Dignity
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Dignity plc Annual Report & Accounts 2017

Delivering excellent client service in an evolving digital age and increasingly competitive funeral sector

We are Dignity

Dignity is listed on the London Stock Exchange. We own 826 funeral locations and operate 45 crematoria in the United Kingdom and have a strong market presence in pre-arranged funeral plans, where people plan and pay for their funeral in advance.

We are here to help people at one of the most difficult times in their lives and we are honoured to serve the local communities we are part of with expertise, compassion and total commitment.

We strive to set the highest possible standards in our facilities and in the funeral service and care we provide.

Delivering excellent client service in an evolving digital age and in an increasingly competitive funeral sector is core to our strategy. In this way we are well positioned to provide the best quality service at each price point and market segment we choose to compete in.

Guide to icons

We have used icons throughout this Annual Report to guide you to further reading, links to other relevant information or to find out more online.

Contents

Key financial highlights

Revenue

£324.0m

Revenue up 3% to £324.0 million (2016: £313.6 million).

Strong cash generation

£115.4m

Cash generated from operations (2016: £121.1 million).

Acquisitions

£28.3m

Amount invested in acquiring established funeral and crematorium businesses.

Current period financial highlights	**2017**	2016	Increase/ (decrease) per cent
Revenue (£million)	**324.0**	313.6	3
Underlying operating profit[a] (£million)	**104.6**	101.7	3
Underlying profit before tax[a] (£million)	**77.8**	75.2	3
Underlying earnings per share[b] (pence)	**128.3**	119.8	7
Cash generated from operations[c] (£million)	**115.4**	121.1	(5)
Operating profit (£million)	**98.0**	97.7	–
Profit before tax (£million)	**71.2**	71.2	–
Basic earnings per share (pence)	**115.8**	115.3	–
Interim dividend paid in the period[d] (pence)	**8.64**	7.85	10
Final dividend paid in the period[e] (pence)	**15.74**	14.31	10
Number of deaths	**590,000**	590,000	–

Non-GAAP measures
The Board believes that whilst statutory reporting measures provide a useful indication of the financial performance of the Group, additional insight is gained by excluding certain non-recurring or non-trading transactions. These measures are defined as follows:

[a] Underlying profit is calculated as profit excluding profit (or loss) on sale of fixed assets, acquisition related amortisation and external transaction costs.

[b] Underlying earnings per share is calculated as profit on ordinary activities after taxation, before profit (or loss) on sale of fixed assets, acquisition related amortisation, external transaction costs and exceptional taxation 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.

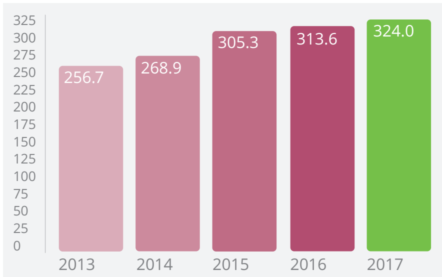
The Group's underlying measures of profitability exclude profit (or loss) on sale of fixed assets, external transaction costs, amortisation of acquisition related intangibles and exceptional items in respect of taxation. These items have been adjusted for in determining underlying measures of profitability as these underlying measures are those used in the day to day management of the business and allow for greater comparability across periods.

In 2017, following the commencement of amortisation of acquired intangible trade names and other crematoria related acquired intangibles, acquisition related amortisation of £1.8 million (2016: £nil) has also been excluded in determining underlying profitability measures. Acquisition related amortisation is defined as being the amortisation arising in respect of trade names, use of third party brand names and other crematoria related acquired intangibles.

Other notes
[d] Interim dividend represents the interim dividend that was declared and paid in the period out of earnings generated in the same period.

[e] The final dividend represents the final dividend that was declared and paid in the period relating to the earnings generated in the previous period.

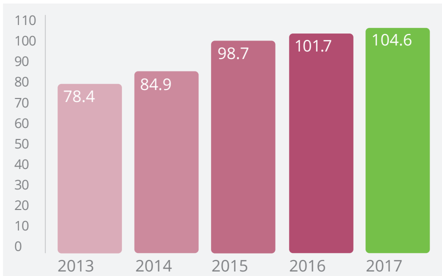
Revenue (£m)



Revenue up 3% to £324.0 million

↑ +3%

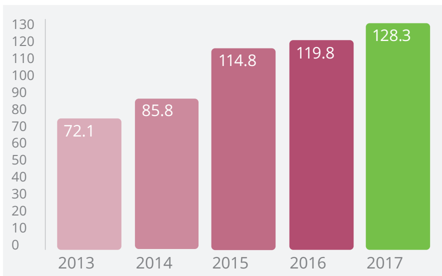
Underlying operating profit (£m)



Underlying operating profit up 3% to £104.6 million

↑ +3%

Underlying earnings per share (pence)



Underlying earnings per share up 7% to 128.3 pence per share

↑ +7%

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Dignity at a glance

Our operations are focused on three main areas, funeral services, crematoria and pre-arranged funeral plans.

Our purpose

Our purpose is to be the company that everyone knows they can trust at one of the most difficult times in their lives, now and for generations to come.

A proud tradition and history of service

We are proud of our long tradition of service. Many of our businesses have been serving their local communities for generations. Our oldest funeral location was established in 1812 in Glasgow and our oldest crematorium in Birmingham dates back to 1903.

To learn more about Dignity's history: www.dignityfuneralsplc.co.uk/corporate/corporate-profile/history

Dignity today

Our heritage and expertise combine to give us a special vantage point from which we aspire to set the highest standards in each market segment we choose to operate in. Every aspect and detail of our services and products are carefully considered and delivered with professionalism, compassion, respect and expertise.

Dignity
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People and culture

3,000+ People

Our people come from the towns and cities they serve or families that have been in the funeral profession for generations.

Strong core business

Dignity is one of the leading providers of funeral-related services in the UK with strong market-leading positions.

Size and scale

826 Locations

We operate a network of 826 funeral locations throughout the UK, generally trading under established local names.

45 Crematoria

We operate 45 crematoria in England and Scotland.

824,000 Pre-paid plans

We have already helped more than 824,000 people plan for their funerals in advance, of which 450,000 remain outstanding.

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 2017
At 29 December 2017, we operated a network of 826 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 2017, Dignity conducted 68,800 funerals which represented approximately 11.5 per cent of total estimated deaths in Britain.

£221.8m
Revenue

£79.5m
Underlying operating profit

68,800
Number of funerals conducted during 2017.

Read more about our performance in the Operating review: **p.20 and p.21**

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 2017
At 29 December 2017, we operated 45 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 2017, we carried out 63,400 cremations representing 10.7 per cent of total estimated deaths in Britain.

£74.0m
Revenue

£40.0m
Underlying operating profit

63,400
Number of cremations conducted during 2017.

Read more about our performance in the Operating review: **p.22 and p.23**

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 2017
At 29 December 2017, the number of active funeral plans increased to 450,000.

Pre-arranged funeral plans income represents allowances received for the sale and administration 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.

£28.2m
Revenue

£8.0m
Underlying operating profit

450,000
Number of active funeral plans as at 29 December 2017.

Read more about our performance in the Operating review: **p.24 and p.25**

From the Chairman

It is clear that the pace of change and the fierceness of competition, particularly for our funeral business, will continue to increase. For this reason, the Board took decisive action in January 2018 to change our pricing strategy and market positioning in order to protect market share and recalibrate the Group for future growth.

Peter Hindley
Chairman

128.3p

Underlying earnings per share up 7% to 128.3 pence (2016: 119.8 pence).

Overview

2017 was another successful year. Our client service results demonstrated that we continued to deliver for our clients at one of the most difficult times in their lives and we met financial expectations.

However, our financial success was achieved against the backdrop of a rapidly changing and increasingly competitive market and accelerating erosion of our market share. It is clear that the pace of change and the fierceness of competition, particularly for our funeral business, will continue to increase. For this reason, the Board took decisive action in January 2018 to change our pricing strategy and market positioning in order to protect market share and recalibrate the Group for future growth.

This new pricing strategy is to protect market share by offering a range of new price points and services to our clients while preserving our unrivalled levels of service. We have therefore significantly reduced the price of some funerals and frozen the price of others as part of this evolving pricing strategy. As we have also stated clearly this action will have a substantial impact on profits in 2018 and the new relationship between volumes and margins will take time to become clear.

The combination of new price points and industry-leading service levels means that we can now position ourselves as the best value service provider in the market. Delivering excellent client service remains a key strategic priority. Our strong investment over the years means that we are well positioned to provide the best quality service at each price point and market segment we choose to compete in. At the same time, the Group has embarked on a rigorous review to ensure that our funeral operations are organised to run more efficiently and effectively in the light of this change of pricing strategy and market positioning.

In meeting the challenges ahead, we will continue to build on the strong strategic initiatives we developed in 2017, in particular, our digital marketing and brand strategies. There are significant opportunities to lead the industry in digital marketing and to leverage the Group's scale to develop national recognition online to complement our existing physical national network. Dignity will also continue to lead calls for greater regulation of the funeral sector while continuing to set the standard for what constitutes best practice in the industry.

Dividends

The Board is proposing to maintain the final dividend at 15.74 pence per Ordinary Share bringing the total dividend for the year to 24.38 pence, an increase of three per cent on the previous year. If shareholders approve this payment at the Annual General Meeting ('AGM') on 7 June 2018, then it will be paid on 29 June 2018 to members on the register at close of business on 18 May 2018.

Board change

In March 2017, Mary McNamara was appointed to the Board as an independent Non-Executive Director and has been Chair of the Remuneration Committee since the beginning of 2018. In June 2017 we announced that our long-serving Operations Director, Andrew Davies would retire in April 2018. He stepped down from the Board in January 2018. His successor was appointed from within the Company and will not be a Main Board appointment. On behalf of our shareholders and my Board colleagues I want to thank Andrew for his magnificent service to the Group and wish him a long and happy retirement.

Alan McWalter retired in January 2018 having completed nine years as an independent Non-Executive Director. In order to maintain a balanced Board he will not be replaced as Andrew Davies' replacement will not be a Main Board Director. Alan has provided wise counsel to the Board during his time as a director. Whilst Alan is stepping down as a director, given the challenges facing our funeral business and his industry knowledge, I am delighted that he has agreed to remain as a consultant to the Board until the end of July 2018.

Directors' remuneration

The Group's 2017 financial performance was sufficiently strong to justify an award to Executive Directors of 95 per cent of the maximum amount possible of their annual bonus opportunity. However, in light of the significant reduction in financial expectations for 2018 following the trading update in January 2018, the current Executive Directors have decided to voluntarily waive their entitlement in full.

In addition, no Board member will receive an increase in basic salary or fees in 2018.

Our people and culture

We are truly a people business because we help people at an extremely difficult time in their lives. Meeting their needs means that our employees must be caring, thoughtful and truly engaged with those they serve. I want to thank all Dignity staff for the continued care and commitment they show their clients, demonstrating what I like to think of as 'The Dignity Way'. This describes a special culture and way of working that means delivering the highest standards of service and going the extra mile. Thank you once again for making this company what it is and for your continued support in meeting the challenges that the Group faces.

Outlook for 2018 and beyond

The business model for the Group's funeral business is changing as the Board focuses on protecting market share by introducing new service offerings and price points. As indicated in January, the Board believes that whilst the combination of action being taken will lead to substantially lower profits in 2018, it should create a new platform to allow many years of further stable growth.

The Office for National Statistics anticipates approximately 580,000 deaths in 2018, a small decrease of 10,000 on the actual deaths in 2017. However, the number of deaths in the first two months of 2018 are approximately seven per cent higher than the prior year.

Committed to the highest standards of governance

Good governance is the basis on which we as a business can build an environment of trust, transparency and accountability. It also differentiates us from many competitors in what is still, regrettably, an unregulated industry. As such it provides assurance and confidence to our clients and fosters long-term investment, financial stability and business integrity. As a Board we are therefore committed to maintaining our high standards of corporate governance and ensuring there is a high level of cultural integrity embedded within the way we operate.

Board priorities

The Board provides strategic leadership to the Group within a framework of robust corporate governance and internal control, setting values and standards that are embedded throughout the business to deliver long-term sustainable growth for the benefit of our shareholders and other stakeholders.

Compliance

Our governance framework, which is shaped by the UK Corporate Governance Code, the Companies Act 2006 and secondary legislation and Financial Conduct Authority rules and guidance, sets out standards of good practice in relation to Board leadership and effectiveness, remuneration, accountability and relations with shareholders.

Chief Executive's review

We are evolving our funeral business to be able to offer a range of new price points and services to our clients while preserving our unrivalled levels of service. Delivering excellent client service remains a key strategic priority and means that we can offer the best quality service at each price point and market segment we choose.

Mike McCollum
Chief Executive

Maintaining high standards of client service

Our funeral service survey results continue to demonstrate the outstanding work being performed by our dedicated people and the quality of our core business.

99.0%

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

Overview

2017 was a successful year with good performances from our crematoria and pre-need businesses. However, while our funeral business continued to set the standard at the premium end of the market, having commented on an acceleration in market share decline in our 2016 Annual Report, market share continued to decline at an accelerated rate in 2017 reflecting further increases in competition. As a consequence, the Board has taken decisive action to change the Group's pricing strategy and market positioning in our funeral business.

Underlying operating profit increased three per cent to £104.6 million (2016: £101.7 million), with each operating division trading in line with the Board's expectations. Alongside this, we continued to invest to support the existing network, acquire well reputed businesses and develop new crematoria.

Change of pricing strategy and market positioning

As the Chairman has set out in his statement, the Board took decisive action in January 2018 to protect market share in our funeral business and reposition the Group for future growth.

In addition to the pricing changes already implemented, we will test a range of new price points and services to our clients while preserving our unrivalled levels of service. Delivering excellent client service remains a key strategic priority and means that we can offer the best quality service at each price point and market segment in which we choose to operate. We are now positioning ourselves as the best value service provider in the market, leveraging the strong investment in the funeral business that we have made over the years. In addition to these changes, we have also embarked on a rigorous review to ensure that our funeral operations are organised to run more efficiently and effectively.

Having delivered the market's financial expectations for 2017 our results for 2018 are less certain as we gauge client response to various pricing scenarios while maintaining our high levels of professional service and care. This has meant rebasing expectations for 2018. The key challenge for 2018 is to find the optimum relationship between price, service and demand for our funeral business going forward.

The changing market

Over the last 18 months we have consistently drawn attention to the increasingly competitive environment in which we operate. The internet is beginning to change the nature of competition as the funeral industry enters the digital age. Clients are increasingly price-conscious and in an over-supplied industry, are shopping around more. This continues to have an increasing impact on the Group's market share, with a significant reduction in the average number of funerals per location noted since 2015. The average reduction in the number of funerals per location per one thousand deaths between 2004 and 2014 was 3.6 per cent. This accelerated to 6.8 per cent per year between 2015 and 2017. We have assumed that this will continue into 2018, and the revised pricing strategy and promotional activity is aimed at reducing the rate of decline as the year progresses.

Leveraging the strong fundamentals of our business > A new pricing strategy and market positioning > Unrivalled standards > Competitive pricing and continued excellent client service

New pricing strategy

This increasingly competitive market was the background against which the decision to change our pricing strategy and market positioning was made in early 2018. In 2017, approximately 60 per cent of our funerals were traditional full-service funerals, seven per cent were simple funerals and approximately 27 per cent had been pre-arranged. The remainder of the Group's volumes were contract and other low value funerals. Reflecting the trend towards lower cost funerals we immediately reduced the price of the Group's simple funeral by an average of approximately 25 per cent and froze the price of our traditional funerals in the majority of our locations.

As a result of reducing the simple funeral price and other initiatives to be progressively tested during the year, it is likely that this changing mix of funeral services will continue. The Group currently anticipates that as a result of changes to its pricing strategy, simple funerals may represent approximately 20 per cent of all funerals performed in 2018. However, this is clearly an estimate and the precise mix will emerge during the year.

It should also be noted that ours is an evolving pricing strategy and other price and service level options are being actively considered as we review client response. We have also extended the services available from our online business, Simplicity Cremations. In all cases, we aim to provide the best quality and value in each segment. The high quality of our offering, more competitively priced, is how we will differentiate ourselves, locally and nationally.

Delivering these changes effectively will require tools and training for our staff and this work is in progress. In order to promote the new prices and the business more generally, the Group expects to spend an additional £2 million in 2018 and in subsequent years compared to 2017 on digital and other promotional activities, building on the work started in 2017. This additional cost is expected to reoccur and is likely to increase in future years.

Opportunities

In a fragmented and increasingly online marketplace we have a significant opportunity to leverage our existing physical national funeral and crematorium networks and create a powerful national digital presence in both our traditional premium service market and other emerging market segments. The first example of this was Simplicity Cremations, launched in November 2016 and currently averaging a run rate of 1,000 direct cremations per year.

We also continue to view selective acquisitions of well-established funeral businesses as an appropriate use of capital despite the changing market. We will also continue to develop our network of crematoria.

Investment and development momentum

Our future development builds on strong, Group-wide fundamentals, reflected in our track record of good operating performance, continued excellent client service results and the further acquisition of established funeral businesses. A core strength of the management team is its ability to spot quality acquisitions and integrate them effectively within the business. During the year the Group has acquired 24 funeral locations and one crematorium for an aggregate investment of £28.3 million and has opened 14 satellite locations.

Leadership and standards

We have continued to call for regulation in the industry, commissioning and launching a ground-breaking report into the pre-paid market. We have further industry-leading initiatives in the pipeline.

We believe the funeral industry will benefit significantly from proper regulation to ensure that clients are not misled into accepting below-par service and standards. We pride ourselves in providing industry-leading standards. It is a thread which has run through our business from the beginning and we are determined to maintain this focus while augmenting our products and improving our channels to market. Reaching our desired goals, operational and financial, will require our staying focused on excellent service and we are committed to ensuring that this is the case.

Alongside this, it is increasingly important to us that all stakeholders, including policymakers and those outside the industry, understand what we stand for and why our goal of achieving a properly regulated industry is important. We welcome fair scrutiny of the industry and our business.

Delivering excellent client service in an evolving digital age and increasingly competitive funeral sector

We have long been known for our high quality of service and every year we have reported on exceptionally high levels of client satisfaction. We are determined this will not change. This total commitment to quality of service and client satisfaction will now be applied to a wider range of products and price points. Our aim is to be recognised as the company that provides the best value funeral service, regardless of how simple or traditional.

Adjusting pricing is relatively straightforward, but the greater challenge is building the infrastructure and developing the staff necessary to provide excellent service. We believe this is where the years of investment in our facilities and staff training will pay dividends, for us as a company, but also for our clients. It means we can offer them unrivalled service at each product and service level they choose and at a price that is competitive. This is the repositioned Dignity.

Chief Executive's review continued

A changing and increasingly competitive environment.

Market overview

The UK funeral market is getting more complex. The internet is beginning to play an increasing role and consumer behaviour is beginning to change. After years of declining deaths and a significant rise in the number of funeral directors, although deaths are now projected to increase in the coming years, there are around 30 per cent fewer deaths per funeral director in the UK compared to 25 years ago. Clients are becoming more price-sensitive and are shopping around more.

The Group monitors and responds to the environment it operates in, seeking to understand the implications for the short, medium and long-term. Outlined below are some basic facts about the marketplace as it currently stands. Further on I describe in more detail the key drivers in the marketplace and what we are doing to address these challenges.

Scale and structure of the market

The funeral director market remains very fragmented, with approximately two thirds of funeral directors being small owner managed businesses. There are approximately 290 crematoria in the UK, with circa 66 per cent owned by local authorities. It is estimated that three quarters of all funerals result in a cremation with the remainder being burials.

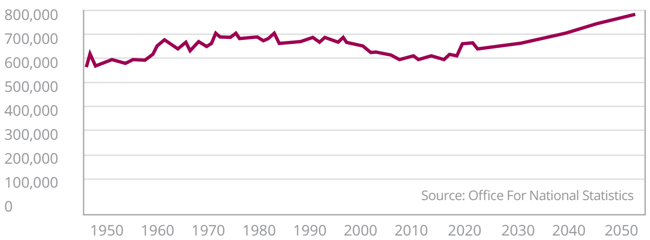
In 2017, the initial publication of recorded total estimated deaths in Britain for 52 weeks was 590,000, the same number as the 53 weeks in 2016. Some of the Group's key performance indicators rely on the total number of estimated deaths for each period and this information is obtained from the Office for National Statistics ('ONS'). Although annual deaths have declined significantly since the early 1990s from 640,000 to a low of 539,000 in 2011, the last five years have seen deaths above that level. The ONS expects long-term increases in the number of deaths, reaching approximately 700,000 per year by 2040. Deaths have been elevated in the last few years. Whether this marks the start of this longer-term trend or a temporary anomaly is too early to conclude.

Funeral director market

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

Deaths in Great Britain

Long-term expectations are for the number of deaths to reach 700,000 by 2040.



The market share of our three businesses

Dignity's funeral market share

11.5% (2016: 11.8%)

Funeral services:
Dignity has approximately 11.5 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.

Dignity's crematoria market share

10.7% (2016: 10.1%)

Crematoria:
With 45 crematoria, Dignity is the largest single operator in Britain. The cremations performed represent approximately 10.7 per cent of deaths in Britain. There is still significant scope to expand through acquisition or new builds where possible.

Number of active pre-arranged funeral plans

450,000 (2016: 404,000)

Pre-arranged funeral plans:
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 in the future.

Understanding the evolving trends and dynamics that are shaping the funeral sector.

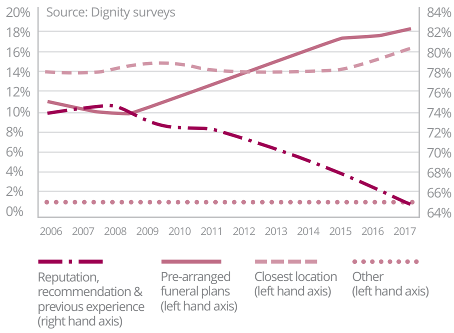
Connecting digitally

According to ONS' recent analysis, 90 per cent of households have access to the internet, 78 per cent of consumers have accessed it 'on the go' via a device and 75 per cent of those aged 55 to 64 now buy online. Given this, it is not surprising that there is now significant use of the internet to fill the knowledge gap around funerals. Data from Google indicates over 5.2 million searches in 2017 compared to 4.6 million in 2016 for funeral related advice and information. The most popular searches were for advice when someone dies and what is involved with arranging a funeral with searches for local funeral directors also very high. Significantly, the providers of this advice online are more frequently consumer websites, media sites and comparison websites rather than funeral directors. Consumers also now expect to be able to check or compare funeral prices online. We also believe more people are shopping around, talking to more than one funeral director before making the arrangements.

Increasing competition

Whilst our single biggest source of business remains previous experience and word of mouth, the chart below demonstrates the ongoing decline of this traditional source of business in the face of competition from an increasing trend towards pre-arranged funerals and other competitors.

Source of funerals based on client surveys



Changing client demands

It is clear that direct cremations represent a small, but increasing proportion of all funerals. Sun Life's 2017 Cost of Dying report also describes how, within their surveyed population, nine per cent (compared to seven per cent the year before) of funerals last year were eco, environmental or woodland funerals. They also report 31 per cent of funerals being described by funeral directors as a "celebration of life funeral", and note a significant increase in these types of service on the previous year. They should be interpreted as a direction of travel for consumer behaviour rather than precise metrics about the entire market.

Price and affordability

The increased media and political interest in the rising cost of funerals in the last few years has affected the marketplace. Consequently, price and affordability are rightly becoming increasingly important factors for a growing number of clients. Combined with the internet which allows them to shop around, prices are coming under growing pressure. Clients want a funeral company that can provide a range of pricing options while guaranteeing a high quality and value-for-money service.

The following pages explain how we are responding to these challenges and positioning the business to maximise the opportunities ahead.

Chief Executive's review continued

Setting the standards for a modern funeral business through the quality of our services and competitive pricing.

Leveraging our brand and rolling out our digital strategy.

826 Locations

The Group's national coverage is achieved through our 826 funeral locations.

The brand

With a growing emphasis on price there is a risk that the industry becomes commoditised, with consumers initially choosing on price and assuming that all funeral providers are the same. In such a market an ability to leverage a strong brand becomes crucial.

In addition, our marketplace is fragmented and increasingly online. This provides a challenge, but also a significant opportunity to leverage our scale and create a powerful brand. In the pre-digital world, the strength of our local trusted businesses, trading on reputation and high-quality service gave us a pre-eminent position. In the digital age there is a compelling requirement, and opportunity, to leverage and build a national brand and add that to the mix, supporting and enhancing our strong local market positions. The first step has been to create a new brand style and to begin to develop brand awareness online. This work is a strategic priority for the Group.

New products and service levels

The brand will be supported by a growing suite of products, product refinements and price points. We are working on and trialling new propositions for cremations and simple funerals, as well as developing our pre-need packages. We are also reviewing the advantages of launching into other segments under different sub-brands, including a mid-market offering. We have already launched our affordable cremation service, Simplicity, and subsequently offered three new packages and prices.

Strengthening the competitiveness of our funeral locations

The combination of a strong national brand and a range of product and price offerings to clients will strengthen the competitiveness of our branches. However, more can and will be done at a local level as part of a rigorous review to ensure our operations are organised to run more efficiently and effectively.

Simplicity Cremations

Simplicity offers low cost direct cremations without any initial funeral service that are both respectful and dignified. They are an affordable alternative to a full funeral or for those wishing to have a simple cremation. We have recently added a pre-need option and will also be providing the option in future to attend one of our 45 crematoria for a committal service.

75%

75 per cent of those aged 55 to 64 now buy online.

The internet is changing the nature of competition as the funeral industry enters the digital age. The Group is well placed to respond and lead as it is the only operator with a national network of funeral locations and crematoria.

Good progress

We want to ensure that when individuals are searching online for a funeral director, we are well presented and are at the top of the list. We have made good progress so far on this front.

We have set up websites for over 800 of our funeral directors and started to strengthen the online presence and authority of our main site. As at January 2018, it had the highest domain authority on websites of any provider.

The Group has also launched a new service for clients that makes it easier for them to notify family members through email, social media and the internet of funeral arrangements. This service also allows families to order flowers and make donations online.

We are piloting a number of other client-supporting initiatives and services. If successful this will be followed by national roll outs. We are also planning the second phase of developments for our funeral director websites and are developing industry-leading content to support all funeral-related guidance topics.

In truth, the industry has been one of the last to embrace the digital and online revolution. There is much catching up to do but also major opportunities for those leading players who get it right. We are absolutely determined to succeed and are making the investment in terms of technology and people to ensure that we do. In today's digitally enabled and data rich world it is essential that we equip our people with the latest technology and tools to support their activities and the services we provide to our clients.

Funeral notices online

The Group has launched a new online funeral notices service that makes it easier for clients to notify family members of funeral arrangements through social media and the internet. The service also allows families to arrange flowers and make donations.

Engaging with clients online

Our ongoing digital investment is aimed at making our products and services more immediate, intuitive and relevant, supporting and assisting our clients at a difficult time.

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Chief Executive's review continued

Leading the call for regulation and higher standards.

While increasing competition often leads to higher standards, in an unregulated industry this is far less certain and the funeral industry is a case in point. In addition, in the case of a service industry, the quality of service being provided is not known in advance. Consequently, the importance of reputation and, just as crucially, the need for regulation is paramount.

We regret very much that the provision of funeral services is not regulated and have continued to lead calls for this to change. Dignity would welcome regulation of the funeral industry which set out minimum standards for core activities such as the care of the deceased, minimum standards of facilities and also operating procedures in crematoria.

We therefore continue to support legislative changes by the Scottish Government enacted in 2016. This provides it with the powers to regulate the funeral industry. Dignity welcomes this progress and anticipates making further contributions to the discussion on the service standards required within the regulations.

Dignity also welcomed changes to the Funeral Planning Authority ('FPA'), which acts as a self-regulatory body for the sale of pre-arranged funeral plans. The changes removed provider representation from the Board of the FPA and made them independent of those selling plans. Registration with the FPA and compliance with its requirements will help to provide further comfort to clients as to the quality of the plan they are buying. For our part, in 2017 we commissioned and published research into the pre-paid funeral market, asking whether this market was working well for consumers. We are continuing to engage with HM Treasury and the FCA on the topic of regulation.

With regard to crematoria, these are subject to environmental regulations in accordance with "The Secretary of States Guidance Notes for Crematoria-PG5/2(12)", with emission levels being monitored by Environmental Health Officers in England and Wales and Scottish Environment Protection Agency in Scotland. The abatement of mercury emissions has improved the environmental position with Dignity abating more than the current legislative requirements.

External recognition

In 2017, Dignity Funeral Plans became the first ever organisation in the UK to be accredited the BSI Kitemark for customer service. BSI produce technical standards for various services and across many industries and their Kitemark is a widely recognised symbol of quality and trust globally.

Defaqto 5 Star Rating

Financial information business Defaqto has introduced a new five star rating for pre-paid funeral plans following research and analysis by its independent experts. Dignity's Diamond Funeral Plan was one of only five out of 97 funeral plans from 26 providers in 2017 to receive the prestigious Defaqto 5 Star Rating.

Thought leadership from Dignity

The pre-paid funeral market
Working with a respected and independent partner, Fairer Finance, we commissioned a well-received report which asked whether this market was working well for consumers.

Ground-breaking research into cremations
We wish to provide our clients with the best possible service, one which fully meets or exceeds their needs. To do this we need to properly understand them and this requires research. At present we are exploring issues around cremations through two research projects.

The first is a study on the impact of direct cremation funerals on grief, working with bereavement specialists and leading academics from home and abroad. The aim is to produce guidance for consumers and the industry on the decisions to be made at the point of determining a cremation, and their potential impact.

The second project looks at what consumers most value from a cremation service. With this insight we will be able to ensure that our cremation services are giving clients what they really want and value, as well as providing useful insights for the industry as a whole.

Chief Executive's review – Outlook Q&A

An already fragmented market is becoming more complicated. The internet is beginning to play an increasing role and consumer behaviour is beginning to change. After years of declining deaths and a significant rise in the number of funeral directors, although deaths are now projected to increase, we estimate that there are around 30 per cent fewer deaths per funeral director in the UK compared to 25 years ago. Clients are becoming more price-sensitive and are shopping around more.

We have been alert to the challenges facing the Group in this changing and increasingly competitive environment. At the beginning of 2018 we judged that decisive action was needed to address the challenges we faced. We have taken that action and our focus this year is on delivering our new pricing and product strategy.

At the same time we will continue to demonstrate industry leadership to seek the regulated market that will be good for clients and society which plays to our strengths as a well-managed business with high levels of client satisfaction.

Mike McCollum
Chief Executive

Q&A

Q What has happened in your market to trigger this change of strategy?

As we mentioned at our Q3 trading update at the end of 2017, we continue to see significant competition across the business. A fragmented market is becoming more complicated. The internet is belatedly bringing change to the funeral market, and consumer behaviour is beginning to change. Although deaths are now projected to increase, we estimate that there are around 30 per cent fewer deaths per funeral director in the UK compared to 25 years ago. Clients are becoming more price-sensitive and are shopping around more.

Due to these factors, the Group has experienced a decline in its market share. We have seen a rise in volume erosion. The average reduction in the number of funerals per location per one thousand deaths between 2004 and 2014 was 3.6 per cent. This accelerated to 6.8 per cent per year between 2015 and 2017. The Board has been considering alternative pricing and strategic initiatives over the last 18 months and believed that the time was right to reposition the business and its pricing to protect market share.

Q What are the Group's immediate strategic priorities?

It is very clear. We as a management team and Board have to deliver the new strategy. This means promoting our new offerings and positioning to the marketplace and providing an unrivalled and competitively priced service, to the marketplace. It means considering new price points and service offerings as part of our evolving pricing and product strategy. It means rigorously reviewing our operations to ensure that they are more efficient and effective. It also means we have to carefully monitor and review the progress we are making through this year. Our goal is to protect market share and reposition the Group for future growth, recognising that our actions will have a substantial impact on profits in 2018 and that the new relationship between volumes and margins will take time to become clear.

Q What opportunities do you see for the Group in the changing market environment?

We have the scale and strength to leverage our brand. We have the resources to ensure that we are the leading provider in the digital and online space. We have the management team and Board that can and is responding rapidly to changing client demands in terms of product and pricing. We have the vision for what a modern funeral service provider should be in the light of the changes outlined above. We have the ambition to get ahead of the competitive curve and continue to provide sustainable growth and a healthy future for all our stakeholders.

Q Going forward, what are the Group's strongest assets?

There are a number. We have the required expertise and experience to understand the marketplace and respond to changing client needs. We run high quality operations and believe we set the highest standards within the industry. We have the financial strength and quality of management to deliver on our strategic priorities. Most of all, we have the commitment of our people on the ground, who regularly go the extra mile for clients and are expert and compassionate in dealing with people at an extremely difficult time in their lives.

Q How confident are you about the future of the Group in the medium-term?

We saw that the funeral market was changing and have now taken steps to respond to the challenges. We will be performing further tests on pricing and services offered and these will evolve as we analyse the results. Alongside this, we are taking a detailed look at our operational model.

Strategy and business model

New strategic objectives and a changing business model.

At the beginning of 2018 in light of continued and increasing competition and market share erosion in our funeral business, the Board took decisive action and announced a change in strategy.

New strategic objectives

Protect market share and reposition the Group for growth.

In the short-term, our key strategic objective and priority is to protect market share and reposition the Group for growth.

How:

- By offering a wide choice of new price points and services to our clients while preserving our unrivalled levels of service.
- By continuing to prioritise excellent client service regardless of market segment which we believe will lead to organic growth.
- At the same time we have embarked on a rigorous review to ensure that our funeral operations are organised to run more efficiently and effectively in the light of this change of strategy and positioning.

Establish new market positioning.

We establish ourselves as the best value service provider in the market.

How:

- By combining our unrivalled service levels based on historic, long-term investment, with a new, competitively priced range of service and product options for clients.

Digital
Through our comprehensive digital strategy be the leading online presence in the funeral sector.

Brand
Build our brand to stand out in an increasingly commoditised and competitive market.

Re-base the business model and market expectations.

In 2018 find the optimum relationship between price, service and demand for our funeral business going forward.

How:

- By using 2018 to gauge the market response to various pricing scenarios while maintaining our high levels of professional service and care.

Our overall strategic approach

Our new strategic objectives and the means of delivering them are based on the following four key elements:

Continue to build on the strong fundamentals of the business and use these as a platform for change.

These strengths, which derive from our well established and highly regarded local businesses, our proven ability to deliver exceptional service and strong corporate governance allows us to remain robust and flexible in the face of change.

Continue to be distinctive in the marketplace.

Define clear market positions and build on our positive reputation, and business, by delivering a high-quality and value for money service.

Continue to make efficient use of our balance sheet to enhance shareholder returns.

Continue our successful strategy of acquiring and integrating businesses.

Continue to be a good corporate citizen.

Corporate responsibility is integral to our business as it supports the delivery of our strategy and aligns with our values.

Our previous strategic objectives and our Key Performance Indicators (KPIs)

For 2017 and previous years our strategic objectives were as follows:

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.

These five objectives are repeated here because they guided the Group in 2017 and underpin and relate directly to the long-standing KPIs which appear in this Report and Accounts. They form a crucial means of measuring performance. In the light of the change in pricing strategy announced in early 2018 it is expected that the Group's KPIs, as they relate to a newly stated set of strategic objectives, will be reviewed during the course of this year to ensure they remain appropriate.

Links

Find out more about our KPIs and how we measure performance: **p.16 to p.18**

Find out more about how we manage and mitigate risk: **p.32 to p.36**

Find out more about our CSR commitments: **p.37 to p.43**

Find out about our governance framework within which we conduct our business and deliver our strategic objectives: **p.44 and p.45**

How we operate

Generating profitable growth:

- Our consistent track record in strong cash generation and financial discipline enables us to reinvest and grow the business both organically and through strategic acquisition. We generate revenues from new and returning clients and by carefully acquiring businesses that complement our network of locations, extend our geographic reach and represent a reasonable return on our capital.

Controlling and measuring growth:

- We do this by making well informed decisions, supported by careful risk management and good governance.

Operating responsibly:

- We do this through embedded policies and robust initiatives, appropriate to the distinct needs of our stakeholders, alongside reducing our impact on the environment and making a positive social impact.

Maintaining performance across our operations:

- We strive to provide our clients with the highest standards of facilities, service and care. We achieve this by our commitment to continuous improvement and investment in our portfolio and consistently delivering excellent client service.

Building strong relationships:

- Our clients are the foundation of our business and their trust is earned through our actions both individually and as a group.
- Our people are our most important asset and we value and invest in them as they are integral to the delivery of our strategic objectives.
- For shareholders, our priority is to reposition the Group for long-term success.
- We play an important part in and are valued by the local communities we serve and we are committed to making a difference.

Creating and delivering value

Our clients

- Our objective is to be the company that everyone knows they can trust in their time of need. We achieve this through continuous improvement and delivering products and services to our clients.

Our people

- We believe that the quality of our people is a strong enabler of business growth. We value our people and they are a great asset. We support them by recognising and rewarding performance and long service plays a key part in this.

Our shareholders

- We aim to deliver the best possible operational performance from the business to deliver maximum returns to our shareholders over the long-term.

Communities

- Contributing to the communities in which we operate benefits both local people and our business. It enhances our profile and reputation, promotes employee engagement and helps to attract new employees.

Governance

Our approach to good governance continues to be robust and effective. Clear Board roles and governance processes offer balance and experience to our strong executive team, helping drive strategic and performance progress.

Risk

Dignity has a well established risk management process which is embedded within its business to support the identification and effective management of risks across the business.

KPIs

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

Remuneration

Our strategy is focused on delivering short and long-term financial performance. Earnings targets, share price return and the achievement of strategic objectives are measures of performance used to incentivise Executive Directors to deliver the Group's strategy.

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Key performance indicators

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

These KPIs are linked to our 2017 set of 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.

How we measure performance

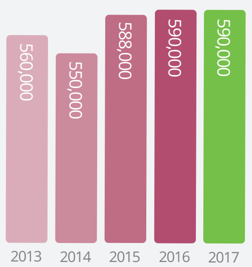
- We monitor our performance by measuring and tracking KPIs that we believe are important to our longer-term success.
- Each KPI reflects a quantifiable measure of different aspects of the Group's strategy. They act as headlines for the Board, allowing them to use more detailed management information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

Non-financial KPIs

KPI	Link to strategic objective

Total estimated number of deaths in Britain (number) — 1

590,000



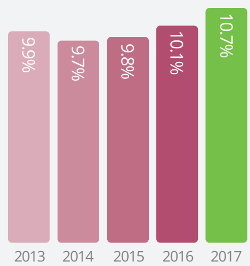
Definition
This is as reported by the Office for National Statistics.

Developments in 2017
Deaths were higher than anticipated in the period. ONS expectations are for lower deaths in 2018.

KPI	Link to strategic objective

Crematoria market share (per cent) — 1 3

10.7%

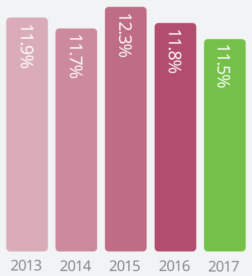


Definition
This is the number of cremations performed by the Group divided by the total estimated number of deaths in Britain.

Developments in 2017
Market share has increased, principally reflecting the effect of recent acquisitions.

Funeral market share excluding Northern Ireland (per cent) — 1 3 4

11.5%

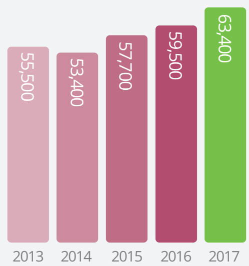


Definition
This is the number of funerals performed by the Group in Britain divided by the total estimated number of deaths in Britain.

Developments in 2017
The reduction in market share is more than anticipated.

Number of cremations performed (number) — 1 3

63,400

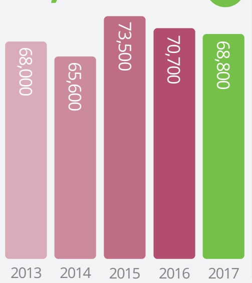


Definition
This is the number of cremations performed according to our operational data.

Developments in 2017
Changes are a consequence of the total number of deaths and the Group's market share.

Number of funerals performed (number) — 1 3 4

68,800

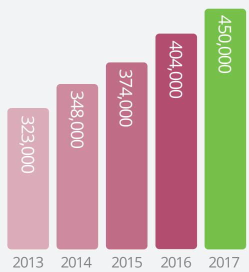


Definition
This is the number of funerals performed according to our operational data.

Developments in 2017
Changes are a consequence of the total number of deaths and the Group's market share.

Active pre-arranged funeral plans (number) — 4

450,000



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 2017
This increase reflects continued sales activity offset by the crystallisation of plans sold in previous periods.

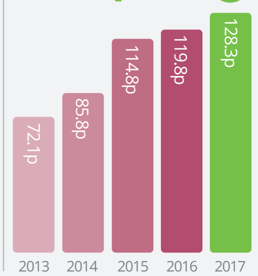
Financial KPIs

KPI	Link to strategic objective

Underlying earnings per share (pence)

1 2 3 4 5

128.3p ↑



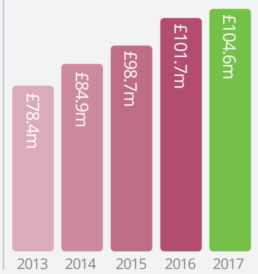
Definition
This is underlying profit after tax divided by the weighted average number of Ordinary Shares in issue in the period.

Developments in 2017
This growth follows the increase in underlying operating profit, assisted by a one-off reduction in the effective tax rate.

Underlying operating profit (£m)

1 2 3 4

£104.6m ↑



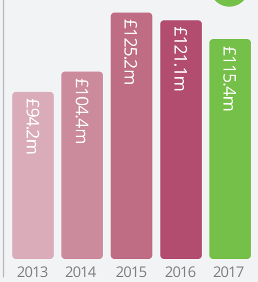
Definition
This is the statutory operating profit of the Group excluding profit (or loss) on sale of fixed assets, external transaction costs and amortisation of acquisition related intangibles.

Developments in 2017
Good growth driven by higher than expected deaths as well as acquisition activity, offset by lower market share than anticipated.

Cash generated from operations (£m)

5

£115.4m ↓



Definition
This is the statutory cash generated from operations excluding external transaction costs and (in 2013 and 2014) exceptional pension contributions.

Developments in 2017
The Group continues to convert operating profit into cash efficiently.

KPI	Link to strategic objective

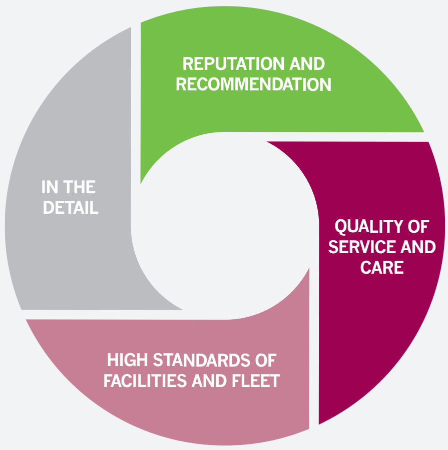
Our objective is to lead the funeral sector in professional standards and service. Our priorities and our success are determined by our impact on our clients.

Client satisfaction in our funeral services

1

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

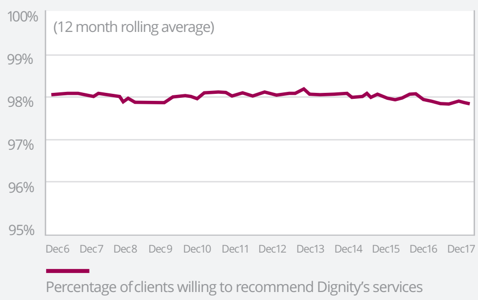
Definition
We closely monitor the results of our client surveys which are conducted by our Funeral services division. In the last five years, we have received approximately 160,000 responses. This is our measure of how these services meet or exceed client expectations.



Maintaining client satisfaction
Our consistently high satisfaction scores reflect the strength of our relationships with our clients and the stability and quality of our core business. We listen to our clients and also use our survey responses to focus on areas in which we can improve and add value.

Our ongoing commitment to high levels of client satisfaction continues to generate high levels of referrals as demonstrated in the graph below.

Recommending our services (% of clients)



See how we have performed in the Dignity client survey 2017 on page 18.

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Key performance indicators continued

We strive to maintain and improve client satisfaction across our business. Our funeral service survey results continue to demonstrate this commitment.

What we focus on:

Ensuring the highest levels of client service

Recommendations and our reputation have generated approximately 67 per cent of our funeral business on average in the last five years.

Recruiting, developing and retaining the best people

We seek to recruit and retain the best people through appropriate remuneration and ongoing training. Over 32 per cent of Dignity employees have over 10 years' service.

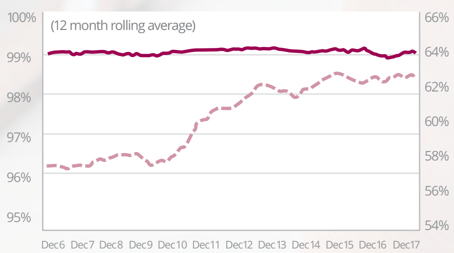
Continued investment

In 2017, we invested £20.2 million in capital expenditure on the core business to ensure that both our client-facing areas and behind the scenes facilities are maintained to the highest standards.

Listening to our clients; providing clear advice and guidance

We act with compassion and care, pay attention to detail, spend as much time as the client needs, we are open and straightforward and keep in regular contact with the client.

Meeting and exceeding expectations (% of clients)



Met and exceeded expectations (left hand axis)

Exceeded expectations (right hand axis)

What our clients say: The Dignity client survey 2017

Reputation and recommendation

99.0% (2016: 98.8%)

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

97.7% (2016: 97.7%)

97.7 per cent of respondents would recommend us.

High standards of facilities and fleet

99.8% (2016: 99.8%)

99.8 per cent thought our premises were clean and tidy.

99.8% (2016: 99.8%)

99.8 per cent thought our vehicles were clean and comfortable.

Quality of service and care

99.9% (2016: 99.9%)

99.9 per cent thought our staff were respectful.

99.7% (2016: 99.7%)

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

99.1% (2016: 99.1%)

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

In the detail

99.3% (2016: 99.2%)

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

99.0% (2016: 99.1%)

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

98.0% (2016: 98.5%)

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

Our summary performance in 2017

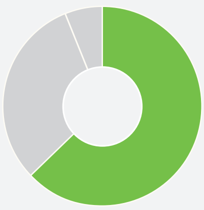
The Group has continued to perform strongly in 2017 against the backdrop of an increasingly competitive market.

Operational and Financial Summary

Funeral services

Group underlying operating profit share (%)

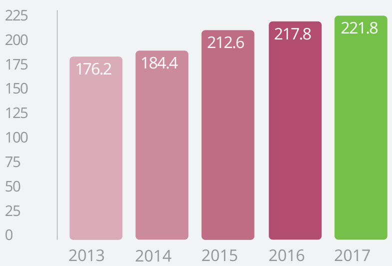
63%



Revenue (£m)

↑ +2%

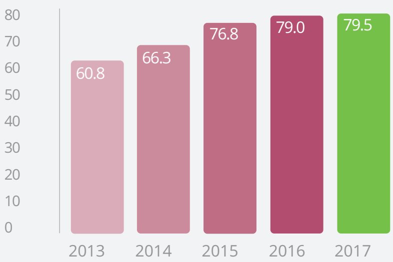
Revenue up 2% to £221.8 million



Underlying operating profit (£m)

↑ +1%

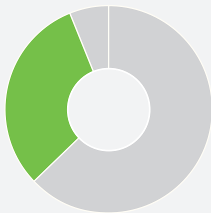
Underlying operating profit up 1% to £79.5 million



Crematoria

Group underlying operating profit share (%)

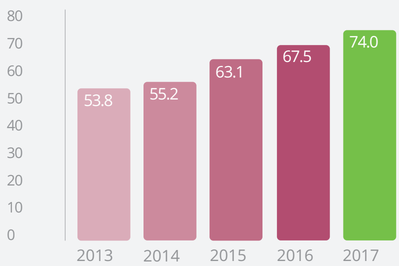
31%



Revenue (£m)

↑ +10%

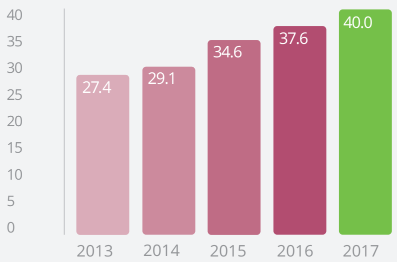
Revenue up 10% to £74.0 million



Underlying operating profit (£m)

↑ +6%

Underlying operating profit up 6% to £40.0 million



Pre-arranged funeral plans

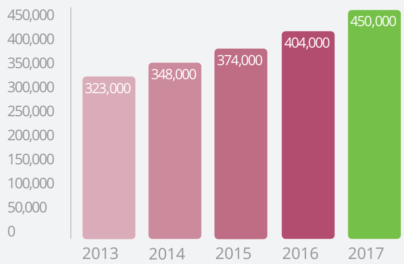
Group underlying operating profit share (%)

6%

Total number of active plans

450,000

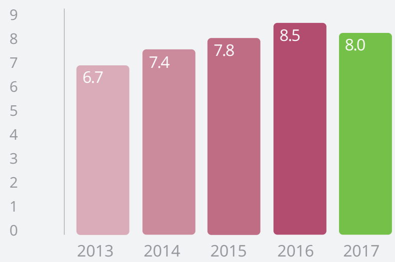
Total active pre-arranged funeral plans increased to 450,000



Underlying operating profit (£m)

↓ - 6%

Underlying operating profit down 6% to £8.0 million



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Operating review

Funeral services

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

Performance

As at 29 December 2017, the Group operated a network of 826 (2016: 792) funeral locations throughout the United Kingdom, generally trading under local established names.

During the period, the Group conducted 68,800 funerals compared to 70,700 in 2016.

Approximately one per cent of all funerals were conducted in Northern Ireland. Excluding Northern Ireland, these funerals represent approximately 11.5 per cent (2016: 11.8 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 £79.5 million (2016: £79.0 million), broadly flat on the previous year.

This financial performance reflects the lower number of funerals performed, offset by some increases in average income and acquisition activity. As described in the trading announcement in January 2018, market share was lower than expected. The average reduction in the number of funerals per location per one thousand deaths between 2004 and 2014 was 3.6 per cent. This accelerated to 6.8 per cent per year between 2015 and 2017.

Progress and Developments

Investment in the core portfolio

Significant cash resources continue to be used to maintain the Group's locations and fleet. In 2017, £12.7 million was invested in maintenance capital expenditure.

Funeral location portfolio

The Group acquired 24 funeral locations for a total investment of £26.3 million. These acquisitions performed in line with expectations. £1.1 million was also invested in our satellite location programme, with 14 opening in the period. Four locations were closed, principally where it was considered commercially appropriate not to renew leases.

Outlook

The business model for the funeral business is changing as the Board focuses on protecting market share by introducing new service offerings and price points. The new relationship between volumes and prices will take longer to become clear and we expect to provide further updates on these estimates when we release our first quarter trading update in May 2018. A further update will be provided in August with the Group's interim results, which is also expected to provide an update on the Group's operating model.

The Group anticipates continuing to acquire well-established funeral businesses. The opening of further satellite locations will be dependent on the Group's assessment of the likely impact of the changes to funeral pricing and products.

Setting the highest standards in client service and facilities

Dignity is a collection of the finest funeral directors throughout the UK, with over 800 funeral locations dedicated to serving their local communities with expertise and uncompromising compassion.

Caring 24 hour service

Our funeral directors are there to help our clients every step of the way during their time of need. We provide a caring and expert service, 24 hours a day, 365 days a year.

Highest standards of care

We continually invest in our staff, premises and vehicles to ensure clients and their loved ones receive the highest standards of care in both client-facing areas and behind the scenes. Many of our funeral directors have a proud heritage, serving their local communities for generations.

National Association of Funeral Directors

All of our funeral directors are accredited by the National Association of Funeral Directors, giving families confidence and comfort at the most difficult of times. We strive to set the highest possible standards for funeral services and it is this level of compassion and attention to detail that sets us apart.

826 Locations

We operate a network of 826 funeral locations throughout the UK, generally trading under established local names.

Our values

Professional

Our clients rely on us to provide the highest possible standard of care. We must always live up to the trust they place in us.

Compassion

Every detail is of the utmost importance and nothing is too much trouble. Being there for our clients in every way that we can.

Respect

Being trusted with something as important as a person's final wishes is an honour and a privilege that we never take lightly.

Knowledge

Our heritage and expertise combine to give us a unique vantage point. We are continually improving so we can make a difficult time a little easier.

Operating review continued

Crematoria

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 45 (2016: 44) crematoria as at 29 December 2017. The Group performed 63,400 cremations (2016: 59,500) in the period, representing 10.7 per cent (2016: 10.1 per cent) of total estimated deaths in Britain.

Underlying operating profit was £40.0 million (2016: £37.6 million), an increase of 6.3 per cent.

This operating performance is driven by increasing average revenues per cremation, which has been assisted by the increase in the number of cremations performed in the year. Recently acquired crematoria have also assisted operating profit growth.

Sales of memorials and other items have been stable, equating to approximately £270 per cremation compared to £273 in the previous period. More recently acquired locations have a lower average memorial sale than our more established locations.

Progress and Developments

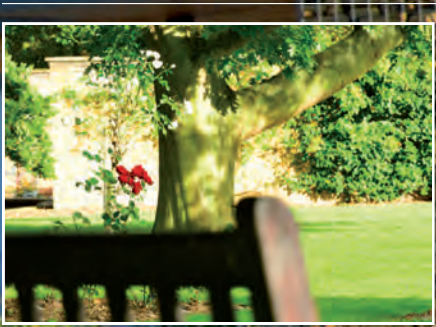
The Group has also invested £4.6 million maintaining its locations in the period.

The Group has three new crematoria under construction, with one due to open in 2018 and the other two in 2019. The total capital commitment for these locations is expected to be approximately £13 million to £14 million. Each of the locations with planning permission will take five to seven years to reach maturity, performing 800 to 1,000 cremations per year. £3.5 million of capital expenditure has been incurred in the year on these projects.

The Group's remaining two planning applications have not been successful. The Group is planning on appealing one of these applications.

Outlook

We remain confident about the future of our crematoria business. We aim to build on the success of our affordable Simplicity cremation service and will consider further innovations over the year.



Leveraging scale and expertise

Our scale and experience sets us apart and we continue to build on and reinforce the competitive strengths in our business by developing, managing and acquiring crematoria.

We also seek to add value and differentiate through strong partnerships with local authorities and through the construction of new build crematoria which represent an opportunity to develop and invest in new facilities in areas that will benefit the local community.

Trent Valley Crematorium

This new build project (pictured below) will provide a state of the art, single Chapel facility with carefully landscaped gardens that complement the existing countryside including an avenue of new trees, a memorial park, a wild flower meadow and include the planting of other native trees, shrubs and existing hedgerows.

The building itself will be light and welcoming with a large covered waiting area to the main entrance. The latest cremator technology will be installed incorporating mercury abatement systems that comply with the environmental legislation.

The focus for the new crematorium will very much be on superior client service and visitor experience and is scheduled to open in 2018.

45 Crematoria

The Group remains the largest single operator of crematoria in Britain, operating 45 crematoria.

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Operating review continued

Pre-arranged funeral plans

Pre-arranged funeral plans represent the sale of funerals to customers wishing to make their own funeral arrangements in advance.

Performance

The Group continues to have a strong market presence in pre-arranged funeral plans. These plans represent potential future incremental business for the funeral division, as the Group expects to perform the majority of these funerals.

Underlying operating performance in the period has been solid, with operating profit of £8.0 million (2016: £8.5 million). The year on year reduction in profitability reflects the incremental costs incurred on the Group's digital and other promotional activities.

In overall terms, approximately 69,000 (2016: 49,000) new plan sales were made and the number of active pre-arranged funeral plans increased to 450,000 (2016: 404,000) as at 29 December 2017.

Of these amounts, 35,000 (2016: 20,000) of the sales represent plans linked to life assurance plans with third parties rather than trust based plan sales and 102,000 (2016: 68,000) active insurance plans are in place at 29 December 2017. Not all of these insurance backed plans include an obligation to provide a guaranteed funeral and we anticipate the cancellation experience to be significantly higher than is witnessed on trust based sales.

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 divisions, pre-arranged funeral plan profits broadly reflect the cash generated by that activity.

Progress and Developments

The increase in the number of active plans follows plans sold in the year. The market has been particularly competitive, with the internet and 'cold calling' featuring extensively in activity by competitors. Dignity has remained focused on selling high quality business, with low cancellation rates, selling in ways that support the strong reputation of the Group.

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 2018.

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 2017, the Trusts held approximately £940 million of assets in respect of 306,000 trust based funeral plans. Average assets per plan are greater than the amount currently received for performing a funeral.

The latest actuarial valuations of the pre-arranged funeral plan trusts (at 29 September 2017) showed them to have a surplus of £27.3 million, based on prudent assumptions. If the discount rate used had equalled the long-term investment target of the trust funds of inflation plus two per cent, then the trusts would have reported aggregate surpluses of approximately £160 million.

Crucially, each plan sold creates additional headroom, since the funds paid in are more at the point of sale than those received by the Group if the member died immediately.

The Trusts' investment strategies are expected to enhance investment returns in the longer-term but will, however, potentially result in greater volatility year on year in the reported value of the Trusts' assets. The current allocation that is subject to annual review by the independent Trustees with support from their investment advisers, is summarised below.

	Example investment types	Target (%)
Defensive investments	Index linked gilts and corporate bonds	22
Illiquid investments	Private investments	16
Core growth investments	Equities	22
Growth fixed income and alternative investments	Property funds and emerging market debt	40

Outlook

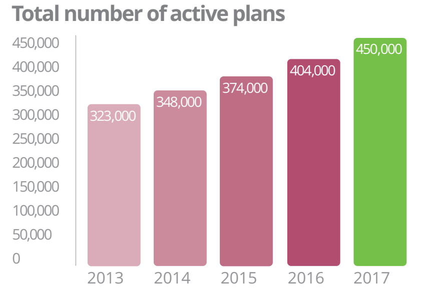
Pre-arranged funerals represent a stable source of incremental funerals for the Group, providing certainty of cash flows as existing plans mature.

The Group intends to continue to sell as many plans as is commercially possible and economically sensible and anticipates a significant proportion to continue to be insurance plans rather than being trust based sales.

Our affinity partners

We work with a wide range of established affinity partners.

Total number of active plans



A leading and trusted provider

We are proud to be affiliated with some of the most credible and trusted professional bodies in the funeral industry and beyond.

With so many pre-paid funeral plan providers for customers to choose from, our accreditations are able to demonstrate that we meet and exceed the standards that our customers are looking for.

Dignity began using Feefo as its primary customer review platform in Spring 2016. Feefo has allowed us to engage with our customers and gain true insight into their experience with our business so we can continue to enhance it further.

Why these affiliations are important to Dignity

At Dignity, we strive to set the bar for industry standards and provide a truly high quality, premium service that customers feel they can trust and rely upon. This is why working closely with these organisations means we can continue to uphold the very best industry practices.

Why they are important for our customers

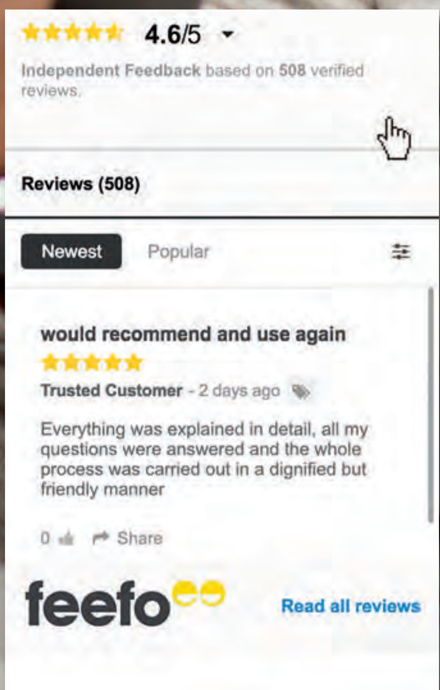
We aim to be open and transparent about our prices and services and these affiliations give our customers the insurance and security that our services are safe and secure.

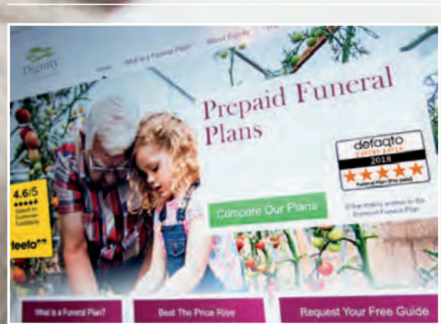
450,000 Active plans

450,000 people have active funeral plans with Dignity.

A Gold Trusted Service

Dignity Funeral Plans has won the Feefo Gold Trusted Service Award 2018. The prestigious accolade is an independent seal of excellence that recognises businesses for delivering exceptional experiences, as rated by real customers.





Operating review continued

Central overheads

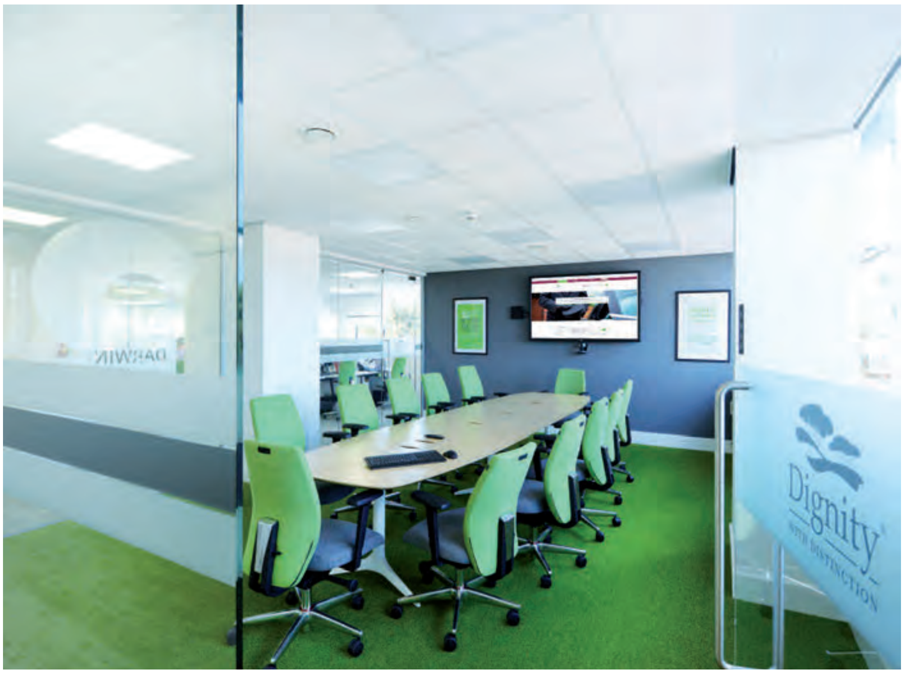
Overview
Central overheads relate to central services that are not specifically attributed to a particular operating division. These include the provision of IT, finance, personnel and Directors' emoluments. In addition and consistent with previous periods, the Group records the costs of incentive bonus arrangements, such as Long-Term Incentive Plans ('LTIPs') and annual performance bonuses, which are provided to over 100 managers working across the business centrally.

Developments
Costs in the period were £22.9 million (2016: £23.4 million), a reduction of 2.1 per cent.

Investment in central overheads continues in order to respond to the activities of the Group. Incentive costs, including LTIP costs and cash bonuses, have reduced from £8.3 million to £5.2 million. This reflects current expectations of such costs given the January trading update. Excluding these bonus costs, central overheads represent 5.4 per cent (2016: 4.8 per cent) of revenues.

Maintenance capital expenditure of £2.9 million has been incurred on central projects predominantly relating to IT that will help the business as a whole operate more efficiently. This includes £1.2 million incurred to complete the update of the Group's accounting software described last year and the implementation of a new HR system.

Outlook
The Group will continue to respond to the needs of the business, providing additional central resource where necessary to help growth or manage compliance with appropriate laws and regulations.



New Duke Street offices in Sutton Coldfield to support expansion and service quality

This represents a total investment of circa £1.1 million to support the Group's operations.

Financial review

Our challenge as a Board is to protect market share and reposition the Group for growth. An important part of that equation is ensuring that our operations are running more efficiently and effectively. To that end we have implemented a rigorous review of our funeral operations to ensure that they are able to fully deliver our new strategic objectives.

Steve Whittern
Finance Director

Performance in 2017

£324.0m

Revenue up 3% to £324.0 million (2016: £313.6 million).

£104.6m

Underlying operating profit up 3% to £104.6 million (2016: £101.7 million).

128.3p

Underlying earnings per share increased 7% to 128.3 pence (2016: 119.8 pence).

£28.3m

Amount invested in acquiring established funeral and crematorium businesses.

Introduction

These results have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted in the EU.

Financial highlights

The Group's financial performance is summarised below:

	52 week period ended 29 Dec 2017	53 week period ended 30 Dec 2016	Increase/ (decrease) %
Revenue (£million)	**324.0**	313.6	3
Underlying operating profit[a] (£million)	**104.6**	101.7	3
Underlying profit before tax[a] (£million)	**77.8**	75.2	3
Underlying earnings per share[a] (pence)	**128.3**	119.8	7
Cash generated from operations[b] (£million)	**115.4**	121.1	(5)
Operating profit (£million)	**98.0**	97.7	–
Profit before tax (£million)	**71.2**	71.2	–
Basic earnings per share (pence)	**115.8**	115.3	–
Dividends paid in the period:			
Interim dividend (pence)	**8.64**	7.85	10
Final dividend (pence)	**15.74**	14.31	10

[a] Underlying amounts exclude profit on sale of fixed assets, external transaction costs, amortisation of acquisition related intangibles, net of tax where appropriate and exceptional items in respect of taxation.

[b] Cash generated from operations excludes external transaction costs.

The Board has proposed a dividend of 15.74 pence per Ordinary Share as a final distribution of profits relating to 2017 to be paid on 29 June 2018, subject to shareholder approval.

Change in accounting estimates – Amortisation of intangibles

During the period, the Group reconsidered the indefinite life assumed for its trade names. Given the increasingly price competitive market and its impact on the business, the Group has concluded that an indefinite life is no longer appropriate. The estimate was updated in 2017 to a useful life of 35 years, applicable from 1 October 2017.

Exceptional items and underlying reporting measures

The Group's underlying measures of profitability exclude profit (or loss) on sale of fixed assets, external transaction costs, amortisation of acquisition related intangibles and exceptional items in respect of taxation. These items have been adjusted for in determining underlying measures of profitability as these underlying measures are those used in the day to day management of the business and allow for greater comparability across periods.

In 2017, following the commencement of amortisation of acquired intangible trade names and other crematoria related acquired intangibles, acquisition related amortisation of £1.8 million (2016: £nil) has also been excluded in determining underlying profitability measures. Acquisition related amortisation is defined as being the amortisation arising in respect of trade names, use of third party brand names and other crematoria related acquired intangible.

Financial review continued

£27.0m

£27.0 million has been invested in maintaining our property and fleet portfolio.

£368.4m

Since flotation, £368.4 million in cash including dividends has been returned to shareholders.

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

	52 week period ended 29 Dec 2017 £m	53 week period ended 30 Dec 2016 £m
Operating profit for the period as reported	**98.0**	97.7
Add/(deduct) the effects of:		
Profit/(loss) on sale of fixed assets	**0.1**	(0.1)
External transaction costs in respect of completed and aborted transactions	**4.7**	4.1
Acquisition related amortisation	**1.8**	–
Underlying operating profit	**104.6**	101.7
Net finance costs	**(26.8)**	(26.5)
Underlying profit before tax	**77.8**	75.2
Tax charge on underlying profit before tax[c]	**(13.8)**	(15.8)
Underlying profit after tax	**64.0**	59.4
Weighted average number of Ordinary Shares in issue during the period (million)	**49.9**	49.6
Underlying EPS (pence)	**128.3p**	119.8p
Increase in Underlying EPS (per cent)	**7%**	4%

[c] Excludes tax on acquisition related amortisation, external transaction costs and exceptional tax credits of £0.4 million (2016: £1.8 million).

Earnings per share

The Group's statutory profit after tax was £57.8 million (2016: £57.2 million). Basic earnings per share were 115.8 pence per share (2016: 115.3 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, amortisation of acquisition related intangibles, external transaction costs and exceptional items in respect of taxation. Consequently, underlying profit after tax was £64.0 million (2016: £59.4 million), giving underlying earnings per share of 128.3 pence per share (2016: 119.8 pence per share), an increase of 7 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 and reduced tax charge.

External transaction costs

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

In 2017, external transaction costs also include £2.1 million in respect of external advisers' fees for a significant potential acquisition and £1.2 million for other development opportunities that were aborted.

Capital expenditure

Capital expenditure on property, plant and equipment and intangible assets was £27.0 million (2016: £22.8 million).

This is analysed as:

	29 Dec 2017 £m	30 Dec 2016 £m
Maintenance capital expenditure:		
Funeral services	**12.7**	13.6
Crematoria	**4.6**	3.7
Other	**2.9**	2.3
Total maintenance capital expenditure[a]	**20.2**	19.6
Branch relocations	**2.2**	1.6
Satellite locations	**1.1**	0.8
Development of new crematoria and cemeteries	**3.5**	0.8
Total property, plant and equipment	**27.0**	22.8
Partly funded by:		
Disposal proceeds	**(0.6)**	(1.0)
Net capital expenditure	**26.4**	21.8

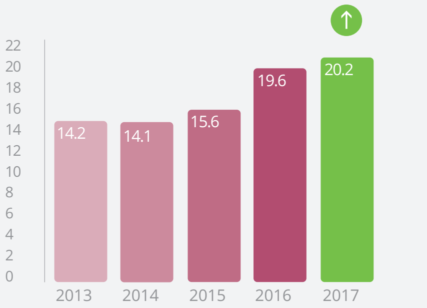
[a] Maintenance capital expenditure includes vehicle replacement programme, improvements to locations and purchases of other tangible and intangible assets.

The Group will continue to invest in the maintenance of its existing portfolio of vehicles and funeral and crematoria locations. This is expected to result in similar capital expenditure to 2017.

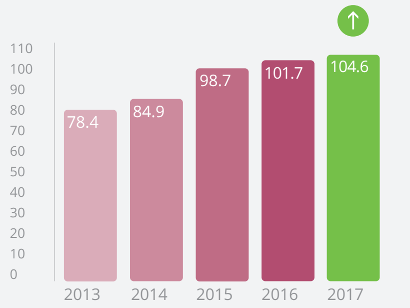
Cash flow and cash balances

Cash generated from operations was £115.4 million (2016: £121.1 million) stated before external transaction costs of £2.9 million (2016: £3.9 million). The reduction year on year despite an increase in operating profit reflects timing differences of working capital items year on year. The longer-term expectation of profits converting efficiently to cash is unchanged.

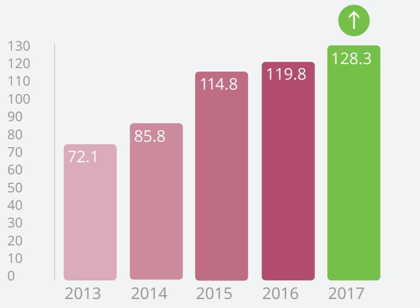
Maintenance capital expenditure (£m)



Underlying operating profit (£m)



Underlying earnings per share (pence)



As a result of the strong year, the Group was able to fund all of its corporate activity from its cash reserves, spending £28.3 million (net of cash acquired and excluding external transaction costs) on the acquisition of 24 funeral locations and one crematorium and balancing payments in respect of prior year acquisitions. Cash balances at the end of the period were £49.3 million (2016: £67.1 million). In its planning, the Group sets aside approximately £23.0 million for future corporation tax and dividend payments expected to be spent in 2018.

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 £24.0 million before deferred tax (2016: deficit of £25.9 million). The Group concluded a consultation with employees in February 2017. Following this consultation, the Group decided to close its defined benefit pension scheme to any further accrual. Affected employees will instead be able to contribute between four and 10 per cent of salary into a defined contribution scheme, which will be matched by the Group.

The Group is currently in discussion with the Trustees of the Group's defined benefit pension scheme with a view to agreeing the April 2017 triennial valuation and consequential schedule of contributions required to address the deficit. This will be finalised by the statutory deadline of 5 July 2018 and the Group will report on the agreed position as part of its interim results.

Taxation

The Group's effective tax rate on underlying profits in the period was 17.7 per cent (2016: 21.0 per cent) excluding the exceptional rate change in the prior period.

The current period effective tax rate is lower due to prior year taxation items of £2.0 million which are not expected to recur.

In 2018, the Group expects its effective tax rate to be approximately one per cent above the headline rate of corporation tax. This translates to an effective rate of 20.0 per cent.

The Group's net cash tax payments were £11.9 million (2016: £10.6 million) in the period.

Capital structure and financing

Secured Notes

The Group's principal source of long-term debt financing is the Secured A Notes and the Secured B Notes. They are rated A and BBB respectively by Fitch and Standard & Poor's.

The principal is repaid completely over the life of the Secured Notes and is therefore scheduled to be repaid by 2049. The interest rate is fixed for the life of the Secured Notes and interest is calculated on the principal.

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

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

The Secured Notes have an annual debt service obligation (principal and interest) of circa £33.2 million.

Given the duration of the Secured Notes, this structure is capable of being used to periodically issue further Secured Notes when deemed appropriate and subject to market conditions. Given the trading update in January 2018, the Group does not have any plans for such an issue in the immediate future and does not need to take any remedial action in respect of the Secured Notes in issue.

Financial Covenant

The Group's primary financial covenant under the Secured Notes requires EBITDA to total debt service to be above 1.5 times. The ratio at 29 December 2017 was 3.24 times (2016: 3.37 times).

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Financial review continued

Rating Agency updates

Following the trading update in January 2018, both rating agencies issued public affirmations of the ratings applicable to the Secured Notes. However, in the case of Fitch, they revised their outlook to negative from stable and S&P placed the Group's Class B Notes on credit watch negative. This has no impact on the financial covenant or any other obligation of the Secured Notes from a Group perspective.

Revolving Credit Facility

As described in the Group's 2017 interim results, the Group's £15.8 million Crematoria Acquisition Facility and undrawn Funeral Acquisition Facility were replaced with a £50 million Revolving Credit Facility ('RCF'), provided by the Royal Bank of Scotland, which is secured against certain trade and assets held by legal entities outside of the Group's securitisation structure.

The facility is available until July 2021, with the option to renew, subject to the bank's consent at the time, by a further year. The margin on the facility ranges from 150 to 225 basis points depending on the resulting gross leverage.

This provides the Group ongoing flexibility in a cost effective manner, as if undrawn, the facility represents an annual cost of approximately £0.3 million. Given the Group's healthy cash balances, the RCF is undrawn at the time of the release of this announcement and as at the year end.

Net debt

The Group's net debt is analysed as:

	29 Dec 2017 £m	30 Dec 2016 £m
Net amounts owing on Secured Notes	**(565.1)**	(573.9)
Add: unamortised issue costs	**(0.6)**	(0.7)
Gross amounts owing on Secured Notes	**(565.7)**	(574.6)
Net amounts owing on Crematoria Acquisition Facility	**–**	(15.7)
Add: unamortised issue costs on Crematoria Acquisition Facility	**–**	(0.1)
Gross amounts owing	**(565.7)**	(590.4)
Accrued interest on Secured Notes	**(0.3)**	(0.3)
Accrued interest on Crematoria Acquisition Facility and Revolving Credit Facility	**(0.2)**	(0.1)
Cash and cash equivalents	**49.3**	67.1
Net debt	**(516.9)**	(523.7)

The Group's gross debt outstanding was £565.7 million (2016: £590.4 million). Net debt was £516.9 million (2016: £523.7 million).

The market value of the Secured Notes at the balance sheet date was £686.5 million (2016: £678.0 million).

Whilst the Group has no plans to do so, should it wish to repay all amounts due under the Secured Notes, the cost to do so at the year end would have been approximately £764 million.

Net finance costs

The Group's underlying finance costs substantially consist of the interest on the Secured Notes and ancillary instruments. The net finance cost in the period relating to these instruments was £25.1 million (2016: £25.4 million).

Finance costs of £0.4 million (2016: £0.6 million) were incurred in respect of the Crematoria Acquisition Facility.

Other ongoing finance costs incurred in the period amounted to £1.4 million (2016: £0.9 million), including the unwinding of discounts on the Group's provisions and other financial liabilities.

Interest receivable on bank deposits was £0.1 million (2016: £0.4 million).

Forward-looking statements

Certain statements in this Annual Report are forward-looking. Please see page 132 for further details.

Financial review – Outlook Q&A

2018 will be a challenging year for the Group but I am confident we have the financial and management strength to meet these challenges head on.

Steve Whittern
Finance Director

Q&A

Q How long do you think it will take to see the reaction in volume terms to the new pricing?

We anticipate it will be towards the end of 2018 before we start to see a realistic picture.

Q Will dividends be protected?

The dividend cover should still be comfortable at the reduced level of earnings.

Q How long will there be a price freeze for?

We anticipate that this will be for 2018, but will keep this under review.

Q What implications does this new pricing model have on your cost base?

It is premature at this stage to say. The new price points will depress margins but until we understand our ability to improve our volumes and have thoroughly reviewed how we operate we cannot take a firm view.

Q What scope is there for cost savings and driving efficiencies through the business?

There will be opportunities for efficiencies which we expect to be able to quantify going into 2019.

Q How much more investment is required in order to improve Dignity's online position?

In order to promote the new prices and the business generally, we expect to spend an additional £2 million in 2018 in digital and other promotional activities. This additional cost will reoccur in future years and may increase in future years.

Q Over what timescale will you judge whether this new strategy has been successful?

We should have reasonable evidence of the funeral market's reaction towards the end of 2018.

Principal risks and uncertainties

Risk management is embedded throughout the business with all employees aware of the role they play.

Risk appetite

Risk appetite is the level of risk the Group is willing to take to achieve its strategic objectives and is set by the Board. The Board looks at the Group's appetite to risk across a number of areas including market, financing, operations, strategy and execution, developments, cybersecurity and technology and brand.

The Group's risk appetite is set in the context of our focus on one sector – funeral services. As experts in this sector we are able to mitigate the risk involved in growing the business by acquisition, development and our active asset management strategy. This focus on our core strengths is balanced by a more cautious approach to risk in other areas.

Whilst the Group's structured approach to risk management continues, given the changes in the market and the fact that we will be testing a number of pricing and services initiatives during the year, the risk appetite of the Group has increased.

Our approach to risk management

The Group has a well established governance structure with internal control and risk management systems. The risk management process:

- Provides a framework to identify, assess and manage risks, both positive and negative, to the Group's overall strategy and the contribution of its individual operations.
- Allows the Board to fulfil its governance responsibilities by making a balanced and understandable assessment of the operation of the risk management process and inputs.

Responsibilities and actions

The Board

The Board is responsible for monitoring the Group's risk and their mitigants.

Risk process

Every six months the Audit Committee formally considers the risk register and approves it for adoption by the Board.

Risk assessment

Executive Directors and senior management are responsible for identifying and assessing business risks.

Identify

Risks are identified through discussion with senior management and incorporated in the risk register as appropriate.

Assess

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

Mitigating activities

Mitigants are identified against each risk where possible.

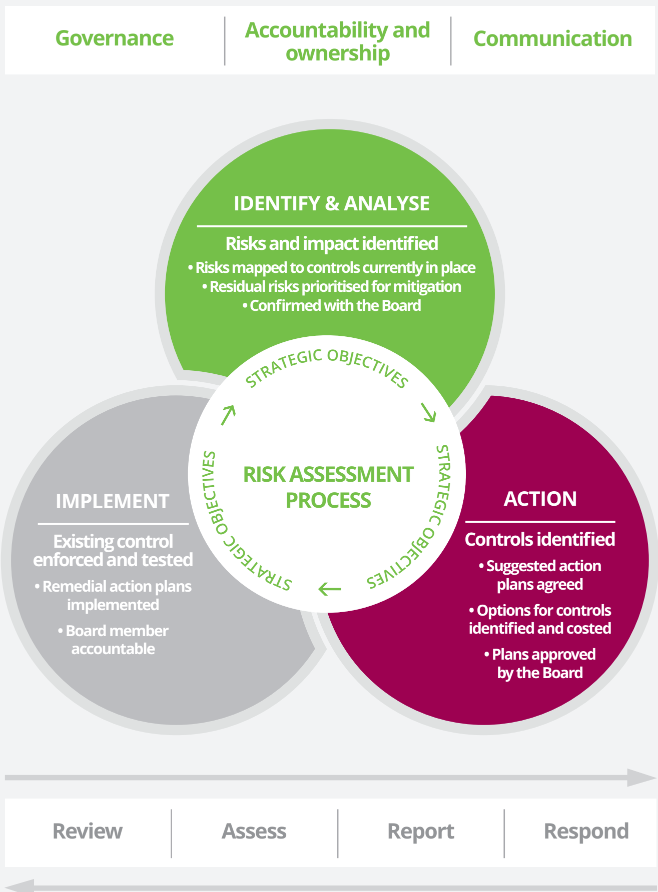
Review and internal audit

The link between each risk and the Group's policies and procedures is identified. Where relevant, appropriate work is performed by the Group's internal audit function to assist in ensuring the related procedures and policies are appropriately understood and operated where they serve to mitigate risks.

Risk governance

The Board has overall responsibility for the Group's internal control systems and for reviewing their effectiveness. This has been designed to assist the Board in making more risk-informed, strategic decisions with a view to creating and protecting shareholder value.

The risk management framework



Links

- See Strategy and business model: **p.14 and p.15**
- See KPIs: **p.16 to p.18**
- See Governance: **p.44 to p.74**

Risk status summary and new risks

The ongoing review of the Group's principal risks focuses on how these risks may evolve. Since the publication of last year's Annual Report, we consider the following key principal risks to have an increased risk exposure.

Increasing and emerging risk trends

The focus of both the government and the media on the cost of funerals has increased which may affect the ability to increase average revenues per funeral or cremation. In addition, there appears to be increased competition in both the funeral and pre-arranged funeral plan markets.

Consumers are becoming more price conscious and prepared to shop around. This is driven to a considerable extent by the internet which is changing the way that they seek information and make decisions on funeral-related matters. The impact of the Group's digital and online presence on its risks therefore needs to be considered.

As a result of the changes in the competitive landscape, the Group has recognised that its exposure to a number of its principal risks has increased.

Cyber risk

The increasing prevalence of cyber attack across the world, means that along with all large corporates, our business systems are under increasing level of attack. Over the last few years we have invested significantly in this area both in upgrading all aspects of our systems and our internal resources and also using external consultants to perform regular external and internal penetration tests and using the results to drive a continuous improvement programme.

Regulation

The increased focus on the whole sector may increase the likelihood of regulation of funerals in the UK as a whole and not just in Scotland. In addition, this could lead to regulation of the funeral plan sector with the Funeral Planning Authorities being re-constituted to be more of a regulatory body. Whilst the Group believes that this would be beneficial, there still remains a risk that regulation could be imposed that may result in a significant cost burden to the Group.

Our principal risks and uncertainties

Outlined here are the principal risks facing the Group. In assessing which risks should be classified as principal, we assess the probability of the risk materialising and the financial or strategic impact of the risk.

Operational risk management

- Price competition
- Significant reduction in the death rate
- Nationwide adverse publicity
- Ability to increase average revenues per funeral or cremation
- Significant reduction in market share
- Demographic shifts in population
- Competition
- Taxes
- Regulation of pre-arranged funeral plans
- Regulation of the funeral industry
- Changes in the funding of the pre-arranged funeral plan business

Financial risk management

- Financial Covenant under the Secured Notes

The principal risks we have identified

We maintain a detailed register of principal risks and uncertainties covering strategic, operational, financial and compliance risks. We rate them according to likelihood of occurrence and their potential impact.

In the tables on pages 34 to 36 we provide a summary of each risk, a description of the potential impact and a summary of mitigating actions.

Key: Risk trend measures

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

Principal risks and uncertainties continued

Operational risk management

Strategic objective link	Risk description and impact	Mitigating activities	2017 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 risk is mitigated by the geographical spread of locations, the ability to control costs and the ability to acquire funerals.	The number of deaths in 2017 was higher than expected. See Chief Executive's review: **p.06 to p.13**	
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. For pre-arranged funeral plans, adverse publicity for the Group or one of its partners could result in a reduction in the number of plans sold or an increase in the number of plans cancelled. This would have a direct and significant impact on the financial performance of that division and the Group as a whole.	This risk is addressed by ensuring appropriate policies and procedures are in place, which are designed to ensure excellent client service and careful selection of reputable partners.	There have been no such events in the period. See The Client Survey performance: **p.18**	
1 5	**Ability to increase average revenues per funeral or cremation** Operating profit growth is in part attributable to increases in 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. However, the Group took decisive action to reduce its funeral pricing in January 2018, which will be supported by an improved online presence.	Average revenues increased in line with the Board's expectations but will be lower in 2018. See Operating review: **p.20 to p.26**	
1 5	**Significant reduction in market share** It is possible that other external factors, such as new competitors and the increased impact of the internet on the sector, could result in a significant reduction in market share 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. In addition the Group's actions in January 2018 on pricing and promotion seek to protect the Group's funeral market share. For crematoria operations this is mitigated by difficulties associated with building new crematoria.	Market share was lower than the Board's expectations. See Operating review: **p.20 to p.26**	
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. This is mitigated by the geographical spread of locations coupled with the ability to acquire funeral locations in areas of higher demand.	There have been no material changes, with satellites being opened and businesses acquired in appropriate areas. See Operating review: **p.20 to p.26**	
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.	Established local reputation continues to be important in attracting clients, although this is declining. In addition the Group is enhancing and developing its digital presence. There are barriers to entry 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.	We have commented on the increasingly competitive environment across our business. See Chief Executive's review: **p.06 to p.13**	

Risks in the context of our strategic objectives

The Group has a proactive approach to measuring performance and considers risk as an integral part of decision-making, both about current and future performance, with the Board being responsible for the level of risk that the Group is willing to accept. The Board manages this by linking risk appetite to its strategic objectives, being mapped against defined impact and likelihood scales, in order to define where the level of risk sits.

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 (continued)

Strategic objective link	Risk description and impact	Mitigating activities	2017 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 marketing 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. This risk is also mitigated through the high standards of selling and administration of pre-arranged funeral plans operated by the Group.	No significant changes noted in the period. See Chief Executive's review: **p.06 to p.13**	⇔
1 2 3 5	**Regulation of the funeral industry** During the period, the Scottish Government recruited an Inspector of Funerals. Dignity welcomes this progress. Regulation could result in increased compliance costs for the industry as a whole or other unforeseen consequences.	The Group already operates at a very high standard, using facilities appropriate for the dignified care of the deceased.	We continue to seek regulation of our markets.	⇔
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. 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.	The latest actuarial valuation of the pre-arranged funeral plan Trusts demonstrates an actuarial surplus. This is supported by robust average assets per plan. See **Note 29.**	⇔

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Principal risks and uncertainties continued

Financial risk management

Strategic objective link	Risk description and impact	Mitigating activities	2017 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 (which is applicable to the securitised subgroup of Dignity) is not achieved, then this may lead to an Event of Default under the terms of the Secured Notes, which could result in the Security Trustee taking control of the securitisation group on behalf of the Secured 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 generated by the securitised subgroup.	No significant changes noted in the period. However, following the trading update and price changes in January 2018, covenant headroom in 2018 will be reduced. See Financial review: p.27 to p.31	↗

Viability statement

The Directors confirm that they have a reasonable expectation that the Group will continue to operate and meet its liabilities, as they fall due, for the subsequent three years to December 2020.

The key consideration of viability is the Group's ability to service its Secured Notes as and when those obligations fall due, twice a year. The Directors have fully considered severe but reasonable scenarios, and the effectiveness of any mitigating actions, on the Group's ability to generate funds to meet those obligations. Consistent with the prior period, three years has been selected as the appropriate period of review.

In making this statement the Directors have reviewed the overall resilience of the Group and have specifically considered:

- the Group's current position and trading prospects;
- the current and ongoing strategy;
- the Board's appetite for risk; and
- a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity, and how they are managed, as explained in this Strategic Report (pages 32 to 36).

Corporate and social responsibility

Our Company's core values spring from the simple fact of being a truly people business. They are human values of decency, integrity and trust. This translates into an overarching commitment to doing the right thing by everyone we work with: respecting each other in the workplace, working safely, behaving ethically and being a positive force in the communities we serve. It also includes working hard to minimise our environmental impact.

Richard Portman
Corporate Services Director

Our CSR Policies

Our CSR policies are the means by which we make tangible our desire to be a good corporate citizen. We have three areas of focus:

Our People (Expertise and culture)

Resources (Health, Safety and Environmental performance)

Relationships (Building strong relationships and community impact)

Truly a people business

More than many businesses, we are truly a people business. We have to be, as we help people at a difficult time in their lives. Meeting their needs means that our employees have to be of the highest calibre and have particular and special qualities. They must be caring, thoughtful and truly engaged with the people they serve.

Human values

Our Company's core values spring from the simple fact of being a truly people business. They are human values of decency, integrity and trust. This translates into an overarching commitment to doing the right thing by everyone we work with: respecting each other in the workplace, working safely, behaving ethically and being a positive force in the communities we serve. It also includes working hard to minimise our environmental impact.

The Dignity Way

From these core values of decency, integrity and trust we have developed a special culture and way of working what we call 'The Dignity Way'. It encourages responsibility and stimulates high performance, adding value to our clients', communities and all our stakeholders. Everyone at Dignity knows that he or she is an ambassador for the Company and is aware of the high standards the Company demands. More specifically, we must all adhere to our Code of Conduct and maintain regulatory and legal compliance. This culture is the means by which we will continue to succeed as a business and behave as a good corporate citizen.

External accreditations

Dignity Funeral Plans have become the first such product in the UK to be awarded an ISO 9001 accreditation for customer service.

The Business Standards Institution's ISO 9001 is an international accreditation for Quality Management Systems. By achieving this standard, Dignity has been able to prove that it continues to reach and exceed the global benchmark for quality management and has used it as a tool for improving our business.

Positive about disability

Dignity remains committed to employing, retaining and developing the abilities of disabled employees.

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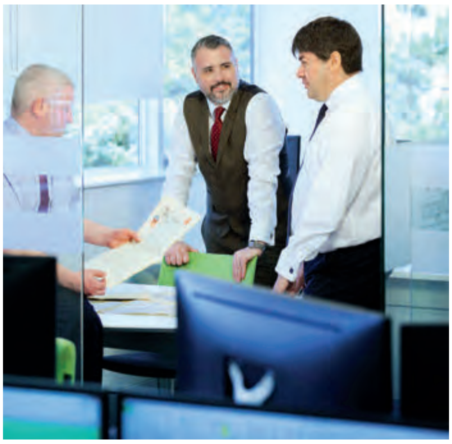
Corporate and social responsibility continued

Our people and culture

Together we are Dignity

With operations across the UK we have a diverse and engaged workforce that reflects our geographic footprint and their local knowledge.



Recognising the strength, quality and diversity of our people.

The Board places a high priority on attracting and retaining the right people as an integral part of our strategic objective of continuing to prioritise excellent client service which we believe will lead to organic growth.

The Board is supported by a strong HR team who are dedicated to meeting the requirements of a growing Group. This team is responsible for the integration of new staff and the development and welfare of people across the business.

Culture, engagement and communication

Communication, engagement and inclusion are at the heart of our culture. To achieve our business objectives we need engaged employees dedicated to our vision and values. We aim to provide an inclusive and collaborative culture that values every individual and provides the tools and opportunities to fulfil their potential and add value to the business.

Learning and development

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 funeral locations. Personal development, planning and identification of training needs form a key part of our performance review process. We continue to provide a variety of learning and development opportunities, ranging from workshops and mentoring to online resources and internal and external training courses.

Diversity and inclusion

With operations across the UK we have a diverse and engaged workforce that reflects our geographic footprint and their local knowledge. Dignity was awarded the Two Ticks Positive About Disability Symbol by Jobcentre Plus in 2014 and has continued to employ, retain and develop the abilities of disabled people. Dignity continues to be a member of the Business Disability Forum, a not-for-profit organisation that encourages the fair treatment of disabled people in the workplace and their community.

Case study:

Long service at Dignity

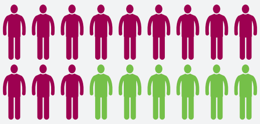
Recruiting and retaining the right people is an integral part of our strategy for delivering excellent client service. Our people have the professional experience, compassion and knowledge that our clients expect. In recognition of this we reward every employee that reaches 10 years continuous service, with subsequent awards granted every five years thereafter. Dignity rewarded its loyal staff with Long Service Awards totalling £0.2 million in 2017.

Corporate and social responsibility continued

Our people and culture continued

Key facts

Diversity at Dignity



Long service

32%

32 per cent of Dignity staff have over 10 years service.

Gender diversity

20%

20 per cent of Dignity's senior managers are female.

31%

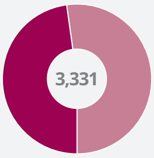
31 per cent of Dignity's senior and middle managers are female.

Employee diversity

Senior managers (% & number)

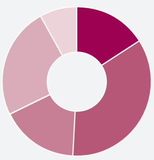
- Male 80% (28 senior managers)
- Female 20% (7 senior managers)

Total employees/ratio (% & number)



- Male 48% (1,613 employees)
- Female 52% (1,718 employees)

Employee service (% & number)



- Less than 1 year: 16% (515 employees)
- 1–4 years: 35% (1,161 employees)
- 5–9 years: 17% (569 employees)
- 10–19 years: 24% (810 employees)
- Over 20 years: 8% (276 employees)

Case study:

Industry recognition and developing successful employees

Kate Davidson joined Dignity in 2011 as the Manager of Telford Crematorium before being promoted to Regional Manager four years later. In 2016, with Dignity's support, she achieved a Diploma in Crematorium & Cemetery Management from the Institute of Cemetery & Crematorium Management (ICCM). Kate was the first person to have ever received a Distinction grade for all 28 assignments. She was also the first recipient in seven years of the EICKOFF Medal for Outstanding Achievement in Study at the ICCM Annual Conference. In 2017, Dignity is assisting Kate to study in London for an MBA from Warwick Business School.

Case study:

Employee Assistance Programme

Information, guidance and support are available to all Dignity employees from a free and confidential Employee Assistance Programme. The programme is designed to give easy access to help and support to enable individuals to make informed decisions and tackle issues early, before they become troublesome and complex. The service can be used for family issues; medical information; alcohol, drug and gambling issues; financial information; consumer issues and relationship or childcare advice. Counselling on these and other subjects is provided in the strictest confidence by experienced and qualified individuals in a friendly and non-judgemental way.

Case study:

Armed Forces Covenant

Dignity has entered into an agreement with the Armed Forces to advertise all vacancies with them. Each year 20,000 people complete their time with the British Army, Navy or Royal Air Force and resettle into civilian life. The agreement confirms that Dignity will seek to employ veterans of any age and provide them with a career path in the funeral sector. We will also offer employment opportunities to the partners of those currently serving in the Armed Forces.

ARMED FORCES COVENANT

Building strong relationships and community impact

Making a meaningful difference at the heart of our local communities.

Helping people at one of the most difficult times in their lives is our core social purpose and contributing to the communities in which we operate benefits both local people and our business. It helps to promote awareness of our brand and values, enhances our reputation, promotes employee engagement and attracts new clients to our business. Making a meaningful difference to the local communities we serve remains a key quality of our business.

Our operations are located across many UK towns and cities and as such we have an important role in supporting our communities. 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 community relationships and charitable programmes are primarily managed at a local level to allow our businesses to focus on the needs of their local communities. Our people support many local community initiatives and charitable events every year.

Dignity's corporate charity

£230,000

In 2017, Dignity raised £230,000 for its corporate charity the British Heart Foundation.

Case study:

Violets in Bloom Children's Memorial Garden, Lichfield & District Crematorium

In August, more than 100 people gathered to witness the official opening of the Violets in Bloom Children's Memorial Garden at Lichfield Crematorium. The garden is named after Violet Mornington who was just five years old when she died of an extremely rare blood disorder in July 2013. Her parents, Kerry and Ivan, established the charity, Violets in Bloom, to raise funds for a memorial to their daughter and to provide a sanctuary for other bereaved parents.

Prior to Dignity's ownership of the crematorium, the previous contractors had left the original memorial garden unfinished and the work they had completed was not of an acceptable standard. Dignity approached the Mornington family and offered to fund the design and development of a new garden that was a fitting memorial to Violet. Dignity's in-house Legal Counsel took action to retrieve the charity's money so that it could be used by other parents that had lost a child to fund a memorial and burial plot.

The garden was opened by Spandau Ballet singer, Tony Hadley, who has a personal connection to the Mornington family.

Case study:

British Heart Foundation

In 2017, Dignity raised £230,000 for our corporate charity, British Heart Foundation. The charity's mission is to win the fight against cardiovascular disease and is the largest funder of independent research in the UK.

Fundraising initiatives included sponsored walks, marathons, fun runs and skydives; selling lapel badges; charity football events; car washes; carol services and numerous coffee mornings and cake sales. Dignity also gave clients the option to make a charitable donation when adding a remembrance message to our Christmas memorial trees.

During the last 12 months, Dignity employees have also taken part in national campaigns such as Bag It Beat It, where staff donated unwanted clothes, books, CD's and DVD's to the charity's shops in order to replenish their stock.

The Company's crematoria are also part of a national scheme where metal is recycled and the profit donated to this worthy cause.

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Corporate and social responsibility continued

Health, Safety and Environmental performance

Working safely and reducing our environmental impact.

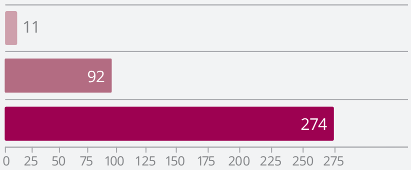
Health and safety performance

Reduction in reportable incidents

26%

In the last nine years the number of accidents has reduced by 26 per cent.

Health and safety training (number)



- Employees with NEBOSH qualification: 11
- Employees with IOSH qualification: 92
- Employees with CIEH qualification: 274

Case study:

Setting the highest standards behind the scenes

The funeral sector is unregulated and there is no requirement for a funeral business to have even basic facilities. Dignity sets high standards with professional mortuaries and embalming facilities that meet health and safety legislation. When we buy funeral businesses we often find that the largest area for capital expenditure is behind the scenes. In 2017, Lorna Brierley-Davies, an Embalmer based at Dignity's Business Centre in North West London, received The Trustees Award from the British Institute of Embalmers for achieving a mark of 100 per cent in her practical exam.

Working safely in the workplace

Dignity is committed to protecting, as far as reasonably practicable, the health and safety of its employees and visitors to its premises. Our employees recognise this commitment and that workplace safety remains a key priority. Working in a safe environment allows our people to focus on delivering excellent service to our clients. Protecting our people also supports employee engagement and retention.

Governance and management

Dignity has a full-time Head of Health and Safety who is supported by nine Health and Safety Officers with a broad collective experience from differing organisational backgrounds. Dignity's head office, crematoria and coffin manufacturing factory also have their own managers with responsibility for health and safety. In the last eight years the number of accidents has reduced by 26 per cent. Dignity continues to proactively monitor health and safety through quarterly analysis, inspection of premises, surveillance and regular reports to the Board and monitors reactively by investigating accidents and analysing statistics.

Health and safety performance

Our health and safety team have worked diligently to reduce incidents and have focused on improving our safety culture, behaviours and risk reduction. We continue to implement and build on these activities, monitor compliance and proactively identify areas requiring action with the intention of further risk reduction across the business.

Driving continuous improvement

We have a strong culture of safety and operational excellence and through continuous improvement we focus on delivering excellent client service. Our aim is to continue providing excellent leadership in the pursuit of safe and environmentally responsible workplaces.

Dignity's coffin manufacturing facility in East Yorkshire has OHSAS 18001 accreditation recognising the facility as a safe and healthy environment.

Managing our environmental impact

In 2017, 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 12 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 34,000 cremations at Dignity crematoria were mercury abated during 2017, representing 54 per cent of the total number of cremations.

Dignity's coffin manufacturing facility has ISO 14001 accreditation, an internationally accepted standard for an effective environmental management system that is designed to address the balance between maintaining profitability and reducing environmental impact. Our coffins are manufactured using raw materials that are sourced from well-managed and sustainable sources. 96 per cent of the coffins manufactured by Dignity are from Forest Stewardship Council ('FSC') accredited timber.

CDP

As part of Dignity's ongoing commitment to reducing its carbon footprint and environmental impacts, Dignity has been reporting to the CDP (formerly Carbon Disclosure Project) since 2008. The CDP is a not-for-profit organisation that aims to reduce impacts on the environment by measuring disclosures from thousands of organisations across the world's major economies.

CDP encourages best practice in reporting and reducing environmental impact through a scoring process. Scoring is based on a number of criteria designed to assess our Energy Management practices and Environmental Strategy, specifically around Performance and Reporting, Risk Management, and Business Strategy in relation to Climate Change.

Dignity's 2017 submission achieved a 'B' rating, with 'A' being the highest and 'E' being the lowest ratings. During the period, Dignity also reported on water and waste management under the Scope 3 requirements.

ESOS compliance

Dignity qualifies for the Energy Savings Opportunity Scheme ('ESOS'). Having completed an ESOS assessment during 2015 we are not required to submit another report until 2019.

Case study:

Eco-hearse and matching car

A Nissan Leaf Eco-hearse and matching electric car have been added to our fleet in London to offer an environmentally friendly alternative to traditional vehicles. In a heavily congested area the use of an Eco-hearse will help reduce our carbon footprint and create a cleaner capital for future generations. The Nissan Leaf Eco-hearse has a radius of 100 miles whilst the electric car can seat up to three passengers.

Environmental performance

Greenhouse gas emissions reporting for 2017

The Group reports its greenhouse gas to CDP 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:

	2017	2016	2015	2014	2013
Scope 1	15,535	15,616	14,988	14,437	15,077
Scope 2	423	7,106	7,455	7,389	7,151
Total	15,958	22,722	22,443	21,826	22,228
Per FTE Employee	4.8	8.0	8.2	8.5	9.0

Our energy consumption figures over the same periods are:

	2017	2016	2015	2014	2013
MWh	92,121	91,413	87,730	86,738	91,315

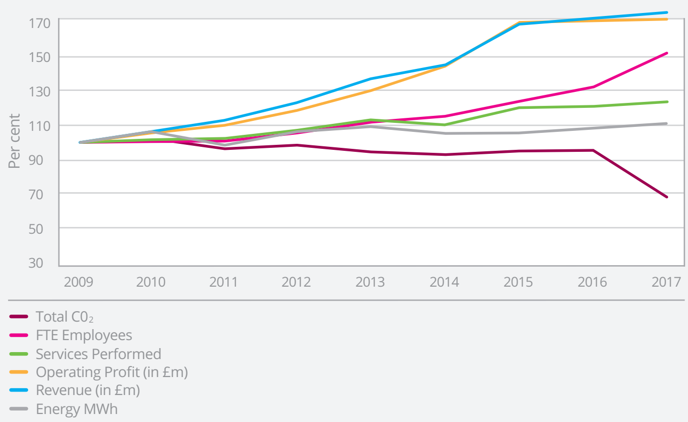
Methodology

Our greenhouse gas emissions have been calculated on a per full time equivalent employee ratio. This intensity metric 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. For the 2017 reporting period Dignity has calculated carbon emissions using both the location-based and market-based methodology in accordance with the GHG Protocol Corporate Accounting and Reporting Standard. The location-based methodology uses UK grid average emission factors whereas; the market-based methodology uses Dignity's supplier specific emission factors. Dignity's lower market-based carbon emissions figure in Scope 2 reflects a larger proportion of purchased electricity generated by low-carbon sources than the UK grid average.

We have calculated our Scope 1 and Scope 2 GHG emissions since 2010 and have engaged with Ecometrica Ltd to assist with the carbon emissions reporting.

GHG emissions have been calculated in accordance with the GHG Protocol Corporate Accounting and Reporting Standard (revised edition), using the location-based on Scope 2 calculation method together with the latest emission factors from recognised public sources, principally Defra/DECC. Dignity's carbon emissions disclosure has been undertaken in accordance with the Companies Act 2006.

Percentage Index Graph Scope 1 & 2 Only (Base Year 2009)



Chairman's introduction to governance

Good governance is the basis on which we as a business can build an environment of trust, transparency and accountability.

Dear Shareholder,

On behalf of the Board I am pleased to present the Group's Corporate Governance Report for 2017. Our report is intended to provide shareholders with a clear and comprehensive explanation of what good governance means within Dignity, what it means to us as the Board of Directors, how it is applied and how it guides our decision making.

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 29 December 2017, save for the exception noted later. How we have achieved this is covered in this section of our Annual Report and comprehensively explains our approach to and the application of good Corporate Governance.

Separate reports are included from each of the Board Committees; we feel this gives the most comprehensive view of their activities.

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.

I would encourage you to attend our Annual General Meeting on 7 June 2018 and take the opportunity to meet the management team at this important event. We will take both formal questions at that meeting and be available for more informal conversation and questions afterwards.

Peter Hindley
Chairman

14 March 2018

Compliance with the UK Corporate Governance Code

Dignity plc is subject to the UK Corporate Governance Code (the 'Code') issued by the Financial Reporting Council (available at frc.org.uk). As a listed company, Dignity is required to report on how it has applied the principles of the Code and this is set out in the following pages. The Board is pleased to report that Dignity has complied with all of the provisions of the Code throughout the period ended 29 December 2017 and remained fully compliant at the date the 2017 Annual Report was published, save for a short period, as noted in the 2016 Annual Report, between Martin Pexton stepping down from the Board on 3 February 2017 and the appointment of Mary McNamara on 1 March 2017 where the Group did not fully comply with provision B.1.2 of the Code which requires that at least half the board, excluding the chairman, should comprise non-executive directors.

At the end of 2008 Peter Hindley relinquished the role of Chief Executive and became Chairman of the Board. This was contrary to provision A.3.1 of the Code as he was not independent on appointment. However, as suggested by the Code, that appointment was only made after consultation with the major shareholders of the Group at that time. The Board felt at the time and continues to feel today that it is important to retain his skills and knowledge of the funeral industry at Dignity.

Directors' Report

The Directors present their report for Dignity plc for the period ending 29 December 2017.

Corporate Governance

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

- 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.

Our governance principles

Leadership
Continued close focus on delivering on our strategy.

Effectiveness
A strong, open and effective Board with the independence of our Non-Executive Directors.

Accountability
Continued close scrutiny and management of risk coupled with the implementation and monitoring of effective controls.

Remuneration
Prudent oversight of Executive remuneration.

Engagement
Maintaining a strong and open and two way relationship with shareholders.

Governance structure

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

Links
- See Board of Directors: **p.46 and p.47**
- See Directors' statement on corporate governance: **p.49 to p.52**
- See Audit Committee report: **p.53 to p.55**
- See Nomination Committee report: **p.56 and p.57**
- See Report on Directors' remuneration: **p.58 to p.71**
- See Directors' report: **p.72 to p.74**

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 effectively in all aspects of its role;
- Facilitating the effective contribution of the Non-Executive Directors and ensuring a constructive working relationship exists between Executive and Non-Executive Directors;
- Making sure all Directors receive accurate, timely and clear information;
- Setting the agenda so all important issues are discussed, ensuring sufficient time is devoted to discussing such 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 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 meet and liaise with 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 53 to 71.

Executive Management Team

The Executive Management Team consist of the following Executive Directors and Senior Managers:
- Chief Executive: Mike McCollum;
- Finance Director: Steve Whittern;
- Corporate Services Director: Richard Portman;
- Director of Funeral Operations (from 2018): Andrew Judd;
- Crematoria Director: Steve Gant;
- Commercial Director: Steve Wallis; and
- Business Development Director: Alan Lathbury.

Board of Directors

A strong, balanced and experienced Board.

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

Peter Hindley
Non-Executive Chairman

Peter Hindley N
Non-Executive Chairman

Appointed to the Board: 2004

Background and experience:
Peter has extensive experience of the industry having been appointed Chief Executive of Plantsbrook Group plc in 1991. 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 a Fellow of the Institute of Chartered Accountants in England and Wales and holds a mathematics degree from Warwick University.

External appointments:
Senior Non-Executive Director of Medica Group PLC.

Richard Portman
Corporate Services Director

Appointed to the Board: 2006

Background and experience:
Richard joined SCI from HSBC to be Chief Accountant in 1999. Following the IPO, Richard was appointed as Company Secretary and became Corporate Services Director in 2006. Richard is a Fellow of the Institute of Chartered Accountants in England and Wales, holds a geography degree from Birmingham University, is a Companion of the Chartered Management Institute and is a Member of the Investor Relations Society. He is also one of the Trustees of the Dignity Welfare Trust.

External appointments:
None.

Jane Ashcroft CBE
A N R

Non-Executive Director

Appointed to the Board: 2012

Background and experience:
Jane is Chief Executive of Anchor, a leading provider of services to older people and has held a number of senior positions since joining them in 1999. She is also Non-Executive Director of Care England and of the National Housing Federation, Vice Chair of the Associated Retirement Community Operators 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.

David Blackwood
A N R

Senior Non-Executive Director

Appointed to the Board: 2015

Background and experience:
David is a Non-Executive Director, and Audit Chair of Scapa Group plc, and has previously served as a member of the Cabinet Office Audit and Risk Committee and the Board for Actuarial Standards. He was Chief Financial Officer of Synthomer plc for seven years, stepping down in 2015, prior to which he held a number of senior roles with ICI plc. He is a member of the Institute of Chartered Accountants in England and Wales and a Fellow of the Association of Corporate Treasurers (FCT). David became Senior Non-Executive Director of Dignity on 31 January 2018.

Mary McNamara
A N R

Non-Executive Director

Appointed to the Board: 2017

Background and experience:
Mary McNamara is a Non-Executive Director and Chairman of the Remuneration Committee of One Savings Bank plc. She is also Senior Independent Director and Chairman of the Remuneration Committee for Motorpoint Group plc. Previously she was the Chief Executive of the Commercial Division for Close Brothers Bank. Prior to this Mary worked for GE for 17 years with leadership roles across the Consumer and Commercial Finance business.

Board composition, balance and tenure

The Board now comprises, after the recent retirements, six Directors and the Non-Executive Chairman. There are the same number of independent Non-Executive Directors and Executive Directors which the Board considers to be an appropriate and effective combination and also complies with the Code in respect of FTSE 250 listed companies.

Key to Committee membership

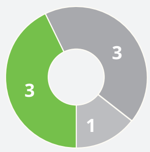
A Audit Committee

N Nomination Committee

R Remuneration Committee

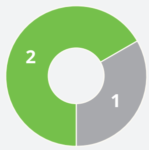
Green background denotes Committee Chairman.

Executive and Non-Executive Directors



- Executive Directors
- Non-Executive Directors
- Non-Executive Chairman

Non-Executive Tenure



- 0 – 3 years
- 3 – 6 years

Links

See Audit Committee report: **p.53 to p.55**

See Nomination Committee report: **p.56 and p.57**

See Report on Directors' remuneration: **p.58 to p.71**

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Executive Management Team

The Executive Management Team consists of the Executive Directors and Senior Managers.

Mike McCollum
Chief Executive

Full biography on page 46

Steve Whittern
Finance Director

Full biography on page 46

Richard Portman
Corporate Services Director

Full biography on page 46

The role of the Executive Management Team

The Executive Management Team is responsible for managing the detailed day to day tasks required to implement the strategy set by the Board.

Steve Wallis
Commercial Director

Steve joined what is now Dignity in 1996. His key areas of responsibility include Group digital, pricing and proposition, marketing and external affairs. Steve is also responsible for the Group's pre-need business and contact centre operations. Steve is a Fellow of the Institute of Direct and Digital Marketing.

Alan Lathbury
Business Development Director

Alan joined what is now Dignity in 1999. He is a Fellow of the Chartered Institute of Management Accountants and holds an MBA in Business and Finance. His principle areas of responsibility are Business Development of Crematoria, through acquisition of existing crematoria, building of new greenfield location crematoria and through partnerships with local authorities to manage existing bereavement services.

Andrew Judd
Director of Funeral Operations

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

Andrew has progressed through a variety of roles within both the Co-operative Group and independent sectors. He holds a degree from Wolverhampton University in Economics and Business and holds additional professional qualifications in both Funeral Service Management and Funeral Directing. He has held office in both the British Institute of Funeral Directors and National Association of Funeral Directors. He is President for NAFD Western Counties Area Federation.

Steve Gant
Crematoria Director

Steve joined what is now Dignity in 1988. His key areas of responsibility are Dignity's Crematoria and Cemetery Business. He began his career in the crematoria industry in 1983 and assumed management of the crematorium division in 2003. Steve currently sits on the Executive for the Federation of Burial and Cremation Authorities ('FBCA') and is part of the National Cremation Working Group for the Ministry of Justice, consulting on the revision and update of the Cremation Acts.

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 structure of the Board, together with explanations of responsibilities, is shown on page 45. 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 and generally long serving 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 a 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 management appointments, including the role of Company Secretary.

The Board now comprises six Directors and the Non-Executive Chairman. During the period the total number of directors who served was nine plus the Non-Executive Chairman however Andrew Davies the Operations Director retired from the Board on 5 January 2018 and Alan McWalter retired from the Board on 31 January 2018. 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 three Executive Directors, supported by the wider Executive Management Team, details of which are on page 48, are sufficient to manage a Group of this size, complexity and organisational structure.

There were five independent Non-Executive Directors who served for the period: Jane Ashcroft, Alan McWalter, Martin Pexton, David Blackwood and Mary McNamara. Martin Pexton resigned from the Board on 3 February 2017 and after a comprehensive and rigorous search conducted by an external recruitment agency Mary McNamara was appointed as Non-Executive Director on 1 March 2017. Alan McWalter retired from the Board on 31 January 2018 after completing the maximum of nine years service as an Independent Non-Executive Director. Given the retirement of Andrew Davies as Operations Director and the appointment of his replacement as part of the wider Executive Management Team Alan McWalter will not be replaced.

Biographical details for the serving Non-Executive Directors appear on page 47. 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, upon request, from the Company Secretary.

David Blackwood is the Senior Independent Director of the Group. He succeeded Alan McWalter who fulfilled that role during the period. 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, David Blackwood and Mary McNamara 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, security and tax matters as required or as requested by any director. In addition any newly appointed director receives appropriate induction training. Mary McNamara is receiving such training following her appointment.

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 £100 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.

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Directors' statement on corporate governance continued

Board Appraisal

In accordance with the requirements of the Code an external evaluation of the Board and its Committees was completed in 2016, following on from the previous evaluation in 2013. Both were completed by Independent Audit Ltd, a specialist company, entirely independent of the Group. This meets the requirements of the Code that an external evaluation takes place on at least a three yearly basis and it is planned that a further external evaluation be undertaken in 2019.

During 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 period was as follows:

	Main Board(i)	Audit Committee	Remuneration Committee	Nomination Committee
Number of meetings	**8**	**3**	**4**	**3**
Jane Ashcroft	7	2	4	3
David Blackwood	8	3	4	3
Andrew Davies	8	3(ii)	–	–
Peter Hindley	8	3(ii)	4(ii)	3
Mike McCollum	8	3(ii)	2(ii)	2(ii)
Alan McWalter	8	3	3	3
Mary McNamara	6(iv)	3	4	3
Richard Portman	8	3(ii)	4(iii)	1(iii)
Steve Whittern	8	3(ii)	–	–

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

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

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

(iv) Mary McNamara was appointed to the Board on 1 March 2017. She attended all except one Board meeting after that date. The one missed was due to a commitment made prior to her appointment.

The Board had eight full Board meetings per annum spread broadly equally across the year, one more than in 2016 as a further meeting was arranged during the year. After careful consideration it was decided that seven is the appropriate number required to exercise effective governance and control although that is kept under review. 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 2017. These are usually scheduled to occur before full Board meetings. The Non-Executive Directors also met once during 2017 without the Chairman present.

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 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 Services 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 has responsibility 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 and ongoing process of identifying, evaluating and managing the significant risks faced by the Group was in place throughout the period and in place up to the date the Governance Report was signed and approved for the Annual Report and Accounts 2017.

The Executive Directors and the wider executive management group are responsible for designing, implementing, maintaining and evaluating the necessary systems of internal controls. Such controls are reviewed on an ongoing basis and formally reviewed on an annual basis in accordance with the requirements of the Code. This annual review confirmed that the Group's risk management and internal control systems were appropriate and suitable for a Group of this size and complexity.

Internal Audit completes a programme of work each year that provides assurance that the internal controls have been operated as designed and also proposes improvements where appropriate and necessary. Coupled with this, the formal six monthly review of the Risk Register provides a further 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 53 to 55.

The Audit Committee on behalf of the Board, as part of an ongoing process, formally reviews and continues to keep under review the effectiveness of the Group's systems of internal control, including financial, operational and compliance controls and risk management systems. The Audit Committee formally reviews risk management annually and receives reports from Executive Management and Internal Audit 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. It also identifies the significant controls upon which reliance will be placed. Any significant control weaknesses would be reported to the full Board at their next meeting. There have been no reports of weaknesses that have resulted or would have resulted in a material misstatement or loss in the period, nor in the period up to the date this Annual Report was published.

The 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;
- Financial Controls – The Executive Directors have defined appropriate and necessary financial controls and procedures to be employed by operational management. Key controls over major business risks include reviews against budgets and forecasts, review against key performance indicators and exception reporting;
- Quality and Integrity of Personnel – One of the Group's core values is integrity. This is regarded as vital to the maintenance of the Group's system of internal financial control. The Directors have put in place an organisation structure appropriate to the size and complexity of the Group with defined lines of responsibility and delegation of authority where the Board considers it necessary and appropriate. There is also a Code of Conduct applicable to all employees of the Group as well as specific policies such as Anti Bribery and Corruption, Slavery and Human Trafficking and Money Laundering; and
- Internal Audit – The Group has a dedicated Internal Audit team, which reports to the Corporate Services Director and the Audit Committee. The latter reviews and approves the annual work plan of the Internal Audit function which tests the effectiveness of many controls. Any significant weaknesses are reported to management and the Audit Committee on a timely basis. 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 an Executive Director requests a review.

  During 2017 (as in 2016), there were quarterly meetings between the Head of Internal Audit and the Executive Directors to formally review and discuss Internal Audit's work programme and findings. In addition, regular meetings between the Head of Internal Audit and the external auditors, Ernst & Young LLP ('EY'), were held during the year to discuss and plan audit work and to ensure a complementary approach. The Head of Internal Audit formally reports to the Audit Committee at every meeting and also held three private meetings with the Chairman of the Audit Committee during 2017;
- 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 the comprehensive management structure monitor the adherence to such processes and procedures; and
- Risk assessment – The Executive Directors and the wider executive management group have responsibility for the identification and evaluation of significant risks that might arise in their areas 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. They also regularly assess the risks facing the Group. A Risk Register is maintained which is presented to and reviewed by the Audit Committee twice a year and then formally adopted by the Board of Dignity plc. Risks and any changes to those risks are discussed at every Board meeting. The principal risks and uncertainties facing the Group, which are documented in the Risk Register, are discussed on pages 34 to 36 of the Annual Report. These risks have also been formally considered when the Directors prepared their Viability Statement on page 36 of this Annual Report in accordance with provision C2.2 of the Code.

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 20 to 26.

Directors' statement on corporate governance continued

Relationship with Shareholders

The Group recognises the importance of clear communication with shareholders.

Regular contact with institutional investors, fund managers and analysts is maintained by the Chief Executive and the Finance Director to discuss information made public by the Group. The Board receives reports of these meetings and any significant issues raised are discussed by the Board. 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 generally deals with queries or enquiries from private shareholders. The Board is as interested in their concerns as it is of institutional and corporate shareholders.

The AGM provides an opportunity to meet the Board and the Executive Management Team. All shareholders are free to attend and put questions to any Director and in particular the Chairman of each of the Board Committees at the AGM on 7 June 2018. 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 and the Executive Management Team 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 Audit Committee 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. At that meeting they 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 4 to 36 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 is happy to arrange visits to its funeral locations and crematoria, if requested by a shareholder, where and when 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:

	As at 9 March 2018		As at 29 December 2017	
Holder	Number of Ordinary Shares	Percentage of issued share capital	Number of Ordinary Shares	Percentage of issued share capital
BAM & Oppenheimer Funds	–	–	4,968,414	9.95%
Kames Capital	–	–	1,601,573	3.21%
Aberdeen Asset Management	–	–	3,328,395	6.67%
Montanaro Group	2,269,000	4.54%	1,970,050	3.95%
Franklin Templeton Investment Management Limited	2,448,905	4.90%	2,448,905	4.90%
MFS Investment Management	2,460,953	4.93%	2,460,953	4.93%
Standard Life Aberdeen plc	3,500,076	7.01%	–	–
John Stewart Jakes	2,000,000	4.01%	–	–
Klarus Capital Limited	2,606,669	5.22%	–	–
Harris Associates	2,572,900	5.15%	–	–
Phoenix Asset Management Limited	2,540,000	5.09%	–	–

By order of the Board

Richard Portman Company Secretary

14 March 2018

Audit Committee report

The Audit Committee continues to address its key responsibilities and to respond effectively to changes in the Group's business environment.

David Blackwood Chairman of the Audit Committee

Dear Shareholder,

On behalf of the Board, I am pleased to present my third report as the Chairman of the Audit Committee.

Membership and Process

The following Directors served on the Audit Committee (the 'Committee') during 2017: me as Chairman, Alan McWalter (Senior Independent Director until the end of 2017), Jane Ashcroft and Mary McNamara each of whom are independent Non-Executive Directors. Mary McNamara who was appointed to the Board and this Committee on 1 March 2017. Martin Pexton resigned from the Board and this Committee on 3 February 2017 so did not attend any meetings in 2017.

Alan McWalter retired from the Board and this Committee on 31 January 2018 and I would like to record my thanks to him for his support and guidance whilst serving on the Audit Committee. All other Committee members served through to the date of this report.

The Board is satisfied that I have, as Chairman of the Committee, recent and relevant financial experience together with competence in accounting and auditing that can be appropriately and successfully applied at Dignity. In addition, the Committee has a broad range of experience across a number of sectors that are relevant to Dignity. The Company Secretary acts as Secretary to the Committee. I report the Committee's deliberations at the next Board meeting and the minutes of each meeting are made available to all members of the Board.

The Committee met three times during 2017; in March prior to the release of the Preliminary Announcement for 2016; prior to the release of the Interim Announcement for 2017 in July; and again in December 2017 immediately prior to the end of the financial period. The Committee also met in March 2018 prior to the release of the Preliminary Announcement for 2017. The attendance records of the members are shown on page 50. The external auditors 'EY', the Chairman, the Chief Executive, the Finance Director, the Operations Director, the Corporate Services Director, the Head of Internal Audit and the Financial Controller have all attended meetings by invitation.

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 a total of two 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.

Member	Since	Experience
David Blackwood	2015	Previously CFO of Synthomer plc, Chartered Accountant and Fellow of the Association of Corporate Treasurers.
Jane Ashcroft	2012	Currently CEO of Anchor, Fellow of ICSA and Member of CIPD.
Mary McNamara	2017	Previously CEO of the Commercial Division of Close Brothers Bank, and held a number of leadership roles within GE Capital.

Key Responsibilities

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, are fair, balanced, understandable and provides information necessary for shareholders to assess the performance, business model and strategy of the Group, recognising the changes to the strategy of the business and accounting changes such as the amortisation of trade names;
- 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 management and 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 of the Committee are available on the Group's corporate website at www.dignityfuneralsplc.co.uk.

Activities in the period

The key activities of the Committee during the period were:

- It completed a comprehensive review of the 2016 and 2017 Annual Report and Accounts and the 2017 Interim Report. This review was to ensure that the Committee were completely satisfied that the information was fair, balanced and understandable. 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. The Committee also reviewed the Preliminary and Interim Announcements made to the London Stock Exchange;
- At all meetings 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 three year rolling plan for Internal Audit;

Audit Committee report continued

- A six month review and recommendation of formal adoption to the full Board of the Risk Register. This is part of a formal ongoing process of identifying, evaluating and managing the significant risks faced by the Group. An additional review of the Risk Register was also completed in March 2018.The principal risks facing the Group are considered on pages 34 to 36 of the Annual Report;
- Formally review the going concern assumptions adopted in the preparation of the 2016 and 2017 financial statements;
- Completion of a comprehensive review of Dignity's risk control framework and its linkage to the Risk Register and Viability Statement included in the Strategic Report on page 36;
- The Committee discussed the annual external audit plan in advance of the period end with the external auditors, which addressed the planned audit approach to key accounting areas; and
- 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.

Areas that have been discussed and considered by the Committee in relation to the 2017 Annual Report are:

- Trade names – we examined the judgement made that the useful life was no longer indefinite and the estimate that a 35 year life should be ascribed, ensuring that the assessments made, and conclusions reached, were consistent with the Audit Committee's collective understanding of the funeral business.
- Impairment – we considered the results of the impairment test performed, ensuring that the assessment made and conclusions reached were consistent with the analysis and reflected the changes in the funeral business.
- Pensions – we examined the assumptions used in the actuarial valuation for the defined benefit pension scheme considering the consistency of approach with the prior year and compliance with the requirements of IAS 19.
- Risk – a comprehensive review of the principal risks and uncertainties disclosed in the 2017 Annual Report based on the changing competitive environment in which the Group operates.
- Pre-arranged funeral plans trusts – the Committee considered the on-going treatment of the Trusts under IFRS 10 along with the additional disclosure requirements of IFRS 12.
- A comprehensive review and ratification of the Viability Statement for Dignity included in 2017 Annual Report.

External audit

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, formally considers the performance and independence of the external auditors. The formal annual review was completed in the first quarter of 2018. This review took the form of a detailed questionnaire that was sent to all Committee members and attendees at the Committee meetings. The respondents were asked to grade all aspects of the service provided. The Committee was, based on that review, which indicated a strong level of confidence in the external auditors, fully satisfied with EY's performance in 2017 and a resolution to re-appoint them as external auditors will be tabled at the AGM on 7 June 2018.

The Committee confirms that during the year the Group has complied with the provisions of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014, as published by the UK Competition and Markets Authority.

Policy on non-audit fees

The Group has a 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.

The 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. Audit Committee approval is 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 does not envisage that non-audit fees payable to the external auditors will exceed 50 per cent 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 2017, completion of turnover certificates, a financial covenants compliance certificate and certifications required as part of the Group's membership renewal of the FPA. Total fees of £42,000 were charged for the non-audit services compared to £304,000 for audit services.

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 such work will generally be undertaken by other professional firms. A formal statement of independence from EY has been received in respect of 2017.

Audit partner rotation

Consistent with the requirements of the FRC's Ethical Standard, EY audit partners serve for a maximum of five years on listed clients. This is the fourth year that Simon O'Neill has been Dignity's audit partner and EY have been the Group's auditors. Work has begun to identify Simon's successor.

The Audit Committee considers that the relationship with the auditors is working well and is satisfied with their effectiveness and there are no current plans to put the external audit out to tender although the Committee remains mindful of the UK Competition and Markets Authority requirement regarding tendering I have discussed above.

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 Corporate Services Director 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 2017 (as in 2016), 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, 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. This process allows the Committee to monitor the effectiveness of the Internal Audit function as the Head of Internal Audit is available at all Committee meetings and all reports and their conclusions are comprehensively reviewed.

Whistleblowing

A formal policy and procedure, 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 14 March 2018.

David Blackwood
Chairman of the Audit Committee

14 March 2018

Nomination Committee report

The Nomination Committee has the key role of ensuring we have the right blend of skills on the Board to deliver our strategy and successfully deal with changes in the business environment.

Peter Hindley Chairman of the Nomination Committee

Dear Shareholder,
On behalf of the Board, I am pleased to present the 2017 Nomination Committee report.

During 2017 the Nomination Committee (the 'Committee') consisted of me (as Chairman), Alan McWalter (Senior Independent Director), Jane Ashcroft, David Blackwood and Martin Pexton who resigned from the Board on 3 February 2017. He did not attend any of the meetings in 2017 as they occurred after his resignation. He was replaced by Mary McNamara who joined on 1 March 2017. All, committee members, apart from myself, are independent Non-Executive Directors.

Alan McWalter retired from the Board and this Committee on 31 January 2018 after nine years service to the Group as an Independent Non-Executive Director and latterly as both Senior Independent Non-Executive Director and Chairman of the Remuneration Committee. I would like to thank Alan for his contribution to this Committee over all those years.

The Company Secretary, Richard Portman, acted as Secretary to the Committee when requested by me to do so. All members are considered to be independent by the Group having no day to day involvement with the Group.

During the year the Committee carried out the following tasks:

- Kept under review the structure, size and composition of the Board including ensuring that it has the necessary skills, knowledge and experience mindful of the Board changes that occurred, which included the appointment of a new chairman of the Remuneration Committee and a new Senior Independent Non-Executive Director;
- Considered succession planning in respect of all the Directors and senior managers mindful of the changes to the size and composition of the Board;
- Identified and nominated for approval by the full Board Mary McNamara to fill the vacancy arising upon the resignation from the Board of Martin Pexton;
- Kept under review the leadership needs of the Group, both executive and non-executive;
- Reviewed the time commitment required from the Non-Executive Directors; and
- Considered and approved the appointment of David Blackwood for a further term of two years as an Independent Non-Executive Director.

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

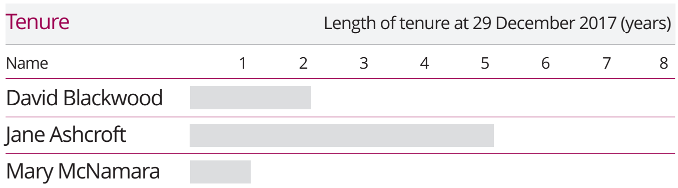
The Committee met three times in 2017. At these meetings the principal duties of the Committee were formally considered and no issues or concerns were identified. The members of the Committee's attendance record is set out on page 50. I report on the Committee's proceedings at the next full Board meeting and the minutes of those meetings are made available to all members of the Board.

As I explained in my letter in the 2016 Annual Report Martin Pexton indicated that he intended to step down from the Board in early 2017. The Nomination Committee therefore retained the executive search agency Norman Broadbent to provide a list of both male and female high calibre candidates with the appropriate skills and experience to not only be a Non-Executive Director of Dignity but also have the ability to be Chairman of the Remuneration Committee in the future. I am pleased to advise that at the end of a rigorous recruitment process we appointed Mary McNamara, her biographical details are on page 47 of this Annual Report. I am also pleased to advise that Mary has taken over the Chairmanship of the Remuneration Committee from Alan McWalter following his retirement from the Board.

In June 2017 Andrew Davies, the Group's Operations Director, indicated that he intended to retire from the Board. This retirement took effect from 5 January 2018. Andrew Judd, hitherto the Regional Manager for the South West Funeral Region, after careful consideration, was appointed as his successor as Director of Funeral Operations. This appointment was not to the Board of Dignity plc.

Given that the number of Executive Directors was reducing from four to three it was decided that it would not be necessary to replace Alan McWalter with a new Independent Non-Executive Director so the overall size of the Board fell from nine to seven but there would still be an equal number of Executive and Non-Executive Directors. The Committee felt, given the strengthening of the wider Executive Management Team, that the structure, size and composition of the Board still remained appropriate for the Group's size and complexity.

All the Non-Executive Directors are appointed for two year terms which may then be renewed up to maximum of nine years service in accordance with the independence guidelines in the UK Corporate Governance Code.



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. Following the recent Board changes I am pleased to advise that it is currently 29 per cent having increased from 22 per cent in 2016. We remain fully committed to increasing the proportion of women serving on the Board of Dignity but we are also mindful of the overall need to recruit the very best candidates regardless of gender.

Similarly, and mindful of the Hampton-Alexander review, we will continue to encourage similar gender diversity in our senior management positions throughout the workforce. Their report in December 2017 noted that 22 per cent of our Board was female which, as noted above, has now increased to 29 per cent. It also noted that 22 per cent of the Executive Committee and direct reports to the Directors of Dignity plc was also 22 per cent. That percentage is now 24 per cent.

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 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 50.

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 14 March 2018.

Peter Hindley
Chairman of the Nomination Committee

14 March 2018

Report on Directors' remuneration

for the 52 week period ended 29 December 2017

The Remuneration Committee will continue to ensure that the remuneration of the Executive Directors remains linked to challenging performance targets thus ensuring that their interests and success are aligned with shareholders.

Mary McNamara Chairman of the Remuneration Committee

Dear Shareholder,
On behalf of the Board, I am pleased to present, for the first time as Dignity's Remuneration Committee Chairman, this Directors' Remuneration Report for the period ended 29 December 2017.

Our Directors' Remuneration Policy, set out on pages 59 to 64 was approved in a binding vote of shareholders at the AGM on 9 June 2016. The policy will continue to apply in 2018 as it has since it became effective in 2016. The Annual Report on Remuneration (set out on pages 64 to 71) describes how this policy will be implemented in 2018, together with details of remuneration paid in the 2017 financial year. Since no changes are proposed to the policy, there will only be a single advisory shareholder vote at the 2018 AGM to cover this annual statement together with the Annual Report on Remuneration.

Performance and reward in 2017

Dignity again delivered a robust financial performance in 2017 with underlying profit before taxation increasing three per cent to £77.8 million. Underlying earnings per share 128.3 pence, seven per cent higher than 2016.

2017 annual bonus outcome

The Group demonstrated good operational performance, continued excellent client survey results and made further acquisitions of established funeral businesses. This performance was achieved against the backdrop of a challenging environment which is becoming increasingly competitive in 2018 and beyond. The annual bonus in 2017 was measured against stretching earnings before interest and tax ('EBIT') targets, our key short-term financial performance indicator. EBIT was £104.6 million, three per cent higher than that reported in 2016. The Group's 2017 financial performance was sufficiently strong to justify an award to Executive Directors of 95 per cent of the maximum amount possible of their annual bonus opportunity. However, in light of the significant reduction in financial expectations for 2018 following the trading update in January 2018, the current Executive Directors have decided to voluntarily waive their entitlement in full.

The LTIP award granted in 2015 was subject to performance against two equally weighted measures, relative total shareholder return ('TSR') and earnings per share growth ('EPS'). Following the three year performance period ending 29 December 2017 Dignity's TSR was ranked below threshold and actual EPS was 128.3 pence. As a result, 50 per cent of the 2015 LTIP was capable of vesting on 6 March 2018. The Committee believes the LTIP outcomes are representative of underlying Company performance over the prior three year period.

Remuneration in 2018

The Remuneration Committee has made the following decisions for the year ahead:

- No base salary increases have been awarded to the Executive Directors for 2018. The average increase to the wider workforce was broadly two per cent.
- The annual maximum bonus will remain at 135 per cent of base salary for the Chief Executive and 125 per cent for the other Executive Directors. Reflecting the revised strategic priorities of the Group, for 2018, 70 per cent of the bonus will be based on stretching EBIT targets and 30 per cent on well-defined strategic objectives which underpin our strategy as set out on page 14.
- Taking into account the fall in share price after the year end, the Committee has decided to make awards under the LTIP at the same number that were granted in 2017, which reflects a significant decrease when expressed as a percentage of base salary. The Committee considered carefully the performance metrics that should apply and determined that it was not possible to set robust earnings targets until the relationship between volume and margin become clearer following the decision to change our pricing strategy. Therefore, for this year's awards, vesting will be subject to very demanding absolute total shareholder targets which require management to grow the share price back to the level prior to the announcement of the pricing change (i.e. a return of circa 135 per cent based on the current share price). Any award that vests will be subject to a two-year holding period, clawback provisions and an underpin requiring the Committee to determine whether the vesting outcome reflects the underlying performance of the Company over the period.

Changes to the Board

We announced on 28 June 2017 that Andrew Davies had agreed with Dignity that he would be retiring from the Company early in 2018. Andrew subsequently stepped down from the Board on 5 January 2018 and will cease to be an employee of Dignity with effect from 27 April 2018. During the period of employment following Andrew's stepping down from the Board he will continue to receive his salary and contractual benefits and remained eligible to be awarded the annual bonus for 2017 which he subsequently did not receive. Andrew's unvested LTIP awards will continue with performance tested at the end of the relevant performance periods and awards pro-rated to 27 April 2018. Full details of his remuneration arrangements are set out on pages 64 to 70.

Alan McWalter, previously Dignity's Senior Independent Director and Remuneration Committee Chairman also stepped down from the Board and the Committee on 31 January 2018 after nine years of invaluable service to the Company. On behalf of the Committee I thank him for his hard work and dedication.

Shareholder engagement

Last year, at the 2017 AGM, we were pleased to receive almost 94 per cent of votes in favour of the advisory Remuneration Report vote. On behalf of the Remuneration Committee, I would like to thank shareholders for their ongoing support.

The Remuneration Committee actively seeks and welcomes feedback from the Company's shareholders. On behalf of the Committee, I look forward to your feedback and ask for your support at the forthcoming Annual General Meeting. Your feedback will help shape our review of executive remuneration which we will undertake later this year before our third binding policy vote in 2019.

Mary McNamara
Chairman of the Remuneration Committee

14 March 2018

REMUNERATION POLICY REPORT

This section of the Directors' Remuneration Report has been prepared in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and sets out the remuneration policy which was approved by shareholders at the AGM on 9 June 2016. The policy took formal effect from the date of approval and is intended to apply until the 2019 AGM. Please note that some of the information shown has been updated to take account of the fact that the policy is now approved and enacted rather than proposed. A full version of the original shareholder approved policy can be found in the Annual Report for the year ended 25 December 2015 available on our website at www.dignityfuneralsplc.co.uk.

Overview of Remuneration Policy

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

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

The table on pages 60 and 61 summarises the main components of Dignity's ongoing remuneration policy. Details of how the Committee will implement the policy are provided in the Annual Report on Remuneration on page 64.

Report on Directors' remuneration continued

for the 52 week period ended 29 December 2017

Element	Purpose and link to strategy	Operation	Maximum opportunity	Framework used to assess performance
Base salary	Essential to recruit and retain executives of a high calibre. Reflects an individual's experience, role and performance.	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.	There is no prescribed maximum. Generally, the Committee is guided by average increases across the workforce. However, higher increases may be awarded on occasion, for example, where an individual is promoted or has been recruited on a below market rate , where there have been changes to individual responsibilities or in the size or complexity of the business or where salaries have fallen significantly below mid-market levels. Salaries for 2018 are: CEO: £511,500; Finance Director: £316,200; and Corporate Services Director: £247,950.	The Committee reviews the salaries of Executive Directors each year taking due account of all the factors described in how the salary policy operates.
Benefits	To provide competitive benefits to help recruit and retain executives.	Benefits include provision of a company car (or cash allowance in lieu), fuel, landline telephone and broadband at each Executive Director's home 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. Executive Directors are also eligible to participate in the all-employee HMRC approved share schemes on the same basis as other employees. Any expenses incurred in carrying out an executive's duties which are deemed to be taxable will be reimbursed by the Company together with any personal tax due.	There is no prescribed maximum as costs may vary in accordance with market conditions. Relocation expenses must be reasonable and necessary. HMRC tax-approved limits will apply to all employee share schemes.	Not applicable.
Pension	To provide retirement benefits in line with the overall Company policy.	The Company 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 per cent of salary.	Not applicable.
Annual bonus	To motivate executives and incentivise the achievement of annual financial and/or strategic business targets. To ensure further alignment with shareholders through the retention of deferred equity.	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. Bonuses up to 100 per cent of salary will be payable in cash. Any bonus earned in excess of 100 per cent of salary will be deferred in shares. Deferred shares vest after two years subject to continued employment but no further performance targets. A dividend equivalent provision allows the Committee to pay dividend equivalents on vested deferred shares (in cash or shares). This may assume the reinvestment of dividends on a cumulative basis. Bonus payments, including deferred bonus awards, are subject to recovery and withholding provisions in the event of financial misstatement or miscalculation of performance conditions. See Note 1.	The maximum award under the annual bonus scheme is 135 per cent of salary for the Chief Executive and 125 per cent of salary for the other Directors.	Performance metrics are selected annually based on the Group's strategic objectives. The bonus may be based on the achievement of an appropriate mix of challenging financial, strategic or personal targets. Measures and weightings may change each year to reflect any year-on-year changes to business priorities. Financial measures which account for the majority, if not all, of the bonus may include measures such as EBIT (or other measures of profit) or cash flow. • For financial metrics, a range of targets may be 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 EBIT. • Up to 70 per cent of salary (or an equivalent proportion of the financial element) is payable for meeting a demanding target with maximum bonus 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 2.

Element	Purpose and link to strategy	Operation	Maximum opportunity	Framework used to assess performance
Long-Term Incentive Plan	Incentivises selected employees and Executive Directors to achieve successful execution of business strategy over the longer term. Provides long-term retention. Aligns the interests of the Executives and shareholders through the requirement to build up a substantial shareholding.	Awards are normally granted annually in the form of nil cost options or conditional share awards. Participation and individual award levels will be reviewed annually (subject to the individual limit) taking into account matters such as market practice, overall remuneration, the performance of the Group and the Executive being granted the award. Awards normally vest after three years subject to the achievement of stretching performance conditions and continued employment. Awards are subject to recovery and withholding provisions in the event of financial misstatement or miscalculation. See Note 1. Following vesting, Executive Directors will be required to retain their net of tax vested shares for two years. A dividend equivalent provision allows the Committee to pay dividend equivalents, at the Committee's discretion, on vested shares (in cash or shares) at the time of vesting and may assume the reinvestment of dividends on a cumulative basis.	The maximum annual award that can be made to an individual in any given financial year is 150 per cent of salary.	Awards under the LTIP vest subject to the satisfaction of challenging performance measures as set from time to time by the Remuneration Committee. Performance conditions may include a measure of profitability, such as EPS, and another measure of long-term success, such as TSR. Performance below the threshold target will result in zero vesting for each performance measure. 25 per cent of the award may vest for threshold performance. 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. Performance periods will normally start from the beginning of the financial year in which the award is made. See Note 3.
Non-Executive Chairman and Directors' fees	To attract and retain a high quality Chairman and experienced Non-Executive Directors.	The Board determines the fees of the Non-Executive Directors. They are based 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). Both the Chairman and the Non-Executive Directors are paid annual fees and do not participate in any incentive plans or receive pension or other benefits. The Chairman receives a single fee covering all his duties. The Non-Executive Directors receive a basic fee and additional fees payable for chairing the Audit and Remuneration Committees and for performing the Senior Independent Director role. The Chairman and Non-Executive Directors shall be entitled to have reimbursed all expenses that they reasonably incur in the performance of their duties, including those expenses that have been deemed to be taxable benefits by HMRC. This includes any personal tax that may become due. The level of fees of the Non-Executive Directors reflects the time commitment and responsibility of their respective roles. Their fees are reviewed from time to time against broadly similar UK listed companies and companies of a similar size. In exceptional circumstances, additional fees may be payable to reflect a substantial increase in time commitment of the Non-Executive Chairman and Directors.	There is no prescribed maximum, however, any increase to fees will be considered in light of the expected time commitment in performing the roles, increases received by the wider workforce and market rates in comparable companies.	Neither the Non-Executive Chairman nor the Non-Executive Directors are eligible for any performance related remuneration.
Share ownership guidelines	To align the interests of management and shareholders and promote a long-term approach to performance.	Executive Directors are required to build and maintain a holding of shares to the value of at least 200 per cent of base salary. This will be achieved by setting a specific number of shares required to be held by each Executive Director based on their 2016 salary and the 28 day average share price to 25 February 2016. This resulted in the following required holdings of Ordinary Shares. Mike McCollum 43,709 Ordinary Shares. Andrew Davies 27,880 Ordinary Shares. Richard Portman 21,135 Ordinary Shares. Steve Whittern 26,981 Ordinary Shares. 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. Recovery and withholding provisions apply to variable pay, to enable the Company to recover amounts paid under the annual bonus and LTIP in the event of a restatement of the accounts or an error in calculation leading to an over-payment. Payments may be recovered for up to two years after payment/vesting or two external audit cycles. The amount to be recovered would generally be the excess payment over the amount which would otherwise be paid, and recovery may be satisfied in a variety of ways, including through the reduction of outstanding deferred awards, reduction of the next bonus or LTIP vesting and seeking a cash repayment.
2. Annual bonus metrics will be determined at the start of each year, based on the Group's priorities for the coming year. Measures may include profit (such as operating profit, PBT or EPS) which is one of the key financial measures of growth.
3. LTIP performance metrics will be determined at the time of grant and based on the Group's long-term strategy. 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.
4. 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 Group value creation.

Report on Directors' remuneration continued

for the 52 week period ended 29 December 2017

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 on page 61):

- 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.

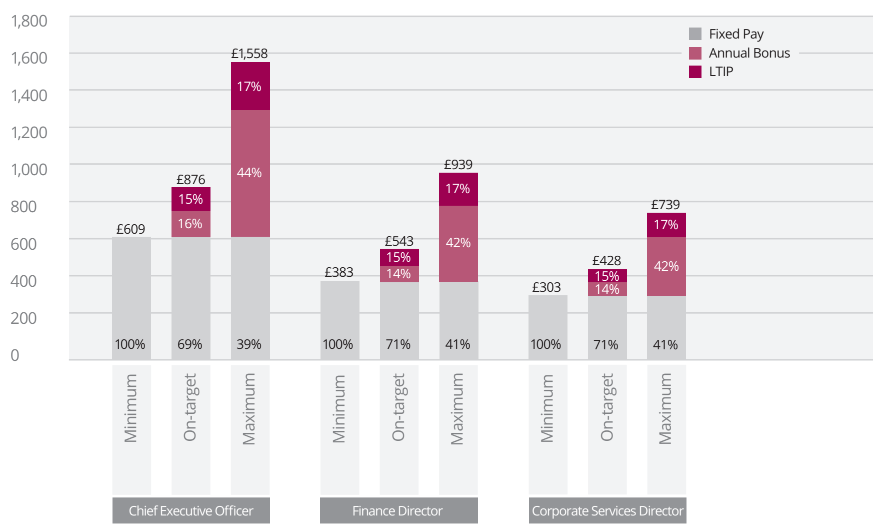
Legacy arrangements

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

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 2018 vary under three performance scenarios: minimum, on-target and maximum.

Remuneration (£000s)



Notes
- Minimum comprises fixed pay, which includes 2018 basic salary, the value of benefits in 2017 and a 15 per cent company pension contribution.
- On-target comprises fixed pay and assumes a bonus of 20 per cent of maximum is paid and 50 per cent of the LTIP vests.
- Maximum comprises fixed pay and assumes full bonus payment and LTIP vesting (based on the same number of awards as last year and an assumed share price on grant of 825 pence).
- 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 or cash in lieu of up to 15 per cent of salary may be provided.

The structure of variable pay elements will be in accordance with the Company's approved policy detailed above. The maximum variable pay opportunity will be as set out in the remuneration policy table, being 150 per cent of salary under the annual bonus plan and awards with a face value of 150 per cent of salary under the LTIP. 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. The aim of any such award would be to ensure that as far as possible, the expected value and structure of the award will be no more generous than the amount forfeited.

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. Service contracts are available for inspection at the Company's registered office.

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.

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

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.

External directorships

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.

Treatment of incentives

At the discretion of the Committee, for certain good leaver circumstances (such as death, illness, injury, disability, redundancy, retirement, their 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 Committee), a pro-rata bonus may become payable at the normal payment date for the period of employment and based on full year performance. Should the Committee decide to make a payment in such circumstances, the rationale would be fully disclosed in the Annual Report on Remuneration.

The treatment of share-based incentives previously granted to an Executive Director will be determined based on the plan rules. The default treatment will be for outstanding awards to lapse on cessation of employment. However, an executive will be treated as a 'good leaver' under certain circumstances such as death, illness, injury, disability, redundancy, retirement, their employing company ceasing to be a Group company 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 Committee. Under the Deferred Share Bonus Plan, if treated as a good leaver, awards will normally vest on the original vesting date and will not normally be subject to a pro-rata reduction (unless the Committee determines otherwise). Under the LTIP, if treated as a good leaver, awards will vest at the normal vesting date subject to the extent to which performance targets have been achieved. The number of LTIP awards that would vest will be reduced pro-rata to reflect the proportion of the three year period actually served.

Report on Directors' remuneration continued

for the 52 week period ended 29 December 2017

How shareholder views are taken into account

The Remuneration Committee is committed to ensuring an open dialogue with our shareholders and therefore, where changes are being made to the remuneration policy or where there is a material change in which we operate our policy, we will consult with major shareholders in advance. The Remuneration Committee adopted such an approach in putting together the current policy by consulting the Company's largest shareholders and shareholder advisory bodies beforehand.

In addition, the Committee considers shareholder feedback received in relation to the AGM each year and guidance from shareholder representative bodies more generally.

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

The Annual Report on Remuneration set out below (together with the Remuneration Committee Chairman's Annual Statement) will be put to a single advisory shareholder vote at the 2018 AGM. The information below includes how we intend to operate our policy in 2018 and the pay outcomes in respect of the 2017 financial year. The information from the single total remuneration figures for Directors on page 66 to the end of the section on loss of office payments on page 69 has been audited. The remainder is unaudited.

Implementation of Remuneration Policy in 2018

Salaries

The Committee has determined that the Executive Directors will not receive an increase to base salary for 2018. This is against a broadly two per cent average increase received by other employees across the workforce.

Therefore, the proposed salaries as at 1 January 2018 are:

	2018 £	2017 £	Increase %
Mike McCollum	511,500	511,500	–
Andrew Davies [(1)]	326,700	326,700	–
Richard Portman	247,950	247,950	–
Steve Whittern	316,200	316,200	–

(1) The amount shown in the table for Andrew Davies is his annualised salary. Andrew stepped off the Board on 5 January 2018 and will receive his salary and contractual benefits until he ceases to be an employee of the Group on 27 April 2018.

Chairman and Non-Executive Directors' fees

The fees for 2018 are as detailed below. The basic fee for serving as Non-Executive Director and the Supplementary Senior Independent Director fee have not been increased from those in 2017. The Supplementary Audit Committee Chairman fee and Supplementary Remuneration Committee Chairman fee have not been increased either:

	2018 £	2017 £	Increase %
Chairman	173,350	173,350	–
Basic fee for other Non-Executive Directors	46,850	46,850	–
Supplementary Senior Independent Director fee	9,700	9,700	–
Supplementary Audit Committee Chairman fee	9,350	9,350	–
Supplementary Remuneration Committee Chairman fee	6,300	6,300	–

Pension and Benefits

All Executive Directors will receive a salary supplement in lieu of pension of 15 per cent of their basic salary. Benefits will be provided in line with the approved remuneration policy.

Annual bonus

For 2018, the maximum bonus potential shall be 135 per cent of salary for the Chief Executive and 125 per cent for the other Executive Directors.

Following careful consideration, the Committee has decided to add strategic objectives to the EBIT measure this year. Therefore, 70 per cent of the 2018 bonus will continue to be based on EBIT targets and 30 per cent on strategic objectives which are common to all Directors.

Having delivered the market's financial expectation for 2017, the results for 2018 are less certain as we gauge the response to the January 2018 pricing changes announcement. As a result, the Committee has set a wider EBIT range than in previous years reflecting this greater uncertainty. The target range is stretching in light of current expectations and a high payout under this part of the bonus would require exceptional performance. For this year, 20 per cent of the EBIT element will become payable for achieving a demanding target with full bonus payable for achieving a second, more demanding stretch target. The bonus is payable on a pro-rata basis for performance between the first and second targets.

The EBIT 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.

The strategic objectives support the Group's strategy and business model as set out on page 14 of the Annual Report.

Any bonus payable in excess of 100 per cent of salary will be deferred in shares. The deferred shares will vest after two years subject to continued employment.

Long-term incentives

Last year, in line with our policy, Executive Directors received awards with a face value of 150 per cent of base salary. In determining the award level for 2018, the Committee took account of the fall in share price following the January 2018 pricing announcement and has decided to award the same number of shares as in 2017. Each 2018 award will therefore be over shares with a value at grant equal to approximately 50 per cent of salary, a significant reduction to our normal policy.

Our recent practice has been to apply two performance conditions, each applying to half of the award – relative total shareholder return (TSR) against a pan-sector group of companies and stretching earnings per share (EPS) targets. This balance has served the Company well. However, the current medium term earnings outlook is uncertain (although we expect greater clarity later this year as the response to our pricing strategy changes emerges). Therefore, the Committee did not feel that robust EPS targets could currently be set.

Instead it is proposed that the whole of the 2018 awards will vest based on absolute TSR. Full vesting will require performance broadly equivalent to returning the share price to the level it was prior to the 19 January 2018 pricing announcement (1,950 pence, being the three month average to 18 January 2018). The targets will be as follows:

Absolute TSR	Absolute TSR (estimated)[1]	Equivalent share price target	Vesting
Below threshold	Less than 81.7%	Less than 1,500p	0%
Threshold	81.7%	1,500p	25%
Maximum	136.3% or higher	1,950p or higher	100%

[1] The base price used to calculate TSR will be averaged over the period 19 January 2018 to the dealing day before the date of grant. The estimated TSR targets are based on the average share price over the period 19 January to 1 March 2018 (the last practicable date before the printing of this report). Because TSR takes account of reinvested dividends, the share prices that must be attained will be lower than in the table if dividends are paid. The end averaging period will be the last three months of the 2020 financial year.

Vesting between threshold and maximum is determined on a straight line basis.

The Committee may adjust vesting downwards if, acting fairly and reasonably, in its view the outcome does not reflect the underlying performance of the Company.

Executive Directors are required to hold the net of tax vested shares for two years following vesting.

Report on Directors' remuneration continued
for the 52 week period ended 29 December 2017

Single total remuneration figure for Directors
The following table presents a single total remuneration figure for 2017 for the Executive and Non-Executive Directors.

		Fixed Pay			Pay for Performance			
		Salary £000	Benefits[a] £000	Pension[b] £000	Annual Bonus[c] £000	LTIP[d] £000	Other[e] £000	Total Remuneration £000
Executive Directors								
Mike McCollum	2017	512	20	77	–	357	–	966
	2016	*510*	*19*	*77*	*689*	*1,077*	–	*2,372*
Andrew Davies	2017	327	25	49	–	228	–	629
	2016	*326*	*23*	*49*	*407*	*611*	–	*1,416*
Richard Portman	2017	248	18	37	–	173	–	476
	2016	*247*	*17*	*37*	*308*	*520*	*6*	*1,135*
Steve Whittern	2017	316	20	47	–	221	–	604
	2016	*315*	*19*	*47*	*394*	*599*	–	*1,374*
Non-Executive Directors								
Peter Hindley	2017	173	1	–	–	–	–	174
	2016	*170*	*1*	–	–	–	–	*171*
Jane Ashcroft	2017	47	–	–	–	–	–	47
	2016	*46*	–	–	–	–	–	*46*
David Blackwood	2017	56	–	–	–	–	–	56
	2016	*55*	–	–	–	–	–	*55*
Alan McWalter	2017	63	–	–	–	–	–	63
	2016	*62*	–	–	–	–	–	*62*
Martin Pexton[f]	2017	4	–	–	–	–	–	4
	2016	*46*	–	–	–	–	–	*46*
Mary McNamara[f]	2017	39	–	–	–	–	–	39
	2016	–	–	–	–	–	–	–

[a] Taxable benefits for the year included: provision of a company car or allowance, fuel, family private medical cover, landline telephone and broadband 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] The pension benefit is set at 15 per cent of basic salary.

[c] The bonus relates to performance in the 2016 financial year. The cash element, being 100 per cent of basic salary, of the bonus awarded for performance relating to 2016 was paid at the end of March 2017. The remainder of the bonus for 2016; 35 per cent of basic salary in respect of Mike McCollum and 25 per cent of basic salary for the remaining Executive Directors was deferred in shares which have to be held for two years. Whilst the performance criteria for the 2017 bonus were fully achieved no bonuses were paid.

[d] The LTIP value relates to the award that was granted 6 March 2015. The performance period for this award ends on 29 December 2017. The value shown is calculated by reference to the average share price in the last quarter of the 2017 financial year. The comparative number is the value of the 2014 LTIP that vested in 2016 restated to reflect the share price which is now known.

[e] The other remuneration represents the gain on exercise and disposal of SAYE options granted in 2014.

[f] Martin Pexton resigned from the Board on 3 February 2017 so his remuneration is to that date. Mary McNamara was appointed to the Board on 1 March 2017 and her remuneration as Non-Executive Director is from that date.

Determination of 2017 annual bonus outcome
The target for the 2017 annual bonus was based on the achievement of underlying EBIT targets:

	Weighting %	Target (for which 70% of maximum payable) £m	Stretch (for which 100% of maximum payable) £m	2017 achieved £m	Bonus payable (out of maximum) %
EBIT	100	102.4	105.0	104.6	95

The strong performance of the Group during 2017 meant that the EBIT target of £102.4 million was exceeded by £2.2 million (2.1 per cent) and the outcome was just below the stretch target. This resulted in bonuses of 95 per cent of maximum becoming payable. However the current Executive Directors have decided to waive their full bonuses for 2017 and no bonuses became payable. The value of those waived bonuses are shown in the table below.

Director	Bonus maximum (% of base salary)	Pay-out (% of maximum)	Pay-out (£000)	Pay-out waived/reduced (£000)	Bonus outcome (£000)
Mike McCollum	135	95	656	(656)	–
Andrew Davies	125	95	388	(388)	–
Richard Portman	125	95	294	(294)	–
Steve Whittern	125	95	375	(375)	–

Awards of nil cost options in relation to the deferral of bonuses were awarded in the year based on the Group performance in 2016 as follows:

Director	Deferred bonus shares awarded	Face value of awards (£000)
Mike McCollum	7,092	179
Andrew Davies	3,231	81
Richard Portman	2,449	62
Steve Whittern	3,127	79

The options are exercisable on 3 April 2019.

Determination of LTIP awards with performance periods ending in the year

Half of the LTIP awards made in 2015 were subject to a relative TSR condition and half subject to EPS, both measured over the three year period which ended on 29 December 2017.

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

EPS condition		
	Performance required	*% vesting*
Below threshold	Less than RPI +6% p.a.	–
Threshold	RPI +6% p.a.	15
Stretch	RPI +9% p.a.	50
Maximum or above	RPI +11% p.a. or higher	100
Actual achieved	RPI +11% p.a. or higher	100

Dignity's TSR over the three year measurement period was minus 4.8 per cent ranking Dignity in 253rd place out of the 319 companies in the TSR peer group. Underlying EPS increased from 85.8 pence to 128.3 pence, a compound increase of 14 per cent. Consequently 50 per cent of the 2015 awards are due to vest, subject to continued employment to the vesting date and formal ratification by the Remuneration Committee at the appropriate time.

Director	2015 LTIP award number of shares	EPS vesting % of target	TSR vesting % of target	Average share price (1 October – 30 December 2017) £	Estimated award value £000
Mike McCollum	34,874	100	–	20.49	357
Andrew Davies	22,245	100	–	20.49	228
Richard Portman	16,863	100	–	20.49	173
Steve Whittern	21,527	100	–	20.49	221

The estimated value of the award is based on the average share price over the last quarter of the financial year. The actual value will be the value at the vesting date and is likely to be significantly lower.

LTIP awards granted in the year

LTIP awards granted in the form of nil cost options to Executive Directors on 16 March 2017 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	31,253	767,250	• Threshold: 15% for EPS and 25% for TSR.	02.01.17 – 27.12.19
Andrew Davies	19,961	490,050		02.01.17 – 27.12.19
Richard Portman	15,150	371,925		02.01.17 – 27.12.19
Steve Whittern	19,320	474,300	• 100% for maximum vesting.	02.01.17 – 27.12.19

* Based on a face value grant of 150 per cent of salary and using a 28 day average share price to 30 December 2016 of 2,455 pence.

Report on Directors' remuneration continued

for the 52 week period ended 29 December 2017

Half of the 2017 award will vest subject to relative TSR measured against the constituents of the FTSE 350 and the other half subject to EPS growth targets. The performance period for both tranches is measured over the three financial years, 2017-2019.

- 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 underlying EPS in 2019 is lower than 136.8 pence, 15 per cent vests for EPS of 136.8 pence, 50 per cent vests for EPS of 144.0 pence with 100 per cent vesting for EPS of 154.8 pence. Vesting is on a straight line basis for performance in between these points.

Clawback and malus provisions apply and there is a holding period of two years.

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 30.12.16	Granted during year	Lapsed during year	Vested and exercised during year	As at 29.12.17	Earliest date shares can be acquired	Latest date shares can be acquired
Mike McCollum	24.03.14(ii)	1,353	43,999	–	–	43,999	–	25.03.17	24.03.24
	05.03.15(iii)	1,742	34,874	–	–	–	34,874	06.03.18	05.03.25
	15.06.16(iv)	2,435	31,435	–	–	–	31,435	15.06.19	15.06.26
	16.03.17(v)	2,455	–	31,253	–	–	31,253	16.03.20	16.03.27
Andrew Davies	24.03.14(ii)	1,353	24,991	–	–	24,991	–	25.03.17	24.03.24
	05.03.15(iii)	1,742	22,245	–	–	–	22,245	06.03.18	05.03.25
	15.06.16(iv)	2,435	20,051	–	–	–	20,051	15.06.19	15.06.26
	16.03.17(v)	2,455	–	19,961	–	–	19,961	16.03.20	16.03.27
Richard Portman	24.03.14(ii)	1,353	21,249	–	–	21,249	–	25.03.17	24.03.24
	05.03.15(iii)	1,742	16,863	–	–	–	16,863	06.03.18	05.03.25
	15.06.16(iv)	2,435	15,200	–	–	–	15,200	15.06.19	15.06.26
	16.03.17(v)	2,455	–	15,150	–	–	15,150	16.03.20	16.03.27
Steve Whittern	24.03.14(ii)	1,353	24,483	–	–	24,483	–	25.03.17	24.03.24
	05.03.15(iii)	1,742	21,527	–	–	–	21,527	06.03.18	05.03.25
	15.06.16(iv)	2,435	19,405	–	–	–	19,405	15.06.19	15.06.26
	16.03.17(v)	2,455	–	19,320	–	–	19,320	16.03.20	16.03.27

(i) Half of the share awards under the LTIP 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 performance 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. The other half of the awards are based on EPS growth targets.

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

(iii) Number of options derived based on the average mid-market share price for the previous 28 days to 26 December 2014.

(iv) Number of options derived based on the average mid-market share price for the previous 28 days to 25 December 2015.

(v) Number of options derived based on the average mid-market share price for the previous 28 days to 30 December 2016.

The aggregate gain on the exercise of Long-Term Incentive Plan options, by Directors in the period was £2.8 million (2016: £3.6 million).

Directors' interest in shares

The interests of the Directors in the share capital of Dignity plc at 29 December 2017 are set out below:

	Number of Ordinary Shares				
		At 29 December 2017			
	At 30 December 2016	Legally owned	Subject to SAYE	Deferred Annual Bonus Options	Subject to performance conditions under the LTIP
Mike McCollum	183,334	91,667	–	7,092	97,562
Andrew Davies	137,254	41,754	–	3,231	62,257
Richard Portman	92,280	50,000	332	2,449	47,213
Steve Whittern	27,000	27,000	–	3,127	60,252
Peter Hindley	160,696	80,696	–	–	–
David Blackwood	2,189	2,189	–	–	–
Alan McWalter	2,552	2,552	–	–	–
Jane Ashcroft	917	917	–	–	–
Mary McNamara(1)	n/a	1,000	–	–	–

(1) At the date of her appointment, Mary McNamara did not own any shares in the Company.

There has been no change in the interests set out above between 29 December 2017 and 14 March 2018.

The shareholding guideline for the Executive Directors is that they hold 200 per cent of their basic salary as shares based on their salary at 26 February and the 28 day average share price to 26 February 2016 as adjusted for any subsequent share consolidations. All Executive Directors meet that guideline.

Directors' total pension entitlements

	Age at 29.12.17	Pensionable service at 29.12.17 Years	Accrued pension 30.12.16 £	Accrued pension 29.12.17 £	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	50	–	–	–	–	–	76,725	–	76,725	65	–	–
Richard Portman	56	14.583	43,487	43,922	–	–	37,193	–	37,193	65	869,740	878,440
Andrew Davies	56	–	–	–	–	–	49,005	–	49,005	65	–	–
Steve Whittern	43	–	–	–	–	–	47,430	–	47,430	65	–	–

(1) Mike McCollum and Richard Portman were deferred 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. Mike McCollum transferred his benefits out of the Scheme in January 2016 and Richard Portman transferred his benefits out of the Scheme in January 2018.

(2) Andrew Davies and Steve Whittern receive a pension supplement equal to 15 per cent of base salary.

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

(4) 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 and payments to past directors

No Director left in the year and no compensation for loss of office was paid. No payments were made to any past Directors.

Andrew Davies retired from the Board on 5 January 2018 but remains an employee of the Group until 27 April 2018 on the same salary package as when he was a director. As he was director throughout 2017 he would be eligible to receive the annual bonus for that year but as set out above no bonus became payable. In addition as he was employed for the full measurement period for the LTIP options granted in March 2015 which are capable of vesting in March 2018 he will be able to exercise his options in full to the extent they are capable of being exercised. Thereafter he will be able, under the LTIP Rules, to exercise the options granted in 2016 and 2017, to the extent that are capable of vesting based on performance and on a time apportioned basis.

No compensation or termination payment has been made or will be made to Andrew Davies. As advised in the Group's Stock Exchange announcement, released on 13 December 2017, after he ceases to be an employee he will remain as a consultant to the Group assisting with the funeral home acquisition programme. He will be paid a fixed fee for this work.

Relative importance of spend on pay

The following table sets out the percentage change in dividends and overall spend on employee pay in the 2017 financial year compared with the prior year.

	2017 £m	2016 £m	Change %
Dividends	12.2	11.0	11
Employee remuneration costs	102.7	99.7	3

Percentage change in CEO pay

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

	2017 £000	2016 £000	Change %
Chief Executive			
– Salary	512	510	0.4
– Benefits	97	96	1.0
– Performance related pay	357	1,766	(79.8)

	£	£	Change %
Full time equivalent average employee (1)			
– Salary	25,685	24,487	4.9
– Benefits	1,714	1,697	1.0
– Performance related pay	1,728	4,036	(57.2)

(1) There are 3,331 employees at 29 December 2017 (30 December 2016: 3,154), of which 841 (2016: 810) were part time.

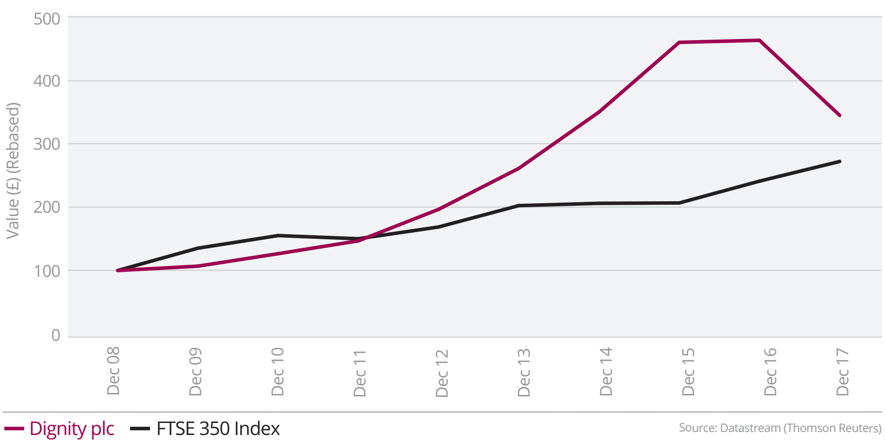
Report on Directors' remuneration continued

for the 52 week period ended 29 December 2017

Performance graph and single figure table

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

Nine Year Total Shareholder Return



Source: Datastream (Thomson Reuters)

This graph shows the value, by 29 December 2017, of £100 invested in Dignity plc on 26 December 2008, compared with the value of £100 invested in the FTSE 350 Index on the same date.

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017
CEO single total figure of remuneration (£000)	1,018	899	917	2,081	2,217	2,426	2,440	2,372	966
Annual bonus pay-out relative to maximum (%)	85	100	100	100	100	100	100	100	–
LTIP vesting (%)	63	–	–	100	100	100	100	100	50

Details of Directors' service contracts and letters of appointment

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

Name	Contract date	Notice period
Mike McCollum	1 April 2004	12 months
Andrew Davies(1)	1 April 2004	12 months
Richard Portman	1 November 2006	12 months
Steve Whittern	1 January 2009	12 months
Peter Hindley	7 December 2016	3 months
David Blackwood	1 October 2017	3 months
Alan McWalter(2)	1 January 2015	3 months
Jane Ashcroft	1 April 2016	3 months
Mary McNamara	1 March 2017	3 months

(1) Andrew Davies stepped down from the Board on 5 January 2018.

(2) Alan McWalter stepped down from the Board on 31 January 2018.

External directorships

Mike McCollum was appointed a non-executive director of CVS Group plc in April 2013 and received fees of £44,161 in the year to 31 December 2017. Steve Whittern was appointed a non-executive director of Medica Group plc in March 2017 and received fees of £45,000 in the year to 31 December 2017. The Committee and the Board have considered these appointments and have concluded that for both Directors that they have sufficient time to be able to commit to their Dignity roles and that these directorships do not impede their ability to fully discharge their responsibilities.

Membership of the Remuneration Committee

The Code requires that the Remuneration Committee comprises a minimum of three non-executives. During 2017 the Committee was chaired by Alan McWalter and the Committee members in 2017 comprised all the other Non-Executive Directors: Jane Ashcroft, David Blackwood and Mary McNamara. Martin Pexton resigned from the Board on 3 February 2017 and was replaced by Mary McNamara on 1 March 2017 who was also appointed to serve on the Remuneration Committee from that date. Alan McWalter stepped down from the Board on 31 January 2018 and, from that date, was replaced as Committee Chairman by Mary McNamara.

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 the 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 approved the payment of the 2016 performance related bonus and dealt with the vesting of the shares awarded in 2014 under the LTIP scheme. In addition, the Committee closely monitored the executive pay environment, governance developments and market practice.

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, who attends meetings as Secretary to the Committee. No individual takes part in discussions relating to their own remuneration and benefits.

- New Bridge Street (NBS) (a trading name of Aon plc) was appointed by the Committee in 2012 to act as the Committee's independent advisor. NBS is a signatory to the Remuneration Consultants Group's Code of Conduct and any advice provided is governed by that Code. In addition to advice provided to the Committee NBS provides some associated advice, for example, in relation to legal implementation and Non-Executive Director fees. Other than these services NBS, nor any other Aon plc company, provide any other services to the Group and the Committee is satisfied that New Bridge Street's advice is objective and independent. Total fees charged in the period by NBS were £18,133+ VAT and were charged on a time spent basis.

Statement of shareholder voting at the AGM (Unaudited)

Votes cast by proxy and at the Annual General Meeting held on 8 June 2017 in respect of the Remuneration Report are as shown below:

	Remuneration Report	
	Total number of votes	Percentage of votes cast
For	36,123,041	93.68
Against	2,436,046	6.32
Total votes cast	**38,559,087**	**100**
Abstentions	411,458	n/a

On behalf of the Board

Mary McNamara
Chairman ofthe Remuneration Committee

14 March 2018

Directors' report

for the 52 week period ended 29 December 2017

The Directors present their report and the audited consolidated financial statements for Dignity plc and its subsidiaries for the 52 week period ended 29 December 2017.

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 including Financial Reporting Standard 101, Reduced Disclosure Framework ('FRS 101') (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 pages 46 and 47 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 4 to 43 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.

Responsibility statement of the Directors in respect of the Annual Report

The Directors confirm that to the best of their knowledge:

- That the consolidated financial statements prepared in accordance with IFRSs as adopted by the European Union give a true and fair view of the assets, liabilities, financial position and profit of the Company and undertakings included in the consolidation as a whole;
- That the Annual Report, including the Strategic Report, includes a fair review of the development and performance of the business and the position of the Company and undertakings included in the consolidation as a whole, together with a description of the principal risks and uncertainties that they face; and
- Having taken into account all matters considered by the Board and brought to the attention of the Board during the year, the Directors consider that the Annual Report, taken as a whole, is fair, balanced and understandable. The Directors believe that the disclosures set out in this Annual Report provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

Principal risks and uncertainties

Operational risks are considered on pages 34 and 35.

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

Share capital

During the period, 184,672 Ordinary Shares of 12 48/143 pence each were issued to satisfy Long-Term Incentive Plan share awards vesting in the period and 9,079 Ordinary Shares of 12 48/143 pence each were issued to satisfy options exercised under the 2013 Save As You Earn Scheme which matured on 1 December 2016.

The issued share capital of Dignity plc at 29 December 2017 consisted of 49,931,901 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 8 June 2017 gives Dignity plc the authority to purchase up to 4,992,553 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 £4,105,764 of which up to £307,932 may be for cash. These authorities will expire at the conclusion of the next AGM on 7 June 2018. 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 82. The Group's profit before tax amounted to £71.2 million (2016: £71.2 million).

Dividends

An interim dividend of 8.64 pence per Ordinary Share was paid to shareholders on 27 October 2017. The Board has proposed a final dividend of 15.74 pence (2016: 15.74 pence) per share, which, subject to approval at the AGM, will be paid on 29 June 2018 to shareholders on the register at close of business on 18 May 2018.

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 magazine, team talks, regular bulletins, both national and regional and management briefings. This is discussed in more detail in the Corporate and Social Responsibility Report on pages 37 to 43.

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.

The Directors will be publishing gender pay data on the corporate website www.dignityfuneralsplc.co.uk during 2018 in accordance with the Equality Act 2010 (Gender Pay Gap) Regulations 2017 that came into force on 1 October 2016.

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 68 and 70. 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 7 June 2018. 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 £100 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 42.

Corporate Social Responsibility

Maintaining the quality of the environment in which we all live is an important concern for the Group. This is discussed in the Corporate and Social Responsibility Report on pages 42 and 43 alongside other social and ethical considerations.

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 9 March 2018.

Post balance sheet events

Please refer to note 32 of the Notes to the Consolidated Financial Statements for further details.

Directors' report continued

for the 52 week period ended 29 December 2017

Independent Auditors and disclosure of information to Auditors

A resolution for the re-appointment of Ernst & Young LLP as auditors 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 49 to 52, which is incorporated by reference.

Strategic Report

The Strategic Report on pages 4 to 43 has been approved by the Board.

By order of the Board

Richard Portman
Company Secretary

14 March 2018

Independent auditors' report to the members of Dignity plc

for the 52 week period ended 29 December 2017

Opinion

In our opinion:

- Dignity plc's group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the parent company's affairs as at 29 December 2017 and of the group's profit for the period then ended;
- the group financial statements have been properly prepared in accordance with 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 including FRS 101; 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.

We have audited the financial statements of Dignity plc which comprise:

Group

- Consolidated income statement for the 52 week period ended 29 December 2017
- Consolidated statement of comprehensive income for the 52 week period ended 29 December 2017
- Consolidated balance sheet as at 29 December 2017
- Consolidated statement of changes in equity for the 52 week period ended 29 December 2017
- Consolidated statement of cash flows for the 52 week period ended 29 December 2017
- Related notes 1 to 32 to the financial statements, including a summary of significant accounting policies

Parent company

- Balance sheet as at 29 December 2017
- Statement of changes in equity for the 52 week period ended 29 December 2017
- Related notes C1 to C9 to the financial statements including a summary of significant accounting policies

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (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, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Use of our report

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

Independent auditors' report to the members of Dignity plc continued

for the 52 week period ended 29 December 2017

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report set out on pages 32 to 36 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation set out on page 36 in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the Directors' statement set out on page 73 in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the Directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the Directors' explanation set out on page 36 in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Overview of our audit approach

Key audit matters	• Fraud Risk – The risk of inappropriate revenue recognition, specifically the risk of inappropriate management override of the amount of revenue recorded. • Fraud Risk – Management Override of Internal Controls inherent in those areas where manual journals are posted at head office as part of the financial statement close process. • Other Risk – The risk of error in the carrying value of the intangible assets related to Trade Names or Goodwill where we have addressed the risks connected with the amortisation of Trade Names and potential impairment of Trade Names and Goodwill which arise following the Group's announcement in January 2018 of a change in strategy and positioning in order to protect market share.
Audit scope	• We performed an audit on the consolidated financial records of the group to the materiality and performance materiality described below.
Materiality	• Overall group materiality of £3.6 million which represents 5% of profit before tax.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	What we concluded to the Audit Committee
The risk of inappropriate revenue recognition (Revenue 2017: £324.0 million, 2016: £313.6 million)		
Given investor focus on the group's revenue performance we consider there to be a risk in relation to the manipulation by central management of the amount of revenue recorded. Management reward and incentive schemes based on achieving profit targets may also place pressure on management to manipulate revenue recognition. Therefore there is a risk that central management may override controls to intentionally misstate revenue transactions through inappropriate manual journal entries. *Refer to the Accounting policies (pages 86 and 87); and Note 3 of the Consolidated Financial Statements (pages 94 and 95).*	• We carried out testing relating to controls over revenue recognition; • We evaluated the controls in the IT systems that support the recording of revenue; • We performed analytical procedures to compare revenue recognised with expectations based on past experience, management's forecasts and, where possible, external market data in respect of the numbers of deaths in the period and obtained corroborative evidence to support divergences from our expectations; • We reconciled the aggregate revenue amounts extracted from the sales invoicing systems to revenue recorded in the general ledger and have traced material reconciling items that arose therefrom to supporting documentation; and • We tested journal entries posted to revenue accounts, applying parameters designed to identify entries that were not in accordance with our expectations. This included analysing and selecting journals for testing which appeared unusual in nature either due to size, preparer or being manually posted. We verified the journals to originating documentation to confirm that the entries were valid.	Based on our procedures we have not identified any evidence of management override through inappropriate journal entries in respect of the amount of revenue recorded in the period.
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 and in particular in respect of subjective areas which we considered to be most susceptible to management override due to the degree of estimation involved. These areas were considered to be the bad debt provision, dilapidations provision and uninvoiced cost accruals.	• We performed data analytics to identify journal entries that we believed to be potentially unusual. We obtained supporting evidence for each of those journals identified and verified the journals to originating documentation to confirm that the entries were valid; and • We have performed audit procedures in respect of each of the estimates listed to identity evidence of management bias.	Based on the results of the procedures performed, including journal entry testing, we have not identified any evidence of management override through inappropriate journal entries.
The risk of error in the carrying value of intangible assets related to trade names and goodwill related to the funeral services segment		
We have addressed the risks connected with the amortisation of trade names and potential impairment of trade names and goodwill related to the funeral services segment which arise following the group's announcement in January 2018 of a change in strategy and positioning in order to protect market share. The Group's trade names have a carrying value of £151.3 million (2016: £134.5 million) and are included within intangible assets. The Group's goodwill has a carrying value of £226.1 million (2016: £215.9 million). *Refer to the Accounting policies (page 88); and Note 9 of the Consolidated Financial Statements (pages 99 and 100).*	We have considered management's assessment that the useful life of Trade Names has moved from indefinite to finite, with a useful life of 35 years. We have corroborated that the assertions made by management to factual events and/or are consistent with the understanding of the business we have built up through the course of our audit. In respect of the Group's impairment reviews of Trade Names and Goodwill; • We understood the methodology applied by management in performing its impairment test for the trade names and goodwill related to the funeral services division. • We calculated the degree to which the key inputs and assumptions would need to fluctuate before an impairment was triggered and considered the likelihood of this occurring. We performed our own sensitivities on the group's forecasts and determined whether adequate headroom remained. • We performed detailed testing to critically assess and corroborate the key inputs to the valuations, including: – analysing the historical accuracy of budgets to actual results to determine whether forecast cash flows are reliable based on past experience; – corroborating the discount rate used by benchmarking it against market data and comparable organisations; and – validating the growth rates have been appropriately adjusted to reflect the change in Group strategy and positioning. We assessed the disclosures in note 9 against the requirements of IAS 36 Impairment of Assets.	That the change in the estimated useful life of Trade Names is appropriate and has been accurately reflected and appropriately disclosed in the financial statements. That the impairment reviews have been compiled on a reasonable basis, that the conclusion that there is no impairment to be recorded is reasonable and that the disclosures made in this respect are appropriate.

Independent auditors' report to the members of Dignity plc continued

for the 52 week period ended 29 December 2017

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and performance materiality determine our audit scope. Taken together, this enables us to form an opinion on the consolidated financial statements. The group finance function 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 below.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the group to be £3.6 million (2016: £3.7 million), which is 5% (2016: 5%) of profit before tax. We believe that profit before tax is the most appropriate measure of the financial performance of the group on which to base audit materiality.

We determined materiality for our audit of the standalone parent company financial statements to be £4.6 million (2016: £4.4 million), which is 1% (2016: 1%) of equity. The materiality determined for the standalone parent company financial statements exceeds the Group materiality as it is determined on a different basis given the nature of the operations. For the purposes of the audit of the group financial statements, our procedures, including those on balances in the parent company, are undertaken with reference to the group materiality and performance materiality set out in this report.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the group and parent company's overall control environment, our judgement was that performance materiality was 75% (2016: 75%) of our planning materiality, namely £2.7 million (2016: £2.8 million) for the group and £3.5 million (2016: £3.3 million) for the parent company.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.2 million (2016: £0.2 million) for both the group and the parent company, which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

Other information

The other information comprises the information included in the annual report set out on pages 1 to 74 and 130 to 132, including the Overview set out on pages 1 to 3, the Strategic Report set out on pages 4 to 43, Governance set out pages 44 to 74 and Other Information set out on pages 130 to 132, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable set out on page 72** – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit Committee reporting set out on pages 53 to 55** – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the audit committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code set out on page 44** – the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us;
- 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;
- 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.

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 72, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Independent auditors' report to the members of Dignity plc continued

for the 52 week period ended 29 December 2017

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant frameworks which are directly relevant to specific assertions in the financial statements are those that relate to the reporting framework (IFRS, FRS 101, the Companies Act 2006 and UK Corporate Governance Code) and the relevant tax compliance regulations in the jurisdictions in which the group operates. In addition, we concluded that there are certain significant laws and regulations which may have an effect on the determination of the amounts and disclosures in the financial statements being the Listing Rules of the UK Listing Authority, and those laws and regulations relating to occupational health and safety and data protection.
- We understood how the group is complying with those frameworks by making enquiries of management, internal audit and those responsible for legal and compliance procedures. We corroborated our enquiries through our review of board minutes, papers provided to the Audit Committee and any correspondence received from regulatory bodies.
- We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur by meeting with management to understand where it considered there was susceptibility to fraud. We also considered performance targets and their influence on efforts made by management to manage earnings or influence the perceptions of analysts. We considered the programs and controls that the group has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programs and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations identified in the paragraphs above. Our procedures involved: journal entry testing, with a focus on manual journals and journals indicating large or unusual transactions based on our understanding of the business; enquiries of group management, internal audit; and focused testing, as referred to in the key audit matters section above.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters we are required to address

- We were appointed by the company on 8 June 2017 to audit the financial statements for the 52 week period ending 29 December 2017 and subsequent financial periods.

  The period of total uninterrupted engagement including previous renewals and reappointments is four years, covering the periods ending 26 December 2014 to 29 December 2017.

- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting the audit.
- The audit opinion is consistent with the additional report to the Audit Committee.

Simon O'Neill (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Birmingham
14 March 2018

Notes

1. The maintenance and integrity of the Dignity plc website is the responsibility of the directors; the work carried out by the auditor 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 website.
2. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Consolidated income statement

for the 52 week period ended 29 December 2017

	Note	52 week period ended 29 December 2017 £m	53 week period ended 30 December 2016 £m
Revenue	3	**324.0**	313.6
Cost of sales		**(130.6)**	(128.1)
Gross profit		**193.4**	185.5
Administrative expenses		**(95.4)**	(87.8)
Operating profit	3	**98.0**	97.7
Analysed as:			
Underlying operating profit	3	**104.6**	101.7
(Loss)/profit on sale of fixed assets		**(0.1)**	0.1
External transaction costs in respect of completed and aborted transactions	5	**(4.7)**	(4.1)
Acquisition related amortisation		**(1.8)**	–
Operating profit	3	**98.0**	97.7
Finance costs	4	**(26.9)**	(26.9)
Finance income	4	**0.1**	0.4
Profit before tax	5	**71.2**	71.2
Taxation – before exceptional items		**(13.4)**	(15.8)
Taxation – exceptional		**–**	1.8
Taxation	6	**(13.4)**	(14.0)
Profit for the period attributable to equity shareholders	3	**57.8**	57.2
Earnings per share for profit attributable to equity shareholders			
– Basic (pence)	8	**115.8p**	115.3p
– Diluted (pence)	8	**115.6p**	114.6p

Consolidated statement of comprehensive income

for the 52 week period ended 29 December 2017

	Note	52 week period ended 29 December 2017 £m	53 week period ended 30 December 2016 £m
Profit for the period		**57.8**	57.2
Items that will not be reclassified to profit or loss			
Remeasurement gain/(loss) on retirement benefit obligations	28	**3.2**	(12.5)
Tax (charge)/credit on remeasurement on retirement benefit obligations		**(0.5)**	2.3
Restatement of deferred tax for the change in UK tax rate		**–**	(0.3)
Other comprehensive income/(loss)		**2.7**	(10.5)
Comprehensive income for the period		**60.5**	46.7
Attributable to:			
Equity shareholders of the parent		**60.5**	46.7

Consolidated balance sheet

as at 29 December 2017

	Note	29 December 2017 £m	30 December 2016 £m
Assets			
Non-current assets			
Goodwill	9	**226.1**	215.9
Intangible assets	9	**159.4**	142.2
Property, plant and equipment	10	**248.0**	235.4
Financial and other assets	11	**14.3**	11.3
		647.8	604.8
Current assets			
Inventories	13	**7.3**	6.1
Trade and other receivables	14	**38.3**	37.0
Cash and cash equivalents	15	**49.3**	67.1
		94.9	110.2
Total assets		**742.7**	715.0
Liabilities			
Current liabilities			
Financial liabilities	16	**4.5**	8.8
Trade and other payables	17	**57.8**	59.3
Current tax liabilities		**6.2**	5.4
Provisions for liabilities	19	**1.5**	1.6
		70.0	75.1
Non-current liabilities			
Financial liabilities	16	**561.2**	581.5
Deferred tax liabilities	20	**30.3**	25.7
Other non-current liabilities	17	**2.3**	2.8
Provisions for liabilities	19	**8.5**	7.5
Retirement benefit obligation	28	**24.0**	25.9
		626.3	643.4
Total liabilities		**696.3**	718.5
Shareholders' equity			
Ordinary share capital	22	**6.2**	6.1
Share premium account		**11.1**	8.5
Capital redemption reserve		**141.7**	141.7
Other reserves		**(4.6)**	(3.5)
Retained earnings		**(108.0)**	(156.3)
Total equity		**46.4**	(3.5)
Total equity and liabilities		**742.7**	715.0

The financial statements on pages 82 to 119 were approved by the Board of Directors on 14 March 2018 and were signed on its behalf by:

M K McCollum
Chief Executive

S L Whittern
Finance Director

Consolidated statement of changes in equity

for the 52 week period ended 29 December 2017

	Ordinary share capital £m	Share premium account £m	Capital redemption reserve £m	Other reserves £m	Retained earnings £m	Total equity £m
Shareholders' equity as at 25 December 2015	6.1	4.8	141.7	(4.5)	(192.0)	(43.9)
Profit for the 53 weeks ended 30 December 2016	–	–	–	–	57.2	57.2
Remeasurement loss on defined benefit obligations	–	–	–	–	(12.5)	(12.5)
Tax on pensions	–	–	–	–	2.3	2.3
Restatement of deferred tax for the change in UK tax rate	–	–	–	–	(0.3)	(0.3)
Total comprehensive income	–	–	–	–	46.7	46.7
Effects of employee share options	–	–	–	3.0	–	3.0
Tax on employee share options	–	–	–	0.2	–	0.2
Proceeds from share issue(1)	–	3.7	–	–	–	3.7
Gift to Employee Benefit Trust	–	–	–	(2.2)	–	(2.2)
Dividends (note 7)	–	–	–	–	(11.0)	(11.0)
Shareholders' equity as at 30 December 2016	6.1	8.5	141.7	(3.5)	(156.3)	(3.5)
Profit for the 52 weeks ended 29 December 2017	–	–	–	–	57.8	**57.8**
Remeasurement gain on retirement benefit options	–	–	–	–	3.2	**3.2**
Tax on pensions	–	–	–	–	(0.5)	**(0.5)**
Total comprehensive income	–	–	–	–	60.5	**60.5**
Effects of employee share options	–	–	–	1.3	–	**1.3**
Tax on employee share options	–	–	–	0.1	–	**0.1**
Proceeds from share issue(2)	0.1	2.6	–	–	–	**2.7**
Gift to Employee Benefit Trust	–	–	–	(2.5)	–	**(2.5)**
Dividends (note 7)	–	–	–	–	(12.2)	**(12.2)**
Shareholders' equity as at 29 December 2017	**6.2**	**11.1**	**141.7**	**(4.6)**	**(108.0)**	**46.4**

(1) Relating to issue of 213,851 shares under 2013 LTIP scheme and 104,008 shares under 2013 SAYE scheme.

(2) Relating to issue of 184,672 shares under 2014 LTIP scheme and 9,079 shares under 2013 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 tax, together with a £12.3 million merger reserve.

Consolidated statement of cash flows

for the 52 week period ended 29 December 2017

	Note	52 week period ended 29 December 2017 £m	53 week period ended 30 December 2016 £m
Cash flows from operating activities			
Cash generated from operations before external transaction costs	25	**115.4**	121.1
External transaction costs paid in respect of acquisitions and aborted transactions		**(2.9)**	(3.9)
Cash generated from operations		**112.5**	117.2
Finance income received		**0.1**	0.5
Finance costs paid		**(25.7)**	(38.5)
Transfer from restricted bank accounts for finance costs		**0.3**	12.8
Payments to restricted bank accounts for finance costs	15	**(0.3)**	(0.3)
Total payments in respect of finance costs		**(25.7)**	(26.0)
Tax paid		**(11.9)**	(10.6)
Net cash generated from operating activities		**75.0**	81.1
Cash flows from investing activities			
Investment in financial asset		**(1.0)**	–
Acquisition of subsidiaries and businesses (net of cash acquired)	26	**(28.3)**	(56.3)
Proceeds from sale of property, plant and equipment		**0.6**	1.0
Maintenance capital expenditure(1)		**(20.2)**	(19.6)
Branch relocations		**(2.2)**	(1.6)
Satellite locations		**(1.1)**	(0.8)
Development of new crematoria and cemeteries		**(3.5)**	(0.8)
Purchase of property, plant and equipment and intangible assets		**(27.0)**	(22.8)
Net cash used in investing activities		**(55.7)**	(78.1)
Cash flows from financing activities			
Issue costs in respect of debt facility		**(0.4)**	(0.1)
Proceeds from share issue		**0.1**	1.5
Repayment of Crematoria Acquisition Facility		**(15.8)**	–
Payments due under Secured Notes		**(8.8)**	(12.6)
Transfer from restricted bank accounts for repayment of Secured Notes		**–**	4.1
Total payments in respect of borrowings		**(24.6)**	(8.5)
Dividends paid to shareholders on Ordinary Shares	7	**(12.2)**	(11.0)
Net cash used in financing activities		**(37.1)**	(18.1)
Net decrease in cash and cash equivalents		**(17.8)**	(15.1)
Cash and cash equivalents at the beginning of the period		**66.8**	81.9
Cash and cash equivalents at the end of the period	15	**49.0**	66.8
Restricted cash	15	**0.3**	0.3
Cash and cash equivalents at the end of the period as reported in the consolidated balance sheet	15	**49.3**	67.1

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

Notes to the financial statements

for the 52 week period ended 29 December 2017

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 29 December 2017 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.

In the current period, the Group's consolidated financial statements have been prepared for the 52 week period ended 29 December 2017. For the comparative period, the Group's consolidated financial statements have been prepared for the 53 week period ended 30 December 2016.

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

Preparation of financial statements

The preparation of financial statements in conformity with 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 2016, the exceptional credit is due to the changes to the headline rate of corporation tax used to evaluate deferred tax.

In arriving at the Group's underlying measures of profitability certain items are added back: profit (or loss) on sale of fixed assets; external transaction costs; amortisation of acquisition related intangibles; and exceptional items in respect of taxation.

External transaction costs

External transaction costs, associated with completed or aborted transactions, refinancing or return of value to shareholders, are excluded from underlying profit as they are unconnected with the trading performance in the period and are therefore presented separately. They relate wholly to external costs incurred by the Group.

Pre-arranged funeral plan trusts

The 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. Further information can be found in the non consolidation of pre-need trusts note within critical accounting estimates and judgements below.

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 has not sought any Recoveries from the Trusts since 2012.

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 a discount to its rates prevailing at the time of death.

A commission is paid to the insurers when the policy is initially charged to the Group. These costs are carried as a prepayment and charged to the income statement as a funeral is performed, with the cost per funeral estimated based on the total costs incurred and the expected level of policies where the Group will be involved in the fulfilment of the funeral. This expectation is reviewed annually.

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

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.

Notes to the financial statements continued
for the 52 week period ended 29 December 2017

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 not 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
Other than in respect of items measured at fair value on acquisition of businesses and in respect of share-based payments, the Group has no assets or liabilities recognised at fair value. The Group discloses fair values for financial assets and liabilities at each balance sheet date.

Fair value related disclosures are set out in note 26 in respect of fair values on acquisition of businesses and in note 21 in respect of financial instruments.

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

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

Intangible assets – goodwill
Goodwill, which represents the excess of the fair value of the consideration paid for subsidiaries and other businesses over the fair values of the net assets acquired and liabilities assumed, is capitalised and stated at historical cost less provisions for impairment.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The businesses 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 amortisation and provisions for impairment. When acquired as part of a business combination the fair value is calculated by reference to the estimated incremental cash flows expected to arise by virtue of the trade name being well-established.

Amortisation is provided from the date of acquisition so as to write-off the asset on a straight line basis over the term of its useful life.

During the period, the Group reconsidered the indefinite life assumed for its trade names. Given the increasingly price competitive market and its impact on the business, the Group has concluded that an indefinite life is no longer appropriate. The estimate was updated in 2017 to a useful life of 35 years, applicable from 1 October 2017. This resulted in an amortisation charge of £1.1 million in the period.

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.

1 Accounting policies (continued)

Investment in financial assets
Investments in financial assets are initially recognised at fair value and subsequently measured at fair value with movements recognised through other comprehensive income unless there is objective evidence of impairment in which case the movement will be recognised through the income statement.

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

This asset is being amortised over 20 years on a straight line basis, recognising that each year's additional marketing activity generates incremental revenues and profits to the Group for at least the following 20 years.

Intangible assets – other
As part of the Crematoria Acquisition in 2016, the Group acquired interests in two crematoria subject to finite periods of operation (by way of lease and/ or service concession). The fair value of these interests has been identified and recognised as a separate intangible asset. The value of each interest will be amortised over the remaining period of operation.

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.

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.

Notes to the financial statements continued

for the 52 week period ended 29 December 2017

1 Accounting policies (continued)

Impairment of assets

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

Where an asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. For goodwill this is considered at a business segment level as that is the level at which the return on assets acquired is monitored. 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 temporary 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 retained earnings in other comprehensive income in the period in which they arise.

Provisions

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

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

Employee share trust

The assets of the employee share trust are held by a separate limited company, of which the Directors consider that Dignity plc has de facto control. At the balance sheet date, the trust's assets and liabilities recognised in the Group's balance sheet within share capital and reserves were nil (2016: 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.

1 Accounting policies (continued)

Financial instruments

Borrowings

All borrowings are stated at the fair value of consideration received after deduction of transaction costs and subsequently at amortised cost. The transaction costs, interest payable and premium on debt finance are charged/credited to the income statement, as finance costs/income, on a constant-yield basis over the term of the borrowings, or over a shorter period where it is more likely than not that the lender will require earlier repayment, using the effective interest method.

Trade 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

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:

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. See note 21(c) for further details.

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.

Intangible assets – trade names

During the period, the Group reconsidered the indefinite life assumed for its trade names. Given the increasingly price competitive market and its impact on the business, the Group has concluded that an indefinite life is no longer appropriate. The estimate was updated in 2017 to a useful life of 35 years, applicable from 1 October 2017. This resulted in an amortisation charge of £1.1 million in the period.

Funeral services goodwill impairment assessment

Performing the annual impairment assessment for goodwill requires an estimation of the value-in-use of the cash generating units to which the goodwill has been allocated. The value-in-use calculation requires the use of estimates including those in respect of future cash flows, growth rates and an appropriate discount rate. See note 9 for further details.

Critical accounting judgements

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

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. IFRS 10, consolidated financial statements, was considered by the Group in 2015 with specific reference to the non-consolidation of the pre-need trust.

Notes to the financial statements continued

for the 52 week period ended 29 December 2017

1 Accounting policies (continued)

IFRS 10 built on existing principles by identifying the concept of control as the determining factor on whether an entity should be included within the consolidated financial statements of the parent company. In order to have control, IFRS 10 requires a parent company to have power over the investee, an exposure to variable returns because of its involvement in the investee and the ability to use its power over the investee to affect the amount of the variable returns.

IFRS 10 consideration	Analysis
Power over the investee. Power arises when the investor has existing rights that gives them the ability to direct the relevant activities of the investee, being those activities which influence the returns achieved by the investee.	Dignity has no voting rights over the Trusts or any rights to direct the activities of the Trusts. Whilst Dignity has the power to appoint or remove trustees, legislation requires the majority of trustees to be independent of Dignity. Whilst Dignity controls the charge levied to the Trusts for the provision of funeral services, it does not have the power to direct the investment decisions of the Trusts.
The investor is exposed, or has rights, to variable returns from its involvement with the investee.	Dignity receives an allowance for the marketing of the plans and for the performance of a funeral. From time to time Dignity may receive a surplus from the Trusts. Ultimately Dignity's return is wholly dependent on the investment performance of the Trusts.
The investor has the ability to use its power over the investee to affect the amount of the investor's returns.	A majority of the Trustees are required, by legislation, to be independent of Dignity and therefore Dignity does not, and cannot, control the actions of the Trustees. The investment strategy is set, implemented and monitored by the Trustees. Consequently, Dignity does not have the power to affect the amount of its returns.

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

Standards, amendments and interpretations effective in 2017

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year that 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 2017 or later periods but which the Group has not early adopted:

IAS 7, Disclosure Initiative – Amendments to IAS 7, effective 1 January 2017 and will therefore impact on the Group's 2018 annual report disclosures. This standard requires disclosure so as to help users of financial statements better understand change in an entities debt. The impact of the Standard is currently being assessed however, we do not expect any material changes in disclosure.

IAS 12, Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12, effective 1 January 2017 and will therefore impact on the Group's 2018 Annual Report.

IFRS 15, Revenue from contracts with customers, effective 1 January 2018 and will therefore impact the Group's 2019 financial results. This standard establishes a new five step model that will apply to revenue arising from contracts with customers. The principles in IFRS 15 provide a more structured approach to measure and recognise revenue. The impact of this standard is currently being assessed.

IFRS 9, Financial Instruments. This standard is effective for accounting periods beginning on or after 1 January 2018 and will therefore impact the Group's 2019 financial results. The impact of this standard is currently being assessed however, it is not expected to have a material impact on the Group due to the nature of the Group's financial instruments.

1 Accounting policies (continued)

IFRS 16, Leases. This standard is effective for accounting periods beginning on or after 1 January 2019 and will therefore impact the Group's 2020 financial results. Under the standard a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Approximately 50 per cent of the Group's properties are on lease terms that are currently accounted for as an operating lease but which will result in the recognition of both an asset and a liability under the new standard. As the notes to the consolidated accounts demonstrate, the Group has total minimum future lease payments under non-cancellable operating leases of approximately £213 million. Whilst the net present value of this commitment will be less than this amount, the grossing up of the Group's balance sheet that will be required to reflect this new standard will be material and will also impact on the Group's reported profit after tax. The Group will be assessing this in due course, but notes that the accounting standard does not affect the cash flows or underlying economics of the business.

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

2 Financial risk management

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

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

Market risk

Interest rate risk and other price risk

The Group's main borrowings consist of Secured Notes, which are at fixed interest rates, resulting in a predetermined repayment profile. The fair value of these financial instruments is based on underlying gilt prices and yield spreads based on the market's current view of the risk profile of the Secured Notes. Consequently, the fair value of these instruments will fluctuate. Fair values are not relevant to the Group unless it was to change its funding strategy and repay the Secured Notes early.

The Group has significant cash balances that are held by institutions with a long-term rating of at least BBB by Standard & Poor's and BBB+ by Fitch. These balances earn interest by reference to the Bank of England base rate. If interest rates reduced by one per cent at the beginning of 2017 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 in respect of the securitisation group. 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 29 December 2017 the actual ratio was 3.24 times (2016: 3.37 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 Secured Notes, rated A and BBB respectively by Standard & Poor's and Fitch.

The Group monitors its capital structure based on the ratio of 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 Secured Notes under the terms of the Group's secured borrowings (see 'Liquidity risk' above).

Notes to the financial statements continued
for the 52 week period ended 29 December 2017

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 and liabilities are located in, the United Kingdom and Channel Islands and relates to services provided. Overseas transactions are not material.

Underlying operating profit is stated before profit or loss on sale of fixed assets, external transaction costs, amortisation of acquisition related intangibles and exceptional items in respect of taxation (collectively 'Non-underlying items'). Underlying operating profit is included as it is felt that adjusting operating profit for these items provides a useful indication of the Group's performance. Underlying measures are those used in the day to day management of the business.

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

52 week period ended 29 December 2017	Revenue £m	Underlying operating profit/ (loss) before depreciation and amortisation £m	Depreciation and amortisation of software £m	Underlying operating profit/ (loss) £m	Non-underlying items £m	Operating profit/(loss) £m
Funeral services	**221.8**	**91.7**	**(12.2)**	**79.5**	**(2.5)**	**77.0**
Crematoria	**74.0**	**43.9**	**(3.9)**	**40.0**	**(1.8)**	**38.2**
Pre-arranged funeral plans	**28.2**	**8.0**	**–**	**8.0**	**(0.2)**	**7.8**
Central overheads	**–**	**(21.9)**	**(1.0)**	**(22.9)**	**(2.1)**	**(25.0)**
Group	**324.0**	**121.7**	**(17.1)**	**104.6**	**(6.6)**	**98.0**
Finance costs				**(26.9)**	**–**	**(26.9)**
Finance income				**0.1**	**–**	**0.1**
Profit before tax				**77.8**	**(6.6)**	**71.2**
Taxation				**(13.8)**	**0.4**	**(13.4)**
Underlying earnings for the period				**64.0**		
Total other items					**(6.2)**	
Profit after taxation						**57.8**
Earnings per share for profit attributable to equity shareholders						
– Basic (pence)				**128.3p**		**115.8p**
– Diluted (pence)						**115.6p**

3 Revenue and segmental analysis (continued)

53 week period ended 30 December 2016	Revenue £m	Underlying operating profit/ (loss) before depreciation and amortisation £m	Depreciation and amortisation £m	Underlying operating profit/ (loss) £m	Non-underlying items £m	Operating profit/(loss) £m
Funeral services	217.8	90.6	(11.6)	79.0	(0.9)	78.1
Crematoria – existing	65.1	40.0	(3.4)	36.6	0.1	36.7
Crematoria – acquisitions	2.4	1.1	(0.1)	1.0	(3.0)	(2.0)
Crematoria	67.5	41.1	(3.5)	37.6	(2.9)	34.7
Pre-arranged funeral plans	28.3	8.7	(0.2)	8.5	–	8.5
Central overheads	–	(22.6)	(0.8)	(23.4)	(0.2)	(23.6)
Group	313.6	117.8	(16.1)	101.7	(4.0)	97.7
Finance costs				(26.9)	–	(26.9)
Finance income				0.4	–	0.4
Profit before tax				75.2	(4.0)	71.2
Taxation – continuing activities				(15.8)	–	(15.8)
Taxation – exceptional				–	1.8	1.8
Taxation				(15.8)	1.8	(14.0)
Underlying earnings for the period				59.4		
Total other items					(2.2)	
Profit after taxation						57.2

Earnings per share for profit attributable to equity shareholders		
– Basic (pence)	**119.8p**	**115.3p**
– Diluted (pence)		**114.6p**

The segmental assets and liabilities disclosure was previously provided on a voluntary basis as the information is not, and never has been, reported to the Chief Operating Decision Maker for the Group. This information has been removed from the current year disclosure on the basis that decisions are made based upon the segmental profit and loss analysis shown above and the consolidated Group balance sheet.

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4 Net finance costs

	52 week period ended 29 December 2017 £m	53 week period ended 30 December 2016 £m
Finance costs		
Secured Notes	**24.4**	24.7
Amortisation of issue costs	**0.1**	–
Crematoria Acquisition Facility	**0.4**	0.6
Other loans	**1.3**	1.0
Net finance cost on retirement benefit obligations (note 28)	**0.6**	0.4
Unwinding of discounts	**0.1**	0.2
Finance costs	**26.9**	26.9
Finance income		
Bank deposits	**(0.1)**	(0.4)
Finance income	**(0.1)**	(0.4)
Net finance costs	**26.8**	26.5

5 Profit before tax

Analysis by nature	52 week period ended 29 December 2017 £m	53 week period ended 30 December 2016 £m
The following items have been included in arriving at profit/(loss) before tax:		
Staff costs (note 27)	**102.7**	99.7
Cost of inventories recognised as an expense (included in cost of sales)	**16.7**	16.7
Depreciation of property, plant and equipment – owned assets (note 10)	**17.0**	15.9
Amortisation of intangible assets (included in administrative expenses) (note 9)	**1.9**	0.2
Operating lease rentals – property	**12.0**	10.9
External transaction costs (included in administrative expenses)	**4.7**	4.1
Trade receivables impairment (included in administrative expenses) (note 21(c))	**1.4**	1.7
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	**0.2**	0.2
– Tax advisory services	**–**	–
– Other advisory services	**–**	–
	0.3	0.3

External transaction costs

The current period relates to external adviser fees for completed and aborted transactions, which are not deductible for tax purposes.

During 2017, the Group paid £42,000 of fees to the Group's auditor, in addition to the amounts given above, in connection with non-audit services, which are specifically audit related assurance services. See the Audit Committee Report for further details.

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6 Taxation

Analysis of charge in the period	52 week period ended 29 December 2017 £m	53 week period ended 30 December 2016 £m
Current tax – current period	**13.3**	11.0
Adjustments for prior period	**(0.7)**	0.1
Total corporation tax	**12.6**	11.1
Deferred tax – current period	**2.1**	4.9
Adjustments for prior period	**(1.3)**	(0.2)
Restatement of deferred tax for the change in UK tax rate	**–**	(1.8)
Total deferred tax	**0.8**	2.9
Taxation	**13.4**	14.0

Tax on items charged/(credited) to other comprehensive income or equity	52 week period ended 29 December 2017 £m	53 week period ended 30 December 2016 £m
Deferred tax charge/(credit) on remeasurement losses on retirement benefit obligations	**0.3**	(2.4)
Deferred tax charge relating to maturity of option schemes	**0.4**	0.5
Restatement of deferred tax for the change in UK tax rate	**–**	0.3
Total deferred tax charged/(credited) to other comprehensive income or equity	**0.7**	(1.6)
Corporation tax charge relating to retirement benefit obligations	**0.2**	0.1
Corporation tax credit relating to maturity of option schemes	**(0.5)**	(0.7)
Total corporation tax credited to other comprehensive income or equity	**(0.3)**	(0.6)

The taxation charge in the period is lower (2016: lower) than the standard rate of corporation tax in the UK of 19.25 per cent (2016: 20.0 per cent). The differences are explained below:

	52 week period ended 29 December 2017 £m	53 week period ended 30 December 2016 £m
Profit before taxation	**71.2**	71.2
Profit before taxation multiplied by the standard rate of corporation tax in the UK of 19.25% (2016: 20.0%)	**13.7**	14.2
Effects of:		
Adjustments in respect of prior period	**(2.0)**	(0.1)
Exceptional adjustment in respect of closing deferred tax rate change	**–**	(1.8)
Expenses not deductible for tax purposes	**1.7**	1.7
Total taxation	**13.4**	14.0

Under IFRS the tax rate is lower than (2016: lower) than the standard UK tax rate of 19.25 per cent (2016: 20.0 per cent) principally due to the adjustments in respect of the prior period offset by non-deductible expenses (2016: exceptional adjustment). See Financial Review for further details. The standard rate of corporation tax in the UK changed from 20 per cent to 19 per cent with effect from 1 April 2017. The Group's underlying profits for this accounting period are taxed at an effective rate of 17.7 per cent (2016: 21.0 per cent). The current period effective tax rate is impacted by prior year taxation items of £2.0 million which are not expected to recur. The Group continues to expect its effective tax rate to be approximately one per cent above the headline rate of corporation tax. This translates to an effective rate for 2018 and 2019 of 20.0 per cent and 18.5 per cent in 2020. The Group does not have any provisions for uncertain tax positions.

In the prior period, legislation to reduce the main rate of corporation tax from 18 per cent to 17 per cent from 1 April 2020 was substantively enacted at the balance sheet date and so the deferred tax balance was calculated at the rates at which it is expected to be incurred. As a result, the Group recognised exceptional tax credit of £1.8 million through its income statement and a debit of £0.3 million through other comprehensive income to reflect the one off reduction in the period of the Group's deferred tax position.

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for the 52 week period ended 29 December 2017

7 Dividends

	52 week period ended 29 December 2017 £m	53 week period ended 30 December 2016 £m
Final dividend paid: 15.74p per Ordinary Share (2016: 14.31p)	**7.9**	7.1
Interim dividend paid: 8.64p per Ordinary Share (2016: 7.85p)	**4.3**	3.9
Dividend on Ordinary Shares	**12.2**	11.0

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

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 £12.2 million, 24.38 pence per share (2016: £11.0 million, 22.16 pence per share).

A final dividend of 15.74 pence per share, in respect of 2017, has been proposed by the Board. Based on the number of shares in issue at the date of signing this report the total final dividend payment is approximately £7.9 million. This will be paid on 29 June 2018 provided that approval is gained from shareholders at the Annual General Meeting on 7 June 2018 and will be paid to shareholders on the register at close of business on 18 May 2018.

8 Earnings per share

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

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

The Group has two classes of potentially dilutive Ordinary Shares being those share options granted to employees under the Group's SAYE Scheme and the contingently issuable shares under the Group's LTIP Schemes. At the balance sheet date, the performance criteria for the vesting of the awards under the LTIP Schemes 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.

The Group's underlying measures of profitability exclude profit (or loss) on sale of fixed assets, external transaction costs, amortisation of acquisition related intangibles and exceptional items in respect of taxation. These items have been adjusted for in determining underlying measures of profitability as these underlying measures are those used in the day to day management of the business and allow for greater comparability across periods.

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

8 Earnings per share (continued)

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 29 December 2017			
Underlying profit after taxation and EPS	**64.0**	**49.9**	**128.3**
Add: Exceptional items, loss on sale of fixed assets, external transaction costs and amortisation of acquisition related intangibles (net of taxation of £0.4 million)	**(6.2)**		
Profit attributable to shareholders – Basic EPS	**57.8**	**49.9**	**115.8**
Profit attributable to shareholders – Diluted EPS	**57.8**	**50.0**	**115.6**
53 week period ended 30 December 2016			
Underlying profit after taxation and EPS	59.4	49.6	119.8
Add: Exceptional items, loss on sale of fixed assets and external transaction costs (net of taxation of £nil million)	(2.2)		
Profit attributable to shareholders – Basic EPS	57.2	49.6	115.3
Profit attributable to shareholders – Diluted EPS	57.2	49.9	114.6

9 Goodwill and other intangible assets

	Trade names £m	Use of third party brand name £m	Other[1] £m	Software £m	Non-compete agreements £m	Sub-total £m	Goodwill £m	Total £m
Cost								
At 25 December 2015	124.8	3.2	–	4.0	0.2	132.2	201.5	333.7
Acquisition of subsidiaries and other businesses	9.7	–	4.7	–	–	14.4	14.4	28.8
Additions	–	–	–	1.3	–	1.3	–	1.3
Disposal	–	–	–	(0.7)	–	(0.7)	–	(0.7)
At 30 December 2016	134.5	3.2	4.7	4.6	0.2	147.2	215.9	363.1
Acquisition of subsidiaries and other businesses (note 26(a))	17.9	–	–	–	–	17.9	10.2	28.1
Additions	–	–	–	1.2	–	1.2	–	1.2
Disposal	–	–	–	(3.3)	–	(3.3)	–	(3.3)
At 29 December 2017	**152.4**	**3.2**	**4.7**	**2.5**	**0.2**	**163.0**	**226.1**	**389.1**
Accumulated amortisation								
At 25 December 2015	–	(1.3)	–	(4.0)	(0.2)	(5.5)	–	(5.5)
Amortisation charge	–	(0.1)	–	(0.1)	–	(0.2)	–	(0.2)
Disposal	–	–	–	0.7	–	0.7	–	0.7
At 30 December 2016	–	(1.4)	–	(3.4)	(0.2)	(5.0)	–	(5.0)
Amortisation charge	(1.1)	(0.2)	(0.5)	(0.1)	–	(1.9)	–	(1.9)
Disposal	–	–	–	3.3	–	3.3	–	3.3
At 29 December 2017	**(1.1)**	**(1.6)**	**(0.5)**	**(0.2)**	**(0.2)**	**(3.6)**	**–**	**(3.6)**
Net book amount at 29 December 2017	**151.3**	**1.6**	**4.2**	**2.3**	**–**	**159.4**	**226.1**	**385.5**
Net book amount at 30 December 2016	134.5	1.8	4.7	1.2	–	142.2	215.9	358.1
Net book amount at 25 December 2015	124.8	1.9	–	–	–	126.7	201.5	328.2

(1) As part of the Crematoria Acquisition in 2016, the Group acquired interests in two crematoria subject to finite periods of operation (by way of lease and/or service concession). The fair value of these interests has been identified and recognised as a separate intangible asset. The value of each interest will be amortised over the remaining period of operation.

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9 Goodwill and other intangible assets (continued)

Impairment tests for goodwill and trade names
As described in note 1, goodwill is subject to an annual impairment test in accordance with IAS 36, Impairment of Assets. For the purpose of this impairment test goodwill is tested at a business segment level as this is the level at which the return on assets acquired, including goodwill, is monitored.

The segmental allocation of goodwill is shown below:

	29 December 2017 £m	30 December 2016 £m
Funeral services	**165.6**	155.4
Crematoria	**55.8**	55.8
Pre-arranged funeral plans	**4.7**	4.7
	226.1	215.9

The recoverable amount of each segment is based on a value-in-use calculation.

The value-in-use calculations use cash flow projections based upon the latest annual budget approved by the Board. 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, mix and pricing (based on actual experience and reflecting the announcements made by the Group in January 2018). Cash flows for all segments beyond the initial 12 month period are extrapolated using a growth rate of 2.25 per cent (2016: 2.25 per cent), being an estimate of long-term growth rates for impairment review purposes only. The cash flows for each segment are discounted at a pre-tax rate of 8.5 per cent (2016: 6.0 per cent).

In respect of goodwill other than in respect of the funeral services division the directors do not consider that a reasonably possible change in the assumptions used to calculate the value-in-use of the segment would result in any impairment of goodwill. The headroom for the funeral services division impairment test under the current assumptions used is £123 million. The discount rate would need to rise to 10.3 per cent, or the long-term growth rate would need to fall to 0.41 per cent for the impairment test to result in £nil headroom for this segment.

On the basis of the above, the review indicated that no impairment arose in any segment (2016: £nil).

In addition to the Group's annual goodwill impairment test, given that the Group has updated its accounting estimate during the period, such that the useful economic life assigned to trade name intangible assets is now a 35 year life, an impairment test is required in respect of these assets in the current year in accordance with the requirements of IAS 36. The performance of this impairment test, which was based on the same cash flow projections and key assumptions as the goodwill impairment test set out above, indicated that no impairment arose in respect of any of the Group's trade name intangible assets.

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 25 December 2015	125.4	49.9	45.3	68.3	6.6	295.5
Additions	3.4	1.2	1.0	8.3	7.5	21.4
Acquisition of subsidiaries and other businesses	28.7	–	0.8	0.5	–	30.0
Disposals	(1.4)	(1.8)	(4.8)	(3.0)	–	(11.0)
Reclassification	1.5	1.3	1.8	0.5	(5.1)	–
At 30 December 2016	157.6	50.6	44.1	74.6	9.0	335.9
Additions	3.7	1.2	3.4	7.0	10.9	26.2
Acquisition of subsidiaries and other businesses (note 26(a))	3.1	–	0.2	0.8	–	4.1
Disposals	–	–	(3.0)	(3.4)	–	(6.4)
Reclassification	4.0	4.0	3.4	0.5	(11.9)	–
At 29 December 2017	**168.4**	**55.8**	**48.1**	**79.5**	**8.0**	**359.8**
Accumulated depreciation						
At 25 December 2015	(24.0)	(16.4)	(24.5)	(30.0)	–	(94.9)
Depreciation charge	(3.6)	(2.1)	(4.2)	(6.0)	–	(15.9)
Disposals	1.2	1.7	4.8	2.6	–	10.3
At 30 December 2016	(26.4)	(16.8)	(23.9)	(33.4)	–	(100.5)
Depreciation charge	(4.0)	(2.4)	(4.2)	(6.4)	–	(17.0)
Disposals	–	–	3.0	2.7	–	5.7
At 29 December 2017	**(30.4)**	**(19.2)**	**(25.1)**	**(37.1)**	**–**	**(111.8)**
Net book amount at 29 December 2017	**138.0**	**36.6**	**23.0**	**42.4**	**8.0**	**248.0**
Net book amount at 30 December 2016	131.2	33.8	20.2	41.2	9.0	235.4
Net book amount at 25 December 2015	101.4	33.5	20.8	38.3	6.6	200.6

Depreciation expense of £6.4 million (2016: £6.0 million) is included within cost of sales and £10.6 million (2016: £9.9 million) is included within administrative expenses.

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

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:

	29 December 2017 £m	30 December 2016 £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 £11.7 million (2016: £8.6 million) in respect of property, plant and equipment and intangible assets.

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11 Non-current financial and other assets

	Note	29 December 2017 £m	30 December 2016 £m
Prepayments	(a)	**7.3**	7.4
Deferred commissions	(b)	**6.0**	3.9
Investment in financial asset	(c)	**1.0**	–
		14.3	11.3

(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 a discount to its rates prevailing at the time of death.

(c) Investment in financial asset

During the period, the Group invested £1 million in a non-controlling interest in a business.

12 Investments

A list of all entities included within the financial information are included in note C9 to the Company's financial statements.

13 Inventories

	29 December 2017 £m	30 December 2016 £m
Materials	**0.3**	0.2
Finished goods	**7.0**	5.9
	7.3	6.1

There were no inventory write-downs in either period.

14 Trade and other receivables

	29 December 2017 £m	30 December 2016 £m
Trade receivables	**26.1**	25.6
Less: provision for impairment (note 21(c))	**(6.2)**	(6.2)
Net trade receivables	**19.9**	19.4
Receivables due from pre-arranged funeral plan trusts (note 29)[1]	**12.1**	11.2
Prepayments and accrued income	**4.5**	4.4
Other receivables	**1.8**	2.0
	38.3	37.0

(1) Included in this amount is approximately £2.8 million (2016: £2.2 million) falling due after more than one year.

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

	29 December 2017 £m	30 December 2016 £m
Operating cash as reported in the consolidated statement of cash flows as cash and cash equivalents	**49.0**	66.8
Amounts set aside for debt service payments	**0.3**	0.3
Cash and cash equivalents as reported in the balance sheet	**49.3**	67.1

Amounts set aside for debt service payments

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 commitment fees due on its undrawn borrowing facilities (see note 21(d)) and for no other purpose. Consequently, this amount did 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 3 January 2018. Of this amount, £0.3 million (2016: £0.3 million) is shown within the Statement of Cash Flows as 'Payments to restricted bank accounts for finance costs' and £nil million (2016: £nil million) is shown within 'Financing activities' as 'Payments to restricted bank accounts for repayment of borrowings'.

16 Financial liabilities

	Note	29 December 2017 £m	30 December 2016 £m
Current			
Secured A Notes	(a)	**4.5**	8.8
	(d)	**4.5**	8.8
Non-current			
Secured Notes	(a)	**560.6**	565.1
Finance lease obligations	(b)	**0.6**	0.7
Crematoria Acquisition Facility	(c)	**–**	15.7
		561.2	581.5

(a) Secured Notes

On 17 October 2014, Dignity Finance PLC issued the Secured Notes. Interest is payable on the Secured Notes on 30 June and 31 December of each year.

Transaction costs of £0.3 million and £0.4 million were incurred directly relating to the issue of the Secured A Notes and the Secured B Notes respectively. At 29 December 2017, £0.2 million (2016: £0.3 million) and £0.4 million (2016: £0.4 million) of the transaction costs in respect of the Secured A Notes and the Secured B Notes respectively remain unamortised.

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

The amortisation profile of the Secured Notes is as follows:

Secured A Notes

	2018 £m	2019 £m	2020 £m	2021 £m	2022 £m	2023 £m	2024 £m	2025 £m	2026 £m	2027 £m	2028 £m
June	4.6	4.7	4.9	5.1	5.2	5.4	5.6	5.8	6.0	6.2	6.4
December	4.6	4.8	4.9	5.1	5.3	5.5	5.7	5.9	6.1	6.4	6.6
Total	9.2	9.5	9.8	10.2	10.5	10.9	11.3	11.7	12.1	12.6	13.0

	2029 £m	2030 £m	2031 £m	2032 £m	2033 £m	2034 £m	Total £m
June	6.7	6.9	7.2	7.4	7.7	7.9	103.7
December	6.8	7.1	7.3	7.6	7.8	8.1	105.6
Total	13.5	14.0	14.5	15.0	15.5	16.0	209.3

Notes to the financial statements continued

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16 Financial liabilities (continued)

Secured B Notes

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

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

(b) Obligations under finance leases

	29 December 2017 £m	30 December 2016 £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	**0.4**	0.5
	0.6	0.7

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

(c) Crematoria Acquisition Facility

During the period, the Group repaid its £15.8 million Crematoria Acquisition Facility that was previously fully drawn. The principal was repayable in one amount in February 2018 and interest was fixed at approximately 3.3 per cent. All interest was payable in cash on a quarterly basis.

The transaction costs incurred on the Crematoria Acquisition Facility were £0.2 million.

At 29 December 2017, nil (2016: £15.8 million) of the principal was outstanding. At 29 December 2017, nil (2016: £0.1 million) of the transaction costs remained unamortised.

(d) Current financial liabilities

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

17 Trade and other payables

Current	29 December 2017 £m	30 December 2016 £m
Trade payables	**7.6**	7.4
Tax and social security	**2.7**	2.6
Other current liabilities	**1.9**	2.2
Accruals	**37.5**	39.9
Deferred income	**8.1**	7.2
	57.8	59.3
Non-current		
Deferred income	**0.8**	0.9
Deferred consideration for acquisitions	**0.1**	0.2
Other non-current liabilities	**1.4**	1.7
	2.3	2.8

18 Obligations under finance leases and operating leases

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

The minimum lease payments under non-cancellable operating leases fall due as follows:

	29 December 2017 £m	30 December 2016 £m
Not later than one year	**12.7**	11.8
Later than one year but not more than five years	**38.5**	35.4
More than five years	**161.8**	157.8
	213.0	205.0

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

Sublease payments received in the year amount to £0.5 million (2016: £0.6 million). Total future sublease payments receivable relating to operating leases amount to £0.5 million (2016: £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

	Dilapidations £m (a)	Onerous contracts £m (b)	Cancellation provision £m (c)	Total £m
At beginning of period	7.7	0.1	1.3	9.1
Charged to income statement	1.1	–	0.4	1.5
Arising on acquisitions	0.4	–	–	0.4
Released to income statement	(0.2)	–	–	(0.2)
Utilised in period	(0.2)	–	(0.7)	(0.9)
Amortisation of discount	0.1	–	–	0.1
At end of period	**8.9**	**0.1**	**1.0**	**10.0**

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

	29 December 2017 £m	30 December 2016 £m
Current	**1.5**	1.6
Non-current	**8.5**	7.5
	10.0	9.1

(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, £1.2 million (2016: £1.2 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 2026.

(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.

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19 Provisions for liabilities (continued)

(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 17 per cent (2016: either 17 or 19 per cent).

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

	29 December 2017 £m	30 December 2016 £m
At beginning of period	**25.7**	21.7
Charged to income statement (note 6)	**0.8**	4.7
Restatement of deferred tax for the change in UK tax rate	**–**	(1.5)
Taken to other comprehensive income (note 6)	**0.3**	(2.4)
Taken to equity (note 6)	**0.4**	0.5
Arising on acquisitions (note 26(a))	**3.1**	2.7
At end of period	**30.3**	25.7

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

Deferred tax liabilities

	Accelerated tax depreciation £m	Trade names £m	Other £m	Total £m
At beginning of period	14.2	16.5	3.0	33.7
Credited to income statement (note 6)	(1.4)	(0.1)	(0.2)	(1.7)
Arising on acquisitions (note 26(a))	0.2	2.9	–	3.1
At end of period	**13.0**	**19.3**	**2.8**	**35.1**

Deferred tax assets

	Non trade deficits £m	Pensions £m	Other £m	Total £m
At beginning of period	(2.0)	(4.4)	(1.6)	(8.0)
Charged/(credited) to income statement (note 6)	2.0	–	0.5	2.5
Taken to other comprehensive income	–	0.3	–	0.3
Taken to equity	–	–	0.4	0.4
At end of period	**–**	**(4.1)**	**(0.7)**	**(4.8)**

All of the deferred tax assets were available for offset against deferred tax liabilities and hence the net deferred tax provision at 29 December 2017 was £30.3 million (2016: £25.7 million).

Other deferred tax liabilities includes capital gains rolled forward, other deferred tax assets includes option schemes £0.4 million (2016: £1.3 million) and long service awards £0.2 million (2016: £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.

20 Deferred tax (continued)

The deferred income tax charged/(credited) to other comprehensive income or charged to equity during the period was as follows:

	52 week period ended 29 December 2017 £m	53 week period ended 30 December 2016 £m
Deferred tax credit on remeasurement losses on retirement benefit obligations	**0.3**	(2.4)
Restatement of deferred tax for the change in UK tax rate	**–**	0.3
Total charged/(credited) to other comprehensive income	**0.3**	(2.1)
Deferred tax charge relating to maturity of option schemes	**0.4**	0.5
Total charged to equity	**0.4**	0.5

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 provision for 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 with the exception of the investment in the financial asset explained further in note 11.

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

	29 December 2017			30 December 2016		
	Nominal value £m	**Book value £m**	**Fair value £m**	Nominal value £m	Book value £m	Fair value £m
Secured A Notes – 3.5456% maturing 31 December 2034	**209.3**	**209.1**	**234.9**	218.2	217.9	241.8
Secured B Notes – 4.6956% maturing 31 December 2049	**356.4**	**356.0**	**451.6**	356.4	356.0	436.2
Crematoria Acquisition Facility	**–**	**–**	**–**	15.8	15.7	15.8
Total	**565.7**	**565.1**	**686.5**	590.4	589.6	693.8

The Crematoria Acquisition Facility and Secured Notes are held at amortised cost. Other categories of financial instruments include trade receivables and trade payables, however there is no difference between the book value and fair value of these items.

The fair values of the Secured Notes are their market value at the balance sheet date and are considered to be level 1.

The fair value of the Crematoria Acquisition Facility is considered to be nominal value, given the nature of the loan and the source of the cash flows support its repayment and is considered to be level 3.

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21 Financial instruments (continued)

In addition to the above:

(a) Financial liabilities include finance lease payables of £0.6 million (2016: £0.7 million), which represent the present value of future minimum lease payments. At 29 December 2017 there is no difference between the nominal value, book value and fair value of this liability; and

(b) Financial assets include £1 million in respect of assets held at fair value. The underlying investment is accounted for as an asset held for sale in accordance with IAS 39 and has been initially measured at the fair value of consideration paid with subsequent measurement based upon a level 3 fair value estimate. At 29 December 2017 there is no difference between the nominal value, book value and fair value of this asset.

(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.

	29 December 2017					
	In less than one year £m	In more than one year but not more than two years £m	In more than two years but not more than three years £m	In more than three years but not more than five years £m	In more than five years £m	Total £m
Cash liabilities						
Secured Notes (gross)	**4.5**	**9.3**	**9.6**	**25.7**	**516.6**	**565.7**
Interest payable on Secured Notes	**12.1**	**23.9**	**23.5**	**57.4**	**382.7**	**499.6**
Finance leases	**–**	**0.1**	**–**	**0.1**	**2.5**	**2.7**
Debt repayments	**16.6**	**33.3**	**33.1**	**83.2**	**901.8**	**1,068.0**
Other financial liabilities	**57.7**	**0.4**	**0.4**	**0.8**	**0.4**	**59.7**
	74.3	**33.7**	**33.5**	**84.0**	**902.2**	**1,127.7**

	30 December 2016					
	In less than one year £m	In more than one year but not more than two years £m	In more than two years but not more than three years £m	In more than three years but not more than five years £m	In more than five years £m	Total £m
Cash liabilities						
Secured Notes (gross)	8.8	9.2	9.5	20.0	527.1	574.6
Interest payable on Secured Notes	24.4	24.0	23.7	46.5	405.4	524.0
Crematoria Acquisition Facility	–	15.8	–	–	–	15.8
Interest payable on Crematoria Acquisition Facility	0.5	0.1	–	–	–	0.6
Finance leases	0.1	0.1	0.1	–	2.5	2.8
Debt repayments	33.8	49.2	33.3	66.5	935.0	1,117.8
Other financial liabilities	59.3	0.3	0.4	0.7	0.6	61.3
	93.1	49.5	33.7	67.2	935.6	1,179.1

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.

	29 December 2017					
	In less than one year £m	In more than one year but not more than two years £m	In more than two years but not more than three years £m	In more than three years but not more than five years £m	In more than five years £m	Total £m
Non-cash liabilities						
Issue costs on Secured Notes	**–**	**–**	**–**	**–**	**0.6**	**0.6**
	–	**–**	**–**	**–**	**0.6**	**0.6**

	30 December 2016					
	In less than one year £m	In more than one year but not more than two years £m	In more than two years but not more than three years £m	In more than three years but not more than five years £m	In more than five years £m	Total £m
Non-cash liabilities						
Issue costs on Secured Notes	–	–	–	–	0.7	0.7
Issue costs on Crematoria Acquisition Facility	–	0.1	–	–	–	0.1
	–	0.1	–	–	0.7	0.8

(c) Trade receivables

As at 29 December 2017, £13.0 million of the individual gross trade receivables (2016: £12.7 million) were past due and partially impaired. A provision for impairment is established based on historical experience. The amount of the provision, as at 29 December 2017, was £6.2 million (2016: £6.2 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:

	29 December 2017 £m	30 December 2016 £m
One to six months	**6.3**	6.4
Over six months	**6.7**	6.3
	13.0	12.7

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:

	29 December 2017 £m	30 December 2016 £m
At beginning of period	**(6.2)**	(5.7)
Charged to income statement	**(1.4)**	(1.7)
Utilised in period	**1.4**	1.2
At end of period	**(6.2)**	(6.2)

(d) Borrowing facilities

(i) The Group has the following undrawn committed borrowing facilities available at 29 December 2017, all of which were at floating interest rates, in respect of which all conditions precedent had been met at that date:

	29 December 2017 £m	30 December 2016 £m
Expiring within one year	**–**	26.2
Expiring between one and two years	**5.0**	–
Expiring in more than two years	**105.0**	60.0
	110.0	86.2

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21 Financial instruments (continued)

£55.0 million (2016: £55.0 million) of the undrawn facilities available to the Group is a liquidity facility relating to the Class A and B Secured Notes. This facility may only be used to repay interest and principal on the Secured Notes in the event of insufficient cash to service these instruments. The facility is subject to annual renewal. However, if the bank providing the facility does not renew it, then the provider is required to place £55 million (2016: £55.0 million) in a bank account, which the Group may access as if it represented a borrowing facility on the same terms. The facility is available on these terms until the Secured Notes have been repaid in full.

In the prior period, £26.2 million related to a Funeral Acquisition Facility provided by the Royal Bank of Scotland. It was a committed facility, capable of being drawn until March 2017.

During the period, the Group completed a refinancing of its Crematoria Acquisition Facility and undrawn Funeral Acquisition Facility. These facilities have been replaced with a £50 million Revolving Credit Facility ('RCF'), provided by the Royal Bank of Scotland, which is secured against certain trade and assets held by legal entities outside of the Group's securitisation structure.

The facility is available until July 2021, with the option to renew, subject to the bank's consent at the time, by a further year. The margin on the facility ranges from 150 to 225 basis points depending on the resulting gross leverage. This facility remains undrawn at the balance sheet date. Further details may be found in the Financial Review.

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

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

	29 December 2017 £m	30 December 2016 £m
Not later than one year	**–**	0.1
Later than one year but not more than five years	**0.2**	0.2
More than five years	**2.5**	2.5
	2.7	2.8
Future finance costs on finance leases	**(2.1)**	(2.1)
Present value of finance lease liabilities	**0.6**	0.7

22 Ordinary share capital

	29 December 2017 £m	30 December 2016 £m
Allotted and fully paid Equity shares		
49,931,901 (2016: 49,738,150) Ordinary Shares of 12 48/143 pence (2016: 12 48/143 pence) each	**6.2**	6.1

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 184,672 shares issued under the 2014 LTIP scheme and £0.1 million (2016: £1.5 million) consideration in relation to the 9,079 (2016: 104,008) shares issued under the 2013 SAYE scheme.

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 2016. In addition, Executive Directors and senior management hold options to subscribe for shares in the Company under Long-Term Incentive Plans ('LTIPs') awarded in 2015, 2016 and 2017.

22 Ordinary share capital (continued)

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	2017 Number	2016 Number	2015 Number
2016 – SAYE	2,706.00	1 December 2019 to 31 May 2020	**113,221**	137,563	n/a
2015 – LTIP	–	6 March 2018 to 5 March 2025	**152,540**	155,540	155,540
2016 – LTIP	–	15 June 2019 to 15 June 2026	**128,082**	131,082	n/a
2017 – LTIP	–	16 March 2020 to 16 March 2027	**133,942**	n/a	n/a

23 Share-based payments

In respect of share-based payment arrangements, total charges to the income statement were £1.2 million (2016: £3.6 million). The Directors consider that these amounts are not material and hence further detailed disclosures have been omitted.

24 Net debt

	29 December 2017 £m	30 December 2016 £m
Net amounts owing on Secured Notes per financial statements	**(565.1)**	(573.9)
Add: unamortised issue costs (note 16(a))	**(0.6)**	(0.7)
Gross amounts owing on Secured Notes	**(565.7)**	(574.6)
Net amounts owing on Crematoria Acquisition Facility per financial statements	**–**	(15.7)
Add: unamortised issue costs on Crematoria Acquisition Facility (note 16(c))	**–**	(0.1)
Gross amounts owing	**(565.7)**	(590.4)
Accrued interest on Secured Notes	**(0.3)**	(0.3)
Accrued interest on Crematoria Acquisition Facility and Revolving Credit Facility	**(0.2)**	(0.1)
Cash and cash equivalents (note 15)	**49.3**	67.1
Net debt	**(516.9)**	(523.7)

In addition to the above, the consolidated balance sheet also includes finance lease obligations which totalled £0.6 million (2016: £0.7 million). These amounts do not represent sources of funding for the Group and are therefore excluded from the calculation of net debt.

The Group's primary financial covenant in respect of the Secured Notes requires EBITDA to total debt service ('EBITDA DSCR'), in the securitisation group, to be at least 1.5 times. At 29 December 2017, the actual ratio was 3.24 times (2016: 3.37 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.

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25 Reconciliation of cash generated from operations

	52 week period ended 29 December 2017 £m	53 week period ended 30 December 2016 £m
Net profit for the period	**57.8**	57.2
Adjustments for:		
Taxation	**13.4**	14.0
Net finance costs	**26.8**	26.5
Loss/(profit) on disposal of fixed assets	**0.1**	(0.1)
Depreciation charges	**17.0**	15.9
Amortisation of intangibles	**1.9**	0.2
Movement in inventories	**(1.2)**	0.4
Movement in trade receivables	**(0.1)**	(0.6)
Movement in trade payables	**0.9**	1.3
External transaction costs	**4.7**	4.1
Changes in other working capital (excluding acquisitions)	**(7.1)**	(1.4)
Employee share option charges (note 23)	**1.2**	3.6
Cash generated from operations before external transaction costs	**115.4**	121.1

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

26 Acquisitions

(a) Acquisition of subsidiary and other businesses

	Total provisional fair value £m
Property, plant and equipment	**4.1**
Intangible assets: trade names	**17.9**
Cash acquired	**3.2**
Receivables	**0.4**
Provisions (note 19)	**(0.4)**
Other working capital	**(0.7)**
Deferred taxation (note 20)	**(3.1)**
Net assets acquired	**21.4**
Goodwill arising	**10.2**
	31.6
Satisfied by:	
Cash paid on completion (funded from internally generated cash flows)	**31.0**
Accrued consideration	**0.7**
Adjustment to prior year consideration	**(0.1)**
Total consideration	**31.6**

The residual excess of the consideration paid over the net assets acquired is recognised as goodwill, none of which is tax deductible. This goodwill represents future benefits to the Group in terms of revenue, market share and delivering the Group's strategy.

The fair values ascribed reflect provisional amounts, which will be finalised in 2018. These fair values reflect the recognition of trade names and associated deferred taxation, and adjustments to reflect the fair value of other working capital items such as receivables, inventories and accruals which are immaterial.

Each acquisition made followed the Group's strategy to acquire such locations that will help the Group grow and create value for shareholders.

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.

26 Acquisitions (continued)

(b) Reconciliation to cash flow statement

	52 week period ended 29 December 2017 £m	53 week period ended 30 December 2016 £m
Cash paid on completion	**31.0**	57.0
Cash paid in respect of prior year acquisitions	**0.4**	0.5
Cash acquired on acquisition	**(3.2)**	(1.2)
Cash paid in respect of deferred consideration	**0.1**	–
Acquisition of subsidiaries and businesses as reported in the cash flow statement	**28.3**	56.3

27 Employees and Directors

	52 week period ended 29 December 2017 £m	53 week period ended 30 December 2016 £m
Wages and salaries	**90.0**	86.2
Social security costs	**7.6**	6.5
Other pension costs (note 28)	**3.9**	3.4
Share option charges (note 23)	**1.2**	3.6
	102.7	99.7

Key management are considered to be the Board of Directors only. Total key management remuneration in the period was £4.2 million (2016: £6.0 million), including £0.5 million (2016: £2.1 million) of share option charges. The monthly average number of people, including Directors, employed by the Group during the period was as follows:

	2017 Number	2016 Number
Management and administration	**200**	176
Funeral services staff	**2,574**	2,488
Crematoria staff	**378**	346
Pre-arranged funeral plan staff	**147**	113
	3,299	3,123

Directors' emoluments

Details of Directors' emoluments are disclosed in the Report on Directors' Remuneration on pages 64 to 71 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:

	2017 £m	2016 £m
Defined contribution schemes	**3.0**	1.5

Defined benefit plan

The Group operates a defined benefit scheme the Dignity Pension and Assurance Scheme. A full actuarial valuation is being undertaken as at 6 April 2017 and has been updated to 29 December 2017 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 plan closed to future accrual on 28 February 2017, except for members of the LGPS sections who continue to accrue benefits. The total monetary contributions paid by the employer for 2017 were £0.3 million of which relates fully to contributions for ongoing service (2016: £1.4 million of contributions for ongoing service). No curtailment charge arose on the scheme closure.

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28 Pension commitments (continued)
The principal actuarial assumptions at the balance sheet date were:

Assumptions	2017 %	2016 %
Discount rate	**2.5**	2.7
Rate of increase in salaries	**2.35**	2.4
Rate of increase in payment of post April 1997 pensionable service	**3.25**	3.3
Rate of increase in payment of post April 2005 pensionable service	**2.25**	2.25
RPI price inflation assumption	**3.35**	3.4
CPI price inflation assumption	**2.35**	2.4

The demographic assumptions used include rates for mortality which, for example, lead to an average projected life expectancy of 20.4 (2016: 20.8) years for male members and 25.6 (2016: 26.2) years for female members currently aged 65 and of 21.4 (2016: 22.1) years from age 65 for male members and 26.8 (2016: 27.7) 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:

	2017 £m	2016 £m
Fair value of plan assets	**111.9**	107.9
Present value of funded obligations	**(135.9)**	(133.8)
Net obligation recognised in the balance sheet	**(24.0)**	(25.9)

Analysis of amount charged to income statement in respect of defined benefit schemes

	2017 £m	2016 £m
Current service cost included within cost of sales (staff costs)	**0.4**	1.3
Administration expenses paid by the scheme	**0.5**	0.6
Interest costs less interest income included within net finance cost	**0.6**	0.4

At the time of approval of the financial statements, the deficit reduction repayment plan for the anticipated deficit on the April 2017 triennial valuation has not been agreed with the Trustees of the scheme. There are no other expected contributions to the Group's pension scheme for the 52 week period ended 28 December 2018 due to the schemes closure to future accrual in 2017.

Analysis of fair value of plan assets

	2017		2016	
	£m	%	£m	%
Equity and diversified growth funds	**61.5**	**55.0**	70.2	65.0
Debt	**48.5**	**43.3**	37.4	34.7
Cash	**1.9**	**1.7**	0.3	0.3
Fair value of plan assets	**111.9**	**100.0**	107.9	100.0

At 29 December 2017 and 30 December 2016 the Pension Trustees did not hold, on behalf of the scheme, any direct investments in the Group, nor did the Group occupy any property or other assets included with the fair value of plan assets.

Changes in the present value of the defined benefit obligation are as follows:

	2017 £m	2016 £m
Present value of obligation at beginning of period	**(133.8)**	(106.9)
Current service cost	**(0.4)**	(1.3)
Interest cost	**(3.5)**	(4.0)
Benefits paid	**4.5**	5.6
Contributions by participants	**(0.2)**	(1.4)
Remeasurement losses – financial	**(4.5)**	(26.3)
Remeasurement gains – demographics	**3.2**	–
Remeasurement (losses)/gains – experience	**(1.2)**	0.5
Present value of obligation at end of period	**(135.9)**	(133.8)

28 Pension commitments (continued)

Changes in the fair value of plan assets are as follows:

	2017 £m	2016 £m
Fair value of plan assets at beginning of period	107.9	94.4
Interest income on plan assets	2.9	3.6
Contributions by Group	0.3	1.4
Contributions by participants	0.2	1.4
Benefits paid	(4.5)	(5.6)
Administration expenses paid by the scheme[a]	(0.6)	(0.8)
Remeasurement gains	5.7	13.5
Fair value of plan assets at end of period	**111.9**	107.9

(a) Administration expenses paid by the scheme includes £0.1 million (2016: £0.2 million) charged to other comprehensive income.

Analysis of the movement in the balance sheet obligation

	2017 £m	2016 £m
At beginning of period	(25.9)	(12.5)
Total expense as above charged to the income statement	(1.6)	(2.3)
Remeasurement gains/(losses) and administration expenses credited/(charged) to other comprehensive income	3.2	(12.5)
Contributions by Group	0.3	1.4
At end of period	**(24.0)**	(25.9)

The actual return on plan assets was £8.6 million (2016: £17.1 million).

Change in assumptions	Liabilities £m	Assets £m	Deficit £m	(Increase)/ decrease in deficit £m
No change	(135.9)	111.9	(24.0)	–
0.25% rise in discount rate	(129.6)	111.9	(17.7)	6.3
0.25% fall in discount rate	(142.8)	111.9	(30.9)	(6.9)
0.25% rise in inflation	(139.9)	111.9	(28.0)	(4.0)
0.25% fall in inflation	(131.7)	111.9	(19.8)	4.2

The above sensitivity analysis has been determined by applying the results of a fully accurate sensitivity analysis as at 6 April 2017 to the value placed on the Scheme liabilities as at 29 December 2017, assuming that the proportionate impact of the change in assumptions would be the same. It does not, therefore, allow for the impact of plan experience since 6 April 2017, although these would not be material. The same methodology was used for the sensitivity analysis undertaken for the period ending 30 December 2016.

Analysis of present value of scheme liabilities

	2017	2016
Active members[a]	37%	36%
Deferred pensioners	25%	27%
Current pensioners	38%	37%
Average duration of liabilities	18.5 years	17 years

(a) Active members are members of the Scheme who are still employed by the Group.

Scheme characteristic

The scheme is a final salary defined benefit scheme which was closed to new entrants on 1 October 2013 and ceased future accrual to all members except those in the LGPS sections on 28 February 2017. 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 contributions 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 the Projected Unit funding method. The last full triennial actuarial valuation was undertaken as at 6 April 2014.

At the time of approval of the financial statements, the deficit reduction repayment plan for the anticipated deficit on the April 2017 triennial valuation has not been agreed with the Trustees of the scheme.

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28 Pension commitments (continued)

Funding Risks
The assets quoted at 29 December 2017 are comprised as follows:

	£m
Assets held by investment managers	110.7
Balance of the Trustees' bank account	1.2
Total	**111.9**

The scheme's investment strategy is to de-risk the assets relative to the liabilities over time using a dynamic trigger based de-risking framework. The approach taken relates the asset allocation to the Scheme's funding position on a low-risk "self-sufficiency" basis. The principles are to target to achieve full funding on the self-sufficiency basis by 2036; to reduce funding level volatility by reducing un-hedged exposures (including the use of liability driven investments); and to monitor the progress in the funding level and to capture improvements by opportunistically de-risking when circumstances permit. The latter is achieved by switching investments from growth assets to matching assets as the funding level improves. It is recognised that although investing partly in growth assets is necessary to meet the return expectations in pursuit of funding level improvements, this increases the risk of a shortfall in returns relative to that required to cover the scheme's liabilities.

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. 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. The investment strategy is set, implemented and monitored by the Trustees.

It is the view of the Directors that none of the commitments given to these clients, which are explained further below, are onerous to the Group. However ultimately, the Group is obligated to perform these funerals in exchange for the assets of the Trust, whatever they may be.

Similar commitments have arisen following acquisitions of businesses, since 2013, which have sold pre-arranged funeral plans through similar trust based structures (the 'Recent Trusts'). 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').

(b) Pre-arranged funeral plan trust assets
As noted above, the Group has given commitments to perform the funerals covered by the pre-arranged plans, regardless of whether or not the Trusts have available assets to fund the funeral. The Group, therefore, has a potential exposure in the form of a reduced fee should the Trusts investment strategy, over which it has no control, fail to deliver an appropriate return or result in a fall in underlying asset values, or if the cost of delivery for a funeral increases at rates in excess of investment returns.

29 Pre-arranged funeral plans (continued)

The Trustees have informed the Group that they continue to take independent advice regarding the Trust's investment strategy. As a result, it is anticipated that the investment allocation by class will develop further during 2018 and beyond, gradually resulting in a portfolio in the following profile:

	Example investment types	Target (%)
Defensive investments	Index linked gilts and corporate bonds	22
Illiquid investments	Private investments	16
Core growth investments	Equities	22
Growth fixed income and alternative investments	Property funds and emerging market debt	40

These developments in the Trust's investment strategy are expected to enhance investment returns in the longer-term for a broadly similar level of risk as that currently taken. The strategy will, however, potentially result in greater volatility year on year in the reported value of the Trust's assets.

The Trustees have advised that the market value of the assets of the pre-arranged funeral plan trusts were approximately £940 million at 29 December 2017 (2016: £863.9 million) in respect of 306,000 (2016: 299,000) active pre-arranged funeral plans. 102,000 (2016: 68,000) of the remaining active pre-arranged funeral plans related to those backed by Insurance Plans, as described in note 1 to the consolidated financial statements, with the balance of 42,000 (2016: 37,000) being plans arising from acquisitions.

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). This actuarial valuation is of liabilities of the Trusts to secure funerals through Dignity and other third party funeral directors and does not, in respect of those funerals delivered by the Group represent the cost of delivery of the funeral. It is only in the event that there are insufficient funds within the Trusts to cover the cost of delivery to Dignity that the commitment would become onerous to Dignity as described in (a) above.

The Trustees have advised that the latest actuarial valuations of the Principal Trusts were performed as at 29 September 2017 (2016: 23 September 2016) using assumptions determined by the Trustees. Actuarial liabilities in respect of the pre-arranged funeral plan trusts have increased to £877.2 million as at 29 September 2017 (2016: £839.7 million). The corresponding market value of the assets of the pre-arranged funeral plan trusts was £904.5 million (2016: £831.5 million) as at the same date. Consequently the actuarial valuations recorded a total surplus of £27.3 million at 29 September 2017 (2016: deficit of £8.2 million). The Group considers these to be prudent assumptions. If the valuation had been performed using a discount rate equal to the long-term investment strategy target of the Trustees of inflation plus 2 per cent, then the valuations would have reported an aggregate surplus of approximately £160 million.

Nonetheless, the Trustees have advised that the Trusts hold assets of approximately £3,100 (2016: £2,900) per active plan at the balance sheet date. On average the Group received approximately £2,600 (2016: £2,500) in the period for the performance of each funeral (including amounts to cover disbursements such as crematoria fees, ministers' fees and doctors' fees).

The Trustees have advised that the Recent Trusts have approximately £17 million (2016: £19 million) of assets as at the balance sheet date and no material actuarial surplus or deficit.

Transactions with the Group

During the period, the Group entered into transactions with the National Funeral Trust, the Trust for Age UK Funeral Plans and the Dignity Limited Trust Fund (the 'Principal Trusts') and the Trusts related to businesses acquired since 2013 ('Recent Trusts') (and collectively, the 'Trusts') associated with the pre-arranged funeral plan businesses. The nature of the relationship with the Trusts is set out above and 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 (which are recognised by the Group as revenue within the pre-arranged funeral plan division at the time of the sale); and
- Receipts from the Trusts in respect of funerals provided (which are recognised by the Group as revenue within the funeral division when the funeral is performed).

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.

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29 Pre-arranged funeral plans (continued)

Transactions are summarised below:

	Transactions during the period		Amounts due to the Group at the period end	
	2017 £m	2016 £m	**2017 £m**	2016 £m
Dignity Limited Trust Fund	**0.3**	0.3	**–**	–
National Funeral Trust	**49.0**	44.4	**8.2**	6.8
Trust for Age UK Funeral Plans	**35.0**	36.5	**3.9**	4.2
Recent Trusts	**3.7**	2.1	**–**	0.2
Total	**88.0**	83.3	**12.1**	11.2

Amounts due to the Group from the Trusts are included in Trade and other receivables.

The above transactions were included within revenue under the following captions:

	Transactions during the period	
	2017 £m	2016 £m
Funeral services revenue	**45.6**	42.6
Pre-arranged funeral plans revenue	**26.7**	27.3

In addition to the transactions recognised within revenue in the table above, there were £15.7 million (2016: £13.4 million) of transactions between the Group and the Trusts which represented amounts paid to the Group to reimburse them for trust expenses, monies repaid to members on cancellation and monies paid to third parties for the performance of some funeral services; all of which have no impact on the income statement.

30 Contingent liabilities

(a) Securitisation

BNY Mellon Corporate Trustee Services Limited in its capacity as Security Trustee of the Secured Notes has the following guarantees and charges:

- The Dignity (2002) Group 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;
- 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;

30 Contingent liabilities (continued)

- 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 29 December 2017, the amount outstanding in relation to these borrowings was £565.7 million (2016: £574.6 million).

(b) £50,000,000 Revolving Credit Facility
As a consequence of the legal structure of the £50 million Revolving Credit Facility:

- Dignity Funerals No. 3 Limited, Dignity Holdings No. 3 Limited, Dignity (2008) Limited, Dignity Crematoria Limited and Dignity Crematoria No.2 Limited have each granted NatWest (acting through its agent, the Royal Bank of Scotland plc ('NatWest')) fixed and floating charges over its assets and undertakings;
- Dignity Funerals No. 3 Limited has granted NatWest, with full title guarantee a first fixed charge over the shares (and any monies receivable in respect of the shares) which it holds in Arthur J Nash Limited, T J Brown & Sons Limited and Aberdeen Funeral Directors Limited;
- Dignity (2008) Limited has granted NatWest, with full title guarantee a first fixed charge over the shares (and any monies receivable in respect of the shares) which it holds in Dignity Crematoria Limited;
- Dignity Holdings No. 3 Limited has granted NatWest, 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 Funerals No. 3 Limited; and
- Dignity Crematoria Limited has granted NatWest, 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 No.2 Limited.

31 Related party transactions
There are no related party transactions for either period.

32 Post balance sheet events
Acquisition activity
The Group has acquired one funeral location since the balance sheet date.

Bonus waiver
The Group's 2017 financial performance was sufficiently strong to justify an award to Executive Directors of 95 per cent of the maximum amount possible of their annual bonus opportunity. However, in light of the significant reduction in financial expectations for 2018 following the trading update in January 2018, the Executive Directors have decided to voluntarily waive their entitlement in full. These amounts were accrued in 2017 and will be released in 2018.

Dignity plc Company balance sheet

as at 29 December 2017

	Note	29 December 2017 £m	30 December 2016 £m
Fixed assets			
Investments	C2	**148.2**	147.0
Current assets			
Trade and other receivables	C3	**301.4**	264.3
Cash		**26.9**	46.6
Total current assets		**328.3**	310.9
Creditors: amounts falling due within one year	C4	**(17.5)**	(15.7)
Net current assets		**310.8**	295.2
Total assets less current liabilities		**459.0**	442.2
Net assets		**459.0**	442.2
Capital and reserves			
Called up share capital	C5	**6.2**	6.1
Share premium account		**11.1**	8.5
Capital redemption reserve		**141.7**	141.7
Other reserves		**3.2**	4.4
Retained earnings		**296.8**	281.5
Total equity		**459.0**	442.2

The Company has taken advantage of the exemption permitted by section 408 of the Companies Act 2006 not to publish its individual profit and loss account and related notes. The Company made a profit attributable to the equity shareholders of £27.5 million in the period (2016: £65.0 million).

The financial statements on pages 120 to 127 were approved by the Board of Directors on 14 March 2018 and were signed on its behalf by:

M K McCollum
Chief Executive

S L Whittern
Finance Director

Dignity plc Company statement of changes in equity

for the 52 week period ended 29 December 2017

	Ordinary share capital £m	Share premium account £m	Capital redemption reserve £m	Other reserves £m	Retained earnings £m	Total £m
Shareholders' equity as at 25 December 2015	6.1	4.8	141.7	3.6	227.5	383.7
Profit for the period	–	–	–	–	65.0	65.0
Other comprehensive income for the period						
Effects of employee share options	–	–	–	3.0	–	3.0
Proceeds from share issue	–	3.7	–	–	–	3.7
Gift to Employee Benefit Trust	–	–	–	(2.2)	–	(2.2)
Dividends paid on Ordinary Shares	–	–	–	–	(11.0)	(11.0)
Total transactions with owners, recognised directly in equity	–	3.7	–	0.8	(11.0)	(6.5)
Shareholders' equity as at 30 December 2016	6.1	8.5	141.7	4.4	281.5	442.2
Profit for the period	–	–	–	–	27.5	**27.5**
Other comprehensive income for the period						
Effects of employee share options	–	–	–	1.3	–	**1.3**
Proceeds from share issue	0.1	2.6	–	–	–	**2.7**
Gift to Employee Benefit Trust	–	–	–	(2.5)	–	**(2.5)**
Dividends paid on Ordinary Shares	–	–	–	–	(12.2)	**(12.2)**
Total transactions with owners, recognised directly in equity	0.1	2.6	–	(1.2)	(12.2)	**(10.7)**
Shareholders' equity as at 29 December 2017	**6.2**	**11.1**	**141.7**	**3.2**	**296.8**	**459.0**

Capital redemption reserve

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

Other reserves

Other reserves includes movements relating to the Group's SAYE and LTIP schemes.

Notes to the Dignity plc financial statements
for the 52 week period ended 29 December 2017

C1 Principal accounting policies

Basis of preparation
The financial statements of the Company for the period ended 29 December 2017 were authorised for issue by the Board of Directors and the balance sheet was signed on the Board's behalf by Mr M K McCollum and Mr S L Whittern. The Company is incorporated and domiciled in England and Wales. The Company's registered address is 4 King Edwards Court, King Edwards Square, Sutton Coldfield, West Midlands, B73 6AP.

The financial statements of the Company have been prepared in accordance with the Companies Act 2006, as applicable to companies using Financial Reporting Standard 101 'Reduced Disclosure Framework' ('FRS 101'). The financial statements have been prepared on a going concern basis under the historical cost convention. The principal accounting policies are set out below and have been applied consistently throughout the year.

The Company's financial statements are presented in Sterling and all values are stated in pound million rounded to one decimal place (£m) except where otherwise indicated.

In accordance with the concession granted under Section 408 of the Companies Act 2006, the income statement of the Company has not been separately presented in the financial statements.

In the current period, the Company's financial statements have been prepared for the 52 week period ended 29 December 2017. For the comparative period, the Company's financial statements have been prepared for the 53 week period ended 30 December 2016.

Exemptions:
As permitted by FRS 101 the following exemptions from the requirements of International Financial Reporting Standards ('IFRS') have been applied in the preparation of these financial statements:

- The following paragraphs of IAS 1, 'Presentation of financial statements':
  - 10(d) (statement of cash flows);
  - 16 (statement of compliance with all IFRS);
  - 38A (requirement for minimum of two primary statements, including cash flow statements);
  - 38B-D (additional comparative information);
  - 111 (cash flow statement information); and
  - 134-136 (capital management disclosures).
- Paragraph 38 of IAS 1 'Presentation of financial statements' comparative information requirements in respect of: Paragraph 79 (a) (iv) of IAS 1 'Presentation of financial statements'.
- IAS 7, 'Statement of cash flows'.
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- IFRS 7, 'Financial instruments: Disclosures'.
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation).
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

The Company is eligible to apply the above exemptions as it is included in the consolidated financial statements of Dignity plc who prepare financial statements under IFRS and include the above disclosures.

New standards, amendments and IFRIC interpretations
No new accounting standards, or amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 29 December 2017, have had a material impact on the Company.

Critical accounting estimates and assumptions
The preparation of the financial statements in conformity with FRS 101 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Management has not made any judgements, estimates or assumptions in preparing these financial statements that materially affects the application of policies or the reported amounts of assets, liabilities, income or expenses of the Company.

Fixed asset investments
Fixed asset investments are stated at historical cost, less any provision for impairment.

C1 Principal accounting policies (continued)

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 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.

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 IFRS 2 in respect of share option schemes resulting in the charge for such schemes being recognised in a subsidiary of the Company. The Company's financial statements reflect the cost of the scheme as an increase in the cost of investment in the subsidiary with the corresponding credit included within other reserves.

Employee share trust
The assets of the employee share trust are held by a separate limited company, of which the Directors consider that Dignity plc has de facto control. In accordance with IFRS, Accounting for ESOP Trusts and the substance of the transaction, the trust's assets and liabilities are recognised in the Company's balance sheet.

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

Financial instruments
Borrowings
All borrowings are initially recognised at fair value and subsequently measured at amortised cost in relation to amounts owed to group undertakings.

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 at bank and in hand
Cash at bank and in hand includes demand deposits and amounts included in accounts restricted for specific uses.

C2 Investments in subsidiary undertakings

Cost and net book amount	£m
At beginning of period	147.0
Additions in respect of share-based payments	1.2
At end of period	**148.2**

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.

A detailed listing of all subsidiary undertakings is included in note C9 below.

The Directors believe that the carrying value of the investments is supported by their underlying net assets.

C3 Trade and other receivables: amounts falling due within one year

	29 December 2017 £m	30 December 2016 £m
Amounts owed by group undertakings	**301.4**	263.3
Corporation tax	**–**	1.0
	301.4	264.3

Notes to the Dignity plc financial statements continued
for the 52 week period ended 29 December 2017

C4 Creditors: amounts falling due within one year

	29 December 2017 £m	30 December 2016 £m
Amounts owed to subsidiary undertakings	**14.8**	14.5
Accruals	**2.2**	1.2
Corporation tax	**0.5**	–
	17.5	15.7

C5 Called up share capital and reserves

	29 December 2017 £m	30 December 2016 £m
Allotted and fully paid Equity shares		
49,931,901 (2016: 49,738,150) Ordinary Shares of 12 48/143 pence (2016: 12 48/143 pence) each	**6.2**	6.1

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.

C6 Dividends

	52 week period ended 29 December 2017 £m	53 week period ended 30 December 2016 £m
Final dividend paid: 15.74p per Ordinary Share (2016: 14.31p)	**7.9**	7.1
Interim dividend paid: 8.64p per Ordinary Share (2016: 7.85p)	**4.3**	3.9
Dividend on Ordinary Shares	**12.2**	11.0

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

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 £12.2 million, 24.38 pence per share (2016: £11.0 million, 22.16 pence per share).

A final dividend of 15.74 pence per share, in respect of 2017, has been proposed by the Board. Based on the number of shares in issue at the date of signing this report the total final dividend payment is approximately £7.9 million. This will be paid on 29 June 2018 provided that approval is gained from shareholders at the Annual General Meeting on 7 June 2018 and will be paid to shareholders on the register at close of business on 18 May 2018.

C7 Staff costs

Directors' remuneration
Details of the Directors' emoluments are included in pages 64 to 71. They received no emoluments in respect of their services to the Company (2016: nil).

C8 Related party transactions
There are no related party transactions for either period requiring disclosure.

C9 Subsidiary undertakings

Principal subsidiaries

Company name	Principal activity
Advance Planning Limited	Pre-arranged funeral plans
Dignity (2002) Limited	Intermediate holding company
Dignity Crematoria Limited	Construction and leasing of crematoria
Dignity Crematoria No.2 Limited	Construction and leasing of crematoria
Dignity Finance PLC	Finance company
Dignity Funerals Limited	Funeral services
Dignity Funerals No.3 Limited	Funeral services
Dignity Pre Arrangement Limited	Pre-arranged funeral plans
Dignity Securities Limited	Pre-arranged funeral plans
Pitcher & Le Quesne Limited	Funeral services

Other subsidiaries

Company name	Principal activity
Birkbeck Securities Limited	Intermediate holding company
Dignity (2004) Limited	Intermediate holding company
Dignity (2008) Limited	Intermediate holding company
Dignity (2011) Limited	Intermediate holding company
Dignity (2014) Limited	Intermediate holding company
Dignity Finance Holdings Limited	Intermediate holding company
Dignity Holdings Limited	Intermediate holding company
Dignity Holdings No.2 Limited	Intermediate holding company
Dignity Holdings No.3 Limited	Intermediate holding company
Dignity Mezzco Limited	Finance company
Dignity Services	Intermediate holding company

Recent acquisition companies – dormant from 2018

Company name	Principal activity
A. & G. Huteson Ltd	Funeral services
Aberdeen Funeral Directors Limited	Funeral services
Bayley Brothers Hereford Limited	Funeral services
G & L Evans Ltd	Funeral services
Graeme Buckle Funeral Services Limited	Funeral services
H Eaton & Sons Holdings Limited	Funeral services
H.Eaton & Sons Limited	Funeral services
Inverclyde Funeral Directors Limited	Funeral services
J Hylton & Sons Limited	Funeral services
Jonathan Walker Funeral Directors Limited	Funeral services
Newco (Crematoria) Limited	Funeral services
Newco (Crematoria) 2 Limited	Funeral services
Newco (Crematoria) 3 Limited	Funeral services
Nicholls Memorials Limited	Funeral services
Peter Johnson Funerals Ltd.	Funeral services
Robert Nicholls Funeral Directors Limited	Funeral services
Spotland Bridge Funeral Services Limited	Funeral services
Walkers Funeral Directors Limited	Funeral services
WM. Jordan & Son (Funeral Directors) Limited	Funeral services

Notes to the Dignity plc financial statements continued

for the 52 week period ended 29 December 2017

C9 Subsidiary undertakings (continued)

Dormant companies

A & N Duckworth Limited
A Ashton & Sons Limited
A Bennett & Sons Limited
A F Townsend (Funeral Directors) Limited
A Hazel & Sons Limited
A Shepherd & Sons Limited
A T Genders Limited
A V Band Limited
A. Haxby & Sons (Filey) Limited
Abbey Funeral Service Limited
Adela Funeral Homes Limited
Anglian Funeral Service Limited
Armitage (Funeral Directors) Limited
Arthur Denyer Limited
Arthur G Whitehead (Westminster) Limited
Ashton & Ebbutt Limited
Ashton Ebbutt Holdings Limited
Ashton Memorials Limited
Ashtons (Brighton) Limited
Associated Funeral Services Limited
Astley Funerals Limited
Arthur J. Nash Limited

B & B Funeral Directors Limited
B. Bernard & Sons Limited
Baguley Bros. Limited
Banks Funeral Service Limited
Birmingham Crematorium (1973) Limited
Boyce Anderson Motors Limited
Bracher Brothers Limited
Brighton Stonemasons Limited
Broadwater Limousines Limited
Broomco (2013) Limited

C Powell Funeral Service Limited
Caledonian Funeral Services Limited
Carrwood Funeral Supplies Limited
Castle Court Funeral & Limousine Services Limited
Chichester Crematorium Limited
Chosen Heritage (Scotland) Limited
Chosen Heritage Limited
Chosen Heritage Services Limited
Clegg Humphreys Limited
Cooksey & Son Limited
Cooksley & Son Limited
Coombes & Sons (Bovey Tracey) Limited
Counties Crematorium Limited
Coyne Brothers Limited
Cumbernauld Funeral Services Ltd
Cyril H. Lovegrove Limited

D J Thomas (Funeral Directors) Limited
D. J. Evans Forse & Co Limited
D.Walsh & Son Limited
Daly & Company Limited
David B Hendry Limited
David Silvey & Son Limited
Davis McMullan Funeral Directors Limited
Derriman & Haynes Funeral Services Limited
Dewi Reynolds & Sons Limited
Dignity (2009) Limited
Dignity Caring Funeral Services Limited
Dignity Funerals No.2 Limited
Dignity Funerals No.4 Limited
Dignity In Destiny Limited
Dignity Legal Services Limited
Dignity Manufacturing Limited
Dillistone Funeral Service Limited
Docklands Funeral Services Limited
Dottridge Brothers Limited
Downer & White Limited
Downs Crematorium Limited
Dowsett & Jenkins Limited
Dundee Crematorium Limited
Dunning (Undertaking) Limited
Dyson Richards Limited

E Hurton & Son Limited
E M Lander Limited
E Seymour & Son Limited
E. Brigham Funeral Directors Limited
E.F.Edwards Limited
E.Finch & Sons Limited
Earl Of Plymouth Limited
Eden Park Estate Limited
Edmund & Lewis Limited
Edward Lewis Wicks & Sons Limited
Ely Funeral Service Limited
Ever 1324 Limited
Ever 1326 Limited
Ever 1327 Limited
Exeter & Devon Crematorium Limited

F L Mildred & Sons (Funeral Directors) Limited
F. Kneeshaw & Sons (Funeral Directors) Limited
F.E.J. Green & Sons Limited
F.G.Pymm (Funeral Directors) Limited
F.Harrison & Son (Funeral Directors) Limited
F. J. Gibb Limited
F.M. & J. Wait & Co Limited
F. Jennings & Sons Limited
F.Smith & Son (Staines) Limited
Family Funeral Services Limited
Farebrother Funeral Services Limited
Fisher & Townsend (Funeral Directors) Limited
Flowers By Design Limited
Ford Ennals Funeral Services Limited
Forethought Limited
Francis Chappel & Sons Limited
Frank Stephenson & Son (Funeral Directors) Limited
Frederick W Chitty & Co Limited
Fredk. W.Paine Limited
Funeral Arrangements Online Limited
Funeral Debt Collection Limited
Funeral Services London Limited

G. M. Charlesworth & Son Limited
G.F. Cook (Funerals) Limited
G.F.Hunt (Bath) Limited
G.Gamble & Son Limited
G.Smith (Wooburn) Limited
George Hall & Son Funeral Directors Limited
George S. Munn & Company, Limited
George Stanton (1935) Limited
Gerald Martin Funeral Directors Limited
Ginns & Gutteridge Limited
Gornalls Funeral Services Limited
Graham Sullivan Funeral Directors Limited
Grave Design Limited
Great Southern Group Limited
Grimmett & Timms Limited

H & G Wilde Funeral Directors Limited
H A Harrold & Son Limited
H J Dawson Limited
H J Phillips & Son (Funeral Directors) Limited
H Johnson & Sons Limited
H Leslie Humphreys Limited
H Tonkin Limited
H. J. Whalley & Sons Limited
H. Towell Ltd
H.Copeland & Son Limited
H.Dorricott & J.Bent Limited
H.G.Brown & Sanders Limited
H.Hill Funeral Service Limited
H.R.H. Holdings Limited
Hambrook & Johns Limited
Hanningtons (Funeral Directors) Limited
Hardacres Funeral Directors Limited
Harry Williams & Sons (Cambridge) Limited
Heighton & Son Limited
Hemley Funeral Service Limited
Henry Naylor (Funeral Directors) Limited
Henry Paul Limited
Henry Smith (Wandsworth) Limited
Highfield Funeral Service Limited
Hindu Funeral Service Limited
Hodgson Holdings (Scotland) Limited
Hodgson Holdings Limited
Holdfast (Funerals) Limited
Howard Jenkins (Edge Hill) Limited
Hunters Funeral Directors Limited

Ian Clarke Funeral Service Limited
Ingall Services Limited
Invicta Memorials Limited

J H Kenyon Limited
J H Raven Limited
J Kynaston Limited
J Steadman & Sons Limited
J.W.Tate & Son (Holdings) Limited
J.W.Tate & Son Limited
Jack Lee & Sons Limited
James Allen & Son (Disley) Limited
James Crook Limited
John & William Shering Limited
John Bardgett & Sons Limited
John G Ashton & Co (Funeral Directors) Limited
Johnson Funeral Supplies Limited
Johnson-Sears Limited
Jonathan Harvey Limited
Joseph Swift (Funeral Director) Limited
Joseph Tomlinson & Sons Limited
Joslin Memorials (1974) Limited

C9 Subsidiary undertakings (continued)

Dormant companies continued

K.Y. Green Limited
Kellaways (Funeral Service) Limited
Ken Gregory & Sons Limited
Kent Funeral Supplies Limited
Kenyon Air Transportation Limited
Kenyon Emergency Services Limited
Kenyon Repatriation Limited
Kenyon Securities Limited
Kenyons Funeral Directors Limited
Kirkwoods (Funeral Directors) Limited

L Fulcher Limited
L J Clegg Limited
Lambeth & Brixton Community Funeral Services Limited
Lambeth Funeral Services Limited
Lea Valley Funeral Services Limited
Leeds Limousines Limited
Leehope Services Limited
London Necropolis Company Limited
Longhurst (Undertakers) Limited
Lowden Wells Limited

MacIntosh & Steven Limited
Mahony & Ward Limited
Malcolm J Presland Limited
Mannerings Limited
Mathias's of Putney Limited
Maxwell Bros. Limited
Meadow Pool Limited
Mews & Yeatmans Limited
Mid Sussex Funeral Services Limited
Middleton & Wood (1919) Limited
Monumental Masons Limited
Moodys Funeral Directors Limited
Moray Crematorium Holdings Limited
Moray Crematorium Limited
Morecambe & Heysham Funeral Service Limited

N A Medd Limited
National Funeral Trust Limited
Newport Hire (I.W.) Limited
Newsome's Funeral Service (Royston) Limited
Norfolk Crematorium Limited
Northampton Crematorium Limited
Norwich Crematorium Holdings Limited
Norwich Crematorium Limited

Oxford Crematorium Limited

Patrick Stonemasons Limited
Personal Choice Funeral Plan Limited
PFG Hodgson Kenyon (Services) Limited
PFG Hodgson Kenyon (UK) Limited
PFG Hodgson Kenyon Limited
Philip Ford & Son (Funeral Directors) Limited
Phillips Funeral Plans Limited
Phillips Funeral Services Limited
Phillips Holdings (Hertfordshire) Limited
Phillips Supplies Limited
Piccioni (Masonry) Limited
Plantsbrook Group Limited
Plantsbrook Limited
Preston Ireland Bowker Limited
Priestley & Cockett Limited

R Butler & Sons Limited
R C Holden & Son Limited
R Garner Son & Wood Limited
R.Davies & Son Limited
R.S. Johnson & Sons Limited
R.S.Scott (Funerals) Limited
Ravenhill Funeral Services Limited
Remembrance Limited
Robemanor Limited
Roberts & Brain Limited
Romney Marsh Funeral Services Limited
Rosspark Limited

S A Bates & Sons Limited
S Wellens & Sons Limited
Saftway Limited
Salenew Limited
Sanders Goodale & Co.Limited
SCI Pre Arrangement Limited
Seaford Funeral Service Limited
Seddons of Southport Limited
Selim Smith & Co. Limited
Serenity Limited
Shankill Funeral Services Limited
Silver Lady Funeral Service Limited
Simplicity Funerals Limited
Simpsons (Undertakers Requisites) Limited
Stanway & Garnett Funeral Service Limited
Swift & Mildred Limited

T & R O'Brien Limited
T H Fenton Limited
T S Annison & Sons Limited
T. S. Horlock & Son Limited
T.H.Sanders & Higgs Limited
T.H.Sanders & Sons Limited
T J Brown & Sons Limited
T.J.Davies & Sons (Funeral Directors) Limited
Taylors Funerals (Wirral) Limited
The Crematorium Company Limited
The Dignity Plan Limited
The East Riding Crematorium Company Limited
The Haltemprice Crematorium Limited
The Lawrence Funeral Service Limited
The Leverton Funeral Service (Dartford) Limited
The South London & Southern Counties Cremation Society Limited
The South London Crematorium Co Limited
The Titford Funeral Service Limited
Thomas Brothers (Wellington and Taunton) Limited
Thompsons (Busbys) Limited
Thompsons (Funeral Furnishers) Limited
Thompsons (Maguires) Limited
Thompsons (Rimmers) Limited
Tovey & Morris Limited

U.F.D. Limited
UK Funerals Limited
UKF Limited

W G Dixon Limited
W G Rathbone Funeral Directors Limited
W H Scott & Son Limited
W S Bond Limited
W S Harrison & Son Limited
W Thorp & Sons (Leigh-on-Sea) Limited
W.E.Turner (Funeral Furnishers) Limited
W.Garstin & Sons Limited
Walmsley Hammond (Rayleigh) Limited
Warburton Funerals Limited
Wetton Funeral Services Limited
White Lady Funerals Limited
Whyte Funeral Services Limited
William Pearce & Son Limited
Wilmshurst & Dickson Limited
Woodfield Park Funeral Home Limited

Yew Holdings Limited

All of the subsidiaries are incorporated in the United Kingdom except for Pitcher & Le Quesne Limited which is incorporated in Jersey. All subsidiaries are controlled by the Group.

All of the above shareholdings are held indirectly, with the exception of Dignity (2004) Limited, Dignity (2008) Limited, Dignity (2011) Limited and Dignity Holdings No.3 Limited.

Dignity plc owns, either directly or indirectly, 100 per cent of the equity interest of all the subsidiaries.

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Financial record*

Summarised consolidated income statement

	2017 £m	2016 £m	2015 £m	2014 £m	2013 £m
Revenue					
Funeral services	**221.8**	217.8	212.6	184.4	176.2
Crematoria	**74.0**	67.5	63.1	55.2	53.8
Pre-arranged funeral plans	**28.2**	28.3	29.6	29.3	26.7
	324.0	313.6	305.3	268.9	256.7
Underlying operating profit					
Funeral services	**79.5**	79.0	76.8	66.3	60.8
Crematoria	**40.0**	37.6	34.6	29.1	27.4
Pre-arranged funeral plans	**8.0**	8.5	7.8	7.4	6.7
Central overheads	**(22.9)**	(23.4)	(20.5)	(17.9)	(16.5)
	104.6	101.7	98.7	84.9	78.4
Underlying finance costs	**(26.9)**	(26.9)	(27.0)	(30.6)	(28.9)
Finance income	**0.1**	0.4	0.5	4.2	3.4
Underlying profit before tax	**77.8**	75.2	72.2	58.5	52.9
Taxation	**(13.8)**	(15.8)	(15.5)	(13.1)	(12.9)
Underlying profit after tax	**64.0**	59.4	56.7	45.4	40.0
Underlying earnings per share (pence)	**128.3p**	119.8p	114.8p	85.8p	72.1p
Operating profit	**98.0**	97.7	95.5	82.9	75.1
Profit/(loss) after tax	**57.8**	57.2	56.9	(55.0)	40.4
Basic earnings per share (pence)	**115.8p**	115.3p	115.2p	(104.0p)	72.8p

Key performance indicators

	2017	2016	2015	2014	2013
Total estimated number of deaths in Britain (number)	**590,000**	590,000	588,000	550,000	560,000
Number of funerals performed (number)	**68,800**	70,700	73,500	65,600	68,000
Funeral market share** (per cent)	**11.5%**	11.8%	12.3%	11.7%	11.9%
Number of cremations performed (number)	**63,400**	59,500	57,700	53,400	55,500
Crematoria market share (per cent)	**10.7%**	10.1%	9.8%	9.7%	9.9%
Active pre-arranged funeral plans (number)	**450,000**	404,000	374,000	348,000	323,000
Cash generated from operations (£million)	**115.4**	121.1	125.2	104.4	94.2

Net debt

	2017 £m	2016 £m	2015 £m	2014 £m	2013 £m
Net amounts owing on Secured Notes per financial statements	**(565.1)**	(573.9)	(586.5)	(594.6)	(403.0)
Add: unamortised issue costs on Secured Notes	**(0.6)**	(0.7)	(0.7)	(0.7)	(16.3)
Gross amounts owing on Secured Notes per financial statements	**(565.7)**	(574.6)	(587.2)	(595.3)	(419.3)
Net amounts owing on Crematoria Acquisition Facility per financial statements	**–**	(15.7)	(15.7)	(15.6)	(15.6)
Add: unamortised issue costs on Crematoria Acquisition Facility	**–**	(0.1)	(0.1)	(0.2)	(0.2)
Gross amounts owing	**(565.7)**	(590.4)	(603.0)	(611.1)	(435.1)
Accrued interest on Secured Notes	**(0.3)**	(0.3)	(12.8)	(5.7)	(14.3)
Accrued interest on Crematoria Acquisition Facility and Revolving Credit Facility	**(0.2)**	(0.1)	(0.1)	–	–
Cash and cash equivalents	**49.3**	67.1	98.8	86.5	79.3
Net debt	**(516.9)**	(523.7)	(517.1)	(530.3)	(370.1)

Summarised consolidated balance sheet

	2017 £m	2016 £m	2015 £m	2014 £m	2013 £m
Non-current assets					
Goodwill and intangible assets	**385.5**	358.1	328.2	276.5	250.4
Property, plant and equipment	**248.0**	235.4	200.6	192.3	183.6
Financial and other assets	**14.3**	11.3	10.3	10.4	12.7
	647.8	604.8	539.1	479.2	446.7
Current assets					
Cash and cash equivalents – excluding collateralisation of Liquidity Facility	**49.3**	67.1	98.8	86.5	79.3
Cash and cash equivalents – collateralisation of Liquidity Facility	**–**	–	–	–	63.0
Cash and cash equivalents	**49.3**	67.1	98.8	86.5	142.3
Other current assets	**45.6**	43.1	38.3	36.5	34.4
	94.9	110.2	137.1	123.0	176.7
Total assets	**742.7**	715.0	676.2	602.2	623.4
Current liabilities	**70.0**	75.1	82.7	60.6	143.6
Non-current liabilities	**626.3**	643.4	637.4	634.1	437.6
Total liabilities	**696.3**	718.5	720.1	694.7	581.2
Equity attributable to shareholders	**46.4**	(3.5)	(43.9)	(92.5)	42.2
Total equity and liabilities	**742.7**	715.0	676.2	602.2	623.4

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.

*** In 2014, 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'). For the purpose of the financial record, the various classes of these notes are referred to as the Secured Notes. Elsewhere in this Annual Report, Secured Notes and associated references refers to the New Notes, as these were the only notes in issue in 2015, 2016 and 2017.

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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 0371 384 2674 if calling from within the UK, or +44 (0) 121 415 7047 if calling from outside the UK.

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 'Open a Portfolio Account' 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 7 June 2018, at 11:00am at DLA Piper UK LLP, Victoria Square House, Victoria Square, Birmingham, West Midlands, B2 4DL.

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

Financial calendar

14 March 2018	Preliminary announcement of 2017 results
7 June 2018	Annual General Meeting
29 June 2018	2018 financial half year end
29 June 2018 (subject to shareholder approval)	Payment of 2017 final dividend
1 August 2018 (provisional)	Announcement of interim results
26 October 2018 (provisional)	Payment of 2018 interim dividend
28 December 2018	Financial period end

Forward-looking statements

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

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

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

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

Acknowledgements
Dignity would like to thank all those who participated in producing this Annual Report, particularly the members of staff for their contributions.

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