



About Dignity

Dignity owns 698 funeral locations and operates 39 crematoria in the United Kingdom. The Group continues to have a strong market presence in pre-arranged funeral plans, where people plan and pay for their funeral in advance.

We are a FTSE 250 company listed on the London Stock Exchange, with over 2,700 employees serving families and local communities across the United Kingdom for generations.

We are here to help people at one of the most difficult times in their lives. We do this with compassion, respect, openness and care. Our aim is to be the company everyone knows they can trust in their time of need.

Our strategy

We plan to grow the profitability of our business by:

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

Our key objectives

Ensuring the highest levels of client service excellence:

- High levels of client service demonstrably affect clients' willingness to recommend our services. Recommendations and our reputation generate approximately 71 per cent of our funeral business.

Recruiting, developing and retaining the best people:

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

Continued investment:

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

Growing our business responsibly:

- As an industry leader, we aim to be both successful and good corporate citizens.

Delivering long-term shareholder returns:

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

Contents

01	Key financial highlights
02	From the Chairman
03	Business and financial review
06	Our key performance indicators
07	The Dignity client survey
08	Principal risks and uncertainties
10	Consolidated income statement (unaudited)
10	Consolidated statement of comprehensive income (unaudited)
11	Consolidated balance sheet (unaudited)
12	Consolidated statement of changes in equity (unaudited)
13	Consolidated statement of cash flows (unaudited)
14	Notes to the interim financial information 2014 (unaudited)
22	Statement of Directors' responsibilities
23	Independent review report to Dignity plc
24	Shareholder information and financial calendar
25	Contact details and advisers

Key financial highlights

for the 26 week period ended 27 June 2014

Current period financial highlights	2014	2013	Increase/ (decrease) per cent
Revenue (£million)	133.1	133.2	(0.1)
Underlying operating profit ^(a) (£million)	45.6	45.3	0.7
Underlying profit before tax ^(a) (£million)	32.3	33.1	(2.4)
Underlying earnings per share ^(b) (pence)	46.7	44.0	6.1
Cash generated from operations ^(c) (£million)	53.3	47.8	11.5
Operating profit (£million)	44.8	44.2	1.4
Profit before tax (£million)	31.5	32.0	(1.6)
Basic earnings per share (pence)	45.2	42.1	7.4
Interim dividend (pence) ^(d)	6.49	–	n/a

Trading overview	26 week period ended	
	27 June 2014 £m	28 June 2013 £m
Revenue		
Funeral services	92.4	93.8
Crematoria	28.1	27.9
Pre-arranged funeral plans	12.6	11.5
	133.1	133.2
Underlying operating profit^(a)		
Funeral services	34.3	35.4
Crematoria	15.2	14.9
Pre-arranged funeral plans	4.0	2.9
Central overheads	(7.9)	(7.9)
	45.6	45.3

(a) Underlying profit is calculated as profit excluding profit (or loss) on sale of fixed assets and external transaction costs.

(b) Underlying earnings per share is calculated as profit on ordinary activities after taxation, before profit (or loss) on sale of fixed assets, external transaction costs (both net of tax) and exceptional items, divided by the weighted average number of Ordinary Shares in issue in the period.

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

(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 in August 2013.

From the Chairman

The Group's overall expectations for the year are positive and unchanged

Peter Hindley, Chairman

Results

As anticipated, the first half of the year started quietly compared to the strong first half performance in 2013. Deaths in the first half of the year were 7.0 per cent lower than in the same period in 2013, when reported deaths rose by 5.6 per cent.

Notwithstanding the number of deaths, each division has performed well, with good average incomes and cost control. Underlying operating profit was flat at £45.6 million (2013: £45.3 million) despite the significant reduction in the number of deaths.

Operating profit was £44.8 million (2013: £44.2 million).

Underlying earnings per share increased 6.1 per cent to 46.7 pence per share, reflecting the reduction in the number of shares in issue following the issue of further Secured Notes and subsequent Return of Value in 2013 (2013: 44.0 pence per share).

Basic earnings per share were 45.2 pence per share (2013: 42.1 pence per share), an increase of 7.4 per cent.

Dividends

The Group paid a final dividend of 11.83 pence per Ordinary Share on 27 June 2014.

The Group proposes to pay an interim dividend of 6.49 pence per Ordinary Share on 31 October 2014 to shareholders on the register at 26 September 2014. No separate equivalent dividend was proposed in 2013, as it was paid within the £61.9 million (£1.08 per Ordinary Share) returned to shareholders in August 2013 following the Group's releveraging exercise.

This interim dividend payment continues the trend since flotation of increasing the dividend per Ordinary Share by 10 per cent per annum.

Our staff

Our customer survey results remain outstanding and are testament to the high standards set by our staff throughout the business. I am grateful for their continued support.

Outlook

The Board's current assumption is that the number of deaths will be between 535,000 and 550,000 in 2014. No individual year in the last 30 years has witnessed a reduction of more than 5 per cent in the number of deaths compared to the previous year. On this basis and assuming average incomes and market share remain robust and overheads under control, the Group's overall expectations for the year are positive and unchanged.

“

Our customer survey results remain outstanding.

7%

The number of deaths in the first half of this year were 7 per cent lower than the same period in 2013.

6.1%

Underlying earnings per share increased 6.1 per cent despite the reduction in the number of deaths.

Business and financial review

This is a good operating performance given the reduction in the number of deaths in the period

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 in respect 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. 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.

Initial estimated deaths in Great Britain for the first half of 2014 were 280,000 (2013: 301,000) a reduction of seven per cent. This compares to the number of deaths in the first half of 2013 being approximately six per cent higher than the same period in 2012. The Group's operating results should therefore be considered in that context.

Funeral services

The Group operates a network of 698 (June 2013: 685; December 2013: 690) funeral locations throughout the United Kingdom. The change to the portfolio reflects the acquisition of eight additional funeral locations, two new satellite locations and two closures.

In the first half of 2014, the Group conducted 33,800 funerals (2013: 37,200) in the United Kingdom. Approximately two per cent of these funerals were performed in Northern Ireland (2013: two per cent). Excluding Northern Ireland, these funerals represent approximately 11.9 per cent (June 2013: 12.1 per cent; December 2013: 11.9 per cent) of total estimated deaths in Great Britain. Whilst funerals divided by estimated deaths is a reasonable measure of our market share, the Group does not have a complete national presence and this calculation can only ever be an estimate.

Underlying operating profit was £34.3 million (2013: £35.4 million), approximately three per cent behind last year. This is a good operating performance given the significantly lower number of deaths and principally reflects robust average incomes and good cost control.

Crematoria

The Group operates 39 crematoria (June 2013: 39; December 2013: 39) and is the largest single operator of crematoria in Great Britain. The Group performed 27,400 cremations (2013: 30,000) in the period.

These volumes represent approximately 9.8 per cent (June 2013: 10.0 per cent; December 2013: 9.9 per cent) of total estimated deaths in Great Britain.

Underlying operating profit was £15.2 million (2013: £14.9 million), an increase of two per cent. This is a strong performance given the reduction in the number of deaths.

One of the Group's crematoria was flooded and not operational for approximately three months of the period. It has since reopened and any financial loss is in the process of being recovered through insurance. These lost cremations represent approximately 0.2 per cent of total estimated deaths in the period.

Pre-arranged funeral plans

Unfulfilled pre-arranged funeral plans were approximately 332,000 at the end of the period (June 2013: 308,000; December 2013: 323,000). These plans continue to represent future potential incremental business for the funeral division.

Efficient sales activity has translated into strong operational performance, with £4.0 million of operating profit generated in the period (2013: £2.9 million).

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

Central overheads

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

Costs were £7.9 million in the period (2013: £7.9 million).

Corporate development activity

The Group has invested £5.2 million in acquiring eight established funeral locations during the period. £1.2 million has been invested on completing existing crematoria and cemetery developments with a further £0.9 million committed to be spent across this year and 2015 in order to complete the projects.

The Group is actively seeking additional satellite locations and expects investment to be made in the second half of 2014 and beyond as part of this ongoing commitment.

Business and financial review continued

Earnings per share

Net finance costs have increased 9.0 per cent principally reflecting the further debt issue in 2013. As a result underlying profit before tax has reduced by 2.4 per cent.

However, underlying earnings per share increased 6.1 per cent to 46.7 pence per Ordinary Share. This increase demonstrates the overall beneficial effect of the Group's further debt issue and Return of Cash to shareholders, together with a reduction in the headline Corporation Tax rate.

Cash flow and cash balances

The Group continues to be strongly cash generative. Cash generated from operations, before external transaction costs, was £53.3 million (2013: £47.8 million). Although this increase is in part due to the timing of the June payroll, the Group continues to demonstrate its ability to convert profits to cash efficiently.

During the period, the Group spent £7.2 million (2013: £9.1 million) on purchases of property, plant and equipment.

This is analysed as:

	27 June 2014 £m	28 June 2013 £m
Vehicle replacement programme and improvements to locations	5.5	7.2
Branch relocations	0.5	0.5
Satellite locations	-	0.3
Development of new crematoria and cemeteries	1.2	0.9
Mercury abatement project	-	0.2
Total property, plant and equipment	7.2	9.1
Partly funded by:		
Disposal proceeds	(0.3)	(0.4)
Net capital expenditure	6.9	8.7

Cash balances at the end of the period were £149.5 million. This includes £63.2 million that cash collateralises the Group's Liquidity Facility, as described in the 2013 Annual Report. A further £20.6 million also relates to debt service payments made on 30 June 2014, the first working day after the Group's balance sheet date.

The Group therefore continues to have sufficient cash set aside to cover twelve months dividends and Corporation Tax payments (amounting to circa £25 million) as well as circa £31 million set aside for acquisitions.

Taxation

The Group's effective tax rate for 2014 is expected to be 22.5 per cent before exceptionals. The effective rate for 2015 is expected to be 21.5 per cent reducing to 21.0 per cent in 2016 and beyond assuming no further announcements by the Chancellor of the Exchequer.

Pensions

The Group's defined benefit pension scheme, which was closed to new members in 2013, shows a deficit on an accounting basis of £3.3 million at the end of the period. This compares to a deficit of £1.0 million at the end of December 2013 and a deficit of £3.2 million at the end of June 2013.

Capital structure and financing

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

The Board considers that maintaining a leveraged balance sheet is appropriate for the Group, given the stable and relatively 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. This was demonstrated well with the further issue of Secured Notes and subsequent Return of Cash to shareholders in 2013.

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 June 2014 was 2.29 times (June 2013: 2.61 times; December 2013: 2.46 times). Further details may be found in note 9. The reduction in the covenant level was expected and is a direct consequence of the debt issue in 2013.

As described in the Group's 2013 Annual Report, the Group is also fully drawn on a £15.8 million Crematoria Acquisition Facility, which is repayable in 2018, with interest fixed at approximately 3.3 per cent pre-tax.

As set out in note 9, the Group's gross amounts owing were £427.5 million (June 2013: £372.7 million; December 2013: £435.1 million). Net debt was £355.6 million (June 2013: £321.6 million; December 2013: £370.1 million).

The balance sheet includes £411.7 million of gross amounts owing on all Secured Notes. At the balance sheet date, the market value of the Secured Notes was £482.8 million.

Post balance sheet events

Please see note 13 for further details.

Forward-looking statements

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

Going concern

The Directors receive and review regularly management accounts, cash balances, forecasts and the annual budget together, with covenant reporting. After careful consideration and mindful of the current market conditions, the Directors confirm they are satisfied that the Group has adequate resources to continue operating for the foreseeable future. The Directors formally considered this matter at the Board meeting held on 29 July 2014. For this reason, they continue to adopt the going concern basis for preparing the Interim Report.

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.

Group Performance			
KPI	KPI definitions	26 week period ended 27 June 2014	Developments in 2014
Total estimated number of deaths in Britain (number)	This is as reported by the Office of National Statistics.	280,000 (H1 2013: 301,000) ^(a) (FY 2013: 560,000) ^(b)	The number of deaths was significantly lower than the same period in 2013.
Number of funerals performed (number)	This is the number of funerals performed according to our operational data.	33,800 (H1 2013: 37,200) ^(a) (FY 2013: 68,000) ^(b)	Changes are a consequence of the total number of deaths and the Group's market share.
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% (H1 2013: 12.1%) ^(a) (FY 2013: 11.9%) ^(b)	Acquisition activity has broadly offset reductions in core market share resulting from increased competition. This has been a feature of Dignity's business model for many years.
Number of cremations performed (number)	This is the number of cremations performed according to our operational data.	27,400 (H1 2013: 30,000) ^(a) (FY 2013: 55,500) ^(b)	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.	9.8% (H1 2013: 10.0%) ^(a) (FY 2013: 9.9%) ^(b)	Broadly flat with circa 0.2 per cent of market share lost as a result of the closure described on page 3.
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.	332,000 (H1 2013: 308,000) ^(a) (FY 2013: 323,000) ^(b)	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.	46.7 pence (H1 2013: 44.0 pence) ^(a) (FY 2013: 72.1 pence) ^(b)	This increase demonstrates the beneficial effect of the Group's further debt issue and Return of Cash to shareholders, together with a reduction in the headline Corporation Tax rate.
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.	£45.6 million (H1 2013: £45.3 million) ^(a) (FY 2013: £78.4 million) ^(b)	Robust average incomes and overheads are under control.
Cash generated from operations (£million)	This is the statutory cash generated from operations excluding external transaction costs and exceptional pension contributions.	£53.3 million (H1 2013: £47.8 million) ^(a) (FY 2013: £94.2 million) ^(b)	The Group continues to convert operating profit into cash efficiently.

In addition to these key performance indicators, the Group closely monitors the results of its client surveys. Highlights of these results can be found on page 7.

(a) H1 2013 relates to the 26 weeks ended 28 June 2013.

(b) FY 2013 relates to the 52 weeks ended 27 December 2013.

The Dignity client survey

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

In the last five years, we have received over 160,000 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 have performed

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% (December 2013: 99.2%)

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

98.1% (December 2013: 98.1%)

98.1 per cent of respondents would recommend us.

Quality of service and care

99.9% (December 2013: 99.9%)

99.9 per cent thought our staff were respectful.

99.7% (December 2013: 99.7%)

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

99.2% (December 2013: 99.2%)

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

High standards of facilities and fleet

99.8% (December 2013: 99.9%)

99.8 per cent thought our premises were clean and tidy.

99.8% (December 2013: 99.8%)

99.8 per cent thought our vehicles were clean and comfortable.

In the detail

99.4% (December 2013: 99.2%)

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

99.0% (December 2013: 98.9%)

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

98.7% (December 2013: 98.7%)

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



Principal risks and uncertainties

Effective risk management

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.




Risk process

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

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



Operational risk management	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.	↔
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.	↔
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.	↔
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.	↔
Demographic shifts in population	There can be no assurance that demographic shifts in population will not lead to a reduced demand for funeral services in areas where Dignity operates.	In such situations, Dignity would seek to follow the population shift.	↔
Competition	The UK funeral services market and crematoria market is currently very fragmented. There can be no assurance that there will not be further consolidation in the industry or that increased competition in the industry, whether in the form of intensified price competition, service competition, over capacity or otherwise, would not lead to an erosion of the Group's market share, average revenues or costs 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.	↔
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.	↔
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.	↔

Financial risk management	Risk description	Mitigating activities	Change
Financial Covenant under the Secured Notes	<p>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.</p> <p>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.</p>	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.	↗
<p>Key:</p> <p>Risk exposure increased </p> <p>Risk exposure decreased </p> <p>No significant change </p>			
	The Group's further debt issue in 2013 reduces headroom against these covenants.		

Consolidated income statement (unaudited)

for the 26 week period ended 27 June 2014

	Note	26 week period ended		52 week period ended 27 Dec 2013 (audited) £m
		27 Jun 2014 £m	28 Jun 2013 £m	
Revenue	2	133.1	133.2	256.7
Cost of sales		(53.6)	(53.2)	(105.4)
Gross profit		79.5	80.0	151.3
Administrative expenses		(34.7)	(35.8)	(76.2)
Operating profit	2	44.8	44.2	75.1
Analysed as:				
Operating profit before profit (or loss) on sale of fixed assets and before external transaction costs	2	45.6	45.3	78.4
(Loss)/profit on sale of fixed assets		(0.1)	0.2	(0.1)
External transaction costs		(0.7)	(1.3)	(3.2)
Operating profit		44.8	44.2	75.1
Finance costs	3	(15.8)	(13.4)	(28.9)
Finance income	3	2.5	1.2	3.4
Profit before tax	2	31.5	32.0	49.6
Taxation – before exceptional items	4	(7.3)	(8.1)	(12.7)
Taxation – exceptional	4	–	–	3.5
Taxation	4	(7.3)	(8.1)	(9.2)
Profit for the period attributable to equity shareholders		24.2	23.9	40.4
Earnings per share for profit attributable to equity shareholders				
– Basic (pence)	5	45.2p	42.1p	72.8p
– Diluted (pence)	5	45.1p	42.1p	72.8p
Underlying earnings per share (pence)	5	46.7p	44.0p	72.1p

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

Consolidated statement of comprehensive income (unaudited)

for the 26 week period ended 27 June 2014

	26 week period ended		52 week period ended 27 Dec 2013 (audited) £m
	27 Jun 2014 £m	28 Jun 2013 £m	
Profit for the period	24.2	23.9	40.4
Items that will not be reclassified to profit or loss			
Remeasurement loss on retirement benefit obligations	(2.4)	(3.1)	(2.0)
Tax on remeasurement loss on retirement benefit obligations	0.5	0.7	0.5
Other comprehensive loss	(1.9)	(2.4)	(1.5)
Comprehensive income for the period	22.3	21.5	38.9
Attributable to:			
Equity shareholders of the parent	22.3	21.5	38.9

Consolidated balance sheet (unaudited)

as at 27 June 2014

	Note	27 Jun 2014 £m	28 Jun 2013 £m	27 Dec 2013 (audited) £m
Assets				
Non-current assets				
Goodwill		175.1	176.2	173.7
Intangible assets		79.6	75.8	76.7
Property, plant and equipment		187.4	181.2	183.6
Financial and other assets		10.6	12.7	12.7
		452.7	445.9	446.7
Current assets				
Inventories		6.6	6.6	6.6
Trade and other receivables		26.5	30.4	27.8
Cash and cash equivalents – excluding collateralisation of Liquidity Facility		86.3	51.2	79.3
Cash and cash equivalents – collateralisation of Liquidity Facility ⁽¹⁾		63.2	–	63.0
Cash and cash equivalents	7	149.5	51.2	142.3
		182.6	88.2	176.7
Total assets		635.3	534.1	623.4
Liabilities				
Current liabilities				
Financial liabilities – excluding collateralisation of Liquidity Facility		21.4	11.2	20.8
Financial liabilities – collateralisation of Liquidity Facility ⁽¹⁾		63.2	–	63.0
Financial liabilities		84.6	11.2	83.8
Trade and other payables		51.5	35.6	52.0
Current tax liabilities		6.8	8.0	6.7
Provisions for liabilities and charges		1.2	0.9	1.1
		144.1	55.7	143.6
Non-current liabilities				
Financial liabilities		395.5	352.0	403.1
Deferred tax liabilities		26.4	32.1	26.9
Other non-current liabilities		2.7	2.5	2.8
Provisions for liabilities and charges		3.8	3.3	3.8
Retirement benefit obligation		3.3	3.2	1.0
		431.7	393.1	437.6
Total liabilities		575.8	448.8	581.2
Shareholders' equity				
Ordinary share capital		6.0	6.0	6.0
Share premium account		22.9	42.1	20.8
Capital redemption reserve		121.6	99.3	121.6
Other reserves		(7.2)	(6.8)	(6.4)
Retained earnings		(83.8)	(55.3)	(99.8)
Total equity		59.5	85.3	42.2
Total equity and liabilities		635.3	534.1	623.4

⁽¹⁾ During 2013, 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 can be found in the 2013 Annual Report.

Consolidated statement of changes in equity (unaudited)

as at 27 June 2014

	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 2012	5.7	17.4	99.3	(7.2)	(70.6)	44.6
Profit for the 26 weeks ended 28 June 2013	–	–	–	–	23.9	23.9
Remeasurement loss on defined benefit plans	–	–	–	–	(3.1)	(3.1)
Tax on pensions	–	–	–	–	0.7	0.7
Total comprehensive income	–	–	–	–	21.5	21.5
Effects of employee share options	–	–	–	0.7	–	0.7
Tax on employee share options	–	–	–	1.4	–	1.4
Proceeds from share issue ⁽¹⁾	0.3	25.6	–	–	–	25.9
Issue costs in respect of shares issued	–	(0.9)	–	–	–	(0.9)
Gift to Employee Benefit Trust	–	–	–	(1.7)	–	(1.7)
Dividends (note 6)	–	–	–	–	(6.2)	(6.2)
Shareholders' equity as at 28 June 2013	6.0	42.1	99.3	(6.8)	(55.3)	85.3
Profit for the 26 weeks ended 27 December 2013	–	–	–	–	16.5	16.5
Remeasurement gain on defined benefit plans	–	–	–	–	1.1	1.1
Tax on pensions	–	–	–	–	(0.2)	(0.2)
Total comprehensive income	–	–	–	–	17.4	17.4
Effects of employee share options	–	–	–	0.8	–	0.8
Tax on employee share options	–	–	–	(0.3)	–	(0.3)
Proceeds from share issue ⁽¹⁾	–	1.0	–	–	–	1.0
Adjustment for tax rate change 23% to 20%	–	–	–	(0.1)	–	(0.1)
Issue of B Shares in respect of Capital Option	–	(22.3)	–	–	–	(22.3)
Redemption of B Shares in respect of Capital Option	–	–	22.3	–	(22.3)	–
Dividend in respect of Special Dividend Option	–	–	–	–	(39.6)	(39.6)
Shareholders' equity as at 27 December 2013	6.0	20.8	121.6	(6.4)	(99.8)	42.2
Profit for the 26 weeks ended 27 June 2014	–	–	–	–	24.2	24.2
Remeasurement loss on defined benefit plans	–	–	–	–	(2.4)	(2.4)
Tax on pensions	–	–	–	–	0.5	0.5
Total comprehensive income	–	–	–	–	22.3	22.3
Effects of employee share options	–	–	–	0.8	–	0.8
Tax on employee share options	–	–	–	0.4	–	0.4
Proceeds from share issue ⁽²⁾	–	2.1	–	–	–	2.1
Gift to Employee Benefit Trust	–	–	–	(2.0)	–	(2.0)
Dividends (note 6)	–	–	–	–	(6.3)	(6.3)
Shareholders' equity as at 27 June 2014	6.0	22.9	121.6	(7.2)	(83.8)	59.5

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

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

The above amounts relate to transactions with owners of the Company except for the profit for the period and also pension items (net of tax) of £1.9 million loss (June 2013: £2.4 million loss; December 2013: £1.5 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 and £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 (unaudited)

for the 26 week period ended 27 June 2014

	Note	26 week period ended		52 week
		27 Jun 2014	28 June 2013	period ended 27 Dec 2013 (audited)
		£m	£m	£m
Cash flows from operating activities				
Cash generated from operations before external transaction costs and exceptional pension contribution	8	53.3	47.8	94.2
Exceptional contribution to pension scheme		–	–	(1.0)
External transaction costs in respect of acquisitions		(0.5)	(1.3)	(1.6)
Cash generated from operations		52.8	46.5	91.6
Finance income received		0.3	0.4	0.6
Finance costs paid		(15.0)	(24.6)	(25.0)
Transfer from restricted bank accounts for finance costs		14.6	11.9	11.9
Payments to restricted bank accounts for finance costs		(14.7)	–	(14.6)
Total payments in respect of finance costs		(15.1)	(12.7)	(27.7)
Tax paid		(6.9)	(5.1)	(10.9)
Transfers from restricted bank accounts		–	–	1.5
Net cash generated from operating activities		31.1	29.1	55.1
Cash flows from investing activities				
Acquisition of subsidiaries and businesses (net of cash acquired)	11	(5.2)	(59.2)	(60.7)
Proceeds from sale of property, plant and equipment		0.3	0.4	0.6
Vehicle replacement programme and improvements to locations		(5.5)	(7.2)	(14.2)
Branch relocations		(0.5)	(0.5)	(1.1)
Satellite locations		–	(0.3)	(0.3)
Development of new crematoria and cemeteries		(1.2)	(0.9)	(2.0)
Mercury abatement project		–	(0.2)	(0.6)
Purchase of property, plant and equipment		(7.2)	(9.1)	(18.2)
Net cash used in investing activities		(12.1)	(67.9)	(78.3)
Cash flows from financing activities				
Transfers from restricted bank accounts		–	1.5	–
Proceeds from issue of Secured Notes		–	–	97.7
Proceeds from borrowings		–	39.8	39.8
Issue costs in respect of borrowings and Secured Notes		–	(0.9)	(5.4)
Proceeds from shares issued		0.1	24.2	25.2
Issue costs in respect of shares issued		–	(0.9)	(0.9)
Repayment of borrowings		(5.9)	(9.7)	(42.6)
Transfer from restricted bank accounts for repayment of borrowings		5.7	4.2	4.2
Payments to restricted bank accounts for repayment of borrowings		(5.9)	–	(5.7)
Total payments in respect of borrowings		(6.1)	(5.5)	(44.1)
Dividends paid to shareholders on Ordinary Shares	6	(6.3)	(6.2)	(6.2)
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 (used)/generated in financing activities		(12.3)	52.0	44.2
Net increase in cash and cash equivalents		6.7	13.2	21.0
Cash and cash equivalents at the beginning of the period		59.0	38.0	38.0
Cash and cash equivalents at the end of the period	7	65.7	51.2	59.0
Restricted cash	7	20.6	–	20.3
Collateralisation of Liquidity Facility (restricted)	7	63.2	–	63.0
Cash and cash equivalents at the end of the period as reported in the consolidated balance sheet	7	149.5	51.2	142.3

Notes to the interim financial information 2014 (unaudited)

for the 26 week period ended 27 June 2014

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 27 June 2014 and comprises the results, assets and liabilities of the Company and its subsidiaries (the 'Group').

The interim condensed consolidated financial information has been reviewed, not audited and does not constitute statutory accounts within the meaning of s434 of the Companies Act 2006. This interim condensed consolidated financial information has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct 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 26 December 2014. The interim condensed consolidated financial information is also consistent with the audited consolidated financial statements for the 52 week period ended 27 December 2013. 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 27 December 2013. The Directors approved this interim condensed consolidated financial information on 30 July 2014.

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 27 December 2013, which are prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The basis of consolidation is set out in the Group's accounting policies in those financial statements.

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 27 December 2013.

Comparative information has been presented as at and for the 26 week period ended 28 June 2013 and as at and for the 52 week period ended 27 December 2013.

The comparative figures for the 52 week period ended 27 December 2013 do not constitute statutory accounts for the purposes of s434 of the Companies Act 2006. A copy of the Group's statutory accounts for the 52 week period ended 27 December 2013 have been delivered to the Registrar of Companies and contained an unqualified auditors' report in accordance with s498 of the Companies Act 2006.

Pre-arranged funeral plans – Recoveries

Pre-arranged funeral plans are regulated by the Finance Services and Markets Act, which requires customers' money to be held in an independent trust (the 'Trusts') or an insurance policy. From time to time, the Group receives monies from certain of the Trusts, in line with the relevant Trust's deed, which have been assessed by the trustees as not being required to ensure the Trust has sufficient assets to meet its future liabilities in respect of current members ('Recoveries'). All Recoveries are recognised as other operating income in the period in which the trustees approve their payment.

2 Revenue and segmental analysis

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

Funeral services 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.

2 Revenue and segmental analysis (continued)

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 revenue and operating profit by segment was as follows:

26 week period ended 27 June 2014

	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 and external transaction costs £m	Profit/(loss) £m
Funeral services	92.4	39.0	(4.7)	34.3	(0.4)	33.9
Crematoria	28.1	16.7	(1.5)	15.2	–	15.2
Pre-arranged funeral plans	12.6	4.1	(0.1)	4.0	–	4.0
Central overheads	–	(7.6)	(0.3)	(7.9)	(0.4)	(8.3)
Group	133.1	52.2	(6.6)	45.6	(0.8)	44.8
Finance costs				(15.8)	–	(15.8)
Finance income				2.5	–	2.5
Profit before tax				32.3	(0.8)	31.5
Taxation – continuing activities				(7.3)	–	(7.3)
Underlying earnings for the period				25.0		
Total other items					(0.8)	
Profit after taxation						24.2

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

– Basic				46.7p		45.2p
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26 week period ended 28 June 2013

	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 external transaction costs £m	Profit/(loss) £m
Funeral services – existing	88.9	37.7	(4.0)	33.7	0.2	33.9
Funeral services – acquisitions	4.9	1.9	(0.2)	1.7	(1.1)	0.6
Funeral services	93.8	39.6	(4.2)	35.4	(0.9)	34.5
Crematoria – existing	27.1	15.8	(1.4)	14.4	–	14.4
Crematoria – acquisitions	0.8	0.5	–	0.5	(0.2)	0.3
Crematoria	27.9	16.3	(1.4)	14.9	(0.2)	14.7
Pre-arranged funeral plans	11.5	3.0	(0.1)	2.9	–	2.9
Central overheads	–	(7.6)	(0.3)	(7.9)	–	(7.9)
Group	133.2	51.3	(6.0)	45.3	(1.1)	44.2
Finance costs				(13.4)	–	(13.4)
Finance income				1.2	–	1.2
Profit before tax				33.1	(1.1)	32.0
Taxation – continuing activities				(8.1)	–	(8.1)
Taxation – exceptional				–	–	–
Taxation				25.0	(1.1)	23.9
Underlying earnings for the period				25.0		
Total other items					(1.1)	
Profit after taxation						23.9

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

– Basic				44.0p		42.1p
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Notes to the interim financial information 2014 (unaudited) continued

for the 26 week period ended 27 June 2014

2 Revenue and segmental analysis (continued)

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	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 (pence)

– Basic	72.1p	72.8p
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3 Net finance costs

	26 week period ended		52 week period ended 27 Dec 2013 £m
	27 Jun 2014 £m	28 Jun 2013 £m	
Finance costs			
Class A and B Secured Notes	11.0	11.3	22.4
Class A and B Secured Notes – issued 2013	2.7	–	2.3
Amortisation of issue costs	0.7	0.8	1.6
Amortisation of issue costs – issued 2013	0.2	–	0.2
Crematoria Acquisition Facility	0.3	0.3	0.6
Term loan	–	0.6	0.7
Other loans	0.7	0.2	0.6
Interest payable on finance leases	–	–	0.1
Unwinding of discounts	0.2	0.2	0.4
Finance costs	15.8	13.4	28.9
Finance income			
Bank deposits	(0.5)	(0.3)	(0.5)
Release of premium on Secured Notes	(0.9)	(0.9)	(1.9)
Release of premium on Secured Notes – issued 2013	(1.1)	–	(1.0)
Finance income	(2.5)	(1.2)	(3.4)
Net finance costs	13.3	12.2	25.5

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 22.5 per cent (2013: 24.5 per cent) on profit before tax for the 26 week period ended 27 June 2014.

	26 week period ended		52 week
	27 Jun 2014 £m	28 Jun 2013 £m	period ended 27 Dec 2013 £m
Taxation	7.3	8.1	9.2

The main rate of Corporation Tax in the UK changed from 23 per cent to 21 per cent from 1 April 2014.

The Group has recognised £nil (June 2013: £nil; December 2013: £3.5 million) through its income statement to reflect one off changes in the tax rate.

Legislation to reduce the main rate of Corporation Tax from 21 per cent to 20 per cent from 1 April 2015 was included in the Finance Bill 2013 and was substantively enacted at the 27 December 2013 balance sheet date and therefore was reflected in the 27 December 2013 financial statements.

5 Earnings per share (EPS)

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

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

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

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.

Reconciliations of the earnings and the weighted average number of shares used in the calculations are set out below:

	Earnings £m	Weighted average number of shares millions	Per share amount pence
26 week period ended 27 June 2014			
Profit attributable to shareholders – Basic EPS	24.2	53.5	45.2
Add: Loss on sale of fixed assets and external transaction costs (net of taxation of £nil million)	0.8		
Underlying profit after taxation – Basic EPS	25.0	53.5	46.7
26 week period ended 27 June 2014			
Profit attributable to shareholders – Diluted EPS	24.2	53.7	45.1
26 week period ended 28 June 2013			
Profit attributable to shareholders – Basic and diluted EPS	23.9	56.8	42.1
Add: Exceptional items, profit on sale of fixed assets and external transaction costs (net of taxation of £nil million)	1.1		
Underlying profit after taxation – Basic EPS	25.0	56.8	44.0
52 week period ended 27 December 2013			
Profit attributable to shareholders – Basic and diluted EPS	40.4	55.5	72.8
Deduct: Exceptional items, profit 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

Notes to the interim financial information 2014 (unaudited) continued

for the 26 week period ended 27 June 2014

6 Dividends

On 27 June 2014, the Group paid a final dividend, in respect of 2013, of 11.83 pence per share (2013: 10.75 pence per share) totalling £6.3 million (2013: £6.2 million).

On 30 July 2014, the Directors approved an interim dividend, in respect of 2014, of 6.49 pence per share (2013: nil pence per share) totalling £3.5 million (2013: £nil), which will be paid on 31 October 2014 to those shareholders on the register at the close of business on 26 September 2014.

7 Cash and cash equivalents

	Note	27 Jun 2014 £m	28 Jun 2013 £m	27 Dec 2013 £m
Cash as reported in the consolidated statement of cash flows as cash and cash equivalents		65.7	51.2	59.0
Amounts set aside for debt service payments	(a)	20.6	–	20.3
Collateralisation of Liquidity Facility	(b)	63.2	–	63.0
Cash and cash equivalents as reported in the balance sheet		149.5	51.2	142.3

^(a) This amount was transferred to restricted bank accounts which could only be used for the payment of the interest and principal on the Secured Notes, the repayment of liabilities due on the Group's interest rate swaps 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. Whilst not applicable in June 2013, in June 2014 this amount was used to pay these respective parties on 30 June 2014 and in December 2013 this amount was used to pay these respective parties on 31 December 2013. Of this amount £14.7 million (December 2013: £14.6 million) is shown within the Statement of Cash Flows as 'Payments to restricted bank accounts for finance costs' and £5.9 million (December 2013: £5.7 million) is shown within 'Financing activities' as 'Payments to restricted bank accounts for repayment of borrowings'.

^(b) As described in the 2013 Annual Report, this amount represents the cash collateralisation of the Liquidity Facility, which does not meet the definition of cash and cash equivalents in IAS 7.

8 Reconciliation of cash generated from operations

	26 week period ended		52 week period ended
	27 Jun 2014 £m	28 Jun 2013 £m	27 Dec 2013 £m
Profit for the period	24.2	23.9	40.4
Adjustments for:			
Taxation	7.3	8.1	9.2
Net finance costs	13.3	12.2	25.5
Loss/(profit) on disposal of fixed assets	0.1	(0.2)	0.1
Depreciation charges	6.5	5.9	12.3
Amortisation of intangibles	0.1	0.1	0.2
Movement in inventories	–	–	–
Movement in trade receivables	1.2	0.1	2.0
Movement in trade payables	(0.8)	(0.4)	(1.4)
External transaction costs	0.7	1.3	3.2
Difference in pension charge and cash contribution	(0.2)	–	–
Changes in other working capital (excluding acquisitions)	0.1	(3.9)	1.2
Employee share option charges	0.8	0.7	1.5
Cash generated from operations before external transaction costs	53.3	47.8	94.2

9 Net debt

	27 Jun 2014 £m	28 Jun 2013 £m	27 Dec 2013 £m
Net amounts owing on Class A and B Secured Notes per financial statements	(305.3)	(310.2)	(310.0)
Net amounts owing on Class A and B Secured Notes – issued 2013 per financial statements	(91.0)	–	(93.0)
Add: unamortised issue costs	(12.3)	(13.8)	(13.0)
Add: unamortised issue costs – issued 2013	(3.1)	–	(3.3)
Gross amounts owing on all Class A and B Secured Notes per financial statements	(411.7)	(324.0)	(419.3)
Net amounts owing on Crematoria Acquisition Facility per financial statements	(15.6)	(15.6)	(15.6)
Add: unamortised issue costs on Crematoria Acquisition Facility	(0.2)	(0.2)	(0.2)
Gross amounts owing	(427.5)	(339.8)	(435.1)
Net amounts owing on Term Loan per financial statements	–	(32.3)	–
Add: unamortised issue costs on Term Loan	–	(0.6)	–
Gross amounts owing	(427.5)	(372.7)	(435.1)
Accrued interest on Class A and B Secured Notes	(11.7)	–	(11.6)
Accrued interest on Class A and B Secured Notes – issued 2013	(2.7)	–	(2.7)
Accrued interest on Crematoria Acquisition Facility	–	(0.1)	–
Cash and cash equivalents ⁽¹⁾	86.3	51.2	79.3
Net debt	(355.6)	(321.6)	(370.1)

⁽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 £5.0 million (June 2013: £5.1 million; December 2013: £5.3 million). These amounts do not represent sources of funding for the Group and are therefore excluded from the calculation of net debt.

The Group's primary financial covenant in respect of the Secured Notes requires EBITDA to total debt service to be above 1.5 times. At 27 June 2014, the actual ratio was 2.29 times (June 2013: 2.61 times; December 2013: 2.46 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.

10 Financial risk management and financial instruments**(a) Financial risk factors**

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's annual financial statements as at 27 December 2013. There have been no changes in the approach to risk management or in any risk management policies since the year end.

(b) Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

(c) Fair value estimation

All assets and liabilities are held at amortised cost other than interest rate swaps which are held at fair value. These swaps are level 2. The fair value represents the discounted net present value of future cash flows and is being amortised in accordance with IAS 39. See Note 16 (d) of the Dignity plc Annual Report & Accounts 2013 for further details.

Other than the swaps, all financial assets and liabilities are carried at amortised cost. The fair value and book value of the borrowings, which are level 1, are set out below, the fair value of all other financial assets and liabilities approximate their carrying amount.

	27 June 2014		27 December 2013	
	Book value £m	Fair value £m	Book value £m	Fair value £m
Long-term borrowings (excluding finance lease obligations)	394.8	500.4	402.4	494.9

Notes to the interim financial information 2014 (unaudited) continued

for the 26 week period ended 27 June 2014

11 Acquisitions and disposals

(a) Acquisition of subsidiary and other businesses

	Provisional fair value £m
Property, plant and equipment	1.0
Intangible assets: trade names	2.9
Other working capital	0.2
Deferred taxation	(0.3)
Net assets acquired	3.8
Goodwill arising	1.4
	5.2
Satisfied by:	
Cash paid on completion funded from internally generated cash flows	5.2

During 2014, the Group acquired the operational interest of eight funeral locations.

These acquisitions have been accounted for under the acquisition method.

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

The fair value adjustments contain provisional amounts, which will be finalised in the 2014 full year results. These adjustments reflect the recognition of trade names and associated deferred taxation and adjustments to reflect the fair value of other working capital movements such as receivables, inventories and accruals which are immaterial.

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

In addition to the above, there were additions in relation to crematoria developments totalling £1.2 million (June 2013: £0.9 million; December 2013: £2.0 million) and £6.0 million (June 2013: £8.2 million; December 2013: £16.2 million) of other additions to property, plant and equipment in the period. The Group also received proceeds of £0.3 million (June 2013: £0.4 million; December 2013: £0.6 million) from disposals of property, plant and equipment, which had a net book value of £0.4 million (June 2013: £0.2 million; December 2013: £0.7 million).

The Group had capital expenditure authorised by the Board and contracted for at the balance sheet date of £10.0 million (June 2013: £8.6 million; December 2013: £2.7 million) in respect of property, plant and equipment.

12 Pre-arranged funeral plan trust

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 2013 Annual Report. Amounts may only be paid out of the Trusts in accordance with the relevant Trust Deeds.

Transactions principally comprise:

- The recovery of marketing and administration expenses in relation to plans sold net of cancellations; and
- Receipts from the Trusts in respect of carrying out funerals.

Transactions also include:

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

Transactions are summarised below:

	Transactions during the period			Amounts due to the Group within one year at the period end		
	26 week period ended 27 Jun 2014 £m	28 Jun 2013 £m	52 week period ended 27 Dec 2013 £m	26 week period ended 27 Jun 2014 £m	28 Jun 2013 £m	52 week period ended 27 Dec 2013 £m
Dignity Limited Trust Fund	0.2	0.2	0.3	–	–	–
National Funeral Trust	16.7	15.3	31.1	1.6	1.5	1.5
Trust for Age UK Funeral Plans	16.8	16.3	34.0	1.8	1.6	1.5
Peace of Mind Trusts	0.6	–	1.2	0.2	–	0.1

A further £3.0 million (June 2013: £2.9 million; December 2013: £3.6 million) is due after more than one year.

13 Post balance sheet events

On 25 July 2014, Class A Noteholders voted to waive certain defaults arising from a technical drafting error in the Group's Issuer/Borrower Loan Agreement (IBLA). At the same meeting, amendments to the IBLA were approved to prevent the error reoccurring.

There were no other significant post balance sheet events.

14 Interim Report

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

15 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.

16 Seasonality

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

Statement of Directors' responsibilities

The Directors confirm to the best of their knowledge that:

- (a) The interim condensed consolidated financial information has been prepared in accordance with IAS 34 as adopted by the European Union; and
- (b) The Interim Report includes a fair review of the information as required by:
- DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first half of 2014 and their impact on the interim condensed consolidated financial information; and a description of the principal risks and uncertainties for the remaining second half of the year; and
 - DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first half of 2014 and any material changes in the related party transactions described in the last annual report.

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

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

By order of the Board

Steve Whittern
Finance Director
30 July 2014

Independent review report to Dignity plc

Introduction

We have been engaged by the company to review the condensed set of financial statements in the Interim Report for the 26 week period ended 27 June 2014 which comprises the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated statement of cash flows and notes 1 to 16. 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 condensed set of financial statements.

This report is made solely to the company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

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 Conduct 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 condensed set of financial statements 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 condensed set of financial statements in the Interim Report based on our review.

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 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 condensed set of financial statements in the Interim Report for the 26 week period ended 27 June 2014 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 Conduct Authority.

Ernst & Young LLP

Birmingham
30 July 2014

Shareholder information and financial calendar

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

General information

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

Company Registrars

Enquiries concerning shareholdings, change of address or other particulars, should be directed in the first instance to the Company's Registrars, Equiniti. They also provide a range of online shareholder information services at www.shareview.co.uk where shareholders can check their holdings and find practical help on transferring shares and updating personal details. Alternatively they can be contacted by telephone on 0871 384 2674* if calling from within the UK, or +44 (0) 121 415 7047 if calling from outside the UK, or by fax on 0871 384 2100* if faxing from within the UK, or +44 (0) 190 383 3113 if faxing from outside the UK.

*At the time of publication, calls to these numbers cost eight pence per minute plus network extras. Lines are open from 8.30am to 5.30pm Monday to Friday.

Shareholder communications

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

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

Share price information

The latest Dignity plc share price can be obtained via the Company's investor website www.dignityfuneralsplc.co.uk.

Unsolicited mail

The Company is obliged by law to make its share register available upon request to the public and to other organisations which may use it as a mailing list resulting in shareholders receiving unsolicited mail. Shareholders wishing to limit the receipt of such mail should register to do so with the Mailing Preference Service at www.mpsonline.org.uk.

Financial calendar

30 July 2014

Announcement of interim results

26 December 2014

Financial period end

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Richard Portman FCA

Registered Number:

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

www.dignityfuneralsplc.co.uk