For immediate release **17 March 2021**

Dignity plc

Preliminary results for the 52 week period ended 25 December 2020

Dignity plc (Dignity, the Company or the Group), the UK's only listed provider of funeral related services, announces its preliminary results for the 52 week period ended 25 December 2020.

Financial highlights

	52 week period ended 25 December 2020	52 week period ended 27 December 2019 restated	Increase/ (decrease) per cent
Underlying revenue (£million)	**314.1**	301.3	4
Underlying operating profit (£million)	**55.7**	63.3	(12)
Underlying profit before tax (£million)	**30.7**	37.7	(19)
Underlying earnings per share (pence)	**46.6**	60.6	(23)
Underlying cash generated from operations (£million)	**76.4**	71.8	6
Revenue (£million)	**357.5**	338.9	5
Operating profit (£million)	**15.9**	44.8	(65)
(Loss)/profit before tax (£million)	**(19.6)**	44.1	
Basic (loss)/earnings per share (pence)	**(51.0)**	61.2	
Cash generated from operations (£million)	**62.7**	64.6	(3)
Number of deaths	**663,000**	584,000	14

Prior year adjustment
A prior year restatement has been made to the magnitude of £4.3 million to correct the 2019 taxation charge and corresponding corporation tax liability. This follows the finalisation of the Group's detailed corporate interest restriction return and an increase to the Group's interest disallowance as a result of the inclusion of the fair value movements on the Trusts debt investments.

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 application of IFRS 15 and adoption of IFRS 16, all 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 50 to 53.*

Key points

- COVID-19 directly contributed to a 14 per cent increase in the total UK 2020 annual death-toll of 663,000
- Lower average revenues due primarily to the COVID-19 restrictions imposed by Government
- Operating performance robust, despite the pandemic
- Crematoria and pre-need divisions performing well
- The refocusing of the investment management strategy for the pre-need Trusts will conclude in the second quarter of this year
- The Group welcomes the recommendations from the CMA's Final Decision Report
- The Group's root and branch review is scheduled to conclude in the second quarter of 2021
- Proposed regulation of pre-arranged funeral plans sector by the Financial Conduct Authority expected Summer 2022 with the outcome of the FCA proposals expected during quarter three 2021

Clive Whiley, Chairman of Dignity plc, commented:

"During 2020, we have continued to be focused and resilient in the light of many changes, however the business has remained robust.

Whilst COVID-19 featured heavily in our day-to-day activities into the first quarter of 2021, we did not lose sight of the numerous project work-streams initiated in the last year, aimed at affording the Board the time and collateral necessary to allow the business to self-heal, without recourse to dilutive funding initiatives.

In a unique and challenging year, it is the dedication of our staff that has enabled continued delivery of our services, supported by a refreshed strategy and management team. Our people are fundamental to both the Group's success and sustainability and I would like to thank them for their significant contribution, resilience and commitment to service during what has been an exceptional time for society, bereaved families, our people and our business."

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

Executive Chairman's review

In a unique and challenging year, it is the dedication of our staff that has enabled continued delivery of our services, supported by a refreshed strategy and management team.

Overview

The year under review represents my first full year as Chairman and proved to be a unique and challenging period due to the conjunction of events surrounding the COVID-19 pandemic, ongoing regulatory considerations and the Transformation Plan. However, first and foremost the Board is grateful for the constant dedication of our staff, whichever role they perform in the business, as they continue to respond appropriately to people losing loved ones at a time when their ability to grieve and to gain closure remains adversely impacted by the pandemic.

Our people are fundamental to both the Group's success and sustainability and I would like to thank them for their significant contribution, resilience and commitment to service during what has been an exceptional time for society, bereaved families, our people and our business.

Strategic challenges

Of the triple challenges highlighted, COVID-19 directly contributed to a total UK 2020 annual death-toll of 663,000, an increase of 14 per cent over 2019, representing the highest total UK deaths since 1918, which witnessed the end of WW1 and the Spanish Flu pandemic. Moreover, the year-on-year impact swung from an increase of one per cent in Q1, to plus 47 per cent in Q2, minus two per cent in Q3 and back to plus eight per cent in Q4 with the concomitant stress on our funeral and crematoria operations: notwithstanding the fact that we deliberately maintain a degree of structural overcapacity with, for example, over 20 per cent of private sector mortuary capacity.

At the peak of the pandemic the crisis led to a constricted service offering, in the interests of the welfare of our staff and clients, alongside higher PPE and temporary staff expenditure which translated into underlying operating profit falling by 12 per cent to £55.7 million and underlying average revenue per funeral of £2,522 (2019: £2,930). Government guidance continues to restrict the attendance at funerals with limits for all venues, remaining at 30 in England, 20 in Scotland and 25 in Northern Ireland. In Wales as many attendees as the venue can hold whilst respecting social distance and COVID-19 Safe protocol is currently allowed.

We also had to contend with the ongoing CMA market investigation, launched in March 2019, which reached an early conclusion with the publication of the Final Decision Report issued on 18 December 2020 (detailed on page 10). We engaged openly and collaboratively with the CMA throughout the investigation and look forward to working with the regulator and the Government to ensure the package of remedies work for consumers and are implemented effectively across the market.

In fact, Dignity has been working to raise awareness regarding issues of transparency and consistency in quality of care across the funerals sector for a number of years and we are determined to represent a flagship within the industry for quality and governance. In addition, we welcome the decision to introduce statutory regulation to pre-arranged funeral plans and are working with the FCA as it accelerates the development of its future approach (see page 8).

However, it is the shortcomings exposed by the root and branch review, arguably self-inflicted by torpid strategic direction over the last decade, as exacerbated by the extreme volatility in volume created by the pandemic, that exposed the business most during the year. The Transformation Plan, launched with great fanfare and at considerable expense in 2018, in my opinion introduced too narrow a focus upon one element of the Group, without considering the capacity to grow the business organically across its full bandwidth. In short, that was tantamount to admitting defeat as a Group that had elected for many years to utilise the majority of its capital investment buying its way out of deteriorating funeral market share (2001: 491 funeral locations and 11.8 per cent funeral market share; 2019: 820 funeral locations and 11.7 per cent funeral market share). At best that consolidated the heritage of strong family businesses and staff that perform well to this day, at worst business integration ceased at legal completion: leading to Dignity essentially becoming the industry retirement plan for independent funeral directors.

Fortunately, over the same period our cremation market share has grown by 70 per cent (2001: 21 crematoria and 6.5 per cent cremation market share; 2019: 46 crematoria and 11.1 per cent cremation market share) benefitting from a best-in-class capital development programme, including nine new build crematoria coming on stream as a result.

Transformation Plan

The Transformation Plan, which was paused indefinitely on 3 April 2020 with the onset of the pandemic, was expected to cost £50 million over a three year period to deliver mid-range EBITDA benefits of approximately £10 million per annum. The root and branch review, initiated upon my appointment, identified benefits of £8 million in 2020 alone, alongside preserving cash spending on transformation of in excess of £30 million, simply from better housekeeping. Furthermore **Project 20:20**, which is the final component of the root and branch review, will now shoulder the burden of effecting appropriate changes to staff working practices within our funeral division. This project is designed to determine the optimal scope, size and logistics of our care centre and branch network, having due regard to both the extensive learnings from the Transformation Plan alongside output from the pricing, product and other trial propositions in train.

Strategic update

Future Strategic Direction
Whilst COVID-19 obviously featured heavily in our day-to-day activities into the first quarter of 2021, we have not lost sight of the numerous project work-streams initiated in the last year, aimed at affording the Board the time and collateral necessary to allow the business to self-heal, without recourse to dilutive funding initiatives. In that context:

- The root and branch review is scheduled to conclude in the second quarter of 2021;
- The refocusing of the investment management strategy for the pre-need trusts successfully validated the combined trust assets at a level of some £1 billion alongside implementing a more defensive risk profile and significantly reduced annual fees;
- A record 558,000 people have pre-arranged their funerals with Dignity, a ten year CAGR of 10 per cent and we continue to strive to set the industry standard.

  The consultation paper on the proposed FCA approach to regulation of funeral plans was published on 2 March and, if enacted as published, would have a profound impact on the industry. This is notwithstanding the core strength of our funeral plan trusts, with assets at a level of some £1 billion and our ability to perform the at need funeral commitment from within our own funeral division. Accordingly, we are in the process of reviewing the possible ramifications for our longer-term instalment funeral plan sales and the anticipated higher cancellations thereon and will report on that in due course;
- We commissioned an independent valuation report for our standalone crematoria operations, which retain the benefit of several active planning consents as well as the marginal capacity to perform a materially higher volume, as both a datum from which to determine future capital structure and a defence in the event of an unwelcome approach for the Group; and
- The ongoing success of Simplicity Cremations, launched as a challenger brand in December 2016, which delivered a record of 4,300 direct cremation based services in 2020 (an increase of 106 per cent) has reinforced our determination to ultimately become the sector leader.

As detailed above, I am satisfied that the Board now has a very clear understanding of our strategic objectives, with an overarching desire to significantly grow both funeral and cremation market share over the next five years on a sustainable organic basis: whilst preserving our core values built around quality, providing excellent client service and high standards of care.

Board changes
As noted, the onset of the pandemic forced us to accelerate the root and branch review, alongside pausing the Transformation Plan in order to preserve cash resources, ahead of anticipated volatility in funeral and cremation volumes over both 2020 and 2021, also heralded wholesale change at board level, where:

- On 11 March 2020 Dean Moore joined the Group as a Non-Executive Director, succeeding as Chair of the Audit Committee on 11 June 2020 before becoming Interim Chief Financial Officer on 14 December 2020;
- On 3 April 2020 we agreed with Mike McCollum, who had been a significant influence behind the Group for over twenty years, that the approaching strategic crossroads represented an appropriate time for him to hand over as Chief Executive Officer and I agreed to step up to the role of Executive Chairman;
- On 3 April Jane Ashcroft, who had completed her contractual term as a Non-Executive Director, stepped down from the Board;
- David Blackwood, who served as Senior Independent Director and as Interim Non-Executive Chairman prior to my appointment on 26 September 2019 and Chair of the Audit Committee thereafter, did not seek re-election at the AGM held on 11 June 2020;
- Gillian Kent, who has strong digital transformation experience, joined the Board on 11 June 2020 as an independent Non-Executive Director and as Chair of the Remuneration Committee;
- On 14 December, we reached an agreement with both Steve Whittern, Finance Director and Richard Portman, Corporate Services Director, to step down from the Board, which they both did in December;
- Andrew Judd, Director of the Group's funeral operations and a member of the Operating Board, joined the Board as an additional Executive Director with effect from 14 December 2020; and
- Paul Humphreys joined the Board on 23 February 2021, as an independent Non-Executive Director and as Chair of the Audit Committee.

We are currently engaged in seeking a new Chief Financial Officer and we will continue our search for an appropriate candidate for the role of Chief Executive Officer, coterminous with the outcome of the root and branch review. Following these proposed appointments, we believe that we will have a plc Board that is appropriate for a company of our size, nature and circumstances. Furthermore, we now have a cohort of Non-Executive Directors with deeply embedded and relevant skills who are directly contributing to the change process and interface cohesively with the Operating Board.

As we approach the end of this period of major change our management needs and requirements have evolved as we become singularly focused upon our future strategic direction. Accordingly, we have also refreshed the majority of our Operating Board including identifying a strong candidate for the role of Chief Operating Officer and welcoming several new additions to our Senior Leadership Team: bringing renewed diversity alongside relevant skills and expertise.

Finally, we are fortunate to have a workforce that demonstrates a professionalism, pride and empathy in their work and we are placing a renewed focus upon long-term staff wellbeing, in addition to the advanced PPE and vaccination programmes specific to the pandemic, as we seek to enhance the cohesion between the Board and the workplace.

Dividend Policy

The Company has not paid a dividend since June 2019 and the Directors do not expect to pay dividends until the business has returned to a sustainable and stable financial footing, notwithstanding the fact that the Group retains significant cash resources and remains cash generative. The Directors understand the importance of optimising total shareholder return, as well as the need to maintain a balance between different groups of stakeholders, and it is the Directors' intention to return to paying a dividend as soon as they believe it is financially prudent for the Group to do so.

Summary outlook

Unfortunately, notwithstanding the significant progress the business has made since my appointment, our largest shareholder Phoenix Asset Management Partners, with whom we believed we were having a constructive dialogue in relation to the future strategy of the business, has chosen this moment to seek to assert what would, in effect, be executive control at Board level.

Whilst, in my view, the Group is now sufficiently robust to sustain this wholly avoidable and unnecessary challenge, it is nonetheless an unwelcome distraction as we remain dedicated to dealing with the ongoing fallout from the pandemic. To minimise disruption, the independent directors have been charged with taking the necessary steps to convene the required general meeting of shareholders and they will share their views on the resolutions to be considered at that time. It will then be for shareholders to decide on the merits of the Phoenix proposal.

Executive Chairman's review (continued)

Operating Board perspective

Andrew Judd, Executive Director of Funeral Operations
Andrew Judd is responsible for provision of funeral services through our network of colleagues and funeral locations ensuring we provide a consistently high standard of client service and care for the deceased.

Rising to the challenge
Dignity works in a unique industry and succeeds by helping people through difficult times with respect, openness and care. Our operational colleagues are integral to this success, representing one of the most important interfaces in the business - our service to clients.

We endeavour to make a positive difference to an essential societal need, but 2020, and specifically limitations caused by the COVID-19 pandemic, have tested our collective resolve like never before.

The strength of our people during the year has been nothing short of inspirational. They remained accountable in their roles as critical workers and continued to take the greatest care, perhaps not with the public visibility or acclaim that other frontline responders had, but always with a level of professionalism and sensitivity that clients appreciated.

Together we arranged and delivered more funerals for our clients than at any other time in our history, even when our operational capacity was under strain.

Financial summary 2020

	H1 £m	H2 £m	**FY** **£m**
Underlying operating profit - 2019	30.5	25.8	56.3
Impact of:			
Number of deaths	20.3	3.3	**23.6**
Market share	4.4	0.1	**4.5**
Average revenues	(19.0)	(11.3)	**(30.3)**
Net cost base changes	(2.5)	(1.6)	**(4.1)**
Underlying operating profit - 2020	33.7	16.3	**50.0**

See Operating Review for further details.

We implemented significant changes to our working practices and provided enhanced personal protective equipment to help ensure everyone's safety in all situations and environments. Teams used their skills to navigate complex and frequently changing guidelines on caring for the deceased, some of which varied across the four devolved nations where we offer our services.

Above all, we put clients first in extremely demanding circumstances. Funerals should always be deeply personal occasions, which is why colleagues worked tirelessly to ensure the preferences and individual wishes of families still found space for expression, even amidst the restrictions required to stay COVID-secure.

Constantly adapting
While often borne out of necessity, our experiences this year have highlighted alternative ways of doing things that have the potential to enhance our proposition going forward.

By embracing digital technology, we can interact with our clients at a distance, if that makes them feel more comfortable, as well as in person. It enables funeral services to be shared with family members and friends who are unable to attend and helps us plan for future opportunities to honour and remember those who have died.

I have already referred to the strain the pandemic placed on us operationally, but it also made clear the importance of safeguarding the mental health of our people. We are actively promoting a safe working environment where anyone can voice concerns or anxieties and access help.

As attention turns to the year ahead, we know the challenges presented by COVID-19 will remain for some time yet. Experience is on our side and I am confident that same resilient attitude of our people will come to the fore again.

Our scope, however, must be wider than COVID-19. We need to constantly adapt to changing consumer preferences and respond appropriately to issues raised by the CMA through its market investigation.

This focus on client needs resonates firmly with us and is absolutely the right thing to do and is reflected in my recent appointment to the Group Board.

I pride myself on having first-hand experience of arranging and conducting funerals built across a lifelong career in an industry I am hugely passionate about. It is these insights I will bring wholeheartedly into our discussions and ultimately our decision-making.

Steve Gant, Crematoria Director
Steve Gant is responsible for the operation of our crematoria and cemeteries and provision of memorials. He is a long-standing advocate for high-quality facilities in the industry with continuous investment and development.

Adapting to change
2020 was an extraordinary year. I am very proud of how The Crematorium and Memorial Group (CMG) responded to challenges that none of us had previously faced in our careers. Our commitment to remaining operational has been evident and we continued to provide a vital service throughout the pandemic.

CMG has been active in encouraging a consistent, sector wide response to the pandemic by local authorities, private crematorium operators, industry bodies and the funeral directors that use our facilities. We have met weekly with central government to offer our expertise and regularly shared information about our service capabilities with Local Resilience Forums.

Due to the pandemic, we have needed to be flexible and make significant changes to the way we operate. This has included the provision of additional service slots during weekdays or weekends. As just one example of our continuity planning, approximately 60 colleagues were upskilled, and each crematorium partnered with a neighbouring CMG facility to provide greater flexibility of resources.

Restrictions to funerals, such as the number of attendees or the closure and re-opening of cemeteries, crematoria grounds and offices to visitors, has presented the challenge of keeping the public informed about the services we were able to provide within these guidelines.

We also witnessed an increased demand for unattended direct cremations. We adapted to meet this challenge whilst continuing to provide facilities for those that wanted a more traditional cremation service.

Protecting our community and our colleagues
The safety of our visitors and colleagues is one of my greatest priorities. To help reduce transmission of COVID-19 and ensure that social distancing guidelines were followed, we have invested in PPE, perspex screens in our public offices and created one-way systems at all our crematoria. We have also ensured there is enough time between services to thoroughly sanitise our facilities.

Maximising our investment in technology
In recent years, we have invested in audio visual equipment at the majority of our crematoria which this year has proven to be a timely and invaluable addition to the services we offer. We can provide personalised tributes to the person that died, but also record or webcast the funeral for those that cannot attend the service.

During the first half of the year our installation programme was accelerated at the remaining sites.

Leading the sector in this way was instrumental in assisting as many mourners as possible to participate in the funeral during lockdown.

Enhancing our locations
As a long-standing advocate of high standards, we continually invest in our crematoria to ensure we have modern facilities that meet the changing needs of local communities or to react to operational needs.

While we continue our long-term programme of investment and refurbishment, we sometimes need to respond quickly to incidents outside of our control. During the year, Haltemprice and Randall's Park crematoria respectively suffered damage from fire and flooding. We took the opportunity to not only refurbish these crematoria, but also to modernise them in line with our other flagship facilities.

Looking forward
I am confident about the future of CMG and our ability to serve both funeral directors and the bereaved in our local communities.

We will continue to respond to the challenges of the pandemic but will also endeavour to future proof our facilities and install the latest technology, so we set a high bar for the crematoria sector in terms of standards and choice.

Financial summary 2020	H1 £m	H2 £m	**FY** **£m**
Underlying operating profit –2019	20.8	17.6	38.4
Impact of:			
Number of deaths	7.4	0.4	**7.8**
Market share	0.9	0.1	**1.0**
Average revenues	(4.3)	1.4	**(2.9)**
Cost base changes	(1.1)	(0.4)	**(1.5)**
Underlying operating profit –2020	23.7	19.1	**42.8**

See Operating Review for further details.

Paul Toghill, Director of Pre Arrangement
Paul Toghill has responsibility for Dignity Pre Arrangement including proposition, distribution, marketing and operations. He is also preparing the business for regulation of the funeral plan market by the Financial Conduct Authority ('FCA').

Market context
In an unprecedented year, Dignity's funeral planning business has demonstrated its resilience and an ability to deliver a strong market performance, despite the distraction and disruption of external factors.

Whilst COVID-19 has taken its toll on the wider societal and economic environment, we have continued to provide clients exemplary levels of service, adapting and being flexible in the environment in which we have been operating. This client-focused adaptability is a trait we pride ourselves on, this year seeing both growth in our core funeral plan offering as well as in our direct cremation funeral plan model. Our position of strength in being both a funeral director and funeral plan provider allows us to continue to offer clients both a competitive price point and a market leading, feature rich product proposition.

We have also continued to grow our business through our corporate partners, including testing different distribution models and some innovative products shaped around specific client needs. We launched a number of new partnerships in 2020, which has given us the opportunity to grow our volumes further. In addition, 2021 will see us launch a number of initiatives to grow and develop our funeral director and direct distribution models.

In addition to funeral plans we continue to work alongside a number of large UK insurers to provide funeral propositions which bolt on to their whole of life assurance products.

Regulation and the funeral plan market
In March 2020, HM Treasury announced that prepaid funeral plans would be subject to regulation by the Financial Conduct Authority ('FCA'). This decision followed several years of campaigning by Dignity. We believe regulation will prevent the small number of unscrupulous firms undermining what is otherwise a responsible industry. On 2 March 2021 the FCA published their consultation paper with their proposed approach to regulation.

If the FCA rules are enacted in the way they are currently drafted they will have a profound impact on both the wider industry and Dignity. We welcome the opportunity to work closely with the FCA over the coming months to ensure the rules provide the much needed consumer protection, but also supporting the FCA in their understanding of the potential unintended consequences a commission ban would have in removing quality distributors that provide a valuable customer service from the market as well as those that are undermining the industry. We have also taken a decision to reduce our instalment terms on the majority of our plans from 25 to 10 years with effect from May. We will be reviewing alternative low-cost product options in the coming months.

Committed to a move towards a better market
Ahead of statutory regulation, we have been working diligently to ensure the FCA readiness of our business. We are already an organisation that has market leading, feature rich products, competitively priced with high service standards. The majority of our team already have regulated backgrounds, as do many of our corporate partners, such as those in the building society and insurance space.

Despite any impact the current drafting may have on our volumes as a result of a commission ban, we remain confident that Dignity is in a strong market position, and that we will be able to deliver products and a service that will meet and exceed the regulatory standards set to be established across the market.

Mark Hull, Marketing Director
Mark Hull is responsible for delivering the Group's marketing strategy including brand development, digital marketing and product and price proposition, in addition to providing market and client experience analysis.

A leading digital offer
Like many businesses today, our client journey now typically begins online. In 2010, only nine per cent of our Dignity Funeral clients found our details through the internet, last year it was over half. For Simplicity Cremations with no physical branches, every single Simplicity client will have started online.

Therefore, it is essential that we make it easy for potential clients to find us online then provide meaningful help and advice when they reach our websites. Our websites provide comprehensive guidance from subject matter experts on everything to do with funerals or funeral plans. Each branch also has a micro-site containing localised information about that business and its products and services, including pricing.

We have achieved a lot in the past three years – our combined website traffic has grown from just over 1 million hits in 2017 to 5.13 million in 2020. Our digital channels are continuing to generate increasing volumes of calls into our branches, enquiries to our Simplicity call centre and sales of Funeral Plans. We have been awarded the Feefo Platinum Trusted Service Award for both Simplicity and Dignity in 2020 and we passed 10,000 online reviews for our local businesses with an average rating of 4.89 out of 5.

Providing digital solutions during the pandemic
The pandemic has increased our clients' digital interaction with us. Our websites provide the latest information and help clients understand what type of funeral is still possible within the Government restrictions – both through our funeral business and at our crematoria. We adapted our processes and products, including distanced arrangements being made using digital information packs and we've enabled more people to view funeral services through streaming.

Providing greater choice and flexibility
The pricing of funerals is complex and requires testing to ensure that it's easy for the bereaved to understand exactly what they are paying for. The pace of change and evolution in the funeral market has accelerated significantly with increased demand for personalised funerals, products such as direct cremation and woodland burials; and specialist needs in areas of the UK where traditions, strength of religious beliefs and the demographic make-up are all changing.

During 2020, we constantly trialled different products and prices and we haven't been afraid to try alternatives that benefit both the business and clients. Over 250 branches currently have comprehensive price lists online, with the remainder to be updated by Summer 2021.

An award-winning team
I am very proud of the team I lead and our continued progress in creating a leading marketing function that attracts and retains exceptional marketing talent. In support of this, I am delighted that our work for Dignity and Simplicity has been recognised in 2020 with accolades at both the Marketing Society Brave Awards and the Chartered Institute of Marketing Excellence Awards.

42.5 per cent increase in call volumes
Our website continues to provide an increasing volume of calls into our local businesses, with 228,673 trackable calls in 2020 (+42.5 per cent year-over-year).

Creating a clear brand identity
We continue to develop the identities of the Group and its component businesses. In the past, funeral directors had little need for marketing, however, in an increasingly competitive sector, with demand for a wider range of products, it's imperative to differentiate ourselves from other providers.

The way we market our business has changed a great deal in the past three years, but there remains a lot to do. To continue to create value and grow market share we use a blend of national and local marketing, utilise the latest tools and techniques and ultimately make the decision for the client to use us an easy one.

Alan Lathbury, Business Development Director
Alan Lathbury has led Dignity's open and constructive dialogue with the CMA's investigation into the provision of funeral and cremation services. He is also responsible for the development of our crematoria business through acquisition, public/private partnerships or construction of new locations.

The UK funeral market
The UK funeral market is becoming more dynamic – it is more digital than ever before, and more driven by the evolving client needs. However, in 2020 the operation of the funeral industry was largely determined by the necessary government restrictions put in place to reduce COVID-19 transmission rates. The long-term effects of these precautions and the impact on consumer behaviour will emerge as the restrictions are lifted.

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 clients to exercise the choice that exists, especially through greater pricing transparency. The CMA process has proposed measures to help address this across the market.

Deaths in Great Britain
In 2020 initial total estimated deaths in Great Britain for 52 weeks was 663,000, 14 per cent higher than the 52 weeks in 2019. 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 six years have seen deaths above that level. The ONS (2019 based projections) expects long-term increases in the number of deaths, but these projections have been impacted as a result of COVID-19.

CMA Market Investigation

Overview
In November 2018 the CMA announced its investigation into the funeral and crematoria industry. This came 20 years after the last study of the sector by the former competition regulator (Monopolies and Mergers Commission) and followed several months of market engagement. The CMA sought to 'review how well the market works and whether consumers are getting a good deal.'

What followed was two years of engagement with providers in the sector, including Dignity, as well as wider calls for evidence from third sector organisations (such as bereavement charities and consumer groups).

The CMA has concluded that consumers find it intrinsically challenging to purchase a funeral and can be hindered by lack of easily accessible and comparable information, an inability to observe the quality of care provided, and by barriers to entry and local concentration in crematoria services.

Dignity's participation and response
During the investigation we have responded to the formal CMA process, whilst also offering sector expertise through our engagement with the regulator. Our input has included:

- Over 11 responses to CMA "Requests For Information" ('RFI').
- Supply of thousands of historical e-mail correspondence.
- Direct engagement via eight face-to-face or virtual meetings with the CMA team.

As part of our contributions and evidence to the regulatory process, we hosted visits with both CMA panel members and its wider executive team. This offered a platform for Dignity to showcase its market-leading services, for both front and back of house facilities.

Key considerations we've communicated to the CMA include:

- Ensuring that service elements of the funeral process were fully understood and assessed, alongside other key aspects, such as price and transparency.
- Strongly recommending that any regulation must be independent, consumer-focused, and implemented for all funeral and crematoria services providers to ensure a consistent level of consumer standards across the market.
- Highlighting the capital investment made by Dignity to continually deliver high service standards, including provision of mortuary capacity, development of our employees, and investment in technology.

It is clear from the financial data 2018 to 2020 that both funeral mix and average funeral revenues have been affected by structural changes in the market and the COVID-19 pandemic. We have worked with the CMA to ensure that the increased level of competition and increased engagement of consumers through online activity will not be restricted or limited by the proposed future remedies.

Recommendation for new inspection and registration scheme to improve the quality of funeral directors' back-of-house standards. This covers collection and transport, care, storage and preparation of the deceased. This will potentially be funded through a levy or license fee imposed on funeral directors.

It will be important for Dignity to continue to work closely with the CMA and Government on the implementation and structuring of regulation, including any appointed regulator, building on the platform already being developed by the Funeral Service Consumer Standards Review ('FSCSR'). Accordingly, we have strengthened our senior leadership team with the appointment of a Head of Governance reporting directly to the Chairman.

Commercial remedies that build on and improve recent industry progress to help consumers fully engage with the economic aspects of choosing a funeral provider.

The key elements of this are:

- A Price List that adheres to a specified CMA template.
- Provision of business information to clients.
- Prohibition of certain types of commercial arrangements.

The statutory deadline for the implementation of the remedies is 17 June 2021. We already comply with many of the remedies and expect to meet this deadline.

After this date, Dignity and others in the industry will be required to share information with the CMA. This reporting and future engagement with Dignity and the wider sector, will enable the regulator to ensure its remedies are being applied correctly, and to understand if the actions are effective in supporting the bereaved.

A leading position in the direct cremation market

In December 2016 we launched our own direct cremation business, Simplicity Cremations, as a response to the increased competition, changing consumer behaviour, and growing calls for alternative and lower cost funerals.

It is one of the UK's first predominantly online cremation offers, at one of the most competitive price points. Arrangements are made over the phone with a team of experts and there is no requirement to visit a physical branch.

Under the Simplicity Cremations brand, families have access to affordable direct cremation options and smaller, family-led services.

The services provide all the practical and essential elements of a funeral without the obligation to pay for a ceremony or other features of a traditional service they may not want.

This is supported by the years of experience and uncompromised quality of care delivered by Dignity funeral directors and national facilities.

An alternative choice

We know that consumer demand for alternative and lower priced funerals is rising. There is a need to cater for those clients that are seeking to save costs, but also those that want more control over funeral arrangements.

Awareness of direct cremation as an option has grown to 52 per cent, with 42 per cent who would consider using this service (*source: SunLife Cost of Dying report 2020)*. Yet in 2019 direct cremations only made up 2.4 per cent of all funerals in the UK.

2020 has seen direct cremation grow significantly, in part due to COVID-19. Through both Simplicity Cremations and in the CMG, we have seen direct cremation volumes almost double compared to 2019. It made up 16 per cent of CMG's cremation volumes in 2020 alone. The impact of the Government's restrictions placed on funerals has unsurprisingly forced people to think differently about the type of service they would want for themselves or their family members. We expect this societal shift to continue.

Amidst a greater focus on funeral costs and a shift away from tradition, direct cremation presents a compelling proposition for the bereaved. By removing the ceremony or service, direct cremations are much less expensive, with prices starting from around £1,000.

It is also very much an active choice for an increasingly secular, less traditional segment of consumers. We have found that many families choose an unattended direct cremation, whilst holding a more personalised attended service at an alternative venue. Also, and particularly relevant under the restrictions during the pandemic, some people are choosing to hold a celebration of life or memorial service at a completely different time and date to the cremation itself.

Unique in our service capabilities

We are uniquely positioned as a business in being able to offer direct cremation at all levels through our national infrastructure; either in the care we provide as a funeral director, as a crematorium operator, or by facilitating the service through our dedicated direct cremation brand (Simplicity Cremations). We also offer consumers pre-arranged plan options for this type of funeral – a product that is growing in popularity.

We deliver direct cremations through our network of 46 crematoria, which provide allocated slots that can be utilised by our own direct cremation business, but also by non-Dignity funeral directors and agreements with other providers.

Years of experience and operational efficiencies delivered through Dignity's funeral directors and facilities across the UK underpins the high-quality care provided through Simplicity Cremations, a capability that the majority of direct cremation providers simply do not have.

Future growth

Online continues to be our key route to market and consumers have responded well to our innovative Simplicity Cremations TV and radio advertising campaign. However, it is important to keep exploring how we can reach all of those consumers that are seeking an alternative solution for a funeral or cremation service.

In addition to Simplicity direct cremations, we have begun trials offering direct cremation as a service through several of our funeral locations, and we are set to roll this out across more of Dignity's network in the next year.

By rethinking how a funeral service is both marketed and delivered, the Company has already made a significant step forward in giving clients greater choice and flexibility when it comes to arranging a funeral. Direct cremation is presenting signs of rapid growth and we will continue to seek ways to expand our market-leading position in this space.

Clive Whiley
Executive Chairman
17 March 2021

Operating Review

FUNERAL SERVICES

Overview
As at 25 December 2020, we operated from a network of 795 (2019: 820) funeral locations. This network covers the UK and trades under locally established names.

Performance
We conducted 80,300 funerals (2019:69,400) during the period under review, more than at any stage in our history despite operational constraints resulting from COVID-19.

Underlying operating profit was £50.0 million (2019: £56.3 million), down by 13 per cent due to the impacts of COVID-19, this can be explained by the Financial Summary table on page 6.

Progress and Developments

Market share
Approximately one per cent of all funerals were conducted in Northern Ireland. Excluding Northern Ireland, these funerals represented approximately 12.0 per cent (2019: 11.7 per cent) of total estimated deaths in Britain. Whilst funerals divided by estimated deaths is a reasonable measure of our market share, the Group does not have a complete national presence and consequently, this calculation can only ever be an estimate.

Year-on-year growth in market share is primarily attributable to growth in Simplicity 0.3 per cent and pre-arranged funeral plans 0.1 per cent. Market share of full, simple and limited funerals was slightly below the prior year.

On a comparable basis, excluding any funerals from locations not contributing to the whole of 2019 and 2020, market share was 11.9 per cent, compared to 11.6 per cent in 2019. This builds on the improvement made in 2019 where comparable market share grew by 0.2 per cent, both 2020 and 2019 are a significant improvement on the dramatic market share declines witnessed in 2016 and 2018, however, further trials are necessary to complete the Group's understanding of the changing relationship between price and market share.

Funeral mix and Average revenue
As demonstrated in the tables below, the year-on-year decline in the underlying average revenue is primarily due to the COVID-19 pandemic. Q2 was particularly impacted due to the Group temporarily withdrawing the provision of limousines in the interests of the welfare of its staff and clients. Other choices such as church services also stopped being possible during this time. Following the installation of perspex dividing screens and the re-opening of places of worship (albeit restricted on number of mourners), the Group's average revenue started to improve during Q3. Q4 witnessed a full service average that was higher than Q2 and Q3 at £3,351 with 43 per cent of all funerals being full service and the ratio of full service to full, simple and limited increasing to 68 per cent. This resulted in the underlying average revenue for Q4 being £2,645 compared to £2,555 in the third quarter of 2020. Client choices and therefore average revenue are still likely to vary more by region in the coming months depending on national and then potential local restrictions in place.

Funeral mix and average income

	Funeral type	Q1 2020 Actual	Q2 2020 Actual	H1 2020 Actual	Q3 2020 Actual	Q4 2020 Actual	H2 2020 Actual	FY 2020 Actual
Underlying average revenue (£)	Full service	3,521	3,080	3,341	3,308	3,351	3,332	**3,337**
	Simple and limited service	1,972	1,953	1,956	1,897	1,937	1,917	**1,941**
	Pre-need	1,894	1,869	1,880	1,921	1,979	1,953	**1,911**
	Other (including Simplicity)	888	992	987	811	927	937	**940**
Volume mix (%)	Full service	50	26	37	40	43	42	**39**
	Simple and limited service	14	37	26	25	21	22	**25**
	Pre-need	29	28	28	27	28	28	**28**
	Other (including Simplicity)	7	9	9	8	8	8	**8**
Underlying weighted average (£)		2,648	2,136	2,360	2,381	2,476	2,443	**2,397**
Ancillary revenue (£)		175	49	101	174	169	161	**125**
Underlying average revenue (£)		2,823	2,185	2,461	2,555	2,645	2,604	**2,522**
Full service volume as a percentage of full, simple and limited (%)		78	41	59	62	67	66	**61**

Funeral mix and average income	Funeral type	FY 2018 Actual	Q1 2019 Actual	Q2 2019 Actual	H1 2019 Actual	Q3 2019 Actual	Q4 2019 Actual	H2 2019 Actual	FY 2019 Actual
Underlying average revenue (£)	Full service	3,735	3,542	3,585	3,558	3,608	3,613	3,605	3,578
	Simple and limited service	2,350	2,159	2,000	2,089	2,000	1,995	1,996	2,047
	Pre-need	1,705	1,826	1,789	1,806	1,879	1,899	1,890	1,846
	Other (including Simplicity)	570	773	734	756	772	780	774	770
Volume mix (%)	Full service	48	52	53	52	52	52	52	52
	Simple and limited service	19	14	13	14	14	13	13	14
	Pre-need	27	27	28	28	27	28	28	27
	Other (including Simplicity)	6	7	6	6	7	7	7	7
Underlying weighted average (£)		2,734	2,691	2,705	2,694	2,717	2,724	2,717	2,699
Ancillary revenue (£)		239	213	233	225	227	214	224	231
Underlying average revenue (£)		2,973	2,904	2,938	2,919	2,944	2,938	2,941	2,930
Full service volume as a percentage of full, simple and limited (%)		72	79	80	79	79	80	80	79

Investment

Investment in the Group's locations and fleet have continued. In 2020, £4.9 million was invested in maintenance capital expenditure. Expenditure was lower in 2019 and 2020 than in previous years as the Group is focusing on priorities around the root and branch review following the suspension of the Transformation Plan in 2020. The Group anticipates higher spend in 2021.

There was one branch opening and 26 closures in the year. These closures represent funeral locations where leases have naturally come to an end and have not been renewed and also include nine freehold closures.

Strategic focus and outlook

The Group is focusing on its root and branch review which will be completed in the second quarter of 2021. We continue to develop and trial different service offerings and propositions and will continue to work with the regulator and Government to ensure the package of remedies recommended by the CMA work for customers.

CREMATORIA

Overview

The Group remains the largest single independent operator of crematoria in Britain, operating 46 (2019: 46) crematoria as at 25 December 2020.

The greatest challenge of 2020 was undoubtedly ensuring safety and continuity of service through an ever changing landscape forced upon us by the aggressive growth of COVID-19, leading to excess deaths and the unmitigated rate at which the Government had to review and change the guidelines for businesses. For CMG this meant creating a safe environment for visitors and staff.

Performance

The Group performed 74,500 cremations (2019: 64,800) in the period, representing 11.2 per cent (2019: 11.1 per cent) of total estimated deaths in Britain.

Underlying operating profit was £42.8 million (2019: £38.4 million), an increase of 11 per cent. This increase in profitability is driven by the number of deaths partially offset by lower average revenues from the increased use of direct cremation and lower memorial revenue, as explained below:

Financial summary 2020

	H1 £m	H2 £m	**FY £m**
Underlying operating profit –2019	20.8	17.6	38.4
Impact of:			
Number of deaths	7.4	0.4	**7.8**
Market share	0.9	0.1	**1.0**
Average revenues	(4.3)	1.4	**(2.9)**
Cost base changes	(1.1)	(0.4)	**(1.5)**
Underlying operating profit –2020	23.7	19.1	**42.8**

Sales of memorials and other items have been adversely impacted primarily by COVID-19 and an increasing trend in not collecting ashes resulting in total memorial revenue being £16.7 million (2019: £17.8 million) six per cent lower than the prior year despite cremation volumes being 15 per cent higher. In addition to reduced memorial sales, the average cremation revenue has reduced by three per cent to £885 (2019: £911) due to the increase in direct cremation related services.

All offices were officially closed in line with Government guidance. We promptly made offices safe for staff and visitors with the use of personal screens and limiting to an appointment-only basis for visitors. Our memorial offices reopened in July, having been closed for three-months and were inundated with clients who understandably needed closure through creating final resting places for their loved one's ashes, as well as the arrangement of memorials. Nonetheless, memorial sales and other items were six per cent lower than the previous period.

Non-underlying costs of £0.2 million (2019: £1.2 million) and IFRS 16 credit of £2.6 million (2019: nil) are excluded from underlying operating profit resulting in statutory operating profit of £45.2 million (2019: £37.2 million).

Progress and Developments
The Group has invested £2.7 million maintaining and improving its locations in the period.

The Group now has planning permission for four new crematoria. The total capital commitment for these four projects is expected to be approximately £30 million, with £6.7 million of this amount having already been invested. Each of the locations with planning permission will take five to seven years to reach maturity, performing 800 to 1,000 cremations per year.

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

Strategic focus and outlook
Crematoria remains a stable and cash generative aspect of the Group's operations. However, we have embarked on a total restructure of CMG which is still in progress. We have introduced smaller cluster areas to encompass a more collaborative team ethic and an increase in the training and staff development across all disciplines. The overall achievement will be to create a more dedicated and focused CMG team which will facilitate further cost savings through a more streamlined and efficient organisation.

PRE-ARRANGED FUNERAL PLANS

Underlying Performance
The Group continues to have a strong market presence in pre-arranged funeral plans and insurance policies charged to it for the provision of a funeral. The plans represent potential future incremental business for the funeral division, providing high-levels of certainty of cash flows as existing plans mature.

The Trading Group claims a marketing allowance from the trust that covers the costs incurred in the selling of Funeral Plans. As a result, the pre-arrangement division does not contribute any profit at the time of sale therefore underlying operating profit was £nil in both periods.

Approximately 60,000 (2019: 58,000) new plan sales were made and the number of active pre-arranged plans (including insurance backed arrangements) increased to 558,000 (2019: 523,000). All plan sales are stated net of cancellations. Over the last 12 months the cancellation rate has increased which primarily relates to the increase in the mix of long-term instalment plan sales which have a higher cancellation rate. The majority of commissions are clawed back from distribution partners on cancellation in the first two years (the majority of expected cancellations take place in this period).

Of the sales in the period 30,000 plans were trust based funeral plans (2019: 26,000). In addition, 30,000 (2019: 32,000) plans were linked to life assurance plans with third parties. Not all of these insurance backed plans include an obligation to provide a guaranteed funeral and we anticipate the cancellation experience to be significantly higher than is witnessed on trust based sales.

Historically, as with all the Group's divisions, pre-arranged funeral plans underlying profits broadly reflect the cash generated by that activity. This position has started to shift as more long-term instalment plans are written, where marketing costs are incurred when a plan is sold, but, marketing recoveries are claimed from the trust in line with instalment payments. This shift has changed the profile of the early years cashflow position.

Progress and Developments
Dignity remains focused on selling high-quality business, in ways that support the strong reputation of the Group.

The financial position of the Trusts holding members' monies is crucial, given the Group ultimately guarantees the promises made to members. At the end of 2020, the Trusts had average assets per plan of £3,400 (2019: £3,300) in respect of 319,000 trust based funeral plans. Average assets per plan are greater than the amount currently received by the Trading Group for performing a funeral.

The latest actuarial valuations of the Trusts (at 25 September 2020) showed them to have a surplus of £4 million (27 September 2019: surplus £17 million), based on prudent assumptions by the Trust's actuary. This valuation is based on the amounts the Trusts are expected to pay when a funeral is performed rather than the actual cost of performance (being a lower amount) to the Group.

The pre-arrangement Trustees are actively reviewing the investment strategy of the Trusts, focused on providing the Trading Group with greater certainty over amounts to be paid when funerals are performed in a rolling five year period. The retention of cash or high-grade bonds to cover these liabilities, together with implementing an overall investment strategy with lower aggregate fund management and execution costs will provide more certainty. These changes to the investment strategy are imminent and will materially reduce the overall costs of managing the Trusts' investments, enhancing the capacity for future revenue growth.

The Trusts have assets, including cash, under the management of the Trustees of £988.7 million (2019: £963.0 million) with investments split as follows:

	Example investment types	**Target (%)**
Defensive investments	Index linked gilts and corporate bonds	18
Illiquid investments	Private investments	16
Core growth investments	Equities	38
Growth fixed income and alternative investments	Emerging market debt/diversified growth	22
Liquid investments	Open-ended investment funds	6

The current allocation is subject to annual review by the Trustees with support from their investment advisers. See Financial review for additional discussion of Trust balances.

Strategic focus and outlook
The Group remains optimistic on its ability to continue to be a market leader in pre-arranged funerals.

The Group welcomes FCA regulation of the sector and is planning for regulation to be effective by the middle of 2022. The Group will continue to engage with relevant parties as appropriate whilst maintaining focus on selling high-quality, competitive products to clients.

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

Financial Review

Three quarters of our financial year has been impacted by the COVID-19 pandemic. Despite this we consider these underlying results to be robust having increased our operating cash generation year-on-year, and remained profitable, albeit at a reduced level. With the exception of business rate relief, we have chosen not to take advantage of the various Government schemes brought in to support business during the pandemic.

These results have been prepared in accordance with International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

Statutory operating profit was £15.9 million (2019: £44.8 million), a decrease of £28.9 million. Gross margin increased £3.0 million with a strong performance in the crematoria division and a higher contribution from delivery of an increased number of pre-need funerals, whereas the additional at-need funerals delivered were more than offset by reductions in average revenues. Administrative expenses were £31.9 million higher, largely driven by an increased impairment charge of £37.2 million on goodwill and trade names compared to last year and after incurring additional central overheads of £5.7 million in part to help manage the business through the pandemic. This was partially offset by a reduction in other non-underlying items, primarily in respect of £7.4 million less spent on the Transformation Plan which has been abrogated. See table on page 18 for further details on the impacts to statutory and underlying operating profit.

The total impairment of £44.0 million has been charged in the period (2019: £6.8 million), of which £15.3 million (2019: £6.8 million) relates to trades names and £28.7 million (2019: nil) to goodwill. The impairment has arisen primarily due to the reduced average revenues and mix that has impacted the funeral services division over the last 12 months.

The Group's net finance costs of £35.5 million (2019: income £5.3 million), a £40.8 million movement primarily due to the lower increase in fair value movements of the financial assets held by the Trusts of £38.2 million. In 2019, the Group had a further £6.0 million of non-underlying items relating to the impairment of its investment in an associated undertaking. The above has resulted in losses before tax for the Group of £19.6 million (2019 profit: £44.1 million).

The Board believes that whilst statutory reporting measures provide financial performance of the Group under GAAP, alternative performance measures as used in the day-to-day management of the business are necessary to enable users of the financial statements to fully understand the trading performance and financial position of the business and allow for greater comparability across periods.

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

	52 week period ended 25 December 2020	52 week period ended 27 December 2019 restated[b]	Increase/ (decrease) %
Underlying revenue[a] (£ million)	**314.1**	301.3	4
Underlying operating profit[a] (£ million)	**55.7**	63.3	(12)
Underlying profit before tax[a] (£ million)	**30.7**	37.7	(19)
Underlying earnings per share[a] (pence)	**46.6**	60.6	(23)
Underlying cash generated from operations [a] (£ million)	**76.4**	71.8	6
Revenue (£ million)	**357.5**	338.9	5
Operating profit (£ million)	**15.9**	44.8	(65)
(Loss)/profit before tax (£ million)	**(19.6)**	44.1	
Basic (loss)/earnings per share (pence)	**(51.0)**	61.2	
Cash generated from operations (£ million)	**62.7**	64.6	(3)
Dividends paid in the period:			
Final dividend (pence)	-	15.74	

(a) Further details of alternative performance measures can be found on pages 50 to 53.

(b) See prior year adjustment note on page 29.

Alternative performance measures
The alternative performance measures are stated before non-underlying items and the effect of consolidation of the Trusts, applying IFRS 15 and adopting IFRS 16 as defined on page 50. These items have been adjusted for in determining underlying measures of profitability as these underlying measures are those used in the day-to-day management of the business and allow for greater comparability across periods.

Detailed information on non-underlying items is set out on pages 50 to 53 and a reconciliation of statutory revenue to underlying revenue detailed in note 2.

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

	52 week period ended 25 December 2020	52 week period ended 27 December 2019
	£m	£m
Operating profit for the period as reported	**15.9**	44.8
Add the effects of:		
Acquisition related amortisation	**4.6**	4.8
External transaction costs in respect of completed and aborted transactions	**0.8**	0.9
Profit on sale of fixed assets	**(0.2)**	(1.0)
Transformation Plan costs[(a)]	**4.7**	12.1
Directors severance pay	**1.6**	-
Operating and competition review costs	**2.9**	3.5
Trade name impairment	**15.3**	6.8
Goodwill impairment	**28.7**	-
Impact of Trust consolidation and IFRS 15	**(14.0)**	(8.6)
Impact of IFRS 16	**(4.6)**	-
Underlying operating profit [(b)]	**55.7**	63.3
Underlying net finance costs	**(25.0)**	(25.6)
Underlying profit before tax [(b)]	**30.7**	37.7
Tax charge on underlying profit before tax	**(7.4)**	(7.4)
Underlying profit after tax [(b)]	**23.3**	30.3
Weighted average number of Ordinary Shares in issue during the period (million)	**50.0**	50.0
Underlying EPS (pence) [(b)]	**46.6**	60.6
Decrease in underlying EPS (per cent)	**23**	29

(a) The £4.7 million costs incurred in 2020 reflects expenditure up to the point of the Transformation Plan being abrogated.
(b) Further details of alternative performance measures can be found on pages 50 to 53.

Earnings per share
Statutory loss after tax was £25.5 million (2019 restated: £30.6 million). Basic loss per share were (51.0) pence per share (2019 restated earnings: 61.2 pence per share). Underlying profit after tax was £23.3 million (2019: £30.3 million), giving underlying earnings per share of 46.6 pence per share (2019: 60.6 pence per share), a reduction of 23 per cent.

Items excluded from underlying operating profit
Amortisation of acquisition related intangibles
Amortisation of acquisition related intangibles reflects the write-off of acquired intangibles over the term of their useful life.

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.

Profit on sale of fixed assets
Profits or losses arising from the sale of fixed assets (net of any insurance proceeds received) are excluded as they are unconnected with the trading performance in the period.

Transformation Plan costs
Cost incurred in relation to the Group's now abrogated Transformation Plan has resulted in significant, directly attributable non-recurring costs.

Directors severance pay
Following the departure of Mike McCollum, Steve Whittern and Richard Portman in 2020, severance packages have been agreed and paid and are considered to be a non-recurring cost.

Operating and competition review costs
The Group has incurred costs with external advisers to support the Group's response to the CMA's funerals market investigation and HM Treasury's consultation on the funeral plan sector. Costs were also incurred in 2020 with external advisers to support its operational review.

Trade name impairment
The Group assessed the carrying value of its trade names. In light of the lower level of profitability and lower anticipated average revenue per funeral, an impairment of £15.3 million (2019: £6.8 million) has been recognised.

Goodwill impairment
The Group assessed the carrying value of its goodwill. In light of the lower level of profitability and lower anticipated average revenue per funeral, an impairment of £28.7 million (2019: £nil million) has been recognised.

Trust consolidation/IFRS 15
In the prior period the Group changed its accounting policy to consolidate the Trusts and to implement 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.

IFRS 16
As detailed elsewhere in this report, the Group has adopted IFRS 16 in the period. 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. The impact of IFRS 16 has been reversed in arriving at the APM for 2020 only. This is due to the modified retrospective adoption of the standard, meaning the 2019 comparatives have not been restated and therefore are not comparable.

Capital expenditure
Capital expenditure on property, plant and equipment and intangible assets was £11.1 million (2019: £18.3 million).

This is analysed as:

	25 December 2020 £m	27 December 2019 £m
Maintenance capital expenditure:		
Funeral services	**5.0**	5.4
Crematoria	**2.7**	3.3
Other	**1.4**	1.1
Total maintenance capital expenditure[(a)]	**9.1**	9.8
Branch relocations	**0.5**	1.1
Transformation capital expenditure	**0.2**	1.7
Satellite locations	**-**	0.3
Development of new crematoria and cemeteries	**1.3**	5.4
Total property, plant and equipment	**11.1**	18.3
Partly funded by:		
Disposal proceeds – vehicles	**-**	(0.2)
Disposal proceeds – properties [(b)]	**(1.1)**	(1.9)
Net capital expenditure	**10.0**	16.2

(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.

Cash flow and cash balances for the Trading Group
Underlying cash generated from operations was £76.4 million (2019: £71.8 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 of the Trading Group at the end of the period were £73.6 million (2019: £57.9 million). Further details and analysis of the Group's cash balances are included in note 8.

Pensions
The balance sheet shows a deficit of £36.6 million before deferred tax (2019: deficit of £26.0 million). The scheme currently represents an annual cash obligation of £2.2 million. The triennial valuation was performed in April 2020, the outcome of which is awaiting and will determine future annual cash obligations for the Group from 2021 onwards.

Taxation
The Group's effective tax rate on underlying profits in the period was 24.1 per cent (2019: 19.5 per cent). The current period underlying effective tax rate is higher than originally anticipated due to the effects of prior year items with a tax impact totalling £0.6 million.

In 2021, the Group expects its underlying effective tax rate to be approximately two to three per cent above the headline rate of corporation tax. This translates to an underlying effective rate of between 21.0 per cent and 22.0 per cent.

The Group's effective tax rate on losses is 30.0 per cent (2019: 30.6 per cent) which is higher than the underlying effective tax rate primarily due to the £4.3 million corporate interest restriction disallowance and £3.5 million arising on the goodwill and trade name impairments partially offset by the £1.1 million rate change credit.

Prior year restatement

A prior year restatement has been made to the magnitude of £4.3 million to correct the 2019 taxation charge and corresponding corporation tax liability. This follows the finalisation of the Group's detailed corporate interest restriction return and an increase to the Group's interest disallowance as a result of the inclusion of the fair value movements on the Trusts debt investments. Further details of the prior year restatement are set out in note 1 to the financial statements.

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-	B+

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.

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 25 December 2020 was 1.99 times (2019: 2.13 times). The Group therefore had EBITDA headroom of approximately £16 million against its financial covenants at the end of December. 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 consolidation of the Trusts or the application of IFRS 15 and IFRS 16 described elsewhere, as the Group was able to elect to disregard those changes when making the calculations.

During the period, certain trade and assets previously held outside of the Securitisation Group were sold to the Securitisation Group increasing future EBITDA.

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

	25 December 2020 £m
EBITDA per covenant calculation – Securitisation Group	**67.6**
Add: EBITDA of entities outside Securitisation Group	**9.8**
Less: Non-cash items[(a)]	**(1.9)**
Underlying operating profit before depreciation and amortisation - Group	**75.5**
Underlying depreciation and amortisation	**(19.8)**
Non-underlying items	**(58.4)**
Impact of Trust consolidation and IFRS 15	**14.0**
Impact of IFRS 16	**4.6**
Operating profit	**15.9**

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

In addition, in order for the Group to transfer excess from the Securitisation Group to Dignity plc, it must achieve both a higher EBITDA to total debt service ratio of 1.85 times and achieve a Free Cash Flow to total debt service (a defined term in the securitisation documentation) of at least 1.4 times. This latter ratio at December was 1.57 times (December 2019: 1.65 times). These combined requirements are known as the Restricted Payment Condition ('RPC') which have been met in 2020. Failure to pass the RPC would not be a covenant breach and would not cause an acceleration of any debt repayments. Any cash not permitted to be transferred whilst the RPC is not achieved will be available to be transferred at a later date once the RPC requirement is achieved.

On 31 July 2020, Standard & Poor's lowered their rating of the Group's Class B Secured Notes from BB- to B+. This change of rating has no impact on the day-to-day operations of the Secured Notes.

Revolving Credit Facility

The Group has the benefit of a £10 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 £0.1 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 Trading Group has underlying net debt of £480.6 million (2019: £506.2 million) at the balance sheet date. See note 11 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 £822.7 million, (Class A Notes: £226.0 million; Class B Notes: £596.7 million) (2019: £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 £24.1 million (2019: £24.4 million).

Other ongoing underlying finance costs incurred in the period amounted to £1.0 million (2019: £1.4 million), covering the unwinding of discounts on the Group's provisions and other financial liabilities.

Interest receivable on bank deposits was £0.1 million (2019: £0.2 million).

The Group also incurred £4.7 million (2019: £nil) lease liability interest, under IFRS 16, giving a total statutory net finance cost of £29.7 million (2019: £25.6 million).

Shareholders' deficit

Consolidating the Trusts and applying 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.

On consolidation of the Trusts, all funds received from the plan members are deferred until recognised on satisfaction of a funeral obligation or when a plan is cancelled and refunded (subject to an administrative fee). These deferred funds increase under IFRS 15 by a material non-cash significant financing charge. The assets of the Trusts, initially representing the same funds received from plan members less an amount paid to the Trading Group to cover marketing costs, are invested by the Trusts and are subject to market movements. Over time, investments are also realised to fund funeral payments or refund obligations. The net impact of the above gives rise to a significant reduction in the net asset value of the Group to a position where the Group has reported a net deficit of £174.0 million (2019: £141.5 million). Whilst this position appropriately reflects the application of IFRS 15 to the underlying contract with the plan member, based on the current cost of delivery of a funeral service, delivery of pre-need funerals is expected to result in the future recognition of profits under IFRS, which, over time, the Directors consider would more than eliminate the deficit noted above.

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.

The Trusts

At the balance sheet date, the Trusts had £967.1 million (2019: £947.5 million) of financial assets and £21.6 million (2019: £15.5 million) of cash, which was recognised in the consolidated balance sheet. This has resulted in average net Trust assets per plan increasing three per cent to £3,400 (2019: £3,300). The movement in financial assets is primarily attributable to remeasurement gains recognised in the consolidated income statement of £41.3 million (2019: £79.5 million), reflecting changes in asset values and net disposals of financial assets of £18.7 million (2019 net purchases: £9.5 million).

Aggregated contract liabilities totalled £1,317.5 million (2019: £1,304.6 million) with the primary movements being sales of new plans of £82.0 million (2019: £91.2 million), increases due to significant financing of £53.1 million (2019: £54.1 million) and releases due to death or cancellation totalling £122.2 million (2019: £96.8 million).

The impact of IFRS 16 – Leases

In 2020, the Group has adopted the new accounting standard IFRS 16, Leases. This standard requires the Group to recognise an asset and liability on its balance sheet for operating leases that were previously held off balance sheet. As approximately half of the Group's funeral properties and some of its crematoria are leased, this has had a material impact to the Group's statutory results. The Group has recognised an initial asset of £101.7 million and an initial liability of £93.6 million. Under the transition approach being followed comparative results for the prior period are not restated.

At the period end the Group held a right-of-use asset of £95.2 million and a corresponding lease liability of £88.5 million. Furthermore, in the period, operating lease costs of £12.1 million were replaced by a depreciation charge of £9.2 million, finance cost of £4.7 million and a release of accruals and prepayments of £1.7 million.

As with the Trust consolidation and the impact of IFRS 15, the adoption of IFRS 16 does not impact the Group's securitisation covenants, as the Securitisation Group has exercised its ability to disregard the impact of the new standard to maintain consistency of measurement.

For more information see note 19.

Central overheads

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

Developments
Underlying costs in the period were £37.1 million (2019: £31.4 million). As anticipated, this reflects continued investment in digital activities and central capabilities. The table below summarises the key movements:

	H1 £m	H2 £m	**FY** **£m**
Central overheads –2019	14.6	16.8	31.4
Impact of:			
Digital activities	1.0	0.9	**1.9**
Salaries	2.7	1.5	**4.2**
Other	0.1	(1.0)	**(0.9)**
IT support fees	-	0.5	**0.5**
Central overheads –2020	18.4	18.7	**37.1**

The increase in salaries includes increases of £1.6 million relating to staff incentive bonuses, £0.6 million for option scheme charges and £0.6 million temporary staff costs primarily to increase the cover in the call centre during the pandemic.

Non-underlying items of £9.8 million (2019: £15.7 million) and IFRS 16 credit of £0.1 million (2019: nil) are excluded from underlying costs resulting in total central costs of £46.8 million (2019: £47.1 million).

In addition to the above costs, maintenance capital expenditure of £1.4 million has been incurred on central projects predominantly relating to IT that will help the business as a whole operate more efficiently.

Outlook
The Group will continue to invest in central functions and marketing activity to support the Group's plans.

Dean Moore
Interim Chief Financial Officer
17 March 2021

Our key performance indicators

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

KPI	KPI definitions	52 week period ended 25 December 2020	52 week period ended 27 December 2019	Developments in 2020
Underlying earnings per share (pence)	This is underlying profit after tax divided by the weighted average number of Ordinary Shares in issue in the period.	**46.6p**	60.6p	The reduction follows the decrease in underlying operating profit.
Underlying operating profit (£m)	This is the statutory operating profit of the Group excluding non-underlying items and the impact of consolidating the Trusts, IFRS 15 and IFRS 16.	**£55.7m**	£63.3m	Underlying operating profit declined year-on-year, despite higher deaths. This is primarily due to lower average revenue due to the pandemic.
Underlying cash generated from operations (£m)	This is the statutory cash generated from operations excluding non-underlying items and the impact of consolidating the Trusts, IFRS 15 and IFRS 16.	**£76.4m**	£71.8m	The Group continues to convert operating profit into cash efficiently.
Average revenue per funeral (£)	Underlying funeral revenue divided by the number of funerals performed in the relevant period.	**£2,522**	£2,930	Restrictions in client choices due to COVID-19 have adversely impacted average revenue as clients opted for simpler funerals.
Total estimated number of deaths in Britain (number)	This is as reported by the Office for National Statistics.	**663,000**	584,000	Deaths were materially higher than originally anticipated due to the pandemic.
Funeral market share excluding Northern Ireland (per cent)	This is the number of funerals performed by the Group in Britain divided by the total estimated number of deaths in Britain.	**12.0%**	11.7%	Market share has improved slightly.
Number of funerals performed (number)	This is the number of funerals performed by the Group according to our operational data.	**80,300**	69,400	Changes are a consequence of the total number of deaths and the Group's market share.
Crematoria market share (per cent)	This is the number of cremations performed by the Group divided by the total estimated number of deaths in Britain.	**11.2%**	11.1%	Market share is broadly stable.
Number of cremations performed (number)	This is the number of cremations performed according to our operational data.	**74,500**	64,800	Changes are a consequence of the total number of deaths and the Group's market share.
Active pre-arranged funerals (number)	This is the number of pre-arranged funerals (both trust funeral plans and insurance backed) where the Group has an obligation to provide a funeral in the future.	**558,000**	523,000	This increase reflects continued sales activity (both trust funeral plans and insurance backed) offset by the crystallisation of plans sold in previous periods.

Maintaining consistently high-quality and standards

We closely monitor the results of our client surveys which are conducted by our funeral services division. In the last five years, we have received approximately 160,000 responses. This is our measure of how these services meet or exceed client expectations. Our consistently high satisfaction scores reflect the strength of our relationships with our clients. We listen to our clients and use our survey responses to focus on areas in which we can improve and add value.

The Dignity Client Survey 2020

Reputation and recommendation

98.9% (2019: 99.2%)
98.9 per cent of respondents said that we met or exceeded their expectations.

97.9% (2019: 98.0%)
97.9 per cent of respondents would recommend us.

Quality of service and care

99.9% (2019: 99.9%)
99.9 per cent thought our staff were respectful.

99.6% (2019: 99.7%)
99.6 per cent thought our staff listened to their needs and wishes.

99.1% (2019: 99.1%)
99.1 per cent agreed that our staff were compassionate and caring.

High standards of facilities and fleet

99.7% (2019: 99.8%)
99.7 per cent thought our premises were clean and tidy.

99.2% (2019: 99.7%)
99.2 per cent thought our vehicles were clean and comfortable.

In the detail

98.9% (2019: 99.2%)
98.9 per cent of clients agreed that our staff had fully explained what would happen before and during the funeral.

99.2% (2019: 99.0%)
99.2 per cent said that the funeral service took place on time.

98.0% (2019: 98.3%)
98.0 per cent said that the final invoice matched the estimate provided.

Consolidated income statement
for the 52 week period ended 25 December 2020

	Note	52 week period ended 25 December 2020 £m	52 week period ended 27 December 2019 restated £m
Revenue	2	**357.5**	338.9
Cost of sales		**(177.3)**	(161.7)
Gross profit		**180.2**	177.2
Administrative expenses		**(164.3)**	(132.4)
Operating profit	2	**15.9**	44.8
Finance costs	3	**(29.8)**	(25.8)
Finance income	3	**0.1**	0.2
Share of loss and impairment in respect of associated undertakings		**-**	(6.0)
Deferred revenue significant financing	3	**(53.1)**	(54.1)
Remeasurement of financial assets held by the Trusts and related income	3	**47.3**	85.0
(Loss)/profit before tax	2	**(19.6)**	44.1
Taxation	4	**(5.9)**	(13.5)
(Loss)/profit for the period attributable to equity shareholders	2	**(25.5)**	30.6
(Loss)/earnings per share for profit attributable to equity shareholders			
– Basic (pence)	6	**(51.0)p**	61.2p
– Diluted (pence)	6	**(51.0)p**	61.2p

Prior year comparatives have been restated due to a prior year adjustment in relation to taxation. See page 29 for further details.

The results for the 52 week period to 25 December 2020 reflect the impact of adopting IFRS 16, Leases. Comparatives in respect of the 2019 reporting periods have not been restated in this respect as permitted under the specific transition provisions of the standard. See note 19 for details.

The alternative performance measures included within the Preliminary Announcement present information on a comparable basis with that presented in prior periods.

Consolidated statement of comprehensive income
for the 52 week period ended 25 December 2020

	Note	52 week period ended 25 December 2020 £m	52 week period ended 27 December 2019 restated £m
(Loss)/profit for the period		**(25.5)**	30.6
Items that will not be reclassified to profit or loss			
Remeasurement loss on retirement benefit obligations	13	**(11.7)**	(1.8)
Tax credit on remeasurement on retirement benefit obligations		**2.2**	0.3
Restatement of deferred tax for the change in UK tax rate	4	**0.5**	-
Other comprehensive loss		**(9.0)**	(1.5)
Comprehensive (loss)/income for the period		**(34.5)**	29.1
Attributable to:			
Equity shareholders of the parent		**(34.5)**	29.1

Prior year comparatives have been restated due to a prior year adjustment in relation to taxation. See page 29 for further details.

The results for the 52 week period to 25 December 2020 reflect the impact of adopting IFRS 16, Leases. Comparatives in respect of the 2019 reporting periods have not been restated in this respect as permitted under the specific transition provisions of the standard. See note 19 for details.

Consolidated balance sheet
as at 25 December 2020

	Note	25 December 2020 £m	27 December 2019 restated £m
Assets			
Non-current assets			
Goodwill	7	**203.9**	232.6
Intangible assets	7	**120.5**	140.5
Property, plant and equipment		**240.9**	251.3
Right-of-use asset		**95.2**	-
Financial and other assets		**10.7**	18.2
Financial assets held by the Trusts	9	**967.1**	947.5
Deferred commissions	10	**101.3**	96.8
Deferred tax asset		**20.3**	14.0
		1,759.9	1,700.9
Current assets			
Inventories		**9.0**	7.9
Trade and other receivables		**30.0**	32.4
Deferred commissions	10	**7.6**	7.3
Cash and cash equivalents – Trading Group		**73.6**	57.9
Cash and cash equivalents – held by the Trusts		**21.6**	15.5
Cash and cash equivalents	8	**95.2**	73.4
		141.8	121.0
Total assets		**1,901.7**	1,821.9
Liabilities			
Current liabilities			
Financial liabilities		**15.1**	9.6
Trade and other payables		**68.7**	61.6
Lease liabilities		**7.3**	-
Current tax liabilities		**8.7**	6.0
Contract liabilities	10	**95.5**	95.5
Provisions for liabilities		**2.4**	2.0
		197.7	174.7
Non-current liabilities			
Financial liabilities		**526.6**	542.3
Other non-current liabilities		**2.1**	2.0
Lease liabilities		**81.2**	-
Contract liabilities	10	**1,222.0**	1,209.1
Provisions for liabilities		**9.5**	9.3
Retirement benefit obligation	13	**36.6**	26.0
		1,878.0	1,788.7
Total liabilities		**2,075.7**	1,963.4
Shareholders' deficit			
Ordinary share capital		**6.2**	6.2
Share premium account		**12.7**	12.5
Capital redemption reserve		**141.7**	141.7
Other reserves		**(3.0)**	(4.0)
Retained earnings		**(331.6)**	(297.9)
Total deficit		**(174.0)**	(141.5)
Total deficit and liabilities		**1,901.7**	1,821.9

Prior year comparatives have been restated due to a prior year adjustment in relation to taxation. See page 29 for further details.

The balance sheet as at 25 December 2020 reflect the impact of adopting IFRS 16, Leases. Comparatives in respect of the 2019 reporting periods have not been restated in this respect as permitted under the specific transition provisions of the standard. See note 19 for details.

The alternative performance measures included within the Group's consolidated financial statements present information on a comparable basis.

Consolidated statement of changes in equity
for the 52 week period ended 25 December 2020

	Ordinary share capital £m	Share premium account £m	Capital redemption reserve £m	Other reserves £m	Retained earnings £m	Total equity £m
Shareholders' equity as at 28 December 2018	6.2	12.4	141.7	(5.1)	(319.1)	(163.9)
Profit for the 52 weeks ended 27 December 2019 – as originally presented	-	-	-	-	34.9	34.9
Impact of corporate interest restriction disallowance - prior year adjustment	-	-	-	-	(4.3)	(4.3)
Remeasurement loss on defined benefit obligations (note 13)	-	-	-	-	(1.8)	(1.8)
Tax on retirement benefit obligations	-	-	-	-	0.3	0.3
Total comprehensive income - restated	-	-	-	-	29.1	29.1
Effects of employee share options	-	-	-	1.1	-	1.1
Tax on employee share options	-	-	-	0.1	-	0.1
Proceeds from share issue(1)	-	0.1	-	-	-	0.1
Gift to Employee Benefit Trust	-	-	-	(0.1)	-	(0.1)
Dividends (note 5)	-	-	-	-	(7.9)	(7.9)
Shareholders' equity as at 27 December 2019 - restated	6.2	12.5	141.7	(4.0)	(297.9)	(141.5)
Adjustment on initial application of IFRS 16 on 28 December 2019 (note 19)	**-**	**-**	**-**	**-**	**0.8**	**0.8**
Loss for the 52 weeks ended 25 December 2020	**-**	**-**	**-**	**-**	**(25.5)**	**(25.5)**
Remeasurement loss on retirement benefit obligations (note 13)	**-**	**-**	**-**	**-**	**(11.7)**	**(11.7)**
Tax on retirement benefit obligations	**-**	**-**	**-**	**-**	**2.2**	**2.2**
Restatement of deferred tax for the change in UK tax rate (note 4)	**-**	**-**	**-**	**-**	**0.5**	**0.5**
Total comprehensive loss	**-**	**-**	**-**	**-**	**(33.7)**	**(33.7)**
Effects of employee share options	**-**	**-**	**-**	**1.2**	**-**	**1.2**
Proceeds from share issue(2)	**-**	**0.2**	**-**	**-**	**-**	**0.2**
Gift to Employee Benefit Trust	**-**	**-**	**-**	**(0.2)**	**-**	**(0.2)**
Shareholders' equity as at 25 December 2020	**6.2**	**12.7**	**141.7**	**(3.0)**	**(331.6)**	**(174.0)**

(1) Relating to issue of 3,455 shares under 2016 DAB scheme.
(2) Relating to issue of 7,745 shares under 2017 DAB scheme and 344 issued under the 2019 SAYE scheme.

Prior year comparatives have been restated due to a prior year adjustment in relation to taxation. See page 29 for further details.

The results for the 52 week period to 25 December 2020 reflect the impact of adopting IFRS 16, Leases. Comparatives in respect of the 2019 reporting periods have not been restated in this respect as permitted under the specific transition provisions of the standard. See note 19 for details.

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

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

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

Consolidated statement of cash flows
for the 52 week period ended 25 December 2020

	Note	**52 week period ended 25 December 2020 £m**	52 week period ended 27 December 2019 £m
Cash flows from operating activities			
Cash generated from operations		**62.7**	64.6
Finance income received		**0.1**	0.3
Finance costs paid		**(24.5)**	(25.0)
Transfer from restricted bank accounts for finance costs		**12.1**	12.3
Payments to restricted bank accounts for finance costs	8	**(12.0)**	(12.1)
Total payments in respect of finance costs		**(24.4)**	(24.8)
Tax paid		**(6.9)**	(7.9)
Net cash generated from operating activities		**31.5**	32.2
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**1.1**	2.1
Maintenance capital expenditure[1]		**(9.1)**	(9.8)
Branch relocations		**(0.5)**	(1.1)
Transformation capital expenditure		**(0.2)**	(1.7)
Satellite locations		**-**	(0.3)
Development of new crematoria and cemeteries		**(1.3)**	(5.4)
Purchase of property, plant and equipment and intangible assets		**(11.1)**	(18.3)
Purchase of financial assets (by the Trusts)	9	**(778.1)**	(736.1)
Disposals of financial assets (by the Trusts)	9	**796.8**	726.6
Realised return on financial assets		**3.8**	3.6
Net cash used in investing activities		**12.5**	(22.1)
Cash flows from financing activities			
Payments due under Secured Notes		**(9.6)**	(9.3)
Transfer from restricted bank accounts for repayment of borrowings		**4.8**	4.6
Payments to restricted bank accounts for repayment of borrowings	8	**(4.9)**	(4.8)
Total payments in respect of borrowings		**(9.7)**	(9.5)
Principal and interest elements of lease payments		**(12.5)**	-
Dividends paid to shareholders on Ordinary Shares	5	**-**	(7.9)
Net cash used in financing activities		**(22.2)**	(17.4)
Net increase/(decrease) in cash and cash equivalents		**21.8**	(7.3)
Cash and cash equivalents at the beginning of the period		**56.5**	63.8
Cash and cash equivalents at the end of the period	8	**78.3**	56.5
Restricted cash	8	**16.9**	16.9
Cash and cash equivalents at the end of the period as reported in the consolidated balance sheet	8	**95.2**	73.4

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

1 Prior year restatement

Following the finalisation of the Group's 2019 corporation tax returns for its subsidiary undertakings and the corresponding detailed Group corporate interest restriction return it became apparent that the interaction of the consolidation of the Trusts and the application of the complex tax provisions relating to the level of interest deductibility within the Group had been understated and consequently the 2019 financial statements were misstated. Due to an increased amount of disallowed interest expense arising predominately from the inclusion of realised and unrealised fair value movements on the bond investments within the Trust consolidation a prior year adjustment has been booked due to the magnitude of the disallowance. The Group has therefore restated its consolidated financial statements for 2019. There is no impact on any further previous accounting periods. The restatement increases the tax charge by £4.3 million with a corresponding increase in the Group's current tax liabilities by £4.3 million. Accordingly, retained earnings as at 27 December 2019 have reduced by £4.3m and statutory EPS has also been restated to 61.2p. A deferred tax asset cannot be recognised in this respect as it is not considered probable that the Group will be able to access the disallowed interest amounts under the corporate interest restriction rules in the foreseeable future.

2 Revenue and segmental analysis

Operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision maker who is responsible for allocating resources and assessing performance of the operating segments. The chief operating decision maker of the Group has been identified as the three Executive Directors (which includes the Executive Chairman). For statutory purposes the Group has two reporting segments, funeral services and crematoria, as under IFRS 15 only a single performance obligation exists when a pre-arranged funeral plan is sold, being the performance of a funeral. The Group also reports central overheads, which comprise unallocated central expenses.

Revenue

Funeral services relate to two primary sources of revenue:

- Funerals arranged and funded by the client at the time of need, in addition to ancillary items, such as memorials and floral tributes; and
- Funerals arranged and funded by a pre-arranged Trust funeral plan, for which amounts recognised as revenue arise from the de-recognition of deferred revenue on completion of the related performance obligation.

Crematoria services relate to cremation services and the sale of memorials and burial plots at the Dignity operated crematoria and cemeteries.

Underlying revenue

For the purpose of alternative performance measures the Group has three reporting segments, funeral services, crematoria and pre-arranged funeral plans as the chief operating decision maker reviews segmental performance before applying the effect of IFRS 15.

Funeral services relate to the provision of funerals and ancillary items, such as memorials and floral tributes.

Crematoria services relate to cremation services and the sale of memorials and burial plots at the Group's crematoria and cemeteries.

Pre-arranged funeral plans represent the sale of funerals in advance to clients wishing to make their own funeral arrangements and the marketing and administration costs associated with making such sales.

Substantially all Trading Group revenue is derived from, and substantially all of the Trading Group's net assets and liabilities are located in, the United Kingdom and Channel Islands and relates to services provided. Overseas transactions are not material.

Underlying revenue and underlying operating profit are stated before non-underlying items and the effect of consolidation of the Trusts, applying IFRS 15 and adopting IFRS 16 as defined on page 50.

Reconciliations to statutory amounts

Non-underlying items represent certain non-recurring or non-trading transactions. See alternative performance measures on page 50 for further details.

Other adjustments reflect the impact of consolidating the Trusts and subsequent impact on corporate interest restriction disallowances, applying IFRS 15 and the adoption of IFRS 16 in the current period. It also includes the impact of the deferred tax rate change on the Trust and IFRS 15 balances. Underlying revenue substitutes revenue arising from the de-recognition of deferred revenue on completion of the related performance obligation, which includes the impact of significant financing, with the payments received from the Trusts on the death of a plan member, and recognises marketing allowances at the inception of a plan, net of an allowance for cancellations. Underlying revenue also excludes amounts relating to disbursements and external payments made when the performance of the plan funeral is delivered by third parties. See alternative performance measures on page 51 for a full reconciliation.

Disaggregated revenue

The disaggregated revenue and operating profit/(loss), by segment, is shown in the following tables:

52 week period ended 25 December 2020

	Underlying revenue £m	Other adjustments (1) £m	Revenue £m
Funeral services	**202.6**	**72.2**	**274.8**
Crematoria	**82.7**	**-**	**82.7**
Pre-arranged funeral plans	**28.8**	**(28.8)**	**-**
Group	**314.1**	**43.4**	**357.5**

(1) See alternative performance measures on page 52 for a reconciliation of other adjustments.

Within funeral services revenue £113.2 million relates to deferred revenue arising on the completion of performance obligations under pre-need Trust plans.

In addition to the adjustments noted above relating to revenue, in arriving at underlying operating profit further 'other adjustments', reflecting the impact of consolidating the Trusts and applying IFRS 15, have been recorded. This includes corresponding entries relating to the exclusion of disbursements and external payments made when the performance of the funeral is delivered by third parties, adjustments are also made to exclude the Trusts administration costs and to recognise commissions payable at the inception of a plan rather than on delivery of the funeral or cancellation. Furthermore, for the period ended 25 December 2020 'other adjustments' to operating profit also includes the impact of adopting IFRS 16, with operating lease rentals being replaced with depreciation, finance costs and a release of accruals and prepayments.

52 week period ended 25 December 2020	Underlying operating profit/(loss) before depreciation and amortisation £m	Underlying depreciation and amortisation £m	Underlying Operating profit/ (loss) £m	Non-underlying items(1) £m	Other adjustments(1) £m	Operating profit/(loss) £m
Funeral services	**62.1**	**(12.1)**	**50.0**	**(48.3)**	**15.8**	**17.5**
Crematoria	**48.7**	**(5.9)**	**42.8**	**(0.2)**	**2.6**	**45.2**
Pre-arranged funeral plans	**-**	**-**	**-**	**(0.1)**	**0.1**	**-**
Central overheads	**(35.3)**	**(1.8)**	**(37.1)**	**(9.8)**	**0.1**	**(46.8)**
Group	**75.5**	**(19.8)**	**55.7**	**(58.4)**	**18.6**	**15.9**
Finance costs			**(25.1)**		**(4.7)**	**(29.8)**
Finance income			**0.1**		**-**	**0.1**
Deferred revenue significant financing					**(53.1)**	**(53.1)**
Remeasurement of financial assets held by the Trusts and related income					**47.3**	**47.3**
(Loss)/profit before tax			**30.7**	**(58.4)**	**8.1**	**(19.6)**
Taxation – continuing activities			**(7.4)**	**6.1**	**(5.7)**	**(7.0)**
Taxation – rate change			**-**	**(3.6)**	**4.7**	**1.1**
Taxation - total			**(7.4)**	**2.5**	**(1.0)**	**(5.9)**
Underlying earnings for the period			**23.3**			
Non-underlying items				**(55.9)**		
Other adjustments					**7.1**	
Loss after taxation						**(25.5)**
(Loss)/earnings per share for profit attributable to equity shareholders						
- Basic (pence)			**46.6p**			**(51.0)p**
- Diluted (pence)						**(51.0)p**

(1) See alternative performance measures on pages 51 and 52 for a reconciliation of non-underlying items and other adjustments.

52 week period ended 27 December 2019

	Underlying revenue £m	Other adjustments [1] £m	Revenue £m
Funeral services	203.3	58.8	262.1
Crematoria	76.8	-	76.8
Pre-arranged funeral plans	21.2	(21.2)	-
Group	301.3	37.6	338.9

(1) See alternative performance measures on page 53 for a reconciliation of other adjustments.

Within funeral services revenue £91.7 million relates to deferred revenue arising on the completion of performance obligations under pre-need Trust plans.

52 week period ended 27 December 2019

	Underlying operating profit/(loss) before depreciation and amortisation £m	Underlying depreciation and amortisation £m	Underlying Operating profit/ (loss) £m	Non-underlying items[1] £m	Other adjustments[1] restated £m	Operating profit/(loss) restated £m
Funeral services	68.6	(12.3)	56.3	(10.0)	8.4	54.7
Crematoria	43.6	(5.2)	38.4	(1.2)	-	37.2
Pre-arranged funeral plans	-	-	-	(0.2)	0.2	-
Central overheads	(29.6)	(1.8)	(31.4)	(15.7)	-	(47.1)
Group	82.6	(19.3)	63.3	(27.1)	8.6	44.8
Finance costs			(25.8)			(25.8)
Finance income			0.2			0.2
Deferred revenue significant financing					(54.1)	(54.1)
Remeasurement of financial assets held by the Trusts and related income					85.0	85.0
Share of loss in associated undertakings				(0.6)		(0.6)
Impairment of investments in associated undertakings				(5.4)		(5.4)
Profit before tax			37.7	(33.1)	39.5	44.1
Taxation			(7.4)	4.9	(11.0)	(13.5)
Underlying earnings for the period			30.3			
Non-underlying items				(28.2)		
Other adjustments					28.5	
Profit after taxation						30.6
Earnings per share for profit attributable to equity shareholders						
- Basic (pence)			60.6p			61.2p
- Diluted (pence)						61.2p

(1) See alternative performance measures on pages 51 and 53 for a reconciliation of non-underlying items and other adjustments.

3 Net finance costs

	52 week period ended 25 December 2020 £m	52 week period ended 27 December 2019 £m
Finance costs		
Secured Notes	**23.4**	23.7
Other loans	**1.1**	1.3
Net finance cost on retirement benefit obligations	**0.5**	0.7
Unwinding of discounts	**0.1**	0.1
Underlying finance costs	**25.1**	25.8
Finance cost on IFRS 16 lease liability	**4.7**	-
Finance costs	**29.8**	25.8
Finance income		
Bank deposits	**(0.1)**	(0.2)
Finance income	**(0.1)**	(0.2)
Deferred revenue significant financing (note 10)	**53.1**	54.1
Remeasurement of financial assets held by the Trusts and related income		
Realised investment income	**(6.0)**	(5.5)
Changes in fair value of financial assets held by the Trusts (note 9)	**(41.3)**	(79.5)
Remeasurement of financial assets held by the Trusts and related income	**(47.3)**	(85.0)
Underlying net finance costs		
Underlying finance costs	**25.1**	25.8
Finance income	**(0.1)**	(0.2)
Underlying net finance costs	**25.0**	25.6

4 Taxation

Analysis of charge in the period	52 week period ended 25 December 2020 £m	52 week period ended 27 December 2019 restated £m
Current tax – current period	**9.4**	9.1
Adjustments for prior period	**0.1**	0.1
Total corporation tax	**9.5**	9.2
Deferred tax – current period	**(2.9)**	4.9
Adjustments for prior period	**0.4**	(0.6)
Restatement of deferred tax for the change in UK tax rate	**(1.1)**	-
Total deferred tax	**(3.6)**	4.3
Taxation	**5.9**	13.5

In the budget announced in March 2020, the legislation to reduce the main rate of corporation tax to 17 per cent was cancelled and the main rate of corporate tax will remain at 19 per cent from 1 April 2020 and 1 April 2021. The change was substantively enacted at the balance sheet date and is therefore recognised in these financial statements. As a result, the Group recognised a non-underlying taxation credit of £1.1 million through its income statement and a credit of £0.5 million through other comprehensive income to reflect the one off increase in the period of the Group's deferred tax position.

Following the budget announced on 3 March 2021, the legislation to increase the main rate of corporation tax from 19 per cent to 25 per cent from 1 April 2023 was not substantively enacted at the balance sheet date and so has not been reflected in the deferred tax balances as at 25 December 2020. Each percentage increase in the corporation tax rate would increase deferred tax balances by £1.1 million.

5 Dividends

	52 week period ended 25 December 2020 £m	52 week period ended 27 December 2019 £m
Final dividend paid: nil per Ordinary Share (2019: 15.74p)	-	7.9
Interim dividend paid: nil per Ordinary Share (2019: nil)	-	-
Dividend on Ordinary Shares	**-**	7.9

The interim dividend represents the interim dividend that was approved and paid in the period out of earnings generated in the same period. No interim dividend was declared in 2020 (2019: £nil).

The final dividend in 2019 represents the final dividend that was approved and paid in the period relating to the earnings generated in the previous period.

Consequently, total dividends recognised in the period were £nil million, nil pence per share (2019: £7.9 million, 15.74 pence per share). No final dividend was declared in respect of 2019 totalling £nil million (2019: final dividend in respect of 2018 was 15.74 pence per share totalling £7.9 million). The Group is not proposing any dividend for the period ended 25 December 2020.

6 Earnings per share

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

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

The Group has two classes of potentially dilutive Ordinary Shares being those share options granted to employees under the Group's SAYE Scheme and the contingently issuable shares under the Group's LTIP Schemes. At the balance sheet date, the performance criteria for the vesting of the awards under the LTIP Schemes, including any deferred annual bonus, are assessed, as required by IAS 33, and to the extent that the performance criteria have been met those contingently issuable shares are included within the diluted EPS calculations. As the impact of these shares is anti-dilutive for the 52 week period ended 25 December 2020, no adjustment has been made in respect of arriving at diluted earnings per share measures for that period (2019: no adjustment).

The Group's underlying measures of profitability exclude non-underlying items, the effects of IFRS 15, consolidation of the Trusts and the adoption of IFRS 16 as set out on page 50. These items have been adjusted for in determining underlying measures of profitability as these underlying measures are those used in the day-to-day management of the business and allow for greater comparability across periods.

Accordingly, the Board believes that earnings per share calculated by reference to this underlying performance measure users of the financial statements to fully understand the trading performance and financial position of the Group.

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

	Earnings £m	Weighted average number of shares millions	Per share amount pence
52 week period ended 25 December 2020			
Underlying profit after taxation and EPS	**23.3**	**50.0**	**46.6**
Add: Non-underlying items (net of taxation credit of £2.5 million)	**(55.9)**		
Add: Other adjustments (net of taxation charge of £1.0 million) (1)	**7.1**		
Loss attributable to shareholders – Basic EPS	**(25.5)**	**50.0**	**(51.0)**
Loss attributable to shareholders – Diluted EPS	**(25.5)**	**50.0**	**(51.0)**
52 week period ended 27 December 2019 – restated (2)			
Underlying profit after taxation and EPS	30.3	50.0	60.6
Add: Non-underlying items (net of taxation credit of £4.9 million)	(28.2)		
Add: Other adjustments (net of taxation charge of £11.0 million)(1)	28.5		
Profit attributable to shareholders – Basic EPS	30.6	50.0	61.2
Profit attributable to shareholders – Diluted EPS	30.6	50.0	61.2

(1) See note 2 for further details.

(2) Prior year comparatives have been restated due to a prior year adjustment in relation to taxation. See page 29 for further details.

7 Goodwill and other intangible assets

	Trade names[(1)] £m	Use of third party brand name £m	Other [(2)] £m	Software £m	Non-compete agreements £m	Sub-total £m	Goodwill £m	Total £m
Cost								
At 28 December 2018	150.4	3.2	4.7	2.5	0.2	161.0	232.6	393.6
At 27 December 2019	150.4	3.2	4.7	2.5	0.2	161.0	232.6	393.6
Additions	-	-	-	0.2	-	0.2	-	0.2
At 25 December 2020	**150.4**	**3.2**	**4.7**	**2.7**	**0.2**	**161.2**	**232.6**	**393.8**
Accumulated amortisation and impairment								
At 28 December 2018	(5.4)	(1.7)	(0.9)	(0.5)	(0.2)	(8.7)	-	(8.7)
Amortisation charge	(4.2)	(0.1)	(0.5)	(0.2)	-	(5.0)	-	(5.0)
Trade name impairment	(6.8)	-	-	-	-	(6.8)	-	(6.8)
At 27 December 2019	(16.4)	(1.8)	(1.4)	(0.7)	(0.2)	(20.5)	-	(20.5)
Amortisation charge	(4.1)	(0.2)	(0.4)	(0.2)	-	(4.9)	-	(4.9)
Impairment	(15.3)	-	-	-	-	(15.3)	(28.7)	(44.0)
At 25 December 2020	**(35.8)**	**(2.0)**	**(1.8)**	**(0.9)**	**(0.2)**	**(40.7)**	**(28.7)**	**(69.4)**
Net book amount at 25 December 2020	**114.6**	**1.2**	**2.9**	**1.8**	**-**	**120.5**	**203.9**	**324.4**
Net book amount at 27 December 2019	134.0	1.4	3.3	1.8	-	140.5	232.6	373.1
Net book amount at 28 December 2018	145.0	1.5	3.8	2.0	-	152.3	232.6	384.9

(1) Trade names arise on the acquisitions of funeral businesses and their fair value is calculated by reference to the estimated incremental cash flows expected to arise by virtue of the trade name being well-established. There are no individually material trade names that amount to 5 per cent or more of the total net book value.

(2) The Group previously acquired interests in two crematoria subject to finite periods of operation (by way of lease and/or service concession). The fair value of these interests has been identified and recognised as a separate intangible asset. The value of each interest will be amortised over the remaining period of operation.

Impairment tests for goodwill and trade names

Goodwill is subject to an annual impairment test in accordance with IAS 36, Impairment of Assets. For the purpose of this impairment test goodwill is tested at a business segment level as this is the level at which the return on assets acquired, including goodwill, is monitored.

The segmental allocation of goodwill is shown below:

	25 December 2020 £m	27 December 2019 £m
Funeral services	**148.1**	176.8
Crematoria	**55.8**	55.8
	203.9	232.6

The recoverable amount of each segment is based on a value-in-use calculation.

The value-in-use calculations use cash flow projections derived from the latest annual budget. Key assumptions used to produce the annual budget are the estimated UK death rates (based on historical death rates supplied by ONS), anticipated market share, mix and pricing. The value-in-use calculations for the 2020 model include the approved annual budget for 2021 and a forecast for 2022. Cash flows for all segments beyond the initial 24 month period (2019: 12 month period) are extrapolated using a growth rate of 2.25 per cent (2019: 2.25 per cent), being an estimate of long-term growth rates for impairment review purposes only, which reflects the expectations of long-term inflation and death rates. The cash flows for each segment are discounted at a pre-tax rate of 10.3 per cent (2019: 12.0 per cent).

Goodwill assessment

The impairment calculation indicated no impairment in the crematoria division with headroom under the current assumptions used of £99.1 million (2019: £102.9 million). The discount rate would need to increase to 14.1 per cent (2019: increase to 25.8 per cent) or the long-term growth rate would need to fall to minus 1.4 per cent (2019: minus 2.8 per cent) for the impairment test to result in £nil headroom for this segment. The likelihood of such movements in the discount rate and growth rate is deemed unlikely based on current market conditions.

The impairment calculation has also been performed on the funeral services division and an impairment of £28.7 million (2019: £nil) has been recognised within administrative expenses in the Income statement.

If the value-in-use calculations for the funeral services division used a discount rate of 11.3 per cent instead of 10.3 per cent, then the impairment would increase by £40.6 million to £69.3 million. The discount rate would have to reduce to 9.7 per cent to result in no goodwill impairment.

If the value-in-use calculation for the funeral services division used a growth rate of 1.75 per cent instead of 2.25 per cent, then the impairment would increase by £20.3 million to £49.0 million. The growth rate would have to increase to 2.82 per cent to result in no goodwill impairment.

If the value-in-use calculations for the funeral services division used a year one cash flow assumption of £3.0 million less than that forecast, then the impairment would increase by £43.9 million to £72.6 million.

Trade name assessment
In addition to the Group's annual goodwill impairment test, given the changes in the funeral market and a decrease (2019: an increase) in the discount rate to be applied in determining value-in-use, an impairment test was performed in respect of the Group's trade name intangibles assets in accordance with the requirements of IAS 36. A value-in-use calculation has been performed against each recognisable trade name. The performance of this impairment test, which was based on the same cash flow projections and key assumptions as the goodwill impairment test set out above, indicated that an impairment within the funerals segment of £15.3 million (2019: £6.8 million) arose and has been provided accordingly. This is due to lower levels of profitability and lower anticipated average revenue per funeral.

The trade name impairment and the subsequent reduction in net book value has been reflected within the above goodwill impairment calculations to reflect the lower asset base.

If the value-in-use calculations used a discount rate of 11.3 per cent instead of 10.3 per cent, then the impairment would increase by £1.8 million to £17.1 million. If the value-in-use calculations used a growth rate of 1.75 per cent instead of 2.25 per cent, then the impairment would increase by £0.9 million to £16.2 million. If the value-in-use calculations used an initial cash flow assumption of £3.0 million less than that forecast, then the impairment would increase by £2.3 million to £17.6 million.

8 Cash and cash equivalents

	Note	**25 December 2020 £m**	27 December 2019 £m
Trading Group		**56.7**	41.0
Trusts	(a)	**21.6**	15.5
Operating cash as reported in the consolidated statement of cash flows as cash and cash equivalents		**78.3**	56.5
Amounts set aside for debt service payments	(b)	**16.9**	16.9
Cash and cash equivalents as reported in the balance sheet		**95.2**	73.4

(a) Trusts cash balances
All assets of the Trusts can, by definition, only be used for certain prescribed purposes such as, but not limited to, the payment for a funeral or a refund on cancellation of a plan. They cannot be used for day-to-day operational activities of the wider Trading Group and could not, for example, be used to fund a capital expenditure project. The cash is held in Trust bank accounts but is accessible without restriction and can be used within the Trusts for any allowable purpose, such as payment following the performance of a funeral. As Dignity is considered to control the activities of the Trusts, this cash balance meets the requirements to be included in cash and cash equivalents for the purposes of IAS 7.

(b) Amounts set aside for debt service payments
This amount was transferred to restricted bank accounts which could only be used for the payment of the interest and principal on the Secured Notes, the repayment of liabilities due on the Group's commitment fees due on its undrawn borrowing facilities and for no other purpose. Consequently, this amount did not meet the definition of cash and cash equivalents in IAS 7, Statement of Cash Flows. This amount was used to pay these respective parties on 31 December 2020. Of this amount, £12.0 million (2019: £12.1 million) is shown within the Statement of Cash Flows as 'Payments to restricted bank accounts for finance costs' and £4.9 million (2019: £4.8 million) is shown within 'Financing activities' as 'Payments to restricted bank accounts for repayment of borrowings'.

9 Financial assets – held by the Trusts

	25 December 2020 £m	27 December 2019 £m
Financial assets – held by the Trusts	**967.1**	947.5

The Trusts continue to take independent advice regarding the investment strategy. As a result, it is anticipated that the investment allocation by class will develop further during 2021 and beyond, gradually resulting in a portfolio in the following profile:

	Example investment types	Target (%)
Defensive investments	Index linked gilts and corporate bonds	18
Illiquid investments	Private investments	16
Core growth investments	Equities	38
Growth fixed income and alternative investments	Emerging market debt/diversified growth	22
Liquid investments	Open-ended investment funds	6

The investment strategies are expected to provide returns in excess of inflation in the longer-term but will, however, potentially result in greater volatility year-on-year in the reported value of the Group's assets. See Operating Review for further details.

Analysis of the movements in financial assets held by the Trusts:	25 December 2020 £m	27 December 2019 £m
Fair value at the start of the period	**947.5**	862.4
Remeasurement recognised in the consolidated income statement	**41.3**	79.5
Investment income	**2.2**	1.9
Purchases	**778.1**	736.1
Disposals	**(796.8)**	(726.6)
Investment administrative expenses deducted at source	**(5.2)**	(5.8)
Fair value at the end of the period	**967.1**	947.5

Interest and dividend income received is included within remeasurements recognised in the consolidated income statement.

10 Deferred commissions and contract liabilities

Deferred commissions

	25 December 2020 £m	27 December 2019 £m
Deferred commissions - current	**7.6**	7.3
Deferred commissions - non-current	**101.3**	96.8

Deferred commissions represent directly attributable costs in respect of the marketing of the pre-arranged funeral plans where the plan has yet to be used or cancelled. An amount of £7.8 million (2019: £6.4 million) has been amortised to the consolidated income statement within administrative expenses.

Contract liabilities

	Note	25 December 2020 £m	27 December 2019 £m
Current			
Contract liabilities – deferred revenue	(a)	**94.4**	94.4
Contract liabilities – refund liability	(b)	**1.1**	1.1
		95.5	95.5
Non-current			
Contract liabilities – deferred revenue	(a)	**1,208.1**	1,194.6
Contract liabilities – refund liability	(b)	**13.9**	14.5
		1,222.0	1,209.1

Movement in total contract liabilities

	25 December 2020 £m	27 December 2019 £m
Balance at the beginning of the year	**1,304.6**	1,256.1
Sale of new Trust plans	**82.0**	91.2
Increase due to significant financing	**53.1**	54.1
Recognition of revenue following delivery or cancellation of a Trust plan	**(122.2)**	(96.8)
Balance at the end of the year	**1,317.5**	1,304.6

(a) Contract liabilities – deferred revenue
Deferred revenue represents amounts received from pre-arranged funeral plan holders adjusted to reflect a significant financing component, and for which the Group has not completed its performance obligations at the balance sheet date. The balance is split between current and non-current based on historical experience to reflect the expected number of plans to be utilised within the next 12 months.

(b) Contract liabilities – refund liability
Refund liabilities represent amounts received from pre-arranged funeral plan holders for which it is expected that the respective plans will be cancelled based on historical experience. The balance is split between current and non-current based on historical experience to reflect the expected number of plans to be cancelled within the next 12 months.

11 Net debt

	25 December 2020 £m	27 December 2019 £m
Net amounts owing on Secured Notes per financial statements	**(541.7)**	(551.3)
Add: unamortised issue costs	**(0.5)**	(0.6)
Gross amounts owing	**(542.2)**	(551.9)
Accrued interest on Secured Notes	**(12.0)**	(12.2)
Cash and cash equivalents – Trading Group (note 8)	**73.6**	57.9
Net debt	**(480.6)**	(506.2)

Net debt is an alternative performance measure calculated as shown in the table. Net debt excludes any liabilities recognised in accordance with IFRS 16.

The Group's primary financial covenant in respect of the Secured Notes requires EBITDA to total debt service ('EBITDA DSCR'), in the securitisation group, to be at least 1.5 times. At 25 December 2020, the actual ratio was 1.99 times (2019: 2.13 times).

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

12 Reconciliation of cash generated from operations

	52 week period ended 25 December 2020 £m	52 week period ended 27 December 2019 restated £m
Net (loss)/profit for the period[1]	**(25.5)**	30.6
Adjustments for:		
Taxation[1]	**5.9**	13.5
Finance costs[2]	**76.8**	74.2
Profit on sale of fixed assets	**(0.1)**	(1.0)
Depreciation charges on property, plant and equipment	**19.6**	19.1
Depreciation charges on right-of-use asset	**9.2**	-
Amortisation of intangibles	**4.9**	5.0
Movement in inventories	**(1.1)**	0.6
Movement in trade receivables	**2.4**	(1.5)
Movement in trade payables	**(2.0)**	(0.8)
Movement in contract liabilities	**(40.2)**	(5.6)
Fair value movement on Trust assets[2]	**(41.3)**	(79.5)
Net pension charges less contributions	**(1.6)**	(1.7)
Trade name impairment	**15.3**	6.8
Goodwill impairment	**28.7**	-
Share of loss and impairment in respect of associated undertakings	**-**	6.0
Changes in other working capital (excluding acquisitions)	**5.1**	(7.7)
Trust investment administrative expenses deducted at source [3]	**5.2**	5.8
Employee share option charges	**1.4**	0.8
Cash flows from operating activities	**62.7**	64.6

(1) Restatement reflects the corporate interest restriction disallowance treated as a prior year adjustment. See note 1 for further details.

(2) Restatement reflects the separation of fair value movements on trust assets out of net finance costs/(income) to provide more accurate presentation in line with the consolidated income statement.

(3) Restatement reflects the separation of Trust investment administrative expenses deducted at sources out of changes in other working capital to provide more accurate presentation of working capital.

13 Analysis of the movement in the retirement benefit obligation

	2020 £m	2019 £m
At beginning of period	**(26.0)**	(25.2)
Total expense charged to the income statement	**(1.1)**	(1.2)
Remeasurement losses and administration expenses charged to other comprehensive income	**(11.7)**	(1.8)
Contributions by Group	**2.2**	2.2
At end of period	**(36.6)**	(26.0)

14 Basis of preparation

European law requires that the Group's consolidated financial statements for the 52 week period ended 25 December 2020 are prepared in accordance with all applicable International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applied in the European Union. These financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

In the current period, the Group's consolidated financial statements have been prepared for the 52 week period ended 25 December 2020. For the comparative period, the Group's consolidated financial statements have been prepared for the 52 week period ended 27 December 2019.

The financial information set out above does not constitute the Company's statutory accounts for the years ended 25 December 2020 or 27 December 2019 but is derived from those accounts. Statutory accounts for 2019 have been delivered to the registrar of companies, and those for 2020 will be delivered in due course. The auditors have reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006 in respect of the accounts for 2019 and 2020.

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

The principal accounting policies adopted in the preparation of these financial statements have been consistently applied to all periods presented, with the exception of IFRS 16. See note 19 for details.

Going concern

The key factors which impact the Group's financial performance are death rate, market share, mix and average revenue per funeral. As this Preliminary Announcement describes, during the COVID-19 pandemic, whilst the death rate in the UK has sadly increased and the Group's market share remained broadly stable, both the average revenue received per funeral and the revenue received for memorial sales has declined. Whilst not back to pre-pandemic levels, following the adaptation of limousines and application of other protective measures for our colleagues and customers, the take up of full service funerals compared to simple funerals has increased to approximately 68:32 in the fourth quarter compared to 54:46 in the second quarter. This has resulted in the recovery of average revenues through 2020 to close the year (and start 2021) at approximately 94 per cent of those achieved prior to the start of COVID-19. The Group has also taken prudent action to manage costs, where appropriate, to protect its position in terms of ensuring sufficient headroom on both profitability and liquidity measures.

The impact on 2021 revenue and profitability will depend in part on various factors outside of the Group's control, such as the number of deaths in the UK and the length of time social distancing measures continue to be in place.

The financial performance of the Group and the Securitisation Group has been forecast and those forecasts have been subjected to a number of sensitivities. These forecasts reflect an assessment of current and future market conditions and their impact on the future profitability of the Group and the Securitised Group. The forecasts reflect recovery at the beginning of 2022.

When considering the going concern assumption, the Directors of the Group have reviewed the principal risks within the environment in which it operates and have prepared relevant sensitised scenarios, these include:

- Prolonged period of social distancing restrictions which may serve to keep the mix and average revenue per funeral lower for a sustained period; and
- A significant reduction in the number of deaths.

In all base scenarios modelled, the Group is forecast to have sufficient liquidity and meet its debt service cover ratio ('DSCR') in the period assessed through to 31 March 2022.

To provide further consideration of going concern, the Directors also considered what would happen in an ongoing scenario of reduced profitability significantly below management's forecasts, such as a significant reduction in the market share or average revenues (the year to date analysis through February 2021 does not indicate the likelihood of such a scenario). In such a scenario, the Securitised Group may not meet its DSCR covenant requirements before the consideration of additional mitigating activities such as reducing controllable spend. Under the terms of the Securitised Group's borrowings, the Securitised Group is required to maintain a DSCR of at least 1.5 times, measured on a rolling 12 month basis every quarter. However, a breach of the covenant does not give rise to an immediate requirement to repay the associated borrowings. Rather, such a breach results in a requirement for the bond trustees to appoint a financial adviser who will review the financial and operational circumstances of the Securitised Group prior to making recommendations as to how the breach can be resolved. Notwithstanding this, given the current cash on hand and facilities available to it, the Securitised Group (as supported by the Company) would have sufficient liquid resources to make all required debt service payments for a period through to 31 March 2022.

Having considered all the above the directors remain confident in the long-term future prospects for the Group and its ability to continue as a going concern for the foreseeable future and for a period through to 31 March 2022 and therefore continue to adopt the going concern basis in preparing this Preliminary Announcement.

15 Standards, amendments and interpretations effective in 2020

The Group has applied IFRS 16, Leases for the first time in the preparation of the Group's consolidated financial statements. A description of the nature and effect of transition to this standard are presented in note 19.

Comparatives in respect of the 2019 reporting periods have not been restated as permitted under the specific transition provisions of the standard.

16 Securitisation

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

Copies of these reports are available at **www.dignityplc.co.uk/corporate**.

17 Principal risks and uncertainties

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

Risk appetite

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

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

Our approach to risk management

The Group has a well-established governance structure with internal control and risk management systems. The risk management process:

- Provides a framework to identify, assess and manage risks, both positive and negative, to the Group's overall strategy and the contribution of its individual operations.
- Allows the Board to fulfil its governance responsibilities by making a balanced and understandable assessment of the operation of the risk management process and inputs.

Responsibilities and actions

The Board

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

Risk process

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

Risk assessment

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

Identifying risk

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

Assess

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

Mitigating activities

Mitigating factors are identified against each risk where possible.

Review and internal audit

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

Risk governance

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

Risk status summary

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

Pre-arranged funeral plans
In November 2020, the Financial Conduct Authority ('FCA') issued a statement welcoming the Government's laying of legislation setting out a timetable for bringing the regulation of pre-need funeral plans within the remit of the FCA, expecting to take responsibility for the regulation of the sector in Summer 2022.

On 2 March 2021, the FCA released their consultation on funeral plans and their proposed approach to funeral plans. Dignity will be engaging constructively through the consultation process which closes on 13 April with final regulations expected to be published in Q3 2021.

In order to carry out regulated funeral plan activities, firms must be authorised by the FCA. Continuing with regulated activity without authorisation will be a criminal offence.

Dignity believes that this regulation is necessary and welcomes its planned introduction.COVID-19 has created new risks relating both to our ability to deliver our services in the context of restrictions imposed by the pandemic and the health and safety implications for our colleagues. The potential risks are assessed regularly in light of the developing guidance and commentary from HM Government.

The Group has business continuity and pandemic plans that are invoked, reviewed and adapted as necessary.

Accordingly, the ability to maintain average revenue is influenced by changes in the competitive landscape and the continued impact of COVID-19.

Competition and Market Authority's Market Investigation:
Change in risk
The CMA's Final Decision Report into the supply of services by funeral directors at the point of need and the supply of crematoria services was published on 18 December 2020 such that the risk of unexpected findings has now reduced. The Group supports the CMA's conclusions which focus on measures to support consumer choice and transparency and welcomes the recommendations to Government for quality and standards regulation in the UK.

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

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

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

Operational risk management

Risk description and impact	Mitigating activities and commentary	Change
Significant movement in the death rate There is a risk that the number of deaths in any year significantly reduces or increases. This would have a direct result on the financial and operational performance of both the funeral and crematoria divisions. 2020 has seen unprecedented times with COVID-19 impacting all our lives. This has impacted our operations, our staff and resourcing.	The profile of deaths has historically seen intra year changes of +/- 1 per cent giving the Group the ability to plan its business accordingly. The ONS long-term projection is for deaths to increase. The risk is mitigated by the ability to control costs and the price structure and the ability to acquire funerals and crematoria, although this would not mitigate a short-term significant reduction in the number of deaths. The number of deaths in 2020 was 663,000 which was 14 per cent above the prior year and significantly higher than originally anticipated before the onset of the pandemic. It is currently unknown over what time frame the death rate will normalise. Our planning will continue to be based on the long-term expectations as provided by the Office of National Statistics. Operationally, we have spent time understanding lessons from the dramatic increase in deaths due to COVID-19 to ensure we continue to respond professionally and safely. A key part has been staffing: absence levels peaked at circa 16 per cent compared to normal levels of one or two per cent. Where required, this was and continues to be managed through a national provider of temporary resource. In the Crematoria and Memorial Group, staff have been upskilled and cross trained to provide cover as required.	Increased

Operational risk management (continued)

Risk description and impact	Mitigating activities and commentary	Change
Nationwide adverse publicity Nationwide adverse publicity for Dignity could result in a significant reduction in the number of funerals or cremations performed in any financial period. For pre-arranged funeral plans, adverse publicity for the Group or one of its partners could result in a reduction in the number of plans sold or an increase in the number of plans cancelled. This would have a direct and significant impact on the financial performance of the Group. The risk is increased as the Dignity brand is marketed more widely.	This risk is addressed by the strategic decision to support development of strong national brands via the Group's websites, TV and radio advertising and increased awareness of the Group and its services and by the Corporate Communications team monitoring and responding, where required, to media statements, articles and interviews. In addition, the Group maintains a strong system of internal control to ensure the business is managed in line with its strategic objectives.	No change
Fall in average revenue per funeral or cremation resulting from market changes There has been increasing price competition in the funeral market, resulting in material price reductions by the Group in recent years. It is highly likely that pricing pressure will remain for the foreseeable future and it may not therefore be possible to maintain average revenue per funeral or cremations at the current level.	The Group's strategic review has resulted in a more efficient business that can accommodate more competitive pricing, but which continues to provide clients with a greater range of choice, underpinned by excellent client service. This will be supported by strong reputational management. The Group will continue to adapt to serve evolving client needs. This will be through investment in digital capabilities including an enhanced reporting capability of business intelligence and management information which will enable risks and trends to be identified promptly and accurately. This risk has increased due to COVID-19 as the Group has experienced lower average revenues than originally expected: these are anticipated to return to the levels previously experienced although the period of time needed for this to occur is currently unknown. Awareness of Simple Funerals and Simplicity Cremations has increased during the pandemic.	Increased
Disruptive new business models leading to a significant reduction in market share It is possible that external factors such as new competitors and the increased impact of the internet on the sector, could result in a significant reduction in market share within funeral and crematoria operations. This would have a direct result on the financial performance of those divisions.	The Group believes that this risk is mitigated by its reputation as a high-quality provider and with recommendation being a key driver to the choice of funeral director being used. In addition, the Group's actions on pricing and promotion seek to protect the Group's funeral market share by offering more affordable options. This focus on affordability has allowed our market share to begin to stabilise. For crematoria operations this is mitigated by the Group's experience and ability in managing the development of new crematoria. Additionally, the combination of the development of strong national brands and significant investment in digital capability together with a range of product and price offerings to clients will strengthen the Group's competitiveness.	No change
Demographic shifts in population There can be no assurance that demographic shifts in population will not lead to a reduced demand for funeral services in areas where Dignity operates.	In such situations, Dignity would seek to follow the population shift by rebalancing the funeral location network together with meeting the developing cultural requirements.	No change

Operational risk management (continued)

Risk description and impact	Mitigating activities and commentary	Change
Competition The UK funeral services, crematoria and pre-need markets are currently fragmented. There could be further consolidation or increased competition in the industry, whether in the form of intensified price competition, service competition, over capacity facilitated by the internet or otherwise, which could lead to an erosion of the Group's market share, average revenues or an increase in costs and consequently a reduction in its profitability. Failure to replenish or increase the bank of pre-arranged funeral plans could affect market share of the funeral division in the longer-term. Competition continues to intensify, with additional funeral directors opening at varying price points, alongside an increase in the popularity of direct cremations.	The purpose of our root and branch review is to position the Group for all eventualities whether driven by the rapidly changing competitive environment in which we operate, the changes resulting from the CMA's measures to support consumer choice and transparency and recommendations to Government for quality and standards regulation in the UK or in response to the COVID-19 pandemic. The funeral service model will be adapted to better suit evolving client needs and to improve efficiency. We provide clients with a more tailored service, allowing them to choose how they wish to interact with Dignity in arranging a funeral through mobile staff and improved digital capabilities. We continue to develop a new tiered funeral pricing proposition, that will provide greater flexibility to meet individual client needs. By unbundling our prices and services to provide our clients with greater flexibility to create the right funeral, we will be able to provide greater consistency and competitiveness on price, while reflecting Dignity's premium service levels. A significant online presence and visibility leverages our scale and addresses the needs of increasingly digitally focused clients. Through the Dignity and Simplicity names, we are leveraging scale advantages in the digital age. We will continue to promote the Group's commitment to high standards of care, quality of service delivery and competitive entry prices. We also recognise that our established local funeral trading names continue to have significant value in the communities they serve. Through better allocation of our resources, the resultant efficiencies will allow us to reduce the number of funeral locations and their associated cost. Support functions are being centralised where appropriate to ensure a cost effective and consistent high standard of service. There are challenges to opening new crematoria due to the need to obtain planning approval and the costs of development. Dignity has extensive experience in managing the development of new crematoria. The Group offers a market leading pre-need product, the marketing of which will benefit from the current and future significant investment in marketing and enhanced digital presence.	No change
Regulation of pre-arranged funeral plans FCA Regulation may result in changes to processes, systems, pricing, funding, capital requirements and terms and conditions of plans. Regulation could affect the Group's opportunity to sell pre-arranged funeral plans in the future or could result in the Trading Group not being able to draw down the current level of marketing allowances. One immediate risk highlighted by the consultation paper is the proposed removal of commissions from the Industry, this would have a significant impact on our ability to distribute through Affinity Partners.	Any changes would apply to the industry as a whole and not just the Group. Regulation could materially change the business model and would likely increase costs. We are engaging with the FCA through the consultations process to highlight the potential unintended consequences of the proposed ban on commissions. We have diversified distribution through Partner and Direct channels, as well as a strong market presence in the Whole of Life Funeral Benefit market. If this change is enacted it will effect the whole industry, whilst we will experience a material drop in volumes, Dignity will be in a strong market position as a vertically integrated provider to grow alternative channels that remain open post FCA regulation. Regulation of the pre-need industry by the FCA is now confirmed for Summer 2022. We believe that regulation is necessary and welcome its planned introduction.	Increased
Regulation of the funeral industry Regulation could result in increased compliance costs for the industry as a whole or other unforeseen consequences including capping of funeral and cremation prices.	The Group already operates at a high standard, compared to the majority of our competitors, using facilities appropriate for the dignified care of the deceased.	Decreased

Operational risk management (continued)

Risk description and impact	Mitigating activities and commentary	Change
Changes in the funding of the pre-arranged funeral plan business In the current regulatory environment, the Group has given commitments to pre-arranged funeral plan members to provide certain funeral services in the future. Funding for these plans is reliant on either insurance companies paying the amounts owed or the pre-arranged funeral plan Trusts having sufficient assets. If this is not the case then the Group may receive a lower amount per funeral.	There is considerable regulation around insurance companies which is designed, amongst other things, to ensure that the insurance companies meet their obligations. The Trusts hold assets with the objective of achieving returns slightly in excess of inflation. Volatility has continued to be seen in global markets since the year end. After a reduction in market values in the first quarter, the actuarial valuation in September 2020 showed both the NFT and Age UK trusts as showing a surplus. Changes in the Trust investment strategy have been agreed and are in the process of being implemented.	No change
Direct cremations Growth in the direct cremation market could reduce average revenue in the funeral business and adversely affect the volume mix and average revenue in the crematoria business.	The Group has addressed this with Simplicity Cremations which offers low-cost direct cremations without any initial funeral service that are both respectful and dignified. They are an affordable alternative to a full funeral or for those who wish to have a simple cremation. The Group also now offers a Simplicity pre-arranged funeral plan option. Simplicity Cremations is being promoted via a strong online presence together with TV advertising. Other media advertising is also planned.	No change
Cyber risk Our business is at risk of financial loss, disruption or damage to the reputation of an organisation resulting from the failure of its information technology systems. This could materialise in a variety of ways including deliberate and unauthorised breaches of security to gain access to information systems.	The Group has, in recent years, invested significantly in this area with the objective of both upgrading all aspects of our systems and our internal resources and also using external consultants to perform regular external and internal penetration tests, using the results to drive a continuous improvement programme. The chance of an organisation falling victim to a cyber-attack is growing. Threats are more pervasive and sophisticated than ever. However, in addition to maintaining appropriate levels of Cyber Insurance we continue our investment in fit for purpose security controls, processes, and technology to allow us to maintain pace with the current threat landscape whilst proactively monitoring for breaches and improving internal understanding and communication of initial risks, mitigations and residual risks.	Increased
COVID-19 response related risks COVID-19 has created new risks relating to our ability to deliver our services in the context of restrictions imposed by the pandemic and was added to the risk register as part of the 2020 Interim Report. The potential risks of COVID-19 to the Group are assessed regularly in light of guidance and commentary from HM Government. Primary risks include: (i) a lack of availability of staff in operations due to illness, self-isolation or Government policy including Test and Trace which may result in a material number of colleagues needing to self-isolate at the same time impairing our ability to provide services; (ii) the need to keep staff safe in the COVID-19 crisis; (iii) a loss of profit due to the cost of our response plans, or HM Government intervention causes profit or cash concerns; and (iv) mortuary capacity and/or supply of consumables is exhausted. If continuing long-term, COVID-19 and related social distancing measures may result in lower revenues.	In addition to our business continuity and pandemic planning, the risk is mitigated by illness tracking, the use of agency staff and staff redeployment. The Group has issued Operational Guidance and a PPE policy, secured an increased supply of PPE and emphasised HM Government policy such as social distancing. We have modelled forward- looking scenarios considering volumes, changes to service and revenue and Government intervention. We have contingency plans and an escalating route for operations and central offices to redeploy resources from other teams and locations. We have established central planning of capacity, put new capacity in place, leveraged Local Resilience Forums and super-mortuary facilities. In addition, the Group recognises the toll that the pandemic has taken on colleagues. Issues include mental health, isolation and matters arising from working from home. The Group provides the Employee Assistance Programme to all staff which provides access to anonymous, independent counselling services and advice to help manage any personal wellbeing concerns and provide additional emotional, physical, and financial support. We are also investing in the training and accreditation of a number of colleagues in Mental Health first aid.	No change

Financial risk management

Risk description and impact	Mitigating activities and commentary	Change
Financial Covenant under the Secured Notes The Group's Secured Notes requires EBITDA to total debt service to be above 1.5 times. If this financial covenant (which is applicable to the securitised subgroup of Dignity) is not achieved, then this may lead to an Event of Default under the terms of the Secured Notes, which could result in the Security Trustee taking control of the Securitisation Group on behalf of the Secured Note holders. In addition, the Group is required to achieve a more stringent ratio of 1.85 times for the same test in order to be permitted to transfer excess cash from the Securitisation Group to Dignity plc.	The nature of the Group's debt means that the denominator is now fixed unless further Secured Notes are issued in the future. This means that the covenant headroom will change proportionately with changes in EBITDA generated by the securitised subgroup. Current trading continues to support the Group's financial obligations, however lower reported profitability increases the risk of breaching covenants. To act as a mitigation against this risk, in 2020 the Group completed an internal restructure of its trading assets which increases covenant headroom.	Increased

Emerging risk

The Group continues to scan for emerging risks through the processes noted above. The key areas where additional risk is appearing, all of which are extensions of risk already identified above, are as follows:

Risk description and impact	Mitigating activities and commentary	Change
COVID-19 response related risks COVID-19 has resulted in a risk relating both to our ability to deliver our services due to restrictions imposed and the health and safety implications for our colleagues.	The Group has business continuity and pandemic plans that are invoked and reviewed as necessary. In addition, and to manage staff absences, we have used a national provider of temporary resource.	New
Regulation of pre-arranged funeral plans The FCA published its consultation paper – Funeral Plans: Proposed approach to regulation on 2 March 2021. The market will be required to adhere to the final post consultation regulations with effect from July 2022.	This emerging risk is mitigated by the high standards of selling and administration of pre-arranged funeral plans operated by the Group, we have been preparing for regulation for the last 12 months. Dignity as a vertically integrated provider will still be in a strong market position with continuing distribution through our funeral locations and the direct to consumer marketing model in existence today. However, if the current proposed ban on commissions were to be enacted, it would have a material effect on volumes for the market and Dignity. Changes imposed by the FCA will apply to the industry as a whole.	New
Cyber risk Our business like all others is at risk of financial loss, disruption or damage to the reputation of an organisation resulting from the failure of its information technology systems. This could materialise in a variety of ways including deliberate and unauthorised breaches of security to gain access to information systems. The chance of an organisation falling victim to a cyber-attack is growing. Threats are more pervasive and sophisticated than ever.	We continue our investment in fit for purpose security controls, processes, and technology to allow us to maintain pace with the current threat landscape whilst proactively monitoring for breaches and improving internal understanding and communication of initial risks, mitigations and residual risks.	New

18 Pre-arranged funeral plans

(a) Commitments

The Trading Group has sold pre-arranged funeral plans to clients in the past, giving commitments to these clients to perform their funeral. All monies from the sale of these funeral plans are paid into and controlled by a number of trusts. These include the Trusts consolidated within the Group's financial statements in addition to a number of other trusts (the 'Small Trusts'). The Small Trusts are not consolidated in the Group's results as the Group does not control these trusts.

The Group is obligated to perform these funerals in exchange for the assets of the respective trusts, whatever they may be. It is the view of the Directors that none of the commitments given to these clients are onerous to the Group. However ultimately, the Group is obligated to perform these funerals in exchange for the assets of the respective trusts, whatever they may be.

The Small Trusts had approximately £16.9 million (2019: £17.5 million) of net assets as at the balance sheet date.

Only the Trusts consolidated within the Group's financial statements receive funds relating to the sale of new plans.

(b) Actuarial valuation

The Trustees of the Trusts are required to have the Trusts' liabilities actuarially valued once a year. This actuarial valuation is of liabilities of the Trusts to secure funerals through Dignity and other third party funeral directors and does not, in respect of those funerals delivered by the Group represent the cost of delivery of the funeral. Assets of the Trusts include instalment amounts due in the future from clients, as these amounts are payable on death and are therefore relevant to the actuarial valuation. However, this means that assets detailed in the actuarial valuations will not agree on a particular day to the assets recognised in the Group's consolidated balance sheet because the Group does not include future receivable amounts in the consolidated balance sheet.

The Trustees have advised that the latest actuarial valuations of the Trusts were performed as at 25 September 2020 (2019: 27 September) using assumptions determined by the Trustees. Actuarial liabilities in respect of the Trusts have increased to £995 million as at 25 September 2020 (2019: £987 million). The corresponding market value of the assets of the Trusts was £999 million (2019: £1,004 million) as at the same date. Consequently the actuarial valuations recorded a total surplus of £4 million at 25 September 2020 (2019: surplus of £17 million). The Group considers these to be prudent assumptions.

Active members and assets per plan

	25 December 2020 Number	27 December 2019 Number
Supported by:		
The Trusts	**319,000**	311,000
The Small Trusts	**46,000**	48,000
Insurance Plans	**193,000**	164,000
	558,000	523,000

The Trusts have approximately £3,400 (2019: £3,300) per active plan. On average the Trading Group received approximately £3,000 (2019: £2,900) in the period for the performance of each funeral (including amounts to cover disbursements such as crematoria fees, ministers' fees and doctors' fees).

Insurance Plans are those plans for which the Group is the named beneficiary on life assurance products sold by third party insurance companies.

(c) Transactions with the Group

During the period, the Group entered into transactions with the Small Trusts. Amounts may only be paid out of the Trusts in accordance with the relevant Trust Deeds. Transactions (which were recognised as revenue in the funeral division) amounted to £0.9 million (2019: £1.1 million) in the period and principally comprised receipts from the Small Trusts in respect of funerals provided. No amounts were due to the Group on either balance sheet date.

19 Adoption of IFRS 16 – Right-of-use assets and lease liabilities

Background

The Group has adopted the requirements of IFRS 16, Leases, for the first time within this Preliminary Announcement. The adoption of the standard has had a material impact on the Group's primary financial statements, including impacts on operating profit, profit before tax, total assets and total liabilities.

IFRS 16 is applicable for accounting periods beginning on or after 1 January 2019. Due to the fact that the Group's 2019 reporting period began on 29 December 2018 the Group has adopted IFRS 16 retrospectively for its 2020 reporting period beginning on 28 December 2019. Comparatives for the 2019 reporting period have not been restated as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules have therefore be recognised in the opening balance sheet on 28 December 2019.

Approximately 50 per cent of the Group's properties are on lease terms that were previously accounted for as an operating lease under the principles of IAS 17, Leases. The minimum undiscounted lease commitment on these leases as disclosed in the 2019 Annual Report was approximately £228 million at the end of 2019.

On adoption of IFRS 16, the Group has recognised lease liabilities in relation to leases which had previously been classified as 'operating leases'. These liabilities are measured at the present value of the remaining lease payments, discounted using the Trading Group's incremental borrowing rate ('IBR') as at 28 December 2019 for a borrowing of similar duration. The weighted average lessee's IBR applied to the lease liabilities on 28 December 2019 was 4.9 per cent, with a minimum rate of 3.6 per cent and a maximum rate of 6.8 per cent.

The IBRs have been determined as follows:

a) We have derived rates based on corporate bond yields to maturity reflecting the Group's indicative credit rating. In order to assess the Group's IBRs we considered yield curves at 28 December 2019 for similarly rated listed corporate bonds for durations aligned with the adjusted unexpired lease durations at 28 December 2019.

b) An asset/lease specific adjustment is then applied, if needed, to reflect the nature of the lease collateral. Such an adjustment has not been required on transition and we have performed a high level cross check against other indicators of lease pricing to confirm this. Given the specialised nature of Group's properties there are no direct property market benchmarks and therefore we have looked at retail, industrial and long income sub-sectors to obtain indicative references points.

On adoption of IFRS 16, the Group has recognised a right-of-use asset representing its right to use the underlying leased asset and a corresponding lease liability for future lease payables for each operating lease in which the Group is a lessee on its consolidated balance sheet.

Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 28 December 2019. Furthermore, assets relating to finance leases held on the balance sheet at 27 December 2019 have been transferred into the right-of-use asset.

The right-of-use asset has been depreciated on a straight-line basis over the life of the lease. Interest has been recognised on the lease liability, resulting in a higher interest expense in the earlier years of the lease term. The total expense recognised in the consolidated income statement over the life of the lease will be unaffected by the new standard, however, IFRS 16 will result in the timing of lease expense recognition being accelerated for leases which would be currently accounted for as operating leases.

The lease term comprises the non-cancellable lease term, in addition to optional periods when the Group is reasonably certain to exercise an option to extend or not to terminate a lease.

Transition

In order to establish the impact on the Group's opening consolidated balance sheet for the period ending 25 December 2020, the lease portfolio at transition date has been used, which has resulted in the recognition of right-of-use assets of £101.7 million, with corresponding lease liabilities of £93.6 million.

For the period ending 25 December 2020, operating profit increased by £4.6 million and profit before tax decreased by £0.1 million as the pre-IFRS 16 rental charge was replaced by depreciation, interest charge and a release of accruals and prepayments. The Group's 2020 current tax charge is unaffected. Furthermore, there will be no impact on profit before tax or the Group's current tax charge (assuming consistent rates of tax) over the life of the lease portfolio.

At 25 December 2020 the Group held a right-of-use asset of £95.2 million and a corresponding lease liability of £88.5 million. Furthermore, operating costs of £12.1 million were replaced by a depreciation charge of £9.2 million, a release of accruals and prepayments of £1.7 million and a finance cost of £4.7 million.

There will be no impact on the way the Group runs its business, and on a cash basis the Group will pay out less cash due to the reduction in corporation tax. The presentation of the cash flow statement will also change as operating cashflows will include adjustments for depreciation and finance costs, tax paid will decrease/increase (no impact over the life of the lease portfolio) and principal and interest costs will be included under financing activities.

Due to the modified retrospective transition method being applied there has been no deferred tax implications on transition as the right-of-use asset equals the lease liability being recognised, with the exception of a £0.9 million difference relating to prepaid and accrued lease payments and £7.2 million representing amounts paid to acquire the long leasehold interest in land at certain of the Group's properties. In addition, £0.8 million has been credited to equity on transition, which represents rent reviews not contractually concluded as at 28 December 2019. This £0.8 million credit to reserves is a restatement from the balances reported in the 2020 Interim Report following a more detailed review of the contractual rent reviews.

Transition roll

Below is a reconciliation from previously disclosed operating lease commitments to lease liability on transition:

	£m
Operating lease commitments disclosed as at 27 December 2019	**227.9**
Less: non-IFRS 16 leases and practical expedients	**(69.2)**
IFRS 16 qualifying leases - undiscounted	**158.7**
Group's weighted average incremental borrowing rate at the date of application (1)	**4.9%**
Lease liabilities recognised as at 27 December 2019	**92.9**
Add: finance leases already held under IAS 17	**0.6**
Add: onerous leases held as provisions	**0.1**
Lease liability recognised as at 28 December 2019	**93.6**
Of which:	
Current lease liability	**5.9**
Non-current lease liability	**87.7**

(1) This weighted average rate is based on various lease terms ranging from 1 - 999 years.

The change in accounting policy affected the following items in the balance sheet on 28 December 2019:

	27 Dec 2019 £m	Impact of IFRS 16 £m	28 Dec 2019 £m
Property, plant and equipment (finance leases previously held under IAS 17)	0.5	(0.5)	-
Prepayments (previously held in financial and other assets) (1)	7.2	(7.2)	-
Right-of-use of assets	-	101.7	101.7
Total non-current assets	**7.7**	**94.0**	**101.7**
Current lease liability	-	5.9	5.9
Non-current lease liability	0.6	87.1	87.7
Total lease liability	**0.6**	**93.0**	**93.6**

(1) Prepayments represent amounts paid to acquire the long leasehold interest in land at certain of the Group's properties. These were not included within the right-of-use asset transition balance as reported in the 2020 Interim Report. They have now been included as, on further review, this is considered necessary to comply with IFRS 16.

Practical expedients applied

In applying IFRS 16 for the first time, the Group has applied the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- accounting for operating leases with a remaining lease term of less than 12 months from the date of initial application; and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

In addition, the Group has applied the low-value asset exemption on transition for existing lease contracts previously classified as operating leases for which the underlying asset rental is below £1,000 per annum.

The above exemptions in relation to lease terms less than 12 months and low-value assets will also be applied on an ongoing basis.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and Interpretation 4 Determining whether an Arrangement contains a Lease.

20 Post balance sheet events

Regulation and the funeral plan market

HM Treasury had previously announced that prepaid funeral plans would be subject to regulation by the Financial Conduct Authority ('FCA'). On 2 March 2021, the FCA published their consultation paper with their proposed approach to regulation.

If the FCA rules are enacted in the way they are currently drafted they will have a profound impact on both the wider industry and Dignity. We welcome the opportunity to work closely with the FCA over the coming months to ensure the rules provide the much needed consumer protection, but also supporting the FCA in their understanding of the potential unintended consequences on the industry as a result of the current drafting.

Tax rate change

In the budget on 3 March 2021 by HM Government, legislation to increase the main rate of corporation tax from 19 per cent to 25 per cent from 1 April 2023 was announced. This will be reflected in the Group's financial results once substantively enacted.

Requisition notice

On 11 March 2021, Dignity plc received a requisition notice pursuant to section 303(1) of the Companies Act 2006 requiring that the Board convenes a general meeting of shareholders for the purposes of considering and, if thought fit, approving resolutions to remove the existing Executive Chairman, Clive Whiley as a Director and appoint Gary Channon as an Executive Director. The Requisition Notice was delivered by Phoenix UK Fund Limited, the Company's largest shareholder.

The Phoenix UK Fund is managed by Phoenix Asset Management Partners and Mr Channon is the founder and chief investment officer of Phoenix Asset Management Partners.

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, the corporate interest restriction disallowance arising as a result of consolidating the Trusts, the changes which relate to the application of IFRS 15 and adoption of IFRS 16. In addition, the deferred tax rate change in 2020 arising on the deferred tax balances on consolidating the Trusts and application of IFRS 15 have also been included. All of the above 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.

IFRS 16 has been included within the alternative performance measures for 2020 only. This is due to the modified retrospective adoption of the standard, meaning the 2019 comparatives have not been restated and therefore are not comparable.

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 application of IFRS 15 and the adoption of IFRS 16 and the impact of consolidating the Trusts. See note 3.

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 (net of any insurance proceeds received);
- Transformation Plan costs (see below);
- Directors severance pay;
- operating and competition review costs;
- trade name impairments;
- goodwill impairments; and
- the taxation impact of the above items together with the impact of taxation rate changes.

Non-underlying items have been adjusted for in determining underlying measures of profitability as these underlying measures are those used in the day-to-day management of the Group and allow for greater comparability across periods.

Transformation Plan costs

Cost incurred in relation to the Group's now abrogated Transformation Plan has resulted in significant, directly attributable non-recurring costs and these amounts are excluded from the Group's underlying profit measures and treated as a non-underlying item.

These costs 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.

52 week period ended 25 December 2020	Funeral services £m	Crematoria £m	Pre-arranged funeral plans £m	Central overheads £m	Group £m
Non-trading					
Amortisation of acquisition related intangibles	**4.1**	**0.4**	**0.1**	**-**	**4.6**
External transaction costs in respect of completed and aborted transactions	**0.2**	**-**	**-**	**0.6**	**0.8**
Profit on sale of fixed assets	**-**	**(0.2)**	**-**	**-**	**(0.2)**
Non-recurring					
Transformation Plan costs	**-**	**-**	**-**	**4.7**	**4.7**
Directors severance pay	**-**	**-**	**-**	**1.6**	**1.6**
Operating and competition review costs	**-**	**-**	**-**	**2.9**	**2.9**
Trade name impairment	**15.3**	**-**	**-**	**-**	**15.3**
Goodwill impairment	**28.7**	**-**	**-**	**-**	**28.7**
	48.3	**0.2**	**0.1**	**9.8**	**58.4**
Taxation					**(6.1)**
Taxation – rate change					**3.6**
					55.9

52 week period ended 27 December 2019					
Non-trading					
Amortisation of acquisition related intangibles	4.2	0.5	0.1	-	4.8
External transaction costs in respect of completed and aborted transactions	-	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

(c) Other adjustments reconciliation

Other adjustments enable a user of the financial statements to assess the financial performance of the Trading Group as it was historically reported prior to the consolidation of the Trusts and the impact of recent accounting standards, IFRS 15, Revenue from Contracts with Customers and IFRS 16, Leases. This mirrors the financial reporting provided to management on a monthly basis to monitor the performance of the underlying Trading Group.

Adjustments to the Group's consolidated financial statements are made to reflect the following:

- Deferred revenue recognised on the delivery of a funeral is replaced with the payment received by the Trading Group from the Trust at the same time. Pre-need segment income, in the form of upfront payments received by the Trading Group from the Trusts in support of marketing are recognised when received at inception of a funeral plan rather than being deferred as part of the aforementioned deferred revenue.
- Payments made by the Trusts on cancellation are no longer recognised.
- Unlike disbursements on at-need funerals, disbursements on pre-need funerals under IFRS 15 are recognised on a principal basis within both revenue and cost of sales, but for consistency in the alternative performance measure both are reduced as these items are not included in either measure. Similarly, pre-need funerals delivered by subcontracted funeral directors, which form part of deferred income, are excluded within the alternative performance measure with a corresponding adjustment to cost of sales.
- Commissions payable on securing new Trust plans are recognised at the inception of the plan rather than being deferred and recognised at the time the funeral service is delivered.
- Rentals payable under operating leases now capitalised under IFRS 16 are recognised in operating costs, replacing the right-of-use asset depreciation charge on the IFRS 16 right-of-use asset. The finance cost associated with the same lease arrangements is removed from finance costs.

- The amounts recorded in respect of the remeasurement of assets held in the Trust is removed as is the significant financing component that only arises when deferred revenue is recognised on consolidation of the Trusts.
- The taxation impact of the above adjustments, including the impact of changes in the rate of deferred tax associated with the items noted above are removed. In addition, the consolidation of the Trusts has given rise to a significant reduction in the level of interest on which the Group is able to obtain a corporation tax deduction. The impact of this is included in arriving at other adjustments.

52 week period ended 25 December 2020	Funeral services £m	Crematoria £m	Pre-arranged funeral plans £m	Central overheads £m	Group £m
Revenue					
Trust consolidation:					
Release of deferred revenue on death or cancellation	**122.2**	**-**	**-**	**-**	**122.2**
Removal of payments received from the Trusts on death	**(59.8)**	**-**	**-**	**-**	**(59.8)**
Payments on cancellation	**(8.8)**	**-**	**-**	**-**	**(8.8)**
Derecognise pre-need segment income	**-**	**-**	**(28.8)**	**-**	**(28.8)**
IFRS 15:					
Recognition of disbursement element of pre-need plans	**18.6**	**-**	**-**	**-**	**18.6**
Revenue – Total other adjustments	**72.2**	**-**	**(28.8)**	**-**	**43.4**
Cost of sales					
IFRS 15:					
Amounts paid on subcontracted funerals	**(8.8)**	**-**	**-**	**-**	**(8.8)**
Recognition of disbursement element of pre-need plans	**(18.6)**	**-**	**-**	**-**	**(18.6)**
Administrative expenses					
Trust consolidation:					
Recognition of Trust costs	**(6.9)**	**-**	**-**	**-**	**(6.9)**
Transfer of pre-need costs into funeral segment	**(28.9)**	**-**	**28.9**	**-**	**-**
IFRS 15:					
Net release of deferred costs in respect of commissions	**4.9**	**-**	**-**	**-**	**4.9**
IFRS 16:					
Elimination of operating lease rentals	**9.2**	**2.6**	**-**	**0.3**	**12.1**
Elimination of operating lease prepayments and accruals	**0.4**	**1.2**	**-**	**0.1**	**1.7**
Deprecation of right-of-use asset	**(7.7)**	**(1.2)**	**-**	**(0.3)**	**(9.2)**
Operating profit – Total other adjustments	**15.8**	**2.6**	**0.1**	**0.1**	**18.6**
Finance income/(costs)					
Trust consolidation:					
Deferred revenue significant financing					**(53.1)**
Remeasurement of financial assets held by the Trusts and related income					**47.3**
IFRS 16:					
Recognition of finance costs					**(4.7)**
Finance costs – Total other adjustments					**(10.5)**
Taxation:					
Trust consolidation:					
Taxation impact on above adjustments					**(0.5)**
Corporate interest restriction disallowance					**(4.3)**
Deferred tax rate change					**6.8**
IFRS 15:					
Taxation impact on above adjustments					**(0.9)**
Deferred tax rate change					**(2.1)**
IFRS 16:					
Taxation impact on above adjustments					**-**
Taxation – Total other adjustments					**(1.0)**
Profit after taxation – Total other adjustments					**7.1**

52 week period ended 27 December 2019	Funeral services £m	Pre-arranged funeral plans £m	Group £m
Revenue			
Trust consolidation:			
Release of deferred revenue on death or cancellation	96.8	-	96.8
Removal of payments received from the Trusts on death	(49.4)	-	(49.4)
Payments on cancellation	(4.5)	-	(4.5)
Derecognise pre-need segment income	-	(21.2)	(21.2)
IFRS 15:			
Recognition of disbursement element of pre-need plans	15.9	-	15.9
Revenue – Total other adjustments	58.8	(21.2)	37.6
Cost of sales			
IFRS 15:			
Amounts paid on subcontracted funerals	(9.0)	-	(9.0)
Recognition of disbursement element of pre-need plans	(15.9)	-	(15.9)
Administrative expenses			
Trust consolidation:			
Recognition of Trust costs	(6.6)	-	(6.6)
Transfer of pre-need costs into funeral segment	(21.4)	21.4	-
IFRS 15:			
Net release of deferred costs in respect of commissions	2.5	-	2.5
Operating profit – Total other adjustments	8.4	0.2	8.6
Finance income/(costs)			
Trust consolidation:			
Deferred revenue significant financing			(54.1)
Remeasurement of financial assets held by the Trusts and related income			85.0
Finance income – Total other adjustments			30.9
Taxation:			
Trust consolidation:			
Taxation impact on above adjustments			(6.3)
Corporate interest restriction disallowance – prior year adjustment			(4.3)
IFRS 15:			
Taxation impact on above adjustments			(0.4)
Taxation – Total other adjustments			(11.0)
Profit after taxation – Total other adjustments			28.5

(d) Non-underlying cash flow items

	25 December 2020 £m	27 December 2019 £m
Cash flows from operating activities	**62.7**	64.6
Cash flows of other adjustments	**16.3**	(7.6)
Cash flows from operating activities – Trading Group	**79.0**	57.0
Other adjustments – IFRS 16	**(12.5)**	-
External transaction costs	**0.8**	0.8
Directors severance pay	**0.7**	-
Transformation Plan costs	**5.4**	11.2
Operating and competition review costs	**3.0**	2.8
Underlying cash generated from operations	**76.4**	71.8

(e) Funeral market share

Comparable funeral market share excludes any volumes from locations not contributing for the whole of 2019 and 2020 to date and therefore excludes 12 locations closed and one location opened in 2019 and a further 26 locations closed and one location opened in 2020.

(f) 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.

Forward-looking statements

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

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

Any forward-looking statements made in this Preliminary Announcement or the Dignity plc investor website, or made subsequently, which are attributable to the Company or any other member of the Group, or persons acting on their behalf, are expressly qualified in their entirety by the factors referred to 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 Preliminary Announcement or on the Dignity plc investor website should be construed as a profit forecast or an invitation to deal in the securities of the Company.