CORPORATE PROFILE 2021

Responsible and resilient through challenging and changing times

DIGNITY
PLC

Who we are

We are one of the UK's major funeral related service providers and the only publicly listed company in the UK operating in the funeral sector. The Group's main activities are **funeral services, crematoria** and **pre-arranged funeral plans.**

Our aim is to be at the forefront of the sector in terms of quality, transparency, standards, choice and value-for-money.

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Forward-looking statements

This Corporate Profile contains forward-looking statements with respect to the Group's plans and its current goals and expectations relating to its future financial condition, performance, results, strategic initiatives and objectives.

Stay informed
Find out more about Dignity and the latest financial information, results, presentations, reports and shareholder services or to view and download a PDF version of the 2020 Annual Report:

www.dignityplc.co.uk

At a glance

A caring and responsible business

What we are here for and our role

We are a caring and responsible business. At its heart is a core social purpose to help people at one of the most difficult times in their lives.

It is through the ongoing dedication of our people, our commitment to responsible business practice, and by making a meaningful contribution to society, that we will ensure we fulfil both our purpose and our potential.

A core **social purpose** & vital **frontline role**

As one of the funeral industry leaders, we have played our part during the evolving and unprecedented COVID-19 pandemic. We have worked closely with the Government and wider funeral sector to ensure that we deliver the services that are needed.

By managing our business proactively, we have been able to respond, prioritise and adapt with pace and agility to these extraordinary circumstances – for our clients, colleagues and those who use our facilities.

At a glance continued

A strong, resilient and sustainable business

Our distinctive qualities and strengths

Our **Services**

Funeral services

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

Dignity Funerals provides the bereaved with access to our national network of funeral directors, where families can arrange a service personal to their needs.

Simplicity Cremations offers less traditional, lower cost direct cremation options and smaller, family-led services, whilst benefiting from Dignity's high standards of care and a national infrastructure of mortuaries and crematoria.

80,300 (2019: 69,400)
Number of funerals conducted during 2020.

795 (2019: 820)
Number of funeral locations we operate in the UK.

4,900 (2019: 2,700)
Of the 80,300 funerals conducted 4,900 relate to Simplicity and branch direct cremation based services delivered in 2020.

Crematoria

The Crematorium and Memorial Group ('CMG') is the largest single independent operator of crematoria in Britain with a significant portfolio of well-established and state-of-the-art facilities that meet the needs of the local communities we serve.

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

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

74,500 (2019: 64,800)
Number of cremations conducted during 2020.

46 (2019: 46)
Number of crematoria we operate in England and Scotland.

Pre-arranged funerals

We are one of the UK's largest providers of pre-arranged funerals.

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

558,000 (2019: 523,000)
Number of active pre-arranged funerals as at 25 December 2020.

Our **Strengths**

- Leading the way for quality of client care, facilities and standards.
- Strong brands and compelling client propositions, offering greater choice and flexibility.
- Leading position in the pre-arranged funeral market.
- Focused on delivering excellent client service, and positive engagement and experience.
- Unique in our service capabilities as a funeral director, a crematoria operator and as a pre-arranged funeral plan provider.
- The only provider with a national network of funeral locations and crematoria.
- Leading position in the direct cremation market.
- An experienced team and Operating Board.
- Committed to delivering a progressive, innovative and increasingly more digital-led service for clients.

Our **People, Culture** and **Values**

Professionalism, resilience, respect and compassion has been vital in the face of the unprecedented challenges and change during 2020. We have sought to ensure that our people and the bereaved families we serve across the UK have been protected and supported during this time.

Our colleagues across the business have worked flexibly and determinedly to deliver services to the highest standards and with the care and commitment they always do.

Generating sustainable financial and non-financial value

Our **Stakeholders and** Sustainability

Engaging with a range of stakeholders informs our decision-making, builds trust and is key to delivering our strategy in the long-term.

Our stakeholders include our clients, both our Pre-Need Funeral Plan holders and the Trustees of the related Funeral Plan Trusts, communities, colleagues, investors, suppliers, pensioners and trustees of our pension funds, and policymakers. For our business to succeed we need to maintain strong relationships and open engagement with them all.

We must dedicate time to understand their individual needs, expectations and aspirations, as meeting or exceeding them is an essential part of the way we create and deliver sustainable value.

Sustainability is about the actions we take to fulfil our purpose and our potential. We remain committed to driving a sustainable business that is both socially and environmentally responsible and commercially successful.

Summary 2020 **Challenge and Opportunity**

Our business and people have truly been tested by the challenging events of 2020. Our response has demonstrated the strength and resilience of our business, the dedication of our people in whichever role they play, and ultimately reaffirmed our commitment to our core social purpose.

We have an opportunity to reposition the business along with a clear sustainable growth plan:

- The final outcome and conclusions of the CMA investigation is now determined;
- Our preparations for regulation of the funeral plan market by the FCA are progressing;
- Our root and branch review is scheduled to conclude in the second quarter of 2021; and
- We are long-term advocates of improving standards, quality, transparency, and providing greater choice in the funeral sector.

We are determined to grow both funeral and cremation market share on a sustainable organic basis whilst safeguarding our future success for the benefit of all our stakeholders.

Summary Group Financial Performance 2020

Underlying revenue[1] £314.1m (2019: £301.3m)	Operating profit £15.9m (2019: £44.8m)	Underlying operating profit £55.7m (2019: £63.3m)
Dividends paid in the period £nil (2019: 15.74p)	Basic (loss)/earnings per share (51.0)p (2019 restated: 61.2p)[2]	Underlying earnings per share 46.6p (2019: 60.6p)
Number of active pre-arranged funerals 558,000 (2019: 523,000)	Cash generated from operations £62.7m (2019: £64.6m)	Underlying cash generated from operations £76.4m (2019: £71.8m)

(1) Total underlying revenue was £314.1 million (2019: £301.3 million). On a statutory basis the Group recognised Funeral services revenue of £274.8 million (2019: £262.1 million) and Crematoria revenue of £82.7 million (2019: £76.8 million). Pre-arranged funeral plans are not a separate division in statutory terms.

(2) Prior year basic earnings per share has been restated due to a prior year adjustment in relation to taxation. See page 96 of the Annual Report 2020 for further details.

Alternative performance measures ('APMs')
The Board believes that whilst statutory reporting measures provide financial performance of the Group under GAAP, APMs are necessary to enable users of the financial statements to fully understand the trading performance and financial position of the business. The APMs provided are aligned with those used in the day-to-day management of the business and allow for greater comparability across periods. For this reason, the APMs provided exclude the impact of consolidating the Trusts and the changes which relate to the 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 31 to 36.

Executive Chairman's review

> 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.

Maintaining our resilience and focus through change

Clive Whiley, Executive Chairman | 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.

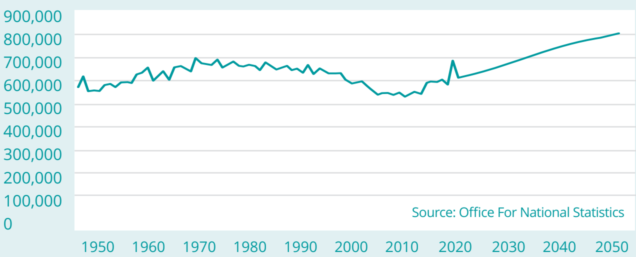
Strategic challenges

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.

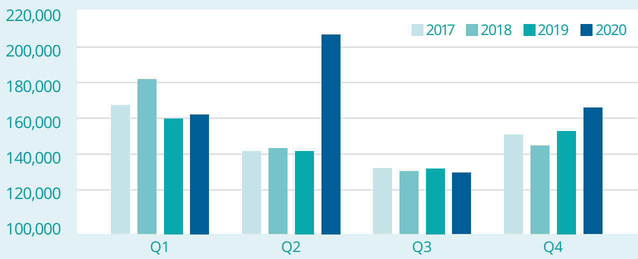
At the peak of the pandemic the crisis led to a constricted service offering, in the interests of the welfare of our staff and clients, alongside higher PPE and temporary staff expenditure which translated into underlying operating profit falling by 12 per cent to £55.7 million and underlying average 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.

Deaths in Great Britain

Latest figures from the ONS indicated COVID-19 deaths in Great Britain *(where coronavirus (COVID-19)* was mentioned on the death certificate) at 87,500 in 2020.



Number of deaths



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 pages 12 and 13). 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 10).

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

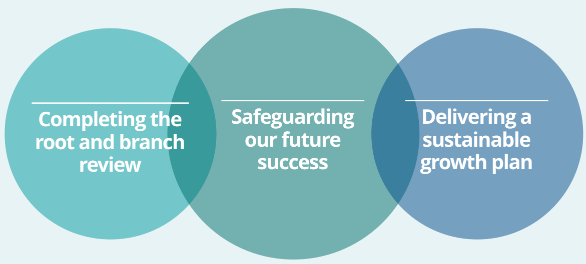
Future Strategic Direction

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.



Executive Chairman's review continued

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.

Our response to COVID-19 and how we have considered stakeholders during this time

- Our commitment to our core social purpose and to being a responsible business is central to the way in which we operate. This has been the governing principle behind our response to the COVID-19 pandemic. The Board has continued to monitor its responsibilities to its stakeholder groups. Good engagement has been crucial in understanding the views of our stakeholders in order to make informed decisions during this period of unprecedented challenge.
- Throughout the Annual Report, we provide examples of how we: take into account the likely consequences of long-term decisions; build relationships with stakeholders; understand the importance of delivering for our clients; engaging with our employees; the impact of our operations on society, the communities we serve and the environment we depend on; and attribute importance to behaving as a responsible business. Details of how the Board has complied with Section 172 and how we engage with stakeholders can be found on pages 42 and 43 of the Annual Report 2020.

Accountability

A strong and experienced Operating Board

We have identified clear priorities to be delivered through the Group going forward, all driven by our refreshed strategy. The Board has taken the opportunity to consider the most effective management structure to lead and deliver this strategy, with a refined Operating Board, consisting of the following members:

- **Clive Whiley**
  Executive Chairman
- **Dean Moore**
  Interim Chief Financial Officer
- **Andrew Judd**
  Executive Director of Funeral Operations
- **Steve Gant**
  Crematoria Director
- **Paul Toghill**
  Director of Pre Arrangement
- **Mark Hull**
  Marketing Director
- **Alan Lathbury**
  Business Development Director

Dean Moore, Interim Chief Financial Officer

In light of the management and Board changes, Dean Moore, who joined the Group as a Non-Executive Director in March 2020, was appointed as Interim Chief Financial Officer in December. In his interim CFO role, Dean is focused on working with the Operating Board to safeguard the future success of the business – delivering both value for shareholders, and a sustainable growth plan.

“We remain determined to grow both funeral and cremation market share and safeguard our future success for the benefit of all our stakeholders.

Clive Whiley, Executive Chairman

The following pages outline the Operating Board's perspectives and approach.

Full biographies for the Operating Board can be found on page 28.

Details of the Financial review can be found on pages 22 to 26.

Operating Board perspective

Ensuring the client is at the heart of every decision we make is in our DNA and crucial to the delivery of our strategy, our operational and commercial focus.

Our client-led approach builds on our purpose and distinctive qualities and strengths. It positions us well to respond to the changing market environment and the opportunities this presents.

A strong and caring business with a core social purpose

1 **Andrew Judd** is responsible for the 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.

Committed to remaining operational and keeping people safe

2 **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.

Preparing for effective regulation of the funeral plan market

3 **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').

Compelling propositions, positive client experience and engagement

4 **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.

Responding to the CMA in a changing and competitive market

5 **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.

A leading position in the direct cremation market

6 **Clive Whiley** as Executive Chairman provides leadership, advice and direction to the Operating Board by facilitating the decision-making. He is also responsible for developing the Group's long-term business strategy, vision and values pending recruitment of the new CEO.

> 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.

A strong and caring business with a core social purpose

Andrew Judd, Executive Director of Funeral Operations | We are honoured to serve our communities, continually providing vital services with expertise and compassion.

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.

Supporting our people and bereaved families through the pandemic

Impact of COVID-19 on funerals

Arranging and conducting funerals that are memorable and dignified is what we do, but the pandemic has placed restrictions on how we can deliver these services.

With limited numbers of mourners able to attend a burial or cremation, we have adapted the way we work to offer an alternative approach we call our *Timeless Funeral.*

This involves an intimate funeral for close family members now, who can still say goodbye in a meaningful, respectful and safe way.

Then, once restrictions are fully eased, we can arrange a suitable memorial or celebration of life service at a later date, more in line with the client's original expectations, as well as the wishes of the deceased.

Committed to remaining operational and keeping people safe

Steve Gant, Crematoria Director | A long-standing advocate of high standards in the industry; continued investment and development.

> The CMG has worked tirelessly to create an environment where bereaved families can safely say a respectful goodbye to their loved ones.

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.

Operating safely

From supplies of PPE, to detailed operational guidance and the installation of protective screens, we have provided colleagues with the equipment and knowledge they need to provide essential services in a COVID-safe way.

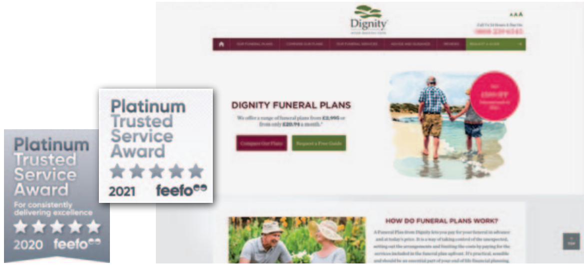
Easing the burden

Our Stay Well campaign has promoted wellbeing and positive mental health. All colleagues have access to our Employee Assistance Programme so they can confidentially seek professional support at any time.

Clear and accessible advice

Stay at home instructions shifted client focus away from locations and more towards our digital information channels. Dignity's funeral and crematoria websites were regularly updated with comprehensive advice on planning and attending a service in line with changing COVID restrictions. We also shared insight and responded to general queries via our social media platforms.

Executive Chairman's review continued



Preparing for effective regulation of the funeral plan market

Paul Toghill, Director of Pre Arrangement | Statutory regulation presents a significant opportunity to create a market that consistently delivers the best outcomes for all consumers.

> As one of the UK's leading providers of pre-arranged funerals, Dignity is a long-term advocate for stronger market controls. We welcome the decision to introduce statutory regulation and are working closely with the FCA as it develops its future approach.

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.

Helping consumers make informed decisions

Providing consumers with high standards and value:

- **Value** – we offer some of the most comprehensive plans on the market, underpinned by our cremation disbursement guarantee.
- **Choice** – we deliver a wide range of choice, flexibility and price options.
- **Trust** – we provide funeral plans consumers can trust and know that their money is secure.
- **Quality** – we are committed to high-quality service standards and improving outcomes for consumers.

Regulation timeline

2019
June HM Treasury consult on statutory regulation through the FCA.

2020
March HM Treasury confirmation.
November HM Treasury lay required legislation.

2021
March consultation paper issued.
April responses to consultation to be submitted.
Q3 Policy Statement with Final Rules will be published.
September FCA application open.

2022
July FCA to regulate funeral plans.

2026
FCA to evaluate the effectiveness of their measures.

Planning ahead for peace of mind

1,089,000

Pre-arranged funerals

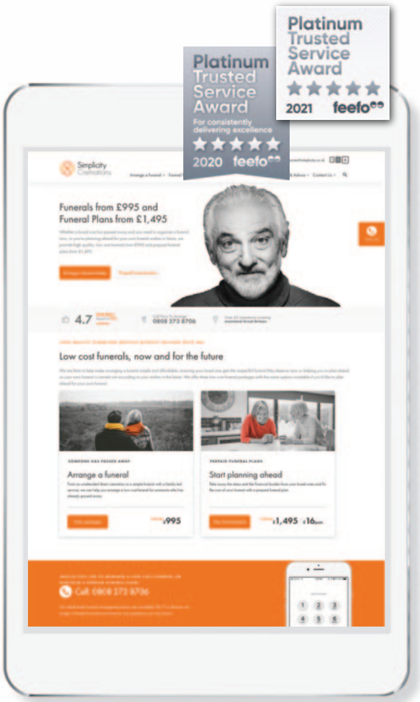
We have already helped more than 1,089,000 customers plan for their funerals in advance, of which 558,000 remain outstanding.

Funeral Notices

We offer a complementary online Funeral Notice service providing our clients with a simple and respectful way of sharing the details of their loved one's funeral online with family and friends.

- 23,750 clients published a Funeral Notice in 2020.
- Over 4.2 million views of a Funeral Notice.
- Handled over £2.5 million in donations to clients' chosen charities through Funeral Notices.

"We are committed to ensuring clients achieve positive outcomes through all their interactions with us, evolving to meet their changing needs and expectations and providing greater choice and flexibility."



5.13 million

We have achieved a lot in the past three years – our combined website traffic has grown from just over 1 million in 2017 to 5.13 million in 2020.

The role of technology during the COVID-19 pandemic

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.

Compelling propositions, positive client experience and engagement

Mark Hull, Marketing Director | Providing greater choice and flexibility is an important part of Dignity's broader offering to clients, enabling them to engage with us in a manner that suits them; to choose a service that works best for them, whilst we continue to take the greatest care of our clients. It is central to our reputation and relationships and key to our ability to create value and grow market share.

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.

Digital trends

As digital adoption trends evolve we continue to invest in technology and expertise to ensure we can make it easy for people to find us online and that their digital experience is supportive and useful.

3.9 million

Visitors to our Dignity website

During 2020, we received 3.9 million visitors to www.dignityfunerals.co.uk.

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.

Responding to the CMA in a changing and competitive market

Alan Lathbury, Business Development Director | The funeral sector remains fiercely competitive and continues to evolve notwithstanding the impact of COVID-19. The CMA's investigation into the sector provides a significant opportunity to align standards and protect consumers.

"Dignity has engaged openly, and constructively with the CMA since the market investigation into the supply of services by funeral directors at the point of need and the supply of crematoria services was announced in 2018 and strongly supports the opportunity to improve standards within the sector."

Market Drivers

Societal

- The way people arrange a funeral is changing – moving away from tradition and becoming increasingly digital and personalised.

Competition

- To ensure the sector remains competitive, it must evolve and modernise services in a way that better meets client priorities and expectations.

Regulation

- Dignity has been leading the call for regulation and higher standards in the funeral sector.

Impact of COVID-19

The whole of the UK has been affected by COVID-19 and this has had an unparalleled impact on the number of deaths registered in 2020. Latest figures from the ONS indicated COVID-19 deaths in Great Britain *(where coronavirus (COVID-19)* was mentioned on the death certificate) at 87,500 in 2020.

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:

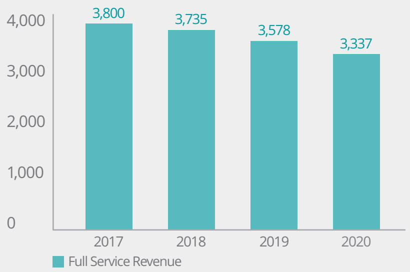
- Ensuring that service elements of the funeral process were fully understood and assessed, alongside other key aspects, such as price and transparency.
- Strongly recommending that any regulation must be independent, consumer-focused, and implemented

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.

Underlying average revenue (£)



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.

We are a long-term advocate of improving standards, quality, transparency and providing greater choice in the funeral sector.

CMA Market Investigation summary

As one of the UK's major funeral related service providers, Dignity has welcomed and worked with the CMA at each stage of the investigation process. We support the conclusions, which focus on measures to support consumer choice and transparency. We also welcome the CMA's recommendation to Government for quality and standards regulation in the UK.

During the next phase of the regulatory process, which includes a public consultation on the outlined 'commercial remedies', we look forward to further engagement with the CMA to ensure the best long-term outcome for our clients and the bereaved.

We firmly believe that for the proposed remedies to be truly effective for consumers, they must be applied across all funeral directors and crematoria. This is vital to ensure that all consumers of funeral services are equally protected.

Overall, we are confident that the remedies will help the sector meet the evolving demands of its clients' and continue to improve consumer choice and propositions in the market.

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

CMA Market Investigation timeline

2018
- CMA announced a market study into the funeral industry.
- Nov 2018 CMA issued funeral market study interim report and consultation.

2018
- **Dignity's response to interim report.**

2019
- In Apr 2019 CMAs issue statement published.

2019
- **Dignity letter issued in Jan 2019.**

2020
- Jun 2020 deadline for all parties' responses to working papers published in February.
- Jun 2020 deadline for final submissions before the Provisional Decision Report.
- Aug 2020 Provisional Decision Report published.
- Sept/Oct 2020 Provisional Decision Response ('PDR') hearings.
- Dec 2020 CMA issue Final Decision Report ('FDR').

2020
- **Dignity issue final FDR statement in Dec 2020.**

COVID-19 pandemic impact and response

2021
- 17 Jun 2021 Statutory deadline.

2021
- **Statutory deadline.**

> We are committed to increasing choice for clients, and ensuring that there is a wide range of options available at different price points. We were the first funeral director to offer a national direct cremation service and have built on this by developing our Simplicity Cremations brand which offers a range of lower cost and alternative funeral services.
>
> **Clive Whiley,** Executive Chairman

Simplicity Cremations: A leading provider of direct cremation services in the UK

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.

52%

Awareness of direct cremation as an option has grown to 52 per cent.

106%

Simplicity Cremations performed 4,300 direct cremation based services in 2020, an increase of 106 per cent over the prior period.

A leading position in the direct cremation market

Direct cremation is a significant, growing and evolving proposition in the funeral industry that impacts every area of our business; as a funeral director, as a crematorium operator, and as a pre-arranged funeral provider.

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.

Key performance indicators

Measuring our performance

The link between our strategy and our KPIs

Historical KPIs remain relevant

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

How we measure performance

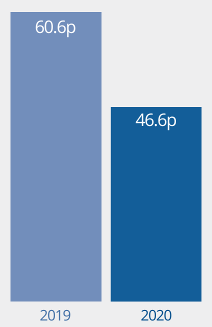
- We monitor our performance by measuring and tracking KPIs that we believe are important to our longer-term success.
- The Group uses both financial and non-financial KPIs to manage the business and ensure the Group's strategy and objectives are being delivered.
- Each KPI reflects a quantifiable measure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

Our KPIs are aligned with our strategic objectives

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

Financial KPIs

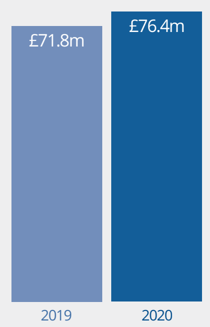
Underlying earnings per share (pence) 46.6p



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

Developments in 2020
The reduction follows the decrease in underlying operating profit explained below.

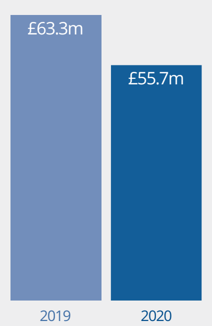
Underlying cash generated from operations (£m) £76.4m



Definition
This is the statutory cash generated from operations excluding non-underlying items and the impact of consolidating the Trusts, IFRS 15 and IFRS 16.

Developments in 2020
The Group continues to convert operating profit into cash efficiently.

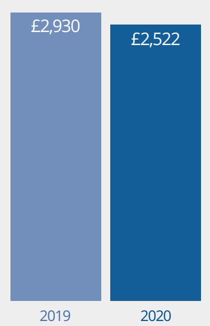
Underlying operating profit (£m) £55.7m



Definition
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.

Developments in 2020
Underlying operating profit declined year-on-year, despite higher deaths. This is primarily due to lower average revenue due to the pandemic.

Average revenue per funeral (£) £2,522



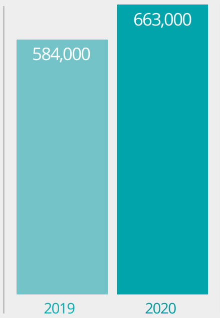
Definition
Underlying funeral revenue divided by the number of funerals performed in the relevant period.

Developments in 2020
Restrictions in client choices due to COVID-19 have adversely impacted average revenue as clients opted for simpler funerals.

Key performance indicators continued

Non-financial KPIs

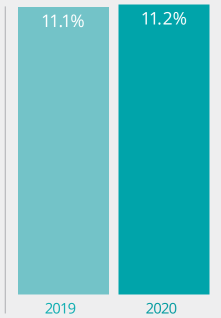
Total estimated number of deaths in Britain (number) — 663,000



Definition
This is as reported by the Office for National Statistics.

Developments in 2020
Deaths were materially higher than originally anticipated due to the pandemic.

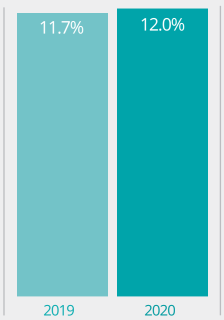
Cremation market share (per cent) — 11.2%



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

Developments in 2020
Market share is broadly stable.

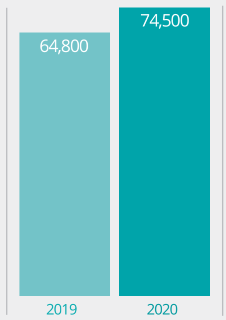
Funeral market share excluding Northern Ireland (per cent) — 12.0%



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

Developments in 2020
Market share has improved slightly.

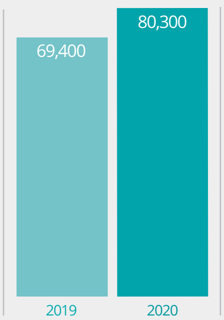
Number of cremations performed (number) — 74,500



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

Developments in 2020
Changes are a consequence of the total number of deaths and the Group's market share.

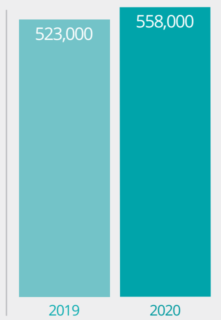
Number of funerals performed (number) — 80,300



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

Developments in 2020
Changes are a consequence of the total number of deaths and the Group's market share.

Active pre-arranged funerals (number) — 558,000



Definition
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.

Developments in 2020
This increase reflects continued sales activity (both trust funeral plans and insurance backed) offset by the crystallisation of plans sold in previous periods.

Our aim is to be at the forefront of the sector in terms of quality, transparency, standards, choice and value-for-money.

Non-financial KPIs continued

Delivering excellent client service

With a focus on delivering the highest levels of excellent client service and standards of care, our client surveys enable us to track and improve the provision of our services. This includes feedback on how we share information with clients and how we guide families through the arrangement process.

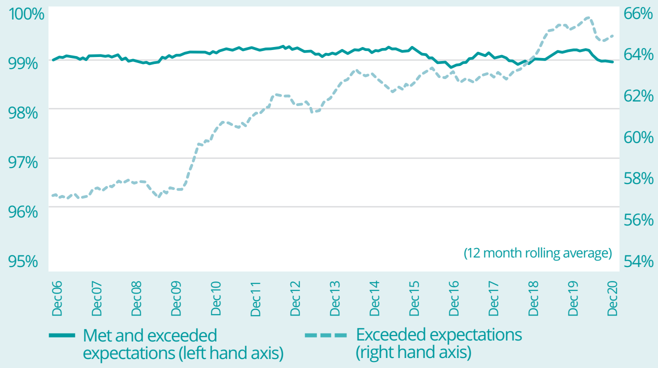
Client perception on quality and value-for-money

Although many things are changing within the industry, it is still the case that recommendation and previous experience are key to maintaining our reputation as a quality and standards leader. We therefore must ensure our clients are consistently receiving the best levels of client care and value-for-money, irrespective of the type of service we have performed for them. Our survey data helps us understand this.

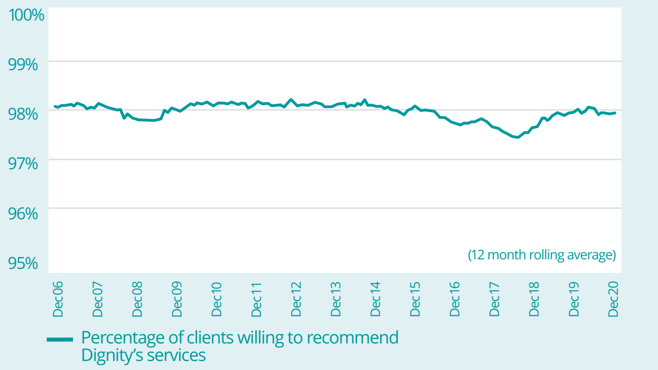
Digital engagement

As digital adoption trends evolve, we continue to invest in technology and expertise to ensure we can make it easy for people to find us online. We continue to develop our digital communication channels which enhances customer engagement and offers an additional channel to hear from our clients. Our combined website traffic has grown from just over 1 million in 2017 to 5.13 million in 2020.

Meeting and exceeding expectations (% of clients)



Recommending our services (% of clients)



Maintaining 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.

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.

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.

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.

Operating review

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

> During the year we had to significantly change our working practices to ensure the safety of our colleagues and clients while at the same time delivering the appropriate service levels during the pandemic.
>
> **Andrew Judd**
> Executive Director of Funeral Operations

Funeral services

795
Number of funeral locations we operate in the UK.

80,300
Number of funerals conducted during 2020.

Performance in 2020

Group operating profit share (before central overheads)
28% (2019: 60%)

Group underlying operating profit share (before central overheads)
54% (2019: 59%)

Underlying revenue[1]
£202.6m
(2019: £203.3m)

Operating profit
£17.5m
(2019: £54.7m)

Underlying operating profit
£50.0m
(2019: £56.3m)

Funeral mix and underlying average revenue (FY 2020 Actual)

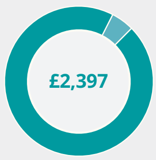
Average underlying revenue[1] (£)

- Full service 3,337 (2019: 3,578)
- Simple and Limited Service 1,941 (2019: 2,047)
- Pre-need 1,911 (2019: 1,846)
- Other (including Simplicity) 940 (2019: 770)

Volume mix (%)

- Full service 39 (2019: 52)
- Simple and Limited Service 25 (2019: 14)
- Pre-need 28 (2019: 27)
- Other (including Simplicity) 8 (2019: 7)

Underlying weighted average revenue[1] (£)



- Underlying weighted average revenue 2,397 (2019: 2,699)
- Average ancillary revenue 125 (2019: 231)

[1] Total underlying revenue was £202.6 million (2019: £203.3 million). On a statutory basis the Group recognised Funeral services revenue of £274.8 million (2019: £262.1 million). See note 3 for further details.

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**

Items totalling £32.5 million (2019: credit £1.6 million) excluded from underlying operating profit resulted in statutory operating profit of £17.5 million (2019: £54.7 million). These items are discussed in the Financial review but relate to non-underlying items and the impact of consolidating the Trusts, applying IFRS 15 and adopting IFRS 16.

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 18.

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 table, 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.

Funeral mix and average revenue	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 revenue	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

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.

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.

Operating review continued

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

The Crematorium and Memorial Group ('CMG') is the largest single independent operator of crematoria in Britain with a significant portfolio of well-established and state-of-the-art crematoria that meet the needs of the local communities we serve. Our extensive, peaceful grounds allow clients to remember their loved ones in a very personal way.

Steve Gant
Crematoria Director

Crematoria

46
Number crematoria we operate in England and Scotland.

74,500
Number of cremations conducted during 2020.

Performance in 2020

Group operating profit share (before central overheads)
72% (2019: 40%)

Group underlying operating profit share (before central overheads)
46% (2019: 41%)

Underlying revenue[1]
£82.7m
(2019: £76.8m)

Operating profit
£45.2m
(2019: £37.2m)

Underlying operating profit
£42.8m
(2019: £38.4m)

[1] There is no difference between underlying revenue and statutory revenue for the Crematoria division.

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 represent the sale of funerals to clients wishing to make their own funeral arrangements in advance.

We are one of the UK's largest providers of pre-arranged funerals and we continue to strengthen our business in this competitive market. This is a real testament, we believe, to our reputation for high levels of service, quality and trustworthiness.

Paul Toghill
Director of Pre Arrangement

Pre-arranged funeral plans

558,000
Number of active plans as at 25 December 2020.

Performance in 2020

Underlying revenue[1]	Underlying operating profit
£28.8m	£nil
(2019: £21.2m)	(2019: £nil)

[1] Pre-arranged funeral plans are not a separate division in statutory terms, as a result statutory revenue is £nil (2019: £nil). Please see note 3 for further details.

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

Our performance in 2020 was impacted by COVID-19. As a result, underlying operating profit decreased by 12 per cent to £55.7 million and underlying average revenue per funeral reduced from £2,930 to £2,522, reflecting the impact of a switch to more simple funerals, partly due to our restricted ability to provide full service requirements, during the COVID-19 pandemic.

Our market share increased on funeral services and there was a strong market share performance by our crematoria business. Our Transformation Plan was paused indefinitely during the year in order to focus on the impacts of the pandemic. This will not be resumed.

Cash generation remained strong in the year and will enable us to continue to invest in our strategic objectives in the future.

Revenue **£357.5m** (2019: £338.9m)	Underlying revenue **£314.1m** (2019: £301.3m)
Operating profit **£15.9m** (2019: £44.8m)	Underlying operating profit **£55.7m** (2019: £63.3m)
Cash generated from operations **£62.7m** (2019: £64.6m)	Underlying cash generated from operations **£76.4m** (2019: £71.8m)

We consider these underlying results to be robust, despite the pandemic

Dean Moore, Interim Chief Financial Officer

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 23 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 trade 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 Dec 2020 £m	52 week period ended 27 Dec 2019 restated[b] £m	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 31 to 36.
[b] See prior year adjustment note on page 96 of the Annual Report 2020.

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 31. 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 including a reconciliation of statutory revenue to underlying revenue is set out on pages 108 of the Annual Report 2020 and 31 to 36 of this document.

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

	52 week period ended 25 Dec 2020 £m	52 week period ended 27 Dec 2019 £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 31 to 36.

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.

Financial review continued

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 Dec 2020 £m	27 Dec 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 17 to the consolidated financial statements.

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	25 December 2034	25 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 Dec 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 cash 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 26 for further details.

Whilst the Group has no plans to do so, should it wish to repay all amounts due under the Secured Notes, the cost to do so at the year end would have been approximately £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 (see note 1 for accounting policy). 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).

Financial review continued

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 35.

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.

Board of Directors

The Board is collectively responsible for the success of the Group.

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

Clive Whiley
Executive Chairman

Board composition, balance and tenure

The Board comprises five Directors and the Executive Chairman. There are currently two independent Non-Executive Directors and two Executive Directors. James Wilson is a Non-Executive Director but, as a partner in Phoenix Asset Management Partners, is not independent.

Executive and Non-Executive Directors

- Executive Directors: 3
- Non-Executive Directors: 3
- Executive Chairman: 1

Non-Executive Tenure

- 0 – 3 years: 3

Key to Committee membership

- A Audit Committee
- N Nomination Committee
- R Remuneration Committee
- Green background denotes Committee Chair.

Clive Whiley (N)
Executive Chairman

Appointed to the Board: 2019

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

Dean Moore (A) (N) (R)
Interim Chief Financial Officer

Appointed to the Board: 2020

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

Dean, who was an independent Non-Executive Director before stepping into the role of Interim Chief Financial Officer, remains a member of the three Board Committees, as the fees he receives, whilst increased, remain fixed and he does not participate in any incentive plans.

Andrew Judd
Executive Director of Funeral Operations

Appointed to the Board: 2020

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

Andrew has progressed through a variety of roles within both the Co-operative Group and independent sectors. He holds a degree from Wolverhampton University in Economics and Business and holds additional professional qualifications in both Funeral Service Management and Funeral Directing. He has held office in the British Institute of Funeral Directors and various positions within the National Association of Funeral Directors most recently Past President of the Western Counties Area Federation and Committee for Professional Standards. In 2018 Andrew was the driving force behind the establishment of the Funeral Service Consumer Standards Review (FSCSR) creating for the first time in the sector an independently-chaired project that brings together the skills and knowledge of industry experts and key stakeholders with a view to improving quality, standards and outcomes for funeral service consumers.

Gillian Kent (A) (N) (R)
Independent Non-Executive Director

Appointed to the Board: 2020

Background and experience:
Gillian has had a broad executive career including being Chief Executive of real estate portal, Propertyfinder, until its acquisition by Zoopla, and 15 years with Microsoft including three years as Managing Director of MSN UK.

Gillian holds non-executive director roles at Mothercare plc where she is Chair of the Remuneration Committee, SIG plc, NAHL Group plc, Ascential Plc, and at three private companies, Howsy Limited (formerly No Agent Technologies Limited), Theo Topco Limited (which trades as Key Group) and Portswigger Limited. Formerly she was a non-executive director at Pendragon Plc and Coull Limited.

Gillian is Chair of the Remuneration Committee and also serves on the Audit and Nomination Committees.

James Wilson (N)
Non-Executive Director

Appointed to the Board: 2019

Background and experience:
James joined the Board as a Non-Executive Director on 1 May 2019. James is a partner at Phoenix Asset Management Partners Limited and manages The Huginn Fund.

James joined Phoenix in 2013. Prior to this, James spent three years at Aviva Investors in the Pan-European equity team. James holds a masters degree in Civil Engineering from the University of Durham and is a Chartered Financial Analyst.

Paul Humphreys (A) (N) (R)
Independent Non-Executive Director

Appointed to the Board: 2021

Background and experience:
Paul is Chair of the Audit Committee and a member of the Remuneration and Nomination Committees.

He has had a broad executive career spanning both quoted and unquoted companies, including having been Group Finance Director of Care UK for more than 12 years, including eight years whilst listed on the International Stock Exchange.

Paul currently holds advisory roles at a small number of unlisted companies.

Tim George
Company Secretary

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

The Board records its thanks to Mike McCollum, Jane Ashcroft, David Blackwood, Richard Portman and Steve Whittern all of whom stood down from the Board in 2020. Each made an outstanding contribution to the Dignity Group collectively over a substantial number of years.

Operating Board

The Operating Board consists of the Executive Directors and Senior Managers.

The role of the Operating Board

The Operating Board is responsible for determining and setting the detailed day-to-day tasks required to implement the strategy set by the Board.

The Senior Leadership Team

The Senior Leadership Team are the Senior Managers across all areas of the business. They are responsible for the day-to-day running of the business and report to the Operating Board.

"The depth of experience, knowledge and complementary skills in our Operating Board and Senior Leadership Team, strengthens our ability to deliver on our strategic objectives and vision.

Clive Whiley
Executive Chairman

Clive Whiley
Executive Chairman

Full biography on page 27

Andrew Judd
Executive Director of Funeral Operations

Full biography on page 27

Dean Moore
Interim Chief Financial Officer

Full biography on page 27

Steve Gant
Crematoria Director

Steve joined what is now Dignity in 1988. His key area of responsibility is The Crematorium and Memorial Group. He began his career in the crematoria industry in 1983 and assumed management of the Crematoria division in 2003. Steve currently sits on the Executive for the Federation of Burial and Cremation Authorities and is part of the National Cremation Working Group for the Ministry of Justice, and the Scottish Government Working Group consulting on the revision and update of the Cremation Acts. He holds a Post Graduate Executive Diploma in Strategic Leadership from the Warwick Business School.

Alan Lathbury
Business Development Director

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

Mark Hull
Marketing Director

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

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

Paul Toghill
Director of Pre Arrangement

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

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

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

Financial record[a]

Summarised consolidated income statement

	2020 £m	2019 restated £m	2018 £m	2017[c] £m	2016[d] £m
Underlying revenue					
Funeral services	**202.6**	203.3	214.9	221.8	217.8
Crematoria	**82.7**	76.8	78.0	74.0	67.5
Pre-arranged funeral plans	**28.8**	21.2	22.7	28.2	28.3
	314.1	301.3	315.6	324.0	313.6
Underlying operating profit					
Funeral services	**50.0**	56.3	62.2	79.5	79.0
Crematoria	**42.8**	38.4	40.3	40.0	37.6
Pre-arranged funeral plans	**–**	–	2.8	8.0	8.5
Central overheads	**(37.1)**	(31.4)	(25.1)	(22.9)	(23.4)
	55.7	63.3	80.2	104.6	101.7
Underlying finance costs	**(25.1)**	(25.8)	(26.0)	(26.9)	(26.9)
Underlying finance income	**0.1**	0.2	0.2	0.1	0.4
Underlying profit before tax	**30.7**	37.7	54.4	77.8	75.2
Underlying taxation	**(7.4)**	(7.4)	(11.5)	(13.8)	(15.8)
Underlying profit after tax	**23.3**	30.3	42.9	64.0	59.4
Underlying earnings per share (pence)	**46.6p**	60.6p	85.8p	128.3p	119.8p
Revenue	**357.5**	338.9	353.7	324.0	313.6
Operating profit	**15.9**	44.8	75.9	98.0	97.7
Profit/(loss) after tax	**(25.5)**	30.6	(17.0)	57.8	57.2
Basic earnings/(loss) per share (pence)	**(51.0)p**	61.2p	(34.0)p	115.8p	115.3p

Key performance indicators

	2020	2019	2018	2017	2016
Total estimated number of deaths in Britain (number)	**663,000**	584,000	599,000	590,000	590,000
Number of funerals performed (number)	**80,300**	69,400	72,300	68,800	70,700
Funeral market share[b] (per cent)	**12.0%**	11.7%	11.9%	11.5%	11.8%
Number of cremations performed (number)	**74,500**	64,800	65,200	63,400	59,500
Cremation market share (per cent)	**11.2%**	11.1%	10.9%	10.7%	10.1%
Active pre-arranged funerals (number)	**558,000**	523,000	486,000	450,000	404,000
Underlying cash generated from operations (£million)	**76.4**	71.8	101.9	115.4	121.1

Net debt

	2020 £m	2019 £m	2018 £m	2017 £m	2016 £m
Net amounts owing on Secured Notes per financial statements	**(541.7)**	(551.3)	(560.6)	(565.1)	(573.9)
Add: unamortised issue costs	**(0.5)**	(0.6)	(0.6)	(0.6)	(0.7)
Gross amounts owing	**(542.2)**	(551.9)	(561.2)	(565.7)	(574.6)
Net amounts owing on Crematoria Acquisition Facility per financial statements	**–**	–	–	–	(15.7)
Add: unamortised issue costs on Crematoria Acquisition Facility	**–**	–	–	–	(0.1)
Gross amounts owing	**(542.2)**	(551.9)	(561.2)	(565.7)	(590.4)
Accrued interest on Secured Notes	**(12.0)**	(12.2)	(12.3)	(0.3)	(0.3)
Accrued interest on Crematoria Acquisition Facility and Revolving Credit Facility	**–**	–	(0.2)	(0.2)	(0.1)
Cash and cash equivalents – Trading Group	**73.6**	57.9	66.9	49.3	67.1
Net debt	**(480.6)**	(506.2)	(506.8)	(516.9)	(523.7)

Financial record[a] continued

Summarised consolidated balance sheet

	2020 £m	2019 restated £m	2018 £m	2017 £m	2016[d] £m
Non-current assets					
Goodwill and intangible assets	**324.4**	373.1	384.9	385.5	358.1
Property, plant and equipment	**240.9**	251.3	254.1	248.0	235.4
Right-of-use asset	**95.2**	–	–	–	–
Investments in associated undertakings	**–**	–	6.0	–	–
Financial and other assets	**10.7**	18.2	15.7	14.3	11.3
Financial assets – held by the Trusts	**967.1**	947.5	862.4	865.6	–
Deferred commissions	**101.3**	96.8	94.5	92.4	–
Deferred tax asset	**20.3**	14.0	17.9	6.8	–
	1,759.9	1,700.9	1,635.5	1,612.6	604.8
Current assets					
Cash and cash equivalents – Trading Group	**73.6**	57.9	66.9	49.3	67.1
Cash and cash equivalents – held by the Trusts	**21.6**	15.5	13.8	21.8	–
Cash and cash equivalents	**95.2**	73.4	80.7	71.1	67.1
Other current assets	**46.6**	47.6	46.9	49.6	43.1
	141.8	121.0	127.6	120.7	110.2
Total assets	**1,901.7**	1,821.9	1,763.1	1,733.3	715.0
Current liabilities					
Financial liabilities	**15.1**	9.6	9.3	4.5	8.8
Contract liabilities	**95.5**	95.5	91.5	88.3	–
Lease liabilities	**7.3**	–	–	–	–
Other current liabilities	**79.8**	69.6	73.0	62.8	66.3
	197.7	174.7	173.8	155.6	75.1
Non-current liabilities					
Financial liabilities	**526.6**	542.3	551.9	561.2	581.5
Contract liabilities	**1,222.0**	1,209.1	1,164.6	1,117.3	–
Lease liabilities	**81.2**	–	–	–	–
Other non-current liabilities	**48.2**	37.3	36.7	34.2	61.9
	1,878.0	1,788.7	1,753.2	1,712.7	643.4
Total liabilities	**2,075.7**	1,963.4	1,927.0	1,868.3	718.5
Total deficit	**(174.0)**	(141.5)	(163.9)	(135.0)	(3.5)
Total deficit and liabilities	**1,901.7**	1,821.9	1,763.1	1,733.3	715.0

NOTES

(a) This information has been extracted from the current and previous Annual Reports and accordingly does not constitute audited information.

(b) Market share excluding funerals performed in Northern Ireland.

(c) 2017 income statement has not been restated for the impact of IFRS 15 or the consolidation of the Trusts.

(d) 2016 has not been restated for the impact of IFRS 15 or the consolidation of the Trusts.

Alternative performance measures

Non-GAAP measures

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

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

For this reason, the alternative performance measures provided exclude the impact of consolidating the Trusts, 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 4.

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.

Alternative performance measures continued

Non-GAAP measures (continued)

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

Non-GAAP measures (continued)

(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, as described in note 1 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.

Alternative performance measures continued

Non-GAAP measures (continued)

(c) Other adjustments reconciliation (continued)

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 the 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
Depreciation 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

Non-GAAP measures (continued)

(c) Other adjustments reconciliation (continued)

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 the 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

Alternative performance measures continued

Non-GAAP measures (continued)

(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.

Shareholder information

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

General information

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

Company Registrars

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

Shareholder communications

The Company makes documents and information available to shareholders by electronic means and via our website. The Company's website is www.dignityplc.co.uk.

Making documents and information available electronically:

- Enables the Company to reduce printing and postage costs;
- Allows faster access to information; and
- Reduces the amount of resource consumed and lessens the impact on the environment of printing and mailing.

The Company provides hard copy documentation to those shareholders who have requested this and is, of course, happy to provide hard copies to any shareholder upon request.

Electronic communications

The Company encourages shareholders to elect to receive notification of the availability of Company documentation by means of an email.

Shareholders who wish to receive e-mail notification should register online at www.shareview.co.uk click on 'Open a Portfolio Account' under the 'Portfolio' section. You will need your Shareholder Reference Number, which is shown on your share certificate or dividend tax voucher.

Choosing e-mail notification will result in you joining the EQ Shareview Service in accordance with its terms and conditions.

Share price information

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

Unsolicited approaches to shareholders

Share fraud includes scams where investors are called out of the blue and offered shares that often turn out to be worthless or non-existent, or an inflated price for shares they own. These calls come from fraudsters operating in 'boiler rooms' that are mostly based abroad.

While high profits are promised, those who buy or sell shares in this way usually lose their money. The Financial Conduct Authority ('FCA') has found most share fraud victims are experienced investors who lose an average of £20,000, with around £200 million lost in the UK each year.

Shareholder information continued

PROTECT YOURSELF

If you are offered unsolicited investment advice, discounted shares, a premium price for shares you own, or free company or research reports, you should take these steps before handing over any money:

1. Get the name of the person and organisation contacting you.
2. Check the FCA Register at http://www.fca.gov.uk/register to ensure they are authorised.
3. Use the details on the FCA Register to contact the firm.
4. Call the FCA Consumer Helpline on 0800 111 6768 if there are no contact details on the Register or you are told they are out of date.
5. Search the FCA's list of unauthorised firms and individuals to avoid doing business with.
6. If it sounds too good to be true, it probably is!

If you use an unauthorised firm to buy or sell shares or other investments, you will not have access to the Financial Ombudsman Service or Financial Services Compensation Scheme ('FSCS') if things go wrong.

Annual General Meeting

The Company's Annual General Meeting will be held on 23 June 2021 at 11:00am at the offices of DLA Piper UK LLP, Victoria Square House, Victoria Square, Birmingham, West Midlands, B2 4DL.

Dividends

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

Contact details and advisers

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www.dignityplc.co.uk

Company Secretary:
Tim George FCIS

Registered Number:
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Joint Brokers:
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Investec
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Principal Bankers:
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West Midlands Corporate Office
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Birmingham B3 2RB

Legal Advisers:
DLA Piper UK LLP
Victoria Square House
Victoria Square
Birmingham B2 4DL

Financial calendar

23 June 2021	• Annual General Meeting
25 June 2021	• 2021 financial half year end
28 July 2021	• Announcement of 2021 interim results
31 December 2021	• Financial period end

Forward-looking statements

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

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

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

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

Dignity plc
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