Dignity plc Annual Report & Accounts 2014

Continuing to deliver a strong performance and excellent client service

Dignity
CARING FUNERAL SERVICES

Overview

About Dignity

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.

We are a FTSE 250 company listed on the London Stock Exchange, with over 2,800 employees serving families and local communities across the United Kingdom for generations.

At 26 December 2014 Dignity owned 718 funeral locations and operated 39 crematoria in the United Kingdom. We continue to have a strong market presence in pre-arranged funeral plans, where people plan and pay for their funeral in advance.

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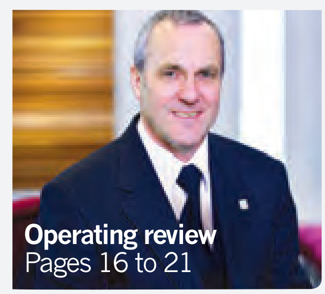
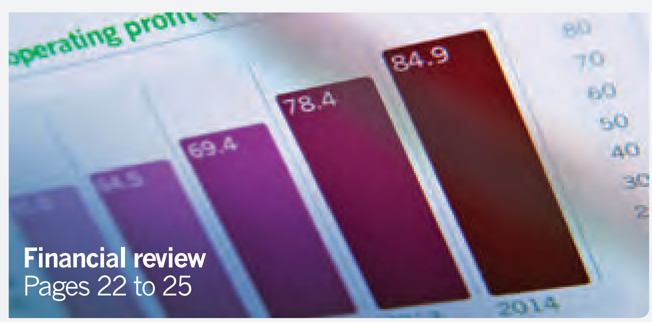
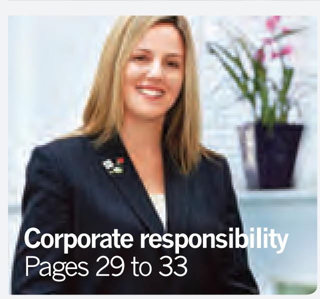
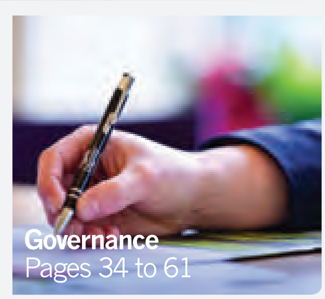
Front cover:
Michelle Hales, Manager of Bentley Crematorium in Essex.

Inside this report









Stay informed
Dignity online:
To find out more about Dignity and to view and download a pdf version of this Annual Report:
www.dignityfuneralsplc.co.uk

Links
You will find link symbols throughout this Annual Report to guide you to further reading or other relevant information.

Key financial highlights

A year of continued strong revenue and profit growth

+5%
Revenue up 5% to £268.9 million

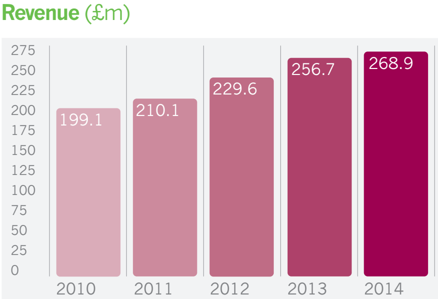
+8%
Underlying operating profit up 8% to £84.9 million

+19%
Underlying earnings per share up 19% to 85.8 pence per share

Current period financial highlights	2014	2013	Increase per cent
Revenue (£million)	**268.9**	256.7	5
Underlying operating profit[a] (£million)	**84.9**	78.4	8
Underlying profit before tax[a] (£million)	**58.5**	52.9	11
Underlying earnings per share[b] (pence)	**85.8**	72.1	19
Cash generated from operations[c] (£million)	**104.4**	94.2	11
Operating profit (£million)	**82.9**	75.1	10
(Loss)/profit before tax[d] (£million)	**(67.7)**	49.6	n/a
Basic earnings per share[d] (pence)	**(104.0)**	72.8	n/a
Interim dividend paid in the period[e,f] (pence)	**6.49**	–	n/a
Final dividend paid in the period[g] (pence)	**11.83**	10.75	10
Return of Cash (£million)	**64.4**	61.9	4

[a] Underlying profit is calculated as profit (or loss) excluding profit (or loss) on sale of fixed assets, external transaction costs and exceptional items.
[b] Underlying earnings per share is calculated as profit (or loss) on ordinary activities after taxation, before profit (or loss) on sale of fixed assets and external transaction costs and exceptional items (all net of tax), divided by the weighted average number of Ordinary Shares in issue in the period.
[c] Cash generated from operations excludes external transaction costs and pension contributions made from the proceeds of debt issues.
[d] As previously announced, non-cash charges resulting from the refinancing during the period have led to a reported statutory loss.
[e] Interim dividend represents the interim dividend that was declared and paid in the period out of earnings generated in the same period.
[f] An interim dividend was not paid separately in 2013, but was instead included within the £1.08 Return of Cash per Ordinary Share paid in August 2013.
[g] The final dividend represents the final dividend that was declared and paid in the period relating to the earnings generated in the previous period.

Revenue (£m)



Underlying operating profit (£m)

Underlying earnings per share (pence)

Links

Find out more about Our strategy and business model: p.10 and p.11
Find out more about our business operations, actions and progress: p.16 to p.21
Find out more about our financial performance: p.22 to p.25

Overview

Dignity at a glance

Dignity is one of the leading providers of funeral related services in the UK. As an industry leader, we strive to set the highest standards of service, facilities and care, ensuring we are all well positioned to meet the needs of our clients for generations to come.

A Proud History

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.

As the UK gathered to commemorate the centenary of the start of World War One and remember those who lost their lives, many people from across our business held commemoration services at our crematoria and took an active part in services at local war memorials and cemeteries.

1812

George S Munn & Co, Glasgow
George S Munn & Co is Dignity's oldest funeral directors and was established in 1812.

1840

Francis Chappell & Sons, London
Francis Chappell & Sons opened their first funeral location on Deptford High Street in 1840 and now have branches supporting bereaved families across southeast London and Kent.

1857

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

1880

J H Kenyon,® London
Established by James H Kenyon the business has conducted funerals for the Royal Family, politicians and other prominent figures. The J H Kenyon® branch in Maida Vale was badly damaged in a Zeppelin raid during World War One but continued to serve local families. The business also conducted the funerals of repatriated officers killed during the conflict.

1884

Frederick W Paine, London
Charles Paine opened his first funeral location in New Malden in 1884 and 10 years later the business passed to his son, Frederick W Paine. During World War One the business conducted the funerals of soldiers who died in London hospitals of wounds sustained on the battlefields.

1903

Birmingham Crematorium
The oldest crematorium operated by Dignity and when it opened in 1903 was one of only nine such facilities in the UK.

1920

W S Harrison & Son, Newcastle upon Tyne
After serving in World War One, William Samuel Harrison established himself as a funeral director in the east end of Newcastle. In 1928, he was joined by his son, Albert, and they began to serve increasing numbers of families throughout the 1930s. In 1980, David Harrison, great grandson of William Samuel, joined the company and continues to manage this business.

1950

T J Davies & Son, Newport
Thomas Davies, grandfather of Operations Director, Andrew Davies, established his business in 1950.

1994

Dignity Caring Funeral Services
Dignity was created in 1994 through the merger of Plantsbrook Group and Great Southern Group.

2008

Northern Ireland
Dignity acquired six funeral locations in Northern Ireland.

2013

Yew Holdings Limited
Dignity acquired 40 funeral locations and two crematoria from Yew Holdings Limited in 2013.

2014

Dignity Today
We maintain the rich heritage of each of these funeral businesses, employing local people who understand the traditions of their community and are committed to providing the highest standards of service.

Dignity's operations are focused and managed across three main areas, namely funeral services, crematoria and pre-arranged funeral plans.

Our Business Today

Links

Find out more about Our strategy and business model: p.10 and p.11

Find out more about our business operations, actions and progress: p.16 to p.21

What we believe in

What we are here to do:

- To help people at one of the most difficult times in their lives.

How we do this:

- With compassion, respect, openness and care.

What we want to be:

- The company that everyone knows they can trust in their time of need.

Funeral services

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

Performance in 2014
At 26 December 2014, we operated a network of 718 funeral locations throughout the UK 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 2014, Dignity conducted 65,600 funerals which represented approximately 11.7 per cent of total estimated deaths in Britain.

Crematoria

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

Performance in 2014
At 26 December 2014, we operated 39 crematoria in England and Scotland.

Crematoria revenues arise from cremation services and the sales of memorials and burial plots at Dignity operated crematoria and cemeteries. In 2014, we carried out 53,400 cremations representing 9.7 per cent of total estimated deaths in Britain.

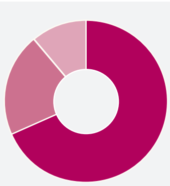
Pre-arranged funeral plans

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

Performance in 2014
At 26 December 2014, the number of active funeral plans increased to 348,000.

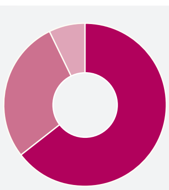
Pre-arranged funeral plans income represents amounts received to cover the costs of marketing and administering the sales of plans. Pre-arranged funeral plans allow people to plan and pay for their funeral in advance. Dignity works with a number of reputable affinity partners.

Revenue by area (£m)



Funeral services 184.4
Crematoria 55.2
Pre-arranged funeral plans 29.3

Underlying operating profit by area* (£m)



Funeral services 66.3
Crematoria 29.1
Pre-arranged funeral plans 7.4

*Excludes central overheads of £17.9 million

£184.4m
2014 Revenue

718
Number of funeral locations in the UK.

65,600
Number of funerals conducted during 2014.

£55.2m
2014 Revenue

39
Number of crematoria Dignity operates in England and Scotland.

53,400
Number of cremations conducted during 2014.

£29.3m
2014 Revenue

640,000
We have already helped more than 640,000 people arrange their funeral in advance.

348,000
Number of active funeral plans as at 26 December 2014.

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Building a sustainable business

Continuity is about conducting our business in a sustainable manner, through our strong business foundations, consistent performance and continuing to deliver value to all our stakeholders – our clients, employees, shareholders and the local communities we serve.

Our Promise

Helping our clients every step of the way

Serving the people in our local communities at one of the most difficult times in their lives remains at the heart of everything we do and we are committed to providing the highest standards of service and care. At every step of the way we are compassionate and caring; we pay attention to detail; we spend as much time as a client needs; we are open and straightforward and we keep in contact.

Reputation and Relationships

Managing our business responsibly

At Dignity, how we do business is integral to what we deliver. Our business is built upon trust, respect, reputation and relationships and we demonstrate our values and governing principles through our day to day behaviour and conduct ourselves in a responsible and ethical manner.

Our Objectives

Delivering on our key objectives

Our ongoing strategic objectives define what is important to our business:

- Continue to prioritise excellent client service which we believe will lead to organic growth.
- Control our costs without compromising the quality of our service.
- Expand our funeral and crematoria portfolios.
- Gain new clients through the sale of pre-arranged funeral plans.
- Increase our returns through efficient capital management.

Our Consistent Strategy

Creating long-term value and growth

Our clear and consistent strategy enables us to achieve our business goal of growing and developing Dignity as a long-term, profitable and sustainable business that delivers value to all our stakeholders.

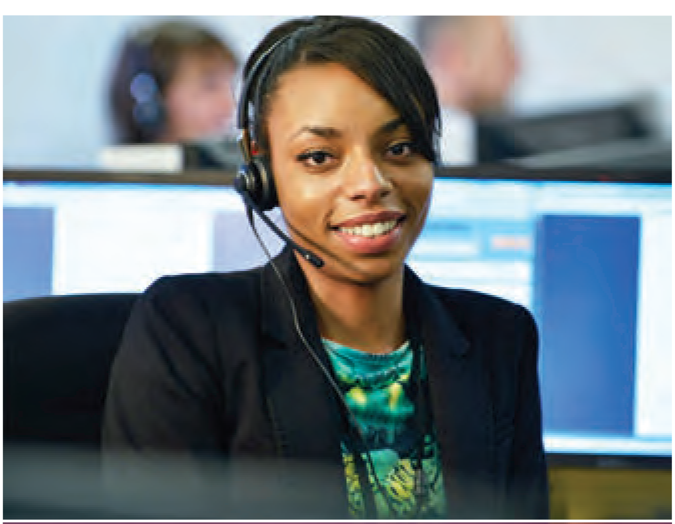
Delivering excellent client service

Continuity is also about maintaining a relentless focus on delivering consistently high levels of client service at the heart of our business. By continuing to develop and invest in our business and our people, this enables us to both meet our clients' needs and strive to exceed their expectations.

Throughout this Annual Report you will see the actions and initiatives we have undertaken during the year, how we are delivering against our strategic objectives and where we see opportunities for future growth.

We act with compassion, respect, openness and care

We strive for results and continuous improvement



We value and invest in our people

We help to make a difference

Strategic Report

From the Chairman

The Group continues to go from strength to strength

Peter Hindley, Chairman

> **"Underpinning this performance is our consistent strategy for creating and delivering long-term sustainable growth.**

+19%

Underlying earnings per share up 19 per cent to 85.8 pence (2013: 72.1 pence).

13.01 pence

Final dividend of 13.01 pence proposed, continuing the 10 per cent annual growth in the dividend per share.

Performance in 2014

- Underlying operating profit up 8 per cent.
- Capital structure refinanced.
- £64.4 million returned to shareholders.

Overview

The Group continues to go from strength to strength. Continued improvement in our financial performance has been possible through a combination of exceptional client service from our staff, supported by further investment to ensure we have excellent facilities, delivering growth from our core operations. Our strong, consistent track record and positive outlook for the business allowed us to refinance our capital structure with 35 year investment grade debt.

The excellent financial performance is quantified as an eight per cent growth in underlying operating profit to £84.9 million (2013: £78.4 million). Underlying earnings per share increased 19 per cent to 85.8 pence per Ordinary Share (2013: 72.1 pence per Ordinary Share). During the period, we invested £24.7 million in acquisitions of funeral businesses.

This year's Strategic and Governance Reports seek to describe the year's events in a concise, understandable manner and build on the reporting developed last year.

Dividends

This performance allows the Board to propose a final dividend of 13.01 pence per Ordinary Share; another increase of 10 per cent on the previous year. If shareholders approve this payment at the Annual General Meeting ('AGM') on 11 June 2015, then it will be paid on 26 June 2015 to members on the register at close of business on 29 May 2015.

Refinancing

During the period and as previously announced, the Group successfully refinanced its secured debt structure, resetting the repayment period to 35 years. This allowed a Return of Cash to shareholders of £64.4 million, £1.20 per Ordinary Share. The transaction is described fully in the Financial Review. As previously announced, the accounting treatment for the transaction resulted in a statutory loss for the period as a consequence of certain non-cash charges.

Delivering consistent increases

The business has performed consistently over a long period. Underlying operating profit has increased on average by eight per cent per year since 2004, with the lowest annual increase being six per cent. Underlying earnings per share has increased on average by 16 per cent per year since 2004, with the lowest annual increase being six per cent. This has been achieved by remaining focused on a consistent strategy over that time.

The Board

There have been no changes to the Board in the year. I am pleased to confirm that Alan and Ishbel have renewed their contracts for a further two years.

The Board continues to operate effectively and I am grateful to my colleagues for their continued support.

Our people

Our staff continue to deliver outstanding service for our clients, recognising at all times that they are here to help at a very difficult time. My thanks for their support and dedication extend to each individual, irrespective of the role they perform.

Outlook for 2015

The Group remains committed to the strategy set out in the 'Strategy and business model' section of the Annual Report. It has served the Group well for 11 years as a public company and the Board continues to believe it is an appropriate strategy for the future.

Deaths in the first eight weeks of 2015 are approximately 23 per cent higher than the abnormally low number in the same period last year. The Group's first quarter 2015 result should therefore be significantly higher than the same period in the prior year. However, as seen in previous years, this is likely to normalise over the remainder of the year. The Board's expectations for 2015 therefore remain positive and unchanged.

Links

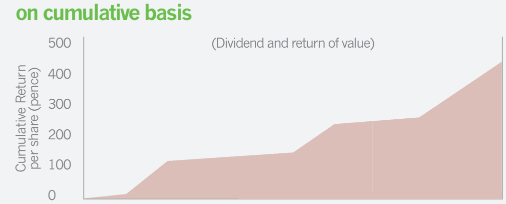
See Governance and structure: p.34 and p.35
See Board of Directors: p.36 and p.37
See Report on Directors' remuneration: p.46 to p.58

Performing strongly since IPO

Delivering consistent increases

Since flotation, the Group has managed the business in a consistent way using the same strategy. This has delivered stable growth in operating profit and amounts returned to shareholders.

Total monies returned to shareholders on cumulative basis



Chief Executive's overview

Focused on our core business and delivering on our key objectives


Mike McCollum, Chief Executive

> **"Outstanding service delivery remains at the very heart of our business and long-term focus.**

99.2%

99.2 per cent of families said that Dignity met or exceeded their expectations.

Performance in 2014

- Strong revenue growth.
- Strong cost control.
- Core portfolio continues to deliver growth.
- Acquisitions add further value.
- Return of Cash to shareholders.

Overview

2014 has been another eventful year for the Group. Investment in funeral acquisitions has continued apace and we have reset our capital structure, releasing further cash to shareholders and reducing the combined annual cash cost of servicing the principal and interest of our debt by approximately £7 million. Alongside these corporate activities, our core business has performed strongly whilst maintaining outstanding levels of client service.

Our performance in 2014

All three operating divisions have contributed to the success of the business in the year. We continue to follow our long standing strategy and have seen revenues and operating profit grow within our core business. Although we do not separately disclose the operating performance of the Yew Holdings Limited acquisition made in 2013, it has performed very strongly and exceeded our expectations.

Acquisitions

Whilst 2013 was a busy year because of a single large acquisition, 2014 was a year of many smaller acquisitions. A total net investment of £24.7 million was made to acquire 30 funeral locations. Each acquisition met our strict criteria of being well established, successful businesses in their own right prior to acquisition and I am delighted that they have joined the Group.

Continued investment across our core business

We continue to invest significant amounts of capital and resource in the core business. In 2014, £5.4 million was invested in new specialist vehicles, with a further £11.7 million invested in our properties and infrastructure. This helps to support our employees as they strive to deliver the best service they can.

People and values

Our staff continue to support the business and the families we have the privilege of caring for in whatever way their role requires. Their performance helps to build the reputation of the Group which in turn leads to its future success and I remain grateful for their commitment. I am delighted that once again they have been able to share in the Group's success and have received a discretionary bonus equivalent to £1,100 for each full time member of staff. The total cost was £2.7 million.

Outstanding service delivery remains at the heart of our business and long-term focus

2014 was underpinned by another year of outstanding client service results, the detail of which is included later in the Annual Report. We have committed staff who follow a simple, consistent strategy. We run the business in ways that make economic sense for all our stakeholders in both the short-term and the long-term, never losing sight of the fact that a significant proportion of our business occurs as a result of recommendation, reputation and previous experience.

A positive outlook

The business remains well placed for the future. Customer satisfaction remains very high; our core portfolio is performing well with costs under control; we are achieving good pre-arranged funeral plan sales; our pipeline of corporate development activity looks strong; and our capital structure is once again appropriately leveraged. Whilst the rate of growth of operating profit will inevitably slow as the Group continues to get bigger, we continue to believe that a 10 per cent per annum increase in EPS remains a suitable target for the business over the medium-term.

Links

See Market overview: p.08 and p.09
See Our strategy and business model: p.10 and p.11
See Operating review: p.16 to p.21

Market overview

The UK funeral market today

> "Reputation and recommendation remain a key driver in someone's choice of funeral director.

- The funeral director market is very fragmented.
- Approximately 72 per cent of crematoria are owned by local authorities.
- Annual variations in the number of deaths are relatively small.
- There is not currently any regulation pending that would materially affect the funeral industry.

Overview

The funeral market as a whole does not change rapidly year on year, but the effect over a number of years is noticeable, whether it is the number of deaths per year, or the number of funeral or crematoria locations within the industry. The Group monitors and responds to the environment it operates in, seeking to understand the implications for the short, medium and long-term.

Scale and structure

The funeral director market is very fragmented, with approximately two thirds of funeral directors being small owner managed businesses.

There are approximately 270 crematoria in the UK, with approximately 72 per cent owned by local authorities. Approximately three quarters of all funerals result in a cremation with the remainder being burials.

Regulation

The provision of funeral services is not regulated. Trade organisations such as the National Association of Funeral Directors ('NAFD') provide training and qualifications, although they are not mandatory. Dignity would welcome further regulation of the funeral industry setting out minimum standards for core activities, such as the care of the deceased.

Crematoria are subject to environmental regulations, with emission levels being monitored by environmental health officers. Recent changes for the abatement of mercury emissions have improved the environmental position.

Pre-arranged funeral plans are exempt from the provisions of the Finance Services and Markets Act, provided certain conditions prescribed in that Act are met.

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 2014 was 550,000 compared to 560,000 for 2013. 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 have declined significantly since the early 1990s from 640,000 to a recent low of 539,000 in 2011, the last five years have seen a more stable number of reported deaths between 539,000 and 560,000 per annum.

Stable industry

The number of deaths in the UK is stable and predictable. Annual variations are relatively small. In the last 30 years, the year on year variation has always been less than five per cent, with most years below two per cent.

Competition

Whilst a precise list of all funeral directors is not available, data from various sources suggest that the number of funeral directors in the UK has increased from approximately 4,300 in 1998 to around 5,500.

Although competition is increasing, the nature of a service business is that the quality of service being provided is not known in advance. Consequently, reputation and recommendation remain a key driver in someone's choice of funeral director.

With crematoria, amongst other things, planning laws require there to be a need for a new crematorium in a particular area. This can be difficult to prove and can be an emotive subject for local residents. This, combined with availability of appropriate land and the high capital cost of construction has limited the growth in the number of crematoria in the UK.

Pre-arranged funeral plans allow the Group the opportunity to gain incremental funerals. Our national network allows us to work with national partners offering a funeral plan anywhere in the UK.

Forward look

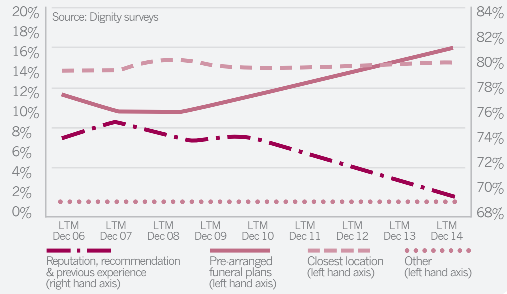
The ONS expects the number of deaths per annum to start to increase at some point before 2020.

In May 2015, the Coroners Reform Act is expected to become law in Scotland. This legislation changes the administrative processes relating to the certification of the deceased, replacing existing forms currently required for cremation or burial. Similar changes are proposed for the rest of the United Kingdom, but no timescales have been provided. This is not expected to materially change the operation of the Group's funeral and crematoria businesses.

Our business

Our funeral business relies on reputation, recommendation and previous experience. This is complemented by the sale of pre-arranged funeral plans, which represent an increasing source of incremental business for the Group.

Source of business



> **"Excellent customer service is critical to the success of the Group.**
>
> **71%**
>
> Recommendations and our reputation have generated approximately 71 per cent of our funeral business on average over the last five years.

Maintaining our strong market leading positions within the industry

Funeral services: Our strengths

Dignity has approximately 12 per cent of the funeral market. This gives the Group sufficient size to operate its locations efficiently in a way that shares expensive resources, such as mortuaries and specialist vehicles, whilst providing very high levels of service to each family it looks after.

This size still gives the Group good scope to acquire owner managed businesses in areas where it is not well represented.

Challenges/Developments

2014 saw the Group expand its network of funeral locations though the acquisition of a number of established funeral businesses operating a total of 30 locations.

The Group remains focused on acquiring additional businesses and opening new satellite locations.

11.7% (2013: 11.9%)

Dignity's funeral market share.

Crematoria: Our strengths

With 39 crematoria, Dignity is the largest single operator in the UK. The cremations performed represent approximately 10 per cent of deaths in Britain. There is still significant scope to expand through acquisition or new builds where possible.

Challenges/Developments

The Group continues to seek ways to increase the number of crematoria it operates. However, acquisition targets are scarce and planning laws will continue to make it difficult to build new locations.

9.7% (2013: 9.9%)

Dignity's crematoria market share.

Pre-arranged funeral plans: Our strengths

Dignity's national network of funeral locations and strong relationships with many different affinity partners has allowed it to sell significant volumes of pre-arranged funerals that should represent incremental activity for the funeral division.

Challenges/Developments

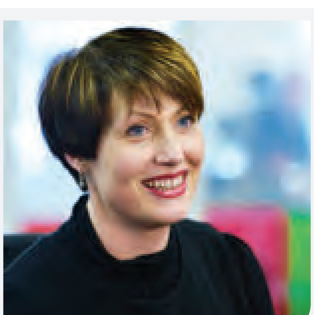
New affinity partners have helped the Group develop its offerings. A number of additional partners are currently being tested.

348,000 (2013: 323,000)

The number of active pre-arranged funeral plans.

Links

- See Our strategy and business model: p.10 and p.11
- See Our KPIs: p.12 and p.13
- See The client survey performance: p.14
- See Operating review: p.16 to p.21

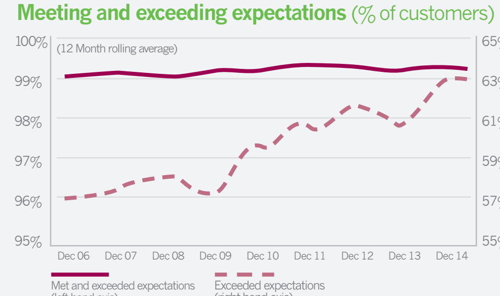


Quality and consistency of service

Our clients continue to return and recommend us because of the quality and consistency of service we deliver.

Ongoing training and development of our people and investments in our business help us to improve, meet and exceed expectations.

Meeting and exceeding expectations (% of customers)



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Strategic Report

Our strategy and business model

We continue to implement a clear and consistent strategy which builds on and reinforces the competitive strengths in our business.

Our focus, scale and quality sets us apart and we are well positioned to continue to create value and 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 growth;
- Continuing to control our operating costs;
- Developing or acquiring additional funeral locations;
- Developing, managing or acquiring additional crematoria;
- National marketing of pre-arranged funeral plans, principally through affinity partners; and
- Efficient use of our balance sheet to enhance shareholder returns.

Link

Find out more about Our KPIs: p.12 to p.14

Our strategy in action	Key points
Ensuring the highest levels of client service: • High levels of client service demonstrably affect clients' willingness to recommend our services. Recommendations and our reputation have generated approximately 71 per cent of our funeral business on average over the last five years.	**98.1%** In the 2014 client survey 98.1 per cent of respondents would recommend us. See The client survey performance: p.14
Recruiting, developing and retaining the best people: • Our employees are central to the success of the business. We seek to recruit and retain the best people through appropriate remuneration and ongoing training.	**30%** The percentage of Dignity employees who have over 10 years service. See CSR: p.29 to p.33
Continued investment: • We invest significantly in our existing business, striving to ensure it is of the highest 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.	**£41.9m** £17.1 million invested in capital expenditure on the core business and a net investment of £24.8 million in acquiring new locations and opening satellites. See Operating review: p.16 to p.21
Controlling our costs: • We seek to benefit from our size with national contracts for utilities and similar services where appropriate.	**£84.9m** The Group's underlying operating profit increased 8 per cent to £84.9 million. See Operating review: p.16 to p.21
Growing our business responsibly: • As an industry leader, we aim to be both successful and good corporate citizens.	**FTSE4Good** Dignity is identified as a company that meets globally recognised standards of corporate responsibility. See CSR: p.29 to p.33
Sale of pre-arranged funeral plans: • We remain a significant provider of plans and continue to work with our established partners and develop new partnerships to sell plans efficiently.	**348,000** 348,000 people have active pre-arranged funeral plans. See Operating review: p.16 to p.21
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.	**£335.2m** Since flotation, £335.2 million in cash including dividends has been returned to shareholders. See Financial review: p.22 to p.25

Follow our strategy throughout this report

Our strategic objectives underpin and integrate our activities and you will see numerous references and examples of our strategy in action throughout this report. Where we discuss a part of our strategic objectives, we have referenced this with the specific number as indicated below:

1 2 3 4 5

How we align remuneration to strategy

Our strategy is focused on delivering short and long-term financial performance. EPS and total shareholder return are quantifiable measures of performance and are used to incentivise Executive Directors to deliver the Group's strategy.

Link

Find out more in the Report on Directors' remuneration: p.46 to p.58

Developing and growing our business

Our core business

Funeral services
Each year we invest in the refurbishment of our funeral properties, the renewal of our fleet and staff training initiatives enabling our people to provide the highest standards of client service.

Crematoria
We continue to invest in our crematoria facilities to provide peaceful gardens of remembrance and chapels for our clients.

Pre-arranged funeral plans
We continue to work closely with our affinity partners and funeral locations for the sale of pre-arranged funeral plans.

Other growth opportunities

We also develop and grow our business through:

- the acquisition of well established and well respected funeral businesses;
- the opening of new satellite funeral locations;
- the construction of new crematoria;
- management of local authority owned crematoria; and
- developing new affinity partner relationships for the sale of pre-arranged funeral plans.

Our ongoing strategic objectives

1. Continue to prioritise excellent client service which we believe will lead to organic growth.
2. Control our costs without compromising the quality of our service.
3. Expand our funeral and crematoria portfolios.
4. Gain new clients through the sale of pre-arranged funeral plans.
5. Increase our returns through efficient capital management.



Link

Find out more about our business operations, actions and progress: p.16 to p.21

Strategic Report

Our key performance indicators

The Group uses the following key performance indicators to both manage the business and ensure that the Group's strategy and objectives are being delivered. We monitor our performance by measuring and tracking KPIs that we believe are important to our longer-term success.

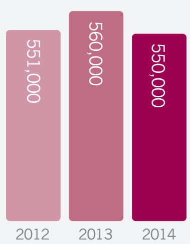
Group Performance

KPI	Link to strategic objective

Total estimated number of deaths in Britain (number)

Link to strategic objective: 1

550,000



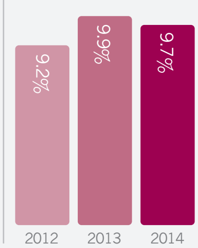
Definition
This is as reported by the Office of National Statistics.

Developments in 2014
The number of deaths was lower than the previous year. Over the last three years, the number of deaths has been broadly flat.

Crematoria market share (per cent)

Link to strategic objective: 1 3

9.7%



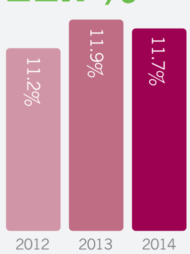
Definition
This is the number of cremations performed by the Group divided by the total estimated number of deaths in Britain.

Developments in 2014
One of the Group's crematoria was flooded and not operational for approximately three months of the period. It has since reopened and any financial loss has been recovered through insurance. These lost cremations represent approximately 0.1 per cent of total estimated deaths in the period.

Funeral market share excluding Northern Ireland (per cent)

Link to strategic objective: 1 3

11.7%



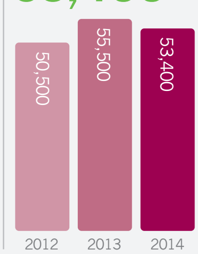
Definition
This is the number of funerals performed by the Group in Britain divided by the total estimated number of deaths in Britain.

Developments in 2014
Acquisition activity occurred later in the year and the overall reduction in market share was in line with the Board's expectations given continued increases in competition.

Number of cremations performed (number)

Link to strategic objective: 1 3

53,400



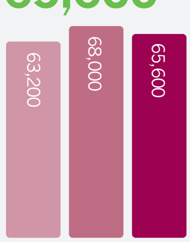
Definition
This is the number of cremations performed according to our operational data.

Developments in 2014
Changes are a consequence of the total number of deaths and the Group's market share.

Number of funerals performed (number)

Link to strategic objective: 1 3

65,600



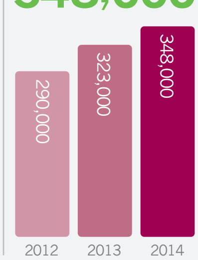
Definition
This is the number of funerals performed according to our operational data.

Developments in 2014
Changes are a consequence of the total number of deaths and the Group's market share.

Unfulfilled pre-arranged funeral plans (number)

Link to strategic objective: 4

348,000



Definition
This is the number of pre-arranged funeral plans where the Group has an obligation to provide a funeral in the future.

Developments in 2014
This increase reflects continued strong sales activity offset by the crystallisation of plans sold in previous years.

How we align KPIs and remuneration to strategy

Each KPI reflects a quantifiable measure of different aspects of the Group's strategy. They act as headlines for the Board, allowing them to use more detailed management information to consider the Group's strategy and financial performance in greater depth where appropriate.

We monitor our performance by measuring and tracking KPIs that we believe are important to our longer-term success. Long-term sustainable performance of these KPIs is linked to the remuneration arrangements of our Directors, whose remuneration packages are heavily linked to EPS targets and total shareholder return measures.

Key and link to strategic objective

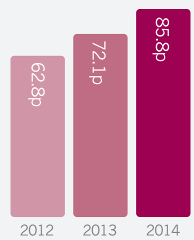
1. Continue to prioritise excellent client service which we believe will lead to organic growth.
2. Control our costs without compromising the quality of our service.
3. Expand our funeral and crematoria portfolios.
4. Gain new clients through the sale of pre-arranged funeral plans.
5. Increase our returns through efficient capital management.

KPI	Link to strategic objective

Underlying earnings per share (pence)

1 2 3 4 5

85.8p



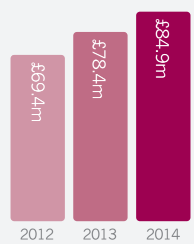
Definition
This is underlying profit after tax divided by the weighted average number of Ordinary Shares in issue in the period.

Developments in 2014
Strong growth following the increase in operating profit.

Underlying operating profit (£m)

1 2 3 4

£84.9m



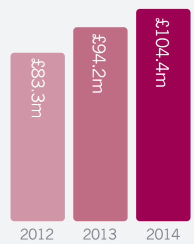
Definition
This is the statutory operating profit (or loss) of the Group excluding profit (or loss) on sale of fixed assets and external transaction costs.

Developments in 2014
Strong growth driven by the core business as well as acquisition activity.

Cash generated from operations (£m)

5

£104.4m



Definition
This is the statutory cash generated from operations excluding external transaction costs and exceptional pension contributions.

Developments in 2014
The Group continues to convert operating profit into cash efficiently.

Links

See Our strategy and business model: p.10 and p.11
See Principal risks and uncertainties: p.26 to p.28
See Report on Directors' remuneration: p.46 to p.58
A summary of the Group's financial record for the last five years can be found on: p.110 and p.111

Strategic Report

Our key performance indicators continued

In addition to these key performance indicators, we also closely monitor the results of our client surveys to ensure we continue to maintain the highest levels of excellent client service.

In the last five years, we have received over 161,000 responses.

Key and link to strategic objective

1 Continue to prioritise excellent client service which we believe will lead to organic growth.

See Our strategy and business model: p.10 and p.11

The Client Survey Performance

Why it is important 1

Ensuring the highest levels of client service is one of our key strategic objectives and is fundamental to our continued success.

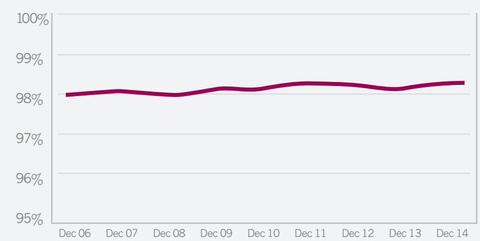
How we performed in 2014

The results of the client survey clearly demonstrate client service is at the heart of everything we do and the quality of our service remains at consistently high levels.

Customer satisfaction is key

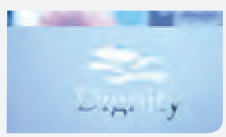
We have seen consistently high levels of satisfaction from our survey results. Our continued commitment to high levels of client service and customer satisfaction continue to generate high levels of referrals.

Recommending our services (% of customers)



Percentage of customers willing to recommend Dignity's services (12 month rolling average)

Reputation and recommendation



99.2% (2013: 99.2%)

99.2 per cent of respondents said that we met or exceeded their expectations.

98.1% (2013: 98.1%)

98.1 per cent of respondents would recommend us.

High standards of facilities and fleet

99.8% (2013: 99.9%)

99.8 per cent thought our premises were clean and tidy.

99.8% (2013: 99.8%)

99.8 per cent thought our vehicles were clean and comfortable.

Quality of service and care

99.9% (2013: 99.9%)

99.9 per cent thought our staff were respectful.

99.7% (2013: 99.7%)

99.7 per cent thought our staff listened to their needs and wishes.

99.2% (2013: 99.2%)

99.2 per cent agreed that our staff were compassionate and caring.

In the detail

99.4% (2013: 99.2%)

99.4 per cent of clients agreed that our staff had fully explained what would happen before and during the funeral.

99.0% (2013: 98.9%)

99.0 per cent said that the funeral service took place on time.

98.7% (2013: 98.7%)

98.7 per cent said that the final invoice matched the estimate provided.

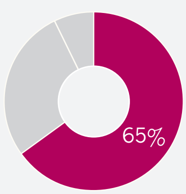
Our summary performance in 2014

The Group has performed strongly in 2014. Revenue has increased five per cent, underlying operating profit has increased eight per cent and underlying earnings per share have increased 19 per cent. We continued to make good progress across all our operations, with each division performing in line with the Board's expectations.

Operational and Financial Summary

Funeral services

Group operating profit share (%)

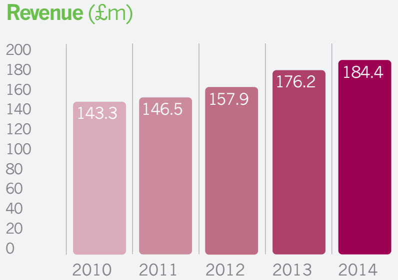


Funeral services

+5%

Revenue up 5% to £184.4 million

Revenue (£m)



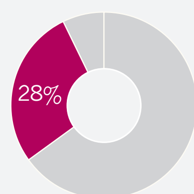
+9%

Underlying operating profit up 9% to £66.3 million

Underlying operating profit (£m)

Crematoria

Group operating profit share (%)

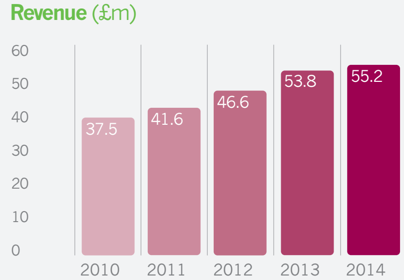


Crematoria

+3%

Revenue up 3% to £55.2 million

Revenue (£m)



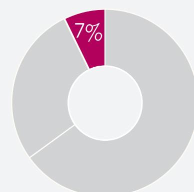
+6%

Underlying operating profit up 6% to £29.1 million

Underlying operating profit (£m)

Pre-arranged funeral plans

Group operating profit share (%)

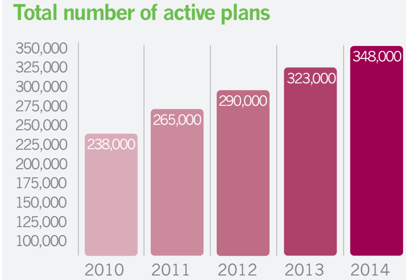


Pre-arranged funeral plans

348,000

Total active pre-arranged funeral plans increased to 348,000

Total number of active plans



+10%

Underlying operating profit up 10% to £7.4 million

Underlying operating profit (£m)

Links

See Operating review: p.16 to p.21

Find out more about our Group financial performance: p.22 to p.25

Strategic Report
Operating review

Continued investment in in our premises and specialist vehicles

£11.5m

During the period Dignity invested £11.5 million to further improve the facilities and service we offer our clients.

> **"We continue to make substantial investments in our business and facilities.**
>
> Andrew Davies
> Operations Director

£66.3m

The funeral division contributed £66.3 million of underlying operating profit in the period.

718 locations

The Group's national coverage is achieved through 718 locations.

Performance in 2014

- Strong operational efficiencies and performance.
- Substantial investment in core portfolio.
- Acquired locations integrated into the business.

Strategic progress

- Prioritise client service.
- Continue to extend our national footprint.
- Continue to add value through new acquisitions.

Introduction

The Group's operations are managed across three distinct divisions: funerals, crematoria and pre-arranged funeral plans, which respectively represent 65 per cent, 28 per cent and seven per cent of the Group's underlying operating profit (before central overheads).

Funeral services

Overview

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

Performance

As at 26 December 2014, the Group operated a network of 718 (2013: 690) funeral locations throughout the United Kingdom, generally trading under local established names. During the period, the Group conducted 65,600 funerals.

Approximately two per cent of all funerals were conducted in Northern Ireland. Excluding Northern Ireland, these funerals represent approximately 11.7 per cent (2013: 11.9 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 profit was £66.3 million (2013: £60.8 million), an increase of nine per cent.

This strong performance has been achieved despite the reduction in the number of deaths compared to the previous period, partly as a result of the annual price rise being made earlier in the year than was previously the case. Cost control has remained good. Average income per funeral increased and remained robust.

The collection of 78 satellite locations opened in recent years contributed to the Group's profitability in the year in line with the Board's expectations. These locations are selected to be close enough to existing business centres to use their specialist vehicles and mortuary equipment. In this way, the locations will provide the same outstanding levels of client service without the need for significant capital investment.

Progress and Developments

Investment in the core portfolio

Significant cash resources continue to be used to maintain the Group's locations and fleet. In 2014, £11.5 million was invested in maintenance capital expenditure.

Funeral location portfolio

The Group acquired 12 funeral businesses representing 30 funeral locations during the period. In addition, four satellite locations were opened and six locations were closed, principally where it was considered commercially appropriate not to renew leases.

Outlook

The funeral division has performed strongly in the year and is well placed for the future.

Approximately 23 per cent of the funerals performed in the year had previously been pre-arranged. This compares to approximately 12 per cent in 2004. This proportion is anticipated to continue to increase over time. Whilst these funerals represent a substantially lower average revenue per funeral, their incremental nature means they are a positive contributor to the Group's performance.

1

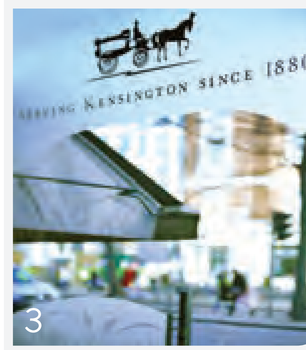

1. Funeral Director, Dean Newton and Funeral Service Arranger, Jodie Heaton, at Arthur B Baxter in Bingley.
2. Funeral Service Arranger, Sandra Barnes, at J H Kenyon® in Kensington.
3. J H Kenyon® have been serving bereaved families in Kensington since 1880 and relocated to new premises in 2014.

2


We continue to be a major provider of funeral services in the UK.

Actions

Focused on meeting and exceeding clients' needs and expectations



3

At Dignity we are focused on client service because our clients do not use us by chance. Almost three quarters of our clients have used our services before or choose us because of recommendation and reputation. They return and recommend us because of the quality and consistency of service we provide.

We continue to prioritise service and care. The results of our client survey for 2014 continue to be at exceptionally high levels with 99.2 per cent of respondents saying that we met or exceeded their expectations.

Opportunities

11.7%

The Group's market share is 11.7 per cent following acquisitions in the period.

Acquisitions

By adding established, successful businesses to a strong core portfolio the funeral division is well placed for the future.

Operating review
continued

Growth of our crematoria portfolio

39 crematoria

In 2014, the Group operated 39 crematoria compared to 22 at the beginning of 2008.

> **"We continue to invest in and develop our existing crematoria and explore further opportunities for growth.**
>
> Steve Gant
> General Manager – Crematoria

£29.1m

The crematoria division generated £29.1 million of underlying operating profit from its 39 locations.

£3.4m

£3.4 million of capital expenditure has been invested in the portfolio during the period.

Performance in 2014

- Six per cent increase in underlying operating profit.
- Four planning applications being progressed.

Strategic progress

- Continued to identify further locations for new crematoria.
- Continued expansion.

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 remains the largest single operator of crematoria in Britain, operating 39 (2013: 39) crematoria as at 26 December 2014. The Group performed 53,400 cremations (2013: 55,500) in the period, representing 9.7 per cent (2013: 9.9 per cent) of total estimated deaths in Britain.

One of the Group's crematoria was flooded and not operational for approximately three months of the period. It has since reopened and the financial loss suffered has been recovered through insurance. These lost cremations represent approximately 0.1 per cent of total estimated deaths in Britain during the period.

Underlying operating profit was £29.1 million (2013: £27.4 million), an increase of six per cent.

This operating performance is driven by increasing average revenues per cremation, which has offset the reduction in the number of cremations performed in the year given the lower number of deaths in the period.

Sales of memorials and other items have been strong, equating to approximately £262 per cremation compared to £254 in the previous period.

Progress and Developments

Investment of £1.6 million has been made to develop two locations that were acquired from local authorities in 2012 and also to acquire additional land for use as a cemetery at another location. A further £0.8 million is expected to be incurred in 2015 to complete the local authority developments. The Group has also invested £1.8 million maintaining its locations in the period.

The Group is actively seeking planning permission to develop crematoria at four locations in the United Kingdom. The initial planning application at one of these locations has been denied and the Group is currently considering its options. During the period, the Group's appeal on a further planning application was denied and as a result, the Group has ceased to pursue this location.

Whilst development of such locations is not expected to be successful in all cases, they represent a potential opportunity to create new facilities in areas that will benefit the local community, whilst representing a potential opportunity to invest shareholder money profitably.

Outlook

The Group continues to identify further locations suitable for new crematoria and is also continuing to seek partnerships with local authorities. Progress on this is expected to be slow, albeit this supports the relative robustness and value of the Group's existing locations.

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 potential future incremental business for the funeral division, as the Group expects to perform the majority of these funerals.

Performance

Underlying operating performance in the period has been strong, with operating profit of £7.4 million (2013: £6.7 million), an increase of 10 per cent.

This improvement reflects very focused, cost efficient marketing combined with a small change in the relative sales volumes of each affinity partner.

In overall terms, approximately 40,000 new plan sales were made and the number of unfulfilled pre-arranged funeral plans increased to 348,000 (2013: 323,000) as at 26 December 2014.

1. Lancaster & Morecambe Crematorium has won three horticultural awards in each of the last two years.
2. The facilities at Weston Super Mare Crematorium were substantially improved in 2014.
3. Bethaney Welch, Memorial Consultant at Mendip Crematorium.

We continue to be the largest single operator of crematoria in Britain.

Actions

Investment, improvements and strong memorial sales

At Dignity we continually invest in our established crematoria so that bereaved families and funeral directors experience the best service and facilities. The continued investment in crematoria grounds, the wide range of memorials we offer and the expertise of our gardeners persuades an increasing number of families to choose us as the resting place for their loved one.

Sales of memorials and other items have been strong in 2014 increasing by three per cent to £262 per cremation.

Opportunities

Partnerships

We are seeking new partnerships to manage local authority owned crematoria.

New build crematoria

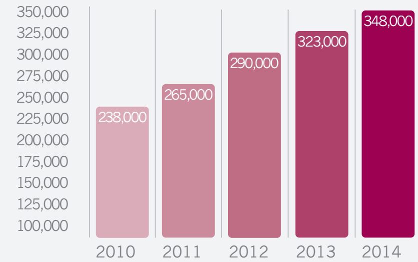
We are continuing to identify further locations suitable for developing new crematoria.

Strategic Report

Operating review continued

Rise in number of active pre-arranged funeral plans over the past five years

Various partners, such as Age UK, trust us enough to associate their brand and introduce their customers to our products.



"We continue to focus on increasing the number of pre-arranged funeral plans.

Steve Wallis
General Manager – Pre-arrangement

348,000

More than 348,000 people have an active pre-arranged funeral plan.

40,000

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

Performance in 2014

- Strong operational performance.
- Age UK remains a key affinity partner.

Strategic progress

- Plans outstanding continue to grow through direct sales across our branch network.
- Continued development of opportunities through existing and potential affinity partners.

Whilst the contribution to this year's operating profit from the marketing activity is reported at the time of sale, it is important to recognise that the sales made represent significant potential future revenues for the funeral division. These amounts will be recognised as and when the funerals are performed.

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

Progress and Developments

The increase in the number of unfulfilled plans follows plans sold in the year.

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 with further trials expected in 2015.

For the third year running, the Group's customer service centre, based at its head office in Sutton Coldfield, gained first prize in the annual 'Top 50 Call Centres for Customer Service' awards. This tremendous achievement independently underlines the Group's commitment to providing excellent client service.

The financial position of the independent trusts holding members' monies is crucial, given the Group ultimately guarantees the promises made to members. At the end of 2014, the Trusts held over £700 million of assets. The latest actuarial valuations of the pre-arranged funeral plan trusts (at 26 September 2014) showed them to have sufficient assets to pay out all funerals at the current projected rates anticipated by the actuary. The Trustees, the majority of whom are independent of the Group, have informed the Group that they have now, with independent external advice, completed a review of the Trust's investment strategy. This will result in the Trust's assets moving to a wider mix of investments, including exposures overseas and in equities.

Outlook

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

The change in the Trust's investment strategy is expected to enhance investment returns in the longer-term for a similar level of risk. The strategy will however result in greater volatility year on year in the reported value of the Trust's assets.

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

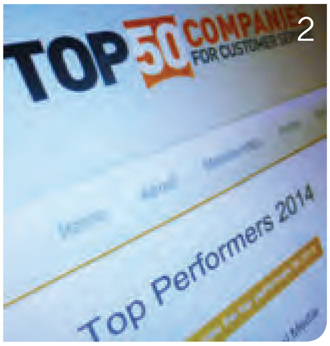
Costs in the period were £17.9 million (2013: £16.5 million), an increase of 8.5 per cent.

As predicted in last year's Annual Report, investment has continued in central support functions (particularly IT and HR) to ensure operational activity is appropriately supported as the business grows. Incentive costs including LTIP costs and cash bonuses have increased from £4.8 million to £5.8 million.

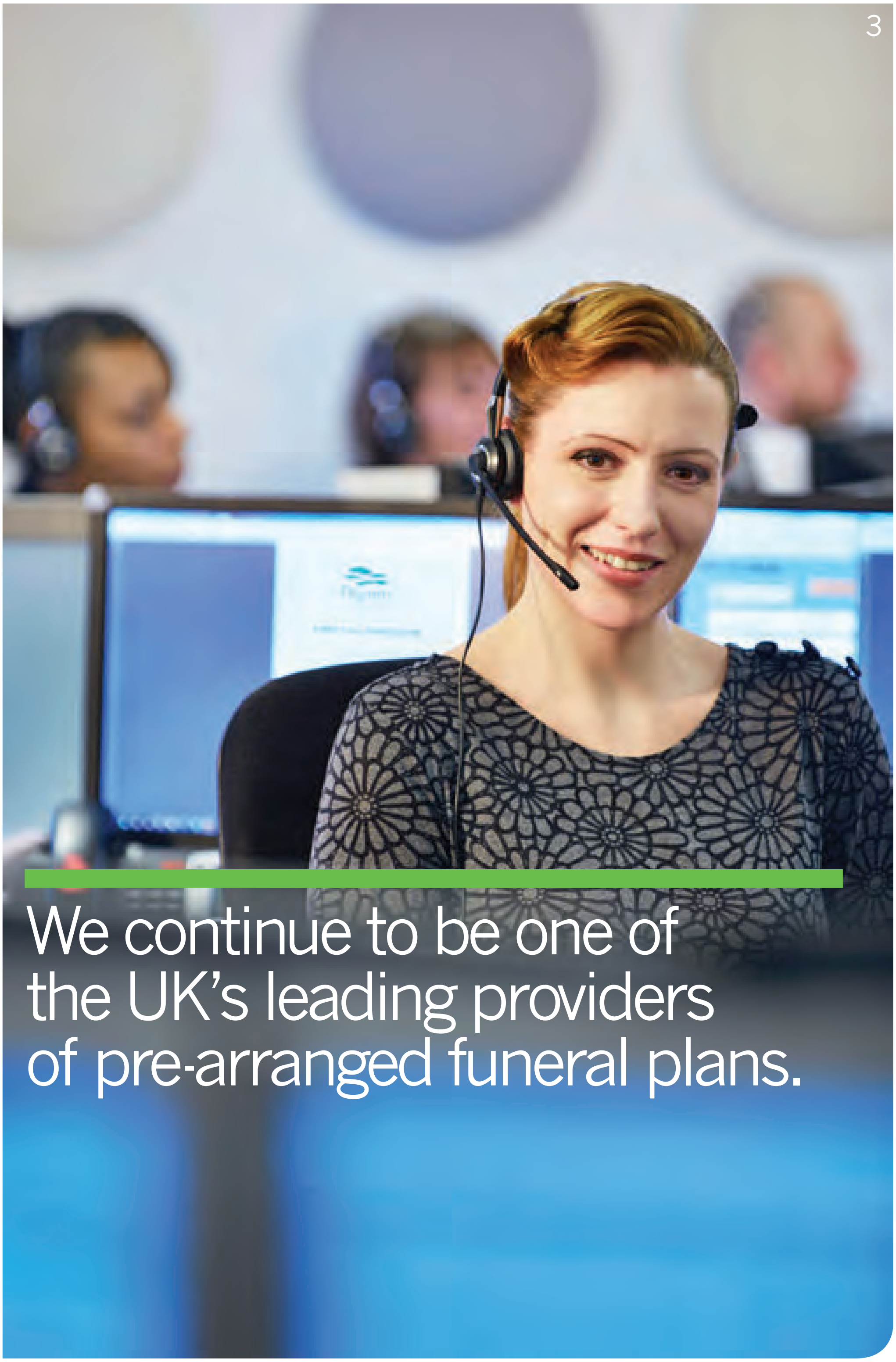
Capital expenditure of £0.8 million has been incurred on central projects predominantly relating to IT that will help the business as a whole operate more efficiently.

Outlook

Further investment in head office departments is expected in 2015 as the business continues to grow.

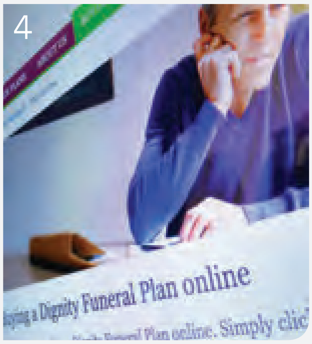


1. Literature is available in branches to help clients pre-arrange their funeral.
2. Dignity's Client Service Centre in Sutton Coldfield has won the Best Call Centre in the UK Award for Customer Service for the third successive year.
3. Client Service Advisor, Samantha Owen.
4. Dignity's pre-arrangement website enables new clients to purchase a funeral plan online.



Actions

Delivering consistently high levels of client service and reaching new clients online



In 2014 Dignity outperformed many high profile companies and household names to be acknowledged as the Best Call Centre in the UK for the third successive year. We strive to provide the highest standards of client service and each year Dignity has won the award by continually improving the service we provide resulting in consistently higher ratings in the Top 50 Call Centre survey. The survey is conducted by GfK Market Research and compiled by mystery callers and real customers with each organisation receiving over 400 calls at varying times over a five month period. The full results of the survey were printed in a special supplement of the Sunday Telegraph.

Opportunities

640,000

We have already helped more than 640,000 people arrange their funeral in advance.

Marketing and Affinity Partners

Carefully targeted marketing and an increasing number of affinity partners will allow us to continue to grow this part of our business.

Strategic Report

Financial review

We have delivered a strong financial performance ahead of consensus estimates

Steve Whittern, Finance Director

> “The Group continues to maintain an efficient capital structure.

Performance in 2014

- Underlying earnings per share have increased.
- Successful refinancing of capital structure.
- Return of Cash to shareholders.

Introduction

These financial results have been prepared in accordance with International Financial Reporting Standards (‘IFRSs’).

Financial highlights

The Group’s financial performance is summarised below:

	52 week period ended 26 Dec 2014	52 week period ended 27 Dec 2013	Increase %
Revenue (£million)	**268.9**	256.7	5
Underlying operating profit[a] (£million)	**84.9**	78.4	8
Underlying profit before tax[a] (£million)	**58.5**	52.9	11
Underlying earnings per share[a] (pence)	**85.8**	72.1	19
Cash generated from operations[b] (£million)	**104.4**	94.2	11
Operating profit (£million)	**82.9**	75.1	10
(Loss)/profit before tax (£million)	**(67.7)**	49.6	n/a
Basic (loss)/earnings per share (pence)	**(104.0)**	72.8	n/a
Dividends paid in the period:			
Interim dividend (pence)	**6.49**	–	n/a
Final dividend (pence)	**11.83**	10.75	10
Return of Cash (£million)	**64.4**	61.9	4

[a] Underlying amounts exclude profit (or loss) on sale of fixed assets, external transaction costs and exceptional items, net of tax where appropriate.

[b] Cash generated from operations excludes external transaction costs and pension contributions made from the proceeds of debt issues.

The Board has proposed a dividend of 13.01 pence per Ordinary Share as a final distribution of profits relating to 2014 to be paid on 26 June 2015, subject to shareholder approval.

Terminology

During the period, the Group refinanced its capital structure. Prior to 17 October 2014, the Group had on various occasions issued Class A Secured Notes due for final repayment in 2023 (‘Old Class A Notes’) and Class B Secured Notes due for final repayment in 2031 (‘Old Class B Notes’ and together with the Old Class A Notes, the ‘Old Notes’). On 17 October 2014, the Group issued £238,904,000 Class A Secured 3.5456% Notes due 2034 (‘New Class A Notes’) and £356,402,000 Class B Secured 4.6956% Notes due 2049 (‘New Class B Notes’ and together with the New Class A Notes, the ‘New Notes’). Secured Notes refers to either the New Notes or the Old Notes depending on the period.

Exceptional items and underlying reporting measures

The market value of the Old Notes was significantly in excess of their carrying value. As previously announced, the refinancing during the period resulted in an exceptional charge of £124.2 million. The majority (£117.4 million) of this charge was non-cash reflecting the mark to market of the Old Notes and the write-off of associated unamortised issue costs on the Group’s balance sheet in respect of these financial liabilities. As a result, the Group reported a statutory loss for the year. This and the associated costs of the transaction have, because of their nature and amount, been disclosed as exceptional and are excluded from the Group’s underlying performance measure in line with previous guidance. The refinancing and associated transactions are described in more detail later in this review and in the accounting policies.

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. This is particularly relevant in 2014 because of the exceptional items described above. Accordingly, the following information is presented to aid understanding of the performance of the Group:

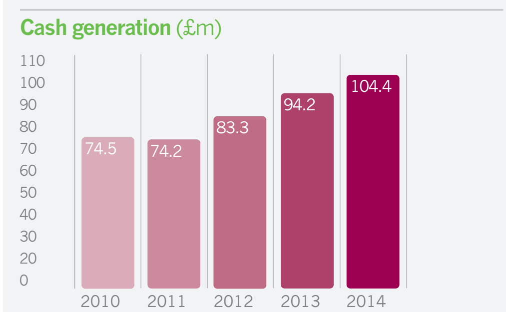
	52 week period ended 26 Dec 2014 £m	52 week period ended 27 Dec 2013 £m
Operating profit for the period as reported	**82.9**	75.1
Add the effects of:		
Loss on sale of fixed assets	**0.3**	0.1
External transaction costs	**1.7**	3.2
Underlying operating profit	**84.9**	78.4
Underlying net finance costs[c]	**(26.4)**	(25.5)
Underlying profit before tax	**58.5**	52.9
Tax charge on underlying profit before tax[d]	**(13.1)**	(12.9)
Underlying profit after tax	**45.4**	40.0
Weighted average number of Ordinary Shares in issue during the period (million)	**52.9**	55.5
Underlying EPS (pence)	**85.8p**	72.1p
Increase in Underlying EPS (per cent)	**19%**	15%

[c] Excludes exceptional finance costs of £124.2 million (2013: £nil).

[d] Excludes exceptional tax credit of £25.8 million (2013: £3.5 million).

Links

See Our strategy and business model: p.10 and p.11
See Our KPIs: p.12 to p.14
See Principal risks and uncertainties: p.26 to p.28



£104.4m

Converting operating profit efficiently into cash.

Earnings per share

The Group's statutory loss after tax was £55.0 million (2013: profit after tax of £40.4 million). Basic earnings per share were a loss of 104.0 pence per share (2013: earnings per share of 72.8 pence per share). The Group's measures of underlying performance exclude the effect (after tax) of the profit (or loss) on sale of fixed assets, external transaction costs and exceptional items. Consequently, underlying profit after tax was £45.4 million (2013: £40.0 million), giving underlying earnings per share of 85.8 pence per share (2013: 72.1 pence per share), an increase of 19 per cent.

The growth rate for underlying EPS exceeded the growth in underlying operating profit, reflecting the leveraging effect of the Group's capital structure, a reduction in the number of shares in issue as well as some benefit from the reduction in headline Corporation Tax rates.

External transaction costs include amounts paid to external parties for legal, tax and other advice in respect of the Group's acquisitions.

Cash flow and cash balances

Cash generated from operations was £104.4 million (2013: £94.2 million) before external transaction costs of £1.1 million (2013: £1.6 million) and exceptional contribution to the Group's pension scheme of £1.0 million (2013: £1.0 million). This reflects the Group's continued ability to convert profits into cash.

Capital expenditure on property, plant and equipment was £17.2 million (2013: £18.2 million).

This is analysed as:

	26 Dec 2014 £m	27 Dec 2013 £m
Vehicle replacement programme and improvements to locations	**14.1**	14.2
Branch relocations	**1.4**	1.1
Satellite locations	**0.1**	0.3
Development of new crematoria	**1.6**	2.0
Mercury abatement project	**–**	0.6
Total property, plant and equipment	**17.2**	18.2
Partly funded by:		
Disposal proceeds	**(0.5)**	(0.6)
Net capital expenditure	**16.7**	17.6

In addition, the Group spent a net £24.7 million on the acquisition of 30 funeral locations.

The Group also paid dividends on Ordinary Shares totalling £9.8 million (2013: £6.2 million) in the period. This is higher than the prior year, as the Return of Cash in 2013 incorporated the interim dividend that would have been paid in October that year.

Cash balances at the end of the period were £86.5 million (2013: £142.3 million). The Group had £9.6 million (2013: £20.3 million) of cash that was, under the terms of the Group's securitisation, held in a separate account and used to pay amounts falling due on the Group's Secured Notes on 31 December 2014 (2013: 31 December 2013). These amounts do not therefore meet the definition of cash for cash flow reporting purposes. As a result of the issue of the New Notes, a new Liquidity Facility was entered into. This did not require any cash collateralisation by the provider, the Royal Bank of Scotland ('RBS'), thereby reducing overall cash levels compared to the previous period by £63 million.

Approximately £53 million of the remaining cash balance was immediately available for acquisitions and developments and approximately £15 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 deficit of £10.5 million before deferred tax (2013: deficit of £1.0 million). This reflects reductions in the period in the AA bond rate and thus the discount rate used by the actuary.

Taxation

The Group's effective tax rate in the period was 22.5 per cent (2013: 24.5 per cent (excluding the exceptional rate change)). Following the Government's announcement to reduce the rate of Corporation Tax in future years, the Group expects its effective rate in 2015 to be approximately 21.5 per cent and 21 per cent thereafter.

The Group's cash tax payments were £6.9 million (2013: £10.9 million) in the period. As a consequence of the refinancing, the Group does not anticipate having a Corporation Tax liability in respect of 2014. As a result, payments made on account in 2014 were refunded. The Group therefore expects reduced cash tax liabilities in 2015 and 2016.

£14.1m

£14.1 million has been invested in maintaining our property and fleet portfolio.

£64.4m

£64.4 million returned to shareholders.

Strategic Report

Financial review continued

Capital structure and financing

Issue of New Notes

Transaction summary and rationale

Since its flotation in 2004, the Group had periodically issued Old Notes, returning the majority of the net proceeds on each occasion to shareholders. The Board considers that maintaining a leveraged balance sheet is appropriate for the Group, given the stable and predictable nature of its cash flows.

The Group believed that given the low interest rate environment and the narrow spreads implicit in the market value of the Old Notes, there was an opportunity to extend the term of the Group's securitised debt and raise new funds.

The Group therefore approached existing noteholders, who approved a proposal to redeem all existing Old Notes, receiving New Notes in consideration. The transaction successfully completed on 17 October 2014.

Crucially, the Group was able to replicate two key aspects of the Old Notes in the structure of the New Notes: firstly, that the principal amounts outstanding would amortise and be repaid over the life of the New Notes and secondly, that the interest rate would be fixed, thereby giving the debt a fixed annual debt service obligation for the life of the New Notes, akin to a 35 year fixed rate mortgage.

The key terms of the New Notes (which are significantly different to the terms of the Old Notes) are summarised in the table below:

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

The New Notes have an annual debt service obligation (principal and interest) of circa £33.2 million compared to circa £40 million for the Old Notes.

Given the longer duration of the New Notes, this structure is capable of being used to periodically issue further New Notes when deemed appropriate and subject to market conditions. The majority of such proceeds have historically been returned to shareholders.

Use of proceeds

The gross proceeds of the New Notes were used as follows:

	£m
Repay Old Notes	507.2
Repay swap	5.1
External transaction costs	6.8
Contribution to pension scheme	1.0
Cash returned to shareholders	64.4
Cash retained for corporate purposes	10.8
	595.3

The Old Notes had a carrying value of £404.6 million but a significantly higher market value. Consequently, the redemption at £507.2 million resulted in a non-cash charge to the income statement of £102.6 million as a finance cost.

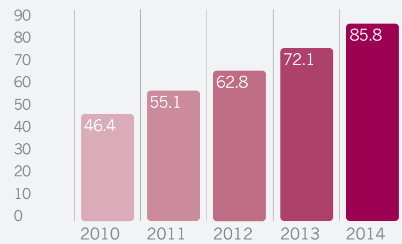
Unamortised issue costs of £14.8 million relating to the Old Notes were expensed as a result of the redemption as a finance cost taking the non-cash charge to £117.4 million.

The swap terminated with £5.1 million of the proceeds had a carrying value on the Group's balance sheet of £4.1 million at termination, resulting in a charge to the income statement of £1.0 million as a finance cost. This has resulted in the Group avoiding an ongoing cash liability of £0.7 million per annum until 2017 and £0.3 million per annum thereafter until 2028.

As required by international accounting standards, £5.8 million of the external transaction costs (estimated to relate to the extinguishment of the Old Notes) has been expensed immediately as a finance cost and £0.3 million (estimated to relate to the Return of Cash to shareholders) has been expensed immediately as an operating cost. The remaining £0.7 million will be carried against the financial liability and will be expensed in line with the anticipated annual interest costs of the New Notes as a finance cost. Of the £6.8 million total cost, £0.1 million was paid after the period end.

£64.4 million was returned to shareholders. Following this, the Ordinary Shares were consolidated on an 11 for 12 basis, maintaining the comparability of financial indicators such as the Group's share price. On the balance sheet date, the Company had 49.2 million Ordinary Shares in issue.

Financial leverage enhances underlying earnings per share (pence)



£335.2m

Returning cash to shareholders
Periodically, the Group has used its stable cash flows to releverage its capital structure and return cash to shareholders.

Financial Covenant
The Group's primary financial covenant under the New Notes requires EBITDA to total debt service to be above 1.5 times. The ratio at 26 December 2014 was 10.69 times (2013: 2.46 times). The high ratio reflects the timing of the transaction, meaning that a full year's EBITDA is being compared against a partial year of debt service. If the debt service was annualised the ratio would have been 2.95 times.

Crematoria Acquisition Facility
The only other external source of debt funding is the Group's £15.8 million Crematoria Acquisition Facility, which is fully drawn. The facility is repayable in one amount in February 2018. Interest is fixed at approximately 3.3 per cent.

Net debt
The Group's net debt is analysed as:

	26 Dec 2014 £m	27 Dec 2013 £m
Net amounts owing on Old Notes	**–**	(403.0)
Net amounts owing on New Notes	**(594.6)**	–
Add: unamortised issue costs	**(0.7)**	(16.3)
Gross amounts owing on Secured Notes	**(595.3)**	(419.3)
Net amounts owing on Crematoria Acquisition Facility	**(15.6)**	(15.6)
Add: unamortised issue costs on Crematoria Acquisition Facility	**(0.2)**	(0.2)
Gross amounts owing	**(611.1)**	(435.1)
Accrued interest on Secured Notes	**(5.7)**	(14.3)
Cash and cash equivalents (1)	**86.5**	79.3
Net debt	**(530.3)**	(370.1)

(1) Cash held as collateral for the Liquidity Facility in 2013 has been excluded as it does not meet the definition of cash and cash equivalents in IAS 7. See notes 16(f) and 21(d) for further details.

The Group's gross debt outstanding was £611.1 million (2013: £435.1 million). Net debt was £530.3 million (2013: £370.1 million). The increase in gross debt reflects the net new money raised from the issue of the New Notes and that the New Notes effectively replaced Old Notes with a carrying value significantly lower than their market value. Gross debt includes £4.0 million (2013: £5.7 million) that was repaid on 31 December 2014. The market value of the New Notes at the balance sheet date was £643.2 million.

Net finance costs
The Group's underlying finance costs substantially consists of the interest on the Old and New Notes and ancillary instruments. The net finance cost in the period relating to these instruments was £25.2 million (2013: £23.6 million).

Finance costs of £0.6 million (2013: £0.6 million) were incurred in respect of the Crematoria Acquisition Facility.

Other ongoing finance costs incurred in the period amounted to £1.6 million (2013: £1.1 million), including the unwinding of discounts on the Group's provisions and other financial liabilities.

Interest receivable on bank deposits was £1.0 million (2013: £0.5 million).

In addition to the underlying net finance cost, a total of £123.2 million of exceptional finance costs relating to the extinguishment of Old Notes have been recognised as described earlier in the Financial Review. A further £1 million of exceptional costs were recognised following the termination of a swap liability described earlier in the Financial Review.

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.

Outlook
The Group does not have an obligatory refinancing event until 2018.

Links
See Financial statements: p.62 to p.105
See Financial record: p.110 and p.111

Strategic Report

Principal risks and uncertainties

We are committed to effective risk management which supports the achievement of our strategic objectives

How we manage risk

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

Our approach to 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 Corporate Governance report was signed and approved for the Annual Report and Accounts 2014. This process was in place at the date of approval of the Annual Report and is in accordance with the Code.

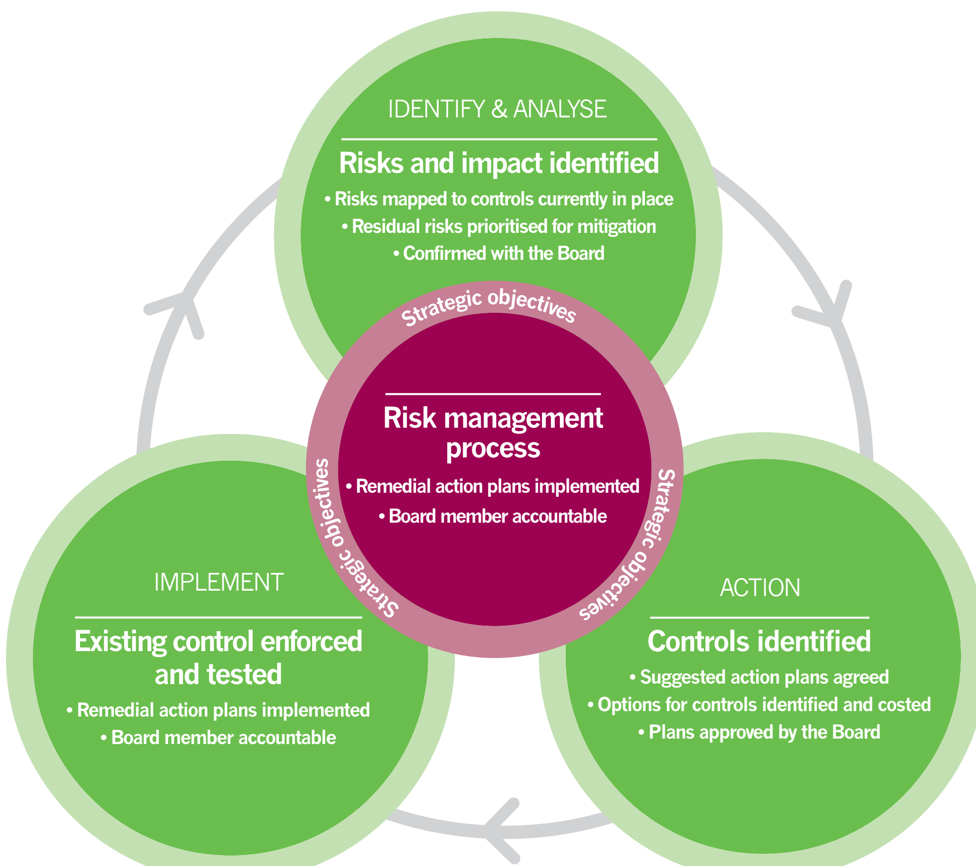
The Group manages the operational and financial risks described through a combination of regular Board reports and also monthly and weekly management information that is reviewed by the Executive Directors.

Risk process

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

Risk Governance

The full risk register is considered and readopted every six months by the Audit Committee.



Links

See Our strategy and business model: p.10 and p.11
See Our KPIs: p.12 to p.14
See Governance: p.34 to p.61

How we align risks to strategy

Our principal risks and uncertainties focus on matters that could have a direct impact on our key strategic objectives.

Key:
- Risk exposure increased
- Risk exposure decreased
- No significant change

Key and link to strategic objective

1. Continue to prioritise excellent client service which we believe will lead to organic growth.
2. Control our costs without compromising the quality of our service.
3. Expand our funeral and crematoria portfolios.
4. Gain new clients through the sale of pre-arranged funeral plans.
5. Increase our returns through efficient capital management.

Operational risk management

Strategic objective link	Risk and impact	Mitigating activities	2014 Commentary	Change
1 3 5	**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 funeral 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.	The number of deaths in 2014 is consistent with the ONS medium term view. See Market overview: p.08 and p.09	No significant change
1 3 4 5	**Nationwide adverse publicity** Nationwide adverse publicity for Dignity could result in a significant reduction in the number of funerals or cremations performed in any financial period. 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 excellent client service. These policies and procedures retain flexibility for the business to serve families in accordance with local traditions.	There have been no such events in the period. See The client survey performance: p.14	No significant change
1 5	**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 be maintained or increased.	The Group believes that its focus on excellent client service helps to mitigate this risk.	Average revenues were increased in line with the Board's expectations. See Operating review: p.16 to p.21	No significant change
1 5	**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 those divisions.	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.	Changes in market share were in line with the Board's expectations. See Operating review: p.16 to p.21	No significant change
1 3 5	**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.	There have been no material changes, with satellites being opened and businesses acquired in appropriate areas. See Operating review: p.16 to p.21	No significant change
1 3 4 5	**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 and consequently a reduction in its profitability. The retention of affinity partners who sell the Group's pre-arranged funeral plans is essential to the long-term development of the pre-arranged funeral plan division. The loss of an affinity partner could lead to a reduction in the amount of profit recognised in that division at the time of sale. Failure to replenish or increase the bank of pre-arranged funeral plans could affect market share of the funeral division in the longer-term.	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. There are a number of potential affinity partners who could replace existing ones or add to existing relationships. Evidence suggests that such partnerships can and are being developed.	No major changes noted. Denials of planning applications for crematoria in the period demonstrate the barriers to entry. See Operating review: p.16 to p.21	No significant change

Strategic Report

Principal risks and uncertainties continued

How the Group finances its operations

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.

Operational risk management continued

Strategic objective link	Risk and impact	Mitigating activities	2014 Commentary	Change
1 5	**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.	No significant changes noted in the period.	
4 5	**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 or could result in the Group not being able to draw down the current level of market allowances, which would have a direct impact on the profitability of the pre-arranged funeral plan division.	Any changes would apply to the industry as a whole and not just the Group.	No significant changes noted in the period. See Market overview: p.08 and p.09	
4 5	**Changes in the funding of the pre-arranged funeral plan business** The Group has given commitments to pre-arranged funeral plan members to provide certain funeral services in the future. Funding for these plans is reliant on either insurance companies paying the amounts owed or the pre-arranged funeral plan trusts having sufficient assets to meet their liabilities in the future. If this is not the case, then the Group may receive a lower amount per funeral than expected and thus generate lower profits.	There is considerable regulation around insurance companies which is designed, amongst other things, to ensure that the insurance companies meet their obligations. The Trusts hold assets with the objective of achieving returns slightly in excess of inflation. Historically, these assets have been heavily weighted towards gilts and corporate bonds. The Trustees, who operate independently of the Group, have advised that they are implementing a new investment strategy covering a wider range of assets classes. The new strategy is intended to enhance investment returns for a similar level of risk, albeit with greater volatility.	The latest actuarial valuation of the pre-arranged funeral plan trusts confirmed that the Trusts continue to have sufficient assets to meet their liabilities. See Note 29	

Financial risk management

Strategic objective link	Risk and impact	Mitigating activities	2014 Commentary	Change
5	**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.	The restructuring of the Group's debt obligations provides greater headroom against the financial covenant as the annual debt service obligation is approximately 15 per cent lower. See Financial review: p.22 to p.25	

Corporate and social responsibility

Continuing to build a responsible and sustainable business

Richard Portman, Corporate Services Director

"We recognise that our corporate responsibility activities are an important way for us to deliver upon our strategic objectives. During 2014, the Board reconfirmed its commitment to the four components of our sustainability programme and we have continued to make good progress in these areas.

Our four CSR commitments:

- **People development**
- **Health & safety**
- **Environment**
- **Community engagement**

Links

See Our strategy and business model: p.10 and p.11
See The client survey performance: p.14
See Governance: p.34 to p.61

Sustainability and strategy

Dignity's sustainability programme shapes the way that we do business. Conducting our business in a responsible way is one of our fundamental values and a key element of our business growth strategy. Behaving in an ethical manner, working safely, reducing our environmental impact, developing our people and contributing to the communities we serve enables us to create long-term value for our stakeholders.

We define our reporting in terms of our workplace, the environment and the communities of which we play an important part. We strive to improve the way that we perform, manage and report on corporate and social responsibility ('CSR') matters across all aspects of our business. Within Dignity, Corporate Services Director, Richard Portman, is accountable for CSR and under this remit identifies major issues and reports these to his fellow Board members.

Governance

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. 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.

Implementation

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 six per cent of our employees are based at our head office where they perform such necessary business tasks as Finance, IT, HR, Marketing and Purchasing. This approach demonstrates our commitment to providing staff in locations where they can directly help and support our clients.

Risk management

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.

Our Code of Conduct is reinforced by a staff handbook, 'Helping our clients every step of the way' which states that all clients should be supported during the funeral arrangements, at the service or when choosing a memorial or funeral plan in a caring and sensitive 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.

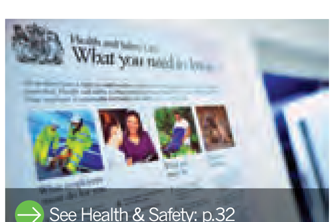
Business integrity and ethics

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.

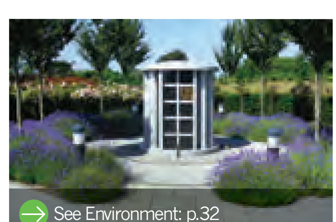
Dignity has been identified by the FTSE Group in its FTSE4Good initiative as a company that is working towards environmental sustainability, developing positive relationships with stakeholders and upholding and supporting universal human rights.

We build trust and respect 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 Group and that the future success of the business depends on its reputation.

See People development p.30 and p.31



See Health & Safety: p.32



See Environment: p.32

See Community engagement: p.33

Overview
Strategic Report
Governance
Financial Statements
Other Information

Strategic Report

Corporate and social responsibility continued

In this section

In this section, we provide an overview of the importance and our approach to CSR and our performance in 2014. Further details and case studies can be found on Dignity's website: www.dignityfuneralsplc.co.uk

People development

Our commitment

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.

For additional information: www.dignityfuneralsplc.co.uk

What we focus on:

- Learning and development;
- Recognising achievement;
- Promoting diversity; and
- Employee engagement.

What we believe in

- **What we are here to do:** To help people at one of the most difficult times in their lives.
- **How we do this:** With compassion, respect, openness and care.
- **What we want to be:** The company that everyone knows they can trust in their time of need.

Our people, culture and values

Our people come from the towns and cities they serve or from families that have been in the funeral profession for generations. They are all dedicated to delivering excellent client service.

Our Code of Conduct is reinforced by our Staff Handbook which is given to all new employees working in our funeral locations and crematoria. This document has been reviewed and updated to ensure that we 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. The Code of Conduct is also published on the Dignity plc investor website.

We adhere to the Bribery and Corruption Act of 2010 and have policies and procedures to minimise the risk of bribery. This is also published on our website.

Progress against our objectives in 2014

Learning and development

Whether it's at the start of a career through our training initiatives; a flexible job for working parents or carers; or a second or third career for someone later in life; we offer job opportunities and support for people to fulfil their potential.

Dignity's investment in training enables our staff to provide our clients with the highest standards of service and care and to ensure that our rigorous procedures are followed in all locations. In 2014, Dignity continued to provide its staff with both relevant job training and tutoring for professional qualifications including the National Association of Funeral Directors (NAFD) Diploma in Funeral Directing; the London Association of Funeral Directors (LAFD) Certificate in Funeral Arranging & Administration and Membership of the British Institute of Embalming.

Recognising achievement

In a competitive marketplace we recognise the importance of financially rewarding employees appropriately for the value they bring to the business. Dignity has rewarded its loyal staff with long service awards totalling approximately £0.2 million in 2014.

Promoting diversity

In January 2014, Dignity was awarded the disability Two Ticks Positive About Disability Symbol by Jobcentre Plus. The symbol identifies those employers that have agreed to meet five commitments regarding recruitment, employment, retention and career development of disabled people.

Employee engagement

To achieve our business objectives we need engaged employees dedicated to our vision and values. Dignity publishes a quarterly in-house magazine, 'Dignity Express', to enable the Company's Directors, managers and employees to communicate objectives, explain financial performance and client satisfaction results in addition to sharing best practice and news in a cost effective manner. 'Dignity Express' is supplemented by monthly news bulletins to keep all employees informed of what is happening within the organisation.

30%

30 per cent of Dignity staff (852 employees) have over 10 years service.

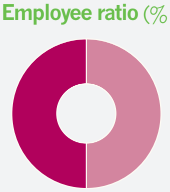
6 years

The average length of service for a Dignity employee is six years.

Senior managers (% & number)

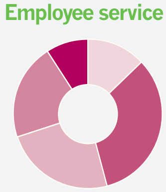
- Male 79% (28 senior managers)
- Female 21% (6 senior managers)

Employee ratio (% & number)



- Male 50% (1,415 employees)
- Female 50% (1,433 employees)

Employee service (% & number)



- < 1 year: 13% (379 employees)
- 1–4 years: 33% (923 employees)
- 5–9 years: 24% (694 employees)
- 10–19 years: 21% (602 employees)
- >20 years: 9% (250 employees)

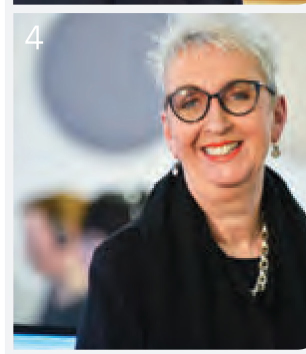
Key and link to strategic objective

1 Continue to prioritise excellent client service which we believe will lead to organic growth.

See Our strategy and business model: p.10 and p.11

Service remains central to all we do and our people are integral to our continued success.

1. Client Service Advisors Ian Webster and Chelsey Nall in the Client Service Centre.
2. Fabio Dos Santos, Funeral Director with J H Kenyon® in London.
3. Victoria Sennett, Funeral Service Arranger at J H Kenyon® in Westminster.
4. Sue Oakes, Head of Customer Services at Dignity's Client Service Centre in Sutton Coldfield.



Committed to continuous improvement

FTSE4Good

In 2014 Dignity retained its place in the FTSE4Good Index Series.

POSITIVE ABOUT DISABLED PEOPLE

The 'Two Ticks' positive about disability symbol is awarded by Jobcentre Plus to employers who have made commitments to employ, retain and develop the abilities of disabled employees. Dignity received this award in January 2014.

Strategic Report

Corporate and social responsibility continued

Link

See Directors' report for more about carbon reporting: p.59 to p.61

Health & Safety

Our commitment

Our business is conducted 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.

For additional information:
www.dignityfuneralsplc.co.uk

What we focus on:

- Ensuring safety;
- Proactive management;
- Employee welfare; and
- Occupational safety.

Progress against our objectives in 2014

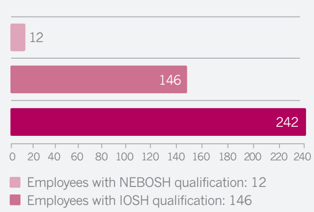
Dignity has a full-time Health and Safety Manager who is supported by eight Health & Safety Officers. Dignity's head office, crematoria and coffin factory also have their own managers with responsibility for Health and Safety. Over the last five years the number of accidents has reduced by 26 per cent.

During the year, Dignity's coffin manufacturing facility in East Yorkshire gained OHSAS18001 accreditation officially recognising the factory as a safe and healthy environment in which to work. OHSAS18001 is a widely recognised management system that is awarded to sites that have a proven record of promoting health and safety by providing a framework to identify and control risks and reduce the potential for accidents.

26%

Over the last five years the number of accidents has reduced by 26 per cent.

Health & safety training (number)



Environment

Our commitment

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.

For additional information:
www.dignityfuneralsplc.co.uk

What we focus on:

- Reducing our carbon footprint;
- Reducing energy consumption;
- Promoting sustainable development; and
- Minimising our environmental impact.

Progress against our objectives in 2014

In 2014 our business continued 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. All waste generated is properly disposed of in accordance with current legislation and steps are taken to recycle waste wherever this is practical.

Approximately 28,600 cremations at Dignity crematoria were mercury abated during 2014, representing 54 per cent of the total number of cremations.

Dignity's coffin manufacturing facility has ISO14001 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. 98 per cent of the coffins manufactured by Dignity are from Forest Stewardship Council ('FSC') accredited timber.

Dignity aims to reduce its future carbon footprint and in 2014 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. Release of Greenhouse Gas emissions are disclosed in the Directors' report on page 60.

58,000

Making in excess of 58,000 coffins per year, Dignity has one of the most modern and efficient manufacturing facilities in the UK and a distribution network that covers from the North East of Scotland to the South West of England, Wales and Northern Ireland.

1. The Service of Remembrance to commemorate those that lost their lives during World War One at Bentley Crematorium.
2. Dignity provided financial support to Charlotte McAvoy and Helen Waite, allowing them to study at the University of Birmingham under the Access to Birmingham Scheme.
3. Meaghan Annear, Senior Account Manager at Marie Curie Cancer Care.
4. Funeral Director, Matthew James with Helen Brown, a nurse at the Marie Curie Hospice in Solihull.

Community engagement

Our commitment

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

For additional information:
www.dignityfuneralsplc.co.uk

What we focus on:

- Making a positive contribution to the local communities we serve;
- Building closer relationships with local communities; and
- Developing a greater understanding of our clients' and communities' needs.

Progress against our objectives in 2014

We continue to build strong links with the communities in which we operate through local engagement and fundraising for charities.

Local community engagement and charitable support

Our people support hundreds of local community initiatives and charitable events each year. Dignity raised £90,000 during 2014 for its corporate charity, Marie Curie Cancer Care and has raised £215,000 since January 2012. Fundraising initiatives included charity car washes and taking part in sponsored walks, sky dives and fun runs. Dignity also raised money for Marie Curie Cancer Care by taking part in national campaigns such as The Great Daffodil Appeal, where branches sold the charity's lapel badges and The Blooming Great Tea Party where visitors could purchase hot drinks, snacks and homemade cakes for a charitable donation.

To demonstrate our values and principles Dignity people have also supported numerous hospices and care homes, a restoration project at a historic church close to its head office in Sutton Coldfield, provided financial support for local sports clubs, musical groups and churches in addition to fundraising for many other national and regional charities.

In September, Dignity provided financial support to three mature students enabling them to study full-time at the University of Birmingham under the Access to Birmingham Scheme (A2B). The scheme provides local people from families or communities with little experience of higher education the opportunity to study at the University.

£215,000

Dignity continues to work with Marie Curie Cancer Care and over the last three years our staff have helped to raise more than £215,000 in support of this vital charity.

"Our partnership with Dignity helps us to make a big difference to the lives of the people we care for. Their efforts help to raise awareness and generate funding for the vital work of our Marie Curie nurses.

Meaghan Annear, Senior Account Manager, Marie Curie Cancer Care.

Governance

Chairman's introduction to governance

"Our report is intended to provide shareholders with a clear and comprehensive explanation of what good governance means within Dignity.

Peter Hindley
Chairman

Dear Shareholder,
I am pleased to present the Group's Corporate Governance Report for 2014 on behalf of our Board. Our report is intended to provide shareholders with a clear and comprehensive explanation of what good governance means within Dignity and more particularly what it means to us as the Board of Directors, how it is applied and how it guides our decision making.

Good governance is crucial at all levels within the Group and it is the responsibility of the Board both to lead by example and set the tone. It means ensuring that an effective internal framework of systems and controls exists which includes clearly defined authorities and accountability which promotes success, whilst allowing risks to be managed to appropriate levels. To do this the Board must make appropriate judgements whilst giving consideration to the views of our shareholders and other stakeholders.

Our Report for 2014 explains Dignity's approach to Corporate Governance. As we did in 2013, separate reports are included from each of the Board Committees as we feel this gives a full and comprehensive view of their activities.

We are reporting in line with the UK Corporate Governance Code (the 'Code') and I am pleased to advise that Dignity has complied with all relevant provisions throughout the period ending 26 December 2014. This is explained in more detail in the following pages.

Peter Hindley
Chairman

4 March 2015

Compliance with the UK Corporate Governance Code

It is the Board's opinion the Group has been fully compliant with the Code throughout the 52 week period ending on 26 December 2014 and remained fully compliant at the date the Annual Report for 2014 was published.

Directors' Report

The Directors present their report for Dignity plc for the period ending 26 December 2014.

Corporate Governance

The Group is committed to high standards of corporate governance, details of which are given in this report and the other reports from:

- The Audit Committee;
- The Nomination Committee; and
- The Remuneration Committee.

The various sections of this report contain summarised information from Dignity plc's Articles of Association (the 'Articles') and the Companies Act 2006 which is the applicable English law concerning companies. The relevant provisions of the Articles or the Companies Act should be consulted if more detailed information is needed.

Links

See Board of Directors: p.36 and p.37
See Directors' statement on corporate governance: p.38 to p.41
See Audit Committee report: p.42 to p.44
See Nomination Committee report: p.45
See Report on Directors' remuneration: p.46 to p.58
See Directors' report: p.59 to p.61

Code principles

Leadership
Continued close focus on strategy and its execution

Effectiveness
A strong, open and effective Board

Accountability
Close scrutiny of risks and controls

Remuneration
Prudent oversight of executive remuneration

Relations with shareholders
Open engagement with shareholders

Our governance structure

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

Board Level Committees

Audit Committee
(Independent Non-Executive Directors)

Remuneration Committee
(Independent Non-Executive Directors)

Nomination Committee
(Chairman and Independent Non-Executive Directors)

Executive Management Team

The Board

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;
- Approval of major financing and capital structure changes to the Group;
- Setting annual budgets and reviewing progress towards achievement of these budgets; and
- Proposing and making dividend payments to shareholders.

The Chairman

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;
- Making sure 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;
- Making sure there is effective communication with stakeholders and acting as the public face of the Group; and
- The Chairman also acts as the Chairman of the Group's defined benefit pension scheme and also as Chairman of the various pre-arranged funeral plan trusts.

Non-Executive Directors

The Non-Executive Directors scrutinise, measure and review the performance of the management; constructively challenge and assist in the development of strategy; review the Group's financial information and monitor the effectiveness of internal risk management systems. There are four independent Non-Executive Directors, the same number as the Executive Directors as prescribed in the Code for listed companies included in the FTSE 250 Index.

Senior Independent Director

The Senior Independent Director provides a sounding board for the Chairman and acts as an intermediary for other Directors if needed and is available to shareholders if required.

The Chief Executive and Executive Directors

The Chief Executive and Executive Directors are responsible for:

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

Committees of the Board

There are three standing committees of the Board: the Audit Committee; the Remuneration Committee and the Nomination Committee. The Terms of Reference of these Committees are set by the Board and are available on the Dignity plc corporate website. Membership is reserved for the Independent Non-Executive Directors save for the Nomination Committee which is chaired by the Non-Executive Chairman. The Board Committee Reports are on pages 42 to 58.

Executive Management Team

The Executive Management team consist of the following Executive Directors and Senior Managers:

- Chief Executive: Mike McCollum;
- Finance Director: Steve Whittern;
- Operations Director: Andrew Davies;
- Corporate Services Director: Richard Portman;
- General Manager – Crematoria: Steve Gant;
- General Manager – Pre-arrangement: Steve Wallis;
- Head of Corporate Development – Crematoria: Alan Lathbury; and
- Head of Corporate Development – Funerals and Head of Internal Audit: Debbie Ginn.

Governance

Board of Directors

“Our strong and experienced Board is responsible for the long-term success of the Group.

Peter Hindley
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. He subsequently led a management buy out of Dignity 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 held a number of senior positions in retailing. Peter was appointed Chairman of the Steering Committee of the French funerals group OGF, SA in January 2014.

Mike McCollum
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. As Finance Director he was part of the management team that guided the Group through the leveraged buy out in 2002 and IPO in 2004. He was appointed Chief Executive in 2009. He has a law degree from Birmingham University, is a solicitor and also holds an MBA from Warwick University.

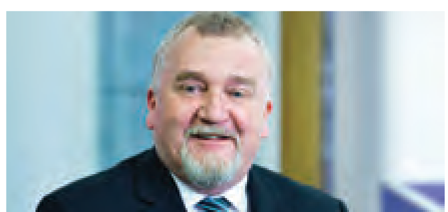
External appointments:
Non-Executive Director of CVS Group plc.

Steve Whittern
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 has led the three refinancings and Returns of Cash since 2010, and the debt and equity funding for the Yew Acquisition in 2013. Steve is an FCA and holds a mathematics degree from Warwick University.

External appointments:
None.



Andrew Davies
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
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, is a Fellow of the Chartered Management Institute and is a Member of the Investor Relations Society.

External appointments:
None.

Alan McWalter
Senior Independent Director

Appointed to the Board: 2009

Background and experience:
Alan is Non-Executive Chairman of Churchill China plc, Belfield Furnishings Ltd, Kornicis Ltd and Senior Independent Director of SDL PLC. 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
Non-Executive Director

Appointed to the Board: 2009

Background and experience:
Ishbel is a Non-Executive Director and Chairman of the Remuneration Committee of Galliford Try plc, Senior Independent Non-Executive Director of Dechra Pharmaceuticals plc and Senior Independent Non-Executive Director and Chairman of the Audit Committee of Bonmarche Holdings plc. Prior to taking on non-executive roles she held senior positions with Barclays de Zoete Wedd, Hoare Govett and Dresdner Kleinwort Wasserstein.

Board Committee Membership
as at 26 December 2014

	Audit Committee	Remuneration Committee	Nomination Committee
Peter Hindley			▲
Alan McWalter	●	▲	●
Ishbel Macpherson	▲	●	●
Jane Ashcroft	●	●	●
Martin Pexton	●	●	●

▲ Chairman
● Member

Jane Ashcroft CBE
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 Director of Care England, Treasurer of The Silver Line 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, a Member of the Chartered Institute of Personnel and Development, a Trustee of Silver Line and was created a CBE in the 2014 New Years honours list.

Martin Pexton
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.

Links

See Audit Committee report: p.42 to p.44
See Nomination Committee report: p.45
See Report on Directors' remuneration: p.46 to p.58

Directors' statement on corporate governance

How the Board Functions

The Group is controlled through the Board of Directors that meets regularly throughout the year. The Board has adopted a formal Schedule of Matters Reserved to it which was reviewed, updated and readopted during 2014. The structure of the Board, together with explanations of responsibilities is shown on page 35. Informal meetings are held between individual Directors as required.

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 rest with the Board however, certain capital expenditures and acquisition projects are delegated 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 consider to be an appropriate and effective combination and also complies with the Code in respect of FTSE 250 listed companies. The Board also considers that four Executive Directors are sufficient to manage a Company of this size and organisational structure.

The four independent Non-Executive Directors who served for the period were: Jane Ashcroft, Ishbel Macpherson, Alan McWalter and Martin Pexton. Biographical details for the Non-Executive Directors appear on page 37. Their role is to challenge constructively the management of the Group and help develop proposals on strategy. The Non-Executive Directors are chosen for their diversity of skills and experience. Each Non-Executive Director is appointed for a fixed term of two years, subject to annual re-election by shareholders. This term may then be renewed by mutual consent up to a maximum of nine years in accordance with the Code. Appointments beyond six years are also subject to rigorous review prior to approval. The Non-Executive letters of appointment are available from the Company Secretary.

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 so required.

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

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. In addition any newly appointed director receives appropriate induction training.

The Company maintains appropriate insurance cover in respect of any legal action against its Directors including in respect of prospectuses issued in connection with the issue of additional Secured Notes and Returns of Value to Shareholders. The level of cover is currently £70 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.

Board Appraisal

In accordance with the requirements of the Code an external evaluation of the Board and its Committees was completed in 2013 by Independent Audit Ltd, a specialist company, entirely independent of the Group. The next external evaluation will be completed in 2016, in accordance with the requirements of the Code that an external evaluation takes place on at least a three yearly basis. An action plan was developed and implemented to address the points identified, which relate to minor administrative matters.

During the period, the Board 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 in to 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.

Board and Board Committee Attendance

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	**8**	**4**	**4**	**3**
Jane Ashcroft	8	4	4	3
Andrew Davies	8	4(ii)	–	–
Peter Hindley	8	4(ii)	4(ii)	3
Mike McCollum	8	4(ii)	3(ii)	2(ii)
Alan McWalter	8	4	4	3
Ishbel Macpherson	7(iv)	4	4	3
Martin Pexton	8	4	4	3
Richard Portman	7(iv)	4(iii)	3(iii)	2(iii)
Steve Whittern	8	4(ii)	–	–

(i) Only full Board meetings, of which there are seven per annum, have been included in the attendance analysis together with one further meeting that was convened to deal with the Return of Value to shareholders. 17 further meetings were held with a quorum of Directors to approve announcements, documents or the issue of shares under the LTIP and SAYE schemes and technical aspects of the Return of Value to shareholders.

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

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

(iv) Richard Portman was unable to attend one Board meeting because of a long standing family commitment and Ishbel Macpherson was unable to attend one procedural meeting relating to the issue of the New Notes and Return of Value called at short notice at a time when she had a previous commitment.

The Board has increased the number of regular full Board meetings by one to seven per annum spread broadly equally across the year. After careful consideration it was decided that this is the appropriate number required to exercise effective governance and control. Further meetings are arranged if required.

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 meetings between the Chairman and the Non-Executive Directors, without the Executive Directors being present were held during 2014. These are usually scheduled to occur before full Board meetings.

The Company Secretary

The Company Secretary, Richard Portman, is responsible for overseeing 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 as Company Secretary provides corporate governance advice and ensures all procedures are followed at those meetings, if required. The minutes of the meeting are taken by an experienced Administrator from the Corporate Services function. Richard Portman also attends the Committee meetings when requested to do so by the Chairman of that Committee to provide corporate governance advice as Company Secretary with the minutes being taken by the Administrator.

The Board is happy that the role of Company Secretary is undertaken by the Corporate Service Director as, whilst traditionally it might be considered more appropriate to have the roles separate, the Board believes in Dignity's case 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.

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 Governance Report was signed and approved for the Annual Report and Accounts 2014. This process was in place at the date of approval of the Annual Report and is in accordance with the Code.

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 have been tested and also proposes improvements where appropriate and necessary. Coupled with this, the six monthly 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 who recommends approval to the full Board and is discussed in the Audit Committee Report on pages 42 to 44.

Directors' statement on corporate governance continued

The Audit Committee on behalf of the Board has formally reviewed during the year 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 organisational 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 or the Audit Committee requests such a review. During 2014, as in previous years, there were quarterly meetings between the Head of Internal Audit and the Executive Directors to review formally and discuss Internal Audit's work programme and findings. There were also one to one meetings between the Chairman of the Audit Committee and the Head of Internal Audit. In addition, regular meetings between Internal Audit and the external auditors, PricewaterhouseCoopers LLP and subsequently Ernst & Young 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 regularly assess the risks. A Risk Register is maintained, which is formally presented to and reviewed by the Audit Committee twice a year. The principal risks and uncertainties facing the Group, which are documented in the Risk Register, are discussed on pages 27 and 28 of the Annual Report.

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 aims to create and preserve value and the strategy for delivering its objectives is included in the Operating review on pages 16 to 21.

Relationship 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 Board is as interested in their concerns as it is of institutional and corporate shareholders. All shareholders are free to attend and put questions to the Board at the AGM on 11 June 2015. At least 20 days' notice will be given ahead of that meeting. Questions asked in person at the AGM will receive an oral response whenever possible, otherwise a written response will be provided as soon as practicable after the AGM. Questions raised at any other time will normally receive a written response. Shareholders attending the AGM will also have the opportunity to meet informally with all the Directors after the meeting has concluded.

The Directors consider that this Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model, risks and strategy. In order to assess whether the Annual Report and Accounts were fair balanced and understandable, the Board received an early draft to enable time for review and comment. The Board then met to consider the criteria for a fair, balanced and understandable Annual Report and to review the process underpinning the compilation and assurance of the report, in relation to financial and non-financial management information. As part of that meeting the Board considered the Annual Report and Accounts as a whole and discussed the tone, balance and language of the document, being mindful of the UK reporting requirements and consistency between narrative sections and the financial statements. As part of this process the Board considered the Group's reporting governance framework and the views of the external auditor as reported to the Audit Committee. Pages 6 to 28 provide an assessment of the Group's affairs. The Annual Report and Accounts is made available to all shareholders at least 20 working days before the AGM. Registered shareholders receive a Notice of Meeting and Form of Proxy, the latter document allowing a shareholder to vote in favour, or against or indicate an abstention on each separate resolution tabled at the AGM. Particulars of aggregate proxies lodged are also announced to the London Stock Exchange ('LSE') and placed on the Group's investor website, www.dignityfuneralsplc.co.uk, as soon as practicable after the conclusion of the AGM.

The Interim Report is no longer published as a paper document but is available on the Group's investor website upon which users can also access the latest financial and corporate news. All information reported to the market via regulatory information services also appears as soon as practicable on that website.

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

Substantial shareholdings

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

Holder	As at 2 March 2015 Number of Ordinary Shares	As at 2 March 2015 Percentage of issued share capital	As at 26 December 2014 Number of Ordinary Shares	As at 26 December 2014 Percentage of issued share capital
BAM & Oppenheimer Funds	4,968,414	10.11%	4,968,414	10.11%
Kames Capital	2,954,272	6.00%	2,954,272	6.00%
Aberdeen Asset Management	2,621,094	5.33%	2,621,094	5.33%
Montanaro Group	2,528,125	5.14%	2,528,125	5.14%
Franklin Templeton Investment Management Limited	2,448,905	4.98%	2,448,905	4.98%
Blackrock Investment Management	1,963,148	3.99%	1,963,148	3.99%
Tiger Global Management LLC	1,934,756	3.94%	1,934,756	3.94%

By order of the Board

Richard Portman
Company Secretary

4 March 2015

Governance

Audit Committee report

"During 2014, the Committee monitored the integrity of the financial statements and other information provided to shareholders.

Ishbel Macpherson
Chairman of the Audit Committee

Dear Shareholder,
On behalf of the Board, I am pleased to present the Audit Committee report for 2014.

Membership and Process

The following Directors served on the Audit Committee (the 'Committee') during 2014: me (as Chairman), Alan McWalter (Senior Independent Director), Jane Ashcroft and Martin Pexton each of whom are independent Non-Executive Directors.

The Board is satisfied that I, as Chairman of the Committee, have recent and relevant financial experience. The Company Secretary acts as Secretary to the Committee. I report the Committee's deliberations at the next Board meeting and the minutes of each meeting are made available to all members of the Board.

The Committee met four times during 2014; in March prior to the release of the Preliminary Announcement for 2013; in June 2014 to recommend the appointment of Ernst & Young LLP ('EY') as external auditors following the resignation of PricewaterhouseCoopers LLP ('PwC'); prior to the release of the Interim Announcement for 2014 in July; and again in December 2014 immediately prior to the end of the financial period. The attendance records of the members is shown on page 39. The external auditors, PwC and latterly EY, the Chairman, the Chief Executive, the Finance Director and the Operations Director have attended meetings by invitation.

Role

The Committee works with the full Board to fulfil its oversight responsibilities. Its primary functions are to:

- Monitor the integrity of the financial statements and other information provided to shareholders to ensure they represent a clear and accurate assessment of the Group's position, performance, strategy and prospects;
- Consider the financial statements and recommend to the Board on whether the Annual Report and Accounts, taken as a whole, is fair, balanced, and understandable;
- Review significant financial reporting issues and judgements contained in the financial statements;
- Review the systems of accounting, internal control and risk management;
- Monitor and review the significant risks identified by the Group as well as the mitigation of those risks;
- Oversee and maintain an appropriate relationship with the Group's external auditors and review the effectiveness, independence and objectivity of the external audit process;
- Monitor and review the effectiveness of the internal audit function; review the internal audit plan; all internal audit reports; review and monitor management's responses to the findings and recommendations of the internal audit function; and maintain an effective relationship with the Head of Internal Audit; and
- Monitor and review the arrangements by which employees can, in confidence, raise concerns about any possible improprieties in financial and other matters (such as compliance with the Bribery Act).

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

Activities in the year

The key activities of the Committee during the year were:

- It reviewed the financial statements in the 2014 Annual Report and Accounts and the 2014 Interim Report. As part of this review the Committee received reports from the external auditors on their audit of that Annual Report and their review of the interim results. It also reviewed the Preliminary and Interim Announcements made to the London Stock Exchange;
- At all meetings, save for the one where EY were appointed external auditors, it reviewed reports made by Internal Audit which included the review of progress against the plan for the period, the results of principal audits and other significant findings, adequacy of management's responses and the timeliness of resolution of actions arising;
- Review and agreement of the 2014 External Audit Plan and a three year rolling plan for Internal audit;
- A six month review and formal adoption of the Risk Register. This is part of a formal ongoing process of identifying, evaluating and managing the significant risks faced by the Group. The principal risks facing the Group are considered on pages 27 and 28 of the Annual Report;
- Selecting EY as external auditors following a rigorous tender and evaluation process involving KPMG LLP, Deloitte LLP as well as EY;
- Formally review the going concern assumptions adopted in the preparation of the 2013 and 2014 accounts;
- Commissioning and reviewing an independent external assessment of Internal Audit which was completed by BDO LLP during the period; and
- Reviewing the terms of reference of the Committee to ensure they meet both current and best practice. The revised terms of reference were then adopted by the Board. They are available on the Group's corporate website at www.dignityfuneralsplc.co.uk.

Areas that have been discussed and considered by the Committee in relation to the 2014 Annual Report are:

- Pensions – We examined the assumptions used in the actuarial valuation for the defined benefit pension scheme which include the discount rate, the inflation rate and mortality. We considered the consistency of the basis of calculation of the assumptions used with 2013, and agreed with the judgements reached by management;
- Provision for doubtful trade receivables – We discussed the risks relating to the trade receivables ledger and the adequacy of provisions made against them. We considered the consistency of the provisioning methodology to the prior year. We agreed with the judgements reached by management; and
- Capital refinancing and Return of Value to shareholders – The Committee considered the appropriateness of the accounting treatment adopted for the capital refinancing and Return of Value to shareholders in the year, including that relating to professional fees. This consideration extended to consider the appropriateness of extinguishment versus modification accounting and was based on professional advice received as part of the transaction.

The Committee discussed the annual external audit plan in advance of the year end with the external auditors, which addressed the planned audit approach to these key accounting areas. The Committee discussed the auditor's views on key judgement areas and audit findings relating to key accounting matters at the conclusion of the audit. As this was EY's first year as auditors they have considered various other judgements made by the Group. The Committee also considered these in greater detail than usual.

The Committee holds a private session with the Lead Partner from our external auditors without management present at least twice a year. In addition, I, as Chairman of the Audit Committee, met with the Lead Partner three times through the year to provide the opportunity for open communication and the free flow of any concerns relating both to the openness, transparency and general engagement of management with the audit process as well as to understand EY's assessment of key judgements as they arise.

The Audit Committee's role

The Audit Committee is responsible for the development, implementation and monitoring of the Group's policy on external audit. This policy assigns responsibility for monitoring objectivity, independence and compliance with ethical and regulatory requirements to the Audit Committee with day to day responsibility assigned to the Finance Director, Steve Whittern. The Committee also retains responsibility for the appointment and removal of the external auditors, who are currently EY.

The Audit Committee, on an annual basis, normally formally considers the performance and independence of the external auditors. The Committee did not review the performance of the external auditors in the period as EY were only appointed on 5 June and it was felt to be too early in their tenure to have a meaningful review. The formal annual reviews will recommence in 2015. The Committee was, however, satisfied with their performance in 2014.

The Committee is confident that the objectivity and independence of the external auditors is not compromised by reason of non-audit work, not least because now such work will generally be undertaken by other professional firms. A formal statement of independence from EY has been received in respect of 2014.

Audit Tender

As discussed in the 2013 Annual Report the Group decided to tender the role of external auditor for Dignity plc as the ratio of non-audit to audit services had continued to be high. PwC did not take part in the tender process leaving them available to provide the non-audit services from which the Group has benefitted over recent years.

There are no contractual obligations restricting the choice of external auditor save for under the terms of the Secured Notes. Dignity (2002) Limited and certain of its subsidiaries are only permitted to engage "a firm of accountants of repute in the UK". Consequentially the Group invited tenders from EY, KPMG LLP and Deloitte LLP. The process consisted of comprehensive presentations to the Chief Executive, the Finance Director, myself and the Financial Controller of the Group together with individual face to face meetings with certain Directors. Following that process a recommendation was made by myself, after discussions with the Chief Executive and the Finance Director, to the Audit Committee to appoint EY. This recommendation was accepted by the Committee and recommended to the Board.

Policy on non-audit fees

With effect from 1 January 2014, the Group adopted a more rigorous and comprehensive policy on the use of the external auditors for non-audit work. The policy states that non-audit fees are limited to no more than 50 per cent of the annual audit fee unless there are exceptional circumstances, which are defined as:

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

This policy also precludes the use of the external auditors for certain types of work. All such work will be fully analysed in the Annual Report between tax compliance and advisory, non statutory acquisition related services and statutory services. If non-audit fees to be incurred with the external auditor are

Governance

Audit Committee report continued

to be in excess of 20 per cent of the audit fee, Audit Committee approval will be required prior to the work being commenced and further disclosure of the works and the reasons for it being performed by the external auditors will be included in the following Annual Report. The Audit Committee do not envisage that non-audit fees payable to the external auditors will exceed 50 per cent in the future, other than in exceptional circumstances.

In the period, EY undertook no non-audit work on behalf of the Group except for their review of the Interim Report for 2014 and completion of turnover certificates and financial covenants compliance certificate. Total fees of £40,000 were charged for the non-audit services, compared to £0.2 million of audit services.

Audit partner rotation

Consistent with the Auditing Practices Board, EY audit partners serve for a maximum of five years on listed clients. This is the first year that Simon O'Neill is Dignity's audit partner as a consequence of the change of external auditors.

The Audit Committee considers that the relationship with the auditors is working well and is satisfied with their effectiveness. The Audit Committee has also kept under review the independence of EY and has been satisfied at all times that any threats arising to their independence have been subject to appropriate safeguards.

Internal Audit

The Group has a dedicated Internal Audit team, which reports to the Chief Executive and the Audit Committee. 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 or the Audit Committee requests a review.

During 2014 (as in 2013), there were quarterly meetings between the Head of Internal Audit and the Executive Directors formally to review and discuss Internal Audit's work programme and findings. In addition, regular meetings between Internal Audit and the external auditors, PwC and latterly EY, were held during the year to discuss and plan audit work and to ensure a complementary approach. The Head of Internal Audit provides reports to the Audit Committee at every full meeting and met on a one to one basis with me, as the Chairman of the Audit Committee on three occasions in the period.

An external evaluation of the Internal Audit function was completed by BDO LLP during the period. The Chartered Institute of Internal Auditors requires under the International Professional Practice Framework that 'external assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation'. The Committee decided that it was appropriate to complete such an assessment. BDO LLP concluded that Internal Audit was operating efficiently and effectively. A number of suggestions for minor improvements were made which will be implemented.

Whistleblowing

A formal process, established via the 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. Whistleblowing reports are formally reviewed on an annual basis by the Committee or more frequently should the need arise.

This Audit Committee report was reviewed and approved by the Board on 4 March 2015.

Ishbel Macpherson
Chairman of the Audit Committee

4 March 2015

Nomination Committee report

"The Terms of Reference of the Committee were comprehensively reviewed in the period.

Peter Hindley
Chairman of the Nomination Committee

Dear Shareholder,
On behalf of the Board, I am pleased to present the 2014 Nomination Committee report.

Throughout 2014 the Nomination Committee (the 'Committee') consisted of me (as Chairman), Alan McWalter (Senior Independent Director), Jane Ashcroft, Ishbel Macpherson and Martin Pexton each of whom are independent Non-Executive Directors. The Company Secretary, Richard Portman, acts as Secretary to the Committee.

The principal duties of the Committee are as follows to:

- Keep under review the structure, size and composition of the Board which includes ensuring that it has the necessary skills, knowledge and experience;
- Regularly consider succession planning for the Directors and senior managers;
- Be responsible for identifying and nominating for approval by the full Board, candidates to fill Board vacancies as and when they arise;
- Keep under review the leadership needs of the Group, both executive and non-executive;
- Review annually the time required from the Non-Executive Directors; and
- Review the results of the Board performance evaluation that relate to the composition of the Board.

The terms of reference of the Committee were comprehensively reviewed during 2014 to ensure they meet both current and best practice. The revised terms of reference were then adopted by the Board. They are available on the Group's corporate website at www.dignityfuneralsplc.co.uk.

The Committee met three times in 2014. At these meetings the principal duties of the Committee were formally considered and no issues or concerns were identified. The members of the Committee's attendance record is set out on page 39.

I report on the Committee's proceedings at the next full Board meeting and the minutes of those meetings are made available to all members of the Board.

There were no changes to the composition of the Board in 2014. At the meeting in January 2014 the Committee recommended to the Board that Jane Ashcroft and Martin Pexton be appointed for a further two year period having already served for two years from 1 April 2012. At the meeting in December 2014 the Committee recommended to the Board, following a rigorous review of their performance, that Ishbel Macpherson and Alan McWalter be appointed for a further two years from 14 December 2014, having already served for six years from 12 January 2009.

The Committee, and by extension the full Board, continue to support the spirit of Lord Davies' Report "Women on Boards". In 2011 we set a goal of 20 per cent of Board positions to be filled by women by 2015. This objective was achieved in 2012. We continue to remain mindful of the overall need to recruit the very best candidates regardless of gender and will continue to encourage similar diversity in senior management positions and throughout the workforce.

I am also pleased to confirm that 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 our Annual Report.

During the period, the Board completed an internal performance evaluation of itself and its Committees. The results of this are discussed on page 38.

Finally, the Company's Articles provide that all Directors retire by rotation with one third being subject to re-election each year. However we continue to adopt the provisions of the UK Corporate Governance Code such that all Directors offer themselves for re-election annually.

This Nomination Committee report was reviewed and approved by the Board on 4 March 2015.

Peter Hindley
Chairman of the Nomination Committee

4 March 2015

Governance

Report on Directors' remuneration

for the 52 week period ended 26 December 2014

"With a clear and simple strategy and a motivated executive team, we are well placed to strengthen in each of the markets in which we operate and continue to keep on delivering shareholder value. As we seek to deliver our ambitious growth plans, it is important that our executive remuneration strategy is fit for purpose.

Alan McWalter
Chairman of the Remuneration Committee

Dear Shareholder,

On behalf of the Board, I am pleased to present the Remuneration Committee's report on Directors' remuneration for 2014.

Last year shareholders were given the opportunity to vote on our first binding remuneration policy and I was delighted that we received a 98.2 per cent vote in favour.

This year our remuneration policy remains unchanged and remuneration in 2015 will be in accordance with the approved policy. For ease of reference the substantive provisions of the remuneration policy that was endorsed by shareholders last year are repeated in this report.

The second part of this report, the Annual Report on Remuneration, sets out the pay outcomes for 2014 and how we intend to apply our policy for 2015. This section (and my Annual Statement) will be subject to an advisory vote at the forthcoming AGM.

Performance outcome for 2014

As highlighted in the Financial review, for the year ended 26 December 2014, the business continued to perform strongly. Underlying profit before taxation was £58.5 million, an increase of 11 per cent on the previous period. Underlying earnings per share was 85.8 pence, an increase of 19 per cent.

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 2012 under the shareholder approved Long-Term Incentive Plan ('LTIP') are subject to a relative total shareholder return ('TSR') measure. These awards will vest on 29 March 2015 and based on performance to 26 December 2014, Dignity returned 126.1 per cent compared to the median of the TSR peer group of 45 per cent. If this relative performance is maintained, the anticipated level of vesting is 100 per cent of the award.

The Committee believes that this represents a fair link between reward and performance for the year under review.

Business context and application of policy for 2015

Dignity plc has been a very strong and consistent performer since coming to market in 2004. Shareholders have seen the benefits of a stable and talented management team that came together at the end of 2008. Since then, the Company has significantly outperformed the FTSE 100 and 250 indices over one, three and five year periods.

With a clear and simple strategy (as set out on pages 10 and 11) and a motivated executive team, we are well placed to strengthen in each of the markets in which we operate and continue to keep on delivering shareholder value. As we seek to deliver our ambitious growth plans, it is important that our executive remuneration strategy is fit for purpose. In this regard, we are committed to ensuring that rewards for Executives are closely aligned to the interests of shareholders by having all our incentive arrangements linked to challenging performance targets, focused on growing earnings and generating market beating levels of shareholder return.

Annual bonus and long-term incentive plan opportunities remain unchanged from the year under review. The Committee continues to believe that the current arrangements do not inadvertently encourage undue risk taking given the clear long-term focus in our policy. The operation of the LTIP, in addition to operating clawback provisions in the short and long-term plans and share ownership guidelines, ensure that executive rewards are clearly aligned with the long-term objectives of the Company and its shareholders.

A two per cent increase has been applied to the Chief Executive's and Corporate Services Director's salary which is in line with the general employee increase. However, following consultation with our leading shareholders, more significant rises have been awarded to the Finance Director and the Operations Director.

Steve Whittern was promoted to Finance Director in 2009 on a below market salary and in recent years we have taken steps to move him gradually towards an appropriate rate. Reflecting his continued strong performance in the role which this year was in part demonstrated by the complex debt refinancing he led, the Committee has decided to increase his salary by 13 per cent to £300,000 per annum.

The Operations Director, Andrew Davies, has been instrumental in delivering the Group's strategy, particularly in overseeing our acquisition strategy. He has been responsible for delivering a 30 per cent increase in the number of funeral locations and the above plan performance of our largest ever acquisition, Yew Holdings Limited. The Committee has decided to award a 15 per cent increase in his salary to £310,000 per annum. His previous increases have been a modest two per cent or lower in each of the last five years.

The Committee considered the above salary increases carefully and whilst the Committee is very conscious of the relationship to workforce pay we are satisfied that the revised salaries reflect the size, breadth and sophistication of the Group and the roles and will assist in providing market competitive levels of pay which better reflect the individuals' respective increased experience and responsibilities. Further details are provided in the Annual Report on Remuneration.

Shareholder feedback

The Remuneration Committee encourages dialogue with the Company's shareholders. We consulted major shareholders on the salary increases proposed for 2015 and will continue to consult with major shareholders ahead of any significant future changes to the remuneration policy.

We look forward to your continued support of our remuneration policy at the 2015 Annual General Meeting.

Alan McWalter
Chairman of the Remuneration Committee

4 March 2015

Introduction

At the AGM held on 5 June 2014, shareholders overwhelmingly approved a new Directors' Remuneration Policy for the Company. This policy, which specifies the pay elements operated by the Company and summarises the approach that the Committee will adopt in certain circumstances such as the recruitment of new directors and/or the making of any payments for loss of office, became effective on approval of the Policy and was applied by the Committee during 2014. It will continue to be operated in 2015.

Although not required by The Large and Medium-sized Companies and Groups Regulations 2008 as amended in 2013, the substantive terms of the above Directors' Remuneration Policy are repeated for ease of reference. However, any details that were specific to 2014 or earlier years (including, for example, any disclosures relating to named directors and the illustrative remuneration scenarios set out on page 50 have been updated to reflect the current position. The policy as originally approved by shareholders can be found on pages 54 to 67 of the Annual Report & Accounts 2013, a copy of which is available on the Company's website www.dignityfunerals.co.uk/corporate.

REMUNERATION 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 of the Group.

The Remuneration Committee is confident 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 measured against robust financial performance and returns to shareholders. This is achieved by heavily weighting the overall remuneration package towards variable pay.

Governance

Report on Directors' remuneration continued

for the 52 week period ended 26 December 2014

The table below summarises the main components of Dignity's ongoing remuneration policy.

Element	Purpose and link to strategy	Operation	Maximum Opportunity	Framework used to assess Performance
Base salary	Essential to recruit and retain executives. Reflects an individual's experience, role and performance.	Salaries are paid monthly. They are normally reviewed annually and fixed for 12 months commencing 1 January. In deciding appropriate levels, the Committee takes into account: • the role, experience, responsibility and performance (individual and Group); • increases applied to the broader workforce; and • relevant market information for similar roles in broadly similar UK listed companies and companies of a similar size.	Generally, annual increases will be in line with employee increases but higher increases may be awarded on occasion where an individual is promoted or has been recruited on a below market rate or where there have been changes to individual responsibilities or in the size or complexity of the business. Salaries for 2015 are: CEO: £486,000; Operations Director: £310,000; Finance Director: £300,000; and Corporate Services Director: £235,000.	None.
Benefits	Operate competitive benefits to help recruit and retain executives.	Benefits include provision of a 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. Relocation or other related expenses may be offered, as required. May participate in the all-employee HMRC approved Save As You Earn ('SAYE') option scheme.	Market competitive levels. Relocation expenses must be reasonable and necessary. HMRC individual SAYE limit (currently £500 per month).	None.
Pension	Provides a discrete element of the package to contribute to post retirement lifestyle.	The Company operates a defined benefit plan, the Dignity Pension and Assurance Scheme, under which selected executives may accrue benefit. The defined benefit plan is closed to new members. The Company may contribute to selected individuals' personal pension schemes or is able to make salary supplements in lieu of pension contributions. Details of the arrangements for the Directors are set out in the Annual Report on Remuneration.	The accrual rate under the defined benefit scheme is one eightieth of final salary for every completed year of service. The Company contribution to defined contribution plans or salary supplement in lieu of pension may be made up to the value of 15% of salary.	Not applicable.
Annual bonus	To motivate executives and incentivise the achievement of annual financial and/or strategic business targets.	Bonus payment is determined by the Committee after the year end, based on performance against targets set prior to the start 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.	The maximum award under the annual bonus scheme is 100% of salary.	The bonus may be based on the achievement of an appropriate mix of challenging financial, strategic or personal targets. Financial measures which account for the majority, if not all, of the bonus opportunity may include measures such as EPS (or other measures of profit) or cash flow taking into account the strategic objectives of the business from time to time. For financial metrics, a range of targets is set by the Committee, taking into account factors such as the business outlook for the year. • Nothing is payable for performance below a minimum level of performance. • Up to 70% is payable for meeting a demanding target and up to a further 30% is payable for achieving a second, more demanding target. • Bonus is payable on a pro rata basis for performance between the first and second targets. See Note 1.

Element	Purpose and link to strategy	Operation	Maximum Opportunity	Framework used to assess Performance
Long-Term Incentive Plan	Incentivises selected employees and Executive Directors to achieve demanding financial and 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.	Awards are normally granted annually in the form of nil cost options or a combination of nil cost options. Stretching performance conditions measured over a period of three years determine the extent to which awards vest. Quantum is reviewed annually (subject to the LTIP individual limit) taking into account matters such as market practice, overall remuneration, the performance of the Company and the Executive being granted the award. Vested awards are subject to clawback in the event of financial misstatement or miscalculation of performance conditions.	The maximum annual award to an individual is 125% of salary.	Awards under the LTIP vest at the end of a three year performance period subject to the satisfaction of challenging performance measures. Two measures apply: • A portion of awards will vest based on the Company's total shareholder return ('TSR') performance over a three year performance period compared to a comparator group set on grant. 25% of this part of the award vests at median, with 100% 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 Group has been satisfactory. • A portion of awards will be subject to a sliding scale of underlying earnings per share growth targets. 15% of this part of the award vests for achieving a threshold level of growth, with full vesting for stretch performance or better. For performance between these points, vesting is on a straight line basis. 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. TSR and EPS performance periods commence from the start of the financial year in which the award is made. See Note 2.
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. They are 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 annually against broadly similar UK listed companies and companies of a similar size. In exceptional circumstances, additional fees may be payable to reflect a substantial increase in time commitment of the Non-Executive Chairman and Directors.	Current fees are set out in the Annual Report on Remuneration.	Not applicable.
Share ownership guidelines	To align the interests of management and shareholders and promote a long-term approach to performance.	Executive Directors are required to accumulate a holding in the Company to the value of 100 per cent of their salary as at 1 March 2013. Until the guideline is met, the executive is required to retain 50 per cent of shares acquired under the Company's share plans (after allowing for tax and national insurance liabilities).	Not applicable.	Not applicable.

Notes
1. In terms of annual performance targets, underlying EPS is used as the primary performance metric reflecting the Company's objective of increasing earnings and shareholder value.
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 EPS measure ensures a focus on long-term profitability which the Committee believes is a driver of shareholder value.

Governance

Report on Directors' remuneration continued

for the 52 week period ended 26 December 2014

Bonus Plan and LTIP discretions

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

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

Legacy arrangements

For the avoidance of doubt, in approving the Policy Report, authority is given to the Company to honour any commitments entered into with current or former directors that have been disclosed previously to shareholders.

Differences in remuneration policy for Executive Directors compared to other employees

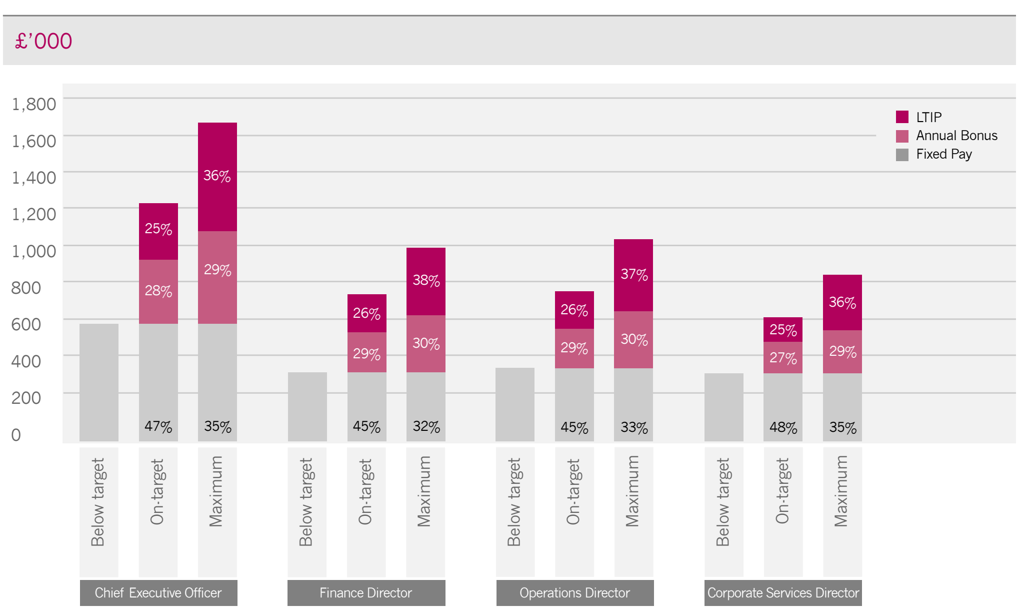
The Committee is made aware of pay structures across the wider Group when setting the remuneration policy for Executive Directors. The Committee considers the general basic salary increase for the broader employee population when determining the annual salary review for the Executive Directors.

An annual bonus plan operates across all employees in the Group and all permanent employees are eligible to participate in the SAYE scheme.

Overall, the remuneration policy for the Executive Directors is more heavily weighted towards variable pay than for other employees. This ensures that there is a clear link between the value created for shareholders and the remuneration received by the Executive Directors given it is the Executive Directors who are considered to have the greatest potential to influence Company value creation.

Remuneration scenarios for Executive Directors

The Company's policy results in a significant portion of remuneration received by Executive Directors being dependent on Company performance. The graph below illustrates how the total pay opportunities for the Executive Directors for 2015 vary under three performance scenarios: below target, on-target and maximum.



Notes
- Below target comprises Fixed pay. Fixed pay is the sum of 2015 basic salary, the value of benefits in 2014 and 2015 pension provision. Fixed pay is constant across all three scenarios.
- For On-target; assumed 70 per cent of maximum bonus paid (which is also the start-to-earn point) and 50 per cent of LTIP vests.
- For Maximum; assumed full bonus payment and LTIP vests in full.
- No account has been taken of any changes in the Company's share price since the end of the period.

Recruitment and Promotion policy

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

Salary levels for Executive Directors will be set in accordance with the Company's remuneration policy, taking into account the experience and calibre of the individual and their existing remuneration package. Where it is appropriate to offer a lower salary initially, a series of increases to the desired salary positioning may be made over subsequent years subject to individual performance and development in the role. Benefits will generally be provided in line with the approved policy, with relocation or other expenses provided for if necessary. A pension contribution of up to 15 per cent of salary may be provided or continued participation in the defined benefit pension scheme for a promoted employee who currently participates in the plan.

The structure of variable pay elements will be in accordance with the Company's approved policy detailed above. The maximum aggregate variable pay opportunity is 225 per cent of base salary. Different performance measures may be set initially for the annual bonus in the year of joining, taking into account the responsibilities of the individual, and the point in the financial year that he or she joined the Board.

In the case of external recruitment, if it is necessary to buy out incentive pay or benefit arrangements (which would be forfeited on leaving the previous employer), this may be provided, taking into account the form (cash or shares), timing and expected value (i.e. likelihood of meeting any existing performance criteria) of the remuneration being forfeited. Replacement share awards, if used, may be granted using the Company's existing share plans to the extent possible, although awards may also be granted outside of these schemes if necessary and as permitted under the LSE Listing Rules.

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

Fees for a new chairman or non-executive director will be set in line with the approved policy.

Service contracts and payments for loss of office

The Company's policy is to have service contracts for Executive Directors that continue indefinitely unless determined by their notice period. Under the Executive Directors' service contracts and in line with the policy for new appointments, 12 months' notice of termination of employment is required by either party.

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

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. Service contracts and letters of appointment are available for inspection at the Company's registered office. 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 appointment at period end
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 2013	3 months	24 months
Ishbel Macpherson	1 January 2015	3 months	24 months
Alan McWalter	1 January 2015	3 months	24 months
Jane Ashcroft	1 April 2014	3 months	15 months
Martin Pexton	1 April 2014	3 months	15 months

Report on Directors' remuneration continued

for the 52 week period ended 26 December 2014

For Executive Directors, the Company may in its absolute discretion at any time after notice is served by either party, terminate a Directors' contract with immediate effect by paying an amount equal to base salary for the then unexpired period of notice plus the fair value of contractual benefits subject to the deduction of tax.

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

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

Any statutory payments required by law may be made.

The Group allows Executive Directors to hold a Non-Executive position with one other company or organisation, for which they can retain the fees earned. Mike McCollum was appointed a non-executive director of CVS Group plc on 2 April 2013 and received remuneration of £40,000 per annum (including an allowance for his role as Chairman of the Remuneration Committee).

Treatment of incentives

The treatment of share-based incentives previously granted to an Executive Director under the LTIP will be determined based on the plan rules. The default treatment will be for outstanding awards to lapse on cessation of employment. However, an executive will be treated as a 'good leaver' under certain circumstances such as death, illness, injury, disability, redundancy, retirement, his employing company ceasing to be a Group Company or the undertaking business or division for which he or she works being sold out of the Company's Group, or any other circumstances at the discretion of the Employee Benefits Trust trustee having obtained the opinion of the Committee. If treated as a good leaver, awards will vest, as normal, three years after grant after an assessment of the extent to which performance targets have been achieved. The number of awards that would vest will be reduced pro-rata to reflect the proportion of the three year period actually served.

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. In early 2015 the Committee consulted our leading shareholders and certain institutional shareholder bodies/proxy agencies over proposed salary rises.

Consideration of employment conditions elsewhere in the Group

The Company, does not actively consult with employees on Directors' remuneration. However, when setting the remuneration policy for Executive Directors, the Committee takes into account the pay and employment conditions of other employees in the Group.

ANNUAL REPORT ON REMUNERATION

This part of the report has been prepared in accordance with Part 3 of Schedule 8 to The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, and 9.8.6R of the Listing Rules. The Annual Report on Remuneration set out below (and the Chairman's Annual Statement) will be put to an advisory shareholder vote at the 2015 AGM. The information from the single total remunerations figures for Directors on page 54 to the end of page 56 has been audited. The remainder is unaudited.

Implementation of Remuneration Policy in 2014

Salaries

Following the review of Executive Directors' base salaries during the last quarter of the financial period ending 26 December 2014, and after considering the levels of anticipated salary increases across the Group as a whole, the Committee decided to increase the Executive Directors' salaries as shown in the table below with effect from 1 January 2015.

	2015	2014	Increase
Mike McCollum	£486,000	£476,250	2%
Andrew Davies	£310,000	£270,500	15%
Richard Portman	£235,000	£230,000	2%
Steve Whittern	£300,000	£265,000	13%

Over the last two years the Committee has moved to correct Steve Whittern's below market base salary, to reflect his progress in his role of Finance Director. In last year's report, we flagged that the Committee may continue this process by applying above inflationary increases and the latest increase reflects Mr Whittern's continued strong performance in the role. A key example of this in 2014 was the strong leadership he showed in the complex £600 million refinancing of the Group's debt obligations. The increase for 2015 also reflects his overall increased experience and the Committee's staged approach to increases over a period of time. The Committee is aware of the dangers of over-reliance on market data but, for information, the latest increase will position his salary (and total target remuneration) below market levels by FTSE 250 standards.

The Committee has increased Andrew Davies's salary by 15 per cent to reflect his increased responsibilities as Operations Director and the importance of his role in delivering the Group's strategy. In making its decision, the Committee considered the following factors:

- The number of funeral locations has increased from 544 to 718, a 32 per cent increase, since 2008;
- Acquisition activity for small businesses has increased significantly with Andrew Davies taking a vital role in overseeing each deal undertaken. This includes the successful integration of Yew Holdings Limited which, under his guidance, is operating well ahead of plan;
- Mr Davies is taking additional responsibility for vehicle procurement in 2015;
- Since an increase to his salary in 2008, his annual increases have been modest at two per cent or lower in each of the last five years;
- It is imperative that Mr Davies is remunerated at a rate that is in line with market levels and that he is appropriately incentivised and retained for the next stage in the Company's strategy; and
- Mr Davies's 2015 salary (and total target remuneration) will also be below FTSE 250 market levels.

The salaries for Mike McCollum and Richard Portman have increased by two per cent which is in line with the general employee increase. The Committee is satisfied that the above salary changes reflect the size, breadth and sophistication of the Group and the roles and will assist in providing market competitive salaries which better reflect the individuals' responsibilities and experience.

Chairman and Non-Executive Directors' fees
As set out in the Policy Report, the Company's approach to setting Non-Executive Directors' remuneration is with reference to market levels in comparably sized FTSE companies, levels of responsibility and time commitments. An inflationary rise has been applied to their fees for 2015. A summary of current fees is as follows:

	2015	2014	Increase
Peter Hindley	£166,600	£163,250	2%
Jane Ashcroft	£45,000	£44,000	2%
Ishbel Macpherson	£54,000	£52,900	2%
Alan McWalter	£60,400	£59,000	2%
Martin Pexton	£45,000	£44,000	2%

The base fees for Non-Executive Directors in 2015 were £45,000. The Senior Independent Director receives an additional fee of £9,300 and the Chairs of the Audit and Remuneration Committees receive additional fees of £9,000 and £6,100 respectively. The fees have been increased by two per cent from 2014.

Pension and Benefits
Mike McCollum receives a salary supplement in lieu of pension of 15 per cent of his basic salary. Richard Portman ceased to be an active member of the Group's defined benefit plan on 31 March 2014 and receives a salary supplement in lieu of pension of 15 per cent of his basic salary. No contributions will be made for Andrew Davies or Steve Whittern in 2015.

Annual bonus
The annual bonus will operate on the same basis as for 2014 and consistent with the policy detailed in the Policy Report in terms of the maximum bonus opportunity and clawback and malus provisions.

All of the bonus will be based on EPS targets with nothing payable for performance below a minimum level of performance, 70 per cent payable for achieving a demanding target and a further 30 per cent payable for achieving a second, more demanding, target. Bonus is payable on a pro rata basis for performance between the first and second targets.

The EPS targets themselves are deemed to be commercially sensitive and have not been disclosed prospectively. However, full retrospective disclosure of the targets and performance against them will be provided in next year's remuneration report.

Long-term incentives
The maximum normal annual award limit under the LTIP is 125 per cent of salary and it is intended that awards will be granted in 2015 at this level to Executive Directors. Clawback and malus provisions will operate as set out in the Policy Report.

Consistent with the conditions applying to the 2014 awards, half of the 2015 awards will be subject to a relative TSR measure measured against the constituents of the FTSE 350 as at 29 December 2014 and the other half subject to EPS growth targets. The performance period for both tranches will be the three financial years, 2015-2017.

- TSR – No part of this award vests if performance is below median, 25 per cent vests for achieving 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 Group has been satisfactory.
- EPS – No part of this award vests if compound annual growth in underlying EPS above RPI is less than six per cent p.a., 15 per cent vests for six per cent p.a. real growth, 50 per cent vests for nine per cent p.a. real growth with full vesting for 11 per cent p.a. real growth or better. Vesting is on a straight line basis for performance in between these points.

The Committee believes the EPS targets are sufficiently challenging in light of internal and external forecasts.

Governance

Report on Directors' remuneration continued

for the 52 week period ended 26 December 2014

Single total remuneration figure for Directors

The following table presents a single total remuneration figure for 2014 for the Executive and Non-Executive Directors.

	Fixed Pay			Pay for Performance			
	Salary £000's	Benefits[a] £000's	Pension[b] £000's	Annual Bonus[c] £000's	LTIP[d] £000's	Other[e] £000's	Total Remuneration £000's
Executive Directors							
Mike McCollum	476	19	72	476	1,223	–	2,266
2013	*467*	*18*	*70*	*467*	*1,195*	–	*2,217*
Andrew Davies	271	28	–	271	694	–	1,264
2013	*265*	*29*	–	*265*	*679*	–	*1,238*
Richard Portman	230	18	33	230	556	–	1,067
2013	*212*	*18*	*34*	*212*	*543*	*9*	*1,028*
Steve Whittern	265	19	–	265	556	–	1,105
2013	*235*	*18*	–	*235*	*543*	*9*	*1,040*
Non-Executive Directors							
Peter Hindley	163	1	–	–	–	–	164
2013	*160*	*1*	–	–	–	–	*161*
Jane Ashcroft	44	–	–	–	–	–	44
2013	*41*	–	–	–	–	–	*41*
Ishbel Macpherson	53	–	–	–	–	–	53
2013	*52*	–	–	–	–	–	*52*
Alan McWalter	59	–	–	–	–	–	59
2013	*58*	–	–	–	–	–	*58*
Martin Pexton	44	–	–	–	–	–	44
2013	*41*	–	–	–	–	–	*41*

(a) Benefits include provision of a company car or allowance, fuel, family private medical cover, 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 spouse.

(b) Pension includes a cash contribution for Mike McCollum and the value of participation in the Group's defined benefit pension scheme for Richard Portman to 31 March 2014 and a cash contribution thereafter.

(c) The bonus refers to performance in the 2014 financial year and is due to be paid in cash in March 2015.

(d) The LTIP value relates to the award that was granted on 28 March 2012. The performance period for this award ends on 28 March 2015. Our estimate of likely vesting is based on performance to 26 December 2014 and using the average share price for the 28 day period to 26 December 2014. The comparative number is the 2011 LTIP that vested in 2014 which has been updated for the final level of vesting of 100 per cent and for the share price at the date of vesting 1,471 pence. This represents the gain on options exercised by the Executive Directors in 2014.

(e) The value of SAYE awards upon exercise.

Determination of 2014 annual bonus outcome

The targets for the 2014 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 demanding underlying EPS target of 81.9 pence per share and 100 per cent for a second, more demanding underlying EPS target of 84.4 pence per share.

	Weighting	Target (for which 70% of maximum payable)	Stretch (for which 100% of maximum payable)	2014 achieved	Cash bonus payable (out of 100% of salary maximum)
Earnings per share	100%	81.9 pence	84.4 pence	85.8 pence	100%

The strong growth in underlying EPS over the year of 19 per cent meant that the first and second EPS targets were met. Accordingly, the Committee awarded Executive Directors full bonuses in respect of the 2014 financial year, being 100 per cent of base salary. None of the annual bonus is deferred.

Determination of LTIP awards with performance periods ending in the year and SAYE vesting

The TSR performance period for the LTIP awards made 2012 will end on 28 March 2015. The estimated vesting for this award is 100 per cent for performance to 26 December 2014. This is based on Dignity's TSR of 126.1 per cent which places the Company 32 out of the remaining 338 listed companies in the Comparator Group.

Performance level	TSR relative to FTSE 350 companies	
	Performance required	*% vesting*
Below threshold	Below median	0%
Threshold	Median	25%
Stretch or above	Upper quartile or above	100%
Actual achieved	Upper quartile or above	100%

2011 LTIP award

In last year's report, an estimate for TSR vesting portion of the 2011 LTIP award of 99.4 per cent was provided based on performance to 27 December 2013. Following the end of the performance period on 20 March 2014, the final calculation was performed and Dignity's actual TSR over the three year period was 121.6 per cent placing Dignity 52 out of the 334 companies in the TSR peer group.

LTIP awards granted in the year

LTIP awards granted in the form of nil cost options to Executive Directors on 24 March 2014 were as follows:

Executive	Number of LTIP awards	Face/maximum value of awards at grant date*£	% of award vesting at threshold and maximum	Performance period
Mike McCollum	43,999	595,313	• Threshold: 15% for EPS and 25% for TSR.	30.12.13 – 30.12.16
Andrew Davies	24,991	338,125		30.12.13 – 30.12.16
Richard Portman	21,249	287,500		30.12.13 – 30.12.16
Steve Whittern	24,483	331,250	• 100% for maximum vesting.	30.12.13 – 30.12.16

* Based on a face value grant of 125 per cent of salary and using a 28 day average share price to 31 December 2013 of 1,353 pence.

The 2014 LTIP awards will vest subject to achievement against two performance measures. Half of the awards will vest depending on the Company's TSR performance over a three year period commencing on 1 January 2014, with no opportunity to retest. 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.

The other half of the awards will vest subject to a sliding scale of underlying EPS growth targets measured over three financial years to 30 December 2016. 15 per cent of this part of the award vests for compound annual growth in underlying EPS above RPI of six per cent p.a., 50 per cent vests for nine 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.

Clawback and malus provisions apply.

Outstanding Long-Term Incentive Plan awards

Details of the nil cost option awards, not yet vested and exercised, made under the LTIP are disclosed in the table below:

Director	Award grant date	Share price at grant (pence)	As at 27.12.13	Granted during year	Lapsed during year	Vested and exercised during year	As at 26.12.14	Earliest date shares can be acquired	Latest date shares can be acquired
Mike McCollum	18.03.11(ii)	691p	81,223	–	–	81,223	–	21.03.14	17.03.15
	28.03.12(iii)	815p	70,219	–	–	–	70,219	29.03.15	27.03.22
	19.03.13(iv)	1,023p	57,050	–	–	–	57,050	20.03.16	18.03.23
	24.03.14(v)	1,353p	–	43,999	–	–	43,999	25.03.17	24.03.24
Andrew Davies	18.03.11(ii)	691p	46,129	–	–	46,129	–	21.03.14	17.03.15
	28.03.12(iii)	815p	39,884	–	–	–	39,884	29.03.15	27.03.22
	19.03.13(iv)	1,023p	32,405	–	–	–	32,405	20.03.16	18.03.23
	24.03.14(v)	1,353p	–	24,991	–	–	24,991	25.03.17	24.03.24
Richard Portman	18.03.11(ii)	691p	36,903	–	–	36,903	–	21.03.14	17.03.15
	28.03.12(iii)	815p	31,907	–	–	–	31,907	29.03.15	27.03.22
	19.03.13(iv)	1,023p	25,929	–	–	–	25,929	20.03.16	18.03.23
	24.03.14(v)	1,353p	–	21,249	–	–	21,249	25.03.17	24.03.24
Steve Whittern	18.03.11(ii)	691p	36,903	–	–	36,903	–	21.03.14	17.03.15
	28.03.12(iii)	815p	31,907	–	–	–	31,907	29.03.15	27.03.22
	19.03.13(iv)	1,023p	28,715	–	–	–	28,715	20.03.16	18.03.23
	24.03.14(v)	1,353p	–	24,483	–	–	24,483	25.03.17	24.03.24

(i) The awards under the LTIP up to and including those made in 2012 are subject to a comparative TSR performance condition against the constituents of the FTSE 350. Awards 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. Half of the awards made in 2013 and 2014 are subject to a relative TSR condition as described above with the other half based on EPS growth targets.

(ii) Number of options derived based on the average mid market share price for the previous 28 days to 17 March 2011.

(iii) Number of options derived based on the average mid market share price for the previous 28 days to 22 March 2012.

(iv) Number of options derived based on the average mid market share price for the previous 28 days to 31 December 2012.

(v) Number of options derived based on the average mid market share price for the previous 28 days to 31 December 2013.

Governance

Report on Directors' remuneration continued

for the 52 week period ended 26 December 2014

Directors' interest in shares

To align the interests of senior management with those of shareholders further, 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 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 26 December 2014 are set out below.

	Number of Ordinary Shares			
		At 26 December 2014		
Name	At 27 December 2013	Legally owned	Subject to SAYE	Subject to performance conditions under the LTIP
Mike McCollum	183,334	183,334	–	171,268
Andrew Davies	137,254	137,254	–	97,280
Richard Portman	93,630	93,630	612	79,085
Steve Whittern	19,586	19,586	–	85,105
Peter Hindley	160,696	160,696	–	–
Ishbel Macpherson	4,847	4,847	–	–
Alan McWalter	2,554	2,554	–	–
Jane Ashcroft	917	917	–	–
Martin Pexton	2,750	2,750	–	–

There has been no change in the interests set out above between 26 December 2014 and 4 March 2015.

The shares held at 27 December 2013 have been restated to reflect the share consolidation that took place in November 2014.

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 28 day average share price to 28 February 2013 as adjusted for any subsequent share consolidations. All Executive Directors meet that guideline.

Directors' total pension entitlements

	Age at 26.12.14	Pensionable service at 26.12.14 (years)	Accrued pension 27.12.13	Accrued pension 26.12.14	Increase in accrued pension (net of inflation) during the year	Transfer value of increase (net of inflation and employee contributions)	Payment in lieu of retirement benefits i.e. pension supplement	Value x 20 over year (net of inflation and Directors' contributions)	Total pension benefits	Normal retirement age	Value x 20 at start of year	Value x 20 at end of year
Mike McCollum	47	15.667	104,822	107,652	–	–	71,438	–	71,438	65	2,096,440	2,153,040
Richard Portman	53	14.583	42,318	42,971	653	5,053	25,875	7,310	33,185	65	846,360	859,420

(1) Throughout 2014 the above Directors were members of the Dignity Pension & Assurance Scheme, which is a defined benefit and tax approved scheme. Mike McCollum ceased to be an active member of the Scheme on 31 March 2012 and Richard Portman ceased to be an active member on 31 March 2014. Instead they receive a pension supplement of 15 per cent of base salary. The Group has also arranged permanent life cover equal to the benefit they would have received had they 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

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

Relative importance of spend on pay

The following table sets out the percentage change in dividends and overall spend of employee pay in the 2014 financial year compared with the prior year.

	2014 £m	2013 £m	% change
Dividends*	9.8	6.2	58.1%
Return of Cash	64.4	61.9	4.0%
Total return to shareholders	74.2	68.1	9.0%
Employee remuneration costs	82.8	78.6	5.3%

*No interim dividend was paid to shareholders in 2013, but was instead included within the £1.08 Return of Cash per Ordinary Share paid in August 2013.

Percentage change in CEO pay

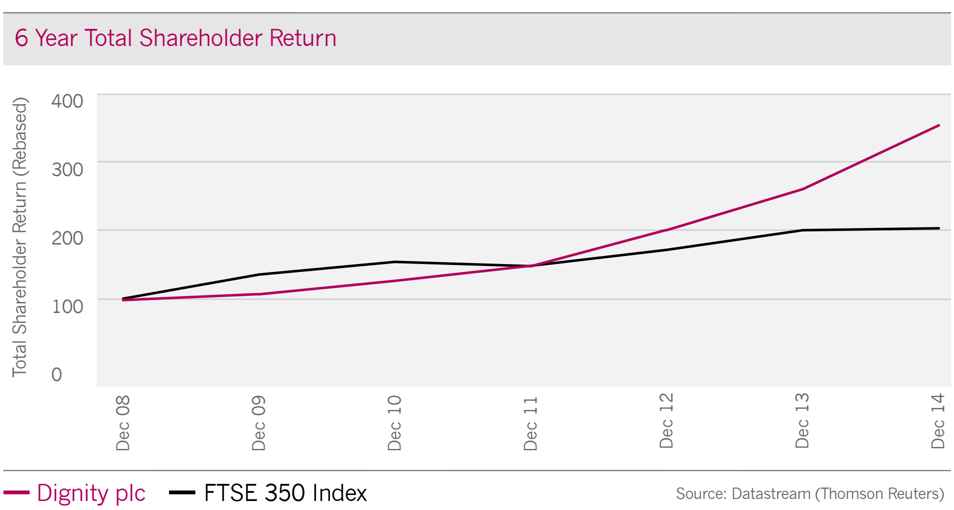
	2014	2013	% change
Chief Executive (£000's)			
– Salary	476	467	2%
– Benefits	91	88	3%
– Bonus	1,699	1,662	2%
Full time equivalent average employee (£)[(1)]			
– Salary	19,218	18,620	3%
– Benefits	588	576	2%
– Bonus	1,880	1,837	2%

The table above shows the percentage year on year change in the value of salary, benefits and annual bonus for the Chief Executive between the current and previous year compared to that of the average employee on a full time equivalent basis.

(1) There are 2,848 employees at 26 December 2014 (27 December 2013: 2,727) , of which 677 (2013: 682) were part time.

Performance graph and single figure table

The following graph shows the Company's TSR performance over the last six financial years against the FTSE 350 index. The FTSE 350 has been chosen as the Company is a member of that index.



The table below shows the total remuneration figure for the CEO over the same six year period. The total remuneration figure includes the annual bonus and LTIP awards with performance periods ending in or shortly after the relevant year ends.

	2009	2010	2011	2012	2013	2014
CEO single total figure of remuneration (£000's)	1,018	899	917	2,081	2,217	2,266
Annual bonus payout relative to maximum (%)	85%	100%	100%	100%	100%	100%
LTIP vesting (%)	63%	–	–	100%	100%	100%

Governance

Report on Directors' remuneration continued

for the 52 week period ended 26 December 2014

Membership of the Remuneration Committee

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 Alan McWalter, Senior Independent Director. The Committee members comprise all the other Non-Executive Directors: Jane Ashcroft, Ishbel Macpherson 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 four 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 2013 performance related bonus and dealt with the vesting of the shares awarded in 2011 under the LTIP scheme.

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 was appointed by the Remuneration Committee in 2012 to act as remuneration consultants and the Committee is satisfied that New Bridge Street's advice is objective and independent. During the year, New Bridge Street provided a market update on remuneration and corporate governance developments, assistance with drafting the remuneration report in light of the new reporting and voting regulations and benchmarking data for Executive Directors. Total fees charged in the period were £16,373 + VAT 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 (Directors' Remuneration Policy and Annual Report on Remuneration) received the following votes from shareholders:

Remuneration Policy

	Total number of votes	% of votes cast
For	40,689,299	97.70%
Against	754,159	1.81%
Abstentions	202,608	0.49%
Total	**41,646,066**	**100%**

Annual Report on Remuneration

	Total number of votes	% of votes cast
For	41,214,008	98.96%
Against	419,178	1.01%
Abstentions	12,880	0.03%
Total	**41,646,066**	**100%**

On behalf of the Board

Alan McWalter
Chairman of the Remuneration Committee

4 March 2015

Directors' report

for the 52 week period ended 26 December 2014

The Directors present their report and the audited consolidated financial statements for Dignity plc and its subsidiaries for the 52 week period ended 26 December 2014.

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 36 and 37 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 Strategic report on pages 6 to 33 of 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 risks and uncertainties

Operational risks are considered on pages 27 and 28.

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.

Capital Reorganisation

On 17 October 2014 Dignity Finance PLC, a subsidiary of the Group, issued the New Notes raising net proceeds of £81.3 million.

The Company then returned £64.4 million (£1.20 per Ordinary Share) to shareholders through the issue and redemption of either a B or C Share for each existing Ordinary Share. This was approved at an Extraordinary General Meeting on 30 October 2014. The Company also completed, in November 2014, a consolidation of its share capital on the basis of 11 new Ordinary Shares of 12 48/143 pence for every 12 existing Ordinary Shares of 11 4/13 pence each. See note 22 for further details.

Share capital

During the period, 281,430 Ordinary Shares of 11 4/13 pence each were issued to satisfy Long-Term Incentive Plan share awards vesting in the period and 14,896 Ordinary Shares of 11 4/13 were issued to satisfy options exercised under the 2010 Save As You Earn Scheme which ended in December 2013.

Following the share consolidation referred to above, the issued share capital of Dignity plc at 26 December 2014 consisted of 49,170,180 Ordinary Shares of 12 48/143 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 AGM on 5 June 2014 gives Dignity plc the authority to purchase up to 5,363,461 Ordinary Shares of 11 4/13 pence each (which by an ordinary resolution passed on 30 October 2014 the share capital of the Company was consolidated into ordinary shares of 12 48/143 pence each) at not less than nominal value and not more than five per cent above the average middle market quotation for the preceding five business days. At the same meeting the Company was also given authority to allot Ordinary Shares up to an aggregate nominal value of £4,043,225 of which up to £303,242 may be for cash. These authorities will expire at the conclusion of the next AGM on 11 June 2015. It is the intention of the Directors to seek renewal of these authorities at that AGM. 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 66. The Group's loss before tax amounted to £67.7 million (2013: profit £49.6 million).

Dividends

An interim dividend of 6.49 pence per Ordinary Share was paid to shareholders on 31 October 2014. The Board has proposed a final dividend of 13.01 pence (2013: 11.83 pence) per share, which, subject to approval at the AGM, will be paid on 26 June 2015 to shareholders on the register at close of business on 29 May 2015.

Directors' report continued

for the 52 week period ended 26 December 2014

Employment policies

During the period, the Group has maintained its obligations to effectively communicate and involve 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 29 to 33.

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 is 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 51 and 56. In accordance with the UK Corporate Governance Code, at the AGM, all Directors will retire as Directors of the Company and, being eligible, offer themselves for re-election at the AGM on 11 June 2015. The Directors have agreed, as in previous years, that they should all stand for re-election rather than relying on the Articles of Association of the Company that prescribe that one third of the Directors offer themselves for re-election each year.

During the period, the Company maintained liability insurance for its Directors and Officers to a value of £70 million. 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 at all times in such a way as to ensure, so far as reasonably practicable, 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 page 32.

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 page 32 alongside other social and ethical considerations.

Carbon Reporting

The Group reports its Greenhouse Gas to the Carbon Disclosure Project on an annual basis in tonnes of carbon dioxide equivalent resulting from the combustion of fuel (direct Scope 1 Emissions) and that resulting from the purchase of electricity (indirect Scope 2 Emissions). The emissions for the last five years are as follows:

	2014	2013	2012	2011	2010
Scope 1	14,437	15,077	15,097	15,202	16,798
Scope 2	7,389	7,151	7,861	7,388	6,938
Total	21,826	22,228	22,958	22,590	23,736
Per FTE Employee	8.5	9.0	10.0	10.2	10.9

The Greenhouse Gas emissions have been shown as a per full time equivalent employee ratio. The rationale for the choice of ratio is that it is the best measure available to the Group given the diversity of the property portfolio, the three separate divisions of the business and the absence of a similar business to benchmark against.

Scope 1 and Scope 2 emissions information is derived from accurate consumption information on utility bills, smart meter readings and fuel card data. These are then multiplied by the appropriate emission factor from Defra/DECC. Standard and accepted methods of calculation have been used to derive the emissions information.

The Group does not collect or report Scope 3 Emissions at the moment principally because of the difficulty of collating accurate information and the deemed value of that information.

The Group qualifies for the Energy Savings Opportunity Scheme ('ESOS') and will complete an ESOS assessment during 2015 such that it can confirm compliance by the due date of 5 December 2015.

Going concern

The Directors have conducted a rigorous and proportionate assessment of the Group's ability to continue in existence for the foreseeable future. They 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 that 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 27 February 2015.

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

Independent Auditors and disclosure of information to Auditors
The Board appointed Ernst & Young LLP as auditors on 5 June 2014 upon the resignation of PricewaterhouseCoopers LLP. A resolution for their appointment will be proposed at the forthcoming AGM.

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.

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. The rules governing the appointment and replacement of Board members and changes to the Articles of Association accord with usual English company law provisions. The Board has authority to purchase its own shares and is seeking renewal of that power at the forthcoming AGM within the limits set out in the notice of that meeting. There are no significant agreements to which the Group is party which take effect, alter or terminate in the event of change of control of the Group.

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 38 to 41, which is incorporated by reference.

Strategic report
The Strategic report on pages 6 to 33 has been approved by the Board.

By order of the Board

Richard Portman
Company Secretary

4 March 2015

Financial Statements

Independent auditors' report to the members of Dignity plc

for the 52 week period ended 26 December 2014

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 26 December 2014 and of the Group's loss for the 52 week period then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

What we have audited

We have audited the financial statements of Dignity plc for the 52 week period ended 26 December 2014 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 Parent Company Balance Sheet and the related notes. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 59, the directors are responsible for the preparation of the 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 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.

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 and 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 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Our assessment of, and response to, the risk of material misstatement

We identified the following risks that have the greatest effect on the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the audit engagement team:

Risk	Response
The accounting for the issue of New Secured Notes and Return of Cash	
The accounting for the issue of the New Secured Notes and Return of Cash and specifically the judgement made by management that this is an extinguishment of debt as opposed to a modification of the debt as defined in IAS 39. This judgement has an impact on how existing and incremental costs and debt premiums are accounted for either as a charge within the Consolidated Income Statement or whether the costs are deducted from the New Secured Notes in the balance sheet. (AC, AP, CAE)*	We obtained and checked the logic and mathematical accuracy of the 10 per cent test calculation (as set out in IAS 39) prepared by management, which compares the net present values of the cashflows of the New Notes to see if they are more than 10 per cent different to the present values of the cashflows of the Old Notes. This is an indicator of whether the New Notes are substantially different to the Old Notes; We critically reviewed and assessed managements' qualitative comparison of the terms of the old and new debt and assessed the reasonableness of the judgemental conclusion reached; Where possible we have validated the factual accuracy of the components of managements' qualitative comparison to underlying documentation supporting their judgement that the transaction is a debt extinguishment; We reviewed the disclosures presented by the Group in the Annual Report to ensure that adequate explanation of the nature and basis of the judgement involved are included; and We have reviewed the transaction costs expensed to the income statement ensuring they are supported by contracts and invoices and appropriately disclosed within the accounts.
The determination of the assumptions used to derive the obligations for the defined benefit pension scheme	
The actuarial assumptions used to value the defined benefit pension scheme liabilities are judgemental and sensitive. Due to the significance of the value of the pension obligation, a small change in assumptions outside of the requirements of IAS 19 (R) may result in a material difference to amounts reported. (AC, AP, CAE)*	We understood and challenged management's input into the assumptions underpinning the liability; Using external data we verified the appropriateness of the key actuarial assumptions used by management in determining the pension obligation under IAS 19(R) to ensure their assumptions were appropriate, met the requirements of IFRS and were in line with market practice; This included a comparison of life expectancy with relevant mortality tables, benchmarking inflation and discount rates against external market data, considering changes in historical assumptions and evaluating management's expert as required under auditing standards; We used our pensions specialists to assist us with these procedures; and We ensured that the financial statement disclosures were in accordance with accounting standards.
The risk of inappropriate revenue recognition	
In particular risks around incorrect revenue cut-off at year end, the inappropriate recording of revenue for services not delivered, and the risk of inappropriate management override of the amount of revenue recorded. (AP)*	We carried out testing relating to controls over revenue recognition, including the timing of revenue recognition; We performed detailed cut-off testing on the provision of funerals and cremations delivered around the period end; We performed revenue transaction testing, which included ensuring that the services had been delivered and the transaction has been appropriately recorded in the income statement; We performed analytical procedures to compare revenue recognised with expectations from past experience, management's forecasts and, where possible, external market data; We identified and obtained support for journals generated at head office impacting revenue; We evaluated the controls in the IT systems that support the recording of revenue; and We ensured that the financial statement disclosures were in accordance with accounting standards.
The risk of fraud and management override	
We considered the risks inherent in those areas where manual journals are posted at head office as part of the financial statement close process.	We performed tailored procedures, including analytical procedures and obtaining support for any unusual journals identified, sufficient to address the identified risk in respect of subjective areas which we considered to be most susceptible to management override. These areas were considered to be the bad debt provision, pre-need cancellation provision, dilapidations provision and cost accruals.
Non-consolidation of pre-need trusts and the judgement that trade names have indefinite lives	
As this is our first year as auditors of Dignity we have considered the specific accounting for following matters specifically noted within the critical accounting estimates set out in note 1, Non-consolidation of pre-need trusts and the judgement that trade names have indefinite lives. (AP, CAE)*	We obtained management's analysis and supporting information in relation to both critical accounting judgements. To consider these critical judgements: • In respect of the non-consolidation of the pre-need trusts we confirmed that the provisions of law under which the trusts operate require that the majority of the trustees of each of the trusts are required to be independent of Dignity and that the trustees need to act in the best interest of the trust. We also confirmed that all monies flow directly to the trusts which are separate to the Dignity group of companies. • In respect of the judgement that trade names have indefinite lives we considered the nature of the funeral market as set out in externally available information, the historical level of performance of trade names and we corroborated the actions taken by the Group to monitor and maintain the trade names. • We ensured that the financial statement disclosures were in accordance with the relevant accounting standards and enable the user of the accounts to understand the trusts and their relationship with Dignity and the reasons why management are satisfied the trade names have indefinite lives.

* These risks are discussed in other areas of the Annual Report as noted by the following key.

AC – See Audit Committee report: p.42 to p.44.
AP – See note 1 Accounting policies: p.70 to p.77.
CAE – See note 1 Critical accounting estimates: p.75 to p.76.

Financial Statements

Independent auditors' report to the members of Dignity plc continued

for the 52 week period ended 26 December 2014

Our application of materiality

We quantify materiality in planning and executing the audit and in evaluating the materiality of misstatements on the financial statements and the effect they have on our audit. In determining if the financial statements are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. The evaluation of materiality requires professional judgement and the consideration of both qualitative and quantitative factors.

We determined materiality for the Group to be £2.9 million, which is approximately five per cent pre-tax profit after adding back the one-off costs related to the issuance of the New Secured Notes and Return of Cash. We used pre-tax profits excluding these one-off costs as, in our view, this is the most relevant measure of the underlying financial performance of the Group. This provided the basis for determining the nature, timing and extent of our audit procedures, and identifying and assessing the risk of material misstatement.

We determined, based on our risk assessment and consideration of the Group's overall control environment, that performance materiality for the Group, as this is a first year audit, should be 50 per cent of planning materiality, namely £1.45 million. Performance materiality is our audit tolerance for misstatement in an individual account or balance. Our objective in adopting this approach was to obtain reasonable assurance that the total uncorrected and undetected audit differences did not exceed our materiality of £2.9 million for the financial statements as a whole.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £145,000, as well as differences below that threshold that, in our view warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in the light of other relevant qualitative considerations.

An overview of the scope of our audit

The Group operates from head office and has common financial systems, processes and centralised controls covering all of its operations and individual locations. The audit of the Group is undertaken by one audit team and the Group audit has been performed on the consolidated financial records to the materiality and performance materiality described above.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Directors' statement on corporate governance set out on pages 39 and 40 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- is otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed.

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

- adequate accounting records have not been kept by the Group; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a corporate governance report has not been prepared by the Company.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 60, in relation to going concern; and
- 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.

Simon O'Neill (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Birmingham

4 March 2015

Notes
1. The maintenance and integrity of the Dignity plc web site is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Financial Statements

Consolidated income statement

for the 52 week period ended 26 December 2014

	Note	52 week period ended 26 December 2014 £m	52 week period ended 27 December 2013 £m
Revenue	3	**268.9**	256.7
Cost of sales		**(109.0)**	(105.4)
Gross profit		**159.9**	151.3
Administrative expenses		**(77.0)**	(76.2)
Operating profit	3	**82.9**	75.1
Analysed as:			
Underlying operating profit	3	**84.9**	78.4
Loss on sale of fixed assets		**(0.3)**	(0.1)
External transaction costs	5	**(1.7)**	(3.2)
Operating profit	3	**82.9**	75.1
Finance costs	4	**(154.8)**	(28.9)
Analysed as:			
Underlying finance costs		**(30.6)**	(28.9)
Loss on extinguishment of Old Notes – exceptional	5	**(123.2)**	–
Elimination of swap – exceptional	5	**(1.0)**	–
Finance costs		**(154.8)**	(28.9)
Finance income	4	**4.2**	3.4
(Loss)/profit before tax	5	**(67.7)**	49.6
Taxation – before exceptional items	6	**(13.1)**	(12.7)
Taxation – exceptional	6	**25.8**	3.5
Taxation	6	**12.7**	(9.2)
(Loss)/profit for the period attributable to equity shareholders	3	**(55.0)**	40.4
Earnings per share for (loss)/profit attributable to equity shareholders			
– Basic and diluted (pence)	8	**(104.0p)**	72.8p
Underlying Earnings per share (pence)	8	**85.8p**	72.1p

Consolidated statement of comprehensive income

for the 52 week period ended 26 December 2014

	Note	52 week period ended 26 December 2014 £m	52 week period ended 27 December 2013 £m
(Loss)/profit for the period		**(55.0)**	40.4
Items that will not be reclassified to profit or loss			
Remeasurement loss on retirement benefit obligations	28	**(10.8)**	(2.0)
Tax on remeasurement loss on retirement benefit obligations		**2.2**	0.5
Other comprehensive loss		**(8.6)**	(1.5)
Total comprehensive (loss)/income for the period		**(63.6)**	38.9
Attributable to:			
Equity shareholders of the parent		**(63.6)**	38.9

Consolidated balance sheet

as at 26 December 2014

	Note	26 December 2014 £m	27 December 2013 £m
Assets			
Non-current assets			
Goodwill	9	**182.3**	173.7
Intangible assets	9	**94.2**	76.7
Property, plant and equipment	10	**192.3**	183.6
Financial and other assets	11	**10.4**	12.7
		479.2	446.7
Current assets			
Inventories	13	**6.5**	6.6
Trade and other receivables	14	**30.0**	27.8
Cash and cash equivalents – excluding collateralisation of Liquidity Facility	15	**86.5**	79.3
Cash and cash equivalents – collateralisation of Liquidity Facility(1)	15	**–**	63.0
Cash and cash equivalents	15	**86.5**	142.3
		123.0	176.7
Total assets		**602.2**	623.4
Liabilities			
Current liabilities			
Financial liabilities – excluding collateralisation of Liquidity Facility	16	**8.0**	20.8
Financial liabilities – collateralisation of Liquidity Facility(1)	16	**–**	63.0
Financial liabilities	16	**8.0**	83.8
Trade and other payables	17	**51.2**	52.0
Current tax liabilities		**–**	6.7
Provisions for liabilities and charges	19	**1.4**	1.1
		60.6	143.6
Non-current liabilities			
Financial liabilities	16	**602.9**	403.1
Deferred tax liabilities	20	**13.6**	26.9
Other non-current liabilities	17	**2.6**	2.8
Provisions for liabilities and charges	19	**4.5**	3.8
Retirement benefit obligation	28	**10.5**	1.0
		634.1	437.6
Total liabilities		**694.7**	581.2
Shareholders' equity			
Ordinary share capital	22	**6.1**	6.0
Share premium account		**2.8**	20.8
Capital redemption reserve		**141.7**	121.6
Other reserves		**(5.5)**	(6.4)
Retained earnings		**(237.6)**	(99.8)
Total equity		**(92.5)**	42.2
Total equity and liabilities		**602.2**	623.4

The financial statements on pages 66 to 105 were approved by the Board of Directors on 4 March 2015 and were signed on its behalf by:

M K McCollum
Chief Executive

S L Whittern
Finance Director

(1) In 2013, the Group forced the cash collateralisation of the Liquidity Facility, which supported the repayment of Secured Notes in the event of default. This followed the downgrade of RBS by S&P. Following the Group's refinancing in October 2014 this collateralisation is no longer required. Further information may be found in the Financial Review and notes 16(f) and 21(d).

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Consolidated statement of changes in equity

for the 52 week period ended 26 December 2014

	Ordinary share capital £m	Share premium account £m	Capital redemption reserve £m	Other reserves £m	Retained earnings £m	Total equity £m
Shareholders' equity as at 28 December 2012	5.7	17.4	99.3	(7.2)	(70.6)	44.6
Profit for the 52 weeks ended 27 December 2013	–	–	–	–	40.4	40.4
Remeasurement loss on defined benefit plans	–	–	–	–	(2.0)	(2.0)
Tax on pensions	–	–	–	–	0.5	0.5
Total comprehensive income	–	–	–	–	38.9	38.9
Effects of employee share options	–	–	–	1.5	–	1.5
Tax on employee share options	–	–	–	1.1	–	1.1
Proceeds from share issue(1)	0.3	26.6	–	–	–	26.9
Issue costs in respect of shares issued	–	(0.9)	–	–	–	(0.9)
Gift to Employee Benefit Trust	–	–	–	(1.7)	–	(1.7)
Adjustment for tax rate change 23% to 20%	–	–	–	(0.1)	–	(0.1)
Issue and redemption of B Shares in respect of Capital Option (see note 7)	–	(22.3)	22.3	–	(22.3)	(22.3)
Dividend in respect of Special Dividend Option (see note 7)	–	–	–	–	(39.6)	(39.6)
Dividends (see note 7)	–	–	–	–	(6.2)	(6.2)
Shareholders' equity as at 27 December 2013	6.0	20.8	121.6	(6.4)	(99.8)	42.2
Loss for the 52 weeks ended 26 December 2014	–	–	–	–	(55.0)	**(55.0)**
Remeasurement loss on defined benefit plans	–	–	–	–	(10.8)	**(10.8)**
Tax on pensions	–	–	–	–	2.2	**2.2**
Total comprehensive income	–	–	–	–	(63.6)	**(63.6)**
Effects of employee share options	–	–	–	2.0	–	**2.0**
Tax on employee share options	–	–	–	0.9	–	**0.9**
Proceeds from share issue(2)	0.1	2.1	–	–	–	**2.2**
Gift to Employee Benefit Trust	–	–	–	(2.0)	–	**(2.0)**
Issue and redemption of B Shares in respect of Capital Option (see note 7)	–	(20.1)	20.1	–	(20.1)	**(20.1)**
Dividend in respect of Special Dividend Option (see note 7)	–	–	–	–	(44.3)	**(44.3)**
Dividends (see note 7)	–	–	–	–	(9.8)	**(9.8)**
Shareholders' equity as at 26 December 2014	**6.1**	**2.8**	**141.7**	**(5.5)**	**(237.6)**	**(92.5)**

(1) Relating to issue of 253,844 shares under 2010 LTIP scheme, 2,283,019 shares issued as an equity placing in January 2013 and 141,981 shares under 2010 SAYE scheme.

(2) Relating to issue of 281,430 shares under 2011 LTIP scheme and 14,896 shares under 2010 SAYE scheme.

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

Capital redemption reserve

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

Other reserves

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

£9.6 million (2013: £7.6 million) in other reserves relates to investments in own shares.

Consolidated statement of cash flows

for the 52 week period ended 26 December 2014

	Note	52 week period ended 26 December 2014 £m	52 week period ended 27 December 2013 £m
Cash flows from operating activities			
Cash generated from operations before external transaction costs and exceptional pension contributions	25	**104.4**	94.2
Exceptional contribution to pension scheme		**(1.0)**	(1.0)
External transaction costs in respect of acquisitions		**(1.1)**	(1.6)
Cash generated from operations		**102.3**	91.6
Finance income received		**0.6**	0.6
Finance costs paid		**(38.0)**	(25.0)
Transfer from restricted bank accounts for finance costs		**14.6**	11.9
Payments to restricted bank accounts for finance costs	15	**(5.6)**	(14.6)
Total payments in respect of finance costs		**(29.0)**	(27.7)
Tax paid		**(6.9)**	(10.9)
Transfers from restricted bank accounts		**–**	1.5
Net cash generated from operating activities		**67.0**	55.1
Cash flows from investing activities			
Acquisition of subsidiaries and businesses (net of cash acquired)	26	**(24.7)**	(60.7)
Proceeds from sale of property, plant and equipment		**0.5**	0.6
Vehicle replacement programme and improvements to locations		**(14.1)**	(14.2)
Branch relocations		**(1.4)**	(1.1)
Satellite locations		**(0.1)**	(0.3)
Development of new crematoria and cemeteries		**(1.6)**	(2.0)
Mercury abatement project		**–**	(0.6)
Purchase of property, plant and equipment		**(17.2)**	(18.2)
Net cash used in investing activities		**(41.4)**	(78.3)
Cash flows from financing activities			
Proceeds from issue of New Notes		**94.0**	–
Cash settlement of Old Notes		**(5.9)**	–
External transaction costs relating to extinguishment of Old Notes		**(5.8)**	–
Net proceeds from issue of New Notes		**82.3**	–
Proceeds from issue of Old Notes		**–**	97.7
Proceeds from borrowings		**–**	39.8
Issue costs in respect of borrowings and Secured Notes		**(0.9)**	(5.4)
Proceeds from share issue		**0.1**	25.2
Issue costs in respect of shares issued		**–**	(0.9)
Repayment of swaps		**(5.1)**	–
Repayment of borrowings		**(11.6)**	(42.6)
Transfer from restricted bank accounts for repayment of borrowings		**5.7**	4.2
Payments to restricted bank accounts for repayment of borrowings	15	**(4.0)**	(5.7)
Total payments in respect of borrowings		**(9.9)**	(44.1)
Dividends paid to shareholders on Ordinary Shares	7	**(9.8)**	(6.2)
Redemption of B Shares in respect of Capital Option	7	**(20.1)**	(22.3)
Redemption of C Shares in respect of Special Dividend Option	7	**(44.3)**	(39.6)
Net cash (used)/generated in financing activities		**(7.7)**	44.2
Net increase in cash and cash equivalents		**17.9**	21.0
Cash and cash equivalents at the beginning of the period		**59.0**	38.0
Cash and cash equivalents at the end of the period	15	**76.9**	59.0
Restricted cash	15	**9.6**	20.3
Collateralisation of Liquidity Facility (restricted)	15	**–**	63.0
Cash and cash equivalents at the end of the period as reported in the consolidated balance sheet	15	**86.5**	142.3

Notes to the financial statements

for the 52 week period ended 26 December 2014

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 26 December 2014 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 historical 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 and underlying profit

Exceptional items are of a non-recurring nature to the results for the period and are therefore presented separately. In 2013 the exceptional items relate to an exceptional credit due to the change to the headline rate of corporation tax. In 2014 the exceptional costs relate to the loss on extinguishment of the Old Notes, the repayment of the swap and the tax associated with those items.

In arriving at underlying profit exceptional items are added back together with external transaction costs and the profit or loss on sale of fixed assets. See the Financial Review for further details.

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 five pre-arranged funeral plan trusts are not consolidated during the period as they are not controlled by the Group. Specifically, Article 60 of the Financial Services and Markets Act 2000 ('Regulated Activities') Order 2001 ('RAO') requires a majority of the managing trustees to be independent of the Group. Furthermore, the Group does not direct their financial or operating policies, nor does 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 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.

1 Accounting policies (continued)

The accounting policies for recognising turnover for pre-arranged funeral plans are stated below.

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.

Pre-arranged funeral plans

Trust plans

The Group markets and sells pre-arranged funeral plans, with 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, 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 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 the majority of plans sold, specific disbursements (such as crematoria fees, ministers' fees and doctors' fees) will be provided regardless of price rises in the future.

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 to the insurers when the policy is initially 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 the death of the policyholder, if the Group performs the funeral, it receives an agreed amount from the insurers which is recognised as revenue within the funeral division. On occasions a third party will perform the funeral and the Group will pass on all monies received to that party.

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.

Financial Statements

Notes to the financial statements continued

for the 52 week period ended 26 December 2014

1 Accounting policies (continued)

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.

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.

Fair value measurement

The Group measures financial instruments at fair value at each balance sheet date. Fair value related disclosures are summarised in the following notes.

Disclosure item	Related note
Trade payables and trade receivables	14,17
Goodwill and intangibles	9
Disclosures for valuation methods, significant estimates and assumptions	26
Quantitative disclosures of fair value measurement hierarchy	21
Financial instruments (including those carried at amortised cost)	21

Fair value is the price that would be received to sell an asset or paid to transfer a liability measured using the assumptions that market participants would use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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 estimated 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, where reputation, recommendation and previous experience 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.

1 Accounting policies (continued)

Intangible assets – non-compete contracts
Non-compete contracts arising from business combinations are capitalised at their 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.

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

Intangible assets – use of third party brand name
The Group has a marketing agreement with Age UK Enterprises Limited, giving rights to market pre-arranged funeral plans under the Age UK brand. The value of this right has been recognised as a separate intangible asset.

This asset is being amortised over 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 so as to write-off the cost of assets to their residual value (excluding freehold land and assets in the course of construction), over their expected useful lives using the straight line method. The bases and annual depreciation rates in use for the various classes of assets are as follows:

Freehold and long leasehold 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 indefinite life. Where the historical cost of land and buildings cannot be split, the Directors have estimated that the historical cost attributable to land is one third (based on historical data) of the original cost of acquiring the land and buildings. This estimate is regularly reviewed.

Major renovations of the Group's trading premises and cremator re-linings are depreciated over the remaining life of the related asset or to the estimated date of the next major renovation or cremator re-lining, whichever is sooner. Asset lives and residual values for each class of asset are reviewed annually and adjusted if appropriate at each balance sheet date.

Assets in the course of construction are shown as work in progress at a value equal to costs incurred to date. Once completed, they are reclassified and depreciated using the Group's depreciation policy above.

Borrowing costs
If the construction phase of property, plant or equipment extends over a long period, the interest incurred on borrowed capital up to the date of completion is capitalised as part of cost of construction as permitted by IAS 23 (Borrowing Costs).

Repairs and renewals
All repairs and renewals are charged to the income statement unless they represent an enhancement to the original asset.

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 such that the interest element 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 on a straight line basis.

Financial Statements

Notes to the financial statements continued

for the 52 week period ended 26 December 2014

1 Accounting policies (continued)

Profit (or loss) on sale of fixed assets

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within profit (or loss) on sale of fixed assets in the income statement.

Impairment of assets

The carrying values of intangible assets and property, plant and equipment are reviewed for impairment in periods where events or changes in circumstances indicate that the carrying value may not be recoverable. Assets that have an indefinite useful life (e.g. goodwill) which are not subject to amortisation 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. 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. Net realisable value 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 if the conditions of IAS 12 are met.

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 liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that have terms to maturity approximating to the terms of the related pension obligation.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past service costs are recognised immediately in income.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, where it is probable that a transfer of economic benefits will be required to settle the obligation and where a reliable estimate can be made of the amount of the obligation.

Provisions (other than deferred tax) are discounted where the present value of the provision is materially different to the undiscounted value. The unwinding of discounts is included within finance costs.

1 Accounting policies (continued)

Employee share trust
The assets of the employee share trust are held by a separate limited company, of which the Directors consider that Dignity plc has de facto control. At the balance sheet date, the trust's assets and liabilities recognised in the Group's balance sheet within share capital and reserves were nil (2013: nil).

Dividends
Dividend distributions to the Company's shareholders are recognised as a liability in the financial statements in the period in which they are approved by the Company's shareholders. Interim dividends are recorded in the financial statements when paid.

Financial instruments
Borrowings
All borrowings are stated at the fair value of consideration received after deduction of transaction costs and subsequently at amortised 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.

Early settlement of Old Notes
As discussed in the Group's critical accounting estimates and judgements, the early settlement of the Old Notes was considered to be an extinguishment. Where refinanced borrowings are accounted for as an extinguishment of the original financial liability, costs or fees incurred are recognised as part of the gain or loss on extinguishment and written off through exceptional finance costs.

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(d) 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 administrative 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 on demand deposits and amounts included in accounts restricted for specific uses.

Critical accounting estimates and judgements
The preparation of financial statements in accordance with IFRS requires management to make estimates, assumptions and judgements in certain circumstances that affect reported amounts. The most sensitive estimates affecting the financial statements are detailed below:

Early settlement of Old Notes
Consideration was given as to whether the exchange of the Old Notes for New Notes constituted a modification of their terms or an early settlement ('extinguishment'). The Directors considered there to be a substantial change to the terms of the Secured Notes, since:

– The maturity of the Class A and B Notes was being increased by 11 and 18 years respectively;

– The interest rate on the Class A and B notes was being reduced by circa 2.8 per cent and circa 3.5 per cent respectively;

– The nominal value of the Class A and B Notes was being increased by circa £28 million and circa £105 million respectively;

1 Accounting policies (continued)

– The investment rating of the Class A notes was reducing to A by Fitch from A+; and

– Investors not willing to accept the exchange of notes were able to have their notes redeemed for cash at par multiplied by the exchange offer price, plus accrued interest.

The repayment of the Old Notes were therefore viewed as being extinguished early rather than having their terms modified.

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.

Pensions

The Group operates a defined benefit pension scheme that is accounted for using methods that rely on actuarial assumptions to estimate costs and liabilities for inclusion in the financial statements. These actuarial assumptions include discount rates, assumed rates of return, salary increases and mortality rates.

While management believes that the actuarial assumptions are appropriate, any significant changes to those used would affect the consolidated balance sheet, consolidated income statement and consolidated statement of comprehensive income. The Group considers that the most significant assumptions are the discount rate and the inflation rate. See note 28 for further details.

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 however, acquisitions in the period have been determined using fair value less cost to sell. 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.

Acquisition of companies

In accounting for business combinations, the identifiable assets, liabilities and contingent liabilities acquired have to be measured at their fair values. In particular, some judgement is required in estimating the split between intangible assets and goodwill and determining the fair value of properties. Details concerning acquisitions of companies are outlined in note 26.

Non consolidation of pre-need trusts

The Group markets and sells pre-arranged funeral plans, with monies received from selling funeral plans being held by independent pre-arranged funeral plan trusts. These trusts are not consolidated by the Group, on the basis they do not control them. The principle of non-consolidation was established many years ago, and therefore the Directors consider annually whether there have been any changes to terms and conditions, or accounting standards that would change this determination.

For new trusts acquired in the period, the Directors consider the terms and conditions to determine whether non-consolidation is appropriate.

Adoption of new standards

As a result of the Group's 2013 balance sheet date being 27 December 2013, any new accounting standards, amendments and interpretations applicable for accounting periods starting on or after 1 January 2014 are not mandatory until the accounting period ending 25 December 2015. The Group has elected not to early adopt any such standards.

Standards, amendments and interpretations effective in 2014

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).

IAS 19, Employee benefits was amended in June 2011. The main impact on the Group was as follows: to immediately recognise all past service costs and to replace interest costs and interest income on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit asset. See note 28 for the impact on the financial statements.

1 Accounting policies (continued)

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2014 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 standards, amendments and interpretations to existing standards have been published that are mandatory for accounting periods beginning on or after 1 January 2014 or later periods but which the Group has not early adopted:

IAS 19 (amendment), Defined benefit plans: Employee contributions, effective 1 July 2014. This amendment clarifies that, if the amount of the employees contribution is independent of the number of years service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, rather than allocating the employee contributions to the period of service. The impact of this standard is currently being assessed.

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.

IAS 36 (amendment), Impairment of assets: on the recoverable amount disclosures for non-financial assets, effective 1 January 2014. This amendment removes certain disclosures of the recoverable amount of CGUs which has been included in IAS 36 by the issue of IFRS 13. 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 2018. 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. The Group has specifically considered IFRS 10 in light of the Groups non consolidation of its pre-arranged funeral plan trusts. The Group does not believe that, given the following conditions required for consolidation in the new standard, a change in accounting policy will be required when IFRS 10 is adopted.

IFRS 10 consideration	Analysis
Power over the investee. Power arises when the investor has existing rights that gives ability to direct the relevant activities.	Dignity has no voting rights over the trusts or any rights to direct the activities of the trust. Whilst Dignity has the power to appoint the trustees, the RAO requires a majority of them to be independent.
Exposure, or rights, to variable returns from its involvement with the investee.	Dignity has no rights to variable returns, Dignity received a fee for the marketing of the plans and for the performance of the funeral. From time to time Dignity may receive a surplus from the trust however, Dignity has no right to this and it has to be approved by the trustees.
The ability to use its power over the investee to affect the amount of the investor's returns.	Dignity has no control over the trust's investment strategy.

IFRS 11, Joint arrangements, effective 1 January 2014, focuses on the rights and obligations of the parties to the arrangement rather than its legal form. The Group has no joint arrangements so there is no 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.

IFRS 15, Revenue from contracts with customers, effective 1 January 2017. This standard establishes a new five step model that will apply to revenue arising from contracts with customers. The principals in IFRS 15 provide a more structured approach to measure and recognise revenue. The impact of this standard is currently being assessed.

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.

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2 Financial risk management

The Group finances its operations by a mixture of shareholders' funds, Secured Notes and bank borrowings. This approach seeks to minimise financing costs and generate optimum shareholder value through efficient leveraging of the Group's balance sheet, which is made possible by the stable and predictable cash-generative nature of the business.

It is not the Group's policy to actively trade in derivatives.

Market risk

Interest rate risk and other price risk

The Group's main borrowings consist of New 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 is also fully drawn on a £15.8 million Crematoria Acquisition Facility. The principal on the facility is repayable in one amount in February 2018 and interest is fixed at approximately 3.3 per cent. All interest is payable in cash on a quarterly basis. Consequently, the Group carries limited risk to increases in LIBOR on this facility.

The Group has significant cash balances that are held by institutions rated at least F1 by Fitch. 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 2014 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 ageing 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 26 December 2014 the actual ratio was 10.69 times (2013: 2.46 times). The New Notes were issued on 17 October 2014. Consequently, Senior Interest only accrues from this date for the Relevant Period. Debt Service, assuming a full year Senior Interest would have been approximately £33.7 million. On this basis, the EBITDA DSCR would have been 2.95 times and the Free Cashflow DSCR would have been 2.47 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 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 New Notes, rated A and BBB respectively by Standards & Poor's and Fitch.

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 for the New Notes 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 Dignity operated 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 or loss on sale of fixed assets, external transaction costs and exceptional items. Underlying operating profit is included as it is felt that adjusting operating profit/(loss) for these items provides a useful indication of the Group's performance.

The revenue and operating profit/(loss), by segment, was as follows:

52 week period ended 26 December 2014	Revenue £m	Underlying operating profit/(loss) before depreciation and amortisation £m	Depreciation and amortisation £m	Underlying operating profit/(loss) £m	Loss on sale of fixed assets, external transaction costs and exceptional items £m	Operating profit/(loss) £m
Funeral services	184.4	75.9	(9.6)	66.3	(1.5)	64.8
Crematoria	55.2	32.3	(3.2)	29.1	(0.2)	28.9
Pre-arranged funeral plans	29.3	7.6	(0.2)	7.4	–	7.4
Central overheads	–	(17.4)	(0.5)	(17.9)	(0.3)	(18.2)
Group	268.9	98.4	(13.5)	84.9	(2.0)	82.9
Finance costs				(30.6)	(124.2)	(154.8)
Finance income				4.2	–	4.2
(Loss)/profit before tax				58.5	(126.2)	(67.7)
Taxation – continuing activities				(13.1)	–	(13.1)
Taxation – exceptional				–	25.8	25.8
Taxation				(13.1)	25.8	12.7
Underlying earnings for the period				45.4		
Total other items					(100.4)	
Loss after taxation						(55.0)
Earnings per share for (loss)/profit attributable to equity shareholders						
– Basic and diluted (pence)				85.8p		(104.0)p

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3 Revenue and segmental analysis (continued)

The segment assets and liabilities were as follows:

As at 26 December 2014	Funeral services £m	Crematoria £m	Pre-arranged funeral plans £m	Central overheads £m	Group £m
Segment assets	**350.8**	**141.3**	**19.5**	**3.1**	**514.7**
Unallocated assets:					
Cash and cash equivalents					**86.5**
Corporation tax					**1.0**
Total assets					**602.2**
Segment liabilities	**(39.7)**	**(7.8)**	**(8.1)**	**(9.6)**	**(65.2)**
Unallocated liabilities:					
Borrowings – excluding finance leases					**(610.2)**
Accrued interest					**(5.7)**
Deferred tax					**(13.6)**
Total liabilities					**(694.7)**
Other segment items:					
Additions to non-current assets (other than financial instruments and deferred tax)	**40.5**	**3.4**	**–**	**1.3**	**45.2**
Depreciation (note 10)	**9.6**	**3.2**	**–**	**0.5**	**13.3**
Amortisation (note 9)	**–**	**–**	**0.2**	**–**	**0.2**
Impairment of trade receivables (note 21 (c))	**1.6**	**–**	**–**	**–**	**1.6**
Other non-cash expenses (note 23)	**–**	**–**	**–**	**2.0**	**2.0**
Loss on sale of fixed assets	**(0.3)**	**–**	**–**	**–**	**(0.3)**

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

52 week period ended 27 December 2013	Revenue £m	Underlying operating profit before depreciation and amortisation £m	Depreciation and amortisation £m	Underlying operating profit/(loss) £m	Loss on sale of fixed assets, external transaction costs and exceptional items £m	Operating profit/(loss) £m
Funeral services – existing	166.3	66.0	(8.3)	57.7	(0.1)	57.6
Funeral services – acquisitions	9.9	3.7	(0.6)	3.1	(1.7)	1.4
Funeral services	176.2	69.7	(8.9)	60.8	(1.8)	59.0
Crematoria – existing	52.1	29.4	(3.0)	26.4	–	26.4
Crematoria – acquisitions	1.7	1.0	–	1.0	–	1.0
Crematoria	53.8	30.4	(3.0)	27.4	–	27.4
Pre-arranged funeral plans	26.7	6.8	(0.1)	6.7	–	6.7
Central overheads	–	(16.0)	(0.5)	(16.5)	(1.5)	(18.0)
Group	256.7	90.9	(12.5)	78.4	(3.3)	75.1
Finance costs				(28.9)	–	(28.9)
Finance income				3.4	–	3.4
Profit before tax				52.9	(3.3)	49.6
Taxation – continuing activities				(12.9)	0.2	(12.7)
Taxation – exceptional				–	3.5	3.5
Taxation				(12.9)	3.7	(9.2)
Underlying earnings for the period				40.0		
Total other items					0.4	
Profit after taxation						40.4
Earnings per share for profit attributable to equity shareholders						
– Basic and diluted (pence)				72.1p		72.8p

3 Revenue and segmental analysis (continued)

The segment assets and liabilities were as follows:

As at 27 December 2013	Funeral services £m	Crematoria £m	Pre-arranged funeral plans £m	Central overheads £m	Group £m
Segment assets	329.5	130.6	18.2	2.8	481.1
Unallocated assets:					
Cash and cash equivalents – excluding collateralisation of Liquidity Facility					79.3
Cash and cash equivalents – collateralisation of Liquidity Facility					63.0
Cash and cash equivalents					142.3
Total assets					623.4
Segment liabilities	(27.7)	(6.5)	(6.3)	(6.6)	(47.1)
Unallocated liabilities:					
Borrowings – excluding finance leases					(423.2)
Collateralisation of Liquidity Facility					(63.0)
Accrued interest					(14.3)
Corporation tax					(6.7)
Deferred tax					(26.9)
Total liabilities					(581.2)
Other segment items:					
Additions to non-current assets (other than financial instruments and deferred tax)	72.8	4.4	–	1.5	78.7
Depreciation (note 10)	8.9	3.0	–	0.4	12.3
Amortisation (note 9)	–	–	0.1	0.1	0.2
Impairment of trade receivables (note 21(c))	2.1	0.1	–	–	2.2
Other non-cash expenses (note 23)	–	–	–	1.5	1.5
Loss on sale of fixed assets	(0.1)	–	–	–	(0.1)

Cash generated from operations, at a divisional level, is considered to be broadly similar to the amount of underlying operating profit by each division.

4 Net finance costs

	52 week period ended 26 December 2014 £m	52 week period ended 27 December 2013 £m
Finance costs		
Old Notes	**21.8**	24.7
New Notes	**5.1**	–
Amortisation of issue costs	**1.5**	1.8
Crematoria Acquisition Facility	**0.6**	0.6
Term loan	**–**	0.7
Other loans	**1.3**	0.6
Interest payable on finance leases	**–**	0.1
Unwinding of discounts	**0.3**	0.4
Underlying finance costs	**30.6**	28.9
Extinguishment of Old Notes – exceptional	**123.2**	–
Elimination of swap – exceptional	**1.0**	–
Finance costs	**154.8**	28.9
Finance income		
Bank deposits	**(1.0)**	(0.5)
Amortisation of premium on Old Notes	**(3.2)**	(2.9)
Finance income	**(4.2)**	(3.4)
Net finance costs	**150.6**	25.5

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5 (Loss)/profit before tax

Analysis by nature	52 week period ended 26 December 2014 £m	52 week period ended 27 December 2013 £m
The following items have been included in arriving at (loss)/profit before tax:		
Staff costs (note 27)	**82.8**	78.6
Cost of inventories recognised as an expense (included in cost of sales)	**14.7**	14.6
Depreciation of property, plant and equipment – owned assets (note 10)	**13.3**	12.3
Amortisation of intangible assets (included in administrative expenses) (note 9)	**0.2**	0.2
Operating lease rentals – property	**8.7**	8.3
External transaction costs	**1.7**	3.2
Loss on extinguishment of Old Notes – exceptional	**123.2**	–
Elimination of swap – exceptional	**1.0**	–
Trade receivables impairment (included in administrative expenses) (note 21(c))	**1.6**	2.2
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	**–**	0.1
– Other advisory services	**–**	0.6
	0.2	0.9

External transaction costs

The current period relates to £1.4 million of other external acquisition expense and £0.3 million external costs relating to the Return of Cash. There is no impact on taxation.

The prior period consists of £1.1 million in respect of the Yew Acquisition, £1.6 million in respect of the issue of the Secured Notes and Return of Cash and £0.5 million of other external acquisition expenses. The impact on taxation on these is a credit of £0.2 million.

Loss on extinguishment of Old Notes – exceptional

During the period, the Group exchanged Old Notes with a book value of £404.6 million, stated before deduction of net unamortised issue costs of £14.8 million, for New Notes with a value of £501.3 million and cash of £5.9 million. The Group incurred incremental costs of £5.8 million in respect of this exchange. As explained in note 1, this exchange was assessed as being an extinguishment of the Old Notes and the issue of New Notes, such that a loss on extinguishment of £123.2 million arose. The impact on taxation on this is a credit of £25.6 million.

Elimination of swap – exceptional

The swap terminated in the period had a fair value of £5.1 million and a carrying value of £4.1 million, resulting in an exceptional finance cost of £1.0 million. The impact on taxation on this is a credit of £0.2 million.

Following the change of auditors in 2014, the Group paid £40,000 of fees to the Group's auditor in connection with the other non-audit services. See the Audit Committee report for further details.

6 Taxation

Analysis of charge in the period	52 week period ended 26 December 2014 £m	52 week period ended 27 December 2013 £m
Current tax – current period	**0.6**	13.3
Adjustments for prior period	**(0.7)**	(0.2)
Total corporation tax	**(0.1)**	13.1
Deferred tax – current period	**(1.2)**	(0.6)
Non trade deficit recognised in the period	**(11.6)**	–
Adjustments for prior period	**0.2**	0.2
Exceptional adjustment for rate change in 2013 23% to 20%	**–**	(3.5)
Total deferred tax	**(12.6)**	(3.9)
Taxation	**(12.7)**	9.2

Tax on items credited to other comprehensive income or equity	52 week period ended 26 December 2014 £m	52 week period ended 27 December 2013 £m
Deferred tax credit on remeasurement losses on retirement benefit obligations	**(2.2)**	(0.2)
Deferred tax credit relating to maturity of option schemes	**(0.3)**	(0.4)
Total credited to other comprehensive income	**(2.5)**	(0.6)
Corporation tax credit on remeasurement losses on retirement benefit obligations	**–**	(0.3)
Corporation tax credit relating to maturity of option schemes	**(0.6)**	(0.7)
Adjustment for rate change in 2013 23% to 20%	**–**	0.1
Total credited to equity	**(0.6)**	(0.9)

The taxation charge in the period is higher (2013: lower) than the standard rate of corporation tax in the UK of 21.5 per cent (2013: 23.25 per cent). The differences are explained below:

	52 week period ended 26 December 2014 £m	52 week period ended 27 December 2013 £m
(Loss)/profit before taxation	**(67.7)**	49.6
(Loss)/profit before taxation multiplied by the standard rate of corporation tax in the UK of 21.5% (2013: 23.25%)	**(14.6)**	11.5
Effects of:		
Adjustments in respect of prior period	**(0.5)**	–
Exceptional adjustment in respect of closing deferred tax rate change in 2013 23% to 20%	**–**	(3.5)
Expenses not deductible for tax purposes	**2.4**	1.2
Total taxation	**(12.7)**	9.2

Under IFRS the tax rate is lower (2013: lower) than the standard UK tax rate of 21.5 per cent (2013: 23.25 per cent) 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 (2013: principally due to the exceptional adjustments). The standard rate of corporation tax in the UK changed from 23 per cent to 21 per cent with effect from 1 April 2014. Accordingly the Group's profits for this accounting period are taxed at an effective rate of 22.5 per cent (2013: 24.5 per cent).

Legislation to reduce the main rate of corporation tax to 20 per cent from 1 April 2015 was substantively enacted in 2013 and as such the deferred tax balance at 27 December 2013 was calculated at 20 per cent. As a result, the Group recognised exceptional tax income, in the prior period, of £3.5 million through its income statement which reflected the one off reduction in the period of the Group's deferred tax position.

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7 Dividends

	52 week period ended 26 December 2014 £m	52 week period ended 27 December 2013 £m
Final dividend paid: 11.83p per Ordinary Share (2013: 10.75p)	**6.3**	6.2
Interim dividend paid: 6.49p per Ordinary Share (2013: nil)	**3.5**	–
Dividend on Ordinary Shares	**9.8**	6.2

2014 Return of Cash

On 7 November 2014, the Group returned a total of £64.4 million to ordinary shareholders equating to £1.20 for each Ordinary Share held following the issue of the New Notes. Ordinary shareholders were able to elect to receive this Return of Cash as either:

(a) A return of capital (the 'Capital Option').

(b) A special dividend (the 'Special Dividend Option').

Ordinary shareholders elected to receive £20.1 million as a return of capital and £44.3 million as a special dividend.

2013 Return of Cash

On 9 August 2013, the Group returned a total of £61.9 million to ordinary shareholders equating to £1.08 for each Ordinary Share held following the issue of Old Notes. Ordinary shareholders were able to elect to receive this Return of Cash as either:

(c) A return of capital (the 'Capital Option').

(d) A special dividend (the 'Special Dividend Option').

Ordinary shareholders elected to receive £22.3 million as a return of capital and £39.6 million as a special dividend.

The interim dividend represents the interim dividend that was approved and paid in the period out of earnings generated in the same period. No interim dividend was paid in 2013 as it was included within the Return of Cash.

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 £74.2 million, 138.32 pence per share (2013: £68.1 million, 118.75 pence per share).

A final dividend of 13.01 pence per share, in respect of 2014, has been proposed by the Board. Based on the number of shares in issue at the date of signing this report the total dividend payment is approximately £6.4 million. This will be paid on 26 June 2015 provided that approval is gained from shareholders at the Annual General Meeting on 11 June 2015 and will be paid to shareholders on the register at close of business on 29 May 2015.

8 Earnings per share

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

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

The Group has two classes of potentially dilutive Ordinary Shares being those share options granted to employees under the Group's SAYE Scheme and the contingently issuable shares under the Group's LTIP Schemes. At the balance sheet date, the performance criteria for the vesting of the awards under the LTIP Schemes are assessed, as required by IAS 33, and to the extent that the performance criteria have been met those contingently issuable shares are included within the diluted EPS calculations. In prior periods, the potential issue of new shares pursuant to the Group's share option plans had no impact on the calculation of earnings per share.

For the period ended 26 December 2014, any potential ordinary shares to be included when considering diluted earnings per share were anti-dilutive. As a result there was no difference between basic earnings per share and basic diluted earnings per share.

8 Earnings per share (continued)

The Board believes that profit on ordinary activities before profit (or loss) 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.

In 2013 and 2014, shareholders approved a share capital consolidation together with a Special Dividend of £1.08 and £1.20 per Ordinary Share respectively. The overall effect of these transactions was that of a share repurchase at fair value. The reduction in the number of Ordinary Shares is the result of a corresponding reduction in resources and therefore no adjustment has been made to the earnings per share calculation.

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 26 December 2014			
Underlying profit after taxation and EPS	**45.4**	**52.9**	**85.8**
Add: Exceptional items, loss on sale of fixed assets and external transaction costs (net of taxation of £25.8 million)	**(100.4)**		
Loss attributable to shareholders – Basic and dilutive EPS	**(55.0)**	**52.9**	**(104.0)**
52 week period ended 27 December 2013			
Underlying profit after taxation and EPS	40.0	55.5	72.1
Add: Exceptional items, loss on sale of fixed assets and external transaction costs (net of taxation of £0.2 million)	0.4		
Profit attributable to shareholders – Basic and dilutive EPS	40.4	55.5	72.8

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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 28 December 2012	51.0	3.2	4.0	0.2	58.4	151.1	209.5
Acquisition of subsidiaries and other businesses	23.5	–	–	–	23.5	22.6	46.1
At 27 December 2013	74.5	3.2	4.0	0.2	81.9	173.7	255.6
Acquisition of subsidiaries and other businesses (note 26(a))	17.7	–	–	–	17.7	8.6	26.3
At 26 December 2014	**92.2**	**3.2**	**4.0**	**0.2**	**99.6**	**182.3**	**281.9**
Accumulated amortisation							
At 28 December 2012	–	(0.9)	(3.9)	(0.2)	(5.0)	–	(5.0)
Amortisation charge	–	(0.1)	(0.1)	–	(0.2)	–	(0.2)
At 27 December 2013	–	(1.0)	(4.0)	(0.2)	(5.2)	–	(5.2)
Amortisation charge	–	(0.2)	–	–	(0.2)	–	(0.2)
At 26 December 2014	**–**	**(1.2)**	**(4.0)**	**(0.2)**	**(5.4)**	**–**	**(5.4)**
Net book amount at 26 December 2014	**92.2**	**2.0**	**–**	**–**	**94.2**	**182.3**	**276.5**
Net book amount at 27 December 2013	74.5	2.2	–	–	76.7	173.7	250.4
Net book amount at 28 December 2012	51.0	2.3	0.1	–	53.4	151.1	204.5

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 (excluding goodwill acquired in the period) 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 26 December 2014	Intangible assets £m	Goodwill £m	Total £m
Funeral services	**92.2**	**130.7**	**222.9**
Crematoria	**–**	**46.9**	**46.9**
Pre-arranged funeral plans	**2.0**	**4.7**	**6.7**
	94.2	**182.3**	**276.5**
At 27 December 2013			
Funeral services	74.5	122.1	196.6
Crematoria	–	46.9	46.9
Pre-arranged funeral plans	2.2	4.7	6.9
	76.7	173.7	250.4

9 Goodwill and other intangible assets (continued)

The recoverable amount of a CGU is based on a value-in-use calculation for goodwill and intangible assets existing at the start of the period.

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 (2013: 2.25 per cent), being a prudent estimate of long-term growth rates for impairment review purposes only. The cash flows are discounted at a pre-tax rate of 10.2 per cent (2013: 10.2 per cent). This rate is used for each CGU because they all have similar risk profiles. Based on these calculations, the discount rate would have to increase to at least 18 per cent (2013: 19 per cent), or the growth rate would have to reduce to at least minus 6.1 per cent (2013: minus 8 per cent) to result in any impairment of goodwill, intangible assets, property, plant and equipment and working capital.

For acquisitions made in the period, the recoverable amount of cash-generating units has been determined on the basis of fair value less costs to sell. The consideration paid in each case supports the valuation of goodwill which is subject to an annual impairment review.

On the basis of the above, the review indicated that no impairment arose in any segment (2013: £nil).

10 Property, plant and equipment

	Freehold land and buildings £m	Leasehold buildings £m	Plant, machinery, fixtures and fittings £m	Motor vehicles £m	Work in progress £m	Total £m
Cost						
At 28 December 2012	92.8	37.9	35.4	49.9	7.8	223.8
Additions	3.0	1.3	4.3	7.5	2.2	18.3
Acquisition of subsidiaries and other businesses	17.5	1.9	–	1.8	–	21.2
Disposals	–	–	(0.2)	(2.9)	–	(3.1)
Reclassification	1.2	1.6	3.2	–	(6.0)	–
At 27 December 2013	114.5	42.7	42.7	56.3	4.0	260.2
Additions	0.9	2.6	1.7	7.4	6.8	19.4
Acquisition of subsidiaries and other businesses (note 26(a))	1.8	0.1	–	1.7	–	3.6
Disposals	–	(0.3)	(3.8)	(4.7)	(0.1)	(8.9)
Reclassification	1.0	2.9	2.1	0.1	(6.1)	–
At 26 December 2014	**118.2**	**48.0**	**42.7**	**60.8**	**4.6**	**274.3**
Accumulated depreciation						
At 28 December 2012	(15.4)	(11.2)	(16.8)	(23.3)	–	(66.7)
Depreciation charge	(2.8)	(1.7)	(3.6)	(4.2)	–	(12.3)
Disposals	–	–	0.2	2.2	–	2.4
Reclassification	(0.1)	0.1	–	–	–	–
At 27 December 2013	(18.3)	(12.8)	(20.2)	(25.3)	–	(76.6)
Depreciation charge	(2.8)	(1.9)	(4.0)	(4.6)	–	(13.3)
Disposals	–	0.2	3.8	3.9	–	7.9
At 26 December 2014	**(21.1)**	**(14.5)**	**(20.4)**	**(26.0)**	**–**	**(82.0)**
Net book amount at 26 December 2014	**97.1**	**33.5**	**22.3**	**34.8**	**4.6**	**192.3**
Net book amount at 27 December 2013	96.2	29.9	22.5	31.0	4.0	183.6
Net book amount at 28 December 2012	77.4	26.7	18.6	26.6	7.8	157.1

Depreciation expense of £4.6 million (2013: £4.2 million) is included within cost of sales and £8.7 million (2013: £8.1 million) is included within administrative expenses.

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

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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:

	26 December 2014 £m	27 December 2013 £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 £2.0 million (2013: £2.7 million).

11 Non-current financial and other assets

	Note	26 December 2014 £m	27 December 2013 £m
Prepayments	(a)	**7.6**	10.0
Deferred commissions	(b)	**2.8**	2.7
		10.4	12.7

(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 50 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 30 to 125 years.

(b) Deferred commissions

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 to the insurers when the policy is initially 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

	26 December 2014 £m	27 December 2013 £m
Materials	**0.2**	0.2
Finished goods	**6.3**	6.4
	6.5	6.6

There were no inventory write-downs in either period.

14 Trade and other receivables

	26 December 2014 £m	27 December 2013 £m
Trade receivables	**20.6**	19.5
Less: provision for impairment (note 21(c))	**(4.9)**	(4.5)
Net trade receivables	**15.7**	15.0
Receivables due from pre-arranged funeral plans trusts (note 29)	**5.5**	3.1
Receivables due from pre-arranged funeral plans trusts due after more than one year (note 29)	**3.7**	3.6
Prepayments and accrued income	**2.7**	4.8
Other receivables	**1.4**	1.3
Corporation taxation	**1.0**	–
	30.0	27.8

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	26 December 2014 £m	27 December 2013 £m
Operating cash as reported in the consolidated statement of cash flows as cash and cash equivalents		**76.9**	59.0
Amounts set aside for debt service payments	(a)	**9.6**	20.3
Collateralisation of Liquidity Facility	(b)	**–**	63.0
Cash and cash equivalents as reported in the balance sheet		**86.5**	142.3

(a) 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(d)) and commitment fees due on its undrawn borrowing facilities (see note 21(d)) and for no other purpose. Consequently, this amount does not meet the definition of cash and cash equivalents in IAS 7, Statement of Cash Flows. This amount was used to pay these respective parties on 31 December 2014. Of this amount, £5.6 million (2013: £14.6 million) is shown within the Statement of Cash Flows as 'Payments to restricted bank accounts for finance costs' and £4.0 million (2013: £5.7 million) is shown within 'Financing activities' as 'Payments to restricted bank accounts for repayment of borrowings'.

(b) This amount represents the cash collateralisation of the Liquidity Facility, which does not meet the definition of cash and cash equivalents in IAS 7. See notes 16(f) and 21(d) for further information.

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16 Financial liabilities

	Note	26 December 2014 £m	27 December 2013 £m
Current			
Old A Notes	(a)	–	15.8
New A Notes	(b)	8.0	–
Premium on Old Notes	(a)	–	4.0
Other current financial liabilities	(d)	–	1.0
Collateralisation of Liquidity Facility	(f)	–	63.0
	(g)	8.0	83.8
Non-current			
Old Notes	(a)	–	347.7
New Notes	(b)	586.6	–
Premium on Old Notes	(a)	–	35.5
Finance lease obligations	(c)	0.7	0.7
Other non-current financial liabilities	(d)	–	3.6
Crematoria Acquisition Facility	(e)	15.6	15.6
		602.9	403.1

(a) Old Notes

All Old Notes were repaid during the period. See the 2013 Annual Report for details of the Old Notes.

(b) New Notes

On 17 October 2014, Dignity Finance PLC issued the New Notes, as described in the Financial Review. Interest is payable on the New Notes on 30 June and 31 December of each year.

Transaction costs of £0.3 million and £0.4 million were incurred directly relating to the issue of the New A Notes and the New B Notes respectively. At 26 December 2014, £0.3 million (2013: £nil) and £0.4 million (2013: £nil) of the transaction costs in respect of the New A Notes and the New B Notes respectively remain unamortised.

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

The amortisation profile of the New Notes is as follows:

New A Notes

	2014 £m	2015 £m	2016 £m	2017 £m	2018 £m	2019 £m	2020 £m	2021 £m	2022 £m	2023 £m	2024 £m
June	–	4.1	4.2	4.4	4.6	4.7	4.9	5.1	5.2	5.4	5.6
December	4.0	4.1	4.3	4.4	4.6	4.8	4.9	5.1	5.3	5.5	5.7
Total	4.0	8.2	8.5	8.8	9.2	9.5	9.8	10.2	10.5	10.9	11.3

	2025 £m	2026 £m	2027 £m	2028 £m	2029 £m	2030 £m	2031 £m	2032 £m	2033 £m	2034 £m	Total £m
June	5.8	6.0	6.2	6.4	6.7	6.9	7.2	7.4	7.7	8.0	116.5
December	5.9	6.1	6.4	6.6	6.8	7.1	7.3	7.6	7.8	8.1	122.4
Total	11.7	12.1	12.6	13.0	13.5	14.0	14.5	15.0	15.5	16.1	238.9

16 Financial liabilities (continued)

New B Notes

	2035 £m	2036 £m	2037 £m	2038 £m	2039 £m	2040 £m	2041 £m	2042 £m	2043 £m	2044 £m	2045 £m
June	8.4	8.7	9.1	9.6	10.0	10.5	11.0	11.5	12.1	12.6	13.2
December	8.5	9.0	9.4	9.8	10.3	10.8	11.3	11.8	12.3	12.9	13.5
Total	16.9	17.7	18.5	19.4	20.3	21.3	22.3	23.3	24.4	25.5	26.7

	2046 £m	2047 £m	2048 £m	2049 £m	Total £m
June	13.8	14.5	15.2	15.9	176.1
December	14.2	14.8	15.5	16.2	180.3
Total	28.0	29.3	30.7	32.1	356.4

(c) Obligations under finance leases

	26 December 2014 £m	27 December 2013 £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.

(d) Other financial liabilities

As part of the refinancing described in the Financial Review, this financial liability was repaid in the period. See the 2013 Annual Report for further details of the financial liability.

(e) Crematoria Acquisition Facility

The Group is fully drawn on a £15.8 million Crematoria Acquisition Facility. The principal on the facility is repayable in one amount in February 2018 and interest is fixed at approximately 3.3 per cent. All interest is payable in cash on a quarterly basis. Consequently, the Group carries limited risk to increases in LIBOR on this facility.

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 90.

At 26 December 2014, £15.8 million (2013: £15.8 million) of the principal was outstanding. At 26 December 2014, £0.2 million (2013: £0.2 million) of the transaction costs remained unamortised.

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

(f) Collateralisation of Liquidity Facility

In November 2013 the Group enforced its right to require the Royal Bank of Scotland ('RBS') to cash collateralise the Group's Liquidity Facility, following the downgrade of RBS by Standard & Poor's. This collateralisation could have been reversed at RBS's option once their short-term rating is at least A-1. At 27 December 2013 this facility was effectively undrawn on a net basis and the cash could only be used in the same circumstances before the cash collateralisation was enforced. As part of the refinancing described in the Financial Review the terms of the Liquidity Facility were amended. As a result the Group benefits from a £55 million Liquidity Facility which is not required to be cash collateralised by RBS at this time.

(g) Current financial liabilities

The current financial liabilities represent the amounts falling due within one year of the Group's balance sheet date.

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17 Trade and other payables

Current	26 December 2014 £m	27 December 2013 £m
Trade payables	**5.3**	5.9
Tax and social security	**1.5**	1.4
Other current liabilities	**2.1**	1.9
Accruals	**38.4**	39.6
Deferred income	**3.9**	3.2
	51.2	52.0
Non-current		
Deferred income	**1.1**	1.1
Deferred consideration for acquisitions	**0.1**	–
Other non-current liabilities	**1.4**	1.7
	2.6	2.8

18 Obligations under finance leases and operating leases

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

	26 December 2014 £m	27 December 2013 £m
The minimum lease payments under non-cancellable operating leases fall due as follows:		
Not later than one year	**9.8**	8.4
Later than one year but not more than five years	**27.5**	25.3
More than five years	**131.3**	125.5
	168.6	159.2

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

Of the total operating lease payments charged to trading expenses, £nil million (2013: £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 £0.5 million (2013: £0.4 million). Total future sublease payments receivable relating to operating leases amount to £0.7 million (2013: £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	3.6	0.1	1.2	4.9
Charged to income statement	0.9	0.1	0.1	1.1
Arising on acquisitions	0.3	–	–	0.3
Released to income statement	(0.2)	(0.1)	–	(0.3)
Utilised in period	(0.2)	–	–	(0.2)
Amortisation of discount	0.1	–	–	0.1
At end of period	**4.5**	**0.1**	**1.3**	**5.9**

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

	26 December 2014 £m	27 December 2013 £m
Current	**1.4**	1.1
Non-current	**4.5**	3.8
	5.9	4.9

19 Provisions for liabilities and charges (continued)

(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, £1.1 million (2013: £0.6 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 2023.

(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 2034.

Included within the provision is an amount of £nil million (2013: £nil 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 20 per cent (2013: 20 per cent).

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

	26 December 2014 £m	27 December 2013 £m
At beginning of period	**26.9**	24.2
Credited to income statement (note 6)	**(12.6)**	(0.4)
Adjustment for rate change in 2013 23% to 20%	**–**	(3.4)
Taken to equity (note 6)	**(2.5)**	(0.6)
Arising on acquisitions (note 26(a))	**1.8**	7.1
At end of period	**13.6**	26.9

The movements in deferred tax assets and liabilities (prior to the offsetting of balances within the same jurisdiction as permitted by IAS 12) during the period are shown below:

Deferred tax liabilities

	Accelerated tax depreciation £m	Other £m	Total £m
At beginning of period	15.7	13.0	28.7
Credited to income statement (note 6)	(0.5)	(0.6)	(1.1)
Taken to equity (note 6)	–	–	–
Arising on acquisitions	0.3	1.5	1.8
At end of period	**15.5**	**13.9**	**29.4**

Deferred tax assets

	Non trade deficits £m	Pensions £m	Other £m	Total £m
At beginning of period	–	(0.2)	(1.6)	(1.8)
(Credited)/charged to income statement (note 6)	(11.6)	0.3	(0.2)	(11.5)
Taken to equity	–	(2.2)	(0.3)	(2.5)
At end of period	**(11.6)**	**(2.1)**	**(2.1)**	**(15.8)**

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20 Deferred tax (continued)

All of the deferred tax assets were available for offset against deferred tax liabilities and hence the net deferred tax provision at 26 December 2014 was £13.6 million (2013: £26.9 million).

Other deferred tax liabilities includes trade names and capital gains rolled forward, other deferred tax assets includes option schemes £1.6 million (2013: £1.0 million) and long service awards £0.2 million (2013: £0.2 million).

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 credited to other comprehensive income or charged to equity during the period was as follows:

	52 week period ended 26 December 2014 £m	52 week period ended 27 December 2013 £m
Deferred tax credit on remeasurement losses on retirement benefit obligations	**(2.2)**	(0.2)
Deferred tax credit relating to maturity of option schemes	**(0.3)**	(0.4)
Total credited to other comprehensive income	**(2.5)**	(0.6)
Adjustment for rate change in 2013 23% to 20%	**–**	0.1
Total charged to equity	**–**	0.1

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 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

All assets and liabilities are held at amortised cost other than interest rate swaps (in the prior period) which are held at fair value. These swaps are level 2.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

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

	26 December 2014 £m	27 December 2013 £m
Long-term borrowings (excluding finance lease obligations and including swaps) (note 16)	**(649.6)**	(494.9)
Finance lease obligations (note 16)	**(0.7)**	(0.7)
	(650.3)	(495.6)
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 collateralised Liquidity Facility and including swaps) (note 16)	**(8.3)**	(23.6)
Collateralisation of Liquidity Facility	**–**	(63.0)
Trade and other payables (excluding statutory liabilities) (note 17)	**(49.7)**	(50.6)
Trade and other receivables (excluding prepayments) (note 14)	**26.3**	23.0
Collateralisation of Liquidity Facility	**–**	63.0
Cash and cash equivalents – excluding collateralised Liquidity Facility (note 15)	**86.5**	79.3
Other non-current financial liabilities (note 17)	**(2.6)**	(2.8)

21 Financial instruments (continued)

With the exception of long-term and short-term borrowings (excluding finance lease obligations and including swaps) the fair value and the book value are the same. Long-term borrowings (excluding finance lease obligations and including swaps) has a book value of £602.2 million (2013: £402.4 million) and short-term borrowings (excluding finance lease obligations and including swaps) has a book value of £8.0 million (2013: £20.8 million).

(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.

	26 December 2014					
	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						
New Notes (gross)	**8.1**	**8.3**	**8.7**	**18.3**	**551.9**	**595.3**
Interest payable on New Notes	**17.7**	**24.8**	**24.5**	**48.2**	**463.7**	**578.9**
Crematoria Acquisition Facility	**–**	**–**	**–**	**15.8**	**–**	**15.8**
Interest payable on Crematoria Acquisition Facility	**0.5**	**0.5**	**0.5**	**0.1**	**–**	**1.6**
Finance leases	**–**	**0.1**	**0.1**	**0.1**	**2.7**	**3.0**
Debt repayments	**26.3**	**33.7**	**33.8**	**82.5**	**1,018.3**	**1,194.6**
Other financial liabilities	**45.9**	**0.4**	**0.3**	**0.7**	**0.7**	**48.0**
	72.2	**34.1**	**34.1**	**83.2**	**1,019.0**	**1,242.6**

	27 December 2013					
	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						
Old Notes (gross)	17.7	13.0	14.0	31.3	303.8	379.8
Interest payable on Old Notes	41.1	26.4	25.6	48.5	167.3	308.9
Swaps	1.0	0.7	0.7	1.2	2.8	6.4
Crematoria Acquisition Facility	–	–	–	15.8	–	15.8
Interest payable on Crematoria Acquisition Facility	0.5	0.5	0.5	0.6	–	2.1
Collateralisation of Liquidity Facility	63.0	–	–	–	–	63.0
Finance leases	–	0.1	0.1	0.1	2.7	3.0
Debt repayments	123.3	40.7	40.9	97.5	476.6	779.0
Other financial liabilities	37.9	0.3	0.3	0.4	0.9	39.8
	161.2	41.0	41.2	97.9	477.5	818.8

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21 Financial instruments (continued)

The amounts disclosed in the tables below represent the anticipated amortisation profile for the issue costs relating to the Group's financial liabilities.

26 December 2014	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 New Notes	–	–	–	–	0.7	0.7
Issue costs on Crematoria Acquisition Facility	–	0.1	0.1	–	–	0.2
	–	0.1	0.1	–	0.7	0.9

27 December 2013	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 Old Notes	1.8	1.7	1.7	3.0	8.1	16.3
Premium on Old Notes	(3.9)	(3.8)	(3.7)	(6.8)	(21.3)	(39.5)
Issue costs on Crematoria Acquisition Facility	–	0.1	–	0.1	–	0.2
	(2.1)	(2.0)	(2.0)	(3.7)	(13.2)	(23.0)

(c) Trade receivables

As at 26 December 2014, £8.6 million of the individual gross trade receivables (2013: £8.7 million) were past due and partially impaired. A provision for impairment is established based on historical experience. The amount of the provision, as at 26 December 2014, was £4.9 million (2013: £4.5 million). The individually impaired receivables principally relate to monies owing for funerals performed by the funeral services division. The ageing of these receivables is as follows:

	26 December 2014 £m	27 December 2013 £m
One to six months	4.6	4.9
Over six months	4.0	3.8
	8.6	8.7

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:

	26 December 2014 £m	27 December 2013 £m
At beginning of period	(4.5)	(3.4)
Charged to income statement	(1.6)	(2.2)
Utilised in period	1.2	1.1
At end of period	(4.9)	(4.5)

21 Financial instruments (continued)

(d) Borrowing facilities

(i) The Group has the following undrawn committed borrowing facilities available at 26 December 2014, all of which were at floating interest rates, in respect of which all conditions precedent had been met at that date:

	26 December 2014 £m	27 December 2013 £m
Expiring within one year	–	–
Expiring between one and two years	–	–
Expiring in more than two years	60.0	5.0
	60.0	5.0

During the period, £55 million was undrawn (2013: £63.0 million drawn) of the Liquidity Facility relating to the New Notes (2013: Old Notes). This facility may only be used to repay interest and principal on the New Notes in the event of insufficient cash to service these instruments. The facility is subject to annual renewal. However, if the bank providing the facility does not renew it, then the provider is required to place £55 million (2013: £63.0 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 New Notes have been repaid in full. This facility ceased being cash in the period. See note 16(f) for further information.

The remaining £5.0 million facility expires in October 2019. Both these facilities incur commitment fees at market rates.

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

	26 December 2014 £m	27 December 2013 £m
Not later than one year	0.1	0.1
Later than one year but not more than five years	0.2	0.2
More than five years	2.7	2.7
	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

	26 December 2014 £m	27 December 2013 £m
Allotted and fully paid Equity shares		
49,170,180 (2013: 53,343,871) Ordinary Shares of 12 48/143 pence (2013: 11 4/13 pence) each	6.1	6.0

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

During the period, the Group received £nil consideration in relation to the 281,430 shares issued under the 2011 LTIP scheme, £nil million (2013: £1 million) consideration in relation to the 14,896 (2013: 141,981) shares issued under the 2010 SAYE scheme.

Changes in issued share capital – 2014

On 31 October 2014, the Ordinary Share Capital of the Company was consolidated such that shareholders received 11 Ordinary Shares of 12 48/143 pence each in exchange for every 12 Ordinary Shares of 11 4/13 pence each held at close of business on 31 October 2014.

As a result of the Return of Cash undertaken in the year, bonus shares of 16,795,058 B Shares with a nominal value of £1.20 per share and 36,845,858 C Shares were issued. The B Shares were issued and redeemed for cash at par in November 2014. The C Shares were issued in November 2014 and converted to Deferred Shares on the same day. The deferred shares were subsequently repurchased for nominal consideration.

Changes in issued share capital – 2013

On 12 August 2013, the Ordinary Share Capital of the Company was consolidated such that shareholders received 13 Ordinary Shares of 11 4/13 pence each in exchange for every 14 Ordinary Shares of £0.105 each held at close of business on 9 August 2013.

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22 Ordinary share capital (continued)

As a result of the Return of Cash undertaken in the year, bonus shares of 20,613,992 B Shares with a nominal value of £1.08 per share and 36,680,352 C Shares were issued. The B Shares were issued on 12 August 2013 and redeemed for cash at par on 20 August 2013. The C Shares were issued on 12 August 2013 and converted to Deferred Shares on the same day. The deferred shares were subsequently repurchased for nominal consideration.

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 2013. In addition, Executive Directors and senior management hold options to subscribe for shares in the Company under Long-Term Incentive Plans ('LTIPs') awarded in 2012, 2013 and 2014.

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	2014 Number	2013 Number	2012 Number
2013 – SAYE	1,469.00	1 December 2016 to 31 May 2017	**130,364**	149,318	n/a
2012 – LTIP	–	29 March 2015 to 27 March 2022	**251,836**	251,836	251,836
2013 – LTIP	–	20 March 2016 to 18 March 2023	**217,270**	217,270	n/a
2014 – LTIP	–	25 March 2017 to 24 March 2024	**186,780**	n/a	n/a

23 Share-based payments

In respect of share-based payment arrangements, total charges to the income statement were £2.0 million (2013: £1.5 million). The Directors consider that these amounts are not material and hence further detailed disclosures have been omitted.

24 Net debt

	26 December 2014 £m	27 December 2013 £m
Net amounts owing on Old Notes	**–**	(403.0)
Net amounts owing on New Notes	**(594.6)**	–
Add: unamortised issue costs – issued 2014 (note 16(b))	**(0.7)**	(16.3)
Gross amounts owing on Secured Notes per financial statements	**(595.3)**	(419.3)
Net amounts owing on Crematoria Acquisition Facility per financial statements	**(15.6)**	(15.6)
Add: unamortised issue costs on Crematoria Acquisition Facility (note 16(e))	**(0.2)**	(0.2)
Gross amounts owing	**(611.1)**	(435.1)
Accrued interest on Secured Notes	**(5.7)**	(14.3)
Cash and cash equivalents[(a)] (note 15)	**86.5**	79.3
Net debt	**(530.3)**	(370.1)

(a) In 2013, cash held as collateral for the Liquidity Facility was excluded as it did not meet the definition of cash and cash equivalents in IAS 7. See notes 16(f) and 21(d) for further details.

In addition to the above, the consolidated balance sheet also includes finance lease obligations and other financial liabilities which totalled £0.7 million (2013: £5.3 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 New Notes requires EBITDA to total debt service to be at least 1.5 times. At 26 December 2014, the actual ratio was 10.69 times (2013: 2.46 times). The New Notes were issued on 17 October 2014. Consequently, Senior Interest only accrues from this date for the Relevant Period. Debt Service, assuming a full year Senior Interest would have been approximately £33.7 million. On this basis, the EBITDA DSCR would have been 2.95 times and the Free Cashflow DSCR would have been 2.47 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 26 December 2014 £m	52 week period ended 27 December 2013 £m
Net (loss)/profit for the period	**(55.0)**	40.4
Adjustments for:		
Taxation	**(12.7)**	9.2
Net finance costs	**26.4**	25.5
Loss on disposal of fixed assets	**0.3**	0.1
Depreciation charges	**13.3**	12.3
Amortisation of intangibles	**0.2**	0.2
Movement in inventories	**0.2**	–
Movement in trade receivables	**0.3**	2.0
Movement in trade payables	**(0.6)**	(1.4)
External transaction costs	**1.7**	3.2
Loss on extinguishment of Old Notes – exceptional	**123.2**	–
Elimination of swap – exceptional	**1.0**	–
Changes in other working capital (excluding acquisitions)	**4.1**	1.2
Employee share option charges (note 23)	**2.0**	1.5
Cash generated from operations before external transaction costs and exceptional pension contributions	**104.4**	94.2

Other non-cash transactions

During the period, as described in note 5, the Group exchanged Old Notes with a book value of £404.6 million for New Notes with a value of £501.3 million and cash of £5.9 million.

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

26 Acquisitions

(a) Acquisition of subsidiary and other businesses

	Provisional fair value £m
Property, plant and equipment	**3.6**
Intangible assets: trade names	**17.7**
Cash acquired	**4.3**
Receivables	**0.7**
Provisions (note 19)	**(0.3)**
Other working capital	**(0.3)**
Deferred taxation (note 20)	**(1.8)**
Net assets acquired	**23.9**
Goodwill arising	**8.6**
	32.5
Satisfied by:	
Cash paid on completion (funded from internally generated cash flows)	**29.0**
Deferred consideration	**3.5**
Total consideration	**32.5**

All intangible assets were recognised at their provisional respective fair values. The residual excess of the consideration paid over the net assets acquired is recognised as goodwill, of which £4.1 million is tax deductable. This goodwill represents future benefits to the Group in terms of revenue, market share and delivering the Group's strategy.

The fair value adjustments contain provisional amounts, which will be finalised in 2015. 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.

All acquisitions have been accounted for under the acquisition method. None were individually material and consequently have been aggregated. The aggregated impact of the acquisitions on the Income Statement for the period is not material.

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26 Acquisitions (continued)

(b) Reconciliation to cash flow statement

	52 week period ended 26 December 2014 £m	52 week period ended 27 December 2013 £m
Cash paid on completion	29.0	61.7
Cash paid in respect of deferred consideration obligations	–	0.1
Cash acquired on acquisition	(4.3)	(1.1)
Acquisition of subsidiaries and businesses as reported in the cash flow statement	24.7	60.7

27 Employees and Directors

	52 week period ended 26 December 2014 £m	52 week period ended 27 December 2013 £m
Wages and salaries	73.4	70.1
Social security costs	5.2	5.1
Other pension costs (note 28)	2.2	1.9
Share option charges (note 23)	2.0	1.5
	82.8	78.6

Key management are considered to be the Board of Directors only. Total key management remuneration in the period was £4.3 million (2013: £3.9 million), including £1.3 million (2013: £1.0 million) of share option charges. The monthly average number of people, including Directors, employed by the Group during the period was as follows:

	2014 Number	2013 Number
Management and administration	159	148
Funeral services staff	2,229	2,194
Crematoria staff	324	316
Pre-arranged funeral plan staff	76	69
	2,788	2,727

Directors' emoluments

Details of Directors' emoluments are disclosed in the Report on Directors' Remuneration on pages 52 to 58 which form part of these consolidated financial statements.

28 Pension commitments

Defined contribution plans

The Group contributes to certain individuals' personal pension schemes. These contributions are accounted for as defined contribution schemes.

Auto enrolment

A defined contribution scheme is used to address the Group's obligations for auto enrolment. Both the employee and the Group contribute four per cent of pensionable pay.

The pension costs for defined contribution schemes are as follows:

	2014 £m	2013 £m
Defined contribution schemes	0.9	0.3

28 Pension commitments (continued)

Defined benefit plan

The Group operates a defined benefit scheme the Dignity Pension and Assurance Scheme. A full actuarial valuation was carried out as at 6 April 2014 and updated to 26 December 2014 by a qualified independent Actuary.

After consultation with members of the defined benefit plan, the Group closed the scheme to new entrants on 1 October 2013 and employee contributions were increased to 10 per cent (from 7 per cent) of pensionable salaries, with the Group contributing the same amount (an increase from 9.2 per cent). The total monetary contribution paid by the employer for 2014 was £1.6 million (2013: £1.5 million). In addition special contributions of £1.0 million (2013: £1.0 million) have been paid to make the total contribution for the year £2.6 million (2013: £2.5 million).

The principal actuarial assumptions at the balance sheet date (expressed as weighted averages) were:

Assumptions	2014 %	2013 %
Discount rate	**3.7**	4.7
Rate of increase in salaries	**2.1**	2.5
Rate of increase in payment of post April 1997 pensionable service	**3.05**	3.4
Rate of increase in payment of post April 2005 pensionable service	**2.15**	2.3
RPI price inflation assumption	**3.1**	3.5
CPI price inflation assumption	**2.1**	2.5

The demographic assumptions used include rates for mortality which, for example, lead to an average projected life expectancy of 20.7 (2013: 20.6) years for male members and 26.0 (2013: 26.0) years for female members currently aged 65 and of 21.9 (2013: 21.9) years from age 65 for male members and 27.5 (2013: 27.6) years from age 65 for female members currently aged 50.

Pensions and other post-retirement obligations

The amounts recognised in the balance sheet are determined as follows:

	2014 £m	2013 £m
Fair value of plan assets	**95.0**	91.2
Present value of funded obligations	**(105.5)**	(92.2)
Net obligation recognised in the balance sheet	**(10.5)**	(1.0)

Analysis of amount charged to income statement in respect of defined benefit schemes

	2014 £m	2013 £m
Current service cost included within cost of sales (staff costs)	**1.3**	1.6

Expected contributions to the Group's pension scheme for the 52 week period ended 25 December 2015 are approximately £1.5 million.

Analysis of fair value of plan assets	2014		2013	
	£m	%	£m	%
Equity and diversified growth funds	**60.7**	**63.9**	50.7	55.6
Debt	**25.4**	**26.7**	32.7	35.9
Cash	**8.9**	**9.4**	7.8	8.5
Fair value of plan assets	**95.0**	**100.0**	91.2	100.0

At 26 December 2014 and 27 December 2013 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.

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28 Pension commitments (continued)

Changes in the present value of the defined benefit obligation are as follows:

	2014 £m	2013 £m
Present value of obligation at beginning of period	**(92.2)**	(86.9)
Current service cost	**(1.3)**	(1.6)
Interest cost	**(4.2)**	(4.0)
Benefits paid	**3.7**	3.5
Contributions by participants	**(1.5)**	(1.2)
Remeasurement losses – financial	**(12.4)**	(2.3)
Remeasurement gains – demographic	**1.0**	–
Remeasurement gains – experience	**1.4**	0.3
Present value of obligation at end of period	**(105.5)**	(92.2)

Changes in the fair value of plan assets are as follows:

	2014 £m	2013 £m
Fair value of plan assets at beginning of period	**91.2**	87.0
Interest income on plan assets	**4.2**	4.0
Contributions by Group	**2.6**	2.5
Contributions by participants	**1.5**	1.2
Benefits paid	**(3.7)**	(3.5)
Remeasurement losses	**(0.8)**	–
Fair value of plan assets at end of period	**95.0**	91.2

Analysis of the movement in the balance sheet obligation

	2014 £m	2013 £m
At beginning of period	**(1.0)**	0.1
Total expense as above charged to the income statement	**(1.3)**	(1.6)
Remeasurement losses charged to other comprehensive income	**(10.8)**	(2.0)
Contributions by Group	**2.6**	2.5
At end of period	**(10.5)**	(1.0)

The actual return on plan assets was £3.5 million (2013: £4.0 million).

History of experience gains and losses

	2014	2013
Experience adjustments arising on scheme liabilities:		
Amount (£m)	**1.4**	0.2
Percentage of the present value of the scheme's liabilities	**1.3%**	0.2%
Present value of scheme liabilities (£m)	**(105.5)**	(92.2)
Fair value of scheme assets (£m)	**95.0**	91.2
Deficit (£m)	**(10.5)**	(1.0)

Change in assumptions	Liabilities £m	Assets £m	Deficit £m	Increase/ (decrease) in surplus £m
No change	**(105.5)**	**95.0**	**(10.5)**	**–**
0.25% rise in discount rate	**(101.1)**	**95.0**	**(6.1)**	**4.4**
0.25% fall in discount rate	**(110.1)**	**95.0**	**(15.1)**	**(4.6)**
0.25% rise in inflation	**(108.2)**	**95.0**	**(13.2)**	**(2.7)**
0.25% fall in inflation	**(102.4)**	**95.0**	**(7.4)**	**3.1**

The above sensitivity analysis has been determined by applying the results of a fully accurate sensitivity analysis as at 6 April 2014 to the value placed on the Scheme liabilities as at 26 December 2014, assuming that the proportionate impact of the change in assumptions would be the same. It does not, therefore, allow for the impact of membership movements since 6 April 2014, although these would not be material. The same methodology was used for the sensitivity analysis undertaken for the year ending 27 December 2013.

28 Pension commitments (continued)

Analysis of present value of scheme liabilities

	2014	2013
Active members	**36%**	36%
Deferred pensioners	**26%**	25%
Current pensioners	**38%**	39%
Average duration of liabilities	**18 years**	18 years

Scheme characteristic
The scheme is a final salary defined benefits scheme which was closed to new entrants on 1 October 2013. It is administered by trustees in accordance with its Trust Deed & Rules and relevant legislation. Member contributions are fixed with the employer meeting the balance of the costs of providing scheme benefits. The contribution payable by the employer are set by the trustees after consulting the employer and in accordance with the funding requirements of the Pensions Act 2004.

Funding arrangements
The Trustees use Projected Unit funding method. The last full triennial actuarial valuation was undertaken as at 6 April 2014. Currently both the Employer and Scheme members pay contributions at the rate of 10 per cent of pensionable pay. The employer contributions include allowances for expenses of administering the scheme.

Funding Risks
Investment return risk
If the assets underperform the returns assumed in setting the funding targets then additional contributions may be required at subsequent valuations.

Investment match risk
The scheme invests significantly in equities, whereas the funding targets are closely related to the returns on bonds. If equities fall in value relative to the matching asset of bonds, additional contributions may be required.

Longevity risk
If future improvements in longevity exceed the assumptions made for scheme funding then additional contributions may be required.

29 Pre-arranged funeral plans

(a) Contingent liabilities 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 (the 'Principal Trusts'). 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 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.

Similar commitments have arisen following acquisitions of businesses since 2013, which had sold pre-arranged funeral plans through a similar trust based structure (the 'Recent Trusts'). The Recent Trusts hold assets of approximately £24 million. Only the National Funeral Trust and the Trust for Age UK Funeral Plans receive funds relating to the sale of new plans (the 'Active 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 trustees have advised that the market value of the assets of the pre-arranged funeral plan trusts was £678.0 million at 26 December 2014 (2013: £578.9 million) in respect of 275,000 (2013: 257,000) unfulfilled pre-arranged funeral plans. The remaining 73,000 (2013: 66,000) 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 each of the pre-arranged funeral plan trusts are unconnected to the Group, as required by current UK legislation.

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for the 52 week period ended 26 December 2014

29 Pre-arranged funeral plans (continued)

The trustees of the Principal Trusts are required to have the Trusts' liabilities actuarially valued once a year (once every three years in the case of the Recent Trusts). The trustees have advised that the latest actuarial valuations of the Principal Trusts were performed as at 26 September 2014 (2013: 27 September 2013) using assumptions determined by the trustees. These valuations showed the Trusts to have liabilities in respect of the pre-arranged funeral plan trusts of £612.9 million as at 26 September 2014 (2013: £528.2 million). The corresponding market value of the assets of the pre-arranged funeral plan trusts was £630.6 million (2013: £544.8 million) as at the same date. Consequently the actuarial valuations recorded total surpluses of £17.7 million at 26 September 2014 (2013: £16.6 million).

The trustees have advised that the Recent Trusts have approximately £24 million of assets as at the balance sheet date and no material surplus or deficit.

Transactions with the Group

During the period, the Group entered into transactions with the Principal Trusts and the Recent Trusts (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 funerals provided.

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.

Transactions are summarised below:

	Transactions during the period		Amounts due to the Group at the period end	
	2014 £m	2013 £m	**2014 £m**	2013 £m
Dignity Limited Trust Fund	**0.3**	0.3	**–**	–
National Funeral Trust	**34.8**	31.1	**2.4**	1.5
Trust for Age UK Funeral Plans	**35.1**	34.0	**2.8**	1.5
Peace of Mind Trusts	**1.5**	1.2	**0.3**	0.1

A further £3.7 million (2013: £3.6 million) is due from the Trusts after more than one year.

Average transaction amounts

The Trusts hold assets of approximately £2,400 (2013: £2,200) per active plan at the balance sheet date. On average the Group received £2,300 (2013: £2,200) for the performance of each funeral (including amounts to cover disbursements such as crematoria fees, ministers' fees and doctors' fees).

30 Contingent liabilities

(a) Securitisation

As a result of the issue of New Notes, BNY Mellon Corporate Trustee Services Limited in its capacity as Security Trustee of the New Notes has the following guarantees and charges:

- The Dignity (2002) Group have granted the Security Trustee fixed and floating charges over the assets and undertakings of the Dignity (2002) Group;[i]
- Dignity plc has granted the Security Trustee, with full title guarantee a first fixed charge over the shares (and any monies receivable in respect of the shares) which it holds in Dignity (2004) Limited, Dignity (2008) Limited, Dignity (2011) Limited and Dignity Holdings No.3 Limited;
- Dignity (2004) Limited has granted the Security Trustee, with full title guarantee a first fixed charge over the shares (and any monies receivable in respect of the shares) which it holds in Dignity Holdings No. 2 Limited and Dignity (2002) Limited;
- Dignity Holdings No. 2 Limited has granted the Security Trustee, with full title guarantee a first fixed charge over the shares (and any monies receivable in respect of the shares) which it holds in Dignity Holdings Limited;
- Dignity Holdings Limited has granted the Security Trustee, with full title guarantee a first fixed charge over the shares (and any monies receivable in respect of the shares) which it holds in Dignity Mezzco Limited;

30 Contingent liabilities (continued)

- Dignity Holdings Limited has also assigned to the Security Trustee by way of security with full title guarantee, its right title and interest in the loans (both interest and non interest bearing) to Dignity (2002) Limited;
- Dignity Mezzco Limited has also assigned to the Security Trustee by way of security with full title guarantee, its right title and interest in the loan to Dignity (2002) Limited;
- Dignity (2004) Limited has granted the Security Trustee, with full title guarantee a floating charge over the assets now or in the future owned by Dignity (2004) Limited (other than those assets validly and effectively charged by way of fixed security);
- Dignity plc, Dignity Holdings No.2 Limited, Dignity Holdings Limited and Dignity Mezzco Limited has granted the Security Trustee, with full title guarantee a floating charge over the assets now or in the future owned by each of Dignity plc, Dignity Holdings No.2 Limited, Dignity Holdings Limited and Dignity Mezzco Limited (other than those assets validly and effectively charged by way of fixed security);
- The Guarantors[ii] each irrevocably and unconditionally jointly and severally guarantees to the Security Trustee punctual performance by each other Obligor of that Obligor's obligations and agrees as a primary obligation to indemnify the Security Trustee immediately on demand against any cost, loss or liability suffered by it if any obligation guaranteed by the Guarantors is or becomes unenforceable, invalid or illegal;
- Dignity Funerals Limited and Derriman & Haynes Funeral Services Limited has granted the Security Trustee with full title guarantee, a first legal mortgage over each of its rights, title and interest from time to time in properties situated in England and Wales;
- Dignity Funerals Limited has granted the Security Trustee with full title guarantee[iii], a first legal mortgage over its rights, title and interest from time to time in properties situated in Northern Ireland;
- Dignity Finance PLC has granted BNY Mellon Corporate Trustee Services Limited (in its capacity as Note Trustee) with full title guarantee, an assignment by way of security of its benefit in each Issuer Transaction Document (other than the Trust Documents), the Security Trust Deed and each Obligor Security Document and charges by way of first fixed charge the benefit of its accounts; and
- Dignity Funerals Limited has, in respect of any Scottish property which is capable of being so charged, granted 'standard securities' in favour of the Security Trustee[iv].

(i) Means Dignity (2002) Limited and its subsidiaries.
(ii) Means the Obligors (other than Dignity (2002) Limited (as Borrower)), Dignity (2004) Limited, Dignity plc, Dignity Holdings No.2 Limited, Dignity Holdings Limited and Dignity Mezzco Limited.
(iii) This mortgage is governed by the laws of Northern Ireland.
(iv) The standard securities are governed by Scots Law.

At 26 December 2014, the amount outstanding in relation to these borrowings was £595.3 million (2013: £419.3 million).

(b) Crematoria Acquisition Facility

As a consequence of the legal structure of the £15.8 million Crematoria Acquisition Facility:

- 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 and Dignity Crematoria No.2 Limited;
- Dignity (2008) Limited, Dignity Crematoria Limited and Dignity Crematoria No.2 Limited have granted Nat West fixed and floating charges over the assets and undertakings of each of Dignity (2008) Limited, Dignity Crematoria Limited and Dignity Crematoria No.2 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 26 December 2014, the amount outstanding in relation to these borrowings was £15.8 million (2013: £15.8 million).

31 Related party transactions

There are no related party transactions for either period.

32 Post balance sheet events

The Group has acquired six funeral locations since the balance sheet date for a total consideration of £3.2 million.

Financial Statements

Dignity plc Company balance sheet

as at 26 December 2014

	Note	26 December 2014 £m	27 December 2013 £m
Fixed assets			
Investments	C2	**141.0**	139.0
Current assets			
Debtors	C3	**160.7**	156.6
Cash at bank and in hand		**32.4**	16.7
Total current assets		**193.1**	173.3
Creditors: amounts falling due within one year	C4	**(12.7)**	(13.6)
Net current assets		**180.4**	159.7
Total assets less current liabilities		**321.4**	298.7
Net assets		**321.4**	298.7
Capital and reserves			
Called up share capital	C5	**6.1**	6.0
Share premium account	C5	**2.8**	20.8
Capital redemption reserve	C5	**141.7**	121.6
Other reserves	C5	**3.2**	3.2
Profit and loss account	C5	**167.6**	147.1
Total shareholders' funds	C6	**321.4**	298.7

The financial statements on pages 106 to 109 were approved by the Board of Directors on 4 March 2015 and were signed on its behalf by:

M K McCollum
Chief Executive

S L Whittern
Finance Director

Notes to the Dignity plc financial statements
for the 52 week period ended 26 December 2014

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 26 December 2014. For the comparative period, the Company's financial statements have been prepared for the 52 week period ended 27 December 2013.

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 asset 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 with the corresponding credit included within other reserves.

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.

Financial Statements

Notes to the Dignity plc financial statements continued

for the 52 week period ended 26 December 2014

C2 Investments in subsidiary undertakings

Cost and net book amount	£m
At beginning of period	139.0
Additions in respect of share-based payments	2.0
At end of period	**141.0**

Principal subsidiaries

Company name	Principal activity	Number of shares at 26 December 2014	Percentage held
Dignity Funerals Limited	Funeral services	577,376,905 Ordinary at 0.1p each	100%
Dignity Funerals No. 2 Limited	Funeral services (ceased trading in 2013)	1 Ordinary at £1 each	100%
Dignity Funerals No. 3 Limited	Funeral services	1 Ordinary at £1 each	100%
Pitcher & 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%
Dignity (2002) Limited	Intermediate holding company	220,000,004 Ordinary at 0.01p each	100%
Dignity Crematoria No.2 Limited	Leasing of crematoria	2 Ordinary shares 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%

All of the subsidiaries are incorporated in the United Kingdom except for Pitcher & Le Quesne Limited which is incorporated in Jersey and is controlled by the Group. 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 consider that to give full particulars of all subsidiary undertakings would lead to a statement of excessive length, as the Company has in excess of 250 dormant subsidiaries and a number of intermediate holding companies.

The Directors believe that the carrying value of the investments is supported by their underlying net assets.

C3 Debtors

	26 December 2014 £m	27 December 2013 £m
Amounts falling due within one year:		
Amounts owed by group undertakings	**160.4**	156.6
Other debtors	**0.1**	–
Corporation tax	**0.2**	–
	160.7	156.6

C4 Creditors: amounts falling due within one year

	26 December 2014 £m	27 December 2013 £m
Amounts owed to subsidiary undertakings	**12.4**	12.4
Accruals	**0.3**	0.4
Corporation Tax	**–**	0.8
	12.7	13.6

C5 Called up share capital and reserves

	26 December 2014 £m	27 December 2013 £m
Allotted and fully paid Equity shares		
49,170,180 (2013: 53,343,871) Ordinary Shares of 12 48/143 pence (2013: 11 4/13 pence) each	**6.1**	6.0

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

See note 22 of the Group's consolidated accounts for further details.

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	20.8	121.6	3.2	147.1	292.7
Profit for the period	–	–	–	94.7	**94.7**
Effects of employee share options	–	–	2.0	–	**2.0**
Proceeds from share issue	2.1	–	–	–	**2.1**
Gift to Employee Benefit Trust	–	–	(2.0)	–	**(2.0)**
Issue and redemption of B Shares in respect of Capital Option	(20.1)	20.1	–	(20.1)	**(20.1)**
Dividend in respect of Special Dividend Option	–	–	–	(44.3)	**(44.3)**
Dividends paid on Ordinary Shares	–	–	–	(9.8)	**(9.8)**
At end of period	**2.8**	**141.7**	**3.2**	**167.6**	**315.3**

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

£9.6 million (2013: £7.6 million) in other reserves relates to investments in own shares and therefore reduces profit available for distribution.

C6 Reconciliation of movements in shareholders' funds

	26 December 2014 £m	27 December 2013 £m
Profit for the period	**94.7**	66.8
Effects of employee share options	**2.0**	1.5
Issue costs in respect of shares issued	**–**	(0.9)
Proceeds from share issue	**2.2**	26.9
Gift to Employee Benefit Trust	**(2.0)**	(1.7)
Issue and redemption of B Shares in respect of Capital Option	**(20.1)**	(22.3)
Dividend in respect of Special Dividend Option	**(44.3)**	(39.6)
Dividends paid on Ordinary Shares	**(9.8)**	(6.2)
Net additions to shareholders' funds	**22.7**	24.5
Opening shareholders' funds	**298.7**	274.2
Closing shareholders' funds	**321.4**	298.7

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

Directors' remuneration

The Directors are directors of the ultimate parent company, Dignity plc and details of their emoluments are included in pages 52 to 58. They received no emoluments in respect of their services to the Company (2013: nil).

C8 Related party transactions

The Company has taken advantage of the exemption provided within FRS 8, Related Party Disclosures, not to disclose transactions with wholly owned subsidiary undertakings, whose voting rights are controlled within the Dignity plc group.

There are no other related party transactions for either period requiring disclosure.

Financial Statements

Financial record*

Summarised consolidated income statement

	2014 £m	2013 £m	2012 £m	2011 £m	2010 £m
Revenue					
Funeral services	**184.4**	176.2	157.9	146.5	143.3
Crematoria	**55.2**	53.8	46.6	41.6	37.5
Pre-arranged funeral plans	**29.3**	26.7	25.1	22.0	18.3
	268.9	256.7	229.6	210.1	199.1
Underlying operating profit					
Funeral services	**66.3**	60.8	54.2	50.8	49.3
Crematoria	**29.1**	27.4	23.3	21.3	19.9
Pre-arranged funeral plans	**7.4**	6.7	6.5	5.5	4.3
Central overheads	**(17.9)**	(16.5)	(14.6)	(13.1)	(12.5)
	84.9	78.4	69.4	64.5	61.0
Underlying finance costs	**(30.6)**	(28.9)	(25.8)	(25.9)	(22.5)
Finance income	**4.2**	3.4	2.5	3.0	1.9
Underlying profit before tax	**58.5**	52.9	46.1	41.6	40.4
Taxation	**(13.1)**	(12.9)	(11.7)	(11.4)	(11.7)
Underlying profit after tax	**45.4**	40.0	34.4	30.2	28.7
Underlying earnings per share (pence)	**85.8p**	72.1p	62.8p	55.1p	46.4p
Operating profit	**82.9**	75.1	68.7	63.2	60.4
(Loss)/profit after tax	**(55.0)**	40.4	35.7	34.3	29.0
Basic earnings per share (pence)	**(104.0p)**	72.8p	65.1p	62.6p	46.9p

Key performance indicators

	2014	2013	2012	2011	2010
Total estimated number of deaths in Britain (number)	**550,000**	560,000	551,000	539,000	557,000
Number of funerals performed (number)	**65,600**	68,000	63,200	62,300	64,500
Funeral market share** (per cent)	**11.7%**	11.9%	11.2%	11.3%	11.4%
Number of cremations performed (number)	**53,400**	55,500	50,500	47,600	45,200
Crematoria market share (per cent)	**9.7%**	9.9%	9.2%	8.8%	8.1%
Unfulfilled pre-arranged funeral plans (number)	**348,000**	323,000	290,000	265,000	238,000
Cash generated from operations (£million)	**104.4**	94.2	83.3	74.2	74.5

Net debt

	2014 £m	2013 £m	2012 £m	2011 £m	2010 £m
Net amounts owing on Old Notes per financial statements	**–**	(403.0)	(318.9)	(323.3)	(331.3)
Net amounts owing on New Notes per financial statements	**(594.6)**	–	–	–	–
Add: unamortised issue costs – Old Notes	**–**	(16.3)	(14.6)	(16.2)	(17.8)
Add: unamortised issue costs – New Notes	**(0.7)**	–	–	–	–
Gross amounts owing on Secured Notes per financial statements	**(595.3)**	(419.3)	(333.5)	(339.5)	(349.1)
Net amounts owing on Crematoria Acquisition Facility per financial statements	**(15.6)**	(15.6)	(10.0)	(9.9)	(9.9)
Add: unamortised issue costs on Crematoria Acquisition Facility	**(0.2)**	(0.2)	–	(0.1)	(0.1)
Gross amounts owing	**(611.1)**	(435.1)	(343.5)	(349.5)	(359.1)
Accrued interest on Old Notes	**–**	(14.3)	(11.6)	–	–
Accrued interest on New Notes	**(5.7)**	–	–	–	–
Accrued interest on Crematoria Acquisition Facility	**–**	–	(0.1)	(0.1)	(0.1)
Cash and cash equivalents	**86.5**	79.3	55.6	36.9	48.1
Net debt	**(530.3)**	(370.1)	(299.6)	(312.7)	(311.1)

Summarised consolidated balance sheet

	2014 £m	2013 £m	2012 £m	2011 £m	2010 £m
Non-current assets					
Goodwill and intangible assets	**276.5**	250.4	204.5	194.3	182.4
Property, plant and equipment	**192.3**	183.6	157.1	147.6	133.6
Financial and other assets	**10.4**	12.7	12.6	12.6	12.0
Retirement benefit asset	**–**	–	0.1	1.3	8.5
	479.2	446.7	374.3	355.8	336.5
Current assets					
Cash and cash equivalents – excluding collateralisation of Liquidity Facility	**86.5**	79.3	55.6	36.9	48.1
Cash and cash equivalents – collateralisation of Liquidity Facility	**–**	63.0	–	–	–
Cash and cash equivalents	**86.5**	142.3	55.6	36.9	48.1
Other current assets	**36.5**	34.4	32.1	30.5	29.2
	123.0	176.7	87.7	67.4	77.3
Total assets	**602.2**	623.4	462.0	423.2	413.8
Current liabilities	**60.6**	143.6	76.9	45.6	47.0
Non-current liabilities	**634.1**	437.6	340.5	360.4	371.6
Total liabilities	**694.7**	581.2	417.4	406.0	418.6
Equity attributable to shareholders	**(92.5)**	42.2	44.6	17.2	(4.8)
Total equity and liabilities	**602.2**	623.4	462.0	423.2	413.8

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 2015 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 11 June 2015 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, the strategic report, and the reports of the Directors and auditors thereon for the 52 week period ended 26 December 2014.

2. To approve the Report on Directors' remuneration (other than the part that contains the Directors' remuneration policy) for the 52 week period ended 26 December 2014 as set out on pages 46 to 58 of the Annual Report 2014.

   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 36 and 37.

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 appoint Ernst & Young 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.

13. To authorise the Directors to fix the remuneration of the auditors.

14. To declare the final dividend of 13.01 pence per Ordinary Share to be paid on 26 June 2015 to shareholders on the register of members at the close of business on 29 May 2015.

15. 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 £4,043,673 (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 £2,021,836 (such amount to be reduced by the aggregate nominal amount of Relevant Securities allotted pursuant to paragraph (a) of this resolution in excess of £2,021,836),

    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 11 September 2016 (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:

16. That, subject to the passing of resolution 15 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 15 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 15, 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 15 (otherwise than pursuant to paragraph (a) of this resolution) up to an aggregate nominal amount of £303,275,

    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 11 September 2016 (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).

17. 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 4,900,000;

    b) the minimum price (including expenses) to be paid for each Ordinary Share shall be the nominal value of the Ordinary Share;

    c) The maximum price to be paid for an Ordinary Share is the higher of:

        (i) an amount equal to 105 per cent of the average of the middle market quotations for 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 11 September 2016 (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.

18. That a general meeting (other than an annual general meeting) may be called on not less than 14 clear days' notice with such authority to be used only when merited.

Registered office:
4 King Edwards Court
King Edwards Square
Sutton Coldfield
West Midlands B73 6AP

By order of the Board

Richard Portman
Company Secretary
10 April 2015

Other Information

Notice of Meeting continued

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 9 June 2015 (or, if the meeting is adjourned 6.00pm on the date which is two 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 11.00am on 9 June 2015 or in the event 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 any adjourned meeting. A shareholder may appoint more than one proxy in relation to the meeting, 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. When appointing more then one proxy, complete a separate proxy form in relation to each appointment. 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 eight 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. 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.

5. Biographical details of those Directors who are offering themselves for re-election at the meeting are set out on pages 36 and 37 of the Annual Report 2014.

6. Total Voting Rights: As at 27 March 2015 (being the last practicable date before the publication of this notice), the Company's issued share capital consists of 49,170,510 Ordinary Shares of 12 48/143 pence, (carrying one vote each). The Company does not hold any Ordinary Shares in Treasury.

7. 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.

8. The information required by Section 311A 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.

9. 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 9 June 2015 (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).

10. 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 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 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 9 June 2015 (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.

11. 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, 9 and 10 does not apply to a Nominee. The rights in such notes can only be exercised by shareholders of the Company.

12. 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.

13. A shareholder or shareholders meeting the qualification criteria set out in note 16 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.

Other Information
Notice of Meeting continued

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 17 below; and

(c) be received by the Company no later than six weeks before the meeting.

14. A shareholder or shareholders meeting the qualification criteria set out in note 16 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 17 below; and

(d) be received by the Company no later than six weeks before the meeting.

15. A shareholder or shareholders who meet the qualification criteria set out in note 16 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 17 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.

16. In order to require the Company (i) to circulate a resolution to be proposed at the meeting as set out in note 13, (ii) to include a matter in the business to be dealt with at the meeting as set out in note 14, or (iii) to publish audit concerns as set out in note 15, the relevant request must be made by:

(a) a shareholder or shareholders having a right to vote at the meeting and each 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 6 above and the website referred to in note 8 above.

17. 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 13, (ii) to include a matter in the business to be dealt with at the meeting as set out in note 14, or (iii) to publish audit concerns as set out in note 15:

(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).

18. 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.

19. 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.

20. 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 0871 384 2674* if calling from within the UK, or +44 (0) 121 415 7047 if calling from outside the UK, or by fax on 0871 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 e-mail with a link to the relevant page on the website.

Shareholders who wish to receive e-mail 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 11 June 2015, at 11.00am at DLA Piper UK LLP, Victoria Square House, Victoria Square, Birmingham, West Midlands, B2 4DL.

Contact details and advisers

Registered Office:
Dignity plc
4 King Edwards Court
King Edwards Square
Sutton Coldfield
West Midlands B73 6AP

Tel: +44 (0) 121 354 1557
Fax: +44 (0) 121 321 5644
E-mail: 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:
Ernst & Young LLP
No.1 Colmore Square
Birmingham B4 6HQ

Joint Brokers:
Panmure Gordon & Co
One New Change
London EC4M 9AF

Investec
A division of Investec Bank plc
2 Gresham Street
London EC2V 7QP

Principal Bankers:
Royal Bank of Scotland plc
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

Other Information

Financial calendar

4 March 2015	Preliminary announcement of 2014 results
11 June 2015	Annual General Meeting
26 June 2015	2015 financial half year end
26 June 2015 (subject to shareholder approval)	Payment of 2014 final dividend
29 July 2015 (provisional)	Announcement of interim results
30 October 2015 (provisional)	Payment of 2015 interim dividend
25 December 2015	Financial period end

Acknowledgements
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Dignity plc

4 King Edwards Court
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West Midlands B73 6AP

www.dignityfuneralsplc.co.uk

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