

Corporate Profile

Dignity plc Corporate Profile 2019

Serving
a changing
marketplace

Building
stronger national
brands

Enhancing
our digital
services

Leading
on quality and
standards



Our purpose and vision

Our purpose

Our customers are at the heart of what we do. We are here to help them at one of the most difficult times in their lives and we are honoured to serve the communities we are part of.

Listening to our customers and understanding their changing attitudes and lifestyles must drive what we do as a business.

Our brands, products, services and technology must reflect those changes and are the reason why we now offer enhanced choice and value-for-money. The high-quality of our offering, competitively priced, is how we will differentiate ourselves from the competition, both nationally and locally.

Every day we want to meet and exceed our customers' expectations. We aim to do this by delivering excellent client service through the continued dedication of our people and by serving our customers with expertise, compassion and commitment.

Our vision

Our vision is to lead the funeral sector in terms of quality, standards and value-for-money. To achieve this we are building a more coherent, cohesive and technology-enabled business, one geared to meet the changing needs of our customers.

In addition, we have always taken our role as a responsible corporate citizen extremely seriously and recognised that our broader role in society goes beyond just creating value for our shareholders. We will therefore continue to be a responsible and sustainable business, determined to meet both our social responsibilities and the expectations of all our stakeholders.

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Stay informed

Find out more about Dignity and the latest financial information, results, presentations, reports and shareholder services or to view and download a PDF version of the 2018 Annual Report:

 www.dignityfunerals.co.uk/corporate



A long-term commitment and sustainable focus



Forward momentum against a backdrop of change

Serving a changing marketplace

Meeting evolving customer needs with a new service and price model p.2 and p.3



Building stronger national brands

Promoting greater choice and flexibility p.6 and p.7



Enhancing our digital services

Increasing online support and digital services p.4 and p.5



Leading on quality and standards

Improving the customer experience and leading standards of best practice p.8 and p.9



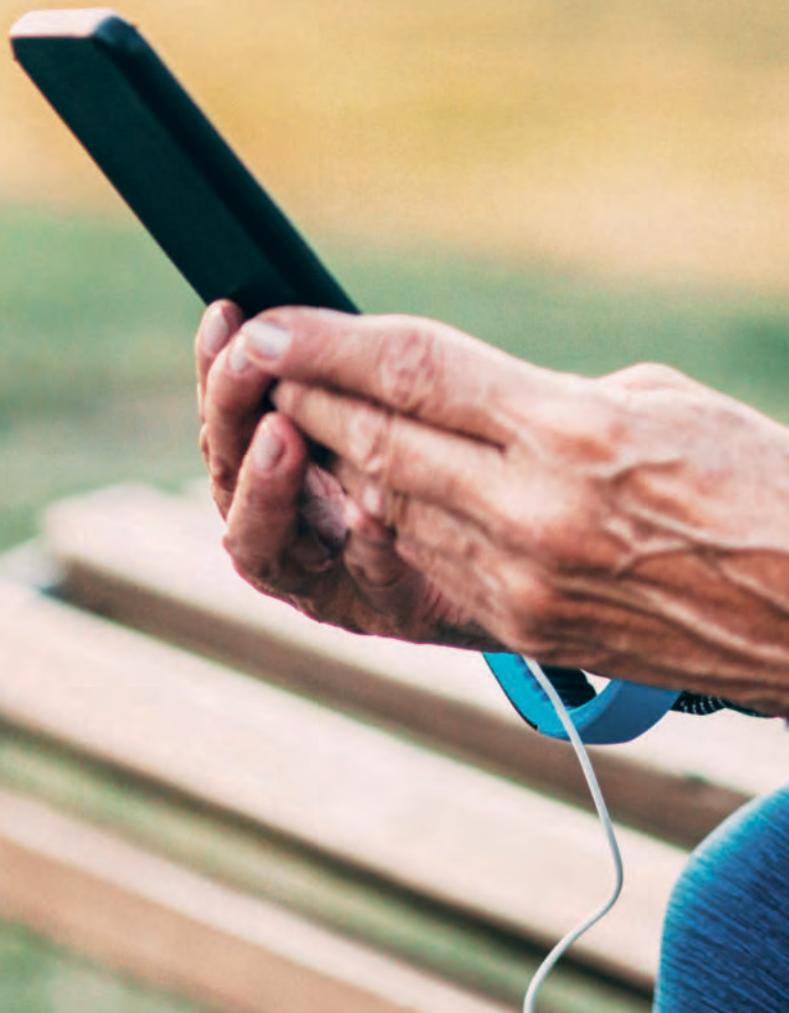
Customer focus/

Providing customers with services they need and value

Serving a changing marketplace

In a time of increasing competition and ongoing change in the funeral sector, with heightened focus on price competition masking differentiation based on quality, we must ensure that the service we offer customers is compelling and competitive and keeps pace with their changing needs and expectations. We have already made significant changes to our pricing and extended our range of Simplicity services, but this is only the beginning and there is more to be done.

We will achieve this by continuing to listen to our customers and by our clear determination to continue to provide unrivalled levels of quality and service.





"When choosing a funeral director the care of my loved one matters to me most."

Market and consumer insights

Our customers are at the heart of what we do. Understanding them is essential which is why we invest heavily in our own research to gain the crucial insights which mean we can develop the services they want and need.

73%

73 per cent of people said care of the deceased was very important.

Source: Time to Talk About Quality and Standards report

A more client-centric service model adapted to better suit evolving client needs

In 2018 we began to test a variety of different services and prices, recognising that consumer choice is increasingly essential and not an option for the funeral industry. That process will continue through 2019.

Launched new product and pricing structure

We have adopted a new tiered proposition, specifically targeting different parts of the market and types of consumer, designed to meet a range of needs.

We are unbundling our prices and services to introduce greater flexibility so that customers can create the right funeral for their loved one. We will be competitive on price, while maintaining Dignity's exceptional levels of service.

Customer focus/ Creating a compelling multi-channel service offering

"I am looking for advice, support and information on pricing that is clear and easy to find."

Enhancing our digital services

We are at the forefront of digital development in our sector with the potential to transform the services we deliver and the experience customers receive.

The way that we connect with our customers is changing. Going online is now increasingly the norm for people looking for information and this is now impacting our industry. 38 per cent of our clients now find us online and over 60 per cent of our website traffic comes from mobile devices. We are developing our online support services and promotional initiatives to meet customer expectations. In short, we are building a leading digital presence.

National TV Campaigns

- In 2018 our first ever television advertisement for our funeral plans was broadcast on daytime television.
- We also launched our Simplicity Cremations television advertising campaign.



Technology is changing expectations and increasing opportunities

+76%

Further developments on mobile friendly architecture and website optimisation have seen us retain our position as the funeral website with the highest domain authority in the UK.

The Group's websites are performing well, with over 1.8 million visits in 2018 on a year-to-date basis, up 76 per cent on the prior period.

Our Funeral Notices digital service has been successfully trialled and will be available in all of our locations by the end of March 2019. This service is already attracting more than 100,000 views per month.



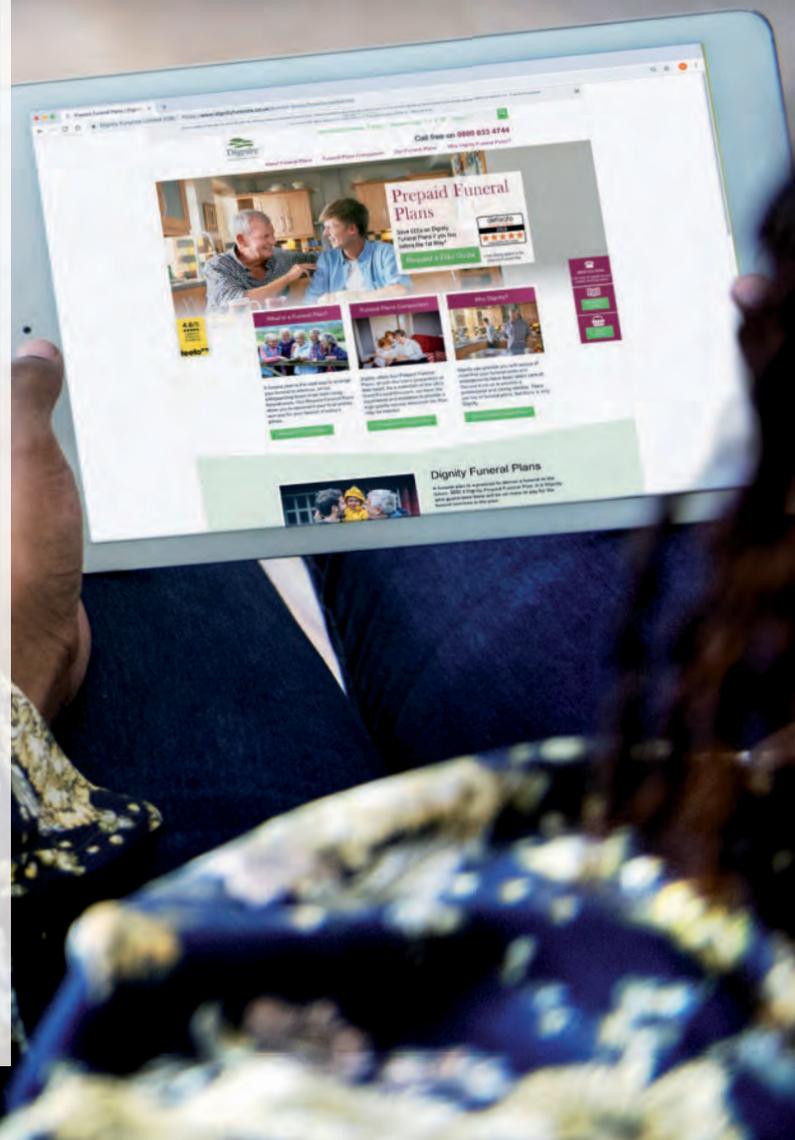
The internet is changing the nature of competition

Building a well known digital offer that allows us to leverage our national scale is an important part of our strategy to modernise our business and give us a commercial advantage in the digital age.

The vast majority of our branches are now trained to offer our Funeral Notices digital service which is proving popular with clients. This provides customers with a convenient way to share details of funeral arrangements through social media and the internet. It also allows friends and family to arrange flowers and make donations.

£6m annual marketing investment

The Group anticipates annual marketing investment of £6 million. A significant proportion of this will be allocated to Pay Per Click promotional activities. Investment is also being directed at building a powerful internal digital marketing unit supported by leading external experts.



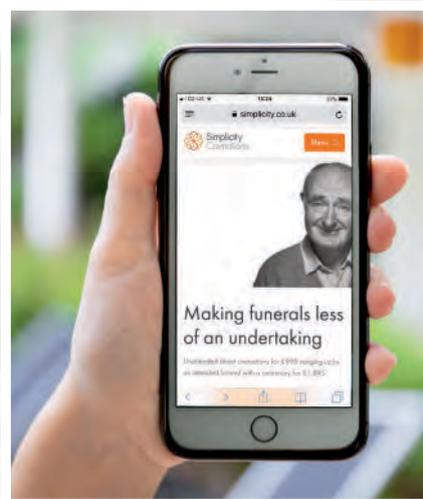
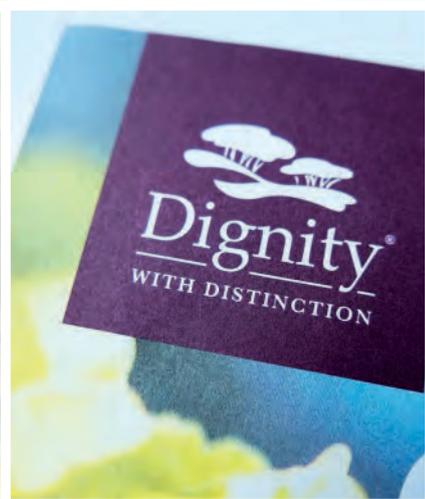
Customer focus/

Providing families with greater choice and flexibility

Building stronger national brands

We have a long history of providing high standards of care, quality and service. These attributes underpin our brands which are also competitively priced and supported by our national network of funeral locations and crematoria.

As lifestyles change, along with attitudes to arranging funerals, we will build on these core brand strengths. We will ensure that our distinctive Dignity and Simplicity brands provide families with greater choice and flexibility, whether they are looking for a traditional value-for-money service or a simple affordable alternative. In 2018, we gave Simplicity a new brand identity and have branded our Crematoria division 'The Crematorium and Memorial Group'. In 2019, we will relaunch our Dignity brand.



"I'm looking for a simple, less traditional and affordable alternative funeral service."

Building brand awareness, supporting and enhancing our strong local positions

Dignity With Distinction

Dignity will remain our core funeral brand and will grow in clients' awareness in the coming years.

Simplicity Cremations

We are developing the Simplicity brand and widening our range of low-cost services with the aim of building the leading low-cost funeral business in the UK.

The Crematorium and Memorial Group

Our crematoria business supports funeral directors and clients across the country. The Dignity brand in the future will only be identified with our funeral business and so our crematoria business has been given its own distinct brand.

+535% rise in Simplicity site visits

Simplicity Cremations continues to grow online with visits in 2018 to its website up 535 per cent compared to 2017. We have also seen more than twice the number of people choose to buy our direct cremation service than the year before.

The Group has expanded its range of Simplicity Cremations services, providing customers with greater choice in this expanding segment of the market.

The new attended service will provide customers with all the practical and essential elements of a cremation without the obligation to pay for traditional elements they do not want. The service is available online only and is the first of its type nationally available in the UK.



Customer focus/

Ensuring customers receive the highest standards in facilities, service and care

Leading on quality and standards

We are committed to improving our customers' experience and to leading the way in setting standards of best practice. We continue to call for a regulated market that will be good for clients and society. It is a thread which has run through our business from the beginning and we are determined to maintain this focus.

By improving standards, bringing greater transparency and building trust, we have the opportunity to ensure our approach to upholding quality continues to meet the needs and expectations of our customers.

Major research on funerals and crematoria

In 2018, Dignity commissioned research into the funeral sector. The report is the most comprehensive study of funeral directors ever published in the UK, exploring how families perceive the funeral sector and expect funeral directors to operate.

As one of the leading funeral providers in the UK, we believe it is important for people to have a better understanding of what good looks like so that they can make informed choices. The report forms the basis of discussions and debate that the Group wants to stimulate on the best way to protect consumers and achieve appropriate quality standards.

The Group also published the results of a report on UK crematoria entitled: 'Cost, Quality, Seclusion and Time'. Our research shows that while price is important, customers consider time or the length of a service as often more valuable.

"99% of respondents said that Dignity met or exceeded their expectations."

Source: Dignity Client Survey 2018

"72% of Dignity's own crematoria offer 60 minutes for a standard cremation. The remainder have a minimum of 45 minutes."

92%
of people did not know that funeral directors were not regulated.

- 80% supported regulation to ensure minimum standards.

Source: Time to Talk About Quality and Standards report

Summary performance in 2018

for the 52 week period ended 28 December 2018

Our performance in 2018 was ahead of market expectations and following the significant decline in funeral market share witnessed in 2016 and 2017, our comparable funeral market share increased slightly in 2018. However, underlying operating profit decreased by 23 per cent to £80.2 million and average income per funeral reduced from £3,222 to £2,973 reflecting the radical change we have embarked on. The funeral mix continues to evolve in the light of new service offers and ongoing pricing trials and we have made good progress in identifying the best balance between price and service offer.

We have embarked on a wide-ranging Transformation Plan, backed by a major investment programme which is making good progress. This three year plan will create a funeral business that remains focused on quality, while being able to adapt to, and lead, a changing marketplace.

Our strategic objectives

Our strategic objectives and overall strategic approach were updated last year and remain as follows (more information is available on page 32):

- **Protect market share and reposition the Group for growth.**

Strategic highlight: In 2018 we grew our comparable market share slightly. This was a good start, but further work needs to be done to consolidate this position.

- **Establish new market positioning.** We establish ourselves as the best value service provider in the market.

Strategic highlight: We have piloted a number of price and service offerings and will continue to do so into 2019 and also affirmed Simplicity's position as the lowest priced nationally available service of its kind.

- **Re-base the business model and market expectations.** Find the optimum relationship between price, service and demand for our funeral businesses.

Strategic highlight: We have made good progress towards re-basing the business model and have worked diligently to keep the market informed of our progress. Having tested a number of pricing and product alternatives we are moving towards an unbundled approach to our full service offering.

Our overall strategic approach

Our strategic objectives and the means of delivering them are based on the following four key elements:

- 1 **Continue to build on the strong fundamentals of the business and use these as a platform for change.**
- 2 **Be more distinctive in the marketplace.**
- 3 **Embrace technology in developing and delivering our services for customers.**
- 4 **Continue to be a good corporate citizen.**

 See Chief Executive's review on pages 16 to 31

 See Strategy and business model on pages 32 and 33

Our three year Transformation Plan is underway



Forward-looking statements

This Corporate Profile and the Dignity plc investor website may contain certain 'forward-looking statements' with respect to Dignity plc ("Company") and the Group's financial condition, results of its operations and business, and certain plans, strategy, objectives, goals and expectations with respect to these items and the economies and markets in which the Group operates.

Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as 'anticipates', 'aims', 'due', 'could', 'may', 'should', 'will', 'would', 'expects', 'believes', 'intends', 'plans', 'targets', 'goal' or 'estimates' or, in each case, their negative or other variations or comparable terminology. Forward-looking statements are not guarantees of future performance. By their very nature forward-looking statements are inherently unpredictable, speculative and involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. Many of these assumptions, risks and uncertainties relate to factors that are beyond the Group's ability to control or estimate precisely. There are a number of such factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, but are not limited to, changes in the economies and markets in which the Group operates; changes in the legal, regulatory and competition frameworks in which the Group operates; changes in the markets from which the Group raises finance; the impact of legal or other proceedings against or which affect the Group; changes in accounting practices and interpretation of accounting standards under IFRS, and changes in interest and exchange rates.

Summary performance in 2018 continued

for the 52 week period ended 28 December 2018

Financial highlights

Revenue £315.6m (2017: £324.0m)	Operating profit £66.3m (2017: £98.0m)	Underlying operating profit £80.2m (2017: £104.6m)
Dividends paid in the period 24.38p (2017: 24.38p)	Basic earnings per share 63.0p (2017: 115.8p)	Underlying earnings per share 85.8p (2017: 128.3p)
Number of deaths 599,000 (2017: 590,000)	Cash generated from operations £94.9m (2017: £112.5m)	Underlying cash generated from operations £101.9m (2017: £115.4m)

By division

Funeral services Revenue £214.9m (2017: £221.8m)	Operating profit £54.8m (2017: £77.0m)	Underlying operating profit £62.2m (2017: £79.5m)	Group operating profit share (before central overheads) (%) 56% Group underlying operating profit share (before central overheads) (%) 59%
Crematoria Revenue £78.0m (2017: £74.0m)	Operating profit £39.6m (2017: £38.2m)	Underlying operating profit £40.3m (2017: £40.0m)	Group operating profit share (before central overheads) (%) 41% Group underlying operating profit share (before central overheads) (%) 38%
Pre-arranged funeral plans Revenue £22.7m (2017: £28.2m)	Operating profit £2.6m (2017: £7.8m)	Underlying operating profit £2.8m (2017: £8.0m)	Group operating profit share (before central overheads) (%) 3% Group underlying operating profit share (before central overheads) (%) 3%
Central overheads Costs £30.7m (2017: £25.0m)	Underlying costs £25.1m (2017: £22.9m)		

 See Financial review on pages 38 to 42

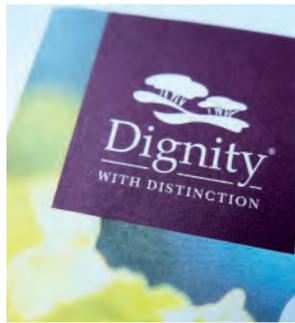
Any forward-looking statements made in this Corporate Profile or the Dignity plc investor website, or made subsequently, which are attributable to the Company or any other member of the Group, or persons acting on their behalf, are expressly qualified in their entirety by the factors referred to in this statement. Each forward-looking statement speaks only as of the date it is made. Except as required by its legal or statutory obligations, the Company does not intend to update any forward-looking statements. Nothing in this Corporate Profile or on the Dignity plc investor website should be construed as a profit forecast or an invitation to deal in the securities of the Company.

Alternative performance measures

The Board believes that whilst statutory reporting measures provide a useful indication of the financial performance of the Group, additional insight is gained by excluding certain non-recurring, non-trading and exceptional transactions. All measures marked as underlying above and throughout this Corporate Profile are alternative performance measures. Further detail may be found on pages 48 to 50.

About Dignity

Our services are focused on the evolving needs of our clients



72,300 (2017: 68,800)

Number of funerals conducted during 2018.

831 (2017: 826)

Number of funeral locations we operate in the UK.

Funeral services

We are a major provider of funeral services in the UK and we strive to set the highest standards of service and care.

Services we provide

Dignity With Distinction provides clients with access to our national network of funeral locations where they can arrange a funeral personal to their needs.

Simplicity Cremations allows clients to organise a less traditional funeral, taking advantage of Dignity's national network of crematoria.

Crematoria

We are the largest single operator of crematoria in Britain with a growing portfolio of well-established and state-of-the-art crematoria that meet the needs of the local communities we serve.

Services we provide

Our crematoria provide a range of cremation services, from basic unattended cremations to traditional full services.

Our extensive, peaceful grounds allow clients to remember their loved ones in a very personal way.



65,200 (2017: 63,400)

Number of cremations conducted during 2018.

46 (2017: 45)

Number of crematoria we operate in England and Scotland.



486,000 (2017: 450,000)

Number of active funeral plans as at 28 December 2018.

Pre-arranged funeral plans

We are one of the UK's largest providers of pre-arranged funeral plans and we continue to strengthen our business in this growing market.

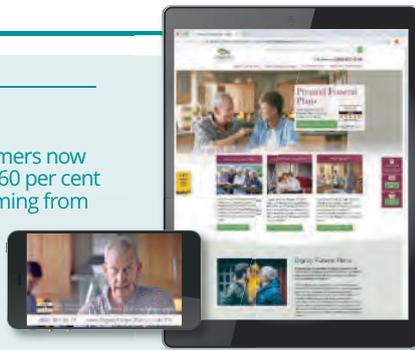
Services we provide

Our pre-need business allows clients to pre-arrange their funeral through our national network of funeral locations and established relationships with many affinity partners.

About Dignity continued

38%

38 per cent of our customers now find us online, with over 60 per cent of our website traffic coming from mobile devices.



60 minutes

72 per cent of Dignity's own crematoria offer 60 minutes for a standard cremation. The remainder have a minimum of 45 minutes.

1.8 million visits to our websites

Dignity receives more than 1.8 million visits to our websites annually.

Low-cost cremation service

In 2018 Simplicity Cremations launched a national low-cost attended cremation service. This is the first such nationally available service.



National network

We are the only operator with a national network of funeral locations and crematoria.

99% reputation & recommendation

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

Source: Dignity Client Survey 2018

910,000 pre-paid plans

We have already helped more than 910,000 people plan for their funerals in advance of which 486,000 remain outstanding.

Dignity Today

Dignity is the only publicly listed company operating in the funeral sector. The high-quality of our offering, competitively priced, is how we will differentiate ourselves both nationally and locally.

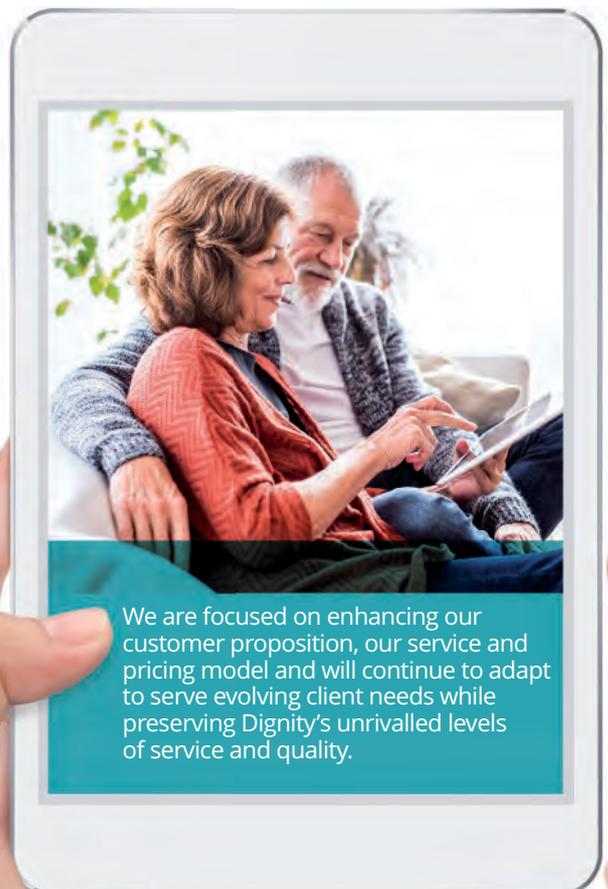
Alongside the expansion of our digital offerings we continue to offer a greater choice for consumers and our focus on high standards and excellent client service remains central to our plans for the future.

We are a leader in the provision of quality funerals and after-life care:

- **Standards:** Industry leading standards and facilities for care of the deceased.
- **Service:** We offer customers a caring personal service; 98 per cent would recommend us.
- **People:** Experienced professional employees with a commitment to delivering quality funerals.
- **Innovation:** Expanded Simplicity Cremations service options, the only truly nationally available low-cost cremation service.
- **Coverage:** Able to serve 90 per cent of the UK population and still growing.

Our role in society

We are here to help people at one of the most difficult times in their lives and we are honoured to serve the communities we are part of. We take this role extremely seriously and understand that integrity and high standards are vital if we are to play our role discreetly and well in society.



We are focused on enhancing our customer proposition, our service and pricing model and will continue to adapt to serve evolving client needs while preserving Dignity's unrivalled levels of service and quality.

Chairman's statement

A resilient performance in a challenging and transitional year



Peter Hindley, Chairman

The Group is undergoing radical change, we have built momentum and our plan is on track. The Board is confident that we will achieve our goal of transforming the Group over the next three years while remaining committed to our customers, shareholders and wider stakeholders.

Overview

In 2018 we delivered a resilient performance, ahead of market expectations in what was a challenging and transitional year. Against a backdrop of continued change in the funeral market we began the transformation of our business while remaining focused and committed to our customers, shareholders and wider stakeholders.

The Group is undergoing radical change. We have built momentum and our plan is on track. The Board is confident that we will achieve our goal of transforming the Group as planned over the next three years.

Along with change has come opportunity and a renewed vision and ambition for the Group. Quite simply, the Board's vision is to lead the funeral sector in terms of quality, standards and value-for-money. To achieve this we are building a more coherent, cohesive and technology-enabled business, one geared to meet the changing needs of our customers.

Our ambition is to fully reposition Dignity in the funeral market and ensure a sustainable and successful long-term future. Offering customers an enhanced and very competitive range of services and price options is at the core of this change.

Industry regulation

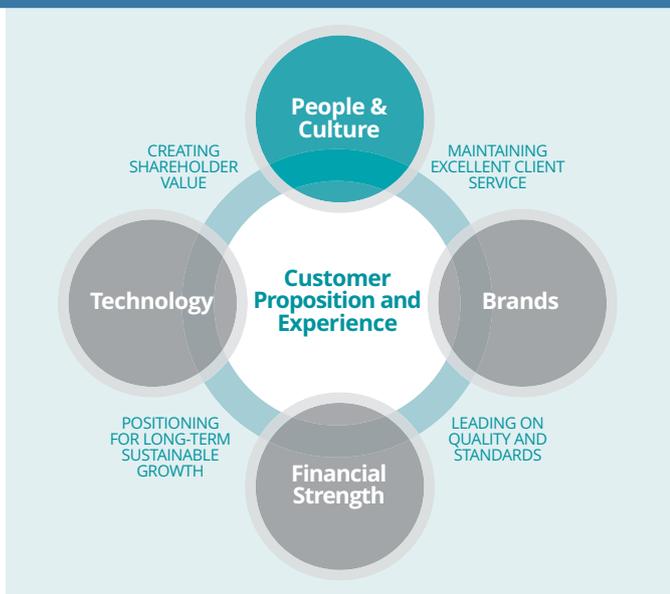
More broadly, we have continued to advocate that the funeral industry must also change. Regulation is needed and we support moves to bring this about. Customers must be treated fairly and be assured of minimum acceptable standards whichever funeral director they choose.

We therefore noted with great interest the Competition and Markets Authority's ('CMA') proposal in November 2018 to launch a full investigation into the funeral market as part of its interim report into the industry. At the time of writing, that full investigation has not yet been confirmed. We have made public our support for such an investigation if it happens and believe it could help improve standards across the sector and deliver better outcomes for customers. We are also keen to work closely with the CMA and help them understand the challenges of providing a quality funeral service.

In addition, we have made the following points to the CMA:

On competition: the funerals market is already competitive, however, more can be done to improve the ability of customers to exercise the choice that exists, especially through greater pricing transparency.

On improvements in the sector: we hope that the CMA will take more account of the lower prices and greater transparency that already exists in the sector, including Dignity's own pricing structure which has already changed significantly over the past year. We believe it is essential that the CMA clearly acknowledges the variation in quality among different funeral providers.



Chairman's statement continued

Underlying earnings per share

85.8p

(2017: 128.3p)

Interim dividend

8.64p

(2017: 8.64p)

Final dividend

15.74p

(2017: 15.74p)

On vulnerable consumers: we are especially keen to work with the CMA to improve the experience of all customers organising a funeral, and ensure they are given the appropriate support to take informed decisions.

On regulation: research indicates that 92 per cent of consumers believe the industry is already regulated, and many are surprised that it is not. We hope that the CMA investigation will examine how regulation can improve standards and transparency in the sector.

In short, we want to continue to play a leading role as a responsible and progressive corporate citizen in the funeral industry as it undergoes long overdue change.

Dividends

The Board is proposing a final dividend of 15.74 pence (2017: 15.74 pence) per share, which, subject to approval at the AGM, will be paid on 28 June 2019 to shareholders on the register at close of business on 17 May 2019. This will bring the total dividend for the year to 24.38 pence (2017: 24.38 pence) per share.

Company Secretary change

During the period, Richard Portman relinquished his role as Company Secretary while continuing as Corporate Services Director. He was replaced as Company Secretary by Tim George, who joined the Group in 2018.

My role as Chairman

The Board has been seeking my successor following the announcement of my intention to retire in 2019. The Board is in the process of conducting an extensive search and will announce my successor in due course.

Our people and resources

I want to thank our people for continuing to deliver outstanding customer service in what has been an uncertain and challenging year. This speaks volumes for their professionalism and commitment to our customers. Their continued loyalty and commitment will be essential if we are to deliver our Transformation Plan.

Executive performance and remuneration

A new Remuneration Policy will be presented to the annual general meeting for approval. This follows a period of consultation with our significant shareholders and institutional voting services.

Planned change of name

Given the increasing focus on our brands across our entire business, the Company will, as permitted by its Articles of Association, change its name. The Company will confirm its new name later in the year.

This change will help to remove confusion between our trading brands and our corporate profile.

Outlook for 2019 and beyond

The Board's expectations for the year ahead are unchanged from the most recent guidance. 2019 is likely to see underlying profitability lower than 2018 but in line with market expectations. In the medium-term the Board believes that targeting solid single digit increases in underlying EPS is appropriate and achievable.

Governance during a time of change

The Company continues to pride itself on the strength and effectiveness of its governance. It is of particular importance during a time of change within the Company and when there is increasing scrutiny of the industry as a whole.

Good governance is the basis on which we as a business build an environment of trust, transparency and accountability. As such it provides assurance and confidence to our customers and fosters long-term investment, financial stability and business integrity. As a Board we are therefore committed to maintaining our high standards of corporate governance and ensuring there is a high level of cultural integrity embedded within the way we operate.

Board priorities

The Board provides strategic leadership to the Group within a framework of robust corporate governance and internal control, setting values and standards that are embedded throughout the business to deliver long-term sustainable growth for the benefit of our shareholders and other stakeholders.

Compliance

Our governance framework, which is shaped by the UK Corporate Governance Code, the Companies Act 2006 and secondary legislation and Financial Conduct Authority rules and guidance, sets out standards of good practice in relation to Board leadership and effectiveness, remuneration, accountability and relations with shareholders.

Chief Executive's review

Delivering excellent client service during a time of change



Mike McCollum, Chief Executive

The fundamentals of our business remain compelling and strong. We are confident we have the platform, focus and ambition to get ahead of the competitive curve and to continue to provide sustainable growth while maintaining the highest possible standards of client service.

A strong platform

- Core strengths in quality and excellent standards of service delivery.
- Developing client-centric brands and price competitiveness.
- Building a leading digital presence.
- Strong cash generation funding transformational investment.
- A determined Board and strong senior management team.

Overview

In 2018 we exceeded market expectations and following the significant decline in funeral market share seen in the previous two years, our comparable funeral market share increased slightly in 2018. This was a key objective of the year and I am delighted with the progression we made in 2018. Encouragingly, comparable market share increased to 11.2 per cent from 11.1 per cent in the previous year. However, as anticipated, underlying operating profit decreased by 23 per cent (to £80.2 million) and average income per funeral reduced to £2,973 from £3,222 in the previous year, reflecting the 25 per cent reduction in our simple funeral price and the full service price reductions we have made so far. The funeral mix continues to evolve in the light of new service offers and ongoing pricing trials and we have made good progress in identifying the best balance between price and service offer.

As the Chairman has said in his statement we are on track with our Transformation Plan; we have built good momentum and the Board is confident of achieving its goals. The fundamentals of our business remain compelling and strong. We are confident we have the platform, focus and ambition to get ahead of the competitive curve and to continue to provide sustainable growth while maintaining the highest possible standards of client service. However, we recognise that we are still in the early stages of a three year journey and the Board does not underestimate the scale of the challenge the Group faces.

In his statement the Chairman also discussed the CMA's consultation on a full investigation into the funeral market, following its market study. On pages 19 and 20 we publish extracts from our responses to the CMA over the past few months. In them we have made clear our support for such an investigation in the interest of helping to create a properly regulated industry while highlighting a number of important issues.

What is also clear is that such an investigation (if it takes place) will most likely last 18 months to two years and, if other market investigations are a guide, will generate much interest and comment, some of it hostile towards major industry players like ourselves. We will remain focussed on the final outcome and findings of the investigation, not the inevitable twists, turns and comments that such a process will trigger. We will remain calm and helpful throughout what could be a high profile and testing period, ensuring that the CMA sees all sides of any issues.

Chief Executive's review continued

Where we are now

Radical transformation

In 2018 we began a period of radical transformation for the Group. During and after this change we will remain a caring business with core values built around quality and providing excellent customer service. We have a long-term commitment to the customer and we are shaping our services around their evolving needs; we are committed to change and are responding to change.

A major opportunity

This change presents a major opportunity for the Group to become the pre-eminent modern funeral services business in the UK once the Transformation Plan is complete. We will build on our existing strong market positions, quality, and scale and the Board is determined to seize this opportunity.

How people remember their loved ones is changing which means funerals are changing. Dignity is responding by offering greater flexibility and choice and taking alternative types of funerals into the mainstream. For example, in 2018 the Group launched a TV campaign for its low-cost cremation service Simplicity.

Updates

We have made good progress in 2018 and built the momentum necessary to begin executing our Transformation Plan:

- Our market share stabilised following our price changes;
- Our websites continue to improve, with increasing numbers of people selecting our websites from searches they make;
- We have updated our Simplicity brand, relaunching it with modern marketing, including a TV campaign;
- We have made great progress on our Dignity brand and expect to report significant developments on this during 2019; and
- Our Transformation Plan has an excellent base. As of the end of 2018, there was a team of 17 experienced individuals in the business to support our ambitious plans and this number is expected to grow.

Our Transformation Plan

The core components of our Transformation Plan are:

- Modernise the client proposition;
- Invest in and simplify the operating model; and
- Streamline central support and invest in technology to centralise and automate administrative processes.

Transformation Plan summary update

So far our focus has been in the following areas:

- Engaging the senior leadership team within Funeral Operations including creating a new national role to focus on service delivery;
- Completing a thorough review of the current IT applications and support model for the funeral business against the requirements of the Transformation Plan and agreeing the IT architecture for the future;
- Monitoring and developing trials of the Group's funeral services leading to the unbundling of services offered within bespoke funeral arrangements;
- Managing the ongoing development of the brand identity for the Group's Simplicity offering; and
- Finalising the number and structure of efficient branch networks in advance of the testing of our new operating model.

In 2019, we began to execute the broader plan following this detailed work.

Financial objectives

As we set out in August 2018, we expect to invest £50 million (partly funded by £17 million of surplus property disposals) in our business and achieve annualised net cost savings of £8 million per year by the end of 2021, increasing to £13 million per year by the end of 2028.

Our Transformation Journey



 Read more about our Transformation Plan, progress and developments against it on: p.22 to p.27

Chief Executive's review continued

Our purpose – to serve our customers

Our customers are at the heart of what we do. We are here to help them at one of the most difficult times in their lives and we are honoured to serve the communities we are part of.

Listening to our customers and understanding their changing attitudes and lifestyles must drive what we do as a business.

Our brands, products, services and technology must reflect those changes and are the reason why we now offer enhanced choice and value-for-money. The high-quality of our offering, competitively priced, is how we will differentiate ourselves from the competition, both nationally and locally.

Every day we want to meet and exceed our customers' expectations. We aim to do this by delivering excellent client service through the continued dedication of our people and by serving our customers with expertise, compassion and commitment.

Our customer insights and research mean we are in a strong position to develop the services they want and become an informed and valuable commentator on emerging societal trends with regard to death and funerals.

This year we have introduced the following services and price points:

- Simplicity extended its offering beyond unattended direct cremation to allow options for a small gathering at the point of cremation and for a full cremation service. With all Simplicity offerings, traditional elements, such as the use of a hearse or procession into the crematorium, are not provided. Simplicity is available from £995 and is also available as a pre-arranged funeral plan.
- Dignity has been trialling a tailored funeral, where clients can choose to pay for additional services to personalise their requirements, rather than paying a single package price.
- In January 2018, our Simple funeral was reduced to £1,995 (plus disbursements) in England and Wales and to £1,695 (plus disbursements) in Scotland.
- With effect from January 2019, all of our locations offer a full service funeral for no more than £3,545 plus disbursements.

Our vision

Our vision is to lead the funeral sector in terms of quality, standards and value-for-money. As the Chairman said in his statement, to achieve this we are building a more coherent, cohesive and technology-enabled business, one geared to meet the changing needs of our customers.

In addition, we have always taken our role as a responsible corporate citizen extremely seriously and recognised that our broader role in society goes beyond just creating value for our shareholders. We will therefore continue to be a responsible and sustainable business, determined to meet both our social responsibilities and the expectations of all our stakeholders.

Quality of care for the deceased is a critical aspect of funeral provision. The need for proper facilities is more important today than ever. The biggest factor missing from conversations around the funeral sector is quality when it comes to caring for the deceased.

Our vision for the funeral industry is for it to be properly regulated. There is a misconception that the funeral sector is already regulated or operates to a minimum standard. It does not. We therefore continue to lead the call for change as we seek a regulated market that will be good for clients and society.

Dignity is working collaboratively with industry partners and other stakeholders to improve standards across the sector. At the end of 2018 we initiated a round table discussion and invited the CMA and other representatives from the funeral sector, co-operating together to try and find a solution. The Chairman has commented on the CMA and its proposed full market investigation into the funeral industry and there is more background on page 14 of this review.

Major research on funerals and crematoria

In 2018 we commissioned and published two pieces of research, one on funerals and the other on crematoria. The first, 'Time to talk about quality and standards', is the most comprehensive study of funeral directors ever in the UK, exploring how families perceive the funeral sector and expect funeral directors to operate. The report forms the basis of discussions and debate that the Group wants to stimulate on the best way to protect consumers and achieve appropriate quality standards.

We also published the results of a report on UK crematoria entitled, 'Cost, Quality, Seclusion and Time.' Our research shows that while price is important, customers consider time or the length of a service as often more valuable.

As one of the leading funeral providers in the UK, we believe it is important to understand what consumers think and to raise issues that are of concern to them and need addressing by policy makers and politicians beyond the funeral industry.

People and culture

We have always been a people business, helping families at an extremely difficult time in their lives. Our plans to transform the business mean that we are setting the bar even higher and asking more of our staff. I am pleased with how positively employees have responded so far and thank them for their support during this time of change.

Chief Executive's review continued

The CMA report into the funeral market

The Competition and Markets Authority is the UK's primary competition authority. It is an independent, non-ministerial government department with responsibility for carrying out investigations into mergers, markets and the regulated industries and enforcing competition and consumer law. In June 2018 the CMA announced a market study into the funeral industry "to review how well the market works and whether consumers are getting a good deal." In November 2018 it published its interim report and consultation, part of which proposed that the funerals market should be referred to a CMA Group for a full market investigation. Such an investigation has not yet been confirmed but a decision must be reached by the end of May 2019.

As a leading player in the funeral industry and a long-standing campaigner for its regulation, Dignity welcomed the CMA's interest in the funeral sector and has made two public statements in response. The first, in November 2018 was an immediate response on the day of the release of the CMA's interim report. The second, in January 2019, was in response to an invitation by the CMA for views from interested parties on the issues raised in its report.

CMA funeral market study interim report: Dignity's response

November 2018 statement

These are some of the key points from Dignity's November 2018 CMA statement:

Dignity plc, the UK's only listed provider of funeral-related services, acknowledges today's announcement from the Competition and Markets Authority regarding the provisional findings of its study into the funerals market and notes its proposal to carry out a full market investigation. Dignity is considering the recommendations in detail and notes the key findings. Dignity has engaged constructively with the CMA since the market study was announced in June 2018 and strongly supports the opportunity to improve standards within the sector and meet the expectations of consumers.

Greater choice for consumers

Dignity welcomes the focus in the report on transparency and competition.

Dignity believes there is a need for greater transparency on pricing, more consumer choice and high levels of quality across the sector. The Group has acknowledged that there is rising consumer demand for lower-cost funeral options and has already been making considerable steps to provide a wider range of choice for its customers.

In January 2018, in advance of the CMA market study being announced, the Group implemented a new pricing policy and continues to test and consider a range of new price points and services for its customers, while preserving Dignity's unrivalled levels of service and quality. Delivering excellent client service remains a key strategic priority and means that the Group can offer the best-quality service at each price point and market segment in which it chooses to operate.

Leading the call for regulation and higher standards

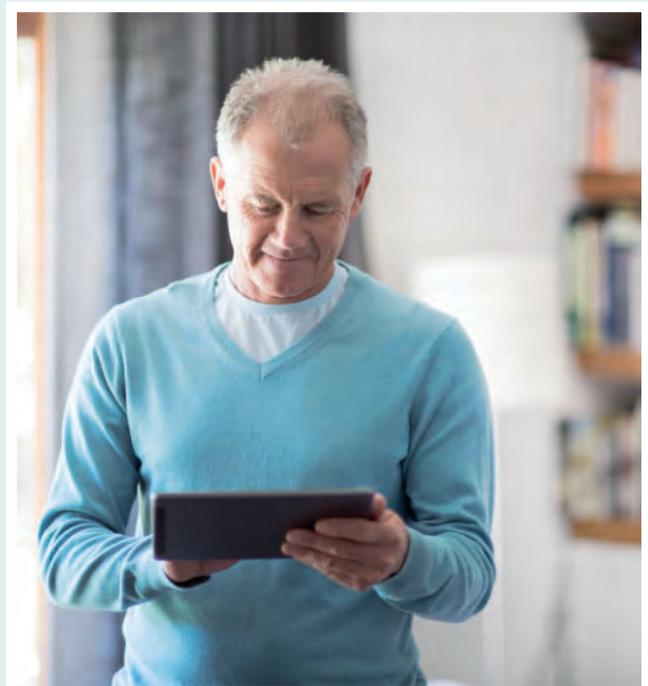
Dignity has led calls for greater regulation of both at need and pre-paid funeral sectors for some time, while continuing to set the standard for what constitutes best practice in the industry.

The CMA's work in the sector provides a significant opportunity to improve standards and protect consumers. The Group welcomes the CMA's initial focus on this area, and would encourage them to explore this further.

UK consumers assume all funeral directors are the same, that their market is already regulated and each of them is operating to a consistent set of professional standards, when in fact none of these statements are true. Dignity's research showed that 92 per cent of consumers did not know that funeral directors were not regulated in the UK, but once aware 80 per cent supported regulation to ensure minimum standards.

Dignity believes the funeral industry will benefit significantly from proper regulation to ensure that clients can assume minimum standards, and effectively assess and compare what a funeral service includes. The Group would welcome regulation which sets out minimum standards for core activities such as the care of the deceased, minimum standards of facilities and also operating procedures in crematoria.

The Group has shared its research and supporting information with the CMA and will continue to make the case for agreed minimum higher standards. As part of this the Group is leading a cross-industry initiative, bringing together industry, consumer bodies and policymakers, to develop collaborative long-term solutions to improve standards and transparency across the sector.



Chief Executive's review continued

The CMA report into the funeral market continued

These are some of the key points from Dignity's letter in January 2019 to the CMA:

Given the concerns that the CMA has identified, Dignity supports a market investigation which will enable the CMA to undertake a thorough analysis of the market. We recognise that there are specific challenges relating to vulnerable customers, particularly those who are financially vulnerable and would welcome thoughts about how to ensure the market works better for them.

A competitive market that works for customers

In many respects the funeral market is highly competitive: there are many competitors; no single provider has a market share greater than approximately 16 per cent; and the number of funeral directors has increased significantly in recent years. There is also growing evidence that customers have started to more actively 'shop around', driven in part by an increase in online searches for funeral directors.

In our view, a key issue the CMA should address is how best to improve the ability of customers to exercise the choice that already exists, providing them with clear and relevant information on prices, the range of different products available, and quality, in a way that will make comparisons easy for customers, allowing them to make informed choices.

Price lists are available in our locations and over the phone. We have already posted our crematoria prices online and have basic pricing available online for all funeral services.

Central to transparency and greater information for customers must be a recognition that there is significant variation in the quality of funeral services, and quality differentials are not always visible to customers. Funeral services are not a homogenous commodity. We would encourage the CMA to explore ways to allow customers to compare the different service providers and their respective facilities and services.

Resulting in better outcomes for customers for the long-term

We note that there is a significant focus on historic pricing in their interim report. Price is hugely important for our customers, and we are committed to offering fairness and transparency in our pricing structure. While we understand the CMA has some concerns in this area, we believe there are some key points that warrant further consideration and clarification in a market investigation.

First, we have taken steps to reduce prices and change our pricing structure both on simple and full funeral services. Structural factors that contributed to historic price rises in the sector are now changing. We therefore envisage a sustained, long-term change of approach to pricing and have communicated this to our investors.

Second, we believe that many of our customers are price aware and actively exercise informed choice. In many cases where death is anticipated, the decision process can begin earlier.

Third, we believe it is important to take into account quality in any analysis of how competition works in this market. Many aspects of quality are not observable to the customer in advance, and it may be the case that customers use pricing as a guide to quality in addition to recommendations from others. We would encourage the CMA to think about how best to measure customers' preferences for quality and to understand the costs of quality in terms of operating costs, capital expenditure on maintenance and investment in both front of house and back of house facilities.

We consider that their interim report does not sufficiently consider these issues and see the full investigation as an opportunity to undertake a more thorough analysis.

Supporting financially vulnerable customers

We recognise that some customers face particular challenges in relation to funeral affordability.

We already have processes in place to support these customers, including affordability checks and signposting to more affordable options where appropriate. We have a longstanding policy of providing child funerals for free across both our funeral and crematoria businesses, with around 1,000 child funerals performed at no cost each year. We have introduced a number of new low-cost, affordable options which increase choice for customers and in October 2018 introduced the lowest price, nationally available, attended cremation service through our Simplicity proposition.

HM Treasury's consultation on the funeral plan sector

HM Treasury is continuing its consultation into the pre-paid funeral plan market, which it announced in June 2018. Dignity has led calls in recent years for regulation and its research, published together with Fairer Finance, has highlighted the poor sales practices and financial management risks that certain providers engage in. An update from HM Treasury is expected in the first half of 2019 and Dignity hopes HM Treasury acts swiftly to regulate the market and minimise further consumer detriment.

Chief Executive's review continued

Serving an evolving market

The UK funeral market

The UK funeral market is getting more complex. The internet continues to change everything, and consumer behaviour is evolving rapidly. Until 2015, the death rate slowly decreased while the number of funeral directors has increased rapidly.

Scale and structure of the market

The funeral director market remains very fragmented, with approximately two thirds of funeral directors being small owner-manager businesses. There are approximately 290 crematoria in the UK, with around 66 per cent owned by local authorities. It is estimated that three quarters of all funerals result in a cremation with the remainder being burials.

In 2018 the initial publication of recorded total estimated deaths in Britain for 52 weeks was 599,000, a small increase on 2017. Some of the Group's key performance indicators rely on the total number of estimated deaths for each period and this information is obtained from the Office for National Statistics (ONS). The ONS expects long-term increases in the number of deaths, reaching approximately 700,000 per year by 2040.

Increasing competition

The funeral market is already extremely competitive, however, more can be done to improve the ability of customers to exercise the choice that exists, especially through greater pricing transparency.

The pre-paid funeral plan market environment

The UK pre-paid funeral plan market declined in 2018. New plan sale volumes for providers registered with the Funeral Planning Authority, which represents more than 90 per cent of the market, were 177,000 in 2018, a reduction of 15 per cent against the 207,700 plans sold in 2017.

Consumers have become wary of the market following heightened negative press surrounding poor industry practices and HM Treasury announcing a consultation considering formal FCA regulation of the market.

Price competition intensified in 2018, with many of the leading providers cutting their prices. The majority of plans continue to be sold directly through funeral directors, but significant plan volumes are still being written by online lead generators and outbound call centre operations.

The evolving trends and dynamics shaping the funeral sector, how we operate and serve our customers.

Increasing competition

Connecting digitally

Changing attitudes and behaviours

Price and affordability

Flexibility and choice

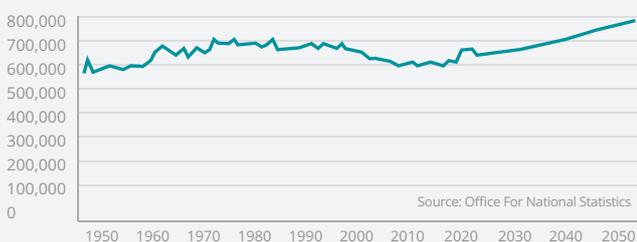
77%

The proportion of funerals involving a cremation has grown in the past 60 years, from 35 per cent in 1960 to 77 per cent in 2018.

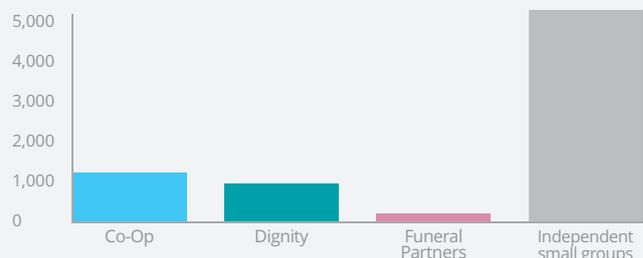
Source: Cremation Society Statistics

Deaths in Great Britain

Long-term expectations are for the number of deaths to reach 700,000 by 2040.



Number of locations



Chief Executive's review continued

The Transformation Plan Funeral services

Our Transformation Plan

Our Transformation Plan has been developed following a major strategic review in 2018. The Board has appointed a Transformation Director who is driving change with full project management support. Execution of the Transformation Plan is scheduled to be complete by the end of 2021.

The need for change

The combination of increased price competition and more demanding consumers requires a new approach, namely, a radical transformation of our business and business model.

The landscape in our industry has changed, with a growth in lower-quality providers, lower-cost funeral alternatives and with online channels driving increased price transparency.

Consumers are becoming more demanding and sophisticated. Values are changing, there is increased secularism and a growing demand for personalised, lower-cost services, supported with online resources. There are fewer visits to the High Street and more online research and shopping around.

Market opportunity

While this degree of change could be seen as unnerving, we chose to see it as an opportunity. Our response will be to build a lower-cost model and build recognisable national brands associated with quality in support of competitive prices. Specifically, we will grow our presence in the low-cost cremation market.

We will embrace online and build a leading digital presence; unbundling our full service funeral pricing to create a more compelling proposition and greater flexibility for clients; and further develop our low-cost Simplicity Cremations service.

Strategic review

The strategic review took place over the first half of 2018. It involved focus groups and quantitative surveys with clients, consumers and other stakeholders from across the market. The company analysed data spanning the last 10 years on clients, transactions, fleet, property and people. It involved a review of our branch network footprint and service delivery model. And we engaged, naturally, with staff to gather their insights and perspectives.



Increasing price competition

Changes in landscape

- Growth in lower-quality providers.
- Growth in lower-cost funeral alternatives.
- Online channels driving increased price transparency.

Our strategic response

- Build a lower-cost model.
- Build recognisable national brands associated with quality to support the pricing proposition.
- Promote adoption of enhanced professional standards across the industry.
- Grow presence in low-cost cremation market.

More demanding, sophisticated consumers

- Changing values e.g. increased secularism.
- Growing demand for personalised, lower-cost services, supported with online resources.
- Fewer visits to the High Street with more online research and shopping around.

- Embrace online and build leading digital presence.
- Unbundle full service funeral pricing to create a more compelling proposition and greater flexibility for clients.
- Align arrangement process to evolving client requirements (with increasing mobility for client-facing roles).
- Further develop the low-cost Simplicity proposition.

Chief Executive's review continued

Components of the Transformation Plan

1 Modernise the client proposition



- Implement more client-centric service model



- Launch new product and pricing structure



- Build national brands (Dignity and Simplicity)

2 Invest in and simplify the operating model



- Separate front and back of house



- Right-sized branch network



- Scale operating networks

3 Streamline central support and invest in technology to centralise and automate administrative processes



- Simplified, focused management structure



- Invest in support capabilities and IT systems

Our Transformation Journey

In 2018 we embarked on a wide-ranging Transformation Plan backed by a major investment programme. This three year plan will create a funeral business that remains focused on quality, while being able to adapt to, and lead, a changing marketplace.

Continuing to provide a consistently high level of service to our clients is vital during and after this time of change along with building the infrastructure to deliver a future-ready proposition.

We are making good progress in planning and preparation and have built the strong momentum necessary to deliver our plan.

Financial implications

Strong cash generation will support planned investments and costs which form part of the Plan. Overall expected cost remains at £50 million.

A three year transformation timeframe

Activity	2018	2019	2020	2021
Modernise the client proposition	<ul style="list-style-type: none"> • Roll out proposition nationally in 2019 • National brand building alongside existing trade names to take to end of 2021 			
Invest in and simplify the operating model	<ul style="list-style-type: none"> • Detailed planning and solution testing complete • Reconfigure operating networks and roll out new operating model 			
Streamline central support and invest in technology to centralise and automate administrative processes	<ul style="list-style-type: none"> • Invest in capability gaps for transition and support functions. This has started and will be complete by mid 2020 • Develop IT strategy and specify solutions 			

Chief Executive's review continued
The Transformation Plan continued

1. Modernise the client proposition



Simplicity

- Affordable and dignified low-cost cremation.
- Range of services expanding.
- Address growing demand for value-only services.
- Currently online only.

Simple

- Simple funeral in line with market standards.
- Some, but few, options to tailor service.
- Competitive entry price point for full funeral.

Tailored service

- Flexible offer allowing client to fully customise a funeral to their needs.
- Lower entry price but still commensurate with high levels of service to the client.
- Provides fully unbundled pricing for online research and shopping around.



What our customers are telling us

- They want choice, flexibility and high levels of service.
- Willing to use technology to arrange or modify funerals.

Chief Executive's review continued

Adapting our service model to better suit evolving client needs and to improve efficiency

We will provide client-facing staff with better tools to improve service levels and efficiency. This will include having vehicles and mobile devices to support arrangements at a location of the client's choice.

We will reward the delivery of key objectives such as exceptional client service and will drive increased front line productivity through more flexible ways of working.

A new tiered proposition providing greater flexibility to meet individual client needs

We will implement across our business a structure of services that gives clients the most appropriate range of choices. This will be achieved through ongoing testing of different propositions to ensure their appropriateness.

Building our national brands leverages our scale and addresses the needs of increasingly digital clients

We will build known, national brands to leverage our scale advantage in the digital age. We will market our commitment to high standards of care, quality of service delivery and competitive entry prices.

In our full service offer we will increase the prominence of the national brand over local brands while retaining strong local names. In the low-cost market we will grow Simplicity into the leading national provider of low-cost cremations.

Areas of focus in 2019

Building on the successes of 2018, the focus will be on:

- Implementing trials of new technologies in simplified forms to test client responses;
- Further trials of different service propositions;
- Relaunch the Dignity brand; and
- Further support and marketing of the Simplicity brand.



Chief Executive's review continued
The Transformation Plan continued

2. Invest in and simplify the operating model



Enabling specialisation and efficiency gains by separating front and back of house activities

Front of house

This will increase the focus on client service and community engagement, will establish a flexible arrangement model to meet changing consumer needs as these migrate from local to digital, and will enable us to move to more appropriately-sized locations.

Back of house

This will increase the focus on operational efficiency, create a superior operational platform for future growth and leverage organisational scale to realise operational efficiency benefits.

The existing network will be right-sized and enhanced and greater efficiency in funeral delivery will be achieved by leveraging scale and better allocating resources.

We expect to reduce the number of branch networks we operate from more than 120 to approximately 75. The average number of funeral locations per network will increase and we plan to move from a mix of distributed and centralised operations to centralised operations where appropriate.

Optimise network footprint

- We will rationalise locations with low performance or highly overlapping catchments.
- There will also be targeted satellite expansions to extend geographic coverage.

Mobile client-facing staff

- We will introduce mobile staff to extend coverage to areas where traditional branches are not economic.

Branch formats

- The Group will operate different formats to suit the focus of particular locations.

Maintain facility quality

- We will ensure all facilities continue to set the industry standard for the quality of care provided for the deceased.

Chief Executive's review continued

3. Streamline central support and invest in technology to centralise and automate administrative processes

Consistency and focus in management roles

We will introduce consistent management roles nationwide in support of the strategy. There will be operational focus with managers unencumbered by non-management tasks. We will create specialised front and back of house roles to support process excellence and introduce clearly defined KPIs to assist management. We will also provide greater recognition of strong performance and reduce overall costs.

Central investment will enable improved support function effectiveness

Finance will automate and centralise supplier/client payments and produce standardised reporting. The marketing function will produce centrally created marketing materials and improve the targeting of digital spend. There will be centralised HR capabilities to reduce management time spent on non-core activities. We will also realise savings in key procurement activities such as mortuary equipment and stationery.

New IT capabilities to improve operational efficiency and enable delivery of plan

Our CRM System will enable consistent and informed communication and support for clients along the full journey from initial contact to final follow up, potential referrals or returning clients.

Our tablet based arrangement software will capture funeral arrangement data digitally to maximise accuracy and efficiency (versus the existing paper based process) and provide rich, relevant visual content e.g. choice of flowers. A workflow management tool will implement a new end-to-end workflow system to optimise funeral arrangements and the delivery process. Resource management will optimise the scheduling of limousines and hearses to maximise usage and also optimise the rostering of funeral director and support staff.



Areas of focus in 2019

In order to support efficient operational activity, it is essential that central processes are streamlined. Focus will therefore be on:

- Introduction of consistent management roles nationwide;
- Finalisation of the overall IT strategy and selection of relevant IT partners to support change;
- Modernisation of business intelligence reporting to support operational activities; and
- Implementation of a modern purchase-to-pay solution for all procurement activities.

IT roadmap established

As so much of our Transformation Journey will rely on having the right IT solutions we have laid out a clear IT roadmap.

This addresses:

- A full maturity assessment of our IT systems and services today;
- The plan of where we will invest in our IT capabilities to support the delivery of our strategy;
- Review of alternative overarching architecture options;
- Prioritisation and selection of individual applications to enable the strategy; and
- Selection of partners to work with on our implementation plans.

Chief Executive's review continued

People are central to realising our Transformation

Our people

Our people will be central to the success of our Transformation. Perhaps the most crucial group will be those who have direct contact with our customers. It is essential that our service levels, of which we are justly proud, do not falter.

Managers across the business also have a major responsibility during this time of change to keep close to their teams. To encourage and to lead by example. The same is true of the Board. We have a duty to make the best decisions we can but also to make sure that we communicate well and lead by example. This may well be the biggest test that we have faced in the last 20 years.

A strong management team

The Board acted decisively at the beginning of 2018, recognising that the business had to change radically. Since that decision was taken the senior management team across the Group has responded swiftly and well in supporting this decision. I am confident that we are on the front foot as we face what will be a challenging and testing time.

An enhanced communications strategy

One of the consequences of the decisions taken last year has been to review the way we communicate and explain ourselves. While we have always done this with investors, we are now increasingly reaching out to other groups; policy makers, regulators and the general public, to cite just three. Above all, we are looking to improve the quality of our dialogue internally.

Why culture matters

The culture of a company matters, no more so than in one which is in contact with people at one of the most difficult times of their lives. We already have a strong and caring culture. It is essential that this culture remains rooted and strong as the Group transforms. The transformation is about the type of service and value-for-money that we offer customers. We have demonstrated significant flexibility with our prices over the past year and this will continue. What is not negotiable is the care and attention we give our customers. That compassionate culture has grown and strengthened over many years and is the cornerstone of who we are.

Engaging with and managing the expectations of wider stakeholders

While our employees are crucial to the success of our plan we are also mindful of our wider stakeholders. These include shareholders, customers, industry bodies and politicians and as industry scrutiny grows, this last group will become increasingly important. Explaining ourselves and the industry, while also continuing to call for regulation, will remain an important strand to our communications.

Engage

We need to do more than communicate. We need to engage fully with our staff. This is an essential element in the work of the Transformation Team and good progress is being made.

Empower

Having engaged, we will work to ensure that they are empowered, able to take responsibility and action.

Enable

Having empowered our employees, the final piece of the jigsaw for our managers and the Group is to make sure they have the tools to do the job.

We are truly a people business focused on delivering excellent client service. This is in our DNA and shapes interactions with all our stakeholders.

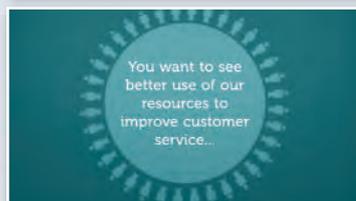
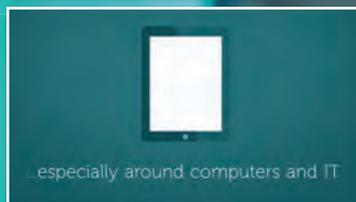
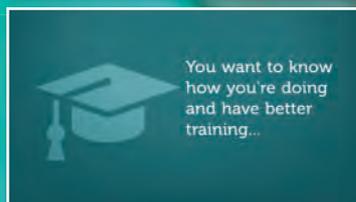
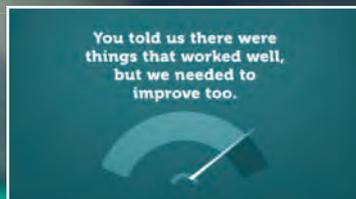


Chief Executive's review continued



Engaging with our employees

The Board and senior management team knows that it needs to improve the quality of its communication and engagement with employees. We know that this has to be a two-way process: megaphone communications will not and cannot work in the modern age.



ENGAGING
 RESPONDING
 CHANGING
 EVOLVING
 ADJUSTING
 TRANSFORMING
 IMPROVING
 PROGRESSING
 ADVANCING

Shaping the future

Leadership

Our focus at present is on transforming the Group and securing a sustainable and successful future. But we also want to help shape the future beyond the four walls of our Group. We see the bigger picture of a changing industry, one in need of minimum standards and regulation.

Standards, quality and regulation

We are proud of the stand we have taken with regard to campaigning and arguing for minimum standards, quality and regulation in our industry. But we will not be content until this becomes a reality.

As an industry leader

We are one of the largest companies in the funeral sector and as such have a responsibility as a good corporate citizen to lead. This means listening to customers and finding out what they want, along with making their and our case to the powers that be.

Our broader societal purpose

As a leader we have to take account of broader issues than just our own performance as a business. Of course it is essential that we deliver value to our shareholders. But it is also important that we provide value to our customers and make a positive contribution to society at large. As a funeral company, we are involved in a fundamental and timeless human ritual and we are mindful of the responsibility this places on us.



Research and insight

Societal trends over the next ten years

Our recent research projects mean that we have a good understanding of trends in society with regard to funerals. One might assume that in the next ten years almost universal digitisation and individualisation of funerals is inevitable and becomes the norm. One might predict a rapid increase in "green" funerals. But we might be wrong on at least one of those counts, which means we will continue to research and test our assumptions and remain alert to the unexpected.

In 2018 we published two significant research projects which helped us understand the big picture as well as crucial smaller details. For example, our major research project into funerals revealed that 92 per cent of people were unaware that funeral directors are not already regulated and 80 per cent of participants supported regulation of minimum professional standards. At a more granular level, our crematoria research revealed that 59 per cent of people felt that 30 minutes for a service was not long enough. 13 per cent of all crematoria have times of 30 minutes or less and 30 per cent have times of less than 45 minutes. Approximately 72 per cent of Dignity's own crematoria allocate 60 minutes, with the remainder of locations offering 45 minutes for a standard service.

Chief Executive's review continued

Our future, our vision



Beyond Transformation

Our focus is rightly on the transformational challenge we face and achieving our goals will be tough. However, sizing up this challenge has re-energised the Group because we recognise that with change comes opportunity.

We are excited about the future. Excited about the possibilities that will open up for the business and excited about the role we can play in helping to raise standards in the industry. We have a renewed vision and a clear purpose.

We therefore look to the future with confidence and anticipation.

Q&A

Outlook Q&A

with Mike McCollum, Chief Executive

Q. Do you fear a full market investigation by the CMA?

A. No. We know that these types of investigation, while they are running their course, can create a bumpy ride for major players like ourselves. However, what matters is the outcome and the final report and what we want the outcome to be is for customers to make more informed choices and an industry which is on the road to being properly regulated. It goes without saying, of course, that we will defend ourselves robustly from unfair and malicious criticism from those who may seek commercial or other advantages from the heightened profile that such an investigation creates.

Q. Are you part of the industry's problem or the solution given some of the negative comments made by the CMA in their interim report?

A. We have taken issue with a number of points made in the CMA's interim report and published our response on pages 19 and 20 of this Report and Accounts. More generally, we think we are an important part of the solution because as a Group we know what "good" looks like in terms of quality and standards. For many years we have operated and behaved in a way that is consistent with what we believe would be expected if the industry were regulated. We would welcome clear communications of standards and an industry where the consumer could be confident that minimum standards are being universally met.

Q. How likely is the Transformation Plan to go as expected?

A. We are confident in achieving the desired outcome, namely, a stronger business, fit to face the future with confidence. Having said that, over the next three years there will almost inevitably be the challenge of the unexpected, often events and circumstances largely beyond our control. This is where managers and Directors prove their worth and we as a Board fully expect to have to prove ours in that time. The task we face is not easy, we are under no illusions about that but we are confident we will deliver.

Q. Do you regret the prices you were charging as recently as 2017?

A. No. We delivered high-quality at a fair price and with 99 per cent of clients saying we met or exceeded their expectations and 85 per cent saying the price they paid was what they expected. Since then the market has changed, price competition has intensified and consumers have become more price-conscious (but not less quality-conscious).

Q. How many jobs will be lost in delivering the Transformation Plan?

A. Whilst regrettable, we anticipate about 300 over the three years of the Transformation Plan, but further careful consideration will be necessary before we conclude. We hope the vast majority of any such changes will come from natural staff turnover.

Strategy and business model

A strategy and business model built on long-term relationships

In last year's Annual Report, the Board took decisive action and announced a change in strategy in the light of increasing competition and market share erosion.

Our strategic objectives

Protect market share and reposition the Group for growth

Our key strategic objective and priority continues to be to protect market share and reposition the Group for growth.

How:

- By offering a wide choice of new price points and services to our clients while preserving our unrivalled levels of service.
- By continuing to prioritise excellent client service regardless of market segment which we believe will lead to organic growth.
- Through the launch of our Transformation Plan, following a rigorous review of our funeral operations, they will be organised to run more efficiently and effectively.

Establish new market positioning

We establish ourselves as the best value service provider in the market.

How:

- By combining our unrivalled service levels based on historic, long-term investment, with a new, competitively priced range of service and product options for clients.
- Through our comprehensive digital strategy be the leading online presence in the funeral sector.
- Build our brands to stand out in an increasingly commoditised and competitive market.

Re-base the business model and market expectations

Find the optimum relationship between price, service and demand for our funeral business going forward.

How:

- By building on the trials started in 2018 to gauge the market response to various pricing scenarios while maintaining our high levels of professional service and care.
- Segmented approach to the market, borne out by the developments of the Simplicity business.

Our overall strategic approach

Our strategic objectives and the means of delivering them are based on the following four key elements:

1 Continue to build on the strong fundamentals of the business and use these as a platform for change

These strengths, which derive from our well-established and highly regarded local businesses, our proven ability to deliver exceptional service and strong corporate governance, allows us to remain robust and flexible in the face of change.

2 Be more distinctive in the marketplace

Define clear market positions and build on our positive reputation, and business, by delivering a high-quality and value-for-money service.

3 Embrace technology in developing and delivering our services for customers

Efficient use of appropriate technology will help to create significant improvements in how the Group operates, understands its business and delivers outstanding service to its clients.

4 Continue to be a good corporate citizen

Corporate responsibility is integral to our business as it supports the delivery of our strategy and aligns with our values.

Strategy and business model continued

How we operate

Operating profitably and efficiently:

- Our consistent track record in strong cash generation and financial discipline enables us to reinvest and grow the business. We generate revenues from new and returning clients. This discipline means that we expect to fund the Transformation Plan from existing resources.

Controlling and measuring performance:

- We do this by making well informed decisions, supported by careful risk management and good governance.

Operating responsibly:

- We do this through embedded policies and robust initiatives, appropriate to the distinct needs of our stakeholders, alongside reducing our impact on the environment and making a positive social impact.

Maintaining performance across our operations:

- We strive to provide our clients with the highest standards of facilities, service and care. We achieve this by our commitment to continuous improvement and investment in our portfolio and consistently delivering excellent client service.

Building strong relationships:

- Our clients are the foundation of our business and their trust is earned through our actions both individually and as a Group.
- Our people are our most important asset and we value and invest in them as they are integral to the delivery of our strategic objectives.
- For shareholders, our priority is to reposition the Group for long-term success.
- We play an important part in, and are valued by, the local communities we serve and we are committed to making a difference.

Creating and delivering value



Our clients

- Our objective is to be the company that everyone knows they can trust in their time of need. We achieve this through continuous improvement and delivering products and services to our clients.



Our people

- We believe that the quality of our people is a strong enabler of business growth. We value our people and they are a great asset. We support them by recognising and rewarding performance and long service plays a key part in this.



Our shareholders

- We aim to deliver the best possible operational performance from the business to deliver maximum returns to our shareholders over the long-term.



Communities

- Contributing to the communities in which we operate benefits both local people and our business. It enhances our profile and reputation and promotes employee engagement.

Governance

Our approach to good governance continues to be robust and effective. Clear Board roles and governance processes offer balance and experience to our strong executive team, helping drive strategic and performance progress.

Risk

Dignity has a well-established risk management process which is embedded within its business to support the identification and effective management of risks across the business.

KPIs

The Group uses both non-financial and financial KPIs to manage the business and ensure the Group's strategy and objectives are being delivered.

Remuneration

Our strategy is focused on delivering short and long-term financial performance. Earnings targets, share price return and the achievement of strategic objectives are measures of performance used to incentivise Executive Directors to deliver the Group's strategy.

Key performance indicators

Measuring performance



The link between our strategy and our KPIs

Historical KPIs remain relevant

The Group has had a consistent set of KPIs used to monitor the performance of the business against its strategy for many years. These KPIs have continued to remain relevant during the changes in the last year.

New KPIs for 2018

The average income per funeral will be a key driver of operating performance and will therefore be formally reported as a KPI with effect from this Annual Report.

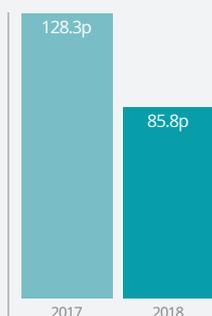
Transformation Plan KPIs

As each element of the Transformation Plan is executed, measures of success will be defined. Where relevant and not commercially sensitive, these will be viewed as Group KPIs and reported accordingly in future trading announcements.

Alongside this, further detail, such as summaries of investments made, and average income by funeral type, will be provided.

Financial KPIs

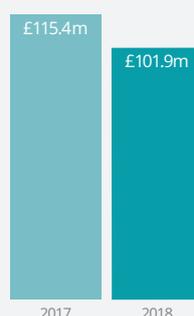
Underlying earnings per share (pence) **85.8p**



Definition
This is underlying profit after tax divided by the weighted average number of Ordinary Shares in issue in the period.

Developments in 2018
The reduction follows the decrease in underlying operating profit.

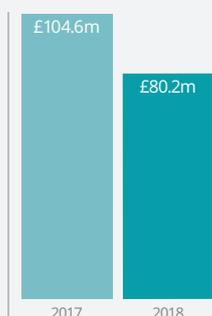
Underlying cash generated from operations (£m) **£101.9m**



Definition
This is the statutory cash generated from operations excluding non-underlying items.

Developments in 2018
The Group continues to convert operating profit into cash efficiently.

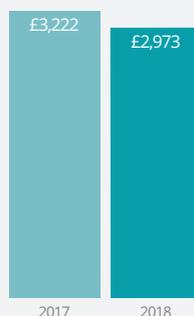
Underlying operating profit (£m) **£80.2m**



Definition
This is the statutory operating profit of the Group excluding non-underlying items.

Developments in 2018
Underlying operating profit declined year-on-year, but was ahead of market expectations.

Average income per funeral (£) **£2,973**



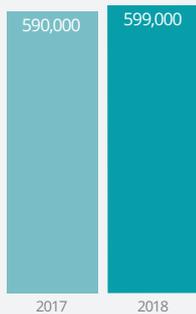
Definition
Net funeral revenue divided by the number of funerals performed in the relevant period.

Developments in 2018
This reduced year-on-year in line with the Group's strategic price changes.

Key performance indicators continued

Non-financial KPIs

Total estimated number of deaths in Britain (number) **599,000**

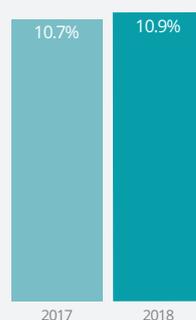
**Definition**

This is as reported by the Office for National Statistics.

Developments in 2018

Deaths were higher than originally anticipated in the period.

Crematoria market share (per cent) **10.9%**

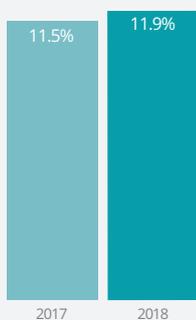
**Definition**

This is the number of cremations performed by the Group divided by the total estimated number of deaths in Britain.

Developments in 2018

Market share has increased, reflecting the effect of increases in the number of locations combined with an increase in the number of Simplicity and other direct cremations being performed.

Funeral market share excluding Northern Ireland (per cent) **11.9%**

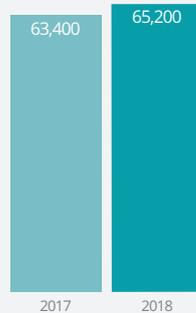
**Definition**

This is the number of funerals performed by the Group in Britain divided by the total estimated number of deaths in Britain.

Developments in 2018

Growth in market share reflects acquisition activity and the stabilisation of comparable funeral market share driven by price and service changes.

Number of cremations performed (number) **65,200**

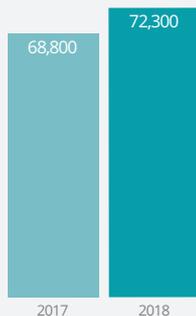
**Definition**

This is the number of cremations performed according to our operational data.

Developments in 2018

Changes are a consequence of the total number of deaths and the Group's market share.

Number of funerals performed (number) **72,300**

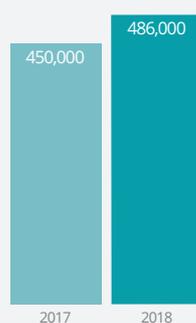
**Definition**

This is the number of funerals performed according to our operational data.

Developments in 2018

Changes are a consequence of the total number of deaths and the Group's market share.

Active pre-arranged funeral plans (number) **486,000**

**Definition**

This is the number of pre-arranged funeral plans where the Group has an obligation to provide a funeral in the future.

Developments in 2018

This increase reflects continued sales activity offset by the crystallisation of plans sold in previous periods.

How we measure performance

- We monitor our performance by measuring and tracking KPIs that we believe are important to our longer-term success.
- Each KPI reflects a quantifiable measure of different aspects of the Group's strategy. They act as headlines for the Board, allowing them to use more detailed management information to consider the Group's strategy and financial performance in greater depth where appropriate.
- Our KPIs and goals are set to measure our progress in improving our financial performance and in embedding sustainable long-term growth.

Our KPIs are aligned with our strategic objectives

All KPIs are focused on ensuring that the Group delivers the strategy set at the beginning of 2018. No particular KPI is solely relevant to one aspect of the Group's strategy.

Key performance indicators continued

Our objective is to lead the funeral sector in professional standards and services. Our priorities and our success are determined by our impact on our clients.



Delivering excellent client service

Our business has been built with a focus on high-quality service delivery and we closely monitor the results of our client surveys to ensure we continue to maintain the highest levels of excellent client service and standards of care.

Customer perception on quality and value-for-money

Although many things are changing within the industry, it is still the case that reputation, recommendation and previous experience are key to protecting our market share. To achieve this, we need to ensure our clients perceive us positively and consider us to provide value-for-money, irrespective of the type of service we have performed for them. Our survey data helps us understand this.

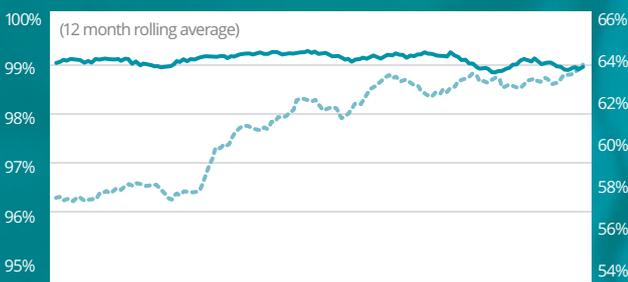
Broader client choice

Clients' needs are changing: not everyone wants a traditional funeral; some may want more personalised choices as part of a traditional funeral service. Dignity already provides these choices and uses the survey data to understand how clients have responded to that choice. Alongside this information, meaningful information on website and telephone activity is analysed to refine the choices we provide.

Brands and customer experience

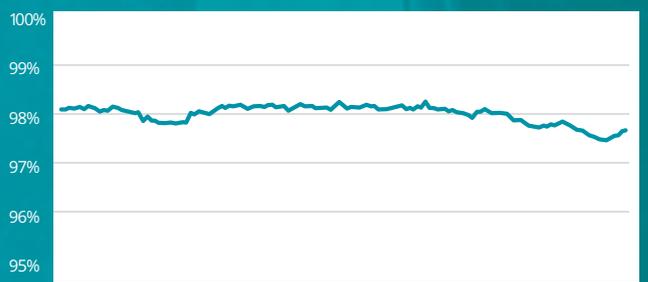
Awareness of our brands and a positive customer experience will help protect and ultimately grow market share. Our surveys provide some information and we support this through broader activities to understand how aware people are of our brands.

Meeting and exceeding expectations (% of clients)



Met and exceeded expectations (left hand axis) Exceeded expectations (right hand axis)

Recommending our services (% of clients)



Percentage of clients willing to recommend Dignity's services

Key performance indicators continued

Alongside the expansion of our digital offerings, we continue to provide a greater choice for consumers and our focus on high standards and excellent client service remains central to our plans for the future.

Maintaining consistently high-quality and standards

We closely monitor the results of our client surveys which are conducted by our Funeral services division. In the last five years, we have received approximately 160,000 responses. This is our measure of how these services meet or exceed client expectations.

Our consistently high satisfaction scores reflect the strength of our relationships with our clients. We listen to our clients and use our survey responses to focus on areas in which we can improve and add value.

The Dignity Client Survey 2018

Reputation and recommendation

98.9% (2017: 99.0%)

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

High standards of facilities and fleet

99.8% (2017: 99.8%)

99.8 per cent thought our premises were clean and tidy.

97.7% (2017: 97.7%)

97.7 per cent of respondents would recommend us.

99.7% (2017: 99.8%)

99.7 per cent thought our vehicles were clean and comfortable.

Quality of service and care

99.9% (2017: 99.9%)

99.9 per cent thought our staff were respectful.

In the detail

99.2% (2017: 99.3%)

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

99.6% (2017: 99.7%)

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

99.1% (2017: 99.0%)

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

99.1% (2017: 99.1%)

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

98.4% (2017: 98.0%)

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

Financial review

A resilient financial performance ahead of market expectations



Steve Whittern, Finance Director

The financial performance reflects a challenging year as we prepared for a targeted investment funded by our strong capital base.

Introduction

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

Financial highlights

The Group's financial performance is summarised below:

	52 week period ended 28 Dec 2018	52 week period ended 29 Dec 2017	Decrease %
Revenue (£million)	315.6	324.0	3
Underlying operating profit ^(a) (£million)	80.2	104.6	23
Underlying profit before tax ^(a) (£million)	54.4	77.8	30
Underlying earnings per share ^(a) (pence)	85.8	128.3	33
Underlying cash generated from operations ^(a) (£million)	101.9	115.4	12
Operating profit (£million)	66.3	98.0	32
Profit before tax (£million)	40.5	71.2	43
Basic earnings per share (pence)	63.0	115.8	46
Cash generated from operations (£million)	94.9	112.5	16
Dividends paid in the period:			
Interim dividend (pence)	8.64	8.64	-
Final dividend (pence)	15.74	15.74	-

^(a) Further details of alternative performance measures can be found on pages 48 to 50.

The Board has proposed a dividend of 15.74 pence per Ordinary Share as a final distribution of profits relating to 2018 to be paid on 28 June 2019, subject to shareholder approval.

Alternative performance measures

The Group's alternative performance measures exclude non-underlying items. These items have been adjusted for in determining underlying measures of profitability as these underlying measures are those used in the day-to-day management of the business and allow for greater comparability across periods. Detailed information on non-underlying items is set out on pages 48 to 50.

Performance in 2018

Revenue

£315.6m

Revenue was £315.6 million (2017: £324.0 million).

Underlying operating profit

£80.2m

Underlying operating profit was £80.2 million (2017: £104.6 million).

Underlying earnings per share

85.8p

Underlying earnings per share were 85.8 pence (2017: 128.3 pence).

Transformation investment

£2.7m

We invested £2.7 million in the Group's Transformation in the period.

Financial review continued

Accordingly, the following information is presented to aid understanding of the performance of the Group:

	52 week period ended 28 Dec 2018 £m	52 week period ended 29 Dec 2017 £m
Operating profit for the period as reported	66.3	98.0
Add the effects of:		
Loss on sale of fixed assets	0.3	0.1
External transaction costs in respect of completed and aborted transactions	0.8	4.7
Acquisition related amortisation	4.9	1.8
Transformation Plan costs	2.7	-
Operating and competition review costs	2.7	-
GMP past service cost	1.4	-
Trade name write-off	1.1	-
Underlying operating profit^(a)	80.2	104.6
Net finance costs	(25.8)	(26.8)
Underlying profit before tax^(a)	54.4	77.8
Tax charge on underlying profit before tax ^(a)	(11.5)	(13.8)
Underlying profit after tax^(a)	42.9	64.0
Weighted average number of Ordinary Shares in issue during the period (million)	50.0	49.9
Underlying EPS (pence) ^(a)	85.8	128.3
(Decrease)/increase in underlying EPS (per cent)	(33)	7

^(a) Further details of alternative performance measures can be found on pages 48 to 50.

Earnings per share

The Group's statutory profit after tax was £31.5 million (2017: £57.8 million). Basic earnings per share were 63.0 pence per share (2017: 115.8 pence per share). Underlying profit after tax was £42.9 million (2017: £64.0 million), giving underlying earnings per share of 85.8 pence per share (2017: 128.3 pence per share), a reduction of 33 per cent.

Key changes in the profitability of the Group's funeral business

Underlying operating profit was £62.2 million (2017: £79.5 million), a reduction of 22 per cent. In broad terms, this can be explained by the following factors:

This is analysed as:	H1 £m	H2 £m	Full year £m
Underlying operating profit – 2017	45.1	34.4	79.5
Impact of:			
Number of deaths	5.5	(3.0)	2.5
Market share	(1.5)	3.0	1.5
Lower average incomes	(5.5)	(11.5)	(17.0)
Cost base increases	(3.5)	(3.8)	(7.3)
Acquisition activity	2.0	1.0	3.0
Underlying operating profit – 2018	42.1	20.1	62.2

Transformation Plan

Costs incurred in 2018

The Group incurred significant costs in 2018 to support the revisions to its strategy and to start the Transformation Plan. They can be summarised as follows:

	28 Dec 2018 £m
External advisers' fees	1.1
Brand development and marketing costs	1.1
Costs of additional staff to support the Transformation	0.5
Total costs incurred	2.7

The overall cost and benefit of the Transformation Plan

The Group's view of the overall cost of the Plan remain unchanged from that detailed in its 2018 interim results:

Costs

The Group anticipates a total investment of £50 million by the end of 2021 to deliver the Transformation Plan:

	Total £m
IT systems	6
Property and equipment	35
Other costs to implement plan	9
	50

£35 million of this investment is expected to be capital in nature. Approximately £17 million of this investment will be funded from surplus property disposals.

In addition to these non-recurring amounts, the Group anticipates £7 million per year of incremental costs:

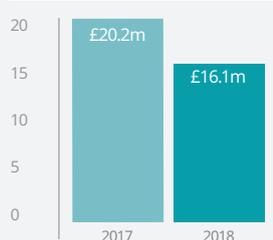
	Short-term (2021) £m	Long-term (2028) £m
Extending coverage (branch and service delivery network)	2	1
Investment in marketing and demand generation (central support)	5	6
	7	7

Benefits

The Transformation Plan is expected to realise the following net operating profit benefits:

	Short-term (2021) £m	Long-term (2028) £m
Branch and service delivery network	7	12
Streamlined management and administration	5	5
Investments in central support and IT	(4)	(4)
	8	13

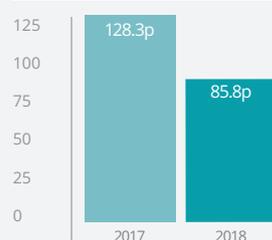
Maintenance capital expenditure (£m)



Underlying operating profit (£m)



Underlying earnings per share (pence)



Financial review continued

Maintaining highest standards of client service

New low-cost model and competitive pricing associated with quality

Strong cash generation supporting investment

A future-ready proposition

Positioning Dignity for long-term sustainable growth

Other items excluded from underlying operating profit

Amortisation of acquisition related intangibles

Amortisation of acquisition related intangibles reflects the write-off of acquired intangibles over the term of its useful life.

External transaction costs

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

Operating and competition review costs

In the first half of 2018 the Group incurred costs with external advisors to aid its operational review. Costs were also incurred with external advisors to support the Group's response to the CMA's funeral market study and HM Treasury's consultation on the funeral plan sector.

GMP past service cost

This represents the estimate for the impact of the implementation of Guaranteed Minimum Pension ('GMP') equalisation.

Trade name write-off

During the period, the Group closed the last location trading under a particular trading name. As this trading name had specific intangible assets related to it, they were required to be written-off.

Loss on sale of fixed assets

Losses from the sale of fixed assets are excluded as they are unconnected with the trading performance in the period.

Capital expenditure

Capital expenditure on property, plant and equipment and intangible assets was £25.0 million (2017: £27.0 million).

This is analysed as:	28 Dec 2018 £m	29 Dec 2017 £m
Maintenance capital expenditure:		
Funeral services	10.4	12.7
Crematoria	4.5	4.6
Other	1.2	2.9
Total maintenance capital expenditure ^(a)	16.1	20.2
Branch relocations	0.8	2.2
Satellite locations	1.4	1.1
Development of new crematoria and cemeteries	6.7	3.5
Total property, plant and equipment	25.0	27.0
Partly funded by:		
Disposal proceeds	(0.4)	(0.6)
Net capital expenditure	24.6	26.4

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

The Group will continue to invest in the maintenance of its existing portfolio of vehicles and funeral and crematoria locations. The Group's Transformation Plan will capture the majority of planned capital expenditure on its funeral business. Consequently capital maintenance expenditure in 2019 is expected to be lower than 2018.

Cash flow and cash balances

Underlying cash generated from operations was £101.9 million (2017: £115.4 million).

During the period, the Group invested £6.5 million in the acquisition of established funeral businesses. £5 million was invested in acquiring a further equity stake in Funeral Zone Limited which is a UK online funeral resource for funeral directors and clients. This brought the Group's total equity interest in Funeral Zone Limited to 23.8 per cent. Consequently, this investment is accounted for as an associate.

Other working capital changes were consistent with the Group's experience of converting profits into cash. These changes fluctuate year-on-year as a result of timings of the Group's year end and the level of bonuses paid.

Cash balances at the end of the period were £66.9 million (2017: £49.3 million). In its planning, the Group sets aside approximately £22.2 million for future corporation tax and dividend payments expected to be spent in 2019.

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 deficit of £25.2 million before deferred tax (2017: deficit of £24.0 million). As previously announced, during the period, the Group agreed a schedule of contributions with the pension scheme trustees following completion of the triennial valuation to April 2017. This has resulted in an annual cash obligation of £2.2 million with effect from 2018.

Following the Lloyds GMP equalisation case in October 2018, which ruled that treatment of men and women be brought in line for schemes with a guaranteed minimum pension, the Group has been required to recalculate member benefits. This has resulted in the Group recognising a past service cost of £1.4 million in the current year income statement, representing approximately 1.1 per cent of the Group's defined benefit pension liability.

Taxation

The Group's effective tax rate on underlying profits in the period was 21.2 per cent (2017: 17.7 per cent).

The current period underlying effective tax rate is higher due to the effects of prior year items, option schemes and permanent disallowables, with a tax impact totalling £1.4 million.

In 2019, the Group expects its underlying effective tax rate to be approximately one and a half to two per cent above the headline rate of corporation tax. This translates to an underlying effective rate of between 20.5 per cent and 21.0 per cent.

Financial review continued

Capital structure and financing

Secured Notes

The Group's principal source of long-term debt financing is the Secured A Notes and the Secured B Notes. The principal is repaid completely over the life of the Secured Notes and is therefore scheduled to be repaid by 2049. The interest rate is fixed for the life of the Secured Notes and interest is calculated on the principal.

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

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

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

It is not currently possible to issue further Secured Notes, as such an issue would require the rating of the Secured B Notes to raise to BBB by both rating agencies. In any event, the Group does not have any requirement to issue any further Secured Notes for the foreseeable future. This position will be reassessed following the completion of the Group's Transformation Plan.

Financial Covenant

The Group's primary financial covenant under the Secured Notes requires EBITDA to total debt service to be above 1.5 times. The ratio at 28 December 2018 was 2.55 times (2017: 3.24 times). This covenant calculation uses a prescribed definition of EBITDA detailed in the loan documentation and only represents the profit of a sub group of the Group which is party to the loans (the 'securitisation group'). EBITDA for this calculation can be reconciled to the Group's statutory operating profit as follows:

	28 Dec 2018 £m
EBITDA per covenant calculation – Securitisation Group	86.8
Add: EBITDA of entities outside Securitisation Group	13.9
Add: Non cash items ^(a)	(1.5)
Underlying operating profit before depreciation and amortisation – Group	99.2
Underlying depreciation and amortisation	(19.0)
Non-underlying items	(13.9)
Operating profit	66.3

^(a) The terms of the securitisation require certain items (such as pensions) to be adjusted from an accounting basis to a cash basis.

Revolving Credit Facility

The Group has the benefit of a £50 million Revolving Credit Facility ('RCF'), provided by the Royal Bank of Scotland, which is secured against certain trade and assets held by legal entities outside of the Group's securitisation structure. The RCF can be drawn down subject to a set of financial tests applied to these legal entities.

The facility is available until July 2021, with the option to renew, subject to the bank's consent at the time, by a further year. The margin on the facility ranges from 150 to 225 basis points depending on the resulting gross leverage.

This provides the Group ongoing flexibility in a cost effective manner, as if undrawn, the facility represents an annual cost of approximately £0.3 million. Given the Group's healthy cash balances, the RCF is undrawn at the time of the release of this announcement and as at the year end.

Net debt

The Group's net debt is analysed as:

	28 Dec 2018 £m	29 Dec 2017 £m
Net amounts owing on Secured Notes	(560.6)	(565.1)
Add: unamortised issue costs	(0.6)	(0.6)
Gross amounts owing	(561.2)	(565.7)
Accrued interest on Secured Notes	(12.3)	(0.3)
Accrued interest on Crematoria Acquisition Facility and Revolving Credit Facility	(0.2)	(0.2)
Cash and cash equivalents	66.9	49.3
Net debt	(506.8)	(516.9)

The Group's gross debt outstanding was £561.2 million (2017: £565.7 million). Net debt was £506.8 million (2017: £516.9 million).

The market value of the Secured Notes at the balance sheet date was £531.6 million (2017: £686.5 million).

Whilst the Group has no plans to do so, should it wish to repay all amounts due under the Secured Notes, the cost to do so at the year end would have been approximately £751.6 million.

Net finance costs

The Group's underlying finance costs substantially consist of the interest on the Secured Notes and ancillary instruments. The net finance cost in the period relating to these instruments was £24.8 million (2017: £25.1 million).

Finance costs of £nil million (2017: £0.4 million) were incurred in respect of the Crematoria Acquisition Facility.

Other ongoing finance costs incurred in the period amounted to £1.2 million (2017: £1.4 million), including the unwinding of discounts on the Group's provisions and other financial liabilities.

Interest receivable on bank deposits was £0.2 million (2017: £0.1 million).

Financial outlook

IFRS 15, Revenue from contracts with customers

The Group has completed its assessment of this accounting standard, which is effective for its 2019 accounting period. The standard will result in a change to the Group's accounting policies for the sale of trust based pre-arranged funeral plans.

The Group plans to apply the modified retrospective application approach, meaning that comparative periods will not be restated according to IFRS 15. Instead, the cumulative effect of the application of the standard will be recognised in the opening balance sheet reserves for 2019.

Further details are included in the Group's accounting policies on pages 110 and 111 of the 2018 Annual Report.

The Group intends as a consequence of these changes to update its definition of underlying operating profit. This is set out in the section on alternative performance measures on page 49 and details the revised underlying operating profit that will be used by the Group for comparative purposes when it announces its 2019 results, beginning with the first quarter trading update in May 2019.

Q&A

Q&A with Steve Whittern, Finance Director

We are committed to delivering our Transformation Plan and to creating and sustaining long-term value

In 2018, we delivered a resilient financial performance ahead of market expectations. The fundamentals of our business remain compelling and strong and we have continued our relentless commitment to quality, value-for-money and service levels.

Outlook

Through the delivery of our Transformation Plan we have a major opportunity to provide sustainable long-term value and lead the industry in terms of standards and value-for-money. Strong cash generation will enable us to continue to invest in our business in line with our strategic objectives.

Q. When will you have a proper understanding of the options that different funeral price/service configurations will give you with regard to average funeral prices?

A. Our understanding will evolve during 2019 as we continue our trials.

Q. Do you have an achievable average funeral price in mind at present?

A. We anticipate average income per funeral in 2019 to be approximately £2,940.

Q. Will you put your prices up the moment that attention from the likes of the CMA investigation goes away?

A. Our pricing strategy is driven by changing market conditions and a need to meet customer needs for quality at a lower price. It was introduced well before the CMA announced a possible full investigation into the funeral industry.

Q. How much investment do you plan to make in support of the Transformation Plan in total?

A. The Group anticipates a total investment required of £50 million, of which £35 million will be capital in nature. This is anticipated to be partly funded by £17 million of property disposals, being properties no longer required for the future efficient operation of the business.

Q. When do you think you will return to making acquisitions?

A. When it makes sense for us as a business to do so. For the foreseeable future, while we are implementing our Transformation Plan, it would make no sense and would be operationally extremely difficult to buy and integrate a business into what is a changing operational landscape within the Group.

Board of Directors

A strong, balanced and experienced Board.

Our Board members provide a strong and complementary mix of skills and experience and together are committed to building the long-term success of the Group.

Peter Hindley
Non-Executive Chairman



Peter Hindley N
Non-Executive Chairman
Appointed to the Board: 2004

Background and experience: Peter has extensive experience of the industry having been appointed Chief Executive of Plantsbrook Group plc in 1991. He subsequently led a leveraged buy out of Dignity 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 held a number of senior positions in retailing. Peter was appointed Chairman of the Steering Committee of the French funerals group OGF, SA in January 2014.



Mike McCollum
Chief Executive
Appointed to the Board: 2004

Background and experience: Mike joined Dignity's former parent, SCI, in 1995 from KPMG Corporate Finance in London. As Finance Director he was part of the management team that guided the Group through the leveraged buy out in 2002 and IPO in 2004. He was appointed Chief Executive in 2009. He is a solicitor and also holds an MBA from Warwick University.

External appointments: Non-Executive Director of CVS Group plc.



Steve Whittern
Finance Director
Appointed to the Board: 2009

Background and experience: 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 has led the three refinancings and Returns of Cash since 2010, and the debt and equity funding for the Yew Acquisition in 2013. Steve is a Fellow of the Institute of Chartered Accountants in England and Wales and holds a mathematics degree from Warwick University.

External appointments: Senior Non-Executive Director of Medica Group PLC.



Richard Portman
Corporate Services Director
Appointed to the Board: 2006

Background and experience: Richard joined SCI from HSBC to be Chief Accountant in 1999. Following the IPO, Richard was appointed as Company Secretary and became Corporate Services Director in 2006. Richard is a Fellow of the Institute of Chartered Accountants in England and Wales, holds a geography degree from the University of Birmingham, is a Companion of the Chartered Management Institute and is a Member of the Investor Relations Society. He is also one of the Trustees of the Dignity Welfare Trust.

External appointments: None.

Board of Directors continued



Jane Ashcroft CBE A N R
 Non-Executive Director
 Appointed to the Board: 2012

Background and experience: Jane is Chief Executive of Anchor Hanover, England's largest provider of housing and care for older people and held a number of senior positions since joining them in 1999 before appointment to her current role in 2010. She is a Board member and Vice-Chair of the National Housing Federation, and a founding member and Vice-Chair of the Associated Retirement Community Operators. A graduate of Stirling University, she is a Fellow of the Institute of Chartered Secretaries & Administrators, a Member of the Chartered Institute of Personnel and Development, a Trustee of The Silver Line charity and was awarded a CBE in the 2014 New Year's honours list.



David Blackwood A N R
 Senior Independent Non-Executive Director
 Appointed to the Board: 2015

Background and experience: David is a Non-Executive Director and Audit Chair of Scapa Group plc and a Non-Executive Director of Stobart Group Limited and has previously served as a member of the Cabinet Office Audit and Risk Committee and the Board for Actuarial Standards. He was Chief Financial Officer of Synthomer plc for seven years, stepping down in 2015, prior to which he held a number of senior roles with ICI plc. He is a member of the Institute of Chartered Accountants in England and Wales and a Fellow of the Association of Corporate Treasurers. David became Senior Independent Non-Executive Director of Dignity on 31 January 2018.



Tim George
 Company Secretary

Tim was appointed Company Secretary in December 2018 and is a Fellow of the Institute of Chartered Secretaries & Administrators.



Mary McNamara A N R
 Non-Executive Director
 Appointed to the Board: 2017

Background and experience: Mary McNamara is a Non-Executive Director and Chairman of the Remuneration Committee of One Savings Bank plc. She is also Senior Independent Director and Chairman of the Remuneration Committee of Motorpoint Group plc. Previously she was the Chief Executive of the Commercial Division for Close Brothers Bank. Prior to this Mary worked for GE for 17 years with leadership roles across the Consumer and Commercial Finance business.

Board composition, balance and tenure

The Board now comprises six Directors and the Non-Executive Chairman. There are the same number of independent Non-Executive Directors and Executive Directors which the Board considers to be an appropriate and effective combination.

Executive and Non-Executive Directors



■ Executive Directors
 ■ Non-Executive Directors
 ■ Non-Executive Chairman

Non-Executive Tenure



■ 0 - 3 years
 ■ 3+ years

Key to Committee membership

- A Audit Committee
- N Nomination Committee
- R Remuneration Committee
- Green background denotes Committee Chairman.

Executive Management Team

The Executive Management Team consists of the Executive Directors and Senior Managers.

The role of the Executive Management Team

The Executive Management Team is responsible for managing the detailed day-to-day tasks required to implement the strategy set by the Board.



Mike McCollum
Chief Executive

Full biography on page 43



Steve Whittern
Finance Director

Full biography on page 43



Richard Portman
Corporate Services Director

Full biography on page 43



Steve Gant
Crematoria Director

Steve joined what is now Dignity in 1988. His key area of responsibility is The Crematorium and Memorial Group. He began his career in the crematoria industry in 1983 and assumed management of the Crematoria division in 2003. Steve currently sits on the Executive for the Federation of Burial and Cremation Authorities and is part of the National Cremation Working Group for the Ministry of Justice, consulting on the revision and update of the Cremation Acts.



Andrew Judd
Director of Funeral Operations

Andrew joined what is now Dignity in 1996. He is responsible for all aspects of the Group's day-to-day provision of funeral services through a nationwide network of employees, funeral locations and associated facilities.

Andrew has progressed through a variety of roles within both the Co-operative Group and independent sectors. He holds a degree from Wolverhampton University in Economics and Business and holds additional professional qualifications in both Funeral Service Management and Funeral Directing. He has held office in both the British Institute of Funeral Directors and National Association of Funeral Directors. He is President of the National Association of Funeral Directors, Western Counties Area Federation.



Alan Lathbury
Business Development Director

Alan joined what is now Dignity in 1999. He is a Fellow of the Chartered Institute of Management Accountants and holds an MBA in Business and Finance. His principle areas of responsibility are Business Development of Crematoria, through acquisition of existing crematoria, building of new greenfield location crematoria and through partnerships with local authorities to manage existing bereavement services.



Paul Turner
Transformation Director

Paul joined Dignity in 2018. He is responsible for delivering the Transformation Plan which involves understanding the relationship between price, service and volume to develop a broader proposition for customers across a number of market segments, developing a streamlined network and central operating model that can consistently deliver efficiently at lower-cost.

Paul has led major change projects in a number of branch-based service industries including pubs, restaurants and builders merchants, and is also responsible for IT within Dignity. Paul graduated from the University of Stirling in Accounting and French Language, and is a Chartered Management Accountant.



Steve Wallis
Commercial Director

Steve joined what is now Dignity in 1996. His key areas of responsibility include Group digital, pricing and proposition, marketing and external affairs. Steve is also responsible for the Group's pre-need business and contact centre operations. Steve is a Fellow of the Institute of Direct and Digital Marketing.

Financial record*

Summarised consolidated income statement

	2018 £m	2017 £m	2016 £m	2015 £m	2014 £m
Revenue					
Funeral services	214.9	221.8	217.8	212.6	184.4
Crematoria	78.0	74.0	67.5	63.1	55.2
Pre-arranged funeral plans	22.7	28.2	28.3	29.6	29.3
	315.6	324.0	313.6	305.3	268.9
Underlying operating profit					
Funeral services	62.2	79.5	79.0	76.8	66.3
Crematoria	40.3	40.0	37.6	34.6	29.1
Pre-arranged funeral plans	2.8	8.0	8.5	7.8	7.4
Central overheads	(25.1)	(22.9)	(23.4)	(20.5)	(17.9)
	80.2	104.6	101.7	98.7	84.9
Underlying finance costs	(26.0)	(26.9)	(26.9)	(27.0)	(30.6)
Finance income	0.2	0.1	0.4	0.5	4.2
Underlying profit before tax	54.4	77.8	75.2	72.2	58.5
Taxation	(11.5)	(13.8)	(15.8)	(15.5)	(13.1)
Underlying profit after tax	42.9	64.0	59.4	56.7	45.4
Underlying earnings per share (pence)	85.8p	128.3p	119.8p	114.8p	85.8p
Operating profit	66.3	98.0	97.7	95.5	82.9
Profit/(loss) after tax	31.5	57.8	57.2	56.9	(55.0)
Basic earnings/(loss) per share (pence)	63.0p	115.8p	115.3p	115.2p	(104.0p)

Key performance indicators

	2018	2017	2016	2015	2014
Total estimated number of deaths in Britain (number)	599,000	590,000	590,000	588,000	550,000
Number of funerals performed (number)	72,300	68,800	70,700	73,500	65,600
Funeral market share** (per cent)	11.9%	11.5%	11.8%	12.3%	11.7%
Number of cremations performed (number)	65,200	63,400	59,500	57,700	53,400
Crematoria market share (per cent)	10.9%	10.7%	10.1%	9.8%	9.7%
Active pre-arranged funeral plans (number)	486,000	450,000	404,000	374,000	348,000
Underlying cash generated from operations (£million)	101.9	115.4	121.1	125.2	104.4

Net debt

	2018 £m	2017 £m	2016 £m	2015 £m	2014 £m
Net amounts owing on Secured Notes per financial statements	(560.6)	(565.1)	(573.9)	(586.5)	(594.6)
Add: unamortised issue costs on Secured Notes	(0.6)	(0.6)	(0.7)	(0.7)	(0.7)
Gross amounts owing on Secured Notes per financial statements	(561.2)	(565.7)	(574.6)	(587.2)	(595.3)
Net amounts owing on Crematoria Acquisition Facility per financial statements	-	-	(15.7)	(15.7)	(15.6)
Add: unamortised issue costs on Crematoria Acquisition Facility	-	-	(0.1)	(0.1)	(0.2)
Gross amounts owing	(561.2)	(565.7)	(590.4)	(603.0)	(611.1)
Accrued interest on Secured Notes	(12.3)	(0.3)	(0.3)	(12.8)	(5.7)
Accrued interest on Crematoria Acquisition Facility and Revolving Credit Facility	(0.2)	(0.2)	(0.1)	(0.1)	-
Cash and cash equivalents	66.9	49.3	67.1	98.8	86.5
Net debt	(506.8)	(516.9)	(523.7)	(517.1)	(530.3)

Financial record* continued

Summarised consolidated balance sheet

	2018 £m	2017 £m	2016 £m	2015 £m	2014 £m
Non-current assets					
Goodwill and intangible assets	384.9	385.5	358.1	328.2	276.5
Property, plant and equipment	254.1	248.0	235.4	200.6	192.3
Investment in associated undertakings	6.0	–	–	–	–
Financial and other assets	15.7	14.3	11.3	10.3	10.4
	660.7	647.8	604.8	539.1	479.2
Current assets					
Cash and cash equivalents	66.9	49.3	67.1	98.8	86.5
Other current assets	41.4	45.6	43.1	38.3	36.5
	108.3	94.9	110.2	137.1	123.0
Total assets	769.0	742.7	715.0	676.2	602.2
Current liabilities	84.7	70.0	75.1	82.7	60.6
Non-current liabilities	618.3	626.3	643.4	637.4	634.1
Total liabilities	703.0	696.3	718.5	720.1	694.7
Equity attributable to shareholders	66.0	46.4	(3.5)	(43.9)	(92.5)
Total equity and liabilities	769.0	742.7	715.0	676.2	602.2

NOTES

* This information has been extracted from the current and previous Annual Reports and accordingly does not constitute audited information.

** Market share excluding funerals performed in Northern Ireland.

*** In 2014, the Group refinanced its capital structure. Prior to 17 October 2014, the Group had on various occasions issued Class A Secured Notes due for final repayment in 2023 ('Old Class A Notes') and Class B Secured Notes due for final repayment in 2031 ('Old Class B Notes' and together with the Old Class A Notes, the 'Old Notes'). On 17 October 2014, the Group issued £238,904,000 Class A Secured 3.5456% Notes due 2034 ('New Class A Notes') and £356,402,000 Class B Secured 4.6956% Notes due 2049 ('New Class B Notes' and together with the New Class A Notes, the 'New Notes'). For the purpose of the financial record, the various classes of these notes are referred to as the Secured Notes. Elsewhere in the Annual Report, Secured Notes and associated references refers to the New Notes, as these were the only notes in issue in 2015, 2016, 2017 and 2018.

Alternative performance measures

Non-GAAP measures

(a) Alternative performance measures

The Board believes that whilst statutory reporting measures provide a useful indication of the financial performance of the Group, additional insight is gained by excluding non-underlying items which comprise certain non-recurring or non-trading transactions.

Non-underlying items

The Group's underlying measures of profitability exclude:

- amortisation of acquisition related intangibles;
- external transaction costs;
- profit or loss on sale of fixed assets;
- Transformation Plan costs (see below);
- operating and competition review costs;
- one-off costs in respect of the defined benefit pension obligations;
- trade name write-off and impairments; and
- the taxation impact of the above items together with the impact of taxation rate changes.

Non-underlying items have been adjusted for in determining underlying measures of profitability as these underlying measures are those used in the day-to-day management of the business and allow for greater comparability across periods.

Transformation Plan costs

Given the on-going transformation of the Group's business will result in significant, directly attributable non-recurring costs over the period of the Transformation Plan, these amounts are excluded from the Group's underlying profit measures and treated as a non-underlying item.

These costs will include, but are not limited to:

- external advisers' fees;
- directly attributable internal costs, including staff costs wholly related to the Transformation (such as the Transformation Director and project management office);
- costs relating to any property openings, closures or relocations;
- rebranding costs;
- speculative marketing costs; and
- redundancy costs.

Calculation of underlying reporting measures

Underlying profit measures (including divisional measures) are calculated as profit before non-underlying items.

Underlying earnings per share is calculated as profit after taxation, before non-underlying items (net of tax), divided by the weighted average number of Ordinary Shares in issue in the period.

Underlying cash generated from operations excludes non-underlying items on a cash paid basis.

Alternative performance measures continued

Non-GAAP measures (continued)

(b) Non-underlying items

52 week period ended 28 December 2018	Funeral services £m	Crematoria £m	Pre-arranged funeral plans £m	Central overheads £m	Group £m
Non-trading					
Amortisation of acquisition related intangibles	4.4	0.4	0.1	-	4.9
External transaction costs	0.6	-	-	0.2	0.8
Loss on sale of fixed assets	0.3	-	-	-	0.3
Non-recurring					
Transformation Plan costs	-	-	-	2.7	2.7
Operating and competition review costs	-	-	-	2.7	2.7
GMP past service cost	1.0	0.3	0.1	-	1.4
Trade name write-off	1.1	-	-	-	1.1
	7.4	0.7	0.2	5.6	13.9
Taxation					(2.5)
					11.4

52 week period ended 29 December 2017

Amortisation of acquisition related intangibles	1.1	0.5	0.2	-	1.8
External transaction costs	1.3	1.3	-	2.1	4.7
Loss on sale of fixed assets	0.1	-	-	-	0.1
	2.5	1.8	0.2	2.1	6.6
Taxation					(0.4)
					6.2

(c) Non-underlying cash flow items

	28 December 2018 £m	29 December 2017 £m
External transaction costs	1.7	2.9
Transformation Plan costs	2.6	-
Operating and competition review costs	2.7	-
	7.0	2.9

(d) 2019 alternative performance measures

In 2019, the Group will change its alternative performance measures in two ways:

Adjustment to the definition of underlying operating profit

Non-underlying items in 2019 will also include the Group's share of profit or loss of associates following the first such investment by the Group in Funeral Zone Limited in 2018. Given the nature of the investment, as described in note 11, the results of the investment are not considered by the Directors to be part of their day-to-day management of the business.

The impact of adopting IFRS 15

On adoption of IFRS 15 the Group will no longer separately recognise revenue for pre-need marketing activities, as for revenue recognition purposes, all pre-need activities are deemed to relate to a single performance obligation, being the performance of a funeral. All revenues will therefore be recorded within the funeral segment.

To aid a user of the financial statements, for the foreseeable future, the Group will amend its definition of underlying operating profit so that the effects of adopting IFRS 15 are removed.

Alternative performance measures continued

Non-GAAP measures (continued)

Like-for-like annualised operating profit ('LFL annualised operating profit')

The Group recognises that its current measure of underlying operating profit and statutory measures of financial performance will not provide a transparent view of financial performance whilst the Group's Transformation Plan is being implemented. This is because such existing measures will not give clarity of the economic impact of changes made part way through the period (e.g. new investments, location closures and staff changes). The Group therefore plans to introduce an additional alternative performance measure for the period of the Transformation Plan.

LFL annualised operating profit will adjust underlying operating profit in such a way as to reflect a best estimate of the Group's sustainable profitability into the following year. An explanation of the changes to underlying operating profit in arriving at LFL annualised operating profit will be provided in each reporting period.

As there have not been any changes in locations or staffing in 2018, LFL annualised operating profit is considered to be the same as underlying operating profit for 2018.

Shareholder information

General enquiries may be addressed to the Company Secretary, Tim George, at the Company's registered office.

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 0371 384 2674 (textphone for shareholders with hearing difficulties 0371 384 2255) if calling from within the UK, or +44 (0) 121 415 7047 if calling from outside the UK.

Shareholder communications

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

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

Share price information

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

Unsolicited mail

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

Annual General Meeting

The Company's Annual General Meeting will be held on 13 June 2019, at 11:00am at DLA Piper UK LLP, Victoria Square House, Victoria Square, Birmingham, West Midlands, B2 4DL.

Dividends

Dividends are normally paid twice a year. The proposed final dividend in respect of the period to 28 December 2018 will be payable on 28 June 2019 to those shareholders on the register on 17 May 2019.

A dividend reinvestment plan (DRIP) will also be offered.

For those shareholders who prefer not to participate in the DRIP, arrangements can be made to pay your dividends automatically into your bank or building society. This service has a number of benefits:

- It eliminates chances of your dividend cheque being lost in the post;
- The dividend payment is paid directly into your account on the payment date without the need to wait for a cheque to clear; and
- You will help Dignity in reducing its environmental footprint and improve its efficiency by reducing printing costs.

If you wish to register for this service, please call Equiniti on 0371 384 2674 to request a dividend mandate form.

Contact details and advisers

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 www.dignityfunerals.co.uk/corporate

Company Secretary:

Tim George FCIS

Registered Number:

4569346

Registrars:

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 www.shareview.co.uk

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Legal Advisers:

DLA Piper UK LLP
Victoria Square House
Victoria Square
Birmingham B2 4DL

Financial calendar

13 March 2019	Preliminary announcement of 2018 results
13 June 2019	Annual General Meeting
28 June 2019	2019 financial half year end
28 June 2019 (subject to shareholder approval)	Payment of 2018 final dividend
31 July 2019	Announcement of 2019 interim results
25 October 2019	Payment of 2019 interim dividend
27 December 2019	Financial period end

Forward-looking statements

This Corporate Profile and the Dignity plc investor website may contain certain 'forward-looking statements' with respect to Dignity plc (the "Company") and the Group's financial condition, results of its operations and business, and certain plans, strategy, objectives, goals and expectations with respect to these items and the economies and markets in which the Group operates.

Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as 'anticipates', 'aims', 'due', 'could', 'may', 'should', 'will', 'would', 'expects', 'believes', 'intends', 'plans', 'targets', 'goal' or 'estimates' or, in each case, their negative or other variations or comparable terminology. Forward-looking statements are not guarantees of future performance. By their very nature forward-looking statements are inherently unpredictable, speculative and involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. Many of these assumptions, risks and uncertainties relate to factors that are beyond the Group's ability to control or estimate precisely. There are a number of such factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, but are not limited to, changes in the economies and markets in which the Group operates; changes in the legal, regulatory and competition frameworks in which the Group operates; changes in the markets from which the Group raises finance; the impact of legal or other proceedings against or which affect the Group; changes in accounting practices and interpretation of accounting standards under IFRS, and changes in interest and exchange rates.

Any forward-looking statements made in this Corporate Profile or the Dignity plc investor website, or made subsequently, which are attributable to the Company or any other member of the Group, or persons acting on their behalf, are expressly qualified in their entirety by the factors referred to in this statement. Each forward-looking statement speaks only as of the date it is made. Except as required by its legal or statutory obligations, the Company does not intend to update any forward-looking statements.

Nothing in this Corporate Profile or on the Dignity plc investor website should be construed as a profit forecast or an invitation to deal in the securities of the Company.



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