Dignity plc Interim Report 2012

Dedicated to the local communities we serve

About Dignity

Dignity owns 616 funeral locations and operates 36 crematoria in the United Kingdom. The Group continues to have a strong market presence in pre-arranged funeral plans, where people plan and pay for their funeral in advance.

We are a FTSE 250 company listed on the London Stock Exchange, with over 2,500 employees serving families and local communities across the United Kingdom for generations.

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

Our strategy for growth

We plan to grow the profitability of our business by:

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

Our key priorities

Ensuring the highest levels of client service excellence:

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

Attracting, developing and retaining the best people:

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

Continued investment:

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

Delivering long term shareholder returns:

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

Contents

Front cover: Dignity strives to set the highest standard of service for the funeral profession in terms of client service and care for the deceased.

Key financial highlights
for the 26 week period ended 29 June 2012

Current period financial highlights	2012	2011	Increase per cent
Revenue (£million)	**116.5**	107.7	8.2
Underlying operating profit[a] (£million)	**39.2**	36.3	8.0
Underlying profit before tax[a] (£million)	**27.5**	24.7	11.3
Underlying earnings per share[b] (pence)	**37.4**	32.7	14.4
Cash generated from operations[c] (£million)	**40.8**	36.9	10.6
Operating profit (£million)	**38.9**	36.1	7.8
Profit before tax (£million)	**27.2**	24.5	11.0
Basic earnings per share (pence)	**38.7**	33.8	14.5
Interim dividend (pence)	**5.36**	4.87	10.0

Trading overview	26 week period ended	
	29 June 2012 £m	1 July 2011 £m
Revenue		
Funeral services	**81.6**	76.5
Crematoria	**23.7**	21.8
Pre-arranged funeral plans	**11.2**	9.4
	116.5	107.7
Underlying operating profit[a]		
Funeral services	**30.3**	27.5
Crematoria	**12.3**	11.6
Pre-arranged funeral plans[d]	**3.7**	3.0
Central overheads	**(7.1)**	(5.8)
	39.2	**36.3**

(a) Underlying profit is calculated as profit excluding profit on sale of fixed assets and external transaction costs.
(b) Underlying earnings per share is calculated as profit on ordinary activities after taxation, before profit on sale of fixed assets, external transaction costs (both net of tax) and exceptional items, divided by the weighted average number of Ordinary Shares in issue in the period.
(c) Cash generated from operations excludes external transaction costs.
(d) Pre-arranged funeral plans include Recoveries of £1.5 million (2011: £1.5 million).

Chairman's statement

"These results demonstrate the resilience of the Group's business model."

Peter Hindley, Chairman

Results

The Group has performed strongly in the first half of the year. The number of deaths was ahead of the comparable prior period and this has led to a strong performance by funeral operations. In addition, pre-arranged funeral plans continues to perform well. As a result, underlying operating profits were £39.2 million (2011: £36.3 million), an increase of 8.0 per cent. This is slightly ahead of the Board's expectations.

Operating profits were £38.9 million (2011: £36.1 million).

Underlying earnings per share increased 14.4 per cent to 37.4 pence per share (2011: 32.7 pence per share). This increase is higher than the growth in operating profit as a consequence of a consistent finance cost and a reduction in the headline Corporation Tax rate.

These results demonstrate the resilience of the Group's business model.

Basic earnings per share were 38.7 pence per share (2011: 33.8 pence per share), an increase of 14.5 per cent.

Dividends

The Board has declared an interim dividend of 5.36 pence per share (2011: 4.87 pence per share). This dividend will be paid on 26 October 2012 to shareholders who are on the register at close of business on 28 September 2012.

This dividend represents a 10 per cent increase on the interim dividend paid in the previous year.

Our staff

Our staff show continued commitment to the business and the families they serve. I am proud of the work they do each day of the year to help our clients every step of the way.

Outlook

The Group remains on track to achieve the Board's expectations for the full year.

Business and financial review

Mike McCollum, Chief Executive

Introduction

The Group's operations are managed across three main areas, namely funeral services, crematoria and pre-arranged funeral plans. Funeral services revenues relate to the provision of funerals and ancillary items such as memorials and floral tributes. Crematoria revenues arise from cremation services and the sale of memorials and burial plots at the Group's crematoria and cemeteries. Pre-arranged funeral plan revenue represents amounts to cover the costs of marketing and administering the sale of plans.

Office for National Statistics Data

Some of the Group's key performance indicators rely on the total number of estimated deaths for each period.

This information is obtained from the Office for National Statistics (ONS) and helps to provide good general background to the Group's performance.

Initial estimated deaths in Great Britain for the first half of 2012 were 285,000 (2011: 281,000). Historically, the ONS has updated these estimates from time to time. As in previous years, the Group does not restate any of its key performance indicators when these figures are restated in the following year.

Funeral services

The Group operates a network of 616 (June 2011: 584; December 2011: 600) funeral locations throughout the United Kingdom. The change to the portfolio reflects the acquisition of eight additional funeral locations, nine new satellite locations and one closure. This portfolio now includes a total of 52 satellite locations, which have been opened since 2010.

In the first half of 2012, the Group conducted 33,300 funerals (2011: 33,400) in the United Kingdom. Approximately two per cent of these funerals were performed in Northern Ireland (2011: two per cent). Excluding Northern Ireland, these funerals represent approximately 11.5 per cent (June 2011: 11.7 per cent; December 2011: 11.3 per cent) of total estimated deaths in Great 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 this calculation can only ever be an estimate.

Underlying operating profits were £30.3 million (2011: £27.5 million), an increase of 10.2 per cent.

Client service excellence

To ensure we maintain the highest levels of client service excellence, all Dignity funeral locations send a written client survey to the families they serve. In the last five years, we have received over 150,000 responses and from the responses this year so far, we know that, having received the final invoice:

Delivering Client service excellence: the Dignity client survey

- 99.3 (December 2011: 99.3) per cent of respondents said that we met or exceeded their expectations;
- 98.1 (December 2011: 98.1) per cent of respondents would recommend us;
- 99.9 (December 2011: 99.9) per cent thought our staff were respectful;
- 99.8 (December 2011: 99.8) per cent thought our premises were clean and tidy;
- 99.8 (December 2011: 99.7) per cent thought our vehicles were clean and comfortable;
- 99.7 (December 2011: 99.7) per cent thought our staff listened to their needs and wishes;
- 99.2 (December 2011: 99.2) per cent of clients agreed that our staff had fully explained what would happen before and during the funeral;
- 99.3 (December 2011: 99.3) per cent thought that our staff were compassionate and caring;
- 98.9 (December 2011: 98.8) per cent said that the funeral service took place on time; and
- 98.9 (December 2011: 98.8) per cent said that the final invoice matched the estimate provided.

This consistent level of service underpins our funeral business.

Crematoria

The Group operates 36 crematoria (June 2011: 34; December 2011: 35) and is the largest single operator of crematoria in Great Britain. The Group performed 26,200 cremations (2011: 25,400), reflecting the increase in the number of crematoria being operated.

These volumes represent approximately 9.2 per cent (June 2011: 9.0 per cent; December 2011: 8.8 per cent) of total estimated deaths in Great Britain.

Underlying operating profits were £12.3 million (2011: £11.6 million), an increase of 6.0 per cent.

Business and financial review continued

Pre-arranged funeral plans

Unfulfilled pre-arranged funeral plans were approximately 275,000 at the end of the period (June 2011: 248,000; December 2011: 265,000). These plans continue to represent future potential incremental business for the funeral division.

The division has had a strong start to the year, contributing underlying operating profits of £3.7 million (2011: £3.0 million) in the period. Plan sales were significantly ahead of the previous period. The result includes Recoveries of £1.5 million (2011: £1.5 million).

The Group continues to seek additional partners and to increase plan sales.

Central overheads

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

Costs were £7.1 million in the period (2011: £5.8 million). This principally reflects increased bonus provisions in the period. This follows a change to the bonus scheme for managers, who are now able to earn a greater percentage of their salary than the previous year for full year performance in excess of budget. No changes have been made to directors' bonus opportunities and the Board hopes to make discretionary payments, as in previous years, to all staff if the full year's performance justifies it.

Acquisition activity

The Group has invested £5.1 million in acquiring eight funeral locations during the period.

In addition, £0.6 million has been invested in new funeral satellite locations, with nine opening in the period.

In April, the Group began operating one crematorium and three cemeteries on behalf of Haringey Council following its appointment as Preferred Bidder in 2011.

The Group's new crematorium in Essex is due to open in the third quarter of 2012. The Group therefore expects to be operating 37 crematoria before the end of the year.

Earnings per share

Underlying earnings per share increased 14.4 per cent to 37.4 pence per Ordinary Share. This increase demonstrates the leveraging effect of the Group's funding structure, together with a reduction in the headline Corporation Tax rate.

Cash flow and cash balances

The Group continues to be strongly cash generative. Cash generated from operations, before external transaction costs, was £40.8 million (2011: £36.9 million). This increase is slightly ahead of the increase in the Group's operating profits, confirming its ability to convert profits into cash very efficiently.

During the period, the Group spent £8.0 million (2011: £13.0 million) on purchases of property, plant and equipment.

This is analysed as:

	29 June 2012 £m	1 July 2011 £m
Vehicle replacement programme and improvements to locations	**5.1**	3.7
Branch relocations	**0.4**	0.3
Satellite locations	**0.6**	0.5
Development of new crematoria	**1.8**	8.0
Mercury abatement project	**0.1**	0.5
Total property, plant and equipment	**8.0**	13.0
Partly funded by:		
Disposal proceeds	**(0.4)**	(0.6)
Net capital expenditure	**7.6**	12.4

The mercury abatement project is on track for completion by the end of 2012 as required by legislation.

Cash balances at the end of the period were £40.5 million. Of this amount, £1.5 million (2011: £1.5 million) in respect of Recoveries is disclosed as a restricted cash balance, as it is not available for general use by the Group until February 2013.

Taxation

The Group's effective tax rate for 2012 is expected to be 25.5 per cent following the changes to the rate of Corporation Tax announced by the Chancellor of the Exchequer.

This is one per cent lower than anticipated following the Chancellor's decision to reduce the headline rate by two per cent rather than by one per cent. Consequently, an exceptional tax credit of £1.0 million has been recognised in the period. A further exceptional tax credit of a similar amount is expected in the second half of 2012. This follows the enactment of an additional reduction in Corporation Tax in July 2012. As a result, the Group's effective tax rate for 2013 is expected to be 24.5 per cent.

Pensions
The Group's defined benefit pension scheme shows a surplus on an accounting basis of £0.5 million at the end of the period. This compares to a surplus of £1.3 million at the end of December 2011 and a surplus of £8.4 million at the end of June 2011.

This follows the reduction in gilt yields to record low levels. This is something that will apply to all schemes. In Dignity's case, this resulted in an assumed discount rate of 4.8 per cent, compared to 4.85 per cent in December 2011 and 5.5 per cent in June 2011.

The Group continues to consider the implications of auto enrolment which takes effect in the third quarter of 2013.

Capital structure and financing
The Group's principal source of external debt financing continues to be the Class A and B Secured Notes. These are currently rated A and BBB respectively by Standard & Poor's and A+ and BBB+ respectively by Fitch.

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

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 June 2012 was 2.35 times (June 2011: 2.35 times; December 2011: 2.27 times). Further details may be found in note 9. As expected, the ratio has now started to increase since the year-end now that the Debt Service levels are comparable following the issue of further Secured Notes in September 2010.

The Group is also fully drawn on a £10.0 million Crematorium Acquisition Facility, which was used to fund the acquisition of five crematoria locations in the last quarter of 2008.

The principal on the facility is repayable in one amount in November 2013 and interest is either fixed or capped at approximately 5.6 per cent. All interest is payable in cash on a quarterly basis. The Group also has £5.8 million of undrawn facilities on similar terms to the Crematorium Acquisition Facility. These facilities are currently available to be drawn until the end of 2012.

As set out in note 9, the Group's gross debt outstanding was £344.5 million (June 2011: £354.4 million; December 2011: £349.5 million). Net debt was £304.1 million (June 2011: £319.1 million; December 2011: £312.7 million).

Key performance indicators
In addition to the results of its client surveys, the Group uses a number of key performance indicators both to manage the business and ensure that the Group's strategy and objectives are being delivered.

	26 weeks ended 29 Jun 2012	26 weeks ended 1 Jul 2011	52 weeks ended 30 Dec 2011
Total estimated number of deaths in Great Britain (number)	**285,000**	281,000	539,000
Number of funerals performed (number)	**33,300**	33,400	62,300
Funeral market share excluding Northern Ireland (per cent)	**11.5**	11.7	11.3
Number of cremations performed (number)	**26,200**	25,400	47,600
Crematoria market share (per cent)	**9.2**	9.0	8.8
Unfulfilled pre-arranged funeral plans (number)	**275,000**	248,000	265,000
Underlying earnings per share (pence)	**37.4**	32.7	55.1
Underlying operating profit (£million)	**39.2**	36.3	64.5
Cash generated from operations (£million)[a]	**40.8**	36.9	74.2

(a) Cash generated from operations excludes external transaction costs.

(b) These key performance indicators are produced using information supplied by ONS and company data.

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

Going concern
The Directors receive and review regularly management accounts, cash balances, forecasts and the annual budget together, with covenant reporting. After careful consideration and mindful of the current market conditions, the Directors confirm they are satisfied that the Group has adequate resources to continue operating for the foreseeable future. The Directors formally considered this matter at the Board meeting held on 25 July 2012. For this reason, they continue to adopt the going concern basis for preparing the Interim Report.

Principal risks and uncertainties

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

The principal risks and how they are managed have not changed since the year-end. These principal risks and uncertainties will continue to affect the Group in the second half of the year.

Operational risk management

Significant reduction in the death rate

There is a risk that the number of deaths in any year significantly reduces. This would have a direct result on the financial performance of both the funerals and crematoria divisions.

However, the profile of deaths has historically followed a similar profile to that predicted by the ONS, giving the Group the ability to plan its business accordingly.

Nationwide adverse publicity

Nationwide adverse publicity could result in a significant reduction in the number of funerals or cremations performed in any financial period. This would have a direct result on the financial performance of that division.

However, this risk is addressed by ensuring appropriate policies and procedures are in place, which are designed to ensure client service excellence. These policies and procedures retain flexibility for the business to serve families in accordance with local traditions.

Ability to increase average revenues per funeral or cremation

Operating profit growth is in part attributable to the Group's ability to increase the average revenue per funeral or cremation. There can be no guarantee that future average revenues per funeral or cremation will increase at rates similar to previous periods.

However, the Group believes that its focus on client service excellence helps to mitigate this risk.

Significant reduction in market share

It is possible that other external factors, such as new competitors, could result in a significant reduction in market share within funeral or crematoria operations. This would have a direct result on the financial performance of that division.

However, the Group believes that this risk is mitigated for funeral operations by reputation and recommendation being a key driver to the choice of funeral director being used and for crematoria operations is mitigated by difficulties associated with building new crematoria.

Demographic shifts in population

There can be no assurance that demographic shifts in population will not lead to a reduced demand for funeral services in areas where Dignity operates. In such situations, Dignity would seek to follow the population shift.

Competition

The UK funeral services market and crematoria market is currently very fragmented.

There can be no assurance that there will not be further consolidation in the industry or that increased competition in the industry, whether in the form of intensified price competition, service competition, over capacity or otherwise, would not lead to an erosion of the Group's market share, average revenues or costs of funerals and consequently a reduction in its profitability.

However, there are barriers to entry in the funerals services market due to the importance of established local reputation and in the crematoria market due to the need to obtain planning approval for new crematoria and the cost of developing new crematoria.

Financial risk management

An assessment of the Group's exposure to financial risks and a description of how these risks are managed are included in note 2 of the Group's 2011 Annual Report.

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

Financial Covenant under the Secured Notes

The Group's Secured Notes requires EBITDA to total debt service to be above 1.5 times. If this financial covenant is not achieved, then this may lead to an Event of Default under the terms of the Secured Notes, which could result in the Security Trustee taking control of the securitisation group on behalf of the Secured Noteholders.

In addition, the Group is required to achieve a more stringent ratio of 1.85 times for the same test in order to be permitted to transfer excess cash from the securitisation group to Dignity plc. If this stricter test is not achieved, then the Group's ability to pay dividends would be impacted. However, 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.

Consolidated income statement (unaudited)

for the 26 week period ended 29 June 2012

	Note	26 week period ended 29 Jun 2012 £m	26 week period ended 1 Jul 2011 £m	52 week period ended 30 Dec 2011 (audited) £m
Revenue	2	**116.5**	107.7	210.1
Cost of sales		**(47.8)**	(45.0)	(89.2)
Gross profit		**68.7**	62.7	120.9
Administrative expenses		**(31.3)**	(28.1)	(59.2)
Other income		**1.5**	1.5	1.5
Operating profit	2	**38.9**	36.1	63.2
Analysed as:				
Operating profit before profit on sale of fixed assets and before external transaction costs	2	**39.2**	36.3	64.5
Profit on sale of fixed assets		**0.1**	0.3	0.2
External transaction costs		**(0.4)**	(0.5)	(1.5)
Operating profit		**38.9**	36.1	63.2
Finance costs	3	**(12.9)**	(13.2)	(25.9)
Finance income	3	**1.2**	1.6	3.0
Profit before tax	2	**27.2**	24.5	40.3
Taxation – before exceptional items	4	**(7.0)**	(6.8)	(11.2)
Taxation – exceptional	4	**1.0**	0.8	5.2
Taxation	4	**(6.0)**	(6.0)	(6.0)
Profit for the period attributable to equity shareholders		**21.2**	18.5	34.3
Earnings per share for profit attributable to equity shareholders				
– Basic and diluted (pence)	5	**38.7p**	33.8p	62.6p
Underlying earnings per share (pence)	5	**37.4p**	32.7p	55.1p

The results have been derived wholly from continuing activities throughout the period.

Consolidated statement of comprehensive income (unaudited)

for the 26 week period ended 29 June 2012

	26 week period ended 29 Jun 2012 £m	26 week period ended 1 Jul 2011 £m	52 week period ended 30 Dec 2011 (audited) £m
Profit for the period	**21.2**	18.5	34.3
Actuarial loss on retirement benefit obligations	**(0.8)**	(0.4)	(7.9)
Tax on actuarial loss on retirement benefit obligations	**0.2**	0.1	2.1
Other comprehensive loss	**(0.6)**	(0.3)	(5.8)
Comprehensive income for the period	**20.6**	18.2	28.5
Attributable to:			
Equity shareholders of the parent	**20.6**	18.2	28.5

Consolidated balance sheet (unaudited)

as at 29 June 2012

	Note	29 Jun 2012 £m	1 Jul 2011 £m	30 Dec 2011 (audited) £m
Assets				
Non-current assets				
Goodwill		**148.8**	148.4	148.0
Intangible assets		**49.6**	45.8	46.3
Property, plant and equipment		**150.2**	142.4	147.6
Financial and other assets		**12.8**	12.3	12.6
Retirement benefit asset		**0.5**	8.4	1.3
		361.9	357.3	355.8
Current assets				
Inventories		**6.1**	5.3	5.9
Trade and other receivables		**25.8**	23.0	24.6
Cash and cash equivalents	7	**40.5**	35.4	36.9
		72.4	63.7	67.4
Total assets		**434.3**	421.0	423.2
Liabilities				
Current liabilities				
Financial liabilities		**9.6**	9.0	9.3
Trade and other payables		**28.9**	25.9	32.6
Current tax liabilities		**6.6**	6.4	2.3
Provisions for liabilities and charges		**1.5**	1.5	1.4
		46.6	42.8	45.6
Non-current liabilities				
Financial liabilities		**324.9**	334.2	329.6
Deferred tax liabilities		**24.2**	29.2	25.1
Other non-current liabilities		**2.6**	2.8	2.6
Provisions for liabilities and charges		**3.2**	3.0	3.1
		354.9	369.2	360.4
Total liabilities		**401.5**	412.0	406.0
Shareholders' equity				
Ordinary share capital		**5.7**	5.7	5.7
Share premium account		**17.4**	17.4	17.4
Capital redemption reserve		**99.3**	99.3	99.3
Other reserves		**(7.6)**	(8.4)	(7.9)
Retained earnings		**(82.0)**	(105.0)	(97.3)
Equity attributable to shareholders		**32.8**	9.0	17.2
Total equity and liabilities		**434.3**	421.0	423.2

Consolidated statement of changes in equity (unaudited)

as at 29 June 2012

	Ordinary share capital £m	Share premium account £m	Capital redemption reserve £m	Other reserves £m	Retained earnings £m	Total £m
Shareholders' equity as at 31 December 2010	5.7	17.4	99.3	(8.8)	(118.4)	(4.8)
Profit for the 26 weeks ended 1 July 2011	–	–	–	–	18.5	18.5
Actuarial loss on defined benefit plans	–	–	–	–	(0.4)	(0.4)
Tax on pensions	–	–	–	–	0.1	0.1
Total comprehensive income	–	–	–	–	18.2	18.2
Effects of employee share options	–	–	–	0.5	–	0.5
Tax on employee share options	–	–	–	(0.1)	–	(0.1)
Adjustment for tax rate change 27% to 26%	–	–	–	–	0.1	0.1
Dividends (note 6)	–	–	–	–	(4.9)	(4.9)
Shareholders' equity as at 1 July 2011	5.7	17.4	99.3	(8.4)	(105.0)	9.0
Profit for the 26 weeks ended 30 December 2011	–	–	–	–	15.8	15.8
Actuarial gain on defined benefit plans	–	–	–	–	(7.5)	(7.5)
Tax on pensions	–	–	–	–	2.0	2.0
Total comprehensive income	–	–	–	–	10.3	10.3
Effects of employee share options	–	–	–	0.6	–	0.6
Adjustment for tax rate change 27% to 25%	–	–	–	(0.1)	–	(0.1)
Dividend (note 6)	–	–	–	–	(2.6)	(2.6)
Shareholders' equity as at 30 December 2011	5.7	17.4	99.3	(7.9)	(97.3)	17.2
Profit for the 26 weeks ended 29 June 2012	–	–	–	–	21.2	21.2
Actuarial loss on defined benefit plans	–	–	–	–	(0.8)	(0.8)
Tax on pensions	–	–	–	–	0.2	0.2
Total comprehensive income	–	–	–	–	20.6	20.6
Effects of employee share options	–	–	–	0.6	–	0.6
Tax on employee share options	–	–	–	(0.2)	–	(0.2)
Adjustment for tax rate change 25% to 24%	–	–	–	(0.1)	–	(0.1)
Dividends (note 6)	–	–	–	–	(5.3)	(5.3)
Shareholders' equity as at 29 June 2012	**5.7**	**17.4**	**99.3**	**(7.6)**	**(82.0)**	**32.8**

The above amounts relate to transactions with owners of the Company except for the profit for the period and also pension items (net of tax) of £0.6 million loss (June 2011: £0.3 million loss; December 2011: £5.8 million loss).

The capital redemption reserve represents £80,002,465 B Shares that were issued on 2 August 2006 and redeemed for cash on the same day and £19,274,610 B Shares that were issued on 10 October 2010 and redeemed for cash on 11 October 2010.

Consolidated statement of cash flows (unaudited)

for the 26 week period ended 29 June 2012

	Note	26 week period ended 29 Jun 2012 £m	26 week period ended 1 Jul 2011 £m	52 week period ended 30 Dec 2011 (audited) £m
Cash flows from operating activities				
Cash generated from operations before external transaction costs	8	**40.8**	36.9	74.2
External transaction costs in respect of acquisitions		**(0.5)**	(0.4)	(1.2)
Cash generated from operations		**40.3**	36.5	73.0
Finance income received		**0.2**	0.2	0.3
Finance costs paid		**(12.3)**	(12.5)	(24.9)
Tax paid		**(2.4)**	(4.7)	(10.4)
Net cash generated from operating activities		**25.8**	19.5	38.0
Cash flows from investing activities				
Acquisition of subsidiaries and businesses (net of cash acquired)	10	**(5.2)**	(11.0)	(12.0)
Proceeds from sale of property, plant and equipment	10	**0.4**	0.6	0.9
Vehicle replacement programme and improvements to locations		**(5.1)**	(3.7)	(10.8)
Branch relocations		**(0.4)**	(0.3)	(0.9)
Satellite locations		**(0.6)**	(0.5)	(1.1)
Development of new crematoria		**(1.8)**	(8.0)	(9.0)
Mercury abatement project		**(0.1)**	(0.5)	(1.0)
Purchase of property, plant and equipment		**(8.0)**	(13.0)	(22.8)
Net cash used in investing activities		**(12.8)**	(23.4)	(33.9)
Cash flows from financing activities				
Repayment of borrowings		**(4.1)**	(3.8)	(7.7)
Dividends paid to shareholders on Ordinary Shares	6	**(5.3)**	(4.9)	(7.5)
Purchase of C Shares in respect of Deferred Dividend Option		**–**	(0.1)	(0.1)
Net cash used in financing activities		**(9.4)**	(8.8)	(15.3)
Net increase/(decrease) in cash and cash equivalents		**3.6**	(12.7)	(11.2)
Cash and cash equivalents at the beginning of the period		**35.4**	46.6	46.6
Cash and cash equivalents at the end of the period	7	**39.0**	33.9	35.4
Restricted cash		**1.5**	1.5	1.5
Cash and cash equivalents at the end of the period as reported in the consolidated balance sheet		**40.5**	35.4	36.9

Notes to the interim financial information 2012 (unaudited)

for the 26 week period ended 29 June 2012

1 Accounting policies

The principal accounting policies adopted in the preparation of this interim condensed consolidated financial information are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

Basis of preparation

The interim condensed consolidated financial information of Dignity plc (the 'Company') is for the 26 week period ended 29 June 2012 and comprises the results, assets and liabilities of the Company and its subsidiaries (the 'Group').

The interim condensed consolidated financial information has been reviewed, not audited and does not constitute statutory accounts within the meaning of s434 of the Companies Act 2006. This interim condensed consolidated financial information has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Service Authority and with IAS 34 'interim financial reporting' as adopted by the European Union.

The interim condensed consolidated financial information has been prepared in accordance with all applicable International Financial Reporting Standards, as adopted by the European Union, that are expected to apply to the Group's Financial Report for the 52 week period ended 28 December 2012. The interim condensed consolidated financial information is also consistent with the audited consolidated financial statements for the 52 week period ended 30 December 2011. This does not include all of the information required for full annual financial statements, and should be read in conjunction with the audited consolidated financial statements of the Group as at and for the 52 week period ended 30 December 2011. The Directors approved this interim condensed consolidated financial information on 31 July 2012.

With the exception of taxes on income, the accounting policies applied by the Group in this interim condensed consolidated financial information are the same as those applied by the Group in its audited consolidated financial statements as at and for the 52 week period ended 30 December 2011, which are prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The basis of consolidation is set out in the Group's accounting policies in those financial statements. Consistent with IAS 34, taxes on income in the interim period are accrued for using the tax rate that is expected to be applicable at the relevant year-end.

The preparation of interim condensed consolidated financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, and income and expenses. In preparing this interim condensed consolidated financial information, the significant judgments made by the management in applying the Group's accounting policies and key source of estimation uncertainty were the same as those applied to the audited consolidated financial statements as at and for the 52 week period ended 30 December 2011.

Comparative information has been presented as at and for the 26 week period ended 1 July 2011 and as at and for the 52 week period ended 30 December 2011.

The comparative figures for the 52 week period ended 30 December 2011 do not constitute statutory accounts for the purposes of s434 of the Companies Act 2006. A copy of the Group's statutory accounts for the 52 week period ended 30 December 2011 have been delivered to the Registrar of Companies and contained an unqualified auditors' report in accordance with s498 of the Companies Act 2006.

Pre-arranged funeral plans – Recoveries

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 being required to ensure the Trust has sufficient assets to meet its future liabilities in respect of current members ('Recoveries'). All Recoveries are recognised as other operating income in the period in which the trustees approve their payment.

2 Revenue and segmental analysis

Operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision maker who is responsible for allocating resources and assessing performance of the operating segments. The chief operating decision maker of the Group has been identified as the 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 represent the sale of funerals and memorials at the time of need.

Crematoria represent the performance of cremations at the time of need, together with the sale of memorials.

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

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

Notes to the interim financial information 2012 (unaudited) continued

for the 26 week period ended 29 June 2012

2 Revenue and segmental analysis (continued)

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

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

26 week period ended 29 June 2012

	Revenue £m	Underlying operating profit before depreciation and amortisation £m	Depreciation and amortisation £m	Underlying operating profit/(loss) £m	Profit on sale of fixed assets, external transaction costs and exceptional items £m	Operating profit/(loss) £m
Funeral services	**81.6**	**34.0**	**(3.7)**	**30.3**	**(0.3)**	**30.0**
Crematoria	**23.7**	**13.6**	**(1.3)**	**12.3**	**–**	**12.3**
Pre-arranged funeral plans	**11.2**	**3.8**	**(0.1)**	**3.7**	**–**	**3.7**
Central overheads	**–**	**(7.0)**	**(0.1)**	**(7.1)**	**–**	**(7.1)**
Group	**116.5**	**44.4**	**(5.2)**	**39.2**	**(0.3)**	**38.9**
Finance costs				**(12.9)**	**–**	**(12.9)**
Finance income				**1.2**	**–**	**1.2**
Profit before tax				**27.5**	**(0.3)**	**27.2**
Taxation – continuing activities				**(7.0)**	**–**	**(7.0)**
Taxation – exceptional				**–**	**1.0**	**1.0**
Taxation				**(7.0)**	**1.0**	**(6.0)**
Underlying earnings for the period				**20.5**		
Total other items					**0.7**	
Profit after taxation						**21.2**

Earnings per share for profit attributable to equity shareholders (pence)

– Basic and diluted	**37.4p**	**38.7p**

26 week period ended 1 July 2011

	Revenue £m	Underlying operating profit before depreciation and amortisation £m	Depreciation and amortisation £m	Underlying operating profit/(loss) £m	Profit on sale of fixed assets, external transaction costs and exceptional items £m	Operating profit/(loss) £m
Funeral services	76.5	31.0	(3.5)	27.5	(0.5)	27.0
Crematoria	21.8	12.7	(1.1)	11.6	–	11.6
Pre-arranged funeral plans	9.4	3.1	(0.1)	3.0	–	3.0
Central overheads	–	(5.7)	(0.1)	(5.8)	0.3	(5.5)
Group	107.7	41.1	(4.8)	36.3	(0.2)	36.1
Finance costs				(13.2)	–	(13.2)
Finance income				1.6	–	1.6
Profit before tax				24.7	(0.2)	24.5
Taxation – continuing activities				(6.8)	–	(6.8)
Taxation – exceptional				–	0.8	0.8
Taxation				(6.8)	0.8	(6.0)
Underlying earnings for the period				17.9		
Total other items					0.6	
Profit after taxation						18.5

Earnings per share for profit attributable to equity shareholders (pence)

– Basic and diluted	32.7p	33.8p

2 Revenue and segmental analysis (continued)

52 week period ended 30 December 2011

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

3 Net finance costs

	26 week period ended 29 Jun 2012 £m	26 week period ended 1 Jul 2011 £m	52 week period ended 30 Dec 2011 £m
Finance costs			
Class A and B Secured Notes	**11.5**	11.8	23.5
Amortisation of issue costs	**0.9**	0.9	1.6
Crematoria Acquisition Facility	**0.2**	0.2	0.5
Other loans	**0.2**	0.2	0.3
Interest payable on finance leases	**–**	–	0.1
Unwinding of discounts	**0.2**	0.3	0.5
Finance costs	**13.0**	13.4	26.5
Less: interest capitalised	**(0.1)**	(0.2)	(0.6)
Net finance costs	**12.9**	13.2	25.9
Finance income			
Bank deposits	**(0.2)**	(0.2)	(0.3)
Release of premium on issue of Class A and B Secured Notes	**(0.9)**	(1.0)	(2.0)
Net finance income on retirement benefit obligations	**(0.1)**	(0.4)	(0.7)
Finance income	**(1.2)**	(1.6)	(3.0)
Net finance costs	**11.7**	11.6	22.9

Borrowing costs of £0.1 million (June 2011: £0.2 million; December 2011: £0.6 million) were capitalised as components of the cost of construction of qualifying assets, applying an annualised average capitalisation rate of 6.9 per cent (June 2011: 6.8 per cent; December 2011: 6.9 per cent).

Notes to the interim financial information 2012 (unaudited) continued

for the 26 week period ended 29 June 2012

4 Taxation

The taxation charge on continuing operations in the period is based on a full year estimated effective tax rate, before exceptional items, of 25.5 per cent (2011: 27.5 per cent) on profit before tax for the 26 week period ended 29 June 2012.

	26 week period ended		52 week period ended
	29 Jun 2012 £m	1 Jul 2011 £m	30 Dec 2011 £m
Taxation	**6.0**	6.0	6.0

In addition to the changes in rates of Corporation Tax disclosed above a number of further changes to the UK Corporation Tax system were announced in the March 2012 UK Budget Statement. Legislation to reduce the main rate of Corporation Tax from 26 per cent to 24 per cent from 1 April 2012 was substantively enacted at the balance sheet date and so the deferred tax balance has been calculated at 24 per cent.

Legislation to reduce the main rate of Corporation Tax from 24 per cent to 23 per cent from 1 April 2013 was included in the Finance Act 2012. A further reduction to the main rate is also proposed to reduce the rate to 22 per cent from 1 April 2014. None of these rate reductions had been substantively enacted at the balance sheet date and therefore are not included in these financial statements.

Each percentage point reduction in Corporation Tax rate is expected to reduce the deferred tax liability by approximately £1.0 million. These impacts will be recognised in the period in which substantive enactment occurs.

5 Earnings per share (EPS)

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

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

The Group has two classes of potentially dilutive Ordinary Shares being those share options granted to employees under the Group's SAYE Scheme and the contingently issuable shares under the Group's LTIP Schemes. At the balance sheet date, the performance criteria for the vesting of the awards under the LTIP Schemes had not been met and these contingently issuable shares have been excluded from the diluted EPS calculations.

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

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

5 Earnings per share (EPS) (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
26 week period ended 29 June 2012			
Profit attributable to shareholders – Basic and diluted EPS	**21.2**	**54.8**	**38.7**
Deduct:			
Exceptional items – taxation	**(1.0)**		
Profit on sale of fixed assets (net of taxation of £nil million)	**(0.1)**		
External transaction costs (net of taxation of £nil million)	**0.4**		
Underlying profit after taxation – Basic EPS	**20.5**	**54.8**	**37.4**
26 week period ended 1 July 2011			
Profit attributable to shareholders – Basic and diluted EPS	18.5	54.8	33.8
Deduct:			
Exceptional items – taxation	(0.8)		
Profit on sale of fixed assets (net of taxation of £0.1 million)	(0.2)		
External transaction costs (net of taxation of £0.1 million)	0.4		
Underlying profit after taxation – Basic EPS	17.9	54.8	32.7
52 week period ended 30 December 2011			
Profit attributable to shareholders – Basic and diluted EPS	34.3	54.8	62.6
Deduct:			
Exceptional items – taxation	(5.2)		
Profit on sale of fixed assets (net of taxation of £0.1 million)	(0.1)		
External transaction costs (net of taxation of £0.3 million)	1.2		
Underlying profit after taxation – Basic EPS	30.2	54.8	55.1

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

6 Dividends

On 29 June 2012, the Group paid a final dividend, in respect of 2011, of 9.77 pence per share (2011: 8.88 pence per share) totalling £5.3 million (2011: £4.9 million).

On 31 July 2012, the Directors approved an interim dividend, in respect of 2012, of 5.36 pence per share (2011: 4.87 pence per share) totalling £2.9 million (2011: £2.7 million), which will be paid on 26 October 2012 to those shareholders on the register at the close of business on 28 September 2012.

7 Cash and cash equivalents

	Note	29 Jun 2012 £m	1 Jul 2011 £m	30 Dec 2011 £m
Cash as reported in the consolidated statement of cash flows as cash and cash equivalents		**39.0**	33.9	35.4
Recoveries: pre-arranged funeral plans	(a)	**1.5**	1.5	1.5
Cash and cash equivalents as reported in the balance sheet		**40.5**	35.4	36.9

[a] Recoveries may not be used for one year following receipt and therefore do not meet the definition of cash and cash equivalents in IAS 7, Cash Flow Statements.

Notes to the interim financial information 2012 (unaudited) continued

for the 26 week period ended 29 June 2012

8 Reconciliation of cash generated from operations

	26 week period ended 29 Jun 2012 £m	26 week period ended 1 Jul 2011 £m	52 week period ended 30 Dec 2011 £m
Net profit for the period	**21.2**	18.5	34.3
Adjustments for:			
Taxation	**6.0**	6.0	6.0
Net finance costs	**11.7**	11.6	22.9
Profit on disposal of fixed assets	**(0.1)**	(0.3)	(0.2)
Depreciation charges	**5.1**	4.7	9.7
Amortisation of intangibles	**0.1**	0.1	0.1
Movement in inventories	**(0.1)**	(0.1)	(0.7)
Movement in trade receivables	**(1.8)**	1.7	1.8
Movement in trade payables	**(1.3)**	(2.1)	–
External transaction costs	**0.4**	0.5	1.2
Changes in other working capital (excluding acquisitions)	**(1.0)**	(4.2)	(2.0)
Employee share option charges	**0.6**	0.5	1.1
Cash generated from operations before external transaction costs	**40.8**	36.9	74.2

9 Net debt

	29 Jun 2012 £m	1 Jul 2011 £m	30 Dec 2011 £m
Net amounts owing on all Class A and B Secured Notes per financial statements	**(319.2)**	(327.5)	(323.3)
Add: unamortised issue costs	**(15.3)**	(16.9)	(16.2)
Gross amounts owing on all Class A and B Secured Notes per financial statements	**(334.5)**	(344.4)	(339.5)
Net amounts owing on Crematoria Acquisition Facility per financial statements	**(9.9)**	(9.9)	(9.9)
Add: unamortised issue costs on Crematoria Acquisition Facility	**(0.1)**	(0.1)	(0.1)
Gross amounts owing	**(344.5)**	(354.4)	(349.5)
Accrued interest on Crematoria Acquisition Facility	**(0.1)**	(0.1)	(0.1)
Cash and cash equivalents	**40.5**	35.4	36.9
Net debt	**(304.1)**	(319.1)	(312.7)

In addition to the above, the consolidated balance sheet also includes finance lease obligations and other financial liabilities which totalled £5.4 million (June 2011: £5.8 million; December 2011: £5.7 million). These amounts are not considered to represent sources of funding for the Group and are therefore excluded from the calculation of net debt.

The Group's primary financial covenant in respect of the Secured Notes requires EBITDA to total debt service to be above 1.5 times. At 29 June 2012, the actual ratio was 2.35 times (June 2011: 2.35 times; December 2011: 2.27 times).

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

10 Acquisitions and disposals

(a) Acquisition of subsidiary and other businesses

	Provisional fair value £m
Tangible fixed assets	0.6
Intangible assets:	
Trade names	3.3
Cash acquired	0.8
Other working capital	0.1
Deferred taxation	0.4
Net assets acquired	5.2
Goodwill arising	0.7
	5.9
Satisfied by:	
Cash paid on completion funded from internally generated cash flows	5.9

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

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

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

The fair value adjustments contain provisional amounts, which will be finalised in 2012 full year results. These adjustments reflect the recognition of trade names and associated deferred taxation and adjustments to reflect the fair value of other working capital movements such as debtors, inventories and accruals and are immaterial.

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

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

(b) Reconciliation to cash flow statement

	£m
Cash paid on completion	5.9
Cash paid in respect of deferred consideration obligations	0.1
Cash acquired on acquisition	(0.8)
Acquisition of subsidiaries and businesses as reported in the cash flow statement	5.2

(c) Acquisition and disposals of property, plant and equipment

In addition to the above, there were additions in relation to crematoria developments totalling £1.6 million (2011: £7.8 million) and £5.9 million (2011: £4.8 million) of other additions to property, plant and equipment in the period. The Group also received proceeds of £0.4 million (2011: £0.6 million) from disposals of property, plant and equipment, which had a net book value of £0.3 million (2011: £0.3 million).

The Group had capital expenditure authorised by the Board and contracted for at the balance sheet date of £13.3 million (June 2011: £13.3 million; December 2011: £4.8 million) in respect of property, plant and equipment.

Notes to the interim financial information 2012 (unaudited) continued

for the 26 week period ended 29 June 2012

11 Related party transactions

The ultimate controlling party of the Group is Dignity plc.

Pre-arrangement trusts

During the period, the Group entered into transactions with the Trusts associated with the pre-arranged funeral plan businesses. The nature of the relationship with the Trusts is set out in the accounting policies, which can be found in the Group's 2011 Annual Report. 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 expenses in relation to plans sold net of cancellations; and
- Receipts from the Trusts in respect of carrying out funerals.

Transactions also include:

- Receipts from the Trusts in respect of cancellations by existing members;
- Reimbursement by the Trusts of expenses paid by the Group on behalf of the respective Trusts; and
- The payment of realised surpluses generated by the Trust funds as and when the trustees sanction such payments.

Related party transactions are summarised below:

	Transactions during the period			Amounts due to the Group at the period end		
	26 week period ended		52 week period ended	26 week period ended		52 week period ended
	29 Jun 2012 £m	1 Jul 2011 £m	30 Dec 2011 £m	**29 Jun 2012 £m**	1 Jul 2011 £m	30 Dec 2011 £m
Dignity Limited Trust Fund	**0.2**	0.2	0.3	**–**	–	–
National Funeral Trust	**14.1**	12.1	24.3	**1.4**	1.1	1.4
Trust for Age UK Funeral Plans	**16.4**	12.5	26.3	**1.2**	1.1	1.2

12 Post balance sheet events

There have been no post balance sheet events.

13 Interim report

Copies of the Interim Report are available at the Group's website www.dignityfuneralsplc.co.uk.

14 Securitisation

In accordance with the terms of the securitisation carried out in April 2003, Dignity (2002) Limited (the holding company of those companies subject to the securitisation) has today issued reports to the Rating Agencies (Fitch Ratings and Standard & Poor's), the Security Trustee and the holders of the notes issued in connection with the securitisation confirming compliance with the covenants established under the securitisation.

15 Seasonality

The Group's financial results and cash flows have historically been subject to seasonal trends between the first half and second half of the financial year. Traditionally, the first half of the financial year sees slightly higher revenue and profitability. There is no assurance that this trend will continue in the future.

Statement of Directors' responsibilities

The Directors confirm to the best of their knowledge that:

(a) The interim condensed consolidated financial information has been prepared in accordance with IAS 34 as adopted by the European Union; and

(b) The Interim Report includes a fair review of the information as required by:

- DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first half of 2012 and their impact on the interim condensed consolidated financial information; and a description of the principal risks and uncertainties for the remaining second half of the year; and

- DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first half of 2012 and any material changes in the related party transactions described in the last annual report.

The Directors of Dignity plc and their functions are listed below:

Peter Hindley – Non-Executive Chairman
Mike McCollum – Chief Executive
Steve Whittern – Finance Director
Andrew Davies – Operations Director
Richard Portman – Corporate Services Director
Ishbel Macpherson – Non-Executive Director
Alan McWalter – Non-Executive Director
Jane Ashcroft – Non-Executive Director
Martin Pexton – Non-Executive Director

By order of the Board

Steve Whittern
Finance Director
31 July 2012

Independent review report to Dignity plc

Introduction

We have been engaged by the company to review the interim condensed consolidated financial information in the Interim Report for the 26 week period ended 29 June 2012, which comprises the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated statement of cash flows and related notes. We have read the other information contained in the Interim Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim condensed consolidated financial information.

Directors' responsibilities

The Interim Report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Interim Report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The interim condensed consolidated financial information included in this Interim Report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility

Our responsibility is to express to the company a conclusion on the interim condensed consolidated financial information in the Interim Report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Disclosure and Transparency Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of the interim condensed consolidated financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial information in the Interim Report for the 26 week period ended 29 June 2012 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

PricewaterhouseCoopers LLP
Chartered Accountants, Birmingham
31 July 2012

Notes:

(a) The maintenance and integrity of the Dignity plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Shareholder information and financial calendar

General enquiries may be addressed to the Company Secretary, Richard Portman, at the Company's registered office. Other useful information is as follows:

General information
The Company is a public limited company which is listed on the London Stock Exchange and is incorporated and domiciled in the United Kingdom.

Company registrars
Enquiries concerning shareholdings, change of address or other particulars, should be directed in the first instance to the Company's Registrars, Equiniti. They also provide a range of online shareholder information services at www.shareview.co.uk where shareholders can check their holdings and find practical help on transferring shares and updating personal details. Alternatively they can be contacted by telephone on +44 (0) 871 384 2674* if calling from within the UK, or +44 (0) 121 415 7047 if calling from outside the UK, or by fax on +44 (0) 871 384 2100* if faxing from within the UK, or +44 (0) 190 369 8403 if faxing from outside the UK.

*At the time of publication, calls to these numbers were charged at 8 pence per minute from a BT landline. The prices charged by BT and other telephony providers may change from time to time. Lines are open from 8.30am to 5.30pm Monday to Friday.

Shareholder communications
Shareholder documents are only sent in paper format to shareholders who have elected to receive documents in this way. This approach enables the Company to reduce printing and distribution costs and its impact on the environment. Shareholders who have not elected to receive paper copies are sent a notification whenever shareholder documents are published to advise them how to access the documents via the Group website at www.dignityfuneralsplc.co.uk. Shareholders may also choose to receive this notification via email with a link to the relevant page on the website.

Shareholders who wish to receive email notification should register online at www.shareview.co.uk click on 'Register' under the 'Portfolio' section. You will require your Shareholder Reference Number, which is given on your share certificate or tax dividend voucher. Choosing e-mail notification will result in you joining the Equiniti Shareview Service in accordance with its terms and conditions, which you can find at www.shareview.co.uk/terms.

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 write to the Mailing Preference Service, Freepost 29 LON20771, London W1E 0ZT or telephone +44 (0) 845 703 4599 for an application form. Calls to this number are charged at local rate.

Financial calendar

31 July 2012
Announcement of interim results

28 September 2012
Record date for interim dividend

26 October 2012
Payment of 2012 interim dividend

28 December 2012
Financial period end

Contact details and advisers

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For more information on Dignity,
please visit our investor relations website:

www.dignityfuneralsplc.co.uk

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