For immediate release **21 September 2021**

Dignity plc

Interim results for the 26 week period ended 25 June 2021

New strategy in place and already underway to enable the Group to realise its significant unlocked value. Well prepared for CMA obligations and FCA regulation

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 25 June 2021.

	26 week period ended 25 June 2021	26 week period ended 26 June 2020 restated	(Decrease) /increase per cent
Underlying revenue (£million)	**169.4**	169.1	-
Underlying operating profit (£million) (2) (3)	**37.8**	41.9	(10)
Underlying profit before tax (£million) (2) (3)	**23.2**	27.0	(14)
Underlying earnings per share (pence) (2) (3)	**36.2**	42.4	(15)
Underlying cash generated from operations (£million) (2) (3)	**56.6**	62.3	(9)
Revenue (£million)	**189.0**	197.1	(4)
Operating profit (£million) (2)	**40.8**	44.2	(8)
Profit/(loss) before tax (£million) (2)	**50.5**	(12.1)	
Basic earnings/(loss) per share (pence) (1) (2)	**62.4**	(22.6)	
Cash generated from operations (£million) (2)	**49.0**	41.8	17
Number of deaths	**340,000**	368,000	(8)

Prior year adjustments
A number of prior year adjustments have been made as follows:

(1) *A prior year restatement has been made to the magnitude of £2.2 million to increase the June 2020 taxation charge and increase the corresponding corporation tax liability. This follows the finalisation of the Group's 2019 detailed corporate interest restriction return and an increase to the Group's interest disallowance as a result of the inclusion of the fair value movements on the Trusts debt investments. See note 1 for further details.*

(2) *A prior year restatement has been made of a £1.2 million credit to correctly reflect the application of IFRS 16 in June 2020. See note 1 for further details.*

(3) *Underlying performance measures throughout this announcement for June 2020 have been restated to reflect the application of IFRS 16, Leases. This standard was adopted in 2020 using the modified retrospective adoption which meant 2019 comparatives were not restated. As a result, the Group chose to exclude it from its underlying performance measures reported in 2020 in order to retain comparability. Therefore, the underlying performance measures reported above in both periods includes the application of IFRS 16. 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. For this reason, the APMs provided exclude the impact of consolidating the Trusts and the changes which relate to the application of IFRS 15, 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. Further detail may be found on pages 45 to 51.

Key points

- New strategy in place and already underway, which will enable the Group to realise its significant unlocked value for the benefit of clients, employees, shareholders and wider stakeholders
- Delivered a complex programme of work to ensure regulatory preparedness in time for the Competition and Markets Authority ('CMA') statutory deadline
- Reviewed and adapted the Group's pricing strategy, launching competitively priced funeral services in the UK to truly lower the cost of dying for families
- Regulatory preparedness for Financial Conduct Authority ('FCA') regulation picked up pace as we neared the authorisation window, which was opened by the regulator in September. A major programme is underway within the business, across all areas of the organisation, to ensure we have the right governance, processes, products and infrastructure to meet our regulatory requirements
- As announced at the AGM, we've also looked at how we can improve efficiency through a new organisational structure so we can truly operate as one company. We have reviewed how our regions are structured, resulting in the creation of 12 new regions
- Initiatives are underway to place those colleagues that serve our communities and clients first in all we do. Part of this strategy is the development of our Principles to reset organisational culture, which will help guide how we make decisions, how we treat each other and our clients, and how we behave as a business

Gary Channon, Chief Executive of Dignity plc, commented:
"There are a number of significant projects underway at Dignity that we are committed to delivering. Importantly we must take all of our stakeholders along on this journey, including our colleagues, clients and shareholders.

Our focus is to build a successful and growing business by empowering our colleagues and giving them the tools to succeed which include competitive prices, the authority to act with local autonomy, great products and investment in people and premises. Our most ambitious goal though is to cultivate a culture that will be our true differentiator. Successful execution of our strategy will unlock the significant value in our business."

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Chairman's Statement

I'm delighted to have joined the Dignity team at such a pivotal period in its development.

Our business continues to deal with the effects of COVID-19 and in my short period with the company I have been extremely impressed with the dedication of our colleagues in delivering a superior service to our customers in very difficult circumstances.

The Group has also embarked on an ambitious plan to further improve its operating model to better serve our customers and to comply with the changes to our industry introduced by the CMA and preparing for the upcoming FCA regulation and supervision.

During this period of significant change, the appropriate corporate governance is even more important. To this end, I'm pleased to report that in addition to my appointment, we have secured the support of Graham Ferguson as an Independent Non-Executive Director. I welcome Graham to the Board.

I am working on strengthening the governance further and for the business to be Code compliant by the year end, including a determination to introduce diversity to our Board. To this end we have already started the process for recruiting an additional Independent Non-Executive Director as well as the appointment of a permanent Chief Financial Officer.

I look forward to working closely with the Executive team in overseeing the successful execution of our strategy for growth.

John Castagno
Chairman
20 September 2021

Chief Executive's Statement

Financial summary
COVID-19 has had a distorting impact on the business both in terms of operations and the financial results, making comparisons to the prior year difficult. The death rate in quarter one was 22 per cent above the five year average (2015-2019) which reduced to four per cent below the five year average in quarter two. As restrictions eased on funeral attendance our average revenue per funeral increased from £2,461 in the first half of 2020 to £2,628 for the first half of 2021. That higher revenue per funeral was on fewer funerals; we conducted 41,400 in the first half of 2021, down from 46,000 in the first half of 2020. In the 2019 comparative period, which had no pandemic effect, we conducted 36,200 funerals. Amongst all this turbulence market share is much harder to judge because the differences between time of death and time of funeral change. However, we believe our underlying share has declined outside of our trial areas. We observed the same effect in our crematoria, details of which are outlined below.

Taken together, underlying operating profit for the first half was down 10 per cent to £37.8 million versus £41.9 million last year which was mainly driven by the decline in volume.

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

Cash position
The business remains cash generative despite increased capital expenditure and corporation tax. The Trading Group's period end cash position is £81.7 million versus £73.6 million as at 25 December 2020 and £80.3 million at 26 June 2020.

Strategic update
The Group is engaged on many fronts with strategic initiatives underway - many of which were unveiled at the time of our AGM in June 2021. At the same time we are preparing for and applying new rules and regulations from the CMA and the FCA.

I will share an outline of what is happening but as I write much of this is just in early execution stage and so detail is either too sensitive to share or not yet available. By the year end we will be able to say more.

Our internal initiatives include defining and embedding the principles and values that will shape our culture, achieving growth through commercial competitiveness, empowering client facing employees, investing in our infrastructure, introducing an inverted, flatter and more co-operative structure, effective use of digital, and a leaner central overhead. Work on all of these initiatives is underway.

In September 2021 we announced a new regional structure that organises our businesses into smaller groups where we will devolve autonomy and the opportunity for decision making and local developments. This restructuring is underway in two pilot regions as we write. This process is sensitive in its nature as it involves change for a lot of people, and we are working hard to ensure our colleagues are fully informed and supported as we move through this change. The goal is to give a better service to clients and be a more effective business by empowering our local leaders to run successful businesses serving their communities with help provided by the wider Dignity group. We will take learnings from these pilots to the rest of the regions. The whole exercise may take around a year.

An accelerated programme of investment in our premises has started with an initial focus on catching up on essential maintenance work, followed by investing in our care for the deceased facilities and then the aesthetics and presentation of our branches. The pandemic hindered our ability to do work and resulted in a drop in the run rate of capital expenditure, which is now reversing, although it is still too early to estimate the total amount of investment that will ultimately be necessary to ensure that our estate meets the standards that we and our clients expect.

A review of how we spend money centrally has identified areas where we believe we can make savings. We will go about that in a way that doesn't undermine our service delivery or our long-term growth ambitions.

Dividends

We continue to work on our plans to improve our capital structure so that the pursuit of the best long-term value for shareholders is not compromised by the covenants attached to our bonds. Until that has been done the Board will not be contemplating dividends. We will make announcements at the appropriate times on this matter.

CMA

The CMA introduced a new regime which includes a standardised and comparable product from 16 September 2021 that will bring greater price transparency for those arranging a funeral. In advance of that deadline, we applied learnings from our trials to introduce new products and price points which we believe position us to be the best value for money in the communities we serve. It is too early to judge the effects of this. We have also moved away from restrictive packages to individually tailored funerals which we believe are what clients prefer and which we are well positioned to provide. This creates a platform for ongoing innovation in our offering.

We believe it is important to compensate our front line colleagues fairly, given the importance of the roles they fulfil - as a first step we have raised our minimum pay to the Living Wage (as set by the Living Wage Foundation) for all colleagues including casuals. Price, premises and empowerment are points of friction to our people, whom we believe are the key to our true differentiation. In an increasingly competitive job market it is essential that we align how highly we view them with how we compensate and reward.

Pre-need regulation

The FCA has now opened up its application window for those who want to sell, manage and carry out funeral plans and Dignity will be applying. There is a considerable body of work going on in the business to prepare for this new world. Our intention is to be compliant and our aspiration is to set the highest standard. We are also working to bring our existing funeral plan trusts into the new FCA regime.

We have ended our relationship with those third party telephony partners who sold plans on our behalf previously discussed at the AGM. We are in the process of implementing the recommendations of our internal investigation. We are focused on the development and execution of a vision to excel in the new regulated environment using all potential channels to find and delight new clients.

Our staff

I've spoken above about the importance of empowering our colleagues and shaping the culture of our business. I also want to thank our staff. While I have only been with Dignity a short while, I continue to see and hear about demonstrations of commitment and selflessness. You can see from the first quarter the surge in deaths as a result of the COVID-19 pandemic. Without those colleagues, tirelessly working everyday to serve the bereaved, we would not have been able to deliver against the demand during that period.

The Board

The appointment of John Castagno and Graham Ferguson means that we now have two new Non-Executive Directors, including a Chairman, which begins the normalisation of our corporate governance. It allows the formation of the committees of the Board. Dean Moore has also announced his intention to stay on once a permanent CFO is appointed, and he will then resume his role as a Non-Executive Director. As John says, it remains our goal and expectation to further strengthen our Board and to be Code compliant by the time of the annual results.

All of the above are a continuation of the overall strategy as outlined at the AGM. Planning, analysis and discussion is turning into actions and execution. Such a wholesale overhaul of a business of this scale will inevitably have its setbacks and mistakes. We are cultivating a culture that doesn't fear failure, but accepts it as an inevitable consequence of trying new things and an opportunity to learn and continuously improve. However, I remain of the view that the direction we are on is the right one and will create the most long-term value for shareholders.

Outlook

With all the recent changes just underway and the new regulatory changes just beginning to impact as well as the unpredictability of COVID-19 we will continue to refrain from providing guidance.

Gary Channon
Chief Executive
20 September 2021

Business and financial review

Introduction
For statutory purposes, the Group has two reporting segments, Funeral services and Crematoria. See note 2 for further details. 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.

COVID-19 has had a distorting impact on the business both in terms of operations and the financial results, making comparisons to the prior year difficult.

We are a company in transition and so the way we report will also need to transition. This business and financial review is presented in a way consistent with the past. Many of the changes taking place are only beginning to impact in the second half of the current financial year and so it will be with our annual statement for 2021 that we will start to report in a way that reflects the new strategy as presented at the AGM. For example, one manifestation of that will be the funeral type mix. We will no longer be reporting a split between a standard and a simple funeral because those products stopped being offered in September 2021 and we moved to a new offering based upon a tailored solution. We will though still in the future report average revenues per funeral.

Number of deaths

	2021	2020	Increase/ (decrease) per cent
Quarter 1	**204,000**	161,000	27
Quarter 2	**136,000**	207,000	(34)
First half of year	**340,000**	368,000	(8)

Deaths were above the prior year in the first quarter with the second quarter falling below the five-year average (2015-2019). The impact of COVID-19 deaths in 2020 and 2021 could possibly mean we experience a lower number of deaths than originally anticipated by the Office of National Statistics ('ONS') in 2022 and 2023. The Group will not speculate on the most likely outcome.

Funeral operations
At 25 June 2021, the Group operated a network of 789 (June 2020: 807; December 2020: 795) funeral locations throughout the UK, generally operating under established local trading names. The change to the portfolio reflects eight closures and two openings. Most 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 – 2020 restated (1)	19.1	16.9	36.0
Impact of:			
Number of deaths	13.2	(21.4)	**(8.2)**
Market share	(3.7)	0.8	**(2.9)**
Average revenues	(5.4)	11.6	**6.2**
Cost base changes	(1.0)	1.5	**0.5**
Underlying operating profit – 2021	22.2	9.4	**31.6**

(1) Restatement relates to the correction of the application of IFRS 16 in June 2020. See page 28 for further details.

The table above highlights the impact COVID-19 has had on the financial performance in the first half of both periods. Whilst overall deaths have fallen year on year, COVID-19 has had a distorting impact on the timing of deaths and average revenues. The pandemic restrictions which were introduced in quarter two 2020 have been eased in quarter two 2021.

Items totalling £4.3 million (2020: £7.6 million) are excluded from underlying profit resulting in statutory operating profit of £35.9 million (2020: £43.6 million). These items relate to non-underlying items and the impact of the consolidation of the Trusts and applying IFRS 15. See Non-GAAP measures note for further details.

Market share
In the first half of 2021 the Group conducted 41,400 funerals (June 2020: 46,000; December 2020: 80,300) in the United Kingdom, a 10 per cent decrease on the prior year. Approximately one per cent of the funerals in each period were performed in Northern Ireland. Excluding Northern Ireland, these funerals represented approximately 12.0 per cent (June 2020: 12.4 per cent; December 2020: 12.0 per cent) of total estimated deaths in Great Britain. On a comparable basis, excluding any funerals from locations not contributing to the whole of the first half of 2021 and 2020, market share was 12.0 per cent, compared to 12.3 per cent in 2020.

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. 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, due to COVID-19 and longer delays between the date of registering the death and the date of the funeral being performed, calculations of market share in 2020 and 2021 may not be comparable.

Funeral mix and underlying average income

	Funeral type	**FY 2020 Actual**	**Q1 2021 Actual**	**Q2 2021 Actual**	**H1 2021 Actual**	**Q1 2020 Actual**	**Q2 2020 Actual**	**H1 2020 Actual**
Underlying average revenue (£)	Full service	3,337	3,354	3,441	3,393	3,521	3,080	3,341
	Simple and direct cremation	1,941	1,929	1,921	1,926	1,972	1,953	1,956
	Pre-need	1,911	1,943	1,955	1,948	1,894	1,869	1,880
	Other (including Simplicity)	940	1,004	982	982	888	992	987
Volume mix (%)	Full service	39	41	46	43	50	26	37
	Simple and direct cremation	25	21	17	20	14	37	26
	Pre-need	28	29	28	28	29	28	28
	Other (including Simplicity)	8	9	9	9	7	9	9
Underlying weighted average revenue (£)		2,397	2,434	2,545	2,478	2,648	2,136	2,360
Ancillary revenue (£)		125	131	168	150	175	49	101
Underlying average revenue (£)		2,522	2,565	2,713	2,628	2,823	2,185	2,461
Full service volume as a percentage of full, simple and direct cremation (%)		61	66	73	68	78	41	59

As demonstrated in the table, overall average revenue in the second quarter of 2021 has increased due to the easing of the COVID-19 restrictions and the percentage of clients selecting a full service rather than a simple or direct cremation has increased to 73 per cent, which is five per cent lower than pre-pandemic levels. Sales of ancillary items such as flowers and memorials have also started to normalise at £168.

Crematoria operations

The Group remains the largest single independent operator of crematoria in Great Britain operating 46 crematoria (June 2020: 46; December 2020: 46).

	£m Q1	£m Q2	**£m H1**
Underlying operating profit – 2020 restated (1)	10.8	13.6	24.4
Impact of:			
Number of deaths	4.3	(7.5)	**(3.2)**
Market share	(0.9)	0.5	**(0.4)**
Average revenues	0.5	4.1	**4.6**
Cost base changes	(0.1)	(0.1)	**(0.2)**
Underlying operating profit – 2021	14.6	10.6	**25.2**

(1) Restatement relates to the correction of the application of IFRS 16 in June 2020. See page 28 for further details.

The table above shows a similar story to funeral operations in that the financial performance in the first half of 2021 compared to 2020 is linked strongly to the impacts of COVID-19.

Non-underlying costs of £0.7 million (2020: £0.2 million) are excluded from underlying profit resulting in statutory operating profit of £24.5 million (2020: £24.2 million). See Non-GAAP measures note for further details.

Crematoria grounds have been fully open for all of 2021 compared to being closed in quarter two of 2020, and consequently total memorial revenue was £10.4 million (2020: £6.4 million), approximately 62 per cent higher despite cremation volume being eight per cent lower.

The Group performed 38,900 cremations (June 2020: 42,500; December 2020: 74,500) in the period. These volumes represent approximately 11.4 per cent (June 2020: 11.6 per cent; December 2020: 11.2 per cent) of total estimated deaths in Great Britain. Average revenue per cremation has increased to £892 (June 2020: £875) which reflect a small increase in the percentage of full cremations being selected.

The Group continues to offer direct cremations, where the funeral director was either Dignity (i.e. the Simplicity offering) or other funeral directors.

Pre-arranged operations

Trust plan sales have had a solid start to the year with sales being above 2020 and 2019 levels with growth coming from Simplicity plans and plans being sold by affinity partners.

Active pre-arranged funerals were approximately 580,000 at the end of the period (June 2020: 537,000; December 2020: 558,000). Of the sales in the period 20,000 plans were trust based funeral plans (2020: 13,000). In addition, 15,000 (2020: 15,000) plans were linked to life assurance plans with third parties. Not all of these insurance backed plans include an obligation to provide a guaranteed funeral and we anticipate the cancellation experience to be significantly higher than is witnessed on trust based sales.

Active members	25 June 2021 Number	26 June 2020 Number	25 December 2020 Number
Supported by:			
The Trusts	330,000	313,000	319,000
The Small Trusts	43,000	46,000	46,000
Insurance Plans	207,000	178,000	193,000
	580,000	537,000	558,000

The financial position of the Trusts holding members' monies is crucial, given the Group ultimately guarantees the promises made to members. At the end of June 2021, the Trusts had average assets per plan of £3,500 (June 2020: £3,200; December 2020: £3,400) in respect of trust based funeral plans. Average assets per plan are greater than the amount currently received by the Trading Group for performing a funeral.

In its 2020 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 them to have a surplus of £4 million (as at 25 September 2020). 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.

During the first half year the new investment strategy announced last year was largely executed as the previous investment allocations were unwound and the trusts assets placed in a combination of high grade bonds (open-ended investment funds) and low cost index funds (equities). This will reduce the ongoing fund management cost and more rationally align the investments with the liabilities with the intention of seeking in the long run to outperform the cost of carrying out the funerals the trusts support.

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.

Underlying costs in the period were £19.0 million (2020: £18.5 million). This reflects continued investment in digital activities and central capabilities. The table below summarises the key movements:

	£m Q1	£m Q2	**£m H1**
Central overheads – 2020 restated[(1)]	8.5	10.0	18.5
Impact of:			
Digital activities	0.7	(0.1)	**0.6**
IT support fees	0.2	0.2	**0.4**
Salaries	-	(1.1)	**(1.1)**
Other	0.3	0.3	**0.6**
Central overheads – 2021	9.7	9.3	**19.0**

(1) Restatement relates to the correction of the application of IFRS 16 in June 2020. See page 28 for further details.

Salaries have reduced year-on-year primarily due to the prior period including a performance bonus accrual of £1.0 million. Central overheads are expected to reduce as part of the strategic review.

Non-underlying items of £0.6 million (2020: £5.1 million) are excluded from underlying costs resulting in total central costs of £19.6 million (2020: £23.6 million). The reduction in non-underlying items relates to £3.8 million less spent on the abrogated Transformation Plan, £1.2 million less spent on operating and competition review costs offset by an increase of £0.5 million spent on marketing costs in relation to trials.

Corporate development activity
The Group has planning permission for six crematoria. The total capital expenditure for these projects is expected to be approximately £55.4 million, with £8.8 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 one that is currently in the planning process. Furthermore, the Group withdrew its interest in one location following an unsuccessful planning appeal.

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

Earnings per share
Underlying earnings per share decreased 15 per cent to 36.2 pence per Ordinary Share, principally driven by the 10 per cent decrease in underlying operating profit.

Alternative performance measures
The alternative performance measures are stated before non-underlying items and the effect of consolidation of the Trusts and applying IFRS 15 as defined on page 45. These items have been adjusted for in determining underlying measures of profitability as these underlying measures are those used in the day-to-day management of the business and allow for greater comparability across periods.

Detailed information on non-underlying items including a reconciliation of statutory revenue to underlying revenue is set out on pages 32 and 45 to 51.

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

	26 week period ended 25 Jun 2021	26 week period ended 26 Jun 2020 restated	52 week period ended 25 Dec 2020 restated
	£m	£m	£m
Operating profit for the period as reported (a)	**40.8**	44.2	15.9
Add the effects of:			
Acquisition related amortisation	**2.1**	2.3	4.6
External transaction costs in respect of completed and aborted transactions	**0.6**	0.1	0.6
Marketing costs in relation to trials(b)	**0.6**	0.1	0.2
(Profit) / loss on sale of fixed assets	**(0.2)**	0.1	(0.2)
Transformation Plan costs (c)	**-**	3.8	4.7
Directors severance pay	**-**	-	1.6
Operating and competition review costs	**-**	1.2	2.9
Trade name impairment	**-**	-	15.3
Goodwill impairment	**-**	-	28.7
Impact of Trust consolidation and IFRS 15	**(6.1)**	(9.9)	(14.0)
Underlying operating profit (d) (e)	**37.8**	41.9	60.3
Underlying net finance costs	**(14.6)**	(14.9)	(29.7)
Underlying profit before tax (d) (e)	**23.2**	27.0	30.6
Tax charge on underlying profit before tax	**(5.1)**	(5.8)	(7.4)
Underlying profit after tax (d) (e)	**18.1**	21.2	23.2
Weighted average number of Ordinary Shares in issue during the period (million)	**50.0**	50.0	50.0
Underlying EPS (pence) (d)(e)	**36.2**	42.4	46.4

(a) Operating profit restatement relates to the correction of the application of IFRS 16 in June 2020. See note 1 for further details.
(b) A presentation adjustment has been made in June 2020 and December 2020 to separately pull out the marketing costs in relation to trials.
(c) Costs incurred in 2020 reflects expenditure up to the point of the Transformation Plan being abrogated.
(d) IFRS 16 is no longer included as an adjustment to underlying performance measures. See note 1 for further details.
(e) Further details of alternative performance measures can be found on pages 45 to 51.

Cash flow
The Group continues to be strongly cash generative. Underlying cash generated from operations was £56.6 million (2020 restated: £62.3 million). June 2020 underlying cash generated from operations has been restated to include the application of IFRS 16 which was previously excluded. Other working capital changes were consistent with the Group's experience of converting profits into cash subject to timing differences and cash incurred in respect of commission payments. 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 £10.3 million (2020: £6.5 million) on purchases of property, plant and equipment.

This is analysed as:	**25 Jun 2021 £m**	26 Jun 2020 £m
Maintenance capital expenditure:		
Funeral services	**4.0**	2.5
Crematoria	**2.7**	1.2
Other	**1.3**	0.8
Total maintenance capital expenditure[a]	**8.0**	4.5
Branch relocations	**0.1**	0.5
Transformation capital expenditure	**-**	0.9
Development of new crematoria and cemeteries	**2.2**	0.6
Total property, plant and equipment	**10.3**	6.5
Partly funded by:		
Disposal proceeds – properties	**(0.4)**	(0.5)
Net capital expenditure	**9.9**	6.0

(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 £81.7 million (June 2020: £80.3 million; December 2020: £73.6 million). This includes £16.9 million of restricted cash (June 2020: £16.9 million; December 2020: £16.9 million), see note 10. Of the remaining amount, £33.6 million (June 2020: £36.4 million; December 2020: £48.9 million) was held by Dignity plc. Subsequent to the balance sheet date, £14.8 million was transferred from the Securitisation Group to Dignity plc. Please see the terminology section on page 26 for the definitions of the Trading Group and the Securitisation Group.

Taxation
The Group's effective tax rate for 2021 is expected to be approximately 22 per cent before the effect of non-underlying items. The effective rate for 2022 and beyond is expected to be approximately two to three per cent above the headline rate of Corporation Tax for the relevant period principally due to non-deductible expenses.

In the March 2021 budget, legislation to increase the main rate of corporation tax from 19 per cent to 25 per cent from 1 April 2023 was announced. The change was substantively enacted at the balance sheet date and is therefore recognised within this Interim Report. The Group has recognised a non-underlying taxation charge of £6.9 million through its income statement and a credit of £1.9 million through other comprehensive income. See note 4 for further details.

A prior year restatement has also been made to the magnitude of £2.2 million to correct the June 2020 taxation charge and corresponding corporation tax liability. The follows the finalisation of the Group's detailed corporate interest restriction return and an increase to the Group's interest disallowance as a result of the inclusion of fair value movements on the Trusts debt investments. Further details of the prior year restatement are set out in note 1.

A judgement has been taken by management in relation to the June 2021 corporate interest restriction ('CIR') charge. The total income reported in the Interim Report for investment income and fair value movements on bonds and equities is £50.2 million. The investments that this income arises on are predominantly consistent with the investments held at December 2020. Therefore, in order to estimate the total level of disallowance to assess the CIR charge at June 2021, we have applied the same percentage split between interest and non-interest bearing bonds and equities at June 2021 as compared to the position at 31 December 2020 to estimate a CIR charge of £2.1 million.

Prior year restatement – insured plans
Following a review by the Board of the Group's accounting policy for insurance plans in relation to the prepaid balance held on the consolidated balance sheet within "deferred insurance commissions" it has been amended to include a provision for expected future cancellations. Further, the Group has reassessed the contracts with the third party insurers and evaluated a requirement to recognise a liability for commission payments expected to be paid under the contract although not yet due. Further this liability has an element for which an associated asset is also recognised representing the level of future expected funerals. A detailed analysis has been performed on the cancellation rates for insurance products and a prior year restatement to opening reserves as at 28 December 2019 is required to the magnitude of £3.5 million, reflecting the adjustment to the commission asset, the recognition of a commission liability, and considered net of tax. See note 1 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-	B+

On 7 July 2021 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.

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 25 June 2021 was 2.12 times (June 2020: 2.15 times; December 2020: 1.99 times). The Group therefore had EBITDA headroom of approximately £21 million against its financial covenants at the end of June 2021.

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 25 Jun 2021 £m	**LTM 25 Jun 2021 £m**	LTM 25 Dec 2020 restated [(b)] **£m**
EBITDA per covenant calculation - Securitisation Group	**46.1**	**72.0**	67.6
Add: Impact of IFRS 16	**6.6**	**12.8**	13.8
Add: EBITDA of entities outside Securitisation Group	**0.4**	**2.2**	9.8
Less: Non cash items[(a)]	**(0.8)**	**(1.8)**	(1.9)
Underlying operating profit before depreciation and amortisation – Group	**52.3**	**85.2**	89.3
Underlying depreciation and amortisation	**(14.5)**	**(29.0)**	(29.0)
Non-underlying items	**(3.1)**	**(53.9)**	(58.4)
Impact of Trust consolidation and IFRS 15	**6.1**	**16.9**	14.0
Operating profit	**40.8**	**19.2**	15.9

Notes

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

(b) LTM for 25 December 2020 has been restated to reflect the fact that IFRS 16 is now included within underlying results. As a result, £13.8 million of EBITDA has been included within underlying operating profit before depreciation and amortisation which has therefore increased to £89.3 million. Underlying depreciation and amortisation have increased by £9.2 million to £29.0 million.

In addition, in order for the Group to transfer excess cash 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 2021 was 1.74 times (June 2020: 1.72 times; December 2020 1.57 times). These combined requirements are known as the Restricted Payment Condition ('RPC'). Given the ratios achieved, the RPC was achieved at June 2021. 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. Furthermore, the calculations are unaffected by the consolidation of the Trusts or the application of IFRS 15 and IFRS 16 described elsewhere, as the Group was able to elect to disregard those changes when making the calculations.

As set out in note 12, the Group's gross amounts owing on its debt obligations were £537.2 million (June 2020: £547.0 million; December 2020: £542.2 million). Net debt was £467.4 million (June 2020: £478.8 million; December 2020: £480.6 million).

The market value of the Secured Notes at the balance sheet date was £549.2 million (June 2020: £479.7 million; December 2020: £488.4 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 25 June 2021 would have been approximately £759.7 million (Class A Notes: £211.6 million; Class B Notes: £548.1 million) (June 2020: £850.8 million (Class A Notes: £234.5 million; Class B Notes: £616.3 million); December 2020: £822.7 million (Class A Notes: £226.0 million; Class B Notes: £596.7 million)).

The Group had a £10.0 million RCF facility at 25 June 2021. The RCF is provided by the Royal Bank of Scotland, which is secured against the remaining trade and assets held by legal entities outside of the Group's securitisation structure. The facility expired in July 2021 and the Group has decided not to renew this facility.

Trust balances

At the balance sheet date, the Trusts had £1,006.8 million (June 2020: £920.1 million; December 2020: £967.1 million) of financial assets and £23.6 million (June 2020: £10.3 million; December 2020: £21.6 million) of cash, which has been recognised in the consolidated balance sheet. The movement in financial assets from December 2020 to June 2021 is primarily attributable to remeasurement gains recognised in the consolidated income statement of £45.8 million (June 2020: remeasurement losses of £17.7 million; December 2020: remeasurement gain of £41.3 million) and net disposals of financial assets of £5.8 million (June 2020: net disposals of £8.6 million; December 2020: net disposals of £18.7 million).

Aggregated contract liabilities totalled £1,330.5 million (June 2020: £1,302.9 million; December 2020: £1,317.5 million) with the primary movement from December 2020 to June 2021 being sales of new plans of £48.6 million (June 2020: £37.6 million; December 2020: £82.0 million), increases due to significant financing of £25.9 million (June 2020: £26.8 million; December 2020: £53.1 million) and releases due to death or cancellation totalling £61.5 million (June 2020: £66.1 million; December 2020: £122.2 million).

Post balance sheet events

On 5 July 2021, the FCA published their final rules for the regulation of funeral plan activities and we are currently working to apply as a registered provider of pre-arranged funeral plans, further details for which can be found on page 4.

Forward-looking statements

Certain statements in this Interim Report are forward-looking. Please see page 54 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 15 September 2021. 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 25 June 2021	Developments in 2021
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.	36.2 pence (H1 2020 restated: 42.4 pence)[(a) (c)] (FY 2020 restated: 46.4 pence)[(b) (c)]	The reduction follows the decrease in underlying operating profit explained below.
Underlying operating profit (£ million)	This is the statutory operating profit of the Group excluding non-underlying items and the impact of consolidating the trusts and IFRS 15.	£37.8 million (H1 2020 restated: £41.9 million)[(a) (c)] (FY 2020 restated: £60.3 million)[(b) (c)]	Underlying operating profit declined year-on-year, primarily driven by lower deaths, partially offset by higher average revenues.
Underlying cash generated from operations (£ million)	This is the statutory cash generated from operations excluding non-underlying items and the impact of consolidating the trusts and IFRS 15.	£56.6 million (H1 2020 restated: £62.3 million)[(a) (c)] (FY 2020 restated: £88.9 million)[(b) (c)]	The Group continues to convert operating profit into cash efficiently.
Underlying average revenue per funeral (£)	Underlying funeral revenue divided by the number of funerals performed in the relevant period.	£2,628 (H1 2020: £2,461)[(a)] (FY 2020: £2,522)[(b)]	Average revenue has increased as restrictions in client choices, due to COVID-19, have started to ease.
Total estimated number of deaths in Britain (number)	This is as reported by the Office for National Statistics.	340,000 (H1 2020: 368,000)[(a)] (FY 2020: 663,000)[(b)]	Although deaths were higher than originally anticipated, due to the pandemic, they are lower than the prior period.
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.	12.0% (H1 2020: 12.4%)[(a)] (FY 2020: 12.0%)[(b)]	Market share is lower than H1 2020 and in line with full year 2020.
Number of funerals performed (number)	This is the number of funerals performed by the Group according to our operational data.	41,400 (H1 2020: 46,000)[(a)] (FY 2020: 80,300)[(b)]	Changes are a consequence of the total number of deaths and the Group's market share.
Crematoria market share (per cent)	This is the number of cremations performed by the Group divided by the total estimated number of deaths in Britain.	11.4% (H1 2020: 11.6%)[(a)] (FY 2020: 11.2%)[(b)]	Market share is broadly stable.
Number of cremations performed (number)	This is the number of cremations performed according to our operational data.	38,900 (H1 2020: 42,500)[(a)] (FY 2020: 74,500)[(b)]	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 (both trust funeral plans and insurance backed) where the Group has an obligation to provide a funeral in the future.	580,000 (H1 2020: 537,000)[(a)] (FY 2020: 558,000)[(b)]	This increase reflects continued sales activity (both trust funeral plans and insurance backed) 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 2020 relates to the 26 weeks ended 26 June 2020.

(b) FY 2020 relates to the 52 weeks ended 25 December 2020.

(c) Restatements represent the inclusion of IFRS 16 in underlying performance measures.

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 2021

Reputation and recommendation
98.9% (December 2020: 98.9%)
98.9 per cent of respondents said that we met or exceeded their expectations.

97.9% (December 2020: 97.9%)
97.9 per cent of respondents would recommend us.

High Standards of facilities and fleet
99.7% (December 2020: 99.7%)
99.7 per cent thought our premises were clean and tidy.

99.2% (December 2020: 99.2%)
99.2 per cent thought our vehicles were clean and comfortable.

Quality of service and care
99.9% (December 2020: 99.9%)
99.9 per cent thought our staff were respectful.

99.6% (December 2020: 99.6%)
99.6 per cent thought our staff listened to their needs and wishes.

99.1% (December 2020: 99.1%)
99.1 per cent agreed that our staff were compassionate and caring.

In the detail
99.0% (December 2020: 98.9%)
99.0 per cent of clients agreed that our staff had fully explained what would happen before and during the funeral.

99.2% (December 2020: 99.2%)
99.2 per cent said that the funeral service took place on time.

98.0% (December 2020: 98.0%)
98.0 per cent said that the final invoice matched the estimate provided.

Gary Channon
Chief Executive
20 September 2021

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 appetite to risk 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 review a balanced and understandable assessment of the operation of the risk management process and inputs**.**

Responsibilities and actions

The Board

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

Following the General Meeting on 22 April 2021, Clive Whiley ceased to be a director and two independent Non-Executive Directors resigned from the Board. Gary Channon became Executive Chairman at this time. Subsequently, John Castagno was appointed to the Board as independent Non-Executive Chairman in July 2021 at which time Gary Channon became Chief Executive. Graham Ferguson was recently appointed to the Board as an independent Non-Executive Director and Chair of the Audit Committee.

The Company continues to work towards meeting its corporate governance responsibilities in respect of the composition of the Board and is currently in the recruitment process for a Chief Financial Officer and one further independent Non-Executive Directors.

Risk process

Every six months the Audit Committee formally considers the Group's Principal Risks and Uncertainties for subsequent 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 key controls, procedures and policies are understood and operated effectively 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.

Pre-arranged funeral plans

In November 2020, the FCA issued a statement welcoming the Government's laying of legislation setting out a timetable for bringing the regulation of pre-need funeral plans within the remit of the FCA, expecting to take responsibility for the regulation of the sector in Summer 2022.

On 2 March 2021, the FCA released their consultation on funeral plans and their proposed approach to funeral plans. Dignity engaged constructively through the consultation process which closed on 13 April 2021 with the final rules published in quarter three 2021.

In order to carry out regulated funeral plan activities, firms must be authorised by the FCA. Continuing with regulated activity without authorisation will be a criminal offence.

Dignity believes that this regulation is necessary and welcomes its planned introduction. Dignity is working with the FCA to apply and be registered as a regulated provider of pre-arranged funeral plans.

See also 'Regulation of pre-arranged funeral plans' on page 17.

COVID-19

COVID-19 has created new risks relating both to our ability to deliver our services in the context of restrictions imposed by the pandemic and the health and safety implications for our colleagues. The potential risks are assessed regularly in light of the developing guidance and commentary from HM Government.

The Group has business continuity and pandemic plans that are invoked, reviewed and adapted as necessary.

Accordingly, the ability to maintain average revenue is influenced by changes in the competitive landscape and the continued impact of COVID-19.

See also 'COVID-19 Response Related Risks' on page 19.

Competition and Market Authority's Market Investigation:

The CMA's Final Decision Report into the supply of services by funeral directors at the point of need and the supply of crematoria services was published on 18 December 2020 such that the risk of unexpected findings has now reduced. The Group supports the CMA's Orders which focus on measures to support consumer choice and transparency and which maintain quality and standards in the UK.

Principal amongst the CMA's requirements are:

- Funeral directors to display a Standardised Price List
- Funeral directors not to make payments to incentivise hospitals, palliative care services, hospices, care homes or similar institutions to refer customers
- Funeral directors not to solicit for business through the provision of services under coroner and police contracts
- Crematorium operators to provide certain price information

The Group has undergone a large project to comply with the CMA orders in time of the deadline.

Operational risk management

Risk description and impact	Mitigating activities and commentary	Change
Significant movements in the death rate There is a risk that the number of deaths in any year significantly reduces or increases. This would have a direct result on the financial and operational performance of both the funeral and crematoria divisions.	The profile of deaths has historically seen intra year changes of +/- one per cent giving the Group the ability to plan its business accordingly. The ONS long-term projection is for deaths to increase. The risk is mitigated by the ability to control costs and the price structure although this would not mitigate a short-term significant reduction in the number of deaths. The number of deaths in the first quarter increased by 27 per cent to 204,000. Since quarter one, the UK has witnessed deaths falling below the five year average (2015-2019) resulting in June 2021 year to date deaths being eight per cent lower than the same period to June 2020. Funeral market share in the first quarter 2021 was 11.5 per cent which was lower than expected due to the delay in the date of the death being registered and the funeral being performed. As expected, this has started to normalise and June 2021 year to date funeral market share is 12.0 per cent. Average revenue per funeral in quarter two has improved from the first quarter with the Full Service volume as a percentage of Full and Simple increasing by two per cent to 68 per cent year to date June. The quarter two 2021 Full Service volume as a percentage of Full and Simple was 73 per cent. Quarter one crematoria market share was 11.1 per cent which was also lower than expected for the reasons above, although this has also started to normalise and June 2021 year to date crematoria market share is 11.4 per cent. Operationally, we have spent time understanding lessons from the dramatic increase in deaths due to COVID-19 to ensure we continue to respond professionally and safely. A key part has been staffing: absence levels peaked at circa 16 per cent compared to normal levels of one or two per cent. Where required, this was and continues to be managed through a national provider of temporary resource. In the Crematoria and Memorial Group, staff have been upskilled and cross trained to provide cover as required.	No change
Nationwide adverse publicity Nationwide adverse publicity for Dignity could result in a significant reduction in the number of funerals or cremations performed in any financial period. For pre-arranged funeral plans, adverse publicity for the Group or one of its partners could result in a reduction in the number of plans sold or an increase in the number of plans cancelled.	The Group's strategy is to focus on increasing funeral and crematoria market share together with prioritising the sale of funeral plans through branches rather than telephony partners. Contracts have been cancelled with five telephony partners that have been assessed by Dignity as both uneconomical but also not representative of the high standards we expect. The Group maintains a strong system of internal control to ensure the business is managed in line with its strategic objectives. Staff training and the work of the Quality and Standards Team led by the Director for Standards, Regulation and Compliance assist in mitigating this risk. In terms of quality of care for clients and their loved ones, the introduction of the Dignity Standards and Quality Framework will assist in mitigating reputational risk from poor practice and the possibility of consequential adverse press coverage.	No change

Risk description and impact	Mitigating activities and commentary	Change
Fall in average revenue per funeral or cremation either resulting from market changes 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 revenue per funeral or cremations at the current level.	The Group's strategic review has resulted 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 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. This risk has increased due to COVID-19 as the Group has experienced lower average revenues 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. Awareness of Simple Funerals and Simplicity Cremations has increased during the pandemic. The Group began low-price trials in February 2020 and have been conducted across around 70 branches with another 50 soon to go live. Large volume increases have been experienced in all instances.	Increased
Disruptive new business models leading to a significant reduction in market share 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.	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 seek 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. The Group will prioritise investment into standards of care, facilities and our estate, alongside a combination of a competitive pricing and product mix, cultural change and stronger branding, to grow local market share. For crematoria operations this is mitigated by the Group's experience and ability in managing the development of new crematoria. The Group will focus on: • increasing both volume and yield per crematoria by increasing throughput and growing ancillary sales • continuing to build out the pipeline of crematoria and build additional capacity into existing facilities • embracing direct cremation and become price leaders for the location agnostic value segment of the market 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.	No change
Demographic shifts in population There can be no assurance that demographic shifts in population will not lead to a reduced demand for funeral services in areas where Dignity operates.	In such situations, Dignity would seek to follow the population shift by rebalancing the funeral location network together with meeting the developing cultural requirements.	No change

Risk description and impact	Mitigating activities and commentary	Change
Competition The UK funeral services, crematoria and pre-need markets are currently fragmented. 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 revenues or an increase in costs and consequently a reduction in its profitability. Failure to replenish or increase the bank of pre-arranged funeral plans could affect market share of the funeral division in the longer-term. Competition continues to intensify, with additional funeral directors opening at varying price points, alongside an increase in the popularity of direct cremations.	The vision is for Dignity to be the UK's leading end of life business, renowned for its excellence and high standards, represented and embedded in the community with strong local brands, whilst offering the best service for the best prices. Central to our strategy is a focus on improving the culture of our business, empowering our colleagues and working openly together to be our best through teamwork. Our appetite to develop new products and trials has expanded through the greater collaboration and open debate. Several trials are up and running with the objective of achieving the right combination of price product and promotion to not only grow our local market share but to sustain and grow our revenues. The Branch Direct Cremation trial is proving that by introducing new competitively priced products that can fit within our existing price and product architecture. We continue to develop a new tiered funeral pricing proposition, that will provide greater flexibility to meet individual client needs. By unbundling our prices and services to provide our clients 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. 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 are leveraging scale advantages in the digital age. We also recognise that our established local funeral trading names continue to have significant value in the communities they serve. Through better allocation of our resources, the resultant efficiencies will allow us to reduce the number of funeral locations and their associated cost. Support functions are being centralised where appropriate to ensure a cost effective and consistent high standard of service. 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. 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. Dignity supports full regulation of the sector which presents an opportunity to gain competitive margin through both pricing and good quality service provision.	No change
Regulation of pre-arranged funeral plans FCA Regulation may result in changes to processes, systems, pricing, funding, capital requirements and terms and conditions of plans. Regulation could affect the Group's opportunity to sell pre-arranged funeral plans in the future or could result in the Trading Group not being able to draw down the current level of marketing allowances.	Changes apply to the industry as a whole and not just the Group. The FCA have now published their rules. Areas affected: • Commission • Customer documentation • Trust structures • Product value and features We are working on Partner options / intentions to accommodate the new rules. Our strong market presence in the Whole of Life Funeral Benefit market remains unchanged. The changes affect the whole industry, whilst we will experience a material drop in volumes, Dignity will be in a strong market position as a vertically integrated provider to grow alternative channels that remain open post FCA regulation. Regulation of the pre-need industry by the FCA is now confirmed for Summer 2022. We believe that regulation is necessary and welcome its planned introduction	No change

Risk description and impact	Mitigating activities and commentary	Change
Regulation of the funeral industry Regulation could result in increased compliance costs for the industry as a whole or other unforeseen consequence including capping of funeral and cremation prices.	The Group already operates at a high standard, compared to the majority of our competitors, using facilities appropriate for the dignified care of the deceased. This will be further enhanced through our focus on capital investment and property improvements. Additionally, the approach to Standards and Quality will prepare for statutory regulation and compliance obligations in Scotland and co-regulatory requirements across the UK. The significant impact and work required to ensure compliance with, and implementation of the impending CMA Orders was prioritised for a level of central coordination and decision-making to enable us to act with pace and attention to detail. Ten workstreams across the nine key regulatory obligations (and one further workstream for 'communication') were developed and made excellent progress. We launched our new pricing strategy on 6 September 2021 which will not only enable us to lead the market with a competitively priced comparable unattended and attended funeral service but will also align to our desire to provide bereaved families with excellent quality and value for money.	No change
Changes in the funding of the pre-arranged funeral plan business In the current regulatory environment, the Group has given commitments to pre-arranged funeral plan members to provide certain funeral services in the future. Funding for these plans is reliant on either insurance companies paying the amounts owed or the pre-arranged funeral plan Trusts having sufficient assets. If this is not the case then the Group may receive a lower amount per funeral.	There is considerable regulation around insurance companies which is designed, amongst other things, to ensure that the insurance companies meet their obligations. The Trusts hold assets of circa £1 billion with an average duration of circa 10+ years: we will seek to generate a surplus of at least +3 per cent returns over and above funeral cost inflation.	No change
Direct cremations Growth in the direct cremation market could reduce average revenue in the funeral business and adversely affect the volume mix and average revenue in the crematoria business.	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. Simplicity Cremations is being promoted via a strong online presence together with TV advertising. Other media advertising is also planned.	No change
Cyber Risk Our business is at risk of financial loss, disruption or damage to reputation 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.	The Group has, in recent years, invested significantly in this area with the objective of both upgrading all aspects of our systems and our internal resources and also using external consultants to perform regular external and internal penetration tests, using the results to drive a continuous improvement programme. The chance of an organisation falling victim to a cyber-attack is growing. Threats are more pervasive and sophisticated than ever. However, in addition to maintaining appropriate levels of Cyber Insurance we continue our investment in fit for purpose security controls, processes, and technology to allows us maintain pace with the current threat landscape whilst proactively monitoring for breaches and improving internal understanding and communication of initial risks, mitigations and residual risks. The Group is working with external advisers at an operational level providing a broad view of our current maturity level of controls over multiple domains associated with cyber security. Additionally, this external assessment will include a deep dive review of Dignity's Security Architecture to confirm that our information systems are in alignment with required cyber security objectives addressing where possible potential risks to the technology environment. The Group has its security controls, processes and technology independently audited to ensure it remains effective or requires additional investment.	No change

Risk description and impact	Mitigating activities and commentary	Change
COVID-19 Response Related Risks 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 of COVID-19 to the Group are assessed regularly in light of guidance and commentary from HM Government. Primary risks include: (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; (ii) the need to keep staff safe in the COVID-19 crisis; (iii) a loss of profit due to the cost of our response plans, or HM Government intervention causes profit or cash concerns; and (iv) mortuary capacity and/or supply of consumables is exhausted. If continuing long-term, COVID-19 and related measures may result in lower revenues.	In addition to our business continuity and pandemic planning, the risk is mitigated by illness tracking, the use of agency staff and staff redeployment. In addition, HM Government's vaccination programme supports control and mitigation. 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. We have modelled forward- looking scenarios considering volumes, changes to service and revenue and Government intervention. We have contingency plans and an escalating route for operations and central offices to redeploy resources from other teams and locations. We have established central planning of capacity, put new capacity in place, leveraged Local Resilience Forums and super-mortuary facilities. In addition, the Group recognises the toll that the pandemic has taken on colleagues. Issues include mental health, isolation and matters arising from working from home. The Group provides the Employee Assistance Programme to all which provides access to anonymous, independent counselling services and advice to help manage any personal wellbeing concerns and provide additional emotional, physical, and financial support. We have also invested in the training and accreditation of a number of colleagues in Mental Health first aid.	Decreased

Financial risk management

Risk description and impact	Mitigating activities	Change
Financial Covenant under the Secured Notes The Group's Secured Notes requires EBITDA to total debt service to be above 1.5 times. If this financial covenant (which is applicable to the securitised subgroup of Dignity) is not achieved, then this may lead to an Event of Default under the terms of the Secured Notes, which could result in the Security Trustee taking control of the Securitisation Group on behalf of the Secured Note holders. 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.	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. Current trading continues to support the Group's financial obligations, however lower reported profitability increases the risk of breaching covenants. To act as a mitigation against this risk, the Group undertook an internal restructure of its trading assets in August 2020 which increased covenant headroom.	No change

Emerging risk

The Group continues to scan for emerging risks through the processes noted above. The key areas where additional risk is appearing, all of which are extensions of risk already identified above, are as follows:

Risk description and impact	Mitigating activities and commentary	Change
Sustainability The need to operate businesses sustainability and with a focus on the environment is now an imperative**.**	The vision is for Dignity to achieve negative carbon impact. Dignity is ranked in the Top 200 in the FT/ Statista's Europe's Climate Leaders Report 2021 due to a 27 per cent reduction in core emissions between 2014 and 2019. Projects and objectives include: • The fitting of a Flue Gas Treatment which reduces heavy metals and the acid content of gasses. 25 have been fitted so far • Increased usage of Bio-gas from the current 10 per cent with the aim of 100 per cent - of available biogas • Nitrogen Oxide abatement fitted on all sites • Reclaiming heat from water cooling systems with heat exchangers already fitted at each site • New build crematoria to be carbon neutral • Exploration of wind and solar energy generation on our key and high energy consumption sites (including manufacturing) • Energy reduction surveys on high energy consumption sites with return on investment. With heat reclamation, Dignity could achieve a negative carbon impact. With the ever-changing legal requirements on reporting for the Group, and a growth in governing bodies involved in the reporting of greenhouse gasses, carbon and the financial impacts of these, Dignity is looking to partner with a key player in the market to support and grow our reporting capabilities. To assist with this an extensive programme of smart meters and water meters are being rolled out both to allow us to have concise data to report against and to identify quickly any wastage/leakage. Dignity is also looking to introduce multiple recycling schemes for specialist products which are a biproduct of the Group's core services, including Pacemaker recycling, but also looking to increase the general recycling threshold to include uniform and plastics recycling. The newly founded Environmental and Sustainability Committee is committed to driving change and has developed a 3-year plan to mitigate risks against emerging HM Government led initiatives such as introduction of a single use plastic tax and the banning of new diesel vehicles from 2023.	New
Funeral Directors' Codes of Practice A number of compliance requirements currently recommended by the Scottish Government Funeral Directors' Code of Practice (draft launched in 2019) can reasonably be expected to become law in late 2021/early 2022 (timeline to be confirmed by the Scottish Government). For example, one draft requirement for funeral directors to have a ratio of 1 refrigerated space per 50 funerals performed. Additionally, the need to respond to registration and inspection requirements which will be enacted in law. The introduction of the Independent Funeral Standards Organisation in late 2021/22 will necessitate compliance with a UK co-regulatory Code of Practice as described by the Ministry of Justice. Intended obligations include transparency, quality and standards measures with risk ratings and public reporting in subsequent phases. The relationship between and requirements of the two Codes of Practice have yet to be finally determined.	The Group is undertaking an assessment of compliance guidelines and works required to achieve compliance across both the Scottish and UK network. Consideration for the resource profile and methodology for responding to legal registration in Scotland and a statutory inspection response is being initiated as a pre-emptive measure in advance of a published Scottish government position. Relationship management with the NAFD and IFSO Chair is underway.	New

Consolidated income statement (unaudited)

for the 26 week period ended 25 June 2021

	Note	26 week period ended 25 Jun 2021 £m	26 week period ended 26 Jun 2020 restated £m	52 week period ended 25 Dec 2020 (audited) £m
Revenue	2	**189.0**	197.1	357.5
Cost of sales		**(88.1)**	(92.5)	(177.3)
Gross profit		**100.9**	104.6	180.2
Administrative expenses		**(60.1)**	(60.4)	(164.3)
Operating profit	2	**40.8**	44.2	15.9
Finance costs	3	**(14.6)**	(15.0)	(29.8)
Finance income	3	**-**	0.1	0.1
Deferred revenue significant financing	3	**(25.9)**	(26.8)	(53.1)
Remeasurement of financial assets held by the Trusts and related income	3	**50.2**	(14.6)	47.3
Profit / (loss) before tax	2	**50.5**	(12.1)	(19.6)
Taxation	4	**(19.3)**	0.8	(5.9)
Profit / (loss) for the period attributable to equity shareholders		**31.2**	(11.3)	(25.5)
Profit / (loss) per share for profit attributable to equity shareholders				
– Basic (pence)	5	**62.4p**	(22.6)p	(51.0)p
– Diluted (pence)	5	**62.4p**	(22.6)p	(51.0)p

Comparatives for the 26 weeks ended 26 June 2020 have been restated due to prior year adjustments in relation to taxation and the application of IFRS 16. See note 1 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 25 June 2021

	26 week period ended 25 Jun 2021 £m	26 week period ended 26 Jun 2020 restated £m	52 week period ended 25 Dec 2020 (audited) £m
Profit / (loss) for the period	**31.2**	(11.3)	(25.5)
Items that will not be reclassified to profit or loss			
Remeasurement gain / (loss) on retirement benefit obligations	**10.5**	(9.1)	(11.7)
Tax (charge) /credit on remeasurement on retirement benefit obligations	**(2.6)**	1.7	2.2
Restatement of deferred tax for the change in UK tax rate	**1.9**	0.5	0.5
Other comprehensive income / (loss)	**9.8**	(6.9)	(9.0)
Total comprehensive income / (loss) for the period	**41.0**	(18.2)	(34.5)
Attributable to:			
Equity shareholders of the parent	**41.0**	(18.2)	(34.5)

Comparatives for the 26 weeks ended 26 June 2020 have been restated due to prior year adjustments in relation to taxation and the application of IFRS 16. See note 1 for further details.

Consolidated balance sheet (unaudited)
as at 25 June 2021

	Note	25 Jun 2021 £m	26 Jun 2020 restated £m	25 Dec 20 restated (audited) £m
Assets				
Non-current assets				
Goodwill	6	**203.9**	232.6	203.9
Intangible assets	6	**118.3**	138.2	120.5
Property, plant and equipment		**241.2**	246.4	240.9
Right-of-use asset	7	**91.5**	98.9	95.2
Deferred insurance commissions		**9.2**	9.7	9.4
Financial assets held by the Trusts	8	**1,006.8**	920.1	967.1
Deferred commissions	11	**104.4**	98.0	101.3
Deferred tax asset		**6.7**	23.7	20.3
		1,782.0	1,767.6	1,758.6
Current assets				
Inventories		**9.1**	9.6	9.0
Trade and other receivables	9	**28.4**	30.9	30.0
Deferred commissions	11	**7.9**	7.4	7.6
Cash and cash equivalents – Trading Group		**81.7**	80.3	73.6
Cash and cash equivalents – held by the Trusts		**23.6**	10.3	21.6
Cash and cash equivalents	10	**105.3**	90.6	95.2
		150.7	138.5	141.8
Total assets		**1,932.7**	1,906.1	1,900.4
Liabilities				
Current liabilities				
Financial liabilities		**16.0**	10.4	15.7
Trade and other payables		**72.5**	69.6	68.2
Lease liabilities	7	**7.1**	6.6	7.3
Current tax liabilities		**1.7**	7.4	7.9
Contract liabilities	11	**96.3**	94.1	95.5
Provisions for liabilities		**2.1**	1.8	2.4
		195.7	189.9	197.0
Non-current liabilities				
Financial liabilities		**524.3**	539.5	529.5
Other non-current liabilities		**2.2**	2.1	2.1
Lease liabilities	7	**77.2**	83.8	81.2
Contract liabilities	11	**1,234.2**	1,208.8	1,222.0
Provisions for liabilities		**9.6**	9.3	9.5
Retirement benefit obligation	15	**25.4**	34.6	36.6
		1,872.9	1,878.1	1,880.9
Total liabilities		**2,068.6**	2,068.0	2,077.9
Shareholders' equity				
Ordinary share capital		**6.2**	6.2	6.2
Share premium account		**12.9**	12.7	12.7
Capital redemption reserve		**141.7**	141.7	141.7
Other reserves		**(2.6)**	(3.7)	(3.0)
Retained earnings		**(294.1)**	(318.8)	(335.1)
Total deficit		**(135.9)**	(161.9)	(177.5)
Total equity and liabilities		**1,932.7**	1,906.1	1,900.4

Comparatives for the 26 weeks ended 26 June 2020 have been restated due to prior year adjustments in relation to taxation, insurance plans and the application of IFRS 16. Comparatives for the 52 weeks ended 25 December 2020 have been restated due to a prior year adjustment in relation to insurance plans. See note 1 for further details.

Consolidated statement of changes in equity (unaudited)
as at 25 June 2021

	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 27 December 2019 [1] – as previously stated	6.2	12.5	141.7	(4.0)	(297.9)	(141.5)
Adjustment on initial application of IFRS 16 on 28 December 2019 – prior year adjustment [2]	-	-	-	-	0.8	0.8
Impact of insurance plans on 28 December 2019 – prior year adjustment (note 1)	-	-	-	-	(3.5)	(3.5)
Loss for the 26 weeks ended 26 June 2020 (as previously stated)	-	-	-	-	(10.3)	(10.3)
Impact of corporate interest restriction disallowance – prior year adjustment	-	-	-	-	(2.2)	(2.2)
Impact of post initial application of IFRS 16 – prior year adjustment					1.2	1.2
Overall loss for the 26 weeks ended 26 June 2020 (restated)	-	-	-	-	(11.3)	(11.3)
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
Other comprehensive loss	-	-	-	-	(6.9)	(6.9)
Total comprehensive loss (restated)	-	-	-	-	(17.4)	(17.4)
Effects of employee share options	-	-	-	0.6	-	0.6
Tax on employee share options	-	-	-	(0.1)	-	(0.1)
Proceeds from share issue [3]	-	0.2	-	-	-	0.2
Gift to Employee Benefit Trust	-	-	-	(0.2)	-	(0.2)
Shareholders' equity as at 26 June 2020 (restated)	6.2	12.7	141.7	(3.7)	(318.8)	(161.9)
Loss for the 26 weeks ended 25 December 2020	-	-	-	-	(14.2)	(14.2)
Remeasurement loss on retirement benefit obligations	-	-	-	-	(2.6)	(2.6)
Tax on retirement benefit obligations	-	-	-	-	0.5	0.5
Other comprehensive loss	-	-	-	-	(2.1)	(2.1)
Total comprehensive loss	-	-	-	-	(16.3)	(16.3)
Effects of employee share options	-	-	-	0.6	-	0.6
Tax on employee share options	-	-	-	0.1	-	0.1
Shareholders' equity as at 25 December 2020	6.2	12.7	141.7	(3.0)	(335.1)	(177.5)
Profit for the 26 weeks ended 25 June 2021	-	-	-	-	31.2	**31.2**
Remeasurement gain on retirement benefit obligations	-	-	-	-	10.5	**10.5**
Tax on retirement benefit obligations	-	-	-	-	(2.6)	**(2.6)**
Restatement of deferred tax for the change in UK tax rate	-	-	-	-	1.9	**1.9**
Other comprehensive income	-	-	-	-	9.8	**9.8**
Total comprehensive income	-	-	-	-	41.0	**41.0**
Effects of employee share options	-	-	-	0.5	-	**0.5**
Tax on employee share options	-	-	-	0.1	-	**0.1**
Proceeds from share issue [4]	-	0.2	-	-	-	**0.2**
Gift to Employee Benefit Trust	-	-	-	(0.2)	-	**(0.2)**
Shareholders' equity as at 25 June 2021	**6.2**	**12.9**	**141.7**	**(2.6)**	**(294.1)**	**(135.9)**

**Consolidated statement of changes in equity (unaudited)
as at 25 June 2021 (continued)**

(1) Shareholder's equity as at 27 December 2019 includes a £4.3 million prior year adjustment in relation to corporate interest restriction as reported in the 2020 Annual Report.
(2) IFRS 16 adjustment of £0.8 million relates to contractual rent reviews not considered on initial application. This adjustment was included in the 2020 Annual Report.
(3) Relating to issue of 7,745 shares under 2017 DAB scheme and 344 issued under the 2019 SAYE scheme.
(4) Relating to issue of 5,963 shares under 2018 DAB scheme and 1,980 shares under 2019 SAYE scheme.

Comparatives for the 26 weeks ended 26 June 2020 have been restated due to prior year adjustments in relation to taxation, insurance plans and the application of IFRS 16. Comparatives for the 52 weeks ended 25 December 2020 have been restated due to a prior year adjustment in relation to insurance plans. See note 1 for further 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 25 June 2021

	Note	26 week period ended 25 Jun 2021 £m	26 week period ended 26 Jun 2020 restated £m	52 week period ended 25 Dec 2020 (audited) restated £m
Cash flows from operating activities				
Cash generated from operations	13	**49.0**	41.8	62.7
Finance income received		**-**	0.1	0.1
Finance costs paid		**(14.3)**	(14.6)	(29.2)
Transfer from restricted bank accounts for finance costs	10	**12.0**	12.1	12.1
Payments to restricted bank accounts for finance costs	10	**(11.9)**	(12.1)	(12.0)
Total payments in respect of finance costs		**(14.2)**	(14.6)	(29.1)
Tax paid		**(12.4)**	(4.7)	(6.9)
Net cash generated from operating activities		**22.4**	22.6	26.8
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment		**0.4**	0.5	1.1
Purchase of property, plant and equipment and intangible assets (1)		**(10.3)**	(6.5)	(11.1)
Purchase of financial assets (by the Trusts)		**(330.7)**	(447.9)	(778.1)
Disposals of financial assets (by the Trusts)		**336.5**	456.5	796.8
Realised return on financial assets		**2.0**	1.9	3.8
Net cash (used)/generated in investing activities		**(2.1)**	4.5	12.5
Cash flows from financing activities				
Payments due under Secured Notes		**(5.0)**	(4.9)	(9.6)
Transfer from restricted bank accounts for repayment of borrowings	10	**4.9**	4.8	4.8
Payments to restricted bank accounts for repayment of borrowings	10	**(5.0)**	(4.8)	(4.9)
Total payments in respect of borrowings		**(5.1)**	(4.9)	(9.7)
Principal elements of lease payments		**(5.1)**	(5.0)	(7.8)
Net cash used in financing activities		**(10.2)**	(9.9)	(17.5)
Net increase in cash and cash equivalents		**10.1**	17.2	21.8
Cash and cash equivalents at the beginning of the period		**78.3**	56.5	56.5
Cash and cash equivalents at the end of the period	10	**88.4**	73.7	78.3
Restricted cash – amounts set aside for debt service payments	10	**16.9**	16.9	16.9
Cash and cash equivalents at the end of the period as reported in the consolidated balance sheet	10	**105.3**	90.6	95.2

(1) See Business and financial review on page 9 for further details.

Comparatives for the 26 weeks ended 26 June 2020 have been restated due to a prior year adjustment in relation to the application of IFRS 16. See note 1 for further details.

Notes to the interim financial information 2021 (unaudited)
for the 26 week period ended 25 June 2021

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 25 June 2021 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 pursuant to Regulation (EC) No. 1606/2002 as it applied in the European Union.

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 25 December 2020. The Directors approved this interim condensed consolidated financial information on 20 September 2021.

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 25 December 2020, which are prepared in accordance with International Financial Reporting Standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applied in the European Union, except for the adoption of new accounting standards effective as of 26 December 2020. 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 25 December 2020. Comparative information has been presented as at and for the 26 week period ended 26 June 2020, and as at and for the 52 week period ended 25 December 2020.

The comparative figures for the 52 week period ended 25 December 2020 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 25 December 2020 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.

Small Trusts refers to pre-arranged funeral plans from which the Group receives funeral cover in the event that they deliver a funeral service. Dignity is unable to influence variable returns, such that the Group is not considered to control these trusts and therefore these trusts are not consolidated.

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.

Prior year restatements

Taxation – Corporate interest restriction ('CIR')

Following the finalisation of the Group's 2019 corporation tax returns for its subsidiary undertakings and the corresponding detailed Group CIR return it became apparent that the interaction of the consolidation of the Trusts and the application of the complex tax provisions relating to the level of interest deductibility within the Group had been understated and consequently the 2020 interim results were misstated and an additional CIR charge is required. Due to an increased amount of disallowed interest expense arising predominantly from the inclusion of realised and unrealised fair value movements on the bond investments within the Trust consolidation a prior year adjustment has been booked due to the magnitude of the disallowance. The Group has therefore restated the interim condensed consolidated financial information for 2020. The restatement increases the tax charge by £2.2 million with a corresponding increase in the Group's current tax liabilities by £2.2 million. Accordingly, retained earnings as at 26 June 2020 have reduced by £2.2 million and statutory earnings per share has also been reduced by 4.4 pence. There is no impact to underlying earnings per share. A deferred tax asset cannot be recognised in this respect as it is not considered probable that the Group will be able to access the disallowed interest amounts under the corporate interest restriction rules in the foreseeable future.

1 Accounting policies (continued)

A judgement has been taken by management in relation to the June 2021 CIR charge. The total income reported in the Interim Report for investment income and fair value movements on bonds and equities is £50.2 million. The investments that this income arises on are predominantly consistent with the investments held at December 2020. Therefore, in order to estimate the total level of disallowance to assess the CIR charge at June 2021, we have applied the same percentage split between interest and non-interest bearing bonds and equities at June 2021 as compared to the position at 31 December 2020 to estimate a CIR charge of £2.1 million.

The impact on the 2019 financial statements was disclosed in the consolidated financial statements as at and for the 52 week period ended 25 December 2020. The restatement in 2019 increased the tax charge by £4.3 million with a corresponding increase in the Group's current tax liabilities by £4.3 million. Accordingly, retained earnings as at 27 December 2019 were reduced by £4.3 million and is reflected in the opening balances in this Interim Report.

Therefore, the overall restatement to June 2020 retained earnings in respect of CIR is £6.5 million compared to the June 2020 Interim Report.

There is no impact on any further previous accounting periods.

Insurance plans

The Group is the named beneficiary on a number of life assurance products sold by third party insurance companies on which the Group pays commission. The Group is entitled to recover commission paid if plans are cancelled within two years of being sold. However, if plans are cancelled outside this two year period, commissions paid are not refundable. The majority of plans with these features ceased to be written in October 2019 and the remainder in February 2020.

Following a review by the Board of the Group's accounting policy for insurance plans in relation to the prepaid balance held on the consolidated balance sheet within "deferred insurance commissions" it has been amended to include a provision for expected future cancellations. A detailed analysis has been performed on the cancellation rates for insurance products and a prior year restatement has been required to reflect the expected level of future cancellations.

It was further noted that a liability was not held for the active plans where a known commission is payable in future years. The calculation for the liability includes an estimate of the level of cancellations before the commission is payable and is discounted using a risk free rate of return. Furthermore, an assessment has been performed to determine the level of future expected funerals and this element of the liability has been held as a corresponding asset.

The impact of the above is as follows:

- At 28 December 2019 the deferred insurance commission prepayment of £11.0 million has been impaired by £3.2 million;
- A liability has been recognised representing the future commission payable of £3.5 million within financial liabilities. This is split between current and non-current liabilities at £0.6 million and £2.9 million respectively;
- The corresponding entry of the liability is the recognition of an asset of £2.4 million which represents the level of expected future funerals. The net impact of these adjustments of £1.2 million is a charge to the consolidated income statement which has been corrected through opening reserves as at 28 December 2019;
- The deferred commission prepayment of £11.0 million at 28 December 2019 has therefore overall reduced by £0.8 million to £10.2 million;
- The tax impact at 28 December 2019 is a credit of £0.8 million and has reduced the current tax liability to £5.2 million; and
- The total impact of this impairment on opening reserves at 28 December 2019 is a reduction of £3.5 million to £145.0 million.

These adjustments have no impact on cash.

The above adjustments have been recorded in the funerals segment.

When comparing the updated amortisation analysis and roll forward of the assets and liabilities at 26 June 2020, 25 December 2020 and 25 June 2021 there is no material difference between the original amounts charged to the income statement. Therefore, no adjustments have been made to these accounting periods aside from the adjustments to the assets and liabilities referred above. The balance sheet at 25 December 2020 as presented in the annual report and accounts for that period included a £0.5 million accrual and a related £0.5 million deferred insurance commission asset. These balances should have been recorded as of 28 December 2019 and have been corrected as part of the above adjustment.

The key judgement used within the calculation of the above assets and liabilities is a future expected cancellation rate of 1.5 per cent per annum for the remaining life of active plans held. This is based on historical data of cancellation rates on similar insurance plans sold by third parties in the past for which the Group is the beneficiary. This estimate therefore is subject to sensitivity. If this expected future rate of cancellation was to reduce by 0.2 per cent to 1.3 per cent the impairment charge would reduce by £0.4 million. If this expected future rate of cancellation increased by 0.2 per cent to 1.7 per cent the impairment charge would increase by £0.6 million.

Revised accounting policy

The Group is the named beneficiary on a number of life assurance products sold by third party insurance companies, in consideration for which the Group has committed to performing the funeral (including some disbursements) of the plan holder at a discount to its rates prevailing at the time of death.

Where a commission is paid to the insurers, these costs are carried as a prepayment and charged to the consolidated income statement as a funeral is performed. A provision is also made to cover future expected cancellations and is assessed at each period end.

1 Accounting policies (continued)

Where a commission is payable only on delivery of the funeral no amounts are recorded until the funeral is performed.

Where a commission is payable in the future, before the delivery of the funeral, a discounted liability is recognised on the consolidated balance sheet. To the extent a funeral is expected to be delivered a corresponding asset is recognised.

In the event of the death of the policyholder, if the Group performs the funeral, it receives an agreed amount from the insurers which is recognised as revenue within the funeral services division. On occasions a third party will perform the funeral and the Group will pass on all monies received to that party and in this situation the Group is deemed to be acting as an agent and revenue is treated as pass through revenue and not grossed up within the consolidated income statement.

IFRS 16

Following the finalisation of adopting IFRS 16 for the first time and as presented in the consolidated financial statements as at and for the 52 week period ended 25 December 2020 a number of restatements have been made to the interim condensed consolidated financial information as at 26 June 2020 as follows:

- Prepayments of £7.2 million representing amounts paid to acquire the long leasehold interest in land at certain of the Group's properties were not included within the right-of-use asset transition balance as reported at 26 June 2020. Therefore, a restatement has been made to include these balances within the right-of-use asset in order to comply with IFRS 16. The corresponding adjustment is to reduce financial and other assets;
- Onerous leases of £0.1 million has been reclassified within lease liabilities on transition. Therefore, a restatement has been made to increase the opening lease liability on transition to £93.6 million and to reduce current provisions by £0.1 million to £1.8 million;
- £0.8 million has been credited to equity on transition at 28 December 2019, which represents rent reviews not contractually concluded as at 28 December 2019. This £0.8 million is a restatement from the transition balances reported at 26 June 2020 with the corresponding adjustment to trade and other payables;
- Prepaid and accrued lease payments of £0.9 million were included within the right-of-use asset balance as reported at 26 June 2020. However, these were not removed from the balance sheet so a corresponding adjustment has been made to reduce trade and other payables by £1.0 million and to reduce trade and other receivables by £0.1 million. The movement in accruals and prepayments of £1.5 million in the period December 2019 to June 2020 has been credited to the income statement with the closing prepayment of £1.4 million being offset against the lease liability;
- A restatement of £1.5 million to reduce administrative expenses, increase operating profit and to reduce the loss before tax has been made to reflect the impact of prepaid and accrued lease payments in the consolidated income statement. The corresponding taxation impact is to increase the taxation charge by £0.3 million. Consequently, the corresponding adjustment is to increase retained earnings by £1.2 million and to increase statutory earnings per share by 2.4 pence;
- In arriving at the above restatements the data set as at December 2020 was used and therefore some minor restatements have been made to June 2020. Within the right-of-use asset analysis additions has increased by £0.4 million to £0.9 million and the impact of changes in lease payments has decreased by £0.1 million to £0.9 million. Similarly, within the lease liability analysis additions has also moved by £0.4 million to £0.9 million, the impact of changes in lease payments has also decreased by £0.1 million to £0.9 million and payments has increased by £1.4 million to £7.4 million; and
- Practical expedients have been restated by £0.1 million to £0.2 million following an error in the data used.

The operating profit split within the segmental analysis has also been restated as follows:

June 2020

- The operating profit impact of IFRS 16 in June 2020 was originally reported within the funerals services segment within "other adjustments" totalling £1.4 million, however this has now been split between the funeral services, crematoria and central overheads segments to better reflect where the leasing arrangements are held;
- The impact of IFRS 16 has also now been moved into underlying performance measures to reflect the application of IFRS 16. On adoption in 2020 the modified retrospective approach was adopted which meant 2019 comparatives were not restated. As a result, the Group chose to exclude it from its underlying performance measures reported in 2020 in order to retain comparability; and
- The total adjustment in relation to Group underlying operating profit taking into account the above adjustments for June 2020 is an increase of £2.9 million to £41.9 million and the following restatements have been made within the segmental analysis:

1 Accounting policies (continued)

- Funeral services – Underlying operating profit before depreciation and amortisation has been increased by £6.1 million to £45.9 million, underlying depreciation and amortisation has increased by £3.8 million to £9.9 million giving an overall increase in underlying operating profit of £2.3 million to £36.0 million. The impact to funeral services operating profit is an overall increase of £1.5 million to £43.6 million;
- Crematoria – Underlying operating profit before depreciation and amortisation has been increased by £1.2 million to £27.8 million, underlying depreciation and amortisation has increased by £0.5 million to £3.4 million giving an overall increase in underlying operating profit of £0.7 million to £24.4 million. The impact to crematoria operating profit is an overall increase of £0.1 million to £24.2 million; and
- Central overheads - Underlying operating loss before depreciation and amortisation has been reduced by £0.2 million to £17.3 million, underlying depreciation and amortisation has increased by £0.3 million to £1.2 million giving an overall increase in underlying operating loss of £0.1 million to £18.5 million. The impact to central overheads operating loss is an overall increase of £0.1 million to £23.6 million.

Accordingly, the following restatements have also been made within the segmental analysis:

- IFRS 16 finance costs of £2.4 million have been transferred out of other adjustments into underlying profit before tax. The total underlying finance costs has been restated to £15.0 million;
- The total impact of the above on the underlying profit before tax is an increase of £0.5 million to £27.0 million;
- Underlying taxation charge has increased by £0.2 million to £5.8 million; and
- Underlying earnings for the 26 week period ended 26 June 2020 have been restated by £0.4 million to £21.2 million. Therefore, underlying earnings per share has increased by 0.6p to 42.4p.

December 2020

- The operating profit impact of IFRS 16 in December 2020 was reported within the funerals services segment within "other adjustments" totalling £4.6 million, however this has now been split between the funeral services, crematoria and central overheads segments to better reflect where the leasing arrangements are held;
- The impact of IFRS 16 has now been moved into underlying performance measures to reflect the application of IFRS 16. On adoption in 2020 the modified retrospective approach was adopted which meant 2019 comparatives were not restated. As a result, the Group choose to exclude it from its underlying performance measures reported in 2020 in order to retain comparability; and
- The following restatements have been made within the segmental analysis:
  - Funeral services – Underlying operating profit before depreciation and amortisation has been increased by £9.7 million to £71.8 million, underlying depreciation and amortisation has increased by £7.8 million to £19.9 million giving an overall increase in underlying operating profit of £1.9 million to £51.9 million. Accordingly, 'other adjustments' has decreased by £1.9 million to £13.9 million. There is no impact to statutory operating profit;
  - Crematoria – Underlying operating profit before depreciation and amortisation has been increased by £3.7 million to £52.4 million, underlying depreciation and amortisation has increased by £1.1 million to £7.0 million giving an overall increase in underlying operating profit of £2.6 million to £45.4 million. Accordingly, 'other adjustments' has decreased by £2.6 million to £nil million. There is no impact to statutory operating profit; and
  - Central overheads - Underlying operating loss before depreciation and amortisation has been reduced by £0.4 million to £34.9 million, underlying depreciation and amortisation has increased by £0.3 million to £2.1 million giving an overall decrease in underlying operating loss of £0.1 million to £37.0 million. Accordingly, 'other adjustments' has decreased by £0.1 million to £nil million. There is no impact to statutory operating profit.

Accordingly, the following restatements have also been made within the segmental analysis:

- IFRS 16 finance costs of £4.7 million have been transferred out of other adjustments into underlying profit before tax. The total underlying finance costs has been restated to £29.8 million;
- Accordingly, the total impact of the above on underlying profit before tax is a decrease of £0.1 million to £30.6 million;
- There is no impact on the underlying taxation charge;
- Underlying earnings for the 52 week period ended 25 December 2020 have been restated by £0.1 million to £23.2 million. Therefore, underlying earnings per share has decreased by 0.2p to 46.4p; and
- There is no impact to statutory loss after taxation or statutory earnings per share.

1 Accounting policies (continued)

Consolidated statement of cashflows

The consolidated statement of cash flows has also been restated as follows:

June 2020

- Cash generated from operations has increased by £1.4 million to £41.8 million reflecting the restatements made for IFRS 16 and CIR. See note 13 for further details; and
- The "principal and interest elements of lease payments" has been increased by £1.4 million to £7.4 million as a result of the IFRS 16 corrections. The £7.4 million restated balance was previously classified within cashflows from financing activities. The interest element of IFRS 16 amounting to £2.4 million has been reclassified into finance costs paid under cash flow from operating activities. Total finance costs paid now totals £14.6 million, leading to a net cash generated from operating activities of £22.6 million. Principal elements of lease payments have been restated to £5.0 million leading to a net cash used in financing activities of £9.9 million.

December 2020

- The "principal and interest elements of lease payments" was previously classified within cashflows from financing activities. The interest element of IFRS 16 amounting to £4.7 million has been reclassified into finance costs paid under cash flow from operating activities. Total finance costs paid now totals £29.2 million, leading to a net cash generated from operating activities of £26.8 million. Principal elements of lease payments has been restated to £7.8 million leading to a net cash used in financing activities of £17.5 million.

Going concern

The key factors which impact the Group's financial performance are death rate, market share, mix and average revenue per funeral. As this Interim Report describes, 2021 has continued to be impacted by the COVID-19 pandemic, whilst the death rate in the UK has decreased from the prior period, the average revenue per funeral has increased as the restrictions have been eased, with the take up of full service funerals compared to simple funeral being approximately 73:27 in the second quarter compared to approximately 68:32 in the fourth quarter of 2020. The Group's market share is broadly stable compared to 2020.

The impact on its full year 2021 revenue and profitability will depend on various factors outside of the Group's control, such as the number of deaths in the UK, if any social distancing measures are re-introduced in H2 2021 and any reaction to the CMA pricing transparency order.

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 continue to reflect full mix recovery at the beginning of 2022.

When considering the going concern assumption, the Directors of the Group have reviewed the principal risks within the environment in which it operates and have prepared relevant sensitised scenarios, these include:

- Continued mix and average revenue per funeral being lower than pre-COVID 19 levels for the remainder of 2021;
- A significant reduction in market share;
- CMA pricing transparency order; and
- A significant reduction in the number of deaths.

In all base scenarios modelled, the Group is forecast to have sufficient liquidity and meet its debt service cover ratio ('DSCR') in the period assessed through to 30 September 2022.

To provide further consideration of going concern, the Directors also considered what would happen in an ongoing scenario of reduced profitability significantly below management's forecasts, such as a significant reduction in the market share or average revenues (the year to date analysis through July 2021 does not indicate the likelihood of such a scenario). In such a scenario, the Securitised Group may not meet its DSCR covenant requirements before the consideration of additional mitigating activities such as reducing controllable spend. 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 26), 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, given the current cash on hand and facilities available to it, the Securitised Group (as supported by the Company) would have sufficient liquid resources to make all required debt service payments for a period through to 30 September 2022.

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 for a period through to 30 September 2022 and therefore continue to adopt the going concern basis in preparing the Interim Report.

1 Accounting policies (continued)

New accounting standards, interpretations and amendments adopted by the Group
There are no new accounting standards, interpretations or amendments that have been adopted by the group for the period ended 31 December 2021.

Update to standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted
The following accounting standards, amendments and interpretations to existing standards have been published that are mandatory for accounting periods beginning on or after 1 January 2022 or later periods but which the Group has not early adopted:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform Phase 2. The standard is effective 1 January 2021 and will therefore impact on the Group's 2022 Annual Report. The amendments address the effects of the reform on financial statements that arise when an interest rate benchmark used to calculate interest on a financial asset is replaced with an alternative benchmark rate. This is not expected to have a material impact on the Group.

IFRS 17, Insurance Contacts. 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 relation to its pre-need funeral plans.

IAS 1, Presentation of financial statements. The amendment to the standard is expected to be effective 1 January 2023 and will therefore impact on the Group's 2024 Annual Report. The amendment to the standard is to specify the requirements for classifying liabilities as current or non-current. This is not expected to have a material impact on the Group.

All other new accounting standards, amendments and interpretations that have been published are not effective for 31 December 2021 and have been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods or on foreseeable future transactions.

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.

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.

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 Trading Group revenue is derived from, and substantially all of the Trading 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, and applying IFRS 15 as defined on page 45.

Underlying performance measures have been restated to reflect the application of IFRS 16, Leases. This standard was adopted in 2020 using the modified retrospective adoption which meant 2019 comparatives were not restated. As a result, the Group choose to exclude it from its underlying performance measures reported in 2020 in order to retain comparability. Therefore, the underlying performance measures reported below for all periods includes the impact of IFRS 16.

2 Revenue and segmental analysis (continued)

Reconciliations to statutory amounts

Non-underlying items represent certain non-recurring or non-trading transactions. See alternative performance measures on pages 45 to 51 for further details.

Other adjustments reflect the consolidation of the Trusts and applying IFRS 15. 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 25 June 2021	Underlying revenue £m	Other adjustments (1) £m	Revenue £m
Funeral services	**108.7**	**35.2**	**143.9**
Crematoria	**45.1**	**-**	**45.1**
Pre-arranged funeral plans	**15.6**	**(15.6)**	**-**
Group	**169.4**	**19.6**	**189.0**

(1) See alternative performance measures on page 48 for a reconciliation of other adjustments.

Within funeral services revenue £55.4 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 applying 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.

26 week period ended 25 June 2021	Underlying operating profit/ (loss) before depreciation and amortisation £m	Underlying depreciation and amortisation £m	Underlying operating profit/ (loss) £m	Non-underlying items (1) £m	Other adjustments (1) £m	Operating profit/(loss) £m
Funeral services	**41.3**	**(9.7)**	**31.6**	**(1.7)**	**6.0**	**35.9**
Crematoria	**28.9**	**(3.7)**	**25.2**	**(0.7)**	**-**	**24.5**
Pre-arranged funeral plans	**-**	**-**	**-**	**(0.1)**	**0.1**	**-**
Central overheads	**(17.9)**	**(1.1)**	**(19.0)**	**(0.6)**	**-**	**(19.6)**
Group	**52.3**	**(14.5)**	**37.8**	**(3.1)**	**6.1**	**40.8**
Finance costs			**(14.6)**	**-**	**-**	**(14.6)**
Finance income			**-**	**-**	**-**	**-**
Deferred revenue significant financing					**(25.9)**	**(25.9)**
Remeasurement of financial assets held by the Trusts and related income					**50.2**	**50.2**
Profit / (loss) before tax			**23.2**	**(3.1)**	**30.4**	**50.5**
Taxation – continuing activities			**(5.1)**	**0.4**	**(7.7)**	**(12.4)**
Taxation – rate change			**-**	**(8.3)**	**1.4**	**(6.9)**
Taxation			**(5.1)**	**(7.9)**	**(6.3)**	**(19.3)**
Underlying earnings for the period			**18.1**			
Non-underlying items				**(11.0)**		
Other adjustments					**24.1**	
Profit after taxation						**31.2**
Loss per share for profit attributable to equity shareholders						
- Basic (pence)			**36.2p**			**62.4p**

(1) See alternative performance measures on page 48 for a reconciliation of non-underlying items and other adjustments.

2 Revenue and segmental analysis (continued)

26 week period ended 26 June 2020	Underlying revenue £m	Other adjustments (1) £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) See alternative performance measures on page 49 for a reconciliation of other adjustments.

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

26 week period ended 26 June 2020 – restated (2)	Underlying operating profit/ (loss) before depreciation and amortisation restated £m	Underlying depreciation and amortisation restated £m	Underlying operating profit/ (loss) restated £m	Non-underlying items restated (1) £m	Other adjustments restated (1) £m	Operating profit/ (loss) restated £m
Funeral services	45.9	(9.9)	36.0	(2.2)	9.8	43.6
Crematoria	27.8	(3.4)	24.4	(0.2)	-	24.2
Pre-arranged funeral plans	-	-	-	(0.1)	0.1	-
Central overheads	(17.3)	(1.2)	(18.5)	(5.1)	-	(23.6)
Group	56.4	(14.5)	41.9	(7.6)	9.9	44.2
Finance costs			(15.0)	-	-	(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)
(Loss)/profit before tax			27.0	(7.6)	(31.5)	(12.1)
Taxation – Continuing activities - restated			(5.8)	1.4	4.1	(0.3)
Taxation – rate change – restated (3)			-	(3.6)	4.7	1.1
Taxation			(5.8)	(2.2)	8.8	0.8
Underlying earnings for the period			21.2			
Non-underlying items				(9.8)		
Other adjustments					(22.7)	
Loss after taxation						(11.3)
(Loss)/earnings per share for profit attributable to equity shareholders						
- Basic (pence)			42.4p			(22.6)p

(1) See alternative performance measures on page 49 for a reconciliation of non-underlying items and other adjustments.

(2) See pages 28 to 30 for further details on the restatement of IFRS 16.

(3) The rate change classification between non-underlying items and other adjustments has been restated to separate out the impact on deferred tax balances arising on the consolidation of the Trusts through other adjustments and the remainder through non-underlying items.

2 Revenue and segmental analysis (continued)

52 week period ended 25 December 2020	Underlying revenue £m	Other adjustments [1] £m	Revenue £m
Funeral services	202.6	72.2	274.8
Crematoria	82.7	-	82.7
Pre-arranged funeral plans	28.8	(28.8)	-
Group	314.1	43.4	357.5

(1) See alternative performance measures on page 50 for a reconciliation of other adjustments.

Within funeral services revenue £113.2 million relates to deferred revenue arising on the completion of performance obligations under pre-need Trust plans.

52 week period ended 25 December 2020 – restated[2]	Underlying operating profit/ (loss) before depreciation and amortisation restated £m	Underlying depreciation and amortisation restated £m	Underlying operating profit/ (loss) restated £m	Non-underlying items [1] £m	Other adjustments restated [1] £m	Operating profit/(loss) restated £m
Funeral services	71.8	(19.9)	51.9	(48.3)	13.9	17.5
Crematoria	52.4	(7.0)	45.4	(0.2)	-	45.2
Pre-arranged funeral plans	-	-	-	(0.1)	0.1	-
Central overheads	(34.9)	(2.1)	(37.0)	(9.8)	-	(46.8)
Group	89.3	(29.0)	60.3	(58.4)	14.0	15.9
Finance costs			(29.8)	-	-	(29.8)
Finance income			0.1	-	-	0.1
Deferred revenue significant financing					(53.1)	(53.1)
Remeasurement of financial assets held by the Trusts and related income					47.3	47.3
(Loss)/profit before tax			30.6	(58.4)	8.2	(19.6)
Taxation – continuing activities			(7.4)	6.1	(5.7)	(7.0)
Taxation – rate change			-	(3.6)	4.7	1.1
Taxation – total			(7.4)	2.5	(1.0)	(5.9)
Underlying earnings for the period			23.2			
Non-underlying items				(55.9)		
Other adjustments					7.2	
Loss after taxation						(25.5)
Earnings per share for profit attributable to equity shareholders – restated [2]						
- Basic (pence)			46.4p			(51.0)p
- Diluted (pence)						(51.0)p

(1) See alternative performance measures on page 50 for a reconciliation of non-underlying items and other adjustments.

(2) Underlying reporting measures have been restated to include the application of IFRS 16 which were previously included within other adjustments. See pages 28 to 30 for further details.

3 Net finance costs

	26 week period ended 25 Jun 2021 £m	26 week period ended 26 Jun 2020 restated (1) £m	52 week period ended 25 Dec 2020 restated (1) £m
Finance costs			
Secured Notes	**11.9**	12.1	23.4
Other loans	**0.1**	0.2	1.1
Finance costs on IFRS 16 lease liability	**2.3**	2.4	4.7
Net finance cost on retirement benefit obligations	**0.2**	0.2	0.5
Unwinding of discounts	**0.1**	0.1	0.1
Finance costs	**14.6**	15.0	29.8
Finance income			
Bank deposits	**-**	(0.1)	(0.1)
Finance income	**-**	(0.1)	(0.1)
Deferred revenue significant financing	**25.9**	26.8	53.1
Remeasurement of financial assets held by the Trusts and related income			
Investment income	**(4.4)**	(3.1)	(6.0)
Changes in fair value of financial assets held by the Trusts	**(45.8)**	17.7	(41.3)
Remeasurement of financial assets held by the Trusts and related income	**(50.2)**	14.6	(47.3)
Underlying net finance costs			
Underlying finance costs	**14.6**	15.0	29.8
Finance income	**-**	(0.1)	(0.1)
Underlying net finance costs	**14.6**	14.9	29.7

(1) Underlying performance measures have been restated to include the application of IFRS 16. See pages 28 to 30 for further details.

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 22.0 per cent (2020: 21.0 per cent) on profit before tax for the 26 week period ended 25 June 2021. The effective rate of tax is higher than the standard UK tax rate of 19 per cent (2020: 19 per cent) due to the effects of permanent disallowables and adjustments in respect of prior periods.

	26 week period ended 25 Jun 2021 £m	26 week period ended 26 Jun 2020 restated (1) £m	52 week period ended 25 Dec 2020 £m
Taxation	**19.3**	(0.8)	5.9

(2) Prior year comparatives have been restated due to a prior year adjustment in relation to corporate interest restriction disallowance and the application of IFRS 16. See note 1 for further details.

Included within the above taxation charge is £2.1 million in relation to the current year CIR charge. Further details can be found in note 1.

In the March 2021 budget, legislation to increase the main rate of corporation tax from 19 per cent to 25 per cent from 1 April 2023 was announced. 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 charge of £6.9 million through its income statement and a credit of £1.9 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 25 June 2021, no adjustment has been made in respect of arriving at diluted earnings per share measures for that period (2020: no adjustment).

The Group's underlying measures of profitability exclude non-underlying items, the application of IFRS 15 and consolidation of the Trusts as set out on pages 45 to 51. 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 helps 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
26 week period ended 25 June 2021			
Underlying profit after taxation and EPS	**18.1**	**50.0**	**36.2**
Add: Non-underlying items (net of taxation charge of £7.9 million)	**(11.0)**		
Add: Other adjustments (net of taxation charge of £6.3 million) (1)	**24.1**		
Profit attributable to shareholders – Basic EPS	**31.2**	**50.0**	**62.4**
Profit attributable to shareholders – Diluted EPS	**31.2**	**50.0**	**62.4**
26 week period ended 26 June 2020 – restated (2) (3)			
Underlying profit after taxation and EPS	21.2	50.0	42.4
Add: Non-underlying items (net of taxation charge of £2.2 million)	(9.8)		
Add: Other adjustments (net of taxation credit of £8.8 million) (1)	(22.7)		
Loss attributable to shareholders – Basic EPS	(11.3)	50.0	(22.6)
Loss attributable to shareholders – Diluted EPS	(11.3)	50.0	(22.6)
52 week period ended 25 December 2020			
Underlying profit after taxation and EPS – restated (3)	23.2	50.0	46.4
Add: Non-underlying items (net of taxation credit of £2.5 million)	(55.9)		
Add: Other adjustments (net of taxation charge of £1.0 million) (1)	7.2		
Loss attributable to shareholders – Basic EPS	(25.5)	50.0	(51.0)
Loss attributable to shareholders – Diluted EPS	(25.5)	50.0	(51.0)

(1) See note 2 for further details.

(2) Prior year comparatives have been restated due to a prior year adjustment in relation to taxation and IFRS 16. See note 1 for further details.

(3) Underlying performance measures have been restated to include the application IFRS 16 which were previously included within other adjustments. See pages 28 to 30 for further details.

6 Goodwill and other intangible assets

During the 26 week period ended 25 June 2021 the movement on goodwill and other intangible assets of £2.2 million (2020: £2.5 million) since the reported balance in the 2020 Annual Report relates to the amortisation charge in the period.

An impairment charge of £44.0 million was booked in the 2020 Annual Report following the annual impairment test performed in accordance with IAS 36, Impairment of Assets; £15.3 million against trade names and £28.7 million against goodwill. The Group has performed an assessment as at 25 June 2021 to determine whether there have been any indicators of impairment during the 26 week period. This has included looking at specific cash generating units ('CGU's') where specific factors were considered to determine whether any impairment had occurred. No impairment has been noted.

A full impairment test will be performed for the 53 week period ending 31 December 2021.

7 Leases

Right-of-use asset

	25 Jun 2021 £m	26 Jun 2020 restated (1) £m	25 Dec 2020 £m
Balance at the beginning of the period	**95.2**	101.7	101.7
Additions	**0.5**	0.9	1.4
Depreciation charge	**(4.6)**	(4.6)	(9.2)
Impact of changes in lease payments	**0.4**	0.9	1.3
Balance at the end of the period	**91.5**	98.9	95.2

(1) Prior year comparatives have been restated to include £7.2 million representing amounts paid to acquire the long leasehold interest in land at certain of the Group's properties. Prior year comparatives have also been restated to increase additions by £0.4 million and decrease impact of changes in lease payments by £0.1 million. See note 1 for further details.

All right-of-use assets are related to leasehold properties.

Lease liability

	25 Jun 2021 £m	26 Jun 2020 restated (1) £m	25 Dec 2020 £m
Balance at the beginning of the period	**88.5**	93.6	93.6
Additions	**0.5**	0.9	1.4
Impact of changes in lease payments	**0.4**	0.9	1.3
Interest expense	**2.3**	2.4	4.7
Payments	**(7.4)**	(7.4)	(12.5)
Balance at the end of the period	**84.3**	90.4	88.5
Current	**7.1**	6.6	7.3
Non-current	**77.2**	83.8	81.2

(1) Prior year comparatives have been restated increase additions by £0.4 million and decrease impact of changes in lease payments by £0.1 million. See note 1 for further details.

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

	25 Jun 2021 £m	26 Jun 2020 restated (1) £m	25 Dec 2020 £m
Depreciation expense of the right-of-use asset	**4.6**	4.6	9.2
Interest expense on lease liabilities	**2.3**	2.4	4.7
Expense related to practical expedients applied	**0.2**	0.2	0.2
Total amount recognised in the consolidated income statement	**7.1**	7.2	14.1

(1) Prior year comparatives have been restated to decrease expense related to practical expedients applied by £0.1 million. See note 1 for further details.

In addition, £0.7 million (June 2020: £0.6 million, December 2020: £1.4 million) has been recognised in the consolidated income statement in respect of contingent rentals and other charges on leases and is recognised within cash flows from operating activities within the consolidated statement of cash flows.

The Group had total cash outflows for leases classified under IFRS 16 of £7.4 million (June 2020: £7.4 million, December 2020 £12.5 million). The Group also had non-cash additions to right-of-use assets and lease liabilities of £0.5 million (June 2020: £0.9 million, December 2020 £1.4 million).

8 Financial assets – held by the Trusts

	25 Jun 2021 £m	26 Jun 2020 £m	25 Dec 2020 £m
Financial assets – held by the Trusts	**1,006.8**	920.1	967.1

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

	25 Jun 2021 £m	26 Jun 2020 £m	25 Dec 2020 £m
Fair value at the start of the period	**967.1**	947.5	947.5
Remeasurement recognised in the consolidated income statement	**45.8**	(17.6)	41.3
Unrealised investment income	**2.4**	1.2	2.2
Purchases	**330.7**	447.9	778.1
Disposals	**(336.5)**	(456.5)	(796.8)
Investment administrative expenses deducted at source	**(2.7)**	(2.4)	(5.2)
Fair value at the end of the period	**1,006.8**	920.1	967.1

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

9 Trade and other receivables

	25 Jun 2021 £m	26 Jun 2020 restated (1) £m	25 Dec 2020 £m
Trade receivables: Trusts	**10.0**	11.7	10.0
Trade receivables: at-need	**20.8**	21.6	21.3
Less: provision for impairment	**(7.3)**	(7.7)	(7.2)
Net trade receivables	**23.5**	25.6	24.1
Prepayments and accrued income	**3.6**	2.9	3.2
Other receivables	**1.3**	2.4	2.7
	28.4	30.9	30.0

(1) Prior year comparatives have been restated due to a prior year adjustment in relation IFRS 16. See pages 28 to 30 for further details.

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.

10 Cash and cash equivalents

	25 Jun 2021 £m	26 Jun 2020 £m	25 Dec 2020 £m
Trading group	**64.8**	63.4	56.7
Trusts	**23.6**	10.3	21.6
Operating cash as reported in the consolidated statement of cash flows as cash and cash equivalents	**88.4**	73.7	78.3
Amounts set aside for debt service payments	**16.9**	16.9	16.9
Cash and cash equivalents as reported in the balance sheet	**105.3**	90.6	95.2

(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

Amounts are transferred to these restricted bank accounts shortly in advance of making the bi-annual payments to the holders of the Secured Notes, which include 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. The Statement of Cash Flows shows the gross amounts of payments to the restricted bank accounts as "finance costs paid" and "payments due under Secured Notes", in accordance with their nature. Supplementary information is provided to show the actual payments to the noteholders and the movement in the restricted bank accounts in the period. The amounts shown as "transfer from restricted bank accounts for finance costs" and "payments to the restricted bank accounts for repayment of borrowings" relate to the opening and closing balances of the account respectively, and hence the figures presented for the 52-week period ended 25 December 2020 exclude the mid-year transfers and payments. In June 2021 the amount of £16.9 million was used to pay these respective parties on 30 June 2021.

11 Deferred commissions and contract liabilities

Deferred commissions

	25 Jun 2021 £m	26 Jun 2020 £m	25 Dec 2020 £m
Deferred commissions - current	**7.9**	7.4	7.6
Deferred commissions - non-current	**104.4**	98.0	101.3

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 £5.0 million (June 2020: £4.1 million; December 2020: £7.8 million) has been amortised to the consolidated income statement within administrative expenses.

Contract liabilities

	Note	25 Jun 2021 £m	26 Jun 2020 £m	25 Dec 2020 £m
Current				
Contract liabilities – deferred revenue	(a)	**95.2**	93.0	94.4
Contract liabilities – refund liability	(b)	**1.1**	1.1	1.1
		96.3	94.1	95.5
Non-current				
Contract liabilities – deferred revenue	(a)	**1,220.3**	1,194.8	1,208.1
Contract liabilities – refund liability	(b)	**13.9**	14.0	13.9
		1,234.2	1,208.8	1,222.0

11 Deferred commissions and contract liabilities (continued)

Movement in total contract liabilities

	25 Jun 2021 £m	26 Jun 2020 £m	25 Dec 2020 £m
Balance at the beginning of the period	**1,317.5**	1,304.6	1,304.6
Sale of new Trust plans	**48.6**	37.6	82.0
Increase due to significant financing	**25.9**	26.8	53.1
Recognition of revenue following delivery or cancellation of a Trust plan	**(61.5)**	(66.1)	(122.2)
Balance at the end of the period	**1,330.5**	1,302.9	1,317.5

(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.

12 Net debt

	25 Jun 2021 £m	26 Jun 2020 £m	25 Dec 2020 £m
Net amounts owing on Secured Notes per financial statements	**(536.7)**	(546.5)	(541.7)
Add: unamortised issue costs	**(0.5)**	(0.5)	(0.5)
Gross amounts owing	**(537.2)**	(547.0)	(542.2)
Accrued interest on Secured Notes	**(11.9)**	(12.1)	(12.0)
Cash and cash equivalents – Trading Group (note 10)	**81.7**	80.3	73.6
Net debt	**(467.4)**	(478.8)	(480.6)

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 25 June 2021, the actual ratio was 2.12 times (June 2020: 2.15 times; December 2020: 1.99 times). The calculations are unaffected by the consolidation of the Trusts or the application of IFRS 15 and IFRS 16 described elsewhere, as the Group was able to elect to disregard those changes when making the calculations.

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.

13 Reconciliation of cash generated from operations

	26 week period ended 25 Jun 2021 £m	26 week period ended 26 Jun 2020 restated £m	52 week period ended 25 Dec 2020 restated £m
Net profit/(loss) for the period	**31.2**	(11.3)	(25.5)
Adjustments for:			
Taxation (1)	**19.3**	(0.8)	5.9
Net finance costs	**36.1**	38.6	76.8
(Profit)/loss on disposal of fixed assets	**(0.1)**	0.1	(0.1)
Depreciation charges on property, plant and equipment	**9.8**	9.7	19.6
Depreciation charges on right-of-use asset	**4.6**	4.6	9.2
Amortisation of intangibles	**2.2**	2.5	4.9
Movement in inventories	**(0.1)**	(1.7)	(1.1)
Movement in trade receivables	**0.4**	0.9	2.4
Movement in trade payables	**0.5**	(0.9)	(2.0)
Movement in contract liabilities	**(12.9)**	(28.5)	(40.2)
Fair value movement on net assets (2)	**(45.8)**	17.7	(41.3)
Net pension charges less contribution	**(0.8)**	(0.8)	(1.6)
Trade name impairment (note 6)	**-**	-	15.3
Goodwill impairment (note 6)	**-**	-	28.7
Changes in other working capital	**1.4**	8.7	5.1
Trust investment administrative expenses deducted at source (3)	**2.7**	2.4	5.2
Employee share option charges	**0.5**	0.6	1.4
Cash flows from operating activities	**49.0**	41.8	62.7

(1) Restatement reflects the corporate interest restriction disallowance treated as a prior year adjustment. See note 1 for further details.

(2) Restatement reflects the separation of fair value movements on trust assets out of net finance costs/(income) to provide more accurate presentation in line with the consolidated income statement.

(3) Restatement reflects the separation of Trust investment administrative expenses deducted at sources out of changes in other working capital to provide more accurate presentation of working capital.

14 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 25 December 2020. 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 25 December 2020, there was no material change in the contractual undiscounted cash out flows for financial liabilities, except for scheduled repayments of principal and interest elements of the Group's securitised debt and leases.

14 Financial risk management and financial instruments (continued)

(c) Fair value of Trust financial assets	25 Jun 2021 £m	26 Jun 2020 £m	25 Dec 2020 £m
Financial assets at fair value through consolidated income statement			
Index linked gilts and corporate bonds	**77.1**	174.3	174.3
Core growth investments – Equities	**378.9**	188.6	262.9
Growth fixed income and alternative investments – property funds and emerging market debt	**105.5**	513.3	417.0
Liquid investments – Open-ended investment funds	**391.6**	-	63.0
Illiquid investments – Private investments	**53.7**	43.9	49.9
Total financial assets at fair value	**1,006.8**	920.1	967.1

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.

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

25 June 2021		**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**
Index linked gilts and corporate bonds	**77.1**	**-**	**77.1**	**-**
Core growth investments – Equities	**378.9**	**378.9**	**-**	**-**
Growth fixed income and alternative investments – property funds and emerging market debt	**105.5**	**-**	**89.9**	**15.6**
Liquid investments – Open-ended investment funds	**391.6**	**142.8**	**248.8**	**-**
Illiquid investments – Private investments	**53.7**	**-**	**-**	**53.7**

During the 26 week period ending 25 June 2021 a number of investments which were previously classed as a level 2 investment were divested and then reinvested into different instruments which are classified as level 1. Please see business and financial review on page 7 for further details.

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 were not available as at 26 June 2020. Given their illiquid nature, these valuations are considered to be a reasonable approximation of their period end valuation.

There was no change in the classification of fair value of financial assets during the 26 weeks ending 26 June 2020.

14 Financial risk management and financial instruments (continued)

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

25 December 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	262.9	-	262.9	-
Growth fixed income and alternative investments – property funds and emerging market debt	417.0	-	401.4	15.6
Liquid investments – Open-ended investment funds	63.0	-	63.0	-
Illiquid investments – Private investments	49.9	-	-	49.9

During the 52 week period ending 25 December 2020 £64.6 million which was previously classed as a level 3 investment was divested and then reinvested into different instruments which are classified as level 2.

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

Core growth investments and liquid investments – level 1
The fair values of equities are based on active market prices or price quotations at the reporting date.

Defensive investments/Index linked gilts and corporate bonds – 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.

Growth fixed income and alternative investments & liquid 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.

Growth fixed income and alternative investments & illiquid investments - level 3
These investments hold some underlying investments 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
	25 Jun 2021 £m	26 Jun 2020 £m	25 Dec 2020 £m
Fair value at the start of the period	**65.5**	239.4	239.4
Remeasurement recognised in the consolidated income statement	**2.9**	2.2	(2.9)
Purchases	**1.5**	-	-
Sales	**-**	(14.9)	(168.9)
Investment administrative expenses	**(0.6)**	(1.1)	(2.1)
Fair value at the end of the period	**69.3**	225.6	65.5

At 25 June 2021, the Trust financial assets (all level 2 or 3, fair value of £485.1 million (June 2020: £920.1 million; December 2020: £967.1 million)) are exposed to market sensitivity and changes in valuation over time due to factors including currency, interest rate, property and commodity prices. The total fair value of level 2 and 3 Trust financial assets has reduced since 2020 due to investments being divested and reinvested into level 1 assets that do not form part of this disclosure.

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 five per cent movement in the fair value of these assets would result in a £24.3 million (June 2020: £46.0 million; December 2020: £48.4 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 £48.5 million (June 2020: £92.0 million; December 2020: £96.7 million).

14 Financial risk management and financial instruments (continued)

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

	25 Jun 2021			26 Jun 2020			25 Dec 2020		
	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	**180.9**	**180.8**	**199.3**	190.6	190.5	202.7	185.8	185.6	199.2
Secured B Notes – 4.6956% maturing 31 December 2049	**356.4**	**356.0**	**349.9**	356.4	356.0	277.0	356.4	356.0	289.2
Total	**537.3**	**536.8**	**549.2**	547.0	546.5	479.7	542.2	541.6	488.4

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.

15 Retirement benefit obligation

The retirement benefit obligation at the end of the period was £25.4 million (June 2020: £34.6 million; December 2020: £36.6 million). The discount rate used was 1.85 per cent (June 2020: 1.45 per cent; December 2020: 1.35 per cent).

The triennial valuation was performed in April 2020. Following the focus of the Group on its strategic direction an extension was applied for and confirmed by the pension regulator until 6 October 2021. An update on the subsequent impact to future annual cash obligations for the Group will be announced in the third quarter Trading Statement.

16 Post balance sheet events

On 5 July 2021, the FCA published their final rules for the regulation of funeral plan activities and we are currently working to apply as a registered provider of pre-arranged funeral plans, further details for which can be found on page 4.

17 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 2021 and future years experience different seasonality to that experienced previously.

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, the corporate interest restriction disallowance arising as a result of consolidating the Trusts and the changes which relate to the application of IFRS 15. In addition, the deferred tax rate change in both 2021 and 2020 arising on the deferred tax balances on consolidating the Trusts and application of IFRS 15 have also been included. All of the above 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.

IFRS 16 has previously been included within the alternative performance measures for 2020 only. This was due to the modified retrospective adoption of the standard, meaning the 2019 comparatives had not been restated and therefore were not comparable. IFRS 16 is now included within underlying performance measures and all comparatives have been restated accordingly. As a result all references to IFRS 16 have been removed from the other adjustments reconciliation tables in comparative periods. Therefore, a prior year restatement has been made to June 2020 underlying performance measures to the magnitude of a £0.4 million credit to underlying profit This is made up of an adjustment to remove the operating lease rentals of £7.5 million which is replaced with a depreciation charge of £4.6 million, a finance expense of £2.4 million and a tax charge of £0.1 million. The restatement to December 2020 underlying performance measures is to the magnitude of a £0.1 million charge to underlying profit. This is made up of an adjustment to remove the operating lease rentals of £13.8 million which is replaced with a depreciation charge of £9.2 million, a finance expense of £4.7 million and a tax charge of £nil million. See note 1 for further details of the impact of this restatement on the interim condensed consolidated financial statements.

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 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 (net of any insurance proceeds received);
- Transformation Plan costs (see below);
- Marketing costs in relation to trials;
- Directors severance pay;
- operating and competition review costs;
- trade name impairments;
- goodwill impairments; and
- the taxation impact of the above items together with the impact of taxation rate changes.

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

Transformation Plan costs
Cost incurred in relation to the Group's now abrogated Transformation Plan has resulted in significant, directly attributable non-recurring costs in 2020 and these amounts are excluded from the Group's underlying profit measures and treated as a non-underlying item.

These costs will include, but are not limited to:

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

Non-GAAP measures (continued)

(b) Non-underlying items (continued)

	Funeral services £m	Crematoria £m	Pre-arranged funeral plans £m	Central overheads £m	Group £m
26 week period ended 25 June 2021					
Non-trading					
Amortisation of acquisition related intangibles	**1.8**	**0.2**	**0.1**	**-**	**2.1**
External transaction costs in respect of completed and aborted transactions	**-**	**0.6**	**-**	**-**	**0.6**
Marketing costs in relation to trials	**-**	**-**	**-**	**0.6**	**0.6**
Profit on sale of fixed assets	**(0.1)**	**(0.1)**	**-**	**-**	**(0.2)**
	1.7	**0.7**	**0.1**	**0.6**	**3.1**
Taxation					**(0.4)**
Taxation – rate change					**8.3**
					11.0
26 week period ended 26 June 2020 – restated (1) (2)					
Non-trading					
Amortisation of acquisition related intangibles	2.0	0.2	0.1	-	2.3
External transaction costs	0.1	-	-	-	0.1
Marketing costs in relation to trials	-	-	-	0.1	0.1
Profit on sale of fixed assets	0.1	-	-	-	0.1
Non-recurring					
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)
Taxation – rate change					3.6
					9.8

(1) Comparatives have been restated in relation to taxation rate change. The rate change classification between non-underlying items and other adjustments has been restated to separate out the impact on deferred tax balances arising on the consolidation of the Trusts through other adjustments and the remainder through non-underlying items.

(2) A presentation adjustment has been made in June 2020 to separately pull out the marketing costs in relation to trials.

	Funeral services £m	Crematoria £m	Pre-arranged funeral plans £m	Central overheads £m	Group £m
52 week period ended 25 December 2020 – restated (1)					
Non-trading					
Amortisation of acquisition related intangibles	4.1	0.4	0.1	-	4.6
External transaction costs in respect of completed and aborted transactions	0.2	-	-	-	0.2
Marketing costs in relation to trials	-	-	-	0.6	0.6
Profit on sale of fixed assets	-	(0.2)	-	-	(0.2)
Non-recurring					
Transformation Plan costs	-	-	-	4.7	4.7
Directors severance pay	-	-	-	1.6	1.6
Operating and competition review costs	-	-	-	2.9	2.9
Trade name impairment	15.3	-	-	-	15.3
Goodwill impairment	28.7	-	-	-	28.7
	48.3	0.2	0.1	9.8	58.4
Taxation					(6.1)
Taxation – rate change					3.6
					55.9

(1) A presentation adjustment has been made in December 2020 to separately pull out the marketing costs in relation to trials.

Non-GAAP measures (continued)

(c) Other adjustments reconciliation

Other adjustments enable a user of the financial statements to assess the financial performance of the Trading Group as it was historically reported prior to the consolidation of the Trusts and the impact of IFRS 15, Revenue from Contracts with Customers. This mirrors the financial reporting provided to management on a monthly basis to monitor the performance of the underlying Trading Group.

Adjustments to the Group's consolidated financial statements are made to reflect the following:

- Deferred revenue recognised on the delivery of a funeral is replaced with the payment received by the Trading Group from the Trust at the same time. Pre-need segment income, in the form of upfront payments received by the Trading Group from the Trusts in support of marketing are recognised when received at inception of a funeral plan rather than being deferred as part of the aforementioned deferred revenue.
- Payments made by the Trusts on cancellation are no longer recognised.
- Unlike disbursements on at-need funerals, disbursements on pre-need funerals under IFRS 15 are recognised on a principal basis within both revenue and cost of sales, but for consistency in the alternative performance measure both are reduced as these items are not included in either measure. Similarly, pre-need funerals delivered by subcontracted funeral directors, which form part of deferred income, are excluded within the alternative performance measure with a corresponding adjustment to cost of sales.
- Commissions payable on securing new Trust plans are recognised at the inception of the plan rather than being deferred and recognised at the time the funeral service is delivered.
- The amounts recorded in respect of the remeasurement of assets held in the Trust is removed as is the significant financing component that only arises when deferred revenue is recognised on consolidation of the Trusts.
- The taxation impact of the above adjustments, including the impact of changes in the rate of deferred tax associated with the items noted above are removed. In addition, as described in note 1 the consolidation of the Trusts has given rise to a significant reduction in the level of interest on which the Group is able to obtain a corporation tax deduction. The impact of this is included in arriving at other adjustments.

Non-GAAP measures (continued)

(c) Other adjustments reconciliation (continued)

26 week period ended 25 June 2021	Funeral services £m	Crematoria £m	Pre-arranged funeral plans £m	Central overheads £m	Group £m
Revenue					
Trust consolidation:					
Release of deferred revenue on death or cancellation	**61.5**	-	-	-	**61.5**
Removal of payments received from the Trusts on death	**(29.5)**	-	-	-	**(29.5)**
Payments on cancellation	**(6.1)**	-	-	-	**(6.1)**
Derecognise pre-need segment income	-	-	**(15.6)**	-	**(15.6)**
IFRS 15:					
Recognition of disbursement element of pre-need plans	**9.3**	-	-	-	**9.3**
Revenue - Total other adjustments	**35.2**	-	**(15.6)**	-	**19.6**
Cost of sales					
IFRS 15:					
Amounts paid on subcontracted funerals	**(4.1)**	-	-	-	**(4.1)**
Recognition of disbursement element of pre-need plans	**(9.3)**	-	-	-	**(9.3)**
Administrative expenses					
Trust consolidation:					
Recognition of the Trust costs	**(3.5)**	-	-	-	**(3.5)**
Transfer of pre-need costs into funeral segment	**(15.7)**	-	**15.7**	-	-
IFRS 15:					
Net increase of deferred costs in respect of commissions	**3.4**	-	-	-	**3.4**
Operating profit – Total other adjustments	**6.0**	-	**0.1**	-	**6.1**
Finance income/(costs)					
Trust consolidation:					
Deferred revenue significant financing					**(25.9)**
Remeasurement of financial assets held by the Trusts and related income					**50.2**
Finance costs – Total other adjustments					**24.3**
Taxation:					
Trust consolidation:					
Taxation impact on above adjustments					**(4.5)**
Corporate interest restriction disallowance					**(2.1)**
Deferred tax rate change					**6.9**
IFRS 15:					
Taxation impact on above adjustments					**(1.1)**
Deferred tax rate change					**(5.5)**
Taxation – Total other adjustments					**(6.3)**
Profit after taxation – Total other adjustments					**24.1**

Non-GAAP measures (continued)

(c) Other adjustments reconciliation (continued)

26 week period ended 26 June 2020 - restated	Funeral services £m	Crematoria £m	Pre-arranged funeral plans £m	Central overheads £m	Group £m
Revenue					
Trust consolidation:					
Release of deferred revenue on death or cancellation	66.1	-	-	-	66.1
Removal of payments received from the Trusts on death	(33.7)	-	-	-	(33.7)
Payments on cancellation	(3.3)	-	-	-	(3.3)
Derecognise pre-need segment income	-	-	(12.2)	-	(12.2)
IFRS 15:					
Recognition of disbursement element of pre-need plans	11.1	-	-	-	11.1
Revenue - Total other adjustments	40.2	-	(12.2)	-	28.0
Cost of sales					
IFRS 15:					
Amounts paid on subcontracted funerals	(5.3)	-	-	-	(5.3)
Recognition of disbursement element of pre-need plans	(11.1)	-	-	-	(11.1)
Administrative expenses					
Trust consolidation:					
Recognition of the Trust costs	(3.0)	-	-	-	(3.0)
Transfer of pre-need costs into funeral segment	(12.3)	-	12.3	-	-
IFRS 15:					
Net increase of deferred costs in respect of commissions	1.3	-	-	-	1.3
Operating profit – Total other adjustments	9.8	-	0.1	-	9.9
Finance income/(costs)					
Trust consolidation:					
Deferred revenue significant financing					(26.8)
Remeasurement of financial assets held by the Trusts and related income					(14.6)
Finance costs – Total other adjustments					(41.4)
Taxation:					
Trust consolidation:					
Taxation impact on above adjustments					6.5
Corporate interest restriction disallowance					(2.2)
Deferred tax rate change					6.8
IFRS 15:					
Taxation impact on above adjustments					(0.2)
Deferred tax rate change					(2.1)
Taxation – Total other adjustments					8.8
Loss after taxation – Total other adjustments					(22.7)

Non-GAAP measures (continued)

(c) Other adjustments reconciliation (continued)

52 week period ended 25 December 2020 - restated	Funeral services £m	Crematoria £m	Pre-arranged funeral plans £m	Central overheads £m	Group £m
Revenue					
Trust consolidation:					
Release of deferred revenue on death or cancellation	122.2	-	-	-	122.2
Removal of payments received from the Trusts on death	(59.8)	-	-	-	(59.8)
Payments on cancellation	(8.8)	-	-	-	(8.8)
Derecognise pre-need segment income	-	-	(28.8)	-	(28.8)
IFRS 15:					
Recognition of disbursement element of pre-need plans	18.6	-	-	-	18.6
Revenue - Total other adjustments	72.2	-	(28.8)	-	43.4
Cost of sales					
IFRS 15:					
Amounts paid on subcontracted funerals	(8.8)	-	-	-	(8.8)
Recognition of disbursement element of pre-need plans	(18.6)	-	-	-	(18.6)
Administrative expenses					
Trust consolidation:					
Recognition of the Trust costs	(6.9)	-	-	-	(6.9)
Transfer of pre-need costs into funeral segment	(28.9)	-	28.9	-	-
IFRS 15:					
Net increase of deferred costs in respect of commissions	4.9	-	-	-	4.9
Operating profit – Total other adjustments	13.9	-	0.1	-	14.0
Finance income/(costs)					
Trust consolidation:					
Deferred revenue significant financing					(53.1)
Remeasurement of financial assets held by the Trusts and related income					47.3
Finance costs – Total other adjustments					(5.8)
Taxation:					
Trust consolidation:					
Taxation impact on above adjustments					(0.5)
Corporate interest restriction disallowance					(4.3)
Deferred tax rate change					6.8
IFRS 15:					
Taxation impact on above adjustments					(0.9)
Deferred tax rate change					(2.1)
Taxation – Total other adjustments					(1.0)
Profit after taxation – Total other adjustments					7.2

Non-GAAP measures (continued)

(d) Non-underlying cash flow items

	26 week period ended		52 week period ended
	25 Jun 2021	26 Jun 2020 restated	25 Dec 2020 restated
	£m	£m	£m
Cash flows from operating activities	**49.0**	41.8	62.7
Cash flows of other adjustments - Trusts	**5.8**	15.7	16.3
Cash flows from operating activities – Trading Group	**54.8**	57.5	79.0
External transaction costs	**0.2**	-	0.6
Marketing costs in relation to trials	**0.5**	-	0.2
Directors severance pay	**0.9**	-	0.7
Transformation Plan costs	**-**	3.8	5.4
Operating and competition review costs	**0.2**	1.0	3.0
Underlying cash generated from operations	**56.6**	62.3	88.9

December 2020 has been restated to separately pull out spend on marketing costs in relation to trials out of external transaction costs.

(e) Funeral market share

Comparable funeral market share excludes any volumes from locations not contributing for the whole of 2020 and 2021 to date and therefore excludes 26 locations closed and one location opened in 2020 and a further eight locations closed and two locations opened in 2021.

(f) Average assets per plan

Average assets per plan are calculated as the net assets of the Trusts divided by the number of active plans in the Trusts. Net assets in this calculation will not equal amounts in the consolidated balance sheet of the Group, as it includes instalment amounts due in future that become payable immediately on death.

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 2021 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 2021 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:

Gary Channon – Executive Chairman
Andrew Judd – Director of Funeral Operations
Dean Moore – Interim Chief Financial Officer
John Castagno – Independent Non-Executive Chairman
Graham Ferguson – Independent Non-Executive Director

On behalf of the Board

Dean Moore
Interim Chief Financial Officer
20 September 2021

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 25 June 2021 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 17. 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 25 June 2021 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
20 September 2021

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.