million. The difference of £1.1 million which relates to opening amounts relating to prepaid lease payments which will be reflected through the statement of changes in equity on 28 December 2019 as required under the transition approach being followed where the comparative results disclosed in the 2020 annual report are not restated. Operating costs of approximately £11.9 million will be replaced by a depreciation charge of approximately £9.1 million and a finance cost of approximately £4.6 million. As such statutory operating profit will increase by approximately £2.8 million in each of the next few years, assuming no change in the Group's property portfolio.

These changes will not impact the Group's securitisation covenants, as the Group has the ability to elect to disregard new accounting standards in order to maintain consistency of measurement.

Q&A with Steve Whittern, Finance Director

Q/A

Outlook

Through the delivery of our Transformation Plan we have a major opportunity to provide sustainable long-term value and lead the industry in terms of standards and value-for-money.

Q/ What impact will the slowing down of your plans have on the Group's overall finances?

We continue to have strong cash balances and the ability to support our plans, even if they take a little longer. Pausing dividends and crematoria developments helps us maintain maximum flexibility.

Q/ What are the cost implications of extending the Transformation Plan by one year?

We continue to believe we can execute the Plan on the original economics we have described.

Q/ How much further do you expect average funeral prices to fall?

At this stage, we cannot say. The market remains competitive and the CMA's final conclusions will not be known until later in the year.

Q/ What impact will the delay in some cost savings have?

We do not anticipate realising any savings in 2020. However, we still expect to achieve £8 million of annualised savings by the end of the Plan, which should then increase further to £13 million per year.

Q/ Is a return to a dividend payment a possibility for next year?

2020 will be focused on investing in the business and maintaining economic flexibility.

Board of Directors

A strong, balanced and experienced Board

"Our Board members provide a strong and complementary mix of skills and experience. Together they are committed to building the long-term success of the Group."

Clive Whiley
Executive Chairman



Clive Whiley
Executive Chairman

Appointed to the Board: 2019

Background and experience:

Clive has over thirty five years' experience in regulated strategic management positions since becoming a Member of the London Stock Exchange. He has extensive main board executive director experience across a broad range of financial services, engineering, manufacturing, distribution, retail and leisure businesses encompassing the UK, Europe, North America, Australasia, the Middle East and China. He is Chairman of Mothercare plc and a Non-Executive Director of Grand Harbour Marina plc and Camper & Nicholson's Marina Investments Limited and Chairman of China Venture Capital Management Limited, First China Venture Capital Limited and Y-LEE Limited.



Steve Whittern
Finance Director

Appointed to the Board: 2009

Background and experience:

Steve joined the Group in 1999 from KPMG. He was appointed Finance Director at the beginning of 2009, having spent the previous two years as Financial Controller, being responsible for the Group's finance function. Steve has led the three refinancings and Returns of Cash since 2010, and the debt and equity funding for the Yew Acquisition in 2013. Steve is a Fellow of the Institute of Chartered Accountants in England and Wales and holds a mathematics degree from Warwick University.

External appointments:
Senior Non-Executive Director of Medica Group PLC.



Richard Portman
Corporate Services Director

Appointed to the Board: 2006

Background and experience:

Richard joined SCI from HSBC to be Chief Accountant in 1999. Following the IPO, Richard was appointed as Company Secretary and became Corporate Services Director in 2006. Richard is a Fellow of the Institute of Chartered Accountants in England and Wales, holds a geography degree from the University of Birmingham, is a Companion of the Chartered Management Institute. He is also one of the Trustees of the Dignity Welfare Trust.

External appointments:
None.



David Blackwood
Senior Independent Non-Executive Director
Appointed to the Board: 2015

Background and experience:

David is a Non-Executive Director and Audit Committee Chair of Scapa Group plc and a Non-Executive Director of Stobart Group Limited and has previously served as a member of the Cabinet Office Audit and Risk Committee and the Board for Actuarial Standards. He was Chief Financial Officer of Synthomer plc for seven years, stepping down in 2015, prior to which he held a number of senior roles with ICI plc. He is a member of the Institute of Chartered Accountants in England and Wales and a Fellow of the Association of Corporate Treasurers. David became Senior Independent Non-Executive Director of Dignity on 31 January 2018. He was Interim Chairman from June to September 2019 and is currently Acting Chairman of the Remuneration Committee.



Dean Moore
Independent Non-Executive Director
Appointed to the Board: 2020

Background and experience:

Dean is a chartered accountant with extensive public company experience having previously been Chief Financial Officer at Cineworld plc, N Brown Group plc, T&S Stores plc and Graham Group plc and formerly non-executive Chairman of Tuxedo Money Solutions Limited. He is currently an independent non-executive director and Chairman of the Audit Committee at Cineworld plc and Audit Committee Chairman and Senior Independent Director of Volex plc.

Dean will become Chairman of the Audit Committee in succession to David Blackwood.

James Wilson
Non-Executive Director
Appointed to the Board: 2019

Background and experience:

James joined the Board as a Non-Executive Director on 1 May 2019. James is a partner at Phoenix Asset Management Partners Limited and manages The Huginn Fund. James joined Phoenix in 2013. Prior to this, James spent three years at Aviva Investors in the Pan-European equity team. James holds a masters degree in Civil Engineering from the University of Durham and is a Chartered Financial Analyst. James is a Non-Executive Director of Hornby Plc.



Tim George
Company Secretary

Tim was appointed Company Secretary in December 2018 and is a Fellow of the Institute of Chartered Secretaries & Administrators.

Executive Management Team

The Executive Management Team consists of the Executive Directors and Senior Managers.

The role of the Executive Management Team

The Executive Management Team is responsible for managing the detailed day-to-day tasks required to implement the strategy set by the Board.



Clive Whiley
Executive Chairman
Full biography on page 38



Steve Whittern
Finance Director
Full biography on page 38



Richard Portman
Corporate Services Director
Full biography on page 38



Steve Gant
Crematoria Director

Steve joined what is now Dignity in 1988. His key area of responsibility is The Crematorium and Memorial Group. He began his career in the crematoria industry in 1983 and assumed management of the Crematoria division in 2003. Steve currently sits on the Executive for the Federation of Burial and Cremation Authorities and is part of the National Cremation Working Group for the Ministry of Justice, consulting on the revision and update of the Cremation Acts.



Mark Hull
Marketing Director

Mark joined Dignity in 2013 as Head of Marketing for funeral plans and has since progressed and established the marketing function for the Group, which he now leads. Responsibilities cover Brand, Promotion, Digital Marketing and Experience, Proposition and Communications.

Mark is a Chartered Marketer and Member of the Chartered Institute of Marketing and is also a Chartered Manager and Fellow of the Chartered Management Institute. He holds a Marketing degree from the University of Hertfordshire, a postgraduate diploma in Marketing from London Guildhall and an MBA from Cranfield University.



Andrew Judd
Director of Funeral Operations

Andrew joined what is now Dignity in 1996. He is responsible for all aspects of the Group's day-to-day provision of funeral services through a nationwide network of employees, funeral locations and associated facilities.

Andrew has progressed through a variety of roles within both the Co-operative Group and independent sectors. He holds a degree from Wolverhampton University in Economics and Business and holds additional professional qualifications in both Funeral Service Management and Funeral Directing. He has held office in both the British Institute of Funeral Directors currently sitting on the Executive Committee for Professional Standards and Cross Industry Steering Committee for the Funeral Service Consumer Standards Review.



Alan Lathbury
Business Development Director

Alan joined what is now Dignity in 1999. He is a Fellow of the Chartered Institute of Management Accountants and holds an MBA in Business and Finance. His principle areas of responsibility are Business Development of Crematoria, through acquisition of existing crematoria, building of new greenfield location crematoria and through partnerships with local authorities to manage existing bereavement services. Currently Alan is managing the Company's response to the Competition and Market Authority's investigation into the funeral industry.



Paul Toghil
Director of Pre Arrangement

Paul joined Dignity in 2006. His key area of responsibility is the running of Dignity Pre Arrangement, which includes Proposition, Distribution, Marketing and Operations.

Paul has worked in the life insurance and pre-arranged funeral plan markets for over 25 years, with a particular focus on funeral propositions, distribution and the strategic development of affinity partnerships including within FCA regulated markets.

Paul is a Member of the Institute of Direct and Digital Marketing, and holds a Diploma in Interactive and Direct Marketing.



Paul Turner
Transformation Director

Paul joined Dignity in 2018. He is responsible for delivering the Transformation Plan which involves understanding the relationship between price, service and volume to develop a broader proposition for customers across a number of market segments, developing a streamlined network and central operating model that can consistently deliver efficiently at lower-cost.

Paul has led major change projects in a number of branch-based service industries including pubs, restaurants and builders merchants, and is also responsible for IT within Dignity. Paul graduated from the University of Stirling in Accounting and French Language, and is a Chartered Management Accountant.

Financial record^(a)

Summarised consolidated income statement

	2019 £m	2018 restated £m	2017 ^(c) £m	2016 ^(d) £m	2015 ^(d) £m
Underlying revenue					
Funeral services	203.3	214.9	221.8	217.8	212.6
Crematoria	76.8	78.0	74.0	67.5	63.1
Pre-arranged funeral plans	21.2	22.7	28.2	28.3	29.6
	301.3	315.6	324.0	313.6	305.3
Underlying operating profit					
Funeral services	56.3	62.2	79.5	79.0	76.8
Crematoria	38.4	40.3	40.0	37.6	34.6
Pre-arranged funeral plans	–	2.8	8.0	8.5	7.8
Central overheads	(31.4)	(25.1)	(22.9)	(23.4)	(20.5)
	63.3	80.2	104.6	101.7	98.7
Underlying finance costs	(25.8)	(26.0)	(26.9)	(26.9)	(27.0)
Underlying finance income	0.2	0.2	0.1	0.4	0.5
Underlying profit before tax	37.7	54.4	77.8	75.2	72.2
Underlying taxation	(7.4)	(11.5)	(13.8)	(15.8)	(15.5)
Underlying profit after tax	30.3	42.9	64.0	59.4	56.7
Underlying earnings per share (pence)	60.6p	85.8p	128.3p	119.8p	114.8p
Revenue	338.9	353.7	324.0	313.6	305.3
Operating profit	44.8	75.9	98.0	97.7	95.5
Profit/(loss) after tax	34.9	(17.0)	57.8	57.2	56.9
Basic earnings/(loss) per share (pence)	69.8p	(34.0)p	115.8p	115.3p	115.2p

Key performance indicators

	2019	2018	2017	2016	2015
Total estimated number of deaths in Britain (number)	584,000	599,000	590,000	590,000	588,000
Number of funerals performed (number)	69,400	72,300	68,800	70,700	73,500
Funeral market share ^(b) (per cent)	11.7%	11.9%	11.5%	11.8%	12.3%
Number of cremations performed (number)	64,800	65,200	63,400	59,500	57,700
Crematoria market share (per cent)	11.1%	10.9%	10.7%	10.1%	9.8%
Active pre-arranged funeral plans (number)	523,000	486,000	450,000	404,000	374,000
Underlying cash generated from operations (£million)	71.8	101.9	115.4	121.1	125.2

Net debt

	2019 £m	2018 £m	2017 £m	2016 £m	2015 £m
Net amounts owing on Secured Notes per financial statements	(551.3)	(560.6)	(565.1)	(573.9)	(586.5)
Add: unamortised issue costs	(0.6)	(0.6)	(0.6)	(0.7)	(0.7)
Gross amounts owing	(551.9)	(561.2)	(565.7)	(574.6)	(587.2)
Net amounts owing on Crematoria Acquisition Facility per financial statements	–	–	–	(15.7)	(15.7)
Add: unamortised issue costs on Crematoria Acquisition Facility	–	–	–	(0.1)	(0.1)
Gross amounts owing	(551.9)	(561.2)	(565.7)	(590.4)	(603.0)
Accrued interest on Secured Notes	(12.2)	(12.3)	(0.3)	(0.3)	(12.8)
Accrued interest on Crematoria Acquisition Facility and Revolving Credit Facility	–	(0.2)	(0.2)	(0.1)	(0.1)
Cash and cash equivalents – Trading Group	57.9	66.9	49.3	67.1	98.8
Net debt	(506.2)	(506.8)	(516.9)	(523.7)	(517.1)

Financial record^(a) continued

Summarised consolidated balance sheet

	2019 £m	2018 restated £m	2017 restated £m	2016 ^(d) £m	2015 ^(d) £m
Non-current assets					
Goodwill and intangible assets	373.1	384.9	385.5	358.1	328.2
Property, plant and equipment	251.3	254.1	248.0	235.4	200.6
Investments in associated undertakings	–	6.0	–	–	–
Financial and other assets	18.2	15.7	14.3	11.3	10.3
Financial assets – held by the Trusts	947.5	862.4	865.6	–	–
Deferred commissions	96.8	94.5	92.4	–	–
Deferred tax asset	14.0	17.9	6.8	–	–
	1,700.9	1,635.5	1,612.6	604.8	539.1
Current assets					
Cash and cash equivalents – Trading Group	57.9	66.9	49.3	67.1	98.8
Cash and cash equivalents – held by the Trusts	15.5	13.8	21.8	–	–
Cash and cash equivalents	73.4	80.7	71.1	67.1	98.8
Other current assets	47.6	46.9	49.6	43.1	38.3
	121.0	127.6	120.7	110.2	137.1
Total assets	1,821.9	1,763.1	1,733.3	715.0	676.2
Current liabilities					
Financial liabilities	9.6	9.3	4.5	8.8	8.3
Contract liabilities	95.5	91.5	88.3	–	–
Other current liabilities	65.3	73.0	62.8	66.3	74.4
	170.4	173.8	155.6	75.1	82.7
Non-current liabilities					
Financial liabilities	542.3	551.9	561.2	581.5	594.6
Contract liabilities	1,209.1	1,164.6	1,117.3	–	–
Other non-current liabilities	37.3	36.7	34.2	61.9	42.8
	1,788.7	1,753.2	1,712.7	643.4	637.4
Total liabilities	1,959.1	1,927.0	1,868.3	718.5	720.1
Total deficit	(137.2)	(163.9)	(135.0)	(3.5)	(43.9)
Total deficit and liabilities	1,821.9	1,763.1	1,733.3	715.0	676.2

NOTES

- (a) This information has been extracted from the current and previous Annual Reports and accordingly does not constitute audited information.
- (b) Market share excluding funerals performed in Northern Ireland.
- (c) 2017 income statement has not been restated for the impact of IFRS 15 or the change in accounting policy in respect of the Trusts.
- (d) 2015 and 2016 have not been restated for the impact of IFRS 15 or the change in accounting policy in respect of the Trusts.

Alternative performance measures

Non-GAAP measures

(a) Alternative performance measures

The Board believes that whilst statutory reporting measures provide financial performance of the Group under GAAP, alternative performance measures are necessary to enable users of the financial statements to fully understand the trading performance and financial position of the business.

The alternative performance measures provided are aligned with those used in the day-to-day management of the business and allow for greater comparability across periods.

For this reason, the alternative performance measures provided exclude the impact of consolidating the Trusts and the changes which relate to the adoption of IFRS 15 (together referred to as 'other adjustments'), both of which are considered to mask the underlying trading performance of the Group, as well as non-underlying items comprising certain non-recurring and non-trading transactions.

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 other adjustments.

Underlying net finance costs are calculated before the impact of consolidating the Trusts. See note 4 in the Annual Report 2019.

Underlying earnings per share is calculated as profit after taxation, before non-underlying items and other adjustments (both 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 and other adjustments on a cash paid basis.

(b) 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 and impairment 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 Group 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.

Alternative performance measures continued

Non-GAAP measures (continued)

52 week period ended 27 December 2019	Funeral services £m	Crematoria £m	Pre-arranged funeral plans £m	Central overheads £m	Group £m
Non-trading					
Amortisation of acquisition related intangibles	4.2	0.5	0.1	–	4.8
External transaction costs	–	0.7	0.1	0.1	0.9
Profit on sale of fixed assets	(1.0)	–	–	–	(1.0)
Non-recurring					
Transformation Plan costs	–	–	–	12.1	12.1
Operating and competition review costs	–	–	–	3.5	3.5
Trade name impairment	6.8	–	–	–	6.8
	10.0	1.2	0.2	15.7	27.1
Group's share of loss of associated undertakings					0.6
Impairment of investments in associated undertakings					5.4
Taxation					(4.9)
					28.2

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

(c) Non-underlying cash flow items

	27 December 2019 £m	28 December 2018 £m
Cash flows from operating activities	64.6	104.2
Cash flows of other adjustments	(7.6)	(9.3)
Cash flows from operating activities – Trading Group	57.0	94.9
External transaction costs	0.8	1.7
Transformation Plan costs	11.2	2.6
Operating and competition review costs	2.8	2.7
Underlying cash generated from operations	71.8	101.9

(d) Funeral market share

Comparable funeral market share excludes any volumes from locations not contributing for the whole of 2018 and 2019 to date and therefore excludes eight locations closed and 13 locations opened in 2018 and a further 12 locations closed and one location opened in 2019.

(e) Average assets per plan

Average assets per plan are calculated as the net assets of the Trusts divided by the number of active plans in the Trusts. Net assets in this calculation will not equal amounts in the consolidated balance sheet of the Group, as it includes instalment amounts due in future that become payable immediately on death.

Shareholder information

General enquiries may be addressed to the Company Secretary, Tim George, at the Company's registered office.

General information

The Company is a public limited company which is listed on the London Stock Exchange and is incorporated and domiciled in England and Wales.

Company Registrars

Enquiries concerning shareholdings, change of address or other particulars, should be directed in the first instance to the Company's Registrars, Equiniti. They also provide a range of online shareholder information services at www.shareview.co.uk where shareholders can check their holdings and find practical help on transferring shares and updating personal details. Alternatively they can be contacted by telephone on 0371 384 2674 (textphone for shareholders with hearing difficulties 0371 384 2255) if calling from within the UK, or +44 (0) 121 415 7047 if calling from outside the UK.

Shareholder communications

Shareholders who have not elected to receive paper copies are sent a notification whenever shareholder documents are published to advise them how to access the documents via the Group website at www.dignityfunerals.co.uk/corporate. Shareholders may also choose to receive this notification via e-mail with a link to the relevant page on the website. This approach enables the Company to reduce printing and distribution costs and its impact on the environment. Shareholder documents are only sent in paper format to shareholders who have elected to receive documents in this way.

Shareholders who wish to receive e-mail notification should register online at www.shareview.co.uk click on 'Open a Portfolio Account' under the 'Portfolio' section. You will require your Shareholder Reference Number, which is given on your share certificate or dividend tax voucher. Choosing e-mail notification will result in you joining the Equiniti Shareview Service in accordance with its terms and conditions.

Share price information

The latest Dignity plc share price can be obtained via the Company's investor website www.dignityfunerals.co.uk/corporate.

Unsolicited mail

The Company is obliged by law to make its share register available upon request to the public and to other organisations which may use it as a mailing list resulting in shareholders receiving unsolicited mail. Shareholders wishing to limit the receipt of such mail should register to do so with the Mailing Preference Service at www.mpsonline.org.uk.

Annual General Meeting

The Company's Annual General Meeting will be held on 11 June 2020 at 11:00am at 4 King Edwards Court, King Edwards Square, Sutton Coldfield, West Midlands, B73 6AP.

Dividends

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.

Contact details and advisers

Registered Office:

Dignity plc
4 King Edwards Court
King Edwards Square
Sutton Coldfield
West Midlands B73 6AP

Tel: +44 (0) 121 354 1557
Fax: +44 (0) 121 321 5644
E-mail: enquiries@dignityuk.co.uk

 www.dignityfunerals.co.uk/corporate

Company Secretary:

Tim George FCIS

Registered Number:

04569346

Registrars:

Equiniti
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA

Tel: +44 (0) 371 384 2674

 www.shareview.co.uk

Auditors:

Ernst & Young LLP
No.1 Colmore Square
Birmingham B4 6HQ

Joint Brokers:

Investec
A division of Investec Bank plc
2 Gresham Street
London EC2V 7QP

finnCap
60 New Broad Street
London EC2M 1JJ

Principal Bankers:

Royal Bank of Scotland plc
West Midlands Corporate Office
2 St Philips Place
Birmingham B3 2RB

Legal Advisers:

DLA Piper UK LLP
Victoria Square House
Victoria Square
Birmingham B2 4DL

Market update, Board and Broker changes

as at 3 April 2020

RNS Announcement released 3 April 2020

Dignity plc (Dignity, the Company or the Group), the UK's only listed provider of funeral related services, provides the following updates:

COVID-19

As with all businesses, the impact of COVID-19 and associated guidance from the Government are having direct consequences for the Group. However, whilst the challenges are meaningful, they are temporary.

Whilst many staff can work productively at home, some staff (particularly operational) are unable to perform their duties from home and are also unable to come into work. This is providing some operational challenges to ensure the Group's high levels of service can be maintained and the Group may need to close some of its branches. Notwithstanding Government support for furloughed workers this is likely to result in incremental operating costs for the Group.

Clients may also be forced into making different choices in the shorter term for example it may not be possible to hold services in church and they may choose not to use other ancillary services. Furthermore, in the interests of the welfare of our staff and consistent with many operators in the industry, the Group has also withdrawn its limousines from use. Alongside this, whilst most privately owned crematoria (including the Group's) are allowing up to ten mourners, some local authority crematoria are preventing any attendees. Furthermore, the Group's crematoria are likely to witness lower memorial sales in the coming months given this activity is conducted face to face and is not covered by the exemption funeral services receive that permit social gatherings. These changes could adversely impact the average income per funeral and per cremation in the Group's operating divisions in the coming months.

The number of possible incremental deaths as a result of COVID-19 is a matter of substantial speculation. If 2020 witnesses a large number of incremental deaths, beyond the 600,000 originally anticipated by the Office for National Statistics ('ONS'), then it is possible that 2021 and 2022 could experience a lower number of deaths than in 2019. The Group will not speculate on the most likely outcome.

The Group welcomes the measures announced by the Government, including tax reliefs and other forms of financial aid, which it will seek to utilise as they become available. For example, if rates relief applies for the whole of the 2020/21 rates year, then the Group expects the rates liability of its funeral division to be approximately £5.5 million lower.

Board changes

Mike McCollum

We have today agreed with Mike McCollum, who has been a significant influence behind the growth of the Group for over twenty years, that the current strategic crossroads which the Group is approaching represents an appropriate time for him to hand over as Chief Executive Officer. Hence Mike, who leaves the Group and the Board with immediate effect, does so with our thanks for his invaluable contribution and we wish him well with his future endeavours.

Accordingly, we are commencing a process to find a new Chief Executive Officer, aligned with the learnings from both our strategic review and the CMA investigation.

Clive Whiley

In the interim Clive Whiley, who was appointed as Non-Executive Chairman on 26 September 2019, has extensive change management experience and has agreed to temporarily step up to the role of Executive Chairman.

Jane Ashcroft

The Group announces that, following the completion of her contractual term, Jane Ashcroft will step down from the Board with effect from today. The Board has benefited from Jane's wise counsel for the last eight years and she leaves with the Board's thanks for her support during that time.

The Group continues to make progress with the appointment to the Board of a further independent non-executive director, with particular emphasis on digital transformation.

Change of adviser

The Group is delighted to announce the appointment of finnCap Ltd ("finnCap") as Joint Broker and Joint Financial Adviser with immediate effect. Investec remain Joint Broker and Joint Financial Adviser.

CMA update

On 16 March 2020, the Competition and Markets Authority ('CMA') announced an extension to their reference period of six months to 27 March 2021. On 25 March, in light of the evolving situation regarding COVID 19, the CMA suspended the deadline for responding to working papers until further notice and confirmed that their timetable would not be updated until the situation has become clearer.

Outlook

Over the last few months, the Group has already taken significant measures to improve liquidity, by suspending dividend payments, constricting capital expenditure and pausing the Transformation Plan alongside a disciplined approach to our management of working capital.

Whilst we are conducting stress testing of the Group's liquidity requirements, because of the robust actions we have taken to manage our cost base and preserve cash, we believe that headroom remains adequate for our ongoing needs under various scenarios.

The Group's trading performance in 2020 was until last week broadly in line with its expectations. However, following the more stringent measures introduced by the Government, the current environment and the speed in which it is changing, the Group is not providing guidance on 2020 and beyond. The Group continues to monitor the situation carefully and will provide a further trading update in due course.

Clive Whiley, Chairman of Dignity plc, commented:

"First, I would like to thank Mike for his extensive efforts over many years, in particular in leading the Group as Chief Executive Officer for the last eleven. He has been a notable force throughout a period of significant growth, across all divisions, since the LBO in 2002.

Secondly, I would like to thank Jane both personally for her guidance since my appointment and on behalf of the Board, given the valuable contribution she has provided over the last eight years, and she leaves with our thanks.

Finally, whilst we are indeed operating in extraordinary circumstances, the acceleration of the root & branch strategic review of the business initiated upon my appointment, which is due to be completed in June 2020, was designed to strategically position the business for all eventualities."

Financial calendar

11 June 2020	• Annual General Meeting
26 June 2020	• 2020 financial half year end
29 July 2020	• Announcement of 2020 interim results
25 December 2020	• Financial period end

Forward-looking statements

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

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

Any forward-looking statements made in this Corporate Profile 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 Corporate Profile 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.

Dignity plc

4 King Edwards Court
King Edwards Square
Sutton Coldfield
West Midlands B73 6AP

www.dignityfunerals.co.uk/corporate

