DIGNITY PLC

Driven by principles
Delivering on our strategy

Dignity plc Annual Report and Accounts 2022

Who we are

Dignity plc is one of the UK's largest national providers of end-of-life services and funeral plans, with a national network of 725 funeral branches, 46 crematoria and 28 cemeteries.

Our customers are at the heart of what we do and we help them to say goodbye, to remember and to celebrate the life of those lost. We listen, understand their wishes and offer enhanced choice and value for money to meet and exceed their expectations.

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

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"Dignity's vision is to be the most trusted, respected and valued end-of-life service provider in the UK."

We care for people who have died and, in equal measure, those they leave behind.

Dignity is a federation of local businesses, bound together by common principles and standards of caring and professionalism.

At the heart of our organisation is a core purpose to help people say goodbye, to remember and to celebrate the life of loved ones they have lost.

We help people to plan ahead for their own funeral with a market-leading product that offers flexibility and choice so that their wishes are clearly articulated, giving them peace of mind.

The way that people mourn is changing, as is the type of funeral they want to pay tribute to their lives. Our new strategy helps us to better serve the changing needs of the bereaved and provide support to a greater number of people.

Our purpose

To be a trusted specialist and compassionate friend, helping families to say goodbye and celebrate those they have lost.

Our vision

To be the most trusted end-of-life service provider, and the most inspirational and rewarding employer for those who serve this goal.

Our Guiding Principles

Our Guiding Principles are born out of an instinctive desire to care: for families, our people, our communities, our investors and the planet.

We serve families
We exist to serve the families of our communities, with sensitivity, quality of service and excellent value for money.

We are only as good as our people
We celebrate our rich diversity, nurturing talent and investing in our people to be the best they can be.

We act with integrity
We do the right thing for our clients, always, and treat them as we would want to be treated if bereaved ourselves.

We innovate and we learn
We never cease to innovate, always asking "how can we do even better?"

We celebrate life
We help our families to celebrate a loved one as well as grieve for them.

We value humility
We strive to be modest and selfless, and put this at heart of our care for clients.

We care for our community
We have strong roots in our communities, often generations deep, and contribute to local life, initiatives and charities.

We are good stewards of our owners' capital
Our goal is to create long-term value for shareholders, allocating capital wisely and reporting with transparency.

We aim to contribute to society
We use our experience to lead and educate, and we welcome regulation that raises standards.

We treat our partners and suppliers as family
We focus on building mutually rewarding relationships, based on respect, integrity and fair dealing.

We respect our planet
We will research and adopt ever-more sustainable practices to become net-zero in our impact by 2038.

We think and act long-term
Every strategic decision we make is designed to shape an enduring business for years to come.

From Cornwall to the Highlands of Scotland, and from Belfast to Norwich, our local businesses serve their communities backed up by the strength of a national organisation. We aim to bring the benefits from our significant scale, knowledge, experience and heritage to all our businesses and leverage our procurement advantages.

We seek to serve all end-of-life needs and are uniquely placed to do that.

We believe this model will be successful because it is centred around our clients and their needs, with service delivered by dedicated, professional and caring people who want to make a difference.

Our strategy

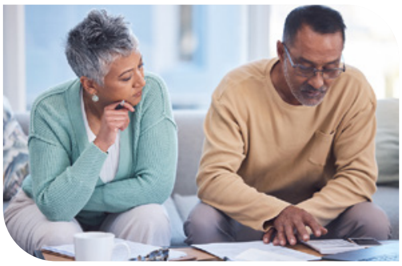
There are four pillars to our strategy:

1

Creating the best proposition, built on having the right people, pricing, products and resources;

2

A customer-centric culture, in a learning organisation that embeds good values;



3

An effective customer acquisition strategy, aligned to our best proposition; and

4

Leveraging the benefits of our scale and breadth.

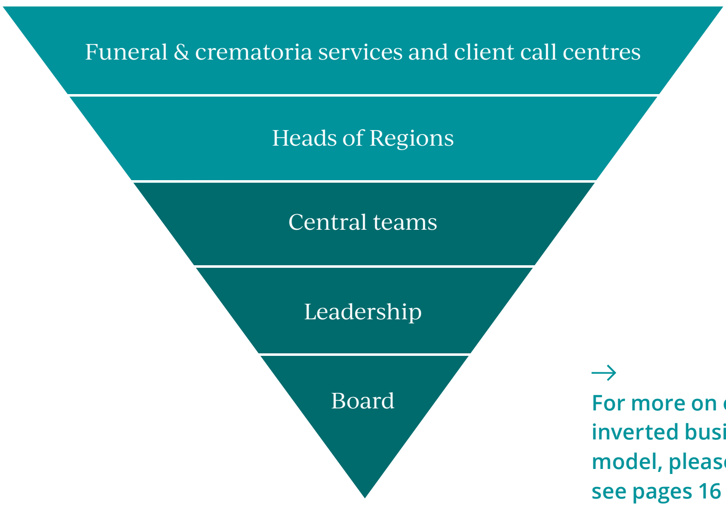
→ Find out more on our strategy on pages 18 to 23.

Our inverted structure

We see ourselves as primarily a federation of local businesses, supported by the strength and resources of a national network.

Our local customers want and need the support of people who know the local area and its customs, faiths and traditions.

Over the past year, we have been supporting and encouraging our local Business Leaders in local decision-making and the development of those businesses, with the support of our regional and central structure.



→ For more on our inverted business model, please see pages 16 and 17.

A unique suite of services

Dignity is unique in our ability to provide all the elements of a funeral and look after families throughout their journey whatever their needs.

Funerals

This part of our business serves virtually every major town and city, including multiple branches in major conurbations. Each business is typically led and staffed by local people whose area knowledge is complemented by continual training and the support and expertise of our central colleagues.

Funeral plans

More than 300,000 people have entrusted their funeral in the future to Dignity by purchasing a Dignity Trust funeral plan. In 2022 Dignity prepared for, and gained, full authorisation to market funeral plans under rigorous new industry regulation by the Financial Conduct Authority ('FCA'), which we have long called for and welcome.

This cleared the way for us to launch a first-of-its-kind plan that means customers can specify every detail of a funeral, from particular music and specific flowers to military flags, classic cars, hilltop locations and all kinds of special requests that have personal resonance.

Crematoria and cemeteries

Dignity operates 46 crematoria and 28 cemeteries. These beautifully kept properties and grounds enable families to reflect in a welcoming and tranquil environment. We offer various cremation, burial and memorialisation options across our Group, each arranged with care and pride.

Memorials

Each of our crematoria offers a dedicated Memorial Consultant, who can advise on all kinds of customised services, including headstones, plaques, urns, and memorial jewellery and other mementos.

Dignity in numbers

£270.5m
(2021: £312.0m)
Underlying revenue

£17.9m
(2021: £55.8m)
Underlying operating profit

£(10.1)m
(2021:£26.8m)
Underlying (loss)/profit before tax

£(17.7)m
(2021: £68.3m)
Cash (used in)/generated from operations

£323.1m
(2021: £353.7m)
Revenue

£(201.1)m
(2021 restated: £19.5m)
Operating (loss)/profit

We are confident that as our new strategy beds in the business will grow, increasing its market share and profitability.

We aim to position Dignity as 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 for the best prices.

Strategy is important in delivering business growth, but we believe that having the right culture is the catalyst of successful delivery. Our Guiding Principles are bringing about a culture change in our organisation, where the business is effectively inverted to give local colleagues, with our guidance, more decision-making.

Every strategic decision we make is designed to shape an enduring business for years to come. We allocate capital wisely, organise ourselves prudently, spend money wisely and report accurately and honestly.

Market position

Dignity is the only end-of-life provider in the UK that is positioned to provide every element of a funeral: from designing funeral plans to receiving the deceased; to the funeral service, burial or cremation; to owning and operating crematoria and cemeteries; to producing coffins and providing memorial gravestones and plaques.

The thread that runs through all our operations is a core purpose to help people say goodbye, and to remember and celebrate the life they have lost. The way that people mourn is changing, as is the type of highly personalised funeral they wish for. Dignity's new strategy better serves their changing needs and provides support to a greater number of people.

What we do

We offer unique and flexible funeral plans, enabling customers to design and customise funerals down to the finest personal details, and pay for their funeral in advance. We welcome recent regulation by the FCA that has brought greater protection and peace of mind to customers.

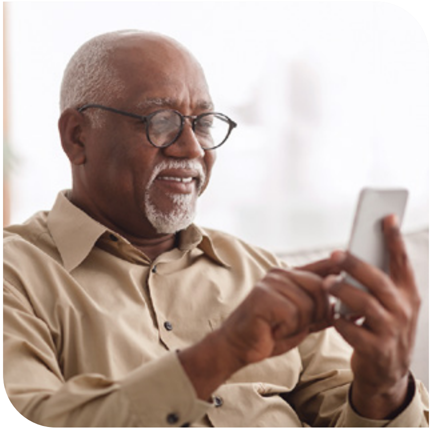
618,000 people have entrusted their funeral in the future to Dignity and we have £1 billion of customer assets held in trust. 344,000 are customers who have purchased or transferred to a Dignity funeral plan, 45,000 plans were acquired through acquisitions and 229,000 people have named a Dignity Funeral Director on their life insurance policy.

From our network of 725 branches, we help families arrange funerals when someone has passed away and we care for their loved ones with compassion and to meticulous standards. Many of our businesses trade under established local names and have been serving their local communities for generations.

We operate 46 crematoria and 28 cemeteries, providing a place of tranquillity where mourners can remember and say goodbye to loved ones.

We also own our own coffin manufacturing facility in East Yorkshire and offer a broad range of personalised memorial options.

Significant growth opportunity



We are confident our new strategy will drive business growth and profitability, as we increase market share through competitiveness and the strength of our local brands.

It is through the ongoing dedication of our people, our integrity and our meaningful contribution to society that we will ensure we fulfil our purpose and potential.

A sustainable approach

We are committed to protecting our planet, and this is one of our Guiding Principles. The end-of-life sector, as a provider of a key public service, has an important role to play in minimising the impact on our environment.

We embrace the responsibility and have set a high bar in adopting exacting sustainable practices in our funeral, crematoria and manufacturing operations.

Indeed, we were the first business in our sector to pledge to be net-zero, in our case by 2038.

Experience and professionalism

The commitment and expertise of our colleagues are the keys to our success. Almost half of our people have gained more than five years' experience with the Company, and almost a third have served for 10 years or more.

The recent Board and senior appointments are adding to the wealth of skills and experience within the business.

We expect to add to these skills in 2023.

We conducted
77,000
funerals in 2022

We serve the UK from a network of
725
funeral branches

We performed
75,500
cremations in 2022

We operate
46
crematoria

We manufacture more than
72,000
coffins annually

We have
618,000
active funeral plans

£1bn
of funeral plan customer assets are held in trust

We have
3,500
permanent employees

We target being net-zero across the Dignity network by
2038

49%
of people at Dignity have over five years' experience with the Company

We can be very proud of our progress in 2022.

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 of 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, 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 on pages 63 to 68.

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.

→ For our full ESG report, please turn to page 32.

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

A new **principled** approach

"Our most significant move during 2022 was to turn our business upside down."

KATE DAVIDSON, CHIEF EXECUTIVE OFFICER

Kate Davidson
Chief Executive Officer

It is a pleasure to bring you my first CEO review since taking on the role in June 2022.

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.

→ **For a full briefing on our strategy, and how it is translating into action, please see pages 18 to 23.**

'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.

→ Please see our dedicated ESG section on pages 32 to 46.

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

618,000
(2021: 581,000)
Active pre-arranged funeral plans

£1.0bn
(2021: £1.1bn)
Assets held in the Trusts

"We were the first end-of-life service provider to pledge to be carbon neutral, in our case by 2038."

Q&A

Kate Davidson has held a variety of roles and spent all of her career in our sector. In July 2022 she became Dignity's CEO.

Q Kate, you took up the reins as CEO halfway through 2022. Tell us a bit about yourself.

A Although I'm relatively new to this role, I know the Company very well and have a passion for what we do. I joined Dignity in 2011, and over the next eight years worked in most of the customer-facing and office roles, in particular in crematoria and memorialisation.

Q And what drew you to the sector in the first place?

A It was a happy accident, to be honest. I did a law degree and soon after graduating did some admin work for my local authority's bereavement services department. Literally within a day I was struck by how special and how unique this sector is. You get the chance to make a real difference to people at such a difficult time in their lives. I'm passionate about it – so much so, I've never worked in any other sector.

Q And always with Dignity?

A Actually, not quite. Following my MBA, I felt the time was right to broaden my experience and understanding of other businesses, so I decided to join a competitor. This gave me some valuable critical distance to see how things could be refocused at Dignity into something very exciting. So, when the opportunity came to return, I jumped at it.

Q What was your priority when you took on the CEO role?

A In essence, the onus on Dignity is not just to talk about being the market leader, but actually to become that leader in everything we do. And that has demanded not just an evolution of our business but a degree of revolution as well.

Q And where do you start to make that happen?

A It all starts with the customer. We have a wonderful heritage – you know, one of our firms may well have conducted the funeral of your great grandparents. But we have also been among the highest priced, and with a confusing array of literally hundreds of brands in our portfolio. So, the first task has been to look at ourselves through the lens of our customers and become more accessible and understandable.

In turn, this also means making ourselves much more local. There are vastly differing social, economic, religious and cultural dynamics at play in the UK, and the people who know them best aren't in head office. So, we've devolved significant decisions to our brilliant people on the high streets. And that's exciting and motivating for them, and for us.

Q By the close of 2023, what do you hope to be reporting?

A I want to report how the green shoots of potential that we see now have grown into meaningful branches that requires our local focus to generate a higher market share. I want to be seeing the fruits of an inspired marketing campaign for our ground-breaking new funeral plan; and that we have embedded a new range of quality standards across the business.

I also want to see our full spectrum of stakeholders, from our workforce to our shareholders, completely getting our vision and seeing tangible progress towards it.

> "We have a wonderful heritage – we may well have conducted the funeral of your great grandparents."

Around the UK, our markets vary considerably – even unrecognisably – from one region to another.

That's why the best people to make local decisions are our local Business Leaders.

We equip them with the support they need, and look to them to deliver targeted market share and margin growth through local strategies.

Making sense of our brands
This local focus started with the 500 or so high street brands we were using. Across the same number of branches, we plan to slim down the roster to the most respected local trading names.

These critical decisions have been taken, as they should be, at a local level.

Empowering our people
Local empowerment has also unearthed all kinds of talents, from photography and social media, to identifying local sponsorships, to brand ambassadors reaching out to community groups, religious leaders and other opinion formers.

Our teams look on their branches as their own, creating even more pride and entrepreneurship.

Developing people and careers
In 2022 we brought colleagues closer to their career development, with more one-to-one reviews, objectives and guidance.

This will help us to attract new talent – and retain it. We're proud that 49 per cent of our people have been with us for five years (or many more) and we want to share what a fantastic employer and business Dignity is with even more excellent people.

"We ask ourselves: what would we want for our own loved ones? And then deliver nothing less."

SHAUN MOODY, FUNERAL DIRECTOR

Our business model shows how we translate our wide-ranging resources and carefully built relationships into long-term value for all our stakeholders.

Our resources and relationships

Our people and culture

Great service comes from great people who are aligned to a single purpose of delivering the highest quality and standards, with choice and flexibility, and the best value for money for our customers.

Our people have the freedom to innovate and make local decisions autonomously within defined parameters, in order to meet the needs and wishes of our clients and communities.

Our depth and breadth of services

We are the only end-of-life provider in the UK that is uniquely positioned to provide all the required elements of a funeral:

- We offer customers funeral plans with industry-leading levels of personalisation and the facility to pay for their funeral in advance.
- From our own network of funeral branches, crematoria and cemeteries we are uniquely placed to help families to say goodbye in their particular desired way.
- We offer a range of personalised memorial options and manufacture the majority of our own coffins at one of the most advanced and efficient sites in the UK.
- Our fleet of almost 1,000 hearses, limousines and private ambulances supports around 200 funerals nationwide every day.

Our suppliers and partners

We have long-standing relationships with our suppliers. Our dealings with them are based on mutually beneficial partnerships, integrity and loyalty. We also work closely with local authority partners, public sector contract managers and funeral plan partners.

Our operating network

We own an extensive operating network of 725 funeral branches, 46 crematoria and 28 cemeteries across the UK. This means we can gain economies of scale in the plant, materials, services and utilities we buy, and deliver excellent value to our customers.

What we do

Arranging and conducting funerals

From our network of branches, we help families create a highly personalised funeral and care for those who have died respectfully, compassionately and to a meticulous standard. Many of our businesses trade under established local names that have been serving their communities for generations.

Memorial services

Dignity's memorial specialists advise on many options available to families to help remember their loved one. Our services range from scattering their ashes in a purpose-designed area, or an entry in our Book of Remembrance, to a private garden with a uniquely designed, ornate memorial.

Crematoria
We operate crematoria located within carefully landscaped gardens of remembrance. Our facilities include comforts and services that mourners now expect, including state-of-the-art audio-visual tribute equipment to truly personalise a farewell. We also invest in the latest energy-efficient cremator technology that complies with all current environmental legislation.

Cemeteries
We manage 28 cemeteries throughout the UK. They are located close to the heart of their local communities and provide a place of peace where mourners can remember and say goodbye to loved ones.

Coffin manufacturing
Dignity's own manufacturing facility in East Yorkshire produces the majority of coffins required by our business. The range includes solid oak, foil and veneer coffins but we also produce bespoke coffins, created by hand to any specification.

Fleet
We have a fleet of chauffeur-driven hearses and limousines to transport the coffin, family and friends to the funeral safely and on time. We can also provide horse-drawn hearses, motorcycle hearses, fire engines and camper vans to be a focal point of the service.

The value we create for our stakeholders

We are a sustainable business that strives to create the best outcomes for our stakeholders by responding to the changing needs of our customers, communities, suppliers, partners and people.

Our people
49 per cent of permanent employees at Dignity have over five years' experience with the Company.

49%

Our clients
99 per cent of our clients said we met or exceeded their expectations.

99%

Our communities and charities
During 2022, over £830k was donated to charity through Dignity's participation in the Crematoria Metal Recycling Scheme.

£830k

Our shareholders and bondholders
At the meeting for bondholders convened in respect of an Extraordinary Resolution to sanction certain covenant waivers, the resolution was duly passed with 95.19 per cent of the votes being cast in favour.

95.19%

The way that people mourn is changing, as is the type of funeral they want

Creating the best proposition, built on having the right people, pricing, products and resources

Dignity brings together quality, in quantity. Our unique federation of local specialists spans the whole of the UK and draws on literally generations of skills and goodwill. Our oldest firm started serving its community more than 210 years ago.

But we are very much a future-focused provider of our time, looking to the next generation of funeral technologies and electric vehicle fleets; gauging competitive pricing based on local intelligence; and launching market-leading and regulated funeral plans.

→ See Strategy in action on page 20

A customer-centric culture, in a learning organisation that embeds good values

Every action and investment decision we propose needs to answer two questions: how does it make our customer experience even better, and is it sustainable?

To reinforce this, our new Guiding Principles set out our culture: the 'how' and 'why' we go about every day, for those customers, communities, our own colleagues and the planet. They are underpinned by a wealth of learning and development opportunities, both classroom based and online, to help us raise our game with each passing year.

→ See Strategy in action on page 21

They also buy funeral services differently and our four-pillar strategy is designed to meet these evolving needs, reliably and sustainably.

For many, online is often their first port of call and they will shop around to compare and contrast. Others prefer to visit, or be visited by, a local funeral professional they have known or seen for many years, for a personal consultation.

Either way, as they set about creating the perfect send-off, they look for empathy, guidance and sure-footed experience.

3

An effective customer acquisition strategy, aligned to our best proposition

In an increasingly electronic world, Dignity has evolved with digital tools, websites and social media, but coupled with the reassuring presence of traditional funeral branches in almost every major city and town.

We also operate an active programme to reach opinion-formers such as community groups, religious leaders and local charities.

Equally, word of mouth from satisfied customers, and loyalty passed from one generation to the next, remain critical to our business, and we seek to earn it at every customer touchpoint.

→ See Strategy in action on page 22

4

Leveraging the benefits of our scale and breadth

Every year we make multi-million-pound investments in energy procurement, vehicle fleets, digital marketing, facilities, technology, property, learning and development, regulatory compliance and every other critical component of a growing UK-wide enterprise.

We seek to:

- Leverage our considerable strength, to gain even better value for our spend;
- Share and benefit from pooled knowledge;
- Be the focus for world-class vendors;
- Excel in learning and development and spread common standards of excellence; and
- Minimise our impact on the environment as we target becoming a net-zero business by 2038.

→ See Strategy in action on page 23

Our 2022 strategic achievements

1

Creating the best proposition

What we've done

- Invested £24.4 million in upgrades across our properties, operations including £4.0 million to upgrade our hearses and limousines.
- Major £1.0 million investment to dramatically transform cemeteries in Rotherham, including better drainage and resurfacing of driveways and paths to improve access and appearance.
- Achieved full authorisation from the FCA and launched a first-of-its-kind funeral plan product that offers market-leading flexibility and choice.

What's next

- Planned investment of approximately £5.0 million in new crematoria technologies.
- A marketing campaign for pre-arranged and at-need funerals, building on the strengths of our brands and offering a compelling proposition.
- First electric vehicles arriving summer 2023.
- Continuing investment programme in property, vehicle fleet and energy efficiency.
- Ensuring readiness for further FCA and CMA requirements.

Looking to the future

Many of our firms are among the oldest names on their high streets.

These brands become a comforting symbol of experience and continuity, so as we set about refreshing our local branding it is crucial this heritage is sensitively respected. It is also paramount that we are seen to be industry leaders and that our businesses look to the future and innovations in the end-of-life sector.

Just one example of this is Ginns & Gutteridge, a prominent name in end-of-life care in Leicester for over 120 years. Our central creative brand team, working closely with the local Business Leader and his colleagues, created an evolved brand identity that is rooted in the firm's history.

With a bespoke font, inspired by historical Ginns & Gutteridge branding and a fresh take on colourways, using a traditional navy and a modern pop of coral, the brand now welcomes families into their newly refurbished branches.

From new client literature to a brand new website and interior design, every touchpoint presents a consistent new face to the local communities.

2

A strong, client-centric culture

What we've done

- Continuing our local empowerment programme at branch level for even better customer experiences.
- In 2022, our Academy knowledge and training portal:
  - was accessed by over 4,000 staff;
  - delivered 80,000+ hours of training;
  - received 270,000+ visits; and
  - offered training ranging from FCA rules and helping vulnerable customers, to virtual workshops and menopause awareness in the workplace.
- To support skills development, we have apprenticeship programmes covering different areas of expertise from funeral operations, horticulture and manufacturing through to customer service and leadership.
- Dignity Guiding Principles launched, guiding our care for customers, colleagues, communities, investors and the planet.

What's next

- Continuing local empowerment of branch network.
- Continuing to embed our Guiding Principles.
- Developing our people to help them achieve their potential and maintain our quality and standards.
- Implementing and continually improving our Standard Operating Procedures to ensure we provide the highest standards of care to our clients and those they have lost.

The people factor

The idea of transferable skills from one sector to another is familiar enough – but would you imagine many bank advisers being future funeral directors in waiting?

Martin Saunders thinks so, because the common link here is communicating with families and identifying needs.

Martin had been a financial adviser with one of the biggest mortgage lenders, but a chance encounter with a local Dignity firm got him thinking. And it led to a new career being 'front of house' caring for newly bereaved families, alongside all the organisational skills that come with the role. He found he loved it and could make a real difference. Of course, there were tough times. He recalls: "I remember directing a funeral of a 13-year-old girl. My son was the same age."

He has since taken a promotion as a Business Leader, managing a team of six at one of our crematoria. He says: "It's a beautiful site of six acres, and you are literally running a business."

He recently found a way to create 17 new plots on the site, and is encouraged to come up with new ideas. Recently, this included a new water feature to give a calming point of focus for mourners, and a drone to capture aerial photography of this and the Group's other sites.

Our 2022 strategic achievements *continued*

3

Customer acquisition

What we've done

- Simplification of consumer brands in the Dignity portfolio.
- Grown funeral market share from 11.8 per cent to 11.9 per cent.
- Grown cremation market share from 11.3 per cent to 11.8 per cent.
- Launched a phased refreshment programme for premises, websites, stationery and interior design.
- Launched a communications toolkit for local Business Leaders to develop effective community relationships.
- Stepped in to support 38,000 'stranded' funeral plan customers, and performed approximately 650 funerals, due to other providers exiting the market following new FCA authorisation rules.

What's next

- Focus on local communications strategy to reach opinion formers and introducers, e.g. community groups, religious leaders and local community groups.
- Launch of marketing campaign to promote Dignity's innovative funeral plan to fully personalise funerals.

Our local experts, empowered

From deep into Cornwall, to Northern Ireland, to the Midlands and up to Aberdeen, our network of funeral firms spans vastly differing local traditions, religious customs and non-faith preferences.

It's only logical, then, to devolve more decision-making to the local people you'll meet in our branches. In 2022 we created a new role: Business Leaders who can act within defined parameters to take locally driven decisions and activity.

Craig Stephenson brings 27 years' local funeral knowledge and is responsible for four branches in and around Hull.

He says: "Working with the central marketing team, we've advised on renaming our three different brands in the city into one. We're also responsible for our own social media, identifying good local community sponsorships and engaging with influencers such as community groups, religious leaders and local charities. The move has given my teams a real pride because they're not only working in the business but helping to shape and grow it."

Making age and gender irrelevant

Some people defy stereotypes, and Victoria Millross, one of our Funeral Directors in the Cotswolds, is certainly one.

She joined us seven years ago and found she was the only female funeral operative working with us in her county. Things were different then: our sector was largely male dominated, yet today the gender balance of Victoria's team is about 60/40 female to male. Indeed, across the whole of Dignity there are now more women (55 per cent) than men (45 per cent).

Victoria joined us at just 21, after sadly losing a young relative and taking a deep interest in the funeral that followed.

Today, Victoria has risen to the role of Funeral Director, and her natural curiosity has served her well. She says: "I love learning new things and have worked in pretty much every function: from the back office admin and legal paperwork, to getting very involved with providing support to the families."

And the learning continues: Victoria is also the only member of her team permitted to offer Dignity's new funeral plan, following re-training to meet the rigorous new FCA regulations.

4

Gaining benefits of scale and breadth

What we've done

- Consolidating our supplier base and leveraging greater buying power.
- Implemented new Proactis supplier management system, giving greater visibility over synergies and potential benefits of scale.
- New Procurement Policy published.

What's next

- All procurement over £50 thousand to be designed and assessed by specialist procurement consultants.
- All contracts to protect Dignity and our customers with mitigation against price increases and inflation.
- All our suppliers will be required to commit to our ESG agenda.

Invested in properties, operations and fleet

£24.0m

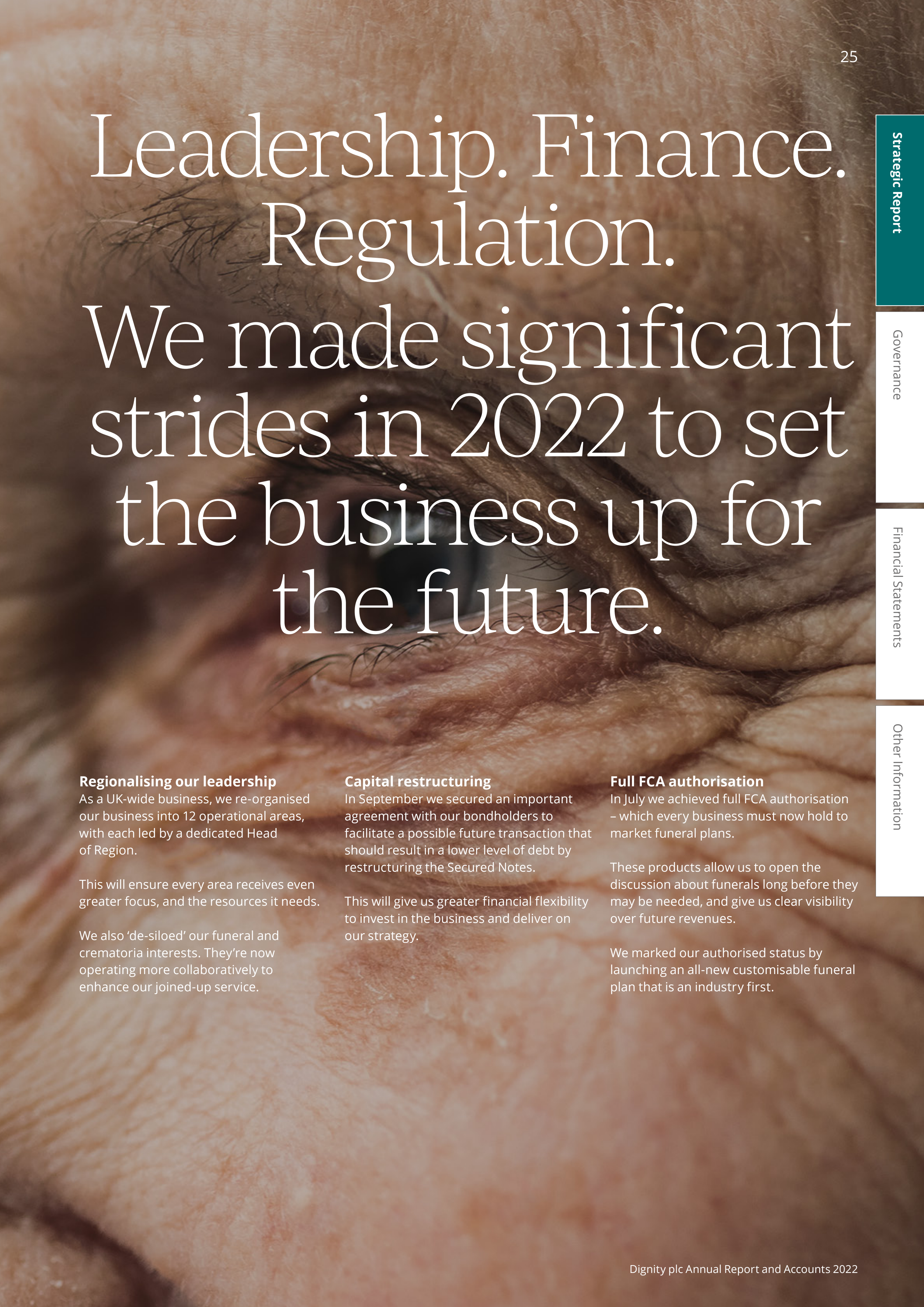
Planned investment in crematoria

£5.0m

EMPLOYEE VOICE

"A clifftop location, a multi-faith celebration, a colliery brass band – we aim to make saying goodbye more personal than it's ever been."

JANET RATHBONE, AUTHORISED FUNERAL PLAN CONSULTANT



Leadership. Finance. Regulation.

We made significant strides in 2022 to set the business up for the future.

Regionalising our leadership
As a UK-wide business, we re-organised our business into 12 operational areas, with each led by a dedicated Head of Region.

This will ensure every area receives even greater focus, and the resources it needs.

We also 'de-siloed' our funeral and crematoria interests. They're now operating more collaboratively to enhance our joined-up service.

Capital restructuring
In September we secured an important agreement with our bondholders to facilitate a possible future transaction that should result in a lower level of debt by restructuring the Secured Notes.

This will give us greater financial flexibility to invest in the business and deliver on our strategy.

Full FCA authorisation
In July we achieved full FCA authorisation – which every business must now hold to market funeral plans.

These products allow us to open the discussion about funerals long before they may be needed, and give us clear visibility over future revenues.

We marked our authorised status by launching an all-new customisable funeral plan that is an industry first.

Our approach to stakeholder engagement

The Board regards considering stakeholders' views as a fundamental component of its decision-making process.

Regular and meaningful engagement leads to a free flow of knowledge and perspectives, builds trust and is key to delivering Dignity's strategy in a way that benefits every stakeholder. Underpinning our stakeholder management and engagement processes are our Guiding Principles, which define the values that shape our culture.

Stakeholder engagement takes place both directly and indirectly. For shareholders, activities are overseen by the Board and led by the Chief Executive Officer and Interim Chief Financial Officer.

In 2022 we began a project to evaluate Dignity's external reputation and better understand the priorities of our key stakeholders. This research includes in-depth interviews with politicians, trade bodies, charities, consumer groups and religious leaders. It explores their perceptions of Dignity, the sector and key issues; their attitude towards our communications and engagement and their expectations for the future.

Section 172(1) statement

Section 172(1) of the Companies Act 2006 imposes a general duty on every company director to act in a way that promotes the success of the company for the benefit of shareholders as a whole. In so doing, the company must have regard to wider expectations of responsible business behaviour, such as having due regard to the interests of, and actively engaging with, its employees; the need to engage and foster business relationships with suppliers, customers and others; the need to act fairly as between members of the company; the likely consequences of any decision in the long-term; the desirability of maintaining a reputation for high standards of business conduct; and the impact of the company's operations on the community and the wider environment.

The Directors continue to have regard to the interests of the Company's stakeholders, in accordance with s172 of the Companies Act. This statement explains how the Board has engaged with stakeholders during 2022 and actions taken to address stakeholder priorities during the year. On pages 90 and 91 we have set out examples of key decisions made by the Board and provided further details about the decision making process.

Key stakeholder groups

Clients

Partners and suppliers

Why we value them

Clients

Clients, families and communities are our raison d'être, and we exist to meet all their end-of-life wishes and needs. We listen, advise and organise while acting with sensitivity and empathy.

Partners and suppliers

We focus on building long-term, collaborative relationships with our partners with the clear aim of achieving mutually beneficial goals.

Our suppliers play a crucial role in ensuring that we can deliver the best possible service to our customers, by providing goods and services on time, and in line with agreed requirements.

How we engage

Clients

We engage and interact with our clients in whichever way they feel comfortable, at what is clearly a difficult time for them. We interact through our branches, phone, online and visits to their home.

Some time after a funeral, and while naturally exercising all respect and tact, we invite families to respond to a survey.

We are pleased that many are happy to respond, and their feedback is key to evaluating our performance and finding any areas where we can improve.

We monitor these results and act on any valuable learning. Satisfied clients, and the word of mouth they may pass to others, is central to the future growth of our business.

Partners and suppliers

Our Procurement Policy sets out the processes that Dignity colleagues should follow in managing suppliers and procuring their goods and services.

We engage with our suppliers primarily through regular supplier management meetings and annual reviews to ensure that relationships are working well. We monitor product quality and service levels to ensure they meet our contracts, and provide value for money.

In 2023, our suppliers are due to be onboarded into our new Proactis supplier management system, which will give us even greater visibility and governance on all aspects of supplier management, from contracts to meeting minutes. We will also be implementing a new suite of supplier questionnaires to align supplier goals with our own, and to integrate Dignity's Guiding Principles across our supply chain.

2022 highlights

Clients

- We provided an even greater choice of services and value for money.
- We introduced a first-of-its-kind funeral plan product, authorised under new FCA regulation, that offers market-leading flexibility and choice.
- Local operational colleagues are now empowered to make decisions that deliver an even more positive experience and outcome for clients.
- 99.9 per cent of respondents to our client survey said that our colleagues were respectful and 99.0 per cent said that we met or exceeded their expectations.

Partners and suppliers

- We implemented Proactis, our new supplier management system, which hosts our contracts repository and supplier management portal.
- We rolled out of a new Procurement Policy in line with our recent business changes to support our local empowerment culture.
- We tightened governance by implementing standardised contracts across our supply chain.
- We are embedding our ESG commitment in our tender and procurement process to put sustainable sourcing at the heart of everything we buy.
- We are continuing to nurture our collaborative relationships, resulting in a better quality of supplier service.

Colleagues

Our people are special in the service they give. They are drawn to our purpose, caring for the families we look after, and indeed each other. We work in teams and act like a family. We embrace our diversity, celebrate our differences and help each other grow.

We engage with our employees and gather feedback through meetings, employee surveys, our internal news communications, monthly town halls and Company-wide emails. We also use the Slack platform as a catalyst for greater collaboration and communication.

We also engage through The Dignity Team Forum, a group of employee representatives and a conduit for ideas and feedback that enables everyone to play a part in shaping the future direction of our business.

During 2022 we also provided the opportunity for colleagues to have face-to-face engagement with the leadership team at regional roadshows.

- We introduced the real Living Wage.
- We improved rates of pay for key operational roles.
- We are introducing performance reviews against defined objectives.
- We have developed our Wellbeing programme.

Investors and bondholders

We allocate capital wisely, organise ourselves prudently, spend money frugally and report accurately and honestly.

We engage with investors throughout the year via our regulatory reporting, including the Annual Report and Accounts, our Half and Full Year results, trading Updates, personal conversations and our Annual General Meeting.

We have also engaged with shareholders as part of the takeover bid process.

- We met with our bondholders and obtained their support for a temporary waiver of the financial covenant in relation to the Group's debt obligations under the Group's Secured Notes. Furthermore, bondholder consent was obtained to commence a capital transaction to inject a minimum of £70.0 million into the Securitisation Group to partially repay some of the Class A Notes.

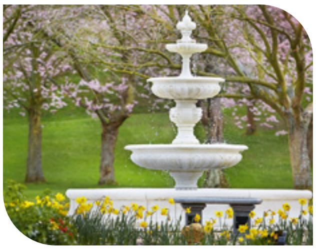
Regulatory authorities

Our aim is to support sustainable business growth. We are fully committed to the development of regulation in all aspects of our industry, to serve customers better and strengthen trust in our sector.

We have worked closely with the CMA and the FCA in implementing changes to our pricing, launching competitively priced products and preparing for regulation of the funeral industry.

- We achieved FCA-authorised status to continue offering funeral plans.
- We launched our new funeral plan, the first of its kind in the sector.
- We have helped 38,000 customers by offering them a replacement Dignity funeral plan, where the previous providers did not achieve regulation.
- We submitted our first annual compliance statement to the CMA.
- The Board gave approval for the project to plan for the FCA's Consumer Duty requirements.

Communities and the environment



Almost all our colleagues come from the communities they serve and take a home-grown pride in serving them. Dignity is a federation of local businesses that aims to contribute to local life, from education and support on end-of-life matters, to wider community initiatives and charity work.

We engage with local communities through playing our part with special events, hosting open days, volunteering, communal celebrations and supporting locally focused charities.

We're also proactive in environmental initiatives. We team up with local authorities and the community at large on local projects while also monitoring that we comply with legislation and best practice.

- We defined our corporate target to become a net-zero business by 2038.
- Our electricity supply is now 100 per cent renewable.
- We organised numerous Christmas memorial services to help families remember loved ones.
- We donated over £830 thousand, shared between multiple charities and important projects, by participating in the Crematoria Metal Recycling Scheme.

We regard upcoming government requirements as just the starting point: our framework is designed to surpass them.

We are proud of how we care for our clients, but we are never complacent. We strive continuously to drive the quality of our products and services ever higher.

While we naturally comply with all required regulation, we look to go further: to drive forward positive change in the sector and lead the market with an unrivalled focus on quality, transparency and choice.

This demands investment in our people and facilities, and empowered colleagues who can make the right decisions to deliver the very best client experiences.

We also focus on how governance, compliance and risk management are implemented across our business. We regard government requirements as just the starting point, our framework is designed to surpass them, while setting raised standards for every operator in our industry.

Our ambitions to lead the sector

Dignity is developing a suite of new sector-leading policies and practices that will form our Standard Operating Procedures ('SOPs'). These will sit at the heart of everything we do regarding our care for clients and those they have lost. Our guidelines are continually reviewed, and evidenced by significant improvements in security and identification; access to premises and mortuaries; our Chapels of Rest Policy; care for the deceased; and all other important policies for both observed and unobserved procedures, with input from industry experts.

To define these new SOPs, each requires research into best practice across our business and the sector. The procedure is then shaped and reviewed by colleagues collaborating and then sharing across the business. Due to the scale of the task, we have launched the SOPs in phases to ensure each element is given the right degree of focus and priority.

We have also developed new guidelines to address vital health, safety and property compliance requirements. This has been tasked to a cross-section of colleagues from funeral and crematoria operations, property, health and safety, and learning and development, and given the full support for prioritisation and investment by the Board.

These investments, in time and expertise, will ultimately deliver what we call the Dignity Standard. This goal will be driven by our Heads of Region and Business Leaders, who have been empowered to identify where we can improve, and implement or procure a solution.

In the long-term, it is our aim that the Dignity Standard will become a byword for sector-leading excellence.

Regulation in Scotland

In 2023, new regulations for the funeral sector will become law in Scotland. We have been working closely with the Scottish Government to help develop those standards and to understand how they will be enforced.

The Burial and Cremation (Scotland) Act 2016 was passed by the Scottish Parliament in March 2016 and provides the statutory framework to issue the Code of Practice for Funeral Directors and to appoint Inspectors of Funeral Directors. This will be key to underpinning the statutory inspection of funeral businesses in Scotland once it comes into force later this year.

Preparing for, and achieving, FCA regulation

Funeral plans are popular financial products that enable people to arrange and pay for their funeral in advance. Indeed, Dignity holds funeral plans for more than 300,000 people. For many, they are the best way to fund their funeral and help families and individuals think openly about the funeral they would like.

On 29 July 2022, the selling of funeral plans reached a notable milestone when the FCA began to regulate the sector. From that date, only those authorised by the FCA were permitted to market and service these products.

With many funeral pre-arrangement companies coming under scrutiny in recent years, Dignity welcomed the arrival of regulation. It guarantees a consistent and trustworthy experience for funeral plan customers, and gives them greater protection when they buy a plan in one of our branches or activate it at the time of need.

In addition to formal FCA authorisation, a range of measures were introduced to tackle evidence of poor practice and mis-selling, while introducing greater protections for consumers should a plan provider fail.

The new requirements include:

- A ban on commission for funeral plan sales;
- A funeral will be provided on condition that instalments have been paid for at least 12 months;
- A requirement to be able to demonstrate fair value;
- Products must go through an approval process, including customer research;
- Current and legacy products must be reviewed at least once a year; and
- The FCA is enhancing its framework by introducing a new 'Consumer Duty' to all regulated firms over 2023 and 2024. This will require firms to focus on outcomes for clients and avoid foreseeable harm.

Within Dignity, we activated a significant programme of work to apply for the FCA authorisation to continue to offer these important products. We engaged with the regulator throughout the process, and fully support the framework it has implemented across the market.

We are pleased to confirm that Dignity's application was successful, and we achieved the necessary FCA-authorised status.

A key part of our new strategy is to maximise our scale and breadth as a Group, with the FCA rules acting as a catalyst for us to consider how we sell our funeral plans, directly and through our branch network. We see a clear benefit to the customer: we are a trusted, respected and regulated funeral plan provider that will also deliver their funeral to the highest of standards, and to their precise wishes, when the time comes. In this spirit, we stepped up and arranged funerals for plan holders of the now defunct Safe Hands group.

FCA regulation impacts almost every corner of our business, with FCA training mandatory for each of our colleagues participating in the development, marketing and sale of funeral plans.

Clear guidelines around how we operate also resulted in a new governance structure. Designed to increase focus on accountability and raise standards of professional behaviour, the Senior Managers and Certification Regime is considered to be the most significant piece of regulation for the funeral plan sector. We have appointed specially selected representatives accordingly, all of whom have gone through the FCA's rigorous checks.

The Consumer Duty

Although we have gained the status of an FCA-authorised firm, we must still be ready for any changes or additions to the Regulator's rules and respond accordingly.

One example is the Consumer Duty, which comes into force in July 2023, it sets higher and clearer standards of consumer protection across financial services, including funeral plans. It consists of a new overarching consumer principle, three new rules and four expected consumer outcomes.

The consumer principle states that a firm must act to deliver good outcomes for retail customers. The rules require firms to act in good faith, avoid causing foreseeable harm and enable/support customers to pursue their financial objectives. Outcomes involve ensuring customers receive communications they can understand, products and services that meet their needs and offer fair value, and the support they need, when they need it.

In October, the Board approved our Consumer Duty implementation plan. Independent Non-Executive Director, Kartina Tahir Thomson, has agreed to take on the role of Consumer Duty Champion.

Actions required to meet these outcome rules, and to assess how to align our processes, are under way and will be completed by July 2023.

CMA implementation and compliance

In March 2019, CMA launched a market investigation into the funeral sector, with its Final Decision Report published in December 2020.

It identified a need for change, and set out a range of price transparency and service information requirements that all funeral directors are obliged to follow. The remedies set out by the Regulator include standardised price information for a core set of products offered by funeral and crematoria providers across the UK.

In April 2022, we submitted our first Annual Compliance Statement to the CMA, confirming that we were still adhering to these requirements.

In seeking assurance for our compliance statement, the process highlighted a number of areas where we could improve to help both our front-line operational colleagues and those in Central Services who assist behind the scenes. Since then, the CMA has stated it intends to review the effectiveness of its remedies and we've been looking at the various processes involved and finding ways to make them easier and more efficient.

"Although we have gained the status of an FCA authorised firm, we must still be ready for any changes or additions to the Regulator's rules."

Our profession is a vocation. We're inspired by the sense of purpose it brings, caring for families, our people, communities and the planet.

Pay, equality and wellbeing
In 2022 we introduced the Real Living Wage, and gave significant salary increases to 2,500 colleagues following a major benchmarking exercise.

We also hope to encourage more women to join and thrive with us. Men hold 59 per cent of our leadership roles and women 41 per cent.

Everyone who works with us finds a supportive environment. Every area has a trained Mental Health First Aider, and access to a specialist helpline in complete confidence.

Communities
In 2022 we ran, baked, cycled, painted, recycled, swam and volunteered on behalf of numerous community causes and raised funds for local projects and national charities.

Net-zero: 2038
From finding new crematoria technologies and energy sources to electric vehicle fleets and alternative raw materials, we are exploring every avenue to be net-zero by 2038.

“We were particularly impressed with Nigel, who went over and above by wearing his special tricolour tie as a homage to my father’s Irish roots.”

MR PATRICK O, A CUSTOMER

Our approach

If there's a common thread that runs through each aspect of Environment, Social and Governance, it is the wellbeing of people.

Respecting the planet is to contribute to the future safety and welfare of its populations, while social and governance actions focus on equitable treatment for all citizens and a concern for what is right and fair.

As one of the UK's largest end-of-life service providers, caring for all people is instinctive and intuitive. We do it every day to the very best of our ability, and we regard playing our part in ESG practices as a natural extension of that care.

There is also no doubt that companies that place a high priority on ESG are better businesses.

Higher-quality employees tend to look for careers that have a clear social purpose and conscience. Reputable investors and banks insist on working with enterprises that make profits fairly. And with each passing year, more and more of the families we care for want to know that the perfect send-off we create has doing the right thing at its heart.

We are an extensive business, with our 725 funeral branches and 46 crematoria spanning the length and breadth of the UK.

Moreover, we are the only business in the sector that provides a complete portfolio of funerals, funeral plans, crematoria, memorials and coffin-manufacturing under our roof.

Dignity therefore feels we can – and must – take the lead in our sector when it comes to finding ever-more creative ways to lessen our impact on the environment. This starts with a pledge we made in 2021: that Dignity commits to being a net-zero enterprise by 2038.

This is ambitious, and demands meaningful research, planning and actions immediately.

During 2022, we:

- Performed our latest Task Force on Climate-related Financial Disclosures ('TCFD') analysis, including gathering Scope 3 data for the first time which has identified our highest-emitting categories;
- Investigated heat recovery technology with the aim of achieving carbon negative crematoria in the future;
- Planned for NOx abatement plant to achieve a reduction of waste gases by 1 January 2027;
- Ordered our first hybrid hearse, for delivery and trialling in mid-2023;
- Started a rollout of electric vehicle charging points for employees, customers and ultimately our new electric fleet; and
- Gained Board sanction for a dedicated ESG Manager, who will take up the role in April 2023. With this expert new internal resource, 2023 will see us define a detailed roadmap to achieving our pledge in 2038, and accelerate our progress.

Task Force on Climate-related Financial Disclosures ('TCFD') Report 2022 – Summary report

Listing Rule ('LR') 9.8.6R requires mandated companies to include statements aligned with the TCFD framework in their annual reports. Dignity supports this requirement because it provides transparency and supports our ambition to set the standard for sustainable business practices in our industry. This year, Dignity has complied with 9 of the 11 recommendations. Due to space limitations in the Annual Report, we have been unable to provide full details of all our modelling, processes and methodology. To ensure full transparency, we have published a standalone report which includes this supplementary information and can be found on the Company's website at www.dignityplc.co.uk. We are currently developing our net-zero targets and strategy which will allow us to comply fully with recommendations for Metrics and Targets in 2023.

Area	Recommended disclosures	Compliance status
Governance – Disclose the organisation's governance climate-related risks and opportunities.	(a) Describe the Board's oversight of climate-related risks and opportunities.	**Compliant** The Board has overall responsibility for all risks and signed off on the climate-related risk register in December 2022.
	(b) Describe management's role in assessing and managing climate-related risks and opportunities.	**Compliant** Management has been involved in the climate-related risk assessment and development of the associated risk register.
Strategy – Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning, where such information is material.	(a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long-term.	**Compliant** Table on pages 37 to 40 explains the risks considered, including the possible impact and mitigation.
	(b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning.	**Partial** Table on pages 37 to 40 includes detail on the business's response to the risks identified. In 2023, we will be conducting financial modelling on our key risks to be able to provide quantification of impact.
	(c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	**Compliant** Table on pages 37 to 40 includes detail on the business's response to the risks identified. This includes consideration of a <2°C scenario.
Risk Management – Disclose how the organisation identifies, assesses, and manages climate-related risks.	(a) Describe the organisation's processes for identifying and assessing climate-related risks.	**Compliant** This report provides a summary of our processes. More detail on the climate scenario analysis and risk assessment is provided in our 2022 TCFD Report.
	(b) Describe the organisation's processes for managing climate-related risks.	**Compliant** This report provides a summary of our processes. More detail is provided in our 2022 TCFD Report.
	(c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	**Compliant** This report provides information on how we are responding to climate-related risks to ensure our business is resilient.
Metrics and Targets – Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	(a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	**Compliant** This is provided in this summary and also the 2022 TCFD Report, with additional context and detail.
	(b) Disclose Scope 1, 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	**Compliant** The SECR Scope 3 data has been provided in this summary; all Scope 3 data is provided in the 2022 TCFD Report.
	(c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	**Partial** Currently determining interim net-zero targets and strategy. This will be completed in 2023.

Introduction

The TCFD provides a framework for companies to report on its climate-related risks and opportunities, covering Governance, Strategy, Risk Management and Metrics and Targets. We were proud to have complied with the TCFD framework last year, using it to determine our position and areas for development. This year, we have produced this summary report which includes all indicators and due to restrictions on space in this document, a standalone Report has been published which provides further details on the processes, risks and outcomes for Dignity.

Our journey so far:

2010	• We submitted our first CDP report. • We started an ongoing focus on reducing emissions.
2021	• We established an Environmental and Sustainability Committee. • We included a TCFD disclosure in our Annual Report.
2022	• Our Board adopted a net-zero pledge. • We wrote a standalone TCFD Report for 2022 and conducted climate scenarios analysis.
2023	• We have appointed an ESG Manager. • We will publish our net-zero interim targets and strategy. • We are determining our interim targets and actions, which will be finalised in 2023. • We are making significant investment to ensure modern, more efficient equipment is utilised.
2038	• Our net-zero target date.

Climate change and the funeral and crematoria sector

Climate is the long-term pattern of weather in a certain area, and climate change is long-term shifts to these patterns, resulting in changes to global weather and average temperatures. These pose physical risks to businesses. Limiting climate change requires reducing the emission of greenhouse gases ('GHG'), including carbon dioxide ('CO_2'). The risks associated with this move to a low-carbon economy are known as transitional risks.

Achieving net-zero as a country by the Government's target date of 2050 will require all industries to play their part in reducing carbon emissions. At Dignity, we want to lead the way in the funeral and crematoria sector, and this report sets out how we are going about that.

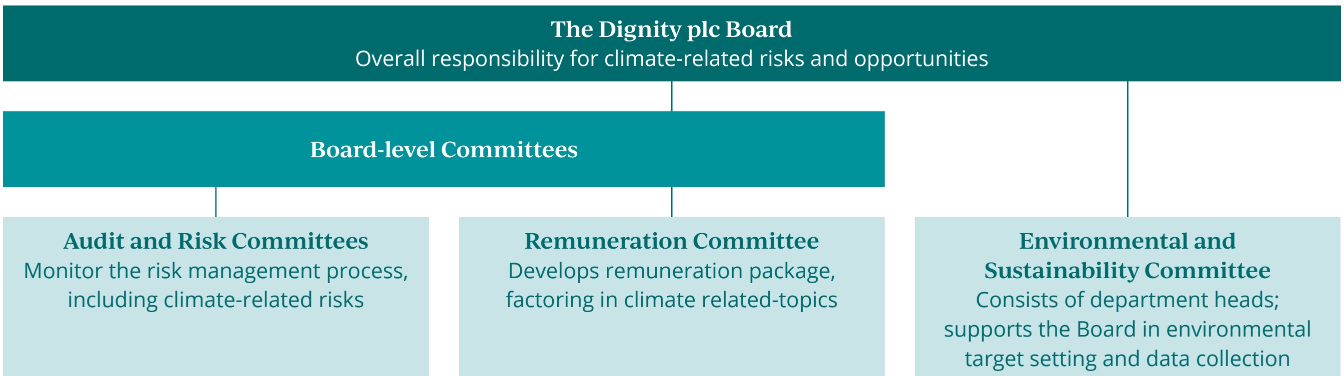
Overview – Where do we stand with TCFD?

At Dignity, we recognise that climate change is being driven by human activity. We need to ensure that we prepare for climate change, as well as reduce our impact on the environment. The TCFD provides a framework for assessing the risks to our business, allowing us to respond appropriately and report on this process to our internal and external stakeholders. It is important that we are transparent with our stakeholders about the potential risks and opportunities that climate change presents to our business and how we are managing this.

To show our commitment to improving our environmental performance, we have set an ambitious target of net-zero by 2038. We are in the process of setting interim targets so that we can hold ourselves accountable for progress toward that goal. The Group knows this target is setting the bar high, but we want to be a leader in our sector and to do our part in keeping global warming well below 2ºC, in line with the Paris Agreement.

Governance – Ensuring accountability and responsibility for climate-related risks

The Board has overall responsibility for climate-related issues, including the risks and opportunities associated with climate change. It receives and reviews the climate-related risks annually. To date, our Chief Executive Officer ('CEO') has managed climate change as an operational issue. This includes factoring climate-related issues into the refurbishment of our estate and development of our products and services. From 2023, this will be the responsibility of the Director of Operations, who is also responsible for climate-related risks.



The Board delegates some of its responsibilities to its sub-committees. The Audit and Risk Committees work on behalf of the Board to monitor the effectiveness of risk management, including climate-related risks. The Committees oversee the internal controls, perform comprehensive reviews of the Group's principal risks, ensure climate risk management is embedded into the existing risk management and ensure the Board has adequate climate expertise to deliver the Group's climate pledges. In addition, the Group's Remuneration Committee is responsible for creating policies and packages which align with the Group's long-term sustainability, including climate-related topics.

Addressing climate and environmental matters requires cross-department collaboration. In 2021, we established our Environmental and Sustainability Committee, consisting of the head of each major department, to ensure best practice is embedded throughout our organisation. This Committee supports the Board by setting and monitoring environmental targets, collecting emission data and raising employees' concerns on environmental matters. In 2023, we will appoint an ESG Manager to support further our ambition to be a market-leading responsible business.

Strategy – Building climate resilience into our business strategy

We recognised sustainability and climate resilience as an emerging risk in 2021. This year we have conducted climate scenario analysis, giving us a more granular insight into the climate-related risks and opportunities for our business over the short, medium and long-term. Through this, we can ensure that climate change is appropriately factored into our long-term strategy to mitigate risk and build on opportunities. We believe this is important for ensuring our business is sustainable in the long-term. Our new ESG Manager will be responsible for developing our ESG strategy, including climate change initiatives ensuring it reflects our 12 Guiding Principles.

The key area where climate change is impacting our business strategy in the short-term is in the refurbishment plans for our estate, including the upgrading of our cremators. This is a direct response to our ambition to be net-zero, our understanding of climate-related risks and our aim to be a responsible business.

Climate change cannot be perfectly predicted, and future outcomes depend on the level of action taken in the coming decades. Climate scenario analysis, therefore, uses possible global warming pathways to envisage potential futures. This allows a better understanding of the potential risks and opportunities. We have used the risk framework suggested by the TCFD and provided impact descriptions and mitigations specific to our business in the transitional risk table on pages 37 to 40 on the adjacent page. Climate scenario analysis was conducted for 46 sites across our estate to give a representative picture of the potential risks of climate change.

Our climate scenarios

We used three scenarios and three time horizons to give our analysis a suitable level of granularity and coverage. Using a best, worst and moderate-case scenario ensures we have considered a broad range of eventualities. Looking beyond the usual short and medium-term business timelines to include a long-term view up to and beyond 2050 provides insight into emerging future risks.

The scenarios were built using established international frameworks, including the International Energy Agency's World Energy Models ('WEM'), the Shared Socioeconomic Pathways ('SSPs'), Climate Natural Catastrophe Damage Model, CORDEX regional climate forecasts and Integrated Assessment Models ('IAM'):

Below 2°C: this is the best-case scenario in which immediate and substantial mitigation measures are implemented through coordinated global action, keeping the increase in average temperatures to below 2°C by 2100, compared with pre-industrial levels. Achieving this will require strict laws and regulations to lower carbon emissions, which means this scenario sees high transitional risks but less severe physical impacts in the long-term.

2–3°C: this is the most likely scenario currently, where climate action is somewhat delayed and the response is less coordinated. In this case, some businesses will choose to be leaders in their field while others continue with business as usual. This scenario sees higher transitional risks in the medium-term due to the need for them to be stricter or implemented more quickly, making it harder for businesses to respond. Physical risks are higher in this scenario than in the below 2°C scenario.

Above 3°C: this is the worst-case scenario where business continues as usual for an extended period with little to no climate action taken. This results in a rise in global temperatures of more than 3°C, which is expected to increase the instability of the climate. This scenario, therefore, sees the highest physical risks. There are transitional risks in the long-term which could still be high as policies are rushed into place once action is taken.

Each of these scenarios was modelled over three time horizons:
- **Short-term (2020–2025):** this is important for planning our capital expenditure as a business, particularly around improving the energy efficiency of our cremators and the electrification of our fleet.
- **Medium-term (2025–2035):** this timeframe provides insights into potential areas for future consideration in the business strategy.
- **Long-term (2035–2050):** this ensures our modelling covers the period up to the UK Government's 2050 net-zero target and the increasing impact of physical risks over the longer-term.
- Risk modelling was conducted for 46 sites across our estate to give a representative picture of the potential risks of climate change. These included 45 crematoria and our manufacturing site.

In November, a workshop was held to present the findings to key internal stakeholders, including the Director of Operations, Financial Controller, Head of Property Services, Head of Manufacturing, Head of Service Delivery, Head of Senior Procurement Business Partner and Fleet Manager. For those unable to attend, a recording was provided. Based on the climate scenario analysis results and discussion from the workshop, a climate-related risk register was produced using the risk matrix from our standard risk register. This was presented to the Board in December and was approved.

In 2023, we will be conducting financial modelling so that we can understand the impact of these risks on our strategy and financial planning. This will, in part, be informed by the actions within our net-zero strategy.

This process considered 13 transitional risks and six physical risks as suggested by the TCFD. These are outlined below. During 2023, each department will consider how these risks impact their departmental strategies and the mitigation measures in place. We will report on how this impacts our risk assessment in our 2023 TCFD reporting. We will also begin to quantify the financial impacts of our key climate-related risks, using the actions set out in our net-zero strategy.

Full details on our climate-related risks are provided in our 2022 TCFD Report.

Transitional risks

Area	Climate-related risk	Scenario and time horizon of highest impact	Impact	Impact and mitigation
Policy & Legal	Enhanced emissions reporting and other reporting obligations	<2°C 2–3°C Short/ Medium-term (2020–2035) Very high likelihood	Increased capital expenditure (CAPEX) (e.g. internal resources, consultation fees, audit fees) Rated as major impact due to risk of legislative breaches resulting in fines	Dignity is already impacted by government regulation to capture emissions (Streamlined Energy and Carbon Reporting ('SECR')) and, more recently, TCFD regulation. As the world aims to transition to a decarbonised economy, further regulations may be introduced. Dignity has partnered with Inspired to produce its TCFD and calculate Scope 3 emissions to ensure we comply with all current requirements and are prepared for future emissions reporting. Financial risk modelling will be completed in 2023.
	Mandates on and regulation of existing products and services	<2°C 2–3°C Medium-term (2025–2035) Very high likelihood	Increased capital expenditure ('CAPEX') (e.g. to replace/ update existing assets to meet new regulations) Rated as moderate impact due to risk of unplanned spend causing moderate interruption to the agreed strategy	Regulations on our products and services may increase over time. Cremations already have an emissions limit, which may be further tightened in future. Low emission zones are already in effect in some cities, with more planned. This will impact Dignity's funeral car fleet, requiring low-emission vehicles or paying daily charges. We are developing our net-zero strategy to ensure we are planning for a low-carbon future and, therefore, prepared for potential changes to our products and services. We have allocated capital expenditure ('CAPEX') to upgrading our crematoria to ensure they are more efficient and use the latest technology. We have also ordered our first plug-in hybrid funeral car as part of exploring our future fleet options.
	Increase in carbon/GHG pricing	<2°C 2–3°C Medium/ Long-term (2025–2050) Moderate likelihood	Increased operating expenses ('OPEX') (e.g. to cover carbon pricing) Rated as minor impact due to the projected costing and its impact on budgeted spend	The existing UK Emissions Trading Scheme ('ETS') could be extended; it currently covers energy intensive industries such as the aviation sector and power generation sector. Other carbon tax schemes could be introduced. Failure to prepare could significantly impact the financial performance of the business. We are reducing our carbon emissions and are monitoring the risk of a carbon tax.
	Exposure to litigation	<2°C 2–3°C Short/ Medium-term (2020–2035) Moderate likelihood	Increased expenditure (for compliance and for fines if necessary) Rated as negligible impact due to the projected cost and its impact on budgeted spend	Failure to comply with all new policies and regulations may expose Dignity to fines and lawsuits. Any litigation may also have an adverse impact on brand reputation. Suppliers may also be exposed to similar risks which could change product costs. Dignity has partnered with Inspired for TCFD reporting and calculating Scope 3 emissions to ensure we are complying with all current requirements and prepared for potential future emissions reporting. This means that although there is potential for this to occur (moderate likelihood), we consider the overall impact as negligible as we have suitable controls in place.

Area	Climate-related risk	Scenario and time horizon of highest impact	Impact	Impact and mitigation
Markets	Uncertainty in market signals	<2°C 2–3°C Medium/Long-term (2025–2050) High likelihood	Reduced investment Rated as major impact due to risk of decline in the solvency or financial reputation of the business	The introduction of new policies and technologies will ultimately filter into the financial markets. Markets are already reacting to the introduction of new policies and sudden events such as acute physical risks. Investors may look at environmental performance and allocate capital accordingly. We aim to be the market leader in terms of being a sustainable business, including reducing our environmental impact and increasing our green service and product offerings.
	Changing customer behaviour	<2°C 2–3°C Medium/Long-term (2025–2050) Moderate likelihood	Reduced revenue (e.g. from lower demand) Rated as major impact due to risk of material loss of competitive advantage against established competitors or market disruptors	If consumers want more environmentally conscious funeral options and we cannot provide them, we may see a reduction in customer spending with an adverse effect on Dignity's revenue and profitability. Market changes are already monitored as part of our existing principal risks. We are looking to trial and develop new products, for example testing which coffins are most environmentally friendly. We have also unbundled prices and services so that customers have greater flexibility to create the right funeral, including considering green options.
	Increased cost of energy and raw materials	<2°C 2–3°C Medium-term (2025–2035) High likelihood	Increased OPEX (e.g. to cover increased material and energy costs) Rated as minor impact due to the projected costing and its impact on budgeted spend	The physical risks of climate change may impact raw material costs. This could cause production costs to increase due to changing input prices (e.g. energy, water) and output requirements (e.g. waste treatment). There may also be abrupt and unexpected shifts in energy costs. We are re-organising the business to reduce central costs and benefit from economies of scale, which we can pass on to our Funeral Directors. As we grow the business, overhead costs per funeral will drop. We are looking into alternative fuels but have been unable to move to green gas. Biogas is currently not available at as favourable prices as seen in Europe.
Reputation	Increased stakeholder concern or negative stakeholder feedback	<2°C 2–3°C Short/Medium-term (2020–2035) High likelihood	Decreased access to capital and reduced revenue Rated as major impact due to risk of decline in the solvency or financial reputation of the business	Investors want to see how their capital is being used to reduce emissions. If we are not able to provide this, we may see a reduction in capital availability. There is also a risk of reduced employee attraction and retention if we do not respond to employee expectations around sustainability. We know that ESG issues are a key priority for investors and bondholders. We meet regularly with investors to understand their interests. We have two-way communication with our colleagues to understand their priorities and ensure we are responding appropriately.
	Shifts in consumer preferences	<2°C 2–3°C Medium-term (2025–2035) Moderate likelihood	Reduced revenue (e.g. from lower demand) Rated as major impact due to risk of material loss of competitive advantage against established competitors or market disruptors	If consumers want to support companies which are responding proactively to climate change, and we are not seen as doing enough, we may see a reduction in customer spending with an adverse effect on Dignity's revenue and profitability. Market changes are already monitored as part of our existing principal risks. We are looking to trial and develop new products, for example testing which coffins are most environmentally friendly. We have also unbundled prices and services so that customers have greater flexibility to create the right funeral, including considering green options.
	Stigmatisation of sector	<2°C 2–3°C Short/Medium-term (2020–2035) Low likelihood	Reduced revenue Rated as minor impact due to risk of operational failure leading to minor disruption	If the sector is stigmatised, our production capacity could be reduced due to delayed planning approvals or supply chain interruptions and this would reduce revenue. We may also see the re-pricing of assets (e.g. land valuations). Our business sites are spread across the country. This diversification will help spread risks in changing asset values.

Area	Climate-related risk	Scenario and time horizon of highest impact	Impact	Impact and mitigation
Technology	Costs to transition to lower-emissions technology	<2°C 2–3°C Short/ Medium-term (2020–2035) High likelihood	Increased CAPEX and OPEX Rated as moderate impact due to risk of unplanned spend causing moderate interruption to the agreed strategy	Achieving our net-zero targets will require capital investment in new technology. There may be higher costs associated with lower-carbon fuels. We are developing our net-zero strategy to ensure we are planning for a low-carbon future and, therefore, prepared for potential changes to our products and services. We are aware of the CAPEX required to manage these changes and are planning accordingly.
	Substitution of existing products and services with lower-emissions options	<2°C 2–3°C Medium-term (2025–2035) High likelihood	Increased CAPEX (e.g. to replace/ update existing assets to meet new regulations) Rated as minor impact due to the projected costing and its impact on budgeted spend	As we move to a lower-carbon economy, we may need to write-off existing assets or retire them early, with the associated increase in capital expenditure to invest in low-emission technologies. We may also need to update our processes to accommodate this new technology. We are developing our net-zero strategy to ensure we are planning for a low-carbon future and therefore prepared for potential changes to our products and services. This will ensure assets reaching end of life ('EOL') are replaced with future-proof options. We are aware of the capital required to manage these changes and are planning accordingly. This includes currently exploring options for a hybrid operational fleet.
	Unsuccessful investment in new technologies	<2°C 2–3°C Short/ Medium-term (2020–2035) Moderate likelihood	Reduced or delayed return on investment Rated as moderate impact due to the projected shortfall in return on investment	To meet emission targets, technology may have to be replaced, leading to increased capital expenditure. Some technology may not work as well as expected, requiring them to be replaced before their intended retirement date. We are developing our net-zero strategy to ensure we are planning for a low-carbon future and therefore prepared for potential changes to our products and services. This will ensure assets reaching end-of-life are replaced with future-proof options. We research and trial new technology carefully before investing. We are aware of the capital required to manage these changes and are planning accordingly.
Acute	Increased severity of flooding	>3°C Medium/ Long-term (2025–2050) High likelihood	Increased OPEX and CAPEX Rated as moderate impact due to risk of operational failure leading to moderate disruption	Flooding poses a risk of direct damage to property, plant and equipment. It could damage transport networks leading to supply chain impacts, including increased costs, potential delivery delays and operational disruptions. Global property insurance premiums are forecast to rise by 29 per cent by 2040 as weather-related catastrophes become more intense and frequent. Some sites are potentially at increased risk of flooding due to climate change. These will be monitored, and appropriate risk assessments, mitigation plans and insurance will be in place where necessary.
	Heatwaves/ extreme heat	>3°C Medium/ Long-term (2025–2050) Very high likelihood	Increased OPEX Rated as negligible impact due to low risk of impact on service provision	Rising mean temperatures will lead to a higher demand for cooling in order to maintain optimum temperatures for staff and operations, leading to rising energy costs. Employees may require more frequent breaks to avoid health risks associated with higher temperatures, which could impact productivity. Heatwaves often result in an increase in deaths which we would need to be prepared for. However, we have learnt from COVID-19 and are confident in our ability to manage such fluctuations in demand. Infrastructure may be impact by heatwaves, leading to supply chain disruptions. There was no significant disruption from the 40°C days in 2022. We are currently assessing our coolers and creating a strategy to replace these with more modern and efficient versions as required, based on EOL date. Generators are in place to maintain facilities should there be power outages. If necessary, viewings can be moved to cooler days.
	Increased frequency of wildfires	>3°C Long-term (2035–2050) Moderate likelihood	Increase CAPEX if there is damage to property, plant and equipment Rated as negligible impact due to low risk of impact on service provision	Wildfires may increase over time due to heatwaves and extreme weather increases. This could lead to direct damage to property, plant and equipment, as well as damage to transport networks, resulting in delays from suppliers. Costs for installing appropriate ventilation may also increase due to increased requirement for air filtration systems. This is unlikely to have a material impact on the business but we are monitoring the situation.

Area	Climate-related risk	Scenario and time horizon of highest impact	Impact	Impact and mitigation
Chronic	Sea level rise	>3°C Long-term (2035–2050) High likelihood	Increased CAPEX if sites need to be moved or protected Rated as moderate impact due to risk of unplanned spend causing moderate interruption to the agreed strategy	Rising sea levels increase the risk of erosion, storm surges and saltwater intrusions into aquifers that supply sites with fresh water. This could damage crematoria or other sites, leading to closures and increased insurance premiums. There is a risk of supply chain disruption due to damage and disruption to major distribution centres, ship ports and airports. This is a long-term risk (beyond 2050), so we are monitoring the situation. If necessary, we will engage external companies to conduct site-specific flood risk assessments and monitor flood risk at sites for long-term impacts.
	Rising mean temperatures	>3°C Medium/ Long-term (2025–2050) Extremely high likelihood	Increased OPEX Rated as negligible impact due to low risk of impact on service provision	Rising mean temperatures will lead to a higher demand for cooling in order to maintain optimum temperatures for staff and operations, leading to rising energy costs. Employees may require more frequent breaks to avoid health risks associated with higher temperatures, which could impact productivity. Heatwaves often result in an increase in deaths which we would need to be prepared for. However, we have learnt from COVID-19 and are confident in our ability to manage such fluctuations in demand. Infrastructure may be impact by heatwaves, leading to supply chain disruptions. There was no significant disruption from the 40°C days in 2022. We are currently assessing our coolers and creating a strategy to replace these with more modern and efficient versions as required, based on EOL date. Generators are in place to maintain facilities should there be power outages. If necessary, viewings can be moved to cooler days.
	Water stress	>3°C Long-term (2035–2050) High likelihood	Potential increase in CAPEX to adapt to water stress Rated as negligible impact due to low risk of impact on service provision	This may result in the restricted water usage and additional regulation to report on water consumption. We have rainwater capture in place for some sites with a plan to roll out to all crematoria. We are monitoring and managing our water consumption.

Opportunities
Many of the identified risks also provide opportunities for Dignity. We aim to lead the way in terms of being a sustainable business within our sector by offering environmentally conscious funeral options to our customers. By making our operations more efficient, we are able to reduce our operating costs and to offer lower-emission services. We are currently researching the emissions associated with our coffins to be able to provide this information to customers.

Risk Management
The Group has a well-established risk management process, including a risk register reviewed by the Risk Committee every quarter. New risks are identified through discussion with senior management. This year we have conducted climate scenario analysis for our estate as detailed above, and the Board has signed off the resulting climate-related risk register.

Our risk management process has three interlinked steps:
- **Identify and analyse:** the Executive Directors and senior management have primary responsibility for identifying business risks and assessing the potential impact and likelihood of each. Risks are mapped to existing controls, and residual risks are prioritised for mitigation action. For climate change, we engaged an external consultant to provide the required knowledge and expertise on climate-related risks.

- **Action:** once risks are confirmed with the Board, controls are identified and costed so that action plans can be agreed upon. Our 2022 TCFD Report provides further detail on the actions being taken to mitigate our climate-related risks and to respond to opportunities.
- **Implement:** after the action plans are approved by the Board, the existing controls are enforced and tested. Our annual TCFD Report provides information on the actions we are taking each year to respond to climate change and how this is being integrated into our business strategy.

Metrics and Targets – What are we committing to?

It is important to us at Dignity that we measure and manage our impact on the environment. We have been monitoring our carbon emissions and taking action to reduce them since 2010. We want to set the standard for sustainable practices for end-of-life service providers. This is at the heart of our 2038 net-zero target.

In calculating our carbon footprint, setting carbon reduction targets and managing our emissions, we are also able to mitigate for some of the climate-related risks we have identified. This includes the risk of additional carbon reporting requirements being introduced, the potential need to make our technology, products and services low carbon, the introduction of a carbon pricing scheme and increased energy costs. By setting a net-zero target and strategy, we are proactively improving our technology and thereby lowering the carbon emissions associated with our products and services. We are also reducing our exposure to rising energy costs and the potential impact if a carbon tax were to be introduced.

Our ambition to be net-zero includes reducing Scope 1 and 2 emissions from our funeral branches, crematoria, care centres and funeral fleet. Our Scope 1 and 2 emissions are reported within the SECR report below. We will also reduce our Scope 3 emissions to net-zero, which includes emissions associated with our value chain. In 2023 we will set out our interim targets and our net-zero strategy.

In 2021, we calculated our Scope 3 emissions for the first time to understand our full carbon footprint and we have repeated that this year to identify changes. Our Scope 3 emissions for transport (personal vehicles used for business travel) is provided below. We have calculated our full carbon balance sheet, following the GHG Protocol's Corporate Accounting and Reporting Standard, including all applicable Scope 3 categories and this is available in our 2022 TCFD Report. This will feed into our interim net-zero targets and our strategy for achieving these.

Streamlined Energy and Carbon Reporting ('SECR')

The following figures show the consumption and associated emissions for this reporting year for our operations. We have included our figures from the previous reporting year for comparison.

Scope 1 consumption and emissions relate to fuels burned by the organisation, including the combustion of natural gas and transportation fuels. We are looking to move to green gas in the future and are currently evaluating the feasibility of this.

Scope 2 consumption and emissions are the Group's indirect emissions due to the consumption of purchased electricity in day-to-day business. We are pleased to state that our electricity is provided from 100 per cent renewable sources.

Scope 3 emissions relate to emissions resulting from sources not directly owned by us. As part of our SECR report, this refers to grey fleet (business travel undertaken in employee-owned vehicles only). This year, we are pleased to disclose our complete Scope 3 inventory for 2021 in our standalone TCFD Report. Due to data availability and time constraints, we have been unable to calculate full Scope 3 emissions for 2022 ahead of this report.

Totals

Consumption – The total consumption (MWh) figures for our UK operations for reportable energy supplies are as follows:

Utility and scope	**2022 Consumption (MWh)**	2021 Consumption (MWh)
Grid-supplied electricity, transportation, gaseous and other fuels (Scope 1 and 2)	**99,135**	99,270

Emissions – The total emission ('tCO_2e') figures for reportable energy supplies are as follows:

Utility and scope	**2022 Consumption (tCO_2e) (location based)**	2021 Consumption (tCO_2e) (location based)	**2022 Consumption (tCO_2e) (market based)**	2021 Consumption (tCO_2e) (market based)	Percentage change vs previous year
Transportation, gaseous and other fuels (Scope 1)	**15,340**	15,566	**15,340**	15,401	-1.45%
Grid-supplied electricity (Scope 2)	**3,274**	3,755	**–**	–	-12.79%
Transport (Scope 3)(1)	**–**	–	**–**	–	–
Total	**18,615**	19,321	**15,340**	15,401	-3.65%

(1) Transport (Scope 3) covers all business travel in vehicles not owned by the business.

Intensity metric – An intensity metric of tCO_2e per full-time equivalent employee ('FTE') has been calculated for our annual total emissions. The methodology of the intensity metric calculations is detailed in the appendix. We have chosen to also include an additional business-specific metric based on the number of cremations. This has been calculated this year to benchmark and review the performance of our cremators, which are a specific element of high-energy-consuming equipment. This will allow us to track progress as we implement more advanced cremator technology.

Intensity metric	**2022 location based**	2021 location based	**2022 market based**	2021 market based
Total Scope 1 and 2 emissions	**18,615**	19,321	**15,340**	15,401
Number of FTE	**3,919**	3,062	**3,919**	3,062
tCO_2e/FTE	**4.75**	6.31	**3.91**	5
Number of Cremations	**75,500**	–	**75,500**	–
tCO_2e/Cremations[2]	**0.25**	–	**0.20**	–

(2) This has been calculated for the first time this year.

Energy efficiency improvements

We are committed to year-on-year improvements in our operational energy efficiency. As such, a register of energy efficiency measures available to us has been compiled, with a view to implementing these measures in the next five years.

Measures ongoing and undertaken through 2022:

- **Trialling greener technology:** we ordered our first plug-in hybrid hearse, due for delivery in 2023, as part of our transition to electric hearses. This is the next step in creating a low-carbon fleet for the Company, joining the existing 46 hybrid service vehicles already in use. As part of our CAPEX planning, we have also scoped out purchasing a hybrid (gas–electric) cremator. It is due for delivery next year and will be the first of its kind in the UK.
- **Ongoing site upgrades:** we have continued to improve energy efficiency at our sites, with over 250 locations receiving CAPEX investment. This includes installing motion sensors and LEDs to reduce energy use for lighting, upgrading fridges and cold room holdings and installing more efficient heating and air conditioning systems. We will be using Energy Performance Certificates ('EPCs') before and after upgrades to demonstrate the energy efficiency improvements.

Measures prioritised for implementation in 2023:

- **Updating our cremators:** we have committed to CAPEX investment in new cremators, which will start in 2023, with our oldest prioritised for replacement. This will be a chance to make our crematoria more energy efficient and to include the latest technology, including heat recovery.
- **Replacing the biomass heating system at our factory site:** the current system is over 30 years old and in need of replacement. This will give us the chance to install a modern system which will meet all current legislation around emissions to air, cope with the increased waste volume we are generating and reduce the need for supplemental heating in winter.
- **Innovation sites:** we will be conducting Energy Savings Opportunity Scheme ('ESOS') surveys across our estate in 2023. This will cover one administrative site, our factory, three depots, 20 trading branches and five crematoria. The surveyed properties will act as innovation sites. We will use them to collect data on our energy efficiency and carbon reduction measures to roll out best practices across our sites.
- **Electric charge points:** our first electric charge point was installed in February 2023 for public and employee use. This is part of our strategy for greening our fleet. We will be reviewing our Procurement Policy and incentives to facilitate the transition to electric vehicles for our company cars.
- **Responsible consumption and production:** with over 93 per cent of the estate having smart electricity meters and roughly 80 per cent of the estate having smart gas meters, we have started to measure, monitor and reduce consumption for all utilities and align with the United Nations 2015 Sustainable Development Goal 12: Responsible Consumption and Production. We are proactively monitoring all consumption monthly and taking accountability by using Chartered Institute of Building Services Engineers ('CIBSE') TM46 Benchmarks, variance testing and intensity ratios across separate divisions. This is to measure the efficiency of sites and appliances and reduce wastage through leaks, to support our plan for future site upgrades and best practice training for employees.

Reporting methodology

Scope 1 and 2 consumption and CO_2e emission data have been calculated in line with the 2019 UK Government environmental reporting guidance. The following Emission Factor Databases consistent with the 2019 UK Government environmental reporting guidance have been used, utilising the current published kWh gross calorific value ('CV') and $kgCO_2e$ emissions factors relevant for reporting year 01/01/2022–31/12/2022:

- Database 2022, Version 1.0.
- Estimations undertaken to cover missing billing periods for properties directly invoiced to Dignity plc were calculated on a kWh/day pro rata basis at meter level. These estimations equated to 0.62 per cent of reported consumption.
- Intensity metrics have been calculated utilising the 2022 reportable figures for the following metrics, and tCO_2e for both individual sources and total emissions were then divided by this figure to determine the tCO_2e per metric.
- FTE at 31 December 2022: Human capital = 3,919 (2021: 3,062).

Social: Our customers

In most cases, our people are among the first whom our customers will encounter after a loved one has died. And whether this loss has been expected, or is a sudden shock, they will understandably be in a fragile state.

Our role is to offer them both empathy and efficiency: to be a trusted new friend, getting to know them and, in particular, the character and story behind the person they have lost. We listen carefully to their wishes, offer ideas of our own, and do everything to create not just a funeral, but a personalised goodbye that is fitting in every aspect.

Serving every need

Dignity's firms arrange every kind of funeral. These include religious Christian, Jewish, Hindu, Sikh, Muslim and Buddhist funerals; non-faith funerals; burials and cremations; simple direct cremations without services; woodland burials; alternative funerals; humanist, military and eco burials; and burials at sea.

Our new funeral plan, launched in 2022 and the first of its kind in the sector, also enables and indeed encourages our customers to specify a perfect send-off, down to the very last detail of music, flowers, coffins, locations and any number of personal touches.

Making funerals affordable

For many, the cost of a funeral can be a worry and this was brought into sharper focus in 2022 with the cost-of-living crisis.

Where this is the case, Dignity offers the alternative of an 'unattended funeral'. Also known as a 'direct cremation', this delivers all the care, respect and professionalism that we give to every traditional funeral, but without the added costs of a formal service, funeral hearses and limousines.

Demystifying the process

Funerals are not an everyday purchase, and it's not surprising that many families approach the task with a certain trepidation. There are also legal formalities that the client, rather than the funeral firm, must carry out personally.

Our website offers a mine of practical information and even enables clients to experience an online walkthrough of a typical chapel of rest and other facilities.

We also want our clients to feel entirely comfortable and in control about our costs. All Dignity's firms display full and transparent pricing, in compliance with CMA regulations, together with a price promise guarantee.

Social: Our colleagues

Everyone is welcome

Just as we care for people from every walk of life, so we aim to mirror society with a diverse pool of talent internally.

We celebrate diversity and the rich input we gain from different backgrounds and life experiences.

We also recruit, promote and develop people on the criteria of aptitude, qualifications and experience alone. This means never discriminating by age, gender, religion, orientation, disability, pregnancy or any other personal characteristic.

We use gender-neutral language in our recruitment advertising, and ensure that our assessment and selection processes are rooted in fairness, by focusing solely on an applicant's merits.

Support and rewards

There are no two ways about it: ours is a demanding sector. The dual tasks of caring for and honouring people who have died, and working with the loved ones they leave behind, can demand considerable mental strength. And at times, it can overwhelm even the most experienced of us.

Our branches comprise tight-knit teams of typically six to eight people, and looking out for each other runs deep in our culture.

We also support this with practical help for people as and when they may need it: we have created a network of Wellbeing Champions to promote the wider subject of good health, as well as trained Mental Health First Aiders in every area. Or, if colleagues prefer, they can access an external helpline and connect with a mental health specialist, 24 hours a day and in complete confidence.

Dignity is also acutely aware that our people must be properly rewarded. Every employee earns the real Living Wage, but in a benchmarking process in 2022 it was clear that our salaries in some areas were uncompetitive. During the year, more than 2,500 people duly received significant increases.

One indicator of employee satisfaction is our record in retaining good people. We are proud that 49 per cent have been with us for 5 years or more, and in 2022 we celebrated 39 colleagues reaching 25 years' service with the business.

Employee engagement

We want to stay close to our employees and their thinking, both about their own satisfaction and the wider picture of how we perform for our families.

We launched our Employee Engagement Survey early in 2022, and followed this by publishing our Guiding Principles. These crystallise the standards we seek to apply in caring for our clients, communities, colleagues and the planet.

A further engagement survey was launched in 2023, to track how the Guiding Principles have embedded, and to identify shifts in attitudinal responses over 2022.

Learning and development

Everyone in the business has their own personal account to access the Dignity Academy Portal. It is the hub for all our online learning, comprising both mandatory training and a trove of optional subjects and modules for self-driven development.

During the year, the portal was an essential resource as the business worked towards FCA authorisation and the far-reaching impact that new regulation had on re-training, new processes and additional knowledge.

More routinely, a 'My Development' section also tracks quarterly and annual performance reviews and enables each person to build a personal development plan. In turn, this is designed to identify any pressure points and ensure they are on track to achieve their career aspirations.

Apprenticeships

At the heart of career development in 2022 was Dignity's new apprenticeships programme. These opportunities range from horticulture, manufacturing and funeral operations through to leadership skills and practices.

In 2022 we launched our first funeral operations apprenticeships, supporting 38 colleagues as Funeral Team Members or Funeral Directors as part of their career journeys in our operational teams.

In addition we launched apprenticeships in Transformational Leadership, with 64 of our colleagues joining the inaugural cohort. This programme, launched at the time of our regional restructure, is designed to equip them with the vital soft skills, knowledge, behaviours and mindset they need to succeed in the modern workplace.

We see both programmes as key developmental tools as we pursue our mission to be the most trusted, respected and valued end-of-life service provider.

One apprentice, a current local Business Leader, commented: "I can see the progress I'm making and feel proud of the work I've done. I'm enjoying applying the learnings into how I lead my team, including mentoring a colleague who is studying for their own apprenticeship."

Keeping everyone safe

Thankfully, 2022 was free of the severe attendance restrictions that impacted family funerals so sadly at the peak of the pandemic.

Nevertheless, COVID-19 continues to be a threat, and our business comes into direct contact with vulnerable people, care homes and hospitals. We therefore continued to observe all required protocols to keep our customers and colleagues safe.

Social: Our communities

Many of Dignity's businesses are some of the oldest and most respected presences on the high street. In many cases, they have cared for generations of local families, and their roots in the community are deep and strong.

As our business has evolved into a more locally empowered model, they are also best-placed to know what their communities need in the way of support, time and resources.

In 2022, across the length and breadth of the UK, Dignity businesses have helped to refurbish village halls, litter-pick, reclaim waste ground for community use, donate sports equipment, keep local air ambulances fuelled and support food banks.

Overall, we've supported hundreds of projects with many thousands of pounds.

Dignity was also proud to sign up for the Government's Homes for Ukraine initiative. By converting some available properties in our portfolio we were able to provide welcoming and safe places to stay for Ukrainian families escaping the conflict. Local teams also rallied round with fun days and cake sales, to give them financial support.

2022 also marked the halfway point in our three-year partnership with Teenage Cancer Trust. Some of the money we raise for this vital cause is generated by our metal recycling scheme (see panel on right). Our local teams also make important contributions, while balancing community needs closer to home.

We are inspired by this charity and its confident assertion that "by 2040, young people with cancer in the UK will have the best outcomes and quality of life in the world".

APCC Metal Recycling Scheme: £830k to charity

With the kind permission of numerous families, Dignity is proud to participate in a funeral sector initiative to reclaim metals, such as those used in orthopaedic implants, that survive the cremation process.

The scheme is administered by the Association of Private Crematoria & Cemeteries ('APCC'), and under its constitution the profit from recycling metal is donated to a registered charity of the crematorium operator's choice.

In this way, Dignity was able to donate over £830k to our chosen charities.

They included charities providing international aid or support across the UK and numerous smaller, not-for-profit organisations in the communities we serve.

In March, Dignity donated £100k to Save the Children and the British Red Cross to support victims of the conflict in Ukraine. In September, a contribution of £75k to the Disaster Emergency Committee's international appeal helped provide aid to millions of people impacted by severe flooding in Pakistan.

We were also able to donate £100k to both Cruse Bereavement Support and Hospice UK, and £50k each to Alzheimer's Society and Teenage Cancer Trust.

Dignity also helped 37 local charities to help maintain services or launch initiatives. Just a few examples included:

- Funding for fuel to keep air ambulances operational in the South-West, South-East and across the Midlands;
- A donation of £10k to help Edward's Trust provide 200 hours of counselling in the West Midlands to parents who had lost a child;
- Andy's Man Club, to expand its services across East Yorkshire to help prevent male suicide;
- The Rockinghorse Children's Charity in Sussex, to fund a counsellor to support children following a bereavement;
- A donation of £10k to Angel Trust in Bishop Auckland to maintain its food bank, hot meals for homeless people and specialist advice on financial or mental health issues; and
- Funding for Hypo Hounds, a Kent-based charity, to train two assistance dogs to detect dangerously low blood glucose levels in children with Type 1 diabetes.

Social: Our communities *continued*

Case story: cost-of-living grants

Together for Short Lives is a network of hospices that care for seriously ill children, within their premises or at family homes. The charity approached Dignity when spiralling energy bills threatened to prevent their families being together at Christmas, if their child was dependent on treatment at home using costly electrical equipment.

Dignity responded with a £25k donation to fund 100 cost-of-living grants so that families didn't have to face this heart-breaking dilemma.

Case story: Dying Matters' Community Grants Programme

In May, Dignity donated a further £50k to Dying Matters to support the expansion of its Community Grants Programme.

This initiative was launched at Hospice UK's Annual Conference in 2021. It aims to support local organisations working to close the inequality gap when accessing hospice care, and to promote open discussion about end-of-life matters among groups that traditionally avoid such emotive conversations.

Dignity's donation was used to provide grants for original and ground-breaking concepts to engage with these hard-to-reach audiences.

These included:
- The East African Education Foundation, which held a film and comedy evening to encourage discussion about grief and end-of-life planning;
- Single Homeless Project's series of creative workshops to spark conversations about death and bereavement amongst people experiencing homelessness;
- The Spire Arts Centre, who developed a video game environment that stimulates young men into sharing their feelings about the death of a loved one; and
- 'Uncovering', a project that explored the experiences of death and grief amongst Pakistani women in Bradford.

We continue to work with Dying Matters to help this initiative to reach other high-quality applicants.

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, cyber security 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.

Please see the analysis of this principal risk on page 52.

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 change key — No change | ↑ Increase | ↓ Decrease | △ New risk

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.	—

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 65. 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.	—
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.	↑
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.	↑

Risk change key — No change | Increase | Decrease | New risk

Risk description and impact	Mitigating activities and commentary	Change
Financial covenant under the Secured Notes The Group's Secured Notes requires EBITDA to total debt service to be above 1.5 times. If this financial covenant (which is applicable to the securitised 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 1 to the consolidated financial statements 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 pages 66 to 68 and Going Concern on pages 134 to 137.	Increase
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

Risk description and impact	Mitigating activities and commentary	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
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
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.	Increased

Risk change key — No change | Increase | Decrease | New risk

Risk description and impact	Mitigating activities and commentary	Change
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
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

Risk description and impact	Mitigating activities and commentary	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.	—
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. For further details, please see 'Workforce Remuneration' on page 101.	↑
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.	↑

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. This will provide a full and more robust report in this 2022 Annual Report and Accounts. 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.	△

In accordance with Provision 31 of the UK Corporate Governance Code 2018, the Board has assessed the Group's medium-term viability considering its current position, the Board's assessment of its business prospects, and its principal and emerging risks.

Consistent with the prior period, three years has been selected as the appropriate period of review for the following reasons:

- This period aligns with our current medium-term strategic plan and forecasting;
- Performance is significantly impacted by deaths which are increasingly difficult to forecast beyond 2025 due to the uncertainty the COVID-19 pandemic has had on the medium-term death forecast; and
- The Board are pursuing a number of options targeted to improve the Group's medium-term viability, as detailed below.

Material uncertainty

The Board highlighted in its going concern assessment (see note 1) that whilst the Directors remain confident in the long-term future prospects for the Group and its ability to continue as a going concern, 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 Notes becoming repayable on an accelerated basis and could be repayable immediately at the request of the noteholders. The same material uncertainty may also cast significant doubt over the future viability of the Group.

Viability assessment

We have recently updated our financial forecasts for the three year period to 26 December 2025. The first year of the financial forecasts represents the Group's budget used for going concern purposes for the year ending 29 December 2023 as updated through 31 March 2024, being the period through which going concern has been evaluated.

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

The base case assumes death rates are in line with ONS figures for 2024 and 2025, funeral market share growth of approximately one per cent in 2024 and 2025 (phased through the year, being 13.4 per cent for 2024 and 14.4 per cent for 2025 compared to 12.4 per cent budgeted for 2023 and 11.9 per cent in 2022), with funeral mix and average revenues remaining at the rates budgeted for 2023.

Under the base case, the Group is forecast to meet its EBITDA: Debt Service Charge Ration ('DSCR') covenant (see note 1) and have sufficient liquidity to meet its liabilities as they fall due in the period assessed through to 26 December 2025. This is having given due consideration to the amount of the cash on hand (including the drawdown of the Loan Facility, see note 1), the planned investments in capital and the expected conversion of trading profitability into cash at historic levels.

Risks and uncertainties

For the purpose of sensitivity testing, several principal risks and uncertainties were selected, which were deemed to have the highest potential financial impact on the Group's future performance. The effect of those principal risks and uncertainties or their combination on the base-case viability scenario were analysed within the following scenarios:

Principal risk and uncertainty	Description	Viability assessment
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.	10,000 lower deaths compared to management's base case 2023 and a five per cent reduction to current ONS forecast for 2024 and 2025.
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.	Four per cent lower funeral and cremation average revenue compared to the forecast rate in 2023 and beyond.
Direct cremations	Growth in the direct cremation market could reduce average revenue in our funeral business and adversely affect the product mix and average revenue in the crematoria business.	The product mix has a one per cent movement from the attended to unattended products in both funeral services and crematoria services throughout the viability period.
Competition in the funeral market	Competition continues to intensify, with additional funeral directors opening at varying price points, alongside an increase in the popularity of direct cremations which could result in a reduction to market share.	No funerals market share growth in 2023 and beyond.
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.	Overhead costs an additional five per cent to that current forecast in 2023 and beyond with no cost mitigation activity.

The Directors considered scenarios where a combination of two or three of the risks noted above occurred together. The scenarios took into account the availability and likely effectiveness of any mitigating actions that might be required if the Group was exposed in the medium term to downwards volatility and that are in place or could be implemented to avoid or reduce the impact or occurrence of the underlying risks which would realistically be available to the Group in such circumstances.

This downside scenario modelling confirmed that there are plausible scenarios in which the Group would not meet its DSCR covenant in the going concern period (see note 1) and thereafter in the viability period. If the breach was unable to be remedied to the satisfaction of the financial adviser operating on behalf of the noteholders, this would be considered an event of default under the IBLA resulting in the Notes becoming repayable on an accelerated basis and could be repayable immediately at the request of the noteholders. The downside scenario modelling also confirmed that if the viability improvements options (see below) are not successful, in the absence of further financing, the Group could exhaust its liquidity in the viability period.

Viability improvement considerations

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. 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. 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 and liquidity requirement as explained in note 1. However, there is no certainty that this can be achieved prior to the consent expiring and hence has not been considered in the modelling scenario for the viability period.

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 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'). As detailed in the offer document, the offer is conditional upon, among other things: (i) holders of Dignity shares representing the requisite percentage of Dignity shares to which the offer relates submitting valid acceptances of the offer in respect of those Dignity shares; and (ii) FCA approval of the proposed change in control of Dignity.

Through review of the Bidco published offer document 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 become effective. The offer document published by Bidco states the following (among other things) in connection with the proposed transaction:

- Dignity has developed into an important player in the industry and Bidco strongly believes in Dignity's current strategy, including the transition to a more competitive pricing model.
- Bidco believes that, under private ownership, Dignity will not only have access to patient, long-term capital, but also a supportive environment for management to implement its current strategy, ahead of an envisaged medium-term exit.
- In particular, Bidco believes that Dignity's strategy will be enhanced through access to a significant level of investment to expand organically through increased marketing investment in its new funeral plan products, upgrading and modernising of physical infrastructure, further investment in its workforce and technology, and strategic expansion of its crematoria portfolio.
- Bidco will also provide Dignity with the financial support to grow inorganically by taking advantage of acquisition opportunities as they arise at attractive prices, given the current uncertain market environment.
- Bidco believes that these investments will lead to a higher quality estate, growth in market share and better profitability.

Having discussed the details of the offer with the Bidco consortium and having access to certain relevant financial information from the Bidco consortium, the Board expects the proposed transaction to improve viability should it become effective.

In addition to the noteholder consent programme and recommended cash offer, the Group continues to review all options, including the possibility to raise equity finance in order to reduce its debt and improve its capital structure. This is only a potential indicative option at this stage, the achievement of which is outside of the Group's control, but the Group would explore all options, both operationally and from a capital structure perspective in order to protect the viability of the business should the planned growth or capital transactions outlined above not succeed within a sufficient timeframe.

Conclusion

Based on the assessment above and other matters considered by the Board during the year, on the assumption that the Group is able to deliver on its strategy as supported as needed by the realisation or one or more of the viability improvement considerations noted above, the Directors confirm that they have a reasonable expectation that the Group will continue in operation and meet its liabilities as they fall due through the three year viability assessment period ending 26 December 2025. However, as highlighted above, the material uncertainty referred to in respect of the going concern assessment together with the associated risk to profitability and liquidity in the viability period due to the uncertainties emanating from the Group's principal risks, and that viability improvement conditions are outside the control of the Group, this may cast significant doubt over the future viability of the Group.

Our objective is not only to provide and enhance the reputation of our Group but also to promote and embed and build the culture of caring, responsibility and performance that adds value to our clients, our people, our shareholders and the local communities we serve.

Our corporate responsibility activities are an important way for us to deliver upon our strategic objectives. We believe that the best way to support a sustainable business is to act in the long-term interests of all our stakeholders, in addition to making a positive contribution to the communities in which we operate.

This table sets out where the information required in the non-financial information statement by section 414CB of the Companies Act 2006 can be found in this Annual Report.

Reporting requirement	Impacts	Some of our relevant policies and statements	Where to find more in this Annual Report	Page
Employees	We are truly a people business because we help people at an extremely difficult time in their lives. Meeting their needs means that our employees must be caring, thoughtful and truly engaged with those they serve, which they are. Dignity staff show clients care and commitment. Our culture and way of working means delivering the highest standards of service and going the extra mile. We believe that the quality of our people is a strong enabler of business growth. We value our people as they are a great asset. We support them by recognising and rewarding performance and long service plays a key part in this. We aim to provide a safe working environment, encourage personal development, responsibility and respect, and attract a diverse and inclusive workforce. We are committed to maintaining the quality of the environment in which we all live and we aim to reduce the impact of our operations so that we act in an environmentally friendly manner. We believe that operating sustainably and responsibly is fundamental to creating long-term value. Our objective is not only to strengthen the reputation of our organisation, but also to promote and embed a culture of responsibility and performance that adds value for our stakeholders. Dignity's climate-pledge is to be net-zero across our network by 2038. A number of procedures and policies are in place to further ensure responsible practice is embedded in the way we do business.	Code of Conduct[1] Equality and Diversity Policy Statement[1] Health and Safety Policy Our ESG commitments[1]	Chairman's statement CEO review Stakeholder engagement Environmental, Social and Governance Directors' report	8 and 9 10 to 13 26 and 27 32 to 42 117 and 118
Environment	We are committed to maintaining the quality of the environment in which we all live and we aim to reduce the impact of our operations so that we act in an environmentally friendly manner. We believe that operating sustainably and responsibly is fundamental to creating long-term value. Our objective is not only to strengthen the reputation of our organisation, but also to promote and embed a culture of responsibility and performance that adds value for our stakeholders. Dignity's climate-pledge is to be net-zero across our network by 2038. A number of procedures and policies are in place to further ensure responsible practice is embedded in the way we do business.	Our ESG commitments[1] Dignity's Climate-Pledge[1] Code of Conduct[1] Anti-Bribery and Corruption Policy[1] Equality and Diversity Policy Statement[1] Modern Slavery Act Statement[1] Modern Slavery Policy[1] Supplier Code of Conduct	Environmental, Social and Governance	32 to 42
Waste disposal	Dignity produces waste that is hazardous. These are items such as gloves used for handling the deceased, PPE, waste arising from embalming and mercury from cremator abatement, which are placed in dedicated containers and are collected by contractors and incinerated. All sites where this happens have been registered as required under the legislation. All other waste is disposed of in accordance with local authority regulations. The Regional Health and Safety Managers also monitor this area. A waste disposal mission statement has been issued to all sites.	Safe Handling and Use of Substances Policy Waste Disposal Mission Statement	Environmental, Social and Governance	32 to 42

Reporting requirement	Impacts	Some of our relevant policies and statements	Where to find more in this Annual Report	Page
Crematoria	Crematoria are subject to emission controls from the local authority areas in which they are sited. They are licensed on an annual basis with quarterly emissions testing information being submitted to the local authority. All cremators are subject to rigorous maintenance schedules completed by an external contractor. Air Pollution Control is a risk for all crematoria. The Group's nominated service provider completes a planned test programme on all cremators which includes emissions testing. This mitigates the risk of any air pollution control issues.	Our CSR commitments(1)	Environmental, Social and Governance	32 to 42
Ethical sourcing	There is a risk that Dignity could use a supplier that manufactures or purchases goods that are made using slave, forced or child labour. This risk is mitigated first by purchasing via a reputable agent and secondly by ethical audits. Factories that supply Dignity are inspected by the General Manager of Dignity Manufacturing on a three yearly cycle and audit of ethical production and processes undertaken in conjunction with the owners of those factories. An e-Learning Module addressing the Modern Slavery Act is required to be completed by colleagues.	Modern Slavery Act Statement(1) and related e-Learning Module Modern Slavery Policy(1) Our CSR commitments(1)	Environmental, Social and Governance	32 to 42
Human rights	We are committed to ensuring that there is no modern slavery or human trafficking in our supply chains or in any part of our business. Our stated commitment is to act ethically and with integrity in all our business relationships and to implement and enforce effective systems and controls to ensure slavery and human trafficking is not taking place anywhere in our supply chains or in any part of the business.	Modern Slavery Act Statement(1) and related e-Learning Module Modern Slavery Policy(1) Our CSR commitments(1) Whistleblowing Policy	Environmental, Social and Governance	32 to 42
Anti-bribery and Corruption	We are committed to ensuring that we act honestly, with integrity and fairness in all aspects of our business. Furthermore, our expectation is that we maintain the highest standards of professionalism and ethical conduct throughout our activities.	Anti-Bribery and Corruption Policy(1)		
Business Model	N/A		Our business model	16 and 17
Principal Risks	N/A		Principal risks and uncertainties	47 to 53

(1) These can be found on the Group's website www.dignityplc.co.uk.

The Strategic Report on pages 2 to 74 was approved by the Board on 30 March 2023 and signed on its behalf by:

K DAVIDSON
CHIEF EXECUTIVE OFFICER
30 March 2023

The link between our strategy and our KPIs

These historical KPIs remain relevant

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

How we measure performance

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

→ Environmental performance metrics can be found in our ESG report on pages 41 and 42.

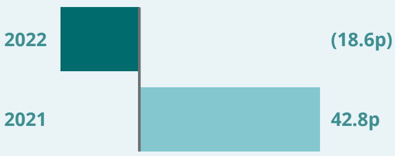
Alignment of new strategy and our KPIs

These KPIs were aligned with our previous strategic objectives and are still valid for the new strategy. All KPIs are focused on ensuring that the Group delivers on strategic objectives. No particular KPI is solely relevant to one aspect of the Group's strategy.

Financial KPIs

Underlying (loss)/earnings per share (pence)

(18.6)p



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

Developments in 2022
The reduction follows the decrease in underlying operating profit explained below.

Underlying cash generated from operations (£m)

£44.1m

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

Developments in 2022
The Group continues to convert operating profit into cash. The reduction year-on-year is primarily due to lower profit.

Underlying operating profit (£m)

£17.9m

Definition
This is the statutory operating profit of the Group excluding non-underlying items and the impact of consolidating the Trusts and IFRS 15.

Developments in 2022
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 (£)

£2,288

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

Developments in 2022
2022 has been adversely impacted by the change in pricing strategy and product mix effective since September 2021.

Non-financial KPIs

Total estimated number of deaths in Britain (number)

639,000

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

Developments in 2022
Deaths were below the prior year but higher than originally anticipated at the start of the year.

Cremation market share (per cent)

11.8%

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

Developments in 2022
Market share has seen a steady increase.

Funeral market share excluding Northern Ireland (per cent)

11.9%

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

Developments in 2022
Market share has increased compared with the prior period.

Number of cremations performed (number)

75,500

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

Developments in 2022
Changes are a consequence of the total number of deaths and the Group's market share.

Number of funerals performed (number)

77,000

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

Developments in 2022
Changes are a consequence of the total number of deaths and the Group's market share.

Active pre-arranged funerals (number)

618,000

Definition
This is the number of pre-arranged funerals (both trust funeral plans and insurance backed) where the Group has an obligation to provide a funeral in the future.

Developments in 2022
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%

99.0 per cent of respondents said that we met or exceeded their expectations (2021: 99.0%).

98.0%

98.0 per cent of respondents would recommend us (2021: 98.0%).

High standards of facilities and fleet

99.8%

99.8 per cent thought our premises were clean and tidy (2021: 99.8%).

99.6%

99.6 per cent thought our vehicles were clean and comfortable (2021: 99.6%).

Quality of service and care

99.9%

99.9 per cent thought our staff were respectful (2021: 99.9%).

99.7%

99.7 per cent thought our staff listened to their needs and wishes (2021: 99.7%).

99.0%

99.0 per cent agreed that our staff were compassionate and caring (2021: 99.2%).

In the detail

99.1%

99.1 per cent of clients agreed that our staff had fully explained what would happen before and during the funeral (2021: 99.2%).

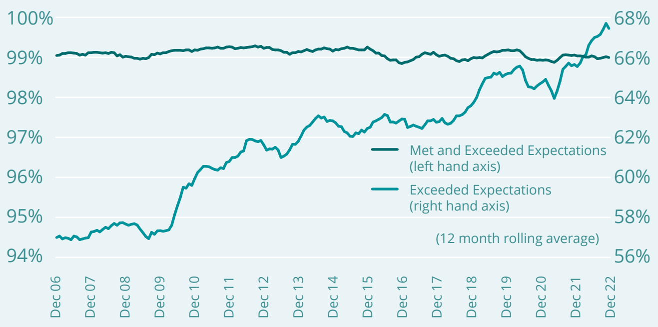
99.3%

99.3 per cent said that the funeral service took place on time (2021: 99.1%).

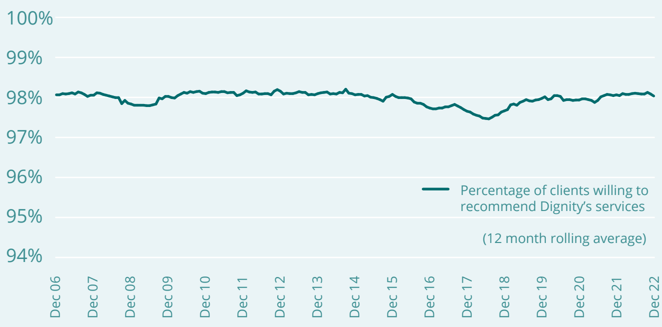
98.1%

98.1 per cent said that the final invoice matched the estimate provided (2021: 98.3%).

Meeting and exceeding expectations (% of clients)



Recommending our services (% of clients)



Performance and financial results 2022

Revenue
£323.1m
(2021: £353.7m)

Operating (loss)/profit
£(201.1)m
(2021 restated[1]: £19.5m)

Cash (used)/generated from operations
£(17.7)m
(2021: £68.3m)

Underlying revenue
£270.5m
(2021: £312.0m)

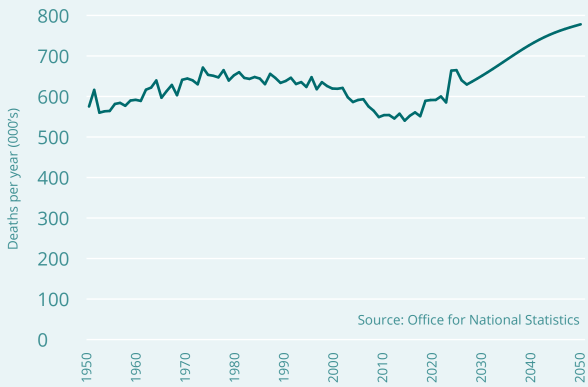
Underlying cash generated from operations
£44.1m
(2021: £88.3m)

Basic (loss)/earnings per share
(550.4)p
(2021: 24.2p)

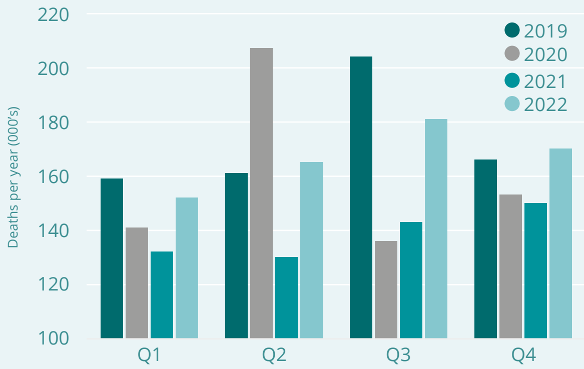
Underlying (loss)/earnings per share
(18.6)p
(2021: 42.8p)

Dividends paid in the period
£nil
(2021: £nil)

Deaths in Great Britain



Number of deaths



1) Prior year comparatives have been restated due to a presentation change in relation 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 business. The APMs provided are aligned with those used in the day-to-day management of the business and allow for greater comparability across periods. For this reason, the APMs provided exclude the impact of consolidating the Trusts and the changes which relate to the application of IFRS 15, as well as non-underlying items comprising certain non-recurring and non-trading transactions. Further detail may be found on pages 192 to 197.

This year we are reporting statutory results on the 52 week period to 30 December 2022 in comparison with last year's 53 week period to 31 December 2021.

"Our performance in 2022 reflects the continued implementation of our strategy in a challenging market."

DEAN MOORE, INTERIM CHIEF FINANCIAL OFFICER

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 65 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 8 in the consolidated financial statements 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 to the consolidated financial statements 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 192 to 197.
(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 194. 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 192 and 193 and a reconciliation of statutory revenue to underlying revenue is detailed in note 3.

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

	52 week period ended 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 credit/(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 16 to the consolidated financial statements.

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. See note 28 to the consolidated financial statements for further details.

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 in the consolidated financial statements 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 1 in the consolidated financial statements 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 pages 196 and 197 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 25 of the consolidated financial statements 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 (see note 1 of the consolidated financial statement for accounting policy). The assets of the Trusts, initially representing the same funds received from plan members less an amount paid to the Trading Group to cover marketing costs, are invested by the Trusts and are subject to market movements. Over time, investments are also realised to fund funeral payments or refund obligations. The net impact of the above gives rise to a significant reduction in the net asset value of the Group to a position where the Group has reported a net deficit of £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 13 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 145 and 146.

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 1 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.

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.

Divisional summary 2022

Funeral services

- Group operating loss share (before central overheads) n/a (2021: share of profits 24%)[1]
- Group underlying operating profit share (before central overheads) 22% (2021: 51%)

Underlying revenue[2]
£176.4m
(2021: £201.9m)

Operating loss
£(192.8)m
(2021: profit £14.7m)[1]

Underlying operating profit
£11.0m
(2021: £48.2m)

725
Number of funeral branches we operate in the UK

77,000
Number of funerals conducted during 2022

Crematoria

- Group operating loss share (before central overheads) n/a (2021: share of profits 76%)[1]
- Group underlying operating profit share (before central overheads) 78% (2021: 49%)

Underlying revenue[3]
£81.9m
(2021: £85.5m)

Operating profit
£38.6m
(2021: £46.5m)

Underlying operating profit
£39.5m
(2021: £47.0m)

46
Number of crematoria we operate in England and Scotland

75,500
Number of cremations conducted during 2022

Pre-arranged funeral plans

Underlying revenue[4]
£12.2m
(2021: £24.6m)

Operating profit[4]
£nil
(2021: £nil)

618,000
Number of active plans as at December 2022 (2021: 581,000)

£1.0bn
Assets held in the Trusts
(2021: £1.1bn)

(1) Restatement reflects the reclassification of hedging/foreign exchange difference arising on financial assets held by the Trusts. See note 1 for further details.
(2) Total underlying revenue was £176.4 million (2021: £201.9 million). On a statutory basis the Group recognised funeral services revenue of £241.2 million (2021: £268.2 million). See note 3 for further details.
(3) There is no difference between underlying revenue and statutory revenue for the crematoria division.
(4) Pre-arranged funeral plans are not a separate division in statutory terms, as a result statutory revenue and operating profit are £nil (2021: £nil). Please see note 3 for further details.

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 197 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 194 and 195 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 197 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 197 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 pages 160 and 161 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:

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.

	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**

“Maintaining good governance during this period of change has been essential in supporting the long-term sustainable success of the Company.”

JOHN CASTAGNO, NON-EXECUTIVE CHAIRMAN

Governance at a glance

1. Board leadership and Company purpose

Provides an overview of the activities undertaken by the Board in the year, how the Board has considered its s172(1) responsibilities and its governance framework.

- Our purpose
- Our business model
- Stakeholder engagement
- Section 172(1) Statement
- Culture, purpose and values
- Activities of the Board

→ **See more about our approach to leadership and purpose on page 79.**

2. Division of responsibilities

Explains the roles of the Board and its Directors.

- Board of Directors
- Governance structure
- Roles and responsibilities

→ **See more about our approach to division of responsibilities on page 80.**

3. Composition, succession and evaluation

Sets out the key processes which ensure that the Board and its Committees can operate effectively.

- Nomination Committee report
- Gender balance of senior management
- Appointments to the Board
- Board skills and attributes
- Board evaluation
- Diversity and inclusion

→ **See more about our approach to composition, succession and evaluation on page 80.**

4. Audit, risk and internal control

Explains the role of the Board, the Risk Committee and the Audit Committee in ensuring the integrity of the financial statements, the effective management of risk and maintaining effective systems of internal controls.

- Audit Committee report
- Risk Committee report
- Statement of Directors' responsibilities
- Viability Statement and going concern

→ **See more about our approach to Audit, risk and internal control on page 81.**

5. Remuneration

Describes the Company's remuneration arrangements in respect of its Directors and how these have been implemented in 2021/22.

- Report on Directors' remuneration
- Remuneration Policy report

→ **See more about our approach to Remuneration on page 81.**

6. Directors' report

→ **See our Directors' report on pages 116 to 119.**

The importance of strong governance

Good governance is crucial at all levels within the Group and it is the responsibility of the Board both to lead by example and to set the tone from the top.

In practice, this means ensuring that an effective internal framework of systems and controls is in place with clearly defined authorities and accountability to promote success, while allowing risks to be managed to defined levels. To do this, the Board must make sound judgements while also considering the views of our shareholders and other stakeholders.

We report in line with the UK Corporate Governance Code (the 'Code'). Except where detailed on page 78, Dignity has complied with the Provisions of the Code throughout the period ended 30 December 2022. The Company continues with its objective of strengthening governance and enhancing our compliance with the Code.

Highlights 2022

- In January 2022, Kate Davidson joined the Board as Chief Operating Officer, before succeeding Gary Channon as Chief Executive Officer following the Company's AGM in June 2022.
- Kartina Tahir Thomson joined the Board as an independent Non-Executive Director in February 2022.
- Graham Ferguson was appointed Senior Independent Director in June 2022.
- New Risk Committee to oversee the risk management arrangements of the Group. The Risk Committee met three times during 2022.

Board composition

- Executive Directors: 2
- Non-Executive Directors: 2
- Non-Executive Chairman: 1

Balance

- Male: 3
- Female: 2

Tenure

- 0–3 years: 4
- 3+ years: 1

"Good governance is crucial at all levels within the Group and it is the responsibility of the Board both to lead by example and to set the tone from the top."

JOHN CASTAGNO
NON-EXECUTIVE CHAIRMAN

On behalf of the Board, I am pleased to present the Company's Corporate Governance report for the year ended 30 December 2022.

The Board's focus during the year has been on continuing to support our colleagues to implement our new strategy. Despite a fall in profitability during 2022, we are continuing to make good progress in the implementation of our strategy and are taking the right steps towards achieving market share growth and restoring profitability. We have continued to restructure the business, starting with the re-organisation of our network into 12 regions, to deliver a collaborative and integrated end-of-life service across our funeral services, crematoria and funeral plan proposition. Please see page 90 for further information.

Changes to the Board

We were delighted to appoint Kate Davidson and Kartina Tahir Thomson to the Board in January and February 2022 respectively. We also confirmed the permanent appointment of Graham Ferguson as an independent Non-Executive Director and Chair of the Audit and Remuneration Committees. Graham was also appointed Senior Independent Director on 9 June 2022.

Kate Davidson's appointment to the Board was as an Executive Director, in her former role as Dignity's Chief Operating Officer, before being promoted to Chief Executive Officer following the AGM in June 2022. Kate has been instrumental in delivering a number of high-priority strategic and commercial programmes since she re-joined Dignity in 2021.

As we report on page 8, 2022 was a highly productive year. The business underwent a significant internal restructure; launched our new Guiding Principles; gained full authorisation by the FCA under the new regulatory regime for pre-paid funeral plans; launched a first-of-its-kind, pre-need funeral plan product; and has made progress in restructuring our debt to enable us to invest in our growth. Kate is passionate about our business and the funeral sector, and is dedicated to creating a new culture within Dignity.

Kartina has extensive experience in risk management and regulation and has brought significant value and insight to our Board.

Andrew Judd, previously Funeral Operations Director, stood down from the Board in April 2022 and left Dignity after 25 years' service. We are extremely grateful to Andrew and thank him for his extensive contribution and dedication to the Company.

Gary Channon also stepped down from the Board following the Group's AGM. I would like to thank Gary for the positive impact he has made on both colleagues and our commercial ambitions, and we welcome his continued support as an adviser to the Board on strategic matters. The Board does not consider Gary to be a de facto or shadow director.

On the recruitment side, the Nomination Committee has led the process to recruit a new Chief Financial Officer, in conjunction with an external executive search firm. In view of a takeover bid for the Company, the Board decided it would be appropriate to put the process on hold.

Diversity and inclusion

The Board is committed to, and takes responsibility for, equality and diversity throughout the Dignity Group.

To this end, we do not tolerate discrimination or unequal treatment of any colleague or job applicant in respect of age, race, religion or belief, gender, sexual orientation, pregnancy, disability, marital status or any other personal characteristic. We engage, promote and train employees on the basis of their capabilities, qualifications and experience, with everyone receiving equal opportunity to progress within the Company. This commitment to fairness and equality also extends to the way we engage with clients, suppliers and members of the public.

→ For more, please see page 85 on employee diversity.

Our people and culture

We are committed to fulfilling a core element of our vision: to be an inspirational and rewarding employer. We are also focused on attracting and retaining the best people, ensuring they are empowered, supported and developed, and recognised by an effective reward and recognition framework.

In January 2022, our first step to providing fair and competitive remuneration was delivered through introducing the real Living Wage to the lowest-paid colleagues across the business. In September 2022, as part of our benchmarking of pay across our own business and the sector, we also increased salaries for key front-line roles, to ensure they are competitive and sector-leading and take into account the impact of inflation. Please see page 101 for further information.

The Board is also responsible for ensuring that our culture is aligned with Dignity's purpose, values and strategy at all levels of the organisation. Our Guiding Principles, launched during the year, create a framework for our colleagues to live by at work, and to guide and inspire them to do the right things. To assess how well we are embedding the Principles, we launched a tracking survey during 2022 to gauge how they are shaping our culture, and the impact of changes made to our structure and people approach. The survey results have indicated that while we have continued to provide a high-quality service to families, there is still further room for improvement in other areas.

Recommended takeover bid

We carefully considered the bid from Yellow (SPC) Bidco Limited for the Company and the interests of our stakeholders. The Board was unanimous in recommending the bid to shareholders. The Board has made its recommendation on the basis of the business today and its prospects. The bid awaits shareholder and regulatory approval.

Governance

One of the Board's key priorities this year was to strengthen our governance with the objective of being fully compliant with the UK Corporate Governance Code.

We were pleased to welcome both Kate Davidson and Kartina Tahir Thomson to the Board this year. In addition to their manifest achievements and skills, they have improved the gender balance and diversity on the Board. Indeed, their appointments mean that the Company exceeds the FTSE Women Leaders Review target to have at least 33 per cent female representation on the Board. We are also continuing to make progress with the recruitment of senior-level executives below Board level, to support Kate and the Executive team in executing our strategy.

As mentioned in our 2021 Annual Report, a Board evaluation was conducted during the second half of 2022 to enable the Directors appointed in the second half of 2021 and in early 2022 to have more experience of the Group, the Board and its Committees.

The results of the evaluation are discussed on page 88.

Looking forward

We have continued to support and encourage the Executive team to evolve the long-term business strategy, explained on pages 20 to 25, and we remain confident in its approach.

JOHN CASTAGNO
NON-EXECUTIVE CHAIRMAN
30 MARCH 2023

The 2018 UK Corporate Governance Code: how we comply

As a company listed on the London Stock Exchange, Dignity plc applies the Principles and Provisions of the 2018 UK Corporate Governance Code (the 'Code'), a copy of which is available at www.frc.org.uk.

Dignity has complied with the Provisions of the Code throughout the period ended 30 December 2022, with the exception of the following Provisions (which Dignity did not comply with for the period to 9 June 2022):

- Provision 11: At least half of the Board, excluding the Chair, should be Non-Executive Directors whom the Board considers to be independent.
- Provision 12: The Board should appoint one of the independent Directors to be the Senior Independent Director.
- Provision 24: The Audit Committee should comprise independent Non-Executive Directors and the Chair should not be a member.

Andrew Judd and Gary Channon stood down from the Board on 1 April 2022 and 9 June 2022 respectively. Following their departures, the Board comprised two Non-Executive Directors (excluding the Chair) whom the Board considers to be independent, and two Executive Directors. Accordingly, compliance with Provision 11 of the Code was achieved.

With the appointment of Graham Ferguson as Senior Independent Director, and with John Castagno standing down as a member of the Audit Committee on 9 June 2022, compliance with Provisions 12 and 24 of the Code has been achieved.

We set out on the following pages how the Company has applied the principles of the Code during the financial year.

Section 1: Board leadership and Company purpose

A. "A successful company is led by an effective and entrepreneurial Board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society."	The Dignity Board is collectively responsible for the long-term success of the Company, including its relationships and engagement with all shareholders, and operates via a formal schedule of matters reserved for its decision. Please see the governance structure on page 83 for further information of the responsibilities of the Board.
B. "The Board should establish the company's purpose, values and strategy, and satisfy itself that these and its culture are aligned. All directors must act with integrity, lead by example and promote the desired culture."	An explanation of the Company's purpose, values and strategy are set out in the Strategic Report which starts on page 1. Our Guiding Principles define the principles and values that shape our culture. These are explained in further detail on page 3. The schedule of matters reserved for the Board provides that the Board is responsible for the overall leadership of the Group and setting its values and standards, and for approving the Group's strategic aims and objectives. In addition, the role of The Dignity Team Forum is a key element in the Board's oversight of culture. Please see page 89. Culture is central to ensuring that Dignity has a clear business vision and a social purpose, to which our people can feel aligned.
C. "The Board should ensure that the necessary resources are in place for the company to meet its objectives and measure performance against them. The Board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed."	The Board is satisfied that the necessary resources are in place to ensure that the Company meets its objectives. Our key performance indicators and how we have performed against them can be found on pages 58 to 61. During the year, the Risk Committee was established to advise the Board on risk management issues; to recommend the framework of risk limits and risk appetite to the Board for approval; and to oversee the risk management arrangements of the Company. See pages 98 and 99 for further information on the responsibilities and principal activities of the Risk Committee during the year The Group has mature risk management and governance processes in place to identify, report and manage risk. As part of its terms of reference, the Audit Committee monitors the Company's internal controls systems and carries out an annual review of their effectiveness. The Risk Committee receives a twice-yearly review of the principal risks, including emerging risks, together with updates from Internal Audit on matters for review. See page 83 for further information on the governance structure and pages 47 to 53 for our principal and emerging risks.
D. "In order for the company to meet its responsibilities to shareholders and stakeholders, the Board should ensure effective engagement with, and encourage participation from, these parties."	The Board reviews and oversees relationships with the business's key stakeholders. At each meeting, the Board, inter alia, receives a report on the performance and operational issues of each business; an update from the Chief Executive Officer on various matters, including investor relations; a briefing on supplier management; and information from the Board Committees on matters including the performance development framework and whistleblowing. The Chairman and Senior Independent Director meet with major shareholders when requested. We outline our approach to workforce engagement on page 89.
E. "The Board should ensure that workforce policies and practices are consistent with the company's values and support its long-term sustainable success. The workforce should be able to raise any matters of concern."	The Board firmly believes that good ethics and good business practice combine to produce the best results in the long-term. Our Code of Conduct sets out our policy on the standards to be followed to promote legal, honest, ethical and safe business practices. We define Group policies and provide supporting e-learning modules that set out our approach to managing health, safety, environmental and social matters affecting our employees. There is also an independent and anonymous whistleblowing procedure enabling any employee to raise any concerns in complete confidence.

Section 2: Division of responsibilities

F. "The Chair leads the Board and is responsible for its overall effectiveness in directing the company. They should demonstrate objective judgement throughout their tenure and promote a culture of openness and debate. In addition, the Chair facilitates constructive board relations and the effective contribution of all non-executive directors, and ensures that directors receive accurate, timely and clear information."	The Chairman, in conjunction with the Company Secretary, ensures that full and high-quality information is provided to the Board in advance of each Board meeting. The performance of the Chairman is monitored through the annual Board evaluation process and through separate meetings of the Non-Executive Directors, without the Chairman present.
G. "The Board should include an appropriate combination of executive and non-executive (and in particular, independent non-executive) directors, such that no one individual or small group of individuals dominates the Board's decision-making. There should be a clear division of responsibilities between the leadership of the Board and the executive leadership of the company's business."	The Board currently comprises the independent Non-Executive Chairman, the Chief Executive Officer, the Interim Chief Financial Officer (who was independent on appointment) and two independent Non-Executive Directors. The Chief Executive Officer is responsible for the day-to-day leadership and management of the business through defined delegated authority limits. The Chairman and two Non-Executive Directors provide an independent view on the running of our business, governance and boardroom best practice. They oversee and constructively challenge management in its implementation of strategy and performance of the Group.
H. "Non-executive directors should have sufficient time to meet their board responsibilities. They should provide constructive challenge, strategic guidance, offer specialist advice and hold management to account."	Prior to appointing a Non-Executive Director, the Board considers whether the individual has sufficient time to devote to their role with the Group, and in light of any changes to their external commitments during the year. At the Nomination Committee meeting in December 2022, each of the Non-Executive Directors confirmed that they were able to devote sufficient time to their role as a Director of Dignity plc. This confirmation is sought annually. The number of Board and Committee meetings which were held during the reporting period, and the attendance at each of these meetings, is shown on page 87.
I. "The Board, supported by the Company Secretary, should ensure that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently."	All Directors have access to the advice and services of the Company Secretary. The Company Secretary ensures that the Board receives high-quality briefing papers, and in a timely manner. He advises the Board on all governance matters, including compliance with the Code. He works with the Chairman and Committee Chairs to ensure that the right matters are escalated to the Board and Committees at the appropriate point, and that sufficient time is devoted to strategic matters. He arranges Directors' induction and Board evaluation exercises, and supports succession planning and recruitment of new Non-Executive Directors.

Section 3: Composition, succession and evaluation

J. "Appointments to the Board should be subject to a formal, rigorous and transparent procedure, and an effective succession plan should be maintained for Board and senior management. Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths."	All Board appointments made during 2022 were subject to a rigorous and transparent procedure. There are regular succession planning reviews by the Nomination Committee regarding Executive and Non-Executive succession, and immediately below Board level. During 2022, the Board has had greater direct interaction with senior management and employees and has put in place a programme for individuals to regularly present/contribute to meetings of the Board/Committees.
K. "The Board and its committees should have a combination of skills, experience and knowledge. Consideration should be given to the length of service of the Board as a whole and membership regularly refreshed."	The Nomination Committee reviews the balance, composition and structure of the Board, as well as the length of service of each Board member. Where appropriate, the Committee also recommends the re-appointment of Non-Executive Directors and any extensions to their term. Kate Davidson and Kartina Tahir Thomson were appointed for the skills, experience and knowledge they can contribute to the Board and its Committees. In view of a takeover bid for the Company, the Board decided it would be appropriate to put the process of recruiting a new Chief Financial Officer on hold.
L. "Annual evaluation of the Board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each director continues to contribute effectively."	In line with the requirement of the Code, the Board conducts an annual evaluation of the performance of the Board and Committees, and of each Director. The Board evaluation was conducted in the second half of 2022. These annual evaluations are externally facilitated.

Section 4: Audit, risk and internal control

M. "The Board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of internal and external audit functions and satisfy itself on the integrity of financial and narrative statements."	The Board delegates detailed oversight of the Group's system of internal control to the Audit Committee, to ensure the integrity of the Group's full and half year results and the Annual Report and Accounts. The Audit Committee has ensured it complies with this requirement, as detailed on pages 94 to 97. On the recommendation of the Audit Committee, the Board reviewed and approved the 2022 half and full year results and this 2022 Annual Report. Please see the Audit Committee report on pages 94 to 97.
N. "The Board should present a fair, balanced and understandable assessment of the company's position and prospects."	As described in the Audit Committee report on pages 94 to 97, the Audit Committee reviewed the 2022 Annual Report and Accounts in March 2023 and was satisfied that it presents a fair, balanced and understandable assessment of the Group's position and prospects. The Audit Committee reported its findings to the Board.
O. "The Board should establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the company is willing to take in order to achieve its long-term strategic objectives."	The Audit Committee has continued to monitor the Group's internal control systems on behalf of the Board, and in accordance with its terms of reference. The Board has also established a Risk Committee which is chaired by the independent Non-Executive Director, Kartina Tahir Thomson. The Risk Committee met three times during 2022 to review risk management issues, recommend the framework of risk limits and risk appetite to the Board and oversee the risk management arrangements of the Company. This included embedding and maintaining a supportive risk management culture. The Committee reviews the Group's principal risks and recommends any changes to risk appetite to the Board. The Group risk register is reviewed twice yearly by the Risk Committee. Please see the section on principal risks and uncertainties on pages 47 to 53.

Section 5: Remuneration

P. "Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success. Executive remuneration should be aligned to company purpose and values and be clearly linked to the successful delivery of the company's long-term strategy."	The Remuneration Committee sets great store by aligning remuneration policy and packages to strategy, and to supporting long-term sustainable success. The Remuneration Committee reviews and proposes the Group's Remuneration Policy to the Board for approval and the Directors' Remuneration report is put to an advisory vote at the AGM, in line with statutory requirements. A new three-year Remuneration Policy was approved by shareholders at the AGM in June 2022. Please see the Remuneration Committee report on pages 100 to 115.
Q. "A formal and transparent procedure for developing policy on executive remuneration and determining director and senior management remuneration should be established. No director should be involved in deciding their own remuneration outcome."	Under the approved Directors' Remuneration Policy, no increase to Executive Directors' remuneration is proposed for the financial year ended 30 December 2022. The remuneration of Non-Executive Directors is a matter for the Board. No Director, committee attendee, Executive, senior manager or other person can be involved in any discussion or decision as to their own remuneration.
R. "Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances."	The Committee takes advice from an external consultant (Korn Ferry) and ensures that remuneration for Board and senior management is suitably structured in order to attract, retain and motivate Executives, and to link reward to corporate and individual performance and all relevant internal and external factors.

A Audit Committee | N Nomination Committee | R Remuneration Committee | Ri Risk Committee | Committee Chair

Kate Davidson MBE

Chief Executive Officer

Appointed to the Board: 2022

Background and experience: With over 15 years' funeral and crematoria industry experience, Kate began her career in the crematoria sector within local government, before joining Dignity plc in management and strategic roles spanning eight years.

Kate re-joined Dignity plc from Westerleigh, as Chief Operating Officer in June 2021. She was appointed to the Board on 7 January 2022 and became Chief Executive Officer on 10 June 2022. Kate sits on the Group's Executive Committee. She is well respected in the end-of-life sector and has been involved with a number of industry-wide funeral and crematoria policy initiatives. In December 2022, she was made an MBE in the King's New Year Honours List for Services to Bereaved People during COVID-19.

John Castagno N R Ri

Independent Non-Executive Chairman

Appointed to the Board: 2021

Background and experience: John is an experienced Non-Executive Director with a background in support industries and financial services, having held senior positions at British Gas Insurance, Tesco Bank and a variety of insurance providers. He is currently a non-executive director of Post Office Management Services Limited and Hub Investment Holdings Limited.

John brings extensive business planning and development capabilities in regulated environments, including those that come under the Financial Conduct Authority ('FCA'). This experience has benefited the Board and the Dignity Executive team in navigating changes instigated by the Competition and Markets Authority and the FCA. John is Chair of the Nomination Committee and a member of the Remuneration and Risk Committees.

Dean Moore

Interim Chief Financial Officer

Appointed to the Board: 2020

Background and experience: Dean is a chartered accountant with extensive public company experience, having previously been Chief Financial Officer at Cineworld Group plc, N Brown Group plc, T&S Stores plc and Graham Group plc, and formerly Non-Executive Chairman of Tuxedo Money Solutions Limited.

He is currently a Non-Executive Director of Griffin Mining Limited and THG plc, and Senior Independent Director at both Cineworld Group plc and Volex plc. Dean was an independent Non-Executive Director of Dignity plc before assuming the role of Interim Chief Financial Officer.

Kartina Tahir Thomson A N R Ri

Independent Non-Executive Director

Appointed to the Board: 2022

Background and experience: Kartina joined the Board as independent Non-Executive Director on 7 February 2022. She is a Fellow of the Institute and Faculty of Actuaries, and brings over 20 years of diverse actuarial, risk, governance and regulatory experience, most recently as a Senior Director (Partner) at Willis Towers Watson, a global insurance consultancy.

Prior to this, Kartina was a senior Director at one of the Big Four firms, specialising in risk and regulation. She also spent six years at the Bank of England, leading the general insurance risk specialists and supervisors, responsible for ensuring financial stability of the UK financial market through sound supervision of risk management, capital and solvency. Kartina is Chair of the Risk Committee and a member of the Audit, Remuneration and Nomination Committees.

Graham Ferguson A N R Ri

Senior Independent Director

Appointed to the Board: 2021

Background and experience: Graham was appointed to the Board on 1 September 2021 and became Senior Independent Director on 9 June 2022. He joined the Board of First Derivatives plc (now FD Technologies plc) in September 2008 and was responsible for its financial operations. He stepped down as Chief Financial Officer and from the Board of FD Technologies on 1 January 2021.

During his career, Graham has worked on numerous corporate acquisitions and restructuring projects and has experience in business and acquisition finance. He formerly held senior roles with KPMG, Bank of Ireland and Silverwood Property Developments Limited and is a qualified chartered accountant. Graham is Chair of the Audit and Remuneration Committees and a member of the Nomination and Risk Committees.

The Board provides strategic leadership to the Group within a framework of sound corporate governance and internal control.

The Dignity plc Board
(Chairman, Executive Directors and Independent Non–Executive Directors)

Board-level Committees

Audit Committee	Remuneration Committee	Nomination Committee	Risk Committee
Graham Ferguson (Chair), Kartina Tahir Thomson	Graham Ferguson (Chair), Kartina Tahir Thomson, John Castagno	John Castagno (Chair), Graham Ferguson, Kartina Tahir Thomson	Kartina Tahir Thomson (Chair), John Castagno, Graham Ferguson

The Executive Committee

The Board

The Board is responsible for the long-term success of the Group, which includes responsibility for:

- Overall management of the Group;
- Setting and reviewing the strategy of the Group;
- Approval of major capital expenditure and acquisition projects, and consideration of significant financial matters;
- Monitoring the exposure to key business risks;
- Approval of major financing and capital structure changes to the Group;
- Setting annual budgets and reviewing progress towards achieving these budgets; and
- Proposing dividend payments to shareholders.

Committees of the Board

There are four standing committees of the Board: the Audit Committee, the Remuneration Committee, the Nomination Committee and the Risk Committee. The terms of reference of these Committees are set by the Board and are available on the Dignity plc corporate website. Membership is reserved for the independent Non-Executive Directors, save for the Nomination and Risk Committees. The Committees' reports are on pages 92 to 115.

Non-Executive Directors

The Non-Executive Directors scrutinise, measure and review the performance of management; constructively challenge and assist in the development of strategy; review the Group's financial information; and monitor the effectiveness of internal risk management systems.

The Chief Executive Officer and Executive Directors

The Chief Executive Officer and Executive Directors, together with the Executive Committee, are responsible for:

- Operational management and control of the Group on a day-to-day basis. Local operational decisions are the responsibility of the local managers, who are accountable to the Executive Directors;
- Formulating and proposing strategy to the Board; and
- Implementing the strategy and policies adopted by the Board.

The Chairman

The Chairman is responsible for:

- The leadership of the Board;
- Ensuring the Board functions effectively in all aspects of its role;
- Facilitating the effective contribution of the Non-Executive Directors and ensuring a constructive working relationship between Executive and Non-Executive Directors;
- Making sure all Directors receive accurate, timely and clear information;
- Setting the agenda so all strategic and other important issues are discussed, ensuring sufficient time is devoted to discussing such issues; and
- Making sure there is effective communication with stakeholders, and acting as the public face of the Group.

The Executive Committee

The Executive Committee currently consists of the following Executive Directors and senior managers:

- Chief Executive Officer: Kate Davidson;
- Chief People Officer: Alex Currie;
- Chief Customer Officer: Chrissy Fice;
- Operations Director: Mark Williams;
- Group Financial Controller: Angela Eames;
- Head of Regional Development: James Wintle;
- Risk and Compliance Director: Carl Higgins; and
- Director of Pre-Arrangement: Mike Hilliar.

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

The Board and its Committees

The Group is controlled through the Board of Directors, which meets regularly throughout the year. We show the structure of the Board and its Committees above. Informal meetings are held between individual Directors as required.

As at the date of this report, the Board comprised five Directors including the independent Non-Executive Chairman. During 2022, the total number of Directors who served was seven. Andrew Judd, Executive Director of Funeral Operations, stood down from the Board on 1 April 2022. Gary Channon, the former Executive Chairman and Chief Executive Officer, stood down from the Board following the Company's Annual General Meeting on 9 June 2022. There are currently three independent Non-Executive Directors including the Chairman and two Executive Directors.

In accordance with the Code, all Directors will submit themselves for re-election at the 2023 AGM.

Non-Executive Directors

Biographical details for the serving Non-Executive Directors appear on page 82. Chosen for their diversity of skills and experience, their role is to provide constructive challenge to the management of the Group and to assist in the development of strategy. Each is appointed for a fixed term of up to three years, subject to annual re-election by shareholders. This term may then be renewed by mutual consent, up to a maximum total of nine years' service, in accordance with the Code. Appointments beyond six years are also subject to rigorous review prior to approval. The Non-Executives' letters of appointment are available, on request, from the Company Secretary.

The Chairman and the Non-Executive Directors are required to, and have, confirmed formally to the Board that, mindful of their other commitments, they have and will have sufficient time to devote to their responsibilities as Directors of the Company.

John Castagno, Graham Ferguson and Kartina Tahir Thomson are independent of management as defined by the Code.

Dean Moore became Interim Chief Financial Officer on 14 December 2020. This interim position means that he does not currently qualify as independent, as defined in the Code. As advised in our 2021 Annual Report, the intention is for Dean Moore to resume his position as an independent Non-Executive Director once a new Chief Financial Officer is appointed.

Board responsibilities

The Board discharges its responsibilities by providing strategic and entrepreneurial leadership of the Company, within a framework of strong governance, effective controls and a strong culture, which enables opportunities and risks to be assessed and managed appropriately. We give a summary of the Board responsibilities on page 83. In addition, the Board sets the Company's strategic direction, ensures that the necessary financial and human resources are in place for the Company to meet its objectives, and reviews management performance. More information about each member of the Board's role is on page 82.

Board induction

Following appointment, an induction programme is provided to new Directors so that they become as effective as soon as possible in their role.

The induction programme includes:

- Briefings with fellow Directors, senior leadership members and advisers;
- A briefing on the role of a public company director and the framework in which the Board operates;
- Provision of Board and Committee papers and governance documents such as the schedule of matters reserved for the Board and Committee terms of reference;
- Provision of corporate policies; and
- Analysts' reports.

Executive Committee

The day-to-day management of the Group is delegated to the Executive Directors and the Executive Committee (see page 83), supported by an experienced and generally long-serving senior and middle management team. Its size and structure reflects the complexity of the Group's activities. Managers have the necessary skills and knowledge relevant to their areas of responsibility. The remainder of the responsibilities rests with the Board; however, certain capital expenditure and acquisition projects are delegated under a formally adopted schedule of matters reserved for the Board.

Capital expenditure is managed by the Dignity Capex Committee, which was established in 2022 to consider capital expenditure above a certain threshold. This Committee comprises members of the Executive Committee and senior management.

The Company Secretary

The Company Secretary, Tim George, is responsible for overseeing the preparation and distribution of all agendas, minutes and related Board and Committee papers. He attends the Board meetings in his capacity as Company Secretary and provides corporate governance advice if required.

The appointment and removal of the Company Secretary is a matter for the Board as a whole.

Provision of information to the Board and professional development

All Directors are provided with the necessary papers in advance of meetings to assist them in making informed decisions. The Board also considers employee issues and key management appointments, including the role of Company Secretary.

The Company Secretary acts as Secretary to the Board and its Committees and attends all meetings. A formal agenda and reports are issued electronically to Directors ahead of all Board and Committee meetings, allowing sufficient time for detailed review and consideration. Formal minutes are prepared in respect of all Board and Committee meetings. The Secretary provides regular briefings to the Board on relevant regulatory and governance matters, supplemented by briefings from independent advisers where necessary.

During 2022, the Board received briefings on topics including the macroeconomic environment and the Consumer Duty regulations. These were delivered by independent experts and the Board will continue to include additional topics on the agenda for future information briefings. Additionally, all Directors receive training and updates on the duties and responsibilities of being a Director of a listed company. This covers legal, accounting, security and tax matters as required or as requested by any Director. In addition, any newly appointed Director receives appropriate induction training.

An annual plan for the following year's meetings is approved by the Board and each Committee.

Advice to the Board

All Directors are able to take independent professional advice on their duties as necessary, at the Group's expense. They also have access to the advice and services of the Company Secretary and, where it is considered appropriate and necessary, training.

Diversity and inclusion

The Board is committed to supporting diversity and inclusion, and in May 2022 it approved a three-year strategy to implement a number of diversity, equity and inclusion ('DE&I')) initiatives throughout the business. During the year, a suite of learning and development resources has been offered to our colleagues to tackle non-inclusive behaviours and raise diversity awareness. These include online training modules on DE&I, bullying and harassment, and unconscious bias training for leaders and managers.

As part of furthering DE&I, we do not tolerate discrimination or unequal treatment of colleagues or job applicants in respect of age, race, religion or belief, gender, sexual orientation, pregnancy, disability, marital status or any other personal characteristic. We engage, promote and train employees on the basis of their capabilities, qualifications and experience, with all employees receiving equal opportunity to progress within the Company. This commitment to fairness and equality also extends to the way we engage with clients, suppliers and members of the public.

In order to put this policy into practice in day-to-day management, we:

- Monitor decisions on recruitment, selection, training and promotion to ensure they are based solely on objective and job-related criteria;
- Provide training for managers to ensure that they understand the nature of discrimination and are fully aware of their responsibilities in implementing our Equality and Diversity Policy;
- Raise awareness among colleagues and give them a greater understanding of DE&I in the workplace. This includes completing mandatory online training, and other training for leaders such as unconscious bias, bullying and harassment, and inclusive leadership;
- Provide information and advice on the implications of the relevant legislation, and on assistance available to help with employing people with disabilities;
- Ensure that all policies are applied thoroughly and fairly, and particularly those relating to any complaint involving discrimination or harassment;
- Communicate this policy to employees, suppliers and third parties, where applicable, through induction, training and communications; and
- Encourage our suppliers and third parties to adopt similar policies themselves that reflect our own DE&I views and those of our clients.

→ **For more information on DE&I, please see page 93.**

Purpose, principles and culture

As explained on page 2, our core purpose is to help people at one of the most difficult times in their lives to say goodbye, to remember and to celebrate the life of those lost. As a business, serving clients is at the heart of everything we do.

The Board sets the strategy for the Company to align with our purpose. Our Guiding Principles which we launched in 2022 underpin our purpose, and are recognised across the Company as the basis of our culture. In addition, the Board has overall responsibility for establishing the Company's purpose and strategy to deliver the long-term sustainable success of the Company and generate value for all of our stakeholders.

Conflicts of interest

The Directors have, during the period, formally reminded themselves of their duties as Directors under the Companies Act 2006. These duties include the need to avoid conflicts of interest. As we state on page 83, Gary Channon was previously Chief Executive Officer prior to standing down from the Board in June 2022. Gary is an adviser to the Board in relation to certain matters and has a consultancy agreement in place with the Company. He is a Partner of Phoenix Asset Management Partners Limited ('Phoenix') which is the Company's largest shareholder, managing 29.42 per cent of the shares. An agreement in respect of share dealing exists between the Company and Phoenix. The Company also has a Related Parties Transaction Policy which is reviewed annually by the Board. Please see note 31 on related parties.

At each Board meeting, Directors are required to declare any conflicts of interest in matters to be considered. Whenever any Director considers that he or she is, or may be, interested in any contract or arrangement to which the Company, is or may be, a party, the Director gives due notice to the Board in accordance with the Companies Act 2006 and the Company's Articles of Association ('Articles'). In such cases, unless allowed by the Articles, a Director is not permitted to participate in any discussions or decisions relating to the contract or arrangement.

To date, any such conflicts declared have been managed to ensure that no undue influence exists in discussions and resulting resolutions. The Board is satisfied that all Directors are able to allocate sufficient time to the Company to enable them to discharge their responsibilities as Directors effectively, and that any current external appointments do not detract from the extent or quality of time that the Director is able to devote to the Company.

Internal control and risk management

The Board has responsibility for the Group's system of internal control and risk management. The Risk Committee advises the Board on risk management within the Dignity Group. Please see the Risk Committee Report on pages 98 and 99 for further information. A formal and ongoing process of identifying, evaluating and managing the significant risks faced by the Group was in place throughout the period, and up to the date that this Corporate Governance report was signed and approved for the Annual Report and Accounts 2022.

The risk management and internal control systems are operated in line with the Financial Reporting Council's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting. The Executive Directors and the wider management group are responsible for designing, implementing, maintaining and evaluating the necessary systems of internal controls. Such controls are reviewed by the Audit Committee on an ongoing basis, and formally by the Board on an annual basis, in accordance with the requirements of the Code. The 2022 annual review confirmed that the Group's risk management and internal control systems were appropriate and suitable for a Group of this size and complexity.

Internal Audit completes a programme each year that provides assurance that the internal controls have been operated as designed, as well as proposing improvements where appropriate and necessary. Coupled with this, a six-monthly review of the risk system provides a further mechanism for considering and reviewing internal controls. All such work is reported to, and monitored by, the Audit Committee which recommends approval to the full Board. Please also see the Audit Committee report on pages 94 to 97.

The Audit Committee on behalf of the Board formally reviews the effectiveness of the Group's systems of internal control, including financial, operational and compliance controls. It receives reports from management and Internal Audit regarding any weaknesses in internal control, any losses arising out of weaknesses in internal control and progress in implementing revised procedures to improve and enhance internal control. Any significant control weaknesses would be reported to the Board at the next meeting. There have been no reports of weaknesses that have resulted or would have resulted in a material misstatement or loss in the period, nor in the period up to the date this Annual Report was published.

The Board's internal control systems in relation to the preparation of consolidated accounts can be summarised below:

- Financial reporting: The Group has a comprehensive system of financial performance review, internal budgeting and forecasting. The monthly results analysed by operating division are reported to the Board and significant variances to budget are investigated with revised forecasts prepared as necessary.
- Financial controls: Key controls over major business risks include reviews against budget and forecasts, key performance indicators and exception reporting.
- Policies and procedures: There are policies and procedures applicable to all employees such as the Code of Conduct, as well as specific policies such as Anti-Bribery and Corruption, Modern Slavery, Prevention of Fraud, Whistleblowing, Anti-Tax Evasion and Anti-Money Laundering.
- Internal Audit: The Head of Internal Audit reports to the Interim Chief Financial Officer, Chairman and the Audit Committee. The latter reviews and approves the annual work plan of the Internal Audit function which tests the design and operating effectiveness of key controls across the business. Any significant weaknesses are reported to management and the Audit Committee on a timely basis. As in previous years, there were quarterly meetings between the Head of Internal Audit and Executive Directors to review and discuss Internal Audit's work programme and findings. Regular meetings were also held with the external auditors, Ernst & Young to discuss and plan audit work. The Head of Internal Audit also formally reports to the Audit Committee at every meeting and holds private meetings with the Chair of the Audit Committee as required.
- Procedures: There are established and documented processes and procedures covering most parts of the operations which provide clear guidance and appropriate course of action in various circumstances. Procedures are supplemented by training as appropriate. Internal Audit and management monitor adherence to such processes and procedures.
- Risk assessment: The Executive Directors and the Executive Committee have responsibility for the identification and evaluation of significant risks together with the design of suitable internal controls. This was in place throughout the accounting period and at the date of approval of the Annual Report. A risk register is maintained which is presented to and reviewed by the Risk Committee twice a year and then formally adopted by the Board. The principal risks and uncertainties are discussed on pages 47 to 53.

Board activities

The Board held nine full Board meetings in 2022, spread broadly equally across the year. It considers this frequency to be appropriate to exercise effective governance and control, although this is kept under review. Further meetings are arranged as required. The Board agenda is structured between standing agenda items, governance requirements and areas of operational and strategic focus. We summarise its activities and actions taken during the year below.

Activity	Actions taken
Strategy and operations	• Defined our corporate target to become a net-zero business by 2038. • Received regular progress reports in relation to capital restructuring work. A covenant waiver was secured with our bondholders in March 2022, which remains in place for 12 months. • A deleveraging proposal was agreed with Class A bondholders allowing operational flexibilities and to bring the financing structure more in line with recent securitisation structures. • Received regular progress reports in relation to the setting up of the new pre-need Trust. • Considered a number of takeover approaches and reached agreement on the terms of a recommended cash offer to Dignity's shareholders. • Received regular reports from the Director of Pre-Arrangement and Risk and Compliance Director in relation to the FCA authorisation programme, development of a new pre-need product and Consumer Duty programme. • Received regular updates from the Risk and Compliance Director on risk assessment (legal and regulatory, operational, strategic, financial and reputational) and related management. • Received regular updates from the Operations Director on the programme of investment in our property portfolio. • Customer vulnerability management information and data is being developed and incorporated into the Consumer Duty Implementation Plan. • Approved the rescue proposal for Safe Hands and other funeral plan providers and related communications plan. • Approved the Resolution and Wind Down Plans as part of the FCA authorisation programme. • Approved the Solvency Reports of the pre-need Trusts and their publication.
Risks and controls	• Received regular progress reports from the Risk and Compliance Director in relation to risk appetite, classification of risks, risk assessments, and risk and compliance activities.
Financials and performance	• Received a detailed review of the Company's financial position, including borrowing facilities and financial alternatives, at each meeting. • Approved the 2022 budget. • Approved the 2021 Annual Report, Preliminary Results and 2022 Interim Results statement.
People and culture	• Received a presentation from the Head of Culture on DE&I initiatives and agreed the three-year strategy. • Approved the 2022 Sharesave invitation proposal. • Agreed salary increases for lowest-paid colleagues in core operational roles to support them during the cost-of-living crisis. • Awarded salary increases to circa 2500 colleagues following benchmarking survey.
Governance	• Agreed the reduction of cash transaction limits (or linked transactions) from £8,000 to £4,000 as part of a suite of measures to mitigate money laundering risk. • Approved various policies throughout the year including the Related Party Transaction and Financial Crime Policies. • Agreed the annual Board calendar of activities for 2023.

Board and Board Committee attendance

The frequency of Board and Committee meetings held during the period, and the attendance of Directors, was as follows:

	Main Board(i)	Audit Committee	Remuneration Committee(ii)	Nomination Committee	Risk Committee
Number of meetings	9	5	7	2	3
Dean Moore	9	By invitation	By invitation	By invitation	By invitation
Andrew Judd(ii)	1	–	–	–	–
Gary Channon(iii)	4	By invitation	By invitation	By invitation	By invitation
John Castagno(iv)	9	1	7	2	3
Graham Ferguson	9	5	7	2	3
Kate Davidson(v)	9	By invitation	By invitation	By invitation	By invitation
Kartina Tahir Thomson(vi)	8	5	6	2	3

(i) Only scheduled Board meetings, of which there were nine in the period, have been included in the attendance analysis. Further meetings were held to consider matters in connection with the proposed takeover, announcements, documents or the issue of shares pursuant to share awards.
(ii) Andrew Judd stepped down from the Board on 1 April 2022.
(iii) Gary Channon stepped down from the Board on 9 June 2022. He attended meetings by invitation of the Board in his capacity as Board adviser.
(iv) John Castagno was formerly a member of the Audit Committee until he stood down on 9 June 2022.
(v) Kate Davidson was appointed to the Board on 7 January 2022.
(vi) Kartina Tahir Thomson was appointed to the Board on 7 February 2022.

If Directors are unable to attend a meeting, they are advised of the matters to be discussed and given an opportunity to make their views known to the Chairman prior to the meeting. These views will be included in the minutes of the meeting if necessary.

The Chairman and the Non-Executive Directors met during 2022 without the Executive Directors present. The Non-Executive Directors also met during 2022 without the Chairman present.

Board evaluation

As explained on page 78, given the significant Board restructuring in 2021, the 2021 Board evaluation was conducted in the second half of 2022 to enable the Directors appointed in the second half of 2021, and in early 2022, to have more experience of the Group, the Board and Committees. In accordance with the requirements of the Code, a formal evaluation of the Board, its Committees, the Chair and individual Directors was performed with the results reviewed at the Board meeting on 3 August 2022. The evaluation was conducted by Linstock, a corporate advisory firm that is independent of the Group. This meets the requirements of the Code.

The relationship with Lintstock is managed by the Company Secretary. The format of the evaluation followed the same process as in previous years by issuing detailed online questionnaires to all Directors. This was followed by a detailed review of the responses by Lintstock and the Board, and identifying any actions arising.

Specific matters which were reviewed by the Board included:

- Board composition;
- Stakeholder oversight;
- Board dynamics;
- Board support;
- Board Committees;
- Management and focus of meetings;
- Strategic oversight;
- Risk oversight;
- Succession planning and people oversight; and
- Priorities for change.

The Non-Executive Directors are responsible for the performance evaluation of the Chairman, taking into account the views of the Executive Directors.

The Board has identified several recommended areas for improvement over the forthcoming financial year, including:

- Board reporting: improving the quality of Board reporting and management information with considered information that is easily accessible and clearly understood. Templates for Board papers that are presented to the Board have been revised and updated;
- Board training: receiving more training on the sector and market environment. Presentations from independent experts are being built into the Board's programme for 2023;
- Risk management: building and embedding the Risk Committee within the governance structure. The Committee met on three occasions during 2022; and
- Executive recruitment: Concluding the recruitment of senior-level executives in key roles to support the Chief Executive Officer in the discharge of her duties.

Subsequent to the recommended cash offer made for the Company as explained on page 118, the Board decided to postpone the 2022 Board evaluation exercise pending the outcome of the transaction.

Annual General Meeting

All shareholders are invited to attend the AGM and put questions to any Director, and the Chair of each of the Board Committees. If the acquisition by Yellow (SPC) Bidco Limited is delayed or does not proceed, this year's AGM will be held on 8 June 2023 at the offices of DLA Piper at Two Chamberlain Square, Paradise, Birmingham, B3 3AX. At least 20 days' notice will be given ahead of that meeting. Questions asked in person at the AGM will receive a verbal response whenever possible; otherwise, a written response will be provided as soon as practicable after the meeting. Questions raised at any other time will normally receive a written response. Shareholders attending the AGM will also have the opportunity to meet informally with all the Directors after the meeting has concluded.

The Annual Report and Accounts is made available to all shareholders at least 20 working days before the AGM. Registered shareholders receive a Notice of Meeting and Form of Proxy, the latter document allowing a shareholder to vote (either in favour, or against, or to indicate a vote withheld) on each separate resolution tabled. Particulars of aggregate proxies lodged are also announced to the London Stock Exchange and placed on the Group's investor website at www.dignityplc.co.uk, as soon as practicable after the AGM.

The Interim Report is no longer published as a paper document but is available on the Group's investor website, which also displays Dignity's latest financial and corporate news. It also posts all information reported to the market via regulatory information services, as soon as practicable.

The Group is happy to arrange visits to its funeral branches and crematoria, if requested by a shareholder, at a time suitable to all parties.

Workforce engagement

We rely on our colleagues to provide our services in a caring, thoughtful and truly engaged way with the clients and communities we serve. We believe that the quality of our people is a strong enabler of business growth and is central to delivering our purpose, principles and strategy. The Board recognises the importance of engaging with the workforce and seeks to maintain good channels of communication with all our people.

Key highlights during 2022

- In September, Kate Davidson held a series of regional roadshows bringing colleagues together from operations and central support functions to hear more about our strategy and vision for the future.
- Monthly town halls were established to provide a platform for our colleagues to ask Kate and the Executive team their questions on matters that are important to them. Q&As from these meetings are regularly shared with colleagues through the Company's monthly newsletter.

Adopting a multi-channel approach has seen us develop digital communications solutions that sit alongside our established company newsletter. 'Dignity Inside' is a dedicated intranet which hosts, among many things, news, blogs, dedicated Slack channel platforms to share information, and opinion polls.

More frequent and accessible communication is complemented by an increase in the face-to-face support available to colleagues, particularly those in operational roles across funerals, crematoria and manufacturing.

The Dignity Team Forum

The Dignity Team Forum provides a key channel for the Board to take the temperature and monitor the culture of the business. It is a formal workforce advisory panel with representatives elected by their peers, to facilitate regular and constructive engagement between colleagues and senior leaders, including the Board.

The purpose of the Dignity Team Forum is to share information on a broad range of topics, from business performance, operational initiatives and Board remuneration policy to future strategy and vision. It also creates a platform for relaying colleagues' opinions and ideas, helping to ensure that the business decisions we make are fully informed with insight from all major stakeholders.

The Forum has continued to meet regularly during 2022 and debated the issues that are important to colleagues and monitoring the culture. The Forum was relaunched at the end of 2022 so that the format reflected the new team structures across our operating regions and head office functions, and to give more colleagues the opportunity to get involved with the Forum.

We are a people-orientated and principles-driven business, and strive to create a culture where everybody feels valued, included and motivated to perform at their best.

We consider that these mechanisms are an effective way to engage. However, given the vital importance of our colleagues to the business, the Board is always open to new approaches that will strengthen that relationship.

By order of the Board

TIM GEORGE
COMPANY SECRETARY
30 MARCH 2023

Decision-making and considering the long-term interests of stakeholders

In making decisions, the Board considers the outcomes of relevant stakeholder engagement, while also maintaining a reputation for high standards of business conduct, the need to act fairly and the long-term consequences of its decisions.

The principal decisions and activities below demonstrate how the Board has assessed and addressed different stakeholder interests in making decisions that support the implementation of the Group's long-term strategy. We believe that principal decisions are both those that are material to the Group and/or those that are significant to any of our key stakeholder groups.

Decision-making factors

The Board carefully considered the following factors:

- The competitive environment.
- Our operating model and opportunities to digitalise and enhance services at the local level.
- Our capital structure and funding requirements.
- Regulatory requirements.

Organisational restructure and capital structure

Overview

Our strategy for growth is achieved through:

- Commercial competitiveness;
- Empowering client-facing employees;
- Investing in our infrastructure;
- Developing a collaborative structure; and
- Greater use of digitalisation and improved processes to ensure the business can operate more efficiently in the long-term.

Following the organisational review conducted in 2021, we continued to restructure in 2022, creating 12 new regions and a Head of Region for each, and appointing Business Leader roles at the local level.

Additionally, Dignity has continued to work on a long-term solution to improve the Group's capital structure and invest in delivering our strategy.

Stakeholder engagement

We followed the required consultation processes with colleagues affected by the organisational restructure, and engaged our Dignity Team Forum representatives at the appropriate stage.

On 7 September 2022, a consent solicitation was launched with bondholders to seek certain consents for a potential transaction involving the realisation of value from selected crematoria assets.

The Board considered the interests of stakeholders and believes that implementing these significant changes to our business model and structure will continue to be beneficial for these reasons:

Vision, principles and values

Overview

As part of the broader strategic review in 2021, the Board considered the Company's vision, principles and values and how they shape our culture, ambitions and our relationship with our stakeholders.

Stakeholder engagement

The Board recognised the importance of the collaborative efforts of our client-facing and operational colleagues in developing our new Guiding Principles. During 2022, those colleagues received monthly updates from the Chief Executive Officer in progressing the project.

FCA regulation and funeral plans

Overview

The FCA previously announced that all providers of funeral plans were required to be FCA authorised from 29 July 2022. In September 2021, they duly opened the application window for providers to gain this required new status.

The new regulatory regime resulted in certain leading providers of funeral plans choosing to withdraw from the market. Dignity committed to helping customers of those providers who chose not to apply or did not meet the new regulatory standards by offering the option to transfer to a Dignity plan. A new funeral plan product was launched in August 2022.

Stakeholder engagement

The Board carried out extensive stakeholder engagement. This included establishing a project team with appropriate steering and working groups, allocating project resource and receiving regular updates on the project's progress.

The Board considered the following factors:

- The interests of customers and providing a flexible product which meets individual needs.
- The impacts on the funeral plan industry and long-term integrity of the funeral plans market.

Property review, compliance and investment

Overview

The Board oversaw a significant programme of investment in our property portfolio, focusing on providing high standards of care for families and those they have lost, and our colleagues.

Stakeholder engagement

A working group comprising a cross-section of specialist colleagues from across the business continues to review our approach to compliance and health and safety, and to prioritise any necessary remedial actions in the branches.

Property compliance and financing matters were considered by the Board at every Board meeting.

Offer for Dignity plc

The Board considered all options to maximise shareholder value and the interests of stakeholders in unanimously recommending the cash offer of 550p per share which takes into account the status of the business today and its future prospects. On receipt of the approaches from Yellow (SPC) Bidco Limited ('Bidco'), the Board considered the potential for shareholders to realise their investment in Dignity at a time when the business is facing a number of challenges, the ability to fund further opportunities to invest further for growth and continued macro-economic challenges and their impact on execution of Dignity's strategy. The Board took independent advice on the terms of the offer and gave careful consideration to Bidco's future plans for the business of Dignity.

- Clients: the restructure provides a greater choice of services and better value for money.
- Colleagues: we empower them to make the right decisions that deliver a positive experience for clients.
- Partners and suppliers: better working relationships create a truly tailored service at a significantly reduced price.
- Investors: the new structure supports sustainable business growth and enhanced long-term value to our investors.
- Regulators: close engagement aids us to deliver funerals of the highest standard.

Capital structure

The Board considered the interests of bondholders and the long-term capital requirements for the business. The proposed transaction would allow a partial repayment of some of the Class A notes that are outstanding and provide the business with greater financial flexibility to invest in the business.

Outcome

- Greater focus on organic growth and investing in brands that are performing well and have potential to grow.
- Increased communication and engagement with our colleagues.
- Empowered colleagues working in the regions to drive their own market-tailored strategies.
- On 29 September 2022, an agreement was reached with bondholders to facilitate a possible future transaction that will result in a lower level of debt by restructuring the Secured Notes.

The Board considered the interests of the following stakeholders:

- Clients.
- Colleagues.
- Communities.
- Partners and suppliers.
- Investors.

Outcome

- Successful launch of Dignity's Guiding Principles in early 2022.
- The Board continued to embed these Principles and apply them consistently in decision-making, to the benefit of our stakeholders.

- New policies and procedures to be developed to ensure Dignity colleagues can fulfil FCA requirements in developing, marketing and selling funeral plans.
- The appropriate governance structure to ensure Dignity is able to comply with the new regulatory regime.

There was constructive engagement with the FCA to ensure that Dignity has the right governance, processes, products and infrastructure to meet our regulatory requirements and provide a pricing strategy which delivers genuine value for money for our clients, and was able to provide support to customers of other funeral plan providers.

Outcome

- Dignity achieved full FCA-authorised status to continue offering funeral plans.
- The Board approved the implementation plan to comply with the introduction of the Consumer Duty for all FCA-regulated businesses.
- Launch of a new funeral plan product which is tailored to customer needs.
- Establishment of the UK Funerals (2022) Trust operated by independent trustees which commenced selling pre-need funeral plans on 8 August 2022.
- Dignity has continued to provide support to families that have been impacted by the collapse of Safe Hands and of other funeral plan providers who have exited the market through providing funeral services to these families for a period.

The Board allocated project resource and receives monthly updates from the Chief Executive Officer on the project's progress.

In making this decision, the Board considered the interests of the following stakeholders:

- Clients.
- Colleagues.
- Regulators, e.g. health and safety.

Outcome

- Continuation of a major investment programme to support the long-term development, investment and refurbishment of our estate.
- Refurbishment of operational assets, including mortuary facilities.
- Development of a framework empowering local colleagues to take action on health and safety, compliance and mortuary care for the deceased.
- Launch of new Standard Operating Procedures ('SOPs') across the business, with a sharp focus on health and safety, property compliance, care of the deceased and mortuary facilities.
- Enhanced management information reporting on property compliance, by region.

JOHN CASTAGNO
CHAIR OF THE NOMINATION COMMITTEE

"The Committee's objective is to ensure we have and will have the right blend of skills and experience on the Board to deliver our strategy."

Dear Shareholder,

It is once again my pleasure to present the 2022 Nomination Committee report as both Chairman of the Company, and of the Committee.

During 2022, the membership of the Nomination Committee (the 'Committee') comprised our independent Non-Executive Directors, Graham Ferguson and Kartina Tahir Thomson, together with myself as independent Chairman.

Kartina joined the Board on 7 February 2022 and serves on all Board Committees, including as Chair of the new Risk Committee.

The Company Secretary is Secretary to the Committee.

During 2022, three external search consultancies were engaged for Board appointments – Ridgeway Partners, Warren Partners and Nurole. These consultancies provide no other services to the Group.

The Committee is in the process of appointing a Chief Financial Officer. The objective is to maintain an appropriate balance of independent Non-Executive Directors and suitable representation for the Board committees, including the period served by Dean Moore as Interim Chief Financial Officer.

The authorities delegated to the Committee by the Board comprise, among other matters:

- The review of the structure, size and composition of the Board;
- The evaluation of the balance of skills, knowledge, independence, diversity and experience of the Board, including the impact of new appointments;
- Overseeing and recommending the recruitment of new Directors;
- Ensuring appointments are made against objective criteria; and
- Succession planning to ensure processes and plans are in place regarding both Board and senior appointments; keeping under review the leadership needs of the Group; and ensuring that the Non-Executive Directors can meet the time requirements of their roles.

The principal duties of the Committee in 2022 were overseeing the appointment to the Board of Kartina Tahir Thomson as Chair of the newly constituted Risk Committee, and the appointment of Kate Davidson as the Group's Chief Executive Officer. Graham Ferguson also accepted the position of Senior Independent Director in June 2022.

Additionally, the Committee oversees the recruitment of a Chief Financial Officer, a Chief People Officer and a Chief Customer Officer, with the last two posts filled in October 2022 and February 2023.

The Committee also reviewed the monitoring and oversight of succession planning processes together with talent management within the Group, identifying individuals and any development requirements necessary to ensure effective succession. The Committee is also pursuing a framework of coaching and mentoring.

These tasks will continue to receive our focus in 2023.

The Committee is also committed to embedding inclusion and diversity throughout the Group. It is the policy of the Company that there shall be no discrimination or less favourable treatment of employees or job applicants in respect of age, race, religion or belief, gender, sexual orientation, pregnancy, disability or marital status. The Company is fully committed to ensuring there is no unfair and unlawful discrimination in relation to employees, job applicants, clients, suppliers and members of the public. It is also Company policy to engage, promote and train employees on the basis of their capabilities, qualifications and experience, without discrimination, and all employees will receive equal opportunity to progress and develop with us.

The Company provides a balanced, supportive and flexible culture and environment, with working practices to accommodate people's needs. In so doing, we aim to continue to attract and retain the best candidates and ensure the development of all Group employees.

Nomination Committee report

In 2022, the Committee was pleased to have overseen the appointment of both Kartina Tahir Thomson as an independent Non-Executive Director and Chair of the Risk Committee, and Kate Davidson as Chief Executive Officer. The Committee's continuing objective is to ensure good governance and we have the right blend of skills and experience on the Board which will both support and deliver our strategy and the development of our business.

The attendance record of members of the Committee is set out on page 87. The Committee's proceedings are reported at the following Board meeting and the Committee's minutes are made available to all members of the Board.

All the Non-Executive Directors are appointed for terms of up to three years, which may then be renewed up to a maximum of nine years' service, in accordance with the independence guidelines in the Code.

Tenure (years)

The terms of reference of the Committee are available on the Group's corporate website at www.dignityplc.co.uk.

The Committee is committed to ensuring inclusion and diversity at Board and all levels throughout the Group. Our diversity ambition will take time to achieve but it is a firm priority and one we take seriously.

The appointment to the Board in the first quarter of 2022 of Kate Davidson and Kartina Tahir Thomson means that women make up 40 per cent of our Board of five Directors. While the Committee continues our policy of finding the best people for our roles, the benefits of greater diversity are evident and we will continue to take them into account when considering a particular appointment.

The Group will continue to publish details on corporate diversity, and we report on our compliance and appointment process in this Annual Report.

Details of the gender balance for Directors and those in senior management and their direct reports can be found in the table below.

During the reporting year, the Board completed performance evaluations of itself and its Committees. Specific matters reviewed in respect of the Nomination Committee included:

- Quality of information: succession plans and the talents and abilities below the Executive team;
- Support, training and induction: greater exposure to the wider talent pool;
- Causes for concern: succession planning across the spectrum for the senior team and the lack of formal reviews. This is now being addressed;
- Promoting a diverse talent pipeline: the Committee needs greater exposure to talent to ensure that diversity is encouraged for all appointments; and
- Priorities for change: completion of the appointment of a Chief Financial Officer and more structured reviews of Executive team colleagues.

Issues arising from the evaluation were reviewed and addressed.

Finally, all Directors offer themselves for re-election at the AGM on 8 June 2023 and I will be delighted to answer questions on the work and approach of the Committee.

This Nomination Committee report was reviewed and approved by the Board on 30 March 2023.

JOHN CASTAGNO
CHAIR OF THE NOMINATION COMMITTEE
30 MARCH 2023

Employee diversity at 30 December 2022

Employee gender[1]	Female	Male
Senior and middle managers	46	74
Senior managers and Executive managers	13	27
Directors	2	3
Total company including plc Board	1,910	1,595

(1) Gender figures are based on employee numbers at year end.

GRAHAM FERGUSON
CHAIR OF THE AUDIT COMMITTEE

"The Committee has supported the Board in fulfilling its responsibilities related to the Group financial statements, internal audit and control systems."

Dear Shareholder,

I am pleased to present my 2022 report as Chair of the Audit Committee (the 'Committee').

Membership and process

Working alongside me is Kartina Tahir Thomson, who was appointed to the Board and this Committee on 7 February 2022, and is an Independent Non-Executive Director.

John Castagno was a member of the Committee but, as Chairman of the Company, stood down in June 2022. In this respect, the Committee is now compliant with Provision 24 of the UK Corporate Governance Code 2018.

The Board is satisfied that, as Chair of the Committee, I have recent and relevant financial experience together with competence in accounting and auditing that can be appropriately and successfully applied at Dignity.

In addition, the Committee is satisfied that it has a broad range of experience across a number of sectors that are relevant to Dignity. The Company Secretary acts as Secretary to the Committee. I report the Committee's deliberations at the following Board meeting and the minutes of each meeting are made available to all members of the Board.

The Committee met five times during 2022:

- In March prior to the release of the 2021 Preliminary Announcement;
- In August to consider the draft 2022 Interim Announcement;
- In September prior to the release of the 2022 Interim Announcement;
- In November to consider the EY 2022 Audit Plan; and
- In December, immediately prior to the end of the financial period.

The members' attendance records are shown on page 87. All Committee members at the time were present at the relevant meetings.

The external auditor Ernst & Young ("EY"), the Chairman, the Chief Executive Officer at the time, the Interim Chief Financial Officer, the Head of Internal Audit and the Financial Controller have all attended meetings by invitation.

At least once a year, the Committee holds a private session with the audit team of our external auditor, EY, without management present.

In addition, as Chair of the Audit Committee, I have had discussions with EY's Lead Partner on a number of occasions, as well as additional interactions in the year. These provide the opportunity for open communication and the free flow of any concerns relating to the openness, transparency and general engagement of management with the audit process, and to understand EY's assessment of key judgements as they arise.

Key responsibilities

The Committee reports to, and works with, the Board to fulfil its oversight responsibilities. Its primary functions are as follows:

- Monitor the integrity of the financial statements and other information provided to shareholders and other stakeholders to ensure they represent a clear and accurate assessment of the Group's position, performance, strategy and prospects.
- Review significant financial reporting issues and judgements contained in the financial statements.
- Review the systems of accounting and internal control.
- Oversee and maintain an appropriate relationship with the Group's external auditor and review the effectiveness, independence and objectivity of the external audit process.
- Consider the financial statements and recommend to the Board whether the Annual Report and Accounts, taken as a whole, is fair, balanced, understandable and provides information necessary for shareholders and stakeholders to assess the performance of the business.

The terms of reference of the Committee are available on the Group's corporate website at www.dignityplc.co.uk.

Activities in the period

The key activities of the Committee during the period, and up to the date of this report, were:

- Review and agreement of the 2022 Internal Audit plan and budget;
- At all meetings, review of Internal Audit progress against the Internal Audit plan for the period, the results of principal audits and other significant findings, adequacy of management's responses and the timeliness of the resolution of actions arising;

Audit Committee report

The Audit Committee monitors the integrity of financial statements, the effectiveness of internal controls and the implementation of new accounting standards in order to give assurance to stakeholders.

Member[1]	Since	Experience
Graham Ferguson	September 2021	Former CFO of FD Technologies plc and a chartered accountant who previously held senior roles in KPMG and Bank of Ireland.
Kartina Tahir Thomson	February 2022	A Fellow of the Institute and Faculty of Actuaries, with over 20 years of actuarial, risk, governance and regulatory experience.

(1) John Castagno was formerly a member of the Audit Committee until he stood down on 9 June 2022.

- Review of the Going Concern and Viability Statements in relation to the Annual Report, and of the former to the interim results;
- In advance of the financial period end, the review with the external auditor, EY, of the annual external audit plan, which addressed the planned audit approach to key audit matters;
- Consideration of the external auditor's views on key judgement areas and audit findings relating to key accounting matters at the conclusion of the audit;
- An assessment of the effectiveness of the external auditor;
- A comprehensive review of the 2022 Annual Report and Accounts and the 2022 Interim Report. This was to ensure that the Committee was completely satisfied that the information was fair, balanced and understandable. As part of this review the Committee received reports from the external auditor on its audit of both reports. The Committee also reviewed the Preliminary and Interim Announcements made to the London Stock Exchange;
- The formal review of the Going Concern assumptions adopted in the preparation of the 2021 and 2022 financial statements; and
- A comprehensive review of the principal risks and uncertainties in the preparation of the 2022 Interim Results and 2022 Annual Report.

Regarding the 2022 Annual Report and Accounts, the Committee discussed and considered the following areas:

- **Impairment:** the Committee considered the results and disclosures of the impairment tests that were performed, ensuring that the assessment made and conclusions reached were consistent with the analysis and reflected the changes in the funeral and crematoria industries. These include the decline in underlying profitability due to a challenging year which lowered average funeral incomes; the impact of the COVID-19 pandemic; and increased consumer price awareness and competition.
- **Alternative performance measures:** the Committee reviewed growing emphasis on ensuring the appropriate, and not disproportionate, use of alternative performance measures ('APMs'). The Committee noted guidance that one of the key underlying principles of APMs is that they should not be given greater prominence than measures calculated based upon International Financial Reporting Standards ('IFRS').
- **Going concern and viability:** the Committee performed an assessment and ratification of the Going Concern and Viability Statements, including giving due consideration to severe but plausible downside risks and considered controllable mitigating factors and concluded it was appropriate to prepare the accounts on a going concern basis with material uncertainty. Please see note 1 for further information.
- **Corporate governance:** the Committee reviewed the Statement on Corporate Governance and the adequacy of the explanation set out in respect of those provisions with which the Company is currently not compliant.
- **Section 172 Statement:** reviewed by the Committee to ensure that the Statement demonstrates that the Board assesses and addresses different stakeholder interests in its decision-making, to support the implementation of the Group's strategy.

Significant items

The Committee also reviewed the integrity of the Group's financial statements and discussed the following areas of significance:

Revenue recognition: In conjunction with the annual and interim audits, the Committee continued to review revenue recognition and the work undertaken by EY which included testing of the journal entry procedures and review of all internal audit reports completed in the period. The Committee concluded there continues to be appropriate systems and internal controls in place.

Deferred Insurance Commission: The accounting of deferred insurance commissions, recoverability of plan assets and management's determination of the deferred commission liability recognised on life assurance products sold by third party insurance companies in consideration for which Dignity has committed to performing the funeral of a plan holder at a discount its rate prevailing at the time of death.

Consolidation of the Pre-need trusts: The Committee reviewed the consolidation journals posted to include the Pre-need trusts and concluded they were fairly stated.

Pre-need significant financing component: The Committee concluded that deferred revenue liability is fairly stated and the judgements applied by management in determining this are appropriate.

Trust assets: The Committee reviewed the assessment of the valuation of level two and level three pre-need trust assets and concluded that the disclosures presented in respect of the consolidation of the Trusts are appropriate.

Rescue plans: The Committee reviewed the rescue plan transition costs, onerous contract provisions, and assumptions relating to the value of transferring assets, the inflation rate and financing component applied to cash inflows. See note 1 to the financial statements on pages 145 and 146.

Pensions: The assumptions used to assess the obligations for the defined benefit pension liability and valuation of pension assets were reviewed, and the Committee concluded they were appropriate.

Fair, balanced and understandable assessment

At the request of the Board, the Committee considered whether the 2022 Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. To enable the Board to have confidence in making this statement, the Committee considered the elements below:

Fair

- Is the whole story being presented?
- Are the key messages in the narrative reflected in the financial reporting?
- Are the KPIs disclosed at an appropriate level, based on the financial reporting?

Balanced

- Is there a good level of consistency between the narrative in the front section and the financial reporting that follows?
- Are statutory and adjusted measures explained clearly with appropriate prominence?
- Are the key judgements referred to in the narrative reporting, and the significant issues reported in the Audit Committee report, consistent with the disclosures of key estimation uncertainties and critical judgements set out in the financial statements?

Understandable

- Is there a clear framework to the report?
- Are the important messages highlighted appropriately throughout the document?
- Is the layout clear with good linkage throughout in a manner which reflects the whole story?

As a result of this review, the Committee made a recommendation to the Board that it could make the statement that the Annual Report and Accounts were fair, balanced and understandable.

External audit

The Audit Committee is responsible for developing, implementing and monitoring the Group's policy on external audit.

This policy assigns responsibility for monitoring objectivity, independence and compliance with ethical and regulatory requirements to the Audit Committee. Day-to-day responsibility is assigned to the Interim Chief Financial Officer, Dean Moore.

The Committee also retains responsibility for the appointment and removal of the external auditor, which is currently EY.

Every year, the Audit Committee considers the effectiveness, performance and independence of the external auditor. This formal annual review was completed in the first quarter of 2023. It took the form of a detailed questionnaire that was sent to all Committee members and attendees at the Committee meetings.

Based on that review, which indicated a strong level of confidence, the Committee was fully satisfied with EY's performance in 2022 and a resolution to re-appoint them as external auditor will be tabled at the AGM on 8 June 2023.

Policy on non-audit fees

The Group has a rigorous and comprehensive policy on using its external auditor for non-audit work. The policy states that non-audit fees are limited to no more than 50 per cent of the annual audit fee unless there are exceptional circumstances, which are defined as:

- The work necessitates the use of the auditor for regulatory reasons; and
- Its use represents a material time/cost benefit to the Group in conducting a transaction.

The policy also precludes the use of the external auditor for certain types of work. All such work is fully analysed in the Annual Report. Audit Committee approval is required prior to the work being commenced, and further disclosure of the work and the reasons for it being performed by the external auditor will be disclosed in the following Annual Report. The Audit Committee does not envisage that non-audit fees payable to the external auditor will exceed 50 per cent, other than in exceptional circumstances.

During the reporting year, EY undertook non-audit work on behalf of the Group including an assurance-related non-audit review of the 2022 Interim Report; a financial covenants compliance certificate; and additionally, EY provided a report on the profit estimate by the directors comprising of underlying operating profit and operating profit before depreciation and amortisation in connection with the proposed offer for the Company in January 2023.

EY's total fees in 2022 for non-audit services were £0.2 million, and £0.9 million for audit services.

The Audit Committee has kept the independence of EY under review and has been satisfied at all times that any threats to its independence have been subject to appropriate safeguards.

The Committee is, therefore, confident that the objectivity and independence of the external auditor is not compromised by non-audit work, not least because such work will generally be undertaken by other professional firms. A formal statement of independence from EY has been received in respect of 2022.

Audit partner and firm rotation

Consistent with the requirements of the Financial Reporting Council's Ethical Standard, EY audit partners serve for a maximum of five years on listed clients. Adrian Roberts is Dignity's audit partner, having been appointed to the role in 2020.

As stated in the External audit section, the Audit Committee conducts an annual evaluation of the performance and relationship with EY. The Committee considers that this is working well, is satisfied with their effectiveness, and has no current plans to put the external audit out to tender.

The Company last carried out a competitive tender for audit services in 2014, which resulted in EY being appointed for that year's December period end. In line with the statutory requirements, the position of Group auditor will be re-tendered in advance of the 2024 period end.

Audit Quality Review

The EY audit for the 2021 financial year was reviewed by the FRC's Audit Quality Review team who issued their Inspection Report in July 2022. The Committee reviewed the key findings of the Inspection Report and discussed them with EY, including the steps undertaken to address the findings.

FRC Corporate Reporting Review

On 29 July 2022, the Company received a letter from the Financial Reporting Council ('FRC') following a review of the Group's 2021 Annual Report and Accounts. The letter included queries principally related to various disclosures in the notes to the financial statements in the 2021 Annual Report and Accounts, with no issues raised with regard to the Group's key accounting policies and judgements.

The FRC inquired specifically with regard to whether the charge for impairment of trade receivables should be separately disclosed in the income statement. The Group re-examined the materiality of the charge on the results for the period and, as a result, the Group concluded that it was appropriate to disclose 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 disclosed, resulting in a reduction in 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. Refer to note 1 to the consolidated financial statements.

The FRC also made queries concerning the determination of cash-generating units for the purposes of impairment testing of goodwill and non-current assets and certain disclosures relating to impairment modelling assumptions. The Group has enhanced certain disclosures relating to impairment to provide greater clarity in the 2022 Annual Report and Accounts.

The review conducted by the FRC was closed in November 2022 and was subject to the following inherent limitations as set out in its communication with Dignity plc on 29 July 2022:

- The FRC review is based on its review of the 2021 Annual Report and Accounts and does not benefit from detailed knowledge of the Group's business or an understanding of the underlying transactions entered into.
- Correspondence from the FRC with Dignity plc provides no assurance that its Annual Report and Accounts are correct in all material respects; the FRC's role is not to verify the information provided but to consider compliance with reporting requirements.
- Such letters are written on the basis that the FRC (which includes the FRC's officers, employees and agents) accepts no liability for reliance on them by the company or any third party, including but not limited to investors and shareholders.

Internal Audit

The Group has a dedicated Internal Audit team, which reports to both the Chief Executive Officer and the Audit Committee, to ensure independence.

The Head of Internal Audit coordinates a risk-assessed programme of work across all departments and operations of the Company, with the aim of ensuring full coverage over a three-year cycle. Where appropriate, Internal Audit sources support from professional services firms to provide subject matter expertise on specialist areas.

During 2022, there were monthly meetings between the Head of Internal Audit and the Chief Executive Officer, to formally review and discuss Internal Audit's work programme and findings. In addition, regular meetings between the Head of Internal Audit and the external auditor, EY, were held during the year to discuss and plan audit work and to ensure a complementary approach.

The Head of Internal Audit provides reports to the Audit Committee at every full meeting, and met on a one-to-one basis with the Chair of the Audit Committee on seven occasions in the period. A private meeting is also held annually between the Audit Committee members and the Head of Internal Audit, without any Executive Directors present. This process allows the Committee to have appropriate discussion and debate with the Head of Internal Audit, and to monitor the effectiveness of the Internal Audit function, including a comprehensive review of all reports and Internal Audit's conclusions.

Whistleblowing

We have a policy and procedure by which employees of the Group may, in confidence, raise concerns about possible improprieties in financial reporting or any other matter. This ensures arrangements are in place for a prompt, proportionate and independent investigation, and appropriate follow-up action.

Every year, a whistleblowing report is also formally reviewed by the Committee, or more frequently should the need arise.

Annual evaluation

The Board completed performance evaluations for 2021, both of itself and its Committees. Specific matters reviewed in respect of the Audit Committee included:

- Management of meetings: this was rated highly;
- Induction and training: it would be beneficial to receive additional information on emerging regulation and practices which may affect the Company's audits. Inductions were also requested into:
  - accounting for trusts
  - linkages to the business operations in terms of accounting standards
  - IFRS training;
- Relationships and communications: these were rated highly, between the Committee and the External Audit Partner and the Head of Internal Audit;
- Reviewing financial reporting: the effectiveness of the Committee's review of the quality of the Company's financial reporting was rated positively;
- Assessing internal controls: evidence of good practice was reported by the external auditor; and
- Causes for concern: following the CMA and FCA regulations, the Committee will perform a full review of intangible assets held.

Issues arising from this evaluation continue to be reviewed and addressed.

A number of matters that were previously the responsibility of the Audit Committee have been transferred to the new Risk Committee, formed in 2022.

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

My thanks go to everyone who has contributed to the Audit Committee's effectiveness during the year, and I look forward to answering any questions about our work and approach in person, at the AGM on 8 June 2023.

This Audit Committee report was reviewed and approved by the Board on 30 March 2023.

GRAHAM FERGUSON
CHAIR OF THE AUDIT COMMITTEE
30 MARCH 2023

KARTINA TAHIR THOMSON
CHAIR OF THE RISK COMMITTEE

"The Committee ensures that the material risks facing the Company have been identified and appropriate arrangements are in place to manage and mitigate those risks effectively."

Dear Shareholder,

It is with great pleasure that I present the first report of the Risk Committee (the 'Committee') which was established in the first quarter of 2022.

I joined the Board on 7 February 2022 and was appointed Chair of this Committee, and a member of the Audit, Nomination and Remuneration Committees.

I am a Fellow of the Institute and Faculty of Actuaries, with over 20 years of diverse actuarial, risk, governance and regulatory experience, most recently as a director and member of the Insurance Regulation Team at PwC LLP.

Prior to this, I spent six years at the Bank of England, leading the general insurance risk specialists and supervisors, responsible for ensuring financial stability of the UK financial market through sound supervision of risk management, capital and solvency.

Membership and process

My fellow members on the Committee are John Castagno and Graham Ferguson.

The Board considers that the Committee has a broad range of experience across a number of relevant sectors. I report the Committee's deliberations at the following Board meeting and the minutes of each meeting are made available to all Board members.

By invitation, the Chief Executive Officer, Interim Chief Financial Officer, Group Financial Controller, Head of Internal Audit, Risk and Compliance Director and Senior Compliance Officer also regularly attend meetings.

The Company Secretary is Secretary to the Committee.

Key responsibilities

The purpose of the Committee is to advise the Board on risk management issues; to recommend the framework of risk limits and risk appetite to the Board for approval; and to oversee the risk management arrangements of the Company, including the embedding and maintenance of a supportive risk management culture.

In addition, the Committee ensures that the material risks facing the Company have been identified and that appropriate arrangements are in place to manage and mitigate those risks effectively within the Company's agreed risk appetite.

The terms of reference of the Committee are available on the corporate website at www.dignityplc.co.uk.

We explain the Company's approach to risk and risk management, together with detail on the principal risks that face the Group, on pages 47 to 53 of the Strategic Report.

Effective risk management

Dignity seeks to understand all the risks which arise from its activities, set boundaries around the level of those risks which is it prepared to accept, and manage risks within its stated risk appetite.

In order to achieve this, the Company has established an Enterprise Risk Management Framework ('ERMF'). This facilitates the identification and effective management of risks. By applying it on an enterprise-wide basis, Dignity adopts a complete and comprehensive approach to risk management which avoids ineffective and inefficient activity.

The ERMF should not be considered in isolation, being just one element of Dignity's overarching governance and strategic planning. It is a key factor in determining the risks that do and will arise from Dignity's activities.

The ERMF consists of the following three key elements:

Element	Description
Risk strategy	Translates the Company's purpose and objectives into an approach to strategic, conduct and operational risk management. The strategy incorporates the Company's risk culture. Principles for effective risk management, the setting of the Company's overall risk appetite and the adoption of the three lines of defence model.
Governance and control	Encompasses the categorisation of risk; the risk governance committee structure and responsibilities; the setting of the risk appetite framework; supporting policies and frameworks; risk assurance (through the deployment of the three lines of defence); the requirements of the Risk and Compliance function; and staff responsibilities.
Risk management	Establishes the requirements for identifying, assessing, managing, monitoring and reporting on risk. Includes the Risk and Control Assessment process, use of key risk indicators, emerging risks and incident management.

Committee activities in the period

The Committee met three times in 2022. Its key activities during the year and up to the date of this report were as follows:

- The Committee's terms of reference were adopted.
- Received reports from the Risk and Compliance Director, which included updates on significant risks, progress on individual workstreams in relation to Consumer Duty ahead of its implementation next year, and compliance monitoring and quality assurance activities.
- Reviewed the risk appetite statements and classifications, and approved the key risk indicators.
- Received reports from the Head of Internal Audit to inform the Committee of the status of the Internal Audit plan and actions arising from issued Internal Audit reports.
- A deep dive of the IT function and processes.
- Approval of the Risk Management Annual Plan and materiality matrix.
- Identified opportunities for insurance premiums and levels of cover to be reviewed.
- Deep dive review of the funeral plan transfers in Q4 2022.
- Approval of the compliance monitoring methodology.
- A top-down risk management framework: to embed the parent risks within the business, establish data collection methods and commence risk identification sessions with department heads.
- A review of principal and emerging risks, the latter including climate related issues.

The Committee will complete a performance evaluation of itself in 2023.

2023 priorities

The Committee will continue to:

- Monitor the impacts and associated risks arising from the regulatory control environment;
- Embed the risk management framework across the Group and ensure its effectiveness;
- Embed a risk culture throughout the Company;
- Strengthen the risk and control environment within the Company; and
- Identify and mitigate environmental risks and contribute to means of creating long-term sustainability.

This Risk Committee report was reviewed and approved by the Board on 30 March 2023.

KARTINA TAHIR THOMSON
CHAIR OF THE RISK COMMITTEE
30 MARCH 2023

The Risk Committee was established in 2022 to advise the Board on risk management within the Dignity Group. The Board is responsible to the Financial Conduct Authority ('FCA') for ensuring compliance with the Company's regulatory obligations. The Risk Committee will contribute significantly to demonstrating that the Board is acting within its overarching obligations of good faith and duty of care.

GRAHAM FERGUSON
CHAIR OF THE REMUNERATION COMMITTEE

"The Committee has continued to focus on aligning reward, remuneration and performance to our strategy."

Report on Directors' remuneration for the 52 week period ended 30 December 2022

Aligning remuneration, reward and performance to shareholders' interests and our strategy.

Dear Shareholder,

On behalf of the Board, I am pleased to present this Directors' Remuneration Report for the period ended 30 December 2022.

At our 2022 AGM, we sought shareholder approval for a new policy for 2022 to 2024 and were pleased to receive 99.7 per cent votes in favour. At our 2023 AGM, the Annual Report on Remuneration, together with this Statement, will be subject to a separate advisory vote.

As announced in early 2023, the Group has received a proposed cash offer and may be acquired during the year. The Remuneration Committee (the 'Committee') will continue to operate the Remuneration Policy on a business-as-usual basis for 2023. However, in light of the potential acquisition, the Committee does not currently intend to grant Long-Term Incentive Plan ('LTIP') awards for 2023.

On a change of control, Bidco has confirmed that if the acquisition becomes effective, the existing contractual and statutory employment rights, including in relation to pensions, of all Dignity employees will be safeguarded. For further details on the acquisition, please see 'Offer for Dignity plc' at www.dignityplc.co.uk.

Further details are set out in this report.

Board changes

Gary Channon stepped down from the Board and as Chief Executive Officer on 9 June 2022. He received no payment for loss of office.

We were pleased to announce the appointment of Kate Davidson, former Chief Operating Officer (with effect from 7 January 2022) as Chief Executive Officer on 10 June 2022. Kate's package from her appointment as CEO comprises a salary of £425,000; no change to pension contribution of 4 per cent (in line with the rate for the majority of the workforce); a bonus opportunity of 125 per cent of salary (pro rata for the period from 10 June 2022 for 2022); and an LTIP opportunity of 150 per cent of base salary. Due to a prolonged prohibited period for share dealing purposes, no LTIP award could be granted for 2022 although the terms of an award were approved by the Remuneration Committee in March 2022. The terms of this award were agreed: 50 per cent of this LTIP award will be subject to a relative TSR target versus the FTSE Small Cap Index (excluding investment trusts), and 50 per cent against a funeral market share target.

Andrew Judd stepped down from his role as Executive Director of Funeral Operations on 1 April 2022. In respect of his incentive awards on cessation of employment, Andrew was treated as a good leaver and as such his unvested LTIP awards will be retained, vesting at the normal time, subject to performance and a pro rata reduction for his employment.

Activities in the period

The key activities of the Committee during the period up to the date of this report were:

- Reviewing base salaries for Executive Directors and senior management;
- Approving Kate Davidson's package following her appointment as Chief Executive Officer;
- Approving Gary Channon's and Andrew Judd's leaving arrangements;
- Considering the 2022 bonus performance and outcome;
- Considering awards and performance measures under the LTIP;
- Assessment of the 2020–2022 LTIP;
- Reviewing the application of the Remuneration Policy for 2023;
- Reviewing trends in market practice and investor guidelines;
- Reviewing remuneration proposals that align with strategic objectives including long-term sustainability, ESG and climate related targets;
- Reviewing the Gender Pay Gap and plans for diversity and inclusion;
- Reviewing the Company Performance Management framework; and
- Approving the 2022 Directors' Remuneration Report.

Remuneration outturns for 2022

The 2022 annual bonus was based 70 per cent on adjusted EBITDA and 30 per cent on operational KPIs. Adjusted EBITDA performance for 2022 was less than the threshold target of £57.95 million and therefore there is no pay out under this element. The Committee assessed performance against the three operational KPIs and determined that, in light of the significant profit shortfall, it would exercise its discretion to reduce the bonus pay out to zero.

50 per cent of the 2020 LTIP award was subject to a relative total shareholder return ('TSR') target versus the FTSE Small Cap Index (excluding investment trusts), and 50 per cent against a funeral market share target. Performance over the three-year period ended 30 December 2022 resulted in no vesting under either element and therefore the award will lapse in full. Only the former executive Director of Funeral Operations participated in this LTIP award.

The Committee considers that there has been an appropriate link between reward and performance, and the Remuneration Policy operated as intended for 2022 taking into account the Committee's exercise of discretion. In determining what remuneration was appropriate for 2022 the Committee took into account external factors and internal relativities between the pay levels of executives and employees.

Workforce remuneration

In 2022, our focus was given to supporting our lowest-paid workers weather the storm of a difficult set of macroeconomic factors. As a real Living Wage employer, we implemented the most recent set of changes introduced as part of the scheme ensuring that all colleagues across the Group were paid a minimum real Living Wage.

We also embarked upon a programme of work aimed at fixing historical under-investment in our people and their salaries. As part of our wider review of remuneration for colleagues, we reviewed and benchmarked a number of our most common operational roles and introduced a new minimum rate of pay. This new minimum rate delivered a meaningful change for over 3,500 colleagues, aiding our ambition of reducing turnover and attracting candidates more quickly.

How we will apply the new policy in 2023

As previously advised, if the offer for the Company is successful, Bidco has confirmed that existing contractual and statutory employment rights will be safeguarded.

There was no change to the Chief Executive Officer's salary of £425,000 for 2023 due to her recent appointment to the role and taking into account wider business performance and workforce remuneration. The Interim Chief Financial Officer receives only basic salary and does not participate in the incentive plans. His salary is unchanged for 2023 at £316,000.

The Chief Executive Officer has a maximum bonus opportunity of 125 per cent of salary. 70 per cent of the bonus will continue to be based on an underlying EBITDA to provide a measure of underlying profitability, and the remaining 30 per cent will continue to be based on three operational KPIs. For 2023 these will focus on colleagues, clients and community and the objectives will be aligned with our strategy. If the Group is acquired during 2023, the bonus opportunity will be determined based on performance and pro rated for the period of the year until the date of the acquisition.

In light of the recent cash offer and potential acquisition of the Group, there is currently no intention to grant LTIP awards for 2023. However, should the deal not close, the Committee will review the proposed 2023 award levels and performance conditions and the appropriateness of these at the time of grant. Targets would be disclosed in full at the time of grant in the announcement to the market.

Concluding remarks

On behalf of the Remuneration Committee, I would like to thank shareholders for their ongoing support, and I look forward to this continuing at the forthcoming Annual General Meeting.

GRAHAM FERGUSON
CHAIR OF THE REMUNERATION COMMITTEE
30 MARCH 2023

Our remuneration principles at a glance

- Competitive market positioning and opportunity.
- Pay aligned with sustainable long-term performance.
- Incentive metrics aligned with our strategy and key performance indicators.
- Alignment of executive and shareholder interests.
- Mindful of our wider stakeholder responsibilities.

Remuneration Policy report

Details of the 2022–2024 Remuneration Policy as approved at the 2022 AGM can be found in the 2021 Annual Report and Accounts at www.dignityplc.co.uk.

This section of the Directors' Remuneration Report has been prepared in accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2008 (as amended). This Directors' Remuneration Policy was approved at the Company's AGM on 9 June 2022 and will apply for a period of three years from that date, unless shareholder approval is sought for earlier changes.

Overview of Remuneration Policy

The objective of the Remuneration Policy is to provide remuneration packages to each Executive Director that will:

- Align rewards with the interests of shareholders;
- Motivate and encourage superior performance;
- Allow the Group to retain the talent needed to execute its business strategy;
- Enable the Group to be competitive when recruiting appropriately skilled and experienced management; and
- Ensure that the overall package for each Director is linked to strategic objectives of the Group.

The table below describes how the factors of Provision 40 listed in the Code are addressed:

Clarity	In line with our commitment to ensuring an open dialogue with our shareholders, the Remuneration Committee Chair consults with shareholders when changes are being made to the Remuneration Policy or where there is a material change in the way we operate it. The Dignity Team Forum facilitates two-way communication between employees, management and the Board of Directors and, amongst other topics, the Remuneration Policy is discussed, and employees' opinions and suggestions are welcomed.
Simplicity	Our remuneration policies and practices are simple, clear and well understood by employees and externally. We set metrics that are aligned to our business strategy and the operation of our policy demonstrates pay for performance.
Risk	The design of our Remuneration Policy ensures that risks are identified and will not be rewarded by: • The weighting of equity in our incentive plans (alongside shareholding guidelines in service and post-service); • Discretion to override formulaic outturns of incentives; and • Malus/clawback provisions.
Predictability	The incentive plans are subject to individual caps, and the scenario charts on page 107 illustrate the potential rewards receivable by our Executive Directors, and how they vary based on performance and share price growth. The Remuneration Committee also has the discretion to adjust any vesting outcomes if they are not considered appropriate, and malus and clawback provisions are in place.
Proportionality	The performance conditions are aligned to our strategy. Performance targets are stretching, and ranges are calibrated so that poor performance is not rewarded. The link between individual awards, the delivery of strategy and the long-term performance of the Company is explained in the policy table and demonstrated in the scenario charts on page 107.
Alignment to culture	The Remuneration Committee is mindful of the Company culture, ensuring remuneration policies and practices are appropriate, fair and aligned. The alignment of performance metrics and strategy drives behaviours consistent with our purpose and values as a business.

Decision-making process for determination, review and implementation of the policy

The Committee reviews the policy and its operation to ensure it continues to motivate and reward the Executive Directors to execute the business strategy, and that it aligns with the interests of shareholders. The UK Corporate Governance Code, the views of institutional investors and investor representative bodies, and market practice are all taken into account during the review process.

Where changes are being made to the Remuneration Policy or where there is a material change to the way in which we operate it, major shareholders will be consulted in advance and their views taken into account. In addition, the Committee considers views from management and its independent remuneration consultants who provide the Committee with updates on corporate governance developments and best practice market guidance.

To manage any potential conflicts of interest, the Committee ensures that no individual is involved in discussions regarding their own remuneration arrangements, and that remuneration is fully aligned with our strategy, culture and values. When reviewing the policy, the Committee also carefully considers the remuneration arrangements, policies and practices of the workforce and the cascade of remuneration throughout the business.

Implementation of the policy is considered annually for the year ahead in relation to the strategy, and incentive targets are reviewed to check if they remain appropriate or need to be recalibrated.

The table on pages 102 to 106 sets out the components of Dignity's Remuneration Policy. Details of how the Committee will implement the policy are provided in the Annual Report on Remuneration on page 109.

Element	Purpose and link to strategy	Operation	Maximum opportunity	Framework used to assess performance
Base salary	Essential to recruit and retain executives of a high calibre. Reflects an individual's experience, role and performance. To provide a fair fixed level of pay commensurate with the role, ensuring no over-reliance on variable pay.	Salaries are paid monthly. They are normally reviewed annually and fixed for 12 months commencing 1 January. In deciding appropriate salary levels, the Committee takes into account: • The role, experience, responsibility and performance (individual and Group); • Salary levels and increases applied to the broader workforce; and • Relevant market information for similar roles in broadly similar companies of a similar size. Former Chief Executive Officer, Gary Channon, voluntarily chose not to receive a base salary for his services, which the policy permits. However, in order to comply with the National Minimum Wage Regulations 2015, he was paid a salary which was donated to charity.	There is no prescribed maximum. Salary levels are determined based on the relevant reference points noted under the heading 'Operation'. For increases, the Committee is generally guided by average increases across the workforce. However, higher increases may be awarded on occasion, for example: • Where an individual is promoted or has been recruited on a below-market rate; • Where there have been changes to individual responsibilities, or in the size or complexity of the business; or • Where salaries have fallen significantly below mid-market levels.	The Committee reviews the salaries of Executive Directors each year, taking due account of Company and individual performance, and positioning relative to other employees and the market.

Element	Purpose and link to strategy	Operation	Maximum opportunity	Framework used to assess performance
Benefits	To provide competitive benefits to help recruit and retain executives, and to ensure their wellbeing.	Benefits include, but are not limited to, provision of a company car (or cash allowance in lieu), fuel, landline telephone and broadband at each Executive Director's home residence, mobile phone and family private medical cover. Relocation or other related expenses may be offered, as required. Executive Directors are also eligible to participate in the all-employee HMRC-approved share schemes on the same basis as other employees. Any business expenses incurred in carrying out an executive's duties and which are deemed to be taxable will be reimbursed by the Company together with any personal tax due.	There is no prescribed maximum as costs may vary in accordance with market conditions. Relocation expenses must be reasonable and necessary. HMRC tax-approved limits will apply to all employee share schemes.	Not applicable.
Pension	To provide retirement benefits in line with the overall Company policy.	The Company may contribute to selected individuals' personal pension schemes or make salary supplements in lieu of pension contributions.	Company contributions to defined contribution plans, or salary supplements in lieu of pension, will be in line with the pension provision of the workforce – currently a pension contribution of 4 per cent of salary.	Not applicable.
Annual bonus	To motivate executives and incentivise the achievement of annual financial and/or strategic business targets. To ensure further alignment with shareholders through a deferred share-based element.	One third of any annual bonus earned will be invested in shares, which must be held for three years, with the remainder being payable in cash. The holding period continues post cessation of employment. Bonus payments, including the shares element, are subject to recovery and withholding provisions as set out in note 1.	Up to 135 per cent of salary for the Chief Executive Officer and up to 125 per cent of salary for other Executive Directors. The Interim Chief Financial Officer does not participate in the annual bonus plan.	Performance metrics are defined annually, based on the Group's strategic objectives. The bonus may be based on achieving an appropriate mix of challenging financial, strategic or personal targets with financial measures accounting for the majority of the bonus. Measures and weightings may change each year to reflect any year-on-year changes to business priorities. • For financial metrics, a range of targets may be set by the Committee, taking into account the business outlook for the year. For financial metrics, up to 20 per cent of the maximum potential bonus is payable for threshold performance, and up to 50 per cent for target performance. • In relation to strategic targets, the structure of the target will vary based on the nature of the target set and it will not always be practicable to set targets using a graduated scale. Vesting may therefore take place in full if specific criteria are met in full. The Committee may adjust the bonus that is payable if it considers the formulaic outcome is not representative of the underlying performance of the Company, investor experience or employee reward outcome. See note 2 for additional detail.

Element	Purpose and link to strategy	Operation	Maximum opportunity	Framework used to assess performance
Long-Term Incentive Plan	Incentivises selected employees and Executive Directors to achieve successful execution of the business strategy over the longer-term. Provides long-term retention. Aligns the interests of the executives and shareholders through the requirement to build up a substantial shareholding.	Awards are normally granted annually in the form of nil cost options or conditional share awards. Participation and individual award levels will be reviewed annually (subject to the individual limit), taking into account matters such as market practice, overall remuneration, the performance of the Group and the executive being granted the award. Awards normally vest after three years, subject to achieving stretching performance conditions and continued employment. Following vesting, the net of tax vested shares must be retained for three years. The post-vesting holding period continues post cessation of employment. Awards are subject to recovery and withholding provisions as set out in note 1. A dividend equivalent provision allows the Committee to pay an additional amount equal to the value of the dividends that would have been payable on the vested shares over the vesting period (and holding period in relation to an unvested nil cost option) normally payable in shares (but possibly in cash in exceptional circumstances) and may assume the reinvestment of dividends on a cumulative basis.	Up to 150 per cent of salary. The Interim Chief Financial Officer does not currently participate in the LTIP.	Awards under the LTIP vest subject to satisfying challenging performance targets set at the time of award. Awards may be subject to achieving TSR performance, or measures linked to the strategy such as market share, financial or ESG/strategic measures. Specific measures and weightings will be set by the Remuneration Committee each year prior to grant, and may change each year to reflect any year-on-year changes to business priorities and strategy. 25 per cent of the award vests for threshold performance. Performance periods will normally start from the beginning of the financial year in which the award is made. The Committee may scale back the LTIP vesting amount if it considers the formulaic outcome is not representative of the underlying performance of the Company, investor experience or employee reward outcome. See note 2 for additional detail.

Element	Purpose and link to strategy	Operation	Maximum opportunity	Framework used to assess performance
Non-Executive Chairman and Directors' fees	To attract and retain a high-quality Chairman and experienced Non-Executive Directors.	The Board determines the fees of the Non-Executive Directors. They are based on recommendations from the Chairman and Chief Executive Officer (or, in the case of the Chairman, from the Remuneration Committee and the Chief Executive Officer). Both the Chairman and the Non-Executive Directors are paid annual fees and do not participate in any incentive plans or receive pension or other benefits. The Chairman receives a single fee covering all his duties. The Non-Executive Directors receive a basic fee and additional fees payable for chairing the Audit, Remuneration and Risk Committees and for performing the Senior Independent Director role. Supplemental fees may be paid for additional responsibilities and activities, and additional fees for chairing new Board Committees or for other additional roles requiring additional time commitment. The Chairman and Non-Executive Directors shall be entitled to have reimbursed all expenses that they reasonably incur in the performance of their duties, including those expenses that have been deemed to be taxable benefits by HMRC. This includes any personal tax that may become due. The level of fees of the Non-Executive Directors reflects the time commitment and responsibility of their respective roles. Their fees are reviewed from time to time against broadly similar UK-listed companies and companies of a similar size. In exceptional circumstances, additional fees may be payable to reflect a substantial increase in time commitment of the Non-Executive Chairman and Directors.	There is no prescribed maximum, but any increase to fees will be considered in light of the expected time commitment in performing the role, scope and responsibility, increases received by the wider workforce and market rates in comparable companies.	Neither the Non-Executive Chairman nor the Non-Executive Directors are eligible for any performance-related remuneration.

Element	Purpose and link to strategy	Operation	Maximum opportunity	Framework used to assess performance
Share ownership requirement	To align the interests of management and shareholders and promote a long-term approach to performance.	Executive Directors are required to build and maintain a holding of shares to the value of at least 200 per cent of base salary. We will value shareholdings using the value of beneficially owned shares, plus the net-of-tax value of deferred bonus shares and vested but unexercised LTIP awards. The calculation of the shareholding level will be based on the average price for the last month of the financial year and the salary at the end of the financial year. Until the guideline is met, the Executive is required to retain 50 per cent of shares acquired under the Company's share plans (after allowing for tax and national insurance liabilities). In addition, a post-employment shareholding requirement of the lower of the 200 per cent of salary in-service requirement or the actual shareholding on cessation of employment is required to be held for two years post cessation of employment, applying to share awards granted from 2020.	Not applicable.	Not applicable.

Notes

(1) Recovery and withholding provisions apply to variable pay, to enable the Company to recover amounts paid under the annual bonus, legacy deferred annual bonus share plan and LTIP in the event of a restatement of the accounts, an error in calculation leading to an over-payment, corporate failure or failure in risk management or if the participant has been guilty of gross misconduct or has brought the Company or any member of the Group into disrepute. Payments may be recovered for up to two years after payment/vesting or two external audit cycles. The amount to be recovered would generally be the excess payment over the amount which would otherwise be paid, and recovery may be satisfied in a variety of ways, including through the reduction of outstanding legacy deferred annual bonus awards, clawback of deferred bonus shares, reduction of the next bonus or LTIP vesting and seeking a cash repayment.

(2) The Committee assesses annually at the beginning of the relevant performance period which performance measures, or combination and weighting of performance measures, are most appropriate for both annual bonus and any LTIP awarded to reflect the Company's strategic initiatives for the performance period. The Committee has the discretion to change the performance measures for awards granted in future years based upon the strategic plans of the Company. In determining the target range for any financial measures that may apply, the Committee ensures they are challenging by taking into account current and anticipated trading conditions, budget, the long-term business plan and external expectations.

(3) The Committee considers the general basic salary increase for the broader employee population when determining the annual salary review for the Executive Directors. The performance measures and targets for annual bonus and LTIP awards for senior managers are normally aligned to those of the Executive Directors to ensure that everyone is focusing and working together on the same critical measures of performance. All permanent employees are invited to participate in the Save As You Earn ('SAYE') scheme which provides a mechanism for everyone to share in the overall success of the Group through sustained longer-term share price growth. Overall, the Remuneration Policy for the Executive Directors and more senior management is more heavily weighted towards variable pay than for other employees. This ensures that there is a clear link between the performance and value created for shareholders and the remuneration received by those individuals who are considered to have the greatest potential to influence Group performance and value creation.

Bonus Plan and LTIP use of discretion

The Committee will operate the annual bonus plan and LTIP according to their respective rules and in accordance with the Listing Rules and HMRC rules where relevant. A copy of the LTIP rules is available on request from the Company Secretary. The Committee, consistent with market practice, retains discretion over a number of areas relating to the operation and administration of these plans. These include (but are not limited to) the following (albeit with the level of award restricted, as set out in the policy table on page 111):

- Who participates in the plans;
- The timing of grant of award and/or payment;
- The size of an award and/or payment;
- Discretion relating to the measurement of performance in the event of a change of control or reconstruction;
- Determination of a good leaver (in addition to any specified categories) for incentive plan purposes based on the rules of each plan and the appropriate treatment chosen;
- Adjustments required in certain circumstances (e.g. rights issues, corporate restructuring, on a change of control and special dividends); and
- The ability to adjust existing performance conditions for exceptional events so that they can still fulfil their original purpose whilst being no less stretching.

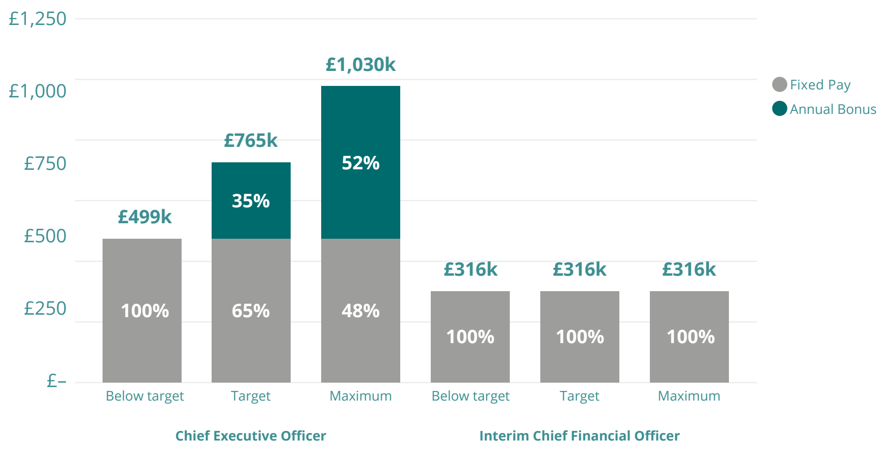
Legacy arrangements

Any commitments entered into with current or former Directors that have been disclosed previously to shareholders will be honoured.

Remuneration scenarios for Executive Directors

The Company's policy means that a significant proportion of remuneration received by Executive Directors is dependent on Company performance. The graph below illustrates how the total pay opportunities for the Executive Directors for 2023 vary under three performance scenarios: minimum, target and maximum.

Remuneration (£000)



Notes
Fixed pay comprises 2023 basic salary,and for the Chief Executive Officer, the value of benefits in 2022, and a 4 per cent company pension contribution.
'Target' comprises fixed pay, and for the Chief Executive Officer assumes a bonus of 50 per cent of maximum is paid and no LTIP given there is currently no intention to grant LTIP awards for 2023.
'Maximum' comprises fixed pay, and for the Chief Executive Officer assumes full bonus payment of 125% of salary and no LTIP given there is currently no intention to grant LTIP awards for 2023.

Recruitment and promotion policy

The remuneration package for a new Director will be established in accordance with the Company's approved policy, subject to the modifications set out below.

Salary levels for Executive Directors will be set in accordance with the Company's Remuneration Policy, taking into account the experience and calibre of the individual and their existing remuneration package. Where it is appropriate to offer a lower salary initially, a series of increases to the desired salary positioning may be made over subsequent years subject to individual performance and development in the role. Benefits will generally be provided in line with the approved policy, with relocation or other expenses provided for if necessary. Pension contribution will be in line with that applying to the majority of the workforce at the time of appointment, in line with policy.

The structure of variable pay elements will be in accordance with the Company's approved policy detailed above. The maximum variable pay opportunity will be as set out in the Remuneration Policy table. Different performance measures may be set initially for the annual bonus in the year of joining, taking into account the responsibilities of the individual, and the point in the financial year that he or she joined the Board.

In the case of external recruitment, if it is necessary to buy out incentive pay or benefit arrangements (which would be forfeited on leaving the previous employer), this may be provided. The new awards would take into account the form (cash or shares), timing left to vesting, the extent to which performance conditions apply and the expected value (i.e. likelihood of meeting any existing performance criteria) of the remuneration being forfeited. Replacement share awards, if used, may be granted using the Company's existing share plans to the extent possible, although awards may also be granted outside of these schemes. The aim of any such award would be to ensure that, as far as possible, the expected value and structure of the award would be no more generous than the amount being forfeited.

In the case of an internal promotion, any outstanding variable pay awarded in relation to the previous role will be allowed to pay out according to its terms of grant, or adjusted as considered desirable to reflect the new role.

Fees for a new Chairman or Non-Executive Director will be set in line with the approved policy.

Service contracts and payments for loss of office

The service contracts for Executive Directors will continue indefinitely and are subject to a notice period from the Company or Executive Director of up to six months.

The Company may, in its absolute discretion at any time after notice is served by either party, terminate a Director's contract with immediate effect by paying an amount equal to base salary for the then unexpired period of notice, plus the fair value of contractual benefits, subject to the deduction of tax. Payments in relation to a notice period, whether actively employed or on 'gardening leave', or a payment in lieu of notice if the contract is terminated by the Company, will continue to be paid monthly and will be subject to mitigation, including offset against employment earnings elsewhere.

An Executive Director's service contract may be terminated without notice for certain events such as gross misconduct or a serious breach of contract. If such an event occurs, no payment or compensation beyond salary (and the value of holiday entitlement) accrued up to the date of termination will be made.

All Non-Executive Directors have letters of appointment with the Company for an initial period of two years, subject to annual re-appointment at the AGM. Appointments may be terminated with three months' notice. The appointment letters for the Chairman and Non-Executive Directors provide that no compensation is payable on termination, other than accrued fees and expenses.

All Directors submit themselves for election or re-election at the AGM each year. Service contracts and letters of appointment are available for inspection at the Company's registered office.

There are no special provisions relating to change of control. The policy on termination is that the Group does not make payments beyond its contractual obligations and the Committee ensures that there are no unjustified payments for failure.

Any statutory payments required by law may be made. The Company may also pay outplacement, legal and other reasonable relevant costs associated with termination and may settle any claim or potential claim relating to the termination.

Treatment of outstanding incentive awards

At the discretion of the Committee, a pro rata bonus may become payable for certain good leaver circumstances, at the normal payment date for the period of active employment and based on performance. These circumstances include events such as death, illness, injury, disability, redundancy, retirement, their employing company ceasing to be a Group company, their business or division being sold out of the Group, or other circumstances at the discretion of the Committee.

The treatment of share-based incentives previously granted to an Executive Director will be determined based on the plan rules. The default treatment will be for outstanding awards to lapse on cessation of employment. However, an executive will be treated as a good leaver under certain circumstances such as death, illness, injury, disability, redundancy, retirement, their employing company ceasing to be a Group company, their business or division being sold out the Group, or any other circumstances at the discretion of the Committee.

Under the Deferred Share Bonus Plan, if treated as a good leaver, awards will normally vest on the original vesting date. Under the new deferral structure, where executives are required to purchase shares which are then subject to a holding period, these shares will not be forfeited on cessation of employment for a good or bad leaver. The holding period will continue post cessation of employment. Under the LTIP, if treated as a good leaver, awards will vest at the normal vesting date subject to the extent to which performance targets have been achieved. The number of LTIP awards that would vest will normally be reduced pro rata to reflect the proportion of the three-year period actually served. A post-vest holding period would continue to apply post cessation of employment.

External directorships

The Group allows Executive Directors to hold a non-executive position with one other company or organisation, with the Board's permission, and retain the fees they earn.

How shareholder views are taken into account

The Remuneration Committee is committed to ensuring an open dialogue with our shareholders. Therefore, where changes are being made to the Remuneration Policy or where there is a material change in how we operate it, we will consult with major shareholders in advance. The Remuneration Committee adopted this approach when defining the current policy by consulting the Company's largest shareholders and shareholder advisory bodies first. We invited a broad range of views on our approach to remuneration, and respondents confirmed that they were comfortable with the approach we have adopted.

The Committee also takes into account shareholder feedback received in relation to the AGM each year, and guidance from shareholder representative bodies more generally, in reviewing and implementing the policy. There was no engagement with shareholders in 2022 in relation to our remuneration approach.

Consideration of employment conditions elsewhere in the Group

As part of the Committee's wider remit, and in the course of the Directors' Remuneration Policy review process, the Committee reviewed with management the pay structures across the wider Group. As a result, certain changes were made to the wider Group policy to ensure an appropriate and clear cascade of the Executive Directors' policy to the wider Group. The Committee will continue within its terms of reference to monitor pay policies and practices within the wider Group. It will also provide input and challenge in respect of current policies and practices, as well as any proposed future review and changes, to ensure that they are appropriate, fair and aligned to the Executive Directors' Remuneration Policy, and that they support the culture and growth of the business.

See also 'Workforce Remuneration' on page 101.

A Dignity Team Forum was established in 2019 following an election of Employee Representatives. The Forum provides the opportunity for these representatives to discuss business objectives, and to facilitate change and continuous improvement through proactive dialogue. The Forum is also a place where they can share suggestions, ideas and feedback from the colleagues they represent, to help shape our future.

Annual Report on Remuneration

The Annual Report on Remuneration set out below (together with the Remuneration Committee Chair's Annual Statement) will be put to an advisory shareholder vote at the 2023 AGM. The information below includes how we intend to operate our policy in 2023 and the pay outcomes in respect of the 2022 financial year. Please note that the information on the single total remuneration figures for Directors, from page 110 to the end of the section on loss of office payments on page 112, has been audited. The remainder is unaudited.

Implementation of Remuneration Policy in 2023

Executive Directors' salaries

The Committee has determined that the Executive Directors will not receive base salary increases for 2023. Therefore, their salaries as at 1 January 2023 are:

	2023 £	2022 £	Increase %
Kate Davidson (Chief Executive Officer)	**425,000**	425,000[a]	–
Dean Moore (Interim Chief Financial Officer)	**316,200**	316,200	–

(a) Since being appointed Chief Executive Officer on 10 June 2022.

Non-Executive Directors' fees

The current fee levels for Non-Executive Directors are as detailed below. There is no increase to fee levels for 2023:

	2023 £	2022 £	Increase %
Fee for Chairman	**175,000**	175,000	–
Basic fee for Non-Executive Directors	**50,000**	50,000	–
Supplementary Senior Independent Director fee	**10,000**	10,000	–
Supplementary Audit Committee Chair fee	**10,000**	10,000	–
Supplementary Remuneration Committee Chair fee	**10,000**	10,000	-
Supplementary Risk Committee Chair fee	**10,000**	10,000	–

Pension and benefits

Dean Moore does not receive pension and benefits. Kate Davidson will receive a salary supplement in lieu of pension of 4 per cent of basic salary. Benefits will be provided in line with the approved Remuneration Policy.

Annual bonus

The maximum bonus potential will be 125 per cent of salary for the Chief Executive Officer. If the takeover offer completes during 2023, the bonus opportunity will be pro rated until the date of takeover. The interim Chief Financial Officer (being a temporary appointment) will not participate in the annual bonus plan.

70 per cent of the bonus will be based on stretching adjusted EBITDA targets, providing a measure of underlying profitability. 30 per cent will be based on strategic objectives that support operational KPIs.

For the 70 per cent adjusted EBITDA element, 20 per cent (i.e.14 per cent of the maximum) will become payable for achieving a threshold level of performance. This rises linearly so that 50 per cent (i.e. 35 per cent of the maximum) will be payable for achieving a target level of performance, and a full pay out will be due for significant over-achievement of target.

There will be Committee discretion to adjust the formula-driven outturn to ensure that the bonus payments also reflect performance more broadly, and the experience of other stakeholders in the business.

The underlying EBITDA element target range and the strategic objective targets are deemed to be commercially sensitive and have not been disclosed prospectively. However, full retrospective disclosure of the targets and performance against them will be provided in next year's Remuneration Report.

In accordance with the Remuneration Policy, the Chief Executive Officer will be required to purchase shares with one third of her cash bonus earned for 2023, and these shares will be subject to a three-year holding period.

Long-Term Incentive Plan

In light of the potential acquisition of the Group, there is currently no intention to grant LTIP awards for 2023. However, should the deal not close, the Committee will review the proposed 2023 award levels and performance conditions and the appropriateness of these at the time of grant. Targets would be disclosed in full at the time of grant, in the announcement to the market.

As mentioned elsewhere in this report, it is intended that two awards will be granted to Kate Davidson in 2023. One relates to a recruitment award of 11,933 shares which will vest on 31 December 2023 and is not subject to performance conditions. The other relates to the 2022 LTIP award, the terms of which were agreed in March 2022 but has not yet been granted due to the Company being in a prolonged Closed Period. This award will be over shares worth 150 per cent of salary (worth £337,500) and will be subject to the performance conditions referenced later in this report.

Practice is that performance targets are the same for all participants in the LTIP.

Total remuneration payable to Directors in 2022

		Fixed pay				Pay for performance				
		Salary/fee £000	Benefits[a] £000	Pension £000	Total fixed pay £000	Annual bonus[b] £000	LTIP £000	Other[i] £000	Total variable pay £000	Total remuneration £000
Executive Directors										
Kate Davidson[b]	2022	341	57	14	412	–	–	–	–	412
Gary Channon[c]	2022	8		–	8	–	–	–	–	8
	2021	13	–	–	13	–	–	–	–	13
Andrew Judd[d]	2022	56	40	2	98	–	–	6	6	104
	2021	225	14	9	248	–	–	–	–	248
Dean Moore	2022	316	–	–	316	–	–	–	–	316
	2021	316	–	–	316	–	–	–	–	316
Clive Whiley[h]	2022	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	2021	140	–	–	140	–	–	–	–	140
Non-Executive Directors										
John Castagno[e]	2022	175	–	–	175	–	–	–	–	175
	2021	77	–	–	77	–	–	–	–	77
Graham Ferguson[f]	2022	66	–	–	66	–	–	–	–	66
	2021	20	–	–	20	–	–	–	–	20
Kartina Tahir Thomson[g]	2022	54	–	–	54	–	–	–	–	54
	2021	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Gillian Kent[h]	2022	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	2021	17	–	–	17	–	–	–	–	17
James Wilson[h]	2022	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	2021	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Paul Humphreys[h]	2022	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	2021	9	–	–	9	–	–	–	–	9

(a) Taxable benefits for the year included: provision of a company car or allowance, family private medical cover and a mobile phone.

(b) Kate Davidson was appointed to the Board as Chief Operating Officer on 7 January 2022 with a salary of £225,000. On 10 June 2022, she was appointed to the role of Chief Executive Officer and her salary increased to £425,000.

(c) Gary Channon was appointed to the Board on 22 April 2021 as Executive Chairman and then Chief Executive Officer from 23 July 2021. He chose not to receive any remuneration in relation to his role as an Executive Director of the Company. However, in order to comply with the National Minimum Wage Regulations 2015, he received £18,500 per annum which was donated to the Company's selected charity, Teenage Cancer Trust. Gary stepped down from the Board on 9 June 2022.

(d) Andrew Judd stepped down from the Board on 1 April 2022. As part of his settlement, Andrew received, inter alia, a payment in lieu of notice (six months of £112,500 and a severance payment as compensation for loss of office of £55,500. The amounts shown in the table above exclude these termination payments.

(e) John Castagno was appointed to the Board on 23 July 2021. The fee for 2021 is for the period from date of appointment to 31 December 2021.

(f) Graham Ferguson was appointed to the Board on 1 September 2021. The fee for 2021 is for the period from date of appointment to 31 December 2021.

(g) Kartina Tahir Thomson was appointed to the Board on 7 February 2022. The fee for 2022 is for the period from the date of appointment to 30 December 2022.

(h) Clive Whiley, Gillian Kent and Paul Humphreys all stood down from the Board on 22 April 2021. James Wilson who resigned from the Board on 26 April 2022 elected not to receive a Non-Executive Director's fee.

(i) Other relates to deferred bonus scheme from 2020.

Determination of 2022 annual bonus

The 2022 bonus scheme was based 70 per cent on underlying EBITDA, and 30 per cent on strategic objectives comprised of three operational KPIs.

The table below sets out the underlying EBITDA targets and the actual performance achieved.

	Threshold (20% of max pay out)	Target (50% of max pay out)	Maximum (100% pay out)	Actual performance	Pay out (% of maximum)
Underlying EBITDA	£57.95m	£61m	£67.1m	£46.3m	0%

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The table below sets out the operational KPIs and the Committee's assessment of performance:

Operational KPI	Weighting	Objectives	Performance assessment
Improve market share – competitiveness, profitability	10%	-	0
Develop corporate culture – renewed focus on customers; becoming more of a learning organisation; embedding good values/ principles	10%	-	0
Easing leverage in the capital structure	10%	-	0

Based on the Committee's assessment of performance, 0 per cent of the strategic objectives have been achieved.

The Committee reviewed the bonus outcome in light of Company performance over the year and the wider stakeholder experience. It determined that it would not be appropriate for the bonus to pay out. The Committee has therefore exercised its discretion to reduce the bonus pay out to zero.

Determination of LTIP awards with performance periods ending in the year

The LTIP awards made in 2020 were 50 per cent subject to a range of relative TSR performance targets against the companies comprising the FTSE Small Cap Index (excluding investment trusts), and 50 per cent subject to market share performance targets. As the threshold targets were not met, these awards lapsed in full as shown below.

	Relative TSR performance	Market share in 2022	% vesting
Below threshold	Below median	Below 12.5%	–
Threshold	Median	12.5%	25
Maximum	Upper quartile or above	15% or above	100
Actual performance	**95/128 companies**	**11.9%**	**–**

LTIP awards granted in the year

No LTIP awards were granted to Executive Directors in 2022 due to the Company being in a closed period.

The Remuneration Committee, however, in March 2022 approved the proposal to grant Kate Davidson an LTIP award worth £337,500, being 150 per cent of base salary. The related performance conditions were approved as:

50% weighting – TSR relative to the FTSE Small Cap Index (excluding investment trusts). Threshold (25% vests) Median and Maximum (100% vests) Upper quartile.
50% weighting – Funeral market share. Threshold (25% vests) 14% market share and Maximum (100% vests) 16% market share. Linear vesting between the two.

The award was not formalised due to the aforementioned Closed Period. This award will be granted in 2023 at such time as the Closed Period ends.

Outstanding Long-Term Incentive Plan awards

Details of the nil cost option awards made under the LTIP, not yet vested and exercised, are disclosed in the table below. Andrew Judd left the Group on 1 April 2022 and his outstanding awards, set out in the table below, have been pro rated based on the period from grant to 1 April 2022.

Director	Award grant date	Share price at date of grant (pence)	As at 31.12.21	Granted during year	Lapsed during year	Vested and exercised during year	As at 30.12.22	Earliest date shares can be acquired	Latest date shares can be acquired
Andrew Judd	(i) 13.06.19	633.5	22,494	–	22,494	–	–	13.06.22	13.06.29
	(ii) 22.12.20	584	31,509	–	7,878	–	23,631	22.12.23	22.12.30
	(iii) 17.12.21	610	39,659	–	16,524	–	23,135	17.12.24	17.12.31

(i) The 2019 award was subject to a relative TSR performance condition compared to the FTSE Small Cap index (excluding investment trusts). Based on performance against targets, these awards lapsed in full.

(ii) Subject to TSR and funeral market share performance conditions measured to 31 December 2022. TSR performance is assessed relative to the FTSE SmallCap (excluding investment trusts) and the target range is median to upper quartile performance for 25–100 per cent vesting. Funeral market share targets are based on performance required in 2022 of 12.5–15 per cent for 25–100 per cent vesting. The performance conditions have failed to be achieved and so the award will lapse.

(iii) Subject to TSR and funeral market share performance conditions. TSR performance is assessed relative to the FTSE SmallCap (excluding investment trusts) and the target range is median to upper quartile performance for 25–100 per cent vesting. Funeral market share targets are based on performance required in 2023 of 12.5–15 per cent for 25–100 per cent vesting.

On joining the Company in June 2021, Kate Davidson was awarded and holds Restrictive Stock Units to the value of £100,000 (11,933 shares): these units are due to vest on 31 December 2023.

The aggregate gain on the exercise of LTIP options by the continuing Directors in the period was £nil (2021: £nil).

Directors' interest in shares

The interests of the Directors (including those of their connected persons) in the share capital of Dignity plc at 30 December 2022 are set out below:

	Number of Ordinary Shares							
		At 30 December 2022 (or date of cessation of employment if earlier)						
	At 31 December 2021 legally owned	At 30 December 2022 legally owned (or date of stepping down from the Board, if earlier)	Subject to SAYE	Deferred annual bonus options[2]	Subject to performance conditions under the LTIP[2]	Vested but unexercised under the LTIP	Value of shares counting towards proposed shareholding guideline[1]	Percentage of salary held as shares[1]
Kate Davidson[3]	n/a	–	–	–	–	–	–	–
Andrew Judd	3,460	3,460	1,192	2,089	46,766	–	£17,629	12
Dean Moore	–	–	–	–	–	–	–	–
John Castagno	–	–	–	–	–	–	–	–
Graham Ferguson		–	–	–	–	–	–	–
Gary Channon[3,4]	–	–	–	–	–	–	–	–
Kartina Tahir Thomson	n/a	–	–	–	–	–	–	–

(1) Based on the average share price of the last financial month of the year of 386 pence and includes legally owned shares plus the net of tax value (i.e. tax and national insurance at 47 per cent) of deferred bonus options and vested but unexercised LTIP awards.

(2) Prior to 2022, 20 per cent of any annual bonus earned is deferred in shares (the deferred annual bonus) which vest after two years, subject to continued employment but no further performance targets. From 2022, deferral was changed so that one third of the cash bonus is used to acquire shares and these shares will be subject to a three-year holding period. LTIP awards normally vest after three years subject to achieving stretching performance conditions and continued employment.

(3) Kate Davidson was awarded and holds 11,933 shares under a Restrictive Stock award which are due to vest at 2023 year-end.

(4) Gary Channon is a partner of Phoenix Asset Management Partners Limited which holds 14,718,468 shares in Dignity plc.

There has been no change in the interests set out above between 30 December 2022 and 30 March 2023.

Shareholding guideline

The current shareholding guideline for the Executive Directors is 200 per cent of salary. At 30 December 2022, the shareholding guideline had not been met by the Chief Executive Officer. The Committee notes Kate Davidson's recent appointment to the Board and that the Interim Chief Financial officer does not currently participate in the incentive schemes. The Executive Directors are required to retain at least 50 per cent of the net of tax value of shares of future awards vesting, until the required guideline of 200 per cent of salary is achieved.

Payment for loss of office

In 2022, Gary Channon and Andrew Judd stood down from the Board. Gary Channon did not receive any payment for loss of office.

Andrew Judd stepped down from the Board on 1 April 2022. Following this, he received:

- Base salary (£23,000) and pension (£1,000) until 30 April 2022 when his employment terminated;
- Payment in lieu of notice for the six-month period of £112,500 and £5,000 in relation to pension;
- A severance payment as compensation for loss of office of £55,500 (taking into account length of service, base salary and mitigation obligations);
- Continued entitlement to a pre-paid funeral plan notwithstanding termination of employment; and
- Good leaver treatment for outstanding LTIP awards (December 2020 and December 2021 grants). These awards will be capable of vesting at the normal vesting date after three years, together with any dividend equivalent payments, subject to the achievement of the performance conditions, and in each case will be scaled back pro rata for the proportion of the performance period that has elapsed to 1 April 2022. The two-year post-vest holding period will continue to apply to all vested awards. As set out in this report, the 2020 award will lapse in full due to the performance conditions not being met.

Relative importance of spend on pay between employee pay and distributions to shareholders

The following table sets out the percentage change in dividends and overall spend on employee pay in 2022, compared with the prior year:

	2022 £m	2021 £m	Change %
Dividends	–	–	–
Employee remuneration costs	121.2	116.6	3.9

Percentage change in Directors' pay

The table below shows the percentage change year-on-year between 2019 and 2022 in the value of salary, benefits and annual bonus for each Director, compared to that of the average employee on a full-time equivalent basis.

	2021 vs 2022			2020 vs 2021			2019 vs 2020		
	% change in salary/ fees	% change in taxable benefits	% change in bonus	% change in salary/ fees	% change in taxable benefits	% change in bonus	% change in salary/ fees	% change in taxable benefits	% change in bonus
Gary Channon	–	–	–	–	–	–	–	–	–
Dean Moore	–	–	–	–	–	–	–	–	–
Andrew Judd	n/a	n/a	–	12.5	17	(100)	–	–	–
All Group employees	11	(3.5)	(22)	2	–	–	2	–	–

Kate Davidson, John Castagno, Graham Ferguson and Kartina Tahir Thomson are not included in the table above as there is insufficient data for a comparison to be made due to their dates of appointment.

CEO pay ratios

The Committee has decided to use Option A in the relevant regulations to calculate the Chief Executive Officer's pay ratio.

This methodology was selected as the Committee believes this provides a more accurate and consistent calculation based on the information available at the time of writing.

The following table sets out the CEO pay ratio at the median, 25th and 75th percentiles.

Financial year	Method	25th percentile pay ratio	Median	75th percentile pay ratio
2022	Option A	12.36:1	11.24:1	8.55:1
2021	Option A	8.18:1	6.32:1	5.00:1
2020	Option A	32.66:1	27.52:1	22.01:1

The three employees used for comparison are shown below:

	2022	
	Employee's salary (£)	Total remuneration (£)
CEO pay	245,226	286,495
Q 25 pay	21,105	23,178
Q 50 pay	24,326	25,481
Q 75 pay	29,341	33,492

The full-time equivalent remuneration for 2022 was calculated for employees of Dignity as at 30 December 2022. The salaries of employees who joined the Company prior to this date have been grossed up to full-time equivalent pay, and any employee who left the Company prior to this date has been excluded. Part-time employees have been grossed up to full-time equivalents based on full-time equivalent hours for the role. Casual workers have been included based on the actual hours worked for the year, due to the significant variations in working hours. Total pay for employees includes salary, pensions, casual pay, allowances, overtime and bonuses received in 2022.

The Chief Executive Officer's pay comprises the previous Chief Executive Officer's (Gary Channon) salary of £18,500 per annum (donated to charity until 9 June 2022) and the new Chief Executive Officer's (Kate Davidson) salary of £425,000 from her appointment on 10 June 2022 in addition to her pension and benefits for the same period in 2022.

The CEO pay ratio has increased slightly this year as a result of the change in Chief Executive Officer during the year and noting the previous Chief Executive Officer received a significantly lower salary in order to comply with National Minimum Wage Regulations. The CEO pay ratio, however, still remains low overall noting that no bonuses were payable in respect of 2022 for the Executive Directors and there was no LTIP vesting.

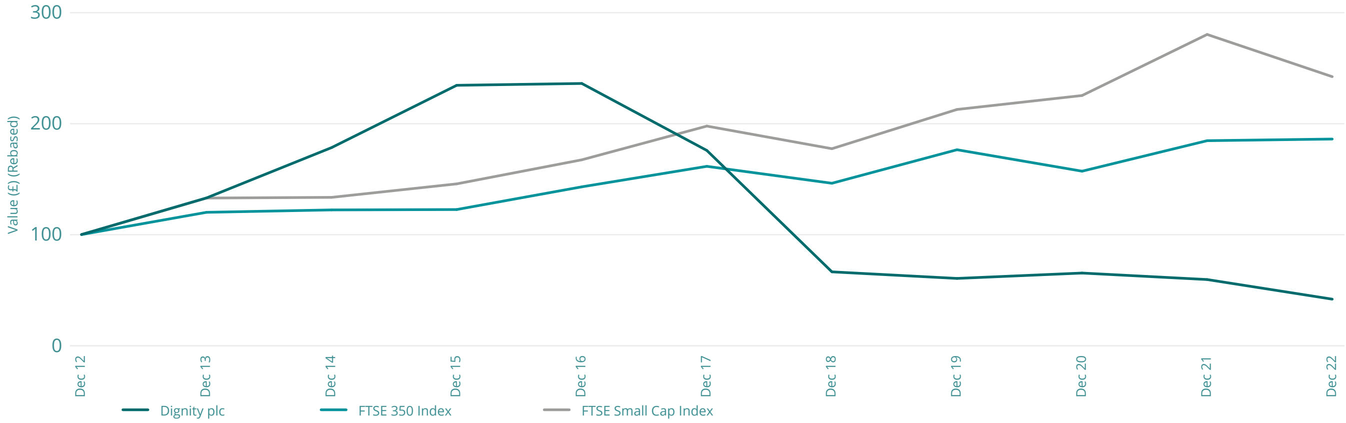
In her role as Chief Executive Officer, Kate Davidson's annual salary is £425,000 per annum.

The reward policies and practices for our employees, also reviewed by the Remuneration Committee, are appropriately cascaded from the Executive Directors' Remuneration Policy. Furthermore, the Committee continues to monitor Group policies and practices to ensure they are appropriate, fair and aligned, and support the culture of the business. Therefore, the Remuneration Committee is satisfied the median pay ratio is consistent with the Company's pay, reward and progression policies for all employees.

Long-term total shareholder return performance and CEO pay over this period

The following graph shows the Company's TSR performance over the last 10 financial years against the FTSE 350 Index and the FTSE Small Cap Index. The FTSE 350 Index has been chosen because the Company has been a member of that index for much of this period. The FTSE Small Cap Index has been chosen as it is now a member of that index.

Ten-year total shareholder return



Source: Eikon Datastream (Refinitiv)

This graph shows the value, by 30 December 2022, of £100 invested in Dignity plc on 28 December 2012, compared with the value of £100 invested in the FTSE 350 Index and FTSE SmallCap Index on the same date.

The table below shows the total remuneration figure for the CEO over the same 10-year period.

	2013	2014	2015	2016	2017	2018	2019	2020 Mike McCollum(a)	2020 Clive Whiley(a)	2021 Clive Whiley(a)	2021 Gary Channon(b)	2022 Gary Channon(b)	2022 Kate Davidson(c)
CEO single total figure of remuneration (£000)	2,217	2,426	2,440	2,372	966	1,010	733	238	349(b)	140	13	8	278
Annual bonus pay out relative to maximum (%)	100	100	100	100	–	58	18	18	n/a	n/a	n/a	n/a	n/a
LTIP vesting (%)	100	100	100	100	50	–	–	–	n/a	n/a	n/a	n/a	n/a

(a) This represents the pro rata total remuneration for Mike McCollum to 3 April 2020 and Clive Whiley for the remainder of 2020 and 2021 in his role as Executive Chairman until 22 April 2021.

(b) Gary Channon received £18,500 per annum for his role as Chief Executive Officer, which he donated to charity. Gary stepped down as Chief Executive Officer on 9 June 2022.

(c) Kate Davidson was appointed Chief Executive Officer on 10 June 2022.

Details of Directors' service contracts and letters of appointment

Details of the service contracts of the Executive Directors and letters of appointment of the Non-Executive Directors are as follows:

Name	Contract date	Date of expiry and notice period
Andrew Judd	14 December 2020	6 months
Gary Channon	22 April 2021	6 months
Kate Davidson	7 January 2022	6 months
John Castagno	23 July 2021	3 months
Dean Moore	11 March 2020	3 months
Graham Ferguson	1 September 2021	3 months
Kartina Tahir Thomson	7 February 2022	3 months

Non-Executive Directors will normally serve for two terms of three years, which may be extended to three terms.

Andrew Judd stood down from the Board on 1 April 2022 and Gary Channon on 9 June 2022.

External directorships

Kartina Tahir Thomson does not currently have any external directorships. Graham Ferguson is a director of Iona Star Capital Limited, Bertnet Residential Limited and Bertnet Investments Limited. John Castagno is a director of Post Office Management Services Limited and Hub Investment Holdings Limited.

Membership of the Remuneration Committee

The Remuneration Committee currently comprises three independent Non-Executive Directors: Graham Ferguson, who is also Chair, Kartina Tahir Thomson and John Castagno. Graham has served on the Committee since 1 September 2021, John since 23 July 2021 and Kartina since 7 February 2022.

The Remuneration Committee's members have no personal financial interest in matters to be decided, no potential conflicts of interests arising from cross-directorships and no day-to-day involvement in running the business.

The Committee determines and agrees with the Board, within formal terms of reference, the framework and policy of Directors' and senior management's remuneration.

The Committee met four times during the year. At the start of the year its members determined the incentive payments for 2021 and the application of the Remuneration Policy for 2022. During the year they considered the remuneration package for the new Chief Executive Officer and the leaving arrangements for Gary Channon and Andrew Judd.

The Committee receives advice from several sources, namely:

- The Chairman, Chief Executive Officer, Interim Chief Finance and People Director, who attend the Remuneration Committee by invitation, and the Company Secretary, who attends meetings as Secretary to the Committee. No individual takes part in discussions relating to their own remuneration and benefits.
- Korn Ferry, which was appointed by the Committee as its independent adviser on 3 August 2018, following a tendering process. Korn Ferry reports directly to the Committee Chair and is a signatory of the Code of Conduct for Remuneration Consultants (which can be found at www.remunerationconsultantsgroup.com). Korn Ferry also provides other consulting services to the Company on leadership development, but the team advising the Committee is entirely separate and the advice it gives is therefore considered to be independent. During 2022, Korn Ferry's fees as adviser to the Committee were £28,024 + VAT (2021: £50,809+VAT). Fees were charged on a time spent basis.

Statement of shareholder voting at the AGM

At the AGM held on 9 June 2022, votes cast by proxy in respect of the Remuneration Policy were as follows:

	Remuneration Report (2022 AGM)		Remuneration Policy (2022 AGM)	
	Total number of votes	Percentage of votes cast	Total number of votes	Percentage of votes cast
For	31,830,654	99.96	31,733,246	99.65
Against	13,443	0.04	110,770	0.35
Total votes cast	**31,844,097**	**100**	**31,844,016**	**100**
Abstentions	5,544	n/a	5,625	n/a

The Report on Directors' Remuneration on pages 100 to 115 was approved by the Board on 30 March 2023.

On behalf of the Board

GRAHAM FERGUSON
CHAIR OF THE REMUNERATION COMMITTEE
30 MARCH 2023

The Directors of Dignity plc present their report for the 52 week period ended 30 December 2022. As permitted by Section 414C(11) of the Companies Act 2006, some of the matters required as part of the Directors' report have instead been included in the Strategic Report on pages 1 to 61, as the Board considers them to be of strategic importance.

Specifically, these are:
- Future business developments (explained throughout the Strategic Report);
- Total greenhouse gas emissions and carbon reporting (see pages 41 and 42); and
- Information on stakeholder engagement and how the Directors have had regard for the Company's stakeholders, and its effect, on pages 90 and 91.

The information that fulfils the requirements of a Corporate Governance Statement in accordance with rule 7.2 of the Disclosure and Transparency Rules can be found in the Directors' Statement on Corporate Governance on pages 76 to 91, which is incorporated by reference.

Directors and their interests

We set out below the Directors of the Company who were in office during the period, and up to the date of signing the financial statements, and changes to the Directors during the year and up to the date of this report.

Name	Role	Effective date of change
Dean Moore	Interim Chief Financial Officer	
John Castagno	Independent Non-Executive Chairman	
Graham Ferguson[(1)]	Senior Independent Director	
Resignations		
Andrew Judd	Executive Director of Funeral Operations	Resigned 1 April 2022
Gary Channon	Chief Executive Officer	Resigned 9 June 2022
Appointments		
Kate Davidson[(2)]	Chief Executive Officer	Appointed 7 January 2022
Kartina Tahir Thomson	Independent Non-Executive Director	Appointed 7 February 2022

(1) Graham Ferguson was appointed Senior Independent Director on 9 June 2022.
(2) Kate Davidson was appointed to the Board as Chief Operating Officer on 7 January 2022. On 10 June 2022 she was appointed to the role of Chief Executive Officer.

The interests of the Directors in the share capital of the Company are set out in the report on Directors' remuneration on page 112.

In accordance with the Code, all Directors will retire at the AGM as Directors of the Company and, being eligible, offer themselves for election or re-election at the meeting on 8 June 2023.

Directors' and Officers' liability insurance and indemnities

During the period, the Company maintained liability insurance for its Directors and Officers to a value of £60 million. In addition, the Directors of the Company and each of the Company's subsidiaries have the benefit of an indemnity provision in the Company's Articles of Association. The provision, which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006, was in force throughout the period and is currently in force.

Articles of Association

The rules governing the appointment and replacement of Board members and changes to the Articles of Association accord with the provisions of the Companies Act 2006.

Share capital, authorities and restrictions

The issued share capital of Dignity plc at 30 December 2022 consisted of 50,043,435 Ordinary Shares of 12 48/143 pence each. All the Ordinary Shares carry the same rights and obligations. There is no other class, or type, of share in issue. During the period, 12,427 Ordinary Shares of 12 48/143 pence each were issued to satisfy share incentives which became exercisable in the period.

The Company has one class of voting share capital, which is Ordinary Shares. All of the shares rank pari passu. There are no special control rights in relation to the Company's shares. The Board has authority to purchase its own shares and is seeking renewal of that power at the forthcoming AGM, within the limits set out in the notice of that meeting. There are no restrictions on the transfer of the Company's shares, with the exception that Directors are periodically restricted in dealing in the Company's shares under the Group's share dealing policy, which reflects the requirements of the UK Market Abuse Regulation. In certain specific circumstances, the Directors are permitted to decline to register a transfer in accordance with the Company's Articles of Association. There are no other limitations on holdings of securities, and no requirements to obtain the approval of the Company, or other holders of shares in the Company, prior to the share transfer. The Company is not aware of any agreements between holders of shares that may result in restrictions on the transfer of shares or voting rights, or of agreements between holders that might restrict voting rights.

An agreement in respect of share dealing exists between the Company and Phoenix Asset Management Partners Limited.

The Employee Benefit Trust ('EBT') holds shares in the Company in connection with Group share incentive plans. The Trust generally abstains from voting at shareholder general meetings in respect of shares held by them.

A special resolution passed at the last AGM on 9 June 2022 gives Dignity plc the authority to purchase up to 5,003,692 Ordinary Shares of 12 48/143 pence each at not less than nominal value and not more than five per cent above the average middle market quotation for the preceding five business days.

At the same meeting the Company was also given authority to allot Ordinary Shares up to an aggregate nominal value of £4,114,936, of which up to £308,620 may be for cash. These authorities will expire at the conclusion of the next AGM on 8 June 2023. It is the intention of the Directors to seek renewal of these authorities at that meeting. There are no restrictions at the period end on the transfer of securities.

Change of control provisions

The Company does not consider that there are any significant agreements to which the Company is a party that take effect, alter or terminate upon a change of control of the Company following a takeover bid, that are required to be disclosed pursuant to paragraph 13(2) (j) of Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended). The Company does not have agreements with any director or employee that would provide compensation for loss of office or employment resulting from a takeover, except that provisions of the Company's share schemes and plans may cause some options and awards granted to employees under such schemes and plans to vest in such circumstances. The offer document in relation to the recommended cash offer for the Company by Yellow (SPC) Bidco Limited can be accessed at www.dignityplc.co.uk.

The Company has a £50 million loan facility agreement with Phoenix UK Fund Ltd ("Phoenix") which is a related party. The agreement contains provisions which upon the occurrence of a change of control, the Company shall promptly notify Phoenix upon becoming aware of that event. On notice being given to the Company, Phoenix may cancel all commitments under the agreement concerned. However, a waiver has been agreed that will allow the Group to draw these funds even in the event of a change in control specific to the potential takeover.

Substantial shareholdings

The Group has been formally notified (in accordance with Chapter 5 of the Disclosure and Transparency Rules) of the following interests of three per cent or more in the issued share capital of the Company:

	As at 28 March 2023		As at 30 December 2022	
Holder	**Number of Ordinary Shares**	**Percentage of issued share capital**	Number of Ordinary Shares	Percentage of issued share capital
Phoenix Asset Management Partners Limited	**14,718,468**	**29.42**	14,718,468	29.42
John Stewart Jakes	**9,767,479**	**19.36**	9,767,479	19.36
Artemis Investment Management LLP	**4,955,451**	**9.90**	4,955,451	9.90
Indian Creek B.V.	**2,568,194**	**5.13**	2,508,194	5.01
Prudential plc group of companies	**2,469,210**	**4.94**	2,469,210	4.94
Pictet Asset Management Limited	**2,394,069**	**4.79**	2,394,069	4.79
Schroders plc	**2,233,787**	**4.45**	–	–
Standard Life Aberdeen plc	**1,841,495**	**3.68**	1,841,495	3.68
Granular Capital	**–**	**–**	2,542,374	5.08

It should be noted that these holdings may have changed since the Company was notified.

Dividends

The Group has not paid a dividend since June 2019 and the Directors do not expect to do so until the business has returned to a more sustainable financial footing. We continue to work on plans to improve our capital structure so that the pursuit of the best long-term value for shareholders is not compromised by the covenants attached to our bonds. We retain significant cash resources, continue to be cash generative and understand the importance of optimising TSR whilst maintaining a balance between different stakeholders. It is the Directors' intention to pay a dividend as soon as we believe it is financially prudent to do so.

Results

The results for the period are set out in the consolidated income statement on page 128. The Group's loss before tax amounted to £(328.6) million (2021: profit of £32.0 million).

Principal risks and uncertainties

Principal risks are considered on pages 47 to 53.

An assessment of the Group's exposure to financial risks and a description of how these risks are managed are included in note 2 to the consolidated financial statements.

Financial instruments

The Group's financial risk management objectives, policies and exposure to risks in relation to financial instruments are disclosed in note 22 to the financial statements.

Employment engagement

During the period, the Group has maintained its obligations to communicate effectively and involve colleagues in the Company's operation. Communication channels we use include a Team Forum, monthly town halls, an in-house magazine, team talks, regular bulletins both national and regional, and management briefings. We discuss this in more detail on pages 26 and 27.

Details of how the Directors have considered the interests of the Company's employees in principal decisions can be found in the Section 172(1) Statement on page 26, and on pages 90 and 91.

Employment policies

Our employment policies are designed to make sure that opportunities are equal for everyone, regardless of age, sexuality, race, ethnic or national origin, religion, nationality, gender, pregnancy, marital status or any other personal characteristic. The Group also gives special care and consideration to how we can offer rewarding employment, training and career development for people with disabilities. We treat colleagues with a disability in the same way we do all colleagues, while meeting their needs as far as we can. Similarly, we endeavour to help and accommodate any colleague should they become disabled while working with Dignity.

We also focus on the relative pay and roles of men and women who work with us. This includes publishing gender pay data on our corporate website (www.dignityplc.co.uk) during 2022, in accordance with the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017.

Employee share ownership

The Company offers a regular SAYE scheme to all employees. In November 2022, the Company granted 510,910 options under the SAYE scheme at a subscription price of £2.87 per share. The number of colleagues who held share options through the 2019 SAYE scheme for the period ended 30 December 2022 was 318,811 (2021: 377,767). The number of colleagues who held share options through the 2022 SAYE scheme was 510,910 (2021: nil).

Health and safety policy

The wellbeing and safety of our people is paramount, and the Group's operations are designed to ensure, as far as reasonably practicable, the health, safety and welfare of all of our employees, and families and others who come to our premises. This is discussed in the Environmental, Social and Governance section of the Strategic Report on page 28.

Corporate social responsibility

We measure and monitor the impact of our operations on the environment and we take active steps to reduce it. This includes better practices, investing in new low-carbon technologies, and continually assessing our use of natural resources and materials. We discuss this in our ESG report on page 36 alongside other social and ethical considerations. Details of the Group's greenhouse gas and carbon dioxide emissions are set out on pages 41 and 42 of the Strategic Report.

Political donations

It is not the Group's policy to make donations to political parties, and the Directors have no intention of changing that policy. Accordingly, we made no donations during the financial year.

Going concern

In order to assess the appropriateness of the application of the going concern principle in this Annual Report, the Directors have considered the principal risks and uncertainties and financial position of the Dignity Group.

The Group has carried out a detailed going concern analysis, with full details set out in note 1 to the consolidated financial statements.

Having considered the base case forecasts, and the range of downside stress test scenarios, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for a period through to 31 March 2024. The base case forecasts 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 of the Group.

The Directors have also considered events beyond the assessment period. The Directors formally considered this matter at the Board meeting held on 30 March 2023. The Directors, whilst acknowledging there is material uncertainty, continue to adopt the going concern basis for preparing the 2022 Annual Report and Accounts.

The long-term Viability Statement is set out on pages 54 and 55.

Disclosures required under Listing Rule 9.8.4R

The information to be included under LR 9.8.4R, where applicable, is set out below:

Information	Page reference
Publication of unaudited financial information	68
Directors' emoluments waiver	109

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

In February 2023, Standard & Poor's ('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.

See note 1 on page 134 for further information.

Independent auditor and disclosure of information to auditor

A resolution for the re-appointment of Ernst & Young LLP as auditor will be proposed at the forthcoming AGM.

In the case of each of the Directors, at the time when the report is approved, the following applies:

- So far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- The Directors have taken appropriate steps to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report, the Report on Directors' Remuneration and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the consolidated financial statements in accordance with UK adopted international accounting standards ('IFRS').

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company, and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Provide additional disclosures when compliance with the specific requirements in IFRSs and in respect of the Parent Company financial statements, IFRS 101, is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group and company financial position and financial performance;
- State, in respect of the consolidated financial statements, whether international accounting standards in conformity with the requirements of the Companies Act 2006 and UK adopted international accounting standards ('IFRS') have been followed, subject to any material departures disclosed and explained in the consolidated financial statements;
- State, in respect of the Parent Company financial statements, whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in Parent Company financial statements respectively; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and/or the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the Report on Directors' Remuneration comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Group's websites. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement of the Directors in respect of the Annual Report

Each of the Directors, whose names and functions are listed on page 82 of this Annual Report, confirm that, to the best of their knowledge and belief:

- The consolidated financial statements prepared in accordance with UK-adopted international accounting standards ('IFRS') give a true and fair view of the assets, liabilities, financial position and profit of the Company and undertakings included in the consolidation as a whole;
- This Annual Report, including the Strategic Report, includes a fair review of the development and performance of the business and the position of the Company and undertakings included in the consolidation as a whole, together with a description of the principal risks and uncertainties that they face; and
- Having taken into account all matters considered by the Board and brought to the attention of the Board during the year, the Directors consider that the Annual Report, taken as a whole, is fair, balanced and understandable. The Directors believe that the disclosures set out in this Annual Report provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

This Directors' report and Statement of Directors' responsibilities was approved by the Board on 30 March 2023.

By order of the Board

TIM GEORGE
COMPANY SECRETARY
30 MARCH 2023

Registered Office: 4 King Edwards Court, King Edwards Square, Sutton Coldfield, B73 6AP

Registered in England and Wales, Registered number 04569346

Opinion

In our opinion:

- Dignity plc's group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the parent company's affairs as at 30 December 2022 and of the group's loss for the 52-week period then ended;
- the group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Dignity plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 December 2022 which comprise:

Group	Parent company
• Consolidated balance sheet as at 30 December 2022	• Balance sheet as at 30 December 2022
• Consolidated income statement for the 52-week period then ended	• Statement of changes in equity for the 52-week period then ended
• Consolidated statement of comprehensive income for the 52-week period then ended	
• Consolidated statement of changes in equity for the 52-week period then ended	• Related notes C1 to C10 to the financial statements including a summary of significant accounting policies
• Consolidated statement of cash flows for the 52-week period then ended	
• Related notes 1 to 33 to the financial statements, including a summary of significant accounting policies	

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the group and parent in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting the audit.

Material uncertainty related to going concern

We draw attention to note 1 in the financial statements, which indicates that a plausible downturn in the group's financial performance could result in a breach of the debt service covenant ratio ('DSCR') on its securitised debt (being the Class A and Class B loan notes, together the 'Loan Notes'), which if unremedied, would be considered an event of default under the Issuer/Borrower Loan Agreement ('IBLA') resulting in the Loan Notes becoming repayable on an accelerated basis and could be repayable immediately at the request of the noteholders. As stated in note 1, these events or conditions, along with the other matters as set forth in note 1, 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. Our opinion is not modified in respect of this matter.

We draw attention to the viability statement in the Annual Report on page 54, which indicates that an assumption to the statement of viability is for the group to be able to achieve market share and profitability growth and to realise certain events to support its capital structure, either to deleverage the Loan Notes and in turn have the ability, subject to certain conditionality, to make equity cures to remediate any shortfall to the DSCR, and/or for the proposed takeover by YELLOW (SPC) BIDCO LIMITED ('Bidco') to succeed and for the group to be able draw on financial support from Bidco as needed. The Directors consider that the material uncertainty referred to in respect of going concern may cast significant doubt over the future viability of the group and parent company should the profitability growth to meet the DSCR not be achieved and events to sufficiently benefit the capital structure of the group not complete. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group and parent company's ability to continue to adopt the going concern basis of accounting included the following procedures:

- Understanding and walking through management's process for and controls related to assessing going concern including discussion with management to assess whether all key factors were taken into account.
- Read and considered the directors' going concern assessment covering the period through to 31 March 2024, including their assessment of market risks and potential changes to consumer preferences, to understand the key assumptions upon which it was based.

- Tested the model integrity on which the going concern assessment was based for clerical accuracy.
- Inspected the debt service cash requirement and earnings before interest, tax, depreciation and amortisation ('EBITDA') definition as per the IBLA to confirm the basis of the DSCR calculation, which is a minimum of 1.5x the annual debt service payments (c.£51 million), tested each quarter (March, June, September and December) on a last 12 months basis.
- Inspected the documentation in relation to the modification to the DSCR terms under the IBLA, approved by bondholders on 11 March 2022, for the period to 31 March 2023, and confirmed this included the permissibility of Dignity plc to contribute liquidity into the Securitised Group in order to remediate any EBITDA shortfall below the contracted DSCR position and that any such liquidity contributed can be included in the last 12 months calculation in future quarters until it no longer is included in the lookback 12 months period (last period of inclusion of an equity cure is for the 12 months to 31 December 2023, as supported by a legal opinion which we have reviewed). Further, we confirmed that management's going concern assessment accurately reflected the impact of the modification of the DSCR terms. We understood the reasons for obtaining the waiver and the impact on the going concern assessment.
  - Tested compliance with the EBITDA:DSCR covenant in the financial reporting period as follows:
  - Recalculated the EBITDA for the Securitisation Group and assessed whether it has been correctly calculated in accordance with the definition of EBITDA provided in the IBLA;
  - Agreed the DSCR to the underlying interest and principal repayment schedules that had been subjected to audit procedures; and
  - Recalculated the EBITDA:DSCR ratio to confirm the group is compliant with this ratio during the period and at the period end date.
- Tested the forecast compliance with the EBITDA: DSCR covenant ratio as follows:
  - Agreed the DSCR to the interest and principal repayment schedules;
  - Obtained management's forecast through 31 March 2024 which was prepared using the 2023 budget as a basis and the 2024 plan, which was presented to and approved by the Board, having given due consideration to changes in financial performance in respect of expected number of deaths, market share and pricing;
  - Tested the underlying assumptions and data upon which the budget and forecast were based to ensure their reasonableness, by;
    - assessing the accuracy of management's historical budgeting (pre COVID-19);
    - comparing forecast deaths to independent information from the Office for National Statistics ('ONS');
    - assessing cost saving initiatives against management plans, considering the achievability of both the timing and quantum;
    - assessing current trading performance by inspecting the January and February 2023 period end management accounts and further financial information available for March 2023 in addition to making inquiries of management to identify any impacts to current trading, average incomes, funeral mix and debtor recoverability;
  - Obtained the sensitivity analysis performed in the director's going concern assessment. We checked the calculations for accuracy and evaluated the underlying assumptions related to average price, market share and death rate by comparison to the trend in actual deaths, funeral numbers performed and revenues achieved since the COVID-19 outbreak and, where relevant, statistics published by the ONS;
  - Performed additional stress testing to model the impact of further severe, but plausible scenarios to assess their impact upon the EBITDA:DSCR covenant ratio;
  - Performed a reverse stress test to evaluate the level of downturn in performance that would result in a breach of the EBITDA:DSCR covenant and evaluated the plausibility of this scenario; and
  - For mitigations modelled we assessed whether management had the ability to affect these in the time period involved.
- Assessed the forecast liquidity of the group in order to meet its liabilities as they fall due including the debt service payments falling due over a period through to 31 March 2024 by:
  - Confirming its current cash resources to bank statements;
  - Assessing the reasonableness of the budgeted assumption on converting EBITDA to cash by comparing against the group's historical conversion performance;
  - Considering the availability of the IBLA and the loan facility from Phoenix UK Fund Ltd ('PUKF') through the going concern period and assessing the impact to the availability of these facilities of the proposed takeover should it occur, including inspecting the external legal advice on no change of control impact to the IBLA and inspecting the related waiver obtained in respect of the PUKF loan;
  - Performed a reverse stress test to evaluate the level of downturn in performance that would result in liquidity being exhausted and evaluated whether the likelihood of such a scenario was remote; and
  - For mitigations modelled we assessed whether management had the ability to affect these in the time period involved.
- Reviewed documentation in respect of the proposed takeover offer made on 14 February 2023 by YELLOW (SPC) BIDCO LIMITED (a newly formed company controlled by a consortium comprised of joint offerors SPWOne V Limited, Castelnau Group Limited and Phoenix Asset Management Partners Limited) and considered the implications on going concern.
- Inspected the external legal opinion that concluded that a change of control would not result in the group's long-term debt falling due immediately under the IBLA.
- Inspected the external legal opinion that concluded that the existence of a material uncertainty as outlined in note 1 to the financial statements was not an event of default under the terms of the IBLA.
- Inquired of management as to their knowledge of any other events or conditions beyond the period of their assessment that may cast significant doubt on the entity's ability to continue as a going concern and compared their response to forecast market conditions by the ONS, the profile of payments and covenant requirements of the IBLA and other information that could impact the funeral and crematoria sectors, notably the regulation of pre-need sector by Financial Conduct Authority.
- Assessed the going concern disclosures in the financial statements to ensure they are in accordance with relevant standards.

The group is forecast to be profitable and generate positive cashflows in the going concern period. Under the stress case the DSCR covenant falls below 1.5x which would be a breach of the debt service covenant ratio. This gives rise to the material uncertainty described above.

Going concern has also been determined to be a key audit matter.

In relation to the group and parent company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to:
- the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting; and
- the directors' identification in the financial statements of the material uncertainty related to the group and parent company's ability to continue as a going concern over a period to 31 March 2024 from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group or parent company's ability to continue as a going concern.

Overview of our audit approach

Audit scope	• We performed an audit on the consolidated financial statements of the group to the materiality and performance materiality described below. The audit of all the companies within the group is undertaken by one audit team.
Key audit matters	**Group** • Revenue recognition – risk of management override. • Impairment of funerals goodwill, trade names and related assets. • Going Concern. **Company** • Impairment of parent company investments.
Materiality	• Overall Group materiality of £1.3m which represents 0.5% of underlying revenue.

An overview of the scope of the parent company and group audits

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each company within the group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the group and effectiveness of group-wide controls, changes in the business environment, the potential impact of climate change and other factors such as recent Internal audit results when assessing the level of work to be performed for the group.

In assessing the risk of material misstatement to the group audit, we considered that all significant elements of the group's finance and accounting function are situated and managed centrally in Sutton Coldfield, UK, and operate under one common internal control environment; and all operations of the group are also managed from this location together with the UK headquarters. All audit work performed for the purposes of the audit was undertaken by the group audit team.

Climate change

Stakeholders are increasingly interested in how climate change will impact Dignity plc. The group has determined that the most significant future impacts from climate change on their operations will be from:
- Increase in cost in relation to reducing the emission from greenhouse gases, including carbon dioxide ('CO_2');
- Increase in cost with regards to upgrading crematoria to ensure they are most efficient and use the latest technology and meet the required emission standards; and
- Changing consumer preferences leading to greater demand for lower emission products.

These are explained on pages 34 to 42 in the required Task Force for Climate related Financial Disclosures and on page 53 in the principal risks and uncertainties. Climate commitments are explained on page 35. All of these disclosures form part of the "Other information," rather than the audited financial statements. Our procedures on these unaudited disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated, in line with our responsibilities on "Other information".

In planning and performing our audit we assessed the potential impacts of climate change on the group's business and any consequential material impact on its financial statements.

As explained in note 2, the group's response to climate change risks is still in early stages of development, and where the degree of certainty of these changes means that they cannot be taken into account when determining asset and liability valuations under the requirements of UK adopted international accounting standards.

Our audit effort in considering the impact of climate change on the financial statements was focused on evaluating management's assessment of the impact of climate risk, their climate commitments, the effects of material climate risks disclosed on pages 34 to 42 and the significant judgements and estimates disclosed in note 2 and whether these have been appropriately reflected in asset values and associated disclosures where values are determined through modelling future cash flows, being goodwill and intangible assets impairment assessment (note 8). As part of this evaluation, we performed our own risk assessment, including enquiries of management to understand how it assessed the impact of climate risks and the related opportunities, to determine the risks of material misstatement in the financial statements from climate change which needed to be considered in our audit.

We also challenged the Directors' considerations of climate change risks in their assessment of going concern and viability and associated disclosures. We discussed with management and the Audit & Risk Committee that the estimated impacts of climate change will need to be frequently reassessed and the associated disclosures should continue to evolve as the group further develops its response to the impacts identified.

Based on our work we have not identified the impact of climate change on the financial statements to be a key audit matter or to impact a key audit matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the material uncertainties related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Revenue recognition – risk of management override (Revenue 2022: £323.1 million, 2021: £353.7 million) Given investor focus on the group's underlying revenue (2022: £270.5 million, 2021: £312 million) we consider there to be a risk in relation to the manipulation by group management of the amount of revenue recorded. Management reward and incentive schemes based on achieving profit targets may also place pressure on management to manipulate revenue recognition. Therefore, there is a risk that group management may override controls to intentionally misstate revenue transactions through inappropriate manual journal entries, including those arising from consolidation of the Trusts. Refer to the Accounting policies, note 1 and note 3 of the Consolidated Financial Statements and the Audit Committee report (page 95).	• We understood the group's revenue recognition policies and how they are applied, including the relevant controls. We performed walkthrough of each significant class of revenue transactions and assessed the design effectiveness of key controls; • In respect of the funerals and crematoria segments, which together form 95% of the group's underlying revenue. We used data analytical tools to correlate revenue transactions through to receivables and cash settlement. Where the postings did not follow our expectation, we investigated and understood the characteristics of these entries and tested a sample to assess their validity by agreeing the transactions back to source documentation; • We reconciled the aggregate underlying revenue amounts extracted from the sales invoicing systems to revenue recorded in the general ledger and traced material reconciling items to supporting documentation; • We tested journal entries posted to revenue accounts, applying parameters designed to identify entries that were not in accordance with our expectations. This included analysing and selecting journals for testing which appeared unusual in nature either due to size, preparer or being manually posted. To assess their validity, we verified the journals to originating documentation; • We performed detailed testing over the manual adjustments to revenue made as a result of the consolidation of the Trusts and the IFRS 15 adjustment to recognise revenue in respect of pre-need disbursements and those services performed by non-Dignity funeral directors in the period, where the group is acting as principal in the arrangement. This testing compared the outputs of management's deferred income liability model to the journals posted; and • We performed analytical procedures to compare revenue recognised with expectations based on past experience, management's forecasts and, where possible, external market data in respect of the numbers of deaths in the period, assessed any contrary information and obtained corroborative evidence to support divergences from our expectations.	We have not identified any evidence of management override through inappropriate journal entries in respect of the amount of revenue recorded in the period.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Carrying value of goodwill, trade names and related assets (2022: £409.2 million, (2021: £609.8 million), net of a £196.3 million (2021: £39.2 million) impairment of funeral segment goodwill, trade names and related assets The group has significant balances of goodwill, other intangible assets, including trade names, property plant and equipment and right-of-use assets recognised on the balance sheet. As outlined in the strategic report the group has faced a challenging year arising from continued changes in the funeral market and the implementation of new strategy and re-pricing in response to Competition and Market Authority ('CMA') transparency requirements which has lowered average incomes. Despite having no material reduction in the number of funerals performed compared to prior year, the group has experienced an overall decline in underlying operating profit from £55.8 million in 2021 to £17.9 million in 2022. Therefore, there is a risk that goodwill and the group's cash generating units ('CGUs'), in particular the funeral services segment and the related trade name CGUs, may not achieve the anticipated business performance to support their respective carrying values. Judgement is required in forecasting the future cash flows of each CGU, determination of the long-term growth rates applied to these cash flows, together with the rate at which they are discounted. Where assets in a CGU are not supported by value in use ('VIU'), some judgement is required in evaluating the fair value less cost of disposal ('FVLCD') to assess the appropriate carrying value (being the higher of VIU and FVLCD). Refer to the Accounting policies, note 1 and note 8 of the Consolidated Financial Statements and the Audit Committee report (page 95).	• We understood the group's process for preparing impairment review calculations and assessed the design effectiveness of key controls and how they are applied; • We assessed whether management's identification of cash generating units was in accordance with IAS 36 by comparing the identified CGUs to internal management reporting demonstrating how the cash flows are monitored; • We examined management's methodology together with their models for assessing the valuation of goodwill, other intangible assets, right of use assets and property, plant and equipment balances to understand the composition of management's future cash flow forecasts and the process undertaken to prepare them. This included confirming the underlying cash flows were derived from the board approved budgets and assessing the appropriateness of the identified CGUs. We also re-performed the calculations in the model to test the mathematical integrity; • We created our own impairment summary model to provide an independent assessment of the accuracy of management's model; • We tested the key inputs to management's impairment model by: – analysing the historical accuracy of budgets (pre COVID-19) to actual results to determine whether forecast cash flows are reliable based on past experience; – checking the consistency of the forecast used in the CGU impairment models for 2022 and beyond to the scenario analysis prepared for use elsewhere in the group, e.g., the going concern review and understood reasons for differences; – assessing the discount rate used by obtaining the underlying data used in the calculation and benchmarking it against an EY range derived from comparable organisations and market data, involving EY valuation specialists to assist us with this assessment; and – challenging whether the forecast growth rates have been appropriately adjusted to reflect the group's strategy and the changes experienced in the funeral market, together with comparing them to observable market data. • Where the carrying value of assets was supported by its fair value less cost of disposal (i.e., where this was higher than the associated VIU), we have agreed a sample of these assets to independent third-party valuations, performed benchmarking to recent transactions as appropriate and evaluating the group's own assessment of recoverability; • We examined the sensitivities performed by management on the group's forecasts by incorporating reasonably possible changes in key assumptions including EBITDA, growth rates and the discount rate and assessed the decline in headroom/change in impairment; • Where CGUs were not impaired, we calculated the degree to which the key inputs and assumptions would need to fluctuate before an impairment was triggered and considered the likelihood of this occurring; and • We audited the disclosures in note 8 against the requirements of IAS 36 *Impairment of Assets*.	We consider the group's conclusions in respect of impairment of funeral segment goodwill, trade names and related assets are appropriate, and that the £196.3 million impairment of funeral segment is fairly stated. Management correctly applied the IAS 36 criteria of considering the higher of VIU and FVLCD. The impairment is sensitive to movements in key assumptions, notably in respect of the cash flows generated from operations and the discount rate applied to the cash flows. The impairment disclosures are in accordance with IAS 36.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Impairment of parent company investments (2022: £75.1 million, (2021: £153.2 million), net of a £78.3 million (2021: £11.8 million) impairment) The parent company holds investments in subsidiaries with a significant carrying value. As at 30 December 2022, the market capitalisation of Dignity plc was lower than the net assets of the company, this is an indicator of impairment. As set out above, the Group's performance continues to be impacted from changes in the funeral market driven by COVID-19 and the implementation of the new strategy. Therefore, there is a risk that the subsidiaries may not achieve the anticipated business performance to support their respective carrying values. Judgement is required in forecasting the future cash flows of the subsidiary investments and the Trusts, determination of the long-term growth rates applied to these cash flows, together with the rate at which they are discounted. Refer to the Accounting policies, note C1 and note C3 of the parent company Financial Statements and the Audit Committee report (page 95).	• Management tested the parent company investment in subsidiaries for potential impairment using a model which adjusts the value in use established as part of the goodwill, other intangible assets and property, plant and equipment impairment assessment (see audit response above) for net debt, pensions and cashflows and assets associated with the Trusts (including those relating to rescue and unfunded plans); • We tested the mathematical integrity of the calculation performed and assessed the adjustments made by management noted above, validating both the nature and quantum of the adjustments made; • We examined management's methodology and model for assessing the valuation of investments to understand the composition of management's future cash flow forecasts and the process undertaken to prepare them. In addition to the steps noted above in respect of the value in use established for goodwill, other intangible assets and property, plant and equipment impairment assessment purposes, we vouched each of the adjustments made, primarily driven by pre-need Trusts consolidation, to amounts recorded elsewhere in the financial statements or underlying accounting records which were subject to our audit procedures; • We examined the sensitivities performed by the management on the group's forecasts by incorporating reasonable possible changes in key assumptions including EBITDA growth rates and the discount rate, as mentioned above and assessed the change in impairment; and • We audited the related disclosures with reference to the requirements of IAS 36.	We consider the £78.3 million impairment of investment in subsidiaries is fairly stated. The impairment disclosures are in accordance with IAS 36.

In the prior year, our auditor's report included a key audit matter in relation to valuation of pre-need Trust level 3 assets. In the current year, we updated our identified risk assessment for this and removed it from key audit matters. This downgrade in risk is driven by the fact that, we now have an established history of auditing level 3 (illiquid) assets for past three years by performing a suite of procedures, which involves review of ISAE 3420 SOC-1 Type II report, directly obtaining independent confirmation from custodians and fund managers, independently calculating expectation of price at year end using appropriately available benchmarks and have not identified any material misstatement in those.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.
We determined materiality for the group to be £1.3 million (2021: £1.0 million), which is 0.5% of underlying revenue (2021: 4.6% of IFRS profit before tax, adding back net non-underlying costs (excluding the add back for amortisation of acquisition related intangibles and marketing costs for low priced funeral trials). We believe that underlying revenue provides us with the most appropriate measure of the financial performance of the group on which to base the audit materiality. We have changed our basis of materiality to underlying revenue from adjusted IFRS profit before tax (adding back net non-underlying costs (excluding the add back for amortisation of acquisition related intangibles and marketing costs for low priced funeral trials)) in current year, considering the fall in profitability for 52-week period ended 30 December 2022.

We determined materiality for the parent company to be £3.8 million (2021: £4.8 million), which is 1% (2021: 1%) of equity. Equity is the most appropriate measure given the parent company is an investment holding company with no revenue. The materiality determined for the standalone parent company financial statements exceeds the group materiality as it is determined on a different basis given the nature of the operations. For the purposes of the audit of the group financial statements, our procedures, including those on balances in the parent company, are undertaken with reference to the group materiality and performance materiality set out in this report.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the group's overall control environment, our judgement was that performance materiality was 50% (2021: 50%) of our planning materiality, namely £0.6m (2021: £0.5m).

Reporting threshold
An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.1m (2021: £0.1m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information
The other information comprises the information included in the annual report on pages 1 to 119 and 190 to 200, including the Overview set out on pages 1 to 7, the Strategic Report set out on pages 8 to 74, Governance set out pages 75 to 119 and Other Information set out on pages 190 to 200, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:
- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Corporate Governance Statement

We have reviewed the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the group and company's compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

Aside from the impact of the matters disclosed in the material uncertainties related to going concern section, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:
- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 118;
- Directors' explanation as to its assessment of the company's prospects, the period this assessment covers and why the period is appropriate set out on page 118;
- Director's statement on whether it has a reasonable expectation that the group will be able to continue in operation and meets its liabilities set out on page 118;
- Directors' statement on fair, balanced and understandable set out on page 96;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 47;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 47; and
- The section describing the work of the audit committee set out on pages 94 to 97.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 119, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant frameworks which are directly relevant to specific assertions in the financial statements are those that relate to the reporting framework (UK adopted International Accounting Standards, FRS 101, the Companies Act 2006 and UK Corporate Governance Code 2018) and the relevant tax compliance regulations in the UK. In addition, we concluded that there are certain significant laws and regulations which may have an effect on the determination of the amounts and disclosures in the financial statements being the Disclosure Guidance and Transparency Rules, the Listing Rules of the Financial Conduct Authority ('FCA'), the new industry regulation over pre-need funeral plans by the FCA and those laws and regulations relating to occupational health and safety and data protection.
- We understood how the group is complying with those frameworks by making enquiries of management, internal audit and those responsible for legal and compliance procedures. We corroborated our enquiries through our review of board minutes, papers provided to the Audit Committee and any correspondence received from regulatory bodies.
- We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur by meeting with management to understand where it considered there was susceptibility to fraud. We also considered performance targets and their influence on efforts made by management to manage earnings or influence the perceptions of analysts. We considered the programmes and controls that the group has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programmes and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free from material misstatements arising from fraud.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved: journal entry testing, with a focus on manual journals and journals indicating large or unusual transactions based on our understanding of the business; enquiries of group management, internal audit; and focused testing, as referred to in the key audit matters section above.
- The group also operates in pre-need funeral sector, which is regulated by the FCA. As such the Senior Statutory Auditor reviewed the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters we are required to address

- Following the recommendation from the audit committee we were appointed by the company on 9 June 2022 to audit the financial statements for the 52-week period ending 30 December 2022 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is nine years, covering the years ending 26 December 2014 to 30 December 2022.
- The audit opinion is consistent with the additional report to the audit committee.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

ADRIAN ROBERTS (SENIOR STATUTORY AUDITOR)
FOR AND ON BEHALF OF ERNST & YOUNG LLP, STATUTORY AUDITOR
BIRMINGHAM
30 MARCH 2023

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	3	**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	3	**(201.1)**	19.5
Finance costs	4	**(28.0)**	(29.0)
Deferred revenue significant financing	4	**(50.9)**	(51.6)
Remeasurement of financial assets held by the Trusts and related income	4	**(48.6)**	93.1
(Loss)/profit before tax	5	**(328.6)**	32.0
Taxation	6	**53.4**	(19.9)
(Loss)/profit for the period attributable to equity shareholders	3	**(275.2)**	12.1
(Loss)/profit per share for (loss)/profit attributable to equity shareholders			
– Basic (pence)	7	**(550.4)p**	24.2p
– Diluted (pence)	7	**(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 Annual Report 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	28	**5.2**	15.6
Tax charge on remeasurement on retirement benefit obligations	6	**(1.4)**	(3.9)
Tax charge on pension contributions	6	**(0.1)**	(0.2)
Restatement of deferred tax for the change in UK tax rate	6	**–**	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

	Note	52 week period ended 30 December 2022 £m	53 week period ended 31 December 2021 £m
Assets			
Non-current assets			
Goodwill	8	**55.8**	167.9
Intangible assets	8	**53.4**	110.7
Property, plant and equipment	9	**231.6**	242.1
Right-of-use asset	10	**68.4**	89.1
Deferred insurance commissions	12	**8.0**	8.4
Financial assets held by the Trusts	13	**957.3**	1,043.1
Deferred commissions	19	**93.7**	100.9
Deferred tax asset	21	**56.8**	5.5
		1,525.0	1,767.7
Current assets			
Inventories	14	**7.9**	8.6
Trade and other receivables	15	**30.0**	30.0
Current tax receivables		**5.3**	2.4
Deferred commissions	19	**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	16	**17.1**	75.7
		67.3	124.3
Total assets		**1,592.3**	1,892.0
Liabilities			
Current liabilities			
Financial liabilities	17	**12.2**	11.5
Trade and other payables	18	**60.9**	59.5
Lease liabilities	17	**7.0**	7.1
Contract liabilities	19	**98.8**	99.6
Provisions for liabilities	20	**3.4**	2.1
		182.3	179.8
Non-current liabilities			
Financial liabilities	17	**506.9**	518.3
Other non-current liabilities	18	**1.8**	2.2
Lease liabilities	17	**73.3**	75.8
Contract liabilities	19	**1,217.6**	1,237.9
Provisions for liabilities	20	**21.8**	9.4
Retirement benefit obligation	28	**10.8**	19.7
		1,832.2	1,863.3
Total liabilities		**2,014.5**	2,043.1

	Note	52 week period ended 30 December 2022 £m	53 week period ended 31 December 2021 £m
Shareholders' deficit			
Ordinary share capital	23	**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 Annual Report present information on a comparable basis with that presented in prior periods.

The financial statements on pages 128 to 181 were approved by the Board of Directors on 30 March 2023 and were signed on its behalf by:

K A DAVIDSON
CHIEF EXECUTIVE OFFICER

D R MOORE
INTERIM CHIEF FINANCIAL OFFICER

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	26	**(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	16	**–**	–
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)	13	**(177.1)**	(948.7)
Disposals of financial assets (by the Trusts)	13	**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	16	**–**	–
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	16	**17.1**	75.7
Restricted cash – amounts set aside for debt service payments	16	**–**	–
Cash and cash equivalents at the end of the period as reported in the consolidated balance sheet	16	**17.1**	75.7

(1) See Financial review on page 66 for further details.

1 Accounting policies

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

Basis of preparation

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

Preparation of financial statements

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. This will also affect the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results may differ from those estimates.

Terminology

Trusts refers to the National Funeral Trust, the Trust for Age UK Funeral Plans and the UK Funerals (2022) Trust and are considered for accounting purposes to be controlled and therefore included in the consolidated financial statements of Dignity plc.

Small Trusts refers to pre-arranged funeral plans from which the Group receives funeral cover in the event that they deliver a funeral service. Dignity is unable to influence variable returns, such that the Group is not considered to control these trusts and therefore these trusts are not consolidated.

Trading Group refers to Dignity plc and its subsidiaries excluding the Trusts. Trading Group therefore represents what would have been described as the 'Dignity plc Group' or 'Group' in previous Annual Reports.

Group or Dignity plc Group refers to Dignity plc, including its subsidiaries and the Trusts.

Securitisation Group or Securitised Group refers to Dignity (2002) Limited, including its subsidiaries, but excluding the Trusts. It represents those entities over which security has been granted in respect of the Secured Notes.

Basis of consolidation

The financial statements are presented in the form of Group financial statements. The Group financial statements consolidate the accounts of the Company and the entities controlled by the Company (including all of its subsidiary entities) after eliminating internal transactions. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Results of subsidiary undertakings acquired during a period are included from the effective date of control using the acquisition method of accounting. The identifiable net assets, both tangible and intangible, of newly acquired subsidiary undertakings are incorporated into the financial statements on the basis of the fair value to the Group as at the effective date of control.

Prior year restatements

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).

1 Accounting policies (continued)

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 3 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.

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.

1 Accounting policies (continued)

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 Annual Report and Accounts.

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. See the Financial review on pages 65 and 66 and alternative performance measures on pages 192 to 197 for further information.

Investments in associates
An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but it is not control or joint control over those policies.

The Group's investment in an associate is accounted for using the equity method. The investment is initially recorded at cost and the carrying amount is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date and any recognised impairment.

As explained in note 11 the investment in associate is fully provided against.

Revenue
At-need funerals and cremations
Revenue from funeral services related to at-need funerals comprises the amount recoverable from clients for the provision of funerals and income from crematoria and other services, once those services have been performed or the goods supplied.

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

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

All amounts are exclusive of VAT.

Pre-arranged funeral plans
Trust for Age UK Plans, National Funeral Trust and UK Funeral (2022) Trust
The Group markets and sells pre-arranged funeral plans, with monies received from selling funeral plans being held, invested and controlled by the Trusts. The responsibility for the ultimate performance of funerals is allocated to funeral directors who are selected by the beneficiary of the plan, some of whom are not owned by the Group. The sale of a pre-arranged plan is considered to have a single performance obligation, fulfilled by the delivery of the funeral service.

Amounts received from plan holders are deferred on the balance sheet within contract liabilities until the related funeral is performed or the plan cancelled. Where, based on historical experience, the Group expects that a proportion of plans will be cancelled, the deferral takes the form of a refund liability which, under the terms of the plan, is held based on the fixed amount received on inception of the plan if a single payment or on each individual instalment received. For the majority of plans where the service as per the funeral plan is expected to be performed, the deferred amount is subject to adjustment to reflect a significant financing component.

This significant financing component, which 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, is charged to the income statement as a finance cost each period until the performance obligation is satisfied. The discount rate applied is fixed for the duration of each plan at inception and is based on the estimated incremental borrowing rate of the Group at the time of each cash flow.

The amount deferred on the balance sheet includes amounts paid by the plan holder, which, in addition to the plan consideration, includes amounts in respect of disbursements (such as crematoria fees, burial plots, ministers' fees and doctors' fees). When the service prescribed by the plan is delivered, revenue is recognised equal to the deferred revenue balance related to the specific plan. When a plan is cancelled, revenue is recognised equal to the deferred revenue balance related to the specific plan, less the fixed refund due to the plan holder.

As the only directly attributable costs in respect of the marketing of the pre-arranged funeral plans are commission payments, these are held as deferred commissions in the consolidated balance sheet and recognised in the Group's consolidated income statement, within administration expenses, on the performance of a funeral (single performance obligation) or cancellation of the plan (if outside of a clawback period). Following Financial Conduct Authority ('FCA') regulation on 29 July 2022, no further commissions will be paid.

1 Accounting policies (continued)

Contract liabilities and deferred commissions balances are split between current and non-current based on historical experience.

All costs in respect of the administration of the pre-arranged funeral plans are expensed in the Group's consolidated income statement as incurred, within the funeral services segment.

Dignity, through its marketing subsidiary companies, contractually guarantees with the holder of a pre-arranged funeral plan that (i) if the plan holder chooses to cancel their selected funeral plan, a full refund will be made to them of all monies paid in respect thereof (less in certain cases an administration fee payable to the relevant Dignity marketing company); (ii) the funeral director's services (as selected by the plan holder) will be provided regardless of price rises in the future; (iii) for the majority of plans sold, specific disbursements (such as crematoria fees, ministers' fees and doctors' fees) will be provided regardless of price rises in the future; and (iv) any payments made for additional service(s) will be accepted as a contribution towards the cost of the additional service(s) and will rise in line with CPI whilst the plan remains active.

Other trust plans

Revenue in respect of funeral services subject to pre-need plan arrangements associated with the other trusts is recognised on delivery of the underlying service at the amount paid from the other trusts to the Group.

Insurance plans

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

Where a commission is paid to the insurers, these costs are carried as a prepayment and charged to the consolidated income statement as a funeral is performed. A provision for impairment is also made to cover future expected cancellations and is assessed at each period end.

Where a commission is payable only on delivery of the funeral no amounts are recorded until the funeral is performed.

Where a commission is payable in the future, before the delivery of the funeral, a discounted liability is recognised on the consolidated balance sheet. To the extent a funeral is expected to be delivered a corresponding asset is recognised.

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

Share-based payments

The Group issues equity settled share-based payments to certain employees. A fair value for the equity settled share awards is measured at the date of grant. Management measures the fair value using the valuation technique that they consider to be the most appropriate to value each class of award, which include Black-Scholes calculations and Monte Carlo simulations. The valuations take into account factors such as non-transferability, exercise restrictions and behavioural considerations.

SAYE schemes require service and non-vesting conditions to be met, the likelihood of which is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. When non-vesting conditions are not met during the vesting period, the fair value of the award is immediately expensed.

DABS schemes require both service and non-market conditions to be met, neither of which are taken into account when determining the grant date fair value of awards.

LTIP schemes are divided into two component parts, one requiring non-market conditions and one requiring market conditions to be met, in addition to a service condition. Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards. The fair value of shares subject to market conditions takes into account relative share performance against a comparator group of companies comprising the FTSE Small Cap Index.

The cumulative costs of all awards are subsequently reduced if the non-market performance and/or service condition is not met during the vesting period. Where awards include market conditions, the transactions are treated as vested irrespective of whether the market condition is satisfied, provided that all other performance and/or service conditions are satisfied.

An expense is recognised to spread the fair value of each award over the vesting period on a straight line basis. The estimate of the level of vesting is reviewed at least annually, with any impact on the cumulative charge being recognised immediately. When the SAYE and DABS options are exercised the Company issues new shares. When LTIPs are exercised, shares are awarded by the Employee Benefit Trust.

Earnings per Ordinary Share
Basic earnings per Ordinary Share ('EPS') is calculated by dividing the profit after taxation by the weighted average number of shares in issue during the period. Diluted EPS is calculated by dividing profit after taxation by the weighted average number of shares in issue during the period increased by the effects of all dilutive potential Ordinary Shares (primarily share options). Underlying EPS is calculated by dividing the underlying profit after tax by the weighted average number of shares in issue during the period.

Fair value measurement
The Group measures financial assets held by the Trusts at fair value and discloses fair values for all other financial assets and liabilities at each balance sheet date which are held at amortised cost.

Fair value related disclosures are set out in note 22 in respect of financial instruments.

Fair value is the price that would be received to sell an asset or paid to transfer a liability measured using the assumptions that market participants would use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and, where required, the use of unobservable inputs.

Intangible assets – business combinations and goodwill
Goodwill, which represents the excess of the fair value of the consideration paid for subsidiaries and other businesses over the fair values of the net assets acquired and liabilities assumed, is capitalised and stated at historical cost less provisions for impairment.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Businesses and subsidiaries that are acquired and subsequently combined with existing operations in the year of acquisition, or the year thereafter, are only considered to be separate cash-generating units during this time.

Intangible assets – trade names
Intangible trade names acquired through business combinations are recognised as assets at the estimated fair value of the consideration paid to acquire them and are carried at historical cost less amortisation and provisions for impairment. When acquired as part of a business combination the fair value is calculated by reference to the estimated incremental cash flows expected to arise by virtue of the trade name being well-established.

Amortisation is provided from the date of acquisition so as to write-off the asset on a straight line basis over the term of its useful life. The useful life for trade names is 35 years, which is kept under review.

Intangible assets – software
Where computer software is not an integral part of a related item of computer hardware, the software is treated as an intangible asset. Acquired computer software licences are capitalised on the basis of costs incurred to acquire and bring into use the specific software.

An internally generated intangible asset arising from the Group's development of computer systems and websites is recognised if, and only if, the costs are directly associated with the production of identifiable and unique software products, controlled by the Group and it is probable that future economic benefits will flow to the Group. Costs include internal employee costs and external consultants.

Costs recognised as assets arising from the Group's development of computer systems are amortised over their estimated useful lives (three to eight years) using the straight line method.

Costs recognised as assets arising from the Group's development of websites are amortised over their estimated useful lives of five years using the straight line method.

Intangible assets – use of third party brand name
The Group has a marketing agreement with Age UK Enterprises Limited, giving rights to market pre-arranged funeral plans under the Age UK brand. The value of this right has been recognised as a separate intangible asset.

This asset is being amortised over 20 years on a straight line basis, recognising that each year's additional marketing activity generates incremental revenues and profits to the Group for at least the following 20 years.

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

1 Accounting policies (continued)

Property, plant and equipment

Assets are recorded in the balance sheet at cost less accumulated depreciation and any recognised impairment loss. Cost includes, where appropriate, directly attributable costs incurred in bringing each asset to its present location and condition.

Depreciation is charged so as to write-off the cost of assets to their residual value (excluding freehold land and assets in the course of construction), over their expected useful lives using the straight line method. The bases and annual depreciation rates in use for the various classes of assets are as follows:

Freehold and long leasehold improvements	2–10%
Short leasehold buildings	Over term of lease
Motor vehicles	7–20%
Computers	20%
Other plant and equipment	5–33%
Fixtures and fittings	15%

Freehold land is not depreciated on the basis that land has an indefinite life. Where the historical cost of land and buildings cannot be split, the Directors have estimated that the historical cost attributable to land is one third (based on historical data) of the original cost of acquiring the land and buildings. This estimate is regularly reviewed.

Major renovations of the Group's trading premises and cremator re-linings are depreciated over the remaining life of the related asset or to the estimated date of the next major renovation or cremator re-lining, whichever is sooner. Asset lives and residual values for each class of asset are reviewed annually and adjusted if appropriate at each balance sheet date.

Assets in the course of construction are shown as work in progress at a value equal to costs incurred to date. Once completed, they are reclassified and depreciated using the Group's depreciation policy above.

Borrowing costs

If the construction phase of property, plant or equipment extends over a long period, the interest incurred on borrowed capital up to the date of completion is capitalised as part of cost of construction as permitted by IAS 23, 'Borrowing Costs'.

Repairs and renewals

All repairs and renewals are charged to the income statement unless they represent an enhancement to the original asset.

Profit (or loss) on sale of fixed assets

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within profit (or loss) on sale of fixed assets in the income statement.

Right-of-use assets and lease liabilities

At inception of a contract the Group assesses whether the contract is or contains a lease. A lease is present where the contract conveys, over a period of time, the right to control the use of an identified asset in exchange for consideration.

Where a lease is identified the Group recognises a right-of-use asset and a corresponding lease liability, except for short-term leases (defined as leases with a lease term of 12 months or less), leases of low-value assets (defined as leases with rentals below £1,000 per annum) and leases with contingent rentals that do not depend on an index or rate.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are initially measured at cost. The cost generally comprises the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date less any lease incentives received and initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

The right-of-use asset is presented as a separate line in the consolidated balance sheet.

Right-of-use assets are depreciated on a straight line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment under IAS 36.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset. On transition to IFRS 16 on 28 December 2019 the weighted average lessee's Incremental Borrowing Rate ('IBR') applied to the lease liabilities was 4.9 per cent, with a minimum rate of 3.6 per cent and a maximum rate of 6.8 per cent.

On transition to IFRS 16 the right-of-use asset equalled the lease liability being recognised, with the exception of a £0.9 million difference relating to prepaid and accrued lease payments and £7.2 million representing amounts paid to acquire the long leasehold interest in land at certain of the Group's properties.

The lease liability is presented as a separate line in the consolidated balance sheet, split between current and non-current liabilities.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (defined as leases with a lease term of 12 months or less). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value (defined as leases with rentals below £1,000 per annum). Lease payments on short-term leases and leases of low-value assets are recognised as operating expense on a straight line basis over the lease term.

Impairment of assets

The carrying values of intangible assets and property, plant and equipment are reviewed for impairment in periods where events or changes in circumstances indicate that the carrying value may not be recoverable. Assets that have an indefinite useful life (e.g. goodwill) which are not subject to amortisation are tested annually for impairment.

Where an asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. For goodwill this is considered at a business segment level as that is the level at which the return on assets acquired is monitored. For other non-current assets this is considered at a cost centre level, which includes a number of branches as this is the lowest level at which independent cash inflows can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value-in-use. In assessing value-in-use, the estimated future discounted cash flows of the cash-generating unit are estimated, based on latest management forecasts for the following three years. Cash flows beyond the initial 36 month period are extrapolated to 2040 using the growth in the Office for National Statistics ('ONS') death rate. Beyond 2040 an annual growth rate is applied for subsequent years. These cash flows are discounted at rates that management estimates to be the risk affected average cost of capital for the particular segment and compared to the carrying value of the relevant asset. Any impairment in the value of an asset below its carrying value is charged to the income statement within operating profit. A reversal of an impairment loss is recognised in the income statement to the extent that the original loss was recognised, net of the amortisation or depreciation that would have been charged. Any impairment loss recognised for goodwill will not be reversed.

Inventories

Inventories, which comprise funeral supplies and monumental masonry, are stated at the lower of cost and net realisable value. Cost includes all directly attributable costs incurred in bringing each product to its present location and condition. Net realisable value is based on estimated selling price less any further costs expected to be incurred in completion and sale. The cost of personal protective equipment inventory is calculated using average costing.

Taxation

The tax charge for the period includes the charge for tax currently payable and deferred tax. The current tax charge represents the estimated amount due that arises from the operations of the Group in the period and after making adjustments to estimates in respect of prior years. Tax is recognised in the consolidated income statement, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

Deferred tax is recognised in respect of all differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, except where the temporary difference arises from goodwill (taxable temporary differences only), or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred tax assets and liabilities are offset to generate a net asset or liability if the conditions of IAS 12 are met.

A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the deductible temporary difference can be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the periods in which the temporary differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted, by the balance sheet date.

1 Accounting policies (continued)

Pensions

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that have terms to maturity approximating to the terms of the related pension obligation. The net interest arising on applying the opening discount rate to the plan assets and defined benefit obligations is recognised in the consolidated income statement as a net finance charge or income.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to retained earnings in other comprehensive income in the period in which they arise. Remeasurement gains and losses includes the return on plan assets excluding amounts included within net interest in the consolidated income statement. Past and current service costs are recognised in the consolidated income statement.

Changes in the present value of the defined benefit obligation resulting from plan amendments, curtailments or one-off adjustments such as Guaranteed Minimum Pension equalisation are recognised immediately in the consolidated income statement as a past service cost.

Under the pension scheme Trust Deed & Rules, the Group has a right to surplus. The Group has taken a judgement that the 25 per cent tax that would be payable by the scheme on a refund of surplus is in the nature of an income tax. Accordingly, the Group has determined that any surplus or notional surplus (arising following payment of the minimum funding requirement) would be fully recoverable.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, where it is probable that a transfer of economic benefits will be required to settle the obligation and where a reliable estimate can be made of the amount of the obligation.

Provisions (other than deferred tax) are discounted where the present value of the provision is materially different to the undiscounted value. The unwinding of discounts is included within finance costs.

Employee share trust

The assets of the employee share trust are held by a separate limited company, of which the Directors consider that Dignity plc has de facto control. At the balance sheet date, the trust's assets and liabilities recognised in the Group's balance sheet within share capital and reserves were nil (2021: nil).

Dividends

Dividend distributions to the Company's shareholders are recognised as a liability in the financial statements in the period in which they are approved by the Company's shareholders. Interim dividends are recorded in the financial statements when paid.

Financial instruments

Financial liabilities

Borrowings

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

Trade payables

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

Financial assets

Financial assets are classified at initial recognition and subsequently measured at amortised cost, at fair value through other comprehensive income or fair value through profit and loss.

Initial recognition and measurement

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

All investments held by the Trusts are held at fair value with movements reflected through profit and loss to ensure clarity for a user of the financial statements. This is because the objective of the Trusts of holding these investments is not to collect contractual cash flows or to sell financial assets but to focus on the fair value information to assess performance and make investment decisions.

All other financial assets (including trade receivables) are held at amortised cost as these assets give rise to cash flows that are solely payments of principal and, where applicable, interest on the principal amount and it is the Group's business model to collect the contractual cash flows.

The majority of the Group's trade receivables do not contain a significant financing component and are measured at the transaction price determined under IFRS 15.

Subsequent measurement
Financial assets held at fair value through profit and loss are carried in the consolidated balance sheet at fair value with net changes in fair value recognised in the income statement.

Financial assets held at amortised cost are subsequently measured using the effective interest rate ('EIR') method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Derecognition
A financial asset is derecognised when the rights to receive cash flows from the asset have expired or the Group has transferred its rights to receive cash flows from the asset and has either transferred substantially all the risks and rewards of the asset or has neither transferred nor retained substantially all the risk and rewards of the asset but has transferred control of the asset.

Impairment
The Group recognises an allowance for expected credit losses ('ECL's') for all debt instruments not held at fair value through profit or loss. ECL's are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive.

For trade receivables, the Group applies a simplified approach in calculating ECL's. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL's at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for identifiable forward-looking factors specific to the debtors and the economic environment.

Cash and cash equivalents
Cash and cash equivalents within the statement of financial position comprise cash in hand and on demand deposits and amounts included in accounts restricted for specific uses. Cash and cash equivalents have an original maturity of three months or less, are subject to insignificant changes in value and are readily convertible into known amounts. Cash held in accounts restricted for specific uses is excluded from cash for the purpose of the cash flow statement in accordance with IAS 7.

Trade receivables
Trade and other receivables (not subject to significant financing component) are initially recognised at transaction price under IFRS 15 and subsequently measured at amortised cost. A provision for impairment is established for ECL's when there is no reasonable expectation of collection and after credit control procedures have been enforced and it is written off against the allowance account. Prior to such write-off, as assessment of the ECL for impairment of the trade receivable would have been made such that typically there would have been no further material loss on derecognition of the financial asset. Subsequent recovery of amounts previously impaired are credited against trade receivables impairment in the consolidated income statement.

Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received. Transaction costs are recognised as a deduction within equity.

Critical accounting judgements
The preparation of financial statements in accordance with IFRS requires management to make estimates, assumptions and judgements in certain circumstances that affect reported amounts. The key judgements affecting the financial statements are detailed below:

Consolidation of pre-need trusts
The Group markets and sells pre-arranged funeral plans, with monies received from selling funeral plans being held and invested by pre-arranged funeral plan trusts. These financial statements reflect the consolidation of the two principal pre-arranged funeral plan trusts, being the Trust for Age UK Funeral Plans and the National Funeral Trust. Since becoming FCA regulated on 29 July 2022, no further plans have been sold under these two trusts.

Since becoming FCA regulated on 29 July 2022, the Group now markets and sells pre-arranged funeral plans, with monies received from selling funeral plans being held and invested by a newly formed pre-arranged funeral plan trust called the UK Funerals (2022) Trust. The new trust has been set up on based on a similar structure as the existing trusts and these financial statements also reflect the consolidation of this new trust since its commencement on 8 August 2022.

1 Accounting policies (continued)

IFRS 10 is built on existing principles by identifying the concept of control as the determining factor on whether an entity should be included in the consolidated financial statements of the parent company. In order to have control, IFRS 10 requires a parent company to have power over the investee, an exposure to variable returns because of its involvement in the investee and the ability to use its power over the investee to affect the amount of the variable returns.

The decision as to whether to consolidate these trusts is a matter of significant judgement in respect of which the Group believes that informed individuals could reach alternative conclusions. The Group concluded that more weight should be attributed to its ability to appoint and remove trustees and less to the legislative requirement for a majority of trustees to be unconnected with Dignity. As a result, the Group reached a judgement, the basis of which is summarised below, that it does have control as defined by IFRS 10 and therefore those pre-arranged funeral plan trusts where it has the ability to appoint and remove trustees are consolidated.

Whether to consolidate the Trusts or not remains a key judgement and the basis of this judgement reflected in these financial statements is summarised in the table below. The table relates solely to the three principal trusts which are consolidated and for the purpose of the table, 'Dignity' refers to the Group excluding the Trusts.

IFRS 10 consideration	Analysis
Power over the investee. Power arises when the investor has existing rights that give them the ability to direct the relevant activities of the investee, being those activities which influence the returns achieved by the investee.	Whilst Dignity has no voting rights over the Trusts or any rights to direct the activities of the Trusts, it does have the power to appoint and remove a majority of trustees. Whilst legislation requires the majority of trustees to be unconnected with Dignity, this right does not prevent Dignity removing a majority of the Trustees from office such that on balance it is considered that Dignity is able to control the actions of the Trustees, who in turn control the investment decisions of the Trusts and negotiate with Dignity the marketing allowance paid to Dignity on behalf of the Trust for Age UK Funeral Plans and National Funeral Trust. Also, Dignity controls the charge levied to the Trusts for the provision of funeral services ('funeral cover').
The investor is exposed, or has rights, to variable returns from its involvement with the investee.	Dignity received an allowance from the Trusts for the marketing of the plans in the Trust for the Age UK Funeral Plans and the National Funeral Trust; however, this stopped following FCA registration and plans were no longer sold through these Trusts. The Group continues to receive an allowance for administration cost and for the performance of a funeral from these two Trusts. From time to time Dignity may receive a surplus from these two Trusts. Under FCA regulation, the Group may only withdraw a surplus from the new UK Funerals (2022) Trust if the solvency level of the Trust is above 110 per cent when calculated on a best estimate basis and the withdrawal has been approved by an actuary who is a fellow of the Institute and Faculty of Actuaries. Any surpluses withdrawn from the new Trust will cover marketing and administration costs. Ultimately Dignity's return is wholly dependent on the amounts held for investment in the Trusts and the investment performance of the Trusts.
The investor has the ability to use its power over the investee to affect the amount of the investor's returns.	Historically, Dignity established the level of funeral cover and negotiated the level of marketing allowance with the Trustees on an annual basis for the two old Trusts. Going forward, Dignity will continue to negotiate the level of funeral cover payments made from the Trusts on an annual basis. The investment strategy is set, implemented and monitored by the Trustees. Consequently, as Dignity is on balance considered to control the actions of the Trustees, Dignity has the power to affect the amount of its returns.

For other, smaller trusts from which Dignity receives funeral cover in the event that they deliver a funeral service, the judgement is that the Group has no power over the actions of the investee as Dignity does not have the ability to appoint or remove trustees. Further, as these trusts do not accept new plans and the level of funeral cover paid by these trusts is derived based on the value of trust assets and the number of remaining open funeral plans alone, Dignity has no wider ability to affect its variable returns from these trusts. Consequently, Dignity is unable to use its power to influence its variable returns, such that the Group is not considered to control these trusts and therefore these trusts are not consolidated.

Deferred revenue and associated significant financing

The significant financing component is based on estimates made in respect of the enlarged Group's (to include the Trusts) incremental borrowing rate at the time of inception of each funeral plan. Once established, the rate applied to a plan is fixed for the duration of the plan. Given the rates are fixed at inception, there is no further estimation uncertainty on these cash flows, and therefore no further sensitivity disclosures are applied as for more recent cash flows in respect of 2021 and 2022, the estimate of the Group's (including the Trusts) incremental borrowing rate contains less estimation uncertainty.

Critical accounting estimates

The preparation of financial statements in accordance with IFRS requires management to make estimates, assumptions and judgements in certain circumstances that affect reported amounts. The most sensitive estimates affecting the financial statements are detailed below:

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 (see page 195 for further details) 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.

1 Accounting policies (continued)

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.

Pensions

The Group operates a defined benefit pension scheme that is accounted for using methods that rely on actuarial assumptions to estimate costs and liabilities for inclusion in the financial statements. These actuarial assumptions include discount rates, assumed rates of return, salary increases and mortality rates.

While management believes that the actuarial assumptions are appropriate, any significant changes to those used would affect the consolidated balance sheet and consolidated statement of comprehensive income. The Group considers that the most significant assumptions are the discount rate and the inflation rate. See note 28 for further details.

Funeral services goodwill impairment assessment

Performing the annual impairment assessment for goodwill requires an estimation of the value-in-use of the cash-generating units to which the goodwill has been allocated. The value-in-use calculation requires the use of estimates, including those in respect of future cash flows, growth rates and an appropriate discount rate. See note 8 for further details.

Other non-current assets impairment assessment

An impairment assessment has been required on the Group's other non-current assets, including trade name intangible assets, right-of-use asset and property, plant and equipment given the changes in the funeral market and lower levels of profitability. The value-in-use calculation also requires the use of other estimates, including those in respect of future cash flows, discount rate and growth rates. See note 8 for further details.

Fair value of financial assets

As set out in note 22, some of the Group's financial assets held by the Trusts are valued using inputs that are not based on observable data and therefore contain some estimates. This fair value information is provided by the investment manager engaged by the Trusts. The Group has no input to, or influence over, the valuation methodologies applied by the investment manager. See also note 22 on market risk.

Contract liabilities

Deferred revenue is split between current and non-current to reflect the expected number of plans to be utilised within the next 12 months. This is based on historical experience. Actual experience may differ due to factors such as death rate.

The refund liability 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. Actual cancellation rates may differ.

IFRS 16 Incremental Borrowing Rate

On transition to IFRS 16 the Group's IBR was applied to the lease liabilities that were in scope as at 28 December 2019. The weighted average IBR applied was 4.9 per cent, with a minimum rate of 3.6 per cent and a maximum rate of 6.8 per cent. These rates were based on corporate bond yields to maturity reflecting the Group's indicative credit rating. In order to assess the Group's IBR's we considered yield curves at 28 December 2019 for similarly rated listed corporate bonds for durations aligned with the adjusted unexpired lease durations.

This is not considered to be a critical accounting estimate post transition due to the small number of new leases entered into each reporting period and therefore the IBR does not create any material sensitivities.

Insurance plan cancellation rates

The key judgement used within the calculation of the deferred insurance plan assets and corresponding liabilities is the future expected cancellation rate per annum for the remaining life of active plans held. A current rate of 1.6 per cent (2021: 1.6 per cent) is being used which is based on historical data of cancellation rates on similar insurance plans sold by third parties in the past for which the Group is the beneficiary. This estimate therefore is subject to sensitivity.

If this expected future rate of cancellation were to reduce/increase by 0.2 per cent to 1.4 per cent/1.8 per cent respectively, the impairment charged in the current period of £0.3 million would reduce/increase by £0.4 million. If this rate reduced/increased by 0.4 per cent to 1.2 per cent/2.0 per cent respectively, the impairment charged in the current period of £0.3 million would reduce/increase by £0.8 million.

New accounting standards, interpretations and amendments adopted by the Group

The Group has applied the amendment to IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets', for the first time for the period ended 30 December 2022. The amendment specifies which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendment has created an onerous provision of £0.2 million.

There are no other accounting standards, interpretations or amendments that have been adopted by the Group for the period ended 30 December 2022.

The Group's securitisation documents contemplate accounting policy changes and provide a mechanism that ensures covenant calculations are not materially impacted to the detriment of either the Group or Noteholders.

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

The following standards, amendments and interpretations to existing standards have been published that are mandatory for accounting periods beginning on or after 1 January 2023 or later periods but which the Group has not early adopted:

IFRS 17, 'Insurance Contracts'. The standard is expected to be effective 1 January 2023 and will therefore impact on the Group's 2024 Annual Report. The new standard establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The Group is in the early stages of assessing whether the standard will have an impact in relation to its pre-need funeral plans.

IAS 1, 'Presentation of Financial Statements'. The amendments to the standard is expected to be effective 1 January 2023 and will therefore impact on the Group's 2024 Annual Report. The amendments specify the requirements for classifying liabilities as current or non-current and also require companies to disclose material accounting policies information rather than significant accounting policies. This is not expected to have a material impact on the Group.

IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors'. This amendment to the standard is expected to be effective 1 January 2023 and will therefore impact on the Group's 2024 Annual Report. The amendment clarifies how companies should distinguish between change in accounting policies and accounting estimates. This is not expected to have a material impact on the Group.

IAS 12, 'Income Taxes'. The amendment to the standard is expected to be effective 1 January 2023 and will therefore impact on the Group's 2024 Annual Report. The amendment relates to initial recognition of deferred tax arising from single transactions. This is not expected to have a material impact on the Group.

IFRS 16, 'Leases'. The amendment to the standard is expected to be effective 1 January 2024 and will therefore impact on the Group's 2025 Annual Report. The amendment clarifies how a seller-lessee subsequently measures sale and leaseback transactions. This is not expected to have a material impact on the Group.

All other new accounting standards and interpretations that have been published are not effective for 30 December 2022 and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods or on foreseeable future transactions.

The Group's securitisation documents contemplate accounting policy changes and provide a mechanism that ensures covenant calculations are not materially impacted to the detriment of either the Group or Noteholders.

2 Financial risk management

The Group finances its operations by a mixture of shareholders' funds, Secured Notes and bank borrowings. This approach seeks to minimise financing costs and generate optimum shareholder value through efficient leveraging of the Group's balance sheet, which is made possible by the stable and predictable cash-generative nature of the business.

It is not the Group's policy to actively trade in derivatives.

Market risk

Interest rate risk and other price risk

The Group's main borrowings consist of Secured Notes, which are at fixed interest rates, resulting in a predetermined repayment profile. The fair value of these financial instruments is based on underlying gilt prices and yield spreads based on the market's current view of the risk profile of the Secured Notes. Consequently, the fair value of these instruments will fluctuate. Fair values are not relevant to the Group unless it were to change its funding strategy and repay the Secured Notes early.

The Trading Group has significant cash balances that are held in institutions with a long-term rating of at least BBB by Standard & Poor's and BBB- by Fitch. These balances earn interest by reference to the Bank of England base rate. If interest rates were to increase by one per cent at the beginning of 2023 then the Group would receive £0.1 million additional interest on an annualised basis for each £10.0 million held.

The Trusts also hold significant cash balances which are also subject to interest rate fluctuations, as well as holding equity and bond investments which see fluctuations due to market conditions. The Trusts have Trustees, the majority of whom are required by law to be unconnected to the Trading Group. The Trusts have separate professional advisers, meet regularly and operate an investment policy by reference to a statement of investment principles. The Trustees target a return that seeks to generate a surplus above funeral cost inflation, subject to defined acceptable levels of absolute loss and risk of loss to the actuarial valuation.

None of the Group's other financial liabilities or financial assets carry any significant interest rate risk.

Credit risk

Trade receivables are the main source of credit risk to the Group. However, this risk is minimised as much as possible through well-established credit control procedures. Quantitative disclosures regarding the ageing of these receivables are included in note 22(c).

In addition to the above, for all funeral plans sold post 29 July 2022 and any rescue plans transferred over to a Dignity funeral plan, the Group has guaranteed to provide a funeral at the time of need if there are instalment payments outstanding, provided that the funeral plan has been in place for a minimum of 12 months and instalment payments have been kept up to date. The maximum number of instalment payments is 60 months. The Group has considered the risk of the need to perform funerals on plans with outstanding balances and a provision of £1.1 million has been accounted for accordingly.

Liquidity risk

The Group manages its liquidity risk by maintaining sufficient cash reserves, committed undrawn borrowing facilities and regular monitoring and forecasting of cash balances. In addition, the Group is required under the terms of its secured borrowings to maintain a precisely defined EBITDA to total debt service ratio of at least 1.5 times in respect of the Securitisation Group, excluding the pre-need Trusts. This ratio was determined when raising the debt as being sufficient to ensure all borrowings could be repaid. 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 ratio for the following 12 months. A cash transfer of £34.1 million has been made into the Securitisation Group for the covenant measurement point up to and including 30 December 2022, resulting in a ratio of 1.96 times at 30 December 2022 (31 December 2021: 2.13 times). Excluding this cash transfer the ratio at 30 December 2022 was 0.95 times.

This covenant test (as amended by the temporary covenant waiver introduced in March 2022) has been satisfied on each quarterly testing date in the period.

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. Refer to going concern disclosures on pages 134 to 137 for further details.

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

Capital risk management

The Group's objective under managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and repay holders of Secured Notes. It also aims to reduce its cost of capital by maintaining an optimal capital structure. The Group's capital comprises equity and net debt as set out in note 25. The Group's principal source of long-term debt financing are the Secured A Notes, rated A- by Fitch and BBB- by Standard & Poor's, and the Secured B Notes, rated BB+ and CCC+ respectively by Fitch and Standard & Poor's.

The Group monitors its capital structure based on the ratio of the Trading Group gross debt service, as summarised in note 25, to underlying earnings before interest, taxation, depreciation and amortisation ('EBITDA').

In order to achieve these objectives, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or issue further Class A and B Secured Notes. The Group has not paid a dividend since June 2019 and the Directors do not expect to do so until the business has returned to a more sustainable financial footing. We continue to work on our plans to improve our capital structure so that the pursuit of the best long-term value for shareholders is not compromised by the covenants attached to our bonds. We retain significant cash resources, continue to be cash generative and understand the importance of optimising total shareholder return whilst maintaining a balance between different stakeholders, and it is the Directors' intention to pay a dividend as soon as we believe it is financially prudent to do so.

During the period, the Group achieved its covenants (as amended by the temporary covenant waiver introduced in March 2022) for the Secured Notes under the terms of the Group's secured borrowings (see 'Liquidity risk' above).

The Group has continued to work on a long-term solution to improve the Group's capital structure and on 7 September 2022 a consent solicitation was launched. This obtained certain consents from Noteholders for a potential transaction involving the realisation of value from selected crematoria assets, with the expected proceeds of such a transaction being applied in a partial redemption of the Class A Notes, as required by the current documentation. The necessary quorum was achieved on 29 September 2022 (with 99.92 per cent of the aggregate principal amount of the Notes for the time being outstanding being represented and with 94.42 per cent of the votes being cast in favour of the proposal) and the consent to the proposal applies for a 12 month period to 29 September 2023. Once the transaction is complete, an outcome the Board expects 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.

As part of the proposed agreement with Noteholders, Dignity will be required to inject a minimum of £70.0 million into the Securitisation Group companies to partially repay at full make-whole (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 assets leaving 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.

Climate risk

In preparing the consolidated financial statements the Group has considered the impact of climate change, taking into account the relevant disclosures in the Strategic Report, including those made in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures and the Group's pledge to be net-zero by 2038. The current forecast for capital expenditure needed to meet the net zero commitment over the period to 2038 are at an early stage and will be phased over a number of years depending on the available funds. The current strategy is to phase in electric vehicles of our funeral fleet, this will be performed as part of the normal fleet replacement programme. Furthermore, Crematoria upgrades are also planned to be part of the normal capital replacement regime. Therefore, there has been no material impact on expected useful economic lives and the impairment exercise considers replacement of property, plant and equipment, where maintaining the current capital base. Consequently, there has been no impact on the current period financial reporting judgements and estimates, including impairment and deferred tax asset unwinds. Furthermore, this is consistent with the assessment that climate change is not expected to have a significant impact on the Group's going concern assessment to March 2024 nor the viability of the Group over the next three years. This will continue to be considered as the pathway is developed further.

3 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 page 192.

Reconciliations to statutory amounts

Non-underlying items represent certain non-recurring or non-trading transactions. See alternative performance measures on pages 192 and 193 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 194 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 193 and 194 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 195 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.

3 Revenue and segmental analysis (continued)

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 193 to 195 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

4 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 (note 28)	**0.3**	0.5
Finance costs	**28.0**	29.0
Deferred revenue significant financing (note 19)	**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 13)	**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.

5 (Loss)/profit before tax

Analysis by nature	52 week period ended 30 December 2022 £m	53 week period ended 31 December 2021 restated £m
The following items have been included in arriving at (loss)/profit before tax:		
Staff costs (note 27)	**121.2**	116.6
Cost of inventories recognised as an expense (included in cost of sales)	**20.2**	19.1
Depreciation of property, plant and equipment – owned assets (note 9)	**20.2**	19.9
Deprecation of right-of-use asset (note 10)	**7.9**	9.2
Amortisation of intangible assets (included in administrative expenses) (note 8)	**4.1**	4.5
Expense related to practical expedients applied under IFRS 16 (note 10)	**0.5**	0.5
External transaction costs (included in administrative expenses)(1)	**9.1**	2.6
Trade name impairment (note 8)(1)	**47.5**	2.8
Trade name write-off (note 8)(1)	**6.4**	2.5
Marketing costs in relation to trials(1)	**–**	0.9
Restructuring costs – redundancy(1)	**2.9**	–
Restructuring costs – onerous provision(1)	**0.3**	–
Rescue plans – onerous provision(1)	**12.5**	–
Dignity promise – provision (1)	**1.1**	–
Goodwill impairment (note 8)(1)	**112.3**	36.4
Right-of-use asset impairment (note 10)(1)	**17.4**	–
Property, plant and equipment impairment (note 9)(1)	**19.1**	–
Loss/(profit) on sale of fixed assets(1)	**0.1**	(1.1)
Services provided by the Group's auditors and its associates:		
Fees payable to the Company's auditors for the audit of parent company and consolidated financial statements	**0.6**	0.5
Fees payable to the Company's auditors and its associates for other services:		
– The audit of Company's subsidiaries	**0.3**	0.2
– Audit-related assurance services	**0.2**	0.1
	1.1	0.8

(1) Items are excluded in arriving at underlying performance measures. Please see the alternative performance measures on page 192 for further details.

During 2022, the Group received £0.3 million (2021: £2.5 million) of business rates relief.

During 2022, the Group paid £0.2 million (2021: £0.1 million) of fees to the Group's auditor in connection with non-audit services, which are included within audit-related assurance services in the table above. See the Audit Committee report for further details.

6 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

Tax on items credited to other comprehensive income	52 week period ended 30 December 2022 £m	53 week period ended 31 December 2021 £m
Deferred tax charge on remeasurement gains on retirement benefit obligations	**1.4**	3.9
Deferred tax charge on pension contributions	**0.9**	0.4
Current tax credit on pension contributions	**(0.8)**	(0.2)
Restatement of deferred tax for the change in UK tax rate	**–**	(1.9)
Total tax charged to other comprehensive income	**1.5**	2.2

6 Taxation (continued)

The taxation charge in the period is lower (2021: higher) than the standard rate of corporation tax in the UK of 19.0 per cent (2021: 19.0 per cent). The differences are explained below:

	52 week period ended 30 December 2022 £m	53 week period ended 31 December 2021 £m
(Loss)/profit before taxation	**(328.6)**	32.0
(Loss)/profit before taxation multiplied by the standard rate of corporation tax in the UK of 19.0% (2021: 19.0%)	**(62.4)**	6.1
Effects of:		
Adjustments in respect of prior period	**0.1**	(0.1)
Corporate interest restriction disallowance	**–**	1.5
Restatement of deferred tax for the change in UK tax rate	**(12.9)**	6.9
Expenses not deductible for tax purposes	**21.8**	5.5
Total taxation (credit)/charge	**(53.4)**	19.9

Under IFRS the effective tax rate is lower (2021: higher) than the standard UK tax rate of 19.0 per cent (2020: 19.0 per cent) principally due to the non-deductible expenses. 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 due to the effects of permanent disallowables with a tax impact totalling £1.1 million (2021: £0.3 million of permanent disallowables). The Group does not have any provisions for uncertain tax positions.

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 £12.9 million for the period ended 30 December 2022 relates to the recognition of losses at 25 per cent as this is the corporation tax rate at which they are expected to unwind.

7 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 page 192. 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 opposite:

	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)p**
Loss attributable to shareholders – Diluted EPS	**(275.2)**	**50.0**	**(550.4)p**
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 3 for further details.

8 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.

8 Goodwill and other intangible assets (continued)

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

As described in note 1, 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 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.

8 Goodwill and other intangible assets (continued)

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:

Sensitivity applied to trade names and other non-current assets	Decrease/ (increase) in impairment charge £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 are based on an assessment of value-in-use. 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).

9 Property, plant and equipment

	Freehold land and buildings £m	Leasehold improvements[1] £m	Plant, machinery, fixtures and fittings £m	Motor vehicles £m	Work in progress £m	Total £m
Cost						
At 25 December 2020	183.1	65.1	62.7	78.6	5.5	395.0
Additions	5.6	0.3	3.0	0.7	11.7	21.3
Disposals	(0.3)	(0.6)	(1.3)	(0.3)	–	(2.5)
Reclassification	6.0	0.8	3.4	–	(10.2)	–
At 31 December 2021	194.4	65.6	67.8	79.0	7.0	413.8
Additions	3.0	1.1	4.8	4.3	16.1	29.3
Disposals	(0.4)	(0.1)	(1.2)	(2.3)	–	(4.0)
Reclassification	1.6	3.0	2.2	0.7	(7.5)	–
At 30 December 2022	**198.6**	**69.6**	**73.6**	**81.7**	**15.6**	**439.1**
Accumulated depreciation						
At 25 December 2020	(42.5)	(25.1)	(38.3)	(48.2)	–	(154.1)
Depreciation charge	(5.8)	(3.6)	(5.5)	(5.0)	–	(19.9)
Disposals	0.1	0.5	1.4	0.3	–	2.3
At 31 December 2021	(48.2)	(28.2)	(42.4)	(52.9)	–	(171.7)
Depreciation charge	(6.5)	(3.1)	(5.9)	(4.7)	–	(20.2)
Disposals	0.1	–	1.2	2.2	–	3.5
Reclassifications	0.1	(0.2)	0.1	–	–	–
Impairment	(6.9)	(7.5)	(4.0)	(0.7)	–	(19.1)
At 30 December 2022	**(61.4)**	**(39.0)**	**(51.0)**	**(56.1)**	**–**	**(207.5)**
Net book amount at 30 December 2022	**137.2**	**30.6**	**22.6**	**25.6**	**15.6**	**231.6**
Net book amount at 31 December 2021	146.2	37.4	25.4	26.1	7.0	242.1
Net book amount at 25 December 2020	140.6	40.0	24.4	30.4	5.5	240.9

(1) Leasehold improvements represent leasehold improvements expenditure on leased properties. These are separate to the right-of-use asset which comprises the initial measurement of the corresponding liability and any initial direct costs, subsequently measured at cost less accumulated depreciation and impairment losses.

Depreciation expense of £9.7 million (2021: £9.4 million) is included within cost of sales and £10.5 million (2021: £10.5 million) is included within administrative expenses.

See note 8 for further information on the impairment charge booked in the current period.

Details of any security over assets are disclosed in note 30.

The Group had capital expenditure authorised by the Board and contracted for at the balance sheet date of £12.7 million (2021: £6.3 million) in respect of property, plant and equipment.

10 Leases

Right-of-use asset

	30 December 2022 £m	31 December 2021 £m
At beginning of period	**89.1**	95.2
Additions	**2.9**	2.4
Depreciation charge	**(7.9)**	(9.2)
Impact of changes in lease payments	**1.7**	0.7
Impairment	**(17.4)**	–
At end of period	**68.4**	89.1

See note 8 for further information on the impairment charge booked in the current period.

Lease liability

	30 December 2022 £m	31 December 2021 £m
At the beginning of the period	**82.9**	88.5
Additions	**2.9**	2.7
Impact of changes in lease payments	**1.7**	0.8
Interest expense	**4.4**	4.5
Payments	**(11.6)**	(13.6)
At end of period	**80.3**	82.9
Current	**7.0**	7.1
Non-current	**73.3**	75.8

See note 22 (e) for maturity analysis of lease liabilities.

All right-of-use assets and lease liabilities are related to leasehold properties. Some lease contracts contain rent review periods, break clauses and options to extend, all of which are assessed and negotiated by the Group, taking into account any changes in business need, throughout the contract term. In accordance with IFRS 16, the Group has calculated the full lease term on the majority of its leases, beyond break, to represent the reasonably certain lease term within the total £80.3 million of lease liabilities held on the consolidated balance sheet.

The following are the amounts recognised in the consolidated income statement:

	30 December 2022 £m	31 December 2021 £m
Depreciation expense of the right-of-use asset	**7.9**	9.2
Interest expense on lease liabilities	**4.4**	4.5
Expense related to practical expedients applied	**0.5**	0.5
Impairment	**17.4**	–
Total amount recognised in the consolidated income statement	**30.2**	14.2

In addition, £1.2 million (2021: £1.3 million) has been recognised in the consolidated income statement in respect of contingent rentals and other charges on leases and is recognised within cash flows from operating activities within the consolidated statement of cash flows. Contingent rentals depend upon the level of turnover achieved, in accordance with the related lease contracts.

The Group had total cash outflows for leases classified under IFRS 16 of £11.6 million (2021: £13.6 million). The Group also had non-cash additions to right-of-use assets of £2.9 million (2021: £2.4 million) and lease liabilities of £2.9 million (2021: £2.7 million).

Sublease payments received in the period amount to £0.2 million (2021: £0.3 million). Total future sublease payments receivable relating to leases amount to £0.1 million (2021: £0.2 million).

11 Investment in associates

At 30 December 2022 and 31 December 2021 the Group has a 23.8 per cent investment in Funeral Zone Limited ('Funeral Zone'). Funeral Zone is a UK online funeral resource for funeral directors and clients and has been invested in for its intellectual property opportunities. Funeral Zone is a private entity that is not listed on any public exchange. The registered office of Funeral Zone is 1 Pinhoe Road, Exeter, EX4 7HP.

The Group holds less than two per cent of the voting rights of Funeral Zone but is deemed to have significant influence principally due to having an appointed board member who represents 25 per cent of the Board of Directors and therefore has the power to participate in the financial and operating policy decisions. The Group also hold a call option over a further 44.4 per cent of shares. These potential voting rights are not currently taken into consideration when assessing control as the call option is not considered to be substantive in nature at this time, due to the exercise price of the option. The option is considered to have a £nil fair value at 30 December 2022 for the same reason.

In the previous periods the Group performed a review to assess whether there was objective evidence that the carrying value of the investment was impaired. Given ongoing losses recorded by Funeral Zone coupled with the going concern risk of the business, as noted in its most recent financial statements, the Group fully provided against its investment. At 30 December 2022, Funeral Zone continues to make losses and the investment is still fully provided against.

Based on the latest publicly available information, being the filed financial statements, the Group's share of the cumulative losses of Funeral Zone is £1.1 million (December 2021: £1.1 million). Of these losses a total of £0.6 million was recognised within the 2019 consolidated income statement when applying equity accounting. Following an impairment charge of £5.4 million recognised in the consolidated income statement in 2019, the Group has not recognised any further share of losses.

12 Deferred insurance commissions

	30 December 2022 £m	31 December 2021 £m
Non-current		
Deferred insurance commissions	**8.0**	8.4

The Group is the named beneficiary on a number of life assurance products sold by third party insurance companies, in consideration for which the Group has committed to performing the funeral (including some disbursements) of the plan holder at a discount to its rates prevailing at the time of death. The asset reflects the level of expected future funerals on commissions paid and payable in the future and is offset with a provision for expected future cancellations.

An impairment of £0.3 million (2021: £0.8 million) has been charged to the consolidated income statement which reflects the changes in future expected cancellation rates.

13 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.

See Strategic Report for further details.

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.

14 Inventories

	30 December 2022 £m	31 December 2021 £m
Materials	**0.6**	0.7
Finished goods	**7.3**	7.9
	7.9	8.6

During the period £0.2 million (2021: £0.2 million) has been credited to the consolidated income statement relating to provision against inventory.

15 Trade and other receivables

	30 December 2022 £m	31 December 2021 £m
Trade receivables: Trusts	**9.0**	9.4
Trade receivables: at-need	**25.6**	24.0
Less: provision for impairment (note 22(c))	**(8.9)**	(8.8)
Net trade receivables	**25.7**	24.6
Prepayments and accrued income	**3.4**	4.2
Other receivables	**0.9**	1.2
	30.0	30.0

Trust trade receivables represent amounts due to the Group's Trusts in respect of plans sold, where the Group's performance obligation has yet to be satisfied. Instalments due to the Trusts after the balance sheet date are excluded as they are not contractually due.

At-need trade receivables represent all other trade receivables due to the Group.

Concentrations of credit risk with respect to trade receivables are limited due to the Group's customer base being large and unrelated. Due to this, management believes there is no further credit risk provision required in excess of normal provision for doubtful receivables. For further details of the trade receivables past due and impaired refer to note 22(c).

In addition to the above, all funeral plans sold post 29 July 2022 and any rescue plans transferred over to a Dignity funeral plan, the Group has guaranteed to provide a funeral at the time of need if there are instalment payments outstanding, provided that the funeral plan has been in place for a minimum of 12 months and instalment payments have been kept up to date. The maximum number of instalment payments is 60 months. The Group has considered the risk of the need to perform funerals on plans with outstanding balances and a provision of £1.1 million has been accounted for. See note 1 for further details.

Due to the short-term nature of these balances, the carrying value is considered to be their fair value.

16 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.

17 Financial liabilities

	Note	30 December 2022 £m	31 December 2021 £m
Current			
Secured A Notes	(a)	**10.9**	10.5
Lease liabilities	(c)	**7.0**	7.1
Insurance commissions payable	(d)	**1.3**	1.0
	(b)	**19.2**	18.6
Non-current			
Secured Notes	(a)	**505.2**	516.1
Lease liabilities	(c)	**73.3**	75.8
Insurance commissions payable	(d)	**1.7**	2.2
		580.2	594.1

(a) Secured Notes

On 17 October 2014, Dignity Finance PLC issued the Secured Notes. Interest is payable on the Secured Notes on 30 June and 31 December of each year.

Transaction costs of £0.3 million and £0.4 million were incurred directly relating to the issue of the Secured A Notes and the Secured B Notes respectively. At 30 December 2022, £0.1 million (2021: £0.2 million) and £0.3 million (2021: £0.3 million) of the transaction costs in respect of the Secured A Notes and the Secured B Notes respectively remain unamortised.

For further details of security over the Secured Notes see note 30.

The amortisation profile of the Secured Notes is as follows:

Secured A Notes

	2023 £m	2024 £m	2025 £m	2026 £m	2027 £m	2028 £m	2029 £m	2030 £m	2031 £m	2032 £m	2033 £m
June	5.4	5.6	5.8	6.0	6.2	6.4	6.7	6.9	7.2	7.4	7.7
December	5.5	5.7	5.9	6.1	6.4	6.6	6.8	7.1	7.3	7.6	7.8
Total	10.9	11.3	11.7	12.1	12.6	13.0	13.5	14.0	14.5	15.0	15.5

	2034 £m	Total £m
June	7.9	79.2
December	8.1	80.9
Total	16.0	160.1

Secured B Notes

	2035 £m	2036 £m	2037 £m	2038 £m	2039 £m	2040 £m	2041 £m	2042 £m	2043 £m	2044 £m	2045 £m
June	8.4	8.7	9.1	9.6	10.0	10.5	11.0	11.5	12.1	12.6	13.2
December	8.5	9.0	9.4	9.8	10.3	10.8	11.3	11.8	12.3	12.9	13.5
Total	16.9	17.7	18.5	19.4	20.3	21.3	22.3	23.3	24.4	25.5	26.7

	2046 £m	2047 £m	2048 £m	2049 £m	Total £m
June	13.8	14.5	15.2	15.9	176.1
December	14.2	14.8	15.5	16.2	180.3
Total	28.0	29.3	30.7	32.1	356.4

(b) Current financial liabilities

The current financial liabilities represent the amounts falling due within one year of the Group's balance sheet date.

(c) Lease liabilities

See note 10 for more details on the Group's lease liabilities under IFRS 16.

See note 22 (e) for maturity analysis of the Group's lease liabilities.

(d) Insurance commissions payable

A liability is recognised representing active insurance plans where a known commission is payable in future years, which includes an estimate of the level of cancellations before the commission is payable and is discounted using the risk free rate of return.

(e) Changes in liabilities arising from financing activities

	31 December 2021 £m	Cash flow £m	Other £m(2)	**30 December 2022 £m**
Current				
Secured Notes	10.5	(10.5)	10.9	**10.9**
Lease liabilities(1)	7.1	(11.6)	11.5	**7.0**
Non-current				
Secured Notes	516.1	–	(10.9)	**505.2**
Lease liabilities(1)	75.8	–	(2.5)	**73.3**
Total liabilities from financing activities(3)	609.5	(22.1)	9.0	**596.4**

(1) See note 10 for more information on the Group's lease liabilities under IFRS 16.
(2) Other includes reclassification from non-current to current, unwinding of discounts and movement in the lease portfolio in the period.
(3) Insurance commissions payable are paid out of operating cash flow and therefore have not been included in the table above.

17 Financial liabilities (continued)

	25 December 2020 £m	Cash flow £m	Other £m[2]	31 December 2021 £m
Current				
Secured Notes	15.1	(15.1)	10.5	10.5
Lease liabilities[1]	7.3	(13.6)	13.4	7.1
Non-current				
Secured Notes	526.6	–	(10.5)	516.1
Lease liabilities[1]	81.2	–	(5.4)	75.8
Total liabilities from financing activities[3]	630.2	(28.7)	8.0	609.5

(1) See note 10 for more information on the Group's lease liabilities under IFRS 16.
(2) Other includes reclassification from non-current to current, unwinding of discounts and movement in the lease portfolio in the period.
(3) Insurance commissions payable are paid out of operating cash flow and therefore have not been included in the table above.

18 Trade and other payables

	30 December 2022 £m	31 December 2021 £m
Current		
Trade payables	**11.1**	9.3
Tax and social security	**2.9**	2.9
Other current liabilities	**1.5**	2.3
Accruals	**40.7**	40.3
Deferred income relating to at-need deposits	**4.7**	4.7
	60.9	59.5
Non-current		
Other non-current liabilities	**1.5**	1.6
Deferred income relating to at-need deposits	**–**	0.2
Deferred consideration for acquisitions	**0.3**	0.4
	1.8	2.2

Accruals includes interest, payroll and trade accruals.

Deferred income relating to at-need deposits represents cash amounts received in advance for services such as a funeral arranged at the time of need.

19 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.

20 Provisions for liabilities

	Dilapidations £m	Onerous £m	Other £m	Total £m
At beginning of period	11.5	–	–	11.5
Charged to income statement	1.2	12.8	1.1	15.1
Released to income statement	(1.1)	–	–	(1.1)
Utilised in period	(0.2)	(0.1)	–	(0.3)
At end of period	11.4	12.7	1.1	25.2

Provisions have been analysed between current and non-current as follows:

	30 December 2022 £m	31 December 2021 £m
Current	**3.4**	2.1
Non-current	**21.8**	9.4
	25.2	11.5

Dilapidations

The provision for dilapidations covers the costs of repair to leased premises occupied by the Group in respect of which a dilapidations notification has been received, and properties where a dilapidation obligation exists but for which no notification has been received.

It is anticipated that the element of provision relating to dilapidation notices served, £2.2 million (2021: £2.1 million), will be utilised in the following financial year, and the element relating to dilapidation obligations where no notice has been served will be utilised over the terms of the relevant property leases, the majority of which is expected to be by 31 December 2032.

Onerous

The provision for onerous contracts is made to cover unavoidable costs of £0.2 million (2021: £nil) associated with branches that are not expected to generate sufficient economic benefits and £12.5 million (2021: £nil) for the contracts in the Rescue plan portfolio that are expected to be loss making as Dignity will not have received sufficient cash to cover the full cost of the funeral. Note 1 to the consolidated financial statements includes further information.

Other

The other provision relates to the Dignity Promise. Note 1 to the consolidated financial statements includes further information.

21 Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 19 per cent on balances expected to unwind before 5 April 2023 and 25.0 per cent on the remaining balance (2021: 19 per cent).

The movement on the deferred tax net asset is as shown below:

	30 December 2022 £m	31 December 2021 £m
At beginning of period	**(5.5)**	(20.3)
(Credited)/charged to income statement (note 6)	**(53.6)**	5.5
Taken to other comprehensive income (note 6)	**2.3**	4.3
Restatement of deferred tax for the change in UK tax rate	**–**	5.0
At end of period	**(56.8)**	(5.5)

The movements in deferred tax assets and liabilities (prior to the offsetting of balances within the same jurisdiction as permitted by IAS 12) during the period are shown below:

Deferred tax liabilities

	Accelerated tax depreciation £m	Trade names £m	Deferred commissions and Trust assets £m	Other £m	Total £m
At 25 December 2020	11.1	17.0	211.2	3.3	242.6
Charged/(credited) to income statement (note 6)	(1.4)	(1.4)	19.5	(0.2)	16.5
Restatement of deferred tax for the change in UK tax rate taken to the income statement (note 6)	2.5	5.0	65.0	0.9	73.4
At 31 December 2021	12.2	20.6	295.7	4.0	332.5
Charged/(credited) to income statement (note 6)	(6.8)	(10.9)	(26.9)	–	(44.6)
At 30 December 2022	**5.4**	**9.7**	**268.8**	**4.0**	**287.9**

Deferred tax assets

	Pensions £m	Contract liabilities and Trust onerous provisions £m	Losses £m	Other £m	Total £m
At 25 December 2020	(7.0)	(254.9)	–	(1.0)	(262.9)
Charged/(credited) to income statement (note 6)	–	(10.9)	–	(0.1)	(11.0)
Restatement of deferred tax for the change in UK tax rate taken to the income statement (note 6)	–	(66.4)	–	(0.1)	(66.5)
Restatement of deferred tax for the change in UK tax rate taken to other comprehensive income	(1.9)	–	–	–	(1.9)
Taken to other comprehensive income/to equity	4.3	–	–	–	4.3
At 31 December 2021	(4.6)	(332.2)	–	(1.2)	(338.0)
Charged/(credited) to income statement (note 6)	(0.3)	(2.5)	(6.8)	0.6	(9.0)
Taken to other comprehensive income/to equity	2.3	–	–	–	2.3
At 30 December 2022	**(2.6)**	**(334.7)**	**(6.8)**	**(0.6)**	**(344.7)**

All of the deferred tax assets were available for offset against deferred tax liabilities and hence the net deferred tax asset at 30 December 2022 was £56.8 million (2021: £5.5 million). The Group has recognised the net deferred tax asset as this is expected to unwind over the foreseeable future as the Group is forecasting future profits. The net deferred tax asset has increased since 31 December 2021 primarily due to the decrease in Trust assets, a decrease in trade names and accelerated tax depreciation due to impairment charges which have subsequently decreased the corresponding deferred tax liability. Furthermore, the Trust deferred tax assets have also increased due to the inclusion of onerous provisions. The Group has also recognised a deferred tax asset of £6.8 million in relation to losses as these are expected to be utilised in 2023, 2024 and 2025.

Other deferred tax liabilities includes capital gains rolled forward and deferred tax on software and leasehold land. Other deferred tax assets includes option schemes, long service awards, leases and goodwill.

Elements of these deferred tax balances may be payable or recoverable within one year. However, the Directors consider that it is not possible to quantify the amount because of the level of uncertainty in the timing of events and have therefore classified the whole balance as non-current.

There are unrecognised deferred tax assets of £13.3 million (2021: £13.3 million) relating to disallowed interest expense calculated in the annual corporate interest restriction returns due to insufficient evidence to support recognition.

The deferred income tax credited to other comprehensive income or charged to equity during the period was as follows:

	52 week period ended 30 December 2022 £m	53 week period ended 31 December 2021 £m
Deferred tax charge on remeasurement losses on retirement benefit obligations	**1.4**	3.9
Deferred tax charge on pension contributions	**0.9**	0.4
Restatement of deferred tax for the change in UK tax rate	**–**	(1.9)
Total (credited)/charged to other comprehensive income	**2.3**	2.4
Deferred tax charge/(credit) relating to maturity of option schemes	**–**	–
Total charged/(credited) to equity	**–**	–

22 Financial instruments

Fair values of non-derivative financial assets and financial liabilities

IFRS 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

Financial assets held by the Trusts are held at fair value. All other financial assets and liabilities are held at amortised cost.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

(a) Fair value of Trust financial assets

	30 December 2022 £m	31 December 2021 £m
Financial assets at fair value through consolidated income statement		
Core growth investments – Equities	**613.8**	669.8
Defensive investments – Index linked gilts and corporate bonds	**105.4**	–
Liquid investments – Open-ended investment funds	**168.2**	306.4
Illiquid investments – Private equity investments	**69.9**	66.9
Total financial assets at fair value	**957.3**	1,043.1

All other financial assets are held at amortised cost and there is no difference between the book value and the fair value of these assets, due to the short-term maturities of these instruments.

The following table provides the fair value measurement hierarchy of the Trusts' financial assets:

		Fair value measurement using		
30 December 2022	Total £m	Quoted prices in active markets (level 1) £m	Significant observable inputs (level 2) £m	Significant unobservable inputs (level 3) £m
Core growth investments – Equities	**613.8**	**613.8**	**–**	**–**
Defensive investments – Index linked gilts and corporate bonds	**105.4**	**–**	**105.4**	**–**
Liquid investments – Open-ended investment funds	**168.2**	**108.0**	**60.2**	**–**
Illiquid investments – Private equity investments	**69.9**	**–**	**–**	**69.9**

There was no change in the classification of fair value of financial assets during the 52 week period ended 30 December 2022.

22 Financial instruments (continued)

		Fair value measurement using		
31 December 2021	Total £m	Quoted prices in active markets (level 1) £m	Significant observable inputs (level 2) £m	Significant unobservable inputs (level 3) £m
Core growth investments – Equities	669.8	669.5	0.3	–
Liquid investments – Open-ended investment funds	306.4	114.8	191.6	–
Illiquid investments – Private equity investments	66.9	–	–	66.9

During the 53 week period ended 31 December 2021 a number of investments which were previously classed as a level 2 investment were divested and then reinvested into different instruments which are classified as level 1.

The following methods and assumptions were used to estimate the fair values:

Core growth investments and liquid investments – level 1

The fair values of equities are based on active market prices or price quotations at the reporting date.

Index linked gilts and corporate bonds and liquid investments – level 2

The fair values of index linked gilts and corporate bonds are based on active market prices or price quotations at the reporting date. Whilst these assets have a quoted price on a recognised exchange, adjustments are required in respect of related inflation factors, thereby making these measurements level 2 rather than level 1.

Illiquid investments – level 3

These investments hold some underlying investment that rely on significant unobservable inputs to price or a premium or discount may apply on exit.

In all cases, fair value information is provided by the investment manager engaged by the Trusts. The Group has no input to, or influence over, the valuation methodologies applied by the investment manager.

Within the above reconciliation of financial assets through the consolidated income statement the following movements relate to level 3 assets:

	30 December 2022 £m	31 December 2021 £m
Fair value at the start of the period	**66.9**	65.5
Remeasurement recognised in the consolidated income statement	**(2.8)**	10.7
Investment income	**6.8**	–
Purchases	**3.9**	7.5
Sales	**(12.7)**	(15.6)
Foreign exchange gains	**8.1**	–
Investment administrative expenses	**(0.3)**	(1.2)
Fair value at the end of the period	**69.9**	66.9

At 30 December 2022, the Trust financial assets (all level 2 or 3, fair value of £235.5 million (2021: £258.8 million)) are exposed to market sensitivity and changes in valuation over time due to factors including currency, interest rate and commodity prices. As the fair value information is provided by the investment manager who has not been able to provide sensitivity analysis on the inputs to the fair values, the Group is unable to disclose this information. However, a 10 per cent movement in the fair value of these assets would result in a £23.6 million increase/decrease to the carrying value, with a corresponding movement in an unrealised gain/loss in the income statement. A 15 per cent movement would increase this movement to £35.3 million. The sensitivity ranges used at 31 December 2021 were five and 10 per cent, which resulted in an increase/decrease in the carrying value of these assets of £12.9 million and £25.9 million respectively. These sensitivities have been changed to 10 and 15 per cent for the period ended 30 December 2022 due to the fluctuation in capital markets.

(b) Fair value of current and non-current financial liabilities

	30 December 2022			31 December 2021		
	Nominal value £m	Book value £m	Fair value £m	Nominal value £m	Book value £m	Fair value £m
Secured A Notes – 3.5456% maturing 31 December 2034	**160.1**	**160.0**	**144.4**	170.7	170.5	189.9
Secured B Notes – 4.6956% maturing 31 December 2049	**356.4**	**356.1**	**242.0**	356.4	356.1	385.0
Total	**516.5**	**516.1**	**386.4**	527.1	526.6	574.9

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

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

In addition to the above, financial liabilities include lease payables of £80.3 million (2021: £82.9 million), which represent the present value of future minimum lease payments.

(c) Trade receivables

Credit risk

Credit risk is the risk that the counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (at-need trade receivables). The Group has various at-need payment terms depending on the service being provided. Funerals are payable on receipt of the invoice which is sent out approximately 10 days after the funeral. Cremation fees are due either on receipt of the invoice or seven days after the date of the invoice if the third party funeral director has an account with Dignity and is invoiced monthly. Crematoria memorials are due 30 days from the point of sale.

Trade receivables

Due to the nature of the Group's customer base, credit risk is managed by obtaining cash payments and/or deposits upfront where possible, setting up direct debt instalment payments from pre-need plan sales, together with staff training and internal control procedures to understand customers' ability to pay for services. Outstanding trade receivables are regularly monitored with an established credit control policy in place.

At-need trade receivables are held net of provision for impairment. As at 30 December 2022, £14.2 million of the individual gross at-need trade receivables (2021: £13.4 million) were past due and partially impaired. Receivables are written off to the income statement when credit control procedures have been enforced. An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on current experience. The amount of the provision, as at 30 December 2022, was £8.9 million (2021: £8.8 million). The individually impaired receivables principally relate to monies owing for funerals performed by the funeral services division. The ageing of at-need receivables is as follows:

	30 December 2022 £m	31 December 2021 £m
One to six months	**6.9**	6.2
Over six months	**7.3**	7.2
	14.2	13.4

The amount of gross at-need trade receivables past due that were not partly or fully impaired was not significant.

There is no expected credit loss on trade receivables held by the Trusts on the basis that a separate refund liability is recorded for expected plan cancellations. All amounts outstanding to be paid under a member's pre-need plan must be paid in full prior to the performance of the services under the plan unless the plan is covered by the Dignity promise. In the event of default any write-off would be offset by an equivalent or greater release of the related refund liability. See note 19.

22 Financial instruments (continued)

Movements on the Group's loss allowance for trade receivables are as follows:

	30 December 2022 £m	31 December 2021 £m
At beginning of period	**(8.8)**	(7.2)
Charged to income statement	**(3.4)**	(3.7)
Utilised in period	**3.3**	2.1
At end of period	**(8.9)**	(8.8)

The maximum exposure to credit risk is the carrying value of each class of financial assets. The Group does not hold collateral as security.

Set out below is the information about credit risk exposure on at-need trade receivables using a provision matrix. £9.0 million (2021: £9.4 million) is excluded from the analysis as it relates to trade receivables held by the Trust.

	Days past due					
30 December 2022	**Current**	**30–60 days**	**61–90 days**	**91–180 days**	**>181 days**	**Total**
Expected credit loss rate	**3.0%**	**10.5%**	**25.8%**	**50.4%**	**93.2%**	
Estimated total gross carrying amount at default	**11.4**	**3.8**	**1.2**	**1.9**	**7.3**	**25.6**
Expected credit loss	**0.3**	**0.4**	**0.3**	**1.0**	**6.9**	**8.9**

	Days past due					
31 December 2021	Current	30–60 days	61–90 days	91–180 days	>181 days	Total
Expected credit loss rate	2.5%	8.8%	21.9%	55.9%	95.9%	
Estimated total gross carrying amount at default	10.5	3.0	1.4	1.9	7.2	24.0
Expected credit loss	0.3	0.3	0.3	1.0	6.9	8.8

(d) Borrowing facilities

The Group has the following undrawn committed borrowing facilities available at 30 December 2022, all of which were at floating interest rates, in respect of which all conditions precedent had been met at that date:

	30 December 2022 £m	31 December 2021 £m
Expiring within one year	**–**	–
Expiring between one and two years	**–**	–
Expiring in more than two years	**55.0**	55.0
	55.0	55.0

£55.0 million (2021: £55.0 million) of the undrawn facilities available to the Group is a liquidity facility relating to the Class A and B Secured Notes. This facility may only be used to repay interest and principal on the Secured Notes in the event of insufficient cash to service these instruments. The facility is subject to annual renewal. However, if the bank providing the facility does not renew it, then the provider is required to place £55.0 million (2021: £55.0 million) in a bank account, which the Group may access as if it represented a borrowing facility on the same terms. The facility is available on these terms until the Secured Notes have been repaid in full. The terms of the facility have been updated following the LIBOR reform and it is now linked to SONIA. This has not had an impact on the Group as the facility remains undrawn.

(e) Maturity of financial liabilities

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the tables are the contractual undiscounted cash flows, including interest costs yet to be incurred. The amounts disclosed for contract liabilities relate solely to the refund liability component, which is considered to be a financial liability based on the expectation that cash will be returned to the plan holder on the cancellation of the plan. The deferred revenue component of contract liabilities is not considered to be a financial liability as there is no expected obligation to deliver cash. The maturity profile of the refund liability represents the Group's assessment of the likely timing of such cash flows and the contractual undiscounted cash flow which would occur at that time.

If the capital restructure transaction completes in 2023, the maturity of the Secured Notes and corresponding interest payable will reduce from that disclosed below. This anticipated repayment which will be a minimum of £70.0 million 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.

	30 December 2022					
	In less than one year £m	In more than one year but not more than two years £m	In more than two years but not more than three years £m	In more than three years but not more than five years £m	In more than five years £m	Total £m
Cash liabilities						
Secured Notes (gross)	**10.9**	**11.3**	**11.7**	**24.7**	**457.9**	**516.5**
Interest payable on Secured Notes	**22.3**	**21.9**	**21.5**	**41.8**	**275.2**	**382.7**
Lease liabilities	**11.2**	**10.6**	**10.0**	**17.4**	**82.4**	**131.6**
Insurance commissions payable	**1.3**	**0.4**	**0.3**	**1.0**	**–**	**3.0**
Debt repayments	**45.7**	**44.2**	**43.5**	**84.9**	**815.5**	**1,033.8**
Other financial liabilities	**60.4**	**0.3**	**0.2**	**0.5**	**0.9**	**62.3**
Refund liability	**0.9**	**1.0**	**1.0**	**2.0**	**7.6**	**12.5**
Total liabilities	**107.0**	**45.5**	**44.7**	**87.4**	**824.0**	**1,108.6**

	31 December 2021					
	In less than one year £m	In more than one year but not more than two years £m	In more than two years but not more than three years £m	In more than three years but not more than five years £m	In more than five years £m	Total £m
Cash liabilities						
Secured Notes (gross)	10.5	10.9	11.4	23.8	470.5	527.1
Interest payable on Secured Notes	22.7	22.3	21.9	42.7	295.8	405.4
Lease liabilities	11.4	10.7	10.2	18.3	88.2	138.8
Insurance commissions payable	1.0	0.4	0.4	0.8	0.7	3.3
	45.6	44.3	43.9	85.6	855.2	1,074.6
Debt repayments						
Other financial liabilities	59.0	0.4	0.4	0.6	0.8	61.2
	104.6	44.7	44.3	86.2	856.0	1,135.8
Refund liability	1.0	1.0	1.0	2.0	9.9	14.9
Total liabilities	105.6	45.7	45.3	88.2	865.9	1,150.7

An administrative fee may be payable by the customer in the event of cancellation and therefore the refund liability may be lower than the total amount detailed above for refund liabilities. The administrative fee payable is dependent upon when the pre-need plan is cancelled, and the type of pre-need plan originally sold.

At 30 December 2022, the Group has issue costs of £0.4 million (2021: £0.5 million) in relation to the Group's Secured Notes which will be amortised over a period of more than five years.

23 Ordinary share capital

	30 December 2022 £m	31 December 2021 £m
Allotted and fully paid Equity shares		
50,043,435 (2021: 50,031,008) Ordinary Shares of 12 48/143 pence (2021: 12 48/143 pence) each	**6.2**	6.2

Each Ordinary Share carries equal voting rights and there are no restrictions on any share.

During the period, the Group received nil consideration in relation to the 3,954 shares issued under the 2019 DAB scheme. In addition, the Group received consideration in relation to the 8,473 shares issued under the 2019 SAYE scheme.

At the period end 5,750 shares were held by the Employee Benefit Trust (2021: 9,729).

Potential issues of Ordinary Shares

Certain employees hold options to subscribe for shares in the Company under an approved Save As You Earn ('SAYE') scheme. In addition, Executive Directors and senior management hold options to subscribe for shares in the Company under Long-Term Incentive Plans ('LTIPs'), including DAB, awarded in 2014, 2015, 2020 and 2021.

The total number of outstanding shares subject to options (excluding lapses), the periods in which they were granted and the periods in which they may be exercised are given below:

Year of grant	Exercise price (pence)	Exercise period	2022 Number	2021 Number	2020 Number
2019 – SAYE	383.52	1 December 2022 to 31 May 2023	**318,811**	377,767	435,664
2022 – SAYE	287.00	1 December 2025 to 31 May 2026	**510,910**	n/a	n/a
2014 – LTIP	–	25 March 2017 to 24 March 2024	**2,000**	2,000	2,000
2015 – LTIP	–	6 March 2018 to 5 March 2025	**3,750**	7,729	27,673
2018 – LTIP	–	16 March 2020 to 16 March 2027	**–**	–	120,523
2019 – LTIP	–	23 March 2021 to 23 March 2028	**–**	257,926	270,904
2020 – LTIP	–	12 June 2022 to 12 June 2029	**190,439**	222,188	264,271
2021 – LTIP	–	31 March 2024 to 16 December 2031	**16,524**	39,659	n/a
2021 – Restricted stock	–	31 December 2023 to 30 June 2031	**11,933**	11,933	n/a

24 Share-based payments

In respect of share-based payments, total charges to the income statement were £0.4 million (2021: £0.8 million). The Group has both LTIP and SAYE schemes, both of which are equity based settled.

LTIP schemes

The LTIP scheme was introduced after the flotation of the Group in 2004. Under the LTIP scheme, the Remuneration Committee can grant options over shares in the Company to employees of the Group. Awards under the LTIP scheme are generally reserved for Executive Directors and senior management. The Company has made annual grants since April 2004. Options granted under the LTIP scheme will normally become exercisable on the third anniversary of the date of grant, subject to the conditions described on page 111. For the 2020 and 2021 schemes the vested shares must be retained for two years. Exercise of an option is subject to continued employment unless an individual ceases to be an employee by reason of death, illness, redundancy or other similar circumstances.

Options were valued using the Monte Carlo option pricing model. Market-related performance conditions were included in the fair value calculations. The fair value per option granted and the assumptions used in the calculation are as follows:

Grant date	17 December 2021	22 December 2020
Share price at grant date	£6.10	£6.03
Exercise price	–	–
Number of employees	1	36
Shares under option	39,659(1)	264,271(1)
Vesting period (years)	3	3
Expected volatility	59.2%	60.2%
Option life (years)	10	10
Expected life (years)	3	3
Risk free rate	0.51%	0.11%
Expected dividends expressed as a dividend yield	0%	0%
Possibility of ceasing employment before vesting	0%	0%
Fair value per option	£4.59	£4.63

(1) 50 per cent of these options relate to total shareholder return with the remaining relating to funeral market share. See the Report on Directors' remuneration on page 111 for further details.

The expected volatility is calculated by reference to historical volatility over the last three years. The expected life is the average expected period to exercise. The risk free rate of return is the yield on zero-coupon UK government bonds of a term consistent with the assumed option life.

Reconciliation of LTIP awards:

Award grant date	Outstanding as at 31.12.21	Granted during the period	Lapsed during the period	Forfeited during the period	Vested and exercised	Outstanding as at 30.12.22
(i) 24.03.14	2,000	–	–	–	–	2,000
(ii) 06.03.15	7,729	–	–	–	(3,979)	3,750
(iii) 13.06.19	257,926	–	(257,926)	–	–	–
(iv) 22.12.20	222,188	–	–	(31,749)	–	190,439
(v) 17.12.21	39,659	–	–	(23,135)	–	16,524

Award grant date	Outstanding as at 25.12.20	Granted during the period	Lapsed during the period	Forfeited during the period	Vested and exercised	Outstanding as at 31.12.21
(i) 24.03.14	2,000	–	–	–	–	2,000
(ii) 06.03.15	27,673	–	–	–	(19,944)	7,729
(iii) 23.03.18	120,523	–	(120,523)	–	–	–
(iv) 13.06.19	270,904	–	–	(12,978)	–	257,926
(v) 22.12.20	264,271	–	–	(42,083)	–	222,188
(vi) 17.12.21	–	39,659	–	–	–	39,659

The options under the 2020 and 2021 LTIP schemes have not yet vested.

The charge to the income statement in the period in respect of the LTIP schemes was £0.1 million (2021: £0.6 million), all of which are equity based settled.

24 Share-based payments (continued)

SAYE scheme

Two Inland Revenue approved SAYE schemes were in place during the period. Options were valued using the Black-Scholes option pricing model. No performance conditions were included in the fair value calculations. The fair value per option granted and the assumptions used in the calculation are as follows:

Grant date	**2022 scheme 1 December 2022**	2019 scheme 10 October 2019
Share price at grant date	**£3.70**	£5.33
Exercise price	**£2.87**	£3.83
Number of employees	**832**	901
Shares under option	**510,910**	506,837
Vesting period (years)	**3**	3
Expected volatility	**61.7%**	47.0%
Option life (years)	**3**	3.5
Expected life (years)	**3**	3
Risk free rate	**3.22%**	0.70%
Expected dividends expressed as a dividend yield	**0%**	0%
Possibility of failing to save	**20%**	20%
Fair value per option	**£1.89**	£2.40

During the period 50,483 options (2021: 53,949 options) under the 2019 SAYE scheme were forfeited or cancelled and 8,473 options (2021: 3,948 options) were exercised with a weighted average share price of £4.92 (2021: £6.48) at exercise. The number of share options outstanding at the end of the period is 318,811 (2021: 377,767).

The charge to the income statement in the period in respect of the SAYE schemes was £0.3 million (2021: £0.2 million), all of which are equity based settled.

The expected volatility is calculated by reference to historical volatility over the last three years. The expected life is the average expected period to exercise. The risk free rate of return is the yield on zero-coupon UK government bonds of a term consistent with the assumed option life. The options under the 2019 SAYE scheme vested on 1 December 2022.

25 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 (note 17(a))	**(0.4)**	(0.5)
Gross amounts owing	**(516.5)**	(527.1)
Accrued interest on Secured Notes	**–**	–
Cash and cash equivalents – Trading Group (note 16)	**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 page 67.

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. See note 22 (d).

26 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 8)	**6.4**	2.5
Trade name impairment (note 8)	**47.5**	2.8
Goodwill impairment (note 8)	**112.3**	36.4
Right-of-use asset impairment (note 10)	**17.4**	–
Property, plant and equipment impairment (note 9)	**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 (note 24)	**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

Other non-cash transactions

Non-cash charges comprise of amortisation of deferred debt issue costs, as discussed in note 17 (a).

27 Employees and Directors

	52 week period ended 30 December 2022 £m	53 week period ended 31 December 2021 £m
Wages and salaries	**105.9**	103.0
Social security costs	**10.5**	8.7
Other pension costs (note 28)	**4.4**	4.1
Share option charges (note 24)	**0.4**	0.8
	121.2	116.6

For the period from 26 December 2020 to 22 April 2021, key management were considered to be the Board of Directors plus the members of the Operating Board. For the remainder of the period ended 31 December 2021, key management were considered to be the Board of Directors and Kate Davidson. For the 52 week period ended 30 December 2022, key management were considered to be the Board of Directors, Kate Davidson before her appointment as Chief Executive Officer and some members of the Executive Committee since its creation in July 2022. Total key management remuneration in the period was £1.9 million (2021: £2.2 million), including £1.7 million (2021: £1.9 million) relating to short-term employee benefits, £nil million (2021: £0.1 million) relating to pensions, £0.1 million (2021: £nil million) relating to compensation for loss of office and £0.1 million (2021: £0.2 million) relating to share-based payments. The monthly average number of people, including Executive Directors, employed by the Group during the period was as follows:

27 Employees and Directors (continued)

	2022 Number	2021 Number
Management and administration	**356**	369
Funeral services staff	**2,704**	2,481
Crematoria staff	**419**	394
Pre-arranged funeral plan staff	**96**	111
	3,575	3,355

Directors' emoluments

Details of Directors' emoluments are disclosed in the Report on Directors' remuneration on pages 109 to 111 which form part of these consolidated financial statements.

28 Pension commitments

Defined contribution plans

The Group contributes to certain individuals' personal pension schemes. These contributions are accounted for as defined contribution schemes.

Auto enrolment

A defined contribution scheme is used to address the Group's obligations for auto enrolment. Both the employee and the Group contribute four per cent of pensionable pay.

The pension costs for defined contribution schemes are as follows:

	2022 £m	2021 £m
Defined contribution schemes	**3.9**	3.6

Defined benefit plan

The Group operates a defined benefit scheme, the Dignity Pension and Assurance Scheme. A full actuarial valuation was undertaken as at 6 April 2020 with subsequent Actuarial Reports as at 6 April 2021 and 6 April 2022. This latest valuation has been updated to 30 December 2022 by a qualified independent actuary.

After consultation with members of the defined benefit plan, the Group closed the scheme to new entrants on 1 October 2013 and employee contributions were increased to 10 per cent (from 7 per cent) of pensionable salaries, with the Group contributing the same amount (an increase from 9.2 per cent). The scheme closed to future accrual on 28 February 2017, except for members of the Local Government Pension Scheme ('LGPS') sections who continue to accrue benefits. No curtailment charge arose on the scheme closure. Contributions for ongoing service paid by the Employer for 2022 were £0.1 million (2021: £0.1 million of contributions). In addition, special contributions of £4.4 million (2021: £2.2 million) have been paid to make total contributions for the year of £4.5 million (2021: £2.3 million).

The principal actuarial assumptions at the balance sheet date were:

Assumptions	2022 %	2021 %
Discount rate	**4.70**	1.85
Rate of increase in salaries – Pre 2030	**2.25**	2.60
Rate of increase in salaries – Post 2030	**3.25**	2.60
Pensions increase assumption: RPI capped at 5% p.a.	**3.15**	3.45
Pensions increase assumption: RPI capped at 2 1/2% p.a.	**2.20**	2.30
RPI price inflation assumption	**3.25**	3.60
CPI price inflation assumption – Pre February 2030	**2.25**	2.60
CPI price inflation assumption – Post January 2030	**3.25**	3.60

The demographic assumptions used include rates for mortality which, for example, lead to an average projected life expectancy of 22.1 (2021: 22.0) years for male members and 24.4 (2021: 24.4) years for female members currently aged 65 and of 22.9 (2021: 22.9) years from age 65 for male members and 25.5 (2021: 25.5) years from age 65 for female members currently aged 50.

Pensions and other post-retirement obligations

The amounts recognised in the balance sheet are determined as follows:

	2022 £m	2021 £m
Fair value of plan assets	**86.0**	129.8
Present value of funded obligations	**(96.8)**	(149.5)
Net obligation recognised in the balance sheet	**(10.8)**	(19.7)

Analysis of amount charged to income statement in respect of defined benefit schemes:

	2022 £m	2021 £m
Current service cost included within cost of sales (staff costs)	**0.1**	0.1
Administration expenses paid by the scheme	**0.4**	0.4
Interest costs less interest income included within net finance cost	**0.5**	0.5

Analysis of fair value of plan assets

	2022		2021	
	£m	%	£m	%
Equity and diversified growth funds	**33.7**	**39.2**	60.4	46.5
Debt	**48.0**	**55.8**	66.7	51.4
Cash	**4.3**	**5.0**	2.7	2.1
Fair value of plan assets	**86.0**	**100**	129.8	100.0

At 30 December 2022 and 31 December 2021 the Pension Trustees did not hold, on behalf of the scheme, any direct investments in the Group, nor did the Group occupy any property or other assets included with the fair value of scheme assets.

Changes in the present value of the defined benefit obligation are as follows:

	2022 £m	2021 £m
Present value of obligation at beginning of period	**(149.5)**	(158.2)
Current service cost	**(0.1)**	(0.1)
Interest cost	**(2.7)**	(2.1)
Benefits paid	**4.5**	3.8
Remeasurement gains – financial	**57.7**	5.7
Remeasurement gains – demographics	**0.2**	0.3
Remeasurement (losses)/gains – experience	**(6.9)**	1.1
Present value of obligation at end of period	**(96.8)**	(149.5)

The fall in the value of plan liabilities is primarily due to the increase in the discount rate from 1.85 per cent to 4.70 per cent during the period. Furthermore, the fall in long-term inflation expectations has also driven a decrease.

Changes in the fair value of plan assets are as follows:

	2022 £m	2021 £m
Fair value of plan assets at beginning of period	**129.8**	121.6
Interest income on plan assets	**2.4**	1.6
Contributions by Group	**4.5**	2.3
Benefits paid	**(4.5)**	(3.8)
Administration expenses paid by the scheme(1)	**(0.6)**	(0.5)
Remeasurement (losses)/gains	**(45.6)**	8.6
Fair value of plan assets at end of period	**86.0**	129.8

(1) Administration expenses paid by the scheme includes £0.2 million charged (2021: £0.1 million charged) to other comprehensive income.

The fall in the value of plan assets is due to the holding of Liability Driven Investments.

Analysis of the movement in the balance sheet 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)

The actual loss on plan assets was £(43.2) million (2021: £10.3 million return).

28 Pension commitments (continued)

	Liabilities £m	Assets £m	Deficit £m	(Increase)/ decrease in deficit £m
No change	(96.8)	86.0	(10.8)	–
0.25% rise in discount rate	(92.6)	86.0	(6.6)	4.2
0.25% fall in discount rate	(101.2)	86.0	(15.2)	(4.4)
0.25% rise in inflation	(99.7)	86.0	(13.7)	(2.9)
0.25% fall in inflation	(94.0)	86.0	(8.0)	2.8

The above sensitivity analysis has been determined by applying the results of a fully accurate sensitivity analysis as at 6 April 2020 to the value placed on the Scheme liabilities as at 30 December 2022, assuming that the proportionate impact of the change in assumptions would be the same. It is therefore approximate as it does not allow for the impact of plan experience since 6 April 2020.

Analysis of present value of scheme liabilities

	2022	2021
Active members(1)	**26%**	31%
Deferred pensioners	**26%**	28%
Current pensioners	**48%**	41%
Average duration of liabilities(2)	**15 years**	18 years

(1) Active members are members of the Scheme who are still employed by the Group.
(2) The fall in the average duration of liabilities is a result of the increase in the discount rate.

Scheme characteristic

The Company currently operates a defined benefit plan, the Dignity Pension and Assurance Scheme. The benefits provided by the Plan are final salary defined benefits with the contributions paid by the Employer on a balance of cost basis. The Plan is run by the Trustees of the Plan, who ensure that the Plan is run in accordance with the Trust Deed & Rules and complies with legislation. The Trustees are required by law to fund the Plan on prudent funding assumptions under the Trust Deed & Rules of the Plan. The contributions payable by the Employer to fund the Plan are set by the Trustees after consulting the Employer.

The assets of the Plan are invested in managed funds with Mercer. The managed funds are diversified by fund and by investment strategy.

The Plan closed to future accrual on 28 February 2017, except for members of the LGPS sections who continue to accrue benefits.

Funding arrangements

The Trustees use the Projected Unit funding method. The latest full valuation was undertaken as at 6 April 2020 with subsequent Actuarial Reports as at 6 April 2021 and 6 April 2022.

With effect from 1 January 2022 the Company has been paying and will continue to pay deficit funding contributions of £4.0 million per annum. Based on the results of the 2020 actuarial valuation, this rate of contributions is projected to eliminate the deficit disclosed by that valuation by 9 November 2026.

The employees of the LGPS sections currently contribute to the Plan in line with the rates set out in the Plan Rules. Since 1 January 2022 the Employer is contributing £37,200 per annum in order to fund future service accrual.

The expenses of administering the Plan and levies required by the Pensions Protection Fund and the Pensions Regulator are currently met by the Scheme. The Group contributes an additional £450,000 per annum in order to fund these expenses.

Funding risks

The assets quoted are comprised as follows:

	2022 £m	2021 £m
Assets held by investment managers	**85.5**	129.3
Balance of the Trustees' bank account	**0.5**	0.5
Total	**86.0**	129.8

The following list is not exhaustive but covers the main risks for the Plan. Some of the risks can be reduced by adjusting the funding strategy with the help of the Trustees, for example investment matching risk. Other risks cannot easily be removed, for example longevity risk, and the Employer must be aware of these risks and ask the Trustees to monitor them closely.

Investment return risk
If the assets under-perform the returns assumed in setting the funding targets, then additional contributions may be required at subsequent valuations.

Investment matching risk
The Plan invests significantly in equity type assets, whereas the solvency target is closely related to the return on bonds. If equity type assets have fallen in value relative to the matching asset of bonds, additional contributions may be required.

Longevity risk
If future improvements in mortality exceed the assumptions made, then additional contributions may be required.

Legislative risk
The Government may introduce overriding legislation which leads to an increase in the value of Plan benefits.

Solvency risk
As the funding target is not a solvency target, and the investment strategy does not follow that required for a solvency target, the assets of the Plan may not be sufficient to provide all members with the full value of their benefits on a plan wind-up.

29 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 196 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).

29 Pre-arranged funeral plans (continued)

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.

30 Contingent liabilities

Securitisation

BNY Mellon Corporate Trustee Services Limited, in its capacity as Security Trustee of the Secured Notes, has the following guarantees and charges:

- The Dignity (2002) Group has granted the Security Trustee fixed and floating charges over all assets and undertakings of the Dignity (2002) Group;(1)
- Dignity plc has granted the Security Trustee, with full title guarantee, a first fixed charge over the shares (and any monies receivable in respect of the shares) which it holds in Dignity (2004) Limited, Dignity (2008) Limited, Dignity (2011) Limited and Dignity Holdings No.3 Limited;
- Dignity (2004) Limited has granted the Security Trustee, with full title guarantee, a first fixed charge over the shares (and any monies receivable in respect of the shares) which it holds in Dignity Holdings No. 2 Limited and Dignity (2002) Limited;
- Dignity Holdings No. 2 Limited has granted the Security Trustee, with full title guarantee, a first fixed charge over the shares (and any monies receivable in respect of the shares) which it holds in Dignity Holdings Limited;
- Dignity Holdings Limited has granted the Security Trustee, with full title guarantee, a first fixed charge over the shares (and any monies receivable in respect of the shares) which it holds in Dignity Mezzco Limited;
- Dignity Holdings Limited has also assigned to the Security Trustee by way of security, with full title guarantee, its right title and interest in the loans (both interest and non-interest bearing) to Dignity (2002) Limited;
- Dignity Mezzco Limited has also assigned to the Security Trustee by way of security, with full title guarantee, its right title and interest in the loan to Dignity (2002) Limited;
- Dignity (2004) Limited has granted the Security Trustee, with full title guarantee, a floating charge over the assets now or in the future owned by Dignity (2004) Limited (other than those assets validly and effectively charged by way of fixed security);
- Dignity plc, Dignity Holdings No.2 Limited, Dignity Holdings Limited and Dignity Mezzco Limited have granted the Security Trustee, with full title guarantee, a floating charge over the assets now or in the future owned by each of Dignity plc, Dignity Holdings No.2 Limited, Dignity Holdings Limited and Dignity Mezzco Limited (other than those assets validly and effectively charged by way of fixed security);
- The Guarantors(2) each irrevocably and unconditionally jointly and severally guarantees to the Security Trustee punctual performance by each other Obligor of that Obligor's obligations and agrees as a primary obligation to indemnify the Security Trustee immediately on demand against any cost, loss or liability suffered by it if any obligation guaranteed by the Guarantors is or becomes unenforceable, invalid or illegal;
- Dignity Funerals Limited and Derriman & Haynes Funeral Services Limited have granted the Security Trustee, with full title guarantee, a first legal mortgage over each of its rights, title and interest from time to time in properties situated in England and Wales;
- Dignity Funerals Limited has granted the Security Trustee, with full title guarantee(3), a first legal mortgage over its rights, title and interest from time to time in properties situated in Northern Ireland;
- Dignity Finance PLC has granted BNY Mellon Corporate Trustee Services Limited (in its capacity as Note Trustee), with full title guarantee, an assignment by way of security of its benefit in each Issuer Transaction Document (other than the Trust Documents), the Security Trust Deed and each Obligor Security Document and charges by way of first fixed charge the benefit of its accounts; and
- Dignity Funerals Limited has, in respect of any Scottish property which is capable of being so charged, granted 'standard securities' in favour of the Security Trustee(4).

At 30 December 2022, the amount outstanding in relation to these borrowings was £516.5 million (2021: £527.1 million).

31 Related party transactions

Gary Channon held the role of Chief Executive Officer and was a director of the Company until June 2022. He elected to receive no remuneration for these roles, but in order to comply with the National Minimum Wage regulations, his service contract has required him to be paid £8,000 in 2022 which was donated to the Company's elected charity, the Teenage Cancer Trust (2021: £13,000). Gary

(1) Means Dignity (2002) Limited and its subsidiaries.
(2) Means the Obligors (other than Dignity (2002) Limited (as Borrower)), Dignity (2004) Limited, Dignity plc, Dignity Holdings No.2 Limited, Dignity Holdings Limited and Dignity Mezzco Limited.
(3) This mortgage is governed by the laws of Northern Ireland.
(4) The standard securities are governed by Scots Law.

received no other remuneration for his role as Chief Executive Officer and no payment for loss of office. Since stepping down from the Board, Gary has been an advisor to the Board on certain key strategic programmes. Gary has had no role in the deliberations of the Company or the Board regarding the cash offer for Dignity plc.

During the period, members of Phoenix Asset Management Partners Limited, the Group's significant shareholder, have held roles within the Group, such as held the position of Chief Executive Officer, for which no remuneration was paid during the term of office to the individuals or Phoenix Asset Management Partners Limited.

Dignity plc has a £50.0 million loan facility that was signed on 6 December 2022 and is available to be drawdown 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. The agreement includes a change of control provision that could trigger a full repayment and cancellation of the loan facility, however, the Company has obtained a waiver for this change of control clause specific to this potential takeover.

Furthermore, Rawnet Limited, a company that is 100 per cent owned by Phoenix Asset Management Partners Limited, has provided marketing and web development services to the Group amounting to £1.1 million, of which £nil was outstanding as at 30 December 2022. Of the amounts incurred £0.6 million has been charged to the consolidated income statement and £0.2 million has been capitalised within intangible assets. Services provided are at arm's length.

Castelnau is also a member of the Phoenix Asset Management Partners Limited group and has provided marketing and IT consultancy services to the Group of £0.4 million, of which £0.2 million was outstanding as at 30 December 2022.

There have been no other related party transactions in the current or previous period. Please see note 33 on post balance sheet events for related party transactions that the Group has been engaged with post period end.

32 Investments

A list of all entities included within the financial information are included in note C10 to the Company's financial statements.

33 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.

Dignity plc company balance sheet as at 30 December 2022

	Note	30 December 2022 £m	31 December 2021 £m
Fixed assets			
Investments	C3	75.1	153.2
Current assets			
Debtors	C4	321.4	287.0
Cash at bank and in hand		2.6	44.6
Total current assets		324.0	331.6
Creditors: amounts falling due within one year	C5	(16.8)	(14.9)
Net current assets		307.2	316.7
Total assets less current liabilities		382.3	469.9
Net assets		382.3	469.9
Capital and reserves			
Called up share capital	C6	6.2	6.2
Share premium account		13.0	12.9
Capital redemption reserve		141.7	141.7
Other reserves		5.8	5.4
Profit and loss account reserve		215.6	303.7
Total shareholders' funds		**382.3**	**469.9**

The Company has taken advantage of the exemption permitted by Section 408 of the Companies Act 2006 not to publish its individual profit and loss account and related notes. The Company made a loss attributable to the equity shareholders of £88.1 million in the period (2021: loss of £2.6 million).

The financial statements on pages 182 to 189 were approved by the Board of Directors on 30 March 2023 and were signed on its behalf by:

K A DAVIDSON
CHIEF EXECUTIVE OFFICER

D R MOORE
INTERIM CHIEF FINANCIAL OFFICER

Dignity plc company statement of changes in equity for the 52 weeks 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	4.8	306.3	471.7
Loss for the period	–	–	–	–	(2.6)	(2.6)
Effects of employee share options	–	–	–	0.7	–	0.7
Proceeds from share issue	–	0.2	–	–	–	0.2
Gift to Employee Benefit Trust	–	–	–	(0.1)	–	(0.1)
Total transactions with owners, recognised directly in equity	–	0.2	–	0.6	–	0.8
Shareholders' equity as at 31 December 2021	6.2	12.9	141.7	5.4	303.7	469.9
Loss for the period	–	–	–	–	(88.1)	(88.1)
Effects of employee share options	–	–	–	0.5	–	0.5
Proceeds from share issue	–	0.1	–	–	–	0.1
Gift to Employee Benefit Trust	–	–	–	(0.1)	–	(0.1)
Total transactions with owners, recognised directly in equity	–	0.1	–	0.4	–	0.5
Shareholders' equity as at 30 December 2022	**6.2**	**13.0**	**141.7**	**5.8**	**215.6**	**382.3**

Capital redemption reserve

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

Other reserves

Other reserves includes movements relating to the Group's SAYE and LTIP schemes.

C1 Principal accounting policies

Basis of preparation

The financial statements of the Company for the period ended 30 December 2022 were authorised for issue by the Board of Directors and the balance sheet was signed on the Board's behalf by Mrs K A Davidson and Mr D R Moore. The Company is incorporated and domiciled in England and Wales. The Company's registered address is 4 King Edwards Court, King Edwards Square, Sutton Coldfield, West Midlands, B73 6AP.

The financial statements of the Company have been prepared in accordance with the Companies Act 2006, as applicable to companies using Financial Reporting Standard 101, 'Reduced Disclosure Framework' ('FRS 101'). The financial statements have been prepared in accordance with applicable accounting policies and on a going concern basis under the historical cost convention. The principal accounting policies are set out below and have been applied consistently throughout the year.

The Company's financial statements are presented in Sterling and all values are stated in pound million rounded to one decimal place (£m) except where otherwise indicated.

In accordance with the concession granted under Section 408 of the Companies Act 2006, the income statement of the Company has not been separately presented in the financial statements.

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

Exemptions

As permitted by FRS 101, the following exemptions from the requirements of International Financial Reporting Standards ('IFRS') have been applied in the preparation of these financial statements:

- The following paragraphs of IAS 1, 'Presentation of Financial Statements':
  - 10(d) (statement of cash flows);
  - 16 (statement of compliance with all IFRS);
  - 38A (requirement for minimum of two primary statements, including cash flow statements);
  - 38B-D (additional comparative information);
  - 111 (cash flow statement information); and
  - 134-136 (capital management disclosures).
- Paragraph 38 of IAS 1 'Presentation of Financial Statements' comparative information requirements in respect of Paragraph 79 (a) (iv) of IAS 1 'Presentation of Financial Statements'.
- IAS 7, 'Statement of Cash Flows'.
- Paragraphs 30 and 31 of IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- IFRS 7, 'Financial instruments: Disclosures'.
- Paragraph 17 of IAS 24, 'Related Party Disclosures' (key management compensation).
- The requirements in IAS 24, 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group.
- IFRS 13, 'Fair Value Disclosures'.
- Paragraphs 45(b), 46-52 of IFRS 2 'Share Based Payments'.

The Company is eligible to apply the above exemptions as it is included in the consolidated financial statements of Dignity plc, which prepares financial statements under IFRS and includes the above disclosures.

New standards, amendments and IFRIC interpretations

No new accounting standards, or amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 30 December 2022, have had a material impact on the Company.

Critical accounting estimates and assumptions

The preparation of the financial statements in conformity with FRS 101 requires management to make estimates, assumptions and judgements in certain circumstances that affect reported amounts. The key judgements affecting the financial statements are detailed below:

Investments in subsidiary undertakings impairment assessment

Performing the annual impairment assessment for investments in subsidiary undertakings requires the use of estimates including those in respect of future cash flows, growth rates and an appropriate discount rate as set out in note 8 to the Group's consolidated financial statements. The assessment is also sensitive to movements in the fair value of the financial assets held within the Trusts and the fair value of the Group's external debt, as set out in note 22 to the Group's consolidated financial statements. The current period impairment test has resulted in an impairment charge of £78.3 million (2021: £11.8 million).

Fixed asset investments
Fixed asset investments are stated at historical cost, less any provision for impairment.

Impairment of fixed assets – investments in subsidiaries
The carrying values of fixed assets are reviewed for impairment in periods where events or changes in circumstances indicate that the carrying value may not be recoverable at the end of the first full financial year following the recognition. Any impairment in the value of fixed assets is charged to the income statement within amounts written off investments. A reversal of an impairment loss is recognised in the income statement to the extent that the original loss was recognised.

Employee share schemes
The Company operates two employee share schemes: the Save As You Earn scheme ('SAYE') and the Long-Term Incentive Plan ('LTIP') scheme.

The Company applies IFRS 2 in respect of share option schemes resulting in the charge for such schemes being recognised in a subsidiary of the Company. The Company's financial statements reflect the cost of the scheme as an increase in the cost of investment in the subsidiary with the corresponding credit included within other reserves.

For further information see accounting policy within note 1 to the Group's consolidated financial statements.

Employee share trust
The assets of the employee share trust are held by a separate limited company, of which the Directors consider that Dignity plc has de facto control. In accordance with IFRS, Accounting for ESOP Trusts and the substance of the transaction, the trust's assets and liabilities are recognised in the Company's balance sheet.

Dividends
Dividend distributions to the Company's shareholders are recognised as a liability in the financial statements in the period in which they are approved by the Company's shareholders. Interim dividends are recorded in the financial statements when paid.

Financial instruments
Borrowings
All borrowings are represented by loans with subsidiary companies which are non-interest bearing and repayable on demand. Loans are recognised at the amounts repayable on demand.

Trade and other receivables
Initial recognition and measurement
Financial assets are classified at initial recognition, and are subsequently measured, at amortised cost as the Company's financial assets give rise to cash flows that are solely payments of principal and, where applicable, interest on the principal amount and it is the Company's business model to collect the contractual cash flows.

Impairment
The Company recognises an allowance for expected credit losses ('ECL's') for all receivables held at amortised cost. ECL's are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive.

ECL's are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECL's are provided for credit losses that result from default events that are possible within the next 12 months (a 12 month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

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

C2 Operating result
Disclosure of auditor's remuneration for the Company required by regulation 5(1)(b) of the Companies (Disclosure of Auditor Remuneration and Liability Limitation Agreements) Regulations 2008 is not presented as the consolidated financial statements comply with this regulation on a consolidated basis. See note 5 of the consolidated financial statements for further details.

C3 Investments in subsidiary undertakings

Cost	£m
At 25 December 2020	151.3
Additions in respect of Corporate interest restriction payments	12.9
Additions in respect of share-based payments	0.8
At 31 December 2021	165.0
Additions in respect of Corporate interest restriction payments	–
Additions in respect of share-based payments	0.2
At 30 December 2022	**165.2**
Impairment	
At 25 December 2020	–
Impairment charge	(11.8)
At 31 December 2021	(11.8)
Impairment charge	(78.3)
At 30 December 2022	**(90.1)**
Net book amount	
At 30 December 2022	**75.1**
At 31 December 2021	153.2
At 25 December 2020	151.3

Additions in the period reflect the effect of capital contributions to subsidiaries as a result of share-based payment schemes operated in those companies over the shares of Dignity plc and payments made on behalf of subsidiaries as a result of corporate interest restriction liabilities.

A detailed listing of all subsidiary undertakings is included in note C9 below.

The market capitalisation of the Company was lower than the aggregate of the amount of the Company's investment in subsidiaries and receivables from those entities and subsequently an impairment of £78.3 million (2021: £11.8 million) has been charged based on a recoverable amount of £75.1 million. The Directors consider that the remaining carrying value of the investments is supported by their underlying net assets and value-in-use. Value-in-use is mainly driven by the forecasts and assumptions of subsidiaries indirectly held by Dignity (2004) Limited. This assessment is sensitive to assumptions in relation to value-in-use, as set out in note 8 to the Group's consolidated financial statements, and to movements in the fair value of the financial assets held within the Trusts and the fair value of the Group's external debt, as set out in note 22 to the Group's consolidated financial statements. Further background to the impairment is set out in note 8 to the consolidated financial statements.

Impairment sensitivities

The following table demonstrates the impact of changes to the Group's value-in-use on the above impairment charge, based on a number of different sensitivities:

Sensitivity applied:	Decrease/(increase) in impairment charge £m
Increase in discount rate of 1 per cent (to 13.9 per cent)	(40.6)
Increase in 2023 funeral services EBITDA and beyond of £3.0m	27.5
Decrease in 2023 funeral services EBITDA and beyond of £3.0m	(26.1)

C4 Debtors: amounts falling due within one year

	30 December 2022 £m	31 December 2021 £m
Amounts owed by subsidiary undertakings	**319.6**	287.0
Corporation tax	**1.8**	–
	321.4	287.0

An ECL of £2.6 million (2021: £1.6 million) is held against amounts owed by subsidiary undertakings, based on a 12 month ECL. Amounts are unsecured, non-interest bearing and repayable on demand.

C5 Creditors: amounts falling due within one year

	30 December 2022 £m	31 December 2021 £m
Amounts owed to subsidiary undertakings	**15.0**	13.2
Accruals	**1.8**	1.7
	16.8	14.9

Amounts owed to subsidiary undertakings are unsecured, non-interest bearing and repayable on demand.

C6 Called up share capital

	30 December 2022 £m	31 December 2021 £m
Allotted and fully paid Equity shares		
50,043,435 (2021: 50,031,008) Ordinary Shares of 12 48/143p (2021: 12 48/143p) each	**6.2**	6.2

Each Ordinary Share carries equal voting rights and there are no restrictions on any share. See note 23 to the Group's consolidated financial statements for further details. See also note 24 to the Group's consolidated financial statements for details on share-based payments.

C7 Staff costs

There were no employees in either period.

Directors' remuneration

Details of the Directors' emoluments are included in pages 109 to 111. The emoluments were borne by a subsidiary undertaking and not recharged.

C8 Related party transactions

There are no related party transactions for either period requiring disclosure.

C9 Post balance sheet events

See also note 24 of the Group's consolidated accounts for details on post balance sheet events.

C10 Investments in subsidiary undertakings and associates

Principal subsidiaries

Company name	Principal activity
Advance Planning Limited	Pre-arranged funeral plans
Dignity (2002) Limited	Intermediate holding company
Dignity Crematoria Limited	Construction and leasing of crematoria
Dignity Crematoria No.2 Limited	Construction and leasing of crematoria
Dignity Finance PLC	Finance company
Dignity Funerals Limited	Funeral services
Dignity Funerals No.3 Limited	Funeral services
Dignity Pre Arrangement Limited	Pre-arranged funeral plans
Dignity Securities Limited	Pre-arranged funeral plans
Pitcher & Le Quesne Limited***	Funeral services

Other subsidiaries

Company name	Principal activity
Birkbeck Securities Limited	Intermediate holding company
Dignity (2004) Limited	Intermediate holding company
Dignity (2008) Limited	Intermediate holding company
Dignity Ventures Limited	Intermediate holding company
Dignity (2014) Limited	Intermediate holding company
Dignity Finance Holdings Limited	Intermediate holding company
Dignity Holdings Limited	Intermediate holding company
Dignity Holdings No.2 Limited	Intermediate holding company
Dignity Holdings No.3 Limited	Intermediate holding company
Dignity Mezzco Limited	Finance company
Dignity Services	Intermediate holding company
Valedictum Limited	Non-trading company
Funeral Advisor Limited	Online funeral resource
Dignity Beyond Life Limited	Will writing and other end-of-life support services

C10 Investments in subsidiary undertakings and associates (continued)

Associates

Company name	Principal activity
Funeral Zone Limited – 23.8 per cent	Online funeral resource for funeral directors

Dormant companies

A & N Duckworth Limited
A Ashton & Sons Limited
A Bennett & Sons Limited
A F Townsend (Funeral Directors) Limited
A Hazel & Sons Limited
A Shepherd & Sons Limited
A T Genders Limited
A V Band Limited
A. & G. Huteson Ltd
A Haxby & Sons (Filey) Limited
Abbey Funeral Service Limited
Adela Funeral Homes Limited
Aberdeen Funeral Directors Limited*
Anglian Funeral Service Limited
Armitage (Funeral Directors) Limited
Arthur Denyer Limited
Arthur G Whitehead (Westminster) Limited
Ashton & Ebbutt Limited
Ashton Ebbutt Holdings Limited
Ashton Memorials Limited
Ashtons (Brighton) Limited
Associated Funeral Services Limited
Astley Funerals Limited
Arthur J. Nash Limited

B & B Funeral Directors Limited
B. Bernard & Sons Limited
Baguley Bros. Limited
Banks Funeral Service Limited
Bayley Brothers Hereford Limited
Birmingham Crematorium (1973) Limited
Boyce Anderson Motors Limited**
Bracher Brothers Limited
Brighton Stonemasons Limited
Broadwater Limousines Limited

C Powell Funeral Service Limited
Caledonian Funeral Services Limited*
Carrwood Funeral Supplies Limited
Castle Court Funeral & Limousine Services Limited
Chichester Crematorium Limited
Chosen Heritage (Scotland) Limited*
Chosen Heritage Limited
Chosen Heritage Services Limited
Clegg Humphreys Limited
Cooksey & Son Limited
Cooksley & Son Limited
Coombes & Sons (Bovey Tracey) Limited
Counties Crematorium Limited
Coyne Brothers Limited
Cumbernauld Funeral Services Ltd*
Cyril H. Lovegrove Limited

D J Thomas (Funeral Directors) Limited
D. J. Evans Forse & Co Limited
D. Walsh & Son Limited
Daly & Company Limited
David B Hendry Limited
David Silvey & Son Limited
Davis McMullan Funeral Directors Limited
Derriman & Haynes Funeral Services Limited
Dewi Reynolds & Sons Limited
Dignity (2009) Limited
Dignity Caring Funeral Services Limited
Dignity Funerals No.2 Limited
Dignity Funerals No.4 Limited
Dignity In Destiny Limited
Dignity Legal Services Limited
Dignity Manufacturing Limited
Dillistone Funeral Service Limited
Docklands Funeral Services Limited
Dottridge Brothers Limited
Downer & White Limited
Downs Crematorium Limited
Dowsett & Jenkins Limited
Dundee Crematorium Limited*
Dunning (Undertaking) Limited
Dyson Richards Limited

E Hurton & Son Limited
E M Lander Limited
E Seymour & Son Limited
E. Brigham Funeral Directors Limited
E.F.Edwards Limited
E.Finch & Sons Limited
Earl Of Plymouth Limited
Eden Park Estate Limited
Edmund & Lewis Limited
Edward Lewis Wicks & Sons Limited
Ely Funeral Service Limited
Exeter & Devon Crematorium Limited

F L Mildred & Sons (Funeral Directors) Limited
F. Kneeshaw & Sons (Funeral Directors) Limited
F.E.J. Green & Sons Limited
F.G.Pymm (Funeral Directors) Limited
F.Harrison & Son (Funeral Directors) Limited
F. J. Gibb Limited
F.M. & J. Wait & Co Limited
F. Jennings & Sons Limited
F.Smith & Son (Staines) Limited
Family Funeral Services Limited
Farebrother Funeral Services Limited
Fisher & Townsend (Funeral Directors) Limited
Flowers By Design Limited
Ford Ennals Funeral Services Limited
Forethought Limited
Francis Chappel & Sons Limited
Frank Stephenson & Son (Funeral Directors) Limited
Frederick W Chitty & Co Limited
Fredk. W.Paine Limited
Funeral Arrangements Online Limited
Funeral Debt Collection Limited
Funeral Services London Limited

G & L Evans Ltd
G. M. Charlesworth & Son Limited
G.F. Cook (Funerals) Limited
G.F.Hunt (Bath) Limited
G.Gamble & Son Limited
G.Smith (Wooburn) Limited
George Hall & Son Funeral Directors Limited
George S. Munn & Company, Limited*
George Stanton (1935) Limited
Ginns & Gutteridge Limited
Gornalls Funeral Services Limited
Graeme Buckle Funeral Services Limited
Graham Sullivan Funeral Directors Limited
Grave Design Limited
Great Southern Group Limited
Grimmett & Timms Limited

H & G Wilde Funeral Directors Limited
H A Harrold & Son Limited
H Eaton & Sons Holdings Limited
H.Eaton & Sons Limited
H J Dawson Limited
H J Phillips & Son (Funeral Directors) Limited
H Johnson & Sons Limited
H Leslie Humphreys Limited
H Tonkin Limited
H. J. Whalley & Sons Limited
H. Towell Ltd
H.Copeland & Son Limited
H.Dorricott & J.Bent Limited*
H.G.Brown & Sanders Limited
H.Hill Funeral Service Limited
H.R.H. Holdings Limited
Hambrook & Johns Limited
Hanningtons (Funeral Directors) Limited
Hardacres Funeral Directors Limited
Harry Williams & Sons (Cambridge) Limited
Heighton & Son Limited
Hemley Funeral Service Limited
Henry Naylor (Funeral Directors) Limited
Henry Paul Limited
Henry Smith (Wandsworth) Limited
Highfield Funeral Service Limited
Hindu Funeral Service Limited
Hodgson Holdings (Scotland) Limited
Hodgson Holdings Limited
Holdfast (Funerals) Limited**
Howard Jenkins (Edge Hill) Limited
Hunters Funeral Directors Limited

Ian Clarke Funeral Service Limited
Ingall Services Limited
Inverclyde Funeral Directors Limited*
Invicta Memorials Limited

J H Kenyon Limited
J H Raven Limited
J Hylton & Sons Limited
J Kynaston Limited
J Steadman & Sons Limited
J.W.Tate & Son (Holdings) Limited
J.W.Tate & Son Limited
Jack Lee & Sons Limited
James Allen & Son (Disley) Limited
James Crook Limited
John & William Shering Limited
John Bardgett & Sons Limited
John G Ashton & Co (Funeral Directors) Limited
Johnson Funeral Supplies Limited
Johnson-Sears Limited
Jonathan Harvey Limited
Jonathan Walker Funeral Directors Limited
Joseph Swift (Funeral Director) Limited
Joseph Tomlinson & Sons Limited
Joslin Memorials (1974) Limited

K.Y. Green Limited
Kellaways (Funeral Service) Limited
Ken Gregory & Sons Limited
Kent Funeral Supplies Limited
Kenyon Air Transportation Limited
Kenyon Emergency Services Limited
Kenyon Repatriation Limited
Kenyon Securities Limited
Kenyons Funeral Directors Limited
Kirkwoods (Funeral Directors) Limited**

L Fulcher Limited
L J Clegg Limited
Lambeth & Brixton Community Funeral Services Limited
Lambeth Funeral Services Limited
Lea Valley Funeral Services Limited
Leeds Limousines Limited

Leehope Services Limited
London Necropolis Company Limited
Longhurst (Undertakers) Limited
Lowden Wells Limited

MacIntosh & Steven Limited*
Mahony & Ward Limited
Malcolm J Presland Limited
Mannerings Limited
Mason Funeral Service Limited
Mathias's of Putney Limited
Maxwell Bros. Limited
Meadow Pool Limited
Mews & Yeatmans Limited
Mid Sussex Funeral Services Limited
Middleton & Wood (1919) Limited
Monumental Masons Limited
Moodys Funeral Directors Limited
Moray Crematorium Holdings Limited*
Moray Crematorium Limited*
Morecambe & Heysham Funeral Service Limited

N A Medd Limited
National Funeral Trust Limited
Newport & Telford Funeral Service Ltd
Newport Hire (I.W.) Limited
Newsome's Funeral Service (Royston) Limited
Nicholls Memorials Limited
Norfolk Crematorium Limited
Northampton Crematorium Limited
Norwich Crematorium Holdings Limited
Norwich Crematorium Limited
Nubian Funeral Directors Limited

Oxford Crematorium Limited

Patrick Stonemasons Limited
Personal Choice Funeral Plan Limited
Peter Johnson Funerals Ltd.
PFG Hodgson Kenyon (Services) Limited
PFG Hodgson Kenyon (UK) Limited
PFG Hodgson Kenyon Limited
Philip Ford & Son (Funeral Directors) Limited
Phillips Funeral Plans Limited
Phillips Funeral Services Limited
Phillips Holdings (Hertfordshire) Limited
Phillips Supplies Limited
Piccioni (Masonry) Limited
Plantsbrook Group Limited
Plantsbrook Limited
Preston Ireland Bowker Limited
Priestley & Cockett Limited

R Butler & Sons Limited
R C Holden & Son Limited
R Garner Son & Wood Limited
R.Davies & Son Limited
R.S. Johnson & Sons Limited
R.S.Scott (Funerals) Limited
Ravenhill Funeral Services Limited**
Remembrance Limited
Robemanor Limited
Robert Nicholls Funeral Directors Limited
Roberts & Brain Limited
Romney Marsh Funeral Services Limited
Rosspark Limited

S A Bates & Sons Limited
S Wellens & Sons Limited
Saftway Limited
Salenew Limited
Sanders Goodale & Co.Limited
SCI Pre Arrangement Limited
Seaford Funeral Service Limited
Seddons of Southport Limited
Selim Smith & Co. Limited
Serenity Limited
Sevenoaks District Crematorium Limited
Shankill Funeral Services Limited**
Silver Lady Funeral Service Limited
Simplicity Funerals Limited
Simpsons (Undertakers Requisites) Limited
Spotland Bridge Funeral Services Limited
Stanway & Garnett Funeral Service Limited
Swift & Mildred Limited

T & R O'Brien Limited*
T H Fenton Limited
T S Annison & Sons Limited
T. S. Horlock & Son Limited
T.H.Sanders & Higgs Limited
T.H.Sanders & Sons Limited
T J Brown & Sons Limited
T.J.Davies & Sons (Funeral Directors) Limited
Taylors Funerals (Wirral) Limited
The Crematorium Company Limited
The Dignity Plan Limited
The East Riding Crematorium Company Limited
The Haltemprice Crematorium Limited
The Lawrence Funeral Service Limited
The Leverton Funeral Service (Dartford) Limited
The South London & Southern Counties Cremation Society Limited
The South London Crematorium Co Limited

The Titford Funeral Service Limited
Thomas Brothers (Wellington and Taunton) Limited
Thompsons (Busbys) Limited
Thompsons (Funeral Furnishers) Limited
Thompsons (Maguires) Limited
Thompsons (Rimmers) Limited
Tovey & Morris Limited

U.F.D. Limited
UK Funerals Limited
UKF Limited

Valedictum Holdings Limited
Valedictum Group Limited
Valedictus Limited
Valedictus Holdings Limited
Valedictus Group Limited

W G Dixon Limited
W G Rathbone Funeral Directors Limited
W H Scott & Son Limited
W S Bond Limited
W S Harrison & Son Limited
W Thorp & Sons (Leigh-on-Sea) Limited
W.E.Turner (Funeral Furnishers) Limited
W.Garstin & Sons Limited
Walkers Funeral Directors Limited
Walmsley Hammond (Rayleigh) Limited
Warburton Funerals Limited
Wetton Funeral Services Limited
White Lady Funerals Limited
Whyte Funeral Services Limited*
William Pearce & Son Limited
Wilmshurst & Dickson Limited
WM. Jordan & Son (Funeral Directors) Limited*
Woodfield Park Funeral Home Limited
Wrekin Funeral Service Limited

Yew Holdings Limited

Registered office

* The registered office for these subsidiaries is 280 Kinfauns Drive, Glasgow, G15 7AR
** The registered office for these subsidiaries is 14 Scotch Quarter, Carrickfergus, County Antrim, BT38 7DP
*** The registered office for this subsidiary is 59 Kensington Place, St Helier, JE2 3PA, Jersey

All other subsidiary undertakings are registered at 4 King Edwards Court, King Edwards Square, Sutton Coldfield, West Midlands, B73 6AP.

Other information

All of the subsidiaries are incorporated in the United Kingdom except for Pitcher & Le Quesne Limited which is incorporated in Jersey. All subsidiaries are controlled by the Group.

All of the above shareholdings are held indirectly, with the exception of Dignity (2004) Limited, Dignity (2008) Limited, Dignity Ventures Limited and Dignity Holdings No.3 Limited.

Dignity plc owns, either directly or indirectly, 100 per cent of the equity interest of all the subsidiaries.

Summarised consolidated income statement

	2022 £m	2021 restated[(2)] £m	2020 restated[(3)] £m	2019 £m	2018 £m
Underlying revenue					
Funeral services	**176.4**	201.9	202.6	203.3	214.9
Crematoria	**81.9**	85.5	82.7	76.8	78.0
Pre-arranged funeral plans	**12.2**	24.6	28.8	21.2	22.7
	270.5	312.0	314.1	301.3	315.6
Underlying operating profit					
Funeral services	**11.0**	48.2	53.1	56.3	62.2
Crematoria	**39.5**	47.0	44.2	38.4	40.3
Pre-arranged funeral plans	**–**	–	–	–	2.8
Central overheads	**(32.6)**	(39.4)	(37.0)	(31.4)	(25.1)
	17.9	55.8	60.3	63.3	80.2
Underlying finance costs	**(28.0)**	(29.0)	(29.8)	(25.8)	(26.0)
Underlying finance income	**–**	–	0.1	0.2	0.2
Underlying (loss)/profit before tax	**(10.1)**	26.8	30.6	37.7	54.4
Underlying taxation credit/(charge)	**0.8**	(5.4)	(7.4)	(7.4)	(11.5)
Underlying (loss)/profit after tax	**(9.3)**	21.4	23.2	30.3	42.9
Underlying earnings per share (pence)	**(18.6)p**	42.8p	46.4p	60.6p	85.8p
Revenue	**323.1**	353.7	357.5	338.9	353.7
Operating (loss)/profit	**(328.6)**	19.5	15.9	44.8	75.9
(Loss)/profit after tax	**(275.2)**	12.1	(25.5)	30.6	(17.0)
Basic (loss)/earnings per share (pence)	**(550.4)p**	24.2p	(51.0)p	61.2p	(34.0)p

Key performance indicators

	2022	2021	2020	2019	2018
Total estimated number of deaths in Britain (number)	**639,000**	664,000	663,000	584,000	599,000
Number of funerals performed (number)	**77,000**	79,200	80,300	69,400	72,300
Funeral market share[(4)] (per cent)	**11.9%**	11.8%	12.0%	11.7%	11.9%
Number of cremations performed (number)	**75,500**	74,800	74,500	64,800	65,200
Cremation market share (per cent)	**11.8%**	11.3%	11.2%	11.1%	10.9%
Active pre-arranged funerals (number)	**618,000**	581,000	558,000	523,000	486,000
Underlying cash generated from operations (£million)	**44.1**	88.3	88.9	71.8	101.9

Net debt

	2022 £m	2021 £m	2020 £m	2019 £m	2018 £m
Net amounts owing on Secured Notes per financial statements	**(516.1)**	(526.6)	(541.7)	(551.3)	(560.6)
Add: unamortised issue costs	**(0.4)**	(0.5)	(0.5)	(0.6)	(0.6)
Gross amounts owing	**(516.5)**	(527.1)	(542.2)	(551.9)	(561.2)
Accrued interest on Secured Notes	**–**	–	(12.0)	(12.2)	(12.3)
Accrued interest on Crematoria Acquisition Facility and Revolving Credit Facility	**–**	–	–	–	(0.2)
Cash and cash equivalents – Trading Group	**7.7**	55.9	73.6	57.9	66.9
Net debt	**(508.8)**	(471.2)	(480.6)	(506.2)	(506.8)

Summarised consolidated balance sheet

	2022 £m	2021 £m	2020 £m	2019 £m	2018 £m
Non-current assets					
Goodwill and intangible assets	**109.2**	278.6	324.4	373.1	384.9
Property, plant and equipment	**231.6**	242.1	240.9	251.3	254.1
Right-of-use asset	**68.4**	89.1	95.2	–	–
Investments in associated undertakings	**–**	–	–	–	6.0
Deferred insurance commissions	**8.0**	8.4	9.4	10.2	8.4
Other financial assets	**–**	–	–	7.2	7.3
Financial assets – held by the Trusts	**957.3**	1,043.1	967.1	947.5	862.4
Deferred commissions	**93.7**	100.9	101.3	96.8	94.5
Deferred tax asset	**56.8**	5.5	20.3	14.0	17.9
	1,525.0	1,767.7	1,758.6	1,700.1	1,635.5
Current assets					
Cash and cash equivalents – Trading Group	**7.7**	55.9	73.6	57.9	66.9
Cash and cash equivalents – held by the Trusts	**9.4**	19.8	21.6	15.5	13.8
Cash and cash equivalents	**17.1**	75.7	95.2	73.4	80.7
Other current assets	**50.2**	48.6	46.6	47.6	46.9
	67.3	124.3	141.8	121.0	127.6
Total assets	**1,592.3**	1,892.0	1,900.4	1,821.1	1,763.1
Current liabilities					
Financial liabilities	**12.2**	11.5	15.7	10.2	9.3
Contract liabilities	**98.8**	99.6	95.5	95.5	91.5
Lease liabilities	**7.0**	7.1	7.3	–	–
Other current liabilities	**64.3**	61.6	78.5	68.8	73.0
	182.3	179.8	197.0	174.5	173.8
Non-current liabilities					
Financial liabilities	**506.9**	518.3	529.5	545.2	551.9
Contract liabilities	**1,217.6**	1,237.9	1,222.0	1,209.1	1,164.6
Lease liabilities	**73.3**	75.8	81.2	–	–
Other non-current liabilities	**34.4**	31.3	48.2	37.3	36.7
	1,832.2	1,863.3	1,880.9	1,791.6	1,753.2
Total liabilities	**2,014.5**	2,043.1	2,077.9	1,966.1	1,927.0
Total deficit	**(422.2)**	(151.1)	(177.5)	(145.0)	(163.9)
Total deficit and liabilities	**1,592.3**	1,892.0	1,900.4	1,821.1	1,763.1

Notes

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

(2) 2021 operating profit has been restated due to a prior year restatement in relation to a reclassification of hedging/foreign exchange differences arising on financial assets held by the Trusts. See note 1 to the Group's consolidated financial statements for further information.

(3) 2020 underlying profit measures have been restated to include the impact of IFRS 16. Equivalent underlying measures in 2019 and 2018 have not been restated.

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

Non-GAAP measures

(a) 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 Annual Report.

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.

Non-GAAP measures (continued)

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.

Non-GAAP measures (continued)

(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 Annual Report and Accounts. 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

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

General information

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

Company Registrars

Enquiries concerning shareholdings, change of address or other particulars, should be directed in the first instance to the Company's Registrars, Equiniti. They also provide a range of online shareholder information services at www.shareview.co.uk where shareholders can check their holdings and find practical help on transferring shares and updating personal details. Alternatively, they can be contacted by telephone on +44 (0) 371 384 2674 (textphone for shareholders with hearing difficulties 0371 384 2255) if calling from within the UK, or +44 (0) 121 415 7047 if calling from outside the UK.

Shareholder communications

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

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

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

Electronic communications

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

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

Choosing email notification will result in you joining the Equiniti Shareview Service in accordance with its terms and conditions.

Share price information

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

Unsolicited approaches to shareholders

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

While high profits are promised, those who buy or sell shares in this way usually lose their money.

The Financial Conduct Authority ('FCA') has found most share fraud victims are experienced investors who lose an average of £20,000, with around £200 million lost in the UK each year.

Protect yourself

If you are offered unsolicited investment advice, discounted shares, a premium price for shares you own or free company or research reports, you should take these steps before handing over any money:
1. Get the name of the person and organisation contacting you.
2. Check the FCA Register at www.fca.gov.uk/register to ensure they are authorised.
3. Use the details on the FCA Register to contact the firm.
4. Call the FCA Consumer Helpline on 0800 111 6768 if there are no contact details on the Register or you are told they are out of date.
5. Search the FCA's list of unauthorised firms and individuals to avoid doing business with.
6. If it sounds too good to be true, it probably is!

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

Annual General Meeting

The Company's Annual General Meeting will be held on 8 June 2023 at 11.00 am at the offices of DLA Piper UK LLP, Two Chamberlain Square, Paradise, Birmingham, West Midlands, B3 3AX.

Dividends

The Group has not paid a dividend since June 2019 and the Directors do not expect to do so until the business has returned to a more sustainable financial footing. We continue to work on our plans to improve our capital structure so that the pursuit of the best long-term value for shareholders is not compromised by the covenants attached to our bonds. We retain significant cash resources, continue to be cash generative and understand the importance of optimising total shareholder return whilst maintaining a balance between different stakeholders, and it is the Directors' intention to pay a dividend as soon as we believe it is financially prudent to do so.

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Legal Advisers:
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Two Chamberlain Square
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Birmingham
B3 3AX

Annual General Meeting
8 June 2023

2023 financial half year end
30 June 2023

Announcement of 2023 interim results
27 September 2023

Financial period end
29 December 2023

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

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

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