Dignity plc Annual Report & Accounts 2012

Every day:
We are committed to client service excellence

Dignity
CARING FUNERAL SERVICES

About Dignity

At 28 December 2012 Dignity owned 636 funeral locations and operated 37 crematoria in the United Kingdom. The Group continues to have a strong market presence in pre-arranged funeral plans, where people plan and pay for their funeral in advance.

We are a FTSE 250 company listed on the London Stock Exchange, with over 2,550 employees serving families and local communities across the United Kingdom for generations.

Helping people at one of the most difficult times in their lives remains at the very heart of everything we do.

Contents

Front cover: Louise Bainton, Funeral Service Arranger at W Kaye & Son in Leeds, who passed the National Association of Funeral Directors Diploma in 2012.

Key financial highlights

Delivering a strong performance

Current period financial highlights	2012	2011	Increase %
Revenue (£million)	**229.6**	210.1	9
Underlying operating profit[(a)] (£million)	**69.4**	64.5	8
Underlying profit before tax[(a)] (£million)	**46.1**	41.6	11
Underlying earnings per share[(b)] (pence)	**62.8**	55.1	14
Cash generated from operations[(c)] (£million)	**83.3**	74.2	12
Operating profit (£million)	**68.7**	63.2	9
Profit before tax (£million)	**45.4**	40.3	13
Basic earnings per share (pence)	**65.1**	62.6	4
Interim dividend[(d)] (pence)	**5.36**	4.87	10
Final dividend[(e)] (pence)	**9.77**	8.88	10

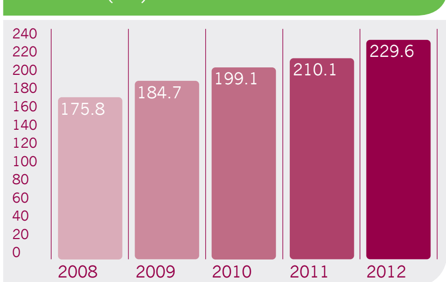
(a) Underlying profit is calculated as profit excluding profit on sale of fixed assets and external transaction costs.
(b) Underlying earnings per share is calculated as profit on ordinary activities after taxation, before profit on sale of fixed assets and external transaction costs (both net of tax) and exceptional items, divided by the weighted average number of Ordinary Shares in issue in the period.
(c) Cash generated from operations excludes external transaction costs.
(d) Interim dividend represents the interim dividend that was declared and paid in the period out of earnings generated in the same period.
(e) The final dividend represents the final dividend that was declared and paid in the period relating to the earnings generated in the previous period.

+9%
Revenue up 9% to £229.6 million

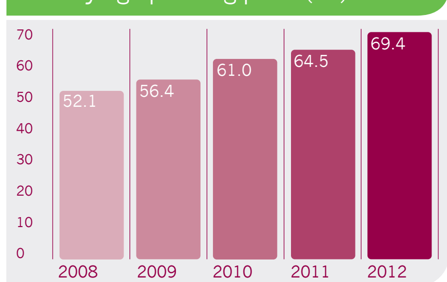
+8%
Underlying operating profit up 8% to £69.4 million

+14%
Underlying earnings per share up 14% to 62.8 pence per share

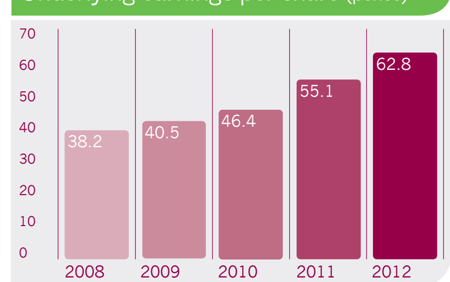
Revenue (£m)



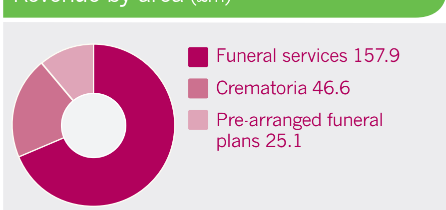
Underlying operating profit (£m)



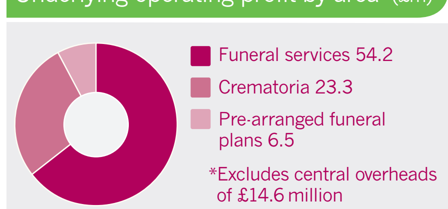
Underlying earnings per share (pence)



Revenue by area (£m)



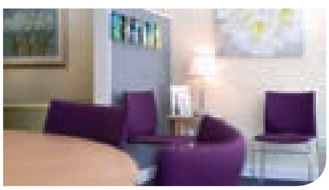
Underlying operating profit by area* (£m)



Dignity at a glance

The Group's operations are managed across three main areas, namely funeral services, crematoria and pre-arranged funeral plans. Our people across the business are dedicated to making a difference to the families and local communities they serve. We aim to achieve our business objectives in a caring and responsible manner, recognising the economic, social and environmental impact of our activities.

Funeral services



Business overview

At 28 December 2012, we operated a network of 636 funeral locations throughout the United Kingdom generally trading under established local trading names.

Funeral services revenues relate to the provision of funerals and ancillary items such as memorials and floral tributes. In 2012, the Group conducted 63,200 funerals, which represents approximately 11.2 per cent of estimated total deaths in Britain.

99.3%

99.3 per cent of clients said that we met or exceeded their expectations

636

Number of funeral locations in the UK

63,200

Number of funerals conducted during 2012

Crematoria

Business overview

We are the largest single operator of crematoria in Britain. At 28 December 2012, we operated 37 crematoria in England and Scotland.

Crematoria revenues arise from cremation services and the sale of memorials and burial plots at the Group's crematoria and cemeteries. In 2012, we carried out 50,500 cremations representing 9.2 per cent of estimated total deaths in Britain.

365

Our grounds are open 365 days of the year

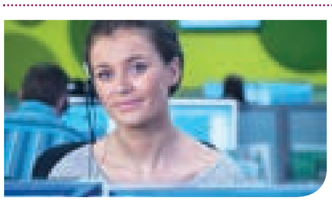
37

Number of crematoria Dignity operates in England and Scotland

50,500

Number of cremations conducted during 2012

Pre-arranged funeral plans



Business overview

The Group has a strong market presence in the provision of pre-arranged funeral plans with 290,000 unfulfilled funeral plans as at 28 December 2012.

Pre-arranged funeral plans income represents amounts to cover the costs of marketing and administering the sales of plans. Pre-arranged funeral plans allow people to plan and pay for their funeral in advance. Dignity works with a number of reputable affinity partners.

525,000

We have already helped more than 525,000 people arrange their funeral in advance

290,000

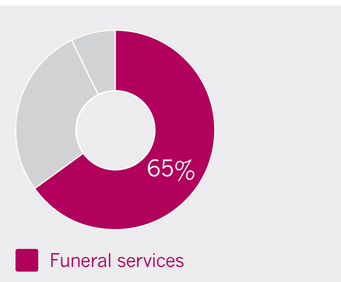
Number of unfulfilled funeral plans as at 28 December 2012

Our performance in 2012

The Group has performed strongly in 2012. Revenue is up 9 per cent, underlying operating profits are up 8 per cent and underlying earnings per share are up 14 per cent. We continued to make good progress across all our operations.

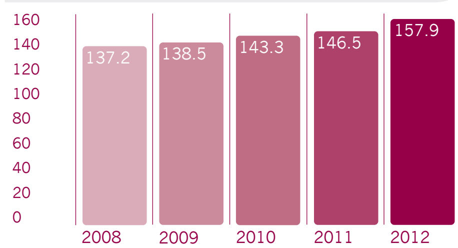
Operational and financial summary

Group operating profits share (%)



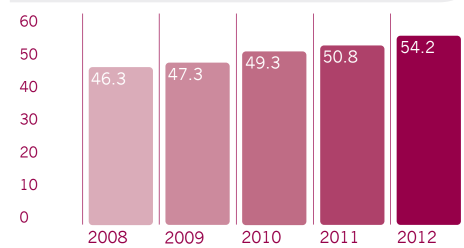
Revenue up 8% to £157.9 million

Revenue (£m)



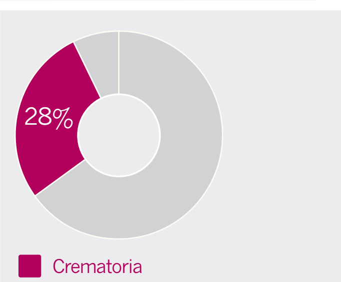
Underlying operating profit up 7% to £54.2 million

Underlying operating profit (£m)



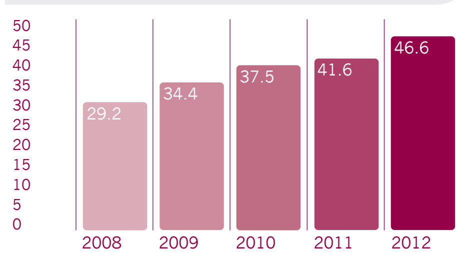
Operational and financial summary

Group operating profits share (%)



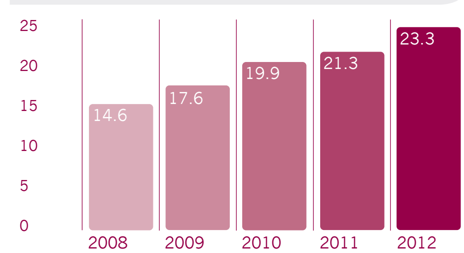
Revenue up 12% to £46.6 million

Revenue (£m)



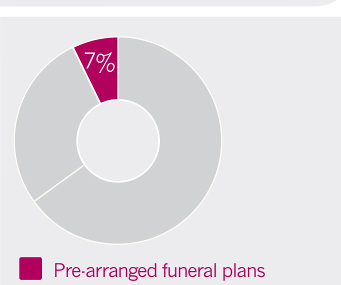
Underlying operating profit up 9% to £23.3 million

Underlying operating profit (£m)



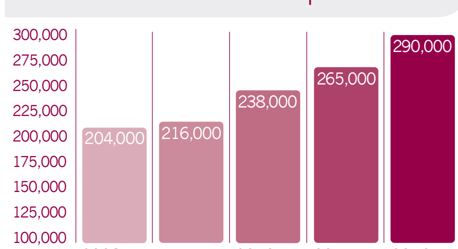
Operational and financial summary

Group operating profits share (%)



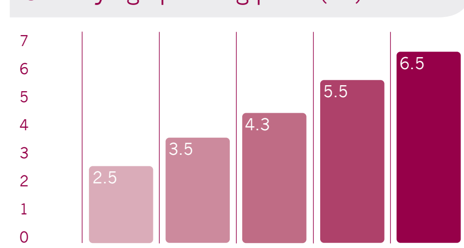
Total unfulfilled pre-arranged funeral plans increased to 290,000

Total number of unfulfilled plans



Underlying operating profit up 18% to £6.5 million

Underlying operating profit (£m)



From the Chairman

A year of continued strong revenue and profit growth

Peter Hindley, Chairman

Results

In 2012, Dignity continued to deliver strong growth across all areas of its business.

Underlying operating profits increased eight per cent to £69.4 million (2011: £64.5 million). Underlying earnings per share increased 14 per cent to 62.8 pence per Ordinary Share (2011: 55.1 pence per Ordinary Share).

Dividends

The Board is proposing a final dividend of 10.75 pence per Ordinary Share to be paid on 28 June 2013 to members on the register at close of business on 24 May 2013. This dividend is subject to the approval of shareholders at the Annual General Meeting on 6 June 2013. This final dividend represents a 10 per cent increase on the previous year and continues the rate of increase seen historically.

The Board

In last year's annual report, I described changes to the Board's composition that were effective from 1 April 2012. All these changes have gone well and the Board continues to operate effectively.

I would like to thank all the members of the Board for their support in the year and recognise the significant contributions Alan McWalter has already made as Senior Non-Executive Director and Chair of the Remuneration Committee; Ishbel Macpherson has made as Chair of the Audit Committee; and Jane Ashcroft and Martin Pexton have made in their first year on the Board.

Governance

The Board is committed to the highest standards of corporate governance in order to achieve its objectives and meet the necessary standards of accountability and integrity. The Directors' Statement on Corporate Governance and the Report on Directors' Remuneration on pages 34 to 44 provide a description of how the main and supporting principles of The UK Corporate Governance Code (2010) have been applied within Dignity plc during 2012.

Our people

One of Dignity's strengths is that it has remained focused on fundamentally the same strategy for over ten years. The strategy is reliant on our staff continuing to deliver very high levels of service. Once again this year, the service we have provided our clients has been outstanding and I would like to pay tribute to every member of staff within the business that has helped to achieve this.

Outlook for 2013

2013 has already seen exciting developments for the Group, with the announcement in January of the acquisition of Yew Holdings Limited (Yew) for £58.3 million in cash. This was partly financed with debt, with the balance of proceeds from a £24.2 million equity placing, the first since the Group's flotation in 2004. This placing was over subscribed, which was a pleasing sign of support for the Group.

I am sure that this acquisition will create value for our shareholders in the coming years.

The Board's expectations are positive and unchanged, with core operational performance expected to deliver improved profitability in the year.

"One of Dignity's strengths is that it has remained focused on fundamentally the same strategy for over ten years."

+8%

Underlying operating profit up 8 per cent to £69.4 million (2011: £64.5 million).

10.75 pence

Final dividend of 10.75 pence. An increase of 10 per cent on the previous year, continuing the rate of increase seen historically.

Chief Executive's overview

We aim to achieve our business objectives in a caring and human manner

Mike McCollum, Chief Executive

Our performance

I am pleased with the performance of the Group, with underlying operating profits increasing eight per cent and underlying earnings per share increasing 14 per cent to 62.8 pence. Each operating division has made good progress in the year and is well placed for the future.

The recent acquisition of Yew has expanded our presence in the North of England and offers exciting opportunities for the Group.

A consistent strategy and resilient business model

We continue to believe that the strategy we have used for over ten years remains the most appropriate one for this business and has created significant value for shareholders.

Our objectives are simple: prioritise client service, manage our operations efficiently, expand our portfolio of funeral and crematoria locations and gain new clients through the sale of pre-arranged funeral plans.

A shareholder who invested at the time of our flotation in 2004 has received their entire initial investment back in cash and still has a shareholding worth approximately three and a half times that initial investment.

Meeting clients' needs and striving for excellence

We are focused on service because our clients do not use us by chance. Three quarters have used us before or choose us because of recommendation and reputation. They return and recommend us because of the quality service we provide.

I am delighted that yet again this year, customer satisfaction has been at very high levels. However, we are not complacent and continue to work with our staff to help them improve the service we provide year over year. Quite rightly, clients expectations have risen over time. It is up to us to continue to improve our service to meet these increasing expectations. In the past year, 99.3 per cent of clients said that we met or exceeded their expectations.

Leveraging our financial stability and strength

Our robust business model and stable, cash generative nature continues to allow us to maintain a suitable level of debt within the business. We continue to believe that periodically rebalancing our capital structure is an efficient activity and is a meaningful way of creating value for our shareholders.

Valuing our people

The performance we achieve is a result of the hard work, dedication and diligence of all our people across the Group. We continuously strive to attract, develop and retain the best people, enabling them to fulfil their potential and meet and exceed our clients' expectations.

Managing our business responsibly

As an industry leader, we aim to be both successful and good corporate citizens. We aim to achieve our business objectives in a caring and human manner, acting responsibly in all our relationships and playing a positive role in the communities we serve.

During the year, we completed our project to ensure we have mercury abatement equipment installed at 20 of our crematoria locations. We have also progressed our programme of installing smart meters in our locations, thus reducing our environmental footprint and controlling our costs.

Our marketplace and future regulatory landscape

The market remains competitive. Within funerals, new competitors continue to open putting pressure on existing operators. This is not something new and is a feature of the industry that we have successfully dealt with for many years.

With crematoria, lower land values means that it is possible to acquire land and build new crematoria. We are focused on identifying and acquiring such opportunities wherever possible. Nevertheless, the number of crematoria in the UK being developed is limited.

The funeral industry remains unregulated. There have been calls for regulation in the past year. I would welcome regulation of the industry and am sure that Dignity's operations could set the benchmark for the facilities and practices required under such a situation.

Creating value and delivering on our key priorities

As a board, we are committed to creating value for our shareholders. We believe this is best achieved by prioritising client service, continuing to run the core business efficiently, acquiring quality funeral and crematorium businesses where possible, selling pre-arranged funeral plans and then using our stable, cash generative business model to leverage our capital structure. However, we will do this remembering that every day, we are here to help people through one of the most difficult times in their lives.

Our consistent strategy for growth

We are here to help people at one of the most difficult times in their lives.

We do this with compassion, respect, openness and care.

Our aim is to be the company everyone knows they can trust in their time of need.

In turn we believe this will also allow us to create value for shareholders and through our clear, consistent strategy and resilient business model, the Group is well positioned to continue to deliver long term sustainable growth.

Our strategy

We plan to grow the profitability of our business by:

- Operating in a traditional market where people use our services based on our reputation and through recommendations, where we believe our continued commitment to excellent service for our clients will generate a high level of referral and organic revenue growth;
- Continuing to control our operating costs;
- Developing or acquiring additional funeral locations;
- Developing, managing or acquiring additional crematoria; and
- National marketing, principally through affinity partners, of pre-arranged funeral plans.

Our key priorities

Ensuring the highest levels of client service excellence:

- High levels of client service demonstrably affect clients' willingness to recommend our services. Recommendations and our reputation generates approximately 75 per cent of our funeral business.

Attracting, developing and retaining the best people:

- Our employees are central to the success of the business. We seek to attract and retain the best people through appropriate remuneration and ongoing training.

Continued investment:

- We invest heavily in our existing business to ensure it is of the best possible standard, both in client facing areas and behind the scenes. We also seek to invest in new businesses that will help Dignity grow and create value for shareholders.

Delivering long term shareholder returns:

- Our business is driven by relatively predictable factors over long periods of time. This allows us to operate and fund our business in a way that generates value over the long term.

Delivering on our strategy

98.2%

98.2 per cent of clients would recommend us.

18 locations

We have acquired 18 funeral locations in the period for an investment of £10.6 million.

£2.0 million

Discretionary bonuses totalling £2.0 million were made to staff across the business.

£11.8 million

We have invested £11.8 million maintaining our properties and replacing our specialist vehicles.

Our commitment to client service excellence ~ The Dignity client survey

Serving the people in our local communities remains at the heart of everything we do and we are committed to providing the highest standards of service and care and to helping our clients every step of the way when they need us.

To ensure we maintain the highest levels of client service excellence, all Dignity funeral locations send a written client survey to the families we serve.

We strive to set the highest standards for the funeral profession:

In the last five years, we have received over 165,000 responses and from the responses in the last year we know that, having received the final invoice:

99.3% (2011: 99.3%)
99.3 per cent of respondents said that we met or exceeded their expectations;

98.2% (2011: 98.1%)
98.2 per cent of respondents would recommend us;

99.9% (2011: 99.9%)
99.9 per cent thought our staff were respectful;

99.8% (2011: 99.8%)
99.8 per cent thought our premises were clean and tidy;

99.8% (2011: 99.7%)
99.8 per cent thought our vehicles were clean and comfortable;

99.7% (2011: 99.7%)
99.7 per cent thought our staff listened to their needs and wishes;

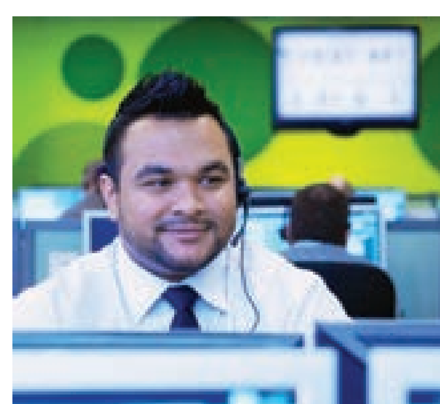
99.3% (2011: 99.2%)
99.3 per cent of clients agreed that our staff had fully explained what would happen before and during the funeral;

99.3% (2011: 99.3%)
99.3 per cent agreed that our staff were compassionate and caring;

98.9% (2011: 98.8%)
98.9 per cent said that the funeral service took place on time; and

98.8% (2011: 98.8%)
98.8 per cent said that the final invoice matched the estimate provided.

This consistent level of service underpins our funeral business.



A leading provider of funeral related services

Dignity is the leading provider of funeral related services in the UK. Our business continues to grow due to the dedication of all our people and working at the heart of our communities is a crucial part of our success and our future. As an industry leader, we strive to set the highest standards of service, facilities and care, ensuring we are well positioned to meet the needs of our clients for generations to come.

Today

Dignity is a British company that is listed on the London Stock Exchange. Dignity maintains the rich heritage of funeral businesses that have served their local communities for generations and strives to set the highest standards in the profession for client service and care for the deceased.

What we believe in

We are here to help people at one of the most difficult times in their lives. We do this with compassion, respect, openness and care. We want to be the company that everyone knows they can trust in their time of need.

In our communities

Everyone within Dignity is extremely committed to not only making a real difference to our clients but also to improving the welfare of all who live within the communities we serve. Our staff support hundreds of local initiatives, good causes, clubs and events every year.

FTSE4Good

Dignity has been identified by the FTSE Group in its FTSE4Good initiative as a company that meets globally recognised standards of corporate responsibility.

Investing in our business

Dignity invests approximately £4.5 million per annum in new vehicles and significant sums each year maintaining its premises and providing staff training. This investment helps to meet and exceed our clients' expectations.

Our proud heritage

Serving local communities for generations

We have a rich and proud heritage and many of our businesses have been serving their local communities for generations. Our oldest funeral location was established in 1812 and our oldest crematorium in 1903. We value this heritage as a core strength at the heart of our business – local people, dedicated to the communities they serve with a wealth of knowledge and experience.

2008

Northern Ireland
Dignity acquires six locations in Northern Ireland. Three of these are in Belfast with one each in Bangor, Newtonabbey and Carrickfergus.

1994

Dignity Caring Funeral Services
All of these businesses came together in 1994 when Dignity was created through the merger of Plantsbrook Group and Great Southern Group and was re-branded as Dignity in 2001.

1950

Seaford & Newhaven Funeral Service, East Sussex
C Morling Ltd, primarily a building company whose carpenters had made coffins for over 100 years, opened an office in Seaford as its funeral business.

1930

South London Crematorium
Following World War One more people became interested in cremation and the fifth crematorium in London was built in Streatham in 1930. There were originally three chapels but only St George's remains in use today. The mausoleum was the first to be built in Britain in over 150 years.

1928

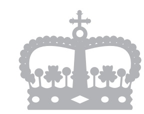
Jonathan Harvey, Glasgow
In 1928, Jonathan Harvey, a local motor engineer who managed a vehicle hire company and cab service, opened a funeral business on Argyle Street in Glasgow. A second Jonathan Harvey funeral location was established in 1950 and over the next 40 years another four branches were opened in the city.

1914

John Bardgett & Son, Newcastle upon Tyne
John Bardgett, who had been a branch manager of another local funeral director, established his own business in 1914. By 1916 his three sons, John Ernest, Arthur and Stanley had joined him and formed a limited company in 1935. They were the first funeral services in Newcastle to have motorised vehicles.

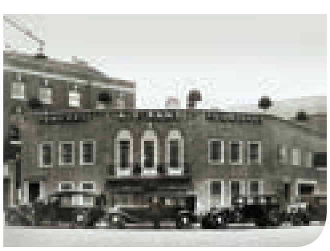
1903

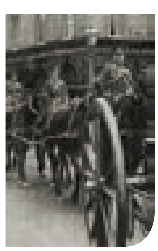
Birmingham Crematorium
Birmingham Crematorium opened in 1903. At this time it was only one of nine crematoria in the UK.

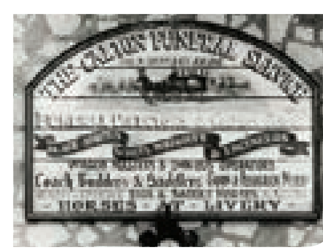


1880

J H Kenyon, London
James H Kenyon opened his first funeral location on Edgware Road in 1880. The business expanded to include five branches in northwest London and became one of the most well-known names in the profession, conducting funerals for the Royal Family, politicians and other prominent figures.







1884

Frederick W Paine, London
Charles Paine opened his first funeral location in Station Road, New Malden, in 1884. Ten years later the business was passed on to his eldest son, Frederick W Paine, who opened two further funeral locations over the next few years.

1876

Beckenham Cemetery, Kent
Beckenham Cemetery, the oldest cemetery operated by Dignity, opened in 1876. It includes the resting place of cricketing legend W G Grace.

1857

Lawrence Funeral Service, Halifax
In 1857, John Lawrence established his family business, J Lawrence & Sons, in Halifax, Yorkshire. They produced furniture but occasionally made coffins for local families. By 1945, the Lawrence family were arranging enough funerals to open a chapel of rest.

1857

E Finch & Sons, Aldershot
In 1857, Emmanuel Finch established E Finch & Sons on the High Street of Aldershot. During the 20th century the business built its reputation by conducting military funerals and pioneering many new initiatives, including the first motorised hearse in the area.

1855

Ginns & Gutteridge, Leicestershire
Ginns Funeral Directors was listed in a local trade directory in 1855. In the early 20th century there were several competing funeral businesses bearing this name – all run by different members of the Ginns family, until they amalgamated with another local funeral director and Ginns & Gutteridge was established.

1848

J Rymer Funeral Service, York
In 1848, James Rymer founded the family business in premises very close to York Minster. By 1925, Jack Rymer, then aged 15, was managing the business after the death of his father. J Rymer Funeral Service joined the Dignity network in 1994 and today is managed by the sixth generation of the Rymer family.

1812

George S Munn & Co, Glasgow
George S Munn & Co. is Dignity's oldest funeral directors and is situated on the south side of Glasgow. They have been providing funeral services to their local community since 1812.

Focused on delivering client service excellence

"The quality of our service is borne out in the responses we receive to the surveys we send out to each family we care for."

Andrew Davies
Operations Director

Key points

36 locations

The Group's funeral location portfolio increased by 36 reflecting increases from acquisitions and new satellite funeral locations.

£9.7 million

£9.7 million has been invested in improving and maintaining our vehicles and premises.

99.3%

99.3 per cent of respondents to our client survey in 2012 said that we met or exceeded their expectations.

Introduction

The Group's operations are managed across three main areas; funeral services, crematoria and pre-arranged funeral plans, which respectively represented 65 per cent, 28 per cent and seven per cent of the Group's operating profits in 2012.

Office for National Statistics data

Some of the Group's key performance indicators rely on the total number of estimated deaths for each period. This information is obtained from the Office for National Statistics (ONS).

The initial publication of recorded total estimated deaths in Britain for the 52 weeks in 2012 was 551,000 compared to 539,000 for 2011. Historically, the ONS has updated these estimates from time to time. As in previous years, the Group does not restate any of its key performance indicators when these figures are restated in the following year.

Although annual deaths declined significantly between the early 1990s and 2012, from 640,000 to 551,000, the last five years have seen a more stable number of deaths fluctuating between 553,000 and 539,000 per annum.

Funeral services

Overview

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

Performance

As at 28 December 2012, the Group operated a network of 636 (2011: 600) funeral locations throughout the United Kingdom, generally trading under local established names. During the period, the Group conducted 63,200 funerals (2011: 62,300).

Approximately two per cent of these funerals were conducted in Northern Ireland. Excluding Northern Ireland, these funerals represent approximately 11.2 per cent (2011: 11.3 per cent) of total estimated deaths in Britain. Whilst funerals divided by estimated deaths is a reasonable measure of our market share, the Group does not have a complete national presence and consequently, this calculation can only ever be an estimate.

Underlying operating profits were £54.2 million (2011: £50.8 million), an increase of seven per cent. We consider this to be a good performance.

This performance has been achieved through successful execution of our strategy. Average income per funeral has increased, whilst margins are slightly lower as a consequence of the effect of new openings in the period being at lower margins as well as some one off costs absorbed in the second half of the year.

Progress and Developments

Investment in the core portfolio

We continue to invest in our premises and our fleet, with a total of £9.7 million of capital expenditure incurred in 2012. Approximately 60 per cent of this was used to maintain our fleet of hearses and limousines. The remainder was used to improve our premises, including ensuring our mortuary areas are maintained to a high standard. We believe this investment in client facing areas and behind the scenes is critical in ensuring the greatest care possible can be given to a family's loved one.

Funeral location portfolio

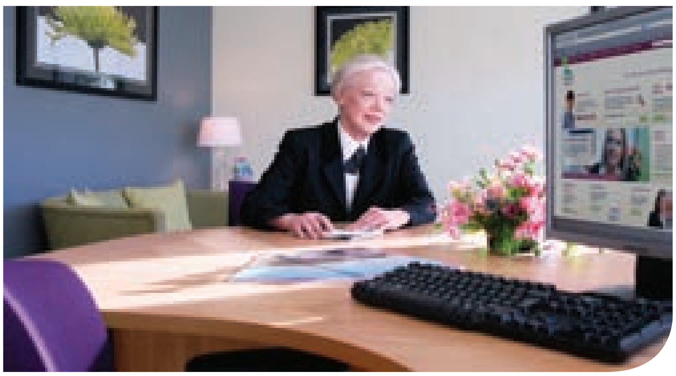
The Group's funeral location portfolio increased by 36 locations in the year, reflecting acquisitions, disposals and the continuation of the new satellite programme, which started in 2010.

Net acquisition investment of £10.6 million increased the portfolio by 18 funeral locations in the United Kingdom. Each of these acquisitions will fit well within the Group's existing network.

19 new satellite funeral locations (2011: 25) were opened in the year. The principle of these locations is that they must be situated close enough to existing business centres to use their specialist vehicles and mortuary equipment, but far enough away that they service new families. In this way, these funeral locations will provide the same outstanding level of client service that people experience from other Dignity funeral locations without the need for significant capital investment.

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

Our actions during the year



We are investing in our people, locations and fleet to enhance customer experience and service

Each year Dignity invests in staff training initiatives, the refurbishment of funeral properties and the renewal of our fleet, enabling our staff to provide the highest standards of client service excellence.

Above: Hazel Short, Business Manager at David Stockwell & Co, Monmouth. **Below:** Steve Korsman, Funeral Service Operative, D Caesar Jones, Cardiff.

We are increasing our network of local funeral locations to help more families

Dignity has continued to open new satellite locations that are close enough to existing business centres to use their specialist vehicles and mortuary facilities but far enough away to serve new families.

Above: Louise Bainton, Funeral Service Arranger, W Kaye & Son, Leeds, which opened a satellite location during 2012. **Below:** Client advice literature at L Fulcher Funeral Services, Thetford.

Leveraging our scale, expertise and experience

"We are committed to providing the local communities we serve with the highest standard of service and facilities."

Steve Gant
General Manager, Crematoria

Key points

37 crematoria

Dignity is the largest single operator of crematoria in Britain, operating 37 crematoria.

£6.1 million

The portfolio changes in the year represents an investment of £6.1 million.

2012

Dignity has successfully met its obligations to comply with mercury abatement legislation by the end of 2012.

Satellite locations are anticipated to be loss making in their first full year of operation and be profitable in their third year of operation. The total portfolio opened under this initiative broadly broke even in 2012.

One location was closed in the period, being a leasehold location.

Opportunities

The Group's investment in satellite funeral locations has now reached a stage where focus will be turned to understanding and improving the profitability of the 62 locations already opened. Whilst a few will be opened in 2013 where locations have already been found, activity to find further locations has ceased for the time being. The Group expects to take approximately two to three years on this next stage of the project.

The acquisition of 40 funeral locations as part of Yew in January 2013 represents an excellent opportunity to improve the Group's presence in the North of England and create value for shareholders. Four other funeral locations have also been acquired or opened since the year end.

Crematoria

Overview

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

Performance

The Group is the largest single operator of crematoria in Britain, operating 37 (2011: 35) crematoria as at 28 December 2012. The Group performed 50,500 cremations (2011: 47,600) in the period, representing 9.2 per cent (2011: 8.8 per cent) of deaths in Britain.

Operating profits were £23.3 million (2011: £21.3 million), an increase of 9 per cent. This reflects a strong performance from the established crematoria and an improving contribution from recently opened locations.

Progress and Developments

The Group is now compliant with legislative requirements on mercury abatement, with 20 of the Group's portfolio fitted with abatement equipment. The project has required an investment of £7.4 million by the Group. This includes some expenditure expected to be incurred in early 2013 to finish the civil and cosmetic works at the locations.

£2.1 million (2011: £1.7 million) has also been spent on new cremators and other general improvements to the crematoria locations. This investment helps our locations provide the best possible service in comfortable surroundings to the funeral directors and families that use them.

During the year, the Group opened its newly constructed crematorium in Essex. Whilst it will take approximately five to seven years to reach maturity, it represents another positive step in the division's growth.

In addition, the Group now operates Haringey Council's crematorium and cemeteries. Consideration of £0.1 million was paid and a further £1.1 million has been invested there to date. These facilities have been leased to the Group for 50 years.

The changes to the portfolio in the year represented an investment of £6.1 million (with £3.6 million of this incurred in 2011). In addition £1.9 million was invested in the year on other crematoria developments that were started in previous years. A further capital investment of approximately £1.2 million is expected in 2013 to complete the investment in Haringey's crematorium.

Opportunities

The Group continues to identify further locations suitable for new crematoria and is also continuing to seek partnerships with local authorities.

The Group's crematoria portfolio increased to 39 in January 2013 following the acquisition of Yew.

We are the largest single operator of crematoria in Britain with a growing portfolio of well-established and modern state-of-the art crematoria – meeting the needs of the local communities we serve.

Our actions during the year

We are continuing to develop, manage and acquire new crematoria

We leverage our experience and expertise to identify further acquisition opportunities and locations suitable for new build crematoria. We also continue to seek new partnerships with local authorities and to invest in new developments at existing crematoria.

Above: Wyre Forest Crematorium & Cemetery, Worcestershire.
Below: Lancaster & Morecambe Crematorium has been awarded two horticultural awards in 2012 for the development and maintenance of its grounds.

Left: Dignity has successfully completed the installation of specialist equipment to reduce mercury emissions from crematoria by 50 per cent by the end of 2012.

We are identifying the development sites of tomorrow

The development of a new crematorium in Essex was completed during the period and became operational in October 2012.

Top right: Bentley Crematorium & Cemetery, Essex.
Above: Steve Gant, General Manager, Crematoria; Alan Lathbury, Head of Business Development and Paul Smith of Cre8 Building Solutions at Bentley Crematorium.

Developing partnerships and opportunities for growth

"We have achieved strong sales in the period and we continue to reach new customers through our growing portfolio of affinity partners."
Steve Wallis
General Manager, Pre-arrangement

Key points

290,000

There were 290,000 unfulfilled pre-arranged funeral plans at the end of the period. This reflects strong sales through the Group's affinity partners and funeral locations.

40,000

Focused marketing activity has resulted in approximately 40,000 new funeral plan sales.

1st place

Dignity's Client Service Centre was awarded first place in the annual 'Top 50 Call Centres for Customer Service' awards.

Pre-arranged funeral plans

Overview

Pre-arranged funeral plans represent the sale of funerals in advance to customers wishing to make their own funeral arrangements and the marketing and administration costs associated with making such sales. The Group continues to have a strong market presence in this area. These plans represent future incremental business for the funeral division, as the Group expects to perform the majority of these funerals.

Performance

Operating performance in the year has been strong, with operating profits of £6.5 million in the period (2011: £5.5 million). In recent years, the Group has received monies from the trusts, in line with the relevant trust's deed, which have been assessed by the trustees as not required to ensure the trust has sufficient assets to meet its future liabilities in respect of current members (Recoveries). Both years' operating profits include Recoveries of £1.5 million.

As expected and highlighted in the Group's Interim Management Statement in November 2012, the Group will not receive any Recoveries from its pre-arranged funeral plan trusts in 2013. However, the latest actuarial valuations of the pre-arranged funeral plan trusts at 28 September 2012 showed them to have a surplus of £14.0 million and sufficient assets to pay out all funerals at the current projected rates anticipated by the actuary.

As with all the Group's operating profits, pre-arranged funeral plan profits convert efficiently into a similar amount of cash.

Progress and Developments

Focused marketing activity with its partners has resulted in approximately 40,000 new plan sales and the number of unfulfilled pre-arranged funeral plans increasing to 290,000 (2011: 265,000) as at 28 December 2012.

The Group has continued to work hard at developing its portfolio of affinity partners and has formed a number of new partnerships in the period with organisations in the retail and financial services arena.

The Group's customer service centre, based in its head office in Sutton Coldfield, gained first prize in the annual 'Top 50 Call Centres for Customer Service' awards. Furthermore, this represents the fourth consecutive year where a top five place has been achieved; a unique feat in the history of the competition and testament to the high quality service provided to our customers.

Opportunities

Opportunities for growth continue through the development of existing relationships and the creation of new ones.

As part of the acquisition of Yew, the Group has taken over the administration of Yew's outstanding pre-arranged funeral plans totalling approximately 9,000, of which approximately two thirds are anticipated to be ultimately performed by Dignity. The Group intends to sell its own pre-arranged funeral plans through the new Yew branches going forward.

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 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

Costs in the period were £14.6 million (2011: £13.1 million), an increase of 11 per cent. The majority of the year on year increase above inflation reflects higher bonuses paid to operational managers of the business.

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

Our actions during the year

We continue to focus on developing financially secure products and services

As one of the UK's leading providers of pre-arranged funeral plans, we offer one of the most financially secure plans available today.

Above: Raul Picart, Senior Campaign Manager, Pre-arrangement Marketing. **Below:** Jordan O'Gara, Client Service Advisor, Client Service Centre, Sutton Coldfield.

We are growing our portfolio of affinity partners to reach new customers

We continue to reach new customers through both our growing portfolio of reputable affinity partners and our established funeral locations.

Above: Lindsay Duncan, Affinity Partner Relationship Manager. **Below:** Dignity's literature allows clients to consider the options and benefits of a Funeral Plan at their convenience.

Financial review

A strong financial performance

Steve Whittern, Finance Director

Introduction

These financial results have been prepared in accordance with International Financial Reporting Standards (IFRSs) and the accounting policies used are consistent with those used in the 52 week period ending 30 December 2011.

Financial highlights

The Group's financial performance is summarised below:

	52 week period ended 28 December 2012	52 week period ended 30 December 2011	Increase %
Revenue (£million)	**229.6**	210.1	9
Underlying operating profit* (£million)	**69.4**	64.5	8
Underlying profit before tax* (£million)	**46.1**	41.6	11
Underlying earnings per share* (pence)	**62.8**	55.1	14
Cash generated from operations (£million)	**83.3**	74.2	12
Operating profit (£million)	**68.7**	63.2	9
Profit before tax (£million)	**45.4**	40.3	13
Basic earnings per share (pence)	**65.1**	62.6	4
Dividends paid in the period:			
Interim dividend (pence)	**5.36**	4.87	10
Final dividend (pence)	**9.77**	8.88	10

*Underlying amounts exclude profit on sale of fixed assets, external transaction costs and exceptional items.

The Board has proposed a dividend of 10.75 pence per Ordinary Share as a final distribution of profits relating to 2012 to be paid on 28 June 2013, subject to shareholder approval.

Underlying reporting measures

The Board believes that, whilst statutory reporting measures provide a useful indication of the financial performance of the Group, additional insight is gained by excluding certain non-recurring or non-trading transactions. Accordingly, the following information is presented to aid understanding of the performance of the Group:

	52 week period ended 28 December 2012 £m	52 week period ended 30 December 2011 £m
Operating profit for the period as reported	**68.7**	63.2
Deduct the effects of:		
Profit on sale of fixed assets	**(0.1)**	(0.2)
External transaction costs	**0.8**	1.5
Underlying operating profit	**69.4**	64.5
Net finance costs	**(23.3)**	(22.9)
Underlying profit before tax	**46.1**	41.6
Tax charge on underlying profit before tax	**(11.7)**	(11.4)
Underlying profit after tax	**34.4**	30.2
Weighted average number of Ordinary Shares in issue during the period (million)	**54.8**	54.8
Underlying EPS (pence)	**62.8p**	55.1p
Increase in Underlying EPS (per cent)	**14%**	19%

Earnings per share

The Group's earnings were £35.7 million (2011: £34.3 million). Basic earnings per share were 65.1 pence per share (2011: 62.6 pence per share).

The Group's measures of underlying performance exclude the effect (after tax) of the profit on sale of fixed assets, external transaction costs and exceptional items. Consequently, underlying profit after tax was £34.4 million (2011: £30.2 million), giving underlying earnings per share of 62.8 pence per share (2011: 55.1 pence per share), an increase of 14 per cent.

This growth in excess of the growth in operating profits reflects the leveraging effect of the Group's capital structure as well as some benefit from the reduction in headline Corporation Tax rates.

"The Board considers that maintaining a leveraged balance sheet is appropriate for the Group, given the highly stable and predictable nature of its cash flows."

+8%

Underlying operating profits have increased eight per cent to £69.4 million.

£83.3 million

The Group continues to convert its profits efficiently into cash.

Cash flow and cash balances

Cash generated from operations was £83.3 million (2011: £74.2 million). This reflects the Group's continued ability to convert profits into cash. Cash generation is stronger than the previous period as a result of the growth in operating profits and beneficial working capital movements. Some of these working capital movements represent timing differences between years and in the long term, the Group would expect to convert its operating profits efficiently into cash.

Capital expenditure on property, plant and equipment was £20.4 million (2011: £22.8 million).

This is analysed as:

	28 December 2012 £m	30 December 2011 £m
Vehicle replacement programme and improvements to locations	**11.8**	10.8
Branch relocations	**1.0**	0.9
Satellite locations	**1.3**	1.1
Development of new crematoria	**4.4**	9.0
Mercury abatement project	**1.9**	1.0
Total property, plant and equipment	**20.4**	22.8
Partly funded by:		
Disposal proceeds	**(0.8)**	(0.9)
Net capital expenditure	**19.6**	21.9

In addition, the Group spent £10.7 million on the acquisition of 18 funeral locations and one crematorium.

Capital expenditure on mercury abatement represents the monies incurred to comply with new legislation. The total spent to date is £6.7 million and the total anticipated capital expenditure is approximately £7.4 million.

The Group also paid dividends on Ordinary Shares totalling £8.3 million (2011: £7.5 million) in the period.

Cash balances at the end of the period were £55.6 million (2011: £36.9 million). £1.5 million (2011: £1.5 million) represents amounts received as Recoveries from the pre-arranged funeral plan trusts. These amounts are legally required, under the terms of the Group's securitisation, to be retained in a separate bank account for one year following receipt. In a similar way, the Group also had £16.1 million of cash that was held in a separate account and used to pay amounts falling due on the Group's Secured Notes on 31 December 2012. These amounts totalling £17.6 million (2011: £1.5 million) do not therefore meet the definition of cash for cash flow reporting purposes.

Approximately £13.5 million of the remaining cash balance was immediately available for acquisitions and developments and approximately £19.7 million was set aside for future Corporation Tax and dividend payments.

Further details and analysis of the Group's cash balances are included in note 15 to the consolidated financial statements.

Pensions

The balance sheet shows a surplus of £0.1 million before deferred tax (2011: £1.3 million). This reflects the continued low gilt yield and thus the discount rate used by the actuary to calculate the liabilities at the year end.

The scheme currently remains open to both new and existing members of staff. Work is underway to ensure the Group can comply with auto enrolment from its staging date of July 2013.

Taxation

The Group's effective tax rate in the period was 25.5 per cent (excluding the exceptional rate change) (2011: 27.5 per cent). Following the Government's announcement to reduce the rate of Corporation Tax in future years, the Group expects its effective rate in 2013 to be approximately 24.5 per cent.

The Group's consolidated income statement includes exceptional income of £2.0 million which reflects the reduction in the headline Corporation Tax rate from 25 per cent to 23 per cent. Further exceptional credits will be recognised in future years if the Chancellor substantively enacts additional reductions in Corporation Tax rates.

The Group's cash tax payments were £8.6 million (2011: £10.4 million) in the period. This reduction principally follows the utilisation of £3.4 million of tax losses, as described in last year's annual report.

Capital structure and financing

Secured Notes

The Group's principal source of long term debt financing is the Class A and B Secured Notes. They are rated A and BBB respectively by Standard and Poor's and A+ and BBB+ by Fitch. Both agencies affirmed the rating of the Secured Notes in September 2012.

£11.8 million

£11.8 million has been invested in maintaining our property and fleet portfolio.

A+

Fitch affirmed the A+ rating of the Class A Secured Notes in September 2012.

The Board considers that maintaining a leveraged balance sheet is appropriate for the Group, given the highly stable and predictable nature of its cash flows. This predictability is matched in the Secured Notes. The principal amortises fully over their life and is scheduled to be repaid by 2031. The interest rate is fixed for the life of the Secured Notes and interest is calculated on the outstanding principal.

This has the benefit of enhancing shareholder returns, whilst leaving sufficient flexibility to invest in the growth of the business.

The Group's primary financial covenant under the Secured Notes requires EBITDA to total debt service to be above 1.5 times. The ratio at 28 December 2012 was 2.43 times (2011: 2.27 times), directly reflecting the improved profitability of the Group. Further details may be found in note 24.

Crematoria Acquisition Facility

At the balance sheet date, the Group owed £10 million on its Crematoria Acquisition Facility, which was used to fund the acquisition of five crematoria locations in the last quarter of 2008. The principal on this facility is repayable in one amount in November 2013 and interest is either fixed or capped at approximately 5.6 per cent. All interest is payable in cash on a quarterly basis. Further details may be found in note 16.

Net debt

As set out in note 24, the Group's gross debt outstanding was £343.5 million (2011: £349.5 million). Net debt was £299.6 million (2011: £312.7 million), including the premia on the Secured Notes. The reduction in gross debt reflects the amortisation profile of the Secured Notes and associated premia. Gross debt includes £4.2 million (2011: £nil) that was repaid on 31 December 2012.

Net finance costs

The Group's finance expense substantially consists of the interest on the Class A and B Secured Notes and ancillary instruments. The net finance cost in the period relating to these instruments was £22.7 million (2011: £23.1 million).

Finance costs of £0.5 million (2011: £0.5 million) were incurred in respect of the Crematoria Acquisition Facility.

Other ongoing finance costs incurred in the period amounted to £0.7 million (2011: £0.3 million), including the unwinding of discounts on the Group's provisions, other financial liabilities net of interest capitalised in accordance with IAS 23.

Interest receivable on bank deposits was £0.4 million (2011: £0.3 million). Net finance income of £0.2 million (2011: £0.7 million) was recognised in respect of the Group's pension scheme in accordance with IAS 19.

Post balance sheet events

On 25 January 2013, the Group completed the acquisition of Yew for cash consideration of £58.3 million. Funding for the acquisition, associated external transaction costs and anticipated one off capital expenditure of £2.5 million was through a combination of equity and debt.

2,283,019 Ordinary Shares were issued at a price of £10.60, generating gross proceeds of £24.2 million. These Ordinary Shares rank pari passu with all other Ordinary Shares.

A further £5.8 million was drawn under the Group's Crematoria Acquisition Facility. The fully drawn £15.8 million facility is secured against seven crematoria held outside the Securitisation Group.

A new £34 million five year term loan with the Royal Bank of Scotland was then raised against the Yew assets and certain other trading assets held outside the Securitisation Group. Approximately £2 million of principal is repayable annually and the pre tax cost of the debt is fixed at approximately four per cent for the term of the loan. The term loan has no undrawn amounts.

The acquisition of Yew was made outside the Securitisation Group. Consequently, it does not adversely affect the timing or overall quantum of any potential future return of value.

On 27 February 2013, the £15.8 million Crematoria Acquisition Facility was refinanced with the Royal Bank of Scotland. The renewed facility is for a period of five years, with the principal repayable in one amount at the end of the term. The cost of funds is fixed for the term of the loan at approximately 3.3 per cent. This facility has no undrawn amounts.

Forward-looking statements

Certain statements in this Annual Report are forward-looking. Although the Board believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to have been correct. Because these statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements.

Our key performance indicators

Our business goal is to continue building a sustainable business that meets the needs of all our stakeholders. The Group uses a number of performance indicators to both manage the business and ensure that the Group's strategy and objectives are being delivered and measured against them.

KPI	52 week period ended 28 December 2012	KPI definitions	Developments in 2012
Total estimated number of deaths in Britain (number)	551,000 (2011: 539,000)	This is as reported by the Office of National Statistics.	The number of deaths was higher than the previous year. Over the last three years, the number of deaths has been broadly flat.
Funeral market share excluding Northern Ireland (per cent)	11.2% (2011: 11.3%)	This is the number of funerals performed by the Group in Britain divided by the total estimated number of deaths in Britain.	Acquisition activity has broadly offset reductions in core market share resulting from increased competition. This has been a feature of Dignity's business model for many years.
Number of funerals performed (number)	63,200 (2011: 62,300)	This is the number of funerals performed according to our operational data.	Changes are a consequence of the total number of deaths and the Group's market share.
Number of cremations performed (number)	50,500 (2011: 47,600)	This is the number of cremations performed according to our operational data.	Changes are a consequence of the total number of deaths and the Group's market share.
Crematoria market share (per cent)	9.2% (2011: 8.8%)	This is the number of cremations performed by the Group divided by the total estimated number of deaths in Britain.	This increase reflects the additional locations acquired and the maturing of recently constructed crematoria.
Unfulfilled pre-arranged funeral plans (number)	290,000 (2011: 265,000)	This is the number of pre-arranged funeral plans where the Group has an obligation to provide a funeral in the future.	This increase reflects continued strong sales activity offset by the crystallisation of plans sold in previous years.
Underlying earnings per share (pence)	62.8 pence (2011: 55.1 pence)	This is underlying profit after tax divided by the weighted average number of Ordinary Shares in issue in the period	Strong growth following the increase in operating profits.
Underlying operating profit (£million)	£69.4 million (2011: £64.5 million)	This is the statutory operating profit of the Group excluding profit on sale of fixed assets and external transaction costs.	Strong growth driven by the core business rather than acquisition activity.
Cash generated from operations (£million)	£83.3 million (2011: £74.2 million)	This is the statutory cash generated from operations excluding external transaction costs.	The Group continues to convert operating profits into cash efficiently.

In addition to these key performance indicators, the Group closely monitors the results of its client surveys. Highlights of these results can be found on page 7. A summary of the Group's financial record for the last five years can be found on pages 97 and 98.

Managing risk responsibly

Our approach to risk management
This section highlights the principal risks affecting the Group, together with the key mitigating activities in place to manage those risks.

The Group manages the operational and financial risks described through a combination of regular Board reports and also monthly and weekly management information that is reviewed by the Executive Directors.

Risk process
Our risk process is designed to identify, evaluate and manage our operational and financial risks.

Risk management process

Overall Board responsibilities

Risks and impact identified

- Risks mapped to controls currently in place
- Residual risks prioritised for mitigation
- Confirmed with the Board

Controls identified

- Suggested action plans agreed
- Options for controls identified and costed
- Plans approved by the Board

Existing control enforced and tested

- Remedial action plans implemented
- Board member accountable

Operational risk management	Risk description	Mitigating activities
Significant reduction in the death rate	There is a risk that the number of deaths in any year significantly reduces. This would have a direct result on the financial performance of both the funerals and crematoria divisions.	The profile of deaths has historically followed a similar profile to that predicted by the ONS, giving the Group the ability to plan its business accordingly.
Nationwide adverse publicity	Nationwide adverse publicity could result in a significant reduction in the number of funerals or cremations performed in any financial period. This would have a direct result on the financial performance of that division.	This risk is addressed by ensuring appropriate policies and procedures are in place, which are designed to ensure client service excellence. These policies and procedures retain flexibility for the business to serve families in accordance with local traditions.
Ability to increase average revenues per funeral or cremation	Operating profit growth is in part attributable to the Group's ability to increase the average revenue per funeral or cremation. There can be no guarantee that future average revenues per funeral or cremation will increase at rates similar to previous periods.	The Group believes that its focus on client service excellence helps to mitigate this risk.
Significant reduction in market share	It is possible that other external factors, such as new competitors, could result in a significant reduction in market share within funeral or crematoria operations. This would have a direct result on the financial performance of that division.	The Group believes that this risk is mitigated for funeral operations by reputation and recommendation being a key driver to the choice of funeral director being used and for crematoria operations is mitigated by difficulties associated with building new crematoria.
Demographic shifts in population	There can be no assurance that demographic shifts in population will not lead to a reduced demand for funeral services in areas where Dignity operates.	In such situations, Dignity would seek to follow the population shift.
Competition	The UK funeral services market and crematoria market is currently very fragmented. There can be no assurance that there will not be further consolidation in the industry or that increased competition in the industry, whether in the form of intensified price competition, service competition, over capacity or otherwise, would not lead to an erosion of the Group's market share, average revenues or costs of funerals and consequently a reduction in its profitability.	There are barriers to entry in the funerals services market due to the importance of established local reputation and in the crematoria market due to the need to obtain planning approval for new crematoria and the cost of developing new crematoria.
Taxes	There can be no assurance that changes will not be made to UK taxes, such as VAT. VAT is not currently chargeable on the majority of the Group's services. The introduction of such a tax could therefore significantly increase the cost to clients of the Group's services.	There are currently specific exemptions under European legislation for the UK on the VAT treatment of funerals. Any change would apply to the industry as a whole and not just the Group.
Regulation of pre-arranged funeral plans	Pre-arranged funeral plans are not a regulated product, but are subject to a specific financial services exemption. Changes to the basis of any regulation could affect the Group's opportunity to sell pre-arranged funeral plans in the future.	Any changes would apply to the industry as a whole and not just the Group.

Financial risk management	Risk description	Mitigating activities
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 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. 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. If this stricter test is not achieved, then the Group's ability to pay dividends would be impacted.	The nature of the Group's debt means that the denominator is now fixed unless further Secured Notes are issued in the future. This means that the covenant headroom will change proportionately with changes in EBITDA.

An assessment of the Group's exposures to financial risks and a description of how these risks are managed are included in note 2 to the consolidated financial statements.

Growing our business responsibly

“We aim to achieve our business objectives in a caring and responsible manner and we strive to ensure that we continue to operate responsibly and deliver the excellent service upon which our business depends.”

Richard Portman, Corporate Services Director

Introduction

We are committed to meeting the needs of our clients, shareholders and engaging all our employees whilst considering the impact of our activities on the communities and environment in which we work.

Within Dignity, Corporate Services Director, Richard Portman, is accountable for corporate and social responsibility and under this remit identifies major issues and reports these to his fellow Board members.

Management and accountability

The governing principles of Dignity are that we are here to help people at one of the most difficult times of their lives and we do this with compassion, respect, openness and care. Our objective is to be the company that everyone knows they can trust in their time of need.

The flat management structure of Dignity means that local management are empowered to make decisions that provide quick and effective solutions to the needs of their clients, businesses and the communities they serve. Only four per cent of our employees are based at our Head Office in Sutton Coldfield where they perform such necessary business tasks as finance, IT, HR and purchasing. This approach demonstrates our commitment to providing staff in locations where they can directly help and support our clients.

Our values, which are ensconced in our governing principles, are a fundamental part of our culture. By living these values, we ensure that we operate in a responsible way and that we deliver the excellent service upon which our business depends.

Code of conduct

Our Code of Conduct ensures that all staff are aware of the principles that govern how we operate in the business environment and explains the standards of behaviour that all our employees are expected to adhere to.

The Code of Conduct states that all clients should be supported during the funeral arrangements, at the service or when choosing a memorial or funeral plan in a paternalistic manner. We should be compassionate and caring; pay attention to detail; spend as much time as the client needs; be open and straightforward and keep in regular contact with the client.

Our Code of Conduct is also reinforced in a staff handbook, ‘Helping our clients every step of the way’, which is given to all new employees working in our funeral locations. The aim of the brochure is to embed all new employees into the Dignity culture and to remind existing members of staff of the standards of behaviour and attitudes that are expected of them. A similar brochure, ‘Serving our communities’ is provided to our staff working at our crematoria.

The Code of Conduct is also published on the Dignity plc investor website – www.dignityfuneralsplc.co.uk.

We adhere to the Bribery and Corruption Act of 2010 and have policies and procedures to prevent bribery.

Our CSR approach

Our guiding principles

We foster a responsible culture:

We make our clients feel confident in us so that they are reassured they are being served by responsible individuals working for a responsible company.

Dignity has been identified by the FTSE Group in its FTSE4Good initiative as a company that is working towards environmental sustainability, developing positive relationships with stakeholders and upholding and supporting universal human rights.

We build trust and respect:

We build trust and respect with everyone touched by our business operations – our clients, our colleagues, our suppliers, trade associations, local authorities and members of the communities we serve. Everyone at Dignity understands that at all times they are an ambassador for the Company and that the future success of the business depends on its reputation.

Our corporate responsibility programme focuses on developing our people, creating a culture of workplace safety, promoting environmental sustainability and making a positive impact on the communities we serve.

Our CSR commitments

Our people

Principle
We value our people and understand, respect and value personal and cultural differences. Dignity is committed to high standards of employment practice and aims to encourage, retain and develop successful employees.

Business benefits
We train and develop our staff to enable them to fulfil their potential, giving them the skills to be able to meet and exceed our clients' expectations. The development and retention of our people enables us to continue to improve our operations and the quality of the service we provide to our clients.

Measuring performance
Dignity measures employment applications and appointments to ensure that we comply with all employment legislation. A record is kept of training courses attended by each employee and this is analysed to help develop future training requirements.

Health & safety

Principle
Our business is conducted at all times in such a way as to ensure as far as is reasonably practical, the health, safety and welfare of all our employees and all persons who may be attending our premises.

Business benefits
We have created a culture of workplace safety so that our staff understand and abide by legislation and guidelines ensuring their own health and safety and that of their colleagues and clients. Maintaining our physical assets minimises the risk of injury and helps us to preserve the integrity of our operations.

Measuring performance
Proactively, health and safety is monitored via quarterly return analysis, premises inspections, health surveillance, line manager observations of how tasks are performed and regular reports to the Board. Investigating accidents, collation and analysis of statistics and ill-health investigation reactively monitors health and safety.

Our environment

Principle
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.

Business benefits
We promote 'environmental issues' and sustainability, continually seeking new initiatives that enable us to become more efficient, reduce operational costs and minimise the impact of our business activities on the environment.

Measuring performance
Dignity submits its carbon data to the Carbon Disclosure Project, a not-for-profit organisation that measures disclosures from thousands of organisations across the world's major economies.

Our communities

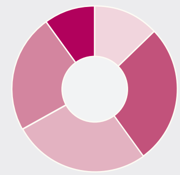
Principle
We are committed to making a difference to our clients and to improving the welfare of all who live in the communities we serve.

Business benefits
Making a positive contribution to the local communities we serve is embedded in our corporate culture and is enthusiastically supported by our staff. Building closer relationships with the communities we serve helps us to promote our business and gain a greater understanding of our clients' and local needs.

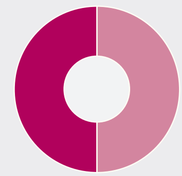
Measuring performance
All funds raised for our corporate charity are recorded in detail and can be easily cross-referenced as deposits go into a specific bank account. Therefore, the amount of money being raised can be compared with previous years and this process facilitates funds being allocated to the geographical region that generated them.

"We are committed to high standards of employment practice and aim to encourage, retain and develop successful employees."

Employee service



Employee ratio (%)



Our people

We are committed to high standards of employment practice and aim to encourage, retain and develop successful employees.

Our employees are critical to the continued success of Dignity and staff turnover is low. A third of our staff have over 10 years service.

As in previous years there continues to be a broadly equal split of male and female staff.

The Davies Report

We fully support the principal recommendations of the Davies Report encouraging the increase in the number of women on the Board of Directors. During 2012, the Board met the target it had set itself of having 20 per cent female representation on the Board. Of the 27 senior managers within Dignity, 25 per cent are female.

Training and development

Dignity's investment in training enables our staff to provide our clients with the highest standards of service and care.

Dignity has a number of training centres around the UK and provides employees with both in-house and external training programmes. External training includes both relevant job training and tutoring for professional qualifications including the National Association of Funeral Directors (NAFD) Diploma in Funeral Directing and Membership of the British Institute of Embalming. Dignity has five members of staff who are accredited NAFD tutors and three British Institute of Embalming (BIE) training specialists. During the past year, seven Dignity employees achieved recognised qualifications with the NAFD.

Dignity's Training Department also provides a number of management development courses covering areas such as Business Planning, Financial Analysis, Recruitment Skills and Presentation Skills.

The courses provided by our Training Department are assessed via feedback from delegates and line managers with a view to guaranteeing that they are relevant and add value to the contribution made by each employee.

During the past twelve months the Training Department has launched 'Identity and personal effects' training. This is designed as a 1:1 course to ensure our rigorous procedures are followed in all branches. A new 'Funeral quotation' training course has been developed and has been trialled as a one day course for managers to deliver. The department has also developed a new 'Overview of making funeral arrangements' course. This will be trialled in four trading regions during 2013. The Training Department has continued to concentrate on providing skills and refresher training for our Funeral Service Arrangers by delivering the 'Bringing the deceased into our care' and 'Spending time with the deceased' courses.

To help embed a health and safety culture at Dignity, 728 members of staff have completed a 'Manual handling' course and 31 employees have completed 'Ladder' training.

Our on the job training concentrates on a "buddy" system where an experienced member of the team provides new operational staff with guidance on the responsibilities of their role, our professional practices and company procedures in addition to demonstrating our commitment to being a client focused organisation.

Dignity provides additional support to staff development through its Welfare Trust, which provides funds for professional training and hardship grants. The trust has approximately £1.6 million available for future use.

Recognising achievement

Dignity has budgeted to reward its loyal staff with long service awards totalling approximately £225,000 in 2013.

Promoting diversity

Within Dignity there is no discrimination on the grounds of gender, race, religion, age or sexual orientation in terms of recruitment or career advancement. We encourage colleagues to show respect and understanding to each other and prejudice of any kind will not be tolerated.

Key developments in 2012

2,000
Approximately 2,000 delegates attended training courses facilitated by Dignity's Training Department in the last twelve months.

99.9%
99.9 per cent of clients that respond to our survey thought that our staff were respectful.

33%
A third of Dignity's employees have over ten year's service.

20%
Dignity has met the target it has set itself of having 20 per cent female representation on the Board of Directors.

£225,000
Dignity has budgeted to reward its loyal staff with long service awards totalling approximately £225,000 in 2013.

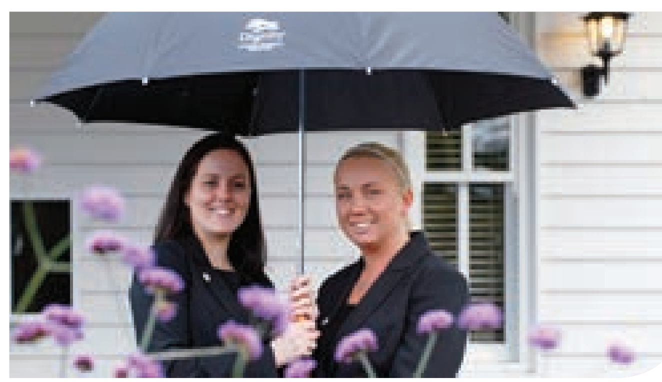
Our actions during the year

We enable our people to excel
Dignity's investment in training enables our staff to reach their full potential and gives them the skills to provide our clients with the highest standards of service.

Below: Michelle Hales, Crematorium Manager and Ella Arundell, Memorial Consultant at Bentley Crematorium. **Bottom:** Seamus Sharkey, Gardener, Lancaster & Morecambe Crematorium.

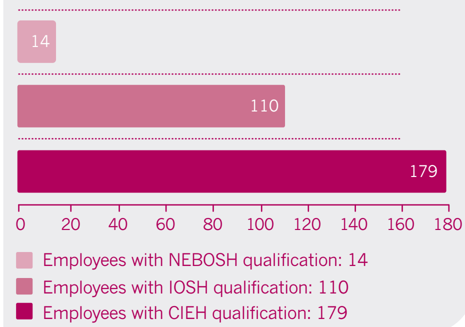
We value our people and recognise achievements
We are committed to high standards of employment practice and aim to encourage, retain and develop successful employees.

Above: Jennie Myers, Funeral Director, L Fulcher, Bury St Edmunds. **Below right:** Kay Jessop, Funeral Service Arranger, C & A Reed, Sheffield.



> "Effective health and safety is vital to Dignity and a key priority of the Directors. Our operations are conducted at all times to ensure, as far as is reasonably practical, the health, safety and welfare of all our employees and all persons who may be attending our premises."

Health and Safety training (number)



Recruitment

A detailed job description identifying key responsibilities and competencies for each role in addition to a personal specification for the ideal applicant have been developed to aid recruitment. These enable the interviewer to assess each candidate's suitability for the role to which they have applied.

When interviewing for management positions competency based interviews are held and candidates are expected to be able to clearly demonstrate their experience and expertise during the selection process.

Engaging our staff

Dignity publishes a quarterly in-house magazine, 'Dignity Express', which is supplemented by monthly news bulletins to keep all employees and pensioners informed of what is happening within the organisation. 'Dignity Express' enables the Directors and employees to share objectives, best practice and news in a cost effective manner.

Health and Safety

Effective health and safety management continues to be vital to Dignity and a key priority of the Directors. Our operations are conducted at all times in such a way as to ensure, as far as is reasonably practical, the health, safety and welfare of all our employees and all persons who may be attending our premises.

Dignity has a full-time Health and Safety Manager who is dedicated to these issues and is supported by a Health & Safety Officer.

Regional Health & Safety Officers operate in each of the geographical funeral trading areas. Dignity's head office, crematoria and manufacturing facility also each have their own manager with responsibility for Health and Safety. The majority of these managers and officers have qualifications from the National Examination Board in Occupational Safety and Health (NEBOSH).

Dignity has 14 managers with qualifications from the National Examination Board in Occupational Safety and Health (NEBOSH). Within this group there are also 10 that possess the NEBOSH Fire Certificate.

Dignity also has 110 managers or officers that have successfully completed the Institution of Occupational Safety and Health (IOSH) course.

There are also 179 employees that have completed the Chartered Institute of Environmental Health (CIEH) Working Safely one-day course.

Effective health and safety management

Health and safety performance is measured in two ways.

- Proactive monitoring
  Health and safety is proactively monitored via quarterly return analysis, premises inspections, health surveillance, line manager observations of how tasks are performed and regular reports to the Board of Directors; and

- Reactive monitoring
  Investigating accidents, collation and analysis of statistics and ill-health investigation reactively monitors health and safety.

Key developments in 2012

303

303 members of staff have now completed a health and safety training course.

200

There are now 200 health and safety co-ordinators embedded across the business.

19%

We have seen a 19 per cent reduction in the number of accidents reported over the last five years.

728

728 Dignity employees have attended the Manual Handling training course during the past twelve months.

Our actions during the year

We continue to develop training initiatives

Dignity's Training Department provides a variety of role specific courses to help reinforce the understanding each employee has of their role and ensures policies and procedures are followed.

Right: Lisa Gilbert, Head of Human Resources.

We are improving our health and safety performance across our operations

Dignity is committed to the prevention of accidents. Procedures are regularly reviewed and updated to ensure that staff minimise any risks associated with their role.

Left: Ian Best, Cremator Technician, Wyre Forest Crematorium & Cemetery, Worcestershire.

We are committed to providing accessible and enhanced facilities for families

Dignity is dedicated to providing facilities that provide the highest level of comfort and ease of access for those visiting our premises.

Right: Disabled parking and hearing loop facilities are just two of the facilities designed to help visitors to Wyre Forest Crematorium.

Corporate and social responsibility continued

"Maintaining the quality of the environment in which we all live is an important concern for Dignity and all areas of the business operate in accordance with the Group's environmental policy. We recognise the impact of our operations on local surroundings and our aim is to reduce this and operate in an environmentally friendly manner."

Environmental sustainability

Maintaining the quality of the environment in which we all live is an important concern for Dignity and all areas of the business operate in accordance with the Group's environmental policy. We recognise the impact of our operations on local surroundings and our aim is to reduce this and operate in an environmentally friendly manner.

Our business continues to have a low environmental impact and its activities are not expected to give rise to any significant environmental risk over the next twelve months.

Dignity and its employees undertake to act whenever necessary to meet or exceed the standards of current environmental legislation and we continue to review the policies, systems and services to this end. All waste generated is properly disposed of in accordance with current legislation and steps are taken to recycle waste wherever this is practical.

Minimising our impact on the local environment

Dignity has invested approximately £7.4 million in its crematoria to conform to the government directive to reduce mercury emissions from crematoria by 50 per cent before the end of 2012.

Dignity has this specialist technology installed at 20 of its crematoria. The installation of this equipment is now complete and has been managed so as to ensure there is no disruption to our usual services at the crematoria.

Due to this investment approximately 18,000 cremations at Dignity crematoria were mercury abated during 2012.

Wyre Forest Crematorium and Cemetery, which officially opened in January 2012, has received a Green Apple Award from The Green Organisation. This is an independent, non-political, non-profit organisation that recognises environmental best practice.

Reducing our carbon footprint

Dignity aims to reduce its future carbon footprint and in 2012 Dignity continued to submit its data to the Carbon Disclosure Project. This is a not-for-profit organisation that aims to improve the environment by measuring disclosures from thousands of organisations across the world's major economies.

Submission to Carbon Disclosure Project

	2011	2010	2009	2008	2007	2006
Scope 1	15,202	16,798	15,005	15,875	16,048	15,992
Scope 2	7,388	6,938	8,366	10,923	10,633	10,351
Total	22,590	23,736	23,371	26,798	26,681	26,343

All figures are metric tonnes of CO_2 equivalent. Dignity does not make any scope 3 disclosures. The return for 2012 will be made in May 2013.

Sustainable sources

Dignity's coffin manufacturing facility in East Yorkshire has ISO 14001 accreditation, an internationally accepted standard for an effective Environmental management system that is designed to address the balance between maintaining profitability and reducing environmental impact.

Our coffins are manufactured using raw materials that are sourced from well-managed and sustainable sources. 97 per cent of the coffins manufactured by Dignity are from Forest Stewardship Council (FSC) accredited timber.

Reducing energy consumption

We now have 767 smart meters installed at our premises to help reduce our energy consumption. This figure represents 85 per cent of our target, which we expect to meet in 2013.

At the heart of local communities

Everyone within Dignity is extremely committed to not only making a real difference to our clients but also to improving the welfare of all who live within the communities we serve. To demonstrate our values and principles our staff have supported hundreds of local initiatives, good causes, clubs and events every year. By listening to and understanding the needs of local communities our staff are able to respond by providing help where it is most needed.

Dignity's five fairground organs continue to be made available at no cost to charities and community groups across the country. The fairground organs never fail to attract crowds and during 2012 helped raise approximately £41,000.

During 2012, Dignity branches and the administration centre in north London have been donating their shredded paper to Holloway Prison. Nominated prisoners use the shredded paper to provide bedding for some 'rescued' chickens as part of a rehabilitation programme that sees inmates caring for the ailing animals.

Key developments in 2012

£7.4 million

Dignity has invested approximately £7.4 million in its crematoria to conform to the government directive to reduce mercury emissions from crematoria by 50 per cent before the end of 2012.

18,000

Approximately 18,000 cremations at Dignity crematoria were mercury abated during 2012.

767

Dignity now has 767 smart meters installed in our premises to reduce our energy consumption.

15%

The data that Dignity submits to the Carbon Disclosure Project show that the Group has reduced its figure for metric tonnes of CO_2 equivalent by 15 per cent over the past five years.

Our actions during the year

We are investing in the latest energy efficient technology

Dignity has reduced its energy consumption by installing 767 smart meters at its premises.

Left: Smart meter installation. **Below:** Environmentally friendly LED lighting has been installed at Perry Barr Crematorium, Birmingham.

We continue to promote sustainable development across the business

Maintaining the quality of the environment in which we all live is an important concern for Dignity and all areas of the business operate in accordance with the Group's environmental policy. Dignity takes seriously the responsibility of managing global resources and endeavours to source products ethically and with consideration to the environment.

We are committed to meeting our environmental performance targets

Dignity has invested approximately £7.4 million in its crematoria to conform to the government directive to reduce mercury emissions from crematoria by 50 per cent by the end of 2012.

Left: Dignity is committed to sustainability across its business.

> "Everyone at Dignity is committed to not only making a real difference to our clients but also to improving the welfare of all who live within the communities we serve. By listening to and understanding the needs of local communities our staff are able to respond by providing help where it is most needed."

In February, staff at A H Apps in Kent held a very successful charity car wash to raise money for a local boy suffering with Duchenne Muscular Dystrophy. The money raised helped his family to make improvements to their home that would significantly improve his quality of life.

The Dignity Easter Egg Challenge continued to prove a popular community activity with staff at our funeral locations and crematoria with many people participating this year for the first time after being inspired by their colleagues' previous efforts. This year thousands of chocolate eggs and gifts were distributed to children's hospitals, care homes, hospices, MENCAP and a women's refuge.

Staff at Ginns & Gutteridge in Leicestershire encouraged local primary school children to enjoy the Olympics by transporting them to the funeral location in limousines so they could take advantage of the prime location as the Olympic Torch was carried past the branch.

In September, staff at Robertshaw Greenwood in Hebden Bridge hosted a Bring and Buy Sale in aid of Hebden Bridge Disaster Fund. In recent years the town has been subjected to torrential rainfall that has left many homes and businesses ruined due to flooding. Staff at the branch were eager to help local people rebuild their lives and provided items that could be purchased for a donation to the Fund.

Dignity branches in Acton and Ealing launched a new project in November that involves restoring and maintaining the graves of Polish pilots and military personal that came to the UK during World War II to join Britain's armed forces. In many cases the graves of these heroes would remain neglected as they have no surviving family in this country.

Dignity has continued to support many grass-roots sports clubs by providing financial assistance, kit and equipment in addition to sponsoring tournaments and trophies. In many communities these clubs are the focal point for socialising and healthy exercise and some would struggle to survive without our help.

Supporting charities

During 2012, Dignity supported Marie Curie Cancer Care as our corporate charity. This extremely worthwhile organisation provides high quality nursing, totally free, to give people with terminal cancer the choice of dying at home supported by their families. The charity also has nine hospices across the UK and cares for approximately 30,000 patients a year. All Dignity businesses have been matched with a local Marie Curie office so that all funds raised go to help cancer patients in their area.

There were many fundraising activities held nationwide for Marie Curie including sponsored walks, golf tournaments, parachute jumps, organising stalls at fetes and taking part in the Great Daffodil Appeal, where branches sold the charity's lapel badges.

In July, two Dignity employees from Bristol succeeded in kayaking the 92 mile length of the River Wye. The duo took four days to complete the challenge and raised £500.

Dignity employees also took part in Marie Curie's Blooming Great Tea Party, often adding a local delicacy to the hot drinks, cakes and sandwiches that were for sale. Staff at W J Angove & Son in Falmouth have held two Tea Parties and raised over £400 by combining the party with a Craft Fayre at their premises featuring local artists. The Tea Party at L Fulcher in Bury St Edmunds was so successful that it was extended for two hours after the intended finishing time.

Staff at South London Crematorium raised £200 for Marie Curie with an Open Day and Memorial Service and the team at W M Tyre & Son in Scotland raised £1,000 by climbing Goat Fell.

Over the past 12 months our staff have also continued to support a variety of other charities.

In North London, a team of seven cyclists took part in a 56 mile charity road trip from the capital to Brighton to raise funds for The Samaritans, Walking with the Wounded and British Heart Foundation.

Steve Wallis, General Manager of the Group's pre-arranged funeral plan business and Shirley Roberts, Crematoria Regional Manager, Memorial Sales, completed the London Marathon to raise money for Age UK and Cancer Research UK respectively.

Staff at Blackburns Funeral Service in Kent, accompanied by a local priest, took part in a static 24-hour cycling marathon and raised over £800 for Teenage Cancer Trust and local youth groups. Joseph Potts Funeral Directors in Glasgow raised £1,300 for Macmillan Cancer Research and Phillips Funeral Service in St Albans raised £400 for their local hospice by taking part in a Midnight Walk event.

The Group has made no individual charitable donations greater than £2,000 in the period.

Key developments in 2012

£42,000

Dignity raised £42,000 for its corporate charity, Marie Curie Cancer Care, during 2012.

£41,000

Dignity's five fairground organs helped to raise approximately £41,000 in the past 12 months for a variety of charities and good causes.

> "To demonstrate our values and principles our staff support hundreds of community initiatives, local and national charities, good causes, clubs and events every year."

Our actions during the year

We continue to focus on making a difference in the local communities we serve

Everyone at Dignity is committed to not only making a real difference to our clients but also to improving the welfare of all who live within the communities we serve.

Right: Children from Newton Burgoland Primary School enjoyed a great view of the Olympic Torch at Ginns & Gutteridge in Loughborough.

Our staff support hundreds of charities and good causes each year

To demonstrate our values and principles our staff support hundreds of community initiatives, local and national charities, good causes, clubs and events every year.

Far left: David Emberson, Consultant with J W Emberson of Grimsby raised £800 for Marie Curie Cancer Care by completing the Dales Way Challenge. **Left:** Shirley Roberts, Crematoria Regional Manager, Memorial Sales raised £3,600 for Cancer Research UK by completing the London Marathon.

We are proud to support Marie Curie Cancer Care as our corporate charity 2012

Each Dignity funeral location and crematoria has been linked with their local Marie Curie fundraising office so that the money they raise goes to help care for cancer patients in their community.

Right: Robert Cooksley and Garry Wooldridge of R Davies & Son in Bristol completed the 92-mile Wye River Kayak Challenge in aid of Marie Curie Cancer Care.

Board of Directors

> "The role of our experienced Board is to lead the Group with a view to the creation of strong, sustainable performance and long-term shareholder value."

Peter Hindley (69)[n]
(Non-Executive Chairman)

Appointed to the Board: 2004

Background and experience:
Peter has extensive experience of the industry having been appointed Chief Executive of Plantsbrook Group plc in 1991. Following the acquisition of Plantsbrook Group plc and Great Southern Group plc by SCI in 1994, he was appointed CEO of SCI (UK). He subsequently led a management buy out of the Group from SCI in 2002. The Company was then floated on the Stock Exchange in 2004. Peter became Non-Executive Chairman in January 2009. Before entering the funeral service industry, Peter spent 25 years in retailing, holding senior positions in Debenhams, Burtons and Harris Queensway.

Mike McCollum (45)
(Chief Executive)

Appointed to the Board: 2004

Background and experience:
Mike joined Dignity's former parent, SCI, in 1995 from KPMG Corporate Finance in London. He was appointed Finance Director at the end of 2001 and became Chief Executive at the beginning of 2009. He has a law degree from Birmingham University (LL.B), is a solicitor and also holds an MBA from Warwick University.

External appointments:
Director of Funeral Planning Authority Limited.

Steve Whittern (38)
(Finance Director)

Appointed to the Board: 2009

Background and experience:
Steve joined the Group in 1999 from KPMG. He was appointed Finance Director at the beginning of 2009, having spent the previous two years as Financial Controller, being responsible for the Group's finance function. Steve led the further debt issue and Return of Value in 2010. Steve is an FCA and holds a mathematics degree from Warwick University.

External appointments:
None.

Andrew Davies (51)
(Operations Director)

Appointed to the Board: 2004

Background and experience:
Andrew joined his family owned business in 1979 and worked as a funeral director and embalmer until the business was sold to Great Southern Group in 1993. He then held various management positions within Great Southern Group and following the acquisition by SCI in 1994, held senior operational positions within SCI (UK). He became Operations Director in 2001 and was a member of the management buy out team in 2002.

External appointments:
None.

Richard Portman (51)
(Corporate Services Director)

Appointed to the Board: 2006

Background and experience:
Richard joined SCI from HSBC as Chief Accountant in 1999. Following the IPO, Richard was appointed as Company Secretary and became Corporate Services Director in 2006. Richard is an FCA, holds a geography degree from Birmingham University and is a Member of the Chartered Management Institute and of the Investor Relations Society.

External appointments:
None.

Alan McWalter (59)[(a)(n)(r)]
(Senior Independent Director)

Appointed to the Board: 2009

Background and experience:
Alan is a Non-Executive Director of Churchill China plc, Haygarth Group Limited, Fabris Lane Limited and is Non-Executive Chairman of Constantine Group plc and Kornicis Group Limited. Prior to these roles Alan was Group Marketing Director of Marks and Spencer plc and before that held senior positions with Kingfisher plc and Thomson Consumer Electronics.

Ishbel Macpherson (52)[(a)(n)(r)]
(Non-Executive Director)

Appointed to the Board: 2009

Background and experience:
Ishbel is a Non-Executive Director of Synthomer plc and Dechra Pharmaceuticals plc. She is also Senior Independent Non-Executive Director of May Gurney Integrated Services plc and Chairman of Speedy Hire plc. Prior to those roles she held senior positions with Barclays de Zoete Wedd, Hoare Govett and Dresdner Kleinwort Wasserstein.

Board Committee Key

(a) Member of the Audit Committee
(n) Member of the Nomination Committee
(r) Member of the Remuneration Committee

Jane Ashcroft (46)[(a)(n)(r)]
(Non-Executive Director)

Appointed to the Board: 2012

Background and experience:
Jane is Chief Executive of Anchor, a leading provider of services to older people and has held a number of senior positions since joining them in 1999. She is also Non-Executive Chair of the English Community Care Association and was previously a Non-Executive Director of Stroud & Swindon Building Society. A graduate of Stirling University, she is a Fellow of the Institute of Chartered Secretaries & Administrators and a Member of the Chartered Institute of Personnel and Development.

Martin Pexton (56)[(a)(n)(r)]
(Non-Executive Director)

Appointed to the Board: 2012

Background and experience:
Martin was previously Managing Director of LMS Capital plc and prior to that an Executive Director of London Merchant Securities plc and Personnel Director of the law firm Allen & Overy. He has also in the past held a number of non-executive positions including roles with Minerva plc and Inflexion plc as well as a number with private companies. He has an MBA from the London Business School.

Report on Directors' remuneration
for the 52 week period ended 28 December 2012

Dear Shareholder,

On behalf of the Board, I am pleased to present the Remuneration Committee's Report on Directors' Remuneration for 2012.

As you may be aware, the Government has tabled proposals to reform the way Directors' remuneration is voted upon and reported. In particular, the Department of Business, Innovation and Skills ("BIS") has produced two consultation papers, the results of which, amongst other things, will have an impact on the content and presentation of information in the Report on Directors Remuneration.

The new legislative requirements will not come into effect until October 2013 but, although not mandatory for this report, the Committee has decided to adopt some of these changes early so incorporating extra information, including a remuneration policy table and graphs showing Executive Directors' remuneration at various performance levels. Consistent with the proposals, the report has been split into two sections: a Policy Report which sets out the policy on the remuneration of the executive and non-executive directors taking effect from 28 December 2012 and an Implementation report which discloses how the remuneration policy has been implemented in the period ended 28 December 2012. We will be seeking your support for both parts of the report by way of a single advisory vote at the forthcoming AGM on 6 June 2013.

For the year under review, the business continued to perform strongly. Underlying operating profit increased eight per cent on the previous period. Underlying earnings per share increased 14 per cent to 62.8 pence per Ordinary Share.

Accordingly, the strong performance in EPS growth has generated maximum annual bonus payments for Executive Directors, being 100 per cent of individuals' base salaries. Long-term incentive awards made in March 2009 under the shareholder-approved Long Term Incentive Plan ("LTIP") were subject to a relative total shareholder return ("TSR") measure. Over the 3-year performance period, Dignity returned 54 per cent compared to the median of the TSR peer group of 82 per cent and as a consequence none of the award vested. We believe that this represents a fair link between reward and performance for the year under review.

Remuneration Policy for 2013

We are committed to ensuring that rewards for executives are closely aligned to the interests of shareholders through having all our incentive arrangements linked to challenging performance targets, focused on growing earnings and generating market-beating levels of shareholder return.

Following prior consultation with shareholders, we will be changing the performance measures attached to awards to be made under the LTIP in March 2013. Whilst Total Shareholder Return ("TSR") remains an important benchmark of the success of the Company and provides a strong alignment with the returns received by shareholders, to improve the line of sight between performance and reward for executives and to target more directly the long-term financial performance of the business, an Earnings per Share measure will also be introduced for future awards. Each measure – TSR and EPS growth – applies independently, each to 50 per cent of the overall LTIP award. In line with best practice, the Committee is also introducing clawback provisions into the Group's annual bonus plan and LTIP and share ownership guidelines for Executive Directors. Except for executive salary reviews, no other changes to remuneration are being made for 2013.

The Remuneration Committee encourages dialogue with the Company's shareholders and will consult with major shareholders ahead of any significant future changes to the remuneration policy. We were delighted that the 2011 Remuneration Report received a 98.5 per cent vote in favour at the last AGM. Thank you for your continued support.

Alan McWalter
Chair, Remuneration Committee

6 March 2013

Introduction

This report sets out the remuneration policy operated by the Group in respect of the Executive Directors, together with disclosures on all Directors' remuneration. In addition to considering the new proposals from BIS on disclosure, this Directors' remuneration report has been prepared in accordance with the requirements of the Companies Act 2006 and Schedule 8 of the Large and Medium Sized Companies and Groups (Accounts and Reports) 2008 regulations which set out the current requirements for the disclosure of Directors' remuneration, and also in accordance with the requirement of the Listing Rules of the Financial Services Authority. The current legislation requires the auditors to report on the 'auditable parts' of this report and to state whether, in their opinion, the auditable parts of the report have been properly prepared in accordance with the relevant legislation.

The Board has reviewed the Group's compliance with the UK Corporate Governance Code (2010) (the Code) on remuneration related matters and has followed the Code in the preparation of the report of the Remuneration Committee. It is the opinion of the Board that the Group complied with all remuneration related aspects of the Code during the period.

Policy report

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.

The Remuneration Committee believes that this policy will retain and develop further the Group's entrepreneurial culture, whilst also focusing executive remuneration on performance which the Committee believes will best serve shareholders' interests. It is therefore the aim of the Remuneration Committee to encourage and reward superior performance by Executive Directors with that performance being based on strong financial performance and returns to shareholders. This is achieved by weighting the overall remuneration package towards achievement of that performance.

The table below summarises the main components of Dignity's remuneration policy for the 2013 financial year:

Element of pay	Purpose and link to Company's strategy	How operates in practice	Maximum potential value	Description of performance metrics applying	Changes to policy for 2013
Base salary	Essential to recruit and retain executives. Reflects individual's experience, role and performance.	Reviewed annually and fixed for 12 months commencing 1 January. Decision influenced by: • role, experience, responsibility and performance; • average change in broader workforce salary; and • Periodic benchmarking for each role against similar roles in broadly similar UK listed companies and companies of similar size. Salaries are generally positioned around market levels against broadly similar UK listed companies and companies of a similar size with future increases generally linked to average of workforce generally. For promotions, role changes or where a Director gains experience of being in the role, salary increases may be higher than that of the workforce.	Not applicable.	None.	There was no change to policy in 2012. Executive Directors' salaries, including the CEO, have increased by 2 per cent in line with the average increase across the general workforce. Directors' salaries, with the exception of Steve Whittern, were increased by 2 per cent which broadly reflects current employee salary inflation and is in line with the average increase across the Dignity workforce. Steve Whittern's salary was increased by 13 per cent. His salary was deliberately set at a below market rate when he was appointed in 2009 with the expectation that adjustment to his salary would be made as he progressed in the role. The Remuneration Committee has now decided that his experience in the role now merits a significant increase in salary. Salary levels effective from 1 January 2013 are: Chief Executive – £466,900 Finance Director – £235,000 Operations Director – £265,200 Corporate Services Director – £212,200.
Benefits	Operate competitive benefits to help recruit and retain executives.	Benefits comprise provision of company car (or cash allowance in lieu), fuel, landline telephone at residence, mobile phone, family private medical cover and a pre-arranged funeral plan for the individual or spouse.	Not applicable.	None.	No change to policy.
Annual bonus	To motivate executives and incentivise the achievement of annual financial and/or strategic business targets. As outlined in the Chief Executive's overview.	Bonus payment is determined by the Committee after the year end, based on performance against the targets set at the outset of the year. Targets are reviewed annually. The bonus is payable in cash following the audit of the performance year. Bonus payments can be clawed back in the event of financial misstatement or miscalculation of performance conditions.	Maximum bonus opportunity is 100 per cent of salary.	The bonus is based on achievement of challenging financial targets relative to the business plan taking into account market conditions at the start of the year. For 2013: • 70 per cent of the bonus is payable for meeting a first demanding EPS target set by the Committee. Nothing is payable for performance below this first target. • A further 30 per cent is payable for achieving a second and more demanding EPS target. • Awards vest on a pro rata basis for performance between the first and second EPS targets. The precise targets are commercially sensitive and will be disclosed when the bonus outcome is determined and reported in the 2013 remuneration report. The targets are ratified by the Board and are designed to enhance shareholder value. See footnote 1.	No change to policy.

Notes
1. Profit growth is a key Group financial measure and consistent with this, the Committee has chosen EPS targets to determine the payment of annual bonuses for 2013.
2. Total Shareholder Return is an important benchmark of the success of the business and provides a strong alignment with the returns received by shareholders. The FTSE 350 index is an appropriate comparator group given the lack of directly comparable companies in the UK and because Dignity is a constituent of the group. The EPS measure ensures a focus on long-term profitability which the Committee believes is a driver of shareholder value.
3. In accordance with the ABI guidelines, the Group can issue a maximum of 10 per cent of its issued share capital in a rolling ten year period to employees under all share plans. In addition, of this 10 per cent, the Company can only issue five per cent to satisfy awards under discretionary or executive plans.

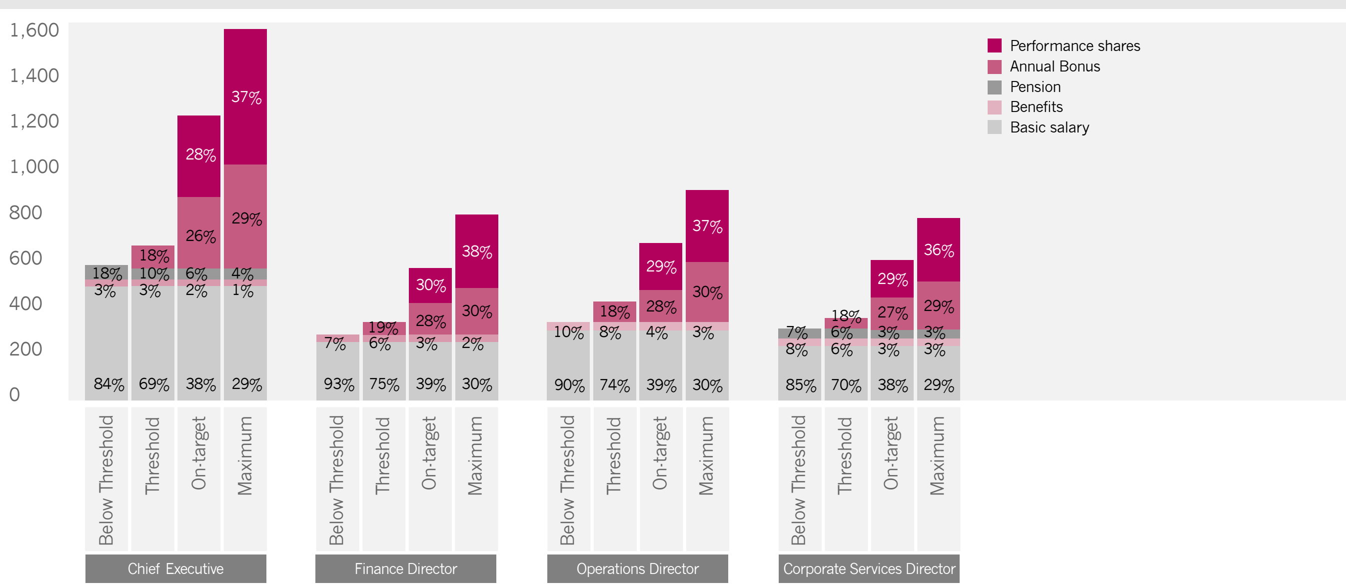
Element of pay	Purpose and link to Company's strategy	How operates in practice	Maximum potential value	Description of performance metrics applying	Changes to policy for 2013
Long-term incentives	Incentivises twenty seven senior managers and the four Executive Directors to achieve superior long term shareholder returns. Provides long term retention. Aligns the interests of the executives and shareholders through the requirement to build up a substantial shareholding. As outlined in the Chief Executive's overview.	Awards of nil-cost options are granted annually under the 2009 Long Term Incentive Plan. Awards vest subject to the achievement of stretching performance conditions measured over a period of three years. Quantum is reviewed annually (subject to the LTIP individual limit) taking into account overall remuneration, the performance of the Company and the executive being made the award. Vested awards are subject to clawback in the event of financial misstatement or miscalculation of performance conditions. 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, the long-term business plan and external expectations.	Under the LTIP, the maximum annual award to an individual is 125 per cent of salary. For 2013 an award of 125 per cent of salary will be made to Executive Directors. The Committee deemed this award appropriate, as in previous years, mindful of the need to encourage superior performance from the Executive Directors and ensure that a significant proportion of their total remuneration is linked to the performance of the Group. See footnote 3 for overall plan limit.	Awards vest at the end of a three-year performance period subject to the satisfaction of challenging performance measures. Until 2013, all of the awards were subject to a relative TSR measure, which is independently calculated by Deloitte LLP, comparing Dignity's performance against the constituents of the FTSE 350. From 2013 however, half of the awards will be subject to TSR. 25 per cent of this part of the award vests at median, with 100 per cent vesting for upper quartile performance with straight line vesting in between. For this part of the award, no vesting can occur unless the Committee considers that the underlying financial performance of the Company has been satisfactory. The other half is subject to a sliding scale of underlying earnings per share growth targets measured over 3 financial years. For 2013, 15 per cent of this part of the award vests for compound annual growth in underlying EPS above RPI of 6 per cent p.a., 50 per cent vests for 9 per cent p.a. real growth with full vesting for 11 per cent p.a. real growth or better. For performance between these points, vesting is on a straight-line basis. Performance is measured over the 3-year period ending 31 December 2015. To be consistent with the measurement period for EPS, the TSR condition for the 2013 awards will be measured over the same period i.e. from 1 January 2013 to 31 December 2015. See footnote 2.	Prior to 2013 awards under the plan were subject to a single measure, relative TSR. Following consultation with major shareholders, an audited EPS growth measure was introduced. From 2013, the TSR and EPS conditions shall each apply to 50 per cent of the total award.
Pension	Helps recruit and retain executives. Provides a discrete element of the package to contribute to post retirement lifestyle.	Richard Portman is a member of the Dignity Pension and Assurance Scheme, which is a defined benefit and tax approved scheme. Mike McCollum ceased to be an active member of the Dignity Pension and Assurance Scheme on 31 March 2012. In lieu of a company pension contribution he now receives a supplement of 15 per cent of his basic salary, which amounted to £52,000 in the period. No contributions are made for Andrew Davies and Steve Whittern.	The accrual rate is one eightieth for every completed year of service.	None.	No change to policy.
Non-Executive Chairman and Directors' fees	To attract and retain high quality and experienced Non-Executive Chairman and Directors.	The Board determines the fees of the Non–Executive Directors. It is based upon recommendations from the Chairman and Chief Executive (or, in the case of the Chairman, based on recommendations from the Remuneration Committee and the Chief Executive). 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 and are set by reference to broadly similar UK listed companies and companies of a similar size.	Not applicable.	None.	No change to policy. Fees are as follows: Chairman £160,000 (4.6 per cent increase at the start of 2013). Alan McWalter £57,800 (5 per cent increase at the start of 2013). Ishbel Macpherson £51,800 (4.9 per cent increase at the start of 2013). Martin Pexton £41,000 no increase. Jane Ashcroft £41,000 no increase. The increases in Ishbel Macpherson's and Alan McWalter's salaries principally reflect their respective appointments as Chair of the Audit Committee and Senior Independent Non-Executive Director.

In determining the remuneration policy for Executive Directors, the Committee takes account of the policy for employees across the Group. The remuneration policy is broadly consistent for Executive Directors and the remainder of the workforce. Key differences are set out below:

Consistency in policy	Divergence in policy
The Company takes into account the overall rate of increase in pay across the Group when considering salary increases for each category of employee.	No divergence from policy.
Eligible employees can participate in the Dignity Pension and Assurance Scheme.	No divergence from policy.
The annual bonus scheme operates across the Group.	There are different targets and level of potential reward depending on seniority, role and responsibility.
The Company supports and encourages Group wide share ownership to share in the long term success of the Company.	The employee population as a whole are offered the opportunity to participate in the Group's SAYE scheme. More senior management and executives are provided with long term incentive share awards to provide alignment with the interests of shareholders and reward based on long term performance.

Remuneration Scenarios for Executive Directors

The charts below provide estimates for the potential remuneration of each Executive Director based on the remuneration policy in place for 2013. Potential outcomes are based on different performance scenarios.



Notes:

(i) Fixed pay comprises basic salary, benefits and pension. Fixed pay is constant across all four scenarios.

(ii) For Threshold; assumed no bonus payment as no bonus is payable if performance is below On-target level. Assumed 20 per cent of LTIP vests (being the average of the start to earn values for the TSR and EPS elements being 25 per cent and 15 per cent respectively).

(iii) For On-target; assumed 70 per cent of maximum bonus paid (which is also the start-to-earn point) and 60 per cent of LTIP (being the mid-point between start to earn and maximum).

(iv) For Maximum; assumed full bonus payment and LTIP vests in full.

(v) No account has been taken of any changes in the Company's share price since the end of the period.

Service contracts

Details of the service contracts with all Executive Directors and letters of appointment with Non-Executive Directors are as follows:

Name	Contract date	Notice period	Unexpired term of contract or letter of approval
Mike McCollum	1 April 2004	12 months	Rolling Contract
Andrew Davies	1 April 2004	12 months	Rolling Contract
Richard Portman	1 November 2006	12 months	Rolling Contract
Steve Whittern	1 January 2009	12 months	Rolling Contract
Peter Hindley	7 December 2012	3 months	12 months
Ishbel Macpherson	14 December 2012	3 months	24 months
Alan McWalter	14 December 2012	3 months	24 months
Jane Ashcroft	1 April 2012	3 months	15 months
Martin Pexton	1 April 2012	3 months	15 months

Other than in certain special circumstances warranting termination without notice the Company can terminate an Executive Director's contract by giving 12 months' notice. Alternatively, following notice of termination the Company may terminate an Executive Director's contract with immediate effect by paying an amount equal to base salary plus the fair value of contractual benefits subject to the deduction of tax. 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.

In accordance with the terms of the UK Corporate Governance Code all Directors submit themselves for re-election at the Annual General Meeting each year.

No Executive Directors hold a Non-Executive position with any other company. However, the Group allows one such appointment per Executive Director, for which they can retain the fees.

Relative importance of spend on pay

The following table sets out the percentage change in profit, dividends and overall spend of pay in the 2012 financial year compared with the prior year.

	2012 £m	2011 £m	Percentage change %
Underlying operating profit	69.4	64.5	8
Underlying earnings per share	62.8	55.1	14
Dividends paid in the period	8.3	7.5	10
Employee remuneration costs	71.3	66.3	8

How shareholder views are taken into account

The Remuneration Committee considers shareholder feedback received in relation to the AGM each year and guidance from shareholder representative bodies more generally. This feedback, plus any additional feedback received during any meetings from time to time, is then considered as part of the Company's annual review of remuneration policy. For 2013, we were grateful for the constructive feedback received from major shareholders and representative bodies on our proposals to introduce an EPS measure alongside relative TSR under the LTIP for 2013.

Implementation Report

Directors' remuneration (Audited)

The total of Directors' remuneration for the period was £2,780,000 (2011: £2,710,000), including pension contributions of £30,000 (2011: £50,000). The remuneration of individual Directors for the year or from their date of appointment was as follows:

	Salary and fees £'000	Non cash benefits* £'000	Cash benefits* £'000	Annual performance related bonus £'000	Total 2012 £'000	Total 2011 £'000
Executive Directors						
Mike McCollum	458	4	67	458	987	917
Andrew Davies	260	14	15	260	549	538
Richard Portman	208	4	15	208	435	427
Steve Whittern	208	3	15	208	434	426
Non-Executive Directors						
Jane Ashcroft (appointed 1 April 2012)***	31	–	–	–	31	–
Peter Hindley***	153	1	–	–	154	154
James Newman (retired 1 April 2012)**	17	–	–	–	17	66
Bill Forrester (retired 1 April 2012)	12	–	–	–	12	48
Ishbel Macpherson****	47	–	–	–	47	41
Alan McWalter*****	53	–	–	–	53	43
Martin Pexton (appointed 1 April 2012)***	31	–	–	–	31	–
Total	1,478	26	112	1,134	2,750	2,660

*Benefits include the following elements: provision of a company car or allowance, fuel, landline telephone at each Executive Director's home residence and a mobile telephone together with a pre–arranged funeral plan in accordance with any scheme established by the Group in respect of the funeral of the Executive Director or his wife. Mike McCollum ceased to be an active member of the Dignity Pension and Assurance Scheme on 31 March 2012. In lieu of a company pension contribution he now receives a supplement of 15 per cent of his basic salary, which amounted to £52,000 in the period.

**James Newman's fees and expenses are invoiced to the Company by West Wood on Derwent Limited.

*** No fee reviews were made for 2012 in respect of these Non–Executive Directors.

**** Ishbel Macpherson became Chairman of the Audit Committee on 1 April 2012 and received an additional prorated fee of £8,400 per annum.

***** Alan McWalter became Senior Independent Non–Executive Director on 1 April 2012 and received an additional prorated fee of £7,000 per annum.

No Director waived emoluments in respect of the 52 week period ended 28 December 2012 or the 52 week period ended 30 December 2011.

Single total remuneration figure of Directors' remuneration (Audited)

Following the draft proposals published by BIS, the following table presents a single total remuneration figure for 2012 for the Executive Directors (the single figure for the Non-Executive Directors would be as presented above). The principal additional component included in the single figure relates to the vesting of long-term incentive awards.

	Fixed Pay			Pay for Performance		
	Salary £	Pensions £	Taxable benefits £	Annual Bonus £	LTIP £	Total Remuneration £
Mike McCollum	458	63	19	458	–	998
Andrew Davies	260	–	29	260	–	549
Richard Portman	208	19	19	208	–	454
Steve Whittern	208	–	18	208	–	434

The LTIP values for the 2009 LTIP award which was capable of vesting in March 2012 were zero as the TSR performance was below median.

The bonus refers to performance in the 2012 financial year and was paid in cash in March 2013.

Pension includes contribution to the Group's defined benefit pension scheme.

Determination of 2012 annual bonus outcome (Unaudited)

The targets for the 2012 annual bonus were based on the achievement of set earnings per share growth targets. 70 per cent of the maximum bonus (being 100 per cent of salary for Executive Directors) was payable for achieving a first EPS target of 59.7 pence per share and 100 per cent for a second, more demanding EPS target of 61.5 pence per share.

The strong growth in underlying EPS over the year of 14 per cent meant that the first and second EPS targets were met. Accordingly, the Committee awarded Executive Directors full bonuses in respect of the 2012 financial year, being 100 per cent of base salary. None of the annual bonus is deferred.

Long Term Incentive Plan (Audited)

Details of the nil cost option awards made under the LTIP are disclosed in the table below:

Director	Award grant date	Share price at grant (pence)	As at 31.12.11	Granted during year	Lapsed during year	Exercised during year	As at 28.12.12	Earliest date shares can be acquired	Latest date shares can be acquired
Mike McCollum	20.03.09(2)	617p	89,184	–	89,184	–	–	n/a	n/a
	19.03.10(3)	671p	82,011	–	–	–	82,011	19.03.13	18.03.14
	18.03.11(4)	691p	81,223	–	–	–	81,223	21.03.14	17.03.15
	28.03.12(5)	815p	–	70,219	–	–	70,219	29.03.15	27.03.22
Andrew Davies	20.03.09(2)	617p	50,673	–	50,673	–	–	n/a	n/a
	19.03.10(3)	671p	46,597	–	–	–	46,597	19.03.13	18.03.14
	18.03.11(4)	691p	46,129	–	–	–	46,129	21.03.14	17.03.15
	28.03.12(5)	815p	–	39,884	–	–	39,884	29.03.15	27.03.22
Richard Portman	20.03.09(2)	617p	40,538	–	40,538	–	–	n/a	n/a
	19.03.10(3)	671p	37,278	–	–	–	37,278	19.03.13	18.03.14
	18.03.11(4)	691p	36,903	–	–	–	36,903	21.03.14	17.03.15
	28.03.12(5)	815p	–	31,907	–	–	31,907	29.03.15	27.03.22
Steve Whittern	20.03.09(2)	617p	30,404	–	30,404	–	–	n/a	n/a
	19.03.10(3)	671p	27,958	–	–	–	27,958	19.03.13	18.03.14
	18.03.11(4)	691p	36,903	–	–	–	36,903	21.03.14	17.03.15
	28.03.12(5)	815p	–	31,907	–	–	31,907	29.03.15	27.03.22

(1) Awards under the LTIP up to and including those made in 2009 were only released if the Group's comparative TSR performance is equal to or greater than the median level of performance over the holding period at which point 40 per cent of the award will be released, with full vesting occurring for upper quintile performance. Vesting occurs on a straight-line basis between those points. The Award in 2010 and all awards thereafter will only be released if the Group's comparative TSR performance is equal or greater than the median level of performance over the holding period at which point 25 per cent of the award will be released with full vesting occurring for an upper quartile performance. Vesting occurs on a straight–line basis between these points.

(2) Value based on the average mid market share price for the previous 28 days to 18 March 2009.

(3) Value based on the average mid market share price for the previous 28 days to 18 March 2010.

(4) Value based on the average mid market share price for the previous 28 days to 17 March 2011.

(5) Value based on the average mid market share price for the previous 28 days to 22 March 2012.

LTIP awards granted in the year (Audited)

LTIP awards granted to Executive Directors on 28 March 2012 were as follows:

Executive	Number of LTIP awards	Face/Maximum Value of Awards at Grant Date*	% of Award Vesting at Threshold (Maximum)	Performance Period
Mike McCollum	70,219	571,875	25% (100%)	28.3.12 – 28.3.15
Andrew Davies	39,884	325,000	25% (100%)	28.3.12 – 28.3.15
Richard Portman	31,907	260,000	25% (100%)	28.3.12 – 28.3.15
Steve Whittern	31,907	260,000	25% (100%)	28.3.12 – 28.3.15

* Based on a 28 day average share price to 22 March 2012 of 815p.

The 2012 LTIP awards will vest subject to the Company's TSR performance over a three-year period commencing on 28 March 2012, with no opportunity to re-test. TSR will be compared to the constituents of the FTSE 350. No award will vest unless the Committee considers that the Group's underlying financial performance over the period has been satisfactory. None of the award shall vest if the Company's ranking is below median. At median, 25 per cent of the award will vest and the award will vest in full if the Company is ranked in the upper quartile. Awards will vest on a straight-line basis for a ranking between median and upper quartile.

Determination of LTIP awards with performance periods ending in the year (Audited)

During the year, the TSR performance period for the awards made on 20 March 2009 ended. Dignity's TSR of 54 per cent was below the median of 82 per cent so none of the awards capable of vesting actually vested.

Performance level	TSR relative to FTSE 350 companies	
	Performance required	*% vesting*
Below threshold	Below median	0%
Threshold	Median	40%
Stretch or above	Upper quartile or above	100%
Actual achieved	Below median	0%

Inland Revenue Approved SAYE Share Option Scheme (Audited)

	Date of grant	Number held at 30 December 2011	Granted	Lapsed	Number held at 28 December 2012	Exercise date
Richard Portman	22 October 2010	1,283	–	–	1,283	1 December 2013
Steve Whittern	22 October 2010	1,283	–	–	1,283	1 December 2013

The SAYE options granted on 22 October 2010 have an exercise price of £7.01 per share and must be exercised within six months of the date shown above. The share price on this day was £6.46.

The market price of the Group's shares on 28 December 2012 was £10.80 per share. The high and low share closing prices in the period were £10.80 per share and £7.56 per share respectively.

Directors' interest in shares (Unaudited)

To further align the interests of senior management with those of shareholders, Executive Directors are subject to share ownership guidelines. Executive Directors are required to accumulate a holding of Ordinary Shares in the Company to the value of 100 per cent of their salary at 1 March 2013. Until the guideline is met the Executive Director is expected to retain 50 per cent of shares acquired under the Company's share plans (after allowing for tax and national insurance liabilities).

The interests of the Directors in the share capital of Dignity plc at 28 December 2012 are set out below.

	Number of Ordinary Shares				
		At 28 December 2012			
	At 30 December 2011 or date of appointment	Legally owned	Subject to SAYE	Subject to performance conditions under the LTIP	Percentage of salary held in legally owned shares under the shareholding
Mike McCollum	522,418	270,000	–	233,453	700.3%*
Andrew Davies	304,649	161,250	–	132,610	736.3%*
Richard Portman	222,784	106,782	1,283	106,088	609.4%*
Steve Whittern	110,285	10,737	1,283	96,768	55.3%*
Peter Hindley	188,790	188,790	–	–	Not applicable to Non-Executive Directors
Ishbel Macpherson	5,695	5,695	–	–	Not applicable to Non-Executive Directors
Alan McWalter	3,000	3,000	–	–	Not applicable to Non-Executive Directors
Jane Ashcroft	–	–	–	–	Not applicable to Non-Executive Directors
Martin Pexton	–	–	–	–	Not applicable to Non-Executive Directors

There has been no change in the interests set out above between 28 December 2012 and 6 March 2013.

* The shareholding guideline for the Executive Directors is that they hold 100 per cent of their basic salary as shares based on their salary at 1 March 2013 and the previous 28 day average share price at that date of 1,211 pence per share.

Directors' pension entitlements (Audited)

Defined benefit salary scheme

	Change in accrued benefit over the period (1) £	Transfer value at 28 December 2012 (2) £	Transfer value at 30 December 2011 (2) £	Change in transfer value less Directors' contributions £	Change in accrued benefit in excess of inflation £	Transfer value of change in accrued benefit net of Directors' contributions £	Accumulated total accrued pension at 28 December 2012 (3) £
Mike McCollum	1,382	1,235,829	1,052,797	175,021	–	(18,633)	102,566
Richard Portman	3,272	551,431	441,228	95,643	2,487	19,909	38,936

(1) During 2012, the above Directors were members of the Dignity Pension and Assurance Scheme, which is a defined benefit and tax approved scheme to which both the Director and the Group contribute and remains open to all employees. Mike McCollum ceased to be an active member of the Dignity Pension and Assurance Scheme on 31 March 2012. In lieu of a company pension contribution he now receives a supplement of 15 per cent of his basic salary. The Group has also arranged permanent life cover equal to the benefit he would have received had he remained in the Scheme.

(2) Transfer values have been calculated in accordance with the transfer value basis set by the Trustees.

(3) Pension accruals shown are the amounts that would be paid annually on retirement based on service at the end of the current period. This equates to accrued entitlement.

Loss of office payments (Audited)

No Executive Director left in the year and no compensation for loss of office was paid.

Membership of the Remuneration Committee (Unaudited)

The Code requires that a Group of the size of Dignity plc has a Remuneration Committee comprising a minimum of three non-executives. The Committee is chaired by Non-Executive Director, Alan McWalter. The Committee members until 1 April 2012 were Bill Forrester, Alan McWalter, Ishbel Macpherson and James Newman. After their retirement from the Board, Bill Forrester and James Newman were replaced by Jane Ashcroft and Martin Pexton.

The Remuneration Committee members have no personal financial interest, other than as shareholders, 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 Non-Executive Directors are not eligible for pensions and do not participate in the Group's bonus or share schemes.

The Remuneration Committee determines and agrees with the Board, within formal terms of reference, the framework and policy of Directors' and senior management's remuneration and its cost to the Group. The Committee considers the performance of the Executive Directors as a prelude to recommending their annual remuneration, bonus awards and share awards to the Board for final approval.

The Committee met five times during the year. At those meetings basic salaries of Executive Directors and senior managers were reviewed, the targets and quantum of annual performance related bonuses for Directors were also agreed, as were awards granted under the Group's Long Term Incentive Plan (LTIP). The meetings also approved the payment of the 2011 performance related bonus and dealt with the vesting of the shares awarded in 2009 under the LTIP scheme. During the year, the Committee also introduced share ownership guidelines for the Executive Directors and clawback provisions for the annual bonus and LTIP.

The Committee also receives advice from several sources, namely:

- The Chairman and the Chief Executive who attend the Remuneration Committee by invitation or when required and the Company Secretary, who is also the Corporate Services Director, attends meetings when required as Secretary to the Remuneration Committee. No Executive Director takes part in discussions relating to their own remuneration and benefits.
- New Bridge Street (a trading name of Aon Corporation) is the Committee's executive remuneration advisor and is a signatory to the Remuneration Consultants Group's Code of Conduct. Aon Corporation does not provide any other services to the Group.

New Bridge Street were appointed by the Remuneration Committee having historically provided adhoc services and provided a range of advice to the Committee during the year, including clawback of incentive payments, share ownership guidelines, the impact of the BIS reforms on reporting and shareholder voting, market developments generally and the introduction of EPS targets for LTIP awards. Total fees charged were approximately £39,000 and were charged on a time spent basis.

Statement of shareholder voting at the AGM (Unaudited)

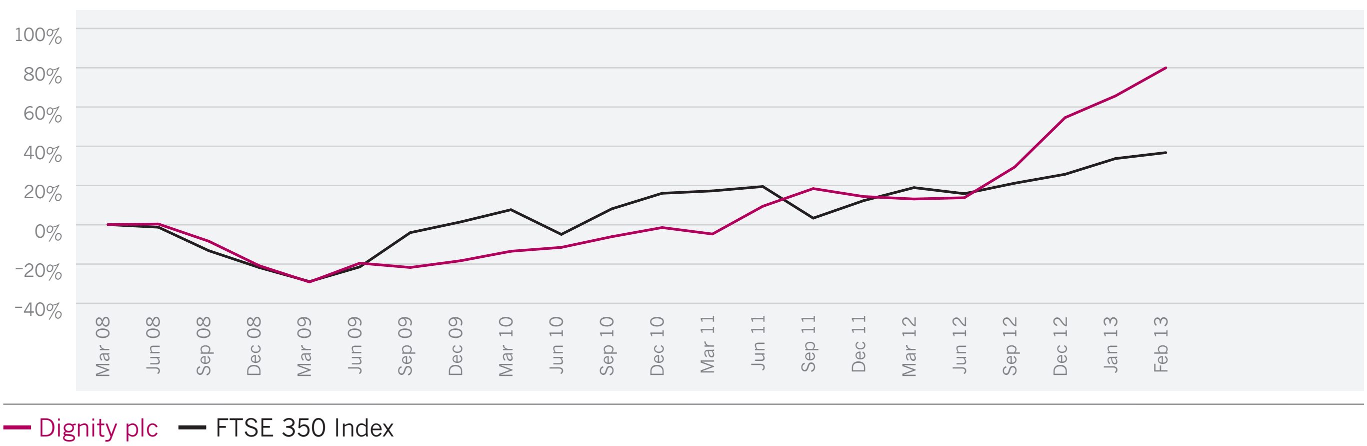
At last year's AGM, the Directors' Remuneration Report received the following votes from shareholders:

	Total number of votes	% of votes cast
For	42,454,217	95.20%
Against	638,109	1.43%
Abstentions	1,504,299	3.37%
Total	44,596,625	100%

Performance graph (Unaudited)

Consistent with previous years, the Remuneration Committee has chosen to compare the Group's TSR to the FTSE 350 index.

5 Year Total Shareholder Return



On behalf of the Board

Alan McWalter
Chair of the Remuneration Committee
6 March 2013

Directors' statement on corporate governance

for the 52 week period ended 28 December 2012

Introduction

This statement explains how Dignity has incorporated the requirements of The UK Corporate Governance Code (2010) (the Code). The Board is committed to high standards of corporate governance in order to achieve its objectives and meet the necessary standards of accountability and integrity. In accordance with the Listing Rules of the Financial Services Authority, Dignity plc is required to state whether it has complied with the relevant provisions set out in the Code and, where the provisions have not been complied with, to provide an explanation. Dignity plc is also required to explain how it has applied the principles set out in the Code. This Directors' Statement on Corporate Governance and the Report on Directors' Remuneration on pages 34 to 44 provide a description of how the main and supporting principles of the Code have been applied within Dignity plc during 2012. The Group has complied with all provisions of the Code throughout the 2012 accounting period.

Narrative statement

The Code establishes principles of good governance, which are split into four areas as outlined below:

1. The Board and its effectiveness

The Group is controlled through the Board of Directors that meets regularly throughout the year. Informal meetings are held between individual Directors as required. The Board has adopted a formal schedule of matters reserved to it.

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

- 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;
- Setting annual budgets and reviewing progress towards achievement of these budgets; and
- Proposing and making dividend payments to shareholders.

The management of the Group on a day to day basis is delegated, via the Executive Directors, to an experienced senior and middle management team whose size and structure is commensurate with 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 vest with the Board except capital expenditures, acquisition projects and significant financial matters where some delegation occurs under the formally adopted Schedule of Matters Reserved for the Board and the Expenditure Authorisation Policy.

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

The Board comprises eight Directors and the Non-Executive Chairman. There are the same number of independent Non-Executive Directors and Executive Directors which the Board considers to be an appropriate and effective combination. The Board also considers that four Executive Directors are sufficient to manage a Company of this size and organisational structure and they have all confirmed that they are able to devote sufficient time to their roles.

There is a clear division of responsibility between the Non-Executive Chairman and the Chief Executive so as to give no individual, unfettered powers of decision making. The Chairman is responsible for:

- The leadership of the Board;
- Ensuring the Board functions in all aspects of its role;
- Facilitating the effective contribution of the Non-Executive Directors and ensuring constructive relations between Executive and Non-Executive Directors;
- Ensuring all Directors receive accurate, timely and clear information;
- Setting the agenda so all relevant issues are discussed, ensuring sufficient time is devoted to discussing issues particularly strategic ones; and
- Ensuring effective communication with stakeholders and acting as the public face of the Group.

The Chief Executive is 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 Chief Executive and other Board members;
- Formulating and proposing strategy to the Board; and
- Implementing the strategy and policies adopted by the Board.

The four independent Non-Executive Directors who served from the start of the period to 1 April 2012 were Bill Forrester, Ishbel Macpherson, Alan McWalter, and James Newman. On 1 April 2012, Bill Forrester and James Newman retired from the Board and were replaced by Jane Ashcroft and Martin Pexton. They were appointed by the Board with the assistance of external recruitment consultants. The selection process followed was based on the specific criteria for the new Non-Executive Directors set by the Chairman and the remainder of the Board. Both new Directors received full induction training. The terms and conditions of all Directors' appointments are available for inspection at the Group's registered office.

Biographical details for the Non-Executive Directors appear on pages 32 and 33. Their role is to challenge constructively the management of the Group and help develop proposals on strategy.

Alan McWalter is the Senior Independent Director of the Group. His role is to provide a sounding board for the Chairman and act as an intermediary for other Directors if needed and to be available to shareholders if necessary. He replaced James Newman when he retired from the Board on 1 April 2012.

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

Jane Ashcroft, Ishbel Macpherson, Alan McWalter, and Martin Pexton are independent of management, as defined by the Code.

All Directors are able to take independent professional advice on the furtherance of their duties if necessary at the Group's expense. They also have access to the advice and services of the Company Secretary, who is also the Corporate Services Director and, where it is considered appropriate and necessary, training is made available to Directors. All Directors receive annual training and updates on the duties and responsibilities of being a Director of a listed company. This covers legal, accounting and tax matters as required.

The Company maintains appropriate insurance cover in respect of any legal action against its Directors. The level of cover is currently £50 million.

The Directors have, during the period, formally reminded themselves of their duties as Directors under the Companies Act 2006 (Section 171-177). These duties include the need to avoid conflicts of interest (Section 175). No such conflicts of interest exist.

In accordance with the Code all Directors will submit themselves for re-election at the forthcoming Annual General Meeting.

The Board has established a Remuneration Committee, an Audit Committee and a Nomination Committee, each of which operate within defined terms of reference. The specific terms of reference for each of the Committees may be obtained from the Company Secretary at the registered office and they are also available for inspection on the Group's investor website www.dignityfuneralsplc.co.uk. All Committees are provided with sufficient resources to undertake their duties.

Those attending and the frequency of Board and Committee meetings held during the year was as follows:

	Main Board(i)	Audit Committee	Remuneration Committee	Nomination Committee
Number of meetings	**6**	**3**	**5**	**2**
Jane Ashcroft	3	2	2	2
Andrew Davies	5	2(ii)	–	–
Bill Forrester(iv)	2	1	1	–
Peter Hindley	6	3(ii)	5(ii)	2
Mike McCollum	6	3(ii)	3(ii)	–
Alan McWalter	6	3	5	2
Ishbel Macpherson	6	3	5	2
James Newman(iv)	2	1	1	–
Martin Pexton	4	2	3	2
Richard Portman	5	2(iii)	5(iii)	2(iii)
Steve Whittern	6	3(ii)	–	–

(i) Only full Board meetings have been included in the attendance analysis. Seven further meetings were held with a quorum of Directors to approve announcements, documents or the issue of shares under the LTIP and SAYE.

(ii) In attendance by invitation of the respective Committee.

(iii) Richard Portman attended certain Committee meetings in his capacity as Company Secretary.

(iv) Bill Forrester and James Newman retired from the Board on 1 April 2012. Prior to their retirement they attended all Board and Committee meetings.

When 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. A process exists whereby such views will be included in the minutes of the meeting if necessary.

Three formal meetings between the Chairman and the Non-Executive Directors, without the Executive Directors being present were held during 2012.

During the year, the Board again undertook a formal and rigorous evaluation of its own performance and that of its Committees and Directors by way of the issue of a detailed questionnaire to all Directors. This was then followed by a detailed review of the responses, by the Directors, and identification of any actions arising. The Non-Executive Directors, led by the Senior Independent Director, are responsible for the performance evaluation of the Chairman taking into account the views of the other Executive Directors. The Board was satisfied that its performance and that of its Chairman, individual Directors and Committees was of the appropriate standard.

As required under the Code the Board will undertake an external evaluation of its own performance in the second quarter of 2013. This evaluation will be completed by Independent Audit Limited.

The Company Secretary, Richard Portman, is responsible for the preparation and distribution of all agendas, minutes and related Board and Committee papers. As Corporate Services Director, he attends the Board meetings in his capacity as a Director of the Company but also acts as Secretary to those meetings. He attends the Committee meetings in his capacity as Company Secretary and also as Secretary of those Committees when requested to do so by the Chairman of that Committee. He is also responsible for ensuring all Board procedures are followed and for advising the Board on corporate governance matters. The Board are happy that the role of Company Secretary is undertaken by the Corporate Service Director as, whilst there may be merit in separating the roles, the Board believes it is the most cost effective and sensible way of filling the role particularly given the skills and knowledge of the Corporate Services Director. The appointment and removal of the Company Secretary is a matter for the Board as a whole.

2. Directors' remuneration

The Remuneration Committee, chaired by Alan McWalter, determines and agrees with the Board, within formal terms of reference, the framework and policy of Directors' and senior management's remuneration and its cost to the Group. The Committee met five times during 2012. The Committee considers the performance of the Executive Directors as a prelude to recommending their annual remuneration, bonus awards and awards of share options to the Board for final approval.

The Committee members, until 1 April 2012 were Bill Forrester, Alan McWalter, Ishbel Macpherson and James Newman. After their retirement from the Board, Bill Forrester and James Newman were replaced by Jane Ashcroft and Martin Pexton. The Code requires a Committee of at least three members. The Chief Executive and the Chairman can also attend the meetings by invitation of the Committee. No Director or senior manager is involved in any decisions with regard to their own remuneration. The Chairman of the Board is not a member of the Remuneration Committee.

The Executive Directors recommend the remuneration of Non-Executive Directors and recommendations take into account role, responsibilities and time commitment in the fulfilment of those duties. The Non-Executive Directors are not eligible for pensions and do not participate in the Group's bonus or share schemes. The Committee has considered the remuneration of senior management immediately below Board level during the year. It concluded that their remuneration was commensurate with their various duties and in line with market rates.

3. Accountability and audit

Audit Committee

The Audit Committee in 2012 was made up of the independent Non-Executive Directors. The Committee members during 2012 were, until 1 April 2012, Bill Forrester, Alan McWalter, Ishbel Macpherson and James Newman. After their retirement from the Board Bill Forrester and James Newman were replaced by Jane Ashcroft and Martin Pexton. The Chairman Ishbel Macpherson, is considered to have recent and relevant financial experience to chair this Committee and she assumed the Chairmanship from James Newman upon his retirement from the Board on 1 April 2012. Its membership is restricted to Non-Executive Directors whose qualifications are shown in their biographies on pages 32 and 33. The Committee has specific written terms of reference that explain its authority and duties. The Committee has met three times during 2012. The external auditors, the Chairman, the Chief Executive and the Finance Director have attended all the meetings by invitation. The Operations Director attended the meetings in July and December of 2012 by invitation. The external auditors and the Head of Internal Audit separately meet with the Chairman of the Audit Committee. During 2012, the Chairman met with the external Auditors on three occasions and the Chairman met with the Head of Internal Audit on two occasions.

The Chairman of the Board is not a member of the Audit Committee.

The Committee reviews the Group's Annual Report, Interim Report and other formal announcements related to the Group's financial performance before submission to the Board. It keeps under review the Group's accounting policies, financial controls and internal control and risk management systems. It also evaluates, on a regular basis, the work of the internal audit function and reviews its effectiveness. The Committee also reviews matters brought to its attention both internally and by the external auditors. The Committee reports all findings to the Board.

A formal process, established via the Audit Committee, exists by which employees of the Group may, in confidence, raise concerns about possible improprieties in financial reporting or other matters. This ensures arrangements are in place for the proportionate and independent investigation of such matters and appropriate follow-up action.

The Committee also keeps under review the relationship with the external auditors, including their terms of engagement, independence, objectivity and effectiveness taking into consideration relevant UK profession and regulatory requirements. There is a formal policy adopted by both the Audit Committee and the Board covering non-audit work that may be undertaken by the external auditors. The Committee reviews whether that policy has been complied with and the remuneration received by the external auditors for such non-audit work. This is to safeguard the independence of the external auditors. The Committee were satisfied in the period that this work, which was principally for tax advice, did not affect the external auditors independence and given the nature of the work it was pragmatic and cost effective for them to complete the work. Details of the fees paid to the external auditors for all types of work are shown on page 70.

The external auditors have confirmed their audit independence in writing to the Committee. The Committee also retains responsibility for the appointment and removal of the external auditors.

PricewaterhouseCoopers LLP have been the Group's auditors since the management buy out from SCI in 2002. PricewaterhouseCoopers LLP, were auditors of SCI at this time. The Audit Committee considers that the relationship with the auditors is working well and remains satisfied with their effectiveness. Accordingly, it has not considered it necessary to date to require the firm to tender for the audit work. In reaching this decision, the Audit Committee has agreed to retain PricewaterhouseCoopers LLP as auditors up to and including the audit of the 2014 financial results at which point it will consider a tender in line with prevailing guidelines at the time. The external auditors are required to rotate the Group audit partner every five years and this is the fourth year for the current lead audit partner Matthew Mullins. There are no contractual obligations restricting the Company's choice of external auditor. However, under the terms of the Secured Notes, Dignity (2002) Limited and certain of its subsidiaries are only permitted to use PricewaterhouseCoopers LLP, KPMG LLP, Deloitte LLP or Ernst & Young LLP (or their successor firms).

Reporting responsibilities
The Board is required to present a balanced and understandable assessment of the Group's position and prospects, not only in the Directors' Report and Accounts but also in the Chairman's statement (page 4), the Chief Executive's Overview (page 5), the Business Review (pages 10 to 15), the Financial Review (pages 16 to 18), Interim Reports, Interim Management Statements and in price sensitive announcements. The Group will release its Annual Information Update by 1 April 2013. A summary of the Directors' responsibilities for the financial statements is set out on page 51.

Going concern
The Directors receive and review regularly management accounts, cash balances, forecasts and the annual budget together with securitised debt covenant compliance. After careful consideration, and mindful of the current market conditions, the Directors confirm they are satisfied that the Group and the Company has adequate resources to continue operating for the foreseeable future. The Directors formally considered this matter at the Board meeting held on 1 March 2013. For this reason, they continue to adopt the going concern basis for preparing the financial statements.

Internal control and risk management
The Board recognises it is responsible for the Group's system of internal control and risk management, which is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable, and not absolute, assurance against material misstatement or loss. A formal ongoing process of identifying, evaluating and managing the significant risks faced by the Group was in place for the period and in place up to the date the Statement on Corporate Governance was signed and approved for the Annual Report and Accounts 2012. This process was in place at the date of approval of the Annual Report and is in accordance with the Code and the Turnbull Guidance.

Internal controls are formally reviewed on an ongoing basis. Internal Audit completes a programme of work each year that provides assurance that the internal controls they have tested are working effectively and also propose improvements where appropriate and necessary. Coupled with this, the bi-annual review of the Risk Register provides a further formal review mechanism for considering and reviewing internal controls. All such work is reported to and monitored by the Audit Committee.

The Audit Committee on behalf of the Board, as part of an ongoing process, has formally reviewed and continues to keep under review the effectiveness of the Group's systems of internal controls, including financial, operational and compliance controls and risk management systems. The Audit Committee reviews risk management annually and receives reports from executive management regarding 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. There have been no reports of system weaknesses that have resulted or would have resulted in a material misstatement or loss.

The key procedures, which operated throughout the period, are as follows:

- Financial reporting – The Group has a comprehensive system of internal budgeting and forecasting. The Group's monthly actual results analysed by operating division are reported to the Board and significant variances to budget are investigated with revised forecasts prepared as necessary. Operational management receives comprehensive management accounts covering their areas of responsibility, which forms the basis for the consolidated accounts;
- Financial controls – The Executive Directors have defined appropriate and necessary financial controls and procedures to be employed by operational management. Key controls over major business risks include reviews against budgets and forecasts, review against key performance indicators and exception reporting;
- Quality and integrity of personnel – One of the Group's core values is integrity. This is regarded as vital to the maintenance of the Group's system of internal financial control. The Directors have put in place an organisation structure appropriate to the size and complexity of the Group with defined lines of responsibility and delegation of authority where the Board considers it necessary and appropriate;
- Internal audit – The Group has a dedicated Internal Audit team, which reports to the Audit Committee and the Chief Executive. It coordinates the completion of self-assessment reports by operational management that assists in highlighting areas of control weakness or exposure. Internal audit reviews are completed on such areas together with selected areas of the head office function and any area where a Director requests a review. During 2012 (as in 2011), there were quarterly meetings between the Head of Internal Audit and the Executive Directors to formally review and discuss Internal Audit's work programme and findings. In addition, regular meetings between Internal Audit and the external auditors, PricewaterhouseCoopers LLP, 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 meeting;
- Procedures – The Group has established and documented processes and procedures covering most parts of its operations, both client facing and in support departments. These provide clear guidance on the correct or most appropriate course of action in various circumstances. Procedures are supplemented by training where needs have been identified. Both Internal Audit and a comprehensive management structure monitor the adherence to such processes and procedures; and
- Risk assessment – Management has responsibility for the identification and evaluation of significant risks that might arise in their area of responsibility 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. The Executive Directors and the wider management team continually assess the risks. A Risk Register is maintained, which is formally presented to and reviewed by the Audit Committee twice a year.

These procedures are designed to, amongst other things, help to provide assurance around the process of preparing consolidated financial statements and the financial reporting system.

An explanation of how the Group creates and preserves value and the strategy for delivering its objectives is included in the Business Review section on pages 10 to 15.

Nomination Committee

Peter Hindley, the Chairman, chaired the Nomination Committee during 2012, which met on two occasions during the year. The other members of the Committee are Jane Ashcroft, Ishbel Macpherson, Alan McWalter and Martin Pexton.

The Committee regularly reviews and makes recommendations to the Board on the structure, size and composition of the Board and the senior management team. It is also responsible for identifying and nominating, for the approval of the Board, replacement or additional Directors and members of the senior management team. Such appointments would be preceded by the preparation, by the Committee, of a role description and capabilities. In 2011 the Committee was involved in the identification and appointment of the new Non-Executive Directors, Jane Ashcroft and Martin Pexton.

The Nomination Committee and by extension the Board strongly supports the spirit of Lord Davies' Report "Women on Boards". In 2011 it set a goal of twenty per cent of Board positions filled by women by 2015. To facilitate achievement of this aspiration, as retiring Directors are replaced, the Committee will ensure that our executive search agents include the strongest possible field of female candidates. This objective was achieved by the appointment of Jane Ashcroft to the Board on 1 April 2012.

We continue to remain mindful of the overall need to recruit the very best candidates regardless of gender. The Board will continue to encourage similar diversity in senior management positions and throughout the workforce.

The Group will continue to publish the details on corporate diversity suggested in Recommendation 2 of the Davies Report, support the changes to the UK Corporate Governance Code in Recommendation 3 and report on our compliance (Recommendation 4) and appointment process (Recommendation 5) in the Annual Report.

The Committee formally considers succession planning annually under the written terms of reference.

4. Relations with shareholders

The Group encourages two-way communication with both its institutional and private shareholders and responds promptly to any queries received.

The Chief Executive and Finance Director have regular meetings with institutional investors, fund managers and analysts to discuss information made public by the Group. Where appropriate or if requested, such meetings could include either or both the Chairman and the Senior Independent Director. The Chairman, Senior Independent Director and the Non-Executive Directors are also available to meet separately with shareholders if necessary or requested to discuss any issues that they may have. The Chairman is also available to discuss governance and strategy matters with the major shareholders. The Corporate Services Director, in his additional role as Company Secretary, generally deals with queries from private shareholders.

The Group has and will arrange visits to its funeral locations and crematoria, if requested by a shareholder, where it will not disrupt services to our clients.

Each year all shareholders receive the Annual Report and Accounts. The Interim Report is no longer published as a paper document but is available on the Group's separate investor website www.dignityfuneralsplc.co.uk, upon which users can also access the latest financial and corporate news.

The Board regards the Annual General Meeting, which this year is on 6 June 2013, as an opportunity to communicate directly with all shareholders. At least 20 working days notice will be given of the Annual General Meeting at which all Directors plan to be present and available to answer questions.

5. The Takeover Directive

The Group has one class of voting share capital, Ordinary Shares. All of the shares rank pari passu. There are no special control rights in relation to the Group's shares. Under the Articles of Association the Company may appoint, by Ordinary Resolution, any person who is willing to act as a Director either to fill a vacancy or in addition to the existing Board. The Board may also appoint one or more of its body to act as executive directors. The Company may remove any Director, by Ordinary Resolution, before the expiry of his period of office. The Articles of Association can be amended by special resolution of the shareholders. The Board has authority to purchase its own shares and is seeking renewal of that power at the forthcoming Annual General Meeting within the limits set out in the notice of that meeting. There are no significant agreements to which the Group is party which take effect, alter or terminate in the event of change of control of the Group.

6. Substantial shareholdings

The Group has been notified of the following interests of 3 per cent or more of the issued share capital:

	As at 28 December 2012		As at 6 March 2013	
Holder	Number of Ordinary Shares	Percentage of issued share capital	Number of Ordinary Shares	Percentage of issued share capital
Tiger Global Management LLC	3,640,829	6.65%	3,640,829	6.65%
Franklin Templeton Institutional	2,957,175	5.40%	2,957,175	5.40%
BAM & Oppenheimer Funds	2,787,652	5.09%	2,787,652	5.09%
Montanaro Group	2,778,272	5.07%	2,778,272	5.07%
Kames Capital	2,189,991	4.00%	2,189,991	4.00%

By order of the Board

Richard Portman
Company Secretary
6 March 2013

Directors' report

for the 52 week period ended 28 December 2012

The Directors present their report and the audited consolidated financial statements for Dignity plc and its subsidiaries for the 52 week period ended 28 December 2012.

The company registration number of Dignity plc is 4569346.

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 Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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; and
- State whether IFRSs as adopted by the European Union and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Group and parent Company financial statements respectively.

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 and, as regards the Group financial statements, Article 4 of the IAS Regulation. 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 and legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the Directors, whose names and functions are listed on page 32 and 33 of the Annual Report, confirm that, to the best of their knowledge and belief:

- The Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- The Directors' report contained in the Annual Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

Principal activities and business review

The principal activity of the Group is the provision of funeral services including funeral directing, crematoria operation and the marketing and administration of pre-arranged funeral plans. The principal activity of the Company is that of a holding company.

The principal activities and key performance indicators of the Group are also described on pages 16 to 19 of the Annual Report. A review of the development of the business in 2012, events affecting the Group since the end of the financial year and likely future developments are referred to in the Business Review, which is incorporated into this Directors' Report by reference.

The review of business activities in the Business Review, Financial Review and the Directors' Statement of Corporate Governance are in line with the requirements of the Companies Act 2006.

Principal risks and uncertainties

Operational risks are considered on page 21.

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.

Share capital

During the period, the Group issued 427 Ordinary Shares of 10.5 pence each to satisfy options exercised under the Save As You Earn Scheme (SAYE). The SAYE options were granted in 2010.

The 2010 SAYE scheme does not vest until October 2013, at which point option holders will have the ability to exercise their options.

The issued share capital of Dignity plc at 28 December 2012 consisted of 54,757,481 Ordinary Shares of 10.5 pence each. All the Ordinary Shares carry the same rights and obligations. There are no other class or type of share in issue.

A special resolution passed at the last Annual General Meeting on 14 June 2012 gives Dignity plc the authority to purchase up to 2,737,852 Ordinary Shares of 10.5 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 £1,916,496 of which up to £287,474 may be for cash on a non pre-emptive basis. These authorities will expire at the conclusion of the next Annual General Meeting on 6 June 2013. It is the intention of the Directors to seek renewal of these authorities at that Annual General Meeting. There are no restrictions at the period end on the transfer of securities.

Results

The results for the period are set out in the Consolidated income statement on page 55. Group profit before tax amounted to £45.4 million (2011: £40.3 million).

Dividends

An interim dividend of 5.36 pence (2011: 4.87 pence) per share was paid on 26 October 2012. The Board has proposed a final dividend of 10.75 pence (2011: 9.77 pence) per share, which, subject to approval at the Annual General Meeting, will be paid on 28 June 2013 to shareholders on the register at close of business on 24 May 2013.

Payments policy

The Group or Company has no formal code or standard that deals specifically with the payment of suppliers. However, the Group or Company policy on the payment of all creditors is to ensure that the terms of payment as specified by, and agreed with, the supplier are not exceeded, provided all trading terms and conditions have been complied with. The average creditor payment period for the Group was 36 days (2011: 40 days). The Company has no trade creditors.

Key contractual arrangements

The Directors consider there to be one key contractual arrangement in relation to the supply and maintenance of cremators. This company is responsible for supplying and maintaining cremators and their abatement equipment. If this company ceased to trade, the Group may have difficulties in maintaining such equipment.

Employment policies

During the period, the Group has maintained its obligations to develop and improve arrangements aimed at involving employees in its affairs. Methods of communication used include an in-house newsletter, an employee website, bulletins and management briefings. This is discussed in more detail in the Corporate and Social Responsibility Report on pages 22 to 31.

Employment policies are designed to provide equal opportunities irrespective of age, sexuality, colour, ethnic or national origin, religion, nationality, sex or marital status. Full consideration is given to the employment, training and career development of disabled persons, subject only to their aptitudes and abilities. The Group endeavours, as far as practicable, to treat disabled persons equally with others and will also endeavour to help and accommodate persons who become disabled whilst working for Dignity.

Directors and their interests

Details of the Directors of the Company who were in office during the period and up to the date of signing the financial statements are shown in the Report on Directors' Remuneration on pages 39 and 42. In accordance with the Articles of Association and the UK Corporate Governance Code (2010 Code), at the Annual General Meeting, all Directors will retire as Directors of the Company and, being eligible, offer themselves for re-election at the Annual General Meeting on 6 June 2013.

During the period, the Company maintained liability insurance for its Directors and Officers. The Directors of each of the Company's subsidiaries have the benefit of an indemnity provision in the Company's Articles of Association. The indemnity 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.

Health and safety policy

The Group's operations are designed in such a way as to ensure, so far as reasonably practical, the health, safety and welfare of all of our employees and all other persons who may be attending our premises. This is discussed in the Corporate and Social Responsibility Report on pages 22 to 31.

Corporate Social Responsibility

Maintaining the quality of the environment in which we all live is an important concern for the Group. This is discussed in the Corporate and Social Responsibility Report on pages 22 to 31 alongside other social and ethical considerations.

Donations

The Group made charitable donations amounting to £0.1 million (2011: £0.1 million) during the period. There were no political donations. Further information can be found on page 30.

Going concern

The Directors receive and review regularly management accounts, cash balances, forecasts and the annual budget together with covenant reporting. After careful consideration, and mindful of the current market conditions, the Directors confirm they are satisfied that the Group has adequate resources to continue operating for the foreseeable future. For this reason, they continue to adopt the going concern basis for preparing the financial statements. The Directors formally considered this matter at the Board meeting held on 1 March 2013.

Post balance sheet events
Please refer to note 32 of the Notes to the Consolidated Financial Statements for further details.

25 January 2013
On 25 January 2013, the Group acquired the entire issued share capital of Yew Holdings Limited for a consideration of £58.3 million. Yew Holdings Limited owns and operates 40 funeral locations and two crematoria in Northern England. These businesses will be integrated into the Group's existing operations and branch network.

2,283,019 Ordinary Shares were issued at a price of £10.60, generating proceeds of £24.2 million. These Ordinary Shares rank pari passu with all other Ordinary Shares.

A further £5.8 million was drawn under the Group's Crematoria Acquisition Facility. As a result, the £15.8 million facility is secured against seven crematoria held outside the Securitisation Group.

A new £34 million five year term loan with the Royal Bank of Scotland was then raised against the Yew assets and certain other trading assets held outside the Securitisation Group. Approximately £2 million of principal is repayable annually and the pre tax cost of the debt is fixed at approximately four per cent for the term of the loan. The term loan has no undrawn amounts.

The acquisition of Yew was made outside the Securitisation Group. Consequently, it does not adversely affect the timing or overall quantum of any potential future return of value.

27 February 2013
On 27 February 2013, the £15.8 million Crematoria Acquisition Facility was refinanced with the Royal Bank of Scotland. The new facility is for a period of five years, with the principal repayable in one amount at the end of the term. The cost of funds is fixed for the term of the loan at approximately 3.3 per cent. This facility has no undrawn amounts.

Independent Auditors and disclosure of information to Auditors
A resolution for the reappointment of PricewaterhouseCoopers LLP will be proposed at the forthcoming Annual General Meeting.

In the case of each of the persons who are 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 auditors are 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.

Corporate Governance Statement
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 this Directors' Report and in the Directors' Statement on Corporate Governance on pages 45 to 50, which is incorporated by reference.

By order of the Board

Richard Portman
Company Secretary

6 March 2013

Independent auditors' report to the members of Dignity plc

for the 52 week period ended 28 December 2012

We have audited the consolidated financial statements of Dignity plc for the 52 week period ended 28 December 2012 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities, set out on page 51, the directors are responsible for the preparation of the consolidated financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the consolidated financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and, the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report & Accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the consolidated financial statements:

- give a true and fair view of the state of the group's affairs as at 28 December 2012 and of its profit and cash flows for the 52 week period then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the 52 week period ended 28 December 2012 for which the consolidated financial statements are prepared is consistent with the consolidated financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- 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.

Under the Listing Rules we are required to review:

- the Directors' statement set out on page 52, in relation to going concern;
- the part of the Directors' Statement on Corporate Governance relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors remuneration.

Other matter

We have reported separately on the parent company financial statements of Dignity plc for the 52 week period ended 28 December 2012 and on the information in the Report on Directors' Remuneration that is described as having been audited.

Matthew Mullins (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
6 March 2013

Consolidated income statement

for the 52 week period ended 28 December 2012

	Note	52 week period ended 28 December 2012 £m	52 week period ended 30 December 2011 £m
Revenue	3	**229.6**	210.1
Cost of sales		**(95.3)**	(89.2)
Gross profit		**134.3**	120.9
Administrative expenses		**(67.1)**	(59.2)
Other income		**1.5**	1.5
Operating profit	3	**68.7**	63.2
Analysed as:			
Operating profit before profit on sale of fixed assets and before external transaction costs	3	**69.4**	64.5
Profit on sale of fixed assets		**0.1**	0.2
External transaction costs	5	**(0.8)**	(1.5)
Operating profit	3	**68.7**	63.2
Finance costs	4	**(25.8)**	(25.9)
Finance income	4	**2.5**	3.0
Profit before tax	5	**45.4**	40.3
Taxation – before exceptional items	6	**(11.7)**	(11.2)
Taxation – exceptional	6	**2.0**	5.2
Taxation	6	**(9.7)**	(6.0)
Profit for the period attributable to equity shareholders	3	**35.7**	34.3
Earnings per share for profit attributable to equity shareholders			
– Basic and diluted (pence)	8	**65.1p**	62.6p
Underlying Earnings per share (pence)	8	**62.8p**	55.1p

Consolidated statement of comprehensive income

for the 52 week period ended 28 December 2012

	Note	52 week period ended 28 December 2012 £m	52 week period ended 30 December 2011 £m
Profit for the period		**35.7**	34.3
Actuarial loss on retirement benefit obligations	28	**(0.9)**	(7.9)
Tax on actuarial loss on retirement benefit obligations	6	**0.2**	2.1
Other comprehensive loss		**(0.7)**	(5.8)
Total comprehensive income for the period		**35.0**	28.5
Attributable to:			
Equity shareholders of the parent		**35.0**	28.5

Consolidated balance sheet

as at 28 December 2012

	Note	**28 December 2012 £m**	30 December 2011 £m
Assets			
Non-current assets			
Goodwill	9	**151.1**	148.0
Intangible assets	9	**53.4**	46.3
Property, plant and equipment	10	**157.1**	147.6
Financial and other assets	11	**12.6**	12.6
Retirement benefit asset	28	**0.1**	1.3
		374.3	355.8
Current assets			
Inventories	13	**6.5**	5.9
Trade and other receivables	14	**25.6**	24.6
Cash and cash equivalents	15	**55.6**	36.9
		87.7	67.4
Total assets		**462.0**	423.2
Liabilities			
Current liabilities			
Financial liabilities	16	**24.5**	9.3
Trade and other payables	17	**46.2**	32.6
Current tax liabilities		**5.1**	2.3
Provisions for liabilities and charges	19	**1.1**	1.4
		76.9	45.6
Non-current liabilities			
Financial liabilities	16	**310.1**	329.6
Deferred tax liabilities	20	**24.2**	25.1
Other non-current liabilities	17	**2.8**	2.6
Provisions for liabilities and charges	19	**3.4**	3.1
		340.5	360.4
Total liabilities		**417.4**	406.0
Shareholders' equity			
Ordinary share capital	22	**5.7**	5.7
Share premium account		**17.4**	17.4
Capital redemption reserve		**99.3**	99.3
Other reserves		**(7.2)**	(7.9)
Retained earnings		**(70.6)**	(97.3)
Equity attributable to shareholders		**44.6**	17.2
Total equity and liabilities		**462.0**	423.2

The financial statements on pages 55 to 91 were approved by the Board of Directors on 6 March 2013 and were signed on its behalf by:

M K McCollum
Chief Executive

S L Whittern
Finance Director

Consolidated statement of changes in equity

for the 52 week period ended 28 December 2012

	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 31 December 2010	5.7	17.4	99.3	(8.8)	(118.4)	(4.8)
Profit for the 52 weeks ended 30 December 2011	–	–	–	–	34.3	34.3
Actuarial loss on defined benefit plans	–	–	–	–	(7.9)	(7.9)
Tax on pensions	–	–	–	–	2.1	2.1
Total comprehensive income	–	–	–	–	28.5	28.5
Effects of employee share options	–	–	–	1.1	–	1.1
Tax on employee share options	–	–	–	(0.1)	–	(0.1)
Adjustment for tax rate change 27% to 25%	–	–	–	(0.1)	0.1	–
Dividends (see note 7)	–	–	–	–	(7.5)	(7.5)
Shareholders' equity as at 30 December 2011	5.7	17.4	99.3	(7.9)	(97.3)	17.2
Profit for the 52 weeks ended 28 December 2012	–	–	–	–	35.7	**35.7**
Actuarial loss on defined benefit plans	–	–	–	–	(0.9)	**(0.9)**
Tax on pensions	–	–	–	–	0.2	**0.2**
Total comprehensive income	–	–	–	–	35.0	**35.0**
Effects of employee share options	–	–	–	1.2	–	**1.2**
Tax on employee share options	–	–	–	(0.4)	–	**(0.4)**
Adjustment for tax rate change 25% to 23%	–	–	–	(0.1)	–	**(0.1)**
Dividends (see note 7)	–	–	–	–	(8.3)	**(8.3)**
Shareholders' equity as at 28 December 2012	**5.7**	**17.4**	**99.3**	**(7.2)**	**(70.6)**	**44.6**

The above amounts relate to transactions with owners of the Company except for the profit for the period and also pension items (net of tax) of £0.7 million loss (December 2011: £5.8 million loss).

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 and £19,274,610 B Shares that were issued on 10 October 2010 and redeemed for cash on 11 October 2010.

Consolidated statement of cash flows

for the 52 week period ended 28 December 2012

	Note	52 week period ended 28 December 2012 £m	52 week period ended 30 December 2011 £m
Cash flows from operating activities			
Cash generated from operations before external transaction costs	25	**83.3**	74.2
External transaction costs in respect of acquisitions		**(1.0)**	(1.2)
Cash generated from operations		**82.3**	73.0
Finance income received		**0.3**	0.3
Finance costs paid		**(12.6)**	(24.9)
Payments to restricted bank accounts for finance costs	15	**(11.9)**	–
Total payments in respect of finance costs		**(24.5)**	(24.9)
Tax paid		**(8.6)**	(10.4)
Net cash generated from operating activities		**49.5**	38.0
Cash flows from investing activities			
Acquisition of subsidiaries and businesses (net of cash acquired)	26	**(10.7)**	(12.0)
Proceeds from sale of property, plant and equipment		**0.8**	0.9
Vehicle replacement programme and improvements to locations		**(11.8)**	(10.8)
Branch relocations		**(1.0)**	(0.9)
Satellite locations		**(1.3)**	(1.1)
Development of new crematoria		**(4.4)**	(9.0)
Mercury abatement project		**(1.9)**	(1.0)
Purchase of property, plant and equipment		**(20.4)**	(22.8)
Net cash used in investing activities		**(30.3)**	(33.9)
Cash flows from financing activities			
Repayment of borrowings		**(4.1)**	(7.7)
Payments to restricted bank accounts for repayment of borrowings	15	**(4.2)**	–
Total payments in respect of borrowings		**(8.3)**	(7.7)
Dividends paid to shareholders on Ordinary Shares	7	**(8.3)**	(7.5)
Purchase of C Shares in respect of Deferred Dividend Option		**–**	(0.1)
Net cash used in financing activities		**(16.6)**	(15.3)
Net increase/(decrease) in cash and cash equivalents		**2.6**	(11.2)
Cash and cash equivalents at the beginning of the period		**35.4**	46.6
Cash and cash equivalents at the end of the period	15	**38.0**	35.4
Restricted cash	15	**17.6**	1.5
Cash and cash equivalents at the end of the period as reported in the consolidated balance sheet	15	**55.6**	36.9

Notes to the financial statements

for the 52 week period ended 28 December 2012

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

European law requires that the Group's consolidated financial statements for the 52 week period ended 28 December 2012 are prepared in accordance with all applicable International Financial Reporting Standards (IFRSs), as adopted by the European Union. These financial statements have been prepared in accordance with IFRS, International Financial Reporting Interpretations Committee (IFRIC) interpretations (as issued by the International Accounting Standards Board) and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The consolidated financial statements are prepared on a going concern basis and have been prepared under the historic cost convention, as modified by financial assets and liabilities at fair value through the income statement.

Preparation of financial statements

The preparation of financial statements in conformity with International Financial Reporting Standards 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.

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 where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain economic benefits from its activities.

Results of subsidiary undertakings acquired during the period are included from the effective date of control using the acquisition method of accounting. The separable 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.

Exceptional items

Exceptional items are of a non-recurring nature to the results for the period and are therefore presented separately.

External transaction costs

External transaction costs are of a non-recurring nature to the results for the period and are therefore presented separately. They relate wholly to external costs incurred by the Group.

Pre-arranged funeral plan trusts

The three pre-arranged funeral plan trusts were not consolidated during the period as they were not controlled by the Group. Specifically, Article 60 of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 requires a majority of the managing trustees to be independent of the Group. Furthermore, the Group did not direct their financial and operating policies, nor did it have substantially all of the risks and rewards of their ownership.

Revenue

Revenue from funeral operations comprises the amount recoverable from customers for the provision of funerals, income from crematoria and other services, to the extent that those services have been performed or the goods supplied.

Revenues include amounts receivable from the pre-arranged funeral plan trusts for funerals performed by the Group for pre-arranged funeral plan members.

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 accounting policies for recognising turnover for pre-arranged funeral plans are stated below. 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 customer at cost.

The Group views the United Kingdom as one geographical segment, given each local business exhibits similar long term characteristics.

All amounts are exclusive of VAT.

1 Accounting policies (continued)

Pre-arranged funeral plans

Trust plans

The Group markets and sells pre-arranged funeral plans, monies received from selling funeral plans being held and controlled by independent pre-arranged funeral plan trusts (the Trusts). The responsibility for the ultimate performance of funerals is allocated to funeral directors, who are selected by the beneficiary of the plan and some of whom are not owned by the Group.

The Group receives monies from the Trusts in respect of the following transactions:

- A marketing and administration allowance in respect of each plan sold. The marketing element is only refundable in the event that the plan is subsequently cancelled. A provision is made for cancellations based on historical experiences, where material, to cover the estimated marketing element refundable to the Trusts. Marketing and administration allowances are included in Group revenue when the related plan is sold less the provision for refunds arising on cancellations; and
- Further contributions are also received from the Trusts in return for the provision of general ongoing administrative services supplied to the Trusts. These contributions are included in Group revenue for the period to which they relate.

All costs in respect of the marketing and administration of the pre-arranged funeral plans are expensed in the Group income statement as incurred.

From time to time, the Group receives monies from certain of the Trusts, in line with the relevant Trust's deed, which have been assessed by the trustees as not required to ensure the Trust has sufficient assets to meet its future liabilities in respect of current members (Recoveries). All Recoveries are recognised as other operating income in the period in which the trustees approve their payment.

The Group makes payments on behalf of the Trusts relating to the ongoing overheads of the Trusts, refunds to members of the Trusts in event of cancellation, and the payments made to third party funeral directors when the funeral is ultimately performed. All such payments are reimbursed in full by the Trusts on demand, in accordance with the terms of the relevant Trust's deed.

Neither the sales value of plans nor the costs of providing funerals are recognised in the financial statements of the Group when a pre-arranged funeral plan is sold.

Each Dignity marketing company contractually guarantees with the customer of a pre-arranged funeral plan that (i) if the customer chooses to cancel their selected funeral plan, a full refund will be made to the customer 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 customer) will be provided regardless of price rises in the future; and (iii) for certain plans sold, specific disbursements will be provided regardless of price rises in the future.

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 no further charge.

A commission is paid when the policy is charged to the Group. As this commission is fully refundable if the Group does not perform the funeral for any reason, it is carried as a receivable and expensed when the funeral is performed.

In the event of death of the policyholder, the Group makes an agreed payment to the nominated funeral director and a receivable is recognised. At this time a commission fee is recognised as turnover. All monies are reclaimed in full from the life insurance company.

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.

An expense is recognised to spread the fair value of each award over the vesting period on a straight-line basis, after allowing for an estimate of the share awards that will eventually vest. The estimate of the level of vesting is reviewed at least annually, with any impact on the cumulative charge being recognised immediately. When the options are exercised the Company issues new shares.

1 Accounting policies (continued)

Earnings per Ordinary Share
Basic Earnings per Ordinary Share (EPS) is calculated by dividing the profit on ordinary activities after taxation by the weighted average number of shares in issue during the period. Diluted EPS is calculated by dividing profit on ordinary activities 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 Earnings per Ordinary Share is calculated by dividing the underlying profit after tax by the weighted average number of shares in issue during the period.

Intangible assets – goodwill
Goodwill, which represents the excess of the fair value of the consideration 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. The business and subsidiaries acquired are generally combined with existing operations in the year of acquisition, or the year thereafter and are therefore only considered to be separate cash-generating units during this time.

Intangible assets – trade names
Intangible trade names are recognised as assets at the fair value of the consideration paid to acquire them and are carried at historical cost less provisions for amortisation and 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. Where there are indicators that a trade name has an indefinite life then these assets are not amortised but are subject to annual impairment reviews. The factors that indicate an indefinite life of trade names acquired include the fact that the Group is a significant operator in a well-established market with inelastic demand, the conservative nature of the UK funeral industry that acts as a barrier to entry for new trade names, and the Group's track record for actively monitoring and relocating trade names to combat shifting demographics. In addition, when allocating a useful life to acquired trade names, the following matters are considered:

- The strength of the trade name in its local environment which is assessed by reference to relative market share and anticipated profitability;
- The likelihood that market based factors could truncate a trade name's life such as competition and shifting demographics and the Group's ability to combat these;
- The length of time, prior to acquisition, for which trade has been conducted under the name acquired; and
- The likely support the Group will give to the name in its local environment through marketing and promotion, maintaining community awareness etc.

The useful lives of all capitalised trade names are considered to be indefinite and are reviewed on an annual basis.

Intangible assets – non-compete contracts
Non-compete contracts arising from business combinations are capitalised at the fair value, which is calculated as the present value of any consideration paid discounted at the Group's cost of capital.

All costs are amortised over the term of the relevant agreement on a straight-line basis.

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 (including 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. All other costs incurred in research or development are expensed as incurred. Capitalised costs will include, where appropriate, directly attributable payroll costs and a portion of direct overheads.

Costs recognised as assets are amortised over their estimated useful lives (three to eight years) using the straight-line method.

1 Accounting policies (continued)

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 twenty 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 twenty years.

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 (excluding freehold land and assets in the course of construction) so as to write off the cost of assets to their residual value, 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 buildings	2% – 10%
Short leasehold buildings	Over term of lease
Motor vehicles	11% – 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 unlimited 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 crematory 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.

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 in accordance with 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.

Property, plant and equipment held under leases
When assets are financed by leasing agreements, where the risks and rewards are substantially transferred to the Group, the assets are treated as if they had been purchased outright and the corresponding liability to the lessor is included as an obligation under finance leases. Depreciation on leased assets is charged to the income statement on the same basis as owned assets. Leasing payments are treated as consisting of capital and interest elements and the interest is charged to the income statement so as to achieve a constant rate on the outstanding lease obligation.

All other leases are 'operating leases' and the relevant annual rentals are charged to the income statement.

Profit 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 on sale of fixed assets in the income statement.

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) are not subject to amortisation and 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 intangibles (principally trade names) this is considered at a regional level for each business segment as this is the level where cash inflows are largely independent. Recoverable amount is the higher of fair value less costs to sell and value in use.

1 Accounting policies (continued)

In assessing value in use, the estimated future discounted cash flows of the cash-generating unit are estimated, based on latest management expectations for the following year and an annual growth rate in subsequent years. These cash flows are discounted at rates that management estimate 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.

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. Fair value less costs to sell is based on estimated selling price less any further costs expected to be incurred in completion and sale.

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.

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 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.

Deferred tax liabilities are recognised where the carrying value of an asset is greater than its associated tax basis or where the carrying value of a liability is less than its associated tax basis. Deferred tax is provided for any differences that exist between the tax base and accounting base of intangibles arising from a business combination that does not involve the acquisition of a subsidiary.

A net 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 timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted, by the balance sheet date.

Pensions
The cost of defined contribution retirement schemes is charged as an expense as the costs become payable. Any difference between the payments and the charge is recognised as a short term asset or liability.

For defined benefit retirement schemes, the cost of providing the benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date.

Past service cost is recognised immediately to the extent the benefits are vested, and otherwise are amortised on a straight-line basis over the average period until the benefits become vested. The current service cost and the recognised element of any past service cost are presented within operating profit. The expected return on plan assets less the interest arising on the pension liabilities is presented within net finance costs. Actuarial gains and losses are recognised in full in the period in which they occur, outside of the consolidated income statement and presented in the consolidated statement of comprehensive income.

The expected return on plan assets reflects the estimate made by management of the long term yields that will arise from the specific assets held within the pension plan. The rate of return is determined by identifying an appropriate rate of return for each class of asset held in conjunction with the Group's professional adviser. The retirement benefit net asset recognised in the balance sheet represents the fair value of any relevant scheme assets net of the present value of the defined benefit obligation as adjusted for unrecognised past service cost. The discount rate applied in arriving at the present value represents yields on high quality corporate bonds in a similar economic environment with lives similar to the maturity of the pension liabilities.

Provisions
Provisions are recognised when the Company or 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.

1 Accounting policies (continued)

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. In accordance with IFRS 2, share-based payment, the trust's assets and liabilities are recognised in the Group's balance sheet within share capital and reserves.

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.

Foreign currency
Foreign currency transactions recognised in the income statement are translated into Sterling at the exchange rate on the date the transaction took place.

Financial instruments
Borrowings
All borrowings are stated at the fair value of consideration received after deduction of transaction costs. The transaction costs, interest payable and premium on debt finance are charged/credited to the 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.

Early termination costs on borrowings
Premiums and discounts arising on the early repayment of borrowings are written-off to the income statement as incurred.

Interest rate swaps
The Group currently uses several types of financial instruments as part of an overall interest rate risk management strategy. It does not enter into financial instruments for trading purposes. Interest rate risk associated with net debt is managed by using a combination of fixed and floating rate borrowings and financial liabilities. The cash flows from, and losses arising on terminations of, these contracts are recognised as cash flows from operating activities. See note 16(c) for further information.

Trade receivables
Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost. A provision for impairment is established based on historical experience. When a trade receivable is not collectable it is written-off against the allowance account. Subsequent recovery of amounts previously written-off are credited against administration expenses in the income statement.

Trade payables
Trade payables are not interest bearing and are initially recognised at fair value and subsequently measured at amortised cost.

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.

Cash and cash equivalents
Cash and cash equivalents comprise cash in hand and demand deposits.

Critical accounting estimates
The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions in certain circumstances that affect reported amounts. The most sensitive estimates affecting the financial statements are in the areas of assessing the recoverability of receivables, post-retirement benefits, the recognition and measurement of goodwill and other intangible assets.

Provision for doubtful trade receivables
Provision is made against accounts that in the estimation of management may be impaired. Within each division, assessment is made of the recoverability of trade receivables based on a range of factors including the age of the receivable and the type of services provided. The provision is assessed monthly against actual experience of irrecoverable accounts and adjusted if appropriate.

1 Accounting policies (continued)

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 balance sheet and income statement. The Group considers that the most significant assumptions are the discount rate and the inflation rate. See note 28 for further details.

Goodwill
The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1 "Impairment of assets". The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. The use of this method requires the estimation of future cash flows and the choice of a suitable discount rate in order to calculate the present value of these cash flows. Actual outcomes could vary from those calculated. See note 9 for further details.

Other intangible assets
The decision process to ascertain whether trade names will have an indefinite life are detailed in note 1 "Intangible assets - trade names". These assets with an indefinite life are reviewed for impairment on an annual basis. When a review for impairment is conducted, the recoverable amount is determined based on value-in-use calculations prepared on the basis of management's assumptions and estimates. See note 9 for further details.

Standards, amendments and interpretations effective in 2012
There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2012 that would be expected to have a material impact on the Group.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted
The following interpretations to existing standards have been published that are mandatory for accounting periods beginning on or after 28 December 2012 or later periods but which the Group has not early adopted:

IAS 1, Financial statement presentation, regarding other comprehensive income. This amendment requires entities to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The Group is yet to assess the full impact of the amendment.

IAS 19, Employee benefits was amended in June 2011, effective 1 January 2013. The impact on the Group will be as follows: to immediately recognise all past service costs and to replace interest costs and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit asset. This is not expected to have a material impact on the Group.

IAS 27 (revised 2011), Separate financial statements, effective 1 January 2013. This revision includes the requirements relating to separate financial statements. This is not expected to have any impact on the Group.

IAS 32 (amendment), Financial instruments: Presentation and IFRS 7, Financial instruments disclosure on asset and liability offsetting, effective 1 January 2014. These amendments are to the application guidance in IAS 32 and clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. This is not expected to have any impact on the Group.

IFRS 9, Financial instruments (to replace) IAS 39, Financial instruments: Recognition and measurement. This standard introduces new requirements for classifying and measuring financial assets and is likely to affect the Group's accounting for financial assets. The standard is not applicable until 1 January 2015 subject to endorsement by the EU. The impact of this standard is currently being assessed.

IFRS 10, Consolidated financial statements, effective 1 January 2014, builds on existing principals by identifying the concept on control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. This is not expected to have any impact on the Group.

IFRS 12, Disclosure of interests in other entities, effective 1 January 2014. This standard includes disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group is yet to assess the full impact of this standard but it is not expected to have a significant impact on the Group.

1 Accounting policies (continued)

IFRS 13, Fair value measurement, effective 1 January 2014. This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurements and disclosure requirements for use across IFRSs. The Group is yet to assess IFRS13's full impact.

Annual improvements 2011. These annual improvements address six issues in the 2009-2011 reporting cycle. It includes changes to: IFRS 1, First time adoption, IAS1, Financial statement presentation, IAS 16, Property plant and equipment and IAS 34, Interim financial reporting. This is not expected to have any impact on the Group.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

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

Currency risk

All the Group's financial assets and liabilities are denominated in Sterling. The Group purchases minimal amounts from overseas. Accordingly, exposure to currency fluctuations are not significant and therefore not actively managed.

Interest rate risk and other price risk

The Group's main borrowings consist of Class A and B 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 was to change its funding strategy and repay the Secured Notes early.

The Group also has a £10 million Crematoria Acquisition Facility (the Crematoria Acquisition Facility). £7.4 million carries interest at 5.59 per cent per annum. The remaining £2.6 million carries interest at a rate relative to three month LIBOR, with such rate being capped at 5.59 per cent. Consequently, the Group carries limited risk to increases in LIBOR on this facility. The Crematoria Acquisition Facility was refinanced in February 2013 as described in the Financial Review.

The Group has significant cash balances that are held by institutions rated at least A-1 by Standard and Poor's. These balances earn interest by reference to the Bank of England base rate. If interest rates reduced by one per cent at the beginning of 2012 then the Group would receive £0.1 million less interest income on an annualised basis for each £10.0 million held.

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 aging of these receivables are included in note 21(c).

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. This ratio was determined when raising the debt as being sufficient to ensure all borrowings could be repaid. This covenant test has been satisfied on each quarterly testing date in the period. At 28 December 2012 the actual ratio was 2.43 times (2011: 2.27 times).

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 Class A and B 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 24. The Group's principal source of long term debt financing is the Class A and B Secured Notes, rated A and BBB respectively by Standards & Poor's and A+ and BBB+ respectively by Fitch.

2 Financial risk management (continued)

The Group monitors its capital structure based on gross debt, as summarised in note 24, to underlying earnings before interest, taxation, depreciation and amortisation.

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.

During the period, the Group achieved its covenants under the terms of the Group's secured borrowings (see 'Liquidity risk' above).

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 four Executive Directors. The Group has three reporting segments, funeral services, crematoria and pre-arranged funeral plans. The Group also reports central overheads, which comprise unallocated central expenses.

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

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

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

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

Underlying profit is stated before profit on sale of fixed assets, external transaction costs and exceptional items. Underlying operating profit is included as it is felt that adjusting operating profit for these items provides a useful indication of the Group's performance.

The operating profit (which includes Recoveries within pre-arranged funeral plans of £1.5 million in both periods), by segment, was as follows:

52 week period ended 28 December 2012	Revenue £m	Underlying operating profit before depreciation and amortisation £m	Depreciation and amortisation £m	Underlying operating profit/(loss) £m	Profit on sale of fixed assets, external transaction costs and exceptional items £m	Operating profit/(loss) £m
Funeral services	157.9	61.7	(7.5)	54.2	(0.5)	53.7
Crematoria	46.6	25.9	(2.6)	23.3	(0.2)	23.1
Pre-arranged funeral plans	25.1	6.7	(0.2)	6.5	–	6.5
Central overheads	–	(14.2)	(0.4)	(14.6)	–	(14.6)
Group	229.6	80.1	(10.7)	69.4	(0.7)	68.7
Finance costs				(25.8)	–	(25.8)
Finance income				2.5	–	2.5
Profit before tax				46.1	(0.7)	45.4
Taxation – continuing activities				(11.7)	–	(11.7)
Taxation – exceptional				–	2.0	2.0
Taxation				(11.7)	2.0	(9.7)
Underlying earnings for the period				34.4		
Total other items					1.3	
Profit after taxation						35.7

Earnings per share for profit attributable to equity shareholders

– Basic and diluted (pence)	62.8p	65.1p

3 Revenue and segmental analysis (continued)

The segment assets and liabilities were as follows:

As at 28 December 2012	Funeral services £m	Crematoria £m	Pre–arranged funeral plans £m	Central overheads £m	Group £m
Segment assets	**262.5**	**124.0**	**17.2**	**2.7**	**406.4**
Unallocated assets:					
Cash and cash equivalents					**55.6**
Total assets					**462.0**
Segment liabilities	**(24.7)**	**(5.7)**	**(6.1)**	**(6.0)**	**(42.5)**
Unallocated liabilities:					
Borrowings – excluding finance leases					**(333.9)**
Accrued interest					**(11.7)**
Corporation tax					**(5.1)**
Deferred tax					**(24.2)**
Total liabilities					**(417.4)**
Other segment items:					
Additions to non-current assets (other than financial instruments and deferred tax)	**20.7**	**8.4**	**–**	**1.5**	**30.6**
Depreciation (note 10)	**7.5**	**2.6**	**–**	**0.4**	**10.5**
Amortisation (note 9)	**–**	**–**	**0.2**	**–**	**0.2**
Impairment of trade receivables (note 21 (c))	**1.3**	**0.1**	**–**	**–**	**1.4**
Other non cash expenses (note 23)	**–**	**–**	**–**	**1.2**	**1.2**
Profit on sale of fixed assets	**0.1**	**–**	**–**	**–**	**0.1**

The revenue and operating profit, by segment, was as follows:

52 week period ended 30 December 2011	Revenue £m	Underlying operating profit before depreciation and amortisation £m	Depreciation and amortisation £m	Underlying operating profit/(loss) £m	Profit on sale of fixed assets, external transaction costs and exceptional items £m	Operating profit/(loss) £m
Funeral services	146.5	57.8	(7.0)	50.8	(1.5)	49.3
Crematoria	41.6	23.6	(2.3)	21.3	–	21.3
Pre-arranged funeral plans	22.0	5.6	(0.1)	5.5	–	5.5
Central overheads	–	(12.7)	(0.4)	(13.1)	0.2	(12.9)
Group	210.1	74.3	(9.8)	64.5	(1.3)	63.2
Finance costs				(25.9)	–	(25.9)
Finance income				3.0	–	3.0
Profit before tax				41.6	(1.3)	40.3
Taxation – continuing activities				(11.4)	0.2	(11.2)
Taxation – exceptional				–	5.2	5.2
Taxation				(11.4)	5.4	(6.0)
Underlying earnings for the period				30.2		
Total other items					4.1	
Profit after taxation						34.3
Earnings per share for profit attributable to equity shareholders						
– Basic and diluted (pence)				55.1p		62.6p

3 Revenue and segmental analysis (continued)

The segment assets and liabilities were as follows:

As at 30 December 2011	Funeral services £m	Crematoria £m	Pre-arranged funeral plans £m	Central overheads £m	Group £m
Segment assets	249.5	117.5	16.7	2.6	386.3
Unallocated assets:					
Cash and cash equivalents					36.9
Total assets					423.2
Segment liabilities	(23.5)	(4.9)	(6.0)	(5.9)	(40.3)
Unallocated liabilities:					
Borrowings – excluding finance leases					(338.2)
Accrued interest					(0.1)
Corporation tax					(2.3)
Deferred tax					(25.1)
Total liabilities					(406.0)
Other segment items:					
Additions to non-current assets (other than financial instruments and deferred tax)	23.0	11.6	–	0.4	35.0
Depreciation (note 10)	7.0	2.3	–	0.4	9.7
Amortisation (note 9)	–	–	0.1	–	0.1
Impairment of trade receivables (note 21(c))	1.1	(0.2)	–	–	0.9
Other non cash expenses (note 23)	–	–	–	1.1	1.1
Profit on sale of fixed assets	–	–	–	0.2	0.2

4 Net finance costs

	52 week period ended 28 December 2012 £m	52 week period ended 30 December 2011 £m
Finance costs		
Class A and B Secured Notes	**23.0**	23.5
Amortisation of issue costs	**1.6**	1.6
Crematoria Acquisition Facility	**0.5**	0.5
Other loans	**0.4**	0.3
Interest payable on finance leases	**0.1**	0.1
Unwinding of discounts	**0.4**	0.5
Finance costs	**26.0**	26.5
Less: interest capitalised (note 10)	**(0.2)**	(0.6)
Net finance costs	**25.8**	25.9
Finance income		
Bank deposits	**(0.4)**	(0.3)
Release of premium on Secured Notes	**(1.9)**	(2.0)
Net finance income on retirement benefit obligations (note 28)	**(0.2)**	(0.7)
Finance income	**(2.5)**	(3.0)
Net finance costs	**23.3**	22.9

5 Profit before tax

Analysis by nature	52 week period ended 28 December 2012 £m	52 week period ended 30 December 2011 £m
The following items have been included in arriving at profit before tax:		
Staff costs (note 27)	**71.3**	66.3
Cost of inventories recognised as an expense (included in cost of sales) (note 13)	**13.1**	12.5
Depreciation of property, plant and equipment-owned assets (note 10)	**10.5**	9.7
Amortisation of intangible assets (included in administrative expenses) (note 9)	**0.2**	0.1
Operating lease rentals – property	**7.9**	6.6
External transaction costs	**0.8**	1.5
Recoveries (included within other operating income)	**(1.5)**	(1.5)
Trade receivables impairment (included in administrative expenses) (note 21(c))	**1.4**	0.9
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	**0.1**	0.1
Fees payable to the Company's auditors and its associates for other services:		
– The audit of Company's subsidiaries	**0.1**	0.1
– Tax advisory services	**0.4**	0.6
	0.6	0.8

The external transaction costs comprise £0.8 million (2011: £1.5 million) of acquisition expenses. The impact on taxation of these is a credit of £nil million (2011: £0.3 million).

6 Taxation

Analysis of charge in the period	52 week period ended 28 December 2012 £m	52 week period ended 30 December 2011 £m
Current tax – current period	**10.9**	8.0
Adjustments for prior period	**0.2**	(0.3)
Total corporation tax	**11.1**	7.7
Deferred tax – current period	**0.5**	3.2
Adjustments for prior period	**0.1**	0.3
Exceptional adjustment for rate change – 25% to 23% (2011: 27% to 25%)	**(2.0)**	(1.8)
Exceptional adjustment for recognition of brought forward losses (note 20)	**–**	(3.4)
Total deferred tax	**(1.4)**	(1.7)
Taxation	**9.7**	6.0

Tax on items charged to equity	52 week period ended 28 December 2012 £m	52 week period ended 30 December 2011 £m
Deferred tax credit on actuarial losses on retirement benefit obligations	**(0.2)**	(1.9)
Deferred tax charge/(credit) relating to maturity of option schemes	**0.2**	(0.2)
Corporation tax credit on actuarial losses on retirement benefit obligations	**–**	(0.2)
Corporation tax charge relating to maturity of option schemes	**0.2**	0.3
Adjustment for rate change – 25% to 23% (2011: 27% to 25%)	**(0.1)**	–
	0.1	(2.0)

6 Taxation (continued)

Total tax charge	52 week period ended 28 December 2012 £m	52 week period ended 30 December 2011 £m
Total current tax charge	**11.3**	7.8
Total deferred tax credit	**(1.5)**	(3.8)

The taxation charge in the period is lower (2011: lower) than the standard rate of corporation tax in the UK of 24.5 per cent (2011: 26.5 per cent). The differences are explained below:

	52 week period ended 28 December 2012 £m	52 week period ended 30 December 2011 £m
Profit before taxation	**45.4**	40.3
Profit before taxation multiplied by the standard rate of corporation tax in the UK of 24.5% (2011: 26.5%)	**11.1**	10.7
Effects of:		
Adjustments in respect of prior period	**0.3**	–
Exceptional adjustment in respect of closing deferred tax rate change – 25% to 23% (2011: 27% to 25%)	**(2.0)**	(1.8)
Exceptional adjustment for recognition of brought forward losses	**–**	(3.4)
Expenses not deductible for tax purposes	**0.3**	0.5
Total taxation	**9.7**	6.0

Under IFRS the tax rate is lower (2011: lower) than the standard UK tax rate of 24.5 per cent (2011: 26.5 per cent) principally due to the exceptional adjustments in both periods. Without these exceptional adjustments the rate would be higher (2011: higher) due to a combination of the impact of disallowable trading expenses and expenditure on the Group's premises that does not attract any deductions for tax purposes. The standard rate of corporation tax in the UK changed from 26 per cent to 24 per cent with effect from 1 April 2012. Accordingly the Group's profits for this accounting period are taxed at an effective rate of 25.5 per cent (2011: 27.5 per cent). As a result, the Group recognised exceptional tax income of £2.0 million (2011: £1.8 million) through its income statement to reflect the one off reduction in the period of the Group's deferred tax position.

In addition to the changes in rates of corporation tax disclosed above legislation to reduce the main rate of corporation tax from 24 per cent to 23 per cent from 1 April 2013 was substantively enacted at the balance sheet date and so the deferred tax balance has been calculated at 23 per cent.

Further rate changes are anticipated, if these are subsequently enacted in the form expected then the corporation tax rate will reduce by a further two per cent in 2014 when it will be 21 per cent. The changes had not been substantively enacted at the balance sheet date and therefore are not recognised in these financial statements.

Each percentage point reduction in corporation tax rate is expected to reduce the deferred tax liability by approximately £1 million. These impacts will be recognised in the period in which substantive enactment occurs.

7 Dividends

	52 week period ended 28 December 2012 £m	52 week period ended 30 December 2011 £m
Final dividend paid: 9.77p per Ordinary Share (2011: 8.88p)	**5.4**	4.9
Interim dividend paid: 5.36p per Ordinary Share (2011: 4.87p)	**2.9**	2.6
Dividend on Ordinary Shares	**8.3**	7.5

The interim dividend represents the interim dividend that was approved and paid in the period out of earnings generated in the same period.

7 Dividends (continued)

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

Consequently, total dividends recognised in the period were £8.3 million, 15.13 pence per share (2011: £7.5 million, 13.75 pence per share).

A final dividend of 10.75 pence per share, in respect of 2012, has been proposed by the Board. This will be paid on 28 June 2013 provided that approval is gained from shareholders at the Annual General Meeting on 6 June 2013 and will be paid to shareholders on the register at close of business on 24 May 2013.

8 Earnings per share

The calculation of basic earnings per Ordinary Share has been based on the profit 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 all 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 had not been met and these contingently issuable shares have been excluded from the diluted EPS calculations.

The Board believes that profit on ordinary activities before profit on sale of fixed assets, external transaction costs, exceptional items and after taxation is a useful indication of the Group's performance, as it excludes significant non-recurring items. This reporting measure is defined as 'Underlying profit after taxation'.

Accordingly, the Board believes that earnings per share calculated by reference to this underlying profit after taxation is also a useful indicator of financial performance.

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

	Earnings £m	Weighted average number of shares millions	Per share amount pence
52 week period ended 28 December 2012			
Profit attributable to shareholders – Basic and diluted EPS	**35.7**	**54.8**	**65.1**
Deduct: Exceptional items, profit on sale of fixed assets and external transaction costs (net of taxation of £nil million)	**(1.3)**		
Underlying profit after taxation – Basic EPS	**34.4**	**54.8**	**62.8**
52 week period ended 30 December 2011			
Profit attributable to shareholders – Basic and diluted EPS	34.3	54.8	62.6
Deduct: Exceptional items, profit on sale of fixed assets and external transaction costs (net of taxation of £0.2 million)	(4.1)		
Underlying profit after taxation – Basic EPS	30.2	54.8	55.1

In 2012 and 2011, the potential issue of new shares pursuant to the Group's share option plans would have no impact on the calculation of earnings per share.

9 Goodwill and other intangible assets

	Trade names £m	Use of third party brand name £m	Software £m	Non-compete agreements £m	Sub-total £m	Goodwill £m	Total £m
Cost							
At 31 December 2010	36.8	3.2	4.0	0.2	44.2	142.9	187.1
Acquisition of subsidiaries and other businesses	6.9	–	–	–	6.9	5.1	12.0
At 30 December 2011	43.7	3.2	4.0	0.2	51.1	148.0	199.1
Acquisition of subsidiaries and other businesses (note 26(a))	7.3	–	–	–	7.3	3.1	10.4
At 28 December 2012	**51.0**	**3.2**	**4.0**	**0.2**	**58.4**	**151.1**	**209.5**
Accumulated amortisation							
At 31 December 2010	–	(0.6)	(3.9)	(0.2)	(4.7)	–	(4.7)
Amortisation charge	–	(0.1)	–	–	(0.1)	–	(0.1)
At 30 December 2011	–	(0.7)	(3.9)	(0.2)	(4.8)	–	(4.8)
Amortisation charge	–	(0.2)	–	–	(0.2)	–	(0.2)
At 28 December 2012	**–**	**(0.9)**	**(3.9)**	**(0.2)**	**(5.0)**	**–**	**(5.0)**
Net book amount at 28 December 2012	**51.0**	**2.3**	**0.1**	**–**	**53.4**	**151.1**	**204.5**
Net book amount at 30 December 2011	43.7	2.5	0.1	–	46.3	148.0	194.3

Impairment tests for goodwill and other intangible assets

As described in note 1, goodwill and other intangible assets with an indefinite life are subject to annual impairment tests in accordance with IAS 36, Impairment of Assets.

For the purpose of impairment testing:

(i) Goodwill is tested at a business segment level.

(ii) Other intangible assets are allocated to the Group's cash-generating units (CGUs) which are considered to be on a regional basis.

The segmental allocation is shown below:

At 28 December 2012	Intangible assets £m	Goodwill £m	Total £m
Funeral services	**51.0**	**106.1**	**157.1**
Crematoria	**–**	**40.3**	**40.3**
Pre-arranged funeral plans	**2.3**	**4.7**	**7.0**
Central overheads	**0.1**	**–**	**0.1**
	53.4	**151.1**	**204.5**
At 30 December 2011			
Funeral services	43.6	103.0	146.6
Crematoria	–	40.3	40.3
Pre-arranged funeral plans	2.6	4.7	7.3
Central overheads	0.1	–	0.1
	46.3	148.0	194.3

9 Goodwill and other intangible assets (continued)

The recoverable amount of a CGU is based on a value-in-use calculation. However, the assets allocated to central overheads are tested for impairment by reference to the Group as a whole.

The value-in-use calculations use cash flow projections based on the latest management expectations. Key assumptions used to produce the annual budget are the estimated UK death rates (based on historical death rates supplied by ONS), anticipated market share (based on actual experience) and anticipated price increases (based on actual experience). Cash flows beyond the initial 12 month period are extrapolated using a growth rate of 2.25 per cent (2011: 2.25 per cent). The cash flows are discounted at a pre-tax rate of 10.2 per cent (2011: 10.2 per cent). This rate is used to analyse each CGU because they all have similar risk profiles. Based on these calculations, the discount rate would have to increase to at least 21 per cent (2011: 20 per cent), or the growth rate would have to reduce to at least minus 10 per cent (2011: minus 9 per cent) to result in any impairment of goodwill, intangible assets, property, plant and equipment and working capital.

On the basis of the above, the review indicated that no impairment arose in any segment (2011: £nil).

10 Property, plant and equipment

	Freehold land and buildings £m	Leasehold buildings £m	Plant, machinery, fixtures and fittings £m	Motor vehicles £m	Total £m
Cost					
At 31 December 2010	79.0	28.7	34.7	42.6	185.0
Additions	3.8	3.4	10.3	5.3	22.8
Acquisition of subsidiaries and other businesses	0.9	–	–	0.7	1.6
Disposals	(0.2)	–	(0.8)	(1.9)	(2.9)
Reclassification	2.9	3.7	(6.6)	–	–
At 30 December 2011	86.4	35.8	37.6	46.7	206.5
Additions	2.7	1.9	9.9	5.5	20.0
Acquisition of subsidiaries and other businesses (note 26(a))	0.5	–	–	0.2	0.7
Disposals	(0.3)	(0.1)	(0.5)	(2.5)	(3.4)
Reclassification	3.5	0.3	(3.8)	–	–
At 28 December 2012	**92.8**	**37.9**	**43.2**	**49.9**	**223.8**
Accumulated depreciation					
At 31 December 2010	(10.9)	(8.4)	(12.2)	(19.9)	(51.4)
Depreciation charge	(2.2)	(1.3)	(2.8)	(3.4)	(9.7)
Disposals	–	–	0.8	1.4	2.2
At 30 December 2011	(13.1)	(9.7)	(14.2)	(21.9)	(58.9)
Depreciation charge	(2.4)	(1.5)	(3.1)	(3.5)	(10.5)
Disposals	0.1	–	0.5	2.1	2.7
At 28 December 2012	**(15.4)**	**(11.2)**	**(16.8)**	**(23.3)**	**(66.7)**
Net book amount at 28 December 2012	**77.4**	**26.7**	**26.4**	**26.6**	**157.1**
Net book amount at 30 December 2011	73.3	26.1	23.4	24.8	147.6

Depreciation expense of £3.5 million (2011: £3.4 million) is included within cost of sales and £7.0 million (2011: £6.3 million) is included within administrative expenses.

Included within plant, machinery, fixtures and fittings net book value is £7.8 million (2011: £7.3 million) relating to assets held in the course of construction.

In 2012, borrowing costs of £0.2 million (2011: £0.6 million) were capitalised as components of the cost of construction of qualifying assets, applying an annualised average capitalisation rate of 6.8 per cent (2011: 6.9 per cent).

Details of any securities over assets are disclosed in note 30.

10 Property, plant and equipment (continued)

Additional headings have been included in the Consolidated Statement of Cash Flows for property, plant and equipment in order to provide additional information on the different types of expenditure that the Group has incurred during the year.

Assets held under finance leases, which relate solely to leasehold land and buildings, have the following net book amount:

	28 December 2012 £m	30 December 2011 £m
Cost	**1.0**	1.0
Accumulated depreciation	**(0.3)**	(0.3)
Net book amount	**0.7**	0.7

The Group had capital expenditure authorised by the Board and contracted for at the balance sheet date of £5.4 million (2011: £4.8 million). This includes amounts in respect of the crematoria being developed at Weston-super-Mare and Enfield.

11 Non-current financial and other assets

	Note	28 December 2012 £m	30 December 2011 £m
Prepayments	(a)	**10.0**	10.1
Deferred commissions	(b)	**2.6**	2.5
		12.6	12.6

(a) Prepayments
This balance represents the amounts paid to acquire the long leasehold interest in land at certain of the Group's properties. Management consider that leases greater than fifty years at inception are long leases. The balance is expensed on a straight-line basis over the term of the relevant lease. The leases expire at various times over the next thirty to nine hundred years.

(b) Deferred commissions
The Group is the named beneficiary on a number of life assurance products sold by third party insurance companies.

A commission is paid when the policy is charged to the Group. As this commission is fully refundable if the Group does not perform the funeral for any reason, it is carried as a receivable and expensed when the funeral is performed.

12 Investments
A list of the trading entities included within the financial information are included in note C2 to the Company's financial statements.

13 Inventories

	28 December 2012 £m	30 December 2011 £m
Materials	**0.2**	0.2
Finished goods	**6.3**	5.7
	6.5	5.9

There were no inventory write-downs in either period.

14 Trade and other receivables

	28 December 2012 £m	30 December 2011 £m
Trade receivables	**18.3**	16.5
Less: provision for impairment (note 21(c))	**(3.4)**	(3.1)
Net trade receivables	**14.9**	13.4
Receivables due from related parties (note 31)	**3.0**	2.6
Prepayments and accrued income	**3.6**	4.2
Other receivables	**4.1**	4.4
	25.6	24.6

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 recoverables. For further details of the trade receivables past due and impaired refer to note 21(c).

Due to the short term nature of these balances, the carrying value is considered to be their fair value.

15 Cash and cash equivalents

	Note	28 December 2012 £m	30 December 2011 £m
Operating cash as reported in the consolidated statement of cash flows as cash and cash equivalents		**38.0**	35.4
Recoveries: pre-arranged funeral plans	(a)	**1.5**	1.5
Amounts set aside for debt service payments	(b)	**16.1**	–
Cash and cash equivalents as reported in the balance sheet		**55.6**	36.9

(a) Recoveries may not be used for one year following receipt and therefore do not meet the definition of cash and cash equivalents in IAS 7, Statement of Cash Flows.

(b) This amount was transferred to restricted bank accounts which could only be used for the payment of the interest and principal on the Secured Notes, the repayment of liabilities due on the Group's interest rate swaps (see note 16(c)) and commitment fees due on its undrawn borrowing facilities (see note 21(d)) and for no other purpose.

This amount does not meet the definition of cash and cash equivalents in IAS 7, Statement of Cash Flows. Whilst not applicable in 2011, this amount was used to pay these respective parties on 31 December 2012. Of this amount £11.9 million is shown within the Statement of Cash Flows as 'Payments to restricted bank accounts for finance costs' and £4.2 million is shown within 'Financing activities' as 'Payments to restricted bank accounts for repayment of borrowings'.

16 Financial liabilities

Current	Note	28 December 2012 £m	30 December 2011 £m
Class A Secured Notes	(a)	**11.6**	6.6
Premium on Secured Notes	(a)	**1.9**	2.0
Other current financial liabilities	(c)	**1.0**	0.7
Crematoria Acquisition Facility	(d)	**10.0**	–
	(e)	**24.5**	9.3
Non-current			
Class A and B Secured Notes	(a)	**287.2**	294.7
Premium on Secured Notes	(a)	**18.2**	20.0
Finance lease obligations	(b)	**0.7**	0.7
Other non-current financial liabilities	(c)	**4.0**	4.3
Crematoria Acquisition Facility	(d)	**–**	9.9
		310.1	329.6

16 Financial liabilities (continued)

(a) Class A and B Secured Notes

On 11 April 2003, Dignity Finance PLC issued £110,000,000 Class A Secured Notes (the A notes) and £100,000,000 Class B Secured Notes (the B notes).

The A notes carry interest at 6.31 per cent, payable half yearly in arrears. The A notes are repayable in instalments ending in December 2023. The transaction costs incurred on issue of the A notes totalled £9.8 million. The B notes carry interest at 8.151 per cent, payable half yearly in arrears. The B notes are repayable in instalments ending in December 2030. The transaction costs incurred on issue of the B notes totalled £8.9 million.

On 21 February 2006, Dignity Finance PLC issued £45,550,000 Class A Secured Notes (the Further A notes) and £32,500,000 Class B Secured Notes (the Further B notes).

The Further A notes carry interest at 6.31 per cent, payable half yearly in arrears. The Further A notes are repayable in instalments ending in December 2023. The transaction costs incurred on issue of the Further A notes totalled £1.9 million. The Further B notes carry interest at 8.151 per cent, payable half yearly in arrears. The Further B notes are repayable in instalments ending in December 2030. The transaction costs incurred on issue of the Further B notes totalled £1.8 million.

On 27 September 2010, Dignity Finance PLC issued £48,650,000 Class A Secured Notes (the Second Further A notes) and £33,100,000 Class B Secured Notes (the Second Further B notes).

The Second Further A notes carry interest at 6.31 per cent, payable half yearly in arrears. The Second Further A notes are repayable in instalments ending in December 2023. The transaction costs incurred on issue of the Second Further A notes totalled £2.4 million. The Second Further B notes carry interest at 8.151 per cent, payable half yearly in arrears. The Second Further B notes are repayable in instalments ending in December 2030. The transaction costs incurred on issue of the Second Further B notes totalled £2.1 million.

The A notes, the Further A notes and the Second Further A notes are collectively referred to as the Secured A Notes. The B notes, the Further B notes and the Second Further B notes are collectively referred to as the Secured B Notes. The Secured A Notes and the Secured B Notes are collectively referred to as the Secured Notes or the Class A and B Secured Notes.

The aggregate principal outstanding on the Secured Notes and related issue costs have been presented on a net basis in the table on page 76. The Secured Notes are secured by first ranking security in respect of the undertakings and assets of Dignity (2002) Limited and its subsidiaries.

At 28 December 2012, £147.8 million (2011: £151.9 million) of the principal of the Secured A Notes and £165.6 million (2011: £165.6 million) of the principal of the Secured B Notes was outstanding.

At 28 December 2012, £6.3 million (2011: £7.4 million) and £8.3 million (2011: £8.8 million) of the transaction costs in respect of the A notes and the B notes respectively remain unamortised.

The Secured A Notes and Secured B Notes were issued at a premium of £9.3 million and £19.0 million respectively, which is being released in proportion to the interest cost in the notes. At the balance sheet date £5.7 million (2011: £6.6 million) and £14.4 million (2011: £15.4 million) respectively remained unamortised.

For further details of security over the Secured Notes see note 30(a).

(b) Obligations under finance leases

	28 December 2012 £m	30 December 2011 £m
Obligations under finance leases and hire purchase payable:		
Within one year	**–**	–
Between one and two years	**–**	–
Between two and five years	**0.2**	0.2
After five years	**0.5**	0.5
	0.7	0.7

The finance leases and hire purchase liabilities are secured on the related assets.

16 Financial liabilities (continued)

(c) Other financial liabilities

On 20 December 2002, Dignity (2002) Limited entered into contracts to swap the floating rate interest on a bank loan into fixed rate. Contractually, these swaps were not effective until 30 April 2003.

On 11 April 2003, as described in note 16(a), the Group issued Secured Notes at a fixed rate of interest. These notes replaced the bank loan. Consequently, the swaps were no longer required as the Group had no interest rate risk on the Secured Notes. As a result, the Group entered into further contracts on 11 April 2003 to swap fixed rate interest into floating in order to offset the original swaps and eliminate any interest rate risk in this regard.

As a result of interest rate movements between these two dates, the combined effect of all the contracts was that the Group makes fixed and determinable bi-annual payments on a notional principal amount.

These swap agreements were entered into under one ISDA master agreement. This master agreement forces the swaps to be viewed and settled on a net basis only; a position that cannot be altered without the written consent of both parties.

Accordingly, the overall transaction represents a financial liability. The fair value represents the discounted net present value of future cash flows. Further, as these contracts related to the raising of the Secured Notes, the liability has been accounted for as a transaction cost of the Class A and B Secured Notes and is being amortised in accordance with IAS 39.

(d) Crematoria Acquisition Facility

The Group also has a £10 million Crematoria Acquisition Facility (the Crematoria Acquisition Facility). £7.4 million carries interest at 5.59 per cent per annum. The remaining £2.6 million carries interest at a rate relative to three month LIBOR, with such rate being capped at 5.59 per cent. Consequently, the Group carries limited risk to increases in LIBOR on this facility. The Crematoria Acquisition Facility is fully drawn and will be repayable in one payment in November 2013.

The transaction costs incurred on the Crematoria Acquisition Facility were £0.2 million. The principal outstanding on the Crematoria Acquisition Facility and related issue costs have been presented on a net basis in the table on page 76.

At 28 December 2012, £10.0 million (2011: £10.0 million) of the principal was outstanding. At 28 December 2012, £nil million (2011: £0.1 million) of the transaction costs remained unamortised.

For further details of security over the Crematoria Acquisition Facility see note 30(b).

(e) Current financial liabilities

The current financial liabilities represent the amounts falling due within one year of the Group's accounting reference date, 31 December.

17 Trade and other payables

Current	28 December 2012 £m	30 December 2011 £m
Trade payables	**9.7**	9.3
Tax and social security	**1.3**	1.3
Other current liabilities	**1.7**	1.4
Accruals and deferred income	**33.5**	20.6
	46.2	32.6
Non-current		
Deferred income	**1.2**	1.1
Deferred consideration for acquisitions	**0.1**	0.2
Long service awards	**1.1**	1.0
Other non-current liabilities	**0.4**	0.3
	2.8	2.6

18 Obligations under finance leases and operating leases

For minimum lease payments obligations under finance leases refer to note 21(d)(ii).

	28 December 2012 £m	30 December 2011 £m
The minimum lease payments under non-cancellable operating leases fall due as follows:		
Not later than one year	**8.8**	7.6
Later than one year but not more than five years	**24.4**	20.6
More than five years	**120.3**	86.9
	153.5	115.1

The non-cancellable operating leases principally relate to leasehold land and buildings.

Of the total operating lease payments charged to trading expenses, £nil million (2011: £nil million) are in respect of contingent rentals. The contingent rentals are based on the revenues generated at the specific locations.

Sublease payments received in the year amount to £0.4 million (2011: £0.3 million). Total future sublease payments receivable relating to operating leases amount to £0.7 million (2011: £0.6 million).

In addition, the Group has operating lease commitments with rentals determined in relation to revenues. No operating lease commitment disclosures are required for these arrangements, as future lease payments represent contingent rental payments.

19 Provisions for liabilities and charges

	Dilapidations £m (a)	Onerous contracts £m (b)	Cancellation provision £m (c)	Total £m
At beginning of period	2.8	0.3	1.4	4.5
Charged to income statement	0.7	–	–	0.7
Released to income statement	(0.3)	–	(0.2)	(0.5)
Utilised in period	(0.2)	(0.1)	–	(0.3)
Amortisation of discount	0.1	–	–	0.1
At end of period	**3.1**	**0.2**	**1.2**	**4.5**

Provisions have been analysed between current and non-current as follows:

	28 December 2012 £m	30 December 2011 £m
Current	**1.1**	1.4
Non-current	**3.4**	3.1
	4.5	4.5

(a) 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, £0.5 million (2011: £0.8 million), will be incurred 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 2021.

19 Provisions for liabilities and charges (continued)

(b) Onerous contracts
The Group has provided for the discounted future costs of certain contracts to which the Group is legally bound. These contracts relate to vacant leasehold properties and other contracts from which no economic benefit is derived. The provision will be utilised over the term of the contracts and it is anticipated that it will be fully utilised by 2038.

Included within the provision is an amount of £0.1 million (2011: £0.1 million) relating to the expected costs of ongoing rent reviews, the outcomes of which have been based on recent experience of similar reviews on other properties.

(c) Cancellation provision
As described in note 1, the Group receives monies from certain pre-arranged funeral plan Trusts in respect of the marketing of pre-arranged funeral plans, which are refundable to the Trust in the event of cancellation.

The provision covers the expected cost of such cancellations anticipated to occur in future years relating to plans sold before the balance sheet date and is anticipated to be utilised over the next five years.

20 Deferred tax
Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 23 per cent (2011: 25 per cent).

The movement on the deferred tax account is as shown below:

	28 December 2012 £m	30 December 2011 £m
At beginning of period	**25.1**	27.3
Charged to income statement (note 6)	**0.6**	3.5
Adjustment for rate change – 25% to 23% (2011: 27% to 25%)	**(2.0)**	(1.9)
Exceptional adjustment for recognition of brought forward losses	**–**	(3.4)
Taken to equity (note 6)	**–**	(2.1)
Arising on acquisitions (note 26(a))	**0.5**	1.7
At end of period	**24.2**	25.1

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

	Pensions £m	**Accelerated tax depreciation £m**	**Other £m**	**Total £m**
At beginning of period	0.3	16.4	10.5	27.2
Charged to income statement (note 6)	(0.1)	0.6	(0.5)	–
Adjustment for rate change – 25% to 23% (2011: 27% to 25%)	–	(1.3)	(0.6)	(1.9)
Taken to equity (note 6)	(0.2)	–	–	(0.2)
Arising on acquisitions	–	0.1	0.4	0.5
At end of period	**–**	**15.8**	**9.8**	**25.6**

Deferred tax assets

	Losses £m	**Other £m**	**Total £m**
At beginning of period	(0.7)	(1.4)	(2.1)
Charged to income statement (note 6)	0.7	(0.1)	0.6
Adjustment for rate change – 25% to 23% (2011: 27% to 25%)	–	(0.1)	(0.1)
Taken to equity (note 6)	–	0.2	0.2
At end of period	**–**	**(1.4)**	**(1.4)**

All of the deferred tax assets were available for offset against deferred tax liabilities and hence the net deferred tax provision at 28 December 2012 was £24.2 million (2011: £25.1 million).

Other deferred tax liabilities includes goodwill on trade names and capital gains rolled forward, other tax assets includes option schemes and long service awards.

20 Deferred tax (continued)

During 2011, a deferred tax asset was recognised in respect of previously unrecognised losses within the Group. These amounted to £3.4 million net, of which £0.7 million has been utilised in the period (2011: £2.7 million). Accordingly these have now been fully utilised. There are no further unrecognised deferred tax losses within the Group.

Elements of these deferred tax balances may be payable/recoverable within one year. However, the Directors consider that it is not possible to quantify the amount because the level of uncertainty in the timing of events and have therefore classified the whole balance as due after more than one year.

The deferred income tax charged to equity during the period was as follows:

	52 week period ended 28 December 2012 £m	52 week period ended 30 December 2011 £m
Deferred tax credit on actuarial losses on retirement benefit obligations	**(0.2)**	(1.9)
Deferred tax credit relating to maturity of option schemes	**0.2**	(0.2)
Adjustment for rate change – 25% to 23% (2011: 27% to 25%)	**–**	–

21 Financial instruments

Fair values of non-derivative financial assets and financial liabilities

Where market values are not available, fair values of financial assets and financial liabilities have been calculated by discounting expected future cash flows at relevant interest rates.

Trade receivables are held net of impairment.

Fair value estimation

IFRS 7 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).

All assets and liabilities are held at amortised cost other than interest rate swaps which are held at fair value. These swaps are level 2.

(a) Fair value of current and non-current financial assets and liabilities

	28 December 2012		30 December 2011	
	Book value £m	**Fair value £m**	Book value £m	Fair value £m
Long term borrowings (excluding finance lease obligations and including swaps) (note 16)	**(309.4)**	**(410.2)**	(328.9)	(415.8)
Finance lease obligations (note 16)	**(0.7)**	**(0.7)**	(0.7)	(0.7)
	(310.1)	**(410.9)**	(329.6)	(416.5)
Fair values of other financial assets and financial liabilities				
Primary financial instruments held or issued to finance the Group's operations:				
Short term borrowings (excluding finance lease obligations and including swaps) (note 16)	**(24.5)**	**(27.5)**	(9.3)	(10.9)
Trade and other payables (excluding statutory liabilities) (note 17)	**(44.9)**	**(44.9)**	(31.3)	(31.3)
Trade and other receivables (excluding prepayments) (note 14)	**22.0**	**22.0**	20.4	20.4
Cash and cash equivalents (note 15)	**55.6**	**55.6**	36.9	36.9
Other non-current financial liabilities (note 17)	**(2.8)**	**(2.8)**	(2.6)	(2.6)

21 Financial instruments (continued)

(b) Maturity of financial liabilities

The tables below analyse the Group's financial liabilities, which will be settled on a net basis 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.

	28 December 2012					
	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						
Class A and B Secured Notes (gross)	**13.2**	**9.7**	**10.4**	**23.3**	**256.9**	**313.5**
Interest payable on Secured Notes	**33.8**	**21.8**	**21.2**	**40.4**	**153.4**	**270.6**
Swaps	**1.0**	**0.7**	**0.7**	**1.4**	**3.3**	**7.1**
Crematoria Acquisition Facility	**10.0**	**–**	**–**	**–**	**–**	**10.0**
Interest payable on Crematoria Acquisition Facility	**0.4**	**–**	**–**	**–**	**–**	**0.4**
Finance leases	**–**	**0.1**	**0.1**	**0.1**	**2.7**	**3.0**
Debt repayments	**58.4**	**32.3**	**32.4**	**65.2**	**416.3**	**604.6**
Other financial liabilities	**34.7**	**0.2**	**0.3**	**0.6**	**1.0**	**36.8**
	93.1	**32.5**	**32.7**	**65.8**	**417.3**	**641.4**

	30 December 2011					
	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						
Class A and B Secured Notes (gross)	8.3	8.9	9.7	21.6	269.0	317.5
Interest payable on Secured Notes	23.0	22.4	21.8	41.8	173.1	282.1
Swaps	0.7	0.7	0.7	1.4	3.9	7.4
Crematoria Acquisition Facility	–	10.0	–	–	–	10.0
Interest payable on Crematoria Acquisition Facility	0.5	0.5	–	–	–	1.0
Finance leases	–	0.1	0.1	0.1	2.7	3.0
Debt repayments	32.5	42.6	32.3	64.9	448.7	621.0
Other financial liabilities	32.3	0.3	0.2	0.4	1.2	34.4
	64.8	42.9	32.5	65.3	449.9	655.4

21 Financial instruments (continued)

The amounts disclosed in the tables below represent the anticipated amortisation profile for the issue costs and premium relating to the issue of the A and B Secured Notes.

28 December 2012	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
Non-cash liabilities						
Issue costs on Secured Notes	**1.5**	**1.5**	**1.4**	**2.6**	**7.6**	**14.6**
Premium on Secured Notes	**(1.9)**	**(1.8)**	**(1.7)**	**(3.2)**	**(11.5)**	**(20.1)**
	(0.4)	**(0.3)**	**(0.3)**	**(0.6)**	**(3.9)**	**(5.5)**

30 December 2011	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
Non-cash liabilities						
Issue costs on Secured Notes	1.6	1.5	1.5	2.7	8.9	16.2
Premium on Secured Notes	(1.9)	(1.8)	(1.8)	(3.4)	(13.1)	(22.0)
Issue costs on Crematoria Acquisition Facility	–	0.1	–	–	–	0.1
	(0.3)	(0.2)	(0.3)	(0.7)	(4.2)	(5.7)

(c) Trade receivables

As at 28 December 2012, £7.3 million of the gross trade receivables (2011: £6.9 million) were past due and partially impaired. A provision for impairment is established based on historical experience. The amount of the provision, as at 28 December 2012, was £3.4 million (2011: £3.1 million). The individually impaired receivables principally relate to monies owing for funerals performed by the funeral services division. The aging of these receivables is as follows:

	28 December 2012 £m	30 December 2011 £m
One to six months	**4.6**	4.3
Over six months	**2.7**	2.6
	7.3	6.9

The amount of gross trade receivables past due that were not impaired was not significant.

Movements on the Group's provision for impairment of trade receivables are as follows:

	28 December 2012 £m	30 December 2011 £m
At beginning of period	**(3.1)**	(3.7)
Charged to income statement	**(1.4)**	(0.9)
Utilised in period	**1.1**	1.5
At end of period	**(3.4)**	(3.1)

(d) Borrowing facilities

(i) The Group has the following undrawn committed borrowing facilities available at 28 December 2012, all of which were at floating interest rates, in respect of which all conditions precedent had been met at that date:

	28 December 2012 £m	30 December 2011 £m
Expiring within one year	**55.0**	50.0
Expiring between one and two years	**–**	5.0
Expiring in more than two years	**–**	–
	55.0	55.0

21 Financial instruments (continued)

£50.0 million (2011: £50.0 million) of the amount on page 83 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 £50.0 million (2011: £50.0 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 remaining £5.0 million facility expires in April 2013. Both these facilities incur commitment fees at market rates.

(ii) The minimum lease payments under finance leases fall due as follows:

	28 December 2012 £m	30 December 2011 £m
Not later than one year	0.1	–
Later than one year but not more than five years	0.2	0.2
More than five years	2.7	2.8
	3.0	3.0
Future finance costs on finance leases	(2.3)	(2.3)
Present value of finance lease liabilities	0.7	0.7

22 Ordinary share capital

	28 December 2012 £m	30 December 2011 £m
Allotted and fully paid Equity shares		
54,757,481 (2011: 54,757,054) Ordinary Shares of £0.105 (2011: £0.105) each	5.7	5.7

Each Ordinary Share carries equal voting rights and there are no restrictions on any share.

During the period, the Group received £nil million in relation to the 427 shares issued with a nominal value of 10.5 pence per share.

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 started in 2010. In addition, Executive Directors and senior management hold options to subscribe for shares in the Company under Long Term Incentive Plans (LTIPs) awarded in 2010, 2011 and 2012.

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	2012 Number	2011 Number	2010 Number
2010 – SAYE	701.00	1 December 2013 to 31 May 2014	166,160	185,031	207,231
2010 – LTIP	–	19 March 2013 to 19 March 2014	255,844	255,844	255,844
2011 – LTIP	–	21 March 2014 to 21 March 2015	285,430	285,430	n/a
2012 – LTIP	–	28 March 2015 to 28 March 2016	251,836	n/a	n/a

23 Share-based payments

In respect of share-based payment arrangements, total charges to the income statement were £1.2 million (2011: £1.1 million). The Directors consider that these amounts are immaterial and hence further detailed disclosures have been omitted.

24 Net debt

	28 December 2012 £m	30 December 2011 £m
Net amounts owing on Class A and B Secured Notes per financial statements	**(318.9)**	(323.3)
Add: unamortised issue costs (note 16(a))	**(14.6)**	(16.2)
Gross amounts owing on Class A and B Secured Notes per financial statements	**(333.5)**	(339.5)
Net amounts owing on Crematoria Acquisition Facility per financial statements	**(10.0)**	(9.9)
Add: unamortised issue costs on Crematoria Acquisition Facility (note 16(d))	**–**	(0.1)
Gross amounts owing	**(343.5)**	(349.5)
Accrued interest on Class A and B Secured Notes	**(11.6)**	–
Accrued interest on Crematoria Acquisition Facility	**(0.1)**	(0.1)
Cash and cash equivalents (note 15)	**55.6**	36.9
Net debt	**(299.6)**	(312.7)

In addition to the above, the consolidated balance sheet also includes finance lease obligations and other financial liabilities which totalled £5.7 million (2011: £5.7 million). These amounts do not represent sources of funding for the Group and are therefore excluded from the calculation of net debt.

The Group's primary financial covenant in respect of the Secured Notes requires EBITDA to total debt service to be at least 1.5 times. At 28 December 2012, the actual ratio was 2.43 times (2011: 2.27 times).

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

25 Reconciliation of cash generated from operations

	52 week period ended 28 December 2012 £m	52 week period ended 30 December 2011 £m
Net profit for the period	**35.7**	34.3
Adjustments for:		
Taxation	**9.7**	6.0
Net finance costs	**23.3**	22.9
Profit on disposal of fixed assets	**(0.1)**	(0.2)
Depreciation charges	**10.5**	9.7
Amortisation of intangibles	**0.2**	0.1
Movement in inventories	**(0.4)**	(0.7)
Movement in trade receivables	**(1.2)**	1.8
Movement in trade payables	**0.4**	–
External transaction costs	**0.8**	1.2
Changes in other working capital (excluding acquisitions)	**3.2**	(2.0)
Employee share option charges (note 23)	**1.2**	1.1
Cash generated from operations before external transaction costs	**83.3**	74.2

Other non-cash transactions

Non-cash charges comprise amortisation of deferred debt issue costs, as discussed in note 16(a).

26 Acquisitions

(a) Acquisition of subsidiary and other businesses

	Provisional fair value £m
Property, plant and equipment	**0.7**
Intangible assets:	
Trade names	**7.3**
Cash acquired	**0.9**
Other working capital	**(0.1)**
Deferred taxation (note 20)	**(0.5)**
Net assets acquired	**8.3**
Goodwill arising	**3.2**

Satisfied by:	
Cash paid on completion funded from internally generated cash flows	**11.5**

During 2012, the Group acquired the operational interest of 18 funeral locations and one crematorium. These transactions were either acquisitions of trade and assets or acquisitions of the entire issued share capital of a limited company.

All these acquisitions have been accounted for under the acquisition method. None were individually material and consequently have been aggregated.

All intangible assets were recognised at their respective fair values. The residual excess over the net assets acquired is recognised as goodwill. This represents the value to the Group of the funeral locations.

The fair value adjustments contain provisional amounts, which will be finalised in 2013. These adjustments reflect the recognition of trade names and associated deferred taxation, and adjustments to reflect the fair value of other working capital movements such as receivables, inventories and accruals which are immaterial.

The businesses acquired have their assets and liabilities amalgamated within the existing business structure and as such, it is impractical to determine, without undue expense and delay due to the immaterial size of each, the post acquisition results.

It is also not possible to quantify the results of these businesses prior to acquisition as it represents confidential information relating to the vendors, which the Directors do not have authority to disclose.

(b) Reconciliation to cash flow statement

	52 week period ended 28 December 2012 £m	52 week period ended 30 December 2011 £m
Cash paid on completion	**11.5**	17.6
Cash paid in respect of deferred consideration obligations	**0.1**	0.1
Cash acquired on acquisition	**(0.9)**	(5.7)
Acquisition of subsidiaries and businesses as reported in the cash flow statement	**10.7**	12.0

27 Employees and Directors

	52 week period ended 28 December 2012 £m	52 week period ended 30 December 2011 £m
Wages and salaries	**63.6**	59.1
Social security costs	**4.6**	4.6
Other pension costs (note 28)	**1.9**	1.5
Share option charges (note 23)	**1.2**	1.1
	71.3	66.3

27 Employees and Directors (continued)

Key management are considered to be the Board of Directors only. Total key management remuneration in the period was £3.6 million (2011: £3.5 million), including £0.8 million (2011: £0.8 million) of share option charges. The monthly average number of people, including Directors, employed by the Group during the period was as follows:

	2012 Number	2011 Number
Management and administration	**135**	130
Funeral services staff	**2,048**	2,004
Crematoria staff	**297**	283
Pre-arranged funeral plan staff	**63**	59
	2,543	2,476

Directors' emoluments

Details of Directors' emoluments are disclosed in the Report on Directors' Remuneration on pages 40 to 43 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.

The pension costs for defined contribution schemes are as follows:

	2012 £m	2011 £m
Defined contribution schemes	**0.1**	0.1

Defined benefit plans

The Group operates a defined benefit scheme the Dignity Pension and Assurance Scheme. A full actuarial valuation was carried out as at 6 April 2011. The valuation results of the merged scheme were updated to 28 December 2012 by a qualified independent Actuary.

For 2012, the employer's contribution rate payable was 9.2 per cent of Pensionable Salaries (2011: 9.2 per cent of Pensionable Salaries). The total monetary contribution paid by the employer for 2012 was £1.3 million (2011: £1.4 million). In addition special contributions of £nil (2011: £nil) have been paid to make the total contribution for the year £1.3 million (2011: £1.4 million).

The principal assumptions used by the actuary were:

Assumptions	2012	2011
Discount rate	**4.65%**	4.85%
Expected long term rate of return on assets	**4.65%**	5.0%
Rate of increase in salaries	**2.8%**	3.25%
Rate of increase in payment of post April 1997 pensionable service	**2.8%**	2.9%
Rate of increase in payment of post April 2005 pensionable service	**2.1%**	2.3%
RPI price inflation assumption	**2.9%**	3.0%
CPI price inflation assumption	**2.1%**	2.0%

The underlying mortality assumption is based upon the standard table known as S1PA on a year of birth basis, with CMI_2009 future improvement factors, a long term rate of improvement of 1.25 per cent per annum and rated up two years for males and down two years for females (2011: same).

Pensions and other post-retirement obligations

The amounts recognised in the balance sheet are determined as follows:

	2012 £m	2011 £m
Fair value of plan assets	**87.0**	84.5
Present value of funded obligations	**(86.9)**	(83.2)
Net asset recognised in the balance sheet	**0.1**	1.3

28 Pension commitments (continued)

Analysis of amount charged to income statement in respect of defined benefit schemes

	2012 £m	2011 £m
Current service cost	1.8	1.4
Past service cost	–	–
Total included within cost of sales (staff costs)	1.8	1.4
Interest cost	4.0	4.1
Expected return on plan assets	(4.2)	(4.8)
Total included within finance income	(0.2)	(0.7)

Expected contributions to the Group's pension scheme for the 52 week period ended 27 December 2013 are approximately £1.4 million.

Analysis of fair value of plan assets

	2012		2011	
	£m	%	£m	%
Equity and property	47.5	54.6	45.1	53.4
Debt	30.9	35.5	22.5	26.6
Cash	8.6	9.9	16.9	20.0
Fair value of plan assets	87.0	100.0	84.5	100.0

At 28 December 2012 and 30 December 2011 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 plan assets.

Changes in the present value of the defined benefit obligation are as follows:

	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
Present value of obligation at beginning of period	(83.2)	(76.1)	(68.0)	(55.9)	(61.1)
Current service cost	(1.8)	(1.4)	(1.1)	(0.8)	(0.9)
Past service cost	–	–	(0.2)	(0.1)	(0.2)
Interest cost	(4.0)	(4.1)	(3.9)	(3.5)	(3.6)
Benefits paid	3.7	3.1	3.1	2.9	2.8
Contributions by participants	(1.4)	(1.4)	(1.4)	(1.3)	(1.3)
Actuarial (losses)/gains	(0.2)	(3.3)	(4.6)	(9.3)	8.4
Present value of obligation at end of period	(86.9)	(83.2)	(76.1)	(68.0)	(55.9)

Changes in the fair value of plan assets are as follows:

	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
Fair value of plan assets at beginning of period	84.5	84.6	77.1	69.1	67.9
Expected return on plan assets	4.2	4.8	4.3	3.8	4.3
Contributions by Group	1.3	1.4	2.3	1.3	1.2
Contributions by participants	1.4	1.4	1.4	1.3	1.3
Benefits paid	(3.7)	(3.1)	(3.1)	(2.9)	(2.8)
Actuarial (losses)/gains	(0.7)	(4.6)	2.6	4.5	(2.8)
Fair value of plan assets at end of period	87.0	84.5	84.6	77.1	69.1

Analysis of the movement in the balance sheet asset

	2012 £m	2011 £m
At beginning of period	1.3	8.5
Total expense as above	(1.6)	(0.7)
Actuarial losses	(0.9)	(7.9)
Contributions by Group	1.3	1.4
At end of period	0.1	1.3

28 Pension commitments (continued)

Cumulative actuarial gains and losses recognised in equity

	2012 £m	2011 £m
At beginning of period	**(0.2)**	7.7
Net actuarial losses recognised in the period	**(0.9)**	(7.9)
At end of period	**(1.1)**	(0.2)

The actual return on plan assets was £3.5 million (2011: £0.2 million).

History of experience gains and losses	2012	2011	2010	2009	2008
Experience adjustments arising on scheme assets:					
Amount (£m)	**(0.7)**	(4.6)	(2.6)	(4.5)	2.8
Percentage of scheme's assets	**0.8%**	5.4%	3.0%	5.8%	4.1%
Experience adjustments arising on scheme liabilities:					
Amount (£m)	**0.7**	1.0	(1.1)	(0.3)	(1.0)
Percentage of the present value of the scheme's liabilities	**0.8%**	1.2%	1.4%	0.4%	1.8%
Present value of scheme liabilities (£m)	**(86.9)**	(83.2)	(76.1)	(68.0)	(55.9)
Fair value of scheme assets (£m)	**87.0**	84.5	84.6	77.1	69.1
Surplus (£m)	**0.1**	1.3	8.5	9.1	13.2

Change in assumptions	Liabilities £m	Assets £m	Surplus/ (deficit) £m	Increase/ (decrease) in surplus £m
No change	**(86.9)**	**87.0**	**0.1**	**–**
0.25% rise in discount rate	**(83.3)**	**87.0**	**3.7**	**3.6**
0.25% fall in discount rate	**(90.7)**	**87.0**	**(3.7)**	**(3.8)**
0.25% rise in inflation	**(89.4)**	**87.0**	**(2.4)**	**(2.5)**
0.25% fall in inflation	**(84.6)**	**87.0**	**2.4**	**2.3**

29 Pre-arranged funeral plans

(a) Contingencies and commitments
Dignity Pre-arrangement Limited, Dignity Securities Limited and Advance Planning Limited are fellow members of the Dignity Group in the United Kingdom. These companies have sold pre-arranged funeral plans to their clients in the past. All monies from these sales are held and controlled by three independent Trusts, being the National Funeral Trust, the Dignity Limited Trust Fund and the Trust for Age UK Funeral Plans respectively. Further details of the transactions can be found in the financial statements of these companies, which are available from 4 King Edwards Court, King Edwards Square, Sutton Coldfield, West Midlands, B73 6AP.

The Group has given commitments to certain of these clients to perform their funeral. The agreed amounts payable to either the Group or to third party funeral directors will be paid out of the funds held in the Trusts.

It is the view of the Directors that none of the commitments given to these clients are onerous to the Group.

(b) Pre-arranged funeral plan trust assets
The market value of the assets of the pre-arranged funeral plan trusts was £511.2 million at 28 December 2012 (2011: £446.8 million) in respect of 238,000 (2011: 220,000) unfulfilled pre-arranged funeral plans. The remaining 52,000 (2011: 45,000) unfulfilled pre-arranged funeral plans related to those backed by Insurance Plans, as described in note 1 to the consolidated financial statements.

The majority of the trustees of the pre-arranged funeral plan trusts are unconnected to the Group, as required by current UK legislation. The trustees are required to have the Trusts' liabilities actuarially valued once a year. The latest valuations were performed as at 28 September 2012 (2011: 30 September 2011) using assumptions determined by the trustees. These valuations showed the Trusts to have liabilities in respect of the pre-arranged funeral plan trusts of £465.4 million as at 28 September 2012 (2011: £373.3 million). The corresponding market value of the assets of the pre-arranged funeral plan trusts was £479.4 million (2011: £415.7 million) as at the same date. Consequently the actuarial valuation recorded total surpluses of £14.0 million at 28 September 2012 (2011: £42.4 million).

(c) Accounting reporting date
The end of the reporting period of the financial statements of the Trusts may be different to the reporting period of the financial statements of Dignity plc, but by no more than 7 days.

30 Contingent liabilities

(a) Securitisation
On 11 April 2003, the Group refinanced its debt by way of a whole business securitisation. On 21 February 2006 and 27 September 2010 further Secured Notes were issued on identical terms. As a result, the following guarantees and charges were granted to BNY Mellon Corporate Trustee Services Limited (formerly BNY Corporate Trustee Services Limited) in its capacity as Security Trustee in the securitisation:

- The Dignity (2002) Group have granted the Security Trustee fixed and floating charges over the assets and undertakings of the Dignity (2002) Group;
- 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 (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.

At 28 December 2012, the amount outstanding in relation to these borrowings was £333.5 million (2011: £339.5 million).

(b) Crematoria Acquisition Facility
On 24 November 2008, the Group obtained a £10.0 million loan facility from the National Westminster Bank plc (Nat West), which is fully drawn. As a consequence of the legal structure of this facility:

- Dignity plc has granted Nat West, 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 (2008) Limited;
- Dignity (2008) Limited has granted Nat West, 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 Crematoria Limited;
- Dignity (2008) Limited and Dignity Crematoria Limited have granted Nat West fixed and floating charges over the assets and undertakings of each of Dignity (2008) Limited and Dignity Crematoria Limited; and
- Dignity plc have acted as guarantor in the event that Dignity (2008) Limited fails to pay interest due on the facility.

In the opinion of the Directors no liability is likely to crystallise in respect of these guarantees.

At 28 December 2012, the amount outstanding in relation to these borrowings was £10.0 million (2011: £10.0 million).

31 Related party transactions
On 19 May 2010, the Group entered into a contract with Bglobal to have smart meters fitted at some of its locations. £23,000 has been charged in the three months to 1 April 2012 and £126,000 has been charged in total under the contract. James Newman is a Non-Executive Director of Bglobal and the transaction was formally approved by the Board and is at arm's length. James Newman retired from the Dignity Board on 1 April 2012.

Pre-arrangement trusts
During the period, the Group entered into transactions with the Trusts associated with the pre-arranged funeral plan businesses. The nature of the relationship with the Trusts is set out in the accounting policies. Amounts may only be paid out of the Trusts in accordance with the relevant Trust Deeds.

Transactions principally comprise:

- The recovery of marketing and administration allowances in relation to plans sold net of cancellations; and
- Receipts from the Trusts in respect of carrying out funerals.

31 Related party transactions (continued)

Transactions also include:

- Receipts from the Trusts in respect of cancellations by existing members;
- Reimbursement by the Trusts of expenses paid by the Group on behalf of the respective Trusts; and
- The payment of realised surpluses generated by the Trust funds as and when the trustees sanction such payments.

Related party transactions are summarised below:

	Transactions during the period		Amounts due to the Group at the period end	
	2012 £m	2011 £m	**2012 £m**	2011 £m
Dignity Limited Trust Fund	**0.3**	0.3	**–**	–
National Funeral Trust	**28.9**	24.3	**1.4**	1.4
Trust for Age UK Funeral Plans	**31.6**	26.3	**1.6**	1.2

32 Post balance sheet events

On 25 January 2013, the Group completed the acquisition of Yew for cash consideration of £58.3 million, see page 53 of the Directors' Report for further details.

In addition to the acquisition of Yew, the Group has acquired one funeral location since the balance sheet date.

On 27 February 2013, the £15.8 million Crematoria Acquisition Facility was refinanced with Nat West (acting through its agent the Royal Bank of Scotland). The new facility is for a period of five years, with the principal repayable in one amount at the end of the term. The cost of funds is fixed for the term of the loan at approximately 3.3 per cent. This facility has no undrawn amounts.

Independent auditors' report to the members of Dignity plc

for the 52 week period ended 28 December 2012

We have audited the parent company financial statements of Dignity plc for the 52 week period ended 28 December 2012 which comprise the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 51, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non–financial information in the Annual Report & Accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the company's affairs as at 28 December 2012;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Report on Directors Remuneration to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the 52 week period ended 28 December 2012 for which the parent company financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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 Report on Directors Remuneration 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.

Other matter

We have reported separately on the consolidated financial statements of Dignity plc for the 52 week period ended 28 December 2012.

Matthew Mullins (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham

6 March 2013

Dignity plc Company balance sheet

as at 28 December 2012

	Note	28 December 2012 £m	30 December 2011 £m
Fixed assets			
Investments	C2	**137.5**	136.3
Current assets			
Debtors	C3	**131.0**	120.5
Cash at bank and in hand		**18.9**	29.1
Total current assets		**149.9**	149.6
Creditors: amounts falling due within one year	C4	**(13.2)**	(14.1)
Net current assets		**136.7**	135.5
Total assets less current liabilities		**274.2**	271.8
Net assets		**274.2**	271.8
Capital and reserves			
Called up share capital	C5	**5.7**	5.7
Share premium account	C5	**17.4**	17.4
Capital redemption reserve	C5	**99.3**	99.3
Other reserves	C5	**3.4**	2.2
Profit and loss account	C5	**148.4**	147.2
Total shareholders' funds	C6	**274.2**	271.8

The financial statements on pages 93 to 96 were approved by the Board of Directors on 6 March 2013 and were signed on its behalf by:

M K McCollum
Chief Executive

S L Whittern
Finance Director

C1 Principal accounting policies

Basis of preparation
These financial statements are prepared on a going concern basis under the historical cost convention and in accordance with the Companies Act 2006 and applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). A summary of the principal accounting policies, which have been consistently applied, is set out below.

In accordance with the concession granted under Section 408 of the Companies Act 2006, the profit and loss account 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 28 December 2012. For the comparative period, the Company's financial statements have been prepared for the 52 week period ended 30 December 2011.

Furthermore, the Company has taken advantage of the exemption provided within FRS 29, Financial Instruments and Disclosures, not to disclose details of any financial instruments held.

Fixed assets investments
Fixed asset investments are stated at historical cost, less any provision for impairment.

Impairment of fixed assets
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 or at the end of the first full financial year following the recognition. Any impairment in the value of fixed assets below depreciated historical cost is charged to the profit and loss account within operating profit. A reversal of an impairment loss is recognised in the profit and loss account 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 Long Term Incentive Plan Scheme (LTIP).

The Company applies UITF 44 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.

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 UITF 38, Accounting for ESOP Trusts and the substance of the transaction, the trust's assets and liabilities are recognised in the Company's balance sheet within share capital and reserves.

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.

C2 Investments in subsidiary undertakings

Cost and net book amount	£m
At beginning of period	136.3
Additions in respect of share-based payments	1.2
At the end of period	**137.5**

Company name	Principal activity	Number of shares at 28 December 2012	Percentage held
Dignity Services	Intermediate holding company	203,746,505 Ordinary at 1p each	100%
Dignity Funerals Limited	Funeral services	577,376,905 Ordinary at 0.1p each	100%
Pitcher and Le Quesne Limited	Funeral services	100 Ordinary at £1 each	99%
Dignity Pre-arrangement Limited	Pre-arranged funeral plans	5,001,001 Ordinary at £1 each	100%
Dignity Securities Limited	Pre-arranged funeral plans	19,801 Ordinary at £1 each	100%
		750,000 8 pence Redeemable Preference Shares at £1 each	100%
Advance Planning Limited	Pre-arranged funeral plans	7,500 A Ordinary at £1 each	100%
		2,500 B Ordinary at £1 each	100%
		3,863,291 0.0000001 pence Redeemable Preference Shares at 1p each	100%
Dignity Finance PLC	Finance company	50,000 Ordinary at £1 each	100%
Birkbeck Securities Limited	Intermediate holding company	1,102,271 Ordinary at £1 each	100%
Dignity Finance Holdings Limited	Intermediate holding company	50,000 Ordinary at £1 each	100%
Dignity Holdings No. 2 Limited	Intermediate holding company	2,000,000 Ordinary at £1 each	100%
Dignity Mezzco Limited	Finance company	1,000 Ordinary at £1 each	100%
Dignity Holdings Limited	Intermediate holding company	1,500,000 Ordinary at £1 each	100%
Dignity (2002) Limited	Intermediate holding company	110,000,002 Ordinary at 0.01p each	100%
Dignity (2004) Limited	Intermediate holding company	1,000 Ordinary at £1 each	100%
Dignity (2008) Limited	Intermediate holding company	1 Ordinary at £1 each	100%
Dignity Crematoria Limited	Construction and leasing of crematoria	10,000 A Ordinary at £1 each	100%
		10,000 B Ordinary at £1 each	100%
		10,000 C Ordinary at £1 each	100%
		10,000 D Ordinary at £1 each	100%
		10,000 E Ordinary at £1 each	100%
Dignity (2011) Limited	Intermediate holding company	1 Ordinary at £1 each	100%
Dignity Funerals No.2 Limited	Funeral services	1 Ordinary at £1 each	100%

All of the subsidiaries are incorporated in the United Kingdom except for Pitcher and Le Quesne Limited which is incorporated in Jersey and is effectively 100 per cent controlled. All of the above shareholdings are held indirectly, with the exception of Dignity (2004) Limited.

Additions in the period reflect the effect of capital contributions to subsidiaries as a result of share-based payment schemes operated in those company's over the shares of Dignity plc.

The Directors believe that the carrying value of the investments is supported by their underlying net assets.

C3 Debtors

	28 December 2012 £m	30 December 2011 £m
Amounts falling due within one year:		
Amounts owed by group undertakings	**130.9**	120.5
Other debtors	**0.1**	–
	131.0	120.5

C4 Creditors: amounts falling due within one year

	28 December 2012 £m	30 December 2011 £m
Amounts owed to subsidiary undertakings	**12.4**	13.8
Accruals and deferred income	**0.2**	0.2
Corporation Tax	**0.6**	0.1
	13.2	14.1

C5 Called up share capital and reserves

	28 December 2012 £m	30 December 2011 £m
Allotted and fully paid Equity shares		
54,757,481 (2011: 54,757,054) Ordinary Shares of £0.105 (2011: £0.105) each	**5.7**	5.7

Each Ordinary Share carries equal voting rights and there are no restrictions on any share.

During the period, the Group received £nil million in relation to the 427 shares issued with a nominal value of 10.5 pence per share.

Reserves and share premium account	Share premium account £m	Capital redemption reserve £m	Other reserves £m	Profit and loss account £m	Total £m
At beginning of period	17.4	99.3	2.2	147.2	266.1
Profit for the period	–	–	–	9.5	**9.5**
Dividends paid on Ordinary Shares	–	–	–	(8.3)	**(8.3)**
Effects of employee share options	–	–	1.2	–	**1.2**
At end of period	**17.4**	**99.3**	**3.4**	**148.4**	**268.5**

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 and £19,274,610 B Shares that were issued on 10 October 2010 and redeemed for cash on 11 October 2010.

£6.1 million (2011: £4.9 million) in other reserves relates to investments in own shares and therefore reduces profit available for distribution.

C6 Reconciliation of movements in shareholders' funds

	28 December 2012 £m	30 December 2011 £m
Profit for the period	**9.5**	29.3
Dividends	**(8.3)**	(7.5)
Effects of employee share options	**1.2**	1.1
Net additions to shareholders' funds	**2.4**	22.9
Opening shareholders' funds	**271.8**	248.9
Closing shareholders' funds	**274.2**	271.8

Amounts payable to the Group's auditors relating to the Company are included in note 5 of the Group financial statements and are not material to disclose separately.

C7 Staff costs

(a) Employees
There were no staff costs in the period (2011: £nil).

The average number of people, including Non-Executive Directors, employed by the Company during the period was:

	2012	2011
Administration and managerial	**4**	4

(b) Directors' remuneration
The Directors are directors of the ultimate parent company, Dignity plc and details of their emoluments are included in pages 40 to 43. They received no emoluments in respect of their services to the Company (2011: £nil).

C8 Related party transactions

There are no related party transactions for either period.

Financial record*

Summarised consolidated income statement

	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
Revenue					
Funeral services	**157.9**	146.5	143.3	138.5	137.2
Crematoria	**46.6**	41.6	37.5	34.4	29.2
Pre-arranged funeral plans	**25.1**	22.0	18.3	11.8	9.4
	229.6	210.1	199.1	184.7	175.8
Underlying operating profit					
Funeral services	**54.2**	50.8	49.3	47.3	46.3
Crematoria	**23.3**	21.3	19.9	17.6	14.6
Pre-arranged funeral plans	**6.5**	5.5	4.3	3.5	2.5
Central overheads	**(14.6)**	(13.1)	(12.5)	(12.0)	(11.3)
	69.4	64.5	61.0	56.4	52.1
Finance costs	**(25.8)**	(25.9)	(22.5)	(21.6)	(21.6)
Finance income	**2.5**	3.0	1.9	1.6	3.8
Underlying profit before tax	**46.1**	41.6	40.4	36.4	34.3
Taxation	**(11.7)**	(11.4)	(11.7)	(10.6)	(10.1)
Underlying profit after tax	**34.4**	30.2	28.7	25.8	24.2
Underlying earnings per share (pence)	**62.8p**	55.1p	46.4p	40.5p	38.2p
Operating profit	**68.7**	63.2	60.4	57.5	53.2
Profit after tax	**35.7**	34.3	29.0	26.6	24.6
Basic earnings per share (pence)	**65.1p**	62.6p	46.9p	41.8p	38.8p

Key performance indicators

	2012	2011	2010	2009	2008
Total estimated number of deaths in Britain (number)	**551,000**	539,000	557,000	545,000	553,000
Number of funerals performed (number)	**63,200**	62,300	64,500	65,000	68,700
Funeral market share** (per cent)	**11.2%**	11.3%	11.4%	11.8%	12.3%
Number of cremations performed (number)	**50,500**	47,600	45,200	42,700	39,600
Crematoria market share (per cent)	**9.2%**	8.8%	8.1%	7.8%	7.2%
Unfulfilled pre-arranged funeral plans (number)	**290,000**	265,000	238,000	216,000	204,000
Cash generated from operations (£million)	**83.3**	74.2	74.5	65.3	62.3

Net debt

	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
Net amounts owing on Class A and B Secured Notes per financial statements	**(318.9)**	(323.3)	(331.3)	(258.6)	(263.0)
Add: unamortised issue costs	**(14.6)**	(16.2)	(17.8)	(14.6)	(15.9)
Gross amounts owing on Class A and B Secured Notes per financial statements	**(333.5)**	(339.5)	(349.1)	(273.2)	(278.9)
Net amounts owing on Crematoria Acquisition Facility per financial statements	**(10.0)**	(9.9)	(9.9)	(9.8)	(7.2)
Add: unamortised issue costs on Crematoria Acquisition Facility	**–**	(0.1)	(0.1)	(0.2)	(0.2)
Gross amounts owing	**(343.5)**	(349.5)	(359.1)	(283.2)	(286.3)
Accrued interest on Class A and B Secured Notes	**(11.6)**	–	–	(9.6)	(9.7)
Accrued interest on Crematoria Acquisition Facility	**(0.1)**	(0.1)	(0.1)	(0.1)	–
Cash and cash equivalents	**55.6**	36.9	48.1	45.8	46.7
Net debt	**(299.6)**	(312.7)	(311.1)	(247.1)	(249.3)

Summarised consolidated balance sheet

	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
Non-current assets					
Goodwill and intangible assets	**204.5**	194.3	182.4	175.6	163.1
Property, plant and equipment	**157.1**	147.6	133.6	116.8	110.9
Financial and other assets	**12.6**	12.6	12.0	9.4	4.5
Retirement benefit asset	**0.1**	1.3	8.5	9.1	13.2
	374.3	355.8	336.5	310.9	291.7
Current assets					
Cash and cash equivalents	**55.6**	36.9	48.1	45.8	46.7
Other current assets	**32.1**	30.5	29.2	25.6	26.3
	87.7	67.4	77.3	71.4	73.0
Total assets	**462.0**	423.2	413.8	382.3	364.7
Current liabilities	**76.9**	45.6	47.0	48.6	47.6
Non-current liabilities	**340.5**	360.4	371.6	298.2	298.7
Total liabilities	**417.4**	406.0	418.6	346.8	346.3
Equity attributable to shareholders	**44.6**	17.2	(4.8)	35.5	18.4
Total equity and liabilities	**462.0**	423.2	413.8	382.3	364.7

Notes

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

** Market share excluding funerals performed in Northern Ireland.

Notice of Meeting

Notice is hereby given that the 2013 Annual General Meeting of Dignity plc ('the Company') will be held at DLA Piper UK LLP, Victoria Square House, Victoria Square, Birmingham, West Midlands, B2 4DL on Thursday 6 June 2013 at 11.00am for the following purposes:

Ordinary Resolutions
To propose the following as ordinary resolutions:

1. To receive and consider the Group's financial statements, and the reports of the Directors and auditors thereon for the 52 week period ended 28 December 2012.

2. To approve the Report on Directors' Remuneration for the 52 weeks ended 28 December 2012 as set out on pages 34 to 44 of the Annual Report 2012.

   The Chairman confirms that, following a formal evaluation, the Directors nominated for re-appointment in resolutions 3 to 11 (inclusive) below continue to be effective and demonstrate a commitment to the role. Full biographical details are on pages 32 and 33.

3. To re-appoint Peter Hindley, as a Director of the Company.
4. To re-appoint Mike McCollum, as a Director of the Company.
5. To re-appoint Andrew Davies, as a Director of the Company.
6. To re-appoint Richard Portman, as a Director of the Company.
7. To re-appoint Steve Whittern, as a Director of the Company.
8. To re-appoint Ishbel Macpherson, as a Director of the Company.
9. To re-appoint Alan McWalter, as a Director of the Company.
10. To re-appoint Jane Ashcroft, as a Director of the Company.
11. To re-appoint Martin Pexton, as a Director of the Company.

12. To re-appoint PricewaterhouseCoopers LLP as auditors of the Company to hold office from conclusion of the meeting to the conclusion of the next meeting at which accounts are laid before the Company and to authorise the Directors to fix their remuneration.

13. To approve the proposed dividend of 10.75 pence per Ordinary Share and to authorise its payment on 28 June 2013 to shareholders on the register of members at the close of business on 24 May 2013.

14. That the Directors be and are hereby generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 ("the Act"), to exercise all powers of the Company to allot Relevant Securities:

    a) comprising equity securities (as defined in section 560(1) of the Act) up to an aggregate nominal amount of £3,992,835 (such amount to be reduced by the aggregate nominal amount of Relevant Securities allotted pursuant to paragraph (b) of this resolution) in connection with a rights issue:

       (i) to holders of Ordinary Shares in the capital of the Company in proportion (as nearly as practicable) to the respective numbers of Ordinary Shares held by them; and

       (ii) to holders of other equity securities in the capital of the Company, as required by the rights of those securities or, subject to such rights, as the Directors otherwise consider necessary,

       but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates or any legal or practical problems under the laws of any territory or the requirements of any regulatory body or stock exchange; and

    b) otherwise than pursuant to paragraph (a) of this resolution, up to an aggregate nominal amount of £1,996,417.50 (such amount to be reduced by the aggregate nominal amount of Relevant Securities allotted pursuant to paragraph (a) of this resolution in excess of £1,996,417.50),

    provided that (unless previously revoked, varied or renewed) these authorities shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution or on 5 September 2014 (whichever is the earlier), save that, in each case, the Company may make an offer or agreement before the authority expires which would or might require Relevant Securities to be allotted after the authority expires and the directors may allot Relevant Securities pursuant to any such offer or agreement as if the authority had not expired.

In this resolution, (Relevant Securities) means shares in the Company or rights to subscribe for or to convert any security into shares in the Company; a reference to the allotment of Relevant Securities includes the grant of such a right; and a reference to the nominal amount of a Relevant Security which is a right to subscribe for or to convert any security into shares in the Company is to the nominal amount of the shares which may be allotted pursuant to that right.

These authorities are in substitution for all existing authorities under section 551 of the Act (which, to the extent unused at the date of this resolution, are revoked with immediate effect).

Special Resolutions

To propose the following as special resolutions:

15. That, subject to the passing of resolution 14 and pursuant to section 570 of the Act, the Directors be and are generally empowered to allot equity securities (within the meaning of section 560 of the Act) for cash pursuant to the authorities granted by resolution 14 as if section 561(1) of the Act did not apply to any such allotment as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:

    a) the allotment of equity securities in connection with an offer of equity securities (whether by way of a rights issue, open offer or otherwise, but, in the case of an allotment pursuant to the authority granted by paragraph (a) of resolution 14, such power shall be limited to the allotment of equity securities in connection with a rights issue):

       (i) to holders of Ordinary Shares in the capital of the Company in proportion (as nearly as practicable) to the respective numbers of Ordinary Shares held by them; and

       (ii) to holders of other equity securities in the capital of the Company, as required by the rights of those securities or, subject to such rights, as the Directors otherwise consider necessary,

    but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates or any legal or practical problems under the laws of any territory or the requirements of any regulatory body or stock exchange; and

    b) the allotment of equity securities pursuant to the authority granted by paragraph (b) of resolution 14 (otherwise than pursuant to paragraph (a) of this resolution) up to an aggregate nominal amount of £299,462.62,

    and (unless previously revoked, varied or renewed) this power shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or on 5 September 2014 (whichever is the earlier), save that the Company may make an offer or agreement before this power expires which would or might require equity securities to be allotted for cash after this power expires and the Directors may allot equity securities for cash pursuant to any such offer or agreement as if this power had not expired.

    This power is in substitution for all existing powers under section 570 of the Act (which, to the extent unused at the date of this resolution, are revoked with immediate effect).

16. That the Company be and is hereby generally and unconditionally authorised for the purposes of Section 701 of the Act to make market purchases (as defined in Section 693(4) of the Act) of Ordinary Shares, subject as follows:

    a) the maximum aggregate number of Ordinary Shares which may be purchased is 5,704,050;

    b) the minimum price (including expenses) to be paid for each Ordinary Share shall be the nominal value of the Ordinary Share and the maximum price is the higher of:

       (i) an amount equal to 105 per cent of the average of the middle market quotation of the Company's Ordinary Shares as derived from the Daily Official List of the London Stock Exchange plc for the five business days immediately prior to the day on which the purchase is made; and

       (ii) an amount equal to the higher of the price of the last independent trade of an Ordinary Share and the highest current independent bid for an Ordinary Share on the trading venue where the purchase is carried out.

    Unless previously revoked, varied or renewed the authority conferred by this resolution shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or on 5 September 2014 (whichever is earlier), except in relation to the purchase of shares the contract for which was entered into before the expiry of such authority and such purchase will or may be executed or completed wholly or partly after such expiry and accordingly the Company may make a purchase of Ordinary Shares pursuant to any such contract as if this authority had not expired.

17. That a general meeting (other than an annual general meeting) may be called on with not less than 14 clear days' notice.

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

By order of the Board

Richard Portman
Company Secretary
6 March 2013

Notes:

1. The right to vote at the meeting is determined by reference to the register of members. Only those shareholders registered in the register of members of the Company as at 6.00pm on 4 June 2013 (or, if the meeting is adjourned 6.00pm on the date which is two working days before the date of the adjourned meeting) shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries in the register of members after that time shall be disregarded in determining the rights of any person to attend or vote (and the number of votes they may cast) at the meeting.

2. A member of the Company entitled to attend and to vote may appoint, one or more proxies to attend and vote instead. A proxy need not be a member of the Company. A proxy form is enclosed. Completed proxy forms must be received by the Company's Registrar, Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, no later than 48 hours before the time of the Annual General Meeting or in the event the meeting is adjourned, no later than 48 hours before the time of any adjourned meeting. A shareholder may appoint more than one proxy in relation to the meeting and should do on a separate proxy form, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. Failure to specify the number of shares each proxy appointment relates to or specifying a number which when taken together with the numbers of shares set out in the other proxy appointments is in excess of the number of shares held by the shareholder may result in the proxy appointment being invalid. Additional proxy forms may be obtained by contacting the Company's registrar on 0871 384 2674* if calling from within the UK, or +44 (0) 121 415 7047 if calling from outside the UK or you may photocopy the proxy form. You will need to state clearly on each proxy form the number of shares in relation to which the proxy is appointed. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form. The right of a member under Section 324 of the Companies Act 2006 ("the Act") to appoint a proxy does not apply to a person nominated to enjoy information rights under Section 146 of the Act.

   *At the time of publication, calls to this number were charged at 8 pence per minute plus network extras. Lines are open from 8.30am to 5.30pm Monday to Friday.

3. The appointment of a proxy will not preclude a member of the Company from attending, speaking and voting in person at the meeting if he or she so wishes.

4. In the case of shares held in uncertificated form, the Company pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only members registered on the register of members of the Company at 6.00pm on 4 June 2013 shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries on the register of members after 6.00pm on 4 June 2013 shall be disregarded in determining the rights of any person to attend, speak or vote at the meeting.

5. The following are available for inspection at the Company's registered office during normal business hours from the date of this notice until the time of the meeting. They will be available for at least 15 minutes prior to, and during, the Annual General Meeting:

   • the register of Directors' interests and those of their immediate families in the share capital of the Company;

   • copies of the Directors' service contracts and letters of appointment; and

   • a copy of the Company's memorandum and articles of association.

6. Biographical details of those Directors who are offering themselves for re-election at the meeting are set out on pages 32 and 33 of the Annual Report 2012.

7. Total Voting Rights: As at 12 April 2013 (being the last practicable date before the publication of this notice), the Company's issued share capital consists of 57,040,500 Ordinary Shares of 10.5 pence, (carrying one vote each).

8. Shareholders have the right to ask questions at the meeting relating to the business being dealt with at the meeting in accordance with Section 319A of the Act. The Company must answer any such question unless:

   (a) to do so would interfere unduly with the preparation for the meeting or would involve the disclosure of confidential information;

   (b) the answer has already been given on a website in the form of an answer to a question; or

   (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

9. The information required by Section 311 of the Act to be published in advance of the meeting, which includes the matters set out in this notice and information relating to the voting rights of shareholders, is available at www.dignityfunerals.co.uk/corporate.

10. Members can appoint proxies electronically by logging on to the website www.sharevote.co.uk. You will need your voting reference numbers (the voting ID, Task ID and shareholder reference number shown on your form of proxy). Alternatively, if you have registered for a Shareview portfolio, please access the Equiniti shareview website at www.shareview.co.uk, by entering your portfolio identification particulars and click on the link 'vote' under your Dignity plc holding details. For an electronic proxy appointment to be valid, the appointment must be received by no later than 11.00am on 4 June 2013 (or if the meeting is adjourned no later than 48 hours (excluding any part of the day that is not a working day) before the time of the adjourned meeting).

11. CREST members who wish to appoint a proxy or proxies for the meeting (or any adjournment of it) through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual (available at www.euroclear.com/CREST). CREST personal members or other CREST sponsored members and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s) who will be able to take the appropriate action on their behalf.

    In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's (formerly CRESTCo's) specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA 19) by no later than 11.00am on 4 June 2013 (or if the meeting is adjourned, no later than 48 hours (excluding any part of a day that is not a working day) before the time of any adjourned meeting). No such message received through the CREST network after this time will be accepted. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the registrars are able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

    CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his or her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

    The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

12. Where a copy of this notice is being received by a person who has been nominated to enjoy information rights under Section 146 of the Act ("Nominee"):

    (a) the Nominee may have a right under an agreement between the Nominee and the member by whom he was nominated, to be appointed, or to have someone else appointed, as a proxy for the meeting; or

    (b) if the Nominee does not have any such right or does not wish to exercise such right, the Nominee may have a right under any such agreement to give instructions to the member as to the exercise of voting rights.

    The statement of the rights of the shareholders in relation to the appointment of proxies in notes 2, 3, 10 and 11 does not apply to a nominee. The rights in such notes can only be exercised by shareholders of the Company.

13. A shareholder which is a corporation may authorise one or more persons to act as its representative(s) at the meeting. Each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual shareholder, provided that (where there is more than one representative and the vote is otherwise than on a show of hands) they do not do so in relation to the same shares.

14. A shareholder or shareholders meeting the qualification criteria set out in note 17 below may require the Company to give shareholders notice of a resolution which may properly be proposed and is intended to be proposed at the meeting in accordance with Section 338 of the Act.

    A resolution may properly be proposed unless (i) it would, if passed, be ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise), (ii) it is defamatory of any person, or (iii) it is frivolous or vexatious.

    The business which may be dealt with at the meeting includes a resolution circulated pursuant to this right.

    Any such request must:

    (a) identify the resolution of which notice is to be given, by either setting out the resolution in full or, if supporting a resolution requested by another shareholder, clearly identifying the resolution which is being supported;

    (b) comply with the requirements set out in note 18 below; and

    (c) be received by the Company no later than six weeks before the meeting.

15. A shareholder or shareholders meeting the qualification criteria set out in note 17 below may require the Company to include in the business to be dealt with at the meeting any matter (other than a proposed resolution) which may properly be included in the business in accordance with Section 338A of the 2006 Act.

    A matter may properly be included unless (i) it is defamatory of any person, or (ii) it is frivolous or vexatious.

    Any such request must:

    (a) identify the matter to be included in the business, by either setting out the matter in full or, if supporting a matter requested by another shareholder, clearly identifying the matter which is being supported;

    (b) set out the grounds for the request;

    (c) comply with the requirements set out in note 18 below; and

    (d) be received by the Company no later than six weeks before the meeting.

16. A shareholder or shareholders who meet the qualification criteria set out in note 17 below may require the Company to publish on its website a statement setting out any matter that such shareholders propose to raise at the meeting relating to either the audit of the Company's accounts (including the auditors' report and the conduct of the audit) that are to be laid before the meeting or any circumstances connected with an auditor of the Company ceasing to hold office since the last annual general meeting of the Company in accordance with Section 527 of the Act.

Any such request must:

(a) identify the statement to which it relates, by either setting out the statement in full or, if supporting a statement requested by another shareholder, clearly identifying the statement which is being supported;

(b) comply with the requirements set out in note 18 below; and

(c) be received by the Company at least one week before the meeting.

Where the Company is required to publish such a statement on its website:

(i) it may not require the shareholders making the request to pay any expenses incurred by the Company in complying with the request;

(ii) it must forward the statement to the Company's auditors no later than the time when it makes the statement available on the website; and

(iii) the statement may be dealt with as part of the business of the meeting.

17. In order to require the Company (i) to circulate a resolution to be proposed at the meeting as set out in note 14, (ii) to include a matter in the business to be dealt with at the meeting as set out in note 15, or (iii) to publish audit concerns as set out in note 16, the relevant request must be made by:

    (a) a shareholder or shareholders having a right to vote at the meeting and holding at least five per cent of the total voting rights of the Company; or

    (b) at least 100 shareholders having a right to vote at the meeting and holding, on average, at least £100 of paid up share capital.

    For information on voting rights, including the total voting rights of the Company, see note 7 above and the website referred to in note 9 above.

18. Any request by a shareholder or shareholders to require the Company (i) to circulate a resolution to be proposed at the meeting as set out in note 14, (ii) to include a matter in the business to be dealt with at the meeting as set out in note 15, or (iii) to publish audit concerns as set out in note 16:

    (a) may be made either:

    (i) in hard copy, by sending it to Dignity plc, 4 King Edwards Court, King Edwards Square, Sutton Coldfield, B73 6AP; or

    (ii) in electronic form, by faxing it to +44 (0) 121 321 5644, marked for the attention of the Company Secretary or by e-mail to CompanySecretary@dignityuk.co.uk (please state "Dignity plc: AGM" in the subject line of the email);

    (b) must state the full name(s) and address(es) of the shareholder(s); and

    (c) (where the request is made in hard copy form) must be signed by the shareholder(s).

19. Except as provided above, shareholders who wish to communicate with the Company in relation to the meeting should do so using the following means:

    (a) calling our shareholder helpline on +44 (0) 871 384 2674; or

    (b) by post, by sending it to Equiniti, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA.

20. You may not use any electronic address provided in either this Notice of General Meeting or any related documents (including the Proxy form) to communicate with the Company for any purpose other than those expressly stated.

21. No other methods of communication will be accepted. Any electronic communication sent by a shareholder to the Company or Equiniti which is found to contain a virus will not be accepted by the Company.

Shareholder information

General enquiries may be addressed to the Company Secretary, Richard Portman, at the Company's registered office. Other useful information is as follows:

General information
The Company is a public limited company which is listed on the London Stock Exchange and is incorporated and domiciled in the United Kingdom.

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) 871 384 2674* if calling from within the UK, or +44 (0) 121 415 7047 if calling from outside the UK, or by fax on +44 (0) 871 384 2100* if faxing from within the UK, or +44 (0) 190 383 3113 if faxing from outside the UK.

*At the time of publication, calls to these numbers cost eight pence per minute plus network extras. Lines are open from 8.30am to 5.30pm Monday to Friday.

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

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

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

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

Annual General Meeting
The Company's Annual General Meeting will be held on 6 June 2013, at 11.00 am at DLA Piper UK LLP, Victoria Square House, Victoria Square, Birmingham, West Midlands, B2 4DL.

Contact details and advisers

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Dignity plc
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Tel: +44 (0) 121 354 1557
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Email: enquiries@dignityuk.co.uk
www.dignityfuneralsplc.co.uk

Company Secretary:
Richard Portman FCA

Registered Number:
4569346

Registrars:
Equiniti
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA

Tel: +44 (0) 871 384 2674
Fax: +44 (0) 871 384 2100
www.shareview.co.uk

Auditors:
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19 Cornwall Street
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Joint Brokers:
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London EC2V 7EE

Principal Bankers:
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West Midlands Corporate Office
2 St Philips Place
Birmingham B3 2RB

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

Financial calendar

6 March 2013
Preliminary announcement
of 2012 results

6 June 2013
Annual General Meeting

28 June 2013
2013 financial half year end

28 June 2013 (subject to shareholder approval)
Payment of 2012 final dividend

31 July 2013 (provisional)
Announcement of interim results

25 October 2013 (provisional)
Payment of 2013 interim dividend

27 December 2013
Financial period end

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www.bexonwoodhouse.com

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King Edwards Square
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West Midlands B73 6AP

For more information on Dignity,
please visit our investor relations website:

www.dignityfuneralsplc.co.uk

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