For immediate release **6 March 2013**

Dignity plc

Preliminary results for the 52 week period ended 28 December 2012

Dignity plc (Dignity or the Group), the UK's only listed provider of funeral related services, announces its preliminary results for the 52 week period ended 28 December 2012.

Financial highlights

	52 week Period ended 28 December 2012	52 week Period ended 30 December 2011	Increase per cent
Revenue (£million)	**229.6**	210.1	9
Underlying operating profit[(a)] (£million)	**69.4**	64.5	8
Underlying profit before tax[(a)] (£million)	**46.1**	41.6	11
Underlying earnings per share[(a)] (pence)	**62.8**	55.1	14
Cash generated from operations[(b)] (£million)	**83.3**	74.2	12
Operating profit (£million)	**68.7**	63.2	9
Profit before tax (£million)	**45.4**	40.3	13
Basic earnings per share (pence)	**65.1**	62.6	4
Interim dividend[(c)] (pence)	**5.36**	4.87	10
Final dividend[(d)] (pence)	**10.75**	9.77	10

(a) Underlying profit and underlying earnings are calculated as profit excluding profit on sale of fixed assets, external transaction costs and exceptional items.

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

(c) The interim dividend represents the interim dividend that was declared and paid in the period out of earnings generated in the same period.

(d) The final dividend in 2012 is the proposed dividend expected to be approved at the annual general meeting on 6 June 2013. The 2011 final dividend is the dividend declared and paid in 2012.

Highlights

- Strong operating performance by all three operating divisions;
- Profits continue to be converted to cash;
- Funeral operations continue to deliver very high levels of customer satisfaction. Having received the final invoice, 99 per cent of families say we met or exceeded their expectations and 98 per cent say they would recommend us;
- £10.6 million invested to acquire 18 funeral locations during the period;
- 19 satellite locations opened within the funeral business and the project as a whole, which commenced in 2010, broke even in the year in line with the project plan;
- Two crematoria became operational in 2012; and
- Another strong year of pre-arranged funeral plan sales, with unfulfilled pre-arranged funeral plans increasing to 290,000.

Acquisition of Yew Holdings Limited

On 25 January 2013, the Group completed the acquisition of Yew Holdings Limited for cash consideration of £58.3 million. Funding for the acquisition, associated external transaction costs and anticipated one off capital expenditure of £2.5 million was through a combination of a £24.2 million equity placing and £39.8 million of additional debt facilities.

Mike McCollum, Chief Executive of Dignity plc commented:

"I am pleased with the performance of the Group. Client satisfaction remains exceptionally high, underlying operating profits increased eight per cent and underlying earnings per share increased 14 per cent. Each operating division has made good progress in the year and is well placed for the future.

The Board remains confident in the Group's prospects and its expectations for 2013 remain positive and unchanged."

For more information

Mike McCollum, Chief Executive

Steve Whittern, Finance Director

Dignity plc **+44(0) 20 7466 5000**

Richard Oldworth

Sophie McNulty

Louise Hadcocks

Buchanan Communications **+44 (0) 20 7466 5000**

From the Chairman

Results

In 2012, Dignity continued to deliver strong growth across all areas of its business.

Underlying operating profits increased eight per cent to £69.4 million (2011: £64.5 million). Underlying earnings per share increased 14 per cent to 62.8 pence per Ordinary Share (2011: 55.1 pence per Ordinary Share).

Dividends

The Board is proposing a final dividend of 10.75 pence per Ordinary Share to be paid on 28 June 2013 to members on the register at close of business on 24 May 2013. This dividend is subject to the approval of shareholders at the Annual General Meeting on 6 June 2013. This final dividend represents a 10 per cent increase on the previous year and continues the rate of increase seen historically.

The Board

In last year's annual report, I described changes to the Board's composition that were effective from 1 April 2012. All these changes have gone well and the Board continues to operate effectively.

I would like to thank all the members of the Board for their support in the year and recognise the significant contributions Alan McWalter has already made as Senior Non-Executive Director and Chair of the Remuneration Committee; Ishbel Macpherson has made as Chair of the Audit Committee; and Jane Ashcroft and Martin Pexton have made in their first year on the Board.

Governance

The Board is committed to the highest standards of corporate governance in order to achieve its objectives and meet the necessary standards of accountability and integrity. The Directors' Statement on Corporate Governance and the Report on Directors' Remuneration in the Annual Report provide a description of how the main and supporting principles of The UK Corporate Governance Code (2010) have been applied within Dignity plc during 2012.

Our people

One of Dignity's strengths is that it has remained focused on fundamentally the same strategy for over ten years. The strategy is reliant on our staff continuing to deliver very high levels of service. Once again this year, the service we have provided our clients has been outstanding and I would like to pay tribute to every member of staff within the business that has helped to achieve this.

Outlook for 2013

2013 has already seen exciting developments for the Group, with the announcement in January of the acquisition of Yew Holdings Limited (Yew) for £58.3 million in cash. This was partly financed with debt, with the balance of proceeds from a £24.2 million equity placing, the first since the Group's flotation in 2004. This placing was over subscribed, which was a pleasing sign of support for the Group.

I am sure that this acquisition will create value for our shareholders in the coming years.

The Board's expectations are positive and unchanged, with core operational performance expected to deliver improved profitability in the year.

Peter Hindley
Chairman
6 March 2013

Chief Executive's Overview

Our performance
I am pleased with the performance of the Group, with underlying operating profits increasing eight per cent and underlying earnings per share increasing 14 per cent to 62.8 pence. Each operating division has made good progress in the year and is well placed for the future.

The recent acquisition of Yew has expanded our presence in the North of England and offers exciting opportunities for the Group.

A consistent strategy and resilient business model
We continue to believe that the strategy we have used for over ten years remains the most appropriate one for this business and has created significant value for shareholders.

Our objectives are simple: prioritise client service, manage our operations efficiently, expand our portfolio of funeral and crematoria locations and gain new clients through the sale of pre-arranged funeral plans.

A shareholder who invested at the time of our flotation in 2004 has received their entire initial investment back in cash and still has a shareholding worth approximately three and a half times that initial investment.

Meeting clients' needs and striving for excellence
We are focused on service because our clients do not use us by chance. Three quarters have used us before or choose us because of recommendation and reputation. They return and recommend us because of the quality service we provide.

I am delighted that yet again this year, customer satisfaction has been at very high levels. However, we are not complacent and continue to work with our staff to help them improve the service we provide year over year. Quite rightly, clients expectations have risen over time. It is up to us to continue to improve our service to meet these increasing expectations. In the past year, 99.3 per cent of clients said that we met or exceeded their expectations.

Leveraging our financial stability and strength
Our robust business model and stable, cash generative nature continues to allow us to maintain a suitable level of debt within the business. We continue to believe that periodically rebalancing our capital structure is an efficient activity and is a meaningful way of creating value for our shareholders.

Valuing our people
The performance we achieve is a result of the hard work, dedication and diligence of all our people across the Group. We continuously strive to attract, develop and retain the best people, enabling them to fulfil their potential and meet and exceed our clients' expectations.

Managing our business responsibly
As an industry leader, we aim to be both successful and good corporate citizens. We aim to achieve our business objectives in a caring and human manner, acting responsibly in all our relationships and playing a positive role in the communities we serve.

During the year, we completed our project to ensure we have mercury abatement equipment installed at 20 of our crematoria locations. We have also progressed our programme of installing smart meters in our locations, thus reducing our environmental footprint and controlling our costs.

Our marketplace and future regulatory landscape
The market remains competitive. Within funerals, new competitors continue to open putting pressure on existing operators. This is not something new and is a feature of the industry that we have successfully dealt with for many years.

With crematoria, lower land values means that it is possible to acquire land and build new crematoria. We are focused on identifying and acquiring such opportunities wherever possible. Nevertheless, the number of crematoria in the UK being developed is limited.

The funeral industry remains unregulated. There have been calls for regulation in the past year. I would welcome regulation of the industry and am sure that Dignity's operations could set the benchmark for the facilities and practices required under such a situation.

Creating value and delivering on our key priorities
As a board, we are committed to creating value for our shareholders. We believe this is best achieved by prioritising client service, continuing to run the core business efficiently, acquiring quality funeral and crematorium businesses where possible, selling pre-arranged funeral plans and then using our stable, cash generative business model to leverage our capital structure. However, we will do this remembering that every day, we are here to help people through one of the most difficult times in their lives.

Our commitment to client excellence – The Dignity client survey

Serving the people in our local communities remains at the heart of everything we do and we are committed to providing the highest standards of service and care and to helping our clients every step of the way when they need us.

To ensure we maintain the highest levels of client service excellence, all Dignity funeral locations send a written client survey to the families we serve.

We strive to set the highest standards for the funeral profession:

In the last five years, we have received over 165,000 responses and from the responses in the last year we know that, having received the final invoice:

- 99.3 (2011: 99.3) per cent of respondents said that we met or exceeded their expectations;
- 98.2 (2011: 98.1) per cent of respondents would recommend us;
- 99.9 (2011: 99.9) per cent thought our staff were respectful;
- 99.8 (2011: 99.8) per cent thought our premises were clean and tidy;
- 99.8 (2011: 99.7) per cent thought our vehicles were clean and comfortable;
- 99.7 (2011: 99.7) per cent thought our staff listened to their needs and wishes;
- 99.3 (2011: 99.2) per cent of clients agreed that our staff had fully explained what would happen before and during the funeral;
- 99.3 (2011: 99.3) per cent agreed that our staff were compassionate and caring;
- 98.9 (2011: 98.8) per cent said that the funeral service took place on time; and
- 98.8 (2011: 98.8) per cent said that the final invoice matched the estimate provided.

This consistent level of service underpins our funeral business.

Business Review

Introduction
The Group's operations are managed across three main areas; funeral services, crematoria and pre-arranged funeral plans, which respectively represented 65 per cent, 28 per cent and seven per cent of the Group's operating profits in 2012.

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

The initial publication of recorded total estimated deaths in Britain for the 52 weeks in 2012 was 551,000 compared to 539,000 for 2011. Historically, the ONS has updated these estimates from time to time. As in previous years, the Group does not restate any of its key performance indicators when these figures are restated in the following year.

Although annual deaths declined significantly between the early 1990s and 2012, from 640,000 to 551,000, the last five years have seen a more stable number of deaths fluctuating between 553,000 and 539,000 per annum.

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

Performance
As at 28 December 2012, the Group operated a network of 636 (2011: 600) funeral locations throughout the United Kingdom, generally trading under local established names. During the period, the Group conducted 63,200 funerals (2011: 62,300).

Approximately two per cent of these funerals were conducted in Northern Ireland. Excluding Northern Ireland, these funerals represent approximately 11.2 per cent (2011: 11.3 per cent) of total estimated deaths in Britain. Whilst funerals divided by estimated deaths is a reasonable measure of our market share, the Group does not have a complete national presence and consequently, this calculation can only ever be an estimate.

Underlying operating profits were £54.2 million (2011: £50.8 million), an increase of seven per cent. We consider this to be a good performance.

This performance has been achieved through successful execution of our strategy. Average income per funeral has increased, whilst margins are slightly lower as a consequence of the effect of new openings in the period being at lower margins as well as some one off costs absorbed in the second half of the year.

Progress and Developments
Investment in the core portfolio
We continue to invest in our premises and our fleet, with a total of £9.7 million of capital expenditure incurred in 2012. Approximately 60 per cent of this was used to maintain our fleet of hearses and limousines. The remainder was used to improve our premises, including ensuring our mortuary areas are maintained to a high standard. We believe this investment in client facing areas and behind the scenes is critical in ensuring the greatest care possible can be given to a family's loved one.

Funeral location portfolio
The Group's funeral location portfolio increased by 36 locations in the year, reflecting acquisitions, disposals and the continuation of the new satellite programme, which started in 2010.

Net acquisition investment of £10.6 million increased the portfolio by 18 funeral locations in the United Kingdom. Each of these acquisitions will fit well within the Group's existing network.

19 new satellite funeral locations (2011: 25) were opened in the year. The principle of these locations is that they must be situated close enough to existing business centres to use their specialist vehicles and mortuary equipment, but far enough away that they service new families. In this way, these funeral locations will provide the same outstanding level of client service that people experience from other Dignity funeral locations without the need for significant capital investment.

Satellite locations are anticipated to be loss making in their first full year of operation and be profitable in their third year of operation. The total portfolio opened under this initiative broadly broke even in 2012.

One location was closed in the period, being a leasehold location.

Opportunities
The Group's investment in satellite funeral locations has now reached a stage where focus will be turned to understanding and improving the profitability of the 62 locations already opened. Whilst a few will be opened in 2013 where locations have already been found, activity to find further locations has ceased for the time being. The Group expects to take approximately two to three years on this next stage of the project.

The acquisition of 40 funeral locations as part of Yew in January 2013 represents an excellent opportunity to improve the Group's presence in the North of England and create value for shareholders. Four other funeral locations have also been acquired or opened since the year end.

Crematoria
Crematoria services relate to cremation services and the sale of memorials and burial plots at the Group's crematoria and cemeteries.

Performance
The Group is the largest single operator of crematoria in Britain, operating 37 (2011: 35) crematoria as at 28 December 2012. The Group performed 50,500 cremations (2011: 47,600) in the period, representing 9.2 per cent (2011: 8.8 per cent) of deaths in Britain.

Operating profits were £23.3 million (2011: £21.3 million), an increase of 9 per cent. This reflects a strong performance from the established crematoria and an improving contribution from recently opened locations.

Progress and Developments
The Group is now compliant with legislative requirements on mercury abatement, with 20 of the Group's portfolio fitted with abatement equipment. The project has required an investment of £7.4 million by the Group. This includes some expenditure expected to be incurred in early 2013 to finish the civil and cosmetic works at the locations.

£2.1 million (2011: £1.7 million) has also been spent on new cremators and other general improvements to the crematoria locations. This investment helps our locations provide the best possible service in comfortable surroundings to the funeral directors and families that use them.

During the year, the Group opened its newly constructed crematorium in Essex. Whilst it will take approximately five to seven years to reach maturity, it represents another positive step in the division's growth.

In addition, the Group now operates Haringey Council's crematorium and cemeteries. Consideration of £0.1 million was paid and a further £1.1 million has been invested there to date. These facilities have been leased to the Group for 50 years.

The changes to the portfolio in the year represented an investment of £6.1 million (with £3.6 million of this incurred in 2011). In addition £1.9 million was invested in the year on other crematoria developments that were started in previous years. A further capital investment of approximately £1.2 million is expected in 2013 to complete the investment in Haringey's crematorium.

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

The Group's crematoria portfolio increased to 39 in January 2013 following the acquisition of Yew.

Pre-arranged funeral plans

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

Performance
Operating performance in the year has been strong, with operating profits of £6.5 million in the period (2011: £5.5 million). In recent years, the Group has received monies from the trusts, in line with the relevant trust's deed, which have been assessed by the trustees as not required to ensure the trust has sufficient assets to meet its future liabilities in respect of current members (Recoveries). Both years' operating profits include Recoveries of £1.5 million.

As expected and highlighted in the Group's Interim Management Statement in November 2012, the Group will not receive any Recoveries from its pre-arranged funeral plan trusts in 2013. However, the latest actuarial valuations of the pre-arranged funeral plan trusts at 28 September 2012 showed them to have a surplus of £14.0 million and sufficient assets to pay out all funerals at the current projected rates anticipated by the actuary.

As with all the Group's operating profits, pre-arranged funeral plan profits convert efficiently into a similar amount of cash.

Progress and Developments
Focused marketing activity with its partners has resulted in approximately 40,000 new plan sales and the number of unfulfilled pre-arranged funeral plans increasing to 290,000 (2011: 265,000) as at 28 December 2012.

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

The Group's customer service centre, based in its head office in Sutton Coldfield, gained first prize in the annual 'Top 50 Call Centres for Customer Service' awards. Furthermore, this represents the fourth consecutive year where a top five place has been achieved; a unique feat in the history of the competition and testament to the high quality service provided to our customers.

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

As part of the acquisition of Yew, the Group has taken over the administration of Yew's outstanding pre-arranged funeral plans totalling approximately 9,000, of which approximately two thirds are anticipated to be ultimately performed by Dignity. The Group intends to sell its own pre-arranged funeral plans through the new Yew branches going forward.

Central overheads

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

Developments
Costs in the period were £14.6 million (2011: £13.1 million), an increase of 11 per cent. The majority of the year on year increase above inflation reflects higher bonuses paid to operational managers of the business.

Mike McCollum
Chief Executive
6 March 2013

Financial Review

Introduction
These financial results have been prepared in accordance with International Financial Reporting Standards (IFRSs) and the accounting policies used are consistent with those used in the 52 week period ending 30 December 2011.

Financial highlights

The Group's financial performance is summarised below:

	52 week period ended 28 December 2012	**52 week period ended 30 December 2011**	Increase %
Revenue (£ million)	**229.6**	210.1	9
Underlying operating profit* (£ million)	**69.4**	64.5	8
Underlying profit before tax* (£ million)	**46.1**	41.6	11
Underlying earnings per share* (pence)	**62.8**	55.1	14
Cash generated from operations (£ million)	**83.3**	74.2	12
Operating profit (£ million)	**68.7**	63.2	9
Profit before tax (£ million)	**45.4**	40.3	13
Basic earnings per share (pence)	**65.1**	62.6	4
Dividends paid in the period:			
Interim dividend (pence)	**5.36**	4.87	10
Final dividend (pence)	**9.77**	8.88	10

* Underlying amounts exclude profit on sale of fixed assets, external transaction costs and exceptional items.

The Board has proposed a dividend of 10.75 pence per Ordinary Share as a final distribution of profits relating to 2012 to be paid on 28 June 2013, subject to shareholder approval.

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

	52 week period ended 28 December 2012 £m	52 week period ended 30 December 2011 £m
Operating profit for the period as reported	**68.7**	63.2
Deduct the effects of:		
Profit on sale of fixed assets	**(0.1)**	(0.2)
External transaction costs	**0.8**	1.5
Underlying operating profit	**69.4**	64.5
Net finance costs	**(23.3)**	(22.9)
Underlying profit before tax	**46.1**	41.6
Tax charge on underlying profit before tax	**(11.7)**	(11.4)
Underlying profit after tax	**34.4**	30.2
Weighted average number of Ordinary Shares in issue during the period (million)	**54.8**	54.8
Underlying EPS (pence)	**62.8p**	55.1p
Increase in Underlying EPS (per cent)	**14%**	19%

Earnings per share
The Group's earnings were £35.7 million (2011: £34.3 million). Basic earnings per share were 65.1 pence per share (2011: 62.6 pence per share).

The Group's measures of underlying performance exclude the effect (after tax) of the profit on sale of fixed assets, external transaction costs and exceptional items. Consequently, underlying profit after tax was £34.4 million (2011: £30.2 million), giving underlying earnings per share of 62.8 pence per share (2011: 55.1 pence per share), an increase of 14 per cent.

This growth in excess of the growth in operating profits reflects the leveraging effect of the Group's capital structure as well as some benefit from the reduction in headline Corporation Tax rates.

Cash flow and cash balances

Cash generated from operations was £83.3 million (2011: £74.2 million). This reflects the Group's continued ability to convert profits into cash. Cash generation is stronger than the previous period as a result of the growth in operating profits and beneficial working capital movements. Some of these working capital movements represent timing differences between years and in the long term, the Group would expect to convert its operating profits efficiently into cash.

Capital expenditure on property, plant and equipment was £20.4 million (2011: £22.8 million). This is analysed as:

	28 December 2012 £m	30 December 2011 £m
Vehicle replacements programme and improvements to locations	**11.8**	10.8
Branch relocations	**1.0**	0.9
Satellite locations	**1.3**	1.1
Development of new crematoria	**4.4**	9.0
Mercury abatement project	**1.9**	1.0
Total property, plant and equipment	**20.4**	22.8
Partly funded by:		
Disposal proceeds	**(0.8)**	(0.9)
Net capital expenditure	**19.6**	21.9

In addition, the Group spent £10.7 million on the acquisition of 18 funeral locations and one crematorium.

Capital expenditure on mercury abatement represents the monies incurred to comply with new legislation. The total spent to date is £6.7 million and the total anticipated capital expenditure is approximately £7.4 million.

The Group also paid dividends on Ordinary Shares totalling £8.3 million (2011: £7.5 million) in the period.

Cash balances at the end of the period were £55.6 million (2011: £36.9 million). £1.5 million (2011: £1.5 million) represents amounts received as Recoveries from the pre-arranged funeral plan trusts. These amounts are legally required, under the terms of the Group's securitisation, to be retained in a separate bank account for one year following receipt. In a similar way, the Group also had £16.1 million of cash that was held in a separate account and used to pay amounts falling due on the Group's Secured Notes on 31 December 2012. These amounts totalling £17.6 million (2011: £1.5 million) do not therefore meet the definition of cash for cash flow reporting purposes.

Approximately £13.5 million of the remaining cash balance was immediately available for acquisitions and developments and approximately £19.7 million was set aside for future corporation tax and dividend payments.

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

Pensions

The balance sheet shows a surplus of £0.1 million before deferred tax (2011: £1.3 million). This reflects the continued low gilt yield and thus the discount rate used by the actuary to calculate the liabilities at the year end.

The scheme currently remains open to both new and existing members of staff. Work is underway to ensure the Group can comply with auto enrolment from its staging date of July 2013.

Taxation

The Group's effective tax rate in the period was 25.5 per cent (excluding the exceptional rate change) (2011: 27.5 per cent). Following the Government's announcement to reduce the rate of Corporation Tax in future years, the Group expects its effective rate in 2013 to be approximately 24.5 per cent.

The Group's consolidated income statement includes exceptional income of £2.0 million which reflects the reduction in the headline Corporation Tax rate from 25 per cent to 23 per cent. Further exceptional credits will be recognised in future years if the Chancellor substantively enacts additional reductions in Corporation Tax rates.

The Group's cash tax payments were £8.6 million (2011: £10.4 million) in the period. This reduction principally follows the utilisation of £3.4 million of tax losses, as described in last year's annual report.

Capital structure and financing

Secured Notes

The Group's principal source of long term debt financing is the Class A and B Secured Notes. They are rated A and BBB respectively by Standard and Poor's and A+ and BBB+ by Fitch. Both agencies affirmed the rating of the Secured Notes in September 2012.

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

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

The Group's primary financial covenant under the Secured Notes requires EBITDA to total debt service to be above 1.5 times. The ratio at 28 December 2012 was 2.43 times (2011: 2.27 times), directly reflecting the improved profitability of the Group. Further details may be found in note 7.

Crematoria Acquisition Facility

At the balance sheet date, the Group owed £10 million on its Crematoria Acquisition Facility, which was used to fund the acquisition of five crematoria locations in the last quarter of 2008. The principal on this facility is repayable in one amount in November 2013 and interest is either fixed or capped at approximately 5.6 per cent. All interest is payable in cash on a quarterly basis.

Net debt

As set out in note 7, the Group's gross debt outstanding was £343.5 million (2011: £349.5 million). Net debt was £299.6 million (2011: £312.7 million), including the premia on the Secured Notes. The reduction in gross debt reflects the amortisation profile of the Secured Notes and associated premia. Gross debt includes £4.2 million (2011: nil) that was repaid on 31 December 2012.

Net finance costs

The Group's finance expense substantially consists of the interest on the Class A and B Secured Notes and ancillary instruments. The net finance cost in the period relating to these instruments was £22.7 million (2011: £23.1 million).

Finance costs of £0.5 million (2011: £0.5 million) were incurred in respect of the Crematoria Acquisition Facility.

Other ongoing finance costs incurred in the period amounted to £0.7 million (2011: £0.3 million), including the unwinding of discounts on the Group's provisions, other financial liabilities net of interest capitalised in accordance with IAS 23.

Interest receivable on bank deposits was £0.4 million (2011: £0.3 million). Net finance income of £0.2 million (2011: £0.7 million) was recognised in respect of the Group's pension scheme in accordance with IAS 19.

Post balance sheet events

On 25 January 2013, the Group completed the acquisition of Yew for cash consideration of £58.3 million. Funding for the acquisition, associated external transaction costs and anticipated one off capital expenditure of £2.5 million was through a combination of equity and debt.

2,283,019 Ordinary Shares were issued at a price of £10.60, generating gross proceeds of £24.2 million. These Ordinary Shares rank pari passu with all other Ordinary Shares.

A further £5.8 million was drawn under the Group's Crematoria Acquisition Facility. The fully drawn £15.8 million facility is secured against seven crematoria held outside the Securitisation Group.

A new £34 million five year term loan with the Royal Bank of Scotland was then raised against the Yew assets and certain other trading assets held outside the Securitisation Group. Approximately £2 million of principal is repayable annually and the pre tax cost of the debt is fixed at approximately four per cent for the term of the loan. The term loan has no undrawn amounts.

The acquisition of Yew was made outside the Securitisation Group. Consequently, it does not adversely affect the timing or overall quantum of any potential future return of value.

On 27 February 2013, the £15.8 million Crematoria Acquisition Facility was refinanced with the Royal Bank of Scotland. The renewed facility is for a period of five years, with the principal repayable in one amount at the end of the term. The cost of funds is fixed for the term of the loan at approximately 3.3 per cent. This facility has no undrawn amounts.

Our key performance indicators

Our business goal is to continue building a sustainable business that meets the needs of all our stakeholders. The Group uses a number of performance indicators to both manage the business and ensure that the Group's strategy and objectives are being delivered and measured against them.

KPI	52 week period ended 28 December 2012	KPI definitions	Developments in 2012
Total estimated number of deaths in Britain (number)	551,000 (2011: 539,000)	This is as reported by the Office of National Statistics	The number of deaths was higher than the previous year. Over the last three years, the number of deaths has been broadly flat
Funeral market share excluding Northern Ireland (per cent)	11.2 (2011: 11.3)	This is the number of funerals performed by the Group in Britain divided by the total estimated number of deaths in Britain	Acquisition activity has broadly offset reductions in core market share resulting from increased competition. This has been a feature of Dignity's business model for many years
Number of funerals performed (number)	63,200 (2011: 62,300)	This is the number of funerals performed according to our operational data	Changes are a consequence of the total number of deaths and the Group's market share
Number of cremations performed (number)	50,500 (2011: 47,600)	This is the number of cremations performed according to our operational data	Changes are a consequence of the total number of deaths and the Group's market share
Crematoria market share (per cent)	9.2 (2011: 8.8)	This is the number of cremations performed by the Group divided by the total estimated number of deaths in Britain	This increase reflects the additional locations acquired and the maturing of recently constructed crematoria
Unfulfilled pre-arranged funeral plans (number)	290,000 (2011: 265,000)	This is the number of pre-arranged funeral plans where the Group has an obligation to provide a funeral in the future	This increase reflects continued strong sales activity offset by the crystallisation of plans sold in previous years
Underlying earnings per share (pence)	62.8 (2011: 55.1)	This is underlying profit after tax divided by the weighted average number of Ordinary Shares in issue in the period	Strong growth following the increase in operating profits
Underlying operating profit (£ million)	69.4 (2011: 64.5)	This is the statutory operating profit of the Group excluding profit on sale of fixed assets and external transaction costs	Strong growth driven by the core business rather than acquisition activity
Cash generated from operations (£ million)	83.3 (2011: 74.2)	This is the statutory cash generated from operations excluding external transaction costs	The Group continues to convert operating profits into cash efficiently

In addition to these key performance indicators, the Group closely monitors the results of its client surveys. Highlights of these results can be found in Our commitment to client excellence. A summary of the Group's financial record for the last five years can be found in the Annual Report.

Forward-looking statements

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

Steve Whittern
Finance Director
6 March 2013

Consolidated income statement
for the 52 week period ended 28 December 2012

	Note	**52 week period ended 28 December 2012 £m**	52 week period ended 30 December 2011 £m
Revenue	1	**229.6**	210.1
Cost of sales		**(95.3)**	(89.2)
Gross profit		**134.3**	120.9
Administrative expenses		**(67.1)**	(59.2)
Other income		**1.5**	1.5
Operating profit	1	**68.7**	63.2
Analysed as:			
Operating profit before profit on sale of fixed assets and before external transaction costs		**69.4**	64.5
Profit on sale of fixed assets		**0.1**	0.2
External transaction costs		**(0.8)**	(1.5)
Operating profit		**68.7**	63.2
Finance costs	2	**(25.8)**	(25.9)
Finance income	2	**2.5**	3.0
Profit before tax	1	**45.4**	40.3
Taxation – before exceptional items	3	**(11.7)**	(11.2)
Taxation – exceptional	3	**2.0**	5.2
Taxation	3	**(9.7)**	(6.0)
Profit for the period attributable to equity shareholders		**35.7**	34.3
Earnings per share for profit attributable to equity shareholders			
– Basic and diluted (pence)	4	**65.1p**	62.6p
Underlying Earnings per share (pence)	4	**62.8p**	55.1p

Consolidated statement of comprehensive income
for the 52 week period ended 28 December 2012

	Note	**52 week period ended 28 December 2012 £m**	52 week period ended 30 December 2011 £m
Profit for the period		**35.7**	34.3
Actuarial loss on retirement benefit obligations	9	**(0.9)**	(7.9)
Tax on actuarial loss on retirement benefit obligations		**0.2**	2.1
Other comprehensive loss		**(0.7)**	(5.8)
Total Comprehensive income for the period		**35.0**	28.5
Attributable to:			
Equity shareholders of the parent		**35.0**	28.5

Consolidated balance sheet
as at 28 December 2012

	Note	**28 December 2012 £m**	30 December 2011 £m
Assets			
Non-current assets			
Goodwill		**151.1**	148.0
Intangible assets		**53.4**	46.3
Property, plant and equipment		**157.1**	147.6
Financial and other assets		**12.6**	12.6
Retirement benefit asset	9	**0.1**	1.3
		374.3	355.8
Current assets			
Inventories		**6.5**	5.9
Trade and other receivables		**25.6**	24.6
Cash and cash equivalents	6	**55.6**	36.9
		87.7	67.4
Total assets		**462.0**	423.2
Liabilities			
Current liabilities			
Financial liabilities		**24.5**	9.3
Trade and other payables		**46.2**	32.6
Current tax liabilities		**5.1**	2.3
Provisions for liabilities and charges		**1.1**	1.4
		76.9	45.6
Non-current liabilities			
Financial liabilities		**310.1**	329.6
Deferred tax liabilities		**24.2**	25.1
Other non–current liabilities		**2.8**	2.6
Provisions for liabilities and charges		**3.4**	3.1
		340.5	360.4
Total liabilities		**417.4**	406.0
Shareholders' equity			
Ordinary share capital		**5.7**	5.7
Share premium account		**17.4**	17.4
Capital redemption reserve		**99.3**	99.3
Other reserves		**(7.2)**	(7.9)
Retained earnings		**(70.6)**	(97.3)
Equity attributable to shareholders		**44.6**	17.2
Total equity and liabilities		**462.0**	423.2

Consolidated statement of changes in equity
for the 52 week period ended 28 December 2012

	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 31 December 2010	5.7	17.4	99.3	(8.8)	(118.4)	(4.8)
Profit for the 52 weeks ended 30 December 2011	-	-	-	-	34.3	34.3
Actuarial loss on defined benefit plans	-	-	-	-	(7.9)	(7.9)
Tax on pensions	-	-	-	-	2.1	2.1
Total comprehensive income	-	-	-	-	28.5	28.5
Effects of employee share options	-	-	-	1.1	-	1.1
Tax on employee share options	-	-	-	(0.1)	-	(0.1)
Adjustment for tax rate change 27% to 25%	-	-	-	(0.1)	0.1	-
Dividends (note 5)	-	-	-	-	(7.5)	(7.5)
Shareholders' equity as at 30 December 2011	5.7	17.4	99.3	(7.9)	(97.3)	17.2
Profit for the 52 weeks ended 28 December 2012	-	-	-	-	35.7	**35.7**
Actuarial loss on defined benefit plans	-	-	-	-	(0.9)	**(0.9)**
Tax on pensions	-	-	-	-	0.2	**0.2**
Total comprehensive income	-	-	-	-	35.0	**35.0**
Effects of employee share options	-	-	-	1.2	-	**1.2**
Tax on employee share options	-	-	-	(0.4)	-	**(0.4)**
Adjustment for tax rate change 25% to 23%	-	-	-	(0.1)	-	**(0.1)**
Dividends (note 5)	-	-	-	-	(8.3)	**(8.3)**
Shareholders' equity as at 28 December 2012	**5.7**	**17.4**	**99.3**	**(7.2)**	**(70.6)**	**44.6**

The above amounts relate to transactions with owners of the Company except for the profit for the period and also pension items (net of tax) of £0.7 million loss (December 2011: £5.8 million loss).

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.

Consolidated statement of cash flows
for the 52 week period ended 28 December 2012

	Note	52 week period ended 28 December 2012 £m	52 week period ended 30 December 2011 £m
Cash flows from operating activities			
Cash generated from operations before external transaction costs	8	**83.3**	74.2
External transaction costs in respect of acquisitions		**(1.0)**	(1.2)
Cash generated from operations		**82.3**	73.0
Finance income received		**0.3**	0.3
Finance costs paid		**(12.6)**	(24.9)
Payments to restricted bank accounts for finance costs	6	**(11.9)**	-
Total payments in respect of finance costs		**(24.5)**	(24.9)
Tax paid		**(8.6)**	(10.4)
Net cash generated from operating activities		**49.5**	38.0
Cash flows from investing activities			
Acquisition of subsidiaries and businesses (net of cash acquired)		**(10.7)**	(12.0)
Proceeds from sale of property, plant and equipment		**0.8**	0.9
Vehicle replacement programme and improvements to locations		**(11.8)**	(10.8)
Branch relocations		**(1.0)**	(0.9)
Satellite locations		**(1.3)**	(1.1)
Development of new crematoria		**(4.4)**	(9.0)
Mercury abatement project		**(1.9)**	(1.0)
Purchase of property, plant and equipment		**(20.4)**	(22.8)
Net cash used in investing activities		**(30.3)**	(33.9)
Cash flows from financing activities			
Repayment of borrowings		**(4.1)**	(7.7)
Payments to restricted bank accounts for repayment of borrowings	6	**(4.2)**	-
Total payments in respect of borrowings		**(8.3)**	(7.7)
Dividends paid to shareholders on Ordinary Shares	5	**(8.3)**	(7.5)
Purchase of C Shares in respect of Deferred Dividend Option		**-**	(0.1)
Net cash used in financing activities		**(16.6)**	(15.3)
Net Increase/(decrease) in cash and cash equivalents		**2.6**	(11.2)
Cash and cash equivalents at the beginning of the period		**35.4**	46.6
Cash and cash equivalents at the end of the period		**38.0**	35.4
Restricted cash		**17.6**	1.5
Cash and cash equivalents at the end of the period as reported in the consolidated balance sheet	6	**55.6**	36.9

1 Revenue and segmental analysis

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

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

Crematoria services relate to cremation services and the sale of memorials and burial plots at the Group's crematoria and cemeteries.

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

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

Underlying profit is stated before profit on sale of fixed assets, external transaction costs and exceptional items. Underlying operating profit is included as it is felt that adjusting operating profit for these items provides a useful indication of the Group's performance.

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

52 week period ended 28 December 2012

	Revenue £m	Underlying operating profit before depreciation and amortisation £m	Depreciation and amortisation £m	Underlying operating profit/ (loss) £m	Profit on sale of fixed assets, external transaction costs and exceptional items £m	Operating profit /(loss) £m
Funeral services	**157.9**	**61.7**	**(7.5)**	**54.2**	**(0.5)**	**53.7**
Crematoria	**46.6**	**25.9**	**(2.6)**	**23.3**	**(0.2)**	**23.1**
Pre-arranged funeral plans	**25.1**	**6.7**	**(0.2)**	**6.5**	**-**	**6.5**
Central overheads	**-**	**(14.2)**	**(0.4)**	**(14.6)**	**-**	**(14.6)**
Group	**229.6**	**80.1**	**(10.7)**	**69.4**	**(0.7)**	**68.7**
Finance costs				**(25.8)**	**-**	**(25.8)**
Finance income				**2.5**	**-**	**2.5**
Profit before tax				**46.1**	**(0.7)**	**45.4**
Taxation – continuing activities				**(11.7)**	**-**	**(11.7)**
Taxation – exceptional				**-**	**2.0**	**2.0**
Taxation				**(11.7)**	**2.0**	**(9.7)**
Underlying earnings for the period				**34.4**		
Total other items					**1.3**	
Profit after taxation						**35.7**
Earnings per share for profit attributable to equity shareholders						
– Basic and diluted (pence)				**62.8p**		**65.1p**

The segment assets and liabilities were as follows:

As at 28 December 2012	Funeral services £m	Crematoria £m	Pre-arranged funeral plans £m	Central overheads £m	Group £m
Segment assets	**262.5**	**124.0**	**17.2**	**2.7**	**406.4**
Unallocated assets:					
Cash and cash equivalents					**55.6**
Total assets					**462.0**
Segment liabilities	**(24.7)**	**(5.7)**	**(6.1)**	**(6.0)**	**(42.5)**
Unallocated liabilities:					
Borrowings – excluding finance leases					**(333.9)**
Accrued interest					**(11.7)**
Corporation tax					**(5.1)**
Deferred tax					**(24.2)**
Total liabilities					**(417.4)**
Other segment items:					
Additions to non-current assets (other than financial instruments and deferred tax)	**20.7**	**8.4**	**-**	**1.5**	**30.6**
Depreciation	**7.5**	**2.6**	**-**	**0.4**	**10.5**
Amortisation	**-**	**-**	**0.2**	**-**	**0.2**
Impairment of trade receivables	**1.3**	**0.1**	**-**	**-**	**1.4**
Other non cash expenses	**-**	**-**	**-**	**1.2**	**1.2**
Profit on sale of fixed assets	**0.1**	**-**	**-**	**-**	**0.1**

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

52 week period ended 30 December 2011

	Revenue £m	Underlying operating profit before depreciation and amortisation £m	Depreciation and amortisation £m	Underlying operating profit/ (loss) £m	Profit on sale of fixed assets, external transaction costs and exceptional items £m	Operating profit /(loss) £m
Funeral services	146.5	57.8	(7.0)	50.8	(1.5)	49.3
Crematoria	41.6	23.6	(2.3)	21.3	-	21.3
Pre-arranged funeral plans	22.0	5.6	(0.1)	5.5	-	5.5
Central overheads	-	(12.7)	(0.4)	(13.1)	0.2	(12.9)
Group	210.1	74.3	(9.8)	64.5	(1.3)	63.2
Finance costs				(25.9)	-	(25.9)
Finance income				3.0	-	3.0
Profit before tax				41.6	(1.3)	40.3
Taxation – continuing activities				(11.4)	0.2	(11.2)
Taxation – exceptional				-	5.2	5.2
Taxation				(11.4)	5.4	(6.0)
Underlying earnings for the period				30.2		
Total other items					4.1	
Profit after taxation						34.3
Earnings per share for profit attributable to equity shareholders						
– Basic and diluted (pence)				55.1p		62.6p

The segment assets and liabilities were as follows:

As at 30 December 2011	**Funeral services £m**	**Crematoria £m**	**Pre-arranged funeral plans £m**	**Central overheads £m**	**Group £m**
Segment assets	249.5	117.5	16.7	2.6	386.3
Unallocated assets:					
Cash and cash equivalents					36.9
Total assets					423.2
Segment liabilities	(23.5)	(4.9)	(6.0)	(5.9)	(40.3)
Unallocated liabilities:					
Borrowings – excluding finance leases					(338.2)
Accrued interest					(0.1)
Corporation tax					(2.3)
Deferred tax					(25.1)
Total liabilities					(406.0)
Other segment items:					
Additions to non-current assets (other than financial instruments and deferred tax)	23.0	11.6	-	0.4	35.0
Depreciation	7.0	2.3	-	0.4	9.7
Amortisation	-	-	0.1	-	0.1
Impairment of trade receivables	1.1	(0.2)	-	-	0.9
Other non cash expenses	-	-	-	1.1	1.1
Profit on sale of fixed assets	-	-	-	0.2	0.2

2 Net finance costs

	52 week period ended 28 December 2012 £m	52 week period ended 30 December 2011 £m
Finance costs		
Class A and B Secured Notes	**23.0**	23.5
Amortisation of issue costs	**1.6**	1.6
Crematoria Acquisition Facility	**0.5**	0.5
Other loans	**0.4**	0.3
Interest payable on finance leases	**0.1**	0.1
Unwinding of discounts	**0.4**	0.5
Finance costs	**26.0**	26.5
Less: interest capitalised	**(0.2)**	(0.6)
Net finance costs	**25.8**	25.9
Finance income		
Bank deposits	**(0.4)**	(0.3)
Release of premium on Secured Notes	**(1.9)**	(2.0)
Net finance income on retirement benefit obligations	**(0.2)**	(0.7)
Finance income	**(2.5)**	(3.0)
Net finance costs	**23.3**	22.9

3 Taxation

Analysis of charge in the period	52 week period ended 28 December 2012 £m	52 week period ended 30 December 2011 £m
Current tax – current period	**10.9**	8.0
Adjustments for prior period	**0.2**	(0.3)
Total corporation tax	**11.1**	7.7
Deferred tax – current period	**0.5**	3.2
Adjustments for prior period	**0.1**	0.3
Exceptional adjustment for rate change - 25% to 23% (2011: 27% to 25%)	**(2.0)**	(1.8)
Exceptional adjustment for recognition of brought forward losses	**-**	(3.4)
Total deferred tax	**(1.4)**	(1.7)
Taxation	**9.7**	6.0

4 Earnings per share

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

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

The Group has two classes of potentially dilutive Ordinary Shares being those share options granted to employees under the Group's SAYE Scheme and the contingently 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 had not been met and these contingently issuable shares have been excluded from the diluted EPS calculations.

The Board believes that profit on ordinary activities before profit on sale of fixed assets, external transaction costs, exceptional items and after taxation is a useful indication of the Group's performance, as it excludes significant non-recurring items. This reporting measure is defined as 'Underlying profit after taxation'.

Accordingly, the Board believes that earnings per share calculated by reference to this underlying profit after taxation is also a useful indicator of financial performance.

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

	Earnings £m	Weighted average number of shares millions	Per share amount pence
52 week period ended 28 December 2012			
Profit attributable to shareholders – Basic and diluted EPS	**35.7**	**54.8**	**65.1**
Deduct: Exceptional items, profit on sale of fixed assets and external transaction costs (net of taxation of £nil million)	**(1.3)**		
Underlying profit after taxation – Basic EPS	**34.4**	**54.8**	**62.8**
52 week period ended 30 December 2011			
Profit attributable to shareholders – Basic and diluted EPS	34.3	54.8	62.6
Deduct: Exceptional items, profit on sale of fixed assets and external transaction costs (net of taxation of £0.2 million)	(4.1)		
Underlying profit after taxation – Basic EPS	30.2	54.8	55.1

In 2012 and 2011, the potential issue of new shares pursuant to the Group's share option plans would have no impact on the calculation of earnings per share.

5 Dividends

	52 week period ended 28 December 2012 £m	52 week period ended 30 December 2011 £m
Final dividend paid: 9.77p per Ordinary Share (2011: 8.88p)	**5.4**	4.9
Interim dividend paid: 5.36p per Ordinary Share (2011: 4.87p)	**2.9**	2.6
Dividend on Ordinary Shares	**8.3**	7.5

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

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

Consequently, total dividends recognised in the period were £8.3 million, 15.13 pence per share (2011: £7.5 million, 13.75 pence per share).

A final dividend of 10.75 pence per share, in respect of 2012, has been proposed by the Board. This will be paid on 28 June 2013 provided that approval is gained from shareholders at the Annual General Meeting on 6 June 2013 and will be paid to shareholders on the register at close of business on 24 May 2013.

6 Cash and cash equivalents

	Note	28 December 2012 £m	30 December 2011 £m
Operating cash as reported in the consolidated statement of cash flows as cash and cash equivalents		**38.0**	35.4
Recoveries: pre-arranged funeral plans	(a)	**1.5**	1.5
Amounts set aside for debt service payments	(b)	**16.1**	-
Cash and cash equivalents as reported in the balance sheet		**55.6**	36.9

(a) Recoveries may not be used for one year following receipt and therefore do not meet the definition of cash and cash equivalents in IAS 7, Statement of Cash Flows.

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

This amount does not meet the definition of cash and cash equivalents in IAS 7, Statement of Cash Flows. Whilst not applicable in 2011, this amount was used to pay these respective parties on 31 December 2012. Of this amount £11.9 million is shown within the Statement of Cash Flows as 'Payments to restricted bank accounts for finance costs' and £4.2 million is shown within 'Financing activities' as 'Payments to restricted bank accounts for repayment of borrowings'.

7 Net debt

	28 December 2012 £m	30 December 2011 £m
Net amounts owing on Class A and B Secured Notes per financial statements	**(318.9)**	(323.3)
Add: unamortised issue costs	**(14.6)**	(16.2)
Gross amounts owing on Class A and B Secured Notes per financial statements	**(333.5)**	(339.5)
Net amounts owing on Crematoria Acquisition Facility per financial statements	**(10.0)**	(9.9)
Add: unamortised issue costs on Crematoria Acquisition Facility	**-**	(0.1)
Gross amounts owing	**(343.5)**	(349.5)
Accrued interest on Class A and B Secured Notes	**(11.6)**	-
Accrued interest on Crematoria Acquisition Facility	**(0.1)**	(0.1)
Cash and cash equivalents (note 6)	**55.6**	36.9
Net debt	**(299.6)**	(312.7)

In addition to the above, the consolidated balance sheet also includes finance lease obligations and other financial liabilities which totalled £5.7 million (2011: £5.7 million). These amounts do not represent sources of funding for the Group and are therefore excluded from the calculation of net debt.

The Group's primary financial covenant in respect of the Secured Notes requires EBITDA to total debt service to be at least 1.5 times. At 28 December 2012, the actual ratio was 2.43 times (2011: 2.27 times).

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

8 Reconciliation of cash generated from operations

	52 week period ended 28 December 2012 £m	52 week period ended 30 December 2011 £m
Net profit for the period	**35.7**	34.3
Adjustments for:		
Taxation	**9.7**	6.0
Net finance costs	**23.3**	22.9
Profit on disposal of fixed assets	**(0.1)**	(0.2)
Depreciation charges	**10.5**	9.7
Amortisation of intangibles	**0.2**	0.1
Movement in inventories	**(0.4)**	(0.7)
Movement in trade receivables	**(1.2)**	1.8
Movement in trade payables	**0.4**	-
External transaction costs	**0.8**	1.2
Changes in other working capital (excluding acquisitions)	**3.2**	(2.0)
Employee share option charges	**1.2**	1.1
Cash generated from operations before external transaction costs	**83.3**	74.2

9 Analysis of movement in retirement benefit asset

	28 December 2012 £m	30 December 2011 £m
At beginning of period	**1.3**	8.5
Total expense	**(1.6)**	(0.7)
Actuarial losses	**(0.9)**	(7.9)
Contributions by Group	**1.3**	1.4
At end of period	**0.1**	1.3

10 Basis of preparation

European law requires that the Group's consolidated financial statements for the 52 week period ended 28 December 2012 are prepared in accordance with all applicable International Financial Reporting Standards (IFRSs), as adopted by the European Union. These financial statements have been prepared in accordance with IFRS, International Financial Reporting Interpretations Committee (IFRIC) interpretations (as issued by the International Accounting Standards Board) and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The financial information set out above does not constitute the Company's statutory accounts for the years ended 28 December 2012 or 30 December 2011 but is derived from those accounts. Statutory accounts for 2011 have been delivered to the registrar of companies, and those for 2012 will be delivered in due course. The auditors have reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006 in respect of the accounts for 2011 and 2012.

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2012 that would be expected to have a material impact on the Group.

The consolidated financial statements are prepared on a going concern basis and have been prepared under the historic cost convention, as modified by financial assets and liabilities at fair value through the income statement.

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

11 Securitisation

In accordance with the terms of the securitisation carried out in April 2003 and the subsequent further Secured Notes issues in February 2006 and September 2010, Dignity (2002) Limited (the holding company of those companies subject to the securitisation) has today issued reports to the Rating Agencies (Fitch Ratings and Standard & Poors), the Security Trustee and the holders of the Secured Notes issued in connection with the securitisation, confirming compliance with the covenants established under the securitisation.

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

12 Principal risks and uncertainties

Our approach to risk management
This note highlights the principal risks affecting the Group, together with the key mitigating activities in place to manage those risks.

The Group manages the operational and financial risks described through a combination of regular Board reports and also monthly and weekly management information that is reviewed by the Executive Directors.

Operational risk management	Risk description	Mitigating activities
Significant reduction in the death rate	There is a risk that the number of deaths in any year significantly reduces. This would have a direct result on the financial performance of both the funerals and crematoria divisions.	The profile of deaths has historically followed a similar profile to that predicted by the ONS, giving the Group the ability to plan its business accordingly.
Nationwide adverse publicity	Nationwide adverse publicity could result in a significant reduction in the number of funerals or cremations performed in any financial period. This would have a direct result on the financial performance of that division.	This risk is addressed by ensuring appropriate policies and procedures are in place, which are designed to ensure client service excellence. These policies and procedures retain flexibility for the business to serve families in accordance with local traditions.
Ability to increase average revenues per funeral or cremation	Operating profit growth is in part attributable to the Group's ability to increase the average revenue per funeral or cremation. There can be no guarantee that future average revenues per funeral or cremation will increase at rates similar to previous periods.	The Group believes that its focus on client service excellence helps to mitigate this risk.
Significant reduction in market share	It is possible that other external factors, such as new competitors, could result in a significant reduction in market share within funeral or crematoria operations. This would have a direct result on the financial performance of that division.	The Group believes that this risk is mitigated for funeral operations by reputation and recommendation being a key driver to the choice of funeral director being used and for crematoria operations is mitigated by difficulties associated with building new crematoria.
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.
Competition	The UK funeral services market and crematoria market is currently very fragmented. There can be no assurance that there will not be further consolidation in the industry or that increased competition in the industry, whether in the form of intensified price competition, service competition, over capacity or otherwise, would not lead to an erosion of the Group's market share, average revenues or costs of funerals and consequently a reduction in its profitability.	There are barriers to entry in the funerals services market due to the importance of established local reputation and in the crematoria market due to the need to obtain planning approval for new crematoria and the cost of developing new crematoria.
Taxes	There can be no assurance that changes will not be made to UK taxes, such as VAT. VAT is not currently chargeable on the majority of the Group's services. The introduction of such a tax could therefore significantly increase the cost to clients of the Group's services.	There are currently specific exemptions under European legislation for the UK on the VAT treatment of funerals. Any change would apply to the industry as a whole and not just the Group.
Regulation of pre-arranged funeral plans	Pre-arranged funeral plans are not a regulated product, but are subject to a specific financial services exemption. Changes to the basis of any regulation could affect the Group's opportunity to sell pre-arranged funeral plans in the future.	Any changes would apply to the industry as a whole and not just the Group.

Financial risk management	Risk description	Mitigating activities
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 is not achieved, then this may lead to an Event of Default under the terms of the Secured Notes, which could result in the Security Trustee taking control of the securitisation group on behalf of the Secured Noteholders. In addition, the Group is required to achieve a more stringent ratio of 1.85 times for the same test in order to be permitted to transfer excess cash from the securitisation group to Dignity plc. If this stricter test is not achieved, then the Group's ability to pay dividends would be impacted.	The nature of the Group's debt means that the denominator is now fixed unless further Secured Notes are issued in the future. This means that the covenant headroom will change proportionately with changes in EBITDA.

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