Dignity

CARING FUNERAL SERVICES

For immediate release **5 March 2014**

Dignity plc

Preliminary results for the 52 week period ended 27 December 2013

Dignity plc (Dignity or the Group), the UK's only listed provider of funeral related services, announces its preliminary results for the 52 week period ended 27 December 2013.

Financial highlights

	52 week Period ended 27 December 2013	52 week Period ended 28 December 2012	Increase per cent
Revenue (£million)	**256.7**	229.6	12
Underlying operating profit[a] (£million)	**78.4**	69.4	13
Underlying profit before tax[a] (£million)	**52.9**	46.1	15
Underlying earnings per share[a] (pence)	**72.1**	62.8	15
Cash generated from operations[b] (£million)	**94.2**	83.3	13
Operating profit (£million)	**75.1**	68.7	9
Profit before tax (£million)	**49.6**	45.4	9
Basic earnings per share (pence)	**72.8**	65.1	12
Interim dividend paid in the period[c,d] (pence)	**-**	5.36	n/a
Final dividend proposed in the period[e] (pence)	**11.83**	10.75	10
Return of Cash (£million)	**61.9**	-	n/a

(a) Underlying profit and underlying earnings are calculated as profit excluding profit (or loss) on sale of fixed assets, external transaction costs and exceptional items.

(b) Cash generated from operations excludes external transaction costs and exceptional pension contributions.

(c) The interim dividend represents the interim dividend that was declared and paid in the period out of earnings generated in the same period.

(d) An interim dividend was not paid separately in 2013, but was instead included within the £1.08 Return of Cash per Ordinary Share paid August 2013.

(e) The final dividend in 2013 is the proposed dividend expected to be approved at the annual general meeting on 5 June 2014. The 2012 final dividend is the dividend declared and paid in 2013.

Highlights

- Tenth consecutive year of operating profit growth since flotation in 2004;

- Strong operating performance by all three operating divisions;

- Profits continue to be converted to cash;

- Customer satisfaction remains at very high levels, with 99 per cent of families saying we met or exceeded their expectations and 98 per cent saying they would recommend us;

- £58.3 million invested in the Yew Acquisition and a further £3.4 million on other funeral acquisitions, adding a further 45 funeral locations and two crematoria to the Group's portfolio;

- The Yew Acquisition, completed in January 2013, has performed in line with the Board's expectations;

- 12 satellite locations opened within the funeral business;

- Memorial sales remain robust;

- Another strong year of pre-arranged funeral plan sales, with unfulfilled pre-arranged funeral plans increasing to 323,000; and

- £61.9 million of cash returned to shareholders (£1.08 pence per share) in August 2013.

Mike McCollum, Chief Executive of Dignity plc commented:

"I am very pleased with the performance of the Group. Client service remains exceptional with 99 per cent of families saying we met or exceeded their expectations. Our largest acquisition since flotation has integrated well and is performing in line with our expectations. Our core businesses have also produced a strong performance, delivering robust operating profit growth in the year.

The Board remains confident in the Group's prospects and considers its well tested strategy is still appropriate in the current market. As expected, 2014 has started quietly, however the Board's expectations for 2014 remain positive and unchanged."

For more information

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From the Chairman

10 consecutive years of growth

I am delighted to be able to report another strong year for the Group. This report is the tenth since the Group's flotation in 2004 and these results mark 10 consecutive years of operating profit growth and consistently high customer service.

Underlying operating profits increased 13 per cent to £78.4 million (2012: £69.4 million). Underlying earnings per share increased 15 per cent to 72.1 pence per Ordinary Share (2012: 62.8 pence per Ordinary Share).

Dividends

The Board is proposing a final dividend of 11.83 pence per Ordinary Share to be paid on 27 June 2014 to members on the register at close of business on 23 May 2014. This dividend is subject to the approval of shareholders at the Annual General Meeting ('AGM') on 5 June 2014. This increase marks the tenth year of 10 per cent compounded growth in our dividends.

The Board

There have been no changes to the Board in the year. I am delighted that following the expiry of their initial two year appointments, both Martin and Jane have agreed to remain as Non-Executive Directors until at least 1 April 2016.

My thanks extend to all members of the Board, who continue to lead the Group well. The Board's effectiveness has been evaluated in the year through its first independent external assessment, which reported that the Board was functioning well.

Strategic Report and Governance

The Board is committed to the highest standards of corporate governance in order to achieve its objectives and meet the necessary standards of accountability and integrity. The Directors' Statement on Corporate Governance and the Report on Directors' Remuneration in the Annual Report provide a description of how the main and supporting principles of The UK Corporate Governance Code (September 2012) have been applied within the Group during 2013.

Our people

I remain grateful to all members of staff for the work they have done, whether they have joined part way through the year, or have been with us for many years. Service remains central to all we do and as our survey results show, is outstanding.

Outlook for 2014

The 10 years since flotation have been tremendously successful for the Group and its shareholders. Our consistent strategy throughout that period has served the Group well.

Looking ahead, there are no plans to alter this strategy. Outstanding client service is central to our success which combined with operating our locations efficiently, adding further funeral and crematoria locations where possible and attracting new clients with pre-arranged funeral plans should collectively result in the business continuing to grow efficiently. This in turn should result in appropriate returns for all our stakeholders.

As expected, 2014 has started quietly, however the Board's expectations for 2014 remain positive and unchanged.

Peter Hindley
Chairman
5 March 2014

Chief Executive's Overview

Overview

In the 10 years since flotation, operating profits have grown on average by eight per cent per annum and earnings per share has increased by an average of 16 per cent per annum. Over the same period, an initial investor (at £2.30 per share) would have had approximately 140 per cent of that amount returned in cash and still be holding an investment worth approximately 4 times their initial investment (assuming a current share price of £15).

This has all been achieved against a backdrop of high and improving customer service, good staff retention and careful investment.

Our performance in 2013

I am pleased with the performance of the Group, with underlying operating profits increasing 13 per cent and each operating division performing well in the year. Underlying earnings per share increased 15 per cent to 72.1 pence.

The recent acquisition of Yew Holdings Limited ('Yew' or the 'Yew Acquisition') has expanded our presence in the North of England and offers exciting opportunities for the Group. I am pleased with its progress since acquisition.

The additional issue of new bonds in July and subsequent Return of Value to shareholders demonstrates our continued efficient use of our balance sheet.

The integration of Yew

Every business we acquire is important, with significant energies used to ensure each one is operated and integrated successfully. The £58.3 million Yew Acquisition represented the largest such challenge for the Group in recent history, with 40 funeral locations, two crematoria and approximately 200 employees joining us.

I am very pleased with the way existing staff and new staff have worked together to ensure the business has been welcomed, integrated and subsequently managed, in a manner that has maintained their local reputations.

These locations have received approximately £1.6 million of capital investment already, with a further £2.0 million - £2.5 million earmarked for 2014.

This has translated into operational performance in line with our expectations, supporting the rationale presented to shareholders at the time of acquisition.

Continued investment across our core business

Whilst the acquisition of Yew and the Return of Value were significant transactions for the Group in the period, I was determined that we should not lose focus on our core business, which has delivered the majority of growth for the Group in past years.

As such, we have continued to invest in our infrastructure and our people. This has delivered excellent client service and operational results.

Our people – integral to our success

I regularly receive letters of thanks from grateful families which we have had the privilege of looking after at such a difficult time. These remind me of the integral part our staff have played in our success in the last 10 years and their crucial role in our future. I am delighted that we have been able to acknowledge this by paying a discretionary bonus equivalent to £1,000 for each full time member of staff in recognition of their dedication and contribution to the Group's strong financial performance.

A strong platform for growth

Our strategy is simple: prioritise client service; manage our operations efficiently; expand our portfolio of funeral and crematoria locations; and gain new clients through the sale of pre-arranged funeral plans. We also seek to maintain an efficient balance sheet. We will continue to follow this path in the year ahead.

Our clients do not choose us by chance. Three quarters of the families we serve have used us before or choose us because of recommendation and reputation. They return and recommend us because of the quality of service we provide and because they consider us good value for money.

Operating Review

Introduction

As a result of the acquisition of Yew in the period, which made a material contribution to operating profits, commentary on the Group's operating performance will consider activity excluding acquisitions as well as overall performance in order to provide a fair and balanced review of the Group's activities in the period.

Funeral services

Overview

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

Performance

As at 27 December 2013, the Group operated a network of 690 (2012: 636) funeral locations throughout the United Kingdom, generally trading under local established names. During the period, the Group conducted 68,000 funerals (2012: 63,200), with approximately 5,500 of these arising from acquisitions in the period.

Approximately two per cent of all funerals were conducted in Northern Ireland. Excluding Northern Ireland, these funerals represent approximately 11.9 per cent (2012: 11.2 per cent) of total estimated deaths in Britain and 11 per cent excluding current year acquisitions. Whilst funerals divided by estimated deaths is a reasonable measure of our market share, the Group does not have a complete national presence and consequently, this calculation can only ever be an estimate.

Underlying operating profits were £60.8 million (2012: £54.2 million), an increase of 12 per cent. Excluding acquisitions, operating profits increased six per cent to £57.7 million.

This strong underlying performance has been achieved through successful execution of our strategy, with the number of deaths versus the prior year assisting overall performance. Average incomes per funeral increased and remained robust, with no discernable reduction in discretionary spending.

The Yew funeral locations have performed well and in line with expectations at the time of acquisition.

Progress and Developments

Investment in the core portfolio

Significant cash resources continue to be used to maintain the Group's locations and fleet. In 2013, £10.9 million was invested in maintenance capital expenditure. In addition, £1.6 million was invested in the Yew portfolio.

We believe this investment in client facing areas and behind the scenes is critical in ensuring the greatest care possible can be given to a family's loved one.

Funeral location portfolio

The Group's funeral location portfolio increased significantly in the period following the Yew Acquisition, which added 40 locations. In addition, there were 12 new satellite locations, together with five locations from other acquisitions and three closures.

In the last four years we have opened 74 satellite locations. Collectively these locations made a small profit in 2013, in line with the Board's expectations.

Outlook

The funeral division has performed strongly in the year and with the Yew Acquisition, further focus on satellite locations and a strong core portfolio, is well placed for the future.

Crematoria

Overview

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

Performance

The Group remains the largest single operator of crematoria in Britain, operating 39 (2012: 37) crematoria as at 27 December 2013. The Group performed 55,500 cremations (2012: 50,500) in the period, representing 9.9 per cent (2012: 9.2 per cent) of total estimated deaths in Britain.

Operating profits were £27.4 million (2012: £23.3 million), an increase of 18 per cent. Excluding the Yew Acquisition, operating profits increased 13 per cent to £26.4 million.

Whilst the division has benefited from the increase in the number of deaths, good memorial sales, cost control and the maturing profile of recently opened locations have contributed to the success in the period.

Progress and Developments
Investment of £2.0 million has been made in the year at two locations that were recently acquired from local authorities as part of arrangements to improve their facilities. A further £1 million is expected to be incurred in 2014 to complete these projects. The Group has also invested £1.7 million in its existing locations in the period.

The Group is negotiating options over a number of pieces of land where the potential for a crematorium exists. Whilst development of these is not expected to be successful in all cases, they represent a potential opportunity to create new facilities in areas that are deficient at present, whilst representing a potential opportunity to enhance shareholder value. One such option relates to land near Aylesbury. A planning application for the site has recently been rejected and the Group is currently considering its options. The Group is also awaiting the results of a planning application in Peterlee.

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

Pre-arranged funeral plans

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

Performance
Operating performance in the period has been strong, with operating profits of £6.7 million (2012: £6.5 million). In recent years, the Group has received monies from the trusts, in line with the relevant trust's deed, which have been assessed by the trustees as not required to ensure the trust has sufficient assets to meet its future liabilities in respect of current members ('Recoveries'). As highlighted in previous announcements, the Group has not received any Recoveries from its pre-arranged funeral plan trusts in 2013 (2012: £1.5 million).

Excluding Recoveries, operating profits have increased 34 per cent. This improvement reflects very focused, cost efficient marketing combined with a small change in the relative sales volumes of each affinity partner together with incremental sales volumes arising from sales made through the Yew locations.

In overall terms, approximately 39,000 new plan sales were made and the number of unfulfilled pre-arranged funeral plans increased to 323,000 (2012: 290,000) as at 27 December 2013.

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 approximately £100 million of future business to be performed by the funeral division. These revenues will potentially be recognised when the funeral is performed.

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

Progress and Developments
The increase in the number of unfulfilled plans includes approximately 9,000 from the acquisition of Yew. Approximately two thirds of these should be performed by 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 2014.

For the second year running, the Group's customer service centre, based at its head office in Sutton Coldfield, gained first prize in the annual 'Top 50 Call Centres for Customer Service' awards. This means the team have now been in the top five for the last five years, a unique outstanding achievement and direct, independent evidence of the quality of service the Group provides.

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 2013, the Trusts held over £0.5 billion of assets. The latest actuarial valuations of the pre-arranged funeral plan trusts (at 27 September 2013) showed them to have sufficient assets to pay out all funerals at the current projected rates anticipated by the actuary. The Trustees, the majority of whom are independent of the Group, are currently midway through a review of the Trust's investment strategy on which they are taking independent investment advice. Whilst the Trustees may seek the views of the Group, any investment decision is ultimately their view. It is expected that the review will result in a broader range of asset classes being held in the future. The objective will be to generate additional investment returns in the long-term for a similar level of risk.

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

Central overheads

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

Developments
Costs in the period were £16.5 million (2012: £14.6 million), an increase of 13 per cent.

This increase reflects general cost increases, increased head count, legal advice to protect the Group's main trademarks and the costs of incentive arrangements for the whole Group.

Outlook
Further investment in central resources is expected in 2014. This will be focused around support for the greater use of technology in locations. Investment is also being made in additional personnel resource. This will help to release operational managers from some of the complexities and burdens of recent legislation, allowing them to focus more on maintaining the high quality of service to families.

Mike McCollum
Chief Executive
5 March 2014

Financial Review

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

Financial highlights

The Group's financial performance is summarised below:

	52 week period ended 27 December 2013	52 week period ended 28 December 2012	Increase %
Revenue (£ million)	**256.7**	229.6	12
Underlying operating profit[(a)] (£ million)	**78.4**	69.4	13
Underlying profit before tax[(a)] (£ million)	**52.9**	46.1	15
Underlying earnings per share[(a)] (pence)	**72.1**	62.8	15
Cash generated from operations (£ million)	**94.2**	83.3	13
Operating profit (£ million)	**75.1**	68.7	9
Profit before tax (£ million)	**49.6**	45.4	9
Basic earnings per share (pence)	**72.8**	65.1	12
Dividends paid in the period:			
Interim dividend (pence)	**-**	5.36	n/a
Final dividend (pence)	**10.75**	9.77	10
Return of cash (£ million)	**61.9**	-	n/a

(a) Underlying amounts exclude profit (or loss) on sale of fixed assets, external transaction costs and exceptional items.

The Board has proposed a dividend of 11.83 pence per Ordinary Share as a final distribution of profits relating to 2013 to be paid on 27 June 2014, subject to shareholder approval.

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

	52 week period ended 27 December 2013 £m	52 week period ended 28 December 2012 £m
Operating profit for the period as reported	**75.1**	68.7
Deduct the effects of:		
Loss / (profit) on sale of fixed assets	**0.1**	(0.1)
External transaction costs	**3.2**	0.8
Underlying operating profit	**78.4**	69.4
Net finance costs	**(25.5)**	(23.3)
Underlying profit before tax	**52.9**	46.1
Tax charge on underlying profit before tax[(b)]	**(12.9)**	(11.7)
Underlying profit after tax	**40.0**	34.4
Weighted average number of Ordinary Shares in issue during the period (million)	**55.5**	54.8
Underlying EPS (pence)	**72.1p**	62.8p
Increase in Underlying EPS (per cent)	**15%**	14%

(b) Excludes exceptional tax credit of £3.5 million (2012: £2.0 million).

Earnings per share
The Group's earnings were £40.4 million (2012: £35.7 million). Basic earnings per share were 72.8 pence per share (2012: 65.1 pence per share).

The Group's measures of underlying performance exclude the effect (after tax) of the profit (or loss) on sale of fixed assets, external transaction costs and exceptional items. Consequently, underlying profit after tax was

£40.0 million (2012: £34.4 million), giving underlying earnings per share of 72.1 pence per share (2012: 62.8 pence per share), an increase of 15 per cent.

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

External transaction costs include amounts paid to external parties for legal, tax and other advice in respect of the Group's acquisitions and in respect of the issue of Secured Notes and Return of Cash to shareholders, where accounting standards require these costs to be expensed as incurred. As a result of the Yew Acquisition and the issue of Secured Notes, these costs are significantly higher than in previous years.

Cash flow and cash balances

Cash generated from operations was £94.2 million (2012: £83.3 million) before external transaction costs of £1.6 million (2012: £1.0 million) and exceptional contribution to the Group's pension scheme of £1.0 million (2012: nil). This reflects the Group's continued ability to convert profits into cash. Cash generation is stronger than the previous period as a result of the growth in operating profits. The Group continues to expect to convert its operating profits efficiently into cash.

Capital expenditure on property, plant and equipment was £18.2 million (2012: £20.4 million).

This is analysed as:

	27 December 2013 £m	28 December 2012 £m
Vehicle replacement programme and improvements to locations	**14.2**	11.8
Branch relocations	**1.1**	1.0
Satellite locations	**0.3**	1.3
Development of new crematoria	**2.0**	4.4
Mercury abatement project	**0.6**	1.9
Total property, plant and equipment	**18.2**	20.4
Partly funded by:		
Disposal proceeds	**(0.6)**	(0.8)
Net capital expenditure	**17.6**	19.6

In addition, the Group spent £60.7 million on the acquisition of 45 funeral locations and two crematoria.

Capital expenditure on mercury abatement represents the monies incurred to complete related civil works. The total spent to date is £7.3 million, which completes the project.

The Group also paid dividends on Ordinary Shares totalling £6.2 million (2012: £8.3 million) in the period. This is lower than the prior year, as the Return of Cash in August incorporated the interim dividend that would have been paid in October.

Cash balances at the end of the period were £142.3 million (2012: £55.6 million). The Group had £20.3 million (2012: £16.1 million) of cash that was, under the terms of the Group's securitisation, held in a separate account and used to pay amounts falling due on the Group's Secured Notes on 31 December 2013 (2012: 31 December 2012). In the prior year, the Group also had Recoveries of £1.5 million that were also restricted under the securitisation for one year following receipt. These amounts totalling £20.3 million (2012: £17.6 million) do not therefore meet the definition of cash for cash flow reporting purposes. A further £63 million (2012: £nil) relating to the cash collateralisation of the Group's Liquidity Facility does not meet the definition of cash, as explained later in this Financial review.

Approximately £24.1 million of the remaining cash balance was immediately available for acquisitions and developments and approximately £24.8 million was set aside for future Corporation Tax and dividend payments.

Further details and analysis of the Group's cash balances are included in note 6.

Pensions

The balance sheet shows a deficit of £1.0 million before deferred tax (2012: surplus £0.1 million). This reflects the continued low gilt yield and thus the discount rate used by the actuary to calculate the liabilities at the year end.

During the year, the Group consulted staff and closed the defined benefit pension scheme to new entrants. It also increased employee contributions to 10 per cent, with the Group contributing the same amount.

This coincided with the Group's implementation of auto enrolment. A defined contribution scheme has been used, with both the employee and employer contributing four per cent of pensionable pay. Approximately two in every three members of staff that were eligible have remained in the auto enrolment scheme, resulting in an incremental annual cash cost to the Group of approximately £0.8 million.

Taxation
The Group's effective tax rate in the period was 24.5 per cent (excluding the exceptional rate change) (2012: 25.5 per cent). Following the Government's announcement to reduce the rate of Corporation Tax in future years, the Group expects its effective rate in 2014 to be approximately 22.5 per cent.

The Group's consolidated income statement includes exceptional income of £3.5 million which reflects the Chancellor's reduction in future headline Corporation Tax rates from 23 per cent to 20 per cent.

The Group's cash tax payments were £10.9 million (2012: £8.6 million) in the period. This increase follows the increasing profitability of the Group and also reflects the comparative period's cash cost being lower because of claims to complete use of tax losses, as noted in earlier annual reports.

Capital structure and financing
Secured Notes
The Group's principal source of long-term debt financing is the Class A and B Secured Notes. They are rated A and BBB respectively by Standard and Poor's ('S&P') and A+ and BBB+ 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 amortises fully over their life and is scheduled to be repaid by 2031. The interest rate is fixed for the life of the Secured Notes and interest is calculated on the outstanding principal.

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

The Group's primary financial covenant under the Secured Notes requires EBITDA to total debt service to be above 1.5 times. The ratio at 27 December 2013 was 2.46 times (2012: 2.43 times), directly reflecting the improved profitability of the Group.

Return of Value and share consolidation
On 30 July 2013, the Group completed a further issue of Secured Notes with a nominal amount of £75 million. This raised gross proceeds of £97.7 million. £33 million was used to repay the Group's term loan taken out in January 2013 to partly fund the acquisition of Yew. £1 million was paid into the Group's defined benefit pension scheme. £61.9 million was then returned to shareholders. Following this, the Ordinary Shares were consolidated on a 13 for 14 basis, maintaining the comparability of financial indicators such as the Group's share price. Both S&P and Fitch reaffirmed the ratings of the Notes as part of the transaction. This represents the third releveraging of the Group's capital structure, confirming the Group's commitment to an efficient balance sheet. Excluding normal dividends, the Group has now returned approximately £206 million to shareholders since flotation; approximately 112 per cent of its initial market capitalisation.

Ordinary Shares in issue
In January 2013, the Group issued 2,283,019 new Ordinary Shares, raising £24.2 million, which was used to partly fund the acquisition of Yew. This, followed by the issue of 395,825 Ordinary Shares to satisfy LTIP and SAYE vestings and the subsequent share consolidation, meant that the Group had 53,343,871 Ordinary Shares in issue at the balance sheet date.

Liquidity Facility
The Group's Secured Notes are supported by a Liquidity Facility provide by the Royal Bank of Scotland ('RBS'). This facility is designed to support the first 18 months of debt service due in the event of a default. Following the issue of Secured Notes in 2013, the facility was increased to £63 million. This is a committed facility for the life of the Notes and serves to support the rating ascribed by S&P and Fitch.

In late 2013, S&P downgraded certain RBS entities. As a result, this downgrade triggered a clause in the facility that gave the Group a 30 day period in which to force RBS to cash collateralise the facility by placing funds with the Bank of New York Mellon. If the Group did not take this action within this period, then no cash collateralisation could be forced on RBS in the future, even if they were downgraded further. The Group therefore enforced this right.

This does not have a material impact of the Group's net finance cost in 2014 and, whilst the cost of the facility in this cash collateralised state will increase over time, the Group is exploring ways to amend its terms within the next twelve months so that cash collateralisation is no longer necessary. If this action is not completed, then the Group would incur an incremental finance cost which would increase to £0.3 million in 2018.

Given the legalities of the facility and the restricted nature of the cash, accounting standards mean that the cash is shown on the Group's balance sheet as 'Cash and cash equivalents - collateralisation of Liquidity Facility' and the associated liability is shown as 'Financial liabilities - collateralisation of Liquidity Facility'.

Crematoria Acquisition Facility
At the balance sheet date, the Group owed £15.8 million on its Crematoria Acquisition Facility, having drawn the remaining £5.8 million in January to partly fund the Yew Acquisition. At that time, the facility was renegotiated and is now repayable in one amount in February 2018. Interest is fixed at approximately 3.3 per cent.

Other debt funding
In January 2013, the Group received a £34 million term loan to partly fund the Yew Acquisition. This was repaid in July following the issue of further Secured Notes.

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

	27 December 2013 £m	28 December 2012 £m
Net amounts owing on Class A and B Secured Notes	**(310.0)**	(318.9)
Net amounts owing on Class A and B Secured Notes – issued 2013	**(93.0)**	-
Add: unamortised issue costs	**(13.0)**	(14.6)
Add: unamortised issue costs – issued 2013	**(3.3)**	-
Gross amounts owing on all Class A and B Secured Notes	**(419.3)**	(333.5)
Net amounts owing on Crematoria Acquisition Facility	**(15.6)**	(10.0)
Add: unamortised issue costs on Crematoria Acquisition Facility	**(0.2)**	-
Gross amounts owing	**(435.1)**	(343.5)
Accrued interest on Class A and B Secured Notes	**(11.6)**	(11.6)
Accrued interest on Class A and B Secured Notes – issued 2013	**(2.7)**	-
Accrued interest on Crematoria Acquisition Facility	**-**	(0.1)
Cash and cash equivalents (1)	**79.3**	55.6
Net debt	**(370.1)**	(299.6)

(1) Cash held as collateral for the Liquidity Facility has been excluded as it does not meet the definition of cash and cash equivalents in IAS 7.

The Group's gross debt outstanding was £435.1 million (2012: £343.5 million). Net debt was £370.1 million (2012: £299.6 million), including the premia on the Secured Notes. The increase in gross debt reflects the issue of Further Secured Notes partly offset by the amortisation profile of the Existing Secured Notes and associated premia. Gross debt includes £5.7 million (2012: £4.2 million) that was repaid on 31 December 2013.

The balance sheet includes £419.3 million of gross amounts owing on all Secured Notes. At the balance sheet date, the market value of the Secured Notes was £475.2 million.

Net finance costs
The Group's finance expense substantially consists of the interest on the Class A and B Secured Notes and ancillary instruments. The net finance cost in the period relating to these instruments was £23.6 million (2012: £22.7 million).

Finance costs of £0.6 million (2012: £0.5 million) were incurred in respect of the Crematoria Acquisition Facility, with a further £0.7 million incurred for other debt funding described above.

Other ongoing finance costs incurred in the period amounted to £1.1 million (2012: £0.7 million), including the unwinding of discounts on the Group's provisions, other financial liabilities net of interest capitalised in accordance with IAS 23.

Interest receivable on bank deposits was £0.5 million (2012: £0.4 million). Net finance income of £nil million (2012: £0.2 million) was recognised in respect of the Group's pension scheme in accordance with IAS 19.

Forward-looking statements
Certain statements in this Preliminary Announcement 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.

Steve Whittern
Finance Director
5 March 2014

Our key performance indicators

The Group uses a number of performance indicators to both manage the business and ensure that the Group's strategy and objectives are being delivered.

KPI	KPI definitions	52 week period ended 27 December 2013	52 week period ended 28 December 2012	Developments in 2013
Total estimated number of deaths in Britain (number)	This is as reported by the Office of National Statistics.	**560,000**	551,000	The number of deaths was higher than the previous year. Over the last three years, the number of deaths has been broadly flat.
Funeral market share excluding Northern Ireland (per cent)	This is the number of funerals performed by the Group in Britain divided by the total estimated number of deaths in Britain.	**11.9%**	11.2%	The Yew Acquisition has increased market share.
Number of funerals performed (number)	This is the number of funerals performed according to our operational data.	**68,000**	63,200	Changes are a consequence of the total number of deaths and the Group's market share.
Number of cremations performed (number)	This is the number of cremations performed according to our operational data.	**55,500**	50,500	Changes are a consequence of the total number of deaths and the Group's market share.
Crematoria market share (per cent)	This is the number of cremations performed by the Group divided by the total estimated number of deaths in Britain.	**9.9%**	9.2%	This increase reflects the additional locations acquired and the maturing of recently constructed crematoria.
Unfulfilled pre-arranged funeral plans (number)	This is the number of pre-arranged funeral plans where the Group has an obligation to provide a funeral in the future.	**323,000**	290,000	This increase reflects continued strong sales activity offset by the crystallisation of plans sold in previous years.
Underlying earnings per share (pence)	This is underlying profit after tax divided by the weighted average number of Ordinary Shares in issue in the period.	**72.1p**	62.8p	Strong growth following the increase in operating profits.
Underlying operating profit (£ million)	This is the statutory operating profit of the Group excluding profit (or loss) on sale of fixed assets and external transaction costs.	**£78.4m**	£69.4m	Strong growth driven by the core business as well as acquisition activity.
Cash generated from operations (£ million)	This is the statutory cash generated from operations excluding external transaction costs and exceptional pension contributions.	**£94.2m**	£83.3m	The Group continues to convert operating profits into cash efficiently.

Office for National Statistics data

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

The initial publication of recorded total estimated deaths in Britain for the 52 weeks in 2013 was 560,000 compared to 551,000 for 2012. Historically, the ONS has updated these estimates from time to time. As in previous years, the Group does not restate any of its key performance indicators when these figures are restated in the following year.

Although annual deaths have declined significantly since the early 1990s from 640,000 to a low of 539,000 in 2011, the last five years have seen a more stable number of reported deaths between 539,000 and 560,000 per annum.

The Dignity client survey

The Group closely monitor the results of our client surveys to ensure we continue to maintain the highest levels of excellent client service.

In the last five years, we have received over 165,000 responses.

The Client Survey Performance

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

How we performed in 2013
The results of the client survey clearly demonstrate client service is at the heart of everything we do and the quality of our service remains at consistently high levels.

Reputation and recommendation

99.2% (2012: 99.3%) of respondents said that we met or exceeded their expectations.

98.1% (2012: 98.2%) of respondents would recommend us.

Quality of service and care

99.9% (2012: 99.9%) thought our staff were respectful.

99.7% (2012: 99.7%) thought our staff listened to their needs and wishes.

99.2% (2012: 99.3%) agreed that our staff were compassionate and caring.

High Standards of facilities and fleet

99.9% (2012: 99.8%) thought our premises were clean and tidy.

99.8% (2012: 99.8%) thought our vehicles were clean and comfortable.

In the detail

99.2% (2012: 99.3%) of clients agreed that our staff had fully explained what would happen before and during the funeral.

98.9% (2012: 98.9%) said that the funeral service took place on time.

98.7% (2012: 98.8%) said that the final invoice matched the estimate provided.

Consolidated income statement
for the 52 week period ended 27 December 2013

	Note	**52 week period ended 27 December 2013 £m**	52 week period ended 28 December 2012 £m
Revenue	1	**256.7**	229.6
Cost of sales		**(105.4)**	(95.3)
Gross profit		**151.3**	134.3
Administrative expenses		**(76.2)**	(67.1)
Other income		**-**	1.5
Operating profit	1	**75.1**	68.7
Analysed as:			
Operating profit before profit (or loss) on sale of fixed assets and before external transaction costs		**78.4**	69.4
(Loss) / profit on sale of fixed assets		**(0.1)**	0.1
External transaction costs		**(3.2)**	(0.8)
Operating profit		**75.1**	68.7
Finance costs	2	**(28.9)**	(25.8)
Finance income	2	**3.4**	2.5
Profit before tax	1	**49.6**	45.4
Taxation – before exceptional items	3	**(12.7)**	(11.7)
Taxation – exceptional	3	**3.5**	2.0
Taxation	3	**(9.2)**	**(9.7)**
Profit for the period attributable to equity shareholders		**40.4**	35.7
Earnings per share for profit attributable to equity shareholders			
– Basic and diluted (pence)	4	**72.8p**	65.1p
Underlying Earnings per share (pence)	4	**72.1p**	62.8p

Consolidated statement of comprehensive income
for the 52 week period ended 27 December 2013

	Note	**52 week period ended 27 December 2013 £m**	52 week period ended 28 December 2012 £m
Profit for the period		**40.4**	35.7
Items that will not be reclassified to profit or loss			
Actuarial loss on retirement benefit obligations	9	**(2.0)**	(0.9)
Tax on actuarial loss on retirement benefit obligations		**0.5**	0.2
Other comprehensive loss		**(1.5)**	(0.7)
Total comprehensive income for the period		**38.9**	35.0
Attributable to:			
Equity shareholders of the parent		**38.9**	35.0

Consolidated balance sheet
as at 27 December 2013

	Note	27 December 2013 £m	28 December 2012 £m
Assets			
Non-current assets			
Goodwill		**173.7**	151.1
Intangible assets		**76.7**	53.4
Property, plant and equipment		**183.6**	157.1
Financial and other assets		**12.7**	12.6
Retirement benefit asset	9	**-**	0.1
		446.7	374.3
Current assets			
Inventories		**6.6**	6.5
Trade and other receivables		**27.8**	25.6
Cash and cash equivalents - excluding collateralisation of Liquidity Facility		**79.3**	55.6
Cash and cash equivalents - collateralisation of Liquidity Facility(1)		**63.0**	-
Cash and cash equivalents	6	**142.3**	55.6
		176.7	87.7
Total assets		**623.4**	462.0
Liabilities			
Current liabilities			
Financial liabilities - excluding collateralisation of Liquidity Facility		**20.8**	24.5
Financial liabilities - collateralisation of Liquidity Facility(1)		**63.0**	-
Financial liabilities		**83.8**	24.5
Trade and other payables		**52.0**	46.2
Current tax liabilities		**6.7**	5.1
Provisions for liabilities and charges		**1.1**	1.1
		143.6	76.9
Non-current liabilities			
Financial liabilities		**403.1**	310.1
Deferred tax liabilities		**26.9**	24.2
Other non–current liabilities		**2.8**	2.8
Provisions for liabilities and charges		**3.8**	3.4
Retirement benefit obligation	9	**1.0**	-
		437.6	340.5
Total liabilities		**581.2**	417.4
Shareholders' equity			
Ordinary share capital		**6.0**	5.7
Share premium account		**20.8**	17.4
Capital redemption reserve		**121.6**	99.3
Other reserves		**(6.4)**	(7.2)
Retained earnings		**(99.8)**	(70.6)
Total equity		**42.2**	44.6
Total equity and liabilities		**623.4**	462.0

(1) During the period, the Group forced the cash collateralisation of the Liquidity Facility, which supports the repayment of Secured Notes in the event of default. This followed the downgrade of RBS by S&P. Further information may be found in the Financial Review.

Consolidated statement of changes in equity
for the 52 week period ended 27 December 2013

	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 30 December 2011	5.7	17.4	99.3	(7.9)	(97.3)	17.2
Profit for the 52 weeks ended 28 December 2012	-	-	-	-	35.7	35.7
Actuarial loss on defined benefit plans	-	-	-	-	(0.9)	(0.9)
Tax on pensions	-	-	-	-	0.2	0.2
Total comprehensive income	-	-	-	-	35.0	35.0
Effects of employee share options	-	-	-	1.2	-	1.2
Tax on employee share options	-	-	-	(0.4)	-	(0.4)
Adjustment for tax rate change 25% to 23%	-	-	-	(0.1)	-	(0.1)
Dividends (see note 5)	-	-	-	-	(8.3)	(8.3)
Shareholders' equity as at 28 December 2012	5.7	17.4	99.3	(7.2)	(70.6)	44.6
Profit for the 52 weeks ended 27 December 2013	-	-	-	-	40.4	**40.4**
Actuarial loss on defined benefit plans	-	-	-	-	(2.0)	**(2.0)**
Tax on pensions	-	-	-	-	0.5	**0.5**
Total comprehensive income	-	-	-	-	38.9	**38.9**
Effects of employee share options	-	-	-	1.5	-	**1.5**
Tax on employee share options	-	-	-	1.1	-	**1.1**
Proceeds from share issue	0.2	24.0	-	-	-	**24.2**
Issue costs in respect of shares issued	-	(0.9)	-	-	-	**(0.9)**
Issue of shares under LTIP scheme[i]	-	1.7	-	-	-	**1.7**
Gift to Employee Benefit Trust	-	-	-	(1.7)	-	**(1.7)**
Issue of shares under SAYE scheme[ii]	0.1	0.9	-	-	-	**1.0**
Adjustment for tax rate change 23% to 20%	-	-	-	(0.1)	-	**(0.1)**
Issue of B Shares in respect of Capital Option (see note 5)	-	(22.3)	-	-	-	**(22.3)**
Redemption of B Shares in respect of Capital Option (see note 5)	-	-	22.3	-	(22.3)	**-**
Dividend in respect of Special Dividend Option (see note 5)	-	-	-	-	(39.6)	**(39.6)**
Dividends (note 5)	-	-	-	-	(6.2)	**(6.2)**
Shareholders' equity as at 27 December 2013	**6.0**	**20.8**	**121.6**	**(6.4)**	**(99.8)**	**42.2**

(i) Relating to issue of 253,844 shares under 2010 LTIP scheme.
(ii) Relating to issue of 141,981 shares under 2010 SAYE scheme.

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 £1.5 million loss (December 2012: £0.7 million loss).

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.

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

Consolidated statement of cash flows
for the 52 week period ended 27 December 2013

	Note	52 week period ended 27 December 2013 £m	52 week period ended 28 December 2012 £m
Cash flows from operating activities			
Cash generated from operations before external transaction costs and exceptional pension contributions	8	**94.2**	83.3
Exceptional contribution to pension scheme		**(1.0)**	-
External transaction costs in respect of acquisitions		**(1.6)**	(1.0)
Cash generated from operations		**91.6**	82.3
Finance income received		**0.6**	0.3
Finance costs paid		**(25.0)**	(12.6)
Transfer from restricted bank accounts for finance costs		**11.9**	-
Payments to restricted bank accounts for finance costs	6	**(14.6)**	(11.9)
Total payments in respect of finance costs		**(27.7)**	(24.5)
Tax paid		**(10.9)**	(8.6)
Transfers from restricted bank accounts		**1.5**	**-**
Net cash generated from operating activities		**55.1**	49.5
Cash flows from investing activities			
Acquisition of subsidiaries and businesses (net of cash acquired)		**(60.7)**	(10.7)
Proceeds from sale of property, plant and equipment		**0.6**	0.8
Vehicle replacement programme and improvements to locations		**(14.2)**	(11.8)
Branch relocations		**(1.1)**	(1.0)
Satellite locations		**(0.3)**	(1.3)
Development of new crematoria		**(2.0)**	(4.4)
Mercury abatement project		**(0.6)**	(1.9)
Purchase of property, plant and equipment		**(18.2)**	(20.4)
Net cash used in investing activities		**(78.3)**	(30.3)
Cash flows from financing activities			
Proceeds from issue of Secured Notes		**97.7**	**-**
Proceeds from borrowings		**39.8**	**-**
Issue costs in respect of borrowings and Secured Notes		**(5.4)**	**-**
Proceeds from share issued		**25.2**	**-**
Issue costs in respect of shares issued		**(0.9)**	**-**
Repayment of borrowings		**(42.6)**	(4.1)
Transfer from restricted bank accounts for repayment of borrowings		**4.2**	-
Payments to restricted bank accounts for repayment of borrowings	6	**(5.7)**	(4.2)
Total payments in respect of borrowings		**(44.1)**	(8.3)
Dividends paid to shareholders on Ordinary Shares	5	**(6.2)**	(8.3)
Redemption of B Shares in respect of Capital Option		**(22.3)**	-
Redemption of C Shares in respect of Special Dividend Option		**(39.6)**	-
Net cash generated / (used) in financing activities		**44.2**	(16.6)
Net increase in cash and cash equivalents		**21.0**	2.6
Cash and cash equivalents at the beginning of the period		**38.0**	35.4
Cash and cash equivalents at the end of the period		**59.0**	38.0
Restricted cash		**20.3**	17.6
Collateralisation of Liquidity Facility (restricted)		**63.0**	**-**
Cash and cash equivalents at the end of the period as reported in the consolidated balance sheet	6	**142.3**	55.6

1 Revenue and segmental analysis

Operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision maker who is responsible for allocating resources and assessing performance of the operating segments. The chief operating decision maker of the Group has been identified as the four Executive Directors. The Group has three reporting segments, funeral services, crematoria and pre-arranged funeral plans. The Group also reports central overheads, which comprise unallocated central expenses.

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

Crematoria services relate to cremation services and the sale of memorials and burial plots at the Dignity operated crematoria and cemeteries.

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

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

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

The operating profit (which includes Recoveries within pre-arranged funeral plans of £nil (2012: £1.5 million)), by segment, was as follows:

52 week period ended 27 December 2013

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

The segment assets and liabilities were as follows:

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

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

52 week period ended 28 December 2012

	Revenue £m	Underlying operating profit before depreciation and amortisation £m	Depreciation and amortisation £m	Underlying operating profit/ (loss) £m	Profit on sale of fixed assets, external transaction costs and exceptional items £m	Operating profit /(loss) £m
Funeral services	157.9	61.7	(7.5)	54.2	(0.5)	53.7
Crematoria	46.6	25.9	(2.6)	23.3	(0.2)	23.1
Pre-arranged funeral plans	25.1	6.7	(0.2)	6.5	-	6.5
Central overheads	-	(14.2)	(0.4)	(14.6)	-	(14.6)
Group	229.6	80.1	(10.7)	69.4	(0.7)	68.7
Finance costs				(25.8)	-	(25.8)
Finance income				2.5	-	2.5
Profit before tax				46.1	(0.7)	45.4
Taxation – continuing activities				(11.7)	-	(11.7)
Taxation – exceptional				-	2.0	2.0
Taxation				(11.7)	2.0	(9.7)
Underlying earnings for the period				34.4		
Total other items					1.3	
Profit after taxation						35.7
Earnings per share for profit attributable to equity shareholders						
– Basic and diluted (pence)				62.8p		65.1p

The segment assets and liabilities were as follows:

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

2 Net finance costs

	52 week period ended 27 December 2013 £m	52 week period ended 28 December 2012 £m
Finance costs		
Class A and B Secured Notes	**22.4**	23.0
Class A and B Secured Notes - issued 2013	**2.3**	-
Amortisation of issue costs	**1.6**	1.6
Amortisation of issue costs - issued 2013	**0.2**	-
Crematoria Acquisition Facility	**0.6**	0.5
Term loan	**0.7**	-
Other loans	**0.6**	0.4
Interest payable on finance leases	**0.1**	0.1
Unwinding of discounts	**0.4**	0.4
Finance costs	**28.9**	26.0
Less: interest capitalised	**-**	(0.2)
Net finance costs	**28.9**	25.8
Finance income		
Bank deposits	**(0.5)**	(0.4)
Release of premium on Secured Notes	**(1.9)**	(1.9)
Release of premium on Secured Notes - issued 2013	**(1.0)**	-
Net finance income on retirement benefit obligations	**-**	(0.2)
Finance income	**(3.4)**	(2.5)
Net finance costs	**25.5**	23.3

3 Taxation

Analysis of charge in the period	52 week period ended 27 December 2013 £m	52 week period ended 28 December 2012 £m
Current tax – current period	**13.3**	10.9
Adjustments for prior period	**(0.2)**	0.2
Total corporation tax	**13.1**	11.1
Deferred tax – current period	**(0.6)**	0.5
Adjustments for prior period	**0.2**	0.1
Exceptional adjustment for rate change – 23% to 20% (2012: 25% to 23%)	**(3.5)**	(2.0)
Total deferred tax	**(3.9)**	(1.4)
Taxation	**9.2**	9.7

4 Earnings per share

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

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

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

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

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

In August, shareholders approved a share capital consolidation together with a Special dividend of £1.08 per Ordinary Share. The overall effect of the transaction was that of a share repurchase at fair value. The reduction in the number of Ordinary Shares is the result of a corresponding reduction in resources.

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 27 December 2013			
Profit attributable to shareholders – Basic and diluted EPS	**40.4**	**55.5**	**72.8**
Deduct: Exceptional items, loss on sale of fixed assets and external transaction costs (net of taxation of £0.2 million)	**(0.4)**		
Underlying profit after taxation – Basic EPS	**40.0**	**55.5**	**72.1**
52 week period ended 28 December 2012			
Profit attributable to shareholders – Basic and diluted EPS	35.7	54.8	65.1
Deduct: Exceptional items, profit on sale of fixed assets and external transaction costs (net of taxation of £nil million)	(1.3)		
Underlying profit after taxation – Basic EPS	34.4	54.8	62.8

In 2013 and 2012, 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.

5 Dividends

	52 week period ended 27 December 2013 £m	52 week period ended 28 December 2012 £m
Final dividend paid: 10.75p per Ordinary Share (2012: 9.77p)	**6.2**	5.4
Interim dividend paid: nil per Ordinary Share (2012: 5.36p)	**-**	2.9
Dividend on Ordinary Shares	**6.2**	8.3

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

(a) A return of Capital (the 'Capital Option').
(b) A Special dividend (the 'Special Dividend Option').

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

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

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

Consequently, total dividends recognised in the period were £68.1 million, 118.75 pence per share (2012: £8.3 million, 15.13 pence per share).

A final dividend of 11.83 pence per share, in respect of 2013, has been proposed by the Board. This will be paid on 27 June 2014 provided that approval is gained from shareholders at the Annual General Meeting on 5 June 2014 and will be paid to shareholders on the register at close of business on 23 May 2014.

6 Cash and cash equivalents

	Note	27 December 2013 £m	28 December 2012 £m
Operating cash as reported in the consolidated statement of cash flows as cash and cash equivalents		**59.0**	38.0
Recoveries: pre-arranged funeral plans	(a)	**-**	1.5
Amounts set aside for debt service payments	(b)	**20.3**	16.1
Collateralisation of Liquidity Facility	(c)	**63.0**	-
Cash and cash equivalents as reported in the balance sheet		**142.3**	55.6

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

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

This amount does not meet the definition of cash and cash equivalents in IAS 7, Statement of Cash Flows. This amount was used to pay these respective parties on 31 December 2013. Of this amount, £14.6 million (2012: £11.9 million) is shown within the Statement of Cash Flows as 'Payments to restricted bank accounts for finance costs' and £5.7 million (2012: £4.2 million) is shown within 'Financing activities' as 'Payments to restricted bank accounts for repayment of borrowings'.

(c) This amount represents the cash collateralisation of the Liquidity Facility, which does not meet the definition of cash and cash equivalents in IAS 7.

7 Net debt

	27 December 2013 £m	28 December 2012 £m
Net amounts owing on Class A and B Secured Notes per financial statements	**(310.0)**	(318.9)
Net amounts owing on Class A and B Secured Notes – issued 2013 per financial statements	**(93.0)**	-
Add: unamortised issue costs	**(13.0)**	(14.6)
Add: unamortised issue costs – issued 2013	**(3.3)**	-
Gross amounts owing on all Class A and B Secured Notes per financial statements	**(419.3)**	(333.5)
Net amounts owing on Crematoria Acquisition Facility per financial statements	**(15.6)**	(10.0)
Add: unamortised issue costs on Crematoria Acquisition Facility	**(0.2)**	-
Gross amounts owing	**(435.1)**	(343.5)
Accrued interest on Class A and B Secured Notes	**(11.6)**	(11.6)
Accrued interest on Class A and B Secured Notes - issued 2013	**(2.7)**	-
Accrued interest on Crematoria Acquisition Facility	**-**	(0.1)
Cash and cash equivalents (1)	**79.3**	55.6
Net debt	**(370.1)**	(299.6)

(1) Cash held as collateral for the Liquidity Facility has been excluded as it does not meet the definition of cash and cash equivalents in IAS 7.

In addition to the above, the consolidated balance sheet also includes finance lease obligations and other financial liabilities which totalled £5.3 million (2012: £5.7 million). These amounts do not represent sources of funding for the Group and are therefore excluded from the calculation of net debt.

The Group's primary financial covenant in respect of the Secured Notes requires EBITDA to total debt service to be at least 1.5 times. At 27 December 2013, the actual ratio was 2.46 times (2012: 2.43 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.

8 Reconciliation of cash generated from operations

	52 week period ended 27 December 2013 £m	52 week period ended 28 December 2012 £m
Net profit for the period	**40.4**	35.7
Adjustments for:		
Taxation	**9.2**	9.7
Net finance costs	**25.5**	23.3
Loss / (profit) on disposal of fixed assets	**0.1**	(0.1)
Depreciation charges	**12.3**	10.5
Amortisation of intangibles	**0.2**	0.2
Movement in inventories	**-**	(0.4)
Movement in trade receivables	**2.0**	(1.2)
Movement in trade payables	**(1.4)**	0.4
External transaction costs	**3.2**	0.8
Changes in other working capital (excluding acquisitions)	**1.2**	3.2
Employee share option charges	**1.5**	1.2
Cash generated from operations before external transaction costs	**94.2**	83.3

9 Analysis of movement in retirement benefit (obligation) / asset

	27 December 2013 £m	28 December 2012 £m
At beginning of period	**0.1**	1.3
Total expense	**(1.6)**	(1.6)
Actuarial losses	**(2.0)**	(0.9)
Contributions by Group	**2.5**	1.3
At end of period	**(1.0)**	0.1

10 Basis of preparation

European law requires that the Group’s consolidated financial statements for the 52 week period ended 27 December 2013 are prepared in accordance with all applicable International Financial Reporting Standards (‘IFRSs’), as adopted by the European Union. These financial statements have been prepared in accordance with IFRS, International Financial Reporting Interpretations Committee (‘IFRIC’) interpretations (as issued by the International Accounting Standards Board) and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The financial information set out above does not constitute the Company's statutory accounts for the years ended 27 December 2013 or 28 December 2012 but is derived from those accounts. Statutory accounts for 2012 have been delivered to the registrar of companies, and those for 2013 will be delivered in due course. The auditors have reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006 in respect of the accounts for 2012 and 2013.

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2013 that would be expected to have a material impact on the Group.

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

The principal accounting policies adopted in the preparation of these financial statements have been consistently applied to all periods presented.

11 Securitisation

In accordance with the terms of the securitisation carried out in April 2003 and the subsequent further Secured Notes issues in February 2006, September 2010 and July 2013, 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 & Poors), the Security Trustee and the holders of the Secured Notes issued in connection with the securitisation, confirming compliance with the covenants established under the securitisation.

Copies of these reports are available at **www.dignityfuneralsplc.co.uk**

12 Principal risks and uncertainties

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

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

Operational risk management	Risk description	Mitigating activities	Change
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.	no change
Nationwide adverse publicity	Nationwide adverse publicity could result in a significant reduction in the number of funerals or cremations performed in any financial period. This would have a direct result on the financial performance of that division.	This risk is addressed by ensuring appropriate policies and procedures are in place, which are designed to ensure excellent client service. These policies and procedures retain flexibility for the business to serve families in accordance with local traditions.	no change
Ability to increase average revenues per funeral or cremation	Operating profit growth is in part attributable to the Group's ability to increase the average revenue per funeral or cremation. There can be no guarantee that future average revenues per funeral or cremation will be maintained or increased.	The Group believes that its focus on excellent client service helps to mitigate this risk.	no change
Significant reduction in market share	It is possible that other external factors, such as new competitors, could result in a significant reduction in market share within funeral or crematoria operations. This would have a direct result on the financial performance of those divisions.	The Group believes that this risk is mitigated for funeral operations by reputation and recommendation being a key driver to the choice of funeral director being used and for crematoria operations is mitigated by difficulties associated with building new crematoria.	no change
Demographic shifts in population	There can be no assurance that demographic shifts in population will not lead to a reduced demand for funeral services in areas where Dignity operates.	In such situations, Dignity would seek to follow the population shift.	no change
Competition	The UK funeral services market and crematoria markets 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.	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.	no change
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 change
Regulation of pre-arranged funeral plans	Pre-arranged funeral plans are not a regulated product, but are subject to a specific financial services exemption. Changes to the basis of any regulation could affect the Group's opportunity to sell pre-arranged funeral plans in the future.	Any changes would apply to the industry as a whole and not just the Group.	no change

Financial risk management	Risk description	Mitigating activities	Change
Financial Covenant under the Secured Notes	The Group's Secured Notes requires EBITDA to total debt service to be above 1.5 times. If this financial covenant 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 Group's releveraging in the period reduces headroom against these covenants.	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.	risk increased

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