

## Dignity plc

## Interim results for the 26 week period ended 26 June 2020

Dignity plc (Dignity, the Company or the Group), the UK's only listed provider of funeral related services, announces its unaudited interim results for the 26 week period ended 26 June 2020.

	26 week period ended 26 June 2020	26 week period ended 28 June 2019 restated	Increase per cent
Underlying revenue (£million)	169.1	155.3	9
Underlying operating profit (£million)	39.0	36.7	6
Underlying profit before tax (£million)	26.5	23.9	11
Underlying earnings per share (pence)	41.8	37.8	11
Underlying cash generated from operations (£million)	54.9	41.3	33
Revenue (£million)	197.1	176.0	12
Operating profit (£million)	42.7	35.2	21
(Loss)/profit before tax (£million)	(13.6)	58.3	
Basic (loss)/earnings per share (pence)	(20.6)	95.0	
Cash generated from operations (£million)	40.4	39.2	3
Number of deaths	368,000	300,000	23

**Prior year adjustments**

As described in the Annual Report & Accounts for the period to 27 December 2019, the Group has changed its accounting policy in respect of certain pre-arranged funeral plan trusts and revised its adoption of IFRS 15 accordingly. These changes were applied retrospectively and therefore certain statutory amounts in respect of the 26 week period ended 28 June 2019 have been restated on the same basis. See note 1 for further details.

**Alternative performance measures (APMs)**

All measures marked as underlying in the table above and throughout this announcement are alternative performance measures. The Board believes that whilst statutory reporting measures provide financial performance of the Group under GAAP, APMs are necessary to enable users of the financial statements to fully understand the trading performance and financial position of the business. The APMs provided are aligned with those used in the day-to-day management of the business and allow for greater comparability across periods. Further detail may be found on pages 42 to 44.

**Key points**

- Number of deaths significantly higher than average principally due to COVID-19
- Funeral market share broadly stable
- Average income per funeral materially lower due to restrictions in client choices
- Strategic review on target notwithstanding impact of COVID-19
- CMA Provisional Decision Report due by end of August
- Business has prepared for possibility of lower volumes in coming years than original ONS expectations

**Clive Whiley, Executive Chairman of Dignity plc, commented:**

“The turbulent trading conditions experienced in recent months have reinforced the need for businesses to be managed proactively in order to respond promptly to unexpected events. In particular, I would like to pay tribute to our staff, whose tireless efforts to support each other and our clients during these testing times has gone some way to allowing adequate closure for the bereaved. Their professionalism and flexibility have been crucial to providing respectful, high quality care to the deceased and their families notwithstanding the daily obstacles presented by the pandemic: whether it be high levels of colleague absence, the costly challenge of sourcing personal protective equipment or managing the pressure on mortuary space.

Their resilience leaves me in no doubt that the conclusion of our root and branch review of the business will ensure the Group is ready for any challenge in the future. In the interim, our focus on controlling discretionary spending will enhance covenant headroom, which together with appropriate cash management will provide the time necessary to implement those plans without the need for external capital.

With the exception of business rates relief, we expect to complete 2020 without any direct financial support from shareholders, nor indeed Her Majesty’s Government, without furloughing any employee and having reinvested any benefit from business rates relief in the protection of the welfare of our staff and our clients.”

**For more information**

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## **Executive Chairman's statement**

### **Overview**

The first half of 2020, and in particular the second quarter, has witnessed unprecedented times for the world. COVID-19 has impacted everyone's daily lives in dramatic ways. Our business has had to deal with the consequences of this pandemic, sadly having to help many more clients than usual remember their loved ones.

Our staff, wherever they work, have responded positively to the necessary changes, the government restrictions and the uncertainty that this environment has created. I am grateful to each of them for the role they have played during these difficult months and their efforts must be recognised as a subset of key workers who deserve all of our thanks.

Whilst this year's interim results are presented against the backdrop of COVID-19, various other areas relevant to the Group have received focus:

- Continuation of the strategic review initiated when I joined the Board in September 2019;
- The possible impacts of the Competition and Markets Authority ('CMA') investigation into the funeral and crematoria services market;
- Regulation by the Financial Conduct Authority ('FCA') of the pre-need funeral industry; and
- Board recruitment.

### **Financial summary**

The number of deaths in the first half was 368,000 (June 2019: 300,000), 23 per cent higher than the same period last year. Underlying operating profits only increased by six per cent to £39.0 million (June 2019: £36.7 million). In broad terms, this reflects lower average incomes offsetting the financial impact of significantly higher funeral and cremation volumes.

Whilst this financial performance means that the Group has comfortably achieved the required covenant levels for its securitised debt, it remains prudent to plan for lower volumes in 2021 and 2022. As a consequence, on 25 July 2020 the Group completed an internal restructure of its trading assets which, together with our focus on controlling discretionary spend, will serve to further increase covenant headroom in the coming quarters.

Further details on the Group's financial performance and the internal restructure are provided in the business and financial review.

### **The impact of COVID-19**

We have maintained our overall approach to the COVID-19 crisis as highlighted in May: we have not furloughed any employees, nor have we sought any financial assistance from Her Majesty's Government. Whilst business rates relief provided to all business premises within certain categories is expected to provide approximately £5.5 million of benefit in the 2020/21 business rates year, we expect all of that, and more, to be reinvested in personal protective equipment ('PPE') for the safety of our staff and our clients.

Operationally, we continue to plan for localised second peaks later in the third quarter of 2020. We have spent time understanding the lessons from the initial dramatic increase in deaths to ensure we can continue to respond professionally and safely. A key part of this will be staffing: absence levels peaked at approximately 16 per cent compared to normal levels of one to two per cent. This was managed through a national provider of temporary resource. This arrangement remains extant for the time being.

### **Strategic review**

The purpose of the strategic review is to position the Group for all eventualities, whether this is driven by the rapidly changing competitive landscape we operate in, through enforced changes resulting from the CMA's investigation or as highlighted by the pandemic.

The Transformation Plan, originally initiated in 2018, focused on funeral operations only and was being managed by a significant number of external contractors. The strategic review currently underway is challenging every aspect of the Group's operations principally using the experience and support of existing staff. In effect, it will focus upon a continuous evolution of the business implemented as a series of business as usual activities, rather than a discrete Transformation Plan. This will build on the learnings from the earlier transformation work alongside several operational and pricing trials already in progress, albeit distorted by the recent experience due to COVID-19.

Whilst our plans continue to develop, the high funeral and cremation volumes, combined with enforced restrictions in client choices, has necessarily required the Group to focus on existing operations. No further trials have been conducted in recent months and the Group is currently considering when and how best to begin further tests. The Group therefore anticipates making further comment on its strategic review in November as part of its third quarter trading update.

### **CMA**

On 28 May 2020, the CMA issued an updated administrative timetable. Consequently, their Provisional Decision Report is expected in August 2020. This will be followed by response hearings in the autumn, which the Group anticipates being invited to participate in. The CMA has set a deadline of 29 January 2021 for any final responses to the Provisional Decision Report, consistent with their legal requirement to issue the Final Decision Report on or before 27 March 2021.

The Group has continued to engage positively with the CMA, responding to its information requests expediently and also providing detailed information to highlight the significant industry changes in 2019 and 2020, even before the impact of the pandemic. The Group will make further announcements as appropriate.

**Pre-need regulation**

As confirmed on 7 May 2020, HM Treasury intends to introduce secondary legislation in the fourth quarter of 2020 to bring pre-arranged funeral plans firms under the remit of the FCA. Regulation of the pre-need industry should follow 18 months after the enactment of this legislation.

Whilst the precise implications of regulation are not yet known, the Group continues to believe that regulation is necessary and welcomes its planned introduction as a required forerunner to further industry growth.

**The Board**

Since the preliminary results, I am delighted that both Dean Moore and Gillian Kent have joined the Board as non-executive Directors and Chair of the Audit Committee and Remuneration Committee respectively. These appointments conclude the changes in non-executive directors and I look forward to the business benefitting from their combined retail and digital experience.

The Group continues to progress its search for a Chief Executive and further announcements will be made as and when appropriate.

**Outlook**

Given the various uncertainties currently facing the business, the Group is not providing guidance on 2020 and beyond. We are however confident that the strategic review will result in a sustainable growth plan for the business, leaving it ready to respond to whatever challenges are presented by its markets and other external factors, which we remain determined to deliver without dilution for shareholders.

**Clive Whiley**

Executive Chairman

29 July 2020

## Business and financial review

### Introduction

For statutory purposes, the Group has two reporting segments, Funeral services and Crematoria. Further details may be found in the Group's 2019 Annual Report. Statutory financial results are shown on page 1.

The Group's underlying operations are managed across three distinct divisions: funerals, crematoria and pre-arranged funeral plans. Funeral services relate to the provision of funerals and ancillary items, such as memorials and floral tributes. Crematoria services relate to cremation services and the sale of memorials and burial plots at Dignity operated crematoria and cemeteries. Pre-arranged funeral plans represent the sale of funerals in advance to customers wishing to make their own funeral arrangements.

### Number of deaths

	2020	2019	Increase (per cent)
Quarter 1	161,000	159,000	1
Quarter 2	207,000	141,000	47
First half of year	368,000	300,000	23

Sadly, deaths in the second quarter materially exceeded any level witnessed in the last 20 years. Should 2020 record a large number of deaths, beyond the 600,000 originally anticipated by the Office for National Statistics, then it is possible that 2021 and 2022 could experience a lower number of deaths than in 2019 (584,000). The Group will not speculate on the most likely outcome.

### Funeral operations

At 26 June 2020, the Group operated a network of 807 (June 2019: 826; December 2019: 820) funeral locations throughout the UK, generally operating under established local trading names. The change to the portfolio reflects 13 closures. These closures represent locations where leases have naturally come to an end and have not been renewed and also include three freehold closures.

	£m Q1	£m Q2	£m H1
Underlying operating profit – 2019	18.4	12.1	30.5
Impact of:			
Number of deaths	0.8	19.5	20.3
Market share	1.1	3.3	4.4
Average incomes	(1.4)	(17.6)	(19.0)
Cost base changes	(1.4)	(1.1)	(2.5)
<b>Underlying operating profit – 2020</b>	<b>17.5</b>	<b>16.2</b>	<b>33.7</b>

The table above demonstrates that the financial performance in the first half of 2020 is linked strongly to the impacts of COVID-19 and resulting client choices.

### Market share

In the first half of 2020 the Group conducted 46,000 funerals (June 2019: 36,200; December 2019: 69,400) in the United Kingdom, a 27 per cent increase on the prior year. Just over one per cent of the funerals in each period were performed in Northern Ireland. Excluding Northern Ireland, these funerals represented approximately 12.4 per cent (June 2019: 11.9 per cent; December 2019: 11.7 per cent) of total estimated deaths in Great Britain. Year-on-year growth in market share is primarily attributable to growth in Simplicity and pre-arranged funeral plans. Market share of full, simple and limited funerals was broadly flat year-on-year.

Whilst funerals divided by estimated deaths is a reasonable measure of Dignity's market share, the Group does not have a complete national presence and consequently, this calculation can only ever be an estimate. The current crisis means that analysis of the various trials being undertaken by the Group is unlikely to be meaningful in the coming months, as clients are unable to make all the choices they would normally make to personalise their funeral arrangements. Allied to this, market share is calculated based on a fixed assumption of one week between the registration of the death and the date of the funeral. Therefore, if clients choose to delay funerals, calculations of market share, particularly over shorter periods, may not be comparable.

### Funeral mix and underlying average income

	Funeral type	FY 2019 Actual	Q1 2020 Actual	Q2 2020 Actual	H1 2020 Actual	Q1 2019 Actual	Q2 2019 Actual	H1 2019 Actual
Underlying average revenue (£)	Full service	3,578	3,521	3,080	3,341	3,542	3,585	3,558
	Simple and limited service	2,047	1,972	1,953	1,956	2,159	2,000	2,089
	Pre-need	1,846	1,894	1,869	1,880	1,826	1,789	1,806
	Other (including Simplicity)	770	888	1,212	1,205	773	734	756
Volume mix (%)	Full service	52	50	26	37	52	53	52
	Simple and limited service	14	14	37	26	14	13	14
	Pre-need	27	29	28	28	27	28	28
	Other (including Simplicity)	7	7	9	9	7	6	6
Underlying weighted average (£)		2,699	2,648	2,136	2,360	2,691	2,705	2,694
Ancillary revenue (£)		231	175	49	101	213	233	225
Underlying average revenue (£)		2,930	2,823	2,185	2,461	2,904	2,938	2,919
Full service volume as a percentage of full, simple and limited (%)		79	78	41	59	79	80	79

As demonstrated in the table, overall average income in the second quarter of 2020 was significantly lower than the first quarter. Limitations on attendance at funerals, closures of places of worship and the Group's decision to withdraw limousines from service in the interest of the welfare of our staff and clients all served to reduce average income on full service funerals. Allied to this, such restrictions resulted in significantly more clients choosing a simple funeral rather than a full service funeral. Finally, these restrictions also resulted in lower sales of ancillary items such as flowers and memorials.

Whilst on average in the second quarter, 41 per cent of clients selected a full service rather than a simple funeral, at its lowest, only 35 per cent of clients were selecting a full service funeral. Relaxation of some of the restrictions, together with the reintroduction of the Group's limousines following the installation of dividing screens behind the driver, has collectively meant that this ratio has once again started to increase, with the most recent data indicating approximately 60 per cent of funerals being full service rather than simple. The Group expects this proportion to continue to increase in the coming weeks.

### Crematoria

#### Crematoria operations

The Group operates 46 crematoria (June 2019: 46; December 2019: 46) and is the largest single operator of crematoria in Great Britain.

	£m Q1	£m Q2	£m H1
Underlying operating profit – 2019	10.9	9.9	20.8
Impact of:			
Number of deaths	0.4	7.0	7.4
Market share	0.3	0.6	0.9
Average incomes	(0.7)	(3.6)	(4.3)
Cost base changes	(0.6)	(0.5)	(1.1)
<b>Underlying operating profit – 2020</b>	<b>10.3</b>	<b>13.4</b>	<b>23.7</b>

The Group performed 42,500 cremations (June 2019: 33,800; December 2019: 64,800) in the period. These volumes represent approximately 11.6 per cent (June 2019: 11.3 per cent; December 2019: 11.1 per cent) of total estimated deaths in Great Britain. However, a greater proportion of cremations performed were direct cremations, where the funeral director was either Dignity (i.e. the Simplicity offering) or other funeral directors. Consequently, average cremation revenue reduced to £875 (June 2019: £911).

In addition, crematoria were required to keep their grounds closed, save for acts of cremation. Consequently, sales of memorials in the second quarter declined, resulting in average revenue per cremation from memorials and other items of £151 per cremation (June 2019: £273 per cremation).

However, crematoria grounds are now open and changes have been made to the Group's locations to ensure clients and staff can discuss memorials safely. To many people, such memorials are an important permanent tribute to their loved one, hence it is anticipated that a proportion of the sales that would have been made in the second quarter will instead be made in the second half of the year.

#### Pre-arranged operations

Active pre-arranged funerals were approximately 537,000 at the end of the period (June 2019: 503,000; December 2019: 523,000). After a solid start to the year, sales of pre-arranged funeral plans in the second quarter fell slightly behind prior year, as certain routes to market involving face to face selling became difficult. However, demand for such plans remains clear and the Group is optimistic of its ability to market plans in the future.

In its 2019 Annual Report, the Group disclosed that the actuarial valuations of the Trusts that hold and invest monies of a significant proportion of the active pre-arranged funeral plans showed a surplus equivalent to two per cent of the assets held. This valuation is based on the amounts the Trusts are expected to pay when a funeral is performed rather than the actual cost of performance (being a lower amount) to the Group. The Trusts' investment strategies are expected to provide returns in excess of inflation in the longer-term, but will however, result in volatility year-on-year in the value of the Trusts' assets. As a result of the impact of the current crisis on global markets, this volatility has been seen since the year end. After a reduction in market values in the first quarter, information as of the end of June estimates that the position has improved and that the actuarial valuation would now show a broadly neutral position. This reflects the market value of the reported Trust assets decreasing to £920.1 million compared to £947.5 million at the end of 2019 (June 2019: £926.3 million).

The pre-need trustees are currently reviewing the investment strategy of the pre-need trusts, focused on providing the Trading Group with greater certainty over amounts to be paid when funerals are performed in a rolling five year period (by retaining cash or high quality bonds to cover these liabilities), together with implementing an overall investment strategy with lower aggregate management and execution costs.

#### Central overheads

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

	£m Q1	£m Q2	£m H1
Total overheads – 2019	7.6	7.0	14.6
Impact of:			
Digital activities	0.4	0.6	1.0
Salaries	0.6	2.1	2.7
Other	(0.2)	0.3	0.1
<b>Total overheads – 2020</b>	<b>8.4</b>	<b>10.0</b>	<b>18.4</b>

Central overheads are expected to reduce as part of the strategic review.

#### Marketing and digital activity

COVID-19 has required the Group to evolve its marketing propositions in a sensitive manner. Developments in services such as Funeral Notices have allowed clients who may be holding a subsequent memorial service to retain and update their notices for a longer period of time. Work to support funeral operations has helped to ensure the Group's offer of a Timeless Service during the crisis has been appropriately communicated.

Underpinning these activities, the Group's websites continue to evolve and the Group's average natural position in relevant searches continues to improve.

The strategic review will conclude on the manner in which the Dignity brand is most appropriately used in the short, medium and long-term.

#### Simplicity Cremations

Simplicity continues to be a relevant proposition for clients and the Group has seen meaningful growth in the first half of the year. However, some selection of Simplicity and other direct cremation activity may be driven by the restricted choices clients had in the second quarter of 2020 due to COVID-19.

#### Corporate development activity

The Group has planning permission for four crematoria. The total capital commitment for these projects is expected to be approximately £26 million to £27 million, with £6.1 million of this amount having already been invested. Each of the locations with planning permission will take five to seven years to reach maturity, performing 800 to 1,000 cremations per year.

In addition, the Group has one location where it is appealing the planning decision and another two that are currently in the planning process.

The Group's strategic review will determine the next course of action for these locations.

#### Earnings per share

Underlying earnings per share increased 11 per cent to 41.8 pence per Ordinary Share, principally driven by the six per cent increase in underlying operating profits.

#### IFRS 16, Leases transition

The Group has adopted the new accounting standard in 2020. In broad terms, this standard requires the Group to recognise an asset and liability on its balance sheet for operating leases that were previously held off balance sheet. As approximately half of the Group's funeral properties and some of its crematoria are leased, this has had a material impact to the Group's statutory results. The Group has recognised an initial asset of £94.5 million and an initial liability of £93.5 million. Under the transition approach being followed comparative results for the prior period are not restated.

At the half year the Group held a right-of-use asset of £91.4 million and a corresponding lease liability of £91.4 million. Furthermore, in the period, operating costs of £6.0 million were replaced by a depreciation charge of £4.6 million and a finance cost of £2.4 million.

The adoption of IFRS 16 does not impact the Group's securitisation covenants, as the Securitisation Group has exercised its ability to disregard the impact of the new standard to maintain consistency of measurement.

For more information see note 20.

#### Alternative performance measures

The Group's alternative performance measures are stated before non-underlying items and the effect of consolidation of the Trusts, applying IFRS 15 and adopting IFRS 16 as defined on page 42. 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. In particular, as the Group's change of accounting policy in respect of the Trusts has not impacted the way it operates or considers the economics of this operating activity, underlying measures have not had to be restated as a consequence of the accounting policy change.

Detailed information on non-underlying items is set out on pages 42 to 44 and a reconciliation of statutory revenue to underlying revenue is detailed in note 2.

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

	26 week period ended 26 Jun 2020 £m	26 week period ended 28 Jun 2019 restated £m	52 week period ended 27 Dec 2019 £m
<b>Operating profit for the period as reported</b>	<b>42.7</b>	35.2	44.8
Add the effects of:			
Loss/ (profit) on sale of fixed assets	0.1	(0.9)	(1.0)
Transformation Plan costs <sup>(a)</sup>	3.8	4.3	12.1
External transaction costs in respect of completed and aborted transactions	0.2	0.2	0.9
Acquisition related amortisation	2.3	2.4	4.8
Operating and competition review costs	1.2	1.7	3.5
Trade name impairment	-	-	6.8
Impact of Trust consolidation and IFRS 15	(9.9)	(6.2)	(8.6)
Impact of IFRS 16	(1.4)	-	-
<b>Underlying operating profit <sup>(b)</sup></b>	<b>39.0</b>	36.7	63.3
Underlying net finance costs	(12.5)	(12.8)	(25.6)
<b>Underlying profit before tax <sup>(b)</sup></b>	<b>26.5</b>	23.9	37.7
Tax charge on underlying profit before tax	(5.6)	(5.0)	(7.4)
<b>Underlying profit after tax <sup>(b)</sup></b>	<b>20.9</b>	18.9	30.3
Weighted average number of Ordinary Shares in issue during the period (million)	50.0	50.0	50.0
Underlying EPS (pence) <sup>(b)</sup>	41.8	37.8	60.6

(a) Transformation Plan costs includes settlement costs in respect of the former Chief Executive.

(b) Further details of alternative performance measures can be found on pages 42 to 44.

#### Cash flow

The Group continues to be strongly cash generative. Cash generated from operations, before non-underlying items, was £54.9 million (2019: £41.3 million). This cash generation reflects continued efficient operating profit conversion. 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 period end and the level of bonuses paid.



In addition to the corporate development activity in the period, the Group spent £6.5 million (2019: £8.0 million) on purchases of property, plant and equipment.

<b>This is analysed as:</b>	<b>26 Jun 2020 £m</b>	<b>28 Jun 2019 £m</b>
Maintenance capital expenditure:		
Funeral services	2.5	2.0
Crematoria	1.2	1.5
Other	0.8	0.4
Total maintenance capital expenditure <sup>(a)</sup>	4.5	3.9
Branch relocations	0.5	0.4
Transformation capital expenditure	0.9	0.9
Satellite locations	-	0.2
Development of new crematoria and cemeteries	0.6	2.6
Total property, plant and equipment	6.5	8.0
Partly funded by:		
Disposal proceeds	(0.5)	(1.6)
Net capital expenditure	6.0	6.4

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

### Cash flow and cash balances for the Trading Group

Cash balances held by the Trading Group at the end of the period were £80.3 million (June 2019: £49.8 million; December 2019: £57.9 million). This includes £16.9 million of restricted cash (June 2019: £nil; December 2019: £16.9 million), see note 8. Of the remaining amount, £36.4 million (June 2019: £36.1 million; December 2019: £29.8 million) was held by Dignity plc. Subsequent to the balance sheet date, £16.3 million was transferred from the Securitisation Group to Dignity plc.

### Taxation

The Group's effective tax rate for 2020 is expected to be approximately 21 per cent before the effect of non-underlying items. The effective rate for 2021 and beyond is expected to be approximately one and a half to two per cent above the headline rate of Corporation Tax for the relevant period.

In the March 2020 budget, legislation to reduce the headline corporation tax rate from 19 per cent to 17 per cent was cancelled. The impact of this reversal on the measurement of deferred taxation has been recognised as an exceptional item in the period. See note 4 for further details.

### Capital structure and financing

#### Secured Notes

The Group's principal source of long-term debt financing is the Secured Notes issued in 2014. 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-	BB+
Rating by Standard & Poor's	A-	BB-

On 9 July 2020 Fitch revisited the rating of the Secured Notes, reconfirming them at the above ratings.

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.

#### Secured Notes 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 26 June 2020 was 2.15 times (June 2019: 2.05 times; December 2019: 2.13 times). The Group therefore had EBITDA headroom of approximately £22 million against its financial covenants at the end of June 2020.

In addition, in order for the Group to transfer excess from the Securitisation Group to Dignity plc, it must achieve both a higher EBITDA to total debt service ratio of 1.85 times and achieve a Free Cash Flow to total debt service (a defined term in the securitisation documentation) of at least 1.4 times. This latter ratio at June 2020 was 1.72 times (June 2019: 1.53 times; December 2019 1.65 times). These combined requirements are known as the Restricted Payment Condition ('RPC'). Given the ratios achieved, the RPC was achieved at June 2020. If the RPC is not achieved, then the Group's ability to pay dividends could be impacted. These covenant calculations use 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. EBITDA for this calculation uses the last twelve months ('LTM') results and can be reconciled to the Group's statutory operating profit as follows:

	H1 26 Jun 2020	LTM 26 Jun 2020	LTM 27 Dec 2019
EBITDA per covenant calculation - Securitisation Group	41.7	73.0	72.3
Add: EBITDA of entities outside Securitisation Group	8.0	13.3	11.6
Less: Non cash items <sup>(a)</sup>	(0.8)	(1.5)	(1.3)
Underlying operating profit before depreciation and amortisation – Group	48.9	84.8	82.6
Underlying depreciation and amortisation	(9.9)	(19.2)	(19.3)
Non-underlying items	(7.6)	(27.0)	(27.1)
Impact of Trust consolidation and IFRS 15	9.9	12.3	8.6
Impact of IFRS 16	1.4	1.4	-
Operating profit	42.7	52.3	44.8

#### Notes

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

As set out in note 10, the Group's gross amounts owing on its debt obligations were £547.0 million (June 2019: £551.8 million; December 2019: £551.9 million). Net debt was £478.8 million (June 2019: £502.2 million; December 2019: £506.2 million).

The market value of the Secured Notes at the balance sheet date was £479.7 million (June 2019: £501.4 million; December 2019: £499.7 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 26 June 2020 would have been approximately £851 million (June 2019: £792 million; December 2019: £792 million). £235 million of this redemption cost relates to the Class A Notes.

#### Group restructure

On 25 July 2020, the Group used pre-existing abilities in the securitisation documentation to sell various trading assets held outside of the Securitisation Group to the Securitisation Group.

This action will allow the profit generated by these assets to be recorded as EBITDA for the securitisation covenant test and will therefore generate additional covenant headroom in the future. In the twelve months ended 26 June 2020, the assets now transferred generated approximately £12 million of EBITDA (and generated approximately £10 million in 2019).

As these assets acted as security for the Group's revolving credit facility ('RCF'), that facility has been reduced by £40 million to £10 million. The RCF 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. The RCF remains undrawn.

#### Trust balances

At the balance sheet date, the Trusts had £920.1 million (June 2019: £926.3 million; December 2019: £947.5 million) of financial assets and £10.3 million (June 2019: £13.7 million; December 2019: £15.5 million) of cash, which has been recognised in the consolidated balance sheet. The movement in financial assets from December 2019 to June 2020 is primarily attributable to remeasurement losses recognised in the consolidated income statement of £17.6 million (June 2019: remeasurement gain of £60.2 million; December 2019: remeasurement gain of £79.5 million) and net disposals of financial assets of £8.6 million (June 2019: net purchases of £5.3 million; December 2019: net purchases of £9.5 million).

Aggregated contract liabilities totalled £1,302.9 million (June 2019: £1,279.3 million; December 2019: £1,304.6 million) with the primary movement from December 2019 to June 2020 being sales of new plans of £37.6 million (June 2019: £44.9 million; December 2019: £91.2 million), increases due to significant financing of £26.8 million (June 2019: £27.3 million; December 2019: £54.1 million) and releases due to death or cancellation totalling £66.1 million (June 2019: £49.0 million; December 2019: £96.8 million).

#### Post balance sheet events

There were no significant post balance sheet events, other than the group restructure detailed earlier.

#### Forward-looking statements

Certain statements in this Interim Report are forward-looking. Please see page 47 for further details.

#### Going concern

In order to assess the appropriateness of the application of the going concern principle in these interim financial statements, the Directors have considered the principal risks and uncertainties and financial position of the Dignity Group.

The Group has carried out a diligent going concern analysis and considered the ongoing impact of the COVID-19 pandemic, on these financial statements. Full details of this analysis are set out in Note 1 to the financial statements.

Following consideration of the base case forecasts, and the range of downside and stress test scenarios, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Directors formally considered this matter at the Board meeting held on 24 July 2020. For these reasons, they continue to adopt the going concern basis for preparing the Interim Report.

## Our key performance indicators

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

### Group Performance

KPI	KPI definitions	26 week period ended 26 June 2020	Developments in 2020
Underlying earnings per share (pence)	This is underlying profit after tax divided by the weighted average number of Ordinary Shares in issue in the period.	41.8 pence (H1 2019: 37.8 pence) <sup>(a)</sup> (FY 2019: 60.6 pence) <sup>(b)</sup>	The growth rate for underlying EPS exceeded the growth in underlying operating profit, reflecting the leveraging effect of the Group's capital structure.
Underlying operating profit (£ million)	This is the statutory operating profit of the Group excluding non-underlying items and the impact of the change in pre-need trust accounting, IFRS 15 and IFRS 16.	£39.0 million (H1 2019: £36.7 million) <sup>(a)</sup> (FY 2019: £63.3 million) <sup>(b)</sup>	Underlying operating profit increased year-on-year, primarily driven by higher deaths, partially offset by lower average incomes and ongoing cost inflation.
Underlying cash generated from operations (£ million)	This is the statutory cash generated from operations excluding non-underlying items and the impact of the change in pre-need trust accounting, IFRS 15 and IFRS 16.	£54.9 million (H1 2019: £41.3 million) <sup>(a)</sup> (FY 2019: £71.8 million) <sup>(b)</sup>	The Group continues to convert operating profit into cash efficiently, subject to timing differences.
Average income per funeral (£)	Net underlying funeral revenue divided by the number of funerals performed in the relevant period.	£2,461 (H1 2019: £2,919) <sup>(a)</sup> (FY 2019: £2,930) <sup>(b)</sup>	Restrictions in client choices due to COVID-19 have adversely impacted average income.
Total estimated number of deaths in Britain (number)	This is as reported by the Office for National Statistics.	368,000 (H1 2019: 300,000) <sup>(a)</sup> (FY 2019: 584,000) <sup>(b)</sup>	Deaths were materially higher than originally anticipated.
Funeral market share excluding Northern Ireland (per cent)	This is the number of funerals performed by the Group in Britain divided by the total estimated number of deaths in Britain.	12.4% (H1 2019: 11.9%) <sup>(a)</sup> (FY 2019: 11.7%) <sup>(b)</sup>	Market share is broadly stable.
Number of funerals performed (number)	This is the number of funerals performed by the Group according to our operational data.	46,000 (H1 2019: 36,200) <sup>(a)</sup> (FY 2019: 69,400) <sup>(b)</sup>	Changes are a consequence of the total number of deaths and the Group's market share.
Crematoria market share (per cent)	This is the number of cremations performed by the Group divided by the total estimated number of deaths in Britain.	11.6% (H1 2019: 11.3%) <sup>(a)</sup> (FY 2019: 11.1%) <sup>(b)</sup>	Market share is broadly stable.
Number of cremations performed (number)	This is the number of cremations performed according to our operational data.	42,500 (H1 2019: 33,800) <sup>(a)</sup> (FY 2019: 64,800) <sup>(b)</sup>	Changes are a consequence of the total number of deaths and the Group's market share.
Active pre-arranged funerals (number)	This is the number of pre-arranged funerals where the Group has an obligation to provide a funeral in the future.	537,000 (H1 2019: 503,000) <sup>(a)</sup> (FY 2019: 523,000) <sup>(b)</sup>	This increase reflects continued sales activity offset by the crystallisation of plans sold in previous periods.

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

(a) H1 2019 relates to the 26 weeks ended 28 June 2019.

(b) FY 2019 relates to the 52 weeks ended 27 December 2019.

### **Maintaining consistent 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 2020**

#### **Reputation and recommendation**

99.1% (December 2019: 99.2%)  
99.1 per cent of respondents said that we met or exceeded their expectations.

98.0% (December 2019: 98.0%)  
98.0 per cent of respondents would recommend us.

#### **Quality of service and care**

99.9% (December 2019: 99.9%)  
99.9 per cent thought our staff were respectful.

99.7% (December 2019: 99.7%)  
99.7 per cent thought our staff listened to their needs and wishes.

99.1% (December 2019: 99.1%)  
99.1 per cent agreed that our staff were compassionate and caring.

#### **High Standards of facilities and fleet**

99.8% (December 2019: 99.8%)  
99.8 per cent thought our premises were clean and tidy.

99.6% (December 2019: 99.7%)  
99.6 per cent thought our vehicles were clean and comfortable.

#### **In the detail**

99.1% (December 2019: 99.2%)  
99.1 per cent of clients agreed that our staff had fully explained what would happen before and during the funeral.

99.1% (December 2019: 99.0%)  
99.1 per cent said that the funeral service took place on time.

98.2% (December 2019: 98.3%)  
98.2 per cent said that the final invoice matched the estimate provided.

### **Clive Whiley**

Executive Chairman  
29 July 2020

## Principal risks and uncertainties

### Our principal Group risks

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

### Risk appetite

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

There has been no change to the Group's risk appetite in the period.

### Our approach to risk management

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

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

### Responsibilities and actions

#### The Board

The Board is responsible for monitoring the Group's risk and associated mitigating factors.

#### Risk process

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

#### Risk assessment

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

#### Identify

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

#### Assess

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

#### Mitigating activities

Mitigating factors are identified against each risk where possible.

#### Review and internal audit

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

#### Risk status summary

The ongoing review of the Group's principal risks focuses on how these risks may evolve.

#### *Increasing risk trends*

COVID-19 has created new risks relating to our ability to deliver our services in the context of restrictions imposed by the pandemic.

The potential risks to the Group are assessed regularly in light of the developing guidance and commentary from HM Government.

The Group has business continuity and pandemic plans that are adapted as necessary in case of need.

Regulation could also result from both the CMA investigation and HM Treasury's review of pre-arranged funeral plans. Whilst the Group believes that regulation would be beneficial, there remains a risk that regulation could be imposed that may result in a significant cost burden to the Group or prices being controlled in such a way that the Group's profitability deteriorates significantly.

Accordingly, the ability to maintain average incomes is influenced by changes in the competitive landscape, the continued impact of COVID-19 and any measures the CMA might implement around price control.

## Operational risk management

Risk description and impact	Mitigating activities and commentary	Change
<p><b>Significant reduction in the death rate</b></p> <p>There is a risk that the number of deaths in any year significantly reduces. This would have a direct result on the financial performance of both the funeral and crematoria divisions.</p>	<p>The profile of deaths has historically seen intra year changes of +/- 1 per cent giving the Group the ability to plan its business accordingly. The Office for National Statistics (ONS) long-term projection is for deaths to increase.</p> <p>The risk is mitigated by the ability to control costs and the price structure and the ability to acquire funerals and crematoria, although this would not mitigate a short-term significant reduction in the number of deaths.</p> <p>The number of deaths in 2019 was 584,000 which was three per cent below the prior year and lower than the Group's original expectation.</p> <p>The first half of 2020 has witnessed significantly higher deaths than originally anticipated. It is currently unknown over what time frame this will normalise. Longer-term expectations have not been updated by the ONS.</p>	Increased
<p><b>Nationwide adverse publicity</b></p> <p>Nationwide adverse publicity for Dignity could result in a significant reduction in the number of funerals or cremations performed in any financial period. For pre-arranged funeral plans, adverse publicity for the Group or one of its partners could result in a reduction in the number of plans sold or an increase in the number of plans cancelled. This would have a direct and significant impact on the financial performance of the Group.</p> <p>The risk is increased as the Dignity brand is marketed more widely.</p>	<p>This risk is addressed by the strategic decision to support development of strong national brands via the Group's websites, TV and radio advertising leading to increased awareness of the Group and its services.</p>	No change
<p><b>Fall in average income per funeral or cremation either resulting from market changes</b></p> <p>There has been increasing price competition in the funeral market, resulting in material price reductions by the Group in recent years. It is highly likely that pricing pressure will remain for the foreseeable future and it may not therefore be possible to maintain average incomes per funeral or cremations at the current level.</p>	<p>The Group's progress with the strategic review will result in a more efficient business that can accommodate more competitive pricing, but which continues to provide clients with a greater range of choice, underpinned by excellent client service. This will be supported by strong reputational management.</p> <p>The Group will continue to adapt to serve evolving client needs. This will be through investment in digital capabilities including an enhanced reporting capability of business intelligence and management information which will enable risks and trends to be identified promptly and accurately.</p> <p>This risk has increased due to COVID-19 as the Group has experienced lower average incomes than originally expected: these are anticipated to return to the levels previously experienced although the period of time needed for this to occur is currently unknown.</p>	Increased
<p><b>Disruptive new business models leading to a significant reduction in market share</b></p> <p>It is possible that external factors such as new competitors and the increased impact of the internet on the sector, could result in a significant reduction in market share within funeral and crematoria operations. This would have a direct result on the financial performance of those divisions.</p>	<p>The Group believes that this risk is mitigated by its reputation as a high quality provider and with recommendation being a key driver to the choice of funeral director being used. In addition, the Group's actions on pricing and promotion sought to protect the Group's funeral market share by offering more affordable options. This focus on affordability has allowed our market share to begin to stabilise.</p> <p>For crematoria operations this is mitigated by the Group's experience and ability in managing the development of new crematoria.</p> <p>Additionally, the combination of the development of strong national brands and significant investment in digital capability together with a range of product and price offerings to clients will strengthen the Group's competitiveness.</p>	No change
<p><b>Demographic shifts in population</b></p> <p>There can be no assurance that demographic shifts in population will not lead to a reduced demand for funeral services in areas where Dignity operates.</p>	<p>In such situations, Dignity would seek to follow the population shift by rebalancing the funeral location network together with meeting the developing cultural requirements.</p>	No change

Risk description and impact	Mitigating activities and commentary	Change
<p><b>Competition</b></p> <p>The UK funeral services, crematoria and pre-need markets are currently fragmented.</p> <p>There could be further consolidation or increased competition in the industry, whether in the form of intensified price competition, service competition, over capacity facilitated by the internet or otherwise, which could lead to an erosion of the Group's market share, average incomes or costs and consequently a reduction in its profitability.</p> <p>Failure to replenish or increase the bank of pre-arranged funerals could affect market share of the funeral division in the longer-term.</p> <p>Competition continues to intensify, with additional funeral directors opening at varying price points, alongside an increase in the popularity of direct cremations.</p>	<p>Under the strategic review, the funeral service model will be adapted to better suit evolving client needs and to improve efficiency. We will provide customers with a more tailored service, allowing them to choose how they wish to interact with Dignity in arranging a funeral through mobile staff and improved digital capabilities.</p> <p>We have developed a new tiered funeral pricing proposition that will provide greater flexibility to meet individual client needs.</p> <p>By unbundling our prices and services to provide our customers with greater flexibility to create the right funeral, we will be able to provide greater consistency and competitiveness on price, while reflecting Dignity's premium service levels.</p> <p>A significant online presence and visibility leverages our scale, and addresses the needs of increasingly digitally focused clients. Through the Dignity and Simplicity names, we plan to build known, national brands to leverage scale advantages in the digital age. We will promote the Group's commitment to high standards of care, quality of service delivery and competitive entry prices. We also recognise that our established local funeral trading names continue to have significant value in the communities they serve.</p> <p>Through better allocation of our resources, the resultant efficiencies will allow us to reduce the number of funeral operating networks and their associated cost. Support functions are being centralised where appropriate to ensure a cost effective and consistent high standard of service.</p> <p>There are challenges to opening new crematoria due to the need to obtain planning approval and the costs of development. Dignity has extensive experience in managing the development of new crematoria.</p> <p>The Group offers a market leading pre-need product, the marketing of which will benefit from the current and future significant investment in marketing and enhanced digital presence.</p>	No change
<p><b>Regulation of pre-arranged funeral plans</b></p> <p>FCA Regulation may result in changes to processes, systems, pricing, funding, capital requirements and terms and conditions of plans.</p> <p>Regulation could affect the Group's opportunity to sell pre-arranged funeral plans in the future or could result in the Group not being able to draw down the current level of marketing allowances.</p> <p>The FCA have announced that engagement will begin in October 2020, although this date is also tentative and subject to change.</p>	<p>Any changes would apply to the industry as a whole and not just the Group. Regulation could materially change the business model and would likely increase costs.</p> <p>The risk is mitigated through the high standards of selling and administration of market leading pre-arranged funeral plans operated by the Group which will benefit from the significant investment in marketing and an enhanced digital presence.</p> <p>We continue to seek appropriate regulation of our markets and welcome the consultation by HM Treasury, in which we are actively engaged.</p> <p>We are in the process of engaging with the FCA and are compiling a response to a detailed information request regarding our business. This will highlight the good practices we operate in comparison to some competitors.</p> <p>We will discuss industry challenges and the threats to our market with the FCA during the 'consultation phase' of the regulation of this sector. We will apply best practice and challenge the FCA where proposals are too onerous or they have not taken account of factors in their proposals which may adversely affect consumers and providers.</p> <p>Regulation of the pre-need industry is now anticipated in 2022.</p>	No change
<p><b>Regulation of the funeral industry</b></p> <p>Regulation could result in increased compliance costs for the industry as a whole or other unforeseen consequences including any control of funeral and cremation prices.</p>	<p>The Group already operates at a very high standard, compared to the majority of our competitors, using facilities appropriate for the dignified care of the deceased.</p> <p>The impact of price controls is impossible to quantify at this stage.</p>	No change
<p><b>Changes in the funding of the pre-arranged funeral plan business</b></p> <p>In the current regulatory environment, the Group has given commitments to pre-arranged funeral plan members to provide certain funeral services in the future.</p> <p>Funding for these plans is reliant on either insurance companies paying the amounts owed or the pre-arranged funeral plan Trusts having sufficient assets.</p> <p>If this is not the case then the Group may receive a lower amount per funeral.</p>	<p>There is considerable regulation around insurance companies which is designed, amongst other things, to ensure that the insurance companies meet their obligations.</p> <p>The Trusts hold assets with the objective of achieving returns slightly in excess of inflation.</p> <p>As a result of the impact of the COVID-19 crisis, volatility has been seen in global markets since the year end. After a reduction in market values in the first quarter, information as at the end of June, estimates that the actuarial valuation would show a broadly neutral position.</p> <p>Changes in trust investment strategy are anticipated during 2020.</p>	No change

Risk description and impact	Mitigating activities and commentary	Change
<p><b>Transformation Plan</b></p> <p>The Transformation Plan, originally initiated in 2018, focused on funeral operations and was managed by external contractors. The strategic review currently underway is challenging every aspect of the Group's operations principally using the experience and support of existing staff. It will focus upon a continuous evolution of the business implemented as a series of business as usual activities, rather than a discrete Transformation Plan.</p>	<p>The CMA's investigation has the potential to require significant change of the industry beyond that originally contemplated by our Transformation Plan. Hence we are focused on how our plans might need to change to cover all eventualities and we will report further once the CMA position becomes clearer. In the meantime, we have paused or adapted certain aspects of our plans pending the outcome of the CMA's work.</p> <p>Through our ongoing strategic review, we are implementing operational efficiencies and improvements.</p>	Decreased
<p><b>Direct cremations</b></p> <p>Growth in the direct cremation market could reduce average income in the funeral business and adversely affect the volume mix and average income in the crematoria business.</p>	<p>The Group has addressed this with Simplicity Cremations which offers low-cost direct cremations without any initial funeral service that are both respectful and dignified. They are an affordable alternative to a full funeral or for those who wish to have a simple cremation. The Group also now offers a Simplicity pre-arranged funeral plan option.</p> <p>Simplicity Cremations is being promoted via a strong online presence together with TV advertising. Other media advertising is also planned.</p>	No change
<p><b>CMA investigation into the Funerals Market</b></p> <p>The CMA full market investigation into the funeral market examines whether the information provided by funeral directors on prices and services is clear enough for people to be able to choose the best option for them.</p> <p>It is also looking at how prices have changed over time and the factors that affect them.</p> <p>Cremation fees are being considered as part of the review.</p> <p>The initial CMA working papers indicate possible remedies including the introduction of a quality regulation regime, measures to promote greater information transparency, price controls and local authority procurement of funeral directors' services. Pricing controls, if implemented, could have a significantly detrimental impact on the Group.</p>	<p>Dignity has engaged constructively with the CMA and strongly supports the opportunity to improve standards within the sector and meet the expectations of consumers.</p> <p>Dignity has pro-actively been making changes to its business for some time in response to changing customer demand and will continue to review its operations to ensure that the CMA's concerns are addressed.</p> <p>The Group is focused on enhancing the customer proposition, its service and pricing model and will continue to adapt to serve evolving client needs.</p> <p>Price is a factor when making a decision, but quality is also a vital component and ultimately ensures that consumers are happy with services provided. Whilst Dignity's Simplicity service is the lowest price, nationally available, attended funeral service, our research demonstrates that consumers consider the smooth running of the funeral and proper care of the deceased more than cost. 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.</p> <p>However, at this stage it is impossible to quantify the impact of any potential price regulation or mitigation.</p>	No change
<p><b>Cyber Risk</b></p> <p>Our business is at risk of financial loss, disruption or damage to the reputation of an organisation resulting from the failure of its information technology systems. This could materialise in a variety of ways including deliberate and unauthorised breaches of security to gain access to information systems.</p>	<p>The Group has, in recent years, invested significantly in this area both in upgrading all aspects of our systems and our internal resources and also using external consultants to perform regular external and internal penetration tests and using the results to drive a continuous improvement programme.</p> <p>The chance of an organisation falling victim to a cyber-attack is growing. Threats are more pervasive and sophisticated than ever.</p>	Increased
<p><b>COVID-19 Response Related Risks</b></p> <p>COVID-19 has created new risks relating to our ability to deliver our services in the context of restrictions imposed by the pandemic.</p> <p>The potential risks of COVID-19 to the Group are assessed regularly in light of the developing guidance and commentary from HM Government. Primary risks include:</p> <p>(i) a lack of availability of staff in operations due to illness, self-isolation or government policy including Test and Trace which may result in a material number of colleagues needing to self-isolate at the same time impairing our ability to provide services;</p> <p>(ii) the need to keep staff safe in the COVID-19 crisis;</p> <p>(iii) a loss of profit due to the cost of our response plans, or HM Government intervention causes profit or cash concerns; and</p> <p>(iv) mortuary capacity and/or supply of consumables is exhausted.</p> <p>If continuing long-term, COVID-19 and related social distancing measures may result in lower revenues.</p>	<p>The risk is mitigated by illness tracking, the use of agency staff and staff redeployment.</p> <p>The Group has issued Operational Guidance and a PPE policy, secured an increased supply of PPE and emphasised HM Government policy such as social distancing.</p> <p>We have modelled forward looking scenarios considering volumes, changes to service and revenue and government intervention.</p> <p>We have contingency plans and an escalating route for operations and central offices to redeploy resources from other teams and locations.</p> <p>We have established central planning of capacity, put new capacity in place, leveraged Local Resilience Forums and super-mortuary facilities.</p>	New risk



## Financial risk management

Risk description and impact	Mitigating activities	Change
<p><b>Financial Covenant under the Secured Notes</b></p> <p>The Group's Secured Notes requires EBITDA to total debt service to be above 1.5 times. If this financial covenant (which is applicable to the securitised subgroup of Dignity) is not achieved, then this may lead to an Event of Default under the terms of the Secured Notes, which could result in the Security Trustee taking control of the Securitisation Group on behalf of the Secured Note holders.</p> <p>In addition, the Group is required to achieve a more stringent ratio of 1.85 times for the same test in order to be permitted to transfer excess cash from the Securitisation Group to Dignity plc.</p>	<p>The nature of the Group's debt means that the denominator is now fixed unless further Secured Notes are issued in the future. This means that the covenant headroom will change proportionately with changes in EBITDA generated by the securitised subgroup.</p> <p>Current trading continues to support the Group's financial obligations, however lower reported profitability increases the risk of breaching covenants.</p> <p>The Group has completed an internal restructure of its trading assets which will serve to further increase covenant headroom.</p>	<p>Increased</p>

# Consolidated income statement (unaudited)

for the 26 week period ended 26 June 2020

		26 week period ended		52 week period ended 27 Dec 2019 (audited)
		26 Jun 2020	28 Jun 2019 restated	£m
	Note	£m	£m	£m
<b>Revenue</b>	2	<b>197.1</b>	176.0	338.9
Cost of sales		(92.5)	(80.7)	(161.7)
<b>Gross profit</b>		<b>104.6</b>	95.3	177.2
Administrative expenses		(61.9)	(60.1)	(132.4)
<b>Operating profit</b>	2	<b>42.7</b>	35.2	44.8
Finance costs	3	(15.0)	(12.9)	(25.8)
Finance income	3	0.1	0.1	0.2
Share of loss and impairment in respect of associated undertakings		-	(0.3)	(6.0)
Deferred revenue significant financing	3	(26.8)	(27.3)	(54.1)
Remeasurement of financial assets held by the Trusts and related income	3	(14.6)	63.5	85.0
<b>(Loss)/profit before tax</b>	2	<b>(13.6)</b>	58.3	44.1
Taxation	4	3.3	(10.8)	(9.2)
<b>(Loss)/profit for the period attributable to equity shareholders</b>		<b>(10.3)</b>	47.5	34.9
<b>(Loss)/earnings per share for profit attributable to equity shareholders</b>				
– Basic (pence)	5	(20.6)p	95.0p	69.8p
– Diluted (pence)	5	(20.6)p	95.0p	69.8p

Comparatives for the 26 weeks ended 28 June 2019 have been restated due to the impact of the change in accounting policy in respect of the consolidation of the Trusts and the revision to the adoption of IFRS 15 which was detailed in the 2019 Annual Report. See note 1 for further details.

The results for the 26 week period to 26 June 2020 reflect the impact of adopting IFRS 16, Leases. Comparatives in respect of the 2019 reporting periods have not been restated as permitted under the specific transition provisions of the standard. See note 20 for further details.

The alternative performance measures included within this interim statement present information on a comparable basis with that presented in prior periods.

## Consolidated statement of comprehensive income (unaudited)

for the 26 week period ended 26 June 2020

		26 week period ended		52 week period ended 27 Dec 2019 (audited)
		26 Jun 2020	28 Jun 2019 restated	£m
		£m	£m	£m
<b>(Loss)/profit for the period</b>		<b>(10.3)</b>	47.5	34.9
<b>Items that will not be reclassified to profit or loss</b>				
Remeasurement loss on retirement benefit obligations		(9.1)	(2.3)	(1.8)
Tax credit on remeasurement on retirement benefit obligations		1.7	0.4	0.3
Restatement of deferred tax for the change in UK tax rate		0.5	-	-
<b>Other comprehensive loss</b>		<b>(6.9)</b>	(1.9)	(1.5)
<b>Comprehensive (loss)/income for the period</b>		<b>(17.2)</b>	45.6	33.4
<b>Attributable to:</b>				
Equity shareholders of the parent		(17.2)	45.6	33.4

Comparatives for the 26 weeks ended 28 June 2019 have been restated due to the impact of the change in accounting policy in respect of the consolidation of the Trusts and the revision to the adoption of IFRS 15 which was detailed in the 2019 Annual Report. See note 1 for further details.

**Consolidated balance sheet (unaudited)**

as at 26 June 2020

	Note	26 Jun 2020 £m	28 Jun 2019 restated £m	27 Dec 19 (audited) £m
<b>Assets</b>				
<b>Non-current assets</b>				
Goodwill		232.6	232.5	232.6
Intangible assets		138.2	149.8	140.5
Property, plant and equipment		246.4	251.0	251.3
Right-of-use asset	20	91.4	-	-
Investments in associated undertakings		-	5.8	-
Financial and other assets		17.7	17.2	18.2
Financial assets held by the Trusts	6	920.1	926.3	947.5
Deferred commissions	9	98.0	95.6	96.8
Deferred tax asset		23.7	11.0	14.0
		<b>1,768.1</b>	1,689.2	1,700.9
<b>Current assets</b>				
Inventories		9.6	8.1	7.9
Trade and other receivables	7	31.0	31.3	32.4
Deferred commissions	9	7.4	7.2	7.3
Cash and cash equivalents – Trading Group		80.3	49.8	57.9
Cash and cash equivalents – held by the Trusts		10.3	13.7	15.5
Cash and cash equivalents	8	90.6	63.5	73.4
		<b>138.6</b>	110.1	121.0
<b>Total assets</b>		<b>1,906.7</b>	1,799.3	1,821.9
<b>Liabilities</b>				
<b>Current liabilities</b>				
Financial liabilities		9.8	4.9	9.6
Trade and other payables		70.6	50.0	61.6
Lease liabilities	20	7.5	-	-
Current tax liabilities		1.4	3.3	1.7
Contract liabilities	9	94.1	92.7	95.5
Provisions for liabilities		1.9	1.7	2.0
		<b>185.3</b>	152.6	170.4
<b>Non-current liabilities</b>				
Financial liabilities		536.6	547.1	542.3
Other non-current liabilities		2.1	2.1	2.0
Lease liabilities	20	83.9	-	-
Contract liabilities	9	1,208.8	1,186.6	1,209.1
Provisions for liabilities		9.3	9.4	9.3
Retirement benefit obligation	14	34.6	27.1	26.0
		<b>1,875.3</b>	1,772.3	1,788.7
<b>Total liabilities</b>		<b>2,060.6</b>	1,924.9	1,959.1
<b>Shareholders' equity</b>				
Ordinary share capital		6.2	6.2	6.2
Share premium account		12.7	12.4	12.5
Capital redemption reserve		141.7	141.7	141.7
Other reserves		(3.7)	(4.5)	(4.0)
Retained earnings		(310.8)	(281.4)	(293.6)
<b>Total deficit</b>		<b>(153.9)</b>	(125.6)	(137.2)
<b>Total equity and liabilities</b>		<b>1,906.7</b>	1,799.3	1,821.9

Comparatives for the 26 weeks ended 28 June 2019 have been restated due the impact of the change in accounting policy in respect of the consolidation of the Trusts and the revision to the adoption of IFRS 15 which was detailed in the 2019 Annual Report. See note 1 for further details.

The balance sheet as at 26 June 2020 reflect the impact of adopting IFRS 16, Leases. Comparatives in respect of the 2019 reporting periods have not been restated as permitted under the specific transition provisions of the standard. See note 20 for details.

The alternative performance measures included within the Group's consolidated financial statements present information on a comparable basis.

**Consolidated statement of changes in equity (unaudited)**  
**as at 26 June 2020**

	Ordinary share capital £m	Share premium account £m	Capital redemption reserve £m	Other reserves £m	Retained earnings £m	Total equity £m
Shareholders' equity as at 29 December 2018	6.2	12.4	141.7	(5.1)	(319.1)	(163.9)
Profit for the 26 weeks ended 28 June 2019 - restated	-	-	-	-	47.5	47.5
Remeasurement loss on retirement benefit obligations	-	-	-	-	(2.3)	(2.3)
Tax on retirement benefit obligations	-	-	-	-	0.4	0.4
Total comprehensive income	-	-	-	-	45.6	45.6
Effects of employee share options	-	-	-	0.6	-	0.6
Dividends	-	-	-	-	(7.9)	(7.9)
Shareholders' equity as at 28 June 2019 - restated	6.2	12.4	141.7	(4.5)	(281.4)	(125.6)
Profit for the 26 weeks ended 27 December 2019	-	-	-	-	(12.6)	(12.6)
Remeasurement gain on retirement benefit obligations	-	-	-	-	0.5	0.5
Tax on retirement benefit obligations	-	-	-	-	(0.1)	(0.1)
Total comprehensive income	-	-	-	-	(12.2)	(12.2)
Effects of employee share options	-	-	-	0.5	-	0.5
Tax on employee share options	-	-	-	0.1	-	0.1
Gift to Employee Benefit Trust	-	-	-	(0.1)	-	(0.1)
Proceeds from share issue <sup>(1)</sup>	-	0.1	-	-	-	0.1
Shareholders' equity as at 27 December 2019	6.2	12.5	141.7	(4.0)	(293.6)	(137.2)
Loss for the 26 weeks ended 26 June 2020	-	-	-	-	(10.3)	(10.3)
Remeasurement loss on retirement benefit obligations	-	-	-	-	(9.1)	(9.1)
Tax on retirement benefit obligations	-	-	-	-	1.7	1.7
Restatement of deferred tax for the change in UK tax rate	-	-	-	-	0.5	0.5
Total comprehensive loss	-	-	-	-	(17.2)	(17.2)
Effects of employee share options	-	-	-	0.6	-	0.6
Tax on employee share options	-	-	-	(0.1)	-	(0.1)
Proceeds from share issue <sup>(2)</sup>	-	0.2	-	-	-	0.2
Gift to Employee Benefit Trust	-	-	-	(0.2)	-	(0.2)
<b>Shareholders' equity as at 26 June 2020</b>	<b>6.2</b>	<b>12.7</b>	<b>141.7</b>	<b>(3.7)</b>	<b>(310.8)</b>	<b>(153.9)</b>

(1) Relating to issue of 3,455 shares under 2016 DAB scheme.

(2) Relating to issue of 7,745 shares under 2017 DAB scheme.

Comparatives for the 26 weeks ended 28 June 2019 have been restated due to the impact of the change in accounting policy in respect of the consolidation of the Trusts and the revision to the adoption of IFRS 15 which was detailed in the 2019 Annual Report. See note 1 for further details.

The results for the 26 week period to 26 June 2020 reflect the impact of adopting IFRS 16, Leases. Comparatives in respect of the 2019 reporting periods have not been restated as permitted under the specific transition provisions of the standard. See note 20 for details.

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

**Capital redemption reserve**

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

**Other reserves**

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

**Consolidated statement of cash flows (unaudited)**  
for the 26 week period ended 26 June 2020

		26 week period ended		52 week period ended 27 Dec 2019 (audited)
		26 Jun 2020	28 Jun 2019 restated	
	Note	£m	£m	£m
<b>Cash flows from operating activities</b>				
Cash generated from operations	11	<b>40.4</b>	39.2	64.6
Finance income received		<b>0.1</b>	0.2	0.3
Finance costs paid		<b>(12.2)</b>	(24.7)	(25.0)
Transfer from restricted bank accounts for finance costs	8	<b>12.1</b>	12.3	12.3
Payments to restricted bank accounts for finance costs	8	<b>(12.1)</b>	-	(12.1)
Total payments in respect of finance costs		<b>(12.2)</b>	(12.4)	(24.8)
Tax paid		<b>(4.7)</b>	(5.0)	(7.9)
<b>Net cash generated from operating activities</b>		<b>23.6</b>	22.0	32.2
<b>Cash flows from investing activities</b>				
Proceeds from sale of property, plant and equipment		<b>0.5</b>	1.6	2.1
Maintenance capital expenditure <sup>(1)</sup>		<b>(4.5)</b>	(3.9)	(9.8)
Branch relocations		<b>(0.5)</b>	(0.4)	(1.1)
Transformation capital expenditure		<b>(0.9)</b>	(0.9)	(1.7)
Satellite locations		-	(0.2)	(0.3)
Development of new crematoria and cemeteries		<b>(0.6)</b>	(2.6)	(5.4)
Purchase of property, plant and equipment and intangible assets		<b>(6.5)</b>	(8.0)	(18.3)
Purchase of financial assets (by the Trusts)		<b>(447.9)</b>	(302.2)	(736.1)
Disposals of financial assets (by the Trusts)		<b>456.5</b>	296.9	726.6
Realised return on financial assets		<b>1.9</b>	2.0	3.6
<b>Net cash generated/(used) in investing activities</b>		<b>4.5</b>	(9.7)	(22.1)
<b>Cash flows from financing activities</b>				
Payments due under Secured Notes		<b>(4.9)</b>	(9.3)	(9.3)
Transfer from restricted bank accounts for repayment of borrowings	8	<b>4.8</b>	4.6	4.6
Payments to restricted bank accounts for repayment of borrowings	8	<b>(4.8)</b>	-	(4.8)
Total payments in respect of borrowings		<b>(4.9)</b>	(4.7)	(9.5)
Principal and interest elements of lease payments		<b>(6.0)</b>	-	-
Dividends paid to shareholders on Ordinary Shares		-	(7.9)	(7.9)
<b>Net cash used in financing activities</b>		<b>(10.9)</b>	(12.6)	(17.4)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>17.2</b>	(0.3)	(7.3)
Cash and cash equivalents at the beginning of the period		<b>56.5</b>	63.8	63.8
<b>Cash and cash equivalents at the end of the period</b>	8	<b>73.7</b>	63.5	56.5
Restricted cash	8	<b>16.9</b>	-	16.9
<b>Cash and cash equivalents at the end of the period as reported in the consolidated balance sheet</b>	8	<b>90.6</b>	63.5	73.4

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

Comparatives for the 26 weeks ended 28 June 2019 have been restated due to the impact of the change in accounting policy in respect of the consolidation of the Trusts and the revision to the adoption of IFRS 15 which was detailed in the 2019 Annual Report. See note 1 for further details.

**Notes to the interim financial information 2020 (unaudited)  
for the 26 week period ended 26 June 2020**

**1 Accounting policies**

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

**Basis of preparation**

The interim condensed consolidated financial information of Dignity plc (the 'Company') is for the 26 week period ended 26 June 2020 and comprises the results, assets and liabilities of the Company and its subsidiaries (the 'Group').

The interim condensed consolidated financial information has been reviewed, not audited and does not constitute statutory accounts within the meaning of s434 of the Companies Act 2006. This interim condensed consolidated financial information has been prepared in accordance with the Disclosure Guidance and Transparency Rules of the FCA and with IAS 34 'Interim Financial Reporting' as adopted by the European Union.

The interim condensed consolidated financial information has been prepared in accordance with all applicable International Financial Reporting Standards ('IFRSs'), as adopted by the European Union, that are expected to apply to the Group's Financial Report for the 52 week period ended 25 December 2020. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the audited consolidated financial statements of the Group as at and for the 52 week period ended 27 December 2019. The Directors approved this interim condensed consolidated financial information on 29 July 2020.

The accounting policies applied by the Group in this interim condensed consolidated financial information are the same as those applied by the Group in its audited consolidated financial statements as at and for the 52 week period ended 27 December 2019, which are prepared in accordance with International Financial Reporting Standards as adopted by the European Union, except for the adoption of new accounting standards effective as of 28 December 2019. The basis of consolidation is set out in the Group's accounting policies in those financial statements.

The preparation of interim condensed consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, and income and expenses. In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and key sources of estimation uncertainty were the same as those applied to the audited consolidated financial statements as at and for the 52 week period ended 27 December 2019. Comparative information has been presented as at and for the 26 week period ended 28 June 2019, and as at and for the 52 week period ended 27 December 2019.

The comparative figures for the 52 week period ended 27 December 2019 do not constitute statutory accounts for the purposes of s434 of the Companies Act 2006. A copy of the Group's statutory accounts for the 52 week period ended 27 December 2019 have been delivered to the Registrar of Companies and contained an unqualified auditors' report which did not contain a statement made under section 498 (2) or (3) of the Companies Act 2006.

**Terminology:**

**Trusts** refers to The National Funeral Trust and the Trust for Age UK Funeral Plans considered for accounting purposes to be controlled and therefore included in the consolidated financial statements of Dignity plc.

**Trading Group** refers to Dignity plc and its subsidiaries excluding the Trusts. Trading Group therefore represents what would have been described as the 'Dignity plc Group' or 'Group' in previous Annual Reports.

**Group or Dignity plc Group** refers to Dignity plc, including its subsidiaries and the Trusts.

**Securitisation Group or Securitised Group** refers to Dignity (2002) Limited, including its subsidiaries, but excluding the Trusts. It represents those entities over which security has been granted in respect of the Secured Notes.

**Going concern**

The key factors which impact the Group's financial performance are death rate, market share and average price per funeral. As this Interim Report describes, following the outbreak of the COVID-19 virus, whilst the death rate in the UK has sadly increased and the Group's market share remained broadly stable, both the average income received per funeral and the income received for memorial sales has declined.

The impact on its full year 2020 revenue and profitability will depend on various factors outside of the Group's control, such as the number of deaths in the UK and the length of time social distancing measures are in place.

The financial performance of the Group and the Securitisation Group has been forecast and those forecasts have been subjected to a number of sensitivities. These forecasts reflect an assessment of current and future market conditions and their impact on the future profitability of the Group and the Securitised Group. The forecasts reflect several different patterns of recovery being profiled.

In certain sensitised scenarios (such as a prolonged period of social distancing restrictions which may serve to keep average income per funeral lower for a sustained period), the forecasts indicate the Securitised Group may not meet its debt service cover ratio ('DSCR') covenant requirements. Under the terms of the Securitised Group's borrowings, the Securitised Group is required to maintain a DSCR of at least 1.5 times (see note 10), measured on a rolling 12 month basis every quarter. However, a breach of the covenant does not give rise to an immediate requirement to repay the associated borrowings. Rather, such a breach results in a requirement for the bond trustees to appoint a financial adviser who will review the financial and operational circumstances of the Securitised Group prior to making recommendations as to how the breach can be resolved. Notwithstanding this, the Securitised Group is forecast under all sensitised scenarios to have sufficient liquid resources to make all required debt service payments for a period of at least the next 12 months and to continue to generate cash flows from operations in excess of debt service payments.

Having considered all the above the directors remain confident in the long-term future prospects for the Group and its ability to continue as a going concern for the foreseeable future and therefore continue to adopt the going concern basis in preparing the Interim Report.

#### **Change in accounting policy in respect of the comparative 26 week period ended 28 June 2019**

As disclosed in notes 1 and 35 in the 2019 Annual Report & Accounts, the Group revisited the judgement regarding the extent of its control over the Trusts and as a result revised its accounting policy to reflect the consolidation of the two principal pre-need trusts.

As a result of consolidating the Trusts, the Group has applied new accounting policies in respect of the recognition and measurement of the financial assets held by the Trusts and extended its revenue recognition policies to consider deferred revenue received from plan holders, refund liabilities and income received from plan holders under payment plans. The application of IFRS 15 to the Group as enlarged by the consolidation of the Trusts has also resulted in a change in the presentation of revenue and costs related to disbursements associated with pre-need plans and pre-need plans ultimately performed by non-Dignity funeral directors from an agent basis to a principal basis. This revision reflects the fact that, under IFRS 15, the Group controls the delivery of pre-need plans, including disbursements, and those plans where the funeral service is delivered by third parties.

The comparatives as at and for the period ended 28 June 2019 have been restated to reflect the above change in accounting policy and the impact of IFRS 15. A reconciliation from the previously reported financial information as at and for the period ended 28 June 2019 has been provided in note 19.

#### **New accounting standards, interpretations and amendments adopted by the Group**

The Group has applied IFRS 16, Leases for the first time in the preparation of this interim condensed consolidated financial information.

Comparatives in respect of the 2019 reporting periods have not been restated as permitted under the specific transition provisions of the standard. See note 20 for details.

A description of the nature and effect of transition to this standard and the Group's revised accounting policy are presented in note 20.

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

IFRS 17, Insurance Contracts. The standard is expected to be effective 1 January 2023 and will therefore impact on the Group's 2024 Annual report. The new standard establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The Group is in the early stages of assessing whether the standard will have an impact in relating to its pre-need funeral plans.

There are no other updates to standards, amendments and interpretations to existing standards that are not yet effective that are expected to have a material impact on the Group.

The Group's securitisation documents contemplate accounting policy changes and provide a mechanism that ensure covenant calculations are not materially impacted to the detriment of either the Group or Noteholders.

## **2 Revenue and segmental analysis**

Operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision maker who is responsible for allocating resources and assessing performance of the operating segments. The chief operating decision maker of the Group has been identified as the three Executive Directors (which includes the Executive Chairman). For statutory purposes the Group has two reporting segments, funeral services and crematoria, as under IFRS 15 only a single performance obligation exists when a pre-arranged funeral plan is sold, being the performance of a funeral. The Group also reports central overheads, which comprise unallocated central expenses.

### **Revenue**

Funeral services relate to two primary sources of revenue:

- Funerals arranged and funded by the customer at the time of need, in addition to ancillary items, such as memorials and floral tributes; and
- Funerals arranged and funded by a pre-arranged Trust funeral plan, for which amounts recognised as revenue arise from the de-recognition of deferred revenue on completion of the related performance obligation.

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

## 2 Revenue and segmental analysis (continued)

### Underlying revenue

For the purpose of alternative performance measures the Group has three reporting segments, funeral services, crematoria and pre-arranged funeral plans, as the chief operating decision maker reviews segmental performance before applying the effect of IFRS 15.

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

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

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

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

Underlying revenue and underlying operating profit are stated before non-underlying items and the effect of consolidation of the Trusts, applying IFRS 15 and adopting IFRS 16 as defined on page 42.

### Reconciliations to statutory amounts

Non-underlying items represent certain non-recurring or non-trading transactions. See alternative performance measures on page 42 for further details.

Other adjustments reflect the consolidation of the Trusts, applying IFRS 15 and the adoption of IFRS 16 in the current period. Underlying revenue substitutes revenue arising from the de-recognition of deferred revenue on completion of the related performance obligation, which includes the impact of significant financing, with the payments received from the Trusts on the death of a plan member, and recognises marketing allowances at the inception of a plan, net of an allowance for cancellations. Underlying revenue also excludes amounts relating to disbursements and external payments made when the performance of the plan funeral is delivered by third parties.

### Disaggregated revenue

The disaggregated revenue and operating profit/(loss), by segment, is shown in the following tables.

#### 26 week period ended 26 June 2020

	Underlying revenue £m	Other adjustments <sup>(1)</sup> £m	Revenue £m
Funeral services	113.3	40.2	153.5
Crematoria	43.6	-	43.6
Pre-arranged funeral plans	12.2	(12.2)	-
Group	169.1	28.0	197.1

(1) Other adjustments relate to the consolidation of the Trusts.

Within funeral services revenue £63.6 million relates to deferred revenue arising on the completion of performance obligations under pre-need trust plans.

In addition to the adjustments noted above relating to revenue, in arriving at underlying operating profit further 'other adjustments', reflecting the impact of consolidating the Trusts and the effects of IFRS 15, have been recorded. This includes corresponding entries relating to the exclusion of disbursements and external payments made when the performance of the funeral is delivered by third parties, adjustments are also made to exclude the Trusts administration costs and to recognise commissions payable at the inception of a plan rather than on delivery of the funeral or cancellation. Furthermore, for the period ended 26 June 2020 'other adjustments' also includes the impact of adopting IFRS 16, with operating lease rentals being replaced with depreciation and finance costs.



## 2 Revenue and segmental analysis (continued)

	Underlying operating profit/ (loss) before depreciation and amortisation £m	Underlying depreciation and amortisation £m	Underlying operating profit/ (loss) £m	Non-underlying items £m	Other adjustments £m	Operating profit/(loss) £m
<b>26 week period ended 26 June 2020</b>						
Funeral services	39.8	(6.1)	33.7	(2.2)	10.6	42.1
Crematoria	26.6	(2.9)	23.7	(0.2)	0.6	24.1
Pre-arranged funeral plans	-	-	-	(0.1)	0.1	-
Central overheads	(17.5)	(0.9)	(18.4)	(5.1)	-	(23.5)
Group	48.9	(9.9)	39.0	(7.6)	11.3	42.7
Finance costs			(12.6)		(2.4)	(15.0)
Finance income			0.1			0.1
Deferred revenue significant financing					(26.8)	(26.8)
Remeasurement of financial assets held by the Trusts and related income					(14.6)	(14.6)
Profit/(loss) before tax			26.5	(7.6)	(32.5)	(13.6)
Taxation – Continuing activities			(5.6)	1.4	6.4	2.2
Taxation – rate change					1.1	1.1
Taxation			(5.6)	1.4	7.5	3.3
Underlying earnings for the period			20.9			
Non-underlying items				(6.2)		
Other adjustments					(25.0)	
Loss after taxation						(10.3)
<b>(Loss)/earnings per share for profit attributable to equity shareholders</b>						
- Basic (pence)			41.8p			(20.6)p
- Diluted (pence)						(20.6)p

## 2 Revenue and segmental analysis (continued)

26 week period ended 28 June 2019 – restated (see note 19)

	Underlying revenue £m	Other adjustments <sup>(1)</sup> £m	Revenue £m
Funeral services	105.7	30.2	135.9
Crematoria	40.1	-	40.1
Pre-arranged funeral plans	9.5	(9.5)	-
Group	155.3	20.7	176.0

(1) Other adjustments relate to the consolidation of the Trusts.

Within funeral services revenue £46.9 million relates to deferred revenue arising on the completion of performance obligations under pre-need trust plans.

	Underlying operating profit/ (loss) before depreciation and amortisation £m	Underlying depreciation and amortisation £m	Underlying operating profit/ (loss) £m	Non- underlying items £m	Other adjustments £m	Operating profit/ (loss) £m
26 week period ended 28 June 2019 – restated						
Funeral services	37.0	(6.5)	30.5	(1.2)	6.1	35.4
Crematoria	23.4	(2.6)	20.8	(0.4)	-	20.4
Pre-arranged funeral plans	-	-	-	(0.1)	0.1	-
Central overheads	(13.7)	(0.9)	(14.6)	(6.0)	-	(20.6)
Group	46.7	(10.0)	36.7	(7.7)	6.2	35.2
Finance costs			(12.9)			(12.9)
Finance income			0.1			0.1
Deferred revenue significant financing					(27.3)	(27.3)
Remeasurement of financial assets held by the Trusts and related income					63.5	63.5
Share of loss of associated undertakings				(0.3)		(0.3)
Profit before tax			23.9	(8.0)	42.4	58.3
Taxation			(5.0)	1.4	(7.2)	(10.8)
Underlying earnings for the period			18.9			
Non-underlying items				(6.6)		
Other adjustments					35.2	
Profit after taxation						47.5
<b>Earnings per share for profit attributable to equity shareholders</b>						
- Basic (pence)			37.8p			95.0p
- Diluted (pence)						95.0p

### 52 week period ended 27 December 2019

	Underlying revenue £m	Other adjustments <sup>(1)</sup> £m	Revenue £m
Funeral services	203.3	58.8	262.1
Crematoria	76.8	-	76.8
Pre-arranged funeral plans	21.2	(21.2)	-
Group	301.3	37.6	338.9

(1) Other adjustments relate to the consolidation of the Trusts.

Within funeral services revenue £91.7 million relates to deferred revenue arising on the completion of performance obligations under pre-need trust plans.

## 2 Revenue and segmental analysis (continued)

	Underlying operating profit/ (loss) before depreciation and amortisation £m	Underlying depreciation and amortisation £m	Underlying operating profit/ (loss) £m	Non-underlying items £m	Other adjustments £m	Operating profit/(loss) £m
<b>52 week period ended 27 December 2019</b>						
Funeral services	68.6	(12.3)	56.3	(10.0)	8.4	54.7
Crematoria	43.6	(5.2)	38.4	(1.2)	-	37.2
Pre-arranged funeral plans	-	-	-	(0.2)	0.2	-
Central overheads	(29.6)	(1.8)	(31.4)	(15.7)	-	(47.1)
Group	82.6	(19.3)	63.3	(27.1)	8.6	44.8
Finance costs			(25.8)			(25.8)
Finance income			0.2			0.2
Deferred revenue significant financing					(54.1)	(54.1)
Remeasurement of financial assets held by the						
Trusts and related income					85.0	85.0
Share of loss in associated undertakings				(0.6)		(0.6)
Impairment of investments in associated undertakings				(5.4)		(5.4)
Profit before tax			37.7	(33.1)	39.5	44.1
Taxation			(7.4)	4.9	(6.7)	(9.2)
Underlying earnings for the period			30.3			
Non-underlying items				(28.2)		
Other adjustments					32.8	
Profit after taxation						34.9
<b>Earnings per share for profit attributable to equity shareholders</b>						
- Basic (pence)			60.6p			69.8p
- Diluted (pence)						69.8p

### 3 Net finance (income)/costs

	26 week period ended		52 week period ended
	26 Jun 2020	28 Jun 2019 restated	27 Dec 2019
	£m	£m	£m
<b>Finance costs</b>			
Secured Notes	12.1	11.9	23.7
Other loans	0.2	0.6	1.3
Net finance cost on retirement benefit obligations	0.2	0.3	0.7
Unwinding of discounts	0.1	0.1	0.1
<b>Underlying finance costs</b>	<b>12.6</b>	<b>12.9</b>	<b>25.8</b>
Finance cost on lease liability	2.4	-	-
<b>Finance costs</b>	<b>15.0</b>	<b>12.9</b>	<b>25.8</b>
<b>Finance income</b>			
Bank deposits	(0.1)	(0.1)	(0.2)
<b>Finance income</b>	<b>(0.1)</b>	<b>(0.1)</b>	<b>(0.2)</b>
<b>Deferred revenue significant financing</b>	<b>26.8</b>	<b>27.3</b>	<b>54.1</b>
<b>Remeasurement of financial assets held by the Trusts and related income</b>			
Realised investment income	(3.1)	(2.0)	(5.5)
Changes in fair value of financial assets held by the Trusts	17.7	(61.5)	(79.5)
<b>Remeasurement of financial assets held by the Trusts and related income</b>	<b>14.6</b>	<b>(63.5)</b>	<b>(85.0)</b>
<b>Underlying net finance costs</b>			
Underlying finance costs	12.6	12.9	25.8
Finance income	(0.1)	(0.1)	(0.2)
<b>Underlying net finance costs</b>	<b>12.5</b>	<b>12.8</b>	<b>25.6</b>

### 4 Taxation

The taxation (credit)/charge on continuing operations in the period is based on a full year estimated effective tax rate, before the effects of non-underlying items, of 21.0 per cent (2019: 21.0 per cent) on profit before tax for the 26 week period ended 26 June 2020.

	26 week period ended		52 week period ended
	26 Jun 2020	28 Jun 2019 restated	27 Dec 2019
	£m	£m	£m
Taxation	(3.3)	10.8	9.2

In the recent budget announced in March 2020, the legislation to reduce the main rate of corporation tax to 17 per cent has been cancelled and the main rate of corporate tax will remain at 19 per cent from 1 April 2020 and 1 April 2021. The change was substantively enacted at the balance sheet date and is therefore recognised in these financial statements. As a result, the Group recognised a non underlying taxation credit of £1.1 million through its income statement and a credit of £0.5 million through other comprehensive income to reflect the one off increase in the period of the Group's deferred tax position.

## 5 Earnings per share (EPS)

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

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

The Group has two classes of potentially dilutive Ordinary Shares being those share options granted to employees under the Group's SAYE Scheme and the contingently issuable shares under the Group's LTIP Schemes. At the balance sheet date, the performance criteria for the vesting of the awards under the LTIP Schemes, including any deferred annual bonus, are assessed, as required by IAS 33, and to the extent that the performance criteria have been met those contingently issuable shares are included within the diluted EPS calculations. As the impact of these shares is anti-dilutive for the 26 week period ended 26 June 2020, no adjustment has been made in respect of arriving at diluted earnings per share measures for that period.

The Group's underlying measures of profitability exclude non-underlying items, the effects of IFRS 15, consolidation of the Trusts and the adoption of IFRS 16 as set out on page 42. 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.

Accordingly, the Board believes that earnings per share calculated by reference to this underlying performance measure users of the financial statements to fully understand the trading performance and financial position of the Group.

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

	Earnings £m	Weighted average number of shares millions	Per share amount pence
<b>26 week period ended 26 June 2020</b>			
<b>Underlying profit after taxation and EPS</b>	<b>20.9</b>	<b>50.0</b>	<b>41.8</b>
Add: Non-underlying items (net of taxation credit of £1.4 million)	(6.2)		
Add: Other adjustments (net of taxation credit of £7.5 million) <sup>(1)</sup>	(25.0)		
<b>Loss attributable to shareholders – Basic EPS</b>	<b>(10.3)</b>	<b>50.0</b>	<b>(20.6)</b>
<b>Loss attributable to shareholders – Diluted EPS</b>	<b>(10.3)</b>	<b>50.0</b>	<b>(20.6)</b>
<b>26 week period ended 28 June 2019 – restated (see note 19)</b>			
Underlying profit after taxation and EPS	18.9	50.0	37.8
Add: Non-underlying items (net of taxation credit of £1.4 million)	(6.6)		
Add: Other adjustments (net of taxation charge of £7.2 million) <sup>(1)</sup>	35.2		
Profit attributable to shareholders – Basic EPS	47.5	50.0	95.0
Profit attributable to shareholders – Diluted EPS	47.5	50.0	95.0
<b>52 week period ended 27 December 2019</b>			
Underlying profit after taxation and EPS	30.3	50.0	60.6
Add: Non-underlying items (net of taxation credit of £4.9 million)	(28.2)		
Add: Other adjustments (net of taxation charge of £6.7 million) <sup>(1)</sup>	32.8		
Profit attributable to shareholders – Basic EPS	34.9	50.0	69.8
Profit attributable to shareholders – Diluted EPS	34.9	50.0	69.8

<sup>(1)</sup> See note 2 for further details.

## 6 Financial assets – held by the Trusts

	26 Jun 2020 £m	28 Jun 2019 £m	27 Dec 2019 £m
Financial assets – held by the Trusts	920.1	926.3	947.5

Analysis of the movements in financial assets held by the Trusts:

	26 Jun 2020 £m	28 Jun 2019 £m	27 Dec 2019 £m
Fair value at the start of the period	947.5	862.4	862.4
Remeasurement recognised in the consolidated income statement	(17.6)	60.2	79.5
Investment income	1.2	1.3	1.9
Purchases	447.9	302.2	736.1
Disposals	(456.5)	(296.9)	(726.6)
Investment administrative expenses deducted at source	(2.4)	(2.9)	(5.8)
<b>Fair value at the end of the period</b>	<b>920.1</b>	<b>926.3</b>	<b>947.5</b>

Interest and dividend income received is included within remeasurements recognised in the consolidated income statement.

## 7 Trade and other receivables

	26 Jun 2020 £m	28 Jun 2019 restated £m	27 Dec 2019 £m
Trade receivables: Trusts	11.7	11.0	11.4
Trade receivables: at-need	21.6	21.1	21.8
Less: provision for impairment	(7.7)	(6.6)	(6.7)
Net trade receivables	25.6	25.5	26.5
Prepayments and accrued income	3.0	4.7	4.2
Other receivables	2.4	1.1	1.7
	31.0	31.3	32.4

Trust trade receivables represent amounts due to the Group's Trusts in respect of plans sold, where the Group's performance obligation has yet to be satisfied. Instalments due to the Trusts after the balance sheet date are excluded as they are not contractually due.

At-need trade receivables represent all other trade receivables due to the Group.

## 8 Cash and cash equivalents

	26 Jun 2020 £m	28 Jun 2019 restated £m	27 Dec 2019 £m
Trading group	63.4	49.8	41.0
Trusts	10.3	13.7	15.5
<b>Operating cash as reported in the consolidated statement of cash flows as cash and cash equivalents</b>	<b>73.7</b>	<b>63.5</b>	<b>56.5</b>
Amounts set aside for debt service payments	16.9	-	16.9
<b>Cash and cash equivalents as reported in the balance sheet</b>	<b>90.6</b>	<b>63.5</b>	<b>73.4</b>

### (a) Trusts cash balances

All assets of the Trusts can, by definition, only be used for certain prescribed purposes such as, but not limited to, the payment for a funeral or a refund on cancellation of a plan. They cannot be used for day-to-day operational activities of the wider Trading Group and could not, for example, be used to fund a capital expenditure project. The cash is held in Trust bank accounts but is accessible without restriction and can be used within the Trusts for any allowable purpose, such as payment following the performance of a funeral. As Dignity is considered to control the activities of the Trusts, this cash balance meets the requirements to be included in cash and cash equivalents for the purposes of IAS 7.

### (b) Amounts set aside for debt service payments

This amount was transferred to restricted bank accounts which could only be used for the payment of the interest and principal on the Secured Notes, the repayment of liabilities due on the Group's commitment fees due on its undrawn borrowing facilities and for no other purpose. Consequently, this amount does not meet the definition of cash and cash equivalents in IAS 7, Statement of Cash Flows. In June 2020 this amount was used to pay these respective parties on 30 June 2020. Of this amount £12.1 million is shown within the Statement of Cash Flows as 'Payments to restricted bank accounts for finance costs' and £4.8 million is shown within 'Financing activities' as 'Payments to restricted bank accounts for repayment of borrowings'.

## 9 Deferred commissions and contract liabilities

### Deferred commissions

	26 Jun 2020 £m	28 Jun 2019 £m	27 Dec 2019 £m
Deferred commissions - current	7.4	7.2	7.3
Deferred commissions - non-current	98.0	95.6	96.8

Deferred commissions represent directly attributable costs in respect of the marketing of the pre-arranged funeral plans where the plan has yet to be used or cancelled. An amount of £4.1 million (June 2019: £3.4 million; December 2019 £6.4 million) has been amortised to the consolidated income statement within administrative expenses.

### Contract liabilities

	Note	26 Jun 2020 £m	28 Jun 2019 £m	27 Dec 2019 £m
<b>Current</b>				
Contract liabilities – deferred revenue	(a)	93.0	91.6	94.4
Contract liabilities – refund liability	(b)	1.1	1.1	1.1
		94.1	92.7	95.5
<b>Non-current</b>				
Contract liabilities – deferred revenue	(a)	1,194.8	1,172.1	1,194.6
Contract liabilities – refund liability	(b)	14.0	14.5	14.5
		1,208.8	1,186.6	1,209.1

## 9 Deferred commissions and contract liabilities (continued)

### Movement in total contract liabilities

	26 Jun 2020	28 Jun 2019	27 Dec 2019
	£m	£m	£m
Balance at the beginning of the year	1,304.6	1,256.1	1,256.1
Sale of new Trust plans	37.6	44.9	91.2
Increase due to significant financing	26.8	27.3	54.1
Recognition of revenue following delivery or cancellation of a Trust plan	(66.1)	(49.0)	(96.8)
Balance at the end of the year	1,302.9	1,279.3	1,304.6

#### (a) Contract liabilities – deferred revenue

Deferred revenue represents amounts received from pre-arranged funeral plan holders adjusted to reflect a significant financing component, and for which the Group has not completed its performance obligations at the balance sheet date. The balance is split between current and non-current based on historical experience to reflect the expected number of plans to be utilised within the next 12 months.

#### (b) Contract liabilities – refund liability

Refund liabilities represent amounts received from pre-arranged funeral plan holders for which it is expected that the respective plans will be cancelled based on historical experience. The balance is split between current and non-current based on historical experience to reflect the expected number of plans to be cancelled within the next 12 months.

## 10 Net debt

	26 Jun 2020	28 Jun 2019	27 Dec 2019
	£m	£m	£m
Net amounts owing on Secured Notes per financial statements	(546.5)	(551.3)	(551.3)
Add: unamortised issue costs	(0.5)	(0.5)	(0.6)
Gross amounts owing	(547.0)	(551.8)	(551.9)
Accrued interest on Secured Notes	(12.1)	-	(12.2)
Accrued interest on Revolving Credit Facility	-	(0.2)	-
Cash and cash equivalents – Trading Group (note 8)	80.3	49.8	57.9
Net debt	(478.8)	(502.2)	(506.2)

Net debt is an alternative performance measure calculated as shown in the table. Net debt excludes any liabilities recognised in accordance with IFRS 16.

The Group's primary financial covenant in respect of the Secured Notes requires EBITDA to total debt service ('EBITDA DSCR') to be at least 1.5 times. At 26 June 2020, the actual ratio was 2.15 times (June 2019: 2.05 times; December 2019: 2.13 times).

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



## 11 Reconciliation of cash generated from operations

	26 week period ended		52 week period ended
	26 Jun 2020	28 Jun 2019	27 Dec 2019
	£m	restated £m	£m
Net (loss)/profit for the period	(10.3)	47.5	34.9
Adjustments for:			
Taxation	(3.3)	10.8	9.2
Net finance costs/(income)	56.3	(23.4)	(5.3)
Loss/ (profit) on disposal of fixed assets	0.1	(0.9)	(1.0)
Depreciation charges on property, plant and equipment	9.7	10.0	19.1
Depreciation charges on right-of-use asset	4.6	-	-
Amortisation of intangibles	2.5	2.4	5.0
Movement in inventories	(1.7)	0.4	0.6
Movement in trade receivables	0.9	(0.5)	(1.5)
Movement in trade payables	(0.9)	(1.3)	(0.8)
Movement in contract liabilities	(28.5)	(3.9)	(5.6)
Net pension charges less contribution	(0.8)	(0.5)	(1.7)
Trade name impairment	-	-	6.8
Share of loss and impairment in respect of associated undertakings	-	0.3	6.0
Changes in other working capital	11.2	(2.2)	(1.9)
Employee share option charges	0.6	0.5	0.8
Cash flows from operating activities	40.4	39.2	64.6

## 12 Financial risk management and financial instruments

### (a) Financial risk factors

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

The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's annual financial statements as at 27 December 2019. There have been no changes in the approach to risk management or in any risk management policies since the year end.

### (b) Liquidity risk

Compared to 27 December 2019, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

### (c) Fair value of Trust financial assets

	26 Jun 2020 £m	28 Jun 2019 £m	27 Dec 2019 £m
<b>Financial assets at fair value through consolidated income statement</b>			
Defensive investments – Index linked gilts and corporate bonds	174.3	171.5	170.3
Core growth investments – Equities	188.6	244.9	268.5
Growth fixed income and alternative investments – property funds and emerging market debt	513.3	474.8	468.6
Illiquid investments – Private investments	43.9	35.1	40.1
<b>Total financial assets at fair value</b>	<b>920.1</b>	<b>926.3</b>	<b>947.5</b>

All other financial assets are held at amortised cost and there is no difference between the book value and the fair value of these assets, due to the short-term maturities of these instruments.

## 12 Financial risk management and financial instruments (continued)

### (c) Fair value of Trust financial assets (continued)

The following tables provide the fair value measurement hierarchy of the Trusts' financial assets.

26 June 2020

	Fair value measurement using			
	Total £m	Quoted prices in active markets (Level 1) £m	Significant observable inputs (Level 2) £m	Significant unobservable inputs (Level 3) £m
Defensive investments – Index linked gilts and corporate bonds	174.3	-	174.3	-
Core growth investments – Equities	188.6	-	188.6	-
Growth fixed income and alternative investments – property funds and emerging market debt	513.3	-	331.6	181.7
Illiquid investments – Private investments	43.9	-	-	43.9

Illiquid investments represent market values as at 31 March 2020, adjusted for subsequent purchases, disposals and the impact of foreign exchange rate movements, as valuations are not yet available as at 26 June 2020. Given their illiquid nature, these valuations are considered to be a reasonable approximation of their period end valuation.

28 June 2019

	Fair value measurement using			
	Total £m	Quoted prices in active markets (Level 1) £m	Significant observable inputs (Level 2) £m	Significant unobservable inputs (Level 3) £m
Defensive investments – Index linked gilts and corporate bonds	171.5	-	171.5	-
Core growth investments – Equities	244.9	-	244.9	-
Growth fixed income and alternative investments – property funds and emerging market debt	474.8	-	247.9	226.9
Illiquid investments – Private investments	35.1	-	-	35.1

27 December 2019

	Fair value measurement using			
	Total £m	Quoted prices in active markets (Level 1) £m	Significant observable inputs (Level 2) £m	Significant unobservable inputs (Level 3) £m
Defensive investments – Index linked gilts and corporate bonds	170.3	-	170.3	-
Core growth investments – Equities	268.5	-	268.5	-
Growth fixed income and alternative investments – property funds and emerging market debt	468.6	-	269.3	199.3
Illiquid investments – Private investments	40.1	-	-	40.1

There were no transfers between level 1, level 2 or level 3 during the 26 weeks ending 26 June 2020 or throughout the 52 weeks ended 27 December 2019.

The following methods and assumptions were used to estimate the fair values:

#### Defensive investments – level 2

The fair values of index linked gilts and corporate bonds are based on active market prices or price quotations at the reporting date. Whilst these assets have a quoted price on a recognised exchange adjustments are required in respect of related inflation factors, thereby making these measurements level 2 rather than level 1.

#### Core growth investments & Growth fixed income and alternative investments - level 2

These represent pooled investment funds that do not have a quoted price on a recognised exchange. The underlying assets of the pooled fund have been valued using active market prices or price quotations at the balance sheet date.

## 12 Financial risk management and financial instruments (continued)

### (c) Fair value of Trust financial assets (continued)

#### Growth fixed income and alternative investments & illiquid investments - level 3

These investments hold some underlying investment that rely on significant unobservable inputs to price or a premium or discount may apply on exit.

In all cases, fair value information is provided by the investment manager engaged by the Trusts. The Group has no input to, or influence over the valuation methodologies applied by the investment manager.

Within the above reconciliation of financial assets through the consolidated income statement the following movements relate to level 3 assets:

	26 week period ended		52 week period ended
	26 Jun	28 Jun	27 Dec
	2020	2019	2019
	£m	£m	£m
Fair value at the start of the period	239.4	252.7	252.7
Remeasurement recognised in the consolidated income statement	2.2	5.4	8.3
Purchases	-	5.5	11.3
Sales	(14.9)	(0.3)	(30.3)
Investment administrative expenses	(1.1)	(1.3)	(2.6)
<b>Fair value at the end of the period</b>	<b>225.6</b>	<b>262.0</b>	<b>239.4</b>

At 26 June 2020, the Trust financial assets (all level 2 or 3, fair value of £920.1 million (June 2019: £926.3 million; December 2019: £947.5 million)) are exposed to market sensitivity and changes in valuation over time due to factors including currency, interest rate, property and commodity prices. As the fair value information is provided by the investment manager who has not been able to provide sensitivity analysis on the inputs to the fair values, the Group is unable to disclose this information. However, a 5 per cent movement in the fair value of these assets would result in a £46.0 million (June 2019: £46.3 million; December 2019: £47.4 million) increase/decrease to the carrying value, with a corresponding movement in an unrealised gain/loss in the income statement. A 10 per cent movement would increase this movement to £92.0 million (June 2019: £92.6 million; December 2019: £94.8 million).

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

	26 Jun 2020			28 Jun 2019			27 Dec 2019		
	Nominal value £m	Book value £m	Fair value £m	Nominal value £m	Book value £m	Fair value £m	Nominal value £m	Book value £m	Fair value £m
Secured A Notes – 3.5456% maturing 31 December 2034	190.6	190.5	202.7	195.4	195.2	210.1	195.5	195.3	209.7
Secured B Notes – 4.6956% maturing 31 December 2049	356.4	356.0	277.0	356.4	356.1	291.3	356.4	356.0	290.0
<b>Total</b>	<b>547.0</b>	<b>546.5</b>	<b>479.7</b>	<b>551.8</b>	<b>551.3</b>	<b>501.4</b>	<b>551.9</b>	<b>551.3</b>	<b>499.7</b>

The Secured Notes are held at amortised cost. Other categories of financial instruments include trade receivables and trade payables, however there is no difference between the book value and fair value of these items.

The fair values of the Secured Notes are their market value at the balance sheet date and are considered to be level 1.

In addition to the above financial liabilities include finance lease payables of £0.6 million (June 2019: £0.6 million; December 2019: £0.6 million), which represent the present value of future minimum lease payments. At 26 June 2020 there is no difference between the nominal value, book value and fair value of this liability.

### **13 Acquisitions and disposals**

#### **(a) Acquisition of subsidiary and other businesses**

The Group did not make any acquisitions in either period.

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

During the period there were additions in relation to crematoria developments totalling £0.6 million (June 2019: £2.6 million; December 2019: £5.4 million) and £5.9 million (June 2019: £5.4 million; December 2019: £12.9 million) of other additions to property, plant and equipment. The Group also received proceeds of £0.5 million (June 2019: £1.6 million; December 2019: £2.1 million) from disposals of property, plant and equipment, which had a net book value of £0.6 million (June 2019: £0.7 million; December 2019: £0.7 million).

The Group had capital expenditure authorised by the Board and contracted for at the balance sheet date of £19.0 million (June 2019: £20.4 million; December 2019: £7.9 million) in respect of property, plant and equipment.

### **14 Retirement benefit obligation**

The retirement benefit obligation at the end of the period was £34.6 million (June 2019: £27.1 million; December 2019: £26.0 million). The discount rate used was 1.45 per cent (June 2019: 2.30 per cent; December 2019: 1.95 per cent).

The triennial valuation was performed in April 2020, the outcome is expected later in the year which will determine future annual cash obligations for the Group.

### **15 Post balance sheet events**

On 25 July 2020, the Group used pre-existing abilities in the securitisation documentation to sell various trading assets held outside the Securitisation Group to the Securitisation Group. Further detail is provided in the business and financial review.

There were no other significant post balance sheet events.

### **16 Interim Report**

Copies of this Interim Report are available at the Group's website [www.dignityfuneralsplc.co.uk/corporate](http://www.dignityfuneralsplc.co.uk/corporate).

### **17 Securitisation**

In accordance with the terms of the securitisation carried out in April 2003, Dignity (2002) Limited (the holding company of those companies subject to the securitisation) has today issued reports to the Rating Agencies (Fitch Ratings and Standard & Poor's), the Security Trustee and the holders of the notes issued in connection with the securitisation confirming compliance with the covenants established under the securitisation.

### **18 Seasonality**

The Group's financial results and cash flows have historically been subject to seasonal trends between the first half and second half of the financial period. Traditionally, the first half of the financial period sees slightly higher revenue and profitability. There is no assurance that this trend will continue in the future. The impact of COVID-19 may mean that 2020 and future years experience different seasonality to that experienced previously.

## 19 Consolidation of the Trusts

### Change in accounting policy – Consolidation of the Trusts

As discussed in note 1 of this Interim Report and disclosed in notes 1 and 35 in the 2019 Annual Report and Accounts, the Group previously concluded that it did not control the Trusts and therefore the Group made a change in accounting policy to consolidate the Trusts. As this conclusion was reached after the publication of the interim statement for the 26 weeks ended 28 June 2019, the comparative information for that period has been subject to a prior period restatement.

### Consequential changes to the adoption of IFRS 15 – Revenue from Contracts with Customers

In addition, the Group adopted IFRS 15 in 2019. In order to present financial information on a consistent basis, having consolidated the Trusts, the Group revised accounting policies to recognise the disbursement element of pre-need plans and the pre-need plan funeral services delivered by third party funeral directors on a principal basis. Furthermore, directly attributable costs associated with the inception of a pre-need plan, in the form of commissions payable either to employees or third parties, are now held as deferred commissions in the consolidated balance sheet up to the time the associated funeral is performed or cancelled. Once the funeral is performed the deferred commission costs are recognised in the consolidated income statement. Deferred commission balances are split between current and non-current based on historical experience.

For more information please refer to the 2019 Annual Report and Accounts.

### 28 June 2019 consolidated balance sheet (selected lines only):

	28 Jun 2019 as originally presented £m		Consolidation of the Trusts						IFRS 15		28 Jun 2019 restated £m
		Reversal of prior year IFRS 15 £m	Recognition of trust assets and liabilities £m	Recognition of contract liabilities – deferred revenue £m	De- recognition of cancellation provision £m	Recognition of contract liabilities – refund liability £m	Deferred tax impact £m	Consolidation adjustments £m	Recognition of deferred costs in respect of commissions £m	Deferred tax impact £m	
<b>Non-current assets</b>											
Financial assets – held by the Trusts	-		926.3								926.3
Deferred commissions	95.8	(95.8)							95.6		95.6
Deferred tax asset	-						28.4			(17.4)	11.0
<b>Current assets</b>											
Trade and other receivables	31.5		10.9					(11.1)			31.3
Deferred commissions	7.2	(7.2)							7.2		7.2
Cash	49.8		13.7								63.5
<b>Current liabilities</b>											
Financial liabilities	4.8							0.1			4.9
Trade and other payables	51.7		11.6	(2.1)				(11.2)			50.0
Deferred revenue	14.2	(14.2)									-
Contract liabilities	-			91.6		1.1					92.7
Provisions for liabilities	1.6	0.2			(0.1)						1.7
<b>Non-current liabilities</b>											
Deferred tax liabilities	11.9	17.0					(28.9)				-
Deferred revenue	189.2	(189.2)									-
Contract liabilities	-			1,172.1		14.5					1,186.6
Provisions for liabilities	9.5	0.3			(0.4)						9.4
<b>Retained earnings</b>	(169.6)	82.9	939.3	(1,261.6)	0.5	(15.6)	57.3	-	102.8	(17.4)	(281.4)

## 28 June 2019 consolidated income statement (selected lines only):

	28 Jun 2019 as originally presented £m	Reversal of prior year IFRS 15 £m	Consolidation of the Trusts						IFRS 15			Tax credit £m	28 Jun 2019 restated £m
			Release of deferred revenue on death or cancellation £m	Removal of payments received from the Trusts on death £m	Payments on cancellation £m	Derecognise pre-need segment income £m	Recognition of the Trust costs £m	Recognition of significant financing component on deferred revenue £m	Remeasurement of Trust assets and related income £m	Amounts paid on sub-contracted funerals £m	Recognition of disbursement element of pre-need plans £m	Net release of deferred costs in respect of commissions £m	
Revenue	153.3	2.0	48.6	(24.4)	(2.1)	(9.5)					8.1		176.0
Cost of sales	(68.6)									(4.0)	(8.1)		(80.7)
Gross profit	84.7	2.0	48.6	(24.4)	(2.1)	(9.5)				(4.0)			95.3
Administrative expenses	(56.7)	(1.0)					(3.4)					1.0	(60.1)
Operating profit	28.0	1.0	48.6	(24.4)	(2.1)	(9.5)	(3.4)			(4.0)		1.0	35.2
Finance costs	(12.9)												(12.9)
Finance income	0.1												0.1
Share of loss in respect of associated undertakings	(0.3)												(0.3)
Deferred revenue significant financing								(27.3)					(27.3)
Remeasurement of Trust assets and related income									63.5				63.5
Profit/(loss) before tax	14.9	1.0	48.6	(24.4)	(2.1)	(9.5)	(3.4)	(27.3)	63.5	(4.0)		1.0	58.3
Taxation	(3.4)	(0.2)											(10.8)
Profit/(loss) for the period attributable to equity shareholders	11.5	0.8	48.6	(24.4)	(2.1)	(9.5)	(3.4)	(27.3)	63.5	(4.0)		1.0	47.5

## 20 Adoption of IFRS 16 – Right-of-use assets and lease liabilities

### Background

The Group has adopted the requirements of IFRS 16, Leases, for the first time within the interim condensed financial information. The adoption of the standard has had a material impact on the Group's primary financial statements, including impacts on operating profit, profit before tax, total assets and total liabilities.

IFRS 16 is applicable for accounting periods beginning on or after 1 January 2019. Due to the fact that the Group's 2019 reporting period begins on 29 December 2018 the Group has adopted IFRS 16 retrospectively for its 2020 reporting period beginning on 28 December 2019. Comparatives for the 2019 reporting period will not be restated as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules will therefore be recognised in the opening balance sheet on 28 December 2019.

Approximately 50 per cent of the Group's properties are on lease terms that were previously accounted for as an operating lease under the principles of IAS 17, Leases. The minimum undiscounted lease commitment on these leases as disclosed in the 2019 Annual Report was approximately £228 million at the end of 2019.

## 20 Adoption of IFRS 16 – Right-of-use assets and lease liabilities (continued)

On adoption of IFRS 16, the Group has recognised lease liabilities in relation to leases which had previously been classified as ‘operating leases’. These liabilities are measured at the present value of the remaining lease payments, discounted using the Trading Group’s incremental borrowing rate (‘IBR’) as at 28 December 2019 for a borrowing of similar duration. The weighted average lessee’s IBR applied to the lease liabilities on 28 December 2019 was 4.9 per cent, with a minimum rate of 3.6 per cent and a maximum rate of 6.8 per cent.

The IBRs have been determined as follows:

- a) We have derived rates based on corporate bond yields to maturity reflecting the Group’s indicative credit rating. In order to assess the Group’s IBRs we considered yield curves at 28 December 2019 for similarly rated listed corporate bonds for durations aligned with the adjusted unexpired lease durations at 28 December 2019.
- b) An asset/lease specific adjustment is then applied, if needed, to reflect the nature of the lease collateral. Such an adjustment has not been required on transition and we have performed a high level cross check against other indicators of lease pricing to confirm this. Given the specialised nature of Group’s properties there are no direct property market benchmarks and therefore we have looked at retail, industrial and long income sub-sectors to obtain indicative references points.

On adoption of IFRS 16, the Group has recognised a right-of-use asset representing its right to use the underlying leased asset and a corresponding lease liability for future lease payables for each operating lease in which the Group is a lessee on its consolidated balance sheet.

Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 28 December 2019. Furthermore, assets relating to finance leases held on the balance sheet at 27 December 2019 will be transferred into the right-of-use asset.

The right-of-use asset will be depreciated on a straight-line basis over the life of the lease. Interest will be recognised on the lease liability, resulting in a higher interest expense in the earlier years of the lease term. The total expense recognised in the consolidated income statement over the life of the lease will be unaffected by the new standard, however, IFRS 16 will result in the timing of lease expense recognition being accelerated for leases which would be currently accounted for as operating leases.

The lease term comprises the non-cancellable lease term, in addition to optional periods when the Group is reasonably certain to exercise an option to extend or not to terminate a lease.

### New accounting policy

At inception of a contract the Group assesses whether the contract is or contains a lease. A lease is present where the contract conveys, over a period of time, the right to control the use of an identified asset in exchange for consideration.

Where a lease is identified the Group recognises a right-of-use asset and a corresponding lease liability, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (defined as leases with rentals below £1,000 per annum).

### Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease and are comprise the initial measurement of the corresponding lease liability and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

The right-of-use asset is presented as a separate line in the consolidated balance sheet.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment under IAS 36.

### Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The lease liability is presented as a separate line in the consolidated balance sheet, split between current and non-current liabilities.

### Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (defined as leases with a lease term of 12 months or less). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value (defined as leases with rentals below £1,000 per annum). Lease payments on short-term leases and leases of low-value assets are recognised as operating expense on a straight-line basis over the lease term.

## 20 Adoption of IFRS 16 – Right-of-use assets and lease liabilities (continued)

### Transition

In order to establish the impact on the Group's opening consolidated balance sheet for the period ending 25 December 2020, the lease portfolio at transition date has been used, which has resulted in the recognition of right-of-use assets of £94.5 million, with corresponding lease liabilities of £93.5 million.

Assuming no changes in the Group's property portfolio in the current year, operating profit will increase by approximately £2.9 million and profit before tax will decrease by approximately £1.9 million for the period ending 25 December 2020 as the pre-IFRS 16 rental charge is replaced by a higher depreciation and interest charge. The Group's 2020 current tax charge will also reduce. However, there will be no impact on profit before tax or the Group's current tax charge (assuming consistent rates of tax) over the life of the lease portfolio.

At the half year the Group held a right-of-use asset of £91.4 million and a corresponding lease liability of £91.4 million. Furthermore, operating costs of £6.0 million were replaced by a depreciation charge of £4.6 million and a finance cost of £2.4 million.

There will be no impact on the way the Group runs its business, and on a cash basis the Group will pay out less cash due to the reduction in corporation tax. The presentation of the cash flow statement will also change as finance costs paid will increase, tax paid will decrease and finance lease payments under financing activities will be incorporated.

Due to the modified retrospective transition method being applied there has been negligible deferred tax implications on transition as the right-of-use asset equals the lease liability being recognised.

### Transition Roll

Below is a reconciliation from previously disclosed operating lease commitments to lease liability on transition):

	£m
Operating lease commitments disclosed as at 27 December 2019	<b>227.9</b>
Discounted using the Group's weighted average incremental borrowing rate at the date of application <sup>(1)</sup>	<b>4.9%</b>
Finance lease liabilities recognised as at 27 December 2019	<b>94.3</b>
Less: adjustments as a result of different treatment of termination options	<b>(0.9)</b>
Less: adjustments relating to practical expedients applied	<b>(0.5)</b>
Add: finance leases already held under IAS 17	<b>0.6</b>
Lease liability recognised as at 28 December 2019	<b>93.5</b>
Of which:	
Current lease liability	<b>5.9</b>
Non-current lease liability	<b>87.6</b>

<sup>(1)</sup> This weighted average rate is based on various lease terms ranging from 1 - 999 years.

The change in accounting policy affected the following items in the balance sheet on 28 December 2019:

	27 Dec 2019 £m	Impact of IFRS 16 £m	28 Dec 2019 £m
Property, plant and equipment (finance leases previously held under IAS 17)	0.5	(0.5)	-
Right-of-use of assets	-	94.5	94.5
<b>Total non-current assets</b>	<b>0.5</b>	<b>94.0</b>	<b>94.5</b>
Lease liability	-	5.9	5.9
<b>Current lease liability</b>	<b>-</b>	<b>5.9</b>	<b>5.9</b>
Lease Liability	0.6	87.0	87.6
<b>Non-current lease liability</b>	<b>0.6</b>	<b>87.0</b>	<b>87.6</b>



## 20 Adoption of IFRS 16 – Right-of-use assets and lease liabilities (continued)

### Right-of-use asset movement

	£m
Balance as at 28 December 2019	94.5
Depreciation charge for the 26 week period ended 26 June 2020	(4.6)
Additions	0.5
Impact of changes in lease payments	1.0
Balance as at 26 June 2020	91.4

### Lease liability movement

	£m
Balance as at 28 December 2019	93.5
Additions	0.5
Impact of changes in lease payments	1.0
Interest expense	2.4
Payments	(6.0)
Balance as at 26 June 2020	91.4

The following are the amounts recognised in the consolidated income statement:

	£m
Depreciation expense of the right-of-use asset	4.6
Interest expense on lease liabilities	2.4
Expense related to practical expedients applied	0.3
Total amount recognised in the consolidated income statement	7.3

In addition £1.4 million has been recognised in the consolidated income statement in respect of contingent rentals and other charges on leases.

### Practical expedients applied

In applying IFRS 16 for the first time, the Group has applied the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- accounting for operating leases with a remaining lease term of less than 12 months from the date of initial application; and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

In addition, the Group has applied the low-value asset exemption on transition for existing lease contracts previously classified as operating leases for which the underlying asset rental is below £1,000 per annum.

The above exemptions in relation to lease terms less than 12 months and low-value assets will also be applied on an ongoing basis.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and Interpretation 4 Determining whether an Arrangement contains a Lease.

## **Non-GAAP measures**

### **(a) Alternative performance measures**

The Board believes that whilst statutory reporting measures provide financial performance of the Group under GAAP, alternative performance measures are necessary to enable users of the financial statements to fully understand the trading performance and financial position of the business.

The alternative performance measures provided are aligned with those used in the day-to-day management of the business and allow for greater comparability across periods.

For this reason, the alternative performance measures provided exclude the impact of consolidating the Trusts and the changes which relate to the application of IFRS 15 and adoption of IFRS 16 (together referred to as 'other adjustments'), all of which are considered to mask the underlying trading performance of the Group, as well as non-underlying items comprising certain non-recurring and non-trading transactions.

#### *Calculation of underlying reporting measures*

Underlying revenue and profit measures (including divisional measures) are calculated as revenue and/or profit before non-underlying items and other adjustments.

Underlying net finance costs are calculated before the application of IFRS 15 and the adoption of IFRS 16 and the impact of consolidating the Trusts. See note 3.

Underlying earnings per share is calculated as profit after taxation, before non-underlying items and other adjustments (both 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 and other adjustments on a cash paid basis.

### **(b) 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;
- Group's share of profit or loss of associated undertakings; 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 has resulted 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. Similar costs may also be incurred as a result of the strategic review.

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;
- redundancy costs; and
- settlement costs (in the 26 week period ended 26 June 2020) in respect of the former Chief Executive.

**Non-GAAP measures (continued)**
**(b) Non-underlying items (continued)**

	Funeral services £m	Crematoria £m	Pre-arranged funeral plans £m	Central overheads £m	Group £m
<b>26 week period ended 26 June 2020</b>					
<b>Non-trading</b>					
Amortisation of acquisition related intangibles	2.0	0.2	0.1	-	2.3
External transaction costs	0.1	-	-	0.1	0.2
Loss on sale of fixed assets	0.1	-	-	-	0.1
<b>Non-recurring</b>					
Transformation Plan costs	-	-	-	3.8	3.8
Operating and competition review costs	-	-	-	1.2	1.2
	2.2	0.2	0.1	5.1	7.6
Taxation					(1.4)
					6.2
<b>26 week period ended 28 June 2019</b>					
<b>Non-trading</b>					
Amortisation of acquisition related intangibles	2.1	0.2	0.1	-	2.4
External transaction costs	-	0.2	-	-	0.2
Profit on sale of fixed assets	(0.9)	-	-	-	(0.9)
<b>Non-recurring</b>					
Transformation Plan costs	-	-	-	4.3	4.3
Operating and competition review costs	-	-	-	1.7	1.7
	1.2	0.4	0.1	6.0	7.7
Group's share of loss of associated undertakings					0.3
Taxation					(1.4)
					6.6
<b>52 week period ended 27 December 2019</b>					
<b>Non-trading</b>					
Amortisation of acquisition related intangibles	4.2	0.5	0.1	-	4.8
External transaction costs	-	0.7	0.1	0.1	0.9
Profit on sale of fixed assets	(1.0)	-	-	-	(1.0)
<b>Non-recurring</b>					
Transformation Plan costs	-	-	-	12.1	12.1
Operating and competition review costs	-	-	-	3.5	3.5
Trade name write-off	6.8	-	-	-	6.8
	10.0	1.2	0.2	15.7	27.1
Group's share of loss of associated undertakings					0.6
Impairment of investments in associated undertakings					5.4
Taxation					(4.9)
					28.2

# Non-GAAP measures (continued)

## (c) Non-underlying cash flow items

	26 week period ended		52 week
	26 Jun	28 Jun	period ended
	2020	2019	27 Dec
		restated	2019
	£m	£m	£m
Cash flows from operating activities	<b>40.4</b>	39.2	64.6
Cash flows of other adjustments - Trusts	<b>15.7</b>	(3.2)	(7.6)
Cash flows from operating activities – Trading Group	<b>56.1</b>	36.0	57.0
Other adjustments – IFRS 16	<b>(6.0)</b>	-	-
External transaction costs	-	0.6	0.8
Transformation Plan costs	<b>3.8</b>	4.2	11.2
Operating and competition review costs	<b>1.0</b>	0.5	2.8
Underlying cash generated from operations	<b>54.9</b>	41.3	71.8

## **Statement of Directors' responsibilities**

The Directors confirm to the best of their knowledge that:

- (a) The interim condensed consolidated financial information has been prepared in accordance with IAS 34 as adopted by the European Union; and
- (b) The Interim Report includes a fair review of the information as required by:
  - DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first half of 2019 and their impact on the interim condensed consolidated financial information; and a description of the principal risks and uncertainties for the remaining second half of the year; and
  - DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first half of 2019 and any material changes in the related party transactions described in the last Annual Report.

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

Clive Whiley – Executive Chairman  
Steve Whittern - Finance Director  
Richard Portman - Corporate Services Director  
Dean Moore – Independent Non-Executive Director  
Gillian Kent - Independent Non-Executive Director  
James Wilson - Non-Executive Director

By order of the Board

**Steve Whittern**  
Finance Director  
29 July 2020

## **Independent review report to Dignity plc**

### **Introduction**

We have been engaged by the Company to review the condensed set of financial statements in the interim financial report for the 26 week period ended 26 June 2020 which comprises the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated statement of cash flows and notes 1 to 20. We have read the other information contained in the interim financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

### **Directors' Responsibilities**

The interim financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the interim financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this interim financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

### **Our Responsibility**

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the interim financial report based on our review.

### **Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim financial report for 26 week period ended 26 June 2020 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

### **Ernst & Young LLP**

Birmingham  
29 July 2020

## Forward-looking statements

This Interim Report 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.

Any forward-looking statements made in this Interim Report 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 Interim Report 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.