Dignity plc Annual Report & Accounts 2009

At the heart of the local communities we serve

Dignity
CARING FUNERAL SERVICES

About Dignity

Dignity owns 546 funeral locations and operates 30 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 2,400 employees serving families and local communities across the United Kingdom.

What we believe in:

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

Our strategy

We plan to grow the profitability of our business by:

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

Contents

Front cover: Jacky Phipps, Funeral Service Arranger and Ian Barnett, Business Manager, outside Fisher & Townsend in Witney, Oxfordshire. This branch was extensively refurbished in 2009.

Key financial highlights

Current period financial highlights	**2009**	2008	Increase %
Revenue (£million)	**184.7**	175.8	5
Underlying operating profit[a] (£million)	**56.4**	52.1	8
Underlying profit before tax[a] (£million)	**36.4**	34.3	6
Underlying earnings per share[b] (pence)	**40.5**	38.2	6
Cash generated from operations (£million)	**65.3**	62.3	5
Operating profit (£million)	**57.5**	53.2	8
Profit before tax (£million)	**37.5**	35.4	6
Basic earnings per share (pence)	**41.8**	38.8	8
Interim dividend (pence)[c]	**4.03**	3.66	10
Final dividend (pence)[d]	**7.34**	6.67	10

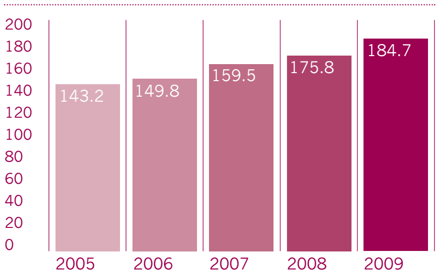
(a) Underlying profit is calculated as profit excluding profit on sale of fixed assets.
(b) Underlying earnings per share is calculated as profit on ordinary activities after taxation, before profit on sale of fixed assets (net of tax) and before exceptional tax items, divided by the weighted average number of Ordinary Shares in issue in the period.
(c) Interim dividend represents the interim dividend that was approved and paid in the period out of earnings generated in the same period.
(d) The final dividend represents the final dividend that was approved and paid in the period relating to the earnings generated in the previous period.

Revenue up 5% to £184.7 million

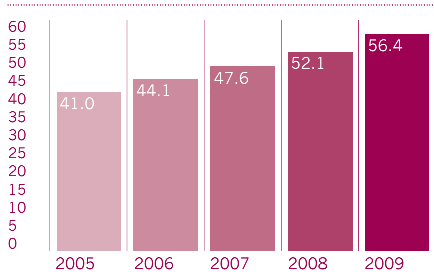
Underlying operating profit up 8% to £56.4 million

Underlying earnings per share up 6% to 40.5 pence per share

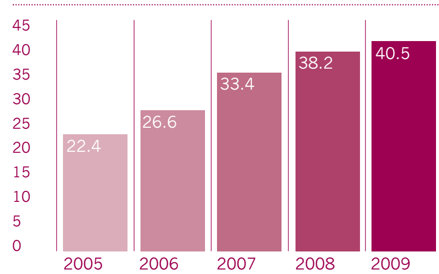
Revenue
(£million)



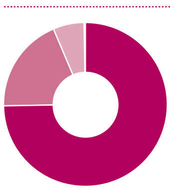
Underlying operating profit
(£million)



Underlying earnings per share
(pence)

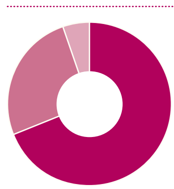


Revenue by area
(£million)



Funeral services 138.5
Crematoria 34.4
Pre-arranged funeral plans 11.8

Underlying operating profit by area*
(£million)



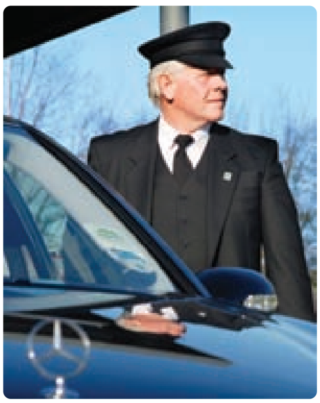
Funeral services 47.3
Crematoria 17.6
Pre-arranged funeral plans 3.5

*Excludes central overheads of £12.0 million

Dignity at a glance

The Group's operations are managed across three main areas, namely **funeral services, crematoria** and **pre-arranged funeral plans.** We aim to achieve our business objectives in a caring and responsible manner, recognising the economic, social and environmental impact of our activities.

Funeral services



Business overview

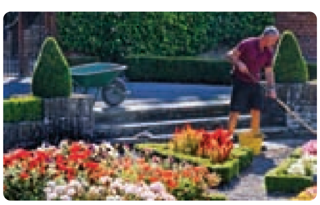
Funeral services revenues relate to the provision of funerals and ancillary items such as memorials and floral tributes. We operate a network of 546 funeral locations throughout the United Kingdom trading under established local trading names. In 2009, the Group conducted 65,000 funerals, which represents approximately 12 per cent of estimated total deaths in Britain.

75%
Group revenue share

546
Number of funeral locations in the UK

65,000
Number of funerals conducted during 2009

Crematoria



Business overview

Crematoria revenues arise from cremation services and the sale of memorials and burial plots at the Group's crematoria and cemeteries. We are the largest single operator of crematoria in Britain. We operate 30 crematoria in England and Scotland and carried out 42,700 cremations in 2009 representing 8 per cent of estimated total deaths in Britain.

19%
Group revenue share

30
Number of crematoria in England and Scotland

42,700
Number of cremations conducted during 2009

Pre-arranged funeral plans



Business overview

Pre-arranged funeral plans income represents amounts covering the costs of marketing and administering the sales of plans. Pre-arranged funeral plans allow people to plan and pay for their funeral in advance. The Group has a strong market presence in the provision of pre-arranged funeral plans with 216,000 unfulfilled funeral plans as at 25 December 2009. Dignity works with a number of reputable affinity partners.

6%
Group revenue share

216,000
Number of unfulfilled funeral plans as at 25 December 2009

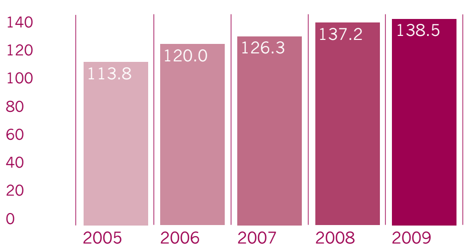
Our performance in 2009

The Group has performed strongly in 2009 with revenue up 5 per cent, underlying operating profit up 8 per cent and underlying earnings per share up 6 per cent.

Operational and financial summary

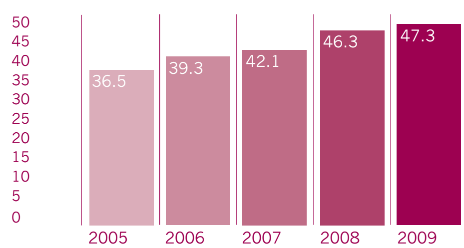
Revenue up 1% to £138.5 million

Revenue (£million)



Underlying operating profit up 2% to £47.3 million

Underlying operating profit (£million)



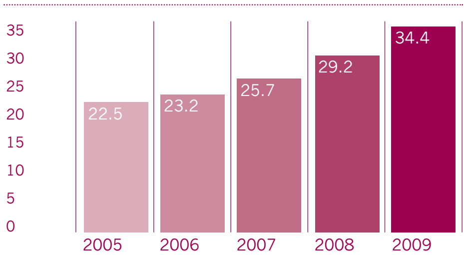
Key developments

- Good cost control has helped performance.
- Seven locations acquired.

Operational and financial summary

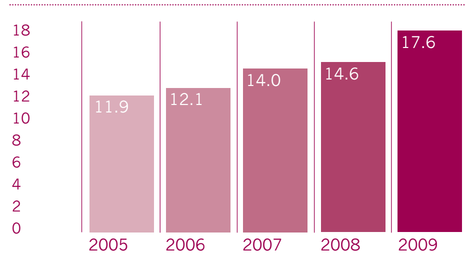
Revenue up 18% to £34.4 million

Revenue (£million)



Underlying operating profit up 21% to £17.6 million

Underlying operating profit (£million)



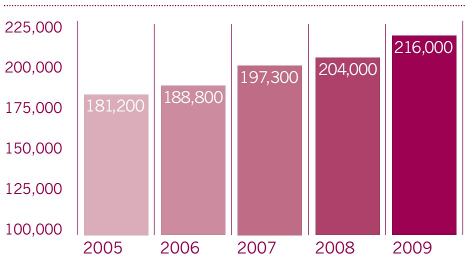
Key developments

- Division performed well with significant growth year on year.
- Five crematoria acquired from a private operator.
- Building work has started at two new crematoria.

Operational and financial summary

Total unfulfilled pre-arranged funeral plans increased to 216,000

Total number of unfulfilled pre-arranged funeral plans



Key developments

- Strong performance in the period.
- Plans outstanding continue to grow.
- A number of new partnerships developed.

Chairman's statement

"Dignity has delivered its fifth consecutive period of growth as a public company."

Peter Hindley, Chairman

Results

Despite the difficult times experienced by the UK economy in 2009, Dignity has delivered its fifth consecutive period of growth as a public company.

Underlying operating profits have increased 8 per cent to £56.4 million (2008: £52.1 million). Underlying earnings per share have increased 6 per cent to 40.5 pence per share (2008: 38.2 pence per share). The rate of earnings per share growth is lower than operating profit growth because of the dilutive effect of the reduced bank interest receivable in 2009.

This performance is attributable to progress in each aspect of the Group's strategy, which is explained further throughout this report.

Dividends

The Board has proposed that a final dividend of 8.07 pence per Ordinary Share should be paid from profits generated in 2009. This will be paid on 25 June 2010 to members on the register at close of business on 28 May 2010 provided shareholder consent is obtained at the Annual General Meeting on 4 June 2010.

This will result in a total dividend of 12.1 pence per Ordinary Share (2008: 11.0 pence per Ordinary Share) in respect of profits generated in 2009. This represents an increase of 10 per cent and is consistent with the rate of increase made in each year since flotation.

The Board

I am delighted that James Newman and Bill Forrester have agreed to remain as Non-Executive Directors for a further two years following the expiration of their contracts on 31 March 2010. Consequently, there are no changes to the Board and I thank each of my fellow Directors for their commitment and support during the year.

Our people

This is a business dedicated to providing each family we serve with excellent client service. Whilst this requires continued investment in our properties and our fleet, at its core is our staff.

I would like to thank all members of staff for their individual contributions during the year which help to make Dignity such a successful Group.

Outlook for 2010

The current year has started well and the Group's performance is in line with the Board's expectations.

The first quarter of 2010 is expected to be more consistent with the average of the last five years than was the case last year when there was an unusually high number of deaths in the first quarter.

The outlook for the full year remains positive.

Chief Executive's overview

"This growth can be directly linked to the continued success of our long-standing strategy."

Mike McCollum, Chief Executive

Delivering profitable growth and building value for shareholders

Our performance in 2009 has been strong with underlying operating profits increasing 8 per cent. This reflects steady growth in funeral operations and strong growth in crematoria and pre-arranged funeral plans.

This growth can be directly linked to the continued success of our long-standing strategy.

Continued commitment to client service excellence

Once again, our survey results indicate that 98 per cent of families we serve would either definitely or probably recommend our services. This continues to be an excellent result and is a clear indication of our commitment to client service excellence.

Continuing to control our operating costs

As a Group, whilst revenues have increased 5 per cent, cost of sales and administrative expenses have increased by less than 4 per cent.

The Group's continued focus on cost control is no better demonstrated than in funeral operations this year. Whilst revenues have only grown 1 per cent, operating expenses have essentially remained flat year on year. This is an excellent performance given the business has relatively high operational leverage.

Selective acquisitions of additional funeral locations

Seven funeral locations have been acquired during the period. Whilst this is fewer than recent years, the locations continue to add shareholder value from the time of acquisition.

National marketing, principally through affinity partners, of pre-arranged funeral plans

I am pleased that our focus on cost efficient marketing has delivered such strong results, with the division adding a net 12,000 plans to the backlog of unfulfilled plans, which now stands at 216,000. The majority of these plans continue to represent incremental business to the Group.

Developing, managing or acquiring additional crematoria where possible

2009 has seen a number of developments in this area. At the beginning of the year, we acquired five new crematoria. In addition, we have completed the refurbishment works at Rotherham where we have taken over the operation of the location from the council. We have also started building a new crematorium in Cambridgeshire and since the end of the year, started to build a new crematorium in Somerset.

Valuing our people

I am very appreciative of the staff that work at Dignity. Each of them is involved in a different way, in serving families at a time of great need with the utmost care, dedication and professionalism.

I am delighted that as a result of our operating performance, we have been able to recognise their personal contributions again this year with discretionary payments totalling £1.5 million, an increase of 15 per cent over last year.

At the heart of our local communities

Each of our 546 funeral locations and 30 crematoria provide a service that places them at the heart of their local community. Our staff and our infrastructure allow each business to help people through one of the most difficult times in their lives, with compassion, respect, openness and care.

I am proud that Dignity is the company that so many families know that they can trust at their time of need.

Business review

75%

Funeral services represent 75 per cent of the Group's revenues.

7 locations

The Group acquired 7 new funeral locations in the period and continues to seek well established, respected businesses that can contribute to the Group's future growth.

Client service excellence continues to be at the heart of our strategy for growth.

Introduction

The Group's operations are managed across three main areas; funeral services, crematoria and pre-arranged funeral plans, which respectively represent 75 per cent, 19 per cent and 6 per cent of the Group's revenues. 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 income represents amounts to cover the costs of marketing and administering the sale of plans.

Office for National Statistics data

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

The initial publication of recorded total estimated deaths in Britain for 2009 was 545,000 (2008: 553,000). Historically, the ONS has updated these estimates from time to time. As in previous years, the Group does not restate any of its key performance indicators when these figures are restated in the following year.

Funeral services

Overview

The Group operates a network of 546 (2008: 544) funeral locations throughout the United Kingdom, trading under local established names. During the period, the Group conducted 65,000 funerals (2008: 68,700). Approximately 1 per cent of these funerals were conducted in Northern Ireland. Excluding Northern Ireland, these funerals represent approximately 11.8 per cent (2008: 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. Consequently, this calculation can only ever be an estimate. However, the decline year on year is not outside the range of historic variations.

Developments

2009 has been a steady year for funeral operations. Underlying operating profits were £47.3 million (2008: £46.3 million), an increase of 2 per cent. This increase is smaller than that seen historically and reflects the combination of the reduced number of funerals performed, which has been offset by good cost control. The contribution from locations acquired in the period was not significant. Discretionary spend on funerals has been very robust.

Reported operating profits were £48.4 million (2008: £47.4 million), an increase of 2 per cent. The difference between statutory amounts and underlying amounts is represented by profit on sale of fixed assets of £1.1 million (2008: £1.1 million).

This performance emphasises the importance of our core portfolio, which has driven the majority of operating growth in recent years. These locations have benefited from continued investment, with a total of approximately £6.3 million being invested in the period on the refurbishment of our properties and the ongoing renewal of 94 of our fleet of hearses, limousines and other vehicles.

The operating results reflect the high level of client service we try to provide to each family we serve. This service level continues to be high according to our customer survey results and is a credit to the staff within the business. Approximately 89 per cent of responding families would definitely recommend our services and a further 9 per cent would probably do so.

Providing a vital role in the local communities we serve

"As a funeral director I'm very aware that we perform a vital role in the communities we serve. Many families return to us in their time of grief because they know they can rely on Dignity to provide practical advice and take care of all the arrangements."

Left: Teela Harper, Funeral Director, Hodgson & Sons, Kingstanding, Birmingham.

We continue to invest in our locations and fleet

Helping our staff to provide the best possible service

The Group operates a network of over 540 funeral locations throughout the United Kingdom. Many of these branches have been established in their local community for many generations, such as Frederick W Paine in South West London, who marked their 125th anniversary in 2009.

Approximately £6.3 million has been invested on the refurbishment of our properties and the ongoing renewal of our fleet of hearses, limousines and other vehicles. This investment in our property portfolio and vehicles help our staff to provide the best possible service to our clients.

Below: Tom Leather, Funeral Service Operative, Middleton & Wood, Wigan.

Business review continued

"Approximately 89 per cent of responding families would definitely recommend our services."

50%
We will reduce our mercury emissions from our crematoria by 50 per cent by the end of 2012.

30 crematoria
The Group is the largest private operator of crematoria, with 30 locations serving families across Britain.

Six locations (2008: five locations) were closed in the period. This reflects the disposal of some valuable freehold locations for cash that can be reinvested in the business and also some smaller locations at the end of their leases where it was not profitable to continue operation because of the low volumes being performed.

During the period, one location (2008: nil) was opened in Norfolk, which trades using a highly regarded local name.

Acquisition spend has been lower than usual, with £4.5 million invested in acquiring seven funeral locations in the United Kingdom. This follows two years of significantly higher spend than average. The Board believes this to be a reflection of a lower number of businesses being available for acquisition.

Each of these acquisitions met the Group's criteria of being larger than average, long-established businesses that fit well within the Group's existing network.

The Group continues to seek businesses that meet the Group's stringent acquisition criteria and has acquired two funeral locations since the end of 2009.

Crematoria

Overview
The Group is the largest single operator of crematoria in Britain, operating 30 (2008: 25) crematoria. The Group performed 42,700 cremations (2008: 39,600) in the period, representing 7.8 per cent (2008: 7.2 per cent) of deaths in Britain.

Developments
Operating profits were £17.6 million (2008: £14.6 million), an increase of 21 per cent. This reflects a strong performance from the 22 crematoria owned by the Group for many years, together with the full year effect of the recent acquisitions.

Work has started at four locations to install new mercury abatement equipment required under new legislation. The Group has also taken the opportunity in these cases to replace the existing cremators at the same time. Planning was focused on minimising any inconvenience for the families using our facilities. The first location is expected to have completed works in the first quarter of 2010 and the Group expects to be fully compliant by the end of 2012 as required by legislation. The Group continues to improve the facilities at all of its locations and including new cremators, has spent £1.7 million (2008: £0.8 million) in the period.

During the period, the Group has started to build a new crematorium in Cambridgeshire and since the period end, has started to build a crematorium in Somerset. These sites will reach maturity in approximately three to five years.

The Group continues to identify further locations suitable for a new crematorium and is also continuing to seek partnerships with local authorities.

Helping families every step of the way

"Whatever your role with Dignity, you play an important part in helping families through one of the most difficult times in their lives by providing support and advice, listening to and understanding individual needs and making sure that every detail is taken care of."

Left: Trish Smith, Crematorium Manager with Wendi Davies, Memorial Consultant at Oxford Crematorium.

We are managing our business responsibly

Minimising our environmental impact on local surroundings

Maintaining the quality of the environment in which we all live is an important concern to Dignity and we recognise the impact of our operations on local surroundings. Our aim is to reduce this impact and operate in an environmentally responsible manner.

As part of this commitment, we are investing approximately £7 million in our crematoria to conform with the Government directive to reduce mercury emissions from crematoria by 50 per cent by the end of 2012. The installation of new equipment will be managed so as to ensure there is minimal disruption to our usual services.

Below: Alex May, Crematorium Manager at Randalls Park Crematorium, Leatherhead oversees the installation of mercury abatement technology. **Right:** Kevin Morrissey, Gardener at Randalls Park Crematorium, Leatherhead.

Business review continued

ISO 9001

Pre-need and Client Service Centre has been awarded the internationally recognised ISO 9001: 2008 standard for an organisation's internal quality management.

216,000

There were 216,000 unfulfilled pre-arranged funeral plans during the period. This reflects strong sales through the Group's network of funeral locations and affinity partners.

Pre-arranged funeral plans

Overview
The Group continues to have a strong market presence in this area. These plans represent future incremental business for the funeral division, as the Group expects to perform the majority of these funerals.

Developments
The division has performed strongly in the period. Focused marketing activity with its partners has resulted in the number of unfulfilled pre-arranged funeral plans increasing to 216,000 (2008: 204,000) with profits in the division increasing to £2.0 million excluding Recoveries (2008: £1.0 million excluding Recoveries).

From time to time, the Group receives monies from certain of the Trusts, in line with the relevant Trust's deed, which have been assessed by the trustees as not required to ensure the Trust has sufficient assets to meet its future liabilities in respect of current members ('Recoveries'). Recoveries were £1.5 million in each period.

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.

During the period, one of the Group's partners, Age Concern England, merged with Help the Aged to form a new charity, Age UK. Prior to the merger, the Group did not have an operational relationship with Help the Aged. However, following the merger, the Group has extended the marketing arrangements in place prior to the merger to cover Age UK as a whole until 2019. The Group is also in discussion with a number of new potential partners with marketing tests planned for 2010.

Central overheads

Overview
Head office costs relate to central services that are not specifically attributed to a particular operational division. These include the provision of IT, finance, personnel and Directors' emoluments. In addition and consistent with previous periods, the Group records the costs of incentive bonus arrangements, such as Long Term Incentive Plans (LTIPs) and annual performance bonuses, which are provided to over 50 managers working across the business.

Developments
Costs in the period were £12.0 million (2008: £11.3 million), an increase of 6 per cent. This year on year increase principally reflects the additional cost of bonuses paid to the operational managers of the business and certain one off legal fees following the new Companies Act and also the resetting of the Group's LTIP scheme.

Providing outstanding customer service

"Everyone at Dignity is delighted that we've achieved a place in the Top 5 call centres in the UK. It's very pleasing to be recognised for providing outstanding customer service and to be able to help existing and potential customers. We provide our advisors with extensive training and coaching and its very rewarding that this has been recognised by this study."

Left: Sue Oakes, Head of Customer Services, Customer Service Centre, Sutton Coldfield.

We are raising service standards

Continuing to focus on delivering client service excellence

Our business continues to grow thanks to the dedication of all our staff and our continued focus on delivering client service excellence.

In 2009, the Dignity Pre-arranged funeral plans division and the Client Service Centre were awarded the internationally recognised ISO 9001: 2008 standard for their internal quality management. Achieving this accreditation demonstrates our intention to meet the needs of our clients, continuously improve our service and work to deliver our pre-arranged funeral plans in a timely and cost effective manner.

Below: Nicky Forbes, Client Service Advisor and Natalie Shannon, Management Information Assistant, Customer Service Centre, Sutton Coldfield.

Key client survey highlights:

96%
96 per cent of enquiries were resolved by the initial telephone call.

8 seconds
The average time to answer a call was 8 seconds.

97%
97 per cent of respondents said that their call enhanced or maintained their perception of the Dignity brand.

Corporate and social responsibility

"Meeting the needs of clients, shareholders and engaging all our employees whilst considering the communities and environment in which we work has been one of our key priorities over the past year."

Introduction

Meeting the needs of our clients, shareholders and engaging all our employees whilst considering the communities and environment in which we work has been one of our key priorities over the past year. We aim to achieve our business objectives in a caring and responsible manner by considering the impact of our activities and we develop business practices and procedures that reflect this.

Within the Dignity Group, Richard Portman, Corporate Services Director, is accountable for corporate and social responsibility and under this remit, he identifies major issues and reports these to his fellow Board members. This is done by either regular Board updates in the case of Health and Safety or ad hoc reports when required.

Supporting our staff

Our employees are critical to the continued success of Dignity and staff turnover remains low within the Group. The average length of service for staff is seven years with many staff having served for considerably longer. There is an equal split of male and female staff and the average age of our employees is 46 years. We are committed to high standards of employment practice and aim to encourage, retain and develop successful employees.

In early 2010, the Board of Directors adopted a Code of Conduct which applies to all staff within the Group. This defines and explains the standards of behaviour that the staff of Dignity are expected to adhere to. The Code of Conduct is also published on the Dignity plc investor website – www.dignityfuneralsplc.co.uk.

The Group provides direct support to employees through both in-house training and external training courses. External training includes both relevant job training and tutoring for professional qualifications. These professional qualifications include the NAFD (National Association of Funeral Directors) Diploma and Membership of the BIE (British Institute of Embalmers). In addition, the Group has five members of staff who are accredited NAFD tutors and three BIE training specialists.

The Group provides additional support to staff development through its Welfare Trust, which provides funds for professional training and hardship grants. The Trust has approximately £1.6 million available for future use.

Dignity publishes a quarterly in-house magazine, 'Dignity Express', which is supplemented by monthly news bulletins to keep all employees informed of what is happening within the Group. 'Dignity Express' is also circulated to the Group's retired employees. News, useful information and background on the Group is also available to staff via a dedicated employee website.

Health and Safety

Effective heath and safety management is critical to the Group and a key priority of the Directors. Its operations are conducted at all times in such a way as to ensure, as far as is reasonably practical, the health, safety and welfare of all our employees and all persons who may be attending our premises.

Dignity is committed to the prevention of accidents and regularly reviews and updates procedures and training with a view to ensuring that staff minimise any risks associated with their role.

The Group has a full-time Health and Safety Manager who is dedicated to these issues and is supported by a Health and Safety Consultant and Health & Safety Officer. Regional Health & Safety Officers have been appointed in each of the geographical trading areas and the manufacturing facility also has its own Health and Safety Manager. All of these managers and officers are either

We are supporting our staff through on-going training and development

"The Group have supported me with all my training and development needs, enabling me to be successful in achieving qualifications with the British Institute of Embalmers. I am now offering complimentary tuition to those Dignity employees where it is appropriate to their role at the Leicester School of Embalming."

Left: Jason Garner, Senior Embalmer, Ginns & Gutteridge, Leicester.

We are implementing health and safety initiatives

"In 2009, Dignity continued to implement its Health and Safety training programme ranging from a one-day introduction course to the four-day IOSH course. 32 of the Group's senior and middle managers have been trained to IOSH Managing Safely Certificate standard over the past 12 months."

Right: Trainees from left to right; Naveed Razak, Office Manager (Property); Stuart Cox, Corporate Communications Manager; Jason Barnes, Ledger Manager; Diane Prescott, Head of Marketing (Pre-arrangement) at Plantsbrook House, Sutton Coldfield. Trainer David Bilton of WCS Ltd.

NEBOSH (National Examination Board in Occupational Safety and Health) qualified or are scheduled to take these examinations. There are also 90 Health and Safety Co-ordinators embedded into the business.

In 2009, Dignity continued to implement its Health and Safety training programme ranging from a one-day introduction course to the four-day IOSH (Institution of Occupational Safety and Health) course. During the year, Richard Portman was trained to IOSH Managing Safely Certificate standard in addition to 32 of the Group's senior and middle managers. 50 per cent of junior managers have also been trained to Level 2 Health and Safety Certificate standard. This programme will continue in 2010 to enable all managers, where appropriate, to have an understanding of their health and safety responsibilities.

During 2009 Dignity published its Health and Safety manual and distributed this to all locations.

Environment

Our business continues to have a low environmental impact and its activities are not expected to give rise to any significant environmental risk over the next twelve months.

Maintaining the quality of the environment in which we all live is an important concern for Dignity and all areas of the business operate in accordance with the Group's environmental policy. We recognise the impact of our operations on local surroundings and our aim is to reduce this and operate in an environmentally friendly manner.

Dignity will invest a total of approximately £7 million in its crematoria to conform to the government directive to reduce mercury emissions from crematoria by 50 per cent before the end of 2012. Specialist technology has been installed to filter out the mercury gasses emitted during cremation and collect it in dedicated drums, which are then transported to specialist disposal centres. The installation of the new equipment has been managed so as to ensure there is minimal disruption to our usual services at the crematoria.

As part of the investigation into the options for installing a new drainage system at Surrey & Sussex Crematorium, it was decided that the system could also be used for water harvesting. Water is now extracted from the land drainage network at times when the water table is high and stored for times of need, such as the summer. This enables the crematorium to maintain a watering regime that keeps the Gardens of Remembrance looking attractive throughout the year. As with the mercury abatement project, the sensitivity of the site required that all work was completed with deference to existing interment plots and families using our facilities.

All raw materials used in the manufacture of our coffins are sourced from well-managed and sustainable sources. In 2009, Dignity gained FSC (Forest Stewardship Council) accreditation for our veneered coffins, which account for 23 per cent of demand. Consequently, 91 per cent of the coffins used by the Dignity business are now manufactured from FSC accredited timber at the Group's facility in East Yorkshire which provides 46 jobs in an area of high unemployment.

In 2009, Dignity submitted its data to the Carbon Disclosure Project that measures disclosures from large UK companies and Dignity aims to reduce its future carbon footprint.

Dignity has reduced its Pre-Need print wastage by 77 per cent this year. This was achieved by more accurately managing stock levels and reprint volumes.

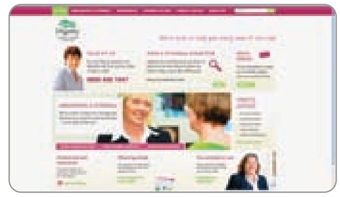
The Group and its employees undertake to act whenever necessary to meet or exceed the standards of current

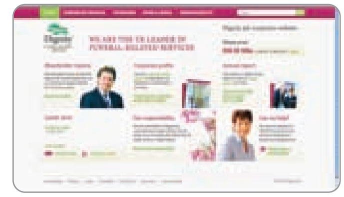
We are minimising our impact on the local environment

"As part of our commitment to the environment, at Surrey & Sussex Crematorium we installed a new land drainage system which could also harvest water, enabling it to be extracted at times when the water table is high and used to water the grounds during the summer. This initiative helps the crematorium to maintain a watering regime that keeps the Gardens of Remembrance looking attractive to visitors throughout the year."

Left: Trevor Thorpe, Head Gardener, Surrey & Sussex Crematorium, Crawley using the water harvesting system.

Corporate and social responsibility continued





The Dignity websites have been completely redesigned with a new look, a new structure and lots of new content.

The website **www.dignityfunerals.co.uk** has been redeveloped so that it can be used as an information service by the families we serve and potential clients. The corporate website, **www.dignityfuneralsplc.co.uk**, has also been redesigned to help investors, potential business partners, journalists and others looking for financial information on Dignity to find what they are looking for.

environmental legislation and continue to review the policies, systems and services to this end. All waste generated is properly disposed of in accordance with current legislation and steps are taken to recycle waste wherever this is practical.

In our communities

Everyone at Dignity is extremely committed not only to making a real difference to our clients but also to improving the welfare of all who live within the communities we serve. To demonstrate our values and principles our staff support hundreds of local initiatives, good causes, clubs and events every year. By listening to and understanding the needs of local communities our staff are able to respond by providing help where it is most needed.

For example, our funeral directors in Ebbw Vale helped to develop a memorial garden for the families of local miners and F C Wood in Kent worked with the local Gurkha community to establish the first burial ground in the UK for Gurkha veterans. There are also many bowling and football clubs that have benefited from sponsorship and financial support during the last twelve months. Once again Dignity staff from across the UK took part in the Easter Egg challenge and collected 3,200 chocolate gifts to distribute to those less fortunate.

We believe in encouraging our staff to communicate regularly with clubs, social groups and good causes by providing advice and practical support for those who want to give something back to their local community.

Supporting charities

In 2009, Dignity employees continued to raise funds for the staff elected charity – Help the Hospices. This worthy cause is the national membership charity for the hospice movement, supporting over 240 local hospices in their vital work caring for people with terminal illnesses.

There were many fund raising initiatives held nationwide during the year including memorial services, tea parties, car washes and dinner dances whilst some athletic employees raised money by taking part in sporting challenges such as Race For Life, the Great North Run, Malvern By Moonlight and Race the Sun.

Dignity staff have elected Children's Hospices UK as our corporate charity for 2010. Over 1,000 employees took part in the decision making process to choose which charity to support. Children's Hospices UK is the national charity that gives a voice to and support to all children's hospice services and their vision is for every child and young person who is not expected to reach adulthood to have access to the highest standards of care and support close to home. There are 41 children's hospices in the UK and they provide care for approximately 20,000 children each year.

In September, Dignity employees raised over £4,400 for Macmillan Cancer Care by being part of the 'World's biggest coffee morning' event.

The heroes of our armed services were commemorated in November with window dressings and numerous poppy appeals raising much-needed funds for the Royal British Legion. Rotherham Crematorium held its first Armistice Day Service, which was attended by local dignitaries and over 50 members of the local Royal British Legion and Veteran's Association.

Our four charity fairground organs continued to be a vital aid in fund raising activities and in 2009 almost £68,000 was raised for a variety of national and local charities.

We are providing support in our local communities

"Everyone at Dignity is extremely committed to not only making a real difference to our clients but also to improving the welfare of all who live within the communities we serve. To demonstrate our values and principles our staff support hundreds of local initiatives, good causes, clubs and events every year."

Left: Helen Griffiths, Business Manager, Greater Birmingham area with Chaplain Stuart Charrington.

Godfrey Thomas of T J Thomas & Sons in Ebbw Vale, helps a youngster at the opening of the Miners' Memorial Garden to read his tribute to local miners who lost their lives as a result of accidents at work.

The Dignity 'extreme team' from Cornwall raised over £1,000 for their local hospice by participating in the 'Triple Challenge' event.

£30,000

Over the past two years Dignity have raised over £30,000 for its corporate charity, Help The Hospices.

Staff at Mason & Gerald Martin in Hartlepool raised over £2,000 for Pansies Breast Cancer Appeal with a number of initiatives throughout 2009.

A team of ladies from the Fleet and Finance Departments at Plantsbrook House, Sutton Coldfield raised over £1,100 by taking part in 'Race For Life'.

Community Support

Once again Dignity staff from across the UK took part in the Easter Egg challenge and collected 3,200 chocolate gifts to distribute to those less fortunate.

Dignity branches in Bristol raised over £1,600 towards the Great Western Air Ambulance Appeal.

Macmillan Coffee Mornings

held at a number of branches across the country raised over

£4,400

Making a difference to the local communities we serve is at the heart of everything we do. Dignity staff raise thousands of pounds each year for national and local charities.

Financial review

"The Group continues to convert its profits into cash."

Steve Whittern, Finance Director

Financial highlights

The Group's financial performance is summarised below:

	2009	2008	Increase %
Revenue (£million)	**184.7**	175.8	5
Underlying operating profit* (£million)	**56.4**	52.1	8
Underlying profit before tax* (£million)	**36.4**	34.3	6
Underlying earnings per share* (pence)	**40.5**	38.2	6
Cash generated from operations (£million)	**65.3**	62.3	5
Operating profit (£million)	**57.5**	53.2	8
Profit before tax (£million)	**37.5**	35.4	6
Basic earnings per share (pence)	**41.8**	38.8	8
Dividends paid in the period:			
Interim dividend (pence)	**4.03**	3.66	10
Final dividend (pence)	**7.34**	6.67	10

*Underlying amounts exclude profit on sale of fixed assets and exceptional tax items.

The Board has proposed a dividend of 8.07 pence per Ordinary Share as a final distribution of profits relating to 2009 to be paid in 2010. This brings the total dividend in respect of the profits generated in 2009 to 12.1 pence per share, an increase of 10 per cent.

Capital structure and financing

The Group's principal source of long term debt financing is the Class A and B Secured Notes, rated A and BBB respectively.

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

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

The Group is also fully drawn on a £10 million crematoria acquisition facility, which was used to fund the acquisition of five crematoria locations in the last quarter of 2008.

The principal on this facility is repayable in one amount in November 2013 and interest is either fixed or capped at approximately 5.6 per cent. All interest is payable in cash on a quarterly basis.

As set out in note 24, the Group's gross debt outstanding was £283.2 million (2008: £286.3 million). Net debt was £247.1 million (2008: £249.3 million). The reduction in net debt reflects the repayment of principal on the Secured Notes, the drawing down of the remaining £2.6 million under the crematoria acquisition facility and the Group's continued strong cash generation.

The Group's finance expense substantially consists of the interest on the Class A and B Secured Notes and ancillary instruments. The net finance cost in the period relating to these instruments was £19.6 million (2008: £19.9 million).

Interest costs of £0.4 million (2008: £nil million) were incurred in respect of the crematoria acquisition facility.

Other ongoing finance costs incurred in the period amounted to £0.8 million (2008: £0.9 million), including the unwinding of discounts on the Group's provisions and other financial liabilities.

Interest receivable on bank deposits was £0.5 million (2008: £2.3 million). These receipts are a direct reflection of the Bank of England Base Rate, which was 0.5 per cent for the majority of 2009 following the sharp reductions in Base Rate at the end of 2008.

Net finance income of £0.3 million (2008: £0.7 million) was recognised in respect of the Group's pension scheme in accordance with IAS 19.

+8%
Underlying operating profits have increased 8 per cent to £56.4 million.

+6%
Underlying earnings per share increased 6 per cent to 40.5 pence per share.

+5%
Cash generated from operations has increased 5 per cent to £65.3 million.

Underlying profit after tax

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

	52 week period ended 25 December 2009 £m	52 week period ended 26 December 2008 £m
Operating profit for the period as reported	**57.5**	53.2
Deduct the effects of:		
Profit on sale of fixed assets	**(1.1)**	(1.1)
Underlying operating profit	**56.4**	52.1
Net finance costs	**(20.0)**	(17.8)
Underlying profit before tax	**36.4**	34.3
Tax charge on underlying profit before tax	**(10.6)**	(10.1)
Underlying profit after tax	**25.8**	24.2
Weighted average number of Ordinary Shares in issue during the period (million)	**63.7**	63.4
Underlying EPS (pence)	**40.5p**	38.2p
Increase in underlying EPS (per cent)	**6%**	14%

Earnings per share

The Group's earnings were £26.6 million (2008: £24.6 million). Basic earnings per share were 41.8 pence per share (2008: 38.8 pence per share).

The Group's measures of underlying performance exclude the effect (after tax) of the profit on disposal of fixed assets and exceptional items. Consequently, underlying profit after tax was £25.8 million (2008: £24.2 million), giving underlying earnings per share of 40.5 pence per share (2008: 38.2 pence per share), an increase of 6 per cent.

The rate of earnings per share growth is lower than operating profit growth because of the dilutive effect of the reduced bank interest receivable.

The average number of shares increased year on year as a result of the 2006 LTIP scheme maturing in the period.

Cash flow and cash balances

Cash generated from operations was £65.3 million (2008: £62.3 million), demonstrating that the Group continues to convert its profits into cash.

Overall, acquisition activity in the period was higher than average, with £13.3 million (2008: £31.5 million) being spent on funeral and crematoria acquisitions.

Capital expenditure increased year on year, with £17.2 million (2008: £11.2 million) being spent on the purchase of property, plant and equipment.

This is analysed as:

	25 December 2009 £m	26 December 2008 £m
Vehicle replacement programme and improvements to locations	**8.0**	8.0
Branch relocations	**1.3**	1.1
Development of new crematoria	**6.2**	2.1
Mercury abatement project	**1.7**	–
Total property, plant and equipment	**17.2**	11.2
Partly funded by:		
Disposal proceeds	**(2.1)**	(2.5)
Crematoria acquisition facility	**(2.6)**	–
Net capital expenditure	**12.5**	8.7

The amounts described above on the mercury abatement project represent the initial capital expenditure incurred to comply with new legislation. The total anticipated capital expenditure is approximately £7 million. The project will be completed by the end of 2012.

The Group also paid dividends totalling £7.2 million (2008: £6.5 million) in the period.

Cash balances at the end of the period were £45.8 million (2008: £46.7 million). £12.5 million represents amounts legally set aside to fund the Group's liabilities to Class A and B Secured Noteholders. This payment was made on 31 December 2009, which falls in the Group's 2010 financial year as it reports on a 52 week basis rather than on a calendar year. These funds do not qualify as cash or

Financial review continued

+10%
Dividends have increased 10 per cent per annum.

£11 million
The Group has set aside approximately £11 million for future acquisitions.

cash equivalents for the purposes of IAS 7, Cash Flow Statements. Accordingly, £9.9 million has been reported within the cash flow statement as 'Payments to restricted bank accounts for finance costs' and £2.6 million has been reported as 'Payments to restricted bank accounts for repayment of borrowings'.

£1.5 million (2008: £1.5 million) represents amounts received as Recoveries from the pre-arranged funeral plan trusts. These amounts are legally required, under the terms of the Group's securitisation, to be retained in a separate bank account for one year following receipt and do not therefore meet the definition of cash for cash flow reporting purposes.

Approximately £11 million of the remaining cash balance is immediately available for acquisitions and developments. Approximately £18 million has also been set aside for future corporation tax and dividend payments. However, these funds could be used for further acquisitions if suitable opportunities arose, with statutory payments being funded out of future operating cash flows.

Further details and analysis of the Group's cash balances are included in note 15 to the consolidated financial statements.

Pensions
The balance sheet shows a surplus of £9.1 million before deferred tax (2008: £13.2 million). This decrease year on year is principally a result of the reduction in the discount rate, reflecting market conditions at the balance sheet date.

The scheme remains open to both new and existing members of staff.

Taxation
The Group's effective tax rate in the period was 29 per cent (2008: 29.5 per cent). This rate is expected to remain constant in the absence of any legislative changes.

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.

	52 week period ended 25 December 2009	52 week period ended 26 December 2008
Total estimated number of deaths in Britain (number)	**545,000**	553,000
Number of funerals performed (number)	**65,000**	68,700
Funeral market share excluding Northern Ireland (per cent)	**11.8**	12.3
Number of cremations performed (number)	**42,700**	39,600
Crematoria market share (per cent)	**7.8**	7.2
Unfulfilled pre-arranged funeral plans (number)	**216,000**	204,000
Underlying earnings per share (pence)	**40.5**	38.2
Underlying operating profit (£million)	**56.4**	52.1
Cash generated from operations (£million)	**65.3**	62.3

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

A summary of the Group's financial record for the last five years can be found on pages 81 to 82.

Forward-looking statements
Certain statements in this Annual 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.

Principal risks and uncertainties

Operational risk management

Significant reduction in the death rate

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

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

Nationwide adverse publicity

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

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

Ability to increase average revenues per funeral or cremation

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

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

Significant reduction in market share

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

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

Financial risk management

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

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.

Board of Directors

(a) Member of the Audit Committee
(n) Member of the Nomination Committee
(r) Member of the Remuneration Committee

1. Peter Hindley (66) (n)
(Non-Executive Chairman)

Peter has extensive experience of the industry having been appointed Chief Executive of Plantsbrook Group plc in 1991. Following the acquisition of Plantsbrook Group plc and Great Southern Group plc by SCI in 1994, he was appointed CEO of SCI (UK). He subsequently led a management buy out of the Group from SCI in 2002. The Company was then floated on the Stock Exchange in 2004. Peter became Non-Executive Chairman in January 2009. Before entering the funeral service industry, Peter spent 25 years in retailing, holding senior positions in Debenhams, Burtons and Harris Queensway.

2. Mike McCollum (42)
(Chief Executive)

Mike joined Dignity's former parent, SCI, in 1995 from KPMG Corporate Finance in London. He was appointed Finance Director at the end of 2001 and became Chief Executive at the beginning of 2009. He has a law degree from Birmingham University (LL.B), is a solicitor and also holds an MBA from Warwick University.

3. Steve Whittern (35)
(Finance Director)

Steve joined the Group in 1999 from KPMG. He was appointed Finance Director at the beginning of 2009, having spent the previous two years as Financial Controller, being responsible for the Group's finance function. Steve was closely involved in the management buy out, the whole business securitisation, the IPO and most recently, the further debt issue and return of value in 2006. Steve is an FCA and holds a mathematics degree from Warwick University.

4. Andrew Davies (48)
(Operations Director)

Andrew joined his family owned business in 1979 and worked as a funeral director and embalmer until the business was sold to Great Southern Group in 1993. He then held various management positions within Great Southern Group and following the acquisition by SCI in 1994, held senior operational positions within SCI (UK). He became Operations Director in 2001 and was a member of the management buy out team in 2002.

5. Richard Portman (48)
(Corporate Services Director)

Richard joined SCI from HSBC as Chief Accountant in 1999. In 2001 he was appointed Head of Finance and was responsible for the running of Dignity's finance department. Richard was part of the team that took Dignity through the management buy out in 2002, the whole business securitisation in 2003 and the IPO in 2004. Following the IPO Richard was appointed as Company Secretary and became Corporate Services Director in 2006. Richard is an FCA, holds a geography degree from Birmingham University and is a Member of the Chartered Management Institute and of the Investor Relations Society.

6. James Newman (60) (a)(n)(r)
(Senior Independent Director)

James is Chairman of a number of AIM listed companies and a Non-Executive Director of Scott Wilson Group plc as well as a Governor of Sheffield Hallam University. He was formerly Deputy Chief Executive and Group Finance Director of Kelda Group plc and a number of other public companies. He has also been Chairman of Waste Recycling Group plc and a Non-Executive Director of Richmond Foods plc before their respective takeovers in 2003 and 2006. James is a Chartered Accountant and Member of the Association of Corporate Treasurers.

7. William Forrester (69) (a)(n)(r)
(Non-Executive Director)

Bill is the Chairman of Nuaire Group Ltd and a Director of Brittpac Limited. Prior to this he was Group Chief Executive of SIG plc, Europe's largest distributor of insulation, ceiling, partitioning and roofing products and Chairman of John Laing plc, the infrastructure investment group. He was also the Managing Director at Kuwait Insulation Manufacturing Company and the Sales and Marketing Director at BP Rockwool Limited.

8. Ishbel Macpherson (49) (a)(n)(r)
(Non-Executive Director)

Ishbel was appointed to the Board on 12 January 2009. Ishbel is a Non-Executive Director of GAME Group plc and Senior Independent Director of Hydrogen Group plc and Speedy Hire plc. Prior to those roles she held senior positions with Barclays de Zoete Wedd, Hoare Govett and Dresdner Kleinwort Wasserstein.

9. Alan McWalter (56) (a)(n)(r)
(Non-Executive Director)

Alan was appointed to the Board on 12 January 2009. Alan is a Non-Executive Director of Trafficmaster plc, Cattles plc, Alphameric plc, Haygarth Group Ltd and is Non-Executive Chairman of Constantine Group plc. Prior to these roles Alan was Marketing Director of Marks and Spencer plc and prior to that held senior positions with Kingfisher plc and Thomson Consumer Electronics.

Directors' report

The Directors present their report and the audited consolidated financial statements for Dignity plc and its subsidiaries for the 52 week period ended 25 December 2009.

The company registration number of Dignity plc is 4569346.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report, the Report on Directors' Remuneration and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent; and
- State whether IFRSs as adopted by the European Union and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Group and parent Company financial statements respectively.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Group's websites. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the Directors, whose names and functions are listed on page 20 of the Annual Report, confirm that, to the best of each person's knowledge and belief:

- The Group and parent Company financial statements, prepared in accordance with IFRSs as adopted by the EU and UK GAAP respectively, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- The Directors' report contained in the Annual Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties it faces.

Principal activities and business review

The principal activity of the Group is the provision of funeral services including funeral directing, crematoria operation and the marketing and administration of pre-arranged funeral plans. The principal activity of the Company is that of a holding company.

The principal activities and key performance indicators of the Group are also described on pages 16 to 18 of the Financial Review. A review of the development of the business in 2009, events affecting the Group since the end of the financial year and likely future developments are referred to in the Business Review, which is incorporated into this Directors' Report by reference.

The review of business activities in the Business Review, Financial Review and the Directors' Statement of Corporate Governance are in line with the requirements of the Companies Act 2006.

Principal risks and uncertainties

Operational risks are considered on page 19.

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

Share capital

The issued share capital of Dignity plc at 25 December 2009 consisted of 63,737,653 Ordinary Shares of 9 pence each. All the Ordinary Shares carry the same rights and obligations. There are no other class or type of share in issue.

During the period, the Group issued 253,518 Ordinary Shares of 9 pence each. 253,482 Shares of 9 pence each were issued to satisfy Long Term Incentive Plan share awards vesting in the period and 36 shares were issued to satisfy options exercised under the Save As You Earn Scheme. The Long Term Incentive Plan awards were made in 2006 and the SAYE options were granted in 2007.

Directors' report continued

A special resolution passed at the last Annual General Meeting on 5 June 2009 gives Dignity plc the authority to purchase up to 3,186,881 Ordinary Shares of 9 pence each at not less than nominal value and not more than 5 per cent above the average middle market quotation for the preceding 5 business days. At the same meeting the Company was also given authority to allot Ordinary Shares up to an aggregate nominal value of £1,912,129 of which up to £286,819 may be for cash. These authorities will expire at the conclusion of the next Annual General Meeting on 4 June 2010. It is the intention of the Directors to seek renewal of these authorities at that Annual General Meeting.

Results

The results for the period are set out in the Consolidated Income Statement on page 37. Group profit before tax amounted to £37.5 million (2008: £35.4 million).

Dividends

An interim dividend of 4.03 pence per share was paid on 30 October 2009. The Board has proposed a final dividend of 8.07 pence per share, which, subject to approval at the Annual General Meeting, will be paid on 25 June 2010 to shareholders on the register at close of business on 28 May 2010. This makes a total of 12.1 pence per share for the period.

Payments policy

The Group has no formal code or standard that deals specifically with the payment of suppliers. However, the Group's policy on the payment of all creditors is to ensure that the terms of payment as specified by, and agreed with, the supplier are not exceeded, provided all trading terms and conditions have been complied with. The average creditor payment period for the Group was 25 days (2008: 31 days). The Company has no trade creditors.

Key contractual arrangements

The Directors consider there to be one key contractual arrangement in relation to the supply and maintenance of cremators. This company is responsible for supplying and installing the cremator abatement equipment. If this company ceased to trade, the Group may have difficulties in installing the necessary equipment by the end of 2012.

Employment policies

During the period the Group has maintained its obligations to develop and improve arrangements aimed at involving employees in its affairs. Methods of communication used include an in-house newsletter, an employee website, bulletins and management briefings. This is discussed in more detail in the Corporate and Social Responsibility Report on pages 12 to 15.

Employment policies are designed to provide equal opportunities irrespective of age, sexuality, colour, ethnic or national origin, religion, nationality, sex or marital status. Full consideration is given to the employment, training and career development of disabled persons, subject only to their aptitudes and abilities. The Group endeavours to treat disabled persons equally with others.

Directors and their interests

Details of the Directors of the Company who served during the period are shown in the Report on Directors' Remuneration on page 27. In accordance with the Articles of Association, at the Annual General Meeting, Richard Portman, Bill Forrester and Mike McCollum retire as Directors of the Company and, being eligible, offer themselves for re-election at the Annual General Meeting on 4 June 2010.

During the period, the Company maintained liability insurance for its Directors and Officers. The Directors of each of the Company's subsidiaries, have the benefit of an indemnity provision in the Company's Articles of Association. The indemnity provision, which is a qualifying third-party indemnity provision as defined by section 234 of the Companies Act 2006, was in force throughout the period and is currently in force.

Substantial shareholdings

As at 10 March 2010, the Company had been notified of the following interests of 3 per cent or more of the issued share capital:

Holder	Number of Ordinary Shares	% of issued share capital
Lloyds Banking Group plc	5,688,190	8.92%
Tiger Global Management LLC	4,247,634	6.66%
Standard Life Investments	3,155,528	4.95%
Baillie Gifford and Co	3,136,178	4.92%
BlackRock Inc	3,115,321	4.89%
Aegon Asset Management UK plc	3,114,884	4.89%
Legal and General Investment Management Ltd	2,545,764	3.99%
Montanaro Group	2,344,663	3.68%
UBS Global Asset Management Ltd	2,175,289	3.41%
BAM & Oppenheimer Funds	1,925,679	3.02%

The takeover directive

The Group has one class of share capital, Ordinary Shares. All of the shares rank pari passu. There are no special control rights in relation to the Group's shares. The rules governing the appointment and replacement of Board members and changes to the Articles of Association accord with usual English company law provisions. The Board has authority to purchase its own shares and is seeking renewal of that power at the forthcoming Annual General Meeting within the limits set out in the notice of that meeting. There are no significant agreements to which the Group is party which take effect, alter or terminate in the event of change of control of the Group.

Health and safety policy

The Group's operations are designed at all times in such a way as to ensure, so far as reasonably practical, the health, safety and welfare of all of our employees and all other persons who may be attending our premises. This is discussed in the Corporate and Social Responsibility Report on pages 12 to 15.

Corporate Social Responsibility

Maintaining the quality of the environment in which we all live is an important concern for the Group. This is discussed in the Corporate and Social Responsibility Report on pages 12 to 15 alongside other social and ethical considerations.

Donations

The Group made charitable donations amounting to £0.1 million (2008: £0.1 million) during the period. There were no political donations. Further information can be found on page 14.

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 4 March 2010. For this reason, they continue to adopt the going concern basis for preparing the financial statements.

Post balance sheet events

Please refer to note 32 of the Notes to the Consolidated Financial Statements for further details.

Auditors and disclosure of information to Auditors

A resolution for the reappointment of PricewaterhouseCoopers LLP will be proposed at the forthcoming Annual General Meeting.

In the case of each of the persons who are Directors at the time when the report is approved, the following applies:

- So far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- The Directors have taken appropriate steps to make themselves aware of any relevant audit information and to establish that the Group's auditors is aware of that information.

Corporate Governance Statement

The information that fulfils the requirements of a corporate governance statement in accordance with note 7.2 of the Disclosure and Transparency Rules can be found in this Directors' Report and in the Directors' Statement on Corporate Governance on pages 31 to 35.

By order of the Board

Richard Portman
Company Secretary
11 March 2010

Report on Directors' remuneration
for the 52 week period ended 25 December 2009

This report sets out the remuneration policy operated by the Group in respect of the Executive Directors, together with disclosures on all Directors' remuneration. The auditors are required to report on the 'auditable' part of this report and to state whether, in their opinion, that part of the report has been properly prepared in accordance with the Companies Act 2006.

The Board has reviewed the Group's compliance with the 2008 Combined Code ('the Code') on remuneration related matters and has followed the Code in the preparation of the report of the Remuneration Committee. It is the opinion of the Board that the Group complied with all remuneration related aspects of the Code during the period.

Unaudited information
The Remuneration Committee is responsible for developing policy on remuneration for Executive Directors and senior management and for determining specific remuneration packages for each of the Executive Directors.

Bill Forrester chairs the Remuneration Committee and its other members are the independent Non-Executive Directors James Newman, Ishbel Macpherson and Alan McWalter. The Code requires that a Group of the size of Dignity plc has a Remuneration Committee comprising a minimum of three non-executives. The Remuneration Committee members have no personal financial interest, other than as shareholders, in matters to be decided, no potential conflicts of interests arising from cross directorships and no day-to-day involvement in running the business.

The Chairman and the Chief Executive attend the Remuneration Committee by invitation or when required and the Company Secretary, who is also the Corporate Services Director, attended meetings when required as Secretary to the Remuneration Committee. No Executive Director takes part in discussions relating to their own remuneration and benefits.

The Remuneration Committee is formally constituted with written terms of reference. A copy of the terms of reference is available for inspection on the Group's investor website www.dignityfuneralsplc.co.uk. The Committee met four times during 2009. At those meetings basic salaries of Executive Directors and senior managers were reviewed, the targets and quantum of annual performance related bonuses for Directors were also agreed, as were options granted under the Group's Long Term Incentive Plan (LTIP). The meetings also approved the payment of the 2008 performance related bonus and the vesting of the shares awarded under the LTIP scheme in 2006. A further meeting was also held in March 2010 to approve the payment of the performance related bonus for 2009, LTIP awards and bonus targets for 2010.

In 2008, the Committee retained the external benefit consultants, Hewitt New Bridge Street, to complete a review of the Executive Directors' remuneration. In discussions with the Committee, and in consultation with Hewitt New Bridge Street, it was decided that a 'Comparator Group' would be defined consisting of all companies in the Consumer Goods and Consumer Services Sector of the FTSE 250 filtered to exclude companies deriving more than 50 per cent of their turnover from overseas or having a market capitalisation in excess of £1.4 billion at that time. This gave a group of 32 companies with an average market capitalisation of £628 million at November 2008 as the Comparator Group. At that date Dignity had a market capitalisation of £473 million and an enterprise value (including net debt) of £710 million. The bottom half of the FTSE 250 was also used as a reference point for the benchmarking process. The Committee continue to believe that the use of this Comparator Group is the most appropriate way of reviewing and setting Executive Directors' salaries.

Remuneration policy
The objective of the remuneration policy is to provide remuneration packages to each Executive Director that will:

- Align rewards with the interests of shareholders;
- Motivate and encourage superior performance;
- Allow the Group to retain the talent needed to execute its business strategy; and
- Enable the Group to be competitive when recruiting appropriately skilled and experienced management.

The Remuneration Committee believes that this policy will retain and develop further the Group's entrepreneurial culture, whilst also focusing executive remuneration on performance which the Committee believes will best serve shareholders' interests. It is therefore the aim of the Remuneration Committee to encourage and reward superior performance by Executive Directors with that performance being based on strong financial performance and returns to shareholders. This is achieved by weighting the overall remuneration package towards achievement of that performance. Only 31 per cent of each Executive Directors' total potential remuneration package (ignoring benefits and pension contributions) is accounted for by basic salary, assuming a full annual bonus is achieved and a maximum conditional award under the LTIP is made.

The Remuneration Committee will continue to review all aspects of the policy on an annual basis to ensure that rewards continue to be in line with the Group's objectives and shareholders' interests.

Basic salary

When determining the basic salary of the Executive Directors, the Remuneration Committee takes into consideration:

- The levels of base salary for similar positions with comparable status, responsibility and skills, in organisations of broadly similar size and complexity;
- The performance of the individual Executive Director;
- The individual Executive Director's experience and responsibilities; and
- Pay and conditions throughout the Group.

No changes were made to their basic salaries during the period. It was also requested by the Executive Directors and agreed by the Remuneration Committee that basic salaries for 2010 will remain unchanged. Salaries effective from 1 January 2010 are:

Name	2009 £'000	2010 £'000
Mike McCollum	440	440
Andrew Davies	250	250
Richard Portman	200	200
Steve Whittern	150	150
Total	1,040	1,040

Annual performance related bonus

The targets for the year, which are based on the achievement of set earnings per share targets, are reviewed and set annually by the Committee to ensure that they are appropriate to the current market conditions and remain challenging. They are ratified by the full Board. The targets are designed to enhance shareholder value.

The maximum bonus attainable for 2009 by Executive Directors was 100 per cent of basic salary. A bonus of 70 per cent is attainable for meeting the first earnings per share target set by the Committee and a further bonus of 30 per cent may be earned by achieving a second and more demanding earnings per share target. The increase in underlying earnings per share during the period was 6 per cent and the bonus percentage earned by the Executive Directors in the period was 85 per cent.

No other bonuses of any description were paid in the period to Executive Directors.

No changes have been proposed to the Annual Performance Related Bonus for 2010 and there were no departures from this policy in the current period. This will continue to be based on demanding earnings per share targets with a maximum bonus equal to 100 per cent of base salary. The scheme is in line with the market median for the bottom half of the FTSE 250 and the lower quartile of the Comparator Group.

Share incentives

Shareholders approved the current discretionary share incentive plan, the LTIP, on 5 June 2009. If existing LTIPs were to be amended or if there was a new LTIP Scheme, approval would be sought from the shareholders. No changes are presently planned for the existing scheme.

All Executive Directors and other employees are entitled to be considered for the grant of conditional share awards under the LTIP. Under the rules, the maximum annual award that can be made to an individual is 125 per cent of salary. All four Executive Directors serving at the start of the year, were granted conditional share awards during 2009 equivalent to the maximum award. The Committee deemed this award appropriate, as in previous years, mindful of the need to encourage superior performance from the Executive Directors and ensure that a significant proportion of their total remuneration is linked to the performance of the Group. This award is in addition to those granted in all years from 2004 to 2009. Richard Portman, prior to his appointment to the Board, received a conditional share award in 2006 equal to 100 per cent of his salary. Steve Whittern received an award equal to 100 per cent of his salary in 2006 and awards of 4,000 shares in each of the years 2007 and 2008, prior to his appointment to the Board on 29 December 2008. Total awards made to the Executive Directors under the scheme are shown on page 29.

Eligible Executives are awarded rights, in the form of nil cost conditional share awards, to acquire a maximum number of shares at the beginning of a three year period, the proportion of which they will be entitled to receive at the end of that period depending on the extent to which the performance conditions set by the Remuneration Committee at the time the allocation is made, are satisfied.

The Remuneration Committee selected comparative Total Shareholder Return (TSR) as the performance condition for LTIP awards as it ensures that the Group outperforms the FTSE 350 Index over the measurement period in delivering shareholder value, before the Eligible Executives are entitled to receive any of their awards. The constituent companies of the FTSE 350 Index, at the time the awards are made, were selected as a benchmark as there are no directly

Report on Directors' remuneration continued
for the 52 week period ended 25 December 2009

comparable quoted companies in the United Kingdom and as Dignity is now a constituent of the FTSE 350 this is still a valid benchmark. The Remuneration Committee will calculate the TSR in accordance with the rules of the scheme and ratify the calculation prior to the release of any award. Performance conditions under the LTIP are not subject to re-testing.

The percentage of the conditional share awards made up to and including the awards in 2009 are exercisable on vesting as follows:

- Ranked in the top quintile: 100 per cent of the total award;
- Ranked at median: 40 per cent of the total award;
- Ranked below median: zero; and
- Ranked between median and top quintile: straight-line apportionment.

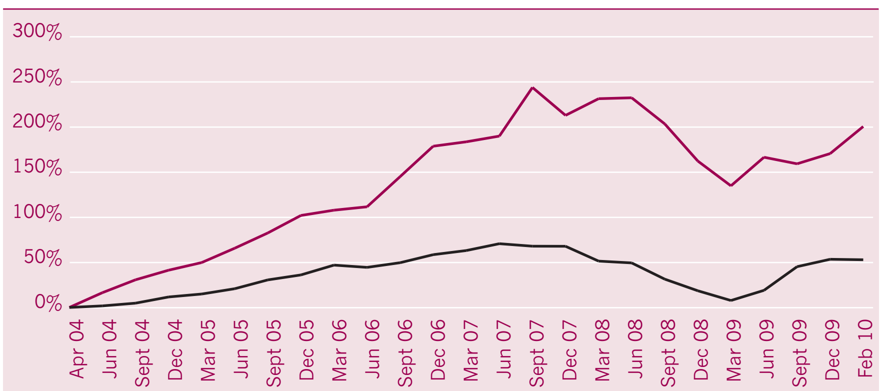
The percentage of the conditional share awards exercisable on vesting from the 2010 awards and onwards is calculated as follows:

- Ranked in the top quartile: 100 per cent of the total award;
- Ranked at median: 25 per cent of the total award;
- Ranked below median: zero; and
- Ranked between median and top quintile: straight-line apportionment.

In addition and irrespective of the TSR performance target, no award will vest unless, in the opinion of the Remuneration Committee, the underlying financial performance of the Group has been satisfactory over the measurement period.

The graph shows the Group's TSR compared to the FTSE 350. This gives a broad indication of the likelihood of any conditional award vesting.

5 Year Total Shareholder Return



Dignity plc — FTSE 350 Index

On 24 March 2009 the conditional share awards made in 2006 under the LTIP became capable of vesting. The TSR of the Group over the measurement period was compared to that of the constituent companies of the FTSE 350 at the time the awards were made. The performance of the Group was found to be in the top quintile. On that basis the Remuneration Committee, mindful also of the continued strong performance of the Group, recommended that the entire 2006 share award vest. Shares were issued to Peter Hindley, Mike McCollum and Andrew Davies on 1 April 2009 and sold in their entirety the following day by the Group's brokers. On the same day 20,366 shares were issued to Richard Portman who sold 11,000 shares the following day and Steve Whittern was issued with 12,434 shares and sold 6,800 shares on the following day. Both sales were completed by the Group's brokers.

The total conditional awards held by each Director are shown on page 29 in the section of the Remuneration Committee's Report that is subject to audit.

In accordance with the ABI guidelines, the Group can issue a maximum of 10 per cent of its issued share capital in a rolling ten year period to employees under all share plans. In addition, of this 10 per cent, the Company can only issue 5 per cent to satisfy awards under discretionary or executive plans. At the period end, conditional awards under the LTIP Scheme to Executive Directors and senior managers amount to 1.14 per cent of the current issued share capital. If the awards in 2004, 2005 and 2006, that have vested, are included, that percentage is 2.49 per cent. The total, including SAYE options granted in both the 2004 and 2007 Schemes, is 3.82 per cent.

Pensions

Mike McCollum and Richard Portman are members of the Group's pension scheme into which the Group contributed 10.5 per cent of salary (details are set out within the audited section of this report on page 28). The Group makes no pension contributions for Andrew Davies or Steve Whittern. No Non-Executive Directors receive any pension contributions.

Benefits in kind

Benefits included the following elements: provision of a company car or allowance; fuel; landline telephone at each Executive Director's home residence; and a mobile telephone; together with a pre-arranged funeral plan in accordance with any scheme established by the Group in respect of the funeral of the Executive Director or his wife. All Executive Directors received all of their benefits in kind.

Non-Executive Directors' fees

The Board determines the fees of the Non-Executive Directors. It is based upon recommendations from the Chairman and Chief Executive (or, in the case of the Chairman, based on recommendations from the Remuneration Committee and the Chief Executive). The level of fees of the Non-Executive Directors reflects the time commitment and responsibility of their respective roles. Their fees are set by reference to the constituent companies of the bottom half of the FTSE 250.

Service contracts

Details of the service contracts with all Executive Directors and letters of appointment with Non-Executive Directors are as follows:

Name	Contract date	Notice period	Unexpired term of contract or letter of approval
Mike McCollum	1 April 2004	12 months	Rolling Contract
Andrew Davies	1 April 2004	12 months	Rolling Contract
Richard Portman	1 November 2006	12 months	Rolling Contract
Steve Whittern	1 January 2009	12 months	Rolling Contract
Peter Hindley	1 January 2009	3 months	12 months
James Newman	31 March 2008	3 months	3 months
Bill Forrester	31 March 2008	3 months	3 months
Ishbel Macpherson	12 January 2009	3 months	11 months
Alan McWalter	12 January 2009	3 months	11 months

There are no special provisions in service contracts of employees or Directors relating to cessation of employment or change of control. The policy on termination is that the Group does not make payments beyond its contractual obligations, which do not include any payment from the takeover or liquidation of the Group. In addition, the Remuneration Committee ensures that there have been no unjustified payments for failure.

Under the Company's Articles of Association, one third of the Directors are required to submit themselves for re-election every year. At the forthcoming Annual General Meeting Richard Portman, Bill Forrester and Mike McCollum will submit themselves for re-election.

No Executive Directors hold a Non-Executive position with any other company. However, the Group allows one such appointment per Executive Director, for which they can retain the fees.

Audited information

The following information on pages 27 to 30 has been audited.

Directors' interest in shares

The interests of the Directors and their families in the Ordinary Shares of the Company at 25 December 2009 and 26 December 2008 were as follows:

	Ordinary Shares of 9 pence	
Name	25 December 2009 Number	26 December 2008 Number
Peter Hindley	220,256	220,256
Mike McCollum	315,000	315,000
Andrew Davies	188,125	188,125
Richard Portman	116,349	106,983
Steve Whittern	6,872	1,238
James Newman	7,777	7,777
Bill Forrester	7,777	7,777
Ishbel Macpherson	6,645	Nil
Alan McWalter	3,500	Nil

Report on Directors' remuneration continued

for the 52 week period ended 25 December 2009

Directors' remuneration

The total of Directors' remuneration for the period was £2,343,000 (2008: £2,338,000), including pension contributions of £18,000 (2008: £86,000). The remuneration of individual Directors for the year or from their date of appointment was as follows:

	Salary and fees £'000	Non cash benefits* £'000	Cash benefits* £'000	Annual performance related bonus £'000	Total 2009 £'000	Total 2008 £'000
Executive Directors						
Mike McCollum	440	1	15	374	830	566
Andrew Davies	250	1	15	213	479	418
Richard Portman	200	1	15	170	386	316
Steve Whittern	150	1	15	128	294	–
Non-Executive Directors						
Peter Hindley***	150	1	–	–	151	731
James Newman**	60	–	–	–	60	59
Bill Forrester	45	–	–	–	45	44
Ishbel Macpherson	40	–	–	–	40	–
Alan McWalter	40	–	–	–	40	–
Richard Connell	–	–	–	–	–	118
Total	1,375	5	60	885	2,325	2,252

*Benefits include the following elements: provision of a company car or allowance, fuel, landline telephone at each Executive Director's home residence and a mobile telephone together with a pre–arranged funeral plan in accordance with any scheme established by the Group in respect of the funeral of the Executive Director or his wife.

**James Newman's fees and expenses are invoiced to the Company by West Wood on Derwent Ltd.

*** Peter Hindley purchased his company car in January 2010. This was at an external independent valuation of £28,000. The sale by the Group was formally approved by the Board.

Directors' pension entitlements

Defined benefit salary scheme

	Change in accrued benefit over the period (1) £	Transfer value at 25 December 2009 (2) £	Transfer value at 26 December 2008 (2) £	Change in transfer value less Directors' contributions £	Change in accrued benefit in excess of inflation £	Transfer value of change in accrued benefit net of Directors' contributions £	Accumulated total accrued pension at 25 December 2009 (3) £
Mike McCollum	23,507	561,884	294,303	244,831	23,507	156,900	71,337
Richard Portman	5,355	233,760	154,430	65,330	5,355	33,626	24,770

(1) Throughout 2009 the above Directors were members of the Dignity Pension and Assurance Scheme, which is a defined benefit and tax approved scheme to which both the Director and the Company contribute and remains open to all employees.

(2) Transfer values have been calculated in accordance with Guidance Note GN11 issued by the Faculty and Institute of Actuaries. The transfers represent the actuarial liability of the pension plan and not the sum paid or due to an individual.

(3) Pension accruals shown are the amounts that would be paid annually on retirement based on service at the end of the current period.

Pension contribution

	Contribution 2009 £'000	Contribution 2008 £'000
Peter Hindley	–	68

Long Term Incentive Plan

Members approved the LTIP on 31 March 2004.

Awarded in 2009 for £nil consideration:

	2009			
	Market value of shares conditionally awarded during the period (2) £	Value of shares conditionally awarded during the year as a percentage of salary (3)	Number of shares conditionally awarded during the period	Date of the end of the holding period when shares may be exercised
Mike McCollum	550,000	125%	89,184	After 20 March 2012
Andrew Davies	312,500	125%	50,673	After 20 March 2012
Richard Portman	250,000	125%	40,538	After 20 March 2012
Steve Whittern	187,500	125%	30,404	After 20 March 2012

Awarded in 2008 for £nil consideration:

	2008			
	Market value of shares conditionally awarded during the period (4) £	Value of shares conditionally awarded during the year as a percentage of salary (3)	Number of shares conditionally awarded during the period	Date of the end of the holding period when shares may be exercised
Peter Hindley	437,500	125%	60,212	After 17 March 2011
Mike McCollum	343,750	125%	47,309	After 17 March 2011
Andrew Davies	250,000	125%	34,407	After 17 March 2011
Richard Portman	187,500	125%	25,805	After 17 March 2011
Steve Whittern	29,080	33%	4,000	After 17 March 2011

Awarded in 2007 for £nil consideration:

	2007			
	Market value of shares conditionally awarded during the period (5) £	Value of shares conditionally awarded during the year as a percentage of salary (3)	Number of shares conditionally awarded during the period	Date of the end of the holding period when shares may be exercised
Peter Hindley	418,750	125%	63,799	After 27 March 2010
Mike McCollum	312,500	125%	47,611	After 27 March 2010
Andrew Davies	232,500	125%	35,423	After 27 March 2010
Richard Portman	168,750	125%	25,710	After 27 March 2010
Steve Whittern	26,254	32.8%	4,000	After 27 March 2010

Awarded in 2006 for £nil consideration:

	2006					
	Number of shares conditionally awarded on 24 March 2006	Value of shares conditionally awarded on 24 March 2006 £	Number of shares vesting in the period to 25 December 2009 (6)	Gain on vesting £	Market value of shares at the date of vesting (7) £	Date options exercised
Peter Hindley	87,092	406,250	87,092	480,311	480,312	1 April 2009
Mike McCollum	62,974	293,750	62,974	347,301	347,302	1 April 2009
Andrew Davies	48,236	225,000	48,236	266,021	266,022	1 April 2009
Richard Portman	20,366	95,000	20,366	112,317	112,318	1 April 2009
Steve Whittern	12,434	58,000	12,434	68,573	68,574	1 April 2009

The total aggregated gain on vesting in 2009 was £1,274,523.

(1) Awards under the LTIP will only be released if the Group's comparative TSR performance is equal to or greater than the median level of performance over the holding period at which point 40 per cent of the award will be released, with full vesting occurring for upper quintile performance. Vesting occurs on a straight-line basis between those points.

(2) Value based on the average mid market share price for the previous 28 days to 20 March 2009.

(3) Value as a percentage of salary as at the date the awards were made.

(4) Value based on the average mid market share price for the previous 28 days to 17 March 2008.

(5) Value based on the average mid market price for the previous 28 days to 28 March 2007.

(6) All shares conditionally awarded on 24 March 2006 vested as the TSR of the Group was in the top quintile when compared to the TSR of the constituent companies of the FTSE 350 at the time the awards were made.

(7) Based on a closing market price of £5.52 per share on 1 April 2009.

Report on Directors' remuneration continued

for the 52 week period ended 25 December 2009

Inland Revenue Approved SAYE Share Option Scheme

	Date of grant	Number held at 26 December 2008	Granted	Exercised	Gain on exercise £	Number held at 25 December 2009	Exercise date
Mike McCollum	21 May 2007	1,322	Nil	Nil	Nil	1,322	30 June 2010
Richard Portman	21 May 2007	1,322	Nil	Nil	Nil	1,322	30 June 2010
Steve Whittern	21 May 2007	1,322	Nil	Nil	Nil	1,322	30 June 2010

The SAYE options granted on 21 May 2007 have an exercise price of £7.15 per share and must be exercised within six months of the exercise date shown above. The share price on this day was £7.26.

The market price of the Group's shares on 25 December 2009 was £6.19 per share. The high and low share closing prices in the period were £6.49 per share and £5.02 per share respectively.

On behalf of the Board

Bill Forrester
Chairman of the Remuneration Committee
11 March 2010

Directors' statement on corporate governance

Introduction

The Board is committed to high standards of corporate governance in order to achieve its objectives and meet the necessary standards of accountability and integrity. In accordance with the Listing Rules of the Financial Services Authority Dignity plc is required to state whether it has complied with the relevant provisions set out in Section 1 of the 2008 Combined Code on Corporate Governance (the Code) and, where the provisions have not been complied with, to provide an explanation. Dignity plc is also required to explain how it has applied the principles set out in the Code. The following paragraphs, together with the Audit Committee Report on pages 33 and 34 and the Report on Directors' Remuneration on pages 24 to 30 provide a description of how the main and supporting principles of the Code have been applied within Dignity plc during 2009. The Group has complied with all provisions of the Code during 2009 with the exception of:

On 29 December 2008 Peter Hindley was appointed Chairman upon relinquishing his responsibilities as Chief Executive and the retirement of the then Chairman Richard Connell. This is contrary to provision A.2.2. of the Code. However, as suggested by the Code, this appointment was only made after consultation with major shareholders of the Group. The Board felt it was important to retain the skills and knowledge of Peter Hindley, given he is both a prominent and influential figure in the funeral industry. Peter Hindley is not regarded as independent under provision A.3.1. of the Code.

Narrative statement

The Code establishes nine principles of good governance, which are split into four areas as outlined below:

1. The Board

The Group is controlled through the Board of Directors that meets regularly throughout the year. Informal meetings are held between individual Directors as required. The Board has adopted a formal schedule of matters reserved to it.

The Board is responsible for:

- Overall management of the Group;
- Setting and reviewing the strategy of the Group;
- Approval of major capital expenditure and acquisition projects, and consideration of significant financial matters;
- Monitoring the exposure to key business risks;
- Setting annual budgets and reviewing progress towards achievement of these budgets; and
- Proposing and making dividend payments to shareholders.

All Directors are provided with the necessary papers in advance of the meetings to permit them to make informed decisions at those meetings. The Board also considers employee issues and key appointments, including the role of Company Secretary.

The Board comprises four Non-Executive Directors and the Non-Executive Chairman. There are now the same number of independent Non-Executive Directors and Executive Directors. The Board considers that four Executive Directors are sufficient to manage a Company of this size and organisational structure.

There is a clear division of responsibility between the Non-Executive Chairman and the Chief Executive so as to give no individual, unfettered powers of decision making.

The Chairman is responsible for:

- Ensuring the Board functions in all aspects of its role;
- Facilitating the effective contribution of the Non-Executive Directors and ensuring constructive relations between Executive and Non-Executive Directors;
- Setting the agenda so all relevant issues are discussed; and
- Ensuring effective communication with stakeholders and acting as the public face of the Group.

The Chief Executive is responsible for:

- Operational management and control of the Group on a day-to-day basis;
- Formulating and proposing strategy to the Board; and
- Implementing the strategy and policies adopted by the Board.

The four independent Non-Executive Directors are Bill Forrester, Ishbel Macpherson, Alan McWalter, and James Newman. James Newman is the appointed Senior Independent Director of the Group. Biographical details, including committee membership, appear on page 20. The Chairman and the Non-Executive Directors have formally confirmed to the Board, mindful of their other commitments they have, that they will have sufficient time to devote to their responsibilities as Directors of the Group.

Directors' statement on corporate governance continued

Bill Forrester, Ishbel Macpherson, Alan McWalter, and James Newman are independent of management, as defined by the Code.

All Directors are able to take independent professional advice on the furtherance of their duties if necessary. They also have access to the advice and services of the Company Secretary, who is also the Corporate Services Director and, where it is considered appropriate and necessary, training is made available to Directors. All Directors receive annual training and updates on the duties and responsibilities of being a Director of a listed company. This covers legal, accounting and tax matters as required. The Company maintains appropriate insurance cover in respect of any legal action against its Directors. The level of cover is currently £50 million.

The Directors have, during the period, formally reminded themselves of their duties as Directors under the Companies Act 2006 (Section 171-177). These duties include the need to avoid conflicts of interest (Section 175). No such conflicts of interests exist.

All Directors, in accordance with the Code, submit themselves for re-election at least once every three years. In addition, any Director appointed in the year must submit himself or herself for election at the next Annual General Meeting. Bill Forrester, Mike McCollum and Richard Portman will be submitted for re-election at the forthcoming Annual General Meeting. Mindful of the skills, knowledge and experience of these Directors the Board recommends them for re-election.

The Board has established a Remuneration Committee, an Audit Committee and a Nomination Committee, all of which operate within defined terms of reference. The specific terms of reference for all the Committees may be obtained from the Company Secretary at the Registered Office and they are also available for inspection on the Group's investor website www.dignityfuneralsplc.co.uk. All Committees are provided with sufficient resources to undertake their duties.

Those attending and the frequency of Board and Committee meetings held during the year was as follows:

	Main Board(i)	Audit Committee	Remuneration Committee	Nomination Committee
Number of meetings	6	3	5	2
Andrew Davies	6	0	0	0
Bill Forrester	6	2	5	2
Peter Hindley	6	2 (ii)	4 (ii)	2
Mike McCollum	6	3 (ii)	2 (ii)	0
Alan McWalter	6	3	5	2
Ishbel Macpherson	6	2	4	2
James Newman	6	3	5	2
Richard Portman	6	3 (iii)	4 (iii)	2 (iii)
Steve Whittern	6	3 (ii)	0	0

(i) Only full Board meetings have been included in the attendance analysis. Seven further meetings were held with a quorum of Directors to approve announcements, documents or the issue of shares under the LTIP and SAYE.

(ii) In attendance by invitation of the respective Committee.

(iii) Richard Portman attended Committee meetings in his capacity as Company Secretary.

When Directors are unable to attend a meeting, they are advised of the matters to be discussed and given an opportunity to make their views known to the Chairman prior to the meeting. A process exists whereby such views will be included in the minutes of the meeting if necessary.

A process exists whereby the Non-Executive Directors can meet without the Executive Directors being present. Three such meetings were held during 2009.

During the year, the Board again undertook a formal and rigorous evaluation of its own performance and that of its Committees by way of the issue of a detailed questionnaire to all Directors. This was then followed by a detailed review of the responses, by the Directors, and identification of any actions arising. The Non-Executive Directors, led by the Senior Independent Director, are responsible for the performance evaluation of the Chairman. The Board was satisfied that its performance and that of its individual Directors and Committees was of the appropriate standard. Full evaluations will be completed again during 2010 and the Board will consider using external facilitation in line with the recommendations of the Walker Report.

The Company Secretary, Richard Portman, is responsible for the preparation and distribution of all agendas, minutes and related Board and Committee papers. As Corporate Services Director, he attends the Board meetings in his capacity as a Director of the Company but also acts as Secretary to those meetings. He attends the Committee meetings in his capacity as Company Secretary and also as Secretary of those Committees when requested to do so by the Chairman of that Committee. He is also responsible for ensuring all Board procedures are followed and for advising the Board on corporate governance matters.

2. Directors' remuneration

The Remuneration Committee, chaired by Bill Forrester, determines and agrees with the Board, within formal terms of reference, the framework and policy of Directors' and senior management's remuneration and its cost to the Group. The Committee met five times during 2009. The Committee measures the performance of the Executive Directors as a prelude to recommending and approving their annual remuneration, bonus awards and awards of share options to the Board for final determination.

The Committee members during 2009 were the independent Non-Executive Directors, Bill Forrester, James Newman, Ishbel Macpherson and Alan McWalter. The Code requires a Committee of at least two members. The Chief Executive and the Chairman can also attend the meetings by invitation of the Committee. No Director or senior manager is involved in any decisions with regard to their own remuneration. The Chairman of the Board is not a member of the Remuneration Committee.

The Executive Directors recommend the remuneration of Non-Executive Directors and recommendations take into account role, responsibilities and time commitment in the fulfilment of those duties. The Non-Executive Directors are not eligible for pensions and do not participate in the Group's bonus or share schemes. The Committee has considered the remuneration of senior management immediately below Board level during the year. It concluded that their remuneration was commensurate with their various duties and in line with market rates.

3. Accountability and audit

Audit Committee

The Audit Committee in 2009 comprised the four independent Non-Executive Directors. James Newman, who is a Fellow of the Institute of Chartered Accountants in England and Wales, is considered to have recent and relevant financial experience to chair this Committee. Its membership is restricted to Non-Executive Directors. The Committee has specific written terms of reference that explain its authority and duties. The Committee has met three times during 2009. The external auditors, the Chairman, the Chief Executive and the Finance Director have attended all the meetings by invitation. The external auditors and the internal audit function also have the right to private audiences with the Audit Committee or its Chairman if either party requires or requests them. One meeting was held during 2009 between the Chairman and the external auditors. The Chairman of the Board is not a member of the Audit Committee.

The Committee reviews the Group's Annual Report and Interim Report before submission to the Board. It keeps under review the Group's accounting policies, financial controls and internal control and risk management systems. It also evaluates, on a regular basis, the work of the internal audit function and reviews its effectiveness. The Committee also reviews matters brought to its attention both internally and by the external auditors. The Committee reports all findings to the Board.

A formal process, established via the Audit Committee, exists by which employees of the Group may, in confidence, raise concerns about possible improprieties in financial reporting or other matters. This ensures arrangements are in place for the proportionate and independent investigation of such matters and appropriate follow-up action.

The Committee also keeps under review the relationship with the external auditors, including their terms of engagement, independence, objectivity and effectiveness. The Committee reviews the remuneration received by the external auditors for non-audit work, which ongoing principally relates to taxation advice. Where considered necessary the Committee approves such work. The external auditors have confirmed their audit independence in writing to the Committee. The Committee also retains responsibility for the appointment and removal of the external auditors.

PricewaterhouseCoopers LLP have been the Group's auditors since the management buy out from SCI in 2002. PricewaterhouseCoopers, were auditors of SCI at this time. The Audit Committee considers that the relationship with the auditors is working well and remains satisfied with their effectiveness. Accordingly, it has not considered it necessary to date to require the firm to tender for the audit work. The external auditors are required to rotate the Group audit partner every five years and this is the first year for the current lead audit partner Matthew Mullins. There are no contractual obligations restricting the Company's choice of external auditor.

Reporting responsibilities

The Board is required to present a balanced and understandable assessment of the Group's position and prospects, not only in the Directors' Report and Accounts but also in the Chairman's Statement (page 4), the Chief Executive's Overview (page 5), the Business Review (pages 6 to 11), the Financial Review (pages 16 to 18), Interim Reports, Interim Management Statements and in price sensitive announcements. The Group will release its Annual Information Update by 1 April 2010. A summary of the Directors' responsibilities for the financial statements is set out on page 21.

Going concern

The Directors receive and review regularly management accounts, cash balances, forecasts and the annual budget together with covenant compliance. 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 4 March 2010. For this reason, they continue to adopt the going concern basis for preparing the financial statements.

Directors' statement on corporate governance continued

Internal control

The Board recognises it is responsible for the Group's system of internal control, which is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable, and not absolute, assurance against material misstatement or loss. A formal process of identifying, evaluating and managing the significant risks faced by the Group exists. This process was in place at the date of approval of the Annual Report and is, in accordance with Turnbull guidance (as revised in 2005), within the Code.

Internal controls are formally reviewed on an ongoing basis. Internal Audit completes a programme of work each year that provides assurance that the internal controls they have tested are working effectively and also propose improvements where appropriate and necessary. Coupled with this, the bi-annual review of the Risk Register provides a further formal review mechanism for considering and reviewing internal controls. All such work is reported to and monitored by the Audit Committee.

The Audit Committee on behalf of the Board, as part of an ongoing process, has formally reviewed and continues to keep under review the effectiveness of the Group's systems of internal controls, including financial, operational and compliance controls and risk management systems. The Audit Committee reviews risk management annually and receives reports from executive management regarding weaknesses in internal control, any losses arising out of weaknesses in internal control and progress in implementing revised procedures to improve and enhance internal control. There have been no reports of system weaknesses that have resulted or would have resulted in a material misstatement or loss.

The key procedures, which operated throughout the period, are as follows:

- Financial reporting – The Group has a comprehensive system of internal budgeting and forecasting. Monthly actual results analysed by operating division are reported to the Board and significant variances to budget are investigated with revised forecasts prepared as necessary. Operational management receives comprehensive management accounts covering their areas of responsibility;
- Financial controls – The Executive Directors have defined appropriate and necessary financial controls and procedures to be employed by operational management. Key controls over major business risks include reviews against budgets and forecasts, review against key performance indicators and exception reporting;
- Quality and integrity of personnel – One of the Group's core values is integrity. This is regarded as vital to the maintenance of the Group's system of internal financial control. The Directors have put in place an organisation structure appropriate to the size and complexity of the Group with defined lines of responsibility and delegation of authority where the Board considers it necessary and appropriate;
- Internal audit – The Group has a dedicated Internal Audit team, which reports to the Chief Executive. It coordinates the completion of self-assessment reports by operational management that assists in highlighting areas of control weakness or exposure. Internal audit reviews are completed on such areas together with selected areas of the head office function and any area where an Executive Director requests a review. During 2009 (as in 2008), there were quarterly meetings between the Head of Internal Audit and the Executive Directors to formally review and discuss Internal Audit's work programme and findings. In addition, regular meetings between Internal Audit and the external auditors, PricewaterhouseCoopers LLP, were held during the year to discuss and plan audit work and to ensure a complementary approach. The Head of Internal Audit reports to the Audit Committee at every meeting of that Committee;
- Procedures – The Group has established and documented processes and procedures covering most parts of its operations, both client facing and in support departments. These provide clear guidance on the correct or most appropriate course of action in various circumstances. Procedures are supplemented by training where needs have been identified. Both Internal Audit and a comprehensive management structure monitor the adherence to such processes and procedures. A comprehensive review of procedures and training commenced during 2008 and is ongoing; and
- Risk assessment – Management has responsibility for the identification and evaluation of significant risks that might arise in their area of responsibility together with the design of suitable internal controls. The Executive Directors and the wider management team continually assess the risks. A Risk Register is maintained, which is formally presented to and reviewed by the Audit Committee twice a year.

Nomination Committee

Peter Hindley, the Chairman, chaired the Nomination Committee during 2009, which met on two occasions during the year. The other members of the Committee during the year were James Newman, Bill Forrester, Ishbel Macpherson and Alan McWalter.

The Committee regularly reviews and makes recommendations to the Board on the structure, size and composition of the Board and the senior management team. It is also responsible for identifying and nominating for the approval of the Board, replacement or additional Directors and members of the senior management team. The Committee formally considers succession planning annually under the written terms of reference.

4. Relations with shareholders

The Group encourages two-way communication with both its institutional and private shareholders and responds promptly to any queries received either verbally or in writing.

The Chief Executive and Finance Director have regular meetings with institutional investors, fund managers and analysts to discuss information made public by the Group. Where appropriate or if requested, such meetings could include either or both of the Chairman and the Senior Independent Director or be without any Executive Directors present. The Chairman is available to discuss governance and strategy matters with the major shareholders.

The Group has and will arrange visits to its facilities, if requested by a shareholder, where it will not disrupt normal operational activity.

Each year every shareholder receives a full Annual Report and Accounts and an Interim Report at the half year. The Group has a separate investor relations website, www.dignityfuneralsplc.co.uk, upon which users can access the latest financial and corporate news and information. The Company Secretary is also available to answer general investor queries.

The Board regards the Annual General Meeting as an opportunity to communicate directly with all shareholders. At least 20 working days notice will be given of the Annual General Meeting at which all Directors and Committee Chairmen plan to be present and available to answer questions.

Independent Auditors' report to the members of Dignity plc
for the 52 week period ended 25 December 2009

We have audited the consolidated financial statements of Dignity plc for the 52 week period ended 25 December 2009 which comprise 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 the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors
As explained more fully in the Statement of Directors' Responsibilities, set out on page 21, the directors are responsible for the preparation of the consolidated financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the consolidated financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and, the overall presentation of the financial statements.

Opinion on financial statements
In our opinion the consolidated financial statements:

- give a true and fair view of the state of the group's affairs as at 25 December 2009 and of its profit and cash flows for the 52 week period then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the 52 week period ended 25 December 2009 for which the consolidated financial statements are prepared is consistent with the consolidated financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' statement set out on page 23, in relation to going concern; and
- the part of the Directors' Statement on Corporate Governance relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified in our review.

Other matter
We have reported separately on the parent company financial statements of Dignity plc for the 52 week period ended 25 December 2009 and on the information in the Report on Directors' Remuneration that is described as having been audited.

Matthew Mullins (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham

11 March 2010

Consolidated income statement

for the 52 week period ended 25 December 2009

	Note	**52 week period ended 25 December 2009 £m**	52 week period ended 26 December 2008 £m
Revenue	3	**184.7**	175.8
Cost of sales		**(85.1)**	(83.6)
Gross profit		**99.6**	92.2
Administrative expenses		**(43.6)**	(40.5)
Other income		**1.5**	1.5
Operating profit	3	**57.5**	53.2
Finance costs	4	**(21.6)**	(21.6)
Finance income	4	**1.6**	3.8
Profit before tax	5	**37.5**	35.4
Taxation – before exceptional items	6	**(10.9)**	(10.4)
Taxation – exceptional	6	**–**	(0.4)
Taxation	6	**(10.9)**	(10.8)
Profit for the period attributable to equity shareholders	3	**26.6**	24.6
Earnings per share for profit attributable to equity shareholders (pence)			
– Basic and diluted	8	**41.8p**	38.8p

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

Consolidated statement of comprehensive income

for the 52 week period ended 25 December 2009

	Note	**52 week period ended 25 December 2009 £m**	52 week period ended 26 December 2008 £m
Profit for the period		**26.6**	24.6
Actuarial (loss)/gains on retirement benefit obligations	28	**(4.8)**	5.6
Tax on actuarial loss/(gains) on retirement benefit obligations	6	**1.3**	(1.6)
Other comprehensive (loss)/income		**(3.5)**	4.0
Comprehensive income for the period		**23.1**	28.6
Attributable to:			
Equity shareholders of the parent		**23.1**	28.6

Consolidated balance sheet
as at 25 December 2009

	Note	**25 December 2009 £m**	26 December 2008 £m
Assets			
Non-current assets			
Goodwill	9	**139.4**	129.8
Intangible assets	9	**35.9**	33.3
Property, plant and equipment	10	**116.8**	101.3
Investment properties	10	**–**	9.6
Financial and other assets	11	**9.4**	4.5
Retirement benefit asset	28	**9.1**	13.2
		310.6	291.7
Current assets			
Inventories	13	**4.1**	3.9
Trade and other receivables	14	**21.5**	22.4
Cash and cash equivalents	15	**45.8**	46.7
		71.4	73.0
Total assets		**382.0**	364.7
Liabilities			
Current liabilities			
Financial liabilities	16	**8.5**	8.0
Trade and other payables	17	**34.2**	34.4
Current tax liabilities		**4.3**	3.9
Provisions for liabilities and charges	19	**1.3**	1.3
		48.3	47.6
Non-current liabilities			
Financial liabilities	16	**266.6**	269.2
Deferred tax liabilities	20	**26.0**	24.4
Other non-current liabilities	17	**3.1**	2.8
Provisions for liabilities and charges	19	**2.5**	2.3
		298.2	298.7
Total liabilities		**346.5**	346.3
Shareholders' equity			
Ordinary share capital	22	**5.7**	5.7
Share premium account		**35.8**	34.6
Capital redemption reserve		**80.0**	80.0
Other reserves		**(8.9)**	(8.9)
Retained earnings		**(77.1)**	(93.0)
Equity attributable to shareholders		**35.5**	18.4
Total equity and liabilities		**382.0**	364.7

The financial statements on pages 37 to 75 were approved by the Board of Directors on 11 March 2010 and were signed on its behalf by:

M K McCollum
Chief Executive

S L Whittern
Finance Director

Consolidated statement of changes in equity
as at 25 December 2009

	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 28 December 2007	5.7	33.8	80.0	(9.0)	(115.1)	(4.6)
Profit for the 52 weeks ended 26 December 2008	–	–	–	–	24.6	24.6
Actuarial gain on defined benefit plans	–	–	–	–	5.6	5.6
Deferred tax on pensions	–	–	–	–	(1.6)	(1.6)
Effects of employee share options	–	–	–	0.8	–	0.8
Tax on employee share options	–	–	–	0.1	–	0.1
Share issue under 2005 LTIP Scheme	–	0.8	–	–	–	0.8
Gift to Employee Benefit Trust (1)	–	–	–	(0.8)	–	(0.8)
Dividends	–	–	–	–	(6.5)	(6.5)
Shareholders' equity as at 26 December 2008	5.7	34.6	80.0	(8.9)	(93.0)	18.4
Profit for the 52 weeks ended 25 December 2009	–	–	–	–	26.6	**26.6**
Actuarial loss on defined benefit plans	–	–	–	–	(4.8)	**(4.8)**
Tax on pensions	–	–	–	–	1.3	**1.3**
Effects of employee share options	–	–	–	1.0	–	**1.0**
Tax on employee share options	–	–	–	0.2	–	**0.2**
Share issue under 2006 LTIP Scheme	–	1.2	–	–	–	**1.2**
Gift to Employee Benefit Trust (2)	–	–	–	(1.2)	–	**(1.2)**
Dividends	–	–	–	–	(7.2)	**(7.2)**
Shareholders' equity as at 25 December 2009	**5.7**	**35.8**	**80.0**	**(8.9)**	**(77.1)**	**35.5**

(1) Relating to issue of shares under 2005 LTIP scheme.

(2) Relating to issue of shares under 2006 LTIP scheme.

The above amounts relate to transactions with owners of the Company except for the profit for the period and also pension items (net of tax) of £5.5 million loss (June 2008: £nil million; December 2008: £4.0 million gain).

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.

Consolidated statement of cash flows

for the 52 week period ended 25 December 2009

	Note	52 week period ended 25 December 2009 £m	52 week period ended 26 December 2008 £m
Cash flows from operating activities			
Cash generated from operations	25	**65.3**	62.3
Finance income received		**0.7**	2.7
Finance costs paid		**(20.5)**	(20.5)
Transfer from restricted bank accounts for finance costs		**10.0**	10.2
Payments to restricted bank accounts for finance costs	15	**(9.9)**	(10.0)
Total payments in respect of finance costs		**(20.4)**	(20.3)
Tax paid		**(8.5)**	(6.4)
Net cash generated from operating activities		**37.1**	38.3
Cash flows from investing activities			
Acquisition of subsidiaries and businesses	26	**(13.3)**	(31.5)
Proceeds from sale of property, plant and equipment		**2.1**	2.5
Purchase of property, plant and equipment		**(17.2)**	(11.2)
Net cash used in investing activities		**(28.4)**	(40.2)
Cash flows from financing activities			
Proceeds from borrowings	16	**2.6**	7.4
Issue costs in respect of borrowings	16	**–**	(0.2)
Repayment of borrowings		**(4.9)**	(4.5)
Transfer from restricted bank accounts for repayment of borrowings		**2.4**	2.2
Payments to restricted bank accounts for repayment of borrowings	15	**(2.6)**	(2.4)
Total payments in respect of borrowings		**(5.1)**	(4.7)
Dividends paid to shareholders	7	**(7.2)**	(6.5)
Net cash used in financing activities		**(9.7)**	(4.0)
Net decrease in cash and cash equivalents		**(1.0)**	(5.9)
Cash and cash equivalents at the beginning of the period		**32.8**	38.7
Cash and cash equivalents at the end of the period	15	**31.8**	32.8
Restricted cash	15	**14.0**	13.9
Cash and cash equivalents at the end of the period as reported in the consolidated balance sheet	15	**45.8**	46.7

Notes to the financial statements

for the 52 week period ended 25 December 2009

1 Accounting policies

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

Basis of preparation

European law requires that the Group's consolidated financial statements for the 52 week period ended 25 December 2009 are prepared in accordance with all applicable International Financial Reporting Standards ('IFRSs'), as adopted by the European Union. These financial statements have been prepared in accordance with IFRS, International Financial Reporting Interpretations Committee ('IFRIC') interpretations (as issued by the International Accounting Standards Board) and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The consolidated financial statements have been prepared under the historic cost convention, as modified by the revaluation of pensions, and financial assets and liabilities at fair value through the income statement.

Preparation of financial statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. This will also affect the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results may differ from those estimates.

Basis of consolidation

The financial statements are presented in the form of Group financial statements. The Group financial statements consolidate the accounts of the Company and the entities controlled by the Company (including all of its subsidiary entities) after eliminating internal transactions. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain economic benefits from its activities.

Exceptional items

Exceptional items, by their nature, are not indicative of the underlying operating performance of the Group. Exceptional items are of a non-recurring nature to the results for the period and are therefore presented separately.

Pre-arranged funeral plan trusts

The three pre-arranged funeral plan trusts were not consolidated during the period as they were not controlled by the Group. Specifically, Article 60 of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 requires a majority of the managing trustees to be independent of the Group. Furthermore, the Group did not direct their financial and operating policies, nor did it have substantially all of the risks and rewards of their ownership.

Acquisition or disposal of subsidiary undertakings

Results of subsidiary undertakings acquired during the period are included from the effective date of control using the acquisition method of accounting. The separable net assets, both tangible and intangible, of newly acquired subsidiary undertakings are incorporated into the financial statements on the basis of the fair value to the Group as at the effective date of control.

Revenue

Revenue from funeral operations comprises the amount recoverable from customers for the provision of funerals, income from crematoria and other services, to the extent that those services have been performed or the goods supplied.

Income from memorial sales is recognised at the point of sale, to the extent that the goods have been supplied. Costs of maintaining memorials are recognised as incurred.

The accounting policies for recognising turnover for pre-arranged funeral plans are stated below.

The Group pays certain disbursements such as crematoria fees, burial plots, ministers' fees and doctors' fees on behalf of its clients. These amounts are recovered as part of the invoicing process. However, these amounts are not included within net revenues as they are simply passed on to the customer at cost.

The Group views the United Kingdom as one geographical segment, given each local business exhibits similar long term characteristics.

All amounts are exclusive of VAT.

Notes to the financial statements continued

for the 52 week period ended 25 December 2009

1 Accounting policies (continued)

Pre-arranged funeral plans

Trust plans

The Group markets and sells pre-arranged funeral plans, monies received from selling funeral plans being held and controlled by independent pre-arranged funeral plan trusts ('the Trusts'). The responsibility for the ultimate performance of funerals is allocated to funeral directors, who are selected by the beneficiary of the plan and some of whom are not owned by the Group.

The Group receives monies from the Trusts in respect of the following transactions:

- A marketing and administration fee in respect of each plan sold. The marketing element is only refundable in the event that the plan is subsequently cancelled. A provision is made for cancellations based on historical experiences, where material, to cover the estimated marketing element refundable to the Trusts. Marketing and administration fees are included in Group revenue when the related plan is sold less the provision for refunds arising on cancellations; and
- Further contributions are also received from the Trusts in return for the provision of general ongoing administrative services supplied to the Trusts. These contributions are included in Group revenue for the period to which they relate.

All costs in respect of the marketing and administration of the pre-arranged funeral plans are expensed in the Group income statement as incurred.

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 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.

The Group makes payments on behalf of the Trusts relating to the ongoing overheads of the Trusts, refunds to members of the Trusts in event of cancellation, and the payments made to funeral directors when the funeral is ultimately performed. All such payments are reimbursed in full by the Trusts on demand, in accordance with the terms of the relevant Trust's deed.

Neither the sales value of plans nor the costs of providing funerals are recognised in the financial statements of the Group when a pre-arranged funeral plan is sold.

Each Dignity marketing company contractually guarantees with the customer of a pre-arranged funeral plan that (i) if the customer chooses to cancel their selected funeral plan, a full refund will be made to the customer of all monies paid in respect thereof (less in certain cases an administration fee payable to the relevant Dignity marketing company); (ii) the funeral director's services (as selected by the customer) will be provided regardless of price rises in the future; and (iii) for certain plans sold, specific disbursements will be provided regardless of price rises in the future.

Insurance plans

Previously marketed propositions

The Group is the named beneficiary on a number of life assurance products sold by an insurance company in consideration for which the Group has committed to performing the funeral (including some disbursements) of the plan holder at no further charge. Marketing of these policies has now ceased.

In the event of death of the policyholder, the Group makes an agreed payment to the nominated funeral director and a debtor is recognised. At this time a commission fee is recognised as turnover. All monies are reclaimed in full from the life insurance company.

Actively marketed propositions

The Group is the named beneficiary on a number of life assurance products sold by third party insurance companies, in consideration for which the Group has committed to performing the funeral (including some disbursements) of the plan holder at no further charge.

A commission is paid when the policy is charged to the Group. As this commission is fully refundable if the Group does not perform the funeral for any reason, it is carried as a debtor and expensed when the funeral is performed.

Share-based payments

The Group issues equity settled share-based payments to certain employees. A fair value for the equity settled share awards is measured at the date of grant. Management measures the fair value using the valuation technique that they consider to be the most appropriate to value each class of award, which include Black-Scholes calculations and Monte Carlo simulations. The valuations take into account factors such as non-transferability, exercise restrictions and behavioural considerations.

An expense is recognised to spread the fair value of each award over the vesting period on a straight-line basis, after allowing for an estimate of the share awards that will eventually vest. The estimate of the level of vesting is reviewed at least annually, with any impact on the cumulative charge being recognised immediately.

Earnings per Ordinary Share
Basic Earnings per Ordinary Share ('EPS') is calculated by dividing the profit on ordinary activities after taxation by the weighted average number of shares in issue during the period. Diluted EPS is calculated by dividing profit on ordinary activities after taxation by the weighted average number of shares in issue during the period increased by the effects of all dilutive potential Ordinary Shares (primarily share options). Underlying Earnings per Ordinary Share is calculated by dividing the underlying profit after tax by the weighted average number of shares in issue during the period.

Intangible assets – goodwill
Goodwill, which represents the excess of the fair value of the consideration for subsidiaries and other businesses over the fair values of the net assets acquired and liabilities assumed, is capitalised and stated at historical cost less provisions for impairment.

Goodwill is allocated to cash generating units for the purpose of impairment testing. The business and subsidiaries acquired are generally combined with existing operations in the year of acquisition, or the year thereafter and are therefore only considered to be separate cash-generating units during this time.

Intangible assets – trade names
Intangible trade names are recognised as assets at the fair value of the consideration paid to acquire them and are carried at historical cost less provisions for amortisation and impairment. When acquired as part of a business combination the fair value is calculated by reference to the estimated incremental cash flows expected to arise by virtue of the trade name being well-established.

Amortisation is provided from the date of acquisition so as to write-off the asset on a straight-line basis over the term of its useful life. Where there are indicators that a trade name has an indefinite life then these assets are not amortised but are subject to annual impairment reviews. The factors that indicate an indefinite life of trade names acquired include the fact that the Group is a significant operator in a well-established market with inelastic demand, the conservative nature of the UK funeral industry that acts as a barrier to entry for new trade names, and the Group's track record for actively monitoring and relocating trade names to combat shifting demographics. In addition, when allocating a useful life to acquired trade names, the following matters are considered:

- The strength of the trade name in its local environment which is assessed by reference to relative market share and anticipated profitability;
- The likelihood that market based factors could truncate a trade name's life such as competition and shifting demographics and the Group's ability to combat these;
- The length of time, prior to acquisition, for which trade has been conducted under the name acquired; and
- The likely support the Group will give to the name in its local environment through marketing and promotion, maintaining community awareness etc.

The useful lives of all capitalised trade names are considered to be indefinite and are reviewed on an annual basis.

Intangible assets – non-compete contracts
Non-compete contracts arising from business combinations are capitalised at the fair value, which is calculated as the present value of any consideration paid discounted at the Group's cost of capital.

All costs are amortised over the term of the relevant agreement on a straight-line basis.

Intangible assets – software
Where computer software is not an integral part of a related item of computer hardware, the software is treated as an intangible asset. Acquired computer software licences are capitalised on the basis of costs incurred to acquire and bring into use the specific software.

An internally generated intangible asset arising from the Group's development of computer systems (including websites) is recognised if and only if the costs are directly associated with the production of identifiable and unique software products, controlled by the Group and it is probable that future economic benefits will flow to the Group. All other costs incurred in research or development are expensed as incurred. Capitalised costs will include, where appropriate, directly attributable payroll costs and a portion of direct overheads. Costs recognised as assets are amortised over their estimated useful lives (three to eight years).

Notes to the financial statements continued
for the 52 week period ended 25 December 2009

1 Accounting policies (continued)

Intangible assets – use of third party brand
On 8 January 2007, the Group acquired the remaining 25 per cent voting share capital of Advance Planning Limited for consideration of £2.0 million. As part of this arrangement, the Group obtained a 10-year marketing commitment from Age Concern Enterprises Limited, the previous minority shareholder, giving rights to market Funeral Plans under the Age Concern brand for the next ten years. During the period, Age Concern England merged with Help the Aged to form a new charity, Age UK. Following the merger, the Group has extended the marketing arrangements to cover Age UK as a whole until 2019. The value of this right has been recognised as a separate intangible asset.

This asset is being amortised over twenty years on a straight-line basis, recognising that each year's additional marketing activity generates incremental revenues and profits to the Group for at least the following twenty years.

Investment property
Assets are recorded in the balance sheet at cost less accumulated depreciation and any recognised impairment loss. Costs include, where appropriate, cost of acquiring the property and costs incurred in bringing each asset to its present condition. Depreciation is charged over the expected useful lives using the straight-line method. Valuations are performed internally on an annual basis. An independent external valuation will be obtained every five years.

Property, plant and equipment
Assets are recorded in the balance sheet at cost less accumulated depreciation and any recognised impairment loss. Cost includes, where appropriate, directly attributable costs incurred in bringing each asset to its present location and condition.

Depreciation is charged (excluding freehold land and assets in the course of construction) so as to write off the cost of assets to their residual value, over their expected useful lives using the straight-line method. The bases and annual depreciation rates in use for the various classes of assets are as follows:

Freehold and long leasehold buildings	2% – 10%
Short leasehold buildings	Over term of lease
Motor vehicles	11% – 20%
Computers	20%
Other plant and equipment	5% – 33%
Fixtures and fittings	15%

Freehold land is not depreciated on the basis that land has an unlimited life. Where the historical cost of land and buildings cannot be split, the Directors have estimated that the historical cost attributable to land is one third of the original cost of acquiring the land and buildings. This estimate is regularly reviewed.

Major renovations of the Group's trading premises and crematory re-linings are depreciated over the remaining life of the related asset or to the estimated date of the next major renovation or cremator re-lining, whichever is sooner. Asset lives and residual values for each class of asset are reviewed annually.

Repairs and renewals
All repairs and renewals are charged to the income statement unless they represent an enhancement to the original asset.

Property, plant and equipment held under leases
When assets are financed by leasing agreements, where the risks and rewards are substantially transferred to the Group, the assets are treated as if they had been purchased outright and the corresponding liability to the lessor is included as an obligation under finance leases. Depreciation on leased assets is charged to the income statement on the same basis as owned assets. Leasing payments are treated as consisting of capital and interest elements and the interest is charged to the income statement so as to achieve a constant rate on the outstanding lease obligation.

All other leases are 'operating leases' and the relevant annual rentals are charged to the income statement.

Impairment of assets
The carrying values of intangible assets and property, plant and equipment are reviewed for impairment in periods where events or changes in circumstances indicate that the carrying value may not be recoverable. Assets that have an indefinite useful life (e.g. goodwill) are not subject to amortisation and are tested annually for impairment.

Where an asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. For goodwill this is considered at a business segment level as that is the level at which the return on assets acquired is monitored. For other intangibles (principally trade names) this is considered at a regional level for each business segment as this is the level where cash inflows are largely independent. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future discounted cash flows of the cash-generating unit are estimated, based on latest management expectations for the following year and an annual growth rate in subsequent years. These cash flows are discounted at rates that management estimate to be the risk affected average cost of capital for the particular segment and compared to the carrying value of the relevant asset. Any impairment in the value of an asset below its carrying value is charged to the income statement within operating profit. A reversal of an impairment loss is recognised in the income statement to the extent that the original loss was recognised.

Inventories
Inventories, which comprise funeral supplies and monumental masonry, are stated at the lower of cost and fair value less costs to sell. Cost includes all directly attributable costs incurred in bringing each product to its present location and condition. Fair value less costs to sell is based on estimated selling price less any further costs expected to be incurred in completion and sale.

Taxation
The tax charge for the period includes the charge for tax currently payable and deferred tax. The current tax charge represents the estimated amount due that arises from the operations of the Group in the period and after making adjustments to estimates in respect of prior years.

Deferred tax is recognised in respect of all differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, except where the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised where the carrying value of an asset is greater than its associated tax basis or where the carrying value of a liability is less than its associated tax basis. Deferred tax is provided for any differences that exist between the tax base and accounting base of intangibles arising from a business combination that does not involve the acquisition of a subsidiary.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the deductible temporary difference can be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted, by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Pensions
The cost of defined contribution retirement schemes is charged as an expense as the costs become payable. Any difference between the payments and the charge is recognised as a short term asset or liability.

For defined benefit retirement schemes, the cost of providing the benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date.

Past service cost is recognised immediately to the extent the benefits are vested, and otherwise are amortised on a straight line basis over the average period until the benefits become vested. The current service cost and the recognised element of any past service cost are presented within operating profit. The expected return on plan assets less the interest arising on the pension liabilities is presented within net finance costs. Actuarial gains and losses are recognised in full in the period in which they occur, outside of the income statement and presented in the consolidated statement of recognised income and expense.

The expected return on plan assets reflects the estimate made by management of the long term yields that will arise from the specific assets held within the pension plan. The retirement benefit net asset recognised in the balance sheet represents the fair value of any relevant scheme assets net of the present value of the defined benefit obligation as adjusted for unrecognised past service cost. The discount rate applied in arriving at the present value represents yields on high quality corporate bonds in a similar economic environment with lives similar to the maturity of the pension liabilities.

The rate of return is determined by identifying an appropriate rate of return for each class of asset held in conjunction with the Group's professional advisor.

Notes to the financial statements continued

for the 52 week period ended 25 December 2009

1 Accounting policies (continued)

Provisions

Provisions are recognised when the Company or the Group has a present obligation (legal or constructive) as a result of a past event, where it is probable that a transfer of economic benefits will be required to settle the obligation and where a reliable estimate can be made of the amount of the obligation.

Provisions (other than deferred tax) are discounted where the present value of the provision is materially different to the undiscounted value. The unwinding of discounts is included within net interest payable and similar charges.

Dividends

Dividend distributions to the Company's shareholders are recognised as a liability in the financial statements in the period in which they are approved by the Company's shareholders. Interim dividends are recorded in the financial statements when paid.

Foreign currency

Foreign currency transactions recognised in the income statement are translated into Sterling at the exchange rate on the date the transaction took place.

Financial instruments

Borrowings

All borrowings are stated at the fair value of consideration received after deduction of transaction costs. The transaction costs and interest payable on debt finance are charged to the income statement, as finance costs, on a constant-yield basis over the term of the borrowings, or over a shorter period where it is more likely than not that the lender will require earlier repayment using the effective interest method.

Early termination costs on borrowings

Premiums and discounts arising on the early repayment of borrowings are written-off to the income statement as incurred.

Interest rate swaps

The Group currently uses several types of financial instruments as part of an overall interest rate risk management strategy. It does not enter into financial instruments for trading purposes. Interest rate risk associated with net debt is managed by using a combination of fixed and floating rate borrowings and financial liabilities. The cash flows from, and losses arising on terminations of, these contracts are recognised as cash flows from operating activities. See note 16(d) for further information.

Trade receivables

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost. A provision for impairment is established based on historical experience. When a trade receivable is not collectable it is written off against the allowance account.

Trade payables

Trade payables are not interest bearing and are stated at their nominal value.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct transaction costs.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and demand deposits.

Critical accounting estimates

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions in certain circumstances that affect reported amounts. The most sensitive estimates affecting the financial statements are in the areas of assessing the recoverability of receivables, post-retirement benefits, the recognition and measurement of goodwill and other intangible assets.

Provision for doubtful trade receivables

Provision is made against accounts that in the estimation of management may be impaired. Within each division, assessment is made of the recoverability of trade receivables based on a range of factors including the age of the receivable and the type of services provided. The provision is assessed monthly against actual experience of irrecoverable accounts and adjusted if appropriate.

Pensions
The Group operates a defined benefit pension scheme that is accounted for using methods that rely on actuarial assumptions to estimate costs and liabilities for inclusion in the financial statements. These actuarial assumptions include discount rates, assumed rates of return, salary increases and mortality rates.

While management believes that the actuarial assumptions are appropriate, any significant changes to those used would affect the balance sheet and income statement. The Group considers that the most significant assumptions are the discount rate and the inflation rate. See note 28 for further details.

Goodwill
The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1 "Intangible assets – goodwill". The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. The use of this method requires the estimation of future cash flows and the choice of a suitable discount rate in order to calculate the present value of these cash flows. Actual outcomes could vary from those calculated. See note 9 for further details.

Other intangible assets
The decision process to ascertain whether trade names will have an indefinite life are detailed in note 1 "Intangible assets – trade names". These assets with an indefinite life are reviewed for impairment on an annual basis. When a review for impairment is conducted, the recoverable amount is determined based on value-in-use calculations prepared on the basis of management's assumptions and estimates. See note 9 for further details.

Employee share trust
The assets of the employee share trust are held by a separate limited company, of which the directors consider that Dignity plc has de facto control. In accordance with IFRS 2, Share-based payment, the trust's assets and liabilities are recognised in the Group's balance sheet within share capital and reserves.

Standards, amendments and interpretations effective in 2009
IFRS 2 (amendment), Share-based payment. It deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation there of subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. This has been implemented in the period and has had no material impact on the Group's financial statements.

IFRS 7 (amendment), Financial instruments – disclosures. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. This has been implemented in the period. See note 21 for further details.

IFRS 8, Operating segments. This standard introduced new rules on the disclosure of operating results by business segment. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. This has not led to a change in reporting segments from prior year. See note 3 for further details.

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

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

IAS 39 (amendment), Financial instruments: recognition and measurement and IFRS 7, Financial instruments: disclosures on the reclassification of financial assets. This amendment allows the reclassification of certain financial assets previously classified as held for trading or available for sale to another category under limited circumstances. Various disclosures are required where a reclassification has been made. This has not had an impact on the Group.

Notes to the financial statements continued

for the 52 week period ended 25 December 2009

1 Accounting policies (continued)

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted

The following interpretations to existing standards have been published that are mandatory for accounting periods beginning on or after 25 December 2009 or later periods but which the Group has not early adopted:

IFRS 2 (amendments), Group cash-settled share-based payment transaction (effective from 1 January 2010). In addition to incorporating IFRIC 8, Scope of IFRS 2, and IFRIC 11, IFRS 2 – Group and treasury share transactions, the amendments expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation. The new guidance is not expected to have a material impact on the Group's financial statements.

IFRS 3 (revised), Business combinations. The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply IFRS 3 (revised) prospectively to all business combinations from 1 January 2010.

IFRS 5 (amendment), Non-current assets held-for-sale and discontinued operations. The amendment clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. The Group will apply the IFRS 5 (amendment) prospectively to all partial disposals of subsidiaries from 1 January 2010. It is not expected to have an impact on the Group's financial statements.

IAS 1 (amendment), Presentation of financial statements. The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. It is not expected to have an impact on the Group's financial statements.

IAS 27 (revised), Consolidated and separate financial statements', (effective from 1 July 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The group will apply IAS 27 (revised) prospectively to transactions with non-controlling interests from 1 January 2010.

IAS 38 (amendment), Intangible assets. The amendment is part of the IASB's annual improvements project published in April 2009 and the Group and Company will apply IAS 38 (amendment) from the date IFRS 3 (revised) is adopted. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. It is not expected to have a material impact on the Group's financial statements.

IFRIC 17, Distribution of non-cash assets to owners (effective on or after 1 July 2009). The interpretation was published in November 2008. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable. The Group will apply IFRIC 17 from 1 January 2010. It is not expected to have a material impact on the Group or Company's financial statements.

2 Financial risk management

The Group finances its operations by a mixture of shareholders' funds and Secured Notes, with other bank borrowings available if required. This approach seeks to minimise financing costs and generate optimum shareholder value through efficient leveraging of the Group's balance sheet, which is made possible by the stable and predictable cash generative nature of the business.

It is not the Group's policy to actively trade in derivatives.

2 Financial risk management (continued)

Market risk

Currency risk

All the Group's financial assets and liabilities are denominated in Sterling. The Group purchases minimal amounts from overseas. Accordingly, exposure to currency fluctuations are not significant and therefore not actively managed.

Interest rate risk and other price risk

The Group's main borrowings consist of Class A and B Secured Notes, which are at fixed interest rates, resulting in a predetermined repayment profile. The fair value of these financial instruments is based on underlying gilt prices and yield spreads based on the market's current view of the risk profile of the Secured Notes. Consequently, the fair value of these instruments will fluctuate. Fair values are not relevant to the Group unless it was to change its funding strategy and repay the Secured Notes early.

The Group also has a £10 million crematoria acquisition facility ('the Crematoria Acquisition Facility'). £7.4 million carries interest at 5.59 per cent per annum. The remaining £2.6 million carries interest at a rate relative to three month LIBOR, with such rate being capped at 5.59 per cent. Consequently, the Group carries limited risk to increases in LIBOR on this facility. The Crematoria Acquisition Facility is fully drawn and will be repayable in one payment in November 2013.

The Group has significant cash balances that are held by institutions rated at least A-1 by Standard and Poors. These balances earn interest by reference to the Bank of England base rate. If base rates reduced by one per cent at the beginning of 2009 then the Group would receive £0.1 million less interest income on an annualised basis for each £10 million held.

None of the Group's other financial liabilities or financial assets carry any significant interest rate risk.

Credit risk

Trade receivables are the main source of credit risk to the Group. However, this risk is minimised as much as possible through well-established credit control procedures. Quantitative disclosures regarding the aging of these receivables are included in note 21(c).

Liquidity risk

The Group manages its liquidity risk by maintaining sufficient cash reserves, committed undrawn borrowing facilities and regular monitoring and forecasting of cash balances. In addition, the Group is required under the terms of its secured borrowings to maintain a precisely defined EBITDA to total debt service ratio of at least 1.5 times. This ratio was determined when raising the debt as being sufficient to ensure all borrowings could be repaid. This covenant test has been satisfied on each quarterly testing date in the period. At 25 December 2009 the actual ratio was 2.60 times (2008: 2.55 times).

Capital risk management

The Group's objective under managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders, repay holders of Class A and B Secured Notes and benefit other shareholders. It also aims to reduce its cost of capital by maintaining an optimal capital structure.

In order to achieve these objectives, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or issue further Class A and B Secured Notes.

During the period, the Group achieved its covenants under the terms of the Group's secured borrowings (see 'Liquidity risk' above).

Notes to the financial statements continued

for the 52 week period ended 25 December 2009

3 Revenue and segmental analysis

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

Funeral services represent the sale of funerals and memorials at the time of need.

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

Pre-arranged funeral plans represent the revenue from 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. Overseas transactions are not material.

Underlying profit comprises profit before profit on sale of fixed assets and any exceptional items. Underlying operating profit is included as it is felt that adjusting operating profit for profit on sale of fixed assets provides a better indication of the Group's performance.

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

52 week period ended 25 December 2009	Revenue £m	Underlying operating profit before depreciation and amortisation £m	Depreciation and amortisation £m	Underlying operating profit/(loss) £m	Profit on sale of fixed assets £m	Operating profit/(loss) £m
Funeral services	138.5	53.4	(6.1)	47.3	1.1	48.4
Crematoria	34.4	19.4	(1.8)	17.6	–	17.6
Pre-arranged funeral plans	11.8	3.5	–	3.5	–	3.5
Central overheads	–	(11.4)	(0.6)	(12.0)	–	(12.0)
Group	184.7	64.9	(8.5)	56.4	1.1	57.5
Finance costs				(21.6)	–	(21.6)
Finance income				1.6	–	1.6
Profit before tax				36.4	1.1	37.5
Taxation				(10.6)	(0.3)	(10.9)
Underlying earnings for the period				25.8		
Total other items					0.8	
Profit after taxation						26.6
Earnings per share for profit attributable to equity shareholders (pence)						
– Basic and diluted				40.5p		41.8p

3 Revenue and segmental analysis (continued)

The segment assets and liabilities were as follows:

As at 25 December 2009	Funeral services £m	Crematoria £m	Pre-arranged funeral plans £m	Head office £m	Group £m
Segment assets	**236.1**	**84.1**	**13.7**	**2.2**	**336.1**
Unallocated assets:					
Financial assets – loans and receivables					**0.1**
Cash and cash equivalents					**45.8**
Total assets					**382.0**
Segment liabilities	**(21.5)**	**(3.4)**	**(2.8)**	**(4.5)**	**(32.2)**
Unallocated liabilities:					
Borrowings – excluding finance leases					**(274.3)**
Accrued interest					**(9.7)**
Corporation tax					**(4.3)**
Deferred tax					**(26.0)**
Total liabilities					**(346.5)**
Other segment items:					
Additions to non-current assets (other than financial instruments and deferred tax)	**12.7**	**18.0**	**–**	**0.5**	**31.2**
Depreciation (note 10)	**6.1**	**1.8**	**–**	**0.4**	**8.3**
Amortisation (note 9)	**–**	**–**	**–**	**0.2**	**0.2**
Impairment of trade receivables (note 21 (c))	**1.1**	**–**	**–**	**–**	**1.1**
Other non cash expenses (note 23)	**–**	**–**	**–**	**1.0**	**1.0**
Profit on sale of fixed assets	**1.1**	**–**	**–**	**–**	**1.1**

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

52 week period ended 26 December 2008	Revenue £m	Underlying operating profit before depreciation and amortisation £m	Depreciation and amortisation £m	Underlying operating profit/(loss) £m	Profit on sale of fixed assets and exceptional tax credit £m	Operating profit/(loss) £m
Funeral services	137.2	52.4	(6.1)	46.3	1.1	47.4
Crematoria	29.2	16.2	(1.6)	14.6	–	14.6
Pre-arranged funeral plans	9.4	2.5	–	2.5	–	2.5
Central overheads	–	(10.9)	(0.4)	(11.3)	–	(11.3)
Group	175.8	60.2	(8.1)	52.1	1.1	53.2
Finance costs				(21.6)	–	(21.6)
Finance income				3.8	–	3.8
Profit before tax				34.3	1.1	35.4
Taxation – continuing activities				(10.1)	(0.3)	(10.4)
Taxation – exceptional				–	(0.4)	(0.4)
Taxation				(10.1)	(0.7)	(10.8)
Underlying earnings for the period				24.2		
Total other items					0.4	
Profit after taxation						24.6
Earnings per share for profit attributable to equity shareholders (pence)						
– Basic and diluted				38.2p		38.8p

Notes to the financial statements continued

for the 52 week period ended 25 December 2009

3 Revenue and segmental analysis (continued)

The segment assets and liabilities were as follows:

As at 26 December 2008	Funeral services £m	Crematoria £m	Pre-arranged funeral plans £m	Head office £m	Group £m
Segment assets	226.9	74.9	13.4	2.7	317.9
Unallocated assets:					
Financial assets – loans and receivables					0.1
Cash and cash equivalents					46.7
Total assets					364.7
Segment liabilities	(21.7)	(2.8)	(2.3)	(5.0)	(31.8)
Unallocated liabilities:					
Borrowings – excluding finance leases					(276.4)
Accrued interest					(9.8)
Corporation tax					(3.9)
Deferred tax					(24.4)
Total liabilities					(346.3)
Other segment items:					
Additions to non-current assets (other than financial instruments and deferred tax)	27.6	14.6	0.1	0.6	42.9
Depreciation (note 10)	6.1	1.6	–	0.2	7.9
Amortisation (note 9)	–	–	–	0.2	0.2
Impairment of trade receivables (note 21(c))	1.4	0.6	–	–	2.0
Other non cash expenses (note 23)	–	–	–	0.8	0.8
Profit on sale of fixed assets	1.1	–	–	–	1.1

4 Net finance costs

	52 week period ended 25 December 2009 £m	52 week period ended 26 December 2008 £m
Finance costs		
Class A and B Secured Notes – issued April 2003	**14.0**	14.2
Class A and B Secured Notes – issued February 2006	**5.1**	5.2
Amortisation of issue costs – issued April 2003	**1.0**	1.1
Amortisation of issue costs – issued February 2006	**0.3**	0.2
Crematoria acquisition facility	**0.4**	–
Other loans	**0.1**	0.2
Interest payable on finance leases	**0.1**	0.1
Unwinding of discounts	**0.6**	0.6
Finance costs	**21.6**	21.6
Finance income		
Bank deposits	**(0.5)**	(2.3)
Release of premium on Secured Notes – issued February 2006	**(0.8)**	(0.8)
Net finance income on retirement benefit obligations (note 28)	**(0.3)**	(0.7)
Finance income	**(1.6)**	(3.8)
Net finance costs	**20.0**	17.8

5 Profit before tax

Analysis by nature	52 week period ended 25 December 2009 £m	52 week period ended 26 December 2008 £m
The following items have been included in arriving at profit before tax:		
Staff costs (note 27)	62.9	60.3
Cost of inventories recognised as an expense (included in cost of sales)	12.6	13.0
Depreciation of property, plant and equipment – owned assets (note 10)	8.3	7.9
Amortisation of intangible assets (included in administrative expenses) (note 9)	0.2	0.2
Operating lease rentals – property	5.8	5.2
Recoveries (included within other operating income)	1.5	1.5
Trade receivables impairment (included in administrative expenses) (note 21(c))	1.1	2.0
Services provided by the Group's auditor and its associates:		
Fees payable to the Company's auditor for the audit of parent company and consolidated financial statements	0.2	0.2
Fees payable to the Company's auditor and its associates for other services:		
– The audit of Company's subsidiaries pursuant to legislation	–	–
– Other services pursuant to legislation	–	0.1
– Tax services	0.1	0.1
	0.3	0.4

6 Taxation

Analysis of charge in the period	52 week period ended 25 December 2009 £m	52 week period ended 26 December 2008 £m
Current tax – current period	10.3	8.7
Adjustments for prior period	(0.3)	(0.3)
	10.0	8.4
Deferred tax – current period	0.7	1.8
Adjustments for prior period	0.2	0.2
Exceptional adjustment for change in industrial building allowances	–	0.4
	0.9	2.4
Taxation	10.9	10.8

All tax relates to continuing operations.

Tax on items charged to equity	52 week period ended 25 December 2009 £m	52 week period ended 26 December 2008 £m
Deferred tax (credit)/charge on actuarial (losses)/gains on retirement benefit obligations	(0.5)	1.6
Deferred tax charge on employee share options	–	0.3
Corporation tax credit on actuarial losses on retirement benefit obligations	(0.8)	–
Corporation tax relief relating to maturity of option schemes	(0.2)	(0.4)
	(1.5)	1.5

Total tax charge	52 week period ended 25 December 2009 £m	52 week period ended 26 December 2008 £m
Total current tax charge	9.0	8.0
Total deferred tax charge	0.4	4.3

Notes to the financial statements continued
for the 52 week period ended 25 December 2009

6 Taxation (continued)

The taxation charge in the period is higher (2008: higher) than the standard rate of corporation tax in the UK (28 per cent). The differences are explained below:

	52 week period ended 25 December 2009 £m	52 week period ended 26 December 2008 £m
Profit before taxation	**37.5**	35.4
Profit before taxation multiplied by the standard rate of corporation tax in the UK of 28% (2008: 28.5%)	**10.5**	10.1
Effects of:		
Adjustments in respect of prior period	**(0.1)**	(0.1)
Exceptional adjustment for change in industrial building allowances	**–**	0.4
Expenses not deductible for tax purposes	**0.5**	0.4
Total taxation	**10.9**	10.8

Under IFRS the tax rate is higher (2008: higher) than the standard UK tax rate of 28 per cent due to combination of the impact of disallowable trading expenses and expenditure on the Group's premises that does not attract any deductions for tax purposes.

The Group's effective tax rate in the period is 29 per cent (2008: 29.5 per cent (excluding the non-recurring adjustment)).

The Group anticipates its effective tax rate will remain at 29 per cent in the 2010 financial period and beyond, assuming no change in legislation.

7 Dividends

	52 week period ended 25 December 2009 £m	52 week period ended 26 December 2008 £m
Final dividend paid: 7.34p per Ordinary Share (2008: 6.67p)	**4.7**	4.2
Interim dividend paid: 4.03p per Ordinary Share (2008: 3.66p)	**2.5**	2.3
Total dividends recognised in the period	**7.2**	6.5

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.

A final dividend of 8.07 pence per share, in respect of 2009, has been proposed by the Board. This will be paid on 25 June 2010 provided approval is gained from shareholders at the Annual General Meeting on 4 June 2010 and will be paid to shareholders on the register at close of business on 28 May 2010.

8 Earnings per share

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

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

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

The Board believes that profit on ordinary activities before exceptional items, profit on sale of fixed assets 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.

8 Earnings per share (continued)

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

	Earnings £m	Weighted average number of shares millions	Per share amount pence
52 week period ended 25 December 2009			
Profit attributable to shareholders – Basic and diluted EPS	**26.6**	**63.7**	**41.8**
Deduct: Profit on sale of fixed assets (net of taxation)	**(0.8)**		
Underlying profit after taxation – Basic EPS	**25.8**	**63.7**	**40.5**
52 week period ended 26 December 2008			
Profit attributable to shareholders – Basic and diluted EPS	24.6	63.4	38.8
Deduct: Exceptional items and profit on sale of fixed assets (net of taxation)	(0.4)		
Underlying profit after taxation – Basic EPS	24.2	63.4	38.2

In 2009 and 2008, the potential issue of new shares pursuant to the Group's share option plans would have no impact on the earnings per share.

9 Goodwill and other intangible assets

	Trade names £m	Use of third party brand name £m	Software £m	Non-compete agreements £m	Sub-total £m	Goodwill £m	Total £m
Cost							
At 28 December 2007	21.5	3.2	3.9	0.2	28.8	119.6	148.4
Acquisition of subsidiaries and other businesses	8.8	–	–	–	8.8	10.2	19.0
At 26 December 2008	30.3	3.2	3.9	0.2	37.6	129.8	167.4
Acquisition of subsidiaries and other businesses (note 26(a))	2.8	–	–	–	2.8	9.6	12.4
At 25 December 2009	**33.1**	**3.2**	**3.9**	**0.2**	**40.4**	**139.4**	**179.8**
Accumulated amortisation							
At 28 December 2007	–	(0.2)	(3.8)	(0.1)	(4.1)	–	(4.1)
Amortisation charge	–	(0.2)	–	–	(0.2)	–	(0.2)
At 26 December 2008	–	(0.4)	(3.8)	(0.1)	(4.3)	–	(4.3)
Amortisation charge	–	(0.1)	–	(0.1)	(0.2)	–	(0.2)
At 25 December 2009	**–**	**(0.5)**	**(3.8)**	**(0.2)**	**(4.5)**	**–**	**(4.5)**
Net book amount at 25 December 2009	**33.1**	**2.7**	**0.1**	**–**	**35.9**	**139.4**	**175.3**
Net book amount at 26 December 2008	30.3	2.8	0.1	0.1	33.3	129.8	163.1

Notes to the financial statements continued

for the 52 week period ended 25 December 2009

9 Goodwill and other intangible assets (continued)

Impairment tests for goodwill and other intangible assets

As described in note 1, goodwill and other intangible assets with an indefinite life are subject to annual impairment tests in accordance with IAS 36, Impairment of Assets.

For the purpose of impairment testing:

(i) Goodwill is tested at a business segment level.
(ii) Other intangible assets are allocated to the Group's cash generating units ('CGUs') on a regional basis.

The segmental allocation is shown below:

Amortisation of £0.2 million (2008: £0.2 million) is included within administrative expenses in the income statement.

At 25 December 2009	Intangible assets £m	Goodwill £m	Total £m
Funeral services	**33.1**	**94.4**	**127.5**
Crematoria	**–**	**40.3**	**40.3**
Pre-arranged funeral plans	**2.7**	**4.7**	**7.4**
Head office	**0.1**	**–**	**0.1**
	35.9	**139.4**	**175.3**
At 26 December 2008			
Funeral services	30.3	91.8	122.1
Crematoria	–	33.3	33.3
Pre-arranged funeral plans	2.9	4.7	7.6
Head office	0.1	–	0.1
	33.3	129.8	163.1

The recoverable amount of a CGU is based on a value-in-use calculation. However, the assets allocated to head office are tested for impairment by reference to the Group as a whole.

The value-in-use calculations use cash flow projections based on the latest management expectations. Key assumptions used to produce the annual budget are the estimated UK death rates (based on historical death rates supplied by ONS), anticipated market share (based on actual experience) and anticipated price increases. Cash flows beyond the initial 12 month period are extrapolated using a growth rate of 2.25 per cent (2008: 2.25 per cent). The cash flows are discounted at a pre-tax rate of 9.2 per cent (2008: 9.2 per cent). This rate is used to analyse each CGU because they all have similar risk profiles. Given the stability and predictability of the industry, cash flows for the following 20 years have been taken into account. Based on these calculations, the discount rate would have to increase to at least 22 per cent, or the growth rate would have to reduce to at least minus 11 per cent to result in any impairment of goodwill or intangible assets.

On the basis of the above, the review indicated that no impairment arose in any segment (2008: £nil).

10 Property, plant and equipment

	Freehold land and buildings £m	Leasehold buildings £m	Plant, machinery, fixtures and fittings £m	Motor vehicles £m	Property, plant and equipment total £m	Investment properties £m	Total £m
Cost							
At 28 December 2007	55.0	16.2	17.1	35.7	124.0	–	124.0
Additions	0.6	0.5	6.6	3.9	11.6	–	11.6
Acquisition of subsidiaries and other businesses	7.4	–	0.1	0.4	7.9	9.6	17.5
Disposals	(1.0)	(0.1)	(0.3)	(1.7)	(3.1)	–	(3.1)
Reclassification	2.9	1.1	(4.0)	–	–	–	–
At 26 December 2008	64.9	17.7	19.5	38.3	140.4	9.6	150.0
Additions	2.2	–	8.6	3.6	14.4	3.1	17.5
Acquisition of subsidiaries and other businesses (note 26(a))	0.2	–	1.8	0.1	2.1	–	2.1
Disposals	(0.6)	–	(0.8)	(2.0)	(3.4)	–	(3.4)
Reclassification	7.1	5.7	(4.5)	–	8.3	(12.7)	(4.4)
At 25 December 2009	**73.8**	**23.4**	**24.6**	**40.0**	**161.8**	**–**	**161.8**
Accumulated depreciation							
At 28 December 2007	(5.8)	(5.3)	(8.1)	(13.7)	(32.9)	–	(32.9)
Depreciation charge	(1.5)	(1.0)	(2.0)	(3.4)	(7.9)	–	(7.9)
Disposals	0.2	0.1	0.3	1.1	1.7	–	1.7
Reclassification	(0.3)	(0.3)	0.6	–	–	–	–
At 26 December 2008	(7.4)	(6.5)	(9.2)	(16.0)	(39.1)	–	(39.1)
Depreciation charge	(1.7)	(1.0)	(2.3)	(3.3)	(8.3)	–	(8.3)
Disposals	0.1	–	0.8	1.5	2.4	–	2.4
At 25 December 2009	**(9.0)**	**(7.5)**	**(10.7)**	**(17.8)**	**(45.0)**	**–**	**(45.0)**
Net book amount at 25 December 2009	**64.8**	**15.9**	**13.9**	**22.2**	**116.8**	**–**	**116.8**
Net book amount at 26 December 2008	57.5	11.2	10.3	22.3	101.3	9.6	110.9

Depreciation expense of £3.3 million (2008: £3.4 million) is included within cost of sales and £5.0 million (2008: £4.5 million) is included within administrative expenses.

Included within plant, machinery, fixtures and fittings net book value is £4.1 million (2008: £2.7 million) relating to assets held in the course of construction.

Investment properties have been reclassified to property, plant and equipment and prepayments (see note 11) at fair value upon the acquisition of Mercia Crematoria Limited, which previously rented and operated these facilities.

Details of any securities over assets are disclosed in note 30.

Notes to the financial statements continued

for the 52 week period ended 25 December 2009

10 Property, plant and equipment (continued)

Assets held under finance leases, which relate solely to leasehold land and buildings, have the following net book amount:

	25 December 2009 £m	26 December 2008 £m
Cost	**1.0**	1.0
Accumulated depreciation	**(0.3)**	(0.3)
Net book amount	**0.7**	0.7

The Group had capital expenditure authorised by the Board and contracted for at the balance sheet date of £2.8 million (2008: £1.0 million).

11 Non-current financial and other assets

	Note	25 December 2009 £m	26 December 2008 £m
Prepayments	(a)	**8.2**	3.4
Deferred commissions	(b)	**1.1**	0.9
Other receivables		**0.1**	0.2
		9.4	4.5

(a) Prepayments

This balance represents the amounts paid to acquire the long leasehold interest in land at certain of the Group's properties. Management consider that leases greater than fifty years at inception are long leases. The balance is expensed on a straight-line basis over the term of the relevant lease. The leases expire at various times over the next thirty to nine hundred years.

(b) Deferred commissions

The Group is the named beneficiary on a number of life assurance products sold by third party insurance companies.

A commission is paid when the policy is charged to the Group. As this commission is fully refundable if the Group does not perform the funeral for any reason, it is carried as a debtor and expensed when the funeral is performed.

12 Investments

A list of the trading entities included within the financial information are included in note C2 to the Company's financial statements.

13 Inventories

	25 December 2009 £m	26 December 2008 £m
Materials	**0.9**	0.8
Finished goods	**3.2**	3.1
	4.1	3.9

The cost of inventories recognised within cost of sales amounted to £12.6 million (2008: £13.0 million).

There were no inventory write-downs in either period.

14 Trade and other receivables

	25 December 2009 £m	26 December 2008 £m
Trade receivables	**17.1**	18.3
Less: provision for impairment (note 21(c))	**(3.6)**	(3.3)
Net trade receivables	**13.5**	15.0
Receivables due from related parties (note 31)	**3.6**	3.3
Prepayments and accrued income	**2.5**	2.3
Other receivables	**1.9**	1.8
	21.5	22.4

Concentrations of credit risk with respect to trade receivables are limited due to the Group's customer base being large and unrelated. Due to this, management believes there is no further credit risk provision required in excess of normal provision for doubtful recoverables. For further details of the trade receivables past due and impaired refer to note 21(c).

Due to the short term nature of these balances, the carrying value is considered to be their fair value.

15 Cash and cash equivalents

	Note	25 December 2009 £m	26 December 2008 £m
Operating cash as reported in the consolidated statement of cash flows as cash and cash equivalents		**31.8**	32.8
Recoveries: pre-arranged funeral plans	(a)	**1.5**	1.5
Amounts set aside for debt service payments	(b)	**12.5**	12.4
Cash and cash equivalents as reported in the balance sheet		**45.8**	46.7

(a) Recoveries may not be used for one year following receipt and therefore do not meet the definition of cash and cash equivalents in IAS 7, Cash Flow Statements. Movements in these amounts are shown as 'Transfers to restricted bank accounts' in 'Investing activities'.

(b) This amount was transferred to restricted bank accounts which could only be used for the payment of the interest and principal on the Secured Notes, the repayment of liabilities due on the Group's interest rate swaps (see note 16(d)) and commitment fees due on its undrawn borrowing facilities (see note 21(d)) and for no other purpose.

This amount does not meet the definition of cash and cash equivalents in IAS 7, Cash Flow Statements. This amount was used to pay these respective parties on 31 December 2009. £9.9 million (2008: £10.0 million) is shown within the cash flow statement as 'Payments to restricted bank accounts for finance costs'. £2.6 million (2008: £2.4 million) is shown within 'Financing activities' as 'Payments to restricted bank accounts for repayment of borrowings'.

16 Financial liabilities

Current	Note	25 December 2009 £m	26 December 2008 £m
Class A Secured Notes – issued April 2003	(a)	**4.6**	4.2
Class A Secured Notes – issued February 2006	(b)	**2.1**	1.9
Premium on Secured Notes – issued February 2006	(b)	**0.8**	0.8
Other current financial liabilities	(d)	**1.0**	1.1
	(f)	**8.5**	8.0
Non-current			
Class A and B Secured Notes – issued April 2003	(a)	**175.1**	178.0
Class A and B Secured Notes – issued February 2006	(b)	**65.7**	67.0
Premium on Secured Notes – issued February 2006	(b)	**10.3**	11.1
Finance lease obligations	(c)	**0.8**	0.8
Other non-current financial liabilities	(d)	**4.9**	5.1
Crematoria acquisition facility	(e)	**9.8**	7.2
		266.6	269.2

Notes to the financial statements continued

for the 52 week period ended 25 December 2009

16 Financial liabilities (continued)

(a) Class A and B Secured Notes – issued April 2003

On 11 April 2003, Dignity Finance PLC issued £110,000,000 Class A Secured Notes (the 'A notes') and £100,000,000 Class B Secured Notes (the 'B notes').

The A notes carry interest at 6.31 per cent, payable half yearly in arrears. The A notes are repayable in instalments ending in December 2023. The transaction costs incurred on issue of the A notes totalled £9.8 million. The B notes carry interest at 8.151 per cent, payable half yearly in arrears. The B notes are repayable in instalments ending in December 2030. The transaction costs incurred on issue of the B notes totalled £8.9 million.

The principal outstanding on the Secured Notes and related issue costs have been presented on a net basis in the table above. Both the A notes and the B notes are secured by first ranking security in respect of the undertakings and assets of Dignity (2002) Limited and its subsidiaries.

At 25 December 2009, £91.6 million (2008: £95.1 million) of the principal of the A notes and £100.0 million (2008: £100.0 million) of the principal of the B notes was outstanding.

At 25 December 2009, £5.6 million (2008: £6.2 million) and £6.3 million (2008: £6.7 million) of the transaction costs in respect of the A notes and the B notes respectively remain unamortised.

(b) Class A and B Secured Notes – issued February 2006

On 21 February 2006, Dignity Finance PLC issued £45,550,000 Class A Secured Notes (the 'Further A notes') and £32,500,000 Class B Secured Notes (the 'Further B notes').

The Further A notes carry interest at 6.31 per cent, payable half yearly in arrears. The Further A notes are repayable in instalments ending in December 2023. The transaction costs incurred on issue of the Further A notes totalled £1.9 million. The Further B notes carry interest at 8.151 per cent, payable half yearly in arrears. The Further B notes are repayable in instalments ending in December 2030. The transaction costs incurred on issue of the Further B notes totalled £1.8 million. The principal outstanding on the Secured Notes and related issue costs have been presented on a net basis in the table on page 59. Both the Further A notes and the Further B notes are secured by first ranking security in respect of the undertakings and assets of Dignity (2002) Limited and its subsidiaries.

At 25 December 2009, £38.0 million (2008: £39.4 million) of the principal of the Further A notes and £32.5 million (2008: £32.5 million) of the principal of the Further B notes was outstanding.

At 25 December 2009, £1.2 million (2008: £1.5 million) and £1.5 million (2008: £1.5 million) of the transaction costs in respect of the Further A notes and the Further B notes respectively remain unamortised.

The Further A notes and Further B notes were issued at a premium of £3.6 million and £10.8 million respectively, which is being released in proportion to the interest cost in the notes. At the balance sheet date £2.4 million (2008: £2.7 million) and £8.7 million (2008: £9.2 million) respectively remained unamortised.

For further details of security over the class A and B Secured Notes see note 30(a).

(c) Obligations under finance leases

	25 December 2009 £m	26 December 2008 £m
Obligations under finance leases and hire purchase payable:		
Within one year	**–**	–
Between one and two years	**–**	–
Between two and five years	**0.2**	0.2
After five years	**0.6**	0.6
	0.8	0.8

The finance leases and hire purchase liabilities are secured on the related assets.

(d) Other financial liabilities

On 20 December 2002, Dignity (2002) Limited entered into contracts to swap the floating rate interest on a bank loan into fixed rate. Contractually, these swaps were not effective until 30 April 2003.

On 11 April 2003, as described in note 16(a), the Group issued Secured Notes at a fixed rate of interest. These notes replaced the bank loan. Consequently, the swaps were no longer required as the Group had no interest rate risk on the Secured Notes. As a result, the Group entered into further contracts on 11 April 2003 to swap fixed rate interest into floating in order to offset the original swaps and eliminate any interest rate risk in this regard.

16 Financial liabilities (continued)

As a result of interest rate movements between these two dates, the combined effect of all the contracts was that the Group makes fixed and determinable bi-annual payments on a notional principal amount.

These swap agreements were entered into under one ISDA master agreement. This master agreement forces the swaps to be viewed and settled on a net basis only; a position that cannot be altered without the written consent of both parties.

Accordingly, the overall transaction represents a financial liability. The fair value represents the discounted net present value of future cash flows. Further, as these contracts related to the raising of the Secured Notes, the liability has been accounted for as a transaction cost of the Class A and B Secured Notes and is being amortised in accordance with IAS 39.

(e) Crematoria acquisition facility

The Group also has a £10 million crematoria acquisition facility ('the Crematoria Acquisition Facility'). £7.4 million carries interest at 5.59 per cent per annum. The remaining £2.6 million carries interest at a rate relative to three month LIBOR, with such rate being capped at 5.59 per cent. Consequently, the Group carries limited risk to increases in LIBOR on this facility. The Crematoria Acquisition Facility is fully drawn and will be repayable in one payment in November 2013.

The transaction costs incurred on the Crematoria Acquisition Facility were £0.2 million (2008: £0.2 million). The principal outstanding on the Crematoria Acquisition Facility and related issue costs have been presented on a net basis in the table above.

At 25 December 2009, £10.0 million (2008: £7.4 million) of the principal was outstanding. At 25 December 2009, £0.2million (2008: £0.2 million) of the transaction costs remained unamortised.

For further details of security over the Crematoria Acquisition Facility see note 30(b).

(f) Current financial liabilities

The current financial liabilities represent the amounts falling due within one year of the Group's accounting reference date, 31 December.

17 Trade and other payables

Current	25 December 2009 £m	26 December 2008 £m
Trade payables	**5.0**	6.8
Tax and social security	**1.3**	1.2
Other current liabilities	**1.3**	0.8
Accruals and deferred income	**26.6**	25.6
	34.2	34.4
Non-current		
Deferred income	**1.2**	1.3
Deferred consideration for acquisitions	**0.3**	0.4
Long service awards	**1.1**	1.0
Other non-current liabilities	**0.5**	0.1
	3.1	2.8

18 Obligations under finance leases and operating leases

For minimum lease payments obligations under finance leases refer to note 21(d)(ii).

	25 December 2009 £m	26 December 2008 £m
The minimum lease payments under non-cancellable operating leases fall due as follows:		
Not later than one year	**5.7**	5.3
Later than one year but not more than five years	**16.5**	15.6
More than five years	**29.8**	29.7
	52.0	50.6

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18 Obligations under finance leases and operating leases (continued)

The non-cancellable operating leases principally relate to leasehold land and buildings.

Of the total operating lease payments charged to trading expenses, £0.1 million (2008: £0.1 million) are in respect of contingent rentals. The contingent rentals are based on the revenues generated at the specific locations.

Sublease payments received in the year amount to £0.4 million (2008: £0.6 million). Total future sublease payments receivable relating to operating leases amount to £0.5 million (2008: £0.6 million).

In addition, the Group has operating lease commitments with rentals determined in relation to sales. It is not possible to quantify future rentals payable under such leases.

19 Provisions

	Dilapidations £m (a)	Asbestos rectification £m (b)	Onerous contracts £m (c)	Cancellation provision £m (d)	Total £m
At beginning of period	2.2	0.3	0.7	0.4	3.6
Charged to income statement	0.4	–	–	0.6	1.0
Utilised in period	(0.3)	(0.2)	(0.1)	(0.3)	(0.9)
Amortisation of discount	0.1	–	–	–	0.1
At end of period	**2.4**	**0.1**	**0.6**	**0.7**	**3.8**

Provisions have been analysed between current and non-current as follows:

	25 December 2009 £m	26 December 2008 £m
Current	**1.3**	1.3
Non-current	**2.5**	2.3
	3.8	3.6

(a) Dilapidations
The provision for dilapidations covers the costs of repair to leased premises occupied by the Group in respect of which a dilapidations notification has been received, and properties where a dilapidation obligation exists but for which no notification has been received.

It is anticipated that the element of provision relating to dilapidation notices served, £0.7 million (2008: £0.6 million), will be incurred in the following financial year, and the element relating to dilapidation obligations where no notice has been served will be utilised over the terms of the relevant property leases, the majority of which is expected to be by 31 December 2018.

(b) Asbestos rectification
In May 2004, the Control of Asbestos at Work regulations came into effect. This introduces an explicit duty to manage asbestos in all non-domestic properties. Those who have responsibility for the maintenance and/or repair of the premises are similarly responsible for the control of asbestos. Therefore, where the Group has entered into leases with a ‘tenant-repairing’ clause, it is also responsible for the control of asbestos.

The provision includes the expected rectification costs of properties not yet surveyed for asbestos plus the estimated costs of surveying these properties. It is anticipated that the provision will be utilised by the end of 2010.

(c) Onerous contracts
The Group has provided for the discounted future costs of certain contracts to which the Group is legally bound. These contracts relate to vacant leasehold properties and other contracts from which no economic benefit is derived. The provision will be utilised over the term of the contracts and it is anticipated that it will be fully utilised after seven years.

Included within the provision is an amount of £0.1 million (2008: £0.2 million) relating to the expected costs of ongoing rent reviews, the outcomes of which have been based on recent experience of similar reviews on other properties.

19 Provisions (continued)

(d) Cancellation provision

As described in note 1, the Group receives monies from certain pre-arranged funeral plan Trusts in respect of the marketing of pre-arranged funeral plans, which are refundable to the Trust in the event of cancellation.

The provision covers the expected cost of such cancellations anticipated to occur in future years relating to plans sold before the balance sheet date and is anticipated to be utilised over the next three years.

20 Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 28 per cent (2008: 28 per cent).

The movement on the deferred tax account is as shown below:

	25 December 2009 £m	26 December 2008 £m
At beginning of period	**24.4**	14.9
Charged to income statement (note 6)	**0.9**	2.0
Exceptional adjustment for change in industrial building allowances	**–**	0.4
Taken to equity (note 6)	**(0.5)**	1.9
Arising on acquisitions (note 26 (a))	**1.2**	5.2
At end of period	**26.0**	24.4

The movements in deferred tax assets and liabilities (prior to the offsetting of balances within the same jurisdiction as permitted by IAS 12) during the period are shown below:

Deferred tax liabilities

	Pensions £m	Accelerated tax depreciation £m	Other £m	Total £m
At beginning of period	3.0	16.6	6.2	25.8
Charged to income statement (note 6)	–	0.5	0.4	0.9
Taken to equity (note 6)	(0.5)	–	–	(0.5)
Arising on acquisitions (note 26(a))	–	0.7	0.5	1.2
At end of period	**2.5**	**17.8**	**7.1**	**27.4**

Deferred tax assets

	Provisions £m	Other £m	Total £m
At beginning of period	(0.1)	(1.3)	(1.4)
Charged/(credited) to income statement (note 6)	0.1	(0.1)	–
At end of period	**–**	**(1.4)**	**(1.4)**

All of the deferred tax assets were available for offset against deferred tax liabilities and hence the net deferred tax provision at 25 December 2009 was £26.0 million (2008: £24.4 million).

No deferred tax asset is recognised in respect of losses within the Group amounting to £4.3 million net at 28 per cent (2008: £4.1 million net at 28 per cent). Based on the current debt structure of the Group and the nature of these losses, the Directors do not consider that taxable profits will arise in the relevant company from which the future reversal of the underlying timing differences can be deducted.

Elements of these deferred tax balances may be payable/recoverable within one year. However, the Directors consider that it is not possible to quantify the amount because the level of uncertainty in the timing of events and have therefore classified the whole balance as due after more than one year.

Notes to the financial statements continued
for the 52 week period ended 25 December 2009

20 Deferred tax (continued)

The deferred income tax (credited)/charged to equity during the period was as follows:

	2009 £m	2008 £m
Deferred tax (credit)/charge on actuarial (losses)/gains on retirement benefit obligations	**(0.5)**	1.6
Deferred tax charge on employee share options	**–**	0.3

21 Financial instruments

Fair values of non-derivative financial assets and financial liabilities
Where market values are not available, fair values of financial assets and financial liabilities have been calculated by discounting expected future cash flows at relevant interest rates. The carrying values of short term borrowings approximate to book value.

Trade receivables are held net of impairment.

Fair value estimation
On 1 January 2009, the Group adopted the amendment to IFRS 7 for financial instruments that are measured in the balance sheet at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

All assets and liabilities are held at book value other than interest rate swaps which are held at fair value. These swaps are level 2 with all other assets and liabilities level 1.

(a) Fair value of current and non-current financial assets and liabilities

	25 December 2009		26 December 2008	
	Book value £m	Fair value £m	Book value £m	Fair value £m
Long term borrowings (excluding finance lease obligations) (note 16)	**(265.8)**	**(289.2)**	(268.4)	(230.4)
Finance lease liabilities (note 16)	**(0.8)**	**(0.8)**	(0.8)	(0.8)
	(266.6)	**(290.0)**	(269.2)	(231.2)
Fair values of other financial assets and financial liabilities				
Primary financial instruments held or issued to finance the Group's operations:				
Short term borrowings (excluding finance lease obligations) (note 16)	**(8.5)**	**(9.0)**	(8.0)	(7.1)
Trade and other payables (excluding statutory liabilities) (note 17)	**(32.9)**	**(32.9)**	(33.2)	(33.2)
Trade and other receivables (excluding prepayments) (note 14)	**19.0**	**19.0**	20.1	20.1
Cash and cash equivalents (note 15)	**45.8**	**45.8**	46.7	46.7
Other non–current financial liabilities (note 17)	**(3.1)**	**(3.1)**	(2.8)	(2.8)

21 Financial instruments (continued)

(b) Maturity of financial liabilities

The tables below analyse the Group's financial liabilities, which will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the tables are the contractual undiscounted cash flows, including interest costs yet to be incurred.

	25 December 2009					
	In less than one year £m	In more than one year but not more than two years £m	In more than two years but not more than three years £m	In more than three years but not more than five years £m	In more than five years £m	Total £m
Cash liabilities						
Class A and B Secured Notes (gross)	**8.0***	**5.9**	**6.3**	**14.2**	**227.7**	**262.1**
Interest payable on Notes	**28.2****	**18.4**	**18.0**	**34.8**	**170.4**	**269.8**
Swaps	**1.0*****	**0.7**	**0.7**	**1.4**	**5.3**	**9.1**
Crematoria acquisition facility	**–**	**–**	**–**	**10.0**	**–**	**10.0**
Interest payable on acquisition facility	**0.5**	**0.5**	**0.5**	**0.4**	**–**	**1.9**
Finance leases	**0.1**	**0.1**	**0.1**	**0.1**	**0.4**	**0.8**
Debt repayments	**37.8**	**25.6**	**25.6**	**60.9**	**403.8**	**553.7**
Other financial liabilities	**33.9******	**0.4**	**0.4**	**0.5**	**1.2**	**36.4**
Total	**71.7**	**26.0**	**26.0**	**61.4**	**405.0**	**590.1**

	26 December 2008					
	In less than one year £m	In more than one year but not more than two years £m	In more than two years but not more than three years £m	In more than three years but not more than five years £m	In more than five years £m	Total £m
Cash liabilities						
Class A and B Secured Notes (gross)	7.4*	5.5	5.9	13.1	235.1	267.0
Interest payable on Notes	28.7**	18.7	18.4	35.6	187.5	288.9
Swaps	1.0***	0.7	0.7	1.4	6.0	9.8
Crematoria acquisition facility	–	–	–	7.4	–	7.4
Interest payable on acquisition facility	0.4	0.4	0.4	0.9	–	2.1
Finance leases	–	–	0.1	0.1	0.6	0.8
Debt repayments	37.5	25.3	25.5	58.5	429.2	576.0
Other financial liabilities	34.1****	0.4	0.1	0.5	1.5	36.6
Total	71.6	25.7	25.6	59.0	430.7	612.6

* This amount includes £2.6 million (2008: £2.4 million) that was paid on 31 December 2009 (2008: 31 December 2008). See note 15(b).

** This amount includes £9.5 million (2008: £9.6 million) that was paid on 31 December 2009 (2008: 31 December 2008). See note 15(b).

*** This amount includes £0.3 million (2008: £0.3 million) that was paid on 31 December 2009 (2008: 31 December 2008). See note 15(b).

**** This amount includes £0.1 million (2008: £0.1 million) that was paid on 31 December 2009 (2008: 31 December 2008). See note 15(b).

Notes to the financial statements continued
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21 Financial instruments (continued)

The amounts disclosed in the tables below represent the anticipated amortisation profile for the issue costs and premium relating to the issue of the A and B Secured Notes.

	25 December 2009					
	In less than one year £m	In more than one year but not more than two years £m	In more than two years but not more than three years £m	In more than three years but not more than five years £m	In more than five years £m	Total £m
Non-cash liabilities						
Issue costs	**1.2**	**1.2**	**1.2**	**2.2**	**8.8**	**14.6**
Premium on Secured Notes	**(0.8)**	**(0.8)**	**(0.7)**	**(1.4)**	**(7.4)**	**(11.1)**
Crematoria acquisition facility	**–**	**–**	**0.1**	**0.1**	**–**	**0.2**
Total	**0.4**	**0.4**	**0.6**	**0.9**	**1.4**	**3.7**

	26 December 2008					
	In less than one year £m	In more than one year but not more than two years £m	In more than two years but not more than three years £m	In more than three years but not more than five years £m	In more than five years £m	Total £m
Non-cash liabilities						
Issue costs	1.2	1.3	1.2	2.3	9.9	15.9
Premium on Secured Notes	(0.8)	(0.8)	(0.8)	(1.5)	(8.0)	(11.9)
Crematoria acquisition facility	–	–	–	0.2	–	0.2
Total	0.4	0.5	0.4	1.0	1.9	4.2

(c) Trade receivables

As at 25 December 2009, £7.2 million of the gross trade receivables (2008: £6.9 million) were past due and partially impaired. A provision for impairment is established based on historical experience. The amount of the provision, as at 25 December 2009, was £3.6 million (2008: £3.3 million). The individually impaired receivables principally relate to monies owing for funerals performed by the funeral services division. The aging of these receivables is as follows:

	25 December 2009 £m	26 December 2008 £m
One to six months	**4.5**	4.8
Over six months	**2.7**	2.1
	7.2	6.9

The amount of gross trade receivables past due that were not impaired was not significant.

Movements on the Group's provision for impairment of trade receivables are as follows:

	25 December 2009 £m	26 December 2008 £m
At beginning of period	**(3.3)**	(2.5)
Charged to income statement	**(1.1)**	(2.0)
Utilised in period	**0.8**	1.2
At end of period	**(3.6)**	(3.3)

(d) Borrowing facilities

(i) The Group has the following undrawn committed borrowing facilities available at 25 December 2009, all of which were at floating interest rates, in respect of which all conditions precedent had been met at that date:

	25 December 2009 £m	26 December 2008 £m
Expiring within one year	**40.0**	40.0
Expiring between one and two years	**–**	–
Expiring in more than two years	**5.0**	5.0
	45.0	45.0

21 Financial instruments (continued)

£40.0 million of the amount above is a liquidity facility relating to the Class A and B Secured Notes. This facility may only be used to repay interest and principal on the Secured Notes in the event of insufficient cash to service these instruments. The facility is subject to annual renewal. However, if the bank providing the facility does not renew it, then the provider is required to place £40.0 million in a bank account, which the Group may access as if it represented a borrowing facility on the same terms.

The remaining £5.0 million facility expires in April 2013. Both these facilities incur commitment fees at market rates.

(ii) The minimum lease payments under finance leases fall due as follows:

	25 December 2009 £m	26 December 2008 £m
Not later than one year	**0.1**	0.1
Later than one year but not more than five years	**0.2**	0.2
More than five years	**2.9**	2.9
	3.2	3.2
Future finance costs on finance leases	**(2.4)**	(2.4)
Present value of finance lease liabilities	**0.8**	0.8

22 Called up share capital

	25 December 2009 £m	26 December 2008 £m
Authorised Equity shares		
77,777,777 (2008: 77,777,777) Ordinary Shares of £0.09 each	**7.0**	7.0
Allotted, called up and fully paid Equity shares		
63,737,653 (2008: 63,484,135) Ordinary Shares of £0.09 each	**5.7**	5.7

Each Ordinary Share carries equal voting rights and there are no restrictions on any share.

During the period the Group received £nil in relation to the 253,482 shares issued under the 2006 LTIP scheme.

Potential issues of Ordinary Shares

Certain employees hold options to subscribe for shares in the Company under an approved Save As You Earn (SAYE) Scheme started in 2007. In addition, Executive Directors and senior management hold options to subscribe for shares in the Company under Long Term Incentive Plans (LTIPs) awarded in 2007, 2008 and 2009.

The total number of outstanding shares subject to options (excluding lapses), the periods in which they were granted and the periods in which they may be exercised are given below:

Year of grant	Exercise price (pence)	Exercise period	2009 Number	2008 Number	2007 Number
2007 – SAYE	714.67	1 July 2010 to 1 January 2011	**200,566**	239,524	280,873
2007 – LTIP	–	27 March 2010 to 27 March 2011	**229,815**	230,021	232,543
2008 – LTIP	–	17 March 2011 to 17 March 2012	**227,089**	227,963	n/a
2009 – LTIP	–	20 March 2012 to 20 March 2013	**267,272**	n/a	n/a

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for the 52 week period ended 25 December 2009

23 Share-based payments

LTIP Schemes
The LTIP Scheme was introduced after the flotation of the Group in 2004. Under the LTIP Scheme, the remuneration committee can grant options over shares in the Company to employees of the Group. Awards under the LTIP Scheme are generally reserved for Executive Directors and senior management. The Company has made annual grants since April 2004. Options granted under the LTIP Scheme will become exercisable on the third anniversary of the date of grant, subject to the conditions described on pages 25 and 26. Exercise of an option is subject to continued employment unless an individual ceases to be an employee by reason of death, illness, redundancy or other similar circumstances.

Options were valued using the Monte Carlo option pricing model. Performance conditions were included in the fair value calculations. The fair value per option granted and the assumptions used in the calculation are as follows:

Grant date	20 March 2009	18 March 2008	27 March 2007
Share price at grant date	**£5.66**	£7.62	£6.68
Exercise price	**–**	–	–
Number of employees	**30**	31	31
Shares under option	**268,799**	229,733	234,543
Vesting period (years)	**3**	3	3
Expected volatility	**23.1%**	18.1%	16.6%
Option life (years)	**10**	10	10
Expected life (years)	**3**	3	3
Risk free rate	**1.89%**	3.74%	5.22%
Expected dividends expressed as a dividend yield	**2.1%**	1.6%	1.6%
Possibility of ceasing employment before vesting	**0%**	0%	0%
Fair value per option	**£3.11**	£4.13	£3.62

The expected volatility is calculated by reference to historical volatility over the last three years. The expected life is the average expected period to exercise. The risk free rate of return is the yield on zero-coupon UK government bonds of a term consistent with the assumed option life.

During the period, nil options (2008: nil) under the 2006 LTIP Scheme, 206 options (2008: 2,522) under the 2007 LTIP Scheme, 874 (2008: 1,770) under the 2008 LTIP scheme and 1,527 under the 2009 LTIP scheme were forfeited. 253,482 options were exercised under the 2006 LTIP Scheme during the period. The share price of the options exercised during the period was £5.48.

The charge to the income statement in the period in respect of the LTIP Schemes was £0.8 million (2008: £0.7 million). All of which are equity based settled.

SAYE Scheme
One Inland Revenue approved SAYE Scheme was in place during the period and was valued using the Black-Scholes option pricing model. No performance conditions were included in the fair value calculations. The fair value per option granted and the assumptions used in the calculation are as follows:

	2007 Scheme
Grant date	21 May 2007
Share price at grant date	**£7.26**
Exercise price	**£7.15**
Number of employees	**680**
Shares under option	**292,377**
Vesting period (years)	**3**
Expected volatility	**16.8%**
Option life (years)	**3.5**
Expected life (years)	**3.25**
Risk free rate	**5.48%**
Expected dividends expressed as a dividend yield	**1.4%**
Possibility of ceasing employment before vesting (per annum)	**5.8%**
Possibility of failing to save	**0%**
Fair value per option	**£1.34**

During the period 38,922 (2008: 40,821) under the 2007 SAYE Scheme were forfeited and 36 options (2008: 528) were exercised. The weighted average share price of the options exercised during the period was £5.20.

The charge to the income statement in the period in respect of the SAYE Schemes was £0.2 million (2008: £0.1 million). All of which are equity based settled.

24 Net Debt

	25 December 2009 £m	26 December 2008 £m
Net amounts owing on Class A and B Secured Notes per financial statements	**(258.6)**	(263.0)
Add: unamortised issue costs	**(14.6)**	(15.9)
Net amounts owing on Crematoria Acquisition Facility per financial statements	**(9.8)**	(7.2)
Add: unamortised issue costs on Crematoria Acquisition Facility	**(0.2)**	(0.2)
Gross amounts owing	**(283.2)**	(286.3)
Accrued interest on Class A and B Secured Notes (paid 31 December)	**(9.6)**	(9.7)
Accrued interest on Crematoria Acquisition Facility	**(0.1)**	–
Cash and cash equivalents	**45.8**	46.7
Net debt	**(247.1)**	(249.3)

In addition to the above, the consolidated balance sheet also includes finance lease obligations and other financial liabilities which totalled £6.7 million (2008: £7.0 million). These amounts do not represent sources of funding for the Group and are therefore excluded from the calculation of net debt.

The Group's primary financial covenant in respect of the Secured Notes requires EBITDA to total debt service to be at least 1.5 times. At 25 December 2009, the actual ratio was 2.60 times (2008: 2.55 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 can not be accurately calculated from the contents of this report.

25 Reconciliation of cash generated from operations

	2009 £m	2008 £m
Net profit for the period	**26.6**	24.6
Adjustments for:		
Taxation	**10.9**	10.8
Net finance costs	**20.0**	17.8
Profit on disposal of fixed assets	**(1.1)**	(1.1)
Depreciation charges	**8.3**	7.9
Amortisation of intangibles	**0.2**	0.2
Changes in working capital (excluding acquisitions)	**(0.6)**	1.3
Employee share option charges (note 23)	**1.0**	0.8
Cash generated from operations	**65.3**	62.3

Other non-cash transactions

Non-cash charges comprise amortisation of deferred debt issue costs, as discussed in note 16(a) and (b).

26 Acquisitions and disposals

(a) Acquisition of subsidiary and other businesses

	Carrying values pre acquisition £m	Adjustments £m	Provisional fair value £m
Tangible fixed assets	**2.1**	**–**	**2.1**
Intangible assets:			
Trade names	**–**	**2.8**	**2.8**
Other working capital	**0.1**	**(0.1)**	**–**
Deferred taxation	**–**	**(1.2)**	**(1.2)**
Net assets acquired	**2.2**	**1.5**	**3.7**
Goodwill arising			**9.6**
			13.3
Satisfied by:			
Cash paid on completion funded from internally generated cash flows			**13.3**

Notes to the financial statements continued

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26 Acquisitions and disposals (continued)

During 2009, the Group acquired the operational interest of seven funeral locations and five crematoria. These transactions were either acquisitions of trade and assets or acquisitions of the entire issued share capital of a limited company.

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

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

The fair value adjustments contain some provisional amounts, which will be finalised in 2010. These adjustments reflect the recognition of trade names and associated deferred taxation and adjustments to reflect the fair value of other working capital movements such as debtors, stock and accruals.

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

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

(b) Reconciliation to cash flow statement

	2009 £m	2008 £m
Cash paid on completion	13.3	31.5
Cash paid in respect of deferred consideration obligations	0.1	0.1
Cash acquired on acquisition	(0.1)	(0.1)
Acquisition of subsidiaries and businesses as reported in the cash flow statement	13.3	31.5

27 Employees and Directors

	2009 £m	2008 £m
Wages and salaries	56.4	53.9
Social security costs	4.5	4.4
Other pension costs	1.0	1.2
Employee share option charges (note 23)	0.2	0.1
Key management share option charges (note 23)	0.8	0.7
	62.9	60.3

Key management are considered to be the Board of Directors only and thus no additional disclosures are presented than that included in the Report on Directors' Remuneration. The monthly average number of people, including Directors, employed by the Group during the period was as follows:

	2009 Number	2008 Number
Management and administration	115	113
Funeral services staff	2,035	2,007
Crematoria staff	256	232
Pre-arranged funeral plan staff	49	40
	2,455	2,392

Directors' emoluments

Details of Directors' emoluments are disclosed in the Report on Directors' Remuneration on pages 28 and 29 which form part of these consolidated financial statements.

28 Pension commitments

Defined contribution plans

The Group contributes to certain individuals' personal pension schemes. These contributions are accounted for as defined contributions.

The pension costs for defined contribution schemes are as follows:

	2009 £m	2008 £m
Defined contribution schemes	**0.1**	0.1

Defined benefit plans

In 2005, the Group operated two defined benefit plans in the UK. On 6 April 2006 the Dignity 1972 Pension Scheme was merged into the Dignity Pension and Assurance Scheme. A full actuarial valuation was carried out as at 6 April 2008. The valuation results of the merged scheme were updated to 24 December 2009 (being the last business day before the balance sheet date) by a qualified independent Actuary.

For 2009, the employer's contribution rate payable was 9.2 per cent of Pensionable Salaries (2008: 5.5 per cent of Pensionable Salaries plus £39,750 per month). The total monetary contribution paid by the employer for 2009 was £1.3 million (2008: £1.2 million).

The principal assumptions used by the actuary were:

Assumptions	2009	2008
Discount rate	**5.7%**	6.25%
Expected long-term rate of return on assets	**5.5%**	5.4%
Rate of increase in salaries	**3.75%**	3.15%
Rate of increase in payment of pre April 1997 excess over GMP pensions – Dignity Pension and Assurance Scheme members	**0%**	0%
Rate of increase in payment of post April 1997 pensionable service	**3.4%**	2.8%
Rate of increase in payment of post April 2005 pensionable service	**2.5%**	2.3%
Price inflation assumption	**3.5%**	2.9%

The underlying mortality assumption is PCA00 on a year of birth usage, with medium cohort future improvement factors subject to a minimum annual rate of future improvement equal to one per cent and rated up by the addition of four years to age for males and by the addition of one year to age for females (2008: same).

Pensions and other post-retirement obligations

The amounts recognised in the balance sheet are determined as follows:

	2009 £m	2008 £m
Fair value of plan assets	**77.1**	69.1
Present value of funded obligations	**(68.0)**	(55.9)
Net asset recognised in the balance sheet	**9.1**	13.2

Notes to the financial statements continued
for the 52 week period ended 25 December 2009

28 Pension commitments (continued)

Analysis of amount charged to income statement in respect of defined benefit schemes

	2009 £m	2008 £m
Current service cost	**0.8**	0.9
Past service cost	**0.1**	0.2
Total included within cost of sales (staff costs)	**0.9**	1.1
Interest cost	**3.5**	3.6
Expected return on plan assets	**(3.8)**	(4.3)
Total included within finance income	**(0.3)**	(0.7)

Expected contributions to post employment benefit plans for the 53 week period ended 31 December 2010 are £1.3 million.

Analysis of fair value of plan assets

	2009		2008		2007		2006		2005	
	£m	%	£m	%	£m	%	£m	%	£m	%
Equity and property	**48.0**	**62.2**	31.1	45.0	37.7	55.5	30.9	51.6	28.1	61.4
Debt	**14.3**	**18.6**	14.8	21.4	–	–	5.7	9.5	14.2	31.0
Cash	**14.8**	**19.2**	23.2	33.6	30.2	44.5	23.3	38.9	3.5	7.6
Fair value of plan assets	**77.1**	**100.0**	69.1	100.0	67.9	100.0	59.9	100.0	45.8	100.0

At 25 December 2009 and 26 December 2008 the Pension Trustees did not hold, on behalf of the scheme, any direct investments in the Group.

Changes in the present value of the defined benefit obligation are as follows:

	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Present value of obligation at beginning of period	**(55.9)**	(61.1)	(59.3)	(57.8)	(52.9)
Current service cost	**(0.8)**	(0.9)	(1.0)	(1.0)	(1.0)
Past service cost	**(0.1)**	(0.2)	(0.1)	–	–
Interest cost	**(3.5)**	(3.6)	(3.0)	(2.8)	(2.8)
Benefits paid	**2.9**	2.8	2.6	2.3	1.9
Contributions by participants	**(1.3)**	(1.3)	(1.3)	(1.4)	(0.9)
Actuarial (losses)/gains	**(9.3)**	8.4	1.0	1.4	(2.1)
Present value of obligation at end of period	**(68.0)**	(55.9)	(61.1)	(59.3)	(57.8)

Changes in the fair value of plan assets are as follows:

	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Fair value of plan assets at beginning of period	**69.1**	67.9	59.9	45.8	39.1
Expected return on plan assets	**3.8**	4.3	3.7	2.8	2.4
Contributions by Group	**1.3**	1.2	1.2	11.2	1.4
Contributions by participants	**1.3**	1.3	1.3	1.4	0.9
Benefits paid	**(2.9)**	(2.8)	(2.6)	(2.3)	(1.9)
Actuarial gains/(losses)	**4.5**	(2.8)	4.4	1.0	3.9
Fair value of plan assets at end of period	**77.1**	69.1	67.9	59.9	45.8

28 Pension commitments (continued)

Analysis of the movement in the balance sheet asset

	2009 £m	2008 £m
At beginning of period	**13.2**	6.8
Total expense as above	**(0.6)**	(0.4)
Actuarial (losses)/gains	**(4.8)**	5.6
Contributions by Group	**1.3**	1.2
At end of period	**9.1**	13.2

Cumulative actuarial gains and losses recognised in equity

	2009 £m	2008 £m
At beginning of period	**14.5**	8.9
Net actuarial (losses)/gains recognised in the period	**(4.8)**	5.6
At end of period	**9.7**	14.5

The actual return on plan assets was £8.3 million (2008: £1.5 million).

History of experience gains and losses

	2009	2008	2007	2006	2005
Experience adjustments arising on scheme assets:					
Amount (£m)	**(4.5)**	2.8	(4.4)	(1.0)	(3.9)
Percentage of scheme's assets	**5.8%**	4.1%	6.5%	1.7%	8.5%
Experience adjustments arising on scheme liabilities:					
Amount (£m)	**(0.3)**	(1.0)	(0.9)	0.5	0.5
Percentage of the present value of the scheme's liabilities	**0.4%**	1.8%	1.5%	0.8%	0.9%
Present value of scheme liabilities (£m)	**(68.0)**	(55.9)	(61.1)	(59.3)	(57.8)
Fair value of scheme assets (£m)	**77.1**	69.1	67.9	59.9	45.8
Surplus/(deficit) (£m)	**9.1**	13.2	6.8	0.6	(12.0)

Change in assumptions	Liabilities £m	Assets £m	Surplus £m	Increase/(decrease) in surplus £m
No change	**(68.0)**	**77.1**	**9.1**	**–**
0.25% rise in discount rate	**(65.4)**	**77.1**	**11.7**	**2.6**
0.25% fall in discount rate	**(70.9)**	**77.1**	**6.2**	**(2.9)**
0.25% rise in inflation	**(70.0)**	**77.1**	**7.1**	**(2.0)**
0.25% fall in inflation	**(66.2)**	**77.1**	**10.9**	**1.8**

29 Other 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 Concern Funeral Plans respectively. Full details of the transactions can be found in the financial statements of these companies, which are available from Plantsbrook House, 94 The Parade, Sutton Coldfield, West Midlands, B72 1PH.

The Group has given commitments to certain of these clients to perform their funeral. The cost of the performance of these funerals will be paid out of the funds held in the Trusts.

During the period, the Group has committed to develop a new crematorium in Cambridgeshire.

It is the view of the Directors that none of these commitments are onerous to the Group.

Notes to the financial statements continued

for the 52 week period ended 25 December 2009

30 Contingent liabilities

(a) Securitisation

On 11 April 2003, the Group refinanced its debt by way of a whole business securitisation. Furthermore, on 21 February 2006 further Secured Notes were issued on identical terms. As a result, the following guarantees and charges were granted to BNY Corporate Trustee Services Limited in its capacity as Security Trustee in the securitisation:

- The Dignity (2002) Group have granted the Security Trustee fixed and floating charges over the assets and undertakings of the Dignity (2002) Group;
- Dignity plc has granted the Security Trustee, with full title guarantee a first fixed charge over the shares (and any monies receivable in respect of the shares) which it holds in Dignity (2004) Limited;
- Dignity (2004) Limited has granted the Security Trustee, with full title guarantee a first fixed charge over the shares (and any monies receivable in respect of the shares) which it holds in Dignity Holdings No.2 Limited and Dignity (2002) Limited;
- Dignity Holdings No. 2 Limited has granted the Security Trustee, with full title guarantee a first fixed charge over the shares (and any monies receivable in respect of the shares) which it holds in Dignity Holdings Limited;
- Dignity Holdings Limited has granted the Security Trustee, with full title guarantee a first fixed charge over the shares (and any monies receivable in respect of the shares) which it holds in Dignity Mezzco Limited;
- Dignity Holdings Limited has also assigned to the Security Trustee by way of security with full title guarantee, its right title and interest in the loans (both interest and non interest bearing) to Dignity Mezzco Limited;
- Dignity Mezzco Limited has also assigned to the Security Trustee by way of security with full title guarantee, its right title and interest in the loan to Dignity (2002) Limited.

At 25 December 2009, the amount outstanding in relation to these borrowings was £273.2 million (2008: £278.8 million).

(b) Crematoria acquisition facility

On 24 November 2008, the Group obtained a £10 million loan facility from the National Westminster Bank plc (‘Nat West’), which is fully drawn. As a consequence of the legal structure of this facility:

- Dignity plc has granted Nat West, with full title guarantee a first fixed charge over the shares (and any monies receivable in respect of the shares) which it holds in Dignity (2008) Limited;
- Dignity (2008) Limited has granted Nat West, with full title guarantee a first fixed charge over the shares (and any monies receivable in respect of the shares) which it holds in Dignity Crematoria Limited;
- Dignity (2008) Limited and Dignity Crematoria Limited have granted Nat West fixed and floating charges over the assets and undertakings of each of Dignity (2008) Limited and Dignity Crematoria Limited; and
- Dignity plc have acted as guarantor in the event that Dignity (2008) Limited fails to pay interest due on the facility.

In the opinion of the Directors no liability is likely to crystallise in respect of these guarantees.

At 25 December 2009, the amount outstanding in relation to these borrowings was £10 million (2008: £7.4 million).

31 Related party transactions

The ultimate controlling party of the Group is Dignity plc.

Peter Hindley purchased his company car in January 2010. This was at an external independent valuation of £28,000. The sale by the Group was formally approved by the Board.

Pre-arrangement trusts

During the period the Group entered into transactions with the Trusts associated with the pre-arranged funeral plan businesses. The nature of the relationship with the Trusts is set out in the accounting policies. Transactions represent:

- Expenses paid by the Group on behalf of the respective Trusts;
- Transfers of funds in relation to payments in respect of deaths and cancellations of existing members;
- The recovery of marketing and administration expenses in relation to plans sold net of cancellations; and
- The payment of realised surpluses generated by the Trust funds as and when the trustees sanction such payments.

Related party transactions are summarised below:

	Transactions during the period		Amounts due to the Group at the period end	
	2009 £m	2008 £m	**2009 £m**	2008 £m
Dignity Limited Trust Fund	**0.3**	0.3	**–**	–
National Funeral Trust	**16.8**	14.9	**1.5**	1.6
Trust for Age Concern Funeral Plans	**17.9**	15.2	**2.1**	1.7

32 Post balance sheet events

On 22 February 2010, the Group committed to build a crematorium in Somerset. On 25 February 2010, the Group acquired two funeral locations.

Independent Auditors' report to the members of Dignity plc
for the 52 week period ended 25 December 2009

We have audited the parent company financial statements of Dignity plc for the 52 week period ended 25 December 2009 which comprise the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors
As explained more fully in the Statement of Directors' Responsibilities set out on page 21, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements
In our opinion the parent company financial statements:

- give a true and fair view of the state of the company's affairs as at 25 December 2009;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the 52 week period ended 25 December 2009 for which the parent company financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter
We have reported separately on the consolidated financial statements of Dignity plc for the 52 week period ended 25 December 2009.

Matthew Mullins (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham

11 March 2010

Dignity plc Company balance sheet
as at 25 December 2009

	Note	25 December 2009 £m	26 December 2008 £m
Fixed assets			
Investments	C2	**134.2**	133.2
Current assets			
Debtors: amounts falling due within one year	C3	**72.4**	57.3
Cash at bank and in hand		**14.5**	15.9
Total current assets		**86.9**	73.2
Creditors: amounts falling due within one year	C4	**(14.4)**	(15.2)
Net current assets		**72.5**	58.0
Total assets less current liabilities		**206.7**	191.2
Net assets		**206.7**	191.2
Capital and reserves			
Called up share capital	C5	**5.7**	5.7
Share premium account	C5	**35.8**	34.6
Capital redemption reserve	C5	**80.0**	80.0
Other reserves	C5	**1.1**	1.3
Profit and loss account	C5	**84.1**	69.6
Equity shareholders' funds	C6	**206.7**	191.2

The financial statements on pages 77 to 80 were approved by the Board of Directors on 11 March 2010 and were signed on its behalf by:

M K McCollum
Chief Executive

S L Whittern
Finance Director

Statement of total recognised gains and losses
for the 52 week period ended 25 December 2009

There were no recognised gains or losses in the period, as noted above. Therefore no separate statement of total recognised gains and losses has been presented.

Notes to the Dignity plc financial statements

C1 Principal accounting policies

Basis of preparation
These financial statements are prepared on a going concern basis under the historical cost convention, as modified by the revaluation of share-based payments and in accordance with the Companies Act 2006 and applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). A summary of the principal accounting policies, which have been consistently applied, is set out below.

In accordance with the concession granted under section 408 of the Companies Act 2006, the profit and loss account of the Company has not been separately presented in the financial statements.

In the current period, the Company's financial statements have been prepared for the 52 week period ended 25 December 2009. For the comparative period, the Company's financial statements have been prepared for the 52 week period ended 26 December 2008.

The Company has taken advantage of the exemption provided within FRS 8, Related Party Disclosures, not to disclose transactions with subsidiary undertakings, whose voting rights are controlled within the Group.

Furthermore, the Company has taken advantage of the exemption provided within FRS 29, Financial Instruments and Disclosures, not to disclose details of any financial instruments held.

Fixed assets investments
Fixed asset investments are stated at historical cost, less any provision for impairment.

Impairment of fixed assets
The carrying values of fixed assets are reviewed for impairment in periods where events or changes in circumstances indicate that the carrying value may not be recoverable or at the end of the first full financial year following the recognition. Any impairment in the value of fixed assets below depreciated historical cost is charged to the profit and loss account within operating profit. A reversal of an impairment loss is recognised in the profit and loss account to the extent that the original loss was recognised.

Employee share schemes
The Company operates two employee share schemes: The Save As You Earn Scheme ('SAYE') and Long Term Incentive Plan Scheme ('LTIP'). See note 23 of the notes to the consolidated financial statements.

The Company applies UITF 44 in respect of share option schemes resulting in the charge for such schemes being recognised in a subsidiary of the Company. The Company's financial statements reflect the cost of the scheme as an increase in the cost of investment in the subsidiary.

The expected fair value of the share options awarded under the LTIP scheme are charged to the profit and loss account over the period in which the right to the options is earned. The fair value is calculated by reference to the market value of the shares at the date on which the options are awarded reduced by any consideration payable by the relevant employee.

Details of Directors' remuneration can be found in the Report on Directors' Remuneration on pages 24 to 30.

Taxation including deferred taxation
Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, except that deferred tax assets are only recognised to the extent that they are regarded as more likely than not to be recoverable. Deferred tax balances are not discounted.

Employee share trust
The assets of the employee share trust are held by a separate limited company, of which the directors consider that Dignity plc has de facto control. In accordance with UITF 38, Accounting for ESOP Trusts and the substance of the transaction, the trust's assets and liabilities are recognised in the Company's balance sheet within share capital and reserves.

C2 Investments in subsidiary undertakings

Cost and net book amount	£m
At beginning of the period	133.2
Additions in respect of share-based payments	1.0
End of period	**134.2**

C2 Investments in subsidiary undertakings (continued)

	Activity	Number of shares at 25 December 2009	Percentage held
Dignity Services	Intermediate holding company	203,746,505 Ordinary at £1 each	100%
Dignity Funerals Limited	Funeral services	577,376,905 Ordinary at 10p each	100%
Pitcher and Le Quesne Limited	Funeral directors	100 Ordinary at £1 each	99%
Dignity Pre-Arrangement Limited	Pre-arranged funeral plans	5,001,001 Ordinary at £1 each	100%
Dignity Securities Limited	Pre-arranged funeral plans	19,801 Ordinary at £1 each	100%
		750,000 Redeemable Preference Shares at £1 each	100%
Advance Planning Limited	Pre-arranged funeral plans	7,500 A Ordinary at £1 each	100%
		2,500 B Ordinary at £1 each	100%
		3,863,291 0.0000001 pence Redeemable Preference Shares at £1 each	100%
Dignity Finance PLC	Finance company	50,000 Ordinary at £1 each	100%
Birkbeck Securities Limited	Intermediate holding company	1,102,271 Ordinary at £1 each	100%
Dignity Finance Holdings Limited	Intermediate holding company	50,000 Ordinary at £1 each	100%
Dignity Holdings No. 2 Limited	Intermediate holding company	2,000,000 Ordinary at £1 each	100%
Dignity Mezzco Limited	Intermediate holding company	1,000 Ordinary at £1 each	100%
Dignity Holdings Limited	Intermediate holding company	1,500,000 Ordinary at £1 each	100%
Dignity (2002) Limited	Intermediate holding company	2 Ordinary at £1 each	100%
Dignity (2004) Limited	Intermediate holding company	1,000 Ordinary at £1 each	100%
Dignity (2008) Limited	Intermediate holding company	1,000 Ordinary at £1 each	100%
Dignity Crematoria Limited	Construction and leasing of crematoria	10,000 A Ordinary at £1 each	100%
		10,000 B Ordinary at £1 each	100%
		10,000 C Ordinary at £1 each	100%
		10,000 D Ordinary at £1 each	100%
		10,000 E Ordinary at £1 each	100%

All of the subsidiaries are incorporated in the United Kingdom except for Pitcher and Le Quesne Limited which is incorporated in Jersey and is effectively 100 per cent controlled. All of the above shareholdings are held indirectly, with the exception of Dignity (2004) Limited.

Additions in the period reflect the effect of capital contributions to subsidiaries as a result of share-based payment schemes operated in those company's over the shares of Dignity plc.

C3 Debtors

	25 December 2009 £m	26 December 2008 £m
Amounts falling due within one year:		
Prepayments	–	0.2
Corporation tax	0.2	–
Amounts due from group undertakings	72.2	57.1
	72.4	57.3

C4 Creditors: amounts falling due within one year

	25 December 2009 £m	26 December 2008 £m
Amounts due to subsidiary undertakings	14.2	14.7
Accruals and deferred income	0.2	0.2
Corporation tax	–	0.3
	14.4	15.2

Notes to the Dignity plc financial statements continued

C5 Share capital and reserves

	25 December 2009 £m	26 December 2008 £m
Authorised Equity shares		
77,777,777 (2008: 77,777,777) Ordinary Shares of £0.09 each	**7.0**	7.0
Allotted, called up and fully paid Equity shares		
63,737,653 (2008: 63,484,135) Ordinary Shares of £0.09 each	**5.7**	5.7

During the period, the Company received £nil million relating to the 253,518 shares issued.

Reserves and share premium account	Share premium account £m	Capital redemption reserve £m	Other reserves £m	Profit and loss account £m	Total £m
At the beginning of the period	34.6	80.0	1.3	69.6	185.5
Profit for the period	–	–	–	21.8	**21.8**
Share issue under 2006 LTIP scheme	1.2	–	–	–	**1.2**
Dividends paid	–	–	–	(7.3)	**(7.3)**
Effects of employee share options	–	–	1.0	–	**1.0**
Gift to Employee Benefit Trust	–	–	(1.2)	–	**(1.2)**
At end of period	**35.8**	**80.0**	**1.1**	**84.1**	**201.0**

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.

C6 Reconcilliation of movement in shareholders' funds

	25 December 2009 £m	26 December 2008 £m
Profit for the period	**21.8**	24.2
Dividends	**(7.3)**	(6.5)
Effects of employee share options	**1.0**	0.8
Gift to Employee Benefit Trust	**(1.2)**	(0.8)
Shares issued under 2005 LTIP Scheme	**–**	0.8
Shares issued under 2006 LTIP Scheme	**1.2**	–
Net additions to shareholders' funds	**15.5**	18.5
Opening shareholders' funds	**191.2**	172.7
Closing shareholders' funds	**206.7**	191.2

Amounts payable to the Group's auditors relating to the Company are included in note 5 of the Group financial statements and are not material to disclose separately.

£2.8 million (2008: £1.6 million) in other reserves relates to investments in own shares and therefore reduces profit available for distribution.

C7 Staff costs

(a) Employees
There were no staff costs in the period (2008: £nil)

The average number of people, including Directors, employed by the Company during the period was:

	2009	2008
Administration and managerial	**4**	4
Total	**4**	4

(b) Directors' remuneration
The Directors are directors of the ultimate parent company, Dignity plc and details of their emoluments are included in pages 28 to 29. They received no emoluments in respect of their services to the Company (2008: £nil).

Financial record

Summarised consolidated income statement

	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Revenue					
Funeral services	**138.5**	137.2	126.3	120.0	113.8
Crematoria	**34.4**	29.2	25.7	23.2	22.5
Pre-arranged funeral plans	**11.8**	9.4	7.5	6.6	6.9
	184.7	175.8	159.5	149.8	143.2
Underlying operating profit					
Funeral services	**47.3**	46.3	42.1	39.3	36.5
Crematoria	**17.6**	14.6	14.0	12.1	11.9
Pre-arranged funeral plans	**3.5**	2.5	2.4	2.4	2.1
Central overheads	**(12.0)**	(11.3)	(10.9)	(9.7)	(9.5)
	56.4	52.1	47.6	44.1	41.0
Finance costs	**(21.6)**	(21.6)	(21.7)	(22.1)	(17.0)
Finance income	**1.6**	3.8	4.2	5.9	1.9
Underlying profit before tax	**36.4**	34.3	30.1	27.9	25.9
Taxation	**(10.6)**	(10.1)	(9.1)	(8.6)	(8.0)
Underlying profit after tax	**25.8**	24.2	21.0	19.3	17.9
Underlying earnings per share (pence)	**40.5p**	38.2p	33.4p	26.6p	24.4p
Operating profit	**57.5**	53.2	47.7	43.4	41.6
Profit after tax	**26.6**	24.6	21.6	18.8	18.3
Basic earnings per share (pence)	**41.8p**	38.8p	34.4p	25.9p	22.9p

Key performance indicators

	2009	2008	2007	2006	2005
Total estimated number of deaths in Britain (number)	**545,000**	553,000	553,000	548,100	563,800
Number of funerals performed (number)	**65,000**	68,700	66,500	66,500	67,000
Funeral market share (2) (per cent)	**11.8%**	12.3%	12.0%	12.1%	11.9%
Number of cremations performed (number)	**42,700**	39,600	38,900	38,500	39,500
Crematoria market share (per cent)	**7.8%**	7.2%	7.0%	7.0%	7.0%
Unfulfilled pre-arranged funeral plans (number)	**216,000**	204,000	197,300	188,800	181,200
Cash generated from operations (£million)	**65.3**	62.3	57.5	41.0	49.5

Net debt

	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Net amounts owing on Class A and B Secured Notes per financial statements	**(258.6)**	(263.0)	(267.0)	(268.4)	(186.6)
Add: unamortised issue costs on Secured Notes	**(14.6)**	(15.9)	(17.2)	(18.6)	(16.0)
Loan notes 2006	**–**	–	–	–	(0.1)
Net amounts owing on Crematoria Acquisition Facility per financial statements	**(9.8)**	(7.2)	–	–	–
Add: unamortised issue costs	**(0.2)**	(0.2)	–	–	–
Gross amounts owing	**(283.2)**	(286.3)	(284.2)	(287.0)	(202.7)
Accrued interest on Class A and B Secured Notes (paid 31 December)	**(9.6)**	(9.7)	(9.9)	–	–
Accrued interest on Crematoria Acquisition Facility	**(0.1)**	–	–	–	–
Cash and cash equivalents	**45.8**	46.7	52.6	41.4	37.3
Net debt	**(247.1)**	(249.3)	(241.5)	(245.6)	(165.4)

Financial record continued

Summarised consolidated balance sheet

	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Non-current assets					
Goodwill and intangible assets	**175.3**	163.1	144.3	123.4	118.1
Property, plant and equipment	**116.8**	110.9	91.1	89.1	86.3
Financial and other assets	**9.4**	4.5	4.5	5.6	5.5
Retirement benefit asset	**9.1**	13.2	6.8	0.6	–
	310.6	291.7	246.7	218.7	209.9
Current assets					
Cash	**45.8**	46.7	52.6	41.4	37.3
Other current assets	**25.6**	26.3	26.1	22.2	25.8
	71.4	73.0	78.7	63.6	63.1
Total assets	**382.0**	364.7	325.4	282.3	273.0
Current liabilities	**48.3**	47.6	43.3	27.9	27.5
Non-current liabilities	**298.2**	298.7	286.7	282.7	202.1
Retirement benefit liability	**–**	–	–	–	12.0
Total liabilities	**346.5**	346.3	330.0	310.6	241.6
Equity attributable to shareholders	**35.5**	18.4	(4.6)	(27.1)	32.6
Minority interest in equity	**–**	–	–	(1.2)	(1.2)
Total equity	**35.5**	18.4	(4.6)	(28.3)	31.4
Total equity and liabilities	**382.0**	364.7	325.4	282.3	273.0

NOTES

(1) All financial amounts are reported in accordance with IFRS.

(2) Market share excluding funerals performed in Northern Ireland.

Notice of Meeting

Notice is hereby given that the 2010 Annual General Meeting of Dignity plc ('the Company') will be held at DLA Piper UK LLP, Victoria Square House, Victoria Square, Birmingham, West Midlands, B2 4AJ on Friday 4 June 2010 at 11.00am for the following purposes:

Ordinary Resolutions
To propose the following as ordinary resolutions:

1. To receive and consider the Group's financial statements, and the reports of the Directors and auditors thereon for the 52 week period ended 25 December 2009.

2. To approve the Report on Directors' Remuneration for the 52 weeks ended 25 December 2009 as set out on pages 24 to 30 of the Annual Report 2009.

3. To re-appoint Richard Portman, who retires by rotation, as a Director of the Company.

4. To re-appoint Mike McCollum, who retires by rotation, as a Director of the Company.

5. To re-appoint Bill Forrester, who retires by rotation, as a Non-Executive Director of the Company.

6. To re-appoint PricewaterhouseCoopers LLP as auditors of the Company to hold office from conclusion of the meeting to the conclusion of the next meeting at which accounts are laid before the Company and to authorise the Directors to fix their remuneration.

7. To approve the proposed dividend of 8.07 pence per share and to authorise its payments on 25 June 2010 to shareholders on the register of members on 28 May 2010; and

8. That, in substitution for all existing authorities to the extent unused, the Directors be and are hereby generally and unconditionally authorised pursuant to Section 551 of the Companies Act 2006 ('the Act') to exercise all powers of the Company to allot shares in the Company or to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £1,916,441 provided that (unless previously revoked, varied or renewed) such authority shall expire at the conclusion of the next Annual General Meeting after passing this resolution or on 3 September 2011 (whichever is earlier), save that the Company may before such expiry make an offer or agreement which would or might require shares or grant such rights to be allotted after such expiry and the Board may allot shares or grant such rights in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

   This authority is in substitution for all existing authorities under section 80 of the Companies Act 1985 (which, to the extent unused at the date of this resolution, are revoked with immediate effect).

Special Resolutions
To propose the following as special resolutions:

9. That subject to the passing of resolution 8 the Directors be and are hereby empowered pursuant to Section 570 of the Act to allot equity securities (within the meaning of Section 560 of the Act) for cash pursuant to the authority conferred by resolution 8 as if Section 561(1) of the Act did not apply to any such allotment provided that this power shall be limited to the allotment of equity securities:

   a) in connection with an offer of equity securities (whether by way of a rights issue, open offer or otherwise):

      (i) to holders of Ordinary Shares in the capital of the Company in proportion (as nearly as practicable) to the respective numbers of Ordinary Shares held by them; and

      (ii) to holders of other equity securities in the capital of the Company, as required by the rights of those securities or, subject to such rights, as the Directors otherwise consider necessary,

      but subject to such exclusion or other arrangements as the Board may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates or any legal or practical problems under the laws of any territory or the requirements of any regulatory body or stock exchange;

   b) to the allotment (otherwise than pursuant to sub paragraph (a) above) of equity securities up to an aggregate nominal amount of £287,466;

   and (unless previously revoked, varied or renewed) shall expire at the conclusion of the next Annual General Meeting after passing this resolution or on 3 September 2011 (whichever is earlier), save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted for cash after such expiry and the Board may allot equity securities for cash in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

Notice of Meeting continued

This power is in substitution for all existing powers under section 95 of the Companies Act 1985 (which, to the extent unused at the date of this resolution, are revoked with immediate effect).

10. That the Company be and is hereby generally and unconditionally authorised for the purposes of Section 701 of the Act to make market purchases (as defined in Section 693(4) of the Act) of Ordinary Shares, subject as follows:

a) the maximum aggregate number of Ordinary Shares which may be purchased is 3,194,068;

b) the minimum price (including expenses) to be paid for each Ordinary Share shall be the nominal value of the Ordinary Share and the maximum price is the higher of:

(i) an amount equal to 105 per cent of the average of the middle market quotation of the Company's Ordinary Shares as derived from the Daily Official List of the London Stock Exchange plc for the five business days immediately prior to the day on which the purchase is made; and

(ii) an amount equal to the higher of the price of the last independent trade of an Ordinary Share and the higher current independent bid for an Ordinary Share on the trading venue where the purchase is carried out.

Unless previously revoked, varied or renewed the authority conferred by this resolution shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or on 3 September 2011 (whichever is earlier), except in relation to the purchase of shares the contract for which was entered into before the expiry of such authority and such purchase will or may be executed or completed wholly or partly after such expiry and accordingly the Company may make a purchase of Ordinary Shares pursuant to any such contract as if this authority had not expired.

11. That a general meeting (other than an annual general meeting) may be called on with not less than 14 clear days notice.

Registered office:
Plantsbrook House
94 The Parade
Sutton Coldfield
West Midlands B72 1PH

By order of the Board
Richard Portman
Company Secretary
11 March 2010

Notes

1. The right to vote at the meeting is determined by reference to the register of members. Only those shareholders registered in the register of members of the Company as at 6.00pm on 2 June 2010 (or, if the meeting is adjourned 6.00pm on the date which is two working days before the date of the adjourned meeting) shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries in the register of members after that time shall be disregarded in determining the rights of any person to attend or vote (and the number of votes they may cast) at the meeting.

2. A member of the Company entitled to attend and to vote may appoint, one or more proxies to attend and vote instead. A proxy need not be a member of the Company. A proxy form is enclosed. Completed proxy forms must be received by the Company's Registrar, Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6ZX, no later than 48 hours before the time of the Annual General Meeting or in the event the meeting is adjourned, no later than 48 hours before the time of any adjourned meeting. A shareholder may appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. Failure to specify the number of shares each proxy appointment relates to or specifying a number which when taken together with the numbers of shares set out in the other proxy appointments is in excess of the number of shares held by the shareholder may result in the proxy appointment being invalid. Additional proxy forms may be obtained by contacting the Company's registrar on 0871 384 2674 or you may photocopy the proxy form. You will need to state clearly on each proxy form the number of shares in relation to which the proxy is appointed. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form. The right of a member under section 324 of the Companies Act 2006 ("2006 Act") to appoint a proxy does not apply to a person nominated to enjoy information rights under section 146 of the 2006 Act.

3. The appointment of a proxy will not preclude a member of the Company from attending, speaking and voting in person at the meeting if he or she so wishes.

4. In the case of shares held in uncertificated form, the Company pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only members registered on the register of members of the Company at 6.00pm on 2 June 2010 shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries on the register of members after 6.00pm on 2 June 2010 shall be disregarded in determining the rights of any person to attend, speak or vote at the meeting.

5. The following are available for inspection at the Company's registered office during normal business hours on any weekday (excluding public holidays) and will be available for at least 15 minutes prior to, and during, the Annual General Meeting:

   - the register of Directors' interests and those of their immediate families in the share capital of the Company;
   - copies of the Directors' service contracts and letters of appointment;
   - a copy of the Company's memorandum and articles of association.

6. Biographical details of those Directors who are offering themselves for re-election at the meeting are set out on page 20.

7. Total Voting Rights: As at 16 April 2010 (being the last practicable date before the publication of this notice), the Company's issued share capital consists of 63,881,366 Ordinary Shares of 9 pence each, (carrying one vote each) and 1 deferred share of 4 pence (carrying no voting rights). The Company does not hold any Ordinary Shares in treasury. Therefore, the total voting rights in the Company as at 16 April 2010 are 63,881,366.

8. Shareholders have the right to ask questions at the meeting relating to the business being dealt with at the meeting in accordance with section 319A of the Act. The Company must answer any such question unless:

   (a) to do so would interfere unduly with the preparation for the meeting or would involve the disclosure of confidential information;
   (b) the answer has already been given on a website in the form of an answer to a question; or
   (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

9. The information required by section 311A of the Act to be published in advance of the meeting, which includes the matters set out in this notice and information relating to the voting rights of shareholders, is available at www.dignityfunerals.co.uk/corporate.

10. Members can appoint proxies electronically by logging on to the website www.sharevote.co.uk. You will need your voting reference numbers (the voting ID, Task ID and shareholder reference number shown on your form of proxy). Alternatively, if you have registered for a Shareview portfolio, please access the Equiniti shareview website at www.shareview.co.uk, by entering your portfolio identification particulars and click on the link 'vote' under your Dignity plc holding details. For an electronic proxy appointment to be valid, the appointment must be received by no later than 11.00am on 2 June 2010.

11. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual (available at www.euroclear.com/CREST). CREST personal members or other CREST sponsored members and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s) who will be able to take the appropriate action on their behalf.

    In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's (formerly CRESTCo's) specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA 19) by no later than 11.00 am on 2 June 2010. No such message received through the CREST network after this time will be accepted. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the registrars are able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

    CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

    The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

12. Where a copy of this notice is being received by a person who has been nominated to enjoy information rights under section 146 of the 2006 Act ("nominee"):

    (a) the nominee may have a right under an agreement between the nominee and the member by whom he was nominated, to be appointed, or to have someone else appointed, as a proxy for the meeting; or

    (b) if the nominee does not have any such right or does not wish to exercise such right, the nominee may have a right under any such agreement to give instructions to the member as to the exercise of voting rights.

    The statement of the rights of the shareholders in relation to the appointment of proxies in notes 2, 3, 10 and 11 does not apply to a nominee. The rights in such notes can only be exercised by shareholders of the Company.

13. A shareholder which is a corporation may authorise one or more persons to act as its representative(s) at the meeting. Each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual shareholder, provided that (where there is more than one representative and the vote is otherwise than on a show of hands) they do not do so in relation to the same shares.

14. A shareholder or shareholders meeting the qualification criteria set out in note 17 below may require the Company to give shareholders notice of a resolution which may properly be proposed and is intended to be proposed at the meeting in accordance with section 338 of the 2006 Act.

    A resolution may properly be proposed unless (i) it would, if passed, be ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise), (ii) it is defamatory of any person, or (iii) it is frivolous or vexatious.

    The business which may be dealt with at the meeting includes a resolution circulated pursuant to this right.

    Any such request must:

    (a) identify the resolution of which notice is to be given, by either setting out the resolution in full or, if supporting a resolution requested by another shareholder, clearly identifying the resolution which is being supported;

    (b) comply with the requirements set out in note 18 below; and

    (c) be received by the Company no later than six weeks before the meeting.

15. A shareholder or shareholders meeting the qualification criteria set out in note 17 below may require the Company to include in the business to be dealt with at the meeting any matter (other than a proposed resolution) which may properly be included in the business in accordance with section 338A of the 2006 Act.

    A matter may properly be included unless (i) it is defamatory of any person, or (ii) it is frivolous or vexatious.

    Any such request must:

    (a) identify the matter to be included in the business, by either setting out the matter in full or, if supporting a matter requested by another shareholder, clearly identifying the matter which is being supported;

    (b) set out the grounds for the request;

    (c) comply with the requirements set out in note 18 below; and

    (d) be received by the Company no later than six weeks before the meeting.

Notice of Meeting continued

16. A shareholder or shareholders who meet the qualification criteria set out in note 17 below may require the Company to publish on its website a statement setting out any matter that such shareholders propose to raise at the meeting relating to either the audit of the Company's accounts (including the auditors' report and the conduct of the audit) that are to be laid before the meeting or any circumstances connected with an auditor of the Company ceasing to hold office since the last annual general meeting of the Company in accordance with section 527 of the 2006 Act.

    Any such request must:

    (a) identify the statement to which it relates, by either setting out the statement in full or, if supporting a statement requested by another shareholder, clearly identifying the statement which is being supported;

    (b) comply with the requirements set out in note 18 below; and

    (c) be received by the Company at least one week before the meeting.

    Where the Company is required to publish such a statement on its website:

    (i) it may not require the shareholders making the request to pay any expenses incurred by the Company in complying with the request;

    (ii) it must forward the statement to the Company's auditors no later than the time when it makes the statement available on the website; and

    (iii) the statement may be dealt with as part of the business of the meeting.

17. In order to require the Company (i) to circulate a resolution to be proposed at the meeting as set out in note 14, (ii) to include a matter in the business to be dealt with at the meeting as set out in note 15, or (iii) to publish audit concerns as set out in note 16, the relevant request must be made by:

    (a) a shareholder or shareholders having a right to vote at the meeting and holding at least five per cent of the total voting rights of the Company; or

    (b) at least 100 shareholders having a right to vote at the meeting and holding, on average, at least £100 of paid up share capital.

    For information on voting rights, including the total voting rights of the Company, see note 7 above and the website referred to in note 9 above.

18. Any request by a shareholder or shareholders to require the Company (i) to circulate a resolution to be proposed at the meeting as set out in note 14, (ii) to include a matter in the business to be dealt with at the meeting as set out in note 15, or (iii) to publish audit concerns as set out in note 16:

    (a) may be made either:

    (i) in hard copy, by sending it to Dignity plc, Plantsbrook House, 94 The Parade, Sutton Coldfield, B72 1PH; or

    (ii) in electronic form, by faxing it to 0121 321 5644, marked for the attention of the Company Secretary or by email to CompanySecretary@Dignityuk.co.uk (please state "Dignity plc: AGM" in the subject line of the email);

    (b) must state the full name(s) and address(es) of the shareholder(s); and

    (c) (where the request is made in hard copy form) must be signed by the shareholder(s).

19. Except as provided above, shareholders who wish to communicate with the Company in relation to the meeting should do so using the following means:

    (a) calling our shareholder helpline on 0871 384 2674; or

    (b) by post, by sending it to Equiniti, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA.

20. You may not use any electronic address provided in either this Notice of General Meeting or any related documents (including the Proxy Form) to communicate with the Company for any purpose other than those expressly stated.

Shareholder information

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 or by fax on 0871 384 2125. Calls to these numbers are charged at 8p per minute from a BT landline. Other telephone providers costs may vary.

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

Unsolicited mail
The Company is obliged by law to make its share register available upon request to the public and to other organisations which may use it as a mailing list resulting in shareholders receiving unsolicited mail. Shareholders wishing to limit the receipt of such mail should write to the Mailing Preference Service, Freepost 22, London W1E 7EZ or telephone +44 (0) 845 703 4599 for an application form. Calls to this number are charged at local rate.

Annual General Meeting
The Company's Annual General Meeting will be held on Friday 4 June 2010, at 11.00am at DLA Piper UK LLP, Victoria Square House, Victoria Square, Birmingham, West Midlands, B2 4AJ.

Contact details and advisers

Registered Office:
Dignity plc
Plantsbrook House
94 The Parade
Sutton Coldfield
West Midlands B72 1PH

Tel: 0121 354 1557
Fax: 0121 321 5644
Email: enquiries@dignityuk.co.uk
www.dignityfuneralsplc.co.uk

Company Secretary:
Richard Portman FCA

Registered Number:
4569346

Registrars:
Equiniti
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA

Tel: 0871 384 2674
Fax: 0871 384 2100
www.shareview.co.uk

Auditors:
PricewaterhouseCoopers LLP
Cornwall Court
19 Cornwall Street
Birmingham B3 2DT

Joint Brokers:
Panmure Gordon & Co plc
Moorgate Hall
155 Moorgate
London EC2M 6XB

Investec
A division of Investec Bank (UK) Limited
2 Gresham Street
London EC2V 7EE

Principal Bankers:
Royal Bank of Scotland plc
West Midlands Corporate Office
2 St Philips Place
Birmingham B3 2RB

Legal Adviser:
DLA Piper UK LLP
Victoria Square House
Victoria Square
Birmingham B2 4DL

Financial calendar

11 March 2010
Preliminary announcement
of 2009 results

4 June 2010
Annual General Meeting

25 June 2010
2010 financial half year end

25 June 2010 (provisional)
Payment of 2009 final dividend

28 July 2010 (provisional)
Announcement of interim results

29 October 2010 (provisional)
Payment of 2010 interim dividend

31 December 2010
Financial period end

Acknowledgements
Dignity would like to thank all those who participated in producing this Annual Report, particularly the members of staff for their contributions.

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www.bexonwoodhouse.com
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Dignity plc
Plantsbrook House
94 The Parade
Sutton Coldfield
West Midlands, B72 1PH

For more information on investor relations please visit:

www.dignityfuneralsplc.co.uk