For immediate release **8 March 2017**

Dignity plc

Preliminary results for the 53 week period ended 30 December 2016

Dignity plc (Dignity or the Group), the UK's only listed provider of funeral related services, announces its preliminary results for the 53 week period ended 30 December 2016.

Financial highlights

	53 week Period ended 30 December 2016	52 week Period ended 25 December 2015	Increase / (decrease) per cent
Revenue (£million)	**313.6**	305.3	3
Underlying operating profit[a] (£million)	**101.7**	98.7	3
Underlying profit before tax[a] (£million)	**75.2**	72.2	4
Underlying earnings per share[b] (pence)	**119.8**	114.8	4
Cash generated from operations[c] (£million)	**121.1**	125.2	(3)
Operating profit (£million)	**97.7**	95.5	2
Profit before tax (£million)	**71.2**	69.0	3
Basic earnings per share (pence)	**115.3**	115.2	-
Interim dividend paid in the period[d] (pence)	**7.85**	7.14	10
Final dividend proposed in respect of the period[e] (pence)	**15.74**	14.31	10
Deaths	**590,000**	588,000	-

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

(a) Underlying profit is calculated as profit excluding profit (or loss) on sale of fixed assets 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 and external transaction costs and exceptional items (all net of tax), divided by the weighted average number of Ordinary Shares in issue in the period.

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

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

(e) The 2016 final dividend is the proposed dividend expected to be approved at the annual general meeting on 8 June 2017. The 2015 final dividend is the dividend approved for payment by shareholders at the annual general meeting on 9 June 2016.

Key points

- Financial performance better than expected at the start of the year, as guided in November 2016;
- Deaths broadly flat at 590,000 (2015: 588,000) and higher than originally anticipated;
- Funeral market share decline is larger than seen before, which follows better market share than anticipated in 2015;
- Focus remains on customer service, which continues to be high, with 98 per cent of clients saying they would recommend us;
- Portfolio expanded through the acquisition of a total of 16 funeral locations and five crematoria in the period;
- Total acquisition activity investment of £56 million (net of cash acquired) funded from existing cash resources;
- Satellite location programme ongoing with 11 locations opened in the year;
- Since the last trading update, the Group has obtained planning permission for a third new crematorium. They are all due to open in 2018/ 2019;
- Another good year of pre-arranged funeral plan sales, with active pre-arranged funeral plans increasing to 404,000 (2015: 374,000), helped by trust and insurance based sales;
- Starting to see potential opportunities from the use of digital technologies; and
- The Group has acquired three funeral locations and one small crematorium since the balance sheet date.

Outlook

The number of deaths has been higher in 2016 than the Group originally anticipated following a significant increase in the number of deaths in 2015. Historical data would suggest that deaths in 2017 could be significantly lower than 2015 and 2016. Trading in the first few weeks of 2017 has however continued to be strong. As a result, the Board's expectations are unchanged for the year ahead.

The Board remains positive about the future prospects for the Group. However, given the increased size of the Group and increasing competition in each of our markets, the Board has revised its medium-term target underlying EPS growth rate to eight per cent per annum from the current 10 per cent. As with the previous target, this objective includes the benefit of the reinvestment of cash generated by the business and the Group's ability to releverage its balance sheet either to fund acquisitions or return capital to shareholders.

Mike McCollum, Chief Executive of Dignity plc commented:

"I am pleased with our financial and operational performance in the period. Our business has responded well to the needs of our customers, maintaining the high standards we set ourselves.

Looking into the future, we anticipate further engagement with the Scottish and Westminster parliaments, as we believe regulation of the funeral and pre-arranged funeral markets is necessary to ensure every family receives minimum standards of care from appropriate facilities. We also expect to invest more in digital technologies that will help our clients and also act as a source of new business for the Group."

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From the Chairman

Overview

2016 has been another successful year for the Group, with good financial performance and continued development of our network of locations.

In the last couple of years, Dignity has witnessed some notable changes. Firstly, the number of deaths increased significantly in 2015 and then continued to remain much higher than anticipated in 2016, helping us deliver stronger than expected financial performance in the last two years. Secondly, competition has continued to increase, particularly in funerals and pre-arranged funeral plans. These industries are unregulated which has encouraged new entrants. We are also seeing a number of businesses offering digital services in the funeral market.

We are tackling these changes head on. We continue to seek regulation of our markets, arguing that minimum standards of care should apply in funeral locations and for better regulation of pre-arranged plans. We are also seeking to develop our web presence in ways to help market our services, but also to help the level of service we provide our clients. Finally, we are introducing new, more affordable services that will appeal to customers we would not normally expect to be able to help. These efforts are the start of a multi year journey for us and we will update our stakeholders on how these efforts have helped the business, as all of these areas represent opportunities for us given our scale and existing standard of facilities.

Dividends

The Board is proposing a final dividend of 15.74 pence per Ordinary Share, bringing the total dividend for the year to 23.59 pence; another increase of 10 per cent on the previous year.

If shareholders approve this payment at the Annual General Meeting ('AGM') on 8 June 2017, then it will be paid on 30 June 2017 to members on the register at close of business on 19 May 2017.

Governance and the Board

As a board, we are committed to maintaining our high standards of corporate governance. The Board continues to focus not only on what we deliver as a business, but also how we deliver. Ensuring that there is a high level of cultural integrity embedded within the way we operate is a key part of what we deliver as a business and how we deliver, as is our ability to drive sustainable performance and meaningful stakeholder value.

The composition of the Board has been stable, with one planned change to address succession planning. As already announced, Martin Pexton has left the Board and been replaced by Mary McNamara. I would like to thank Martin for his contribution to the Group and I am delighted to welcome Mary to the Board.

Our people

As in previous years we have made a discretionary bonus payment to our employees, this year equating to £1,200 per full time employee. We have also decided to embed this amount in all employees' future pay rather than continue to treat it as a discretionary bonus. Therefore all employees have received a flat £1,200 pay increase (pro rated for part time employees) in January 2017. All other things being equal, the Group does not as a consequence anticipate making a discretionary bonus payment to staff in respect of 2017's performance. This salary increase applied across the business, including managers and Executive Directors alike.

Outlook for 2017 and beyond

The number of deaths has been higher in 2016 than the Group originally anticipated following a significant increase in the number of deaths in 2015. Historical data would suggest that deaths in 2017 could be significantly lower than 2015 and 2016. Trading in the first few weeks of 2017 has however continued to be strong. As a result, the Board's financial expectations are unchanged for the year ahead.

The Board remains positive about the future prospects for the Group. However, given the increased size of the Group and increasing competition in each of our markets the Board has revised its medium-term target underlying EPS growth rate to eight per cent per annum from the current 10 per cent. As with the previous target, this objective includes the benefit of the reinvestment of cash generated by the business and the Group's ability to releverage its balance sheet either to fund acquisitions or return capital to shareholders.

Peter Hindley
Chairman
8 March 2017

Chief Executive's Overview

Overview

A year ago, we described an extraordinary period in 2015, with the number of deaths increasing by seven per cent to 588,000. We noted that it was likely this sharp increase would normalise in 2016, but this has not been the case. Reported deaths were slightly higher than 2015 at 590,000. Allowing for the fact that 2016 represents a 53 week period for the Group, means that even on a 52 week comparable basis, deaths were only approximately two per cent lower in the period. This has enabled us to grow profits year on year and outperform expectations despite some headwinds experienced by the business.

The performance reflects a larger market share loss in our core business than seen before, combined with additional costs incurred to support the business. The market share decline follows stronger market share than expected in 2015. 2017 has started well but we continue to keep this under review.

We expect 2017 to be a year where we develop the business further in response to the changing environment in which we operate. For example, we have engaged with the reviews into funeral services by the Scottish and Westminster parliaments, arguing for regulation of funeral services and pre-arranged funeral plans. We are also working hard on introducing new digital services. The first such example is the launch of Simplicity Cremations, a nationally available, online, affordable direct cremation service (where there is no traditional funeral service, simply the collection and unwitnessed cremation of the deceased and then return of the ashes). This does not replace the full service, traditional funeral that we provide, but rather provides families with a lower cost simple option. The market for this service is currently small but given our significant national networks of funeral locations and crematoria we are able to offer this service in a more comprehensive and cost effective way than other operators.

Corporate activity

The business invested £56.3 million on acquisitions in the period, including £41.1 million (excluding external transaction costs) to acquire five crematoria locations from Funeral Services Limited (trading as Co-op Funeralcare) (the 'Crematoria Acquisition'). This was an unexpected opportunity for the Group and one we were able to quickly respond to thanks to our strong balance sheet and detailed understanding of the market. The Crematoria Acquisition generated £1.0 million of operating profit in the period, in line with expectations.

We have also seen further developments in our plan to build new crematoria. An update on this is described in the Operating Review.

Maintaining investment and development momentum in our core business

We continue to set aside resources to invest in our existing funeral and crematoria locations. We have increased the staffing of our property team in the year to manage our estate and associated capital expenditure more efficiently and to create additional recourse for finding funeral satellite locations and crematorium sites. This should help to free local management time so that they can further focus on delivering excellent client service.

Long-term focus drives strong performance

The business has yet again demonstrated its robustness and is well placed for the future. We hope to achieve our revised medium-term target of eight per cent per annum increases in earnings per share by staying focused on excellent service, operating efficiently, selling pre-arranged funeral plans, acquiring and developing quality businesses where possible and keeping our capital structure appropriately leveraged.

We will also need to ensure the high standards Dignity operates at are properly understood by all stakeholders; particularly given continued political and media interest in the sector and our ongoing support for better regulation of the industries in which we operate.

Operating Review

Funeral services

Performance

As at 30 December 2016, the Group operated a network of 792 (2015: 767) funeral locations throughout the United Kingdom, generally trading under local established names.

During the period, the Group conducted 70,700 funerals compared to 73,500 in 2015.

Approximately one per cent of all funerals were conducted in Northern Ireland. Excluding Northern Ireland, these funerals represent approximately 11.8 per cent (2015: 12.3 per cent) of total estimated deaths in Britain. Whilst funerals divided by estimated deaths is a reasonable measure of our market share, the Group does not have a complete national presence and consequently, this calculation can only ever be an estimate.

Underlying operating profit was £79.0 million (2015: £76.8 million), an increase of three per cent.

This financial performance reflects the lower number of funerals performed. Market share was lower than expected, offsetting a better than expected performance in 2015. The Group continues to keep this under review.

Progress and Developments

Investment in the core portfolio

Significant cash resources continue to be used to maintain the Group's locations and fleet. In 2016, £13.6 million was invested in maintenance capital expenditure.

Funeral location portfolio

The Group acquired 16 funeral locations for a total investment of £14.7 million. These acquisitions performed in line with expectations. £0.8 million was also invested in our satellite location programme, with 11 opening in the period. Two locations were closed, principally where it was considered commercially appropriate not to renew leases.

Outlook

The funeral division has performed well and is well placed for the future. Satellite locations opened in recent years continue to be profitable and the Group continues to see this as an opportunity to help grow the business. Consequently, the Group anticipates opening approximately 20 satellites per year at a capital cost of approximately £1 million.

Pre-arranged funerals continue to be a source of incremental funerals, with approximately 25 per cent of all funerals performed in the year (2015: 24 per cent) having previously been pre-arranged. This proportion is anticipated to continue to increase over time. Whilst these funerals represent substantially lower average revenue per funeral, their incremental nature means they are a positive contributor to the Group's performance.

CREMATORIA

Performance

The Group remains the largest single operator of crematoria in Britain, operating 44 (2015: 39) crematoria as at 30 December 2016. The Group performed 59,500 cremations (2015: 57,700) in the period, representing 10.1 per cent (2015: 9.8 per cent) of total estimated deaths in Britain.

Underlying operating profit was £37.6 million (2015: £34.6 million), an increase of nine per cent.

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

Sales of memorials and other items have been stable, equating to approximately £273 per cremation compared to £276 in the previous period**.**

Progress and Developments

£1.0 million of the operating profit in the period was generated by the Crematoria Acquisition. This acquisition has performed in line with expectations and is consistent with the Group's guidance at acquisition of anticipated EBITDA of £2.9 million in 2017.

The Group has also invested £3.7 million maintaining its locations in the period.

The Group now has planning permission on three locations for new crematoria, with the third receiving planning permission in December 2016. Finalisation of building plans and addressing local planning requirements means that these locations are expected to open in 2018 and 2019. The total capital commitment for these locations is expected to be approximately £13 million to £14 million. Each of the locations with planning permission will take five to seven years to reach maturity, performing 800 to 1,000 cremations per year.

The Group also has one live planning application for which it is awaiting a decision and has options over a number of other pieces of land where no capital commitment will arise unless planning permission for a new crematorium is obtained in due course.

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

PRE-ARRANGED FUNERAL PLANS

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

Underlying operating performance in the period has been solid, with operating profit of £8.5 million (2015: £7.8 million), an increase of nine per cent.

In overall terms, approximately 49,000 (2015: 38,000) new plan sales were made and the number of active pre-arranged funeral plans increased to 404,000 (2015: 374,000) as at 30 December 2016. 20,000 (2015: 4,000) of the sales represent plans linked to life assurance plans with third parties rather than trust based plan sales.

Whilst the contribution to this year's operating profit from the marketing activity is reported at the time of sale, it is important to recognise that the sales made represent significant potential future revenues for the funeral division. These amounts will be recognised as and when the funerals are performed.

As with all the Group's divisions, pre-arranged funeral plan profits broadly reflect the cash generated by that activity.

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

The Group has continued to work hard at developing its portfolio of affinity partners and has formed a number of new partnerships in the period with organisations in the retail and financial services arena with further trials expected in 2017.

The financial position of the independent trusts holding members' monies is crucial, given the Group ultimately guarantees the promises made to members. At the end of 2016, the Trusts held over £860 million of assets. Average assets per plan are greater than the amount currently received for performing a funeral. However, the latest actuarial valuations of the pre-arranged funeral plan trusts (at 23 September 2016) showed them to have a small actuarial deficit, driven by the volatility in the markets and low gilt yields.

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

The Trustees continue to take external advice on their investment strategy, with the overall objective of achieving a real return over time.

The Trustees have informed the Group that they continue to take independent advice regarding the Trust's investment strategy. As a result, it is anticipated that the investment allocation by class will develop further during 2017 and beyond, gradually resulting in a portfolio in the following profile:

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

These developments in the Trust's investment strategy are expected to enhance investment returns in the longer-term for a broadly similar level of risk as that currently taken. The strategy will, however, potentially result in greater volatility year on year in the reported value of the Trust's assets.

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

The Trustees have indicated that they will continue to work with their advisers to keep the investment strategy under review and amend it where appropriate.

Central overheads

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

Developments
Costs in the period were £23.4 million (2015: £20.5 million), an increase of 14.1 per cent.

Investment in central overheads continues in order to respond to the activities of the Group. Incentive costs, including LTIP costs and cash bonuses, have increased from £6.3 million to £8.3 million. Excluding these bonus costs, central overheads represent 4.8 per cent (2015: 4.7 per cent) of revenues.

Capital expenditure of £2.3 million has been incurred on central projects predominantly relating to IT that will help the business as a whole operate more efficiently. This includes £1.3 million incurred to date on the update of the Group's accounting software described last year. This new system went live in early 2017 as originally anticipated. The remainder of the anticipated £3 million commitment is therefore expected to be incurred in 2017.

In addition, given the increase in headcount in central overheads (and pre-need operations, which are based at the Group's head office), the Group has taken additional leased office space in Sutton Coldfield to support operations. This resulted in capital spend of £0.2 million in the period, with a further £0.9 million to be spent in 2017 prior to it being able to be used in early 2017.

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

Mike McCollum
Chief Executive
8 March 2017

Financial Review

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

Financial highlights
The Group's financial performance is summarised below:

	53 week period ended 30 December 2016	52 week period ended 25 December 2015	Increase/ (decrease) %
Revenue (£ million)	**313.6**	305.3	3
Underlying operating profit[a] (£ million)	**101.7**	98.7	3
Underlying profit before tax[a] (£ million)	**75.2**	72.2	4
Underlying earnings per share[a] (pence)	**119.8**	114.8	4
Cash generated from operations[b] (£ million)	**121.1**	125.2	(3)
Operating profit (£ million)	**97.7**	95.5	2
Profit before tax (£ million)	**71.2**	69.0	3
Basic earnings per share (pence)	**115.3**	115.2	-
Dividends paid in the period:			
Interim dividend (pence)	**7.85**	7.14	10
Final dividend (pence)	**14.31**	13.01	10

(a) Underlying amounts exclude profit on sale of fixed assets, external transaction costs and exceptional items, net of tax where appropriate.
(b) Cash generated from operations excludes external transaction costs.

The Board has proposed a dividend of 15.74 pence per Ordinary Share as a final distribution of profits relating to 2016 to be paid on 30 June 2017, subject to shareholder approval.

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

	53 week period ended 30 December 2016 £m	52 week period ended 25 December 2015 £m
Operating profit for the period as reported	**97.7**	95.5
Add / (deduct) the effects of:		
Profit on sale of fixed assets	**(0.1)**	-
External transaction costs	**4.1**	3.2
Underlying operating profit	**101.7**	98.7
Net finance costs	**(26.5)**	(26.5)
Underlying profit before tax	**75.2**	72.2
Tax charge on underlying profit before tax[c]	**(15.8)**	(15.5)
Underlying profit after tax	**59.4**	56.7
Weighted average number of Ordinary Shares in issue during the period (million)	**49.6**	49.4
Underlying EPS (pence)	**119.8p**	114.8p
Increase in Underlying EPS (per cent)	**4%**	34%

(c) Excludes exceptional tax credit of £1.8 million (2015: £3.4 million).

Earnings per share
The Group's statutory profit after tax was £57.2 million (2015: £56.9 million). Basic earnings per share were 115.3 pence per share (2015: 115.2 pence per share). The Group's measures of underlying performance exclude the effect (after tax) of the profit (or loss) on sale of fixed assets, external transaction costs and exceptional items. Consequently, underlying profit after tax was £59.4 million (2015: £56.7 million), giving underlying earnings per share of 119.8 pence per share (2015: 114.8 pence per share), an increase of four per cent.

The growth rate for underlying EPS exceeded the growth in underlying operating profit, reflecting the leveraging effect of the Group's capital structure.

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

Capital expenditure on property, plant and equipment and intangible assets was £22.8 million (2015: £19.9 million).

This is analysed as:

	30 December 2016 £m	25 December 2015 £m
Maintenance capital expenditure:		
Funeral services	**13.6**	12.1
Crematoria	**3.7**	2.5
Other	**2.3**	1.0
Total maintenance capital expenditure[(a)]	**19.6**	15.6
Branch relocations	**1.6**	3.9
Satellite locations	**0.8**	0.3
Development of new crematoria and cemeteries	**0.8**	0.1
Total property, plant and equipment	**22.8**	19.9
Partly funded by:		
Disposal proceeds	**(1.0)**	(0.8)
Net capital expenditure	**21.8**	19.1

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

Cash flow and cash balances

Cash generated from operations was £121.1 million (2015: £125.2 million) stated before external transaction costs of £3.9 million (2015: £3.2 million). The reduction year on year despite an increase in operating profit reflects timing differences of working capital items year on year. The longer-term expectation of profits converting efficiently to cash is unchanged.

As a result of the strong year, the Group was able to fund all of its corporate activity from its cash reserves, spending £56.3 million (net of cash acquired and excluding external transaction costs) on the acquisition of 16 funeral locations and five crematoria locations and balancing payments in respect of prior year acquisitions.

Cash balances at the end of the period were £67.1 million (2015: £98.8 million). The remainder of the Group's cash reserves are essentially free for use as it sees fit. However, in its planning, the Group sets aside approximately £23.8 million for future corporation tax and dividend payments expected to be spent in 2017.

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

Pensions

The balance sheet shows a deficit of £25.9 million before deferred tax (2015: deficit of £12.5 million). The Group concluded a consultation with employees in February 2017. Following this consultation, the Group decided to close its defined benefit pension to any further accrual. Affected employees will instead be able to contribute between four and 10 per cent of salary into a defined contribution scheme, which will be matched by the Group.

The Group does not expect the actuarial position of the scheme to change significantly prior to its triennial valuation in April 2017. Consequently, a schedule of contributions is expected to have to be agreed with the Trustees of the scheme during 2017.

Taxation

The Group's effective tax rate on underlying profits in the period was 21.0 per cent (2015: 21.5 per cent) excluding the exceptional rate change. Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016. This will mean headline corporation tax rates will reduce to 19 per cent from 1 April 2017 and 17 per cent from 1 April 2020. The Group has therefore recognised an exceptional credit in the income statement of £1.8 million in order to state its deferred tax balances at the new long-term rate.

The Group continues to expect its effective tax rate to be approximately one per cent above the headline rate of corporation tax. This translates to an effective rate for 2017, 2018 and 2019 of 20.0 per cent.

The Group's net cash tax payments were £10.6 million (2015: £3.7 million) in the period. The Group expects corporation tax payments to increase in 2017 and over time for cash taxes to be broadly equivalent to its income statement charge. Legislative changes requiring an acceleration of quarterly payments on account have been delayed and will not now impact the Group until 2020 when the Group will pay 18 months of cash tax, reverting to 12 months in each year thereafter.

Capital structure and financing

Secured Notes

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

The Board considers that maintaining a leveraged balance sheet is appropriate for the Group, given the stable and predictable nature of its cash flows. This predictability is matched in the Secured Notes. The principal is repaid completely over the life of the Secured Notes and is therefore scheduled to be repaid by 2049. The interest rate is fixed for the life of the Secured Notes and interest is calculated on the principal.

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

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

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

Given the duration of the Secured Notes, this structure is capable of being used to periodically issue further Secured Notes when deemed appropriate and subject to market conditions. The majority of such proceeds have historically been returned to shareholders. This has the benefit of enhancing shareholder returns, whilst leaving sufficient free cash to invest in the growth of the business.

Financial Covenant

The Group's primary financial covenant under the Secured Notes requires EBITDA to total debt service to be above 1.5 times. The ratio at 30 December 2016 was 3.37 times (2015: 3.35 times).

Crematoria Acquisition Facility

The other external drawn source of debt funding is the Group's £15.8 million Crematoria Acquisition Facility, which is fully utilised. The facility is repayable in one amount in February 2018. Interest is fixed at approximately 3.3 per cent.

Funeral Acquisition Facility

During the period, the Group had an undrawn Funeral Acquisition Facility of £26.25 million which was originally created to help fund the acquisition of a business in 2015. However, given the strong trading in the period leading up to the acquisition, the level of cash held by the Group meant that this facility was not required. The facility remains undrawn, attracting a non utilisation fee of approximately £150,000 per annum. If drawn, the facility will charge interest at a rate between 125 and 165 basis points per annum above LIBOR (depending on the ratio of EBITDA to gross debt). The availability of this facility has been extended until the end of March 2017.

Discussions are currently underway with a view to replacing both facilities with a new revolving credit facility for a similar level of debt to give the Group more certainty in the medium-term over a line of credit, should it be required.

Net debt

The Group's net debt is analysed as:

	30 December 2016 £m	25 December 2015 £m
Net amounts owing on Secured Notes	**(573.9)**	(586.5)
Add: unamortised issue costs	**(0.7)**	(0.7)
Gross amounts owing on Secured Notes	**(574.6)**	(587.2)
Net amounts owing on Crematoria Acquisition Facility	**(15.7)**	(15.7)
Add: unamortised issue costs on Crematoria Acquisition Facility	**(0.1)**	(0.1)
Gross amounts owing	**(590.4)**	(603.0)
Accrued interest on Secured Notes	**(0.3)**	(12.8)
Accrued interest on Crematoria Acquisition Facility	**(0.1)**	(0.1)
Cash and cash equivalents (note 6)	**67.1**	98.8
Net debt	**(523.7)**	(517.1)

The Group's gross debt outstanding was £590.4 million (2015: £603.0 million). Net debt was £523.7 million (2015: £517.1 million).

The market value of the Secured Notes at the balance sheet date was £678.0 million (2015: £615.5 million).

Net finance costs
The Group's underlying finance costs substantially consist of the interest on the Secured Notes and ancillary instruments. The net finance cost in the period relating to these instruments was £25.4 million (2015: £25.6 million).

Finance costs of £0.6 million (2015: £0.6 million) were incurred in respect of the Crematoria Acquisition Facility.

Other ongoing finance costs incurred in the period amounted to £0.9 million (2015: £0.8 million), including the unwinding of discounts on the Group's provisions and other financial liabilities.

Interest receivable on bank deposits was £0.4 million (2015: £0.5 million).

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

Steve Whittern
Finance Director
8 March 2017

Our key performance indicators

We track our performance against a number of consistent KPIs which are aligned to our strategic vision.

KPI	KPI definitions	53 week period ended 30 December 2016	52 week period ended 25 December 2015	Developments in 2016
Total estimated number of deaths in Britain (number)	This is as reported by the Office for National Statistics.	**590,000**	588,000	Deaths were higher than anticipated in the period. Historical data would suggest that deaths in 2017 could be significantly lower than 2015 and 2016.
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.	**11.8%**	12.3%	The reduction in market share is more than anticipated. The Board is keeping this under review.
Number of funerals performed (number)	This is the number of funerals performed according to our operational data.	**70,700**	73,500	Changes are a consequence of the total number of deaths and the Group's market share.
Crematoria market share (per cent)	This is the number of cremations performed by the Group divided by the total estimated number of deaths in Britain.	**10.1%**	9.8%	Market share has increased, principally reflecting the effect of recent acquisitions.
Number of cremations performed (number)	This is the number of cremations performed according to our operational data.	**59,500**	57,700	Changes are a consequence of the total number of deaths and the Group's market share.
Active 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.	**404,000**	374,000	This increase reflects continued sales activity offset by the crystallisation of plans sold in previous periods.
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.	**119.8p**	114.8p	This growth follows the increase in operating profit.
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.	**£101.7m**	£98.7m	Good growth driven by higher than expected deaths as well as acquisition activity.
Cash generated from operations (£ million)	This is the statutory cash generated from operations excluding external transaction costs and (in 2013 and 2014) exceptional pension contributions.	**£121.1m**	£125.2m	The Group continues to convert operating profit into cash efficiently.

Office for National Statistics data
Some of the Group's key performance indicators rely on the total number of estimated deaths for each period. This information is obtained from the Office for National Statistics ('ONS'). The initial publication of recorded total estimated deaths in Britain for the 53 weeks in 2016 was 590,000 compared to 588,000 for the 52 week period in 2015. 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.

The Dignity Client Survey 2016
Our funeral service survey results continue to demonstrate the outstanding work being consistently done by our staff. They remain focused on performing their roles to the best of their ability, allowing the Group to help many families at a difficult time.

Reputation and recommendation
98.8% (2015: 99.2%)
98.8 per cent of respondents said that we met or exceeded their expectations.

97.7% (2015: 98.0%)
97.7 per cent of respondents would recommend us.

Quality of service and care
99.9% (2015: 99.9%)
99.9 per cent thought our staff were respectful.

99.7% (2015: 99.7%)
99.7 per cent thought our staff listened to their needs and wishes.

99.1% (2015: 99.3%)
99.1 per cent agreed that our staff were compassionate and caring.

High Standards of facilities and fleet
99.8% (2015: 99.8%)
99.8 per cent thought our premises were clean and tidy.

99.8% (2015: 99.8%)
99.8 per cent thought our vehicles were clean and comfortable.

In the detail
99.2% (2015: 99.3%)
99.2 per cent of clients agreed that our staff had fully explained what would happen before and during the funeral.

99.1% (2015: 99.1%)
99.1 per cent said that the funeral service took place on time.

98.5% (2015: 98.6%)
98.5 per cent said that the final invoice matched the estimate provided.

Consolidated income statement
for the 53 week period ended 30 December 2016

	Note	53 week period ended 30 December 2016 £m	52 week period ended 25 December 2015 £m
Revenue	1	**313.6**	305.3
Cost of sales		**(128.1)**	(123.3)
Gross profit		**185.5**	182.0
Administrative expenses		**(87.8)**	(86.5)
Operating profit	1	**97.7**	95.5
Analysed as:			
Underlying operating profit	1	**101.7**	98.7
Profit on sale of fixed assets		**0.1**	-
External transaction costs		**(4.1)**	(3.2)
Operating profit		**97.7**	95.5
Finance costs	2	**(26.9)**	(27.0)
Finance income	2	**0.4**	0.5
Profit before tax	1	**71.2**	69.0
Taxation – before exceptional items		**(15.8)**	(15.5)
Taxation – exceptional		**1.8**	3.4
Taxation	3	**(14.0)**	(12.1)
Profit for the period attributable to equity shareholders		**57.2**	56.9
Earnings per share for profit attributable to equity shareholders			
– Basic (pence)	4	**115.3p**	115.2p
– Diluted (pence)	4	**114.6p**	114.5p

Consolidated statement of comprehensive income
for the 53 week period ended 30 December 2016

	Note	53 week period ended 30 December 2016 £m	52 week period ended 25 December 2015 £m
Profit for the period		**57.2**	56.9
Items that will not be reclassified to profit or loss			
Remeasurement loss on retirement benefit obligations	9	**(12.5)**	(1.4)
Tax credit on remeasurement on retirement benefit obligations		**2.3**	0.3
Restatement of deferred tax for the change in UK tax rate		**(0.3)**	(0.2)
Other comprehensive loss		**(10.5)**	(1.3)
Comprehensive income for the period		**46.7**	55.6
Attributable to:			
Equity shareholders of the parent		**46.7**	55.6

Consolidated balance sheet
as at 30 December 2016

	Note	30 December 2016 £m	25 December 2015 £m
Assets			
Non-current assets			
Goodwill		**215.9**	201.5
Intangible assets		**142.2**	126.7
Property, plant and equipment		**235.4**	200.6
Financial and other assets		**11.3**	10.3
		604.8	539.1
Current assets			
Inventories		**6.1**	6.4
Trade and other receivables		**37.0**	31.9
Cash and cash equivalents	6	**67.1**	98.8
		110.2	137.1
Total assets		**715.0**	676.2
Liabilities			
Current liabilities			
Financial liabilities		**8.8**	8.3
Trade and other payables		**59.3**	67.5
Current tax liabilities		**5.4**	5.4
Provisions for liabilities		**1.6**	1.5
		75.1	82.7
Non-current liabilities			
Financial liabilities		**581.5**	594.6
Deferred tax liabilities		**25.7**	21.7
Other non–current liabilities		**2.8**	2.3
Provisions for liabilities		**7.5**	6.3
Retirement benefit obligation	9	**25.9**	12.5
		643.4	637.4
Total liabilities		**718.5**	720.1
Shareholders' equity			
Ordinary share capital		**6.1**	6.1
Share premium account		**8.5**	4.8
Capital redemption reserve		**141.7**	141.7
Other reserves		**(3.5)**	(4.5)
Retained earnings		**(156.3)**	(192.0)
Total equity		**(3.5)**	(43.9)
Total equity and liabilities		**715.0**	676.2

Consolidated statement of changes in equity
for the 53 week period ended 30 December 2016

	Ordinary share capital £m	Share premium account £m	Capital redemption reserve £m	Other reserves £m	Retained earnings £m	Total equity £m
Shareholders' equity as at 26 December 2014	6.1	2.8	141.7	(5.5)	(237.6)	(92.5)
Profit for the 52 weeks ended 25 December 2015	-	-	-	-	56.9	56.9
Remeasurement loss on defined benefit obligations	-	-	-	-	(1.4)	(1.4)
Tax on pensions	-	-	-	-	0.3	0.3
Restatement of deferred tax for the change in UK tax rate	-	-	-	-	(0.2)	(0.2)
Total comprehensive income	-	-	-	-	55.6	55.6
Effects of employee share options	-	-	-	2.4	-	2.4
Tax on employee share options	-	-	-	0.7	-	0.7
Restatement of deferred tax for the change in UK tax rate	-	-	-	(0.1)	-	(0.1)
Proceeds from share issue(1)	-	2.0	-	-	-	2.0
Gift to Employee Benefit Trust	-	-	-	(2.0)	-	(2.0)
Dividends (note 5)	-	-	-	-	(10.0)	(10.0)
Shareholders' equity as at 25 December 2015	6.1	4.8	141.7	(4.5)	(192.0)	(43.9)
Profit for the 53 weeks ended 30 December 2016	-	-	-	-	57.2	**57.2**
Remeasurement loss on defined benefit obligations	-	-	-	-	(12.5)	**(12.5)**
Tax on pensions	-	-	-	-	2.3	**2.3**
Restatement of deferred tax for the change in UK tax rate	-	-	-	-	(0.3)	**(0.3)**
Total comprehensive income	-	-	-	-	46.7	**46.7**
Effects of employee share options	-	-	-	3.0	-	**3.0**
Tax on employee share options	-	-	-	0.2	-	**0.2**
Proceeds from share issue(2)	-	3.7	-	-	-	**3.7**
Gift to Employee Benefit Trust	-	-	-	(2.2)	-	**(2.2)**
Dividends (note 5)	-	-	-	-	(11.0)	**(11.0)**
Shareholders' equity as at 30 December 2016	**6.1**	**8.5**	**141.7**	**(3.5)**	**(156.3)**	**(3.5)**

(1) Relating to issue of 249,067 shares under 2012 LTIP scheme and 1,044 shares under 2013 SAYE scheme.
(2) Relating to issue of 213,851 shares under 2013 LTIP scheme and 104,008 shares under 2013 SAYE scheme.

The above amounts relate to transactions with owners of the Company except for the items reported within total comprehensive income.

Capital redemption reserve
The capital redemption reserve represents £80,002,465 B Shares that were issued on 2 August 2006 and redeemed for cash on the same day, £19,274,610 B Shares that were issued on 10 October 2010 and redeemed for cash on 11 October 2010, and £22,263,112 B Shares that were issued on 12 August 2013 and redeemed for cash on 20 August 2013 and £20,154,070 B Shares that were issued and redeemed for cash in November 2014.

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

Consolidated statement of cash flows
for the 53 week period ended 30 December 2016

	Note	**53 week period ended 30 December 2016 £m**	52 week period ended 25 December 2015 £m
Cash flows from operating activities			
Cash generated from operations before external transaction costs	8	**121.1**	125.2
External transaction costs paid in respect of acquisitions		**(3.9)**	(3.2)
Cash generated from operations		**117.2**	122.0
Finance income received		**0.5**	0.6
Finance costs paid		**(38.5)**	(19.1)
Transfer from restricted bank accounts for finance costs		**12.8**	5.6
Payments to restricted bank accounts for finance costs	6	**(0.3)**	(12.8)
Total payments in respect of finance costs		**(26.0)**	(26.3)
Tax paid		**(10.6)**	(3.7)
Net cash generated from operating activities		**81.1**	92.6
Cash flows from investing activities			
Acquisition of subsidiaries and businesses (net of cash acquired)		**(56.3)**	(50.0)
Proceeds from sale of property, plant and equipment		**1.0**	0.8
Maintenance capital expenditure(1)		**(19.6)**	(15.6)
Branch relocations		**(1.6)**	(3.9)
Satellite locations		**(0.8)**	(0.3)
Development of new crematoria and cemeteries		**(0.8)**	(0.1)
Purchase of property, plant and equipment and intangible assets		**(22.8)**	(19.9)
Net cash used in investing activities		**(78.1)**	(69.1)
Cash flows from financing activities			
Issue costs in respect of borrowings and Secured Notes		**-**	(0.1)
Issue costs in respect of debt facility		**(0.1)**	(0.2)
Proceeds from share issue		**1.5**	-
Repayment of borrowings		**(12.6)**	(8.1)
Transfer from restricted bank accounts for repayment of borrowings		**4.1**	4.0
Payments to restricted bank accounts for repayment of borrowings	6	**-**	(4.1)
Total payments in respect of borrowings		**(8.5)**	(8.2)
Dividends paid to shareholders on Ordinary Shares	5	**(11.0)**	(10.0)
Net cash used in financing activities		**(18.1)**	(18.5)
Net (decrease) / increase in cash and cash equivalents		**(15.1)**	5.0
Cash and cash equivalents at the beginning of the period		**81.9**	76.9
Cash and cash equivalents at the end of the period		**66.8**	81.9
Restricted cash		**0.3**	16.9
Cash and cash equivalents at the end of the period as reported in the consolidated balance sheet	6	**67.1**	98.8

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

1 Revenue and segmental analysis

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

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

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

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

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

Underlying operating profit is stated before profit or loss on sale of fixed assets, external transaction costs 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/ (loss), by segment, was as follows:

53 week period ended 30 December 2016

	Revenue £m	Underlying operating profit / (loss) before depreciation and amortisation £m	Depreciation and amortisation £m	Underlying operating profit / (loss) £m	Profit on sale of fixed assets, external transaction costs and exceptional items £m	Operating profit / (loss) £m
Funeral services	**217.8**	**90.6**	**(11.6)**	**79.0**	**(0.9)**	**78.1**
Crematoria - existing	**65.1**	**40.0**	**(3.4)**	**36.6**	**0.1**	**36.7**
Crematoria - acquisitions	**2.4**	**1.1**	**(0.1)**	**1.0**	**(3.0)**	**(2.0)**
Crematoria	**67.5**	**41.1**	**(3.5)**	**37.6**	**(2.9)**	**34.7**
Pre-arranged funeral plans	**28.3**	**8.7**	**(0.2)**	**8.5**	**-**	**8.5**
Central overheads	**-**	**(22.6)**	**(0.8)**	**(23.4)**	**(0.2)**	**(23.6)**
Group	**313.6**	**117.8**	**(16.1)**	**101.7**	**(4.0)**	**97.7**
Finance costs				**(26.9)**	**-**	**(26.9)**
Finance income				**0.4**	**-**	**0.4**
Profit before tax				**75.2**	**(4.0)**	**71.2**
Taxation – continuing activities				**(15.8)**	**-**	**(15.8)**
Taxation – exceptional				**-**	**1.8**	**1.8**
Taxation				**(15.8)**	**1.8**	**(14.0)**
Underlying earnings for the period				**59.4**		
Total other items					**(2.2)**	
Profit after taxation						**57.2**
Earnings per share for profit attributable to equity shareholders						
- Basic (pence)				**119.8p**		**115.3p**
- Diluted (pence)				**119.0p**		**114.6p**

The segment assets and liabilities were as follows:

As at 30 December 2016	Funeral services £m	Crematoria £m	Pre-arranged funeral plans £m	Central overheads £m	Group £m
Segment assets	**433.5**	**185.1**	**22.6**	**6.7**	**647.9**
Unallocated assets:					
Cash and cash equivalents					**67.1**
Total assets					**715.0**
Segment liabilities	**(60.8)**	**(11.1)**	**(8.5)**	**(16.9)**	**(97.3)**
Unallocated liabilities:					
Borrowings – excluding finance leases					**(589.6)**
Accrued interest					**(0.5)**
Corporation tax					**(5.4)**
Deferred tax					**(25.7)**
Total liabilities					**(718.5)**
Other segment items:					
Additions to non-current assets (other than financial instruments and deferred tax)	**29.5**	**45.5**	**-**	**3.8**	**78.8**
Depreciation	**11.6**	**3.5**	**-**	**0.8**	**15.9**
Amortisation	**-**	**-**	**0.1**	**0.1**	**0.2**
Impairment of trade receivables	**1.6**	**0.1**	**-**	**-**	**1.7**
Other non-cash expenses	**-**	**-**	**-**	**3.6**	**3.6**
Profit on sale of fixed assets	**0.1**	**-**	**-**	**-**	**0.1**

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

52 week period ended 25 December 2015

	Revenue £m	Underlying operating profit/ (loss) before depreciation and amortisation £m	Depreciation and amortisation £m	Underlying operating profit/ (loss) £m	Profit on sale of fixed assets, external transaction costs and exceptional items £m	Operating profit/ (loss) £m
Funeral services – existing	206.2	85.0	(10.5)	74.5	-	74.5
Funeral services – acquisitions(1)	6.4	2.4	(0.1)	2.3	(3.2)	(0.9)
Funeral services	212.6	87.4	(10.6)	76.8	(3.2)	73.6
Crematoria	63.1	37.8	(3.2)	34.6	-	34.6
Pre-arranged funeral plans	29.6	8.0	(0.2)	7.8	-	7.8
Central overheads	-	(19.9)	(0.6)	(20.5)	-	(20.5)
Group	305.3	113.3	(14.6)	98.7	(3.2)	95.5
Finance costs				(27.0)	-	(27.0)
Finance income				0.5	-	0.5
Profit before tax				72.2	(3.2)	69.0
Taxation – continuing activities				(15.5)	-	(15.5)
Taxation – exceptional				-	3.4	3.4
Taxation				(15.5)	3.4	(12.1)
Underlying earnings for the period				56.7		
Total other items					0.2	
Profit after taxation						56.9
Earnings per share for profit attributable to equity shareholders						
- Basic (pence)				114.8p		115.2p
- Diluted (pence)				114.1p		114.5p

(1) Included within acquisitions is revenue of £4.3 million and underlying operating profit of £1.4 million in respect of the Laurel Funeral acquisition.

The segment assets and liabilities were as follows:

As at 25 December 2015	Funeral services £m	Crematoria £m	Pre-arranged funeral plans £m	Central overheads £m	Group £m
Segment assets	412.9	140.8	19.6	4.1	577.4
Unallocated assets:					
Cash and cash equivalents					98.8
Total assets					676.2
Segment liabilities	(48.2)	(8.7)	(8.3)	(12.7)	(77.9)
Unallocated liabilities:					
Borrowings – excluding finance leases					(602.2)
Accrued interest					(12.9)
Corporation tax					(5.4)
Deferred tax					(21.7)
Total liabilities					(720.1)
Other segment items:					
Additions to non-current assets (other than financial instruments and deferred tax)	64.7	2.6	-	1.5	68.8
Depreciation	10.6	3.2	-	0.7	14.5
Amortisation	-	-	0.1	-	0.1
Impairment of trade receivables	2.0	0.2	-	-	2.2
Other non-cash expenses	-	-	-	2.4	2.4

Cash generated from operations, at a divisional level, is considered to be broadly similar to the amount of underlying operating profit by each division.

2 Net finance costs

	53 week period ended 30 December 2016 £m	52 week period ended 25 December 2015 £m
Finance costs		
Secured Notes	**24.7**	25.0
Crematoria Acquisition Facility	**0.6**	0.6
Other loans	**1.0**	0.9
Net finance cost on retirement benefit obligations	**0.4**	0.3
Unwinding of discounts	**0.2**	0.2
Finance costs	**26.9**	27.0
Finance income		
Bank deposits	**(0.4)**	(0.5)
Finance income	**(0.4)**	(0.5)
Net finance costs	**26.5**	26.5

3 Taxation

Analysis of charge in the period	**53 week period ended 30 December 2016 £m**	52 week period ended 25 December 2015 £m
Current tax – current period	**11.0**	10.4
Adjustments for prior period	**0.1**	-
Total corporation tax	**11.1**	10.4
Deferred tax – current period	**4.9**	5.1
Adjustments for prior period	**(0.2)**	-
Restatement of deferred tax for the change in UK tax rate	**(1.8)**	(3.4)
Total deferred tax	**2.9**	1.7
Taxation	**14.0**	12.1

4 Earnings per share

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

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

The Group has two classes of potentially dilutive Ordinary Shares being those share options granted to employees under the Group's SAYE Scheme and the contingently issuable shares under the Group's LTIP Schemes. At the balance sheet date, the performance criteria for the vesting of the awards under the LTIP Schemes are assessed, as required by IAS 33, and to the extent that the performance criteria have been met those contingently issuable shares are included within the diluted EPS calculations.

The 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
53 week period ended 30 December 2016			
Underlying profit after taxation and EPS	**59.4**	**49.6**	**119.8**
Add: Exceptional items, loss on sale of fixed assets and external transaction costs (net of taxation of £nil million)	**(2.2)**		
Profit attributable to shareholders – Basic EPS	**57.2**	**49.6**	**115.3**
Profit attributable to shareholders – Diluted EPS	**57.2**	**49.9**	**114.6**
52 week period ended 25 December 2015			
Underlying profit after taxation and EPS	56.7	49.4	114.8
Add: Exceptional items, loss on sale of fixed assets and external transaction costs (net of taxation of £nil million)	0.2		
Profit attributable to shareholders – Basic EPS	56.9	49.4	115.2
Profit attributable to shareholders – Diluted EPS	56.9	49.7	114.5

5 Dividends

	53 week period ended 30 December 2016 £m	52 week period ended 25 December 2015 £m
Final dividend paid: 14.31p per Ordinary Share (2015: 13.01p)	**7.1**	6.5
Interim dividend paid: 7.85p per Ordinary Share (2015: 7.14p)	**3.9**	3.5
Dividend on Ordinary Shares	**11.0**	10.0

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

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

Consequently, total dividends recognised in the period were £11.0 million, 22.16 pence per share (2015: £10.0 million, 20.15 pence per share).

A final dividend of 15.74 pence per share, in respect of 2016, has been proposed by the Board. Based on the number of shares in issue at the date of signing this report the total final dividend payment is approximately £7.9 million. This will be paid on 30 June 2017 provided that approval is gained from shareholders at the Annual General Meeting on 8 June 2017 and will be paid to shareholders on the register at close of business on 19 May 2017.

6 Cash and cash equivalents

	30 December 2016 £m	25 December 2015 £m
Operating cash as reported in the consolidated statement of cash flows as cash and cash equivalents	**66.8**	81.9
Amounts set aside for debt service payments	**0.3**	16.9
Cash and cash equivalents as reported in the balance sheet	**67.1**	98.8

Amounts set aside for debt service payments
This amount was transferred to restricted bank accounts which could only be used for the payment of the interest and principal on the Secured Notes, the repayment of liabilities due on the Group's commitment fees due on its undrawn borrowing facilities (see note 21(d)) and for no other purpose. Consequently, this amount did not meet the definition of cash and cash equivalents in IAS 7, Statement of Cash Flows. This amount was used to pay these respective parties on 3 January 2017. Of this amount, £0.3 million (2015: £12.8 million) is shown within the Statement of Cash Flows as 'Payments to restricted bank accounts for finance costs' and £nil million (2015: £4.1 million) is shown within 'Financing activities' as 'Payments to restricted bank accounts for repayment of borrowings'.

7 Net debt

	30 December 2016 £m	25 December 2015 £m
Net amounts owing on Secured Notes per financial statements	**(573.9)**	(586.5)
Add: unamortised issue costs	**(0.7)**	(0.7)
Gross amounts owing on Secured Notes	**(574.6)**	(587.2)
Net amounts owing on Crematoria Acquisition Facility per financial statements	**(15.7)**	(15.7)
Add: unamortised issue costs on Crematoria Acquisition Facility	**(0.1)**	(0.1)
Gross amounts owing	**(590.4)**	(603.0)
Accrued interest on Secured Notes	**(0.3)**	(12.8)
Accrued interest on Crematoria Acquisition Facility	**(0.1)**	(0.1)
Cash and cash equivalents (note 6)	**67.1**	98.8
Net debt	**(523.7)**	(517.1)

In addition to the above, the consolidated balance sheet also includes finance lease obligations and other financial liabilities which totalled £0.7 million (2015: £0.7 million). These amounts do not represent sources of funding for the Group and are therefore excluded from the calculation of net debt.

The Group's primary financial covenant in respect of the Secured Notes requires EBITDA to total debt service ('EBITDA DSCR'), in the securitisation group, to be at least 1.5 times. At 30 December 2016, the actual ratio was 3.37 times (2015: 3.35 times).

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

8 Reconciliation of cash generated from operations

	53 week period ended 30 December 2016 £m	52 week period ended 25 December 2015 £m
Net profit for the period	**57.2**	56.9
Adjustments for:		
Taxation	**14.0**	12.1
Net finance costs	**26.5**	26.5
Profit on disposal of fixed assets	**(0.1)**	-
Depreciation charges	**15.9**	14.5
Amortisation of intangibles	**0.2**	0.1
Movement in inventories	**0.4**	0.1
Movement in trade receivables	**(0.6)**	(1.6)
Movement in trade payables	**1.3**	3.2
External transaction costs	**4.1**	3.2
Changes in other working capital (excluding acquisitions)	**(1.4)**	7.8
Employee share option charges	**3.6**	2.4
Cash generated from operations before external transaction costs	**121.1**	125.2

9 Analysis of the movement in the retirement benefit obligation

	30 December 2016 £m	25 December 2015 £m
At beginning of period	**(12.5)**	(10.5)
Total expense charged to the income statement	**(2.3)**	(2.0)
Remeasurement losses and administration expenses charged to other comprehensive income	**(12.5)**	(1.4)
Contributions by Group	**1.4**	1.4
At end of period	**(25.9)**	(12.5)

10 Basis of preparation

European law requires that the Group's consolidated financial statements for the 53 week period ended 30 December 2016 are prepared in accordance with all applicable International Financial Reporting Standards ('IFRSs'), as adopted by the European Union. These financial statements have been prepared in accordance with IFRS, International Financial Reporting Interpretations Committee ('IFRIC') interpretations (as issued by the International Accounting Standards Board) and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

In the current period, the Group's consolidated financial statements have been prepared for the 53 week period ended 30 December 2016. For the comparative period, the Group's consolidated financial statements have been prepared for the 52 week period ended 25 December 2015.

The financial information set out above does not constitute the Company's statutory accounts for the years ended 30 December 2016 or 25 December 2015 but is derived from those accounts. Statutory accounts for 2015 have been delivered to the registrar of companies, and those for 2016 will be delivered in due course. The auditors have reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006 in respect of the accounts for 2015 and 2016.

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year that have a material impact on the Group.

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

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

11 Securitisation

In accordance with the terms of the Secured Notes issued October 2014, 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 Secured Notes issued in connection with the securitisation, confirming compliance with the covenants established under the securitisation.

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

12 Principal risks and uncertainties

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

Risk appetite

Our risk appetite remains broadly unchanged in 2016. Risk appetite is the level of risk the Group is willing to take to achieve its strategic objectives and is set by the Board. The Board looks at the Group's appetite to risk across a number of areas including market, financing, operations, strategy and execution, developments, cybersecurity and technology and brand.

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

Our approach to risk management

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

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

Responsibilities and actions

The Board

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

Risk process

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

Risk assessment

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

Identify

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

Assess

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

Mitigating activities

Mitigants are identified against each risk where possible.

Review and internal audit

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

Risk status summary and new risks

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

Increasing and emerging risk trends

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

Regulation

The increased focus on the whole sector may increase the likelihood of regulation of funerals in the UK as a whole and not just in Scotland. In addition, this could lead to regulation of the funeral plan sector with the Funeral Planning Authorities being re-constituted to be more of a regulatory body.

Reliance on technology/Data governance

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

Our principal risks and uncertainties

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

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

In the table below we provide a summary of each risk, a description of the potential impact and a summary of mitigating actions.

Operational risk management

Risk description and impact	Mitigating activities	2016 Commentary	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. The risk is mitigated by the geographical spread of locations, the ability to control costs and the ability to acquire funerals.	The number of deaths in 2016 was higher than expected.	No change
Nationwide adverse publicity Nationwide adverse publicity for Dignity could result in a significant reduction in the number of funerals or cremations performed in any financial period. For pre-arranged funeral plans, adverse publicity for the Group or one of its partners could result in a reduction in the number of plans sold or an increase in the number of plans cancelled. This would have a direct and significant impact on the financial performance of that division and the Group as a whole.	This risk is addressed by ensuring appropriate policies and procedures are in place, which are designed to ensure excellent client service and careful selection of reputable partners.	There have been no such events in the period.	No change
Ability to increase average revenues per funeral or cremation Operating profit growth is in part attributable to increases in the average revenue per funeral or cremation. There can be no guarantee that future average revenues per funeral or cremation will be maintained or increased.	The Group believes that its focus on excellent client service helps to mitigate this risk.	Average revenues increased in line with the Board's expectations.	No change
Significant reduction in market share It is possible that other external factors, such as new competitors, could result in a significant reduction in market share within funeral or crematoria operations. This would have a direct result on the financial performance of those divisions.	The Group believes that this risk is mitigated for funeral operations by reputation and recommendation being a key driver to the choice of funeral director being used. For crematoria operations this is mitigated by difficulties associated with building new crematoria.	Market share was slightly lower than the Board's expectations. However, this offsets 2015, where the closing position was slightly higher than expected.	No change
Demographic shifts in population There can be no assurance that demographic shifts in population will not lead to a reduced demand for funeral services in areas where Dignity operates.	In such situations, Dignity would seek to follow the population shift. This is mitigated by the geographical spread of locations coupled with the ability to acquire funeral locations in areas of higher demand.	There have been no material changes, with satellites being opened and businesses acquired in appropriate areas.	No change

Operational risk management (continued)

Risk description and impact	Mitigating activities	2016 Commentary	Change
Competition The UK funeral services market and crematoria market is currently very fragmented. There can be no assurance that there will not be further consolidation in the industry or that increased competition in the industry, whether in the form of intensified price competition, service competition, over capacity or otherwise, would not lead to an erosion of the Group's market share, average revenues or costs and consequently a reduction in its profitability. The retention of affinity partners who sell the Group's pre-arranged funeral plans is essential to the long-term development of the pre-arranged funeral plan division. The loss of an affinity partner could lead to a reduction in the amount of profit recognised in that division at the time of sale. Failure to replenish or increase the bank of pre-arranged funeral plans could affect market share of the funeral division in the longer-term.	There are barriers to entry in the funeral 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. There are a number of potential affinity partners who could replace existing ones or add to existing relationships.	No major changes noted. Denials of planning applications for crematoria demonstrate the barriers to entry.	No change
Taxes There can be no assurance that changes will not be made to UK taxes, such as VAT. VAT is not currently chargeable on the majority of the Group's services. The introduction of such a tax could therefore significantly increase the cost to clients of the Group's services.	There are currently specific exemptions under European legislation for the UK on the VAT treatment of funerals. Any change would apply to the industry as a whole and not just the Group.	No significant changes noted in the period.	No change
Regulation of pre-arranged funeral plans Pre-arranged funeral plans are not a regulated product, but are subject to a specific financial services exemption. Changes to the basis of any regulation could affect the Group's opportunity to sell pre-arranged funeral plans in the future or could result in the Group not being able to draw down the current level of marketing allowances, which would have a direct impact on the profitability of the pre-arranged funeral plan division.	Any changes would apply to the industry as a whole and not just the Group. This risk is also mitigated through the high standards of selling and administration of pre-arranged funeral plans operated by the Group.	No significant changes noted in the period.	No change
Regulation of the funeral industry Legislative changes by the Scottish Government were enacted in 2016. This provides them with the powers to regulate the funeral industry and they are currently recruiting an Inspector of Funerals. Dignity welcomes this progress. Regulation could result in increased compliance costs for the industry as a whole.	The Group already operates at a very high standard, using facilities appropriate for the dignified care of the deceased.	We continue to seek regulation of our markets.	No change

Operational risk management (continued)

Risk description and impact	Mitigating activities	2016 Commentary	Change
Changes in the funding of the pre-arranged funeral plan business The Group has given commitments to pre-arranged funeral plan members to provide certain funeral services in the future. Funding for these plans is reliant on either insurance companies paying the amounts owed or the pre-arranged funeral plan Trusts having sufficient assets. If this is not the case, then the Group may receive a lower amount per funeral than expected and thus generate lower profits.	There is considerable regulation around insurance companies which is designed, amongst other things, to ensure that the insurance companies meet their obligations. The Trusts hold assets with the objective of achieving returns slightly in excess of inflation.	The latest actuarial valuation of the pre-arranged funeral plan Trusts demonstrates a small actuarial deficit. However the average assets per plan are still robust.	No change

Financial risk management

Risk description and impact	Mitigating activities	2016 Commentary	Change
Financial Covenant under the Secured Notes The Group's Secured Notes requires EBITDA to total debt service to be above 1.5 times. If this financial covenant (which is applicable to the securitised subgroup of Dignity) is not achieved, then this may lead to an Event of Default under the terms of the Secured Notes, which could result in the Security Trustee taking control of the securitisation group on behalf of the Secured Noteholders. In addition, the Group is required to achieve a more stringent ratio of 1.85 times for the same test in order to be permitted to transfer excess cash from the securitisation group to Dignity plc. If this stricter test is not achieved, then the Group's ability to pay dividends would be impacted.	The nature of the Group's debt means that the denominator is now fixed unless further Secured Notes are issued in the future. This means that the covenant headroom will change proportionately with changes in EBITDA generated by the securitised subgroup.	No significant changes noted in the period.	No change

13 Pre-arranged funeral plans

(a) Contingent liabilities and commitments

Dignity Pre-arrangement Limited, Dignity Securities Limited and Advance Planning Limited are fellow members of the Dignity Group in the United Kingdom. These companies have sold pre-arranged funeral plans to their clients in the past. All monies from these sales are held and controlled by three independent Trusts, being the National Funeral Trust, the Dignity Limited Trust Fund and the Trust for Age UK Funeral Plans respectively (the 'Principal Trusts'). Further details of the transactions can be found in the financial statements of these companies, which are available from 4 King Edwards Court, King Edwards Square, Sutton Coldfield, West Midlands, B73 6AP.

The Group has given commitments to these clients to perform their funeral. The agreed amounts payable to either the Group or to third party funeral directors will be paid out of the funds held in the Trusts. The majority of the Trustees of each of the pre-arranged funeral plan trusts are unconnected to the Group, as required by current UK legislation. The investment strategy is set, implemented and monitored by the Trustees.

It is the view of the Directors that none of the commitments given to these clients, which are explained further below, are onerous to the Group. However ultimately, the Group is obligated to perform these funerals in exchange for the assets of the Trust, whatever they may be.

Similar commitments have arisen following acquisitions of businesses, since 2013, which have sold pre-arranged funeral plans through similar trust based structures (the 'Recent Trusts'). Only the National Funeral Trust and the Trust for Age UK Funeral Plans receive funds relating to the sale of new plans (the 'Active Trusts').

(b) Pre-arranged funeral plan trust assets

As noted above, the Group has given commitments to perform the funerals covered by the pre-arranged plans, regardless of whether or not the Trusts have available assets to fund the funeral. The Group, therefore, has a potential exposure in the form of a reduced fee should the Trusts investment strategy, over which it has no control, fail to deliver an appropriate return or result in a fall in underlying asset values, or if the cost of delivery for a funeral increases at rates in excess of investment returns.

The Trustees have informed the Group that they continue to take independent advice regarding the Trust's investment strategy. As a result, it is anticipated that the investment allocation by class will develop further during 2017 and beyond, gradually resulting in a portfolio in the following profile:

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

These developments in the Trust's investment strategy are expected to enhance investment returns in the longer-term for a broadly similar level of risk as that currently taken. The strategy will, however, potentially result in greater volatility year on year in the reported value of the Trust's assets.

The Trustees have advised that the market value of the assets of the pre-arranged funeral plan trusts was £863.9 million at 30 December 2016 (2015: £736.0 million) in respect of 299,000 (2015: 290,000) active pre-arranged funeral plans. 68,000 (2015: 49,000) of the remaining active pre-arranged funeral plans related to those backed by Insurance Plans, as described in note 1 in the Annual Report, with the balance of 37,000 (2015: 35,000) being plans arising from acquisitions.

The Trustees of the Principal Trusts are required to have the Trusts' liabilities actuarially valued once a year (once every three years in the case of the Recent Trusts). This actuarial valuation is of liabilities of the Trusts to secure funerals through Dignity and other third party funeral directors and does not, in respect of those funerals delivered by the Group represent the cost of delivery of the funeral. It is only in the event that there are insufficient funds within the Trusts to cover the cost of delivery to Dignity that the commitment would become onerous to Dignity as described in (a) above.

The Trustees have advised that the latest actuarial valuations of the Principal Trusts were performed as at 23 September 2016 (2015: 25 September 2015) using assumptions determined by the Trustees. Given the significant reduction in bond yields, the actuarial valuation of the liabilities in respect of the pre-arranged funeral plan trusts have increased to £839.7 million as at 23 September 2016 (2015: £692.1 million). The corresponding market value of the assets of the pre-arranged funeral plan trusts was £831.5 million (2015: £696.9 million) as at the same date. Consequently the actuarial valuations recorded a total deficit of £8.2 million at 23 September 2016 (2015: surplus of £4.8 million).

Nonetheless, the Trustees have advised that the Trusts hold assets of approximately £2,900 (2015: £2,500) per active plan at the balance sheet date. On average the Group received approximately £2,500 (2015: £2,450) in the period for the performance of each funeral (including amounts to cover disbursements such as crematoria fees, ministers' fees and doctors' fees).

The Trustees have advised that the Recent Trusts have approximately £19 million of assets as at the balance sheet date and no material actuarial surplus or deficit.

Transactions with the Group

During the period, the Group entered into transactions with the National Funeral Trust, the Trust for Age UK Funeral Plans and the Dignity Limited Trust Fund (the 'Principal Trusts') and the Trusts related to businesses acquired since 2013 ('Recent Trusts') (and collectively, the 'Trusts') associated with the pre-arranged funeral plan businesses. The nature of the relationship with the Trusts is set out above and in the accounting policies. Amounts may only be paid out of the Trusts in accordance with the relevant Trust Deeds.

Transactions principally comprise:

- The recovery of marketing and administration allowances in relation to plans sold net of cancellations (which are recognised by the Group as revenue within the pre-arranged funeral plan division at the time of the sale); and
- Receipts from the Trusts in respect of funerals provided (which are recognised by the Group as revenue within the funeral division when the funeral is performed).

Transactions also include:

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

Transactions are summarised below:

	Transactions during the period		Amounts due to the Group at the period end	
	2016 £m	2015 £m	**2016 £m**	2015 £m
Dignity Limited Trust Fund	**0.3**	0.3	**-**	-
National Funeral Trust	**44.4**	41.5	**6.8**	4.7
Trust for Age UK Funeral Plans	**36.5**	38.5	**4.2**	4.6
Recent Trusts	**2.1**	2.0	**0.2**	0.4
Total	**83.3**	82.3	**11.2**	9.7

Amounts due to the Group from the Trusts are included in Trade and other receivables.

The above transactions were included within revenue under the following captions:

	Transactions during the period	
	2016 £m	2015 £m
Funeral services revenue	**42.6**	40.0
Pre-arranged funeral plans revenue	**27.3**	29.0

In addition to the transactions recognised within revenue in the table above, there were £13.4 million (2015: £13.3 million) of transactions between the Group and the Trusts which represented amounts paid to the Group to reimburse them for trust expenses, monies repaid to members on cancellation and monies paid to third parties for the performance of some funeral services; all of which have no impact on the income statement.