For immediate release **31 March 2023**

Dignity plc

Preliminary results for the 52-week period ended 30 December 2022

Good operational progress in a changing market

Dignity plc ('Dignity' or 'the Group'), one of the UK's largest national providers of funeral plans and end-of-life services, announces its preliminary results for the 52-week period ended 30 December 2022.

Financial highlights

	52 week period ended 30 December 2022	53 week period ended 31 December 2021 restated	Increase/ (decrease) per cent
Underlying revenue (£million)	**270.5**	312.0	(13)
Underlying operating profit (£million)	**17.9**	55.8	(68)
Underlying (loss)/profit before tax (£million)	**(10.1)**	26.8	
Underlying (loss)/earnings per share (pence)	**(18.6)**	42.8	
Underlying cash generated from operations (£million)	**44.1**	88.3	(50)
Revenue (£million)	**323.1**	353.7	(9)
Operating (loss)/profit (£million) (1)	**(201.1)**	19.5	
(Loss)/profit before tax (£million)	**(328.6)**	32.0	
Basic (loss)/earnings per share (pence)	**(550.4)**	24.2	
Cash (used in)/generated from operations (£million)	**(17.7)**	68.3	
Trading Group Cash (£million)	**7.7**	55.9	(86)
Net Debt (excluding impact of IFRS16) (£million)	**508.8**	471.2	8
Number of deaths	**639,000**	664,000	(4)

(1) Prior year comparatives have been restated for the 53 week period ended 31 December 2021 due to a reclassification of foreign exchange movements. See note 1 for further details.

Alternative performance measures ('APMs')

The Board believes that whilst statutory reporting measures provide financial performance of the Group under IFRS, APMs are necessary to enable users of the financial statements to fully understand the trading performance and financial position of the Group. The APMs provided are aligned with those used in the day-to-day management of the Group 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, as well as non-underlying items comprising certain non-recurring and non-trading transactions. Further detail may be found on pages 51 to 57.

Key points

- The Group continues to make progress in the implementation of its new strategy. In 2022, market share increased by 0.1 per cent from 11.8 per cent to 11.9 per cent in funeral services while cremation market share grew 0.5 per cent from 11.3 per cent to 11.8 per cent. Various factors have resulted in slower market share growth than originally anticipated such as recruitment challenges (prior to completing a benchmarking process) and new competition, though we remain focused on continuing to address these challenges as we move forward
- Dignity Funerals Limited gained FCA authorisation, a programme demanding a review of our computer systems, extensive colleague re-training and a review of recruitment processes. As part of this programme Dignity also launched a new innovative and market-leading funeral plan in August 2022 for which, we continue to receive positive feedback from customers. The product is the first of its kind in the UK enabling customers to tailor their funeral plan rather than restrict their choices with a limited range of 'packages'
- Dignity continues its commitment to reassuring and supporting approximately 38,000 'stranded' funeral plan customers from other providers exiting the market following the introduction of the FCA regulation
- During the year the Group completed an operational restructure and effectively inverted its business to benefit more from its Business Leaders' local knowledge
- The Group continues to rationalise the local trading names of Dignity's funeral directors and has made good progress, reducing the number of brands to retain only the most prominent and strongest brands. To help support the growth strategy these brands are being supported by localised marketing and proactive PR in the pre-need and at-need markets
- The Group's results continue to be impacted by a number of factors, including proactive changes in pricing strategy, a trend towards lower price funerals and a variety of cost pressures, some of which Dignity is having to absorb directly
- Underlying operating profit decreased by 68 per cent to £17.9 million (2021: £55.8 million). Underlying cash generation decreased by 50 per cent to £44.1 million (2021: £88.3 million). The lower profitability has reduced liquidity resulting in an increase to Net Debt

- Following a benchmarking process in 2022 it was clear that employee remuneration in some areas should be increased and during the year, more than 2,500 people in key operational roles duly received increases. Since then, the Group has seen improvements in its recruitment challenge and a material improvement in vacancies filled
- As previously noted in the Trading Update dated 23 January 2023, the Group made planned but required investment in its premises and fleet. Said investments totalled £24.0 million within the financial year. These investments can be seen through the Group's capital expenditure programme and align with the Group's vision to drive forward positive change in the sector and lead the market on quality of service, value for money and choice
- The Group continues to have a significant need for capital expenditure to maintain its existing asset base, as well as to invest in future growth. Given current cash generation, the Group is presently unable to fund strategic additional capital expenditure from operations and is also limited in its ability to invest in marketing/advertising and promotions in order to accelerate growth. The Group therefore continues to draw upon available resources and facilities to invest in the business and manage liquidity in the short and medium-term. The Group has drawn £15 million of its £50.0 million facility with Phoenix UK Fund Ltd (a related party). The Group expects that £45.0 million of this liquidity facility will be drawn in 2023 to fund ongoing investment, working capital, and advisory fees
- A total impairment of £196.3 million of the Group's non-current assets has been included following slower funeral market share growth combined with more branch direct cremations rather than full adult funerals being performed than originally anticipated
- Operating loss was £201.1 million (2021: profit £19.5 million) which includes the £196.3 million total impairment
- In relation to Dignity's securitised debt, the Group notes S&P's ratings downgrade for the Class A and Class B notes on 21 February 2023 (from A- to BBB- and B+ to CCC+ respectively) and Fitch's ratings downgrade for the Class A and Class B notes on 17 March 2023 (from A- to BBB and BB+ to B respectively – with both on ratings watch negative)
- The Group continues to benefit from the bondholder consents secured in 2022 in the form of the covenant waiver that benefits the covenant calculations until December 2023 and consent to deleverage the capital structure to provide additional financial flexibility. The Group has commenced a process regarding a potential sale of seven crematoria as agreed with bondholders. This process is currently proceeding in line with planned timelines but successful completion, and the timing of any such successful completion, remains uncertain
- The recommended offer for Dignity plc at 550 pence per share by Yellow (SPC) Bidco Limited ('BidCo') also remains ongoing and remains subject to FCA change of control approval and shareholder acceptance; BidCo and the Dignity plc Board will provide updates as required
- As part of the Group's contingency planning processes to ensure it has an appropriate capital structure and capital available to invest in the business going forward, and with on-going uncertainty regarding successful delivery of actions agreed as part of the bondholder consent programme, the Group continues to review all options, including the possible need to raise equity finance in order to reduce its debt and improve its capital structure

Kate Davidson MBE, Chief Executive Officer of Dignity plc, commented:

"Throughout a challenging year we have remained focussed on our long-term aims and have confidence that our strategy will deliver sustainable growth and the highest standards of care and service to our customers.

We have a continuous emphasis on growing our market share across each of our businesses, and a commitment to ongoing investment in our people, facilities and infrastructure to unlock Dignity's long-term success. We will continue to work towards our vision of being a market leader through our exceptional service, quality and proposition. We also look forward to meeting the challenges of a regulated funeral sector, which we have long called for, and just one example of this is our preparation for the FCA's Consumer Duty, which puts our customers first by setting out higher standards of governance and consumer protection.

I would like to thank all our stakeholders; to our customers for their loyalty, which frequently dates back several generations; to our own people, whose unique brand of care is so valued by those customers and makes us the business we are; and to our shareholders, for their support of our strategy and seeing the clear potential it offers."

For further information please contact:
Kate Davidson, Chief Executive Officer
Dean Moore, Interim Chief Financial Officer
Dignity plc **+44 (0)20 7466 5000**

Chris Lane
Hannah Ratcliff
Verity Parker
Buchanan **+44 (0)20 7466 5000**
www.buchanan.uk.com **dignity@buchanan.uk.com**

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

Chairman's statement
Giovanni ('John') Castagno, Non-Executive Chairman

Post lockdown, we returned to a more regular working pattern – but also in the knowledge that we needed to address major tasks on multiple fronts.

Regulation, modernisation, internal re-organisation and new financial structures were all pressing imperatives, and we continue to rise to these challenges with energy and purpose. We also continued to implement our new strategy and saw early signs of growth in market share.

These accomplishments will lay the foundations for future growth, but our market is subject to structural change which has impacted our financial performance.

Overview of 2022
Despite the higher-than-average need for our services persisting following the COVID-19 pandemic, the Group's results continue to be impacted by a number of factors, including proactive changes in pricing strategy, a trend towards lower-priced funerals and a variety of cost pressures, some of which Dignity is having to absorb directly.

We continue to make progress in the implementation the new strategy, but various factors have resulted in slower market share growth than originally anticipated.

Furthermore, excluding the impact of lower promotional expense, the cost base of the Group increased due to planned investments across the estate and in facilities, as well as ongoing increases in regulatory and operational costs which were partly driven by macroeconomic factors.

As a result, key financial metrics saw a decline as follows:

- Underlying revenue £270.5 million (2021: £312.0 million).
- Revenue £323.1 million (2021: £353.7 million).
- Underlying operating profit £17.9 million (2021: £55.8 million).
- Operating (loss)/profit £(201.1) million (2021 restated: £19.5 million) which includes £196.3 million total impairment (2021: £39.2 million) and £6.4 million trade name write-offs (2021: £2.5 million).
- Underlying operating profit before depreciation and amortisation (pre-IFRS 16) £34.2 million (2021: £72.5 million).
- At the end of 2022, the Group held £7.7 million in Trading Group cash on the balance sheet (resulting in a net debt position, excluding the impact of IFRS16, of £508.8 million) (2021: £55.9 million and £471.2 million).

The Group continues to benefit from the previously secured bondholder consents in the form of the covenant waiver, and consent to deleverage the capital structure, which remain valid until March 2023 and September 2023 respectively. We can inject cash up to March 2023 that can be used as equity cure to December 2023.

For further details, please turn to our Financial review.

We gained full FCA authorisation
Perhaps the biggest single piece of work we accomplished during the year was to prepare for the major reforms being introduced by the FCA. Effective from July 2022, every company in our sector had to be FCA authorised to market funeral plans.

To gain this full authorisation was a huge project, demanding different behaviours, new systems and documentation, a new pre-need proposition, fresh recruitment processes and extensive re-training.

FCA authorisation was a task that placed demands right across the Group, in addition to the absolute priority of caring for our customers, but I'm proud of how everyone approached it positively and viewed it as an opportunity to raise our standards even further. After major programmes of introducing new processes, including those for identifying customer vulnerabilities, we duly gained the required compliance for pre-arranged funeral plans. These new processes are now bedded in our culture and working practices.

It is fair to say the new regulatory regime had a significant effect on funeral planning and has resulted in certain leading providers choosing to withdraw from this part of the market. This was the catalyst for a second significant piece of work: in order to maintain stability and consumer confidence in the sector, Dignity committed to helping customers of those providers who chose not to apply or did not meet the standards required by FCA regulation by offering the option to transfer to a Dignity plan ('Rescue plans'). This process of transitioning these Rescue plans is still continuing.

I'm proud of how we've responded, and we welcome the outcome: a market that, like us, puts customers' best interests first.

In 2023 there is more to come but the Group is well set to meet these challenges. The FCA will require further work on Consumer Duty, which, from July 2023, sets out higher standards of governance and customer protection in the form of outcomes-related measurements.

We are also mindful of possible additional requirements from the Competition and Markets Authority ('CMA') on clear and transparent pricing.

Environmental, Social and Governance

As a Board we are united in believing that a company that has a genuine focus on Environmental, Social and Governance ('ESG') will inherently be a better business.

In addition to being the right path to take, having high ESG standards earns the approval of customers, and helps to attract new talent and retain current colleagues. It also satisfies the increasing scrutiny of investors, financial institutions, regulators and supply chain partners.

We therefore look hard at, and measure, our own ESG performance and always seek to improve on it. For example, during the year, we have drawn up plans to deploy the world's first hybrid crematorium technology, and to phase in electric hearses to reduce the impact of the many miles we need to drive. Our coffin manufacturing business also asks searching questions about the most sustainably sourced woods and strives to make optimal use of raw materials. We also recently made capital investment in our manufacturing business designed to reduce energy and waste.

More widely in the business, our overall gender split is very close to 50/50, and women hold 41 per cent of our leadership roles. I'm a passionate believer in diversity in all its forms, whether in our people's backgrounds, thinking, ethnicity or life experiences.

Our goal is to create a richer working culture, and to mirror internally the communities we serve externally.

Restructuring, upgrading, improving

As the operational pressures resulting from the pandemic period started to ease, we could see the improvements that needed to be made in our operating model.

We have a considerable estate of 725 funeral branches and 46 crematoria, and it was evident we needed to launch a major programme of improvement. This was not just a question of remedial works, but how we can position our business for the future using the most sustainable technologies, materials and methods available.

During the year we also revised our regional management structure to give greater attention to individual areas, and effectively inverted our business to benefit more from our Business Leaders' local knowledge.

Culturally, we continued to embed our new Guiding Principles which set out how we care for our customers, communities, ourselves and the planet. Financially, we are making progress with our bondholders to arrive at a solution that will generate capital to enable us to pay down our debt and invest in delivering our strategy. We will be announcing more detail during the coming year.

The Dignity Board

I'm pleased to report that there was continuity and smooth succession in the Board membership. During 2022 we continued to benefit from diverse, creative and complementary skills around the table.

Graham Ferguson and Kartina Tahir Thomson continued as independent Non-Executive Directors and Chairs of the Audit, Remuneration and Risk committees.

During the year, Kate Davidson, who joined the Board as Chief Operating Officer in January 2022, succeeded Gary Channon as CEO in June 2022. The Board would like to thank Gary for his tremendous contribution to the business during his time as CEO.

It had been our intention to appoint a new Chief Financial Officer in the early part of 2023, but in view of a takeover bid for the business, more of which below, the Board decided it would be appropriate to put the process on hold.

Dividend policy

It is the Directors' intention to return to paying a dividend when it is prudent to do so. We retain access to cash resources, continue to be on track to return to being cash generative and understand the importance of optimising total shareholder return whilst maintaining a balance between different stakeholders.

We look forward to restoring the dividend, which was last paid in June 2019, when the business has returned to a more sustainable financial footing.

Recommended takeover offer

On 23 January 2023, the Board announced that it had reached agreement on the terms of a recommended cash offer for the Dignity business. The offer has been made by Yellow (SPC) Bidco Limited ('BidCo'), a consortium comprising SPWOne V Limited, Castelnau Group Limited and Phoenix Asset Management Partners Limited. The document detailing the key terms of the 550 pence per share cash offer and alternatives was published on 14 February 2023. The Board was unanimous in recommending the cash offer. At the time of preparing this report, the offer remains conditional on, among other things, regulatory approval.

2023
We go into 2023 with confidence that we will continue to deliver on our strategy, the implementation of which was slower than anticipated in 2022 owing to the highly challenging macro environment.

Our financial performance will continue to be affected by a combination of factors. These include competition (driven by new entrants and products emerging), changes in pricing strategy (driven by the influence of the CMA), and the introduction of a direct cremation service through Dignity's branch network, the growth of the latter being what we believe to be a structural change in the sector. We expect that Dignity will continue to face cost pressures in relation to capital expenditure to maintain its existing asset base, as well as to invest for growth. Given current cash generation, Dignity is limited in terms of further capital expenditure and, as a result, its ability to invest in advertising and promotions to accelerate growth.

Notwithstanding the above, we continue to have ambitions for market share growth across our business units; investing in our infrastructure; reviewing and improving our capital structure; remaining competitive through our propositions and pricing; and building on our good relations with our Regulators.

Above all we will build on our commitment to continue to improve the service we provide to our customers and their families.

I would like to record my thanks to all our colleagues whose dedication to our customers is recognised and appreciated by all.

Finally, on behalf of the Board I would like to offer congratulations to Kate Davidson. As well as being appointed our new Chief Executive Officer, she became an MBE in the New Year Honours List for her Services to Bereaved People during COVID-19. We know how well deserved this recognition is and are proud that our CEO has been honoured in this way.

GIOVANNI (JOHN) CASTAGNO
NON-EXECUTIVE CHAIRMAN
30 March 2023

Chief Executive Officer's review
Kate Davidson, Chief Executive Officer

Thankfully, 2022 was the first full year of a return to something approaching normality. With the post-lockdown rules now eased we could once again focus on what we do best: delivering funerals meticulously with every care for bereaved families, helping them to celebrate the life of a loved one in the most personal of ways.

The year also marked changes on several fronts for Dignity plc: from the way we structure ourselves and invest in our assets, to embracing the rigours of full consumer financial regulation.

These factors, and many others, play into delivering our growth strategy, which we launched in September 2021. In essence, the strategy focuses on four key areas: creating the best proposition, perfecting a customer-centric culture; executing an effective customer acquisition strategy; and leveraging the benefits of our scale and breadth.

Notwithstanding the above and as our Chairman alludes to in previous pages, we remain alive to the factors and ongoing challenges (e.g. competition, proactive changes in pricing strategy, trend towards lower price funerals and cost pressures arising from capital expenditure requirements, employee costs and energy prices etc) which have contributed to a slower implementation of Dignity's new strategy than originally anticipated. These have inevitably impacted our financial performance for 2022, but we remain optimistic that good progress will continue to be made on the new strategy.

'Handing over the keys'
Perhaps our most significant move during 2022 was the decision to effectively turn our business upside down.

As a UK-wide network of firms, we have no 'typical' operating markets. From St Ives or Norwich to Newcastle or Glasgow, the individual demographics, customs and geographies of each are unique, as are the people and families we look after. As such, we decided it was vital that services, pricing and the approach and character of each business should be locally driven.

Therefore, we began a process of entrusting the more locally driven decisions to the experts – our local Business Leaders – empowering them to exercise their initiative and have more control over how they run their business and serve their communities.

They are supported by a Head of Region, who as part of a new regional structure will ensure colleagues across our network receive the right level of resource and support to build their business successfully.

And then at head office, we see our role as serving the operational force of the business by setting out the group-wide strategy and facilitating an environment where knowledge and best practice can be shared, supporting our colleagues and businesses to be the best that they can be.

Rationalising our brands
Part of this local focus has been a project to encourage our regions to reappraise our brands.

Inside the Dignity network there are some of the oldest and most trusted funeral businesses in the UK, but by 2022 we had amassed an unwieldy number.

It is also a recipe for some confusion. In a large city, it had become common for Dignity to offer several different brands within a radius of a few miles. During the year, our local teams made plans to reduce the number of trading names which will result in many local firms being renamed to the most prominent and strongest brands in their areas.

Dignity sits behind these local assets as a national brand: a reassuring presence and a byword for trust, experience and standards.

Culture: the key to customers
This greater sense of local empowerment also feeds into a proud and caring Company culture.

If a business strategy is the 'what' we are doing, culture is the 'how' and the 'why'. In our case, that culture starts with an unwavering focus on our customers. By being empathetic in our approach and generous with our time to listen and guide, we aim to become a much-needed friend at a desperately upsetting time.

We combine this with a passion – obsession, even – for initiative and efficiency, because there are no second chances to make a funeral perfect. In turn, it is our goal that customers will encounter the same excellence at every Dignity touchpoint and, crucially, be moved to recommend us to others.

Internally, our work can bring many pressures, and looking after each other, as well as our customers, is deep-rooted in our culture. Every area has trained Mental Health First-Aiders, as well as the option for specialist and confidential help externally.

Authorisation attained
On the previous pages, our Chairman explains how all firms offering funeral plans in our sector must now be fully authorised by the FCA. We were delighted to gain this status in July 2022, following a company-wide requirement to reconfigure processes and re-train in many functions. This was a huge task and I thank everyone who contributed to make it happen.

We therefore needed little encouragement, a matter of days later, to announce a brand new funeral plan. It is a product of real creativity and the result of listening closely to our customers, and does away with old-style funeral 'packages'. Rather, this exciting product – the first of its kind in the UK – enables customers to design a deeply personalised funeral down to the very last detail. We're delighted with the impact our new product is having, even in the early days.

Environmental, Social and Governance
It was back in 2010 that we started Carbon Disclosure Project environmental reporting, so the impact of our operations has long been front of mind.

Indeed, we were the first end-of-life provider to pledge to be carbon neutral, in our case by 2038. It is a deliberately ambitious target and calls for measurable actions now. We are therefore actively assessing how we can address the principal sources of our emissions – namely, the miles we drive in conducting funerals, and the energy consumption of our crematoria and funeral branches.

More widely, we create high-quality employment for more than 3,500 people; offer everyone the equal opportunity to be recruited, promoted and trained; and are active contributors to important social and charitable causes, and life-enhancing projects.

Only Dignity offers a complete suite of funeral plans, funerals, cremations, memorials and our own coffin-manufacturing facility, so we are uniquely placed to take the lead in our sector.

2023: a full agenda
After a period of considerable change in 2022, at both the local and national level, we embark on the new financial year refocused and ready to make significant progress which will address or mitigate some of the factors and challenges referred to earlier:

- Our locally empowered Business Leaders will continue to maximise their local knowledge, supported by our know-how and economies of scale.
- We will continue a multi-million-pound investment programme to upgrade our crematoria facilities and grounds.
- We will remain focused on our long- term aim to increase market share.
- We will assess new energy-efficient technologies and phase in electric vehicles for our funeral fleet.
- We will embed our new quality standards.
- We will support our new and unique funeral plan with a major above the line marketing campaign.

- Work is well under way and on target to meet the introduction of the Consumer Duty by the FCA, which sets higher and clearer standards of consumer protection.

Meanwhile, I would like to record my thanks to all our stakeholders. To our customers for their loyalty, which frequently dates back several generations. To our own people, whose unique brand of care is so valued by those customers and makes us the business we are. And finally to our shareholders, for their support and trust in our new strategy.

KATE DAVIDSON, MBE
CHIEF EXECUTIVE OFFICER
30 March 2023

Financial review
Dean Moore, Interim Chief Financial Officer

Our performance in 2022 reflects the continued implementation of our strategy, albeit at a slower rate than anticipated. Underlying operating profit decreased by 68 per cent to £17.9 million. Deaths were 25,000 lower in the period.

Our market share slightly increased in funeral services and there was a strong market share performance by our crematoria business.

Underlying cash generation has declined in the year to £44.1 million (2021: £88.3 million) due to lower average revenues, as a result of the reduced prices and change in product mix, lower deaths and an increase in the cost base.

Introduction
These results have been prepared in accordance with UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006.

Statutory operating loss was £201.1 million (2021: restated profit of £19.5 million), a decrease of £220.6 million. Gross margin has also declined by 12 per cent from prior year to 39 per cent. Administrative expenses of £324.5 million were £168.1 million higher, largely driven by an increased impairment charge of £157.1 million on goodwill, trade names, right-of-use asset and property, plant and equipment compared with prior year and an increase in other non-underlying items, primarily in respect of £2.9 million incurred on redundancy costs, £2.5 million on transition costs of moving Rescue plans over to Dignity in the form of professional fees and third party administration costs, a £6.7 million increase in transactions costs due to the fees incurred on the capital structure transaction and potential takeover and an increase in trade name write-offs of £3.9 million. Furthermore, an onerous contract provision of £10.0 million has been recognised on the Rescue plans and a further £3.6 million provision relating to previous plan sales. Utility costs have also increased by £1.1 million due to energy prices.

This was partially offset by a reduction in underlying central overheads of £6.8 million primarily relating to digital expenditure and salary costs. See the table on page 9 for further details on the impacts to statutory and underlying operating profit.

A total impairment of £196.3 million has been charged in the period (2021: £39.2 million), of which £47.5 million (2021: £2.8 million) relates to trade names, £112.3 million (2021: £36.4 million) to goodwill, £17.4 million to right-of-use asset (2021: £nil) and £19.1 million to property, plant and equipment (2021: £nil). The impairment has arisen within the funeral services division primarily due to the slower funeral market share growth combined with more direct branch cremations rather than attended funerals being performed than originally anticipated, together with an increase in the discount rate from 10.3 per cent to 12.9 per cent since December 2021. The slower market share growth is a result of the new strategy taking longer to implement partly due to staff shortages encountered during 2022. The Group has filled a high percentage of vacancies over the last few months and has also increased salaries within operations to become more competitive in the market, but focus remains on filling the remaining vacancies.

Whilst the Group expects long-term market share growth from the new strategy, the accounting standard (IAS 36) for impairment assessments does not permit the use of longer-term forecasts which cannot be evidenced. As a result, whilst the Group is focused on committing to delivering its market share growth ambitions, given the slower time taken in the implementation of the Group's strategy and the available evidence to demonstrate this growth as at the year end when the impairment assessment is made, the full extent of potential longer-term gains are not reflected in the impairment modelling. Note 6 provides sensitivity analysis based on the calculated impairment.

A £13.6 million (2021: nil) charge to cost of sales has been recognised on consolidation relating to pre-need funeral plans. This includes £10.0 million relating to Rescue plans and £3.6 million for previous plan sales. This is primarily due to an onerous contract provision of £8.9 million for Rescue plans, where at an individual contract level some of the plans could be loss making as Dignity will not have received sufficient cash to cover the full cost of the funeral. However, the Board expects the Rescue plans to be profitable on a portfolio basis. Note 1 provides further information. The Group's net finance costs were £127.5 million (2021 restated: net finance income £12.5 million), a £140.0 million movement primarily due to the loss on fair value movements of the financial assets held by the Trusts of £57.7 million compared with a gain of £85.0 million in 2021.

The above has resulted in loss before tax for the Group of £328.6 million (2021: profit of £32.0 million).

Financial highlights

The Group's financial performance is summarised below:

	52 week period ended 30 Dec 2022 £m	53 week period ended 31 Dec 2021 restated[b] £m	Increase/ (decrease) %
Underlying revenue[a] (£ million)	**270.5**	312.0	(13)
Underlying operating profit[a] (£ million)	**17.9**	55.8	(68)
Underlying operating profit before depreciation and amortisation (Pre IFRS 16)[a] (£ million)	**34.2**	72.5	(53)
Underlying (loss)/profit before tax[a] (£ million)	**(10.1)**	26.8	
Underlying (loss)/earnings per share[a] (pence)	**(18.6)**	42.8	
Underlying cash generated from operations[a] (£ million)	**44.1**	88.3	(50)
Revenue (£ million)	**323.1**	353.7	(9)
Operating (loss)/profit (£ million)	**(201.1)**	19.5	
(Loss)/profit before tax (£ million)	**(328.6)**	32.0	
Basic (loss)/earnings per share (pence)	**(550.4)**	24.2	
Cash (used in)/generated from operations (£ million)	**(17.7)**	68.3	
Dividends paid in the period:			
Final dividend (pence)	–	–	

(a) Further details of alternative performance measures can be found on pages 51 to 57.

(b) Prior year comparatives have been restated for the 53 week period ended 31 December 2021 due to a reclassification of foreign exchange movements. See note 1 for further details.

Alternative performance measures

The alternative performance measures are stated before non-underlying items and the effect of consolidation of the Trusts and applying IFRS 15 as defined on page 51. These items have been adjusted for in determining underlying measures of profitability as these underlying measures are those used in the day-to-day management of the business and allow for greater comparability across periods.

Detailed information on non-underlying items is set out on pages 51 to 57 and a reconciliation of statutory revenue to underlying revenue is detailed in note 2.

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

	52 week period ended 30 Dec 2022 £m	53 week period ended 31 Dec 2021 restated[(a)] £m
Operating (loss)/profit for the period as reported	**(201.1)**	19.5
Add the effects of:		
Acquisition related amortisation	**3.9**	4.2
External transaction costs in respect of completed and aborted and ongoing transactions	**9.1**	2.6
Marketing costs in relation to trials	–	0.9
(Loss)/profit on sale of fixed assets	**0.1**	(1.1)
Trade name write-off	**6.4**	2.5
Trade name impairment	**47.5**	2.8
Goodwill impairment	**112.3**	36.4
Right-of-use asset impairment	**17.4**	–
Property, plant and equipment impairment	**19.1**	–
Rescue plan transition costs	**2.5**	–
Restructuring costs – redundancy	**2.9**	–
Restructuring costs – onerous provision	**0.3**	–
Impact of Trust consolidation and IFRS 15	**(2.5)**	(12.0)
Underlying operating profit	**17.9**	55.8
Underlying net finance costs	**(28.0)**	(29.0)
Underlying (loss)/profit before tax	**(10.1)**	26.8
Tax charge/(charge) on underlying (loss)/profit before tax	**0.8**	(5.4)
Underlying (loss)/profit after tax	**(9.3)**	21.4
Weighted average number of Ordinary Shares in issue during the period (million)	**50.0**	50.0
Underlying EPS (pence)	**(18.6)**	42.8
Decrease in underlying EPS (per cent)	–	8

(a) Prior year comparatives have been restated for the 53 week period ended 31 December 2021 due to a reclassification of foreign exchange movements. See note 1 for further details.

Earnings per share

Statutory loss after tax was £275.2 million (2021: profit of £12.1 million). Basic loss per share was 550.4 pence per share (2021 earnings of 24.2 pence per share). Underlying loss after tax was £9.3 million (2021: profit of £21.4 million), giving underlying loss per share of 18.6 pence per share (2021: earnings of 42.8 pence per share).

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, unsuccessful crematoria planning developments and capital restructuring project.

(Loss)/profit on sale of fixed assets

Losses or profits 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.

Trade name write-off

During 2022 the Group has made the decision that it will withdraw 20 (2021: seven) trading names with a value of £6.4 million (2021: £2.5 million) as part of the Group's strategic review. As the trading names had specific intangible assets related to them, they were required to be written off.

Impairment

The Group assessed the carrying value of its goodwill and non-current assets. In light of the slower market share growth and the impact on forward looking cash flows, coupled with an increase in the discount rate from 10.3 per cent to 12.9 per cent, an impairment of £47.5 million of trade names (2021: £2.8 million), £112.3 million of goodwill (2021: £36.4 million), £17.4 million of right-of-use asset (2021: £nil) and £19.1 million of property, plant and equipment (2021: £nil) has been recognised.

Rescue plan transition costs

In addition to helping Safe Hands customers, the Group has also committed to helping customers of other funeral plan providers that chose not to apply or did not meet the standards required by FCA regulation by offering the option to transfer to a Dignity plan. As part of this transfer, the Group has incurred additional costs of £2.5 million in the form of professional fees and third party administration costs. To date no Safe Hands customers have had plans transferred to a Dignity Trust as the support offered to these customers has been on delivery of a funeral at the time of need.

Restructuring costs – Redundancy

As part of the continuing strategic review, in January 2022, the Group made the decision to make some colleagues redundant. Furthermore, as part of the local restructure, further roles within the operational business were made redundant.

Restructuring costs – Onerous provision

As part of the ongoing operational restructure to streamline branches, the Group has incurred additional onerous provisions.

Trust consolidation/IFRS 15

In 2019 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.

This includes reversal of a £13.6 million (2021: nil) charge to cost of sales recognised on consolidation relating to Rescue plans and previous plans. Note 1 to the consolidated financial statements includes further information.

Capital expenditure

Capital expenditure on property, plant and equipment and intangible assets was £29.7 million (2021: £21.0 million).

This is analysed as:	**30 Dec 2022 £m**	31 Dec 2021 £m
Maintenance capital expenditure:		
Funeral services	**16.9**	10.5
Crematoria	**5.5**	5.4
Other	**2.0**	1.7
Total maintenance capital expenditure[(a)]	**24.4**	17.6
Other property development	**2.4**	0.1
Development of new crematoria and cemeteries	**2.2**	3.3
Development of intangible assets	**0.7**	–
Total property, plant and equipment	**29.7**	21.0
Partly funded by:		
Disposal proceeds – properties[(b)]	**(0.1)**	(1.2)
Disposal proceeds – vehicles	**(0.2)**	–
Net capital expenditure	**29.4**	19.8

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

(b) Property disposals in 2021 includes £0.8 million of insurance proceeds received.

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 £44.1 million (2021: £88.3 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 £7.7 million (2021: £55.9 million). Further details and analysis of the Group's cash balances are included in note 7.

Pensions

The balance sheet shows a deficit of £10.8 million before deferred tax (2021: deficit of £19.7 million). The scheme currently represents an annual cash obligation of £4.5 million.

Taxation

The Group's effective tax rate on underlying profits in the period was 7.9 per cent (2021: 20.2 per cent). The current period underlying effective tax rate is lower than the standard rate of corporation tax due to the effects of permanent disallowables with a tax impact totalling £1.1 million. The underlying effective tax rate is lower than originally anticipated due to the effects of permanent disallowables.

The Group's statutory effective tax rate on losses is 16 per cent (2021: tax rate on profits 62 per cent) which is higher than the underlying effective tax rate primarily due to disallowable taxation on non-underlying items and taxation in relation to the Trusts.

Prior year restatements

Classification of hedging/foreign exchange differences arising on financial assets held by the Trust has been restated for the 53 week period ended 31 December 2021 to remove the charge amounting to £1.7 million out of administrative expenses and more appropriately included within remeasurement of financial assets held by the Trusts and related income.

The amount charged to the consolidated income statement for impairment of trade receivables during the period to 31 December 2021 was £3.7 million which was presented within administrative expenses has now been presented separately on the face of the consolidated income statement. See note 1 for further details.

Capital structure and financing for the Trading Group

Following the Noteholder consent on 29 September 2022, the Group continues to work through the capital transaction to inject a minimum of £70.0 million into the Securitisation Group to partially repay at full make-whole level (compensating Noteholders for the present value of future cash flows discounted at Gilts +50 basis points) some of the Class A Notes outstanding in consideration for trading assets leaving the Securitisation Group (freehold land and buildings and long leasehold land is held outside the Securitisation Group). This will result in a deleveraging of the Group and a positive impact on the underlying financial ratios and covenant calculations. Funds for this injection are expected to be realised from a capital transaction relating to the sale of certain crematoria assets but the agreement with bondholders does not limit where the funds come from.

Loan facility

Dignity plc has a £50.0 million facility that was signed on 6 December 2022 and was amended and restated on 19 January 2023. The facility has been offered by Phoenix UK Fund Ltd which is a related party. It has no restrictive covenants, no minimum solvency covenants and no charges over any assets and therefore no negative impact on the Group's existing capital structure. It carries an interest rate of seven per cent. The facility is available until 5 December 2023 and can be drawn in instalments providing the appropriate notice is given, there are no other restrictions on drawing this facility. Any drawdown of this facility will not impact on the debt covenant calculations. On 2 March 2023, a drawdown of £5.0 million was made from the facility and a further £10.0 million was drawn on 30 March 2023.

Secured Notes

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

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

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

The Secured Notes have an annual debt service obligation in 2023 (principal and interest) of circa £33.2 million. Net carrying amounts owing on the Secured Notes are £516.1 million (2021: £526.6 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.

During the temporary covenant waiver period that was approved by bondholders in March 2022, any cash transferred into the Securitisation Group during the waiver period (up to 31 March 2023) can be included within the EBITDA to debt service covenant ratio for the following 12 months. As a result, any cash transferred during 2022 will be included in the quarterly covenant calculations to September 2023 and any cash transferred in the first quarter of 2023 can be included in the quarterly covenant calculations to December 2023.

A cash transfer of £34.1 million has been made for the covenant measurement point up to and including 31 December 2022, resulting in a ratio of 1.96 times (2021: 2.13 times) at 30 December 2022. Excluding this cash transfer the ratio at 30 December 2022 was 0.95 times (2021: 2.13 times). The total debt service used within the above ratios at 30 December 2022 was £33.9 million (2021: £34.0 million).

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

	30 Dec 2022 £m
EBITDA per covenant calculation – Securitisation Group	**32.3**
Add: EBITDA of entities outside Securitisation Group	**2.8**
Add: Impact of IFRS 16	**12.1**
Less: Non-cash items[(a)]	**(0.9)**
Underlying operating profit before depreciation and amortisation – Group	**46.3**
Underlying depreciation and amortisation	**(28.4)**
Non-underlying items	**(221.5)**
Impact of Trust consolidation and IFRS 15	**2.5**
Operating loss	**(201.1)**

(a) The terms of the securitisation require certain items (such as pensions, Save As You Earn Scheme and Long-Term Incentive Plan Scheme costs) to be adjusted from an accounting basis to a cash basis.

If this primary financial covenant is not achieved, then this may lead to an Event of Default under the terms of the Secured Notes, which could result in the Security Trustee taking control of the Securitisation Group on behalf of the Secured Note holders. Refer to note 13 for further details.

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.

Whilst not a covenant, in order for the Group to transfer excess from the Securitisation Group to Dignity plc, it must achieve both a higher EBITDA to total debt service ratio of 1.85 times and achieve a Free Cash Flow to total debt service (a defined term in the securitisation documentation) of at least 1.4 times. This latter ratio at December 2022 was 0.58 times (December 2021: 1.76 times).

These combined requirements are known as the Restricted Payment Condition ('RPC'). Given the ratios achieved, the RPC was not achieved at December 2022. 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 but otherwise can be used within the Securitisation Group with no restrictions.

Cash Return on Core Capital

In the 2021 Annual Report we introduced a measure we call Cash Return on Core Capital ('CROCC'). In December 2022 the CROCC fell to negative 4.2 per cent (December 2021: positive 9.7 per cent). The fall in 2022 reflects the reduced underlying operating profit and higher capital expenditure offset by lower cash tax payments. See alternative performance measures on page 56 for how it is calculated and why we use it.

Net debt

The Trading Group has underlying net debt of £508.8 million (2021: £471.2 million) at the balance sheet date. See note 10 for further details.

Should the Group wish to repay all amounts due under the Secured Notes, the cost to do so at the year end would have been approximately £524.3 million (Class A Notes: £160.0 million; Class B Notes: £364.3 million) (2021: £757.4 million (Class A Notes: £202.8 million; Class B Notes: £554.6 million)).

Net finance costs

The Group's underlying finance costs substantially consist of the interest on the Secured Notes and ancillary instruments. The net finance cost in the period relating to these instruments was £23.3 million (2021: £23.7 million).

Other ongoing underlying finance costs incurred in the period amounted to £0.3 million (2021: £0.8 million), covering the unwinding of discounts on the Group's provisions and other financial liabilities.

The Group also incurred £4.4 million (2021: £4.5 million) lease liability interest, under IFRS 16, giving a total underlying net finance cost of £28.0 million (2021: £29.0 million).

Shareholders' deficit

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

On consolidation of the Trusts, all funds received from the plan members are deferred until recognised on satisfaction of a funeral obligation or when a plan is cancelled and refunded (subject to an administrative fee). These deferred funds increase under IFRS 15 by a material non-cash significant financing charge. The assets of the Trusts, initially representing the same funds received from plan members less an amount paid to the Trading Group to cover marketing costs, are invested by the Trusts and are subject to market movements. Over time, investments are also realised to fund funeral payments or refund obligations. The net impact of the above gives rise to a significant reduction in the net asset value of the Group to a position where the Group has reported a net deficit of £422.2 million (2021: £151.1 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 £957.3 million (2021: £1,043.1 million) of financial assets and £9.4 million (2021: £19.8 million) of cash, which was recognised in the consolidated balance sheet. See note 8 of the consolidated financial statements for further information on the investment strategy of the Trusts.

The average net Trust assets per plan (excluding Rescue plans) of £3,444 (2021: £3,650) is a decrease of six per cent. Rescue plans are not included in this average as no assets have transferred over to the Trusts at 30 December 2022. Rescue plans are discussed in more detail on pages 25 and 26.

The Trust consolidation includes a provision of £13.6 million in relation to funeral plans. This includes £3.6 million relating to previous funeral plans and £10.0 million relating to Rescue plans. The provision for Rescue plans is comprised of an onerous contract provision of £8.9 million and a provision for the Dignity Promise of £1.1 million, see note 1 for further details. Whilst the Group expects a commercial benefit overall from the Rescue Plans, at an individual contract level some of the plans could be loss making, where Dignity does not receive sufficient cash to cover the full cost of the funeral. As such, we have taken a prudent approach and provided for these potential future losses until we have certainty over the asset recoverability from the previous providers. If the assets values are higher than currently recognised in the onerous contract assessment then the £8.9 million provision would reduce.

The movement in financial assets is primarily attributable to remeasurement losses recognised in the consolidated income statement of £57.7 million (2021: gains of £85.0 million), reflecting changes in asset values and net disposals of financial assets of £37.0 million (2021 net disposals of financial assets: £12.2 million).

Aggregated contract liabilities totalled £1,316.4 million (2021: £1,337.5 million) with the primary movements being sales of new plans of £46.5 million (2021: £86.3 million), increases due to significant financing of £50.9 million (2021: £51.6 million) and releases due to death or cancellation totalling £118.5 million (2021: £117.9 million).

Going concern

The Group's consolidated financial statements are prepared on a going concern basis although, there is a material uncertainty with respect to covenant compliance and the implications thereof see note 13 for further details.

Publication of unaudited financial information

On 23 January 2023, the Group issued a trading update for the 52 week period ended 30 December 2022. The table below compares the estimates in that statement (which were published as "expected to be no more than", i.e., a ceiling amount) to the audited financial statements.

	52 week period ended 30 December 2022 estimated ceiling as at 23 January 2023 £m	**52 week period ended 30 December 2022 audited £m**
Underlying revenue	275.0	**270.5**
Underlying operating profit (1)	20.0	**17.9**
Underlying operating profit before depreciation and amortisation (pre-IFRS 16)	37.0	**34.2**

(1) Underlying operating profit is more than 10 per cent (being 10.5 per cent) lower than the ceiling amount as estimated at 23 January 2023 following finalisation of the Group's financial reporting processes.

Outlook

The Group continues to embed the new strategy which has empowered colleagues. This should deliver long-term growth.

Divisional performance

Introduction

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

For statutory purposes the Group has two reporting segments, funeral services and crematoria, as under IFRS 15 only a single performance obligation exists when a pre-arranged funeral plan is sold, being the performance of a funeral. The Group also reports central overheads, which comprise unallocated central expenses.

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

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

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

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

Funeral services

Overview

As at 30 December 2022, we operated from a network of 725 (2021: 776) funeral branches throughout the UK, generally operating under established local trading names. The change to the portfolio reflects three branch openings and 54 closures in the year. Most closures represent funeral branches where leases have naturally come to an end and have not been renewed and also include 10 freehold closures.

Performance

We conducted 77,000 funerals (2021: 79,200) during the period under review. Underlying operating profit was £11.0 million (2021: £48.2 million), a reduction of 77 per cent, this can be explained by the financial summary table below:

Financial summary 2022

	H1 £m	H2 £m	**FY** **£m**
Underlying operating profit – 2021	31.6	16.6	**48.2**
Impact of:			
Number of deaths(1)	(6.4)	(0.6)	**(7.0)**
Market share(1)	3.1	(1.2)	**1.9**
Average revenues(1)	(14.6)	(5.9)	**(20.5)**
Net cost base changes	(5.0)	(6.6)	**(11.6)**
Underlying operating profit – 2022	8.7	2.3	**11.0**

(1) Represents revenue impact.

The table above demonstrates the impact of our new pricing strategy, coupled with the distorting effect of the pandemic on the death rate in the first quarter. Whilst market share has increased revenue, we can see that a reduction in the number of deaths has reduced revenue by £7.0 million, and the change in pricing strategy and the introduction of direct cremation has reduced it by a further £20.5 million. Cost base changes include £5.7 million increase in salary costs, £1.7 million increase in motor expenses, a £1.7 million impact from the loss of rates relief, £0.9 million impact from an increase in coffin raw material prices, an increase of £0.7 million in depreciation and £0.8 million increase in utility costs.

Accordingly, the cost to deliver a funeral (see alternative performance measures on page 56 for details on how it is calculated) has increased to £2,018 at 30 December 2022 (December 2021: £1,814).

Items totalling £203.8 million (2021 restated: £33.5 million) excluded from underlying operating profit resulted in statutory operating loss of £192.8 million (2021 restated: profit £14.7 million). These items are discussed on pages 51 to 53 but relate to non-underlying items and the impact of consolidating the Trusts and IFRS 15.

Progress and developments

Market share

Approximately one per cent of all funerals were conducted in Northern Ireland. Excluding Northern Ireland, these funerals represented approximately 11.9 per cent (2021: 11.8 per cent) of total estimated deaths in Britain. Whilst funerals divided by estimated deaths is a reasonable measure of Dignity's market share, the Group does not have a complete national presence and consequently, this calculation can only ever be an estimate.

On a comparable basis, excluding any funerals from branches not contributing to the whole of 2021 and 2022, market share was 11.7 per cent, compared with 11.5 per cent in 2021. Both 2022 and 2021 are an improvement on the dramatic market share declines witnessed in 2016 and 2017, however, in the longer-term the Group's new strategy is expected to grow market share significantly.

Market share is calculated based on a fixed assumption of one week between the registration of the death and the date of the funeral. Therefore, due to excess deaths and longer delays between the date of registering the death and the date of the funeral being performed, calculations of market share in 2021 and 2022 may not be comparable.

Funeral mix and average revenue

The average revenue for funerals has decreased from £2,394 in 2021 to £2,116 in 2022 (excluding 603 funerals delivered as part of our Safe Hands support the average for 2022 was FY £2,141, H2 £2,151 and H1 £2,129), which can be attributed to a combination of the change in our pricing strategy and the change in mix due to the provision of lower-cost funeral options, such as direct cremations. This combined with reduced volumes has also impacted the contribution per branch (see alternative performance measures on page 57 for details on how this is calculated) which has decreased to £28,966 in 2022 (2021: £75,000).

Funeral mix and underlying average revenue

	Funeral type	FY 2020 Actual	FY 2021 Actual	**Q1 2022 Actual**	**Q2 2022 Actual**	**H1 2022 Actual**	**Q3 2022 Actual**	**Q4 2022 Actual**	**H2 2022 Actual**	**FY 2022 Actual**
Underlying average revenue (£)	Attended	2,821	2,855	**2,486**	**2,439**	**2,464**	**2,425**	**2,605**	**2,516**	**2,489**
	Unattended	996	1,063	**1,044**	**1,037**	**1,041**	**1,035**	**1,035**	**1,035**	**1,038**
	Pre-need	1,911	1,959	**1,950**	**1,967**	**1,958**	**2,033**	**2,042**	**2,038**	**1,996**
	Other (including Simplicity)	940	904	**608**	**522**	**668**	**533**	**514**	**414**	**517**
Volume mix (%)	Attended	63	61	**58**	**59**	**59**	**59**	**58**	**58**	**58**
	Unattended	1	3	**8**	**7**	**7**	**8**	**8**	**8**	**8**
	Pre-need	28	28	**28**	**28**	**28**	**27**	**28**	**28**	**28**
	Other (including Simplicity)	8	8	**6**	**6**	**6**	**6**	**6**	**6**	**6**
Underlying weighted average (£)		2,397	2,394	**2,108**	**2,093**	**2,115**	**2,095**	**2,196**	**2,138**	**2,116**
Ancillary revenue (£)		125	154	**165**	**174**	**155**	**166**	**158**	**170**	**172**
Underlying average revenue (£)		2,522	2,548	**2,273**	**2,267**	**2,270**	**2,261**	**2,354**	**2,308**	**2,288**

Investment

Investment in the Group's branches and fleet has continued. In 2022, £16.9 million (2021: £10.5 million) was invested in maintenance capital expenditure. The Group anticipates another year of high expenditure in 2023.

Outlook

The Group is focusing on embedding the recent restructure which is allowing colleagues who are at the heart of their local communities to make decisions with the aim of growing business.

Crematoria

Overview

The Group remains the largest single independent operator of crematoria in Britain, operating 46 (2021: 46) crematoria as at 30 December 2022.

Performance

The Group performed 75,500 cremations (2021: 74,800) in the period, representing 11.8 per cent (2021: 11.3 per cent) of total estimated deaths in Britain.

Underlying operating profit was £39.5 million (2021: £47.0 million), a decrease of 16 per cent. This can be explained by the financial summary table below:

Financial summary 2022

	H1 £m	H2 £m	**FY £m**
Underlying operating profit – 2021	25.2	21.8	**47.0**
Impact of:			
Number of deaths(1)	(2.2)	(0.3)	**(2.5)**
Market share(1)	2.5	0.7	**3.2**
Average revenues(1)	(2.9)	(1.4)	**(4.3)**
Cost base changes	(1.0)	(2.9)	**(3.9)**
Underlying operating profit – 2022	21.6	17.9	**39.5**

(1) Represents revenue impact.

The primary reason for the decrease in underlying operating profit is lower average revenues, a higher cost base (including increases in utility costs) partially offset by an increase in market share. Total memorial and cemetery revenue was £16.7 million (2021: £19.2 million), approximately 13 per cent lower. 2021 included an element of catch-up on sales due to the sites being closed for part of 2020 (2021 was 15 per cent higher than 2020). The average cremation revenue is lower than the prior year at £864 (2021: £887) and yield per crematorium (see alternative performance measures on page 57 for details on how it is calculated) has decreased to £971,739 in 2022 (2021: £1,126,087) which reflects the increase in direct cremations.

Non-underlying costs of £0.9 million (2021: £0.5 million) are excluded from underlying operating profit resulting in statutory operating profit of £38.6 million (2021: £46.5 million).

Progress and developments

The Group has invested £5.5 million (2021: £5.4 million) in maintaining and improving its locations in the period.

The Group now has planning permission for six new crematoria. The total capital commitment for these six projects is expected to be approximately £56 million, with £16.3 million of this amount having already been invested. Each of the locations with planning permission will take five to seven years to reach maturity, performing 800 to 1,000 cremations per year.

In addition, the Group also has one location that is currently in the planning process.

Outlook

The crematoria division remains a stable and cash generative aspect of the Group's operations.

Pre-arranged funeral plans

A momentous year

At the end of July 2022 the FCA formally became responsible for the regulation of the funeral plan industry in the UK, heralding a new and better era for customers which Dignity has long campaigned for. Dignity became authorised to be a funeral plan provider which was the culmination of a lot of hard work within the Group.

In preparation for this change we worked on redesigning our funeral plan product based upon working with colleagues who deal with families in our funeral branches. The result is an entirely new and personalisable product that lets buyers design the plan around the kind of funeral they want with the ability to keep amending it in the future should those wishes change.

In preparation, we wound down activity in our old funeral plan product range ahead of the changeover. When the new product launched, we did it gradually as we built up and trained our team of funeral plan consultants. Our priority has been on doing things correctly and bedding in all the new regulations, processes and monitoring programmes rather than a haste to sell plans. Our results, in particular sales volumes, in 2022 need to be judged against that background.

Rescue operations

Not all funeral plan providers made it into regulation, failing for different reasons. At Dignity we have been working hard to do all we can to ameliorate a bad situation and help those families impacted by these developments. This has included providing free funerals for those families suffering a bereavement right after Safe Hands went into administration.

We are also in the process of offering replacement Dignity funeral plans to the existing customers of a number of plan providers who did not achieve regulation. So far that amounts to five providers and 38,000 plans. That activity is continuing into 2023. Our motivation has been to help families negatively impacted through no fault of their own and limit the damage to an industry that we launched in the 1980's and which we believe with the proper regulatory framework is now set for a bright future.

Performance

Approximately 21,000 (2021: 50,000) new plan sales were made. In addition to this 38,000 (2021: nil) Rescue plans have transferred to a Dignity pre-arranged funeral plan. The number of active pre-arranged plans (including insurance backed arrangements) increased to 618,000 (2021: 581,000). All plan sales are stated net of cancellations of 29,000 (2021: 33,000). 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).

In addition, 16,000 (2021: 24,000) plans were sold 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.

The Group has continued to claim a marketing and administration allowance from the Trusts for plans sold in the period. Historically this resulted in a profit in the division. In 2019, the Group decided to restrict this allowance from the Trusts to only recover the costs incurred in the selling of the funeral plans and therefore, the division has not contributed any profit or loss since 2019 due to these under-recoveries.

However, as plan sales were low in 2022, the Group would not have been able to recover all of the costs incurred in the selling and administration from funeral plans sold in the current period but has been able to utilise under-recoveries from previous years' sales to cover the current year operating costs.

For post FCA regulation plan sales Dignity has established a new trust, the UK Funeral Trust (2022). So far no claims have been made from the new trust for marketing and administration costs but going forward it is intended to do so provided that the trust is left in a surplus position, as we did previously.

As a consequence of the reduced costs in the division and ending of marketing spending the amount recovered from the Trusts in 2022 was £12.2 million, 50 per cent lower than 2021 (2021: £24.6 million).

Trust solvency

The financial position of the Trusts holding members' monies is crucial, given the Group ultimately guarantees the promises made to members.

The latest actuarial valuations of the Trusts (at 24 September 2022) showed them to have a surplus of £225.4 million (24 September 2021: surplus restated of £290.6 million), based on assumptions from the independent trustees working with the Trust's actuary, PwC. 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. These solvency reports are available on the company's website www.dignityfunerals.co.uk/funeral-plans/2022-solvency-assessment-report/.

There was no change to the investment strategy in 2022 which was previously agreed with Legal & General Investment Management who continued as the OCIO. The new trust is still all held in cash. In 2023 the Trustees are planning to adopt a Statement of Investment Principles that will guide the manager of the assets.

The Trusts have assets, including cash, under the management of the Trustees of £966.7 million (2021: £1,062.9 million) with investments split as follows:

	Example investment types	**FY £m**
Defensive investments	Index linked gilts and corporate bonds	**10–12**
Illiquid investments	Private equity investments	**6–8**
Core growth investments	Equities	**64–67**
Liquid investments	Cash portfolio's	**16–17**

The assets of UK Funerals (2022) Trust are currently held in cash pending an investment totalling £6.8 million.

The current allocation is subject to annual review by the Trustees with support from their investment advisers, LGIM. See note 8 for additional discussion of Trust balances.

Outlook

Our new product has been very well received and even without promotion is selling well in our branches where it is available and faster than our previous products on a like for like basis.

The Group has now trained over 300 Funeral Planning Consultants located at its branches and has a pre-arranged funeral planning website that enables customers to create a unique funeral plan for the send-off they really want.

In 2023 we will rebuild our marketing efforts to drive growth and form partnerships with organisations that share our values and whose customers we would not otherwise see.

The Group is optimistic about its ability to continue to be a market leader in pre-arranged funerals and for the potential growth of the overall market in the new world of regulation.

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 £32.6 million (2021: £39.4 million). The table here summarises the key movements:

	H1 £m	H2 £m	**FY** **£m**
Central overheads – 2021	19.0	20.4	**39.4**
Impact of:			
Digital activities	(1.7)	(3.2)	**(4.9)**
Salaries	(1.1)	(1.2)	**(2.3)**
Other	(0.6)	1.0	**0.4**
Central overheads – 2022	15.6	17.0	**32.6**

The decrease in digital activities primarily relates to promotional spend. Salaries have reduced year-on-year primarily due to the prior period including an additional bonus charge of £3.5 million. Central overheads are expected to continue to reduce as part of the new strategy. Non-underlying items of £14.3 million (2021: £2.3 million) are excluded from underlying costs, resulting in total central costs of £46.9 million (2021: £41.7 million).

In addition to the above costs, maintenance capital expenditure of £2.0 million (2021: £1.7 million) has been incurred on central projects predominantly relating to IT that will help the business as a whole operate more efficiently.

Outlook

Central overheads are expected to continue to reduce as part of the strategic review.

DEAN MOORE
INTERIM CHIEF FINANCIAL OFFICER
30 MARCH 2023

Key performance indicators

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

Financial KPIs

KPI	KPI definitions	52 week period ended 30 December 2022	53 week period ended 31 December 2021 restated	Developments in 2022
Underlying (loss)/earnings per share (pence)	This is underlying (loss)/profit after tax divided by the weighted average number of Ordinary Shares in issue in the period.	**(18.6)p**	42.8p	The reduction follows the decrease in underlying operating profit explained below.
Underlying cash generated from operations (£m)	This is the statutory cash generated from operations excluding non-underlying items and the impact of consolidating the Trusts and IFRS 15.	**£44.1m**	£88.3m	The Group continues to convert operating profit into cash. The reduction year-on-year is primarily due to lower profit.
Underlying operating profit (£m)	This is the statutory operating profit of the Group excluding non-underlying items and the impact of consolidating the Trusts and IFRS 15.	**£17.9m**	£55.8m	Underlying operating profit declined year-on-year. This is primarily due to reduced average revenues, lower deaths and higher costs within the funeral services and crematoria divisions.
Underlying average revenue per funeral (£)	Underlying funeral revenue divided by the number of funerals performed in the relevant period.	**£2,288**	£2,548	2022 has been adversely impacted by the change in pricing strategy and product mix effective since September 2021.

Non-financial KPIs

KPI	KPI definitions	52 week period ended 31 December 2022	53 week period ended 31 December 2021 restated	Developments in 2022
Total estimated number of deaths in Britain (number)	This is as reported by the Office for National Statistics.	**639,000**	664,000	Deaths were below the prior year but higher than originally anticipated at the start of the year.
Cremation market share (per cent)	This is the number of cremations performed by the Group divided by the total estimated number of deaths in Britain.	**11.8%**	11.3%	Market share has seen a steady increase.
Funeral market share excluding Northern Ireland (per cent)	This is the number of funerals performed by the Group in Britain divided by the total estimated number of deaths in Britain.	**11.9%**	11.8%	Market share has increased compared with the prior period.
Number of cremations performed (number)	This is the number of cremations performed according to our operational data.	**75,500**	74,800	Changes are a consequence of the total number of deaths and the Group's market share.
Number of funerals performed (number)	This is the number of funerals performed by the Group according to our operational data.	**77,000**	79,200	Changes are a consequence of the total number of deaths and the Group's market share.
Active pre-arranged funerals (number)	This is the number of pre-arranged funerals (both trust funeral plans and insurance backed) where the Group has an obligation to provide a funeral in the future.	**618,000**	581,000	The increase reflects continued sales activity (both trust funeral plans and insurance backed) and the transfer of 38,000 Rescue plans, offset by plans cancelled and the crystallisation of plans sold in previous periods.

Our mission is to drive forward positive change in the sector and become a true market leader with an unrivalled focus on quality, transparency and choice.

To achieve this, we recognise the importance of investing in our people, digital platforms and facilities; as well as empowering our colleagues to make the right decisions that deliver a positive experience and outcome for our clients and in turn we become more competitive.

If we include cremations in our crematoria then we were involved in approximately one in five of all funerals in the UK in 2022. Doing our best for those clients is our best source of future business.

The Dignity client survey 2022

Reputation and recommendation
99.0 per cent of respondents said that we met or exceeded their expectations (2021: 99.0%).
98.0 per cent of respondents would recommend us (2021: 98.0%).

High standards of facilities and fleet
99.8 per cent thought our premises were clean and tidy (2021: 99.8%).
99.6 per cent thought our vehicles were clean and comfortable (2021: 99.6%).

Quality of service and care
99.9 per cent thought our staff were respectful (2021: 99.9%).
99.7 per cent thought our staff listened to their needs and wishes (2021: 99.7%).
99.0 per cent agreed that our staff were compassionate and caring (2021: 99.2%).

In the detail
99.1 per cent of clients agreed that our staff had fully explained what would happen before and during the funeral (2021: 99.2%).
99.3 per cent said that the funeral service took place on time (2021: 99.1%).
98.1 per cent said that the final invoice matched the estimate provided (2021: 98.3%).

Consolidated income statement for the 52 week period ended 30 December 2022

	Note	**52 week period ended 30 December 2022 £m**	53 week period ended 31 December 2021 restated £m
Revenue	2	**323.1**	353.7
Cost of sales		**(196.3)**	(174.1)
Gross profit		**126.8**	179.6
Administrative expenses		**(324.5)**	(156.4)
Trade receivables impairment		**(3.4)**	(3.7)
Operating (loss)/profit	2	**(201.1)**	19.5
Finance costs	3	**(28.0)**	(29.0)
Deferred revenue significant financing	3	**(50.9)**	(51.6)
Remeasurement of financial assets held by the Trusts and related income	3	**(48.6)**	93.1
(Loss)/profit before tax	2	**(328.6)**	32.0
Taxation	4	**53.4**	(19.9)
(Loss)/profit for the period attributable to equity shareholders	2	**(275.2)**	12.1
(Loss)/profit per share for (loss)/profit attributable to equity shareholders			
– Basic (pence)	5	**(550.4)p**	24.2p
– Diluted (pence)	5	**(550.4)p**	24.2p

Prior year comparatives have been restated for the 53 week period ended 31 December 2021 due to a presentation change in relation to trade receivables impairment and a reclassification of foreign exchange movements. See note 1 for further details.

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

Consolidated statement of comprehensive income for the 52 week period ended 30 December 2022

	Note	**52 week period ended 30 December 2022 £m**	53 week period ended 31 December 2021 £m
(Loss)/profit for the period		**(275.2)**	12.1
Items that will not be reclassified to profit or loss			
Remeasurement gain on retirement benefit obligations	12	**5.2**	15.6
Tax charge on remeasurement on retirement benefit obligations		**(1.4)**	(3.9)
Tax charge on pension contributions		**(0.1)**	(0.2)
Restatement of deferred tax for the change in UK tax rate	4	**–**	1.9
Other comprehensive income		**3.7**	13.4
Total comprehensive (loss)/income for the period		**(271.5)**	25.5
Attributable to:			
Equity shareholders of the parent		**(271.5)**	25.5

Consolidated balance sheet as at 30 December 2022

	Note	**52 week period ended 30 December 2022 £m**	53 week period ended 31 December 2021 £m
Assets			
Non-current assets			
Goodwill	6	**55.8**	167.9
Intangible assets	6	**53.4**	110.7
Property, plant and equipment		**231.6**	242.1
Right-of-use asset		**68.4**	89.1
Deferred insurance commissions		**8.0**	8.4
Financial assets held by the Trusts	8	**957.3**	1,043.1
Deferred commissions	9	**93.7**	100.9
Deferred tax asset		**56.8**	5.5
		1,525.0	1,767.7
Current assets			
Inventories		**7.9**	8.6
Trade and other receivables		**30.0**	30.0
Current tax receivables		**5.3**	2.4
Deferred commissions	9	**7.0**	7.6
Cash and cash equivalents – Trading Group		**7.7**	55.9
Cash and cash equivalents – held by the Trusts		**9.4**	19.8
Cash and cash equivalents	7	**17.1**	75.7
		67.3	124.3
Total assets		**1,592.3**	1,892.0
Liabilities			
Current liabilities			
Financial liabilities		**12.2**	11.5
Trade and other payables		**60.9**	59.5
Lease liabilities		**7.0**	7.1
Contract liabilities	9	**98.8**	99.6
Provisions for liabilities		**3.4**	2.1
		182.3	179.8
Non-current liabilities			
Financial liabilities		**506.9**	518.3
Other non-current liabilities		**1.8**	2.2
Lease liabilities		**73.3**	75.8
Contract liabilities	9	**1,217.6**	1,237.9
Provisions for liabilities		**21.8**	9.4
Retirement benefit obligation	12	**10.8**	19.7
		1,832.2	1,863.3
Total liabilities		**2,014.5**	2,043.1
Shareholders' deficit			
Ordinary share capital		**6.2**	6.2
Share premium account		**13.0**	12.9
Capital redemption reserve		**141.7**	141.7
Other reserves		**(2.0)**	(2.3)
Retained earnings		**(581.1)**	(309.6)
Total deficit		**(422.2)**	(151.1)
Total deficit and liabilities		**1,592.3**	1,892.0

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

Consolidated statement of changes in equity for the 52 week period ended 30 December 2022

	Ordinary share capital £m	Share premium account £m	Capital redemption reserve £m	Other reserves £m	Retained earnings £m	Total equity £m
Shareholders' equity as at 25 December 2020	6.2	12.7	141.7	(3.0)	(335.1)	(177.5)
Profit for the 53 weeks ended 31 December 2021	–	–	–	–	12.1	12.1
Remeasurement gain on retirement benefit obligations	–	–	–	–	15.6	15.6
Tax on retirement benefit obligations	–	–	–	–	(3.9)	(3.9)
Tax on pension contributions	–	–	–	–	(0.2)	(0.2)
Restatement of deferred tax for the change in UK Tax rate	–	–	–	–	1.9	1.9
Other comprehensive income	–	–	–	–	13.4	13.4
Total comprehensive income	–	–	–	–	25.5	25.5
Effects of employee share options	–	–	–	0.8	–	0.8
Proceeds from share issue(1)	–	0.2	–	–	–	0.2
Gift to Employee Benefit Trust	–	–	–	(0.1)	–	(0.1)
Shareholders' equity as at 31 December 2021	6.2	12.9	141.7	(2.3)	(309.6)	(151.1)
Loss for the 52 weeks ended 30 December 2022	–	–	–	–	(275.2)	(275.2)
Remeasurement gain on retirement benefit obligations	–	–	–	–	5.2	5.2
Tax on retirement benefit obligations	–	–	–	–	(1.4)	(1.4)
Tax on pension contributions	–	–	–	–	(0.1)	(0.1)
Other comprehensive income	–	–	–	–	3.7	3.7
Total comprehensive loss	–	–	–	–	(271.5)	(271.5)
Effects of employee share options	–	–	–	0.5	–	0.5
Tax on employee share options	–	–	–	(0.1)	–	(0.1)
Proceeds from share issue(2)	–	0.1	–	–	–	0.1
Gift to Employee Benefit Trust	–	–	–	(0.1)	–	(0.1)
Shareholders' equity as at 30 December 2022	**6.2**	**13.0**	**141.7**	**(2.0)**	**(581.1)**	**(422.2)**

(1) Relating to issue of 5,963 shares under 2016 deferred annual bonus ('DAB') scheme and 4,562 shares under 2019 SAYE scheme.

(2) Relating to issue of 3,954 shares under 2019 DAB scheme and 8,473 shares under 2019 SAYE scheme.

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

Capital redemption reserve

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

Other reserves

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

Consolidated statement of cash flows for the 52 week period ended 30 December 2022

	Note	**52 week period ended 30 December 2022 £m**	53 week period ended 31 December 2021 £m
Cash flows from operating activities			
Cash (used in)/generated from operations		**(17.7)**	68.3
Finance costs paid		**(27.8)**	(40.2)
Transfer from restricted bank accounts for finance costs		**–**	12.0
Payments to restricted bank accounts for finance costs		**–**	–
Total payments in respect of finance costs		**(27.8)**	(28.2)
Tax paid		**(2.3)**	(17.7)
Net cash (used in)/generated from operating activities		**(47.8)**	22.4
Cash flows from investing activities			
Acquisition of subsidiaries and businesses (net of cash acquired)		**(0.2)**	(0.2)
Proceeds from sale of property, plant and equipment		**0.3**	1.2
Purchase of property, plant and equipment and intangible assets(1)		**(29.7)**	(21.0)
Purchase of financial assets (by the Trusts)	8	**(177.1)**	(948.7)
Disposals of financial assets (by the Trusts)	8	**214.1**	960.9
Realised return on financial assets		**–**	2.1
Net cash generated/(used) in investing activities		**7.4**	(5.7)
Cash flows from financing activities			
Payments due under Secured Notes		**(10.5)**	(15.1)
Payment in relation to amendment of Secured Loan Notes agreement		**(0.5)**	–
Transfer from restricted bank accounts for repayment of borrowings		**–**	4.9
Payments to restricted bank accounts for repayment of borrowings		**–**	–
Total payments in respect of borrowings		**(11.0)**	(10.2)
Principal elements of lease payments		**(7.2)**	(9.1)
Net cash used in financing activities		**(18.2)**	(19.3)
Net decrease in cash and cash equivalents		**(58.6)**	(2.6)
Cash and cash equivalents at the beginning of the period		**75.7**	78.3
Cash and cash equivalents at the end of the period	7	**17.1**	75.7
Restricted cash – amounts set aside for debt service payments		**–**	–
Cash and cash equivalents at the end of the period as reported in the consolidated balance sheet	7	**17.1**	75.7

(1) See Financial review on page 10 for further details.

1 Prior year restatements and Rescue plans

Prior year restatement

Classification of hedging/foreign exchange difference arising on financial assets held by the Trusts

Within the consolidated income statement administrative expenses have been restated for the 53 week period ended 31 December 2021 to remove £1.7 million of hedging/foreign exchange losses arising on financial assets held by the Trusts, which has now been more appropriately included within remeasurement of financial assets held by the Trusts and related income. This has led to an increase in operating profit of £1.7 million but no impact on statutory profit after taxation or earnings per share for the prior period.

Disclosure and valuation of trade receivables impairment

The amount charged to the consolidated income statement for impairment of trade receivables during the period to 31 December 2021 was £3.7 million which was presented within administrative expenses (as explained in note 5 to the 2021 Annual Report and Accounts). Following the Financial Reporting Council's ('FRC') review of the Group's 2021 Annual Report and Accounts, specifically with regard to whether the charge for impairment should be separately presented in the consolidated income statement, the Group re-examined the materiality of the charge on the results for the period. As a result, the Group concluded that it was appropriate to present the impairment expense separately on the face of the consolidated income statement as required by IAS 1, 'Presentation of Financial Statements', paragraph 82(ba).

Consequently, the impairment expense for the 53 week period ended 31 December 2021 has been separately presented in the consolidated income statement resulting in a reduction of administrative expenses for the same amount. There is no impact on the Group's operating profit, statutory profit after taxation or earnings per share for the prior period.

The above prior period restatements have overall resulted in administrative expenses for the 53 week period ended 31 December 2021 reducing by £5.4 million from £161.8 million to £156.4 million, operating profit for the 53 week period ended 31 December 2021 increasing by £1.7 million from £17.8 million to £19.5 million and remeasurement of financial assets by the Trusts and related income reducing by £1.7 million from £94.8 million to £93.1 million. This restatement for the 53 week period ended 31 December 2021 has been reflected in the segmental analysis presented in note 2 within funeral services 'other adjustments', which has increased by £1.7 million from £10.2 million to £11.9 million. Accordingly, funeral services statutory operating profit has increased by £1.7 million from £13.0 million to £14.7 million.

There is no overall impact on statutory profit before taxation, taxation or statutory profit after taxation for the 53 week period ended 31 December 2021. There is no overall impact on statutory earnings per share in either period.

The above adjustments have had no impact on opening reserves for the 53 week period ended 31 December 2021. Accordingly, no third balance sheet as at 26 December 2020 was required to be presented.

Rescue plans

To maintain stability and consumer confidence in the sector, Dignity committed to helping customers of those providers who chose not to apply or did not meet the standards required by FCA regulation by offering the option to transfer to a Dignity plan ('Rescue plans'). As at 30 December 2022, 38,000 Rescue plans had been accepted by customers.

Dignity has agreed to honour the product and service purchased by these customers, even though the assets transferable to Dignity from their previous provider may be lower than the payments made by customers. In the event that a customer subsequently cancels their Rescue plan, the refund payable by Dignity is capped at the amount received by Dignity in relation to that plan, being the amount received from the previous provider's trust and any payments to be made by the customer directly to Dignity.

At an individual contract level some of the plans could be loss making as Dignity will not have received sufficient cash to cover the full cost of the funeral. However, the Board expects the Rescue plans to be profitable on a portfolio basis as the future cashflows from plans where the total consideration is weighted towards future instalments, including an allowance for future investment returns, more than offsets the contracts where the assets transferable to Dignity are lower than the payments made by customers.

An analysis of expected cash inflows (being any further instalments under the funeral plans, estimates of assets to be received from the ceding trusts and memorial revenue) and outflows (principally the costs of delivering the funeral) has been prepared for each individual plan in accordance with IAS 37 to identify whether the contracts will be loss making. This has considered the revenue at the expected maturity date, after accreting the expected cash inflows using the significant financing component used for the individual contract, consistent with the accounting methodology adopted for contract liabilities.

The consolidated financial statements include a provision of £13.6 million in relation to funeral plans. This includes £3.6 million relating to previous funeral plans and £10.0 million relating to Rescue plans. The provision for Rescue plans is comprised of an onerous contract provision of £8.9 million and a provision for the Dignity Promise of £1.1 million, of which £1.1 million (seven per cent) has been assessed as current in line with contract liability for deferred revenue.

Onerous contract provision

The onerous contract provision reflects estimates in respect of the value of assets due to Dignity from the ceding providers, future instalments payable to Dignity by customers, the cost to fulfil the plans, future cost inflation, the life expectancy of plan holders and future cash inflows due from customers paying by instalments, as well as the discount rate and significant financing component.

The assets due from the ceding trusts to Dignity have not yet been received. Under the asset transfer agreements with the ceding trusts, Dignity is entitled to an equitable share of the trust assets, as each plan receives the same percentage of payments made into the trust to a level that distributes all of the remaining assets. The value of payments made into the ceding trusts has been calculated using the customer's plan price and outstanding future instalments as provided by the ceding trusts. A range of 18 per cent to 46 per cent for those trusts with remaining assets has been assessed as recoverable for each contract.

The assets due from the ceding trusts to Dignity reflect data to 28 February 2022 (5,439 plans – £2.1 million), 30 June 2022 (6,432 plans – £5.0 million), 28 July 2022 (16,721 plans – £19.5 million) and 30 December 2022 (8,973 plans – £nil million). The valuation of assets due from the ceding trusts has been estimated using the latest actuarial valuation reports provided by the ceding trusts.

Where those reports were dated in 2021, additional data containing customer payments and outstanding balances was obtained from the ceding trusts to update the values to the dates listed above, with no adjustments to the fair valuation of assets themselves.

The Group have considered the potential for changes in the assets due to Dignity from the ceding trusts between the aforementioned dates and the balance sheet date, and whilst our conclusion is that on balance, the values are more likely to have increased (due to receipt of monthly instalment payments which continued into those trusts until 31st October 2022 exceeding cash outflows for funerals, administrative expenses), the Group is taking a prudent approach in recognition of the inherent uncertainty until the final asset position is confirmed by the trustees. An increase/decrease of five per cent in the value of trust assets due to Dignity would decrease/increase the provision by £0.5 million and £0.6 million.

The cost to fulfil the plans includes all directly attributable costs. This includes salaries, merchandise, vehicles and disbursements payable to third parties as well as a commensurate allocation of overheads including facilities costs and depreciation. The average cost is approximately £2,100 per plan. This is significantly higher than the marginal cost to Dignity of fulfilling the plans as IAS 37 requires all directly attributable fixed costs to be included in the assessment. An annual inflation rate of two per cent for the cost to fulfil the plans has been applied to the estimated maturity date. This is aligned to the long-term Oxford Economics CPI forecast. A 50bps increase/decrease in the annual inflation rate would increase/decrease the provision by £1.6 million and £1.2 million.

The life expectancy of plan holders has been estimated using the no.17 English Life tables. An increase/decrease of one year would decrease/increase the provision by £0.8 million and £0.9 million.

The significant financing component has been calculated based on the expected discount rate that would be reflected in a separate financing transaction between the Group and the plan holder at contract inception. A 50bps increase/decrease in the annual rate would decrease/increase the provision by £0.5 million and £0.6 million.

The discount rate applied in discounting the onerous provision has been set at the 10-year UK GILT rate of 3.67 per cent for plans with a maturity of 15 or less and the 20-year UK GILT rate of 4.03 per cent for all other plans as at the balance sheet date. A 50bps increase/decrease in both rates decrease/increase the provision by £0.5 million and £0.6 million.

Dignity Promise

All funeral plans sold by Dignity include a feature that if the pre-need funeral plan is payable by 13 or more monthly payments and provided at the time of death all payments due under the plan are up to date, Dignity will perform the funeral even if there is shortfall in plan value compared with total amount paid, the 'Dignity Promise'. For all plans sold up until 29th July 2022, the cost of unpaid instalments where a customer qualified for the Dignity Promise were covered by an insurance product. This promise applies to all Rescue plans, back dated to the date a customer took out their plan with the previous provider. Dignity now provides this benefit to customers free of charge and as such a provision for the cost relating to Rescue plans of £1.1 million has been included in these financial statements. This is estimated based on actual experience of a claim rate of 2.2 per cent derived from pre-need plans sold by Age UK Funeral Plans & National Funeral Trust and an average cost per claim of £2,500 where the liability is insured.

2 Revenue and segmental analysis

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

For statutory purposes the Group has two reporting segments, funeral services and crematoria, as under IFRS 15 only a single performance obligation exists when a pre-arranged funeral plan is sold, being the performance of a funeral. The Group also reports central overheads, which comprise unallocated central expenses.

Revenue

Funeral services relate to two primary sources of revenue:

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

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

Underlying revenue and operating profit

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

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

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

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

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

Underlying revenue and underlying operating profit are stated before non-underlying items and the effect of consolidation of the Trusts and applying IFRS 15 as defined on pages 51 to 54.

Reconciliations to statutory amounts

Non-underlying items represent certain non-recurring or non-trading transactions. See alternative performance measures on pages 51 and 52 for further details.

Other adjustments reflect the consolidation of the Trusts and applying IFRS 15. Underlying revenue substitutes revenue arising from the derecognition of deferred revenue on completion of the related performance obligation, which includes the impact of significant financing, with the payments received from the Trusts on the death of a plan member, and recognises marketing allowances at the inception of a plan, net of an allowance for cancellations. Underlying revenue also excludes amounts relating to disbursements and external payments made when the performance of the plan funeral is delivered by third parties.

Disaggregated revenue

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

52 week period ended 30 December 2022	Underlying revenue £m	Other adjustments(1) £m	Revenue £m
Funeral services	**176.4**	**64.8**	**241.2**
Crematoria	**81.9**	**–**	**81.9**
Pre-arranged funeral plans	**12.2**	**(12.2)**	**–**
Group	**270.5**	**52.6**	**323.1**

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

Within funeral services revenue £105.6 million relates to the release of deferred revenue arising on the completion of performance obligations or on cancellation under pre-need Trust plans.

In addition to the adjustments noted above relating to revenue, in arriving at underlying operating profit further other adjustments, reflecting the impact of consolidating the Trusts and applying IFRS 15, have been recorded. This includes corresponding entries relating to the exclusion of disbursements and external payments made when the performance of the funeral is delivered by third parties. Adjustments are also made to exclude the administration costs of the Trusts and to recognise commissions payable at the inception of a plan rather than on delivery of the funeral or cancellation.

The corporate interest restriction charge has been included within underlying taxation in 2022 as the charge has arisen due to the level of profitability of the Trading Group. In prior periods, the charge has been included within 'other adjustments' as non-underlying as the charge arose due to the level of fair value gains on the Trust bond portfolio as all Trust related items are included as non-underlying.

52 week period ended 30 December 2022	**Underlying operating profit/(loss) before depreciation and amortisation £m**	**Underlying depreciation and amortisation £m**	**Underlying operating profit/(loss) £m**	**Non-underlying items[(1)] £m**	**Other adjustments[(1)] £m**	**Operating profit/(loss) £m**
Funeral services	**29.9**	**(18.9)**	**11.0**	**(206.2)**	**2.4**	**(192.8)**
Crematoria	**47.5**	**(8.0)**	**39.5**	**(0.9)**	**–**	**38.6**
Pre-arranged funeral plans	**–**	**–**	**–**	**(0.1)**	**0.1**	**–**
Central overheads	**(31.1)**	**(1.5)**	**(32.6)**	**(14.3)**	**–**	**(46.9)**
Group	**46.3**	**(28.4)**	**17.9**	**(221.5)**	**2.5**	**(201.1)**
Finance costs			**(28.0)**			**(28.0)**
Deferred revenue significant financing					**(50.9)**	**(50.9)**
Remeasurement of financial assets held by the Trusts and related income					**(48.6)**	**(48.6)**
Loss before taxation			**(10.1)**	**(221.5)**	**(97.0)**	**(328.6)**
Taxation			**0.8**	**23.2**	**29.4**	**53.4**
Underlying earnings for the period			**(9.3)**			
Non-underlying items				**(198.3)**		
Other adjustments					**(67.6)**	
Loss after taxation						**(275.2)**
Loss per share for profit attributable to equity shareholders						
– Basic (pence)			**(18.6)p**			**(550.4)p**
– Diluted (pence)						**(550.4)p**

(1) See alternative performance measures on pages 52 and 53 for a reconciliation of non-underlying items and other adjustments.

53 week period ended 31 December 2021	Underlying revenue £m	Other adjustments[(1)] £m	Revenue £m
Funeral services	201.9	66.3	268.2
Crematoria	85.5	–	85.5
Pre-arranged funeral plans	24.6	(24.6)	–
Group	312.0	41.7	353.7

(1) See alternative performance measures on page 54 for a reconciliation of other adjustments.

Within funeral services revenue £108.1 million relates to the release of deferred revenue arising on the completion of performance obligations or on cancellation under pre-need Trust plans.

In addition to the adjustments noted above relating to revenue, in arriving at underlying operating profit further other adjustments, reflecting the impact of consolidating the Trusts and applying IFRS 15, have been recorded. This includes corresponding entries relating to the exclusion of disbursements and external payments made when the performance of the funeral is delivered by third parties. Adjustments are also made to exclude the administration costs of the Trusts and to recognise commissions payable at the inception of a plan rather than on delivery of the funeral or cancellation.

53 week period ended 31 December 2021 – restated[2]	Underlying operating profit/(loss) before depreciation and amortisation £m	Underlying depreciation and amortisation £m	Underlying operating profit/(loss) £m	Non-underlying items[1] £m	Other adjustments[1] restated £m	Operating profit/(loss) restated £m
Funeral services	67.6	(19.4)	48.2	(45.4)	11.9	14.7
Crematoria	54.5	(7.5)	47.0	(0.5)	–	46.5
Pre-arranged funeral plans	–	–	–	(0.1)	0.1	–
Central overheads	(37.2)	(2.2)	(39.4)	(2.3)	–	(41.7)
Group	84.9	(29.1)	55.8	(48.3)	12.0	19.5
Finance costs			(29.0)	–	–	(29.0)
Deferred revenue significant financing					(51.6)	(51.6)
Remeasurement of financial assets held by the Trusts and related income					93.1	93.1
Profit before taxation			26.8	(48.3)	53.5	32.0
Taxation – continuing activities			(5.4)	2.5	(10.1)	(13.0)
Taxation – rate change			–	(8.3)	1.4	(6.9)
Taxation – total			(5.4)	(5.8)	(8.7)	(19.9)
Underlying earnings for the period			21.4			
Non-underlying items				(54.1)		
Other adjustments					44.8	
Profit after taxation						12.1
Earnings per share for profit attributable to equity shareholders – restated[2]						
– Basic (pence)			42.8p			24.2p
– Diluted (pence)						24.2p

(1) See alternative performance measures on pages 52 and 53 for a reconciliation of non-underlying items and other adjustments.

(2) Prior year comparatives have been restated for the 53 week period ended 31 December 2021 due to a reclassification of foreign exchange movements. See note 1 for further details

3 Net finance costs

	52 week period ended 30 December 2022 £m	53 week period ended 31 December 2021 restated[1] £m
Finance costs		
Secured Notes	**22.7**	23.1
Other loans	**0.6**	0.9
Finance costs on IFRS 16 lease liability	**4.4**	4.5
Net finance cost on retirement benefit obligations	**0.3**	0.5
Finance costs	**28.0**	29.0
Deferred revenue significant financing (note 9)	**50.9**	51.6
Remeasurement of financial assets held by the Trusts and related income		
Investment income	**(22.2)**	(9.8)
Fair value loss/(gain) on financial assets held by the Trusts (note 8)	**57.7**	(85.0)
Hedging/foreign exchange rate losses arising on financial assets held by the Trusts	**13.1**	1.7
Remeasurement of financial assets held by the Trusts and related income	**48.6**	(93.1)
Underlying net finance costs		
Underlying finance costs	**28.0**	29.0
Finance income	**–**	–
Underlying net finance costs	**28.0**	29.0

(1) Prior year comparatives have been restated for the 53 week period ended 31 December 2021 due to a presentation change in relation to a reclassification of foreign exchange movements. See note 1 for further details.

4 Taxation

Analysis of charge in the period	**52 week period ended 30 December 2022 £m**	53 week period ended 31 December 2021 £m
Current tax – current period	**0.7**	7.7
Adjustments for prior period	**(0.5)**	(0.2)
Total corporation tax	**0.2**	7.5
Deferred tax – current period	**(54.2)**	5.4
Adjustments for prior period	**0.6**	0.1
Restatement of deferred tax for the change in UK tax rate	**–**	6.9
Total deferred tax	**(53.6)**	12.4
Taxation	**(53.4)**	19.9

In the March 2021 budget and confirmed in the October 2022 budget, legislation to increase the main rate of corporation tax from 19 per cent to 25 per cent from 1 April 2023 has been confirmed. The change was substantively enacted during the prior period; as a result, the Group recognised a non-underlying taxation charge of £6.9 million through its income statement and a credit of £1.9 million through other comprehensive income to reflect the one-off increase in the period of the Group's deferred tax position within the 53 week period ended 31 December 2021. The credit of £0.6 million for the period ended 30 December 2022 relates to the recognition of losses at 25 per cent as this is the corporate tax rate at which they are expected to unwind.

5 Earnings per share

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

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

The Group has two classes of potentially dilutive Ordinary Shares, being those share options granted to employees under the Group's SAYE scheme and the contingently issuable shares under the Group's LTIP schemes. At the balance sheet date, the performance criteria for the vesting of the awards under the LTIP schemes, including any deferred annual bonus, are assessed, as required by IAS 33, and to the extent that the performance criteria have been met those contingently issuable shares are included within the diluted EPS calculations. As the impact of these shares is anti-dilutive for the 52 week period ended 30 December 2022, no adjustment has been made in respect of arriving at diluted earnings per Ordinary Share measures for that period (2021: dilutive so an adjustment).

The Group's underlying measures of profitability exclude non-underlying items, the effects of IFRS 15 and consolidation of the Trusts as set out on pages 51 to 57. These items have been adjusted for in determining underlying measures of profitability as these underlying measures are those used in the day-to-day management of the business and allow for greater comparability across periods.

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

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

	Earnings £m	Weighted average number of shares millions	Per share amount pence
52 week period ended 30 December 2022			
Underlying loss after taxation and EPS	**(9.3)**	**50.0**	**(18.6)**
Add: Non-underlying items (net of taxation credit of £23.2 million)	**(198.3)**		
Add: Other adjustments (net of taxation credit of £29.4 million)(1)	**(67.6)**		
Loss attributable to shareholders – Basic EPS	**(275.2)**	**50.0**	**(550.4)**
Loss attributable to shareholders – Diluted EPS	**(275.2)**	**50.0**	**(550.4)**
53 week period ended 31 December 2021			
Underlying profit after taxation and EPS	21.4	50.0	42.8
Add: Non-underlying items (net of taxation charge of £5.8 million)	(54.1)		
Add: Other adjustments (net of taxation charge of £8.7 million)(1)	44.8		
Profit attributable to shareholders – Basic EPS	12.1	50.0	24.2
Profit attributable to shareholders – Diluted EPS	12.1	50.1	24.2

(1) See note 2 for further details.

6 Goodwill and other intangible assets

	Trade names[(1)] £m	Use of third party brand name £m	Other[(2)] £m	Software £m	Non-compete agreements £m	Sub-total £m	Goodwill £m	Total £m
Cost								
At 25 December 2020	150.4	3.2	4.7	2.7	0.2	161.2	232.6	393.8
Additions	–	–	–	–	–	–	0.4	0.4
At 31 December 2021	150.4	3.2	4.7	2.7	0.2	161.2	233.0	394.2
Additions[(3)]	–	–	–	0.7	–	0.7	0.2	0.9
At 30 December 2022	**150.4**	**3.2**	**4.7**	**3.4**	**0.2**	**161.9**	**233.2**	**395.1**
Accumulated amortisation and impairment								
At 25 December 2020	(35.8)	(2.0)	(1.8)	(0.9)	(0.2)	(40.7)	(28.7)	(69.4)
Amortisation charge	(3.6)	(0.2)	(0.4)	(0.3)	–	(4.5)	–	(4.5)
Trade name write-off[(4)]	(2.5)	–	–	–	–	(2.5)	–	(2.5)
Impairment	(2.8)	–	–	–	–	(2.8)	(36.4)	(39.2)
At 31 December 2021	(44.7)	(2.2)	(2.2)	(1.2)	(0.2)	(50.5)	(65.1)	(115.6)
Amortisation charge	(3.3)	(0.1)	(0.4)	(0.3)	–	(4.1)	–	(4.1)
Trade name write-off[(4)]	(6.4)	–	–	–	–	(6.4)	–	(6.4)
Impairment	(47.5)	–	–	–	–	(47.5)	(112.3)	(159.8)
At 30 December 2022	**(101.9)**	**(2.3)**	**(2.6)**	**(1.5)**	**(0.2)**	**(108.5)**	**(177.4)**	**(285.9)**
Net book amount at 30 December 2022	**48.5**	**0.9**	**2.1**	**1.9**	**–**	**53.4**	**55.8**	**109.2**
Net book amount at 31 December 2021	105.7	1.0	2.5	1.5	–	110.7	167.9	278.6
Net book amount at 25 December 2020	114.6	1.2	2.9	1.8	–	120.5	203.9	324.4

(1) Trade names arise on the acquisitions of funeral businesses and their fair value is calculated by reference to the estimated incremental cash flows expected to arise by virtue of the trade name being well established. There are no individually material trade names that amount to 6 per cent or more of the total net book value.

(2) Within other intangibles is £2.1 million relating to previously acquired interests in two crematoria subject to finite periods of operation (by way of lease and/or service concession). The fair value of these interests has been identified and recognised as a separate intangible asset. The value of each interest will be amortised over the remaining period of operation.

(3) Software additions in the period of £0.7 million within other intangibles relate to costs incurred in the development of the new pre-arranged funeral plan journey platform which includes website development. This is still in the course of construction at the period end and amortisation has not been charged and will not commence until the websites are in use.

(4) During the 52 week period ended 30 December 2022, the Group identified 20 (2021: seven) specific trade names that are no longer being used within the Group under the new regional structure and those intangible assets were required to be written off.

Goodwill acquisitions in 2022

On 18 March 2022, the Group acquired the trade and certain assets of Beyond Life Limited, a non-listed company based in the UK that offers online will writing and other services in relation to end-of-life care. The Group acquired the business because the online offering is seen as an enhancement to the services the Group provides.

The fair values of the identifiable assets and liabilities of the business as at the date of acquisition were negligible and consequently, the consideration relates substantially to goodwill arising on acquisition, none of which is tax deductible. The cash consideration paid was £0.2 million. The goodwill comprises the value of expected access to customers and making available information and support to a wider customer base. Goodwill is allocated entirely to the funeral services segment.

From the date of acquisition, the business is not expected to contribute significantly to revenue or profit in the short-term until the Group provides investment in the business' operations to increase awareness of the service within the industry.

Goodwill acquisitions in 2021

On 16 September 2021, the Group acquired the entire share capital of Funeral Advisor Limited, a non-listed company based in the UK that offers a free online resource to support individuals and families to research and organise a funeral online. The Group acquired Funeral Advisor Limited because the online offering is seen as an enhancement to the services it provides.

Goodwill of £0.4 million was made up of £0.2 million cash consideration, £0.1 million deferred consideration and £0.1 million contingent consideration.

The fair value of the contingent consideration at the acquisition date was estimated to be £0.1 million and has subsequently been re-calculated at £0.2 million based on latest management estimates. The fair value is determined using a discounted cash flow method. Future developments may require further revisions to the estimate. The maximum contingent consideration to be paid is £0.7 million.

Impairment tests for goodwill and trade names

Goodwill is subject to an annual impairment test in accordance with IAS 36, 'Impairment of Assets'. Other non-current assets are also subject to an impairment test as at 30 December 2022 as in accordance with IAS 36, 'Impairment of Assets', there is an indication of impairment due to slower funeral market share growth, combined with more branch direct cremations rather than attended funerals being performed than originally anticipated in December 2021 and the subsequent short-term forecasts used for impairment testing at that time.

For the purpose of this impairment test goodwill is tested at a business segment level as this is the lowest level at which the return on assets acquired, including goodwill, is monitored.

The segmental allocation of goodwill and the recoverable amount of the goodwill cash-generating unit ('CGU') is shown below:

	Book value 30 December 2022 £m	**Recoverable amount 30 December 2022 £m**	Book value 31 December 2021 £m	Recoverable amount 31 December 2021 £m
Funeral services	**-**	**108.2**	112.1	371.3
Crematoria	**55.8**	**371.7**	55.8	391.5
	55.8	**479.9**	167.9	762.8

The recoverable amount of each goodwill CGU is based on a value-in-use calculation. The impairment assessment then compares this value-in-use calculation to the carrying value of the CGU. Any impairment is then recognised in administrative expenses in the consolidated income statement.

The value-in-use calculations use cash flow projections derived from the latest forecast. Key assumptions used to produce the forecast are the estimated UK death rates (based on forecast death rates supplied by the ONS), anticipated market share, average revenues driven by pricing and the product mix between attended funerals at £2,729 and unattended funerals at £1,048 and medium and long-term growth rates. The value-in-use calculations for the December 2022 model include the approved forecast for 2023, 2024 and 2025. The 2023 forecast assumes death rates are approximately one percent higher compared to the actual rate in 2022 and then revert back to announced ONS figures for 2024 and 2025. Market share growth assumptions reflect forecasted increases of 10 basis points in 2023 to 12.0 per cent and a further 20 basis points in both 2024 and 2025 giving market share of 12.2 per cent and 12.4 per cent respectively compared with the closing market share as at 30 December 2022 of 11.9 per cent. This market share growth is supported by performance in areas of the business where the new strategy is embedded, which is forecast to continue as this is completed across the funeral segment. The market share is modelled to then stabilise at the projected 2025 year end market share position over the remaining forecast period. Average revenues and product mix are based on week eight 2023 year to date actual performance. Management have then assumed that future revenue increases will equal future cost inflation.

Cash flows for segments beyond the initial 36 month period (December 2021: 36 month period) are extrapolated to 2042 ('medium-term growth rate') using the growth in the ONS death rate as this is deemed to be a reliable indicator of future growth for the Group. The medium-term growth rates range from 2.3 per cent to 11.7 per cent (December 2021: 2.25 per cent). Beyond 2042 ('long-term growth rate') a growth rate of 2.25 per cent (December 2021: 2.25 per cent) is used, being an estimate of long-term growth, which reflects the expectations of long-term inflation and death rates. The ONS issued updated death rates in January 2022 and together with a with a further 14 months of death data they are deemed to be a reliable estimate of the longer-term future volumes. The cash flows for each segment are discounted at a pre-tax rate of 12.9 per cent (December 2021: 10.3 per cent).

Goodwill assessment

The impairment calculation indicated no impairment in the crematoria division with headroom under the current assumptions used of £147.8 million (2021: £170.3 million). The discount rate would need to increase to 21.2 per cent (2021: increase to 17.7 per cent) or the long-term growth rate would need to fall to minus 9.0 per cent (2021: minus 7.7 per cent) for the impairment test to result in £nil headroom for this segment. The likelihood of such movements in the discount rate and growth rate is deemed unlikely based on current market conditions.

The impairment assessment of the funeral services division has resulted in an impairment of goodwill of £112.3 million (2021: £36.4 million) which has been recognised within administrative expenses in the consolidated Income statement. The forecasts used in the assessment reflect the slower than expected market share growth which is a result of the new strategy taking longer to implement largely due to staff shortages. The Group is currently suffering like many other businesses with a shortage of workforce and a difficulty in recruiting which is causing us to be unable to offer funerals in a timeframe soon enough for some families and hence some business has been lost to competitors. The forecasts also reflect the at-need product mix in funerals being more weighted to branch direct cremations (unattended funerals) than originally anticipated, with future assumptions aligned to actual year-to-date experience of attended 56 per cent and unattended 12 per cent of total funerals.

Whilst the Group expects further long-term market share growth from the new strategy, the accounting standard (IAS 36) for impairment assessments does not allow forecasts to be used where assumptions cannot be evidenced or have not yet been implemented (e.g. cost savings). As a result, whilst the Group is committed to delivering its market share growth ambitions, given the infancy of the strategic plan implementation and the available evidence to demonstrate this growth as at the period ended 30 December 2022 when the impairment assessment is made, the full extent of potential longer-term gains is not reflected in the impairment modelling.

Trade name, right-of-use and property, plant and equipment assessment
In addition to the Group's goodwill impairment test, given the changes in the funeral market noted above, an impairment test was performed in respect of the Group's other non-current assets in accordance with the requirements of IAS 36.

A value-in-use calculation has been performed against an individual CGU, which for the purposes of other non-current assets is deemed to be at a cost centre level, which includes a number of branches. This is the lowest level at which independent cash inflows can be identified due to the interdependency of various elements in relation to the care of the deceased, performance of a funeral or administration work, which can and are often carried out by any branch within a cost centre. This is also the lowest level at which costs are captured, for example all payroll costs for this collection of branches would be charged to the cost centre and not the individual branches due to the sharing of resources across the branches. Management have considered alternative judgements relating to the determination of CGU's, however the above is considered to be the most practicable and balanced. The CGU cash flows are based on the individual CGU projections for the next 12 months and include an allocation of central costs and then adjusted in years two and three onwards using the same assumptions as used within the goodwill impairment assessment described above. As goodwill is not allocated at a cost centre CGU level the impairment test for other non-current assets is performed before goodwill at a business segment level.

Identified impairments at a CGU level are pro-rated against non-current assets based on the net book value and include an allocation of central assets. The performance of this impairment assessment at cost centre level indicated an impairment within the funeral services segment of:

- £47.5 million (December 2021: £2.8 million) in relation to trade names;
- £17.4 million (December 2021: £nil) in relation to right-of-use assets; and
- £19.1 million (December 2021: £nil) in relation to property, plant and equipment.

£0.7 million (December 2021: £nil) has been recognised within cost of sales and £83.3 million (December 2021: £2.8 million) recognised within administrative expenses in the consolidated income statement.

The recoverable amount of all impaired CGUs within the funeral services division is £20.6 million which is based on a value-in-use calculation. In line with IAS 36 an exercise has been performed on an asset-by-asset basis to ensure that no asset (or CGU) has been impaired below its value-in-use or fair value less cost of disposal. This exercise has included obtaining external market valuations which were principally available for freehold properties and vehicles and an assumption that additions to plant and equipment in the last 12 months is a proxy to fair value. In addition, an assessment has been performed on right-of-use assets to assess market rents and the ability to sub-let properties to determine a discounted cashflow. The recoverable amount for trade names in impaired CGU's is considered to be nil. These impairments and the subsequent reduction in net book value have been reflected within the above goodwill impairment calculations to reflect the lower asset base.

Goodwill and other non-current asset sensitivities
The impairment booked is based on management's best estimate of future performance; however, there is significant estimation uncertainty and judgement involved in determining future cash flows. The following table demonstrates the impact on the above impairment charges in the funeral services segment based on a number of reasonably possible sensitivities:

	Decrease/(increase) in impairment charge
Sensitivity applied:	Total £m
Increase in discount rate of 1 per cent (to 13.9 per cent)	(1.4)
Increase in 2023 funeral services EBITDA and beyond of £3.0m	1.4
Decrease in 2023 funeral services EBITDA and beyond of £3.0m	(1.6)

(1) The sensitivities above reflect similar fair value assessments for freehold properties, vehicles and plant and equipment. The recoverable amount of right-of-use assets and trade names is included as nil. In the event of further impairment, it is expected that a number of assets will have a measurable fair value less costs of disposal above the value-in-use of the assets, such that any additional impairment recognised is likely to be lower than demonstrated. However, such analysis cannot be reliably estimated until any additional impairment results as it is only then that an assessment can be made of the fair value less costs of disposal to ensure that the asset is written down to its appropriate carrying value (being the higher of value-in-use and fair value less costs of disposal).

7 Cash and cash equivalents

	Note	30 December 2022 £m	31 December 2021 £m
Trading Group		**7.7**	55.9
Trusts	(a)	**9.4**	19.8
Operating cash as reported in the consolidated statement of cash flows as cash and cash equivalents		**17.1**	75.7
Amounts set aside for debt service payments	(b)	**–**	–
Cash and cash equivalents as reported in the balance sheet		**17.1**	75.7

(a) Trusts cash balances

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

(b) Amounts set aside for debt service payments

Amounts are transferred to these restricted bank accounts shortly in advance of making the bi-annual payments to the holders of the Secured Notes, which include the payment of the interest and principal on the Secured Notes, the repayment of liabilities due on the Group's commitment fees due on its undrawn borrowing facilities and for no other purpose. The consolidated statement of cash flows shows the gross amounts of payments to the restricted bank accounts as 'finance costs paid' and 'payments due under Secured Notes', in accordance with their nature. Supplementary information is provided to show the actual payments to the Noteholders and the movement in the restricted bank accounts in the period. The amounts shown as 'transfer from restricted bank accounts for finance costs' and 'payments to the restricted bank accounts for repayment of borrowings' relate to the opening and closing balances of the account respectively, and hence the figures presented for the 52 week period ended 30 December 2022 exclude the mid-year transfers and payments. No amounts were included in December 2022 or December 2021 as the payments to these respective parties were made on 30 December 2022 and 31 December 2021 and therefore there was no restricted cash.

The Note Trustees have charge over this restricted bank account.

8 Financial assets – held by the Trusts

	30 December 2022 £m	31 December 2021 £m
Financial assets held by the Trusts	**957.3**	1,043.1

The Trusts of Age UK Funeral Plans and the National Funeral Trust continue to take independent advice regarding the investment strategy. The current portfolio profile is as follows:

	Example investment types	Actual (%)
Defensive investments	Index linked gilts and corporate bonds	10–12
Illiquid investments	Private equity investments	6–8
Core growth investments	Equities	64–67
Liquid investments	Cash portfolios	16–17

The assets of the UK Funerals (2022) Trust are currently held in cash totalling £6.8 million pending an investment.

Given the high percentage of investments held within equities, this does impose an inherent risk of exposure to downward falls in equity markets. Such investments can be subject to volatility due to movements in underlying markets and assets and can go up and down. The Group monitors this closely and this forms part of its considerations for its long-term investment strategy, noting that the purpose of the Trust is to provide asset coverage (and a surplus) to fund the pre-need funerals return which are forecast to have an average maturity of 10 plus years.

Analysis of the movements in financial assets held by the Trusts:

	30 December 2022 £m	31 December 2021 £m
Fair value at the start of the period	**1,043.1**	967.1
Remeasurement recognised in the consolidated income statement*	**(57.7)**	85.0
Investment income*	**22.2**	7.7
Hedging/foreign exchange losses[1] *	**(13.1)**	(1.7)
Purchases	**177.1**	948.7
Disposals	**(214.1)**	(960.9)
Investment administrative expenses deducted at source	**(0.2)**	(2.8)
Fair value at the end of the period	**957.3**	1,043.1

(1) This represents foreign exchange differences and currency hedges against exposure to global equity portfolios held by the Trusts.

* The sum of these line items forms part of the remeasurement of financial assets held by the Trusts and related income, recognised in the consolidated income statement.

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

9 Deferred commissions and contract liabilities

Deferred commissions

	30 December 2022 £m	31 December 2021 £m
Deferred commissions – current	**7.0**	7.6
Deferred commissions – non-current	**93.7**	100.9

Deferred commissions represent directly attributable costs in respect of the marketing of the pre-arranged funeral plans where the plan has yet to be used or cancelled. An amount of £8.6 million (2021: £9.3 million) has been amortised to the consolidated income statement within administrative expenses.

Contract liabilities

	Note	**30 December 2022 £m**	31 December 2021 £m
Current			
Contract liabilities – deferred revenue	(a)	**97.9**	98.6
Contract liabilities – refund liability	(b)	**0.9**	1.0
		98.8	99.6
Non-current			
Contract liabilities – deferred revenue	(a)	**1,206.0**	1,224.0
Contract liabilities – refund liability	(b)	**11.6**	13.9
		1,217.6	1,237.9

Movement in total contract liabilities

	30 December 2022 £m	31 December 2021 £m
Balance at the beginning of the year	**1,337.5**	1,317.5
Sale of new Trust plans	**46.5**	86.3
Increase due to significant financing	**50.9**	51.6
Recognition of revenue following delivery or cancellation of a Trust plan	**(118.5)**	(117.9)
Balance at the end of the year	**1,316.4**	1,337.5

(a) Contract liabilities – deferred revenue

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

(b) Contract liabilities – refund liability

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

10 Net debt

	30 December 2022 £m	31 December 2021 £m
Net amounts owing on Secured Notes per financial statements	**(516.1)**	(526.6)
Add: unamortised issue costs	**(0.4)**	(0.5)
Gross amounts owing	**(516.5)**	(527.1)
Accrued interest on Secured Notes	**–**	–
Cash and cash equivalents – Trading Group (note 7)	**7.7**	55.9
Net debt	**(508.8)**	(471.2)

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

The Group's primary financial covenant in respect of the Secured Notes requires EBITDA to total debt service ('EBITDA DSCR'), in the Securitisation Group, to be at least 1.5 times. During the temporary covenant waiver period that was approved by bondholders in March 2022, any cash transferred into the Securitisation Group during the waiver period (up to 31 March 2023) can be included within the EBITDA to debt service covenant ratio for the following 12 months. As a result, any cash transferred during 2022 will be included in the quarterly covenant calculations to September 2023 and any cash transferred in the first quarter of 2023 can be included in the quarterly covenant calculations to December 2023. A cash transfer of £34.1 million has been made for the covenant measurement point up to and including 31 December 2022, resulting in a ratio of 1.96 times (2021: 2.13 times). Excluding this cash transfer the ratio at 30 December 2022 was 0.95 times (2021: 2.13 times). 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. See Financial review on pages 11 and 12.

If this primary financial covenant is not achieved, then this may lead to an Event of Default under the terms of the Secured Notes, which could result in the Security Trustee taking control of the Securitisation Group on behalf of the Secured Noteholders.

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

The Group also has access to a £55.0 million liquidity facility relating to the Class A and Class B Secured Notes which attracts floating interest rates once drawn.

11 Reconciliation of cash generated from operations

	52 week period ended 30 December 2022 £m	53 week period ended 31 December 2021 £m
Net (loss)/profit for the period	**(275.2)**	12.1
Adjustments for:		
Taxation	**(53.4)**	19.9
Net finance costs	**56.7**	70.8
Loss/(profit) on disposal of fixed assets	**0.1**	(1.1)
Depreciation charges on property, plant and equipment	**20.2**	19.9
Depreciation charges on right-of-use asset	**7.9**	9.2
Amortisation of intangibles	**4.1**	4.5
Movement in inventories	**0.7**	0.4
Movement in trade receivables	**(1.1)**	(2.5)
Movement in trade payables	**1.8**	3.7
Movement in contract liabilities	**(71.9)**	(31.6)
Fair value movement on financial assets held by the Trusts	**57.7**	(85.0)
Net pension charges less contributions	**(4.0)**	(1.3)
Trade name write-off (note 6)	**6.4**	2.5
Trade name impairment (note 6)	**47.5**	2.8
Goodwill impairment (note 6)	**112.3**	36.4
Right-of-use asset impairment	**17.4**	–
Property, plant and equipment impairment	**19.1**	–
Changes in other working capital – Trading Group	**3.6**	2.2
Changes in other working capital – Trust	**4.6**	0.1
Provisions relating to funeral plans	**13.6**	-
Trust investment administrative expenses deducted at source	**0.2**	2.8
Hedging/foreign exchange rate difference – Trust assets	**13.1**	1.7
Employee share option charges	**0.4**	0.8
Payment in relation to amendment of Secured Loan Notes agreement	**0.5**	–
Cash flows from operating activities	**(17.7)**	68.3

12 Analysis of the movement in the retirement benefit obligation

	2022 £m	2021 £m
At beginning of period	**(19.7)**	(36.6)
Total expense as above charged to the income statement	**(0.8)**	(1.0)
Remeasurement gains and administration expenses credited to other comprehensive income	**5.2**	15.6
Contributions by Group	**4.5**	2.3
At end of period	**(10.8)**	(19.7)

13 Basis of preparation

These financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and UK-adopted international accounting standards (‘IFRS’).

In the current period, the Group’s consolidated financial statements have been prepared for the 52 week period ended 30 December 2022. For the comparative period, the Group’s consolidated financial statements have been prepared for the 53 week period ended 31 December 2021.

The financial information set out above does not constitute the Company's statutory accounts for the years ended 30 December 2022 or 31 December 2021 but is derived from those accounts. Statutory accounts for 2021 have been delivered to the registrar of companies, and those for 2022 will be delivered in due course. The auditors have reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006 in respect of the accounts for 2020 and 2021.

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

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

Going concern

The financial performance of the Group and the Securitisation Group has been forecast for a period through 31 March 2024 (the 'going concern period') and those forecasts ('base case') have been subjected to a number of sensitivities. The base case forecasts reflect an assessment of current and future market conditions and their impact on the future profitability and liquidity of the Group and the Securitised Group.

The key factors which impact the Group's financial performance are death rate, market share, funeral mix (Attended Funeral vs Unattended Funeral), average revenue per funeral and inflation.

As discussed in the 2022 interim results, the performance against the planned strategy in H1 2022 was behind that originally anticipated as it was taking longer to restructure funeral operations and the Group had challenges with staff shortages; and as such forecasts were adjusted to allow for a slower growth in market share whilst the new strategy is fully embedded and vacancies for key roles are filled. These challenges have continued to impact H2 2022 and as a result have resulted in lower covenant headroom than previously forecast for the going concern period. However, in those areas of the business where we have done the most to introduce the elements of our new strategy, we are continuing to see encouraging results of the market share growth we are seeking.

The base case assumes death rates are approximately one percent higher in 2023 compared to 2022 and in line with ONS figures for 2024, funeral market share growth of one per cent in 2023 (phased through the year, being 12.4 per cent for 2023 compared to 11.9 per cent in 2022), with funeral mix remaining at the current rates and an uplift in average revenues reflecting an October 2022 price adjustment and having considered the expected impact of inflation on the Group's cost base.

Debt and liquidity

As at 30 December 2022, the Group had cash (excluding cash in the Trusts) of £7.7 million. Its operations are also funded by Class A Notes with an outstanding principal of £160.1 million (matures 2034) and Class B Notes with an outstanding principal of £356.4 million (matures 2049) (together, the 'Loan Notes') that are listed on the Irish Stock Exchange. The terms and conditions for these Loan Notes are covered by an Issuer/Borrower Loan Agreement ('IBLA').

Dignity plc has a £50 million loan facility (the 'Loan Facility') that was signed on 6 December 2022 and is available to be draw down in full or in instalments until 5 December 2023 and carries a seven per cent rate of interest. The Loan Facility is with Phoenix UK Fund Ltd which is a related party, it has no restrictive covenants, no minimum solvency covenants and no charges over any assets and therefore no negative impact on the Group's existing capital structure.

At 30 March 2023, the directors had approved two initial drawdowns on the Loan Facility, the first being £5.0 million on 2 March 2023 and the second being £10.0 million on 30 March 2023 (both of which have been received), a further £30 million is forecast to be drawn before 5 December 2023 however, depending on timing of capital expenditure this may change.

Under the base case, the Group is forecast to have sufficient liquidity to meet its liabilities as they fall due in the period assessed through to 31 March 2024. This is having given due consideration to the amount of the cash on hand (including the drawdown of the Loan Facility), the planned investments in capital and the expected conversion of trading profitability into cash at historic levels.

Covenant test

As part of the conditions of the Loan Notes, the Securitisation Group is required to comply with an EBITDA: Debt Service Charge Ratio ('DSCR') covenant, tested quarterly on a last 12 month ('LTM') basis. At each point of testing, EBITDA must exceed c.£51 million (i.e., 1.5x the annual debt service cost of £34 million).

The Group did not meet this covenant at 1 July 2022, 30 September 2022 or 30 December 2022, being £2.8 million, £8.6 million and £18.6 million respectively below the LTM DSCR requirement. However, under the terms of a waiver agreed with the bondholders on 11 March 2022, this was not a breach as the Group was able to make an equity cure, contributing cash which counts as EBITDA and therefore makes good this shortfall. To provide additional headroom in the forecasts (the equity cure and any additional cash transferred counts in the covenant calculation for the prospective 12 months), Dignity plc paid an amount of £34.3 million (being the £18.6 million required for an equity cure and an additional cash transfer of £15.7 million) into the Securitised Group in 2022.

The waiver and ability to equity cure currently applies to the covenant up to and including 31 March 2023 and the Group has the option of contributing an uncapped amount of cash in order to provide headroom against the covenant prospectively. Any cash contributed in Q1 2023 can be included in the covenant test point at each successive quarterly test up to and including 31 December 2023. Based on the Group's base case forecast, an amount of £13.5 million has been transferred as an equity cure in March 2023 from Dignity plc, having drawn £15.0 million of the £50.0 million Loan Facility. This is to give the Group flexibility whilst it continues to focus on embedding the new strategy, which is expected to generate growth in its funeral market share and profits.

Stress test
When considering the going concern assumption, the Directors of the Group have reviewed the principal risks within the environment in which it operates and have prepared relevant sensitised scenarios giving a reduction to the base case, these include:

- Deaths being 10,000 less than forecast (noting 2023 deaths are forecast to be one per cent higher than 2022 deaths);
- No funeral market share growth in 2023 or 2024 (noting FY22 comparable market share growth is 0.2 per cent);
- Average revenue per funeral being £45 lower;
- The proportion of Unattended Funerals being one per cent higher (compared to the FY23 forecast of nine per cent); and
- Additional inflation costs of five per cent above those modelled (with no cost mitigation activity).

This downside scenario modelling confirmed that there is a plausible scenario in which the Group would not meet its DSCR covenant in the going concern period, specifically the risk of not meeting the covenant at 31 March 2024 after the expiry of the equity cure in the LTM DSCR calculation.

In a severe but plausible downside scenario (having taken into account all of the above sensitivities in tandem and applying further downside risk), and having taken into account controllable mitigations such as delaying marketing spend, there is a risk that the DSCR covenant might be breached as at 31 December 2023.

The downside scenario modelling also confirmed that, after forecasting to use £45.0 million of the Loan Facility, the Group has sufficient liquidity. The Group considered whether there were any plausible circumstances that could exhaust liquidity. In the severe but plausible downside scenario, having given due consideration to controllable mitigations, for example reducing discretionary capital expenditure and marketing spend, there were no plausible scenarios in which the Group would not have sufficient liquidity in the going concern period.

Based on a review of its cost base as part of the forecasting, the Group has identified cost saving opportunities that could provide additional liquidity and EBITDA headroom if needed. These central overhead savings are within the Group's control but are not planned, nor anticipated to be required.

Some controllable mitigating factors do not have an immediate impact so there is still a risk of breaching the DSCR covenant at 31 December 2023 and 31 March 2024, which has resulted in a material uncertainty (see Conclusion below).

Impact should there be a breach of the DSCR covenant
However, any breach of the covenant does not give rise to an immediate requirement to repay the associated Loan Notes. Rather, such a breach results in a requirement for the noteholder trustees to appoint a financial adviser who will review the financial and operational circumstances of the Securitised Group prior to making recommendations as to how the breach can be resolved considering whether the Securitised Group is likely to be able to remedy such a breach. If the financial adviser considers that the Securitised Group is likely to be able to remedy such a breach this will be done by the placing of cash collateral in an amount which, if it had been placed for the relevant period in respect of which the covenant was breached, would have generated interest sufficient (if added to EBITDA for the relevant period) to have ensured that the covenant was not breached. The interest rate on which the cash collateral would accrue interest to add to the EBITDA calculation would be measured at the rate that is earned on such cash collateral as at the date it was placed (e.g., a deposit rate quoted by a bank). If the Group is unable to remedy such a breach the Loan Notes would be repayable on an accelerated basis and could be repayable immediately at the request of the noteholders.

The Directors have obtained independent legal advice to confirm that there are no consequences of the material uncertainty conclusion over going concern under the terms of the IBLA.

Period beyond the going concern period
The Group has also considered the period beyond 31 March 2024 to assess if there are any significant risks that exist that would otherwise impact the going concern assumption. As the current equity cure does not benefit the DSCR covenant reporting after 31 December 2023 as the last 12 months cash contributions will have expired, the base forecast covenant headroom is reduced at that point.

To provide further headroom and reduce the risk of a covenant breach, the Group has continued to work on a long-term solution to improve the Group's capital structure. On 7 September 2022 a consent solicitation with c.61 per cent support from its Class A noteholders was launched. The voting concluded on 29 September 2022 and the consents were approved, with 94.42 per cent of votes cast in favour. As a result of this, consents from noteholders have been gained to permit a potential transaction involving the realisation of value from selected crematoria assets (the trading performance for which is included within the Securitisation Group), with the proceeds of such a transaction being applied in a partial redemption of the Class A Notes. These consents apply for a 12 month period to 29 September 2023.

Dignity will be required to inject a minimum of £70 million into the Securitisation Group to partially repay some of the Class A Notes outstanding in consideration for trade and assets leaving the Securitisation Group. If the transaction completes by 30 June 2023 and £70 million is the net realisation, then upon repayment of debt at this level, this will result in a deleveraging of the Group and a positive impact of £6.1 million on the DSCR covenant calculations, i.e., a reduction of the DSCR from c.£51 million to c.£44.9 million for 31 March 2024. If the transaction takes longer to complete and is completed between 30 June 2023 and 30 September 2023 there would be no positive impact in March 2024 as the first possible date for repayment will be 29 December 2023. It would have a full year impact of £10.2 million on the DSCR covenant calculations, i.e., a reduction of the DSCR from c.£51 million to c.£41 million in 2024.

In addition, upon completion of the proposed transaction within the timeframe permitted by the noteholder consent, there are amendments to the documents that will allow further equity cures, with restrictions, to be made going forward should they be required. If the transaction completes before 30 June 2023, this can be used to supplement any EBITDA shortfall at 31 December 2023 and 31 March 2024.

The Directors are confident that a realisation of value from selected crematoria assets can be achieved in order to deleverage the Group and reduce the DSCR requirement as explained above.

Potential takeover and delisting of the Group

In February 2023, the board recommended that Dignity shareholders accept the cash offer for Dignity made by BidCo, a newly formed company controlled by a consortium comprised of joint offerors SPWOne V Limited, Castelnau Group Limited and Phoenix Asset Management Partners Limited (collectively hereafter the 'Bidco consortium').

For the takeover to be effective, the Acceptance Condition (as defined in the offer document) must be satisfied (i.e., holders of Dignity shares representing the requisite percentage of Dignity shares to which the Offer relates need to submit valid acceptances of the Offer in respect of those Dignity shares). The Offer is also conditional upon, among other things, satisfaction of the FCA Change in Control Condition (as defined in the offer document), which has not yet been met.

Through review of the offer document published by Bidco and discussions with the Bidco consortium, the Directors are confident of the continuation of the Group's strategy to invest in its estate and target market share growth should the takeover take place.

The Directors have also considered the impact of the potential takeover on its financing agreements and pre-need Trusts and have concluded that a change of control does not impact on the terms of the IBLA or the deeds of the pre-need Trusts. The potential takeover, if completed, would constitute a "change of control" for the purposes of the £50 million Loan Facility. However, a waiver has been granted by Phoenix UK Fund Ltd (as lender) that allows the Group to draw funds under the Loan Facility even in the event of a takeover of the Group by the Bidco consortium.

Conclusion

Having considered all the above, the Directors remain confident in the long-term future prospects for the Group and its ability to continue as a going concern however, there are plausible downside scenarios that could result in a breach of the DSCR covenant in the period through to 31 March 2024, which if failed to be remedied to the satisfaction of the financial adviser operating on behalf of the noteholders, would be considered an event of default under the IBLA resulting in the Loan Notes becoming repayable on an accelerated basis and could be repayable immediately at the request of the noteholders.

The events or conditions described above indicate that a material uncertainty exists that may cast significant doubt on the Group and parent Company's ability to continue as a going concern.

These financial statements do not include any adjustments to the carrying amount or classification of assets and liabilities that would result if the Group and parent Company were unable to continue as a going concern.

The Directors, whilst acknowledging there is a material uncertainty, continue to adopt the going concern basis in preparing the 2022 Preliminary Announcement.

14 Securitisation

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

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

15 Principal risks and uncertainties

Our principal Group risks

We detail here our top-down approach to risk management which supports our assessment of the principal risks facing the Group. In assessing which risks should be classified as 'principal', we assess the probability of a risk materialising together with its financial or strategic impact.

Risk appetite

Risk appetite is the level of risk that the Group is willing to take in order to achieve its strategic objectives, and it is set by the Board as advised by the Risk Committee. The Committee assesses the Group's risk appetite across wide-ranging areas including the market, financing, operations, strategy and execution, developments, cybersecurity and technology, and brand.

The Board operates the appropriate risk appetite depending on the type of risk: for example, regulation, customer and cyber risks are low level but for strategic risk we are more willing to address greater risk to achieve strategic objectives. The overarching principle is that the Group's services are of a consistently high standard and adhere to all regulatory requirements.

We have reviewed risk appetites for specific key risks during the year and, where appropriate, the Group's risk appetite has been adjusted accordingly.

Our approach to risk management

The Group has a well-established governance structure with internal control and risk management systems. Dignity operates a three lines of defence model with each line understanding its own responsibilities within the common framework. The model contributes to fewer surprises and losses through a well-defined and operated control framework to manage risks, lower risk exposure where appropriate and increase likelihood that Dignity's objectives will be achieved.

The risk management process:

- Provides a framework to identify, assess and manage risks, both positive and negative, to the Group's overall strategy and the contribution of its individual operations; and
- Allows the Risk Committee to review a balanced and understandable assessment of the operation of the risk management process and inputs.

Responsibilities and actions

The Board

The Board is responsible for monitoring the Group's risk and associated mitigating factors. Through the Risk Committee, it has carried out a robust assessment of both emerging and principal risks. This assessment process is supported by in-house risk management professionals.

The Company continues to work towards meeting its corporate governance responsibilities in respect of the composition of the Board, and is currently in the recruitment process for a Chief Financial Officer.

Risk process

The Risk Committee meets at least three times annually to consider the Group's principal risks and uncertainties for subsequent adoption by the Board.

Risk assessment

Executive Directors and the leadership are responsible for identifying and assessing business risks.

Identifying risk

We identify risks through discussion and analysis with senior management, and include them in the risk register as appropriate.

Assessing risk

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

Mitigating activities

Where at all possible, we identify mitigating factors against each risk. Currently, mitigation has been identified for principal and emerging risks.

Review and internal audit

The link between each risk and the Group's policies and procedures is identified. The Risk function reviews and provides oversight of the risks the business is facing. Where required, the Risk function will conduct deep dives into risks to manage and understand them further. Where relevant, the Group's Internal Audit function assists with appropriate work, across an audit plan cycle, to ensure the related key controls, procedures and policies are understood and operated effectively where they serve to mitigate risks.

Risk Committee

The Risk Committee advises the Board on risk management issues, recommends the framework of risk limits and risk appetite to the Board for approval and oversees the risk management arrangements of the Company. This includes embedding and maintaining a supportive risk management culture.

The Risk Committee seeks to ensure that material risks have been identified, and appropriate arrangements have been made, to manage and mitigate those risks effectively within the Company's agreed risk appetite.

Risk status summary

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

Regulation of pre-arranged funeral plans
In order to carry out regulated funeral plan activities, firms must now be authorised by the FCA. Continuing with regulated activity without authorisation is a criminal offence.

Dignity is an FCA-regulated provider of pre-arranged funeral plans. We believe that this regulation is necessary and have welcomed its introduction.

COVID-19
Although no longer a principal risk, COVID-19 created risks both to our ability to deliver services during lockdown and to the health and safety of our colleagues. We continue regular assessments of potential risks.

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

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

Financial risk management

Risk description and impact	Mitigating activities and commentary	Change
Significant movements in the death rate There is a risk that the number of deaths in any year will significantly reduce or increase. This would have a direct result on the financial and operational performance of both our funeral and crematoria services.	The profile of deaths has historically seen inter-year changes of ± one per cent, giving the Group the ability to plan its business accordingly. The death rate volatility increased during the COVID-19 pandemic and following it. The long-term projection of the Office for National Statistics ('ONS') is for deaths to increase. We mitigate the risk by being able to control our costs and price structure, although this would not mitigate a significant short-term reduction in the number of deaths. Additionally, the ability to mitigate is currently affected by inflationary pressures such as the price of energy. The number of deaths in 2022 was 639,000, which was four per cent lower than the prior year. Our planning continues to be based on the long-term expectations provided by the ONS. The COVID-19 pandemic created a period of significant disruption for the funeral sector as the elevated death rate resulted in more funerals and cremations than the five-year average. Whilst we anticipate this volatility in death rates will continue, it is possible that the death rate may reverse (although, as previously stated, the long-term ONS view is that it will increase), and the offsetting impact of these factors results in no change in the risk assessment.	No change

Risk description and impact	Mitigating activities and commentary	Change
National adverse publicity National adverse publicity for Dignity could result in a significant reduction in the number of funerals or cremations performed in any financial period. For pre-arranged funeral plans, adverse publicity for the Group, or for one of its limited number of partners, could result in a reduction in the number of plans sold or an increase in the number of plans cancelled.	The Group's strategy is to focus on increasing funeral and crematoria market share, together with prioritising the sale of funeral plans through branches rather than telesales partners. We are now focused on developing and executing a vision to excel in the new FCA-regulated environment using all potential channels to find and support new clients. FCA regulation of the sector has acted as a catalyst for change, resulting in a small number of organisations withdrawing from the pre-need funeral plans market. Where we can, Dignity has stood by its commitment to help customers of other plan providers and, as we have for customers of Safe Hands, we have engaged with a number of firms that are exiting the market. We continue to provide support to families that have been impacted by the collapse of various firms through providing funeral services to families. Dignity is cognitive of and has assessed the financial risk in the transfer of funeral plans in this circumstance but the primary objectives are customer outcomes and support for the pre-need market. See also 'Rescue plan transition costs' on page 10. The Group also previously responded to and adopted the requirements of the CMA Funerals Market Investigation Order 2021. The Group maintains a system of internal control to ensure the business is managed in line with its strategic objectives. Staff training and the work of the Quality and Standards Team assist in mitigating this risk. Dignity operates a suite of sector-leading policies and practices that form our SOPs. These sit at the heart of everything we do regarding our care for clients and those they have lost. The procedures include guidelines for security and identification, access to premises and mortuaries, care for the deceased and all other important policies for both observed and unobserved procedures. In terms of quality of care for clients and their loved ones, the SOPs assist in mitigating reputational risk and the possibility of adverse press coverage.	No change
A fall in average revenue per funeral or cremation, resulting from market changes There has been increasing price competition in the funeral market, resulting in material price reductions by the Group in recent years. It is highly likely that pricing pressure will remain for the foreseeable future, and therefore maintaining current average revenue per funeral or cremation may not be possible.	The Group's strategic review has resulted in a more efficient business that can accommodate more competitive pricing, while continuing to provide clients with a greater range of choice, underpinned by exceptional standards and service. This will be supported by strong reputational management. The Group is aspiring to achieve 20 per cent funeral market share in 10 years' time (including both pre and at-need funerals) by offering the best service at the best value. The Group will continue to adapt to serve evolving client needs. This will be achieved through investing in digital capabilities, including enhanced reporting of business intelligence and management information which will enable risks and trends to be identified promptly and accurately. The Group has in recent times experienced lower average revenues than originally expected. In addition, awareness of Simple Funerals and Simplicity Cremations increased during the pandemic. Inflationary pressures and the recessionary impact on the cost of living may further impact consumer preference and reduce net average revenues. In 2021, we lowered prices substantially and found that our decline in market share was arrested and then reversed. Therefore, over time, we expect that loss of revenue to be more than compensated by volume growth, especially when combined with all the other elements of our strategy.	Increase

Risk description and impact	Mitigating activities and commentary	Change
Direct cremations Growth in the direct cremation market could reduce average revenue in our funeral business and adversely affect the volume mix and average revenue in the crematoria business.	The Group has addressed the increased demand for direct cremation with Simplicity Cremations, which offers low-cost, dignified direct cremations without an initial funeral service. They are an affordable alternative to a full funeral, or for those who just wish for a simple cremation. The increased demand for direct cremations has resulted in a decline in underlying average revenue, although our strategy is to rebalance this through increased market share.	Increase
Financial covenant under the Secured Notes The Group's Secured Notes requires EBITDA to total debt service to be above 1.5 times. If this financial covenant (which is applicable to the securitised sub-group of Dignity) is not achieved, then this may lead to an Event of Default under the terms of the Secured Notes, which could result in the Security Trustee taking control of the Securitisation Group on behalf of the Secured Note holders. See note 13 for further details. In addition, the Group is required to achieve a more stringent ratio of 1.85 times for the same test, in order to be permitted to transfer excess cash from the Securitisation Group to Dignity plc.	The nature of the Group's debt means that the denominator is now fixed unless further Secured Notes are issued in the future. This means that the covenant calculation will change proportionately with changes in EBITDA generated by the Securitisation Group. Lower reported profitability increases the risk of breaching covenants. The distorting impact of the pandemic on the timing of deaths continues to create significant uncertainty around the UK death rate in the near term. In order to address this uncertainty, the Board took the prudent decision to secure a temporary waiver of the financial covenant, on a precautionary basis regarding Dignity Finance PLC's debt obligations. As a result, in March 2022 the Group was granted a waiver on the application of the covenants on the bonds for 12 months. This course of action accounted for post-pandemic uncertainty over the death rate which, together with the challenge of restructuring, risked a potential covenant breach. The waiver allows for an equity cure by Dignity plc should there be a shortfall in EBITDA of the Securitisation Group. The agreement reached in September 2022 between Dignity and its bondholders allows for a deleveraging transaction involving and dependent on seven crematoria, which is expected to take place by 29 September 2023 as permitted. This transaction, if completed, would result in a deleveraging of the Group and a positive impact on the underlying financial ratios and covenant calculations. It requires a minimum of a net £70 million repayment of the bonds, but that figure could be higher depending on the value placed on the crematoria when the expected transaction occurs. Changes to the terms of the bonds will also allow more operational flexibility and future equity cures. The consent to the proposal applies for a 12 month period to 29 September 2023. Should the transaction complete, an outcome the board is fully focused on achieving within the 12 months allowed, there are amendments to the documents that will allow further equity cures, with restrictions, to be made going forward should they be required. The Group also has a loan facility with Phoenix Asset Management Partners. See also Financial review, Capital structure and financing for the Trading Group on page 11 and Going Concern on pages 38 to 40.	Increase

Risk description and impact	Mitigating activities and commentary	Change
Disruptive new business models leading to a significant reduction in market share It is possible that external factors, such as new competitors and the increased impact of the internet on the sector, could result in a significant reduction in market share of our funeral and crematoria operations. This would have a direct result on the financial performance of those divisions.	The Group believes that this risk is mitigated by its reputation as a high-quality provider, and with word of mouth recommendations being a key driver in how families choose a funeral director. In addition, the Group's actions on pricing and promotion seek to protect the Group's funeral market share by offering more affordable options. The substantial lowering of prices in 2021 and the adoption of a strategy based on growth have allowed our market share to stabilise and grow. The Group is prioritising investment into standards of care, facilities and our estate, alongside a combination of a competitive pricing and product mix, cultural change and stronger branding, to grow local market share. For crematoria operations this is also mitigated by the Group's experience and ability in managing the development of new crematoria. The Group will focus on: • Growing both volume and revenue per crematorium by increasing throughput and greater ancillary sales; • Continuing to build out the pipeline of crematoria and build additional capacity into existing facilities; and • Embracing direct cremation and becoming the best value provider for the location-agnostic value segment of the market. Additionally, the combination of the development of strong national brands and significant investment in digital capability, together with a range of product and price offerings to clients, is expected to strengthen the Group's competitiveness.	No change
Demographic shifts in population There can be no assurance that demographic shifts in population will not lead to a reduced demand for funeral services in Dignity's areas of operation.	In such situations, Dignity would seek to follow the population shift by rebalancing the funeral location network together with meeting the developing cultural requirements.	No change

Risk description and impact	Mitigating activities and commentary	Change
Competition in the funeral market The UK funeral services, crematoria and pre-need markets are currently fragmented. There could be: • Further consolidation as FCA regulation of the pre-need sector has acted as a catalyst for change, resulting in a number of organisations withdrawing from the market; or • Increased competition in the industry, whether through intensified price competition, service competition, over-capacity facilitated by the internet or otherwise, which could lead to an erosion of the Group's market share, average revenues or an increase in costs and consequent reduction in its profitability. Failure to replenish or increase the bank of pre-arranged funeral plans could affect market share of the funeral division in the longer-term. Competition continues to intensify, with additional funeral directors opening at varying price points, alongside an increase in the popularity of direct cremations.	The vision is for Dignity to be the UK's leading end-of-life business, renowned for its excellence and high standards, represented and embedded in the community with strong local brands, whilst offering the best service and the best value. Central to our strategy is a focus on improving the culture of our business, empowering our colleagues locally and working together to achieve our best through teamwork. This will be achieved: • By developing new products and trials. We have launched several trials with the objective of achieving the right combination of price, product and promotion, not only to grow our local market share but to sustain and grow our revenues. The direct cremation has introduced new competitively priced products that can fit within our existing price and product architecture; • Through a new tiered funeral pricing proposition that will provide greater flexibility to meet individual client needs; • By unbundling our prices and services and giving clients true flexibility to create the right funeral thus providing greater consistency and competitiveness on price, while reflecting Dignity's premium service levels; • Through a significant online presence: visibility leverages our scale and addresses the needs of digitally driven clients. Through the Dignity and Simplicity brands, we are leveraging scale advantages in the digital age. We also recognise that our established local funeral trading names continue to have significant value in the communities they serve; • Through better allocation of our resources, the resulting efficiencies allowing us to reduce the number of funeral locations and their associated cost. Where appropriate, support functions are being centralised to ensure a cost effective and consistently high standard of service; • Although there are challenges to opening new crematoria, due to the need for planning approval and the costs of development. Dignity has extensive experience in managing new projects; • As the Group offers a high-quality pre-need product, it will benefit from the current and significant future investment in marketing and enhanced digital presence; and • As FCA regulation of the sector is an opportunity for Dignity to gain a competitive position. It also reassures Dignity's customers that they hold a funeral plan with a trusted and reputable provider, backed by a secure and well-managed trust fund. We recognise that this is not the case for customers of those providers that have failed to meet the FCA requirements or have elected to exit the market. We stand by our commitment to help customers of other plan providers where we can and, as we have with the customers of Safe Hands, we will engage with those firms on a case-by-case basis.	No change

Risk description and impact	Mitigating activities and commentary	Change
Cyber risk Our business is at risk of financial loss, disruption or reputational damage in the event of a failure of our IT systems. This could materialise in a variety of ways, including deliberate and unauthorised access and breaches of security.	In recent years, the Group has invested significantly in this area with the objective of both upgrading all aspects of our systems and our internal resources, and also using external consultants to drive a continuous improvement programme. The chance of an organisation falling victim to a cyber-attack is growing. Threats are more pervasive and sophisticated than ever. In addition to maintaining appropriate levels of cyber insurance, we continue our investment in fit-for-purpose security controls, processes and technology. This ensures we keep pace with the current threat landscape whilst proactively monitoring for breaches and improving internal understanding and communication of initial risks, mitigations and residual risks. The Group is working with external cyber specialists who provide wide-ranging insights into our current maturity level of controls over our multiple domain names. Additionally, this external assessment will include a deep dive review of Dignity's security architecture to confirm that our cyber security objectives address, where possible, potential risks. The Group maintains an ISO 27001 compliant information security management system and has its security controls, processes and technology independently audited to ensure it remains effective or requires additional investment.	Increase
Regulation of pre-arranged funeral plans FCA regulation has resulted in changes to processes, systems, pricing, funding, capital requirements, and terms and conditions of plans. Regulation affects the Group's opportunity to sell pre-arranged funeral plans in the future and could result in the Trading Group not being able to draw down the current level of marketing allowances. The minimum solvency levels (110 per cent) set by the FCA for trust funds means that levels below this minimum will require Dignity Funerals Limited to address any shortfall within a 12-month period.	Regulation applies to the industry as a whole and not just the Group. The FCA rules addressed: • Commission; • Customer documentation; • Consumer Duty setting higher and clearer standards of consumer protection; • Trust structures; • Product value and features; • Minimum solvency requirements for trust funds; and • Compliant sales of pre-paid plans. Our strong market presence in the Whole of Life Funeral Benefit market remains unchanged. Although the changes affect the whole industry, Dignity is in a strong market position as a vertically integrated provider to grow its controlled channels that remain open. We improved our pre-need product for the market by bringing more choice, flexibility and simplicity to our offering. We have also improved our own channels of distribution. FCA regulation prevents us from paying commissions to third parties and we have therefore ceased business with many of our previous distribution partners. Instead, we will focus on developing our proposition and sales strategy, delivered through our website and via our well-trained community-based colleagues. Our ambition is to significantly increase the number of funeral plans sold through our branch network. Minimum solvency levels of 120 per cent of assets/liabilities were agreed by the Dignity Funerals Limited Board. This represents a 10 per cent buffer over the regulatory minimum of 110 per cent. There will be Board oversight of product development, pricing and distribution of pre-paid funeral plans. Compliance with FCA regulations will be subject to continuous monitoring by our Compliance and Risk Team and reported regularly to the Board. Any compliance breaches will be reviewed by the Board and addressed as required. Our objective is not only to deliver the high standards required by the regulator but to strive to exceed them.	No change

Risk description and impact	Mitigating activities and commentary	Change
Changes in the funding of the pre-arranged funeral plan business In the current regulatory environment, the Group has given commitments to pre-arranged funeral plan members to provide certain funeral services in the future. Funding for these plans is reliant on either insurance companies paying the amounts owed or the pre-arranged funeral plan trusts having sufficient assets. If this is not the case, then the Group may receive a lower amount per funeral.	There is considerable regulation around insurance companies which is designed, amongst other objectives, to ensure that the insurance companies meet their obligations. Our trusts hold assets of circa £1 billion with an average duration of circa 10+ years. We will seek to generate a surplus that exceeds funeral cost inflation. Additionally, and in parallel with the development and launch of our innovative new funeral plan, we have incorporated a new trust to support this.	No change
Funeral Directors' Codes of Practice A number of compliance requirements currently recommended by the Scottish Government Funeral Directors' Code of Practice can reasonably be expected to become law. For example, one draft requirement is for funeral directors to have a ratio of one refrigerated space per 50 funerals performed. Additionally, there will be the need to respond to registration and inspection requirements which will be enacted in law. The introduction of the Independent Funeral Standards Organisation ('IFSO') will necessitate compliance with a UK co-regulatory Code of Practice as described by the Ministry of Justice. Intended obligations include transparency, quality and standards measures, with risk ratings and public reporting in subsequent phases. The relationship between, and requirements of, the two Codes of Practice have yet to be finalised.	The Group is assessing compliance guidelines and the steps required to achieve compliance across the UK legislative networks. Consideration for the resource profile and methodology for responding to legal registration in Scotland, and a statutory inspection response, is being initiated as a pre-emptive measure in advance of a published Scottish Government position. Relationship management with the National Association of Funeral Directors ('NAFD') and IFSO is under way. We strongly support the progress IFSO has made and look forward to working with the body should it transition into a government-endorsed self-supervisory body for the sector. We have also worked closely with the Scottish Government to develop its approach to regulation of the sector and provision of services, including the anticipated implementation of a new Code of Practice for Funeral Directors that will sit under a legal framework in Scotland.	No change
Macroeconomic pressures Inflationary pressures have become apparent to Dignity and most other organisations as rising staff costs, energy prices and supply chain disruption continue to develop. The significant increase in wholesale gas prices will contribute to the pressure on average revenue per cremation.	Overall, we are seeing rising costs impacting our business, especially employment costs, and we will be looking to recover some of that through inflation-related pricing adjustments. In 2022, our focus was given to supporting our lowest paid workers weather the storm of a difficult set of macroeconomic factors.	Increase
Energy security In light of the geopolitical situation following the Russian invasion of Ukraine, energy security is a major international issue.	Along with all other businesses, we continue to monitor the developing situation. We note HM Government's policy paper on British Energy Security Strategy which states that the UK needs to build an energy system that is much more self-sufficient. We continue to review our position based on the recent government announcements regarding energy prices and will determine what action is required to address this risk. Currently, the major risk is one of price rather than supply but Dignity will be subject to whatever government restrictions may be placed on industry users should there be a shortfall in supply. The nature of Dignity's activity is likely to give it some prioritised protection should a form of rationing be introduced.	Increase

Emerging risk

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

Risk description and impact	Mitigating activities and commentary	Change
Sustainability and climate resilience The need to operate businesses sustainably and with a focus on the environment is now an imperative in order to achieve the Government's target of net-zero.	The vision is for Dignity to achieve net-zero by 2038. We voluntarily submitted our first TCFD Report for the year 2021 before this became mandatory for 2022. Dignity, alongside our consultancy partner Inspired Energy, has analysed our full Scope 3 emissions. This expands on our previous SECR reporting, which included Scope 1 and 2, as well as grey fleet, which is part of Scope 3. Key ESG focuses for 2023 include: • Climate scenarios analysis and interim target setting to 2038; • Improving data collection and metrics across Scopes 1, 2 and 3; • Improved cremator technology; and • Proactively working with our supply chain to influence green credentials. Dignity has recruited an ESG Manager to support with all environmental and sustainable activities and initiatives. Their role will be to build the strategy and roadmap to achieving net-zero by 2038.	New

16 Pre-arranged funeral plans

(a) Commitments

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

The Group is obligated to perform these funerals in exchange for the assets of the respective trusts, whatever they may be. An onerous contract provision of £10.0 million has been made in these financial statements for the Rescue plans (which includes a provision of £1.1 million for the Dignity Promise) and a further provision of £3.6 million has been made relating to previous funeral plans, see note 1 for further details. It is the view of the Directors that none of the commitments given to these other clients are onerous to the Group. However, ultimately, the Group is obligated to perform these funerals in exchange for the assets of the respective trusts, whatever they may be.

The Small Trusts had approximately £13.2 million (2021: £15.6 million) of net assets as at the balance sheet date.

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

(b) Actuarial valuation

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

The Trustees have advised that the latest actuarial valuations of the Trusts were performed as at 24 September 2022 (2021: 24 September) using assumptions determined by the Trustees. Actuarial liabilities in respect of the Trusts have decreased to £778.4 million as at 24 September 2022 (2021 restated: £817.3 million). The corresponding market value of the assets of the Trusts was £1,003.8 million (2021 restated: £1,107.9 million - under the new FCA regulations there is a prescribed valuation method which has been applied to the current year valuations and the prior year has been restated using this method) as at the same date. Consequently the actuarial valuations recorded a total surplus of £225.4 million at 24 September 2022 (2021 restated: surplus of £290.6 million).

	30 December 2022 Number	31 December 2021 Number
Supported by:		
The Trusts – Pre FCA regulation	**302,000**	323,000
The Trusts – Post FCA regulation	**4,000**	–
The Trusts – Rescue plans only	**38,000**	–
The Small Trusts	**45,000**	43,000
Insurance plans	**229,000**	215,000
	618,000	581,000

The Trusts have approximately £3,444 (2021: £3,650) average asset per active plan (see alternative performance measures on page 55 for further details). On average the Trading Group received approximately £3,100 (2021: £3,000) in the period for the performance of each funeral (including amounts to cover disbursements such as crematoria fees, ministers' fees and doctors' fees where applicable).

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

(c) Funding arrangement of UK Funerals (2022) Trust
In accordance with FCA regulation should the actuary report that the Trust fund assets are not sufficient to cover the liability of Trust, Dignity Funerals Limited, a subsidiary of the Group, will prepare a remediation plan, approved by the actuary, setting out how any deficit will be remedied before the next annual assessment of the Trust.

(d) Transactions with the Group
During the period, the Group entered into transactions with the Small Trusts. Amounts may only be paid out of the Trusts in accordance with the relevant Trust Deeds. Transactions (which were recognised as revenue in the funeral services division) amounted to £0.8 million (2021: £0.9 million) in the period and principally comprised receipts from the Small Trusts in respect of funerals provided. No amounts were due to the Group on either balance sheet date.

18 Post balance sheet events

Recommended cash offer for Dignity plc
On 23 January 2023, the Board announced that it had reached agreement on the terms of a recommended cash offer for the Dignity business (the 'Offer'). The Offer was made by a consortium comprising SPWOne V Limited, Castelnau Group Limited and Phoenix Asset Management Partners Limited. On 14 February 2023, the offer document, which contains, amongst other things, the full terms and conditions of the Offer and the procedures for its acceptance, was published and posted to Dignity shareholders.

In summary, under the Offer:

- Dignity shareholders will be entitled to receive 550 pence in cash for each Dignity share (the 'Cash Offer');
- As an alternative to (or in combination with) the Cash Offer, eligible Dignity shareholders may elect to receive for each Dignity share 5.50 unlisted non-voting D shares in the capital of Valderrama (the indirect parent company of the consortium's Bidco) for each Dignity share (the 'Unlisted Share Alternative'); and
- As an alternative to (or in combination with) the Cash Offer and in addition to or instead of the Unlisted Share Alternative, eligible Dignity shareholders may elect to receive 7 1/3 listed voting Ordinary Shares in the capital of Castelnau for each Dignity share (the 'Listed Share Alternative' and, together with the Unlisted Share Alternative, the 'Alternative Offers').

Both the Unlisted Share Alternative and the Listed Share Alternative are subject to the "scale back" arrangements detailed in the offer document.

The Board was unanimous in recommending that Dignity shareholders accept the Cash Offer. At the time of preparing this report, the Offer remains conditional on, among other things, regulatory approval.

Executive share awards
The Company intends to grant a performance share award under the LTIP to Kate Davidson as soon as practicable following the publication of the Company's preliminary 2022 financial results (subject to being no dealing restrictions at that time). This award was agreed previously but could not be made due to closed period dealing restrictions.

Standard and Poor global rating
On February 2023, S&P Global Ratings lowered its credit ratings on Dignity Finance PLC's class A notes to 'BBB-(sf)' from 'A- (sf)' and class B notes to 'CCC+ (sf)' from 'B+ (sf)'. At the same time, S&P removed its ratings on both classes from CreditWatch negative.

Fitch Ratings downgrade of Class A and Class B Notes
On 17 March 2023, Fitch Ratings downgraded Dignity Finance PLC's Class A notes to 'BBB' from 'A-' and class B notes to 'B' from 'BB+' and placed that company on Rating Watch Negative.

Loan facility drawdown
The Directors approved two initial drawdowns on the £50.0 million facility offered by Phoenix UK Fund Limited, the first being £5.0 million on 2 March 2023 and the second being £10.0 million on 30 March 2023. This loan agreement includes a change of control provision that could trigger a full repayment and cancellation of the facility, however, the Company has obtained a waiver for this change of control clause specific to this potential takeover.

Non-GAAP measures

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

The alternative performance measures provided are aligned with those used in the day-to-day management of the Group 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 (see below) and the changes which relate to the application of IFRS 15. In addition, the deferred tax rate change in 2021 arising on the deferred tax balances on consolidating the Trusts and application of IFRS 15 have also been excluded, as well as non-underlying items comprising certain non-recurring and non-trading transactions.

The exclusion of the impact of consolidating the Trusts and the application of IFRS 15 will continue for the foreseeable future. We will also assess whether it is right to exclude any future new accounting standards from alternative performance measures based on whether they are included in the measures used in the day-to-day management of the business.

All of these measures are highlighted as underlying throughout this Preliminary Announcement.

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 impact of consolidating the Trusts. See note 4 to the Group's consolidated financial statements.

Underlying earnings per Ordinary 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);
- Marketing costs in relation to trials;
- Restructuring costs;
- Payment for historical informal pre-need funerals;
- Rescue plan transition costs;
- Trade name write-offs and impairments;
- Goodwill impairments;
- Right-of-use asset impairments;
- Property, plant and equipment 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.

(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 IFRS 15, 'Revenue from Contracts with Customers'. This mirrors the financial reporting provided to management on a monthly basis to monitor the performance of the underlying Trading Group.

In the tables below, non-underlying items are categorised as either non-trading or non-recurring. Non trading items refers to expenditure which does not relate to the normal day-to-day transactions of the business, whereas non-recurring also does not relate to the day-to-day transactions of the business and is not expected to reoccur; however, the same non-recurring item may straddle more than one accounting period.

52 week period ended 30 December 2022	**Funeral services £m**	**Crematoria £m**	**Pre-arranged funeral plans £m**	**Central overheads £m**	**Group £m**
Non-trading					
Amortisation of acquisition-related intangibles	**3.4**	**0.4**	**0.1**	**-**	**3.9**
External transaction costs in respect of completed and aborted and ongoing transactions(1)	**-**	**0.5**	**-**	**8.6**	**9.1**
Loss on sale of fixed assets	**0.1**	**-**	**-**	**-**	**0.1**
Trade name write-off	**6.4**	**-**	**-**	**-**	**6.4**
Trade name impairment	**47.5**	**-**	**-**	**-**	**47.5**
Goodwill impairment	**112.3**	**-**	**-**	**-**	**112.3**
Right-of-use asset impairment	**17.4**	**-**	**-**	**-**	**17.4**
Property, plant and equipment impairment	**19.1**	**-**	**-**	**-**	**19.1**
Non-recurring					
Rescue plan transition costs	**-**	**-**	**-**	**2.5**	**2.5**
Restructuring costs – redundancy	**-**	**-**	**-**	**2.9**	**2.9**
Restructuring costs – onerous provision	**-**	**-**	**-**	**0.3**	**0.3**
	206.2	**0.9**	**0.1**	**14.3**	**221.5**
Taxation impact on above adjustments(2)					**(23.2)**
					198.3

(1) External transaction costs includes costs associated with the current capital structure work.

(2) All of the above items are subject to corporation tax at 19 per cent, except for the trade name write-off, trade name impairment, goodwill impairment, right-of-use asset impairment, property, plant and equipment impairment and external transaction costs which include an element of disallowables.

53 week period ended 31 December 2021	Funeral services £m	Crematoria £m	Pre-arranged funeral plans £m	Central overheads £m	Group £m
Non-trading					
Amortisation of acquisition related intangibles	3.7	0.4	0.1	-	4.2
External transaction costs in respect of completed and aborted transactions	-	1.2	-	1.4	2.6
Profit on sale of fixed assets (net of insurance proceeds received)(3)	-	(1.1)	-	-	(1.1)
Trade name write-off	2.5	-	-	-	2.5
Trade name impairment	2.8	-	-	-	2.8
Goodwill impairment	36.4	-	-	-	36.4
Non-recurring					
Marketing costs in relation to trials	-	-	-	0.9	0.9
	45.4	0.5	0.1	2.3	48.3
Taxation impact on above adjustments(4)					(2.5)
Taxation – rate change					8.3
					54.1

(3) Includes £1.1 million of insurance proceeds received in respect of a crematoria fire which occurred in 2020.

(4) All of the above items are subject to corporation tax, except for the trade name write-off, trade name impairment and goodwill impairment.

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.
- Recognition of provisions relating to pre-need funeral plans and Rescue plans. The provision is comprised of an onerous contract and for the Dignity Promise. Note 1 to the consolidated financial statements includes further information.
- Payments made by the Trusts on cancellation are recognised by the Trading Group.
- 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.
- The amounts recorded in respect of the remeasurement of assets held in the Trust are 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 corporate interest restriction and changes in the rate of deferred tax associated with the items noted above, are removed.

52 week period ended 30 December 2022	**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	**118.5**	-	-	-	**118.5**
Removal of payments received from the Trusts on death	**(57.2)**	-	-	-	**(57.2)**
Payments on cancellation	**(12.9)**	-	-	-	**(12.9)**
Derecognise pre-need segment income	-	-	**(12.2)**	-	**(12.2)**
IFRS 15:					
Recognition of disbursement element of pre-need plans	**16.4**	-	-	-	**16.4**
Revenue – Total other adjustments	**64.8**	-	**(12.2)**	-	**52.6**
Cost of sales					
Trust consolidation:					
Provision relating to funeral plans	**(13.6)**	-	-	-	**(13.6)**
IFRS 15:					
Amounts paid on subcontracted funerals	**(7.6)**	-	-	-	**(7.6)**
Recognition of disbursement element of pre-need plans	**(16.4)**	-	-	-	**(16.4)**
Administrative expenses					
Trust consolidation:					
Recognition of the Trust costs	**(4.8)**	-	-	-	**(4.8)**
Transfer of pre-need costs into funeral services segment	**(12.3)**	-	**12.3**	-	-
IFRS 15:					
Net increase of deferred costs in respect of commissions	**(7.7)**	-	-	-	**(7.7)**
Operating profit – Total other adjustments	**2.4**	-	**0.1**	-	**2.5**
Finance costs					
Trust consolidation:					
Deferred revenue significant financing					**(50.9)**
Remeasurement of financial assets held by the Trusts and related income					**(48.6)**
Finance costs – Total other adjustments					**(99.5)**
Taxation:					
Trust consolidation:					
Taxation impact on above adjustments					**27.9**
IFRS 15:					
Taxation impact on above adjustments					**1.5**
Taxation – Total other adjustments					**29.4**
Loss after taxation – Total other adjustments					**(67.6)**

53 week period ended 31 December 2021 – restated[1]	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	117.9	–	–	–	117.9
Removal of payments received from the Trusts on death	(58.4)	–	–	–	(58.4)
Payments on cancellation	(9.8)	–	–	–	(9.8)
Derecognise pre-need segment income	–	–	(24.6)	–	(24.6)
IFRS 15:					
Recognition of disbursement element of pre-need plans	16.6	–	–	–	16.6
Revenue – Total other adjustments	66.3	–	(24.6)	–	41.7
Cost of sales					
IFRS 15:					
Amounts paid on subcontracted funerals	(8.2)	–	–	–	(8.2)
Recognition of disbursement element of pre-need plans	(16.6)	–	–	–	(16.6)
Administrative expenses					
Trust consolidation:					
Recognition of the Trust costs	(4.5)	–	–	–	(4.5)
Transfer of pre-need costs into funeral services segment	(24.7)	–	24.7	–	–
IFRS 15:					
Net increase of deferred costs in respect of commissions	(0.4)	–	–	–	(0.4)
Operating profit – Total other adjustments	11.9	–	0.1	–	12.0
Finance costs					
Trust consolidation:					
Deferred revenue significant financing					(51.6)
Remeasurement of financial assets held by the Trusts and related income					93.1
Finance costs – Total other adjustments					41.5
Taxation:					
Trust consolidation:					
Taxation impact on above adjustments					(8.1)
Corporate interest restriction disallowance – prior year adjustment					(1.5)
Deferred tax rate change					6.9
IFRS 15:					
Taxation impact on above adjustments					(0.5)
Deferred tax rate change					(5.5)
Taxation – Total other adjustments					(8.7)
Profit after taxation – Total other adjustments					44.8

(1) Prior year comparatives have been restated for the 53 week period ended 31 December 2021 due to a reclassification of foreign exchange movements. See note 1 to the Group's consolidated financial statements for further details.

(d) Non-underlying cash flow items

	30 December 2022 £m	31 December 2021 £m
Cash flows from operating activities	**(17.7)**	68.3
Cash flows of other adjustments	**47.3**	16.1
Cash flows from operating activities – Trading Group	**29.6**	84.4
External transaction costs	**8.0**	1.6
Payment for historical informal pre-need funerals(1)	**3.6**	–
Restructuring costs – redundancy	**2.9**	–
Marketing costs in relation to trials	**–**	0.9
Directors' severance pay	**–**	0.9
Operating and competition review costs	**–**	0.5
Underlying cash generated from operations	**44.1**	88.3

(1) As part of the FCA requirements, the Group is required to ensure all active funeral plans are backed by pre-need arrangement held in an appropriate trust. As a result of prior acquisitions, the Group had committed to perform 1,600 funerals for which there are no formal pre-need arrangements in place. In order to comply with the FCA regulations and to ensure the customers of these plans are receiving the best possible outcome, the Group has transferred these funeral plans at the cost of today's prices to reflect the most appropriate level of cover required, totalling £3.6 million. The Trading Group does not anticipate any further cash being transferred to the pre-need Trust in relation to these informal arrangements.

(e) Funeral market share
Comparable funeral market share excludes any volumes from branches not contributing for the whole of 2021 and 2022 to date and therefore excludes 24 branches closed and five branches opened in 2021 and a further 54 branches closed and three branches opened in 2022.

(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 (excluding rescue plans). 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.

	30 December 2022	31 December 2021
Net assets in the Trusts – £'000	**1,054,000**	1,179,000
Number of active plans in the Trusts (excluding rescue plans) – number	**306,000**	323,000
Asset per plan (£)	**3,444**	3,650

(g) Return on Trust assets
Return on Trust assets are calculated as net investment return in the Trusts divided by the opening net assets within the consolidated balance sheet.

	30 December 2022 £m	31 December 2021 £m
Opening net assets as per the consolidated balance sheet	**1,043.1**	967.1
Remeasurement recognised in the consolidated income statement	**(57.7)**	85.0
Investment income	**22.2**	7.7
Hedging/foreign exchange losses	**(13.1)**	(1.7)
Investment administrative expenses deducted at source	**(0.2)**	(2.8)
Net investment return in the Trusts	**(48.8)**	88.2
(Loss)/return on the Trust assets (per cent)	**(4.7)%**	9.1%

(h) Underlying operating profit before depreciation and amortisation (pre IFRS 16)
Underlying operating profit before depreciation and amortisation (pre IFRS 16) has been included as a new non-GAAP measure for the first time in the 2022 Preliminary Announcement. This follows discussions with external advisers during the potential takeover process and was included in the Trading Update issued on 23 January 2023, as this measure is believed to be used by investors.

The underlying operating profit before depreciation and amortisation and before IFRS 16 can be reconciled as follows:

	30 December 2022 £m	31 December 2021 £m
Underlying operating profit	**17.9**	55.8
Add back: Depreciation and amortisation	**28.4**	29.1
Less: Impact of IFRS 16	**(12.1)**	(12.4)
Underlying operating profit before depreciation and amortisation (Pre IFRS 16)	**34.2**	72.5

(i) Cash Return on Core Capital ('CROCC')
The Dignity CROCC is a measure of the return made on the productive capital in the business ignoring intangible assets and non-cash returns. This is a proprietary measure and therefore not subject to accounting rules which you should bear in mind.

We calculate it by taking the underlying cash generated from operations and subtracting the maintenance capital expenditure, net finance costs paid and tax paid; this gives the Cash Return ('CR'). This is then divided by the sum of the property, plant and equipment, trade receivables: at-need and inventories, less trade payables, which makes up the Core Capital ('CC').

To illustrate what it measures, imagine that a company built a crematorium costing £8 million including the land which, once mature, makes a return after tax and capital expenditure of £1.2 million; then its CROCC would be 15 per cent (£1.2 million/£8.0 million). If that crematorium were sold to another company for £20.0 million, it would still be making £1.2 million but the company might measure its return at 6 per cent (£1.2 million/£20.0 million). The CROCC would still come out at 15 per cent because it is based upon the capital used to create the asset, not the goodwill reflected in its transfer. 6 per cent is the initial return on an investment in what is a 15 per cent asset purchased for 2.5 times the capital invested in it.

Core Capital is taken from a concept introduced by Warren Buffett about judging a business based upon the capital needed to replicate it.

CROCC is useful because it gives a measure of the underlying returns of a business, which are a guide to what the returns on retained capital might be. As we progress, the CROCC will increasingly reflect the returns from the capital retained and allocated by the executive for organic growth. The CROCC calculation can be reconciled as follows:

	30 December 2022 £m	31 December 2021 £m
Underlying cash generated from operations	**44.1**	88.3
Less:		
Maintenance capital expenditure	**(24.4)**	(17.6)
Net finance costs paid	**(27.8)**	(28.2)
Tax paid	**(2.3)**	(17.7)
Cash Return	**(10.4)**	24.8
Property, plant and equipment	**231.6**	242.1
Trade receivables: at-need	**16.7**	15.2
Inventories	**7.9**	8.6
Less:		
Trade payables	**(11.1)**	(9.3)
Core Capital	**245.1**	256.6
Cash Return on Core Capital (per cent)	**(4.2)%**	9.7%

(j) Cost to deliver a funeral
The cost to deliver a funeral is calculated by taking underlying overheads before IFRS 16 divided by the number of funerals performed. The calculation can be reconciled as follows:

	30 December 2022	31 December 2021
Number of funerals performed (number)	**77,000**	79,200
Funeral services underlying revenue (£million)	**176.4**	201.9
Less: Funeral services underlying operating profit before depreciation and amortisation (£million)	**(29.9)**	(67.6)
Add back: Impact of IFRS 16 (£million)	**8.9**	9.4
Funeral services underlying overheads before IFRS 16 (£million)	**155.4**	143.7
Cost to deliver a funeral (£)	**2,018**	1,814

(k) Contribution per branch

The contribution per branch is calculated by taking underlying operating profit before depreciation, amortisation and IFRS 16 divided by the number of funeral branches. The calculation can be reconciled as follows:

	30 December 2022	31 December 2021
Number of funeral branches (number)	**725**	776
Funeral services underlying operating profits before depreciation and amortisation (£million)	**29.9**	67.6
Less: Impact of IFRS 16 (£million)	**(8.9)**	(9.4)
Funeral services underlying operating profit before depreciation, amortisation and IFRS 16 (£million)	**21.0**	58.2
Contribution per branch (£)	**28,966**	75,000

(l) Yield per crematorium

The yield per crematorium is calculated by taking underlying operating profit before depreciation, amortisation and IFRS 16 divided by the number of crematoria locations. The calculation can be reconciled as follows:

	30 December 2022	31 December 2021
Number of crematoria locations (number)	**46**	46
Crematoria underlying operating profit before depreciation and amortisation (£million)	**47.5**	54.5
Less: Impact of IFRS 16 (£million)	**(2.8)**	(2.7)
Crematoria operating profit before depreciation, amortisation and IFRS 16 (£million)	**44.7**	51.8
Yield per crematorium (£)	**971,739**	1,126,087

Forward-looking statements

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

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

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

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