DIGNITY PLC
INTERIM REPORT 2009

Dignity®
CARING FUNERAL SERVICES

ABOUT DIGNITY

Dignity owns 545 funeral locations and operates 30 crematoria in the United Kingdom. The Group has a strong market presence in pre-arranged funeral plans, where people plan and pay for their funeral in advance.

WHAT WE BELIEVE IN:

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

OUR STRATEGY

We plan to grow the profitability of our business by:

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

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KEY FINANCIAL HIGHLIGHTS
for the 26 week period ended 26 June 2009

Current period financial highlights	**2009**	2008	Increase per cent
Revenue (£million)	**95.6**	90.6	5.5
Underlying operating profit[(a)] (£million)	**32.6**	29.9	9.0
Underlying profit before tax[(a)] (£million)	**22.7**	21.1	7.6
Underlying earnings per share[(b)] (pence)	**25.3**	23.5	7.7
Cash generated from operations (£million)	**39.6**	37.1	6.7
Operating profit (£million)	**32.7**	30.9	5.8
Profit before tax (£million)	**22.8**	22.1	3.2
Basic earnings per share (pence)	**25.5**	24.6	3.7
Interim dividend (pence)	**4.03**	3.66	10.0

Trading overview	**26 week period ended**	
	26 June 2009 £m	27 June 2008 £m
Revenue		
Funeral services	**73.0**	71.7
Crematoria	**17.5**	14.7
Pre-arranged funeral plans	**5.1**	4.2
	95.6	90.6
Underlying operating profit[(a)]		
Funeral services	**26.7**	25.3
Crematoria	**9.3**	8.0
Pre-arranged funeral plans[(c)]	**2.6**	2.0
Central overheads	**(6.0)**	(5.4)
	32.6	29.9

(a) Underlying operating profit and underlying profit before tax exclude profit on sale of fixed assets of £0.1 million (2008: £1.0 million), within funeral services.

(b) Underlying earnings per share is calculated as profit on ordinary activities after taxation, before profit on sale of fixed assets (net of tax) of £0.1 million (2008: £0.7 million) divided by the weighted average number of Ordinary Shares in issue in the period.

(c) Pre-arranged funeral plans includes Recoveries of £1.5 million (2008: £1.5 million).

(d) A full reconciliation between statutory and underlying amounts is detailed in note 2.

CHAIRMAN'S STATEMENT

"The Board's expectations for the full year continue to be positive and remain unchanged."

Peter Hindley, Chairman

Results

The Group has performed well and in line with the Board's expectations in the first half of 2009, recording underlying operating profits of £32.6 million (2008: £29.9 million), an increase of 9.0 per cent. Operating profits were £32.7 million (2008: £30.9 million).

Net finance costs increased 12.5 per cent to £9.9 million (2008: £8.8 million). This principally reflects a reduction in bank interest receivable of £0.9 million, following the changes in interest rates during the second half of 2008.

This resulted in underlying earnings per share increasing 7.7 per cent to 25.3 pence per share (2008: 23.5 pence per share).

Basic earnings per share were 25.5 pence per share (2008: 24.6 pence per share), an increase of 3.7 per cent, with 2008 benefiting from significant one-off property disposals.

Dividends

During the period, the Group paid a dividend of 7.34 pence per share (2008: 6.67 pence per share) in respect of 2008 performance, an increase of 10.0 per cent.

The Board has declared an interim dividend of 4.03 pence per share (2008: 3.66 pence per share). This represents a 10 per cent increase year on year, a rate that has been maintained since flotation in 2004. This dividend will be paid on 30 October 2009 to shareholders who are on the register of members at close of business on 2 October 2009.

Our staff

Our performance continues to rely on the outstanding service provided by all the staff within the business. I would like to record my thanks to each member of staff for their valued contributions.

Outlook

The Board's expectations for the full year continue to be positive and remain unchanged following a good performance in the first half of the 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.

The initial estimated deaths in Great Britain for the first half of 2009 were 288,000 (2008: 286,600). 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 545 (June 2008: 548; December 2008: 544) funeral locations throughout the United Kingdom. This includes one additional funeral location resulting from an acquisition in the first half of the year.

In the first half of 2009, the Group conducted 35,000 funerals (2008: 36,400) in the United Kingdom. Approximately one per cent of these funerals were performed in Northern Ireland (2008: one per cent). Excluding Northern Ireland, these funerals represent approximately 12.0 per cent (2008: 12.5 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. The change compared to the prior year is not outside the range of historic variations.

Underlying operating profits were £26.7 million (2008: £25.3 million), an increase of 5.5 per cent. This period on period increase represents a solid performance by the division, supported by robust average revenue per funeral.

Crematoria

The Group operates 30 (June 2008: 23; December 2008: 25) crematoria following the acquisition of five crematoria in April 2009. This reinforces the Group's position as Great Britain's largest single operator. During the period, the Group performed 22,400 cremations (2008: 20,300). This increase in cremations is explained by the acquisition of three crematoria in 2008 and a further five locations in the first half of 2009.

This represents approximately 7.8 per cent (2008: 7.1 per cent) of total estimated deaths in Great Britain.

BUSINESS AND FINANCIAL REVIEW CONTINUED

Operating profits were £9.3 million (2008: £8.0 million), an increase of 16.3 per cent. This performance reflects strong average revenue per cremation, combined with the incremental effect of the eight locations acquired in the last 18 months. Operating margins were in line with the Board's expectations.

Pre-arranged funeral plans

Unfulfilled pre-arranged funeral plans were 206,500 at the end of the period (2008: 200,000). The majority of these plans continue to represent future incremental business for the funeral division.

The division has had a very successful start to the year, contributing operating profits of £2.6 million (2008: £2.0 million) in the period. This reflects strong sales of plans through the Group's network of funeral locations, together with a greater focus on controlling the average acquisition cost for sales with affinity partners. This result includes Recoveries of £1.5 million (2008: £1.5 million).

Testing of various opportunities has also been successful and the Group continues to expand its portfolio of affinity partners.

Central overheads

Head office costs relates to central services that are not specifically attributed to a particular operational 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 and annual performance bonuses, which are provided to over 50 managers working across the business.

Costs in the period were £6.0 million (2008: £5.4 million). This increase reflects bonuses accrued for operational managers of the business and certain one off legal fees.

Acquisition activity

The Group has invested £9.3 million on acquiring one funeral location and five crematoria during the period.

The five crematoria represent the acquisition of the operating rights of the crematoria properties acquired by the Group in the last quarter of 2008.

During the period, the Group has also committed to develop a new crematorium in Cambridgeshire. This location is expected to be operational in the second half of 2010.

Since the period end, the Group has also acquired a further three funeral locations.

Earnings per share

Underlying earnings per share increased 7.7 per cent to 25.3 pence per Ordinary Share, reflecting a strong operating performance.

During the period, bank interest receivable was £0.4 million (2008: £1.3 million) reflecting the significant reduction in prevailing interest rates. This resulted in earnings per share growth being lower than operating profits growth.

Cash flow and cash balances

Cash generated from operations was £39.6 million (2008: £37.1 million). This increase demonstrates the Group's continued ability to efficiently convert operating profits into cash. In particular, the Group has not witnessed any material reduction in its ability to collect trade debts.

During the period, the Group spent £9.8 million (2008: £2.7 million) on purchases of property, plant and equipment. This amount includes £6.1 million for work incurred on crematoria property developments, including Rotherham crematorium, the crematoria locations that were not fully constructed when acquired in 2008, the initial land purchase in respect of the new crematorium in Cambridgeshire and funds invested on branch relocations.

Excluding these amounts, purchases of replacement property, plant and equipment were £3.7 million (2008: £2.7 million). This increase is the result of the Group being further ahead in its planned programme of capital expenditure for the year than in the previous year.

Cash balances at the end of the period were £49.5 million. £12.4 million represents amounts contractually set aside to fund the Group's liabilities to Class A and B Secured Noteholders on 30 June 2009. This reflects a similar position to the Group's 2008 cash flow and has been disclosed in a similar way.

A further £1.5 million (2008: £1.5 million) in respect of Recoveries is also shown as restricted, as it is not available for general use by the Group until February 2010.

Capital structure and financing

The Group's principal source of external debt financing continues to be the A and BBB rated Class A and B Secured Notes. The principal and interest on the Secured Notes amortise fully over their life and are completely repaid by 2031. The interest rate is fixed for the life of the Secured Notes and interest is calculated on the outstanding principal. Further details of these Secured Notes may be found in the Group's 2008 Annual Report.

The Group's primary financial covenant under the Secured Notes requires EBITDA to total debt service to be above 1.5 times. During the period, this has improved to 2.65 (2008: 2.44). Further details may be found in note 9.

In addition, the Group drew down the remaining £2.6 million of the £10 million crematoria acquisition facility put in place in 2008. The whole amount is repayable in one bullet payment in 2013. Interest on the original £7.4 million is fixed at approximately 5.6 per cent and capped at the same rate for the remaining balance of the loan. All interest is payable in cash.

As set out in note 9, the Group's gross debt outstanding was £286.1 million (June 2008: £281.6 million; December 2008: £286.3 million). Net debt was £246.3 million (June 2008: £237.2 million; December 2008: £249.3 million). The reduction in net debt since 26 December 2008 is a result of the Group's strong cash flow in the period.

BUSINESS AND FINANCIAL REVIEW CONTINUED

Taxation

The Group's effective tax rate for 2009 is expected to be 29 per cent. The Group does not anticipate its long-term effective tax rate changing unless further changes in legislation are announced.

Principal risks and uncertainties

The Group's principal operational risks are:

- a significant reduction in the number of deaths;
- significant adverse publicity; and
- an adverse change in the trend of average revenue per funeral or cremation.

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

Reputation is managed by ensuring appropriate policies and procedures are in place to ensure client service excellence.

Average revenues remain robust.

An assessment of the Group's exposure to financial risks and a description of how these risks are managed is included in note 2 of the Group's 2008 Annual Report. The financial 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.

Key performance indicators

	26 Weeks ended 26 Jun 2009	26 Weeks ended 27 Jun 2008	52 Weeks ended 26 Dec 2008
Total estimated number of deaths (number)	**288,000**	286,600	553,000
Number of funerals performed (number)	**35,000**	36,400	68,700
Funeral market share in Great Britain (per cent)	**12.0**	12.5	12.3
Number of cremations performed (number)	**22,400**	20,300	39,600
Crematoria market share (per cent)	**7.8**	7.1	7.2
Unfulfilled pre-arranged funeral plans (number)	**206,500**	200,000	204,000
Underlying earnings per share (pence)	**25.3**	23.5	38.2
Underlying operating profit (£million)	**32.6**	29.9	52.1
Cash generated from operations (£million)	**39.6**	37.1	62.3

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.

CONSOLIDATED INCOME STATEMENT (UNAUDITED)
for the 26 week period ended 26 June 2009

	Note	26 week period ended 26 Jun 2009 £m	26 week period ended 27 Jun 2008 £m	52 week period ended 26 Dec 2008 (audited) £m
Revenue	2	**95.6**	90.6	175.8
Cost of sales		**(43.4)**	(41.8)	(83.6)
Gross profit		**52.2**	48.8	92.2
Administrative expenses		**(21.0)**	(19.4)	(40.5)
Other operating income		**1.5**	1.5	1.5
Operating profit	2	**32.7**	30.9	53.2
Finance charges	3	**(10.9)**	(10.8)	(21.6)
Finance income	3	**1.0**	2.0	3.8
Profit before tax	2	**22.8**	22.1	35.4
Taxation – before exceptional items	4	**(6.6)**	(6.5)	(10.4)
Taxation – exceptional	4	**–**	–	(0.4)
Taxation	4	**(6.6)**	(6.5)	(10.8)
Profit for the period attributable to equity shareholders		**16.2**	15.6	24.6
Earnings per share for profit attributable to equity shareholders (pence)				
– Basic and diluted	5	**25.5p**	24.6p	38.8p

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
for the 26 week period ended 26 June 2009

	26 week period ended 26 Jun 2009 £m	26 week period ended 27 Jun 2008 £m	52 week period ended 26 Dec 2008 (audited) £m
Profit for the period	**16.2**	15.6	24.6
Other comprehensive (loss)/income			
Actuarial (losses)/gains on retirement benefit obligations	**(7.7)**	–	5.6
Deferred tax on actuarial losses/(gains) on retirement benefit obligations	**2.2**	–	(1.6)
Other comprehensive (loss)/income	**(5.5)**	–	4.0
Total comprehensive income for the period	**10.7**	15.6	28.6
Attributable to:			
Equity shareholders of the parent	**10.7**	15.6	28.6

CONSOLIDATED BALANCE SHEET (UNAUDITED)
as at 26 June 2009

	Note	26 Jun 2009 £m	27 Jun 2008 £m	26 Dec 2008 (audited) £m
Assets				
Non-current assets				
Goodwill		**137.0**	124.4	129.8
Intangible assets		**33.4**	33.4	33.3
Property, plant and equipment		**117.7**	93.4	101.3
Investment properties		**–**	–	9.6
Financial and other assets		**5.2**	4.4	4.5
Retirement benefit asset		**5.9**	7.3	13.2
		299.2	262.9	291.7
Current assets				
Inventories		**4.0**	3.4	3.9
Trade and other receivables		**21.4**	23.5	22.4
Cash and cash equivalents	7	**49.5**	54.2	46.7
		74.9	81.1	73.0
Total assets		**374.1**	344.0	364.7
Liabilities				
Current liabilities				
Financial liabilities		**8.3**	7.4	8.0
Trade and other payables		**36.1**	35.8	34.4
Current tax liabilities		**5.3**	5.0	3.9
Provisions for liabilities and charges		**1.2**	1.1	1.3
		50.9	49.3	47.6
Non-current liabilities				
Financial liabilities		**269.2**	264.8	269.2
Deferred tax liabilities		**23.5**	17.7	24.4
Other non-current liabilities		**3.2**	2.8	2.8
Provisions for liabilities and charges		**2.3**	2.0	2.3
		298.2	287.3	298.7
Total liabilities		**349.1**	336.6	346.3
Shareholders' equity				
Ordinary share capital		**5.7**	5.7	5.7
Share premium account		**35.8**	34.6	34.6
Capital redemption reserve		**80.0**	80.0	80.0
Other reserves		**(9.5)**	(9.2)	(8.9)
Retained earnings		**(87.0)**	(103.7)	(93.0)
Total equity attributable to shareholders		**25.0**	7.4	18.4
Total equity and liabilities		**374.1**	344.0	364.7

CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

for the 26 week period ended 26 June 2009

	Note	26 week period ended 26 Jun 2009 £m	26 week period ended 27 Jun 2008 £m	52 week period ended 26 Dec 2008 (audited) £m
Cash flows from operating activities				
Cash generated from operations	8	**39.6**	37.1	62.3
Finance income received		**0.6**	1.3	2.7
Finance charges paid		**(10.3)**	(10.2)	(20.5)
Transfers from restricted bank accounts for finance charges	7	**10.0**	10.2	10.2
Payments to restricted bank accounts for finance charges	7	**(10.0)**	(10.1)	(10.0)
Total cash obligation of finance charges		**(10.3)**	(10.1)	(20.3)
Tax paid		**(3.8)**	(1.9)	(6.4)
Net cash generated from operating activities		**26.1**	26.4	38.3
Cash flows from investing activities				
Acquisition of subsidiaries and businesses	10	**(9.4)**	(16.9)	(31.5)
Proceeds from sale of property, plant and equipment		**0.4**	1.3	2.5
Purchase of property, plant and equipment		**(9.8)**	(2.7)	(11.2)
Net cash used in investing activities		**(18.8)**	(18.3)	(40.2)
Cash flows from financing activities				
Proceeds from borrowings		**2.6**	–	7.4
Issue costs in respect of borrowings		**–**	–	(0.2)
Repayment of borrowings		**(2.4)**	(2.2)	(4.5)
Transfers from restricted bank accounts for repayment of borrowings	7	**2.4**	2.2	2.2
Payments to restricted bank accounts for repayment of borrowings	7	**(2.4)**	(2.3)	(2.4)
Total cash obligation of borrowings		**(2.4)**	(2.3)	(4.7)
Dividends paid to shareholders		**(4.7)**	(4.2)	(6.5)
Net cash used in financing activities		**(4.5)**	(6.5)	(4.0)
Net increase/(decrease) in cash and cash equivalents	7	**2.8**	1.6	(5.9)
Cash and cash equivalents at the beginning of the period		**32.8**	38.7	38.7
Cash and cash equivalents at the end of the period	7	**35.6**	40.3	32.8
Restricted cash		**13.9**	13.9	13.9
Cash and cash equivalents at the end of the period as reported in the consolidated balance sheet		**49.5**	54.2	46.7

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Ordinary share capital £m	Share premium account £m	Capital redemption reserve £m	Other reserves £m	Retained earnings £m	**Total £m**
Shareholders' equity as at 28 December 2007	5.7	33.8	80.0	(9.0)	(115.1)	(4.6)
Profit for the 26 weeks ended 27 June 2008	–	–	–	–	15.6	15.6
Effects of employee share options	–	–	–	0.4	–	0.4
Tax on employee share options	–	–	–	0.2	–	0.2
Share issue under 2005 LTIP scheme	–	0.8	–	–	–	0.8
Gift to Employee Benefit Trust(1)	–	–	–	(0.8)	–	(0.8)
Dividends	–	–	–	–	(4.2)	(4.2)
Shareholders' equity as at 27 June 2008	5.7	34.6	80.0	(9.2)	(103.7)	7.4
Profit for the 26 weeks ended 26 December 2008	–	–	–	–	9.0	9.0
Actuarial gains on defined benefit plans	–	–	–	–	5.6	5.6
Deferred tax on pensions	–	–	–	–	(1.6)	(1.6)
Effects of employee share options	–	–	–	0.4	–	0.4
Tax on employee share options	–	–	–	(0.1)	–	(0.1)
Dividends	–	–	–	–	(2.3)	(2.3)
Shareholders' equity as at 26 December 2008	5.7	34.6	80.0	(8.9)	(93.0)	18.4
Profit for the 26 weeks ended 26 June 2009	–	–	–	–	16.2	**16.2**
Actuarial losses on defined benefit plans	–	–	–	–	(7.7)	**(7.7)**
Deferred tax on pensions	–	–	–	–	2.2	**2.2**
Effects of employee share options	–	–	–	0.5	–	**0.5**
Tax on employee share options	–	–	–	0.1	–	**0.1**
Share issue under 2006 LTIP scheme	–	1.2	–	–	–	**1.2**
Gift to Employee Benefit Trust(2)	–	–	–	(1.2)	–	**(1.2)**
Dividends	–	–	–	–	(4.7)	**(4.7)**
Shareholders' equity as at 26 June 2009	**5.7**	**35.8**	**80.0**	**(9.5)**	**(87.0)**	**25.0**

(1) Relating to issue of shares under 2005 LTIP scheme.
(2) Relating to issue of shares under 2006 LTIP 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 £5.5 million loss (June 2008: £nil million; December 2008: £4.0 million gain).

NOTES TO THE INTERIM FINANCIAL INFORMATION 2009 (UNAUDITED)

for the 26 week period ended 26 June 2009

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 26 June 2009 and comprise of 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 25 December 2009. The interim condensed consolidated financial information is also consistent with the audited consolidated financial statements for the 52 week period ended 26 December 2008. 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 26 December 2008. The Directors approved this interim condensed consolidated financial information on 29 July 2009.

Except for the accounting policies highlighted in the 'standards, amendments and interpretations affective in 2009' 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 26 December 2008. The basis of consolidation is set out in the Group's accounting policies in those financial statements.

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 26 December 2008.

Comparative information has been presented as at and for the 26 week period ended 27 June 2008 and as at and for the 52 week period ended 26 December 2008.

The comparative figures for the 52 week period ended 26 December 2008 do not constitute statutory accounts for the purposes of s240 of the Companies Act 1985. A copy of the Group's statutory accounts for the 52 week period ended 26 December 2008 have been delivered to the Registrar of Companies and contained an unqualified auditors' report in accordance with s237 of the Companies Act 1985.

NOTES TO THE INTERIM FINANCIAL INFORMATION 2009 (UNAUDITED) CONTINUED

for the 26 week period ended 26 June 2009

1 Accounting policies (continued)

Standards, amendments and interpretations effective in 2009

IFRS 8, Operating segments. This standard introduced new rules on the disclosure of operating results by business segment. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. This has not led to a change in reporting segments from prior year.

IAS 1 (Revised), Presentation of financial statements. The revised standard will prohibit the presentation of items of income and expenses (that is, non-owner changes in equity) in the statement of changes in equity, requiring non-owner changes in equity to be presented separately from owner changes in equity. The Group has elected to present two statements, an income statement and a statement of comprehensive income. The interim condensed consolidated financial information has been prepared under these revised disclosure requirements.

IAS 23 (Amendment), Borrowing costs. The amendment to this standard requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. This standard has no impact on the interim condensed consolidated financial information.

2 Revenue and segmental analysis

The Group has adopted IFRS 8, Operating segments from 1 January 2009. The chief operating decision maker has been identified as the four Executive Directors. These Directors review the Group's internal reporting in order to assess performance and allocate resources. No changes to the reporting segments previously disclosed have been implemented as the Group previously reported based on how it manages the business. The Group has three reporting segments, funeral services, crematoria and pre-arranged funeral plans. The Group also reports central overheads, which comprises unallocated central expenses.

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

26 week period ended 26 June 2009

	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 £m	Operating profit/ (loss) £m
Funeral services	**73.0**	**29.7**	**(3.0)**	**26.7**	**0.1**	**26.8**
Crematoria	**17.5**	**10.2**	**(0.9)**	**9.3**	**–**	**9.3**
Pre-arranged funeral plans	**5.1**	**2.6**	**–**	**2.6**	**–**	**2.6**
Central overheads	**–**	**(5.7)**	**(0.3)**	**(6.0)**	**–**	**(6.0)**
Group	**95.6**	**36.8**	**(4.2)**	**32.6**	**0.1**	**32.7**
Finance costs				**(10.9)**	**–**	**(10.9)**
Finance income				**1.0**	**–**	**1.0**
Profit before tax				**22.7**	**0.1**	**22.8**
Taxation – continuing activities				**(6.6)**	**–**	**(6.6)**
Taxation – exceptional				**–**	**–**	**–**
Taxation				**(6.6)**	**–**	**(6.6)**
Underlying earnings for the period				**16.1**		
Total other items					**0.1**	
Profit after taxation						**16.2**

2 Revenue and segmental analysis (continued)

26 week period ended 27 June 2008

	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 and exceptional tax credit £m	Operating profit/ (loss) £m
Funeral services	71.7	28.4	(3.1)	25.3	1.0	26.3
Crematoria	14.7	8.8	(0.8)	8.0	–	8.0
Pre-arranged funeral plans	4.2	2.0	–	2.0	–	2.0
Central overheads	–	(5.2)	(0.2)	(5.4)	–	(5.4)
Group	90.6	34.0	(4.1)	29.9	1.0	30.9
Finance costs				(10.8)	–	(10.8)
Finance income				2.0	–	2.0
Profit before tax				21.1	1.0	22.1
Taxation – continuing activities				(6.2)	(0.3)	(6.5)
Taxation – exceptional				–	–	–
Taxation				(6.2)	(0.3)	(6.5)
Underlying earnings for the period				14.9		
Total other items					0.7	
Profit after taxation						15.6

52 week period ended 26 December 2008

	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 and exceptional tax credit £m	Operating profit/ (loss) £m
Funeral services	137.2	52.4	(6.1)	46.3	1.1	47.4
Crematoria	29.2	16.2	(1.6)	14.6	–	14.6
Pre-arranged funeral plans	9.4	2.5	–	2.5	–	2.5
Central overheads	–	(10.9)	(0.4)	(11.3)	–	(11.3)
Group	175.8	60.2	(8.1)	52.1	1.1	53.2
Finance costs				(21.6)	–	(21.6)
Finance income				3.8	–	3.8
Profit before tax				34.3	1.1	35.4
Taxation – continuing activities				(10.1)	(0.3)	(10.4)
Taxation – exceptional				–	(0.4)	(0.4)
Taxation				(10.1)	(0.7)	(10.8)
Underlying earnings for the period				24.2		
Total other items					0.4	
Profit after taxation						24.6

* Operating profit includes Recoveries within pre-arranged funeral plans of £1.5 million (June 2008: £1.5 million; December 2008: £1.5 million).

NOTES TO THE INTERIM FINANCIAL INFORMATION 2009 (UNAUDITED) CONTINUED

for the 26 week period ended 26 June 2009

3 Net finance charges

	26 week period ended 26 Jun 2009 £m	26 week period ended 27 Jun 2008 £m	52 week period ended 26 Dec 2008 £m
Finance charges			
Class A and B Secured Notes – issued April 2003	**7.0**	7.1	14.2
Class A and B Secured Notes – issued February 2006	**2.6**	2.6	5.2
Amortisation of issue costs – issued April 2003	**0.5**	0.5	1.1
Amortisation of issue costs – issued February 2006	**0.1**	0.1	0.2
Crematoria acquisition facility	**0.2**	–	–
Other loans	**0.1**	0.2	0.2
Interest payable on finance leases	**0.1**	–	0.1
Unwinding of discounts	**0.3**	0.3	0.6
Finance charges	**10.9**	10.8	21.6
Finance income			
Bank deposits	**(0.4)**	(1.3)	(2.3)
Release of premium on issue of Secured Notes – issued February 2006	**(0.4)**	(0.4)	(0.8)
Net finance income on retirement benefit obligations	**(0.2)**	(0.3)	(0.7)
Finance income	**(1.0)**	(2.0)	(3.8)
Net finance charges	**9.9**	8.8	17.8

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 29.0 per cent (2008: 29.5 per cent) on profit before tax for the 26 week period ended 26 June 2009.

	Note	26 week period ended 26 Jun 2009 £m	26 week period ended 27 Jun 2008 £m	52 week period ended 26 Dec 2008 £m
Taxation – before exceptional items		**6.6**	6.5	10.4
Taxation – exceptional	(a)	**–**	–	0.4
Taxation		**6.6**	6.5	10.8

(a) In the second half of 2008 the Group recognised an exceptional tax charge of £0.4 million representing the impact of the change in respect of Industrial Building Allowances.

5 Earnings per share (EPS)

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

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 issueable shares under the Group's LTIP schemes.

The performance criteria for the vesting of the awards under the LTIP schemes cannot be met until the third anniversary of their issue. Consequently, these contingently issueable shares have been excluded from the diluted EPS calculations.

Underlying earnings is calculated as profit after tax excluding profit on sale of fixed assets (net of taxation) of £0.1 million (June 2008: £0.7 million; December 2008: £0.4 million) and exceptional taxation adjustments described in note 4 of £nil million (June 2008: £nil million; December 2008: charge of £0.4 million).

5 Earnings per share (EPS) (continued)

	Earnings £m	Weighted average no. of shares m	Per share amount pence
26 week period ended 26 June 2009			
Profit attributable to shareholders – Basic and diluted EPS	**16.2**	**63.6**	**25.5**
Deduct: Exceptional items and profit on sale of fixed assets (net of taxation)	**(0.1)**		
Underlying profit after taxation – Basic EPS	**16.1**	**63.6**	**25.3**
26 week period ended 27 June 2008			
Profit attributable to shareholders – Basic and diluted EPS	15.6	63.3	24.6
Deduct: Exceptional items and profit on sale of fixed assets (net of taxation)	(0.7)		
Underlying profit after taxation – Basic EPS	14.9	63.3	23.5
52 week period ended 26 December 2008			
Profit attributable to shareholders – Basic and diluted EPS	24.6	63.4	38.8
Deduct: Exceptional items and profit on sale of fixed assets (net of taxation)	(0.4)		
Underlying profit after taxation – Basic EPS	24.2	63.4	38.2

In all periods, the potential issue of new shares pursuant to the Group's share option plans would not materially affect the earnings per share if exercised.

6 Dividends

On 26 June 2009, the Group paid a final dividend, in respect of 2008, of 7.34 pence per share (2008: 6.67 pence per share) totalling £4.7 million (2007: £4.2 million).

On 29 July 2009, the Directors approved an interim dividend, in respect of 2009, of 4.03 pence per share (2008: 3.66 pence per share) totalling £2.6 million (2008: £2.3 million), which will be paid on 30 October 2009 to those shareholders on the register at the close of business on 2 October 2009.

7 Cash and cash equivalents

	Note	26 Jun 2009 £m	27 Jun 2008 £m	26 Dec 2008 £m
Operating cash as reported in the cash flow statement as cash and cash equivalents		**35.6**	40.3	32.8
Recoveries: pre-arranged funeral plans	(a)	**1.5**	1.5	1.5
Amounts set aside for debt service payments	(b)	**12.4**	12.4	12.4
Cash and cash equivalents		**49.5**	54.2	46.7

(a) Recoveries may not be used for one year following receipt.

(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, Cash Flow Statements. This amount was used to pay these respective parties on 30 June 2009 (June 2008: 30 June 2008; December 2008: 31 December 2008). £10.0 million (June 2008: £10.1 million; December 2008: £10.0 million) is shown within the cash flow statement as 'Payments to restricted bank accounts for finance charges'. £2.4 million (June 2008: £2.3 million; December 2008: £2.4 million) is shown within 'Financing activities' as 'Payments to restricted bank accounts for repayment of borrowings'.

NOTES TO THE INTERIM FINANCIAL INFORMATION 2009 (UNAUDITED) CONTINUED

for the 26 week period ended 26 June 2009

8 Reconciliation of cash generated from operations

	26 week period ended		52 week period ended
	26 Jun 2009 £m	27 Jun 2008 £m	26 Dec 2008 £m
Net profit for the period	**16.2**	15.6	24.6
Adjustments for:			
Taxation	**6.6**	6.5	10.8
Net finance charges	**9.9**	8.8	17.8
Profit on disposal of fixed assets	**(0.1)**	(1.0)	(1.1)
Depreciation charges	**4.1**	4.0	7.9
Amortisation of intangibles	**0.1**	0.1	0.2
Changes in working capital (excluding acquisitions)	**2.3**	2.7	1.3
Employee share option charges	**0.5**	0.4	0.8
Cash generated from operations	**39.6**	37.1	62.3

9 Net debt

	26 Jun 2009 £m	27 Jun 2008 £m	26 Dec 2008 £m
Net amounts owing on Class A and B Secured Notes per financial statements	**(260.8)**	(265.1)	(263.0)
Add: unamortised issue costs	**(15.3)**	(16.5)	(15.9)
Net amounts owing on crematoria acquisition facility per financial statements	**(9.8)**	–	(7.2)
Add: unamortised issue costs on crematoria acquisition facility	**(0.2)**	–	(0.2)
Gross amounts owing	**(286.1)**	(281.6)	(286.3)
Accrued interest on Class A and B Secured Notes (paid 30 June 2009/30 June 2008/31 December 2008)	**(9.6)**	(9.8)	(9.7)
Accrued interest on crematoria acquisition facility	**(0.1)**	–	–
Cash and cash equivalents	**49.5**	54.2	46.7
Net debt	**(246.3)**	(237.2)	(249.3)

In addition to the above, the consolidated balance sheet also includes finance lease obligations and other financial liabilities which totalled £6.9 million (June 2008: £7.1 million; December 2008: £7.0 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 above 1.5 times. At 26 June 2009, the actual ratio was 2.65 (June 2008: 2.44; December 2008: 2.55).

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

10 Acquisitions and disposals

(a) Acquisition of subsidiary and other businesses

	Carrying values pre acquisition £m	Adjustments £m	Provisional fair value £m
Tangible fixed assets	2.0	–	2.0
Intangible assets:			
Trade names	–	0.2	0.2
Net assets acquired	2.0	0.2	2.2
Goodwill arising			7.1
			9.3
Satisfied by:			
Cash paid on completion			9.3
Total consideration			9.3

During the period, the Group acquired the trade and assets of one funeral location and five crematoria.

Included in the above is the acquisition of the operating rights to five crematoria. These are the locations where the Group acquired the freehold or long leasehold interests during 2008. As a result of this acquisition, the Group's investment properties held at 26 December 2008 have been reclassified as operational properties.

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

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

The fair value adjustments contain some provisional amounts, which will be finalised in 2009. These adjustments reflect the recognition of trade names and associated deferred taxation and adjustments to reflect the fair value of other working capital.

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 cashflow statement

	£m
Cash paid on completion	9.3
Cash paid in respect of deferred consideration obligations	0.1
Acquisition of subsidiaries and businesses as reported in the consolidated statement of cash flows	9.4

NOTES TO THE INTERIM FINANCIAL INFORMATION 2009 (UNAUDITED) CONTINUED

for the 26 week period ended 26 June 2009

11 Related party transactions

The ultimate controlling party of the Group is Dignity plc.

Pre-arranged funeral plan 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 2008 Annual Report. Transactions represent:

- expenses paid by the Group on behalf of the respective Trusts;
- transfers of funds in relation to payments in respect of deaths and cancellations of existing members (which represents the majority of the amounts below);
- the recovery of marketing and administration expenses in relation to plans sold net of cancellations; 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 June 2009 £m	27 June 2008 £m	26 Dec 2008 £m	**26 June 2009 £m**	27 June 2008 £m	26 Dec 2008 £m
Dignity Limited Trust Fund	**0.2**	0.2	0.3	**–**	–	–
National Funeral Trust	**9.0**	7.5	14.9	**1.3**	1.3	1.6
Trust for Age Concern Funeral Plans	**9.4**	8.2	15.2	**1.4**	1.2	1.7

12 Post balance sheet events

The Group acquired three funeral locations subsequent to the balance sheet date for total consideration of £0.8 million.

13 Interim report

Copies of the Interim Report are available from the registered office, Plantsbrook House, 94 The Parade, Sutton Coldfield, West Midlands, B72 1PH and 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' RESPONSIBILITY

The Directors confirm to the best of their knowledge that:

(a) The interim condensed consolidated financial statements have 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 2009 and their impact on the interim condensed consolidated financial statements; 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 2009 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
James Newman – Senior Independent Director
William Forrester – Non-Executive Director
Ishbel Macpherson – Non-Executive Director
Alan McWalter – Non-Executive Director

By order of the Board

Steve Whittern
Finance Director
29 July 2009

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 26 June 2009, which comprises the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of cash flows, consolidated statement of changes in equity 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 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 26 June 2009 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
29 July 2009

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:

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 or by fax on +44 (0) 871 384 2100. Calls to these numbers are charged at 8p per minute from a BT landline. Other telephone provider's costs may vary.

Share price information

The latest Dignity plc share price can be obtained via the Company's investor website www.dignityfuneralsplc.co.uk. It can also be obtained in the UK on Ceefax and Teletext.

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 22, London W1E 7EZ or telephone +44 (0) 845 703 4599 for an application form. Calls to this number are charged at local rate.

Financial calendar

29 July 2009
Announcement of interim results

2 October 2009
Record date for interim dividend

30 October 2009
Payment of 2009 interim dividend

25 December 2009
Financial period end

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