

Dignity plc

Interim results for the 26 week period ended 1 July 2022

Progress made against strategy delivery, and well prepared for new funeral plan regulation.

Dignity plc (Dignity, the Company or the Group), one of the UK's largest national providers of funeral plans and end of life services, announces its unaudited interim results for the 26 week period ended 1 July 2022.

	26 week period ended 1 July 2022	26 week period ended 25 June 2021	Decrease per cent
Underlying revenue (£million)	141.2	169.4	17
Underlying operating profit (£million)	14.7	37.8	61
Underlying profit before tax (£million)	0.6	23.2	97
Underlying (loss)/earnings per share (pence)	(1.2)	36.2	
Underlying cash generated from operations (£million)	24.4	56.6	57
Revenue (£million)	166.9	189.0	12
Operating (loss)/profit (£million)	(48.3)	40.8	
(Loss)/profit before tax (£million)	(156.0)	50.5	
Basic (loss)/earnings per share (pence)	(258.6)	62.4	
Cash (used in)/generated from operations (£million)	(3.7)	49.0	
Number of deaths	319,000	340,000	6

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 IFRS, APMs are necessary to enable users of the financial statements to fully understand the trading performance and financial position of the Group. The APMs provided are aligned with those used in the day-to-day management of the Group 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, as well as non-underlying items comprising certain non-recurring and non-trading transactions. Further detail may be found on pages 49 to 57.

Key points

- We continue to implement our new strategy and are seeing early signs of this coming through in market share, whilst also recognising the initial adverse impact on profitability
- As explained in the 2021 Annual Report, the Company reported a potential adverse impact on underlying revenue and underlying operating profit. This is due to a combination of factors, including fluctuations in the death rate, partnered with a change in our pricing strategy and introduction of a direct cremation service through our funeral network
- Delivered our regulatory programme and achieving authorisation by the Financial Conduct Authority ('FCA') under new funeral plan rules, which came into effect on 29 July 2022
- Development and launch of our innovative new funeral plan proposition, and the creation of a new trust to support this
- Organisational restructure continues, supported by the new brand strategy
- Confirmed our commitment to be net zero across the Dignity network by 2038
- Launched and now embedding our new guiding principles, which will be the framework for culture change at the Company, including ensuring salaries are industry competitive for client facing roles
- Continuation of a large capital expenditure programme linked to delayed works from previous years during the pandemic as well as a property portfolio programme that is prioritising key investment needs across our estate
- Total impairment of £62.9 million of the Group's non-current assets following slower funeral market share growth combined with more branch direct cremations rather than full adult funerals being performed than originally anticipated

- We successfully reached an agreement with bondholders in September which allows the Group to begin deleveraging and removes some restrictions from the securitisation

Kate Davidson, Chief Executive Officer of Dignity plc, commented:

“Over the past few years our business has risen to the challenges presented by COVID-19. We have continued to deliver excellent customer service whilst also implementing our new strategy as well as preparing and achieving FCA regulatory approval for new funeral plan rules, whilst recognising the short-term adverse impact on our financial performance. Our people have risen to these challenges and, through the embedding of our Principles and values introduced earlier this year, we believe that we are well placed to achieve our key aims of becoming the leading end-of-life service provider in the UK and a deserving and rewarding employer.”

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Chief Executive Officer's Statement

Financial summary

The impact of the pandemic, combined with pricing and strategic changes implemented at the end of 2021, has continued to make year-on-year comparisons difficult. The death rate in the first half of 2022 was lower than the previous period despite being higher than the five-year average, based on ONS data, potentially due to factors resulting from the pandemic.

Growth in our funeral market share is signalling positive signs that our new strategy is beginning to deliver, especially considering that it comes as we have been rationalising the branch network and closing unviable branches. A significant change in our approach to pricing and product mix at the end of 2021 has resulted in a reported operating loss of £48.3 million (June 2021: operating profit £40.8 million) and lower underlying operating profits of £14.7 million (June 2021: £37.8 million), but an element of this can be attributed to our focus on increasing competitiveness locally and offering direct cremation as a lower priced service. We switched off the vast majority of our marketing activity in January, which may have had a negative impact on volumes and share.

Our growth in market share though is being held back by staff shortages and despite our increased recruitment efforts we still have over 400 vacancies. This is resulting in an increase to the time between death and funeral and is losing us business. We started a new programme of marketing activity from July but we are having to hold back until we can handle the calls and additional work. We have made a number of significant changes in H2 to address this shortage including personnel and remuneration changes.

Lower prices to give increased competitiveness and an investment in all elements of our proposition do lower profitability until such time as growth with operational gearing compensates. Therefore, factors holding back growth like insufficient capacity impact short-term profitability until we reduce them.

We saw cremation market share grow by one per cent, helped by our growing share of direct cremation business. Crematoria operations are not being impacted in the same way by staff shortages.

Consideration has been given to the increasing cost of fuel, and the impact it has on our operations. We are continuing to monitor the situation including the impact of the recently announced government intervention and one potential option is the introduction of a temporary 'fuel surcharge' across our crematoria.

Overall we are seeing rising costs impacting our business, especially employment costs and we will be looking to recover some of that in our next pricing adjustments in October 2022. Central costs are declining.

In those areas of the business where we have done the most to introduce the elements of our new strategy, we see the signs of encouraging results of the market share growth we are seeking. As we covered in the Annual Report and at the AGM, it is growth combined with our operational gearing that will restore the profitability of the business.

The lower death rate reduced revenue across the group by £8.6 million and lower average revenues both from lower prices and the introduction of direct cremations through the branch network, reduced revenue by £17.5 million. Against that, market share growth in funerals and crematoria added £5.6 million.

The impact of the above and the subsequent impact on forward looking cashflows, coupled with an increase in the discount rate from 10.3 per cent to 11.4 per cent since December 2021, has created an impairment of £62.9 million of the Group's non-current assets as at 1 July 2022, including £42.7 million goodwill, £5.5 million trade names, £10.3 million right-of-use assets and £4.4 million property, plant and equipment. The methodology for impairment is based upon the accounting standard which does not permit use of longer-term assumptions which cannot be evidenced. This is not the same as a longer-term strategy based forecast or expectation.

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

Cash position

The Trading Group's period end cash position was £32.9 million versus £55.9 million at 31 December 2021 and £64.8 million (excluding £16.9 million of restricted cash) at 25 June 2021. This decrease is a result of operating losses, increased capital expenditure linked to delayed works from previous years during the pandemic, debt service payments of £16.9 million and a transfer out of the Trading Group to the Trusts of £3.6 million (see page 55 for more details).

Strategic update

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.

FCA Regulation of the pre-paid funeral plan sector

We are pleased to confirm that Dignity achieved authorisation by the Financial Conduct Authority (FCA) under the new regulatory regime for pre-paid funeral plans, which came into force on 29 July 2022.

Funeral plan providers in the UK must now be regulated by the FCA to continue to sell or carry out funeral plans. Dignity has long called for statutory oversight of the sector to remove bad actors and to improve the outcome for customers, so it is extremely positive to have seen the regulations come into effect.

The regulation has impacted almost every corner of our business; from compliance and governance, an enhanced focus on customer vulnerability and consumer redress processes, training and people development, as well as a new approach to how we market and sell our products. We have established the UK Funerals (2022) Trust, operated by trustees independent to Dignity, which commenced selling pre-arranged funeral plans on 8 August 2022. The Dignity Trading Group also transferred £1.0 million cash into this new Trust on 11 July 2022 in order to meet FCA regulatory requirements. This requirement means that we must ensure the Trust always remains adequately funded to meet the funeral plan liabilities. A process is underway to combine our existing trusts into this new one.

We have also stood by our commitment to help customers of other plan providers where we can, and as we have with the customers of Safe Hands, we have engaged with a number of firms who will not be regulated to understand any opportunity to help customers. Following Safe Hands going into administration, we have delivered 188 funerals as at 1 July 2022 on behalf of bereaved people impacted by the collapse, at no cost to the family. Had these funerals been delivered at Dignity's current at-need prices, additional revenue of £0.5 million would have been generated.

I would like to thank all of our colleagues that have been involved with the strategic and operational effort that has enabled the delivery of our authorisation. We are proud of what we have achieved to date and recognise the responsibility Dignity has as a market leader to ensure we continue to deliver the high standards expected by the regulator. It is our expectation that FCA regulation will introduce stability to the pre-need sector which will be beneficial for all stakeholders.

New funeral plan proposition

We have taken the opportunity of the start of this new era to completely rethink what a funeral plan should be, drawing on the knowledge and expertise we have within Dignity. Our ambition has been to create a product that inspires people, even those not thinking about funeral plans, and gives them the opportunity to plan the celebration of their life and turn that into a funeral plan that is personal, tailored and as unique as they are. We aim to provide that at a cost and service level that gives them great, and we believe unrivalled, value through our specially trained colleagues.

Organisational restructure

We have continued our focus on restructuring the business, starting with the reorganisation of our network into 12 regions, that delivers a collaborative and integrated end-of-life service across our funeral directors, crematoria and funeral plan proposition. We also set out at our AGM our approach to inverting the organisation, through local empowerment of our new Business Leaders, that are supported by the breadth and scale of the Dignity network.

We have appointed all but one of the Heads of Regions and nine of the 12 regions have moved to the new operational structure. We have also made 202 Business Leader appointments nationally, and anticipate recruitment and restructuring to be complete across the network by the end of the year.

We continue to make progress with the new Business Leaders to develop individual business strategies and plans, which include localised objectives for performance and market share. A newly appointed Head of Regional Development has been focused on developing these plans with the Business Leaders. We will be able to provide more detail on our localised plans in 2023.

A branding exercise has also begun across several of our funeral businesses, creating a new identity that is unique to the heritage of that business and brand. A dedicated creative team has worked with the Business Leaders to develop these brand identities which extends across physical facias, customer and marketing collateral, our digital presence and plans for renovated interiors.

Our people

Dignity's people – our colleagues – are the most important asset in our business, and I am committed to ensuring we fulfil the core element of our vision that seeks to be an inspirational and rewarding employer. We also want to attract and retain the best people, ensuring colleagues are empowered, supported and developed is essential to this, but so is putting an effective reward and recognition framework in place.

Our first step to providing fair and competitive remuneration was delivered through introducing the Living Wage Foundation's real Living Wage to the lowest paid colleagues across the business in January. As part of our review and benchmarking of pay across our own business and the sector, we are in the process of increasing the salaries for key frontline roles to ensure they are competitive and leading in our sector and have also considered the impact on our people due to inflationary rises.

We also must have the right culture in place – empowered people that are driven and inspired by our social purpose, and this is embedded in our new Principles which we launched earlier this year. To support this, we have taken a measure of sentiment and engagement with the Principles, through a colleague engagement survey. This found that in Q1 2022, whilst 77 per cent colleagues felt proud to work for Dignity, 35 per cent did not feel empowered to make their own decisions, and a quarter do not understand how their role supports the business's wider aims. We will be taking a second measure of this at the end of Q4 to understand the extent the Principles are becoming our culture, and in turn the impact of the changes we have made to our structure and improvements to our people approach.

Sustainability

At our AGM we announced Dignity's commitment to be net zero by 2038, which is underpinned by our new Principles that include a dedicated value focused on protecting the environment and prioritising sustainable practices. Our ambition includes reducing carbon emissions from all of our owned operations, funeral branches, crematoria and care centres, to our fleet and a view to mitigating our impact through our supply chain. We are proud to support the introduction of formal climate disclosures mandated for listed firms, through the Taskforce on Climate-related Financial Disclosures ('TCFD'). Dignity was not required to comply with the formal climate disclosures in its 2021 Annual Report, but we elected to take a pragmatic step and complete a voluntary disclosure as we believe TCFD provides a strong framework for our climate pledge and strategy to develop. Dignity is committed to, and is, making progress towards a full, mandatory TCFD submission for the period ending 30 December 2022, which will include climate scenario analysis and interim target setting.

The Board

In January and February respectively, both myself and Kartina Tahir-Thomson were appointed to the Board. Kartina joined as an Independent Non-Executive Director and Chairs the Risk Committee and is a member of the Audit, Remuneration and Nomination Committees. My appointment to the Board was as an Executive Director, in my former role as Dignity's Chief Operating Officer. At the same time, we also confirmed the permanent appointment of Graham Ferguson as an Independent Non-Executive Director and Chair of the Audit and Remuneration Committees and a member of the Nomination and Risk Committees. In June, Gary Channon stood down from the Board, John Castagno stood down from the Audit Committee, and Graham Ferguson was appointed Senior Independent Non-Executive Director. All of these appointments ensure greater compliance with the UK Corporate Governance Code (July 2018).

Whilst early progress had been made in the search for a new Chief Financial Officer, we can now confirm that no appointments have been made and that the recruitment process continues. Dean Moore will therefore continue in his role as an interim CFO, and once a permanent appointment has been made, he will then resume his role as a Non-Executive Director.

Andrew Judd, our Director responsible for the day-to-day provision of funeral services, stood down from the Board and left the Company on 1 April 2022. We would like to thank Andrew for his long and dedicated service to the Company.

And finally, I am honoured to confirm my appointment as Chief Executive Officer from June 2022, when Gary Channon stepped down from the Board and role as CEO. He has remained since this time an integral part of our strategy delivery as an advisor to the Board, focused on our work around the capital structure and the creation of the newly formed trust, and I would like to thank Gary for his dedication and commitment to driving our new strategy forward and his support to me in my transition to the CEO role.

Outlook

We set out at our AGM the impact and progress made towards our strategy, but with the unpredictability of the death rate in 2022, the impact of our strategy implementation, regulatory change and our new funeral plan proposition, we will continue to refrain from giving guidance.

Kate Davidson

Chief Executive Officer

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.

Number of deaths

	2022	2021	(Decrease)/ increase per cent
Quarter 1	166,000	204,000	(19)
Quarter 2	153,000	136,000	13
First half of year	319,000	340,000	(6)

Deaths were 19 per cent below the prior year in the first quarter as a result of COVID-19 and one per cent below the five-year average (2015-2019). The second quarter is 13 per cent above the prior year and seven per cent above the five-year average (2015-2019). The impact of COVID-19 deaths in 2020 and 2021 could possibly mean we experience a fluctuating 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 1 July 2022, the Group operated a network of 756 (June 2021: 789; December 2021: 776) funeral locations throughout the UK, generally operating under established local trading names. The change to the portfolio reflects 23 closures and three openings. This forms part of our new local business strategies and closures occur where a branch is not deemed to be viable in its current location even with our new strategy. The timing of the closures can be impacted by the end dates of leases and of the 23 closures only five were freeholds.

	£m Q1	£m Q2	£m H1
Underlying operating profit – 2021	22.2	9.4	31.6
Impact of:			
Number of deaths ⁽¹⁾	(10.8)	4.4	(6.4)
Market share ⁽¹⁾	4.5	(1.4)	3.1
Average revenues ⁽¹⁾	(6.6)	(8.0)	(14.6)
Net cost base changes	(1.5)	(3.5)	(5.0)
Underlying operating profit – 2022	7.8	0.9	8.7

(1) Represents revenue impact

The table above demonstrates the impact of our new pricing strategy, coupled with the distorting effect of the pandemic on the death rate in the first quarter. Whilst market share has increased revenue, we can see that a reduction in the number of deaths has reduced revenue by £6.4 million, and the change in pricing strategy and the introduction of direct cremation has reduced it by a further £14.6 million. Cost base changes include a £1.7 million impact from the loss of rates relief, £1.6 million increase in bad debt provision, £0.7 million impact from an increase in coffin raw material prices, an increase of £0.5 million in depreciation and £0.3 million increase in utility costs. Accordingly, the cost to deliver a funeral (see alternative performance measures on page 57 for details on how it is calculated) has increased to £1,902 as an LTM at 1 July 2022 (June 2021 LTM: £1,840; December 2021: £1,814).

Items totalling £56.5 million (2021: £4.3 million) are excluded from underlying profit resulting in a statutory operating loss of £47.8 million (2021: operating profit £35.9 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 2022 the Group conducted 40,000 funerals (26 week period ended June 2021: 41,400; 53 week period ended December 2021: 79,200) in the United Kingdom, a three per cent decrease on the prior period. Approximately one per cent of the funerals in each period were performed in Northern Ireland. Excluding Northern Ireland, these funerals represented approximately 12.4 per cent (June 2021: 12.0 per cent; December 2021: 11.8 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 2022 and 2021 and any Safe Hands funerals, market share was 12.2 per cent, compared to 11.8 per cent in 2021.

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. Allied to this, market share is calculated based on a fixed assumption of one week between the registration of the death and the date of the funeral. Therefore, calculations of market share, particularly over shorter periods, may not be comparable.

Funeral mix and average income

The average revenue for funerals has decreased from £2,478 (H1 2021) to £2,115 (H1 2022), (excluding the funerals delivered as part of our Safe Hands rescue support the average in H1 2022 was £2,129), which can be attributed to a combination of the change in our pricing strategy and the change in mix due to the provision of lower cost funeral options, such as direct cremations. This combined with reduced volumes has also impacted the contribution per branch (see alternative performance measures on page 57 for details on how it is calculated) which has decreased to £48,452 as an LTM at 1 July 2022 (June 2021 LTM: £75,547; December 2021: £75,000).

Funeral type		FY 2021 Actual	Q1 2022 Actual	Q2 2022 Actual	H1 2022 Actual	Q1 2021 Actual restated ⁽¹⁾	Q2 2021 Actual restated ⁽¹⁾	H1 2021 Actual restated ⁽¹⁾
Underlying average revenue (£)	Attended	2,855	2,486	2,439	2,464	2,903	3,064	2,959
	Unattended	1,063	1,044	1,037	1,041	1,010	944	980
	Pre-need	1,959	1,950	1,967	1,958	1,943	1,955	1,948
	Other (including Simplicity and 3 rd party direct cremations)	904	608	522	668	1,004	982	982
Volume mix (%)	Attended	61	58	59	59	61	62	62
	Unattended	3	8	7	7	1	1	1
	Pre-need	28	28	28	28	29	28	28
	Other (including Simplicity and 3 rd party direct cremations)	8	6	6	6	9	9	9
Underlying weighted average revenue (£)		2,394	2,108	2,093	2,115	2,434	2,545	2,478
Ancillary revenue (£)		154	165	174	155	131	168	150
Underlying average revenue (£)		2,548	2,273	2,267	2,270	2,565	2,713	2,628

(1) In September 2021, funeral services introduced an Attended Funeral at prices from £1,595 to £2,495 (excluding extras) across the network and implemented the Unattended Funeral (direct cremation), and the simple funeral was removed (apart from our location in Jersey). As such, the historical full service average and the simple and direct cremation average are no longer comparable. In order to have comparability the full-service and the simple averages have been blended to give a new Attended average and the direct cremation, previously included as simple and direct cremation, has been restated to Unattended to make both comparable.

Crematoria operations

The Group remains the largest single independent operator of crematoria in Great Britain operating 46 crematoria (June 2021: 46; December 2021: 46).

	£m Q1	£m Q2	£m H1
Underlying operating profit – 2021	14.6	10.6	25.2
Impact of:			
Number of deaths ⁽¹⁾	(3.7)	1.5	(2.2)
Market share ⁽¹⁾	2.2	0.3	2.5
Average revenues ⁽¹⁾	(0.8)	(2.1)	(2.9)
Net cost base changes	(0.9)	(0.1)	(1.0)
Underlying operating profit – 2022	11.4	10.2	21.6

(1) Represents revenue impact

Non-underlying costs of £0.5 million (2021: £0.7 million) are excluded from underlying profit resulting in statutory operating profit of £21.1 million (2021: £24.5 million). See Non-GAAP measures note for further details.

The Group performed 39,300 cremations (June 2021: 38,900; December 2021: 74,800) in the period. These volumes represent approximately 12.3 per cent (June 2021: 11.4 per cent; December 2021: 11.3 per cent) of total estimated deaths in Great Britain. Average price per cremation has decreased to £862 (June 2021: £892, December 2021: £887), yield per crematoria (see alternative performance measures on page 57 for details on how it is calculated) has decreased to £1,056,522 as an LTM at 1 July 2022 (June 2021 LTM: £1,076,087; December 2021: £1,126,087) and average ancillary revenue per cremation has decreased to £219 (June 2021: £272, December 2021: £269) which reflects an increase in the percentage of direct cremations being performed. As the number of unattended cremations increases this will impact the averages when comparing to the prior period.

Crematoria remains a stable and cash generative aspect of the Group's operations.

Pre-arranged operations

Dignity continues to remain focused on selling high-quality funeral plans, in ways consistent with the strong reputation of the Group and the high standards expected by our customers. During the first half of 2022, we have remained focused on being ready for the FCA regulation and on 29 July 2022 we were approved by the FCA so are now regulated and as such sales of the new Dignity funeral plan have commenced with focused distribution through our network of local branches.

As a result of the above, sales of pre-arranged funeral plans were low in the first half of 2022, resulting in low growth in the total number of active pre-arranged funeral plans of 582,000 compared to 581,000 at December 2021 and 580,000 at the end of June 2021.

As previously stated, the Group can claim a marketing and administration allowance from the trusts for plans sold in the period (up to a maximum amount per plan sold), which historically resulted in a profit in the pre-need division. In 2019, the Group decided to restrict this allowance from the trusts to only recover the costs incurred in the selling of the funeral plans and therefore, the pre-need division has not contributed any profit or loss since 2019 due to these under recoveries. However, as plan sales were low in the first half of 2022, the Group would not have been able to recover all of the costs incurred in the selling and administration from funeral plans sold in the current period but has been able to utilise under recoveries from previous years sales to cover the current year operating costs.

We expect the sales of pre-arranged funeral plans to increase during the second half of 2022.

Active members	1 July 2022 Number	25 June 2021 Number	31 December 2021 Number
Supported by:			
The Trusts	316,000	330,000	323,000
The Small Trusts	44,000	43,000	43,000
Insurance Plans	222,000	207,000	215,000
	582,000	580,000	581,000

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 2022, the Trusts had average assets per plan of £3,405 (June 2021: £3,564; December 2021: £3,650) 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.

The latest actuarial valuations of the Trusts (at 24 September 2021) showed them to have a surplus of £147.3 million (25 September 2020: surplus £4.0 million), based on assumptions by the Trusts' actuary. 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.

Return on Trust assets of (2.5) per cent has been achieved for the 12 month period to 1 July 2022 (June 2021: 11.2 per cent; December 2021: 9.1 per cent). The decrease from prior periods is due to the decline in equity markets and foreign exchange movements. It is a measure that must be judged over multiple years and our long-term goal is to exceed the rise in funeral cost inflation by three per cent per annum. See alternative performance measures on page 56 for how it is calculated.

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, HR, 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, considered annually for over 100 managers across the business.

Underlying costs in the period were £15.6 million (2021: £19.0 million). The table below summarises the key movements:

	£m Q1	£m Q2	£m H1
Central overheads – 2021	9.7	9.3	19.0
Impact of:			
Digital activities	(0.2)	(1.5)	(1.7)
Salaries	(0.3)	(0.8)	(1.1)
Other	0.2	(0.8)	(0.6)
Central overheads – 2022	9.4	6.2	15.6

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 new strategy.

Non-underlying items of £6.0 million (2021: £0.6 million) are excluded from underlying costs resulting in total central costs of £21.6 million (2021: £19.6 million). Of the £6.0 million non-underlying items, £3.4 million relates to external transaction costs which includes costs associated with the current capital structure work, £2.3 million of redundancy costs relating to the new strategy and £0.3 million of onerous provisions relating to the ongoing operational restructure.

Corporate development activity

The Group has planning permission for six new crematoria. The total capital expenditure for these six projects is expected to be approximately £56.0 million, with £12.0 million of this amount having already been invested. Each of the locations with planning permission will take five to seven years to reach maturity once construction has been completed, performing 800 to 1,000 cremations per year.

In addition, the Group also has one location that is currently in the planning process.

The Group's strategic review for corporate development activity is underway which will determine the next course of action for these locations.

Earnings per share

Underlying earnings per share decreased to a loss of 1.2 pence per Ordinary Share (June 2021: 36.2 pence; December 2021: 42.8 pence), principally driven by the 61 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 49. 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.

Non-underlying items excluded from alternative performance measures includes £62.9 million impairment charge which has arisen due to a fall in short-term forecasts since the impairment review performed for the 53 week period ended 31 December 2021 following slower funeral market share growth combined with more branch direct cremations rather than full adult funerals being performed than originally anticipated, together with an increase in the discount rate from 10.3 per cent to 11.4 per cent since December 2021. The slower market share growth is a result of the new strategy taking longer to implement partly due to staff shortages. The Group is currently suffering like many other businesses with a shortage of workforce and a difficulty in recruiting which is causing us to be unable to do funerals in a timeframe soon enough for some families. We are confident that our market share would have increased if we were not struggling with this challenge. We are currently addressing the vacancy issue by increasing the salaries within operations to be more competitive in the market, which should enable us to recruit and retain staff.

For more detailed information on non-underlying items including a reconciliation of statutory revenue to underlying revenue is set out on pages 31 and 49 to 57.

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

	26 week period ended 1 Jul 2022 £m	26 week period ended 25 Jun 2021 £m	53 week period ended 31 Dec 2021 restated ^(b) £m
Operating (loss)/profit for the period as reported	(48.3)	40.8	19.5
Add the effects of:			
Acquisition related amortisation	2.0	2.1	4.2
External transaction costs in respect of completed, aborted and ongoing transactions	3.7	0.6	2.6
Marketing costs in relation to trials	-	0.6	0.9
(Profit)/loss on sale of fixed assets (net of insurance proceeds received)	-	(0.2)	(1.1)
Trade name write-off	-	-	2.5
Trade name impairment	5.5	-	2.8
Goodwill impairment	42.7	-	36.4
Right-of-use asset impairment	10.3	-	-
Property, plant and equipment impairment	4.4	-	-
Restructuring costs – redundancy	2.3	-	-
Restructuring costs – onerous provision	0.3	-	-
Impact of Trust consolidation and IFRS 15	(8.2)	(6.1)	(12.0)
Underlying operating profit ^(a)	14.7	37.8	55.8
Underlying net finance costs	(14.1)	(14.6)	(29.0)
Underlying profit before tax ^(a)	0.6	23.2	26.8
Tax charge on underlying profit before tax	(1.2)	(5.1)	(5.4)
Underlying profit after tax ^(a)	(0.6)	18.1	21.4
Weighted average number of Ordinary Shares in issue during the period (million)	50.0	50.0	50.0
Underlying EPS (pence) ^(a)	(1.2)	36.2	42.8

(a) Further details of alternative performance measures can be found on pages 49 to 57.

(b) Prior year comparatives have been restated for the 53 week period ended 31 December 2021 due to a reclassification of foreign exchange movements. See Note 1 for further details.

Cash flow

Underlying cash generated from operations was £24.4 million (June 2021: £56.6 million) and has decreased as a result of lower operating profits and increased capital expenditure linked to delayed works from previous years during the pandemic. Other working capital changes were consistent with the Group's experience of converting profits into cash, subject to timing differences.

In addition to the corporate development activity in the period, the Group spent a net £13.3 million (June 2021: £9.9 million) on purchases of property, plant and equipment.

This is analysed as:

	1 Jul 2022 £m	25 Jun 2021 £m
Maintenance capital expenditure:		
Funeral services	3.8	4.0
Crematoria	2.6	2.7
Other	4.1	1.3
Total maintenance capital expenditure ^(a)	10.5	8.0
Other property development	1.5	0.1
Development of new crematoria and cemeteries	1.8	2.2
Total property, plant and equipment	13.8	10.3
Partly funded by:		
Disposal proceeds – properties ^(b)	(0.4)	(0.4)
Disposal proceeds – vehicles	(0.1)	-
Net capital expenditure	13.3	9.9

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

(b) Property disposals in 2022 includes £0.4 million of insurance proceeds received.

Cash flow and cash balances for the Trading Group

Cash balances held by the Trading Group at the end of the period were £32.9 million (June 2021: £81.7 million; December 2021: £55.9 million). This includes £0.3 million of restricted cash (June 2021: £16.9 million; December 2021: £nil), see note 10. The amount of restricted cash held at June 2022 and December 2021 differs from June 2021 due to the timing of interest and principal repayments on the Group's class A and B Secured Notes. Of the remaining amount, £23.7 million (June 2021: £33.6 million; December 2021: £44.6 million) was held by Dignity plc. Please see the terminology section on page 28 for the definitions of the Trading Group and the Securitisation Group.

Taxation

The Group's effective tax rate for 2022 is expected to be approximately 22 per cent before the effect of non-underlying items. The effective rate for 2023 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 the effects of non-deductible expenses. This expected effective rate excludes the impact of corporate interest rate restrictions.

The Group's effective tax rate on losses at 1 July 2022 is 17 per cent (June 2021: charge on profits of 38 per cent) which is lower than the underlying effective tax rate primarily due to £0.7 million of disallowable taxation on external transaction costs, £10.7 million of disallowable taxation on the goodwill, trade name, right-of-use asset and property, plant and equipment impairments and a £5.2 million credit in relation to Trusts.

A judgement has been taken by management in relation to the June 2022 corporate interest restriction ('CIR') charge. The restriction is calculated using the fixed ratio and is based upon an estimated full year tax EBITDA calculation which is aligned to the forecasts used within the Group's impairment and going concern assessments for interim reporting. Consequently, a charge of £1.0 million (June 2021: £2.1 million; December 2021: £1.5 million) has been recognised within the consolidated income statement. The CIR charge has been included within underlying taxation as the charge has arisen due to the level of profitability of the Trading Group. In prior periods, the charge has been included within "other adjustments" as non-underlying as the charge arose due to the level of fair value gains on the Trust bond portfolio as all Trust related items are included as non-underlying.

Capital structure

The Group has continued to work on a long-term solution to improve the Group's capital structure and on 7 September 2022 a consent solicitation with approximately 61 per cent support from its class A Noteholders was launched. This is seeking certain consents from Noteholders for a potential transaction involving the realisation of value from selected crematoria assets, with the expected proceeds of such a transaction being applied in a partial redemption of the Class A Notes, as required by the current documentation. The necessary quorum was achieved on 29 September 2022 (with 99.92 per cent of the aggregate principal amount of the Notes for the time being outstanding being represented and with 94.42 per cent of the votes being cast in favour of the proposal) and the consent to the proposal applies for a 12 month period to 29 September 2023. Once the transaction is complete, an outcome the board expects within the 12 months allowed, there are amendments to the documents that will allow further equity cures, with restrictions, to be made going forward should they be required.

As part of the proposed agreement with Noteholders, Dignity will be required to inject a minimum of £70.0 million into the Securitisation Group companies to partially repay some of the Class A Notes outstanding in consideration for assets leaving the Securitisation group. This will result in a deleveraging of the Group and a positive impact on the underlying financial ratios and covenant calculations. Funds for this injection are expected to be realised from a capital transaction relating to the sale of certain crematoria assets but the agreement with bondholders does not limit where the funds come from.

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 ⁽¹⁾	A-	BB+
Rating by Standard & Poor's ⁽²⁾	A-	B+

(1) Rating affirmed on 1 July 2022.

(2) Rating affirmed on 25 October 2021 and credit watch negative was also removed.

The Secured Notes have an annual debt service obligation (principal and interest) of circa £33.2 million. Net amounts owing on the Secured Notes is £521.4 million (June 2021: £536.7 million; December 2021: £526.6 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.

As set out in note 12, the Group's gross amounts owing on its debt obligations were £521.8 million (June 2021: £537.2 million; December 2021: £527.1 million). Net debt was £488.9 million (June 2021: £467.4 million; December 2021: £471.2 million).

The market value of the Secured Notes at the balance sheet date was £488.6 million (June 2021: £549.2 million; December 2021: £574.9 million).

Should the Group wish to repay all amounts due under the Secured Notes, the cost to do so at 1 July 2022 would have been approximately £627.4 million (Class A Notes: £177.4 million; Class B Notes: £450.0 million) (June 2021: £759.7 million (Class A Notes: £211.6 million; Class B Notes: £548.1 million); December 2021: £757.4 million (Class A Notes: £202.8 million; Class B Notes: £554.6 million)).

The Group also has access to a £55.0 million liquidity facility relating to the Class A and B Secured Notes, which attracts floating interest rates once drawn. This facility may only be used to repay interest and principal on the Secured Notes in the event of insufficient cash to service these instruments. The facility is subject to annual renewal. However, if the bank providing the facility does not renew it, then the provider is required to place £55.0 million in a bank account, which the Group may access as if it represented a borrowing facility on the same terms. The facility is available on these terms until the Secured Notes have been repaid in full. At 1 July 2022 £nil (June 2021: £nil; December 2021: £nil) was drawn on this facility.

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. During the temporary covenant waiver period that was approved by bonds holders in March 2022, any cash transferred into the Securitisation Group can be included within the EBITDA to debt service ratio for the following 12 months. The waiver allows for cash to be transferred at any covenant measurement point up to and including 31 December 2022. £15.1 million has been transferred in June 2022 which has resulted in a ratio of 1.86 times at 1 July 2022 (June 2021: 2.12 times; December 2021: 2.13 times). Excluding this cash transfer the ratio at 1 July 2022 was 1.42 times.

If this primary 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 Note holders. Refer to Note 1 to the interim financial statements for further details.

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 1 Jul 2022 £m	LTM 1 Jul 2022 £m	LTM 31 Dec 2021 restated ^(b) £m
EBITDA per covenant calculation - Securitisation Group	36.9	63.2	72.4
Less: Total cash transferred into Securitisation Group	(15.1)	(15.1)	-
Add: EBITDA of entities outside Securitisation Group	1.8	2.7	1.3
Add: Impact of IFRS 16	6.2	12.1	12.5
Less: Non cash items ^(a)	(0.2)	(0.7)	(1.3)
Underlying operating profit before depreciation and amortisation - Group	29.6	62.2	84.9
Underlying depreciation and amortisation	(14.9)	(29.5)	(29.1)
Non-underlying items	(71.2)	(116.4)	(48.3)
Impact of Trust consolidation and IFRS 15	8.2	14.1	12.0
Operating (loss)/profit	(48.3)	(69.6)	19.5

Notes

(a) The terms of the securitisation require certain items (such as pensions, Save As You Earn Scheme and Long-Term Incentive Plan Scheme costs) to be adjusted from an accounting basis to a cash basis.

(b) Prior year comparatives have been restated for the 53 week period ended 31 December 2021 due to a reclassification of foreign exchange movements. See Note 1 for further details

Whilst not a covenant, 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 2022 was 1.04 times (June 2021: 1.74 times; December 2021: 1.76 times). These combined requirements are known as the Restricted Payment Condition ('RPC'). Given the ratios achieved, the RPC was not achieved at June 2022. Failure to pass the RPC is not a covenant breach and does not cause an acceleration of any debt repayments. Any cash not permitted to be transferred whilst the RPC is not achieved will be available to be transferred at a later date once the RPC requirement is achieved but otherwise can be used within the Securitisation Group with no restrictions. 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 (the 'Securitisation Group').

Cash return on Core Capital

In the 2021 Annual Report we introduced a measure we call Cash Return on Core Capital ('CROCC'). In June 2022 the CROCC fell to (0.4) per cent (June 2021: 8.5 per cent; December 2021: 9.7 per cent). The fall in 2022 reflects the reduced underlying operating profits and higher capital expenditure offset by lower cash tax payments. See alternative performance measures on page 56 for how it is calculated and why we use it.

Trust balances

At the balance sheet date, the Trusts had £960.9 million (June 2021: £1,006.8 million; December 2021: £1,043.1 million) of financial assets and £15.7 million (June 2021: £23.6 million; December 2021: £19.8 million) of cash, which has been recognised in the consolidated balance sheet. The movement in financial assets from December 2021 to June 2022 is primarily attributable to remeasurement loss recognised in the consolidated income statement of £68.0 million (June 2021: remeasurement gain of £45.8 million; December 2021: remeasurement gain of £85.0 million) and net disposals of financial assets of £14.1 million (June 2021: net disposals of £5.8 million; December 2021: net disposals of £12.2 million). This reduction in assets is reflective of current market conditions, should this decrease continue, it is likely to have an adverse impact on the next actuarial valuation due in September 2022.

Aggregated contract liabilities totalled £1,330.6 million (June 2021: £1,330.5 million; December 2021: £1,337.5 million) with the primary movement from December 2021 to June 2022 being sales of new plans of £29.0 million (June 2021: £48.6 million; December 2021: £86.3 million), increases due to significant financing of £25.6 million (June 2021: £25.9 million; December 2021: £51.6 million) and releases due to death or cancellation totalling £61.5 million (June 2021: £61.5 million; December 2021: £117.9 million).

The accounting position is not the same as the actuarial position which reflects the solvency of the Trusts. As of the last actuarial valuations in September 2021, the Trusts had assets of £1,114.4 million and liabilities of £967.1 million to give a net surplus of £147.3 million.

Impairment

A total impairment of £62.9 million has been charged in the period (June 2021: £nil million; December 2021: £39.2 million), of which £42.7 million (June 2021: £nil million; December 2021: £36.4 million) to goodwill, £5.5 million (June 2021: £nil million; December 2021: £2.8 million) relates to trades names, £10.3 million (June 2021: £nil million; December 2021: £nil million) to right-of-use assets and £4.4 million (June 2021: £nil million; December 2021: £nil million) to property, plant and equipment.

The impairment has arisen within the funeral services division primarily due to slower funeral market share growth combined with more branch direct cremations rather than full adult funerals being performed than originally anticipated which impacts the short-term forecasts used within the impairment models, together with an increase in the Group's discount rate from 10.3 per cent to 11.4 per cent since December 2021. Slower market share growth is attributable to a shortage in workforce and a difficulty in recruiting which is causing the Group to be unable to perform funerals in a timeframe soon enough for some families.

Whilst the Group expects long-term market share growth from the new strategy, the accounting standard (IAS 36) for impairment assessments does not allow forecasts to be used where assumptions cannot be evidenced or have not yet been implemented (e.g., cost savings). As a result, whilst the Group is focused on committing to delivering its market share growth ambitions, given the infancy of the strategic plan implementation and the available evidence to demonstrate this growth as at the interim reporting date when the impairment assessment is made, the full extent of potential longer-term gains is not reflected in the impairment modelling. The impairment of right-of-use assets and property, plant and equipment includes a level of estimation in the interim reporting. Note 6 in the interim report provides sensitivity analysis based on the calculated impairment and a detailed explanation of these estimations.

Post balance sheet events

Capital structure – consent solicitation with bondholders

On 7 September 2022 a consent solicitation with approximately 61 per cent support from its class A Noteholders was launched. This sought certain consents from Noteholders for a potential transaction involving the realisation of value from selected crematoria assets, with the proceeds of such a transaction being applied in a partial redemption of the Class A Notes, as required by the current documentation. The necessary quorum was achieved on 29 September 2022 (with 99.92 per cent of the aggregate principal amount of the Notes for the time being outstanding being represented and the Extraordinary Resolution being passed with 94.42 per cent of the votes being cast in favour) and the consents referred to above apply for 12 month period to 29 September 2023.

Dignity will be required to inject a minimum of £70 million into the Securitisation Group to partially repay some of the Class A Notes outstanding in consideration for assets leaving the Securitisation Group. If the transaction completes in Q2 2023 and £70m is the net realisation then this will result in a deleveraging of the Group and a positive impact of £5.7 million on the DSCR covenant calculations, i.e., a reduction of the DSCR from c.£51 million to c.£45.3 million in 2023. If the transaction takes longer to complete and is completed in Q3 2023 there will be no positive impact in 2023 as the first possible date for repayment will be 29 December 2023. It would have a

full year impact of £11.7 million on the DSCR covenant calculations, i.e., a reduction of the DSCR from c.£51 million to c.£39.3 million in 2024.

In addition, upon completion of the proposed transaction within the timeframe permitted by the noteholder consent, there are amendments to the documents that will allow further equity cures, with restrictions, to be made going forward should they be required. This can be used to supplement any EBITDA shortfall at 31 December 2023.

UK Funerals (2022) Trust established

We have established the UK Funerals (2022) Trust, operated by trustees independent to Dignity, which commenced selling pre-arranged funeral plans on 8 August 2022. £1.0 million cash was transferred into this new Trust on 11 July 2022 at the request of the FCA in order to meet a requirement of the new regulation.

Forward-looking statements

Certain statements in this Interim Report are forward-looking. Please see page 60 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 Group as well as alternative sources of financing that might reasonably be assumed to be available.

The Group has carried out a diligent going concern analysis. Full details of this analysis are set out in Note 1 to the interim 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 through 30 September 2023, being 12 months from the date of these interim financial statements. The Directors formally considered this matter at the Board meeting held on 27 September 2022. 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 1 July 2022	Developments in 2022
Underlying (loss)/earnings per share (pence)	This is underlying profit after tax divided by the weighted average number of Ordinary Shares in issue in the period.	(1.2) pence (H1 2021: 36.2 pence) ^(a) (FY 2021: 42.8 pence) ^(b)	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.	£14.7 million (H1 2021: £37.8 million) ^(a) (FY 2021: £55.8 million) ^(b)	Underlying operating profit declined year-on-year reflecting lower deaths and lower average revenues. This is partially offset by higher market share.
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.	£24.4 million (H1 2021: £56.6 million) ^(a) (FY 2021: £88.3 million) ^(b)	Although cash balances have fallen due to lower underlying operating profits, the Group continues to convert operating underlying profit into cash efficiently.
Underlying average revenue per funeral (£)	Underlying funeral revenue divided by the number of funerals performed in the relevant period.	£2,270 (H1 2021: £2,628) ^(a) (FY 2021: £2,548) ^(b)	2022 has been adversely impacted by the change in pricing strategy and mix effective since September 2021.
Total estimated number of deaths in Britain (number)	This is as reported by the Office for National Statistics.	319,000 (H1 2021: 340,000) ^(a) (FY 2021: 664,000) ^(b)	Deaths in the prior period were materially higher than originally anticipated due to the pandemic. Deaths in the current period may be lower than the latest ONS expectations despite being three per cent above the five year average.
Funeral market share excluding Northern Ireland (per cent)	This is the number of funerals performed by the Group in Britain divided by the total estimated number of deaths in Britain.	12.4% (H1 2021: 12.0%) ^(a) (FY 2021: 11.8%) ^(b)	Market share has increased compared to the prior period.
Number of funerals performed (number)	This is the number of funerals performed by the Group according to our operational data.	40,000 (H1 2021: 41,400) ^(a) (FY 2021: 79,200) ^(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.	12.3% (H1 2021: 11.4%) ^(a) (FY 2021: 11.3%) ^(b)	Market share has increased significantly compared to the prior period primarily due to direct cremations.
Number of cremations performed (number)	This is the number of cremations performed according to our operational data.	39,300 (H1 2021: 38,900) ^(a) (FY 2021: 74,800) ^(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.	582,000 (H1 2021: 580,000) ^(a) (FY 2021: 581,000) ^(b)	This increase reflects continued sales activity (both trust funeral plans and insurance backed, albeit at a lower level than previous years) offset by plans cancelled and 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 2021 relates to the 26 weeks ended 25 June 2021.

(b) FY 2021 relates to the 53 weeks ended 31 December 2021.

Maintaining consistent high-quality and standards

We are proud of how we care for our clients and families and aim to continuously improve our approach to delivering high quality services and standards.

Our mission is to drive forward positive change in the sector and become a true market leader with an unrivalled focus on quality, transparency and choice. To achieve this, we recognise the importance of investing in our people, digital platforms, and facilities; as well as empowering our colleagues to make the right decisions that deliver a positive experience and outcome for our clients.

Dignity has supported calls for stronger oversight of the standards delivered by the funeral and crematoria profession for some time, but we recognise there is still work to be done to ensure that we ourselves are delivering truly market leading best practice. We have supported formation of the Independent Funeral Standards Organisation (IFSO), and the progress it has made to finalise recommended quality and standards framework for the sector for England and Wales. We have also worked closely with Scottish Government to develop its approach to regulation of the sector and provision of services, including the anticipated implementation of a new Code of Practice for Funeral Directors that will sit under a legal framework in Scotland.

Understanding our customers

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 140,000 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.

We are currently reviewing the way that we gather feedback from our customers and the public. Our new approach will seek to attain a deeper understanding of the needs, wants and trends amongst bereaved families, communities and funeral plan customers, using this insight to understand how we can improve our services. This means we are likely to change the way we report that feedback in the future.

The Dignity Customer Survey 2022

Reputation and recommendation

99.0% (December 2021: 99.0%)
99.0 per cent of respondents said that we met or exceeded their expectations.

98.1% (December 2021: 98.0%)
98.1 per cent of respondents would recommend us.

High Standards of facilities and fleet

99.9% (December 2021: 99.8%)
99.9 per cent thought our premises were clean and tidy.

99.6% (December 2021: 99.6%)
99.6 per cent thought our vehicles were clean and comfortable.

Quality of service and care

99.9% (December 2021: 99.9%)
99.9 per cent thought our staff were respectful.

99.7% (December 2021: 99.7%)
99.7 per cent thought our staff listened to their needs and wishes.

99.1% (December 2021: 99.2%)
99.1 per cent agreed that our staff were compassionate and caring.

In the detail

99.1% (December 2021: 99.2%)
99.1 per cent of clients agreed that our staff had fully explained what would happen before and during the funeral.

99.3% (December 2021: 99.1%)
99.3 per cent said that the funeral service took place on time.

97.9% (December 2021: 98.3%)
97.9 per cent said that the final invoice matched the estimate provided.

Kate Davidson
Chief Executive
29 September 2022

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 as advised by the Risk Committee. The Risk Committee 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.

The Board operates a low-level risk appetite in order to ensure as much as is possible that the services provided by the Group are consistently of a high standard and that regulatory requirements are adhered to.

Risk appetites for specific key risks have been reviewed during the course of the year and, where appropriate, the Group's risk appetite has been adjusted accordingly.

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 Risk Committee 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 and through the Risk Committee has carried out a robust assessment of both emerging and principal risks. This assessment process is supported by in-house risk management professionals.

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.

Risk process

Every six months the Risk 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 and analysis 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, across an audit plan cycle, to assist in ensuring the related key controls, procedures and policies are understood and operated effectively where they serve to mitigate risks.

Risk Committee

The Risk Committee advises the Board on risk management issues, recommends the framework of risk limits and risk appetite to the Board for approval and oversees the risk management arrangements of the Company, including the embedding and maintenance of a supportive risk management culture.

The Risk Committee seeks to ensure that the material risks facing the Company have been identified and that appropriate arrangements are in place to manage and mitigate those risks effectively within the Company's agreed risk appetite.

Risk status summary

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

Regulation of Pre-arranged funeral plans

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

Dignity believes that this regulation is necessary and has welcomed its introduction. Dignity is a FCA regulated provider of pre-arranged funeral plans.

COVID-19

Although hopefully the worst is behind the country, COVID-19 created risks 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. We continue to regularly assess the potential risks.

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 impact of COVID-19

Financial 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. Additionally, the ability to mitigate is currently affected by inflationary pressures such as the price of energy. The number of deaths in the first half 2022 was 319,000 which was six per cent lower than the prior year. Our planning continues to be based on the long-term expectations provided by the Office for National Statistics. The COVID-19 pandemic has been a period of significant disruption to the funeral market as the elevated death rate resulted in a higher number of funerals and cremations compared to the five-year average. Whilst we anticipate this volatility in death rates to continue, the excess death rate may well reverse, and the off-setting impact of both factors results in no change in the risk assessment.	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 limited number of 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. We are now focused on the development and execution of a vision to excel in the new FCA regulated environment using all potential channels to find and delight new clients. FCA regulation of the sector has acted as a catalyst for change, resulting in a small number of organisations withdrawing from the pre-need funeral plans market. Dignity has stood by its commitment to help customers of other plan providers where we can, and as we have with customers of Safe Hands, have engaged with a number of firms that are exiting the market. We continue to provide support to families that have been impacted by the collapse of the firm through providing funeral services to families for a period. The Group maintains a 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 assist in mitigating this risk. Dignity operates a suite of sector-leading policies and practices that form our Standard Operating Procedures ('SOP') The SOP is at the core of everything we do regarding our care for clients and deceased persons. It includes guidelines for security and identification, access to premises and mortuaries, care for the deceased and all other important policies for both observed and unobserved procedures. In terms of quality of care for clients and their loved ones, the SOP assists in mitigating reputational risk 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 exceptional client service. This will be supported by strong reputational management. The Group is aspiring to achieve 20 per cent funeral market share in ten years time (including both pre and at-need funerals) by offering the best service for the best prices. 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. During COVID-19 the Group experienced lower average revenues than originally expected. In addition, awareness of Simple Funerals and Simplicity Cremations has increased during the pandemic. Inflationary pressures and recessionary impact on cost of living may further impact consumer preference and reduce net average revenues In 2021, we lowered prices substantially. Since we changed prices, our experience has been that market share loss stops and then reverses, and so in time we expect that revenue loss to be more than compensated by volume growth especially when combined with all the other elements of our strategy.	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 the increased demand for direct cremation 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 increased demand for direct cremation has resulted in a decline in underlying average revenue although our strategy is to rebalance this through increased market share.	No 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. Refer to Note 1 to the interim financial statements for further details. 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 calculation will change proportionately with changes in EBITDA generated by the Securitised Group. Current trading continues to support the Group's financial obligations, however lower reported profitability increases the risk of breaching covenants, which would have occurred on 1 July 2022 were it not for the use of an equity cure of at least £2.8 million. Whilst the Group's financial performance delivered headroom in relation to financial covenants throughout 2021, given the distorting impact of the pandemic on the timing of deaths, there remains significant uncertainty around the UK death rate in the near term. During the period, the Board took the prudent decision and secured a temporary waiver of the abovementioned financial covenant on a precautionary basis in relation to Dignity Finance plc's debt obligations. In March 2022 the Group was granted a waiver on the application of the covenants on the bonds for 12 months. This course of action accounted for post- pandemic uncertainty over the death rate which, together with the challenge of restructuring, risked a potential covenant breach. The waiver allows for an equity cure by Dignity plc should there be a shortfall in EBITDA of the Securitisation Group at any covenant measurement point up to and including 31 December 2022. The agreement reached in September 2022 between Dignity and its bondholders allows for a deleveraging transaction involving seven crematoria which is expected to take place in the next 12 months as permitted. This transaction, if completed, would reduce the level of the covenant test and increase the headroom. It requires a minimum of a net £70 million repayment of the bonds but that figure could be higher depending on the value placed on the crematoria when the expected transaction occurs. Changes to the terms of the bonds will also allow more operational flexibility and future equity cures.	No change

Strategic risk management

Risk description and impact	Mitigating activities and commentary	Change
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. The substantial lowering of prices in 2021 and the adoption of a strategy based upon growth has allowed our market share to stabilise and grow. The Group is prioritising 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 also mitigated by the Group's experience and ability in managing the development of new crematoria. The Group will focus on: • increasing both volume and revenue per crematoria by increasing throughput and growing ancillary sales; • continuing to build out the pipeline of crematoria and build additional capacity into existing facilities; and • 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 is expected to 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

Operational risk management

Risk description and impact	Mitigating activities and commentary	Change
Competition in the Funeral Market The UK funeral services, crematoria and pre-need markets are currently fragmented. There could be (i) further consolidation as FCA regulation of the pre-need sector has acted as a catalyst for change resulting in a number of organisations withdrawing from the market or (ii) 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 has introduced 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 quality pre-need product, the marketing of which will benefit from the current and future significant investment in marketing and enhanced digital presence. FCA regulation of the sector is an opportunity for Dignity to gain competitive position. FCA regulation provides Dignity's customers with reassurance that they hold a funeral plan with a trusted and reputable provider, backed by a secure and well-managed trust fund. We recognise that this is not the case for customers of those providers that have failed to meet the FCA requirements or have elected to exit the market. We stand by our commitment to help customers of other plan providers where we can, and as we have with the customers of Safe Hands, we will engage with those firms on a case-by case basis.	Decreased

Risk description and impact	Mitigating activities and commentary	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 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. In addition, however, to maintaining appropriate levels of Cyber Insurance we continue our investment in fit for purpose security controls, processes, and technology to allow us to 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 maintains an ISO 27001 compliant Information Security Management System and has its security controls, processes and technology independently audited to ensure it remains effective or to assess where it requires additional investment.	No change

Regulatory risk management

Risk description and impact	Mitigating activities and commentary	Change
Regulation of pre-arranged funeral plans FCA Regulation has resulted in changes to processes, systems, pricing, funding, capital requirements and terms and conditions of plans. Regulation affects the Group's opportunity to sell pre-arranged funeral plans in the future and could result in the Trading Group not being able to draw down the current level of marketing allowances. The minimum solvency levels (110 per cent) for Trust funds set by the FCA means that levels below this minimum will require Dignity Funerals Limited to address shortfall within a 12-month period.	Regulation applies to the industry as a whole and not just the Group. The FCA rules addressed: • Commission. • Customer documentation. • Trust structures. • Product value and features. • Minimum solvency requirements for Trust Funds. • Compliant sales of Pre-Paid plans. Our strong market presence in the Whole of Life Funeral Benefit market remains unchanged. The changes affect the whole industry, however, Dignity is in a strong market position as a vertically integrated provider to grow its controlled channels that remain open. Internally we improved our pre-need product by bringing more choice, flexibility, and simplicity to our offering. We have also improved our own channels of distribution. FCA regulation prevents us from paying commissions to third parties and so we have ceased business with many of our previous distribution partners. Instead, we will focus on developing our proposition and sales strategy delivered through our website and via our well-trained community-based colleagues. Our ambition is to significantly increase the number of funeral plans sold through our branch network. As well as top line growth we aim to reduce the cost per plan sale. Minimum Solvency levels of 120 per cent of assets/liabilities were agreed by the Dignity Funerals Limited Board. This represents a 10 per cent buffer over the regulatory minimum of 110 per cent. There will be Board oversight of product development, pricing and distribution of Pre-Paid funeral plans. Compliance with FCA regulations will be subject to continuous monitoring by our Compliance and Risk Team and reported regularly to the Board. Compliance breaches will be reviewed by the Board and addressed as required. Our objective is to deliver the high standards required by the regulator and strive to exceed them.	Decreased
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 above funeral cost inflation. Additionally, and in parallel with the development and launch of our innovative new funeral plan, we have incorporated a new trust to support this.	No change

Risk description and impact	Mitigating activities and commentary	Change
Funeral Directors' Codes of Practice A number of compliance requirements currently recommended by the Scottish Government Funeral Directors' Code of Practice can reasonably be expected to become law. For example, one draft requirement for funeral directors is 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 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 the UK legislative networks. 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 National Association of Funeral Directors ('NAFD') and the Independent Funeral Standards Organisation ('IFSO') is underway. We strongly support the progress IFSO has made and look forward to working with the body should it transition into a government endorsed self-supervisory body for the sector. We have also worked closely with Scottish Government to develop its approach to regulation of the sector and provision of services, including the anticipated implementation of a new Code of Practice for Funeral Directors that will sit under a legal framework in Scotland.	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
Macroeconomic Pressures Inflationary pressures have become apparent to Dignity and most other organisations as rising staff costs, energy prices and supply chain disruption continue to develop. The recent and significant increase in wholesale gas prices will contribute to the pressure on average revenue per cremation.	Overall, we are seeing rising costs impacting our business especially employment costs and we will be looking to recover some of that in our next pricing adjustments in October 2022.	New
Energy Security In light of the geopolitical situation following the Russian invasion of the Ukraine, energy security is a major international issue.	With all other businesses, we will monitor the developing situation. We note HM Governments Policy Paper on British Energy Security Strategy which states that the country needs to build a British energy system that is much more self-sufficient. We continue to review our position based on the recent government announcements regarding energy prices and will determine what action is required to address this risk. Currently the major risk is one of price not supply but Dignity will be subject to whatever government restrictions may be placed upon industry users should there be a shortfall in supply. The nature of Dignity's activity is likely to give it some prioritised protection should a form of rationing be introduced.	New
Sustainability and climate resilience The need to operate businesses sustainably and with a focus on the environment is now an imperative in order to achieve the Government's target of net-zero.	The vision is for Dignity to achieve net-zero by 2038. 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. Dignity has voluntarily submitted their first TCFD report for the year 2021 prior to this becoming mandatory for 2022. Dignity, alongside their consultancy partner, Inspired Energy, are actively analysing Scope 3 emissions in order to have a fuller more robust report in 2022. Key ESG focuses for 2022 include: - Climate scenarios analysis and interim target setting to 2038; - Develop a standalone TCFD report - full disclosure; - Improve data collection and metrics across Scopes 1,2&3; Improved cremator technology; and - Proactively working with Supply Chain to influence green credentials. Dignity is actively recruiting a ESG Manager to support with all Environmental and Sustainable activities and initiatives. Their role will be to build the strategy and road map to achieving net zero by 2038.	No change

Consolidated income statement (unaudited)

for the 26 week period ended 1 July 2022

		26 week period ended		53 week period ended 31 Dec 2021 restated (audited)
		1 Jul 2022	25 Jun 2021 restated	
	Note	£m	£m	£m
Revenue	2	166.9	189.0	353.7
Cost of sales		(87.3)	(88.1)	(174.1)
Gross profit		79.6	100.9	179.6
Administrative expenses		(124.7)	(59.4)	(156.4)
Trade receivables impairment		(3.2)	(0.7)	(3.7)
Operating (loss)/profit	2	(48.3)	40.8	19.5
Finance costs	3	(14.1)	(14.6)	(29.0)
Deferred revenue significant financing	3	(25.6)	(25.9)	(51.6)
Remeasurement of financial assets held by the Trusts and related income	3	(68.0)	50.2	93.1
(Loss)/profit before tax	2	(156.0)	50.5	32.0
Taxation	4	26.7	(19.3)	(19.9)
(Loss)/profit for the period attributable to equity shareholders		(129.3)	31.2	12.1
(Loss)/profit per share for (loss)/profit attributable to equity shareholders				
– Basic (pence)	5	(258.6)p	62.4p	24.2p
– Diluted (pence)	5	(258.6)p	62.4p	24.2p

Prior year comparatives have been restated for the 53 week period ended 31 December 2021 due to a presentation change in relation to trade receivables impairment and a reclassification of foreign exchange movements. Prior period comparatives for have been restated for the 26 period ended 25 June 2021 due to a presentation change in relation to trade receivables impairment. 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 1 July 2022

		26 week period ended		53 week period ended 31 Dec 2021 (audited)
		1 Jul 2022	25 Jun 2021	
		£m	£m	£m
(Loss)/profit for the period		(129.3)	31.2	12.1
Items that will not be reclassified to profit or loss				
Remeasurement gain on retirement benefit obligations		8.9	10.5	15.6
Tax charge on remeasurement on retirement benefit obligations		(2.2)	(2.6)	(3.9)
Tax charge on pension contributions		(0.1)	-	(0.2)
Restatement of deferred tax for the change in UK tax rate		-	1.9	1.9
Other comprehensive income		6.6	9.8	13.4
Total comprehensive (loss)/income for the period		(122.7)	41.0	25.5
Attributable to:				
Equity shareholders of the parent		(122.7)	41.0	25.5

Consolidated balance sheet (unaudited)

as at 1 July 2022

	Note	1 Jul 2022 £m	25 Jun 2021 £m	31 Dec 21 (audited) £m
Assets				
Non-current assets				
Goodwill	6	125.4	203.9	167.9
Intangible assets	6	103.3	118.3	110.7
Property, plant and equipment		240.7	241.2	242.1
Right-of-use asset	7	75.9	91.5	89.1
Deferred insurance commissions		8.1	9.2	8.4
Financial assets held by the Trusts	8	960.9	1,006.8	1,043.1
Deferred commissions	11	97.5	104.4	100.9
Deferred tax asset	4	30.2	6.7	5.5
		1,642.0	1,782.0	1,767.7
Current assets				
Inventories		7.9	9.1	8.6
Trade and other receivables	9	27.2	28.4	30.0
Current tax receivables		3.4	-	2.4
Deferred commissions	11	7.3	7.9	7.6
Cash and cash equivalents – Trading Group		32.9	81.7	55.9
Cash and cash equivalents – held by the Trusts		15.7	23.6	19.8
Cash and cash equivalents	10	48.6	105.3	75.7
		94.4	150.7	124.3
Total assets		1,736.4	1,932.7	1,892.0
Liabilities				
Current liabilities				
Financial liabilities		11.7	16.0	11.5
Trade and other payables		51.9	72.5	59.5
Lease liabilities	7	7.1	7.1	7.1
Current tax liabilities		-	1.7	-
Contract liabilities	11	98.1	96.3	99.6
Provisions for liabilities		2.2	2.1	2.1
		171.0	195.7	179.8
Non-current liabilities				
Financial liabilities		512.7	524.3	518.3
Other non-current liabilities		2.1	2.2	2.2
Lease liabilities	7	73.4	77.2	75.8
Contract liabilities	11	1,232.5	1,234.2	1,237.9
Provisions for liabilities		9.5	9.6	9.4
Retirement benefit obligation	15	9.0	25.4	19.7
		1,839.2	1,872.9	1,863.3
Total liabilities		2,010.2	2,068.6	2,043.1
Shareholders' deficit				
Ordinary share capital		6.2	6.2	6.2
Share premium account		13.0	12.9	12.9
Capital redemption reserve		141.7	141.7	141.7
Other reserves		(2.4)	(2.6)	(2.3)
Retained earnings		(432.3)	(294.1)	(309.6)
Total deficit		(273.8)	(135.9)	(151.1)
Total deficit and liabilities		1,736.4	1,932.7	1,892.0

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

Consolidated statement of changes in equity (unaudited)
as at 1 July 2022

	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 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 ⁽¹⁾	-	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)
Loss for the 27 weeks ended 31 December 2021	-	-	-	-	(19.1)	(19.1)
Remeasurement gain on retirement benefit obligations	-	-	-	-	5.1	5.1
Tax on retirement benefit obligations	-	-	-	-	(1.3)	(1.3)
Tax on pension contributions	-	-	-	-	(0.2)	(0.2)
Other comprehensive income	-	-	-	-	3.6	3.6
Total comprehensive loss	-	-	-	-	(15.5)	(15.5)
Effects of employee share options	-	-	-	0.3	-	0.3
Tax on employee share options	-	-	-	(0.1)	-	(0.1)
Gift to Employee Benefit Trust	-	-	-	0.1	-	0.1
Shareholders' equity as at 31 December 2021	6.2	12.9	141.7	(2.3)	(309.6)	(151.1)
Loss for the 26 weeks ended 1 July 2022	-	-	-	-	(129.3)	(129.3)
Remeasurement gain on retirement benefit obligations	-	-	-	-	8.9	8.9
Tax on retirement benefit obligations	-	-	-	-	(2.2)	(2.2)
Tax on pension contributions	-	-	-	-	(0.1)	(0.1)
Other comprehensive income	-	-	-	-	6.6	6.6
Total comprehensive loss	-	-	-	-	(122.7)	(122.7)
Effects of employee share options	-	-	-	0.1	-	0.1
Tax on employee share options	-	-	-	(0.1)	-	(0.1)
Proceeds from share issue ⁽²⁾	-	0.1	-	-	-	0.1
Gift to Employee Benefit Trust	-	-	-	(0.1)	-	(0.1)
Shareholders' equity as at 1 July 2022	6.2	13.0	141.7	(2.4)	(432.3)	(273.8)

(1) Relating to issue of 5,963 shares under 2016 DAB scheme and 4,562 shares under 2019 SAYE scheme.

(2) Relating to issue of 2,709 shares under 2019 DAB scheme and 4,534 shares under 2019 SAYE scheme.

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 1 July 2022

	Note	26 week period ended		53 week period ended 31 Dec 2021 (audited)
		1 Jul 2022	25 Jun 2021	£m
		£m	£m	£m
Cash flows from operating activities				
Cash generated from operations	13	(3.7)	49.0	68.3
Finance costs paid		(13.6)	(14.3)	(40.2)
Transfer from restricted bank accounts for finance costs	10	-	12.0	12.0
Payments to restricted bank accounts for finance costs	10	(0.3)	(11.9)	-
Total payments in respect of finance costs		(13.9)	(14.2)	(28.2)
Tax paid		(1.1)	(12.4)	(17.7)
Net cash (used in)/generated from operating activities		(18.7)	22.4	22.4
Cash flows from investing activities				
Acquisition of subsidiaries and businesses (net of cash acquired)		(0.2)	-	(0.2)
Proceeds from sale of property, plant and equipment		0.5	0.4	1.2
Purchase of property, plant and equipment and intangible assets ⁽¹⁾		(14.0)	(10.3)	(21.0)
Purchase of financial assets (by the Trusts)		(85.4)	(330.7)	(948.7)
Disposals of financial assets (by the Trusts)		99.5	336.5	960.9
Realised return on financial assets		-	2.0	2.1
Net cash generated/(used in) investing activities		0.4	(2.1)	(5.7)
Cash flows from financing activities				
Payments due under Secured Notes		(5.2)	(5.0)	(15.1)
Transfer from restricted bank accounts for repayment of borrowings	10	-	4.9	4.9
Payments to restricted bank accounts for repayment of borrowings	10	-	(5.0)	-
Total payments in respect of borrowings		(5.2)	(5.1)	(10.2)
Principal elements of lease payments		(3.9)	(5.1)	(9.1)
Net cash used in financing activities		(9.1)	(10.2)	(19.3)
Net (decrease)/increase in cash and cash equivalents		(27.4)	10.1	(2.6)
Cash and cash equivalents at the beginning of the period		75.7	78.3	78.3
Cash and cash equivalents at the end of the period	10	48.3	88.4	75.7
Restricted cash – amounts set aside for debt service payments	10	0.3	16.9	-
Cash and cash equivalents at the end of the period as reported in the consolidated balance sheet	10	48.6	105.3	75.7

(1) See Business and financial review on page 6 for further details.

**Notes to the interim financial information 2022 (unaudited)
for the 26 week period ended 1 July 2022**

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 1 July 2022 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 the United Kingdom adopted International Accounting Standard (IAS) 34 'Interim Financial Reporting'.

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 53 week period ended 31 December 2021. The Directors approved this interim condensed consolidated financial information on 29 September 2022.

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 53 week period ended 31 December 2021, 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. The consolidated financial statements for the 52 week period ended 30 December 2022 will be prepared in accordance with UK adopted international accounting standards. The accounting policies will be updated following the adoption of amendments to IAS 37. 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 53 week period ended 31 December 2021. Comparative information has been presented as at and for the 26 week period ended 25 June 2021, and as at and for the 53 week period ended 31 December 2021.

The comparative figures for the 53 week period ended 31 December 2021 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 53 week period ended 31 December 2021 has been delivered to the Registrar of Companies and contained an unqualified auditors' report which did not contain an emphasis of matter reference or 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

Classification of hedging/foreign exchange difference arising on financial assets held by the Trusts

Within the consolidated income statement administrative expenses have been restated for the 53 week period ended 31 December 2021 to remove £1.7 million of hedging/foreign exchange losses arising on financial assets held by the Trusts, which has now been more appropriately included within remeasurement of financial assets held by the Trusts and related income.

Disclosure of trade receivables impairment

Within the consolidated income statement administrative expenses have been restated for the 26 week period ended 25 June 2021 by £0.7 million and for the 53 week period ended 31 December 2021 by £3.7 million to remove trade receivables impairment, which has now been separately disclosed on the face of the consolidated income statement (having previously been disclosed in note 5 of the Group's Annual Report and Accounts).

The above changes in presentation have resulted in administrative expenses for the 26 week period ended 25 June 2021 reducing by £0.7 million from £60.1 million to £59.4 million, administrative expenses for the 53 week period ended 31 December reducing by £5.4 million from £161.8 million to £156.4 million, operating profit for the 53 week period ended 31 December increasing by £1.7 million from

1 Accounting policies (continued)

£17.8 million to £19.5 million and remeasurement of financial assets by the Trusts and related income reducing by £1.7 million from £94.8 million to £93.1 million. This restatement for the 53 week period ended 31 December 2021 has been reflected in the segmental analysis presented in note 2 within funeral services 'other adjustments', which has increased by £1.7 million from £10.2 million to £11.9 million. Accordingly, funeral services statutory operating profit has increased by £1.7 million from £13.0 million to £14.7 million.

There is no impact on operating profit for the 26 week period ended 25 June 2021. There is no impact on statutory earnings per share in either period.

Going concern

The financial performance of the Group and the Securitisation Group has been forecast for a period through 30 September 2023 (the 'going concern period') and those forecasts ('base case') have been subjected to a number of sensitivities. The base case 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 key factors which impact the Group's financial performance are death rate, market share, funeral mix (Attended Funeral vs Unattended Funeral), average revenue per funeral and inflation.

The performance against the planned strategy in H1 2022 is behind that originally anticipated as it is taking longer to re-structure funeral operations along with challenges with staff shortages; and as such forecasts have been adjusted to allow for a slower growth in market share whilst the new strategy is fully embedded and vacancies for key roles are filled. The result of the above has resulted in lower covenant headroom than previously forecast for the 2022 and 2023 periods. However, in those areas of the business where we have done the most to introduce the elements of our new strategy, we see encouraging results of the market share growth we are seeking.

The base case assumes death rates in line with ONS figures, market share flat for the remainder of 2022 and one per cent growth in 2023, with funeral mix remaining at the current rates and an uplift in average revenues reflecting an October 2022 price adjustment and having considered the expected impact of inflation on the Group's cost base.

Debt and liquidity

As at 1 July 2022, the Group had cash (excluding cash in the Trusts) of £32.9 million. Its operations are also funded by Class A Notes with an outstanding principal of £165.4 million (matures 2034) and Class B Notes (together, the 'Notes') with an outstanding principal of £356.4 million (matures 2049) that are listed on the Irish Stock Exchange.

Under the base case, the Group is forecast to have sufficient liquidity to meet its liabilities as they fall due in the period assessed through to 30 September 2023. This is having given due consideration to the amount of the cash on hand, the planned investments in capital and the expected conversion of trading profitability into cash at historic levels.

As a precautionary measure to provide additional liquidity, Dignity plc has sought and been offered an unconditional irrevocable loan of £50 million from Phoenix Asset Management Partners, a related party ('PAMP loan'). The terms permit the loan to be used for any business purpose (e.g., capital investment) and allows for an onward loan from Dignity plc to the Securitised Group. The Group could if required drawdown on the facility in the going concern period to provide a cash buffer and to protect against the stress case risk. However, with this facility, there is no plausible scenario of exhausting liquidity in the going concern period.

Covenant test

As part of the conditions of the Notes, the Securitisation Group is required to comply with an EBITDA: Debt Service Charge Ratio ('DSCR') covenant, tested quarterly on a last 12 month ('LTM') basis. At each point of testing, EBITDA must exceed c.£51 million (i.e., 1.5x the annual debt service cost of £34 million).

The Group did not meet this covenant at 1 July 2022, being £2.8 million below the LTM DSCR requirement of c.£51 million. However, under the terms of a waiver agreed with the bondholders on 11 March 2022, this was not a breach as the Group was able to make an equity cure, contributing cash which counts as EBITDA and therefore makes good this shortfall. To provide additional headroom in the forecasts (the equity cure counts in the covenant calculation for the prospective 12 months), Dignity plc paid an amount of £15.1 million (being the £2.8 million equity cure and an additional £12.3 million) into the Securitised Group in June 2022. The DSCR covenant test at 30 September 2022 is also expected to be met.

The waiver and ability to equity cure currently applies to the covenant up to and including 31 December 2022 and the Group has the option of contributing an uncapped amount of cash in order to provide headroom against the covenant prospectively. The cash must be contributed to the Securitisation Group by 31 March 2023 and so the Group has the benefit of the majority of the Q1 2023 actual trading results before determining the amount of liquidity to inject. For example, if cash is contributed in Q4 2022, this would be included in the covenant test point at each successive quarterly test up to and including 30 September 2023, i.e., would cover the entire going concern period. Based on the Group's base case forecast, an amount of £18 million has been modelled as a payment in December 2022, utilising available cash from Dignity plc (without forecasting to have to draw on the PAMP loan). This is to give the Group the most flexibility whilst it continues to focus on embedding the new strategy, which is expected to generate growth in its funeral market share and growth in profits. The Group will assess the exact amount to contribute based on Q4 performance and FY23 outlook in December 2022 and make a payment as needed in order to provide sufficient covenant headroom in the going concern period to mitigate against a combination of the downside risks occurring – see stress test below.

1 Accounting policies (continued)

Stress test

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 giving a reduction to the base case, these include:

- Deaths being 10,000 less than forecast (noting FY22 year to date, deaths are in line with ONS forecast);
- No funeral market share growth in 2023 (noting FY22 year to date market share growth is 0.6 per cent and no further market share growth modelled in FY22);
- Average revenue per funeral being in line with current year (despite price adjustments expected to take effect during October 2022 to address inflationary cost pressures);
- The proportion of Unattended Funerals being one per cent higher (compared to the FY22 year to date proportion of seven per cent); and
- Additional inflation costs of five per cent above those modelled (with no cost mitigation activity)

This scenario modelling confirmed that, after considering the use of the equity cure (on the basis explained above) to supplement EBITDA in the period to September 2023, there was no plausible scenario in which the Group would not meet its debt service payments or related covenants in the going concern period.

This is also with the Group having not taken any mitigating action. Based on a review of its cost base as part of the forecasting, the Group has identified cost saving opportunities that could provide additional headroom if needed. These savings are within the Group's control but are not planned, nor anticipated to be required. The Group could also increase the equity cure in December 2022 (with payment allowed up to 31 March 2023) should it believe there were increased risks to achieving the DSCR covenant in the going concern period.

Impact should there be a breach of the DSCR covenant

However, and whilst not forecast in any scenario modelled, any 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 considering whether the Securitised Group is likely to be able to remedy such a breach. If the financial adviser considers that the Securitised Group is likely to be able to remedy such a breach this will be done by the placing of cash collateral in an amount which, if it had been placed for the relevant period in respect of which the covenant was breached, would have generated interest sufficient (if added to EBITDA for the relevant period) to have ensured that the covenant was not breached. The interest rate on which the cash collateral would accrue interest to add to the EBITDA calculation would be measured at the rate that is earned on such cash collateral as at the date it was placed (e.g., a deposit rate quoted by a bank). If the Group are unable to remedy such a breach the Class A and Class B loan notes would be repayable immediately.

Period beyond the going concern period

The Group has also considered the period beyond 30 September 2023 to assess if there are any significant risks that exist that would otherwise impact the going concern assumption. As the current equity cure does not benefit the DSCR covenant reporting at 31 December 2023 as the last 12 months post cash contribution will have expired, the base forecast covenant headroom is reduced at that point.

To provide further headroom and reduce the risk of a covenant breach, the Group has continued to work on a long-term solution to improve the Group's capital structure. On 7 September 2022 a consent solicitation with c.61 per cent support from its class A Noteholders was launched. The voting concluded on 29 September 2022 and the consents were approved, with 94.42 per cent of votes cast in favour. As a result of this, consents from Noteholders have been gained to permit a potential transaction involving the realisation of value from selected crematoria assets (the trading performance for which is included within the Securitisation Group), with the proceeds of such a transaction being applied in a partial redemption of the Class A Notes. These consents apply for a 12 month period to 29 September 2023.

Dignity will be required to inject a minimum of £70 million into the Securitisation Group to partially repay some of the Class A Notes outstanding in consideration for assets leaving the Securitisation Group. If the transaction completes in Q2 2023 and £70 million is the net realisation, then upon repayment of debt at this level, this will result in a deleveraging of the Group and a positive impact of £5.7 million on the DSCR covenant calculations, i.e., a reduction of the DSCR from c.£51 million to c.£45.3 million in 2023. If the transaction takes longer to complete and is completed in Q3 2023 there will be no positive impact in 2023 as the first possible date for repayment will be 29 December 2023. It would have a full year impact of £11.7 million on the DSCR covenant calculations, i.e., a reduction of the DSCR from c.£51 million to c.£39.3 million in 2024.

In addition, upon completion of the proposed transaction within the timeframe permitted by the noteholder consent, there are amendments to the documents that will allow further equity cures, with restrictions, to be made going forward should they be required. This can be used to supplement any EBITDA shortfall at 31 December 2023.

The Directors are confident that a realisation of value from selected crematoria assets can be achieved in order to deleverage the Group and reduce the DSCR requirement as explained above.

Conclusion

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 a period through to 30 September 2023 and therefore continue to adopt the going concern basis in preparing the Interim Report.

1 Accounting policies (continued)

Climate risk

We are proud to support the introduction of formal climate disclosures mandated for listed firms, through the Taskforce on Climate-related Financial Disclosures ('TCFD'). At Dignity, we want to set the standard for sustainable business practice in our industry. This means taking action to mitigate our impact on climate change, being aware of how our business is at risk from a changing climate and being transparent about what we are doing in both of these areas. As such, we welcome the TCFD disclosure requirements as they provide a 1

framework for reporting on climate-related risks and opportunities, covering governance, strategy, risk management and metrics & targets. Whilst Dignity was exempt from this requirement for its 2021 Annual Report, we elected to take a pragmatic step and complete a voluntary disclosure as we believe TCFD provides a strong framework for our climate pledge and strategy to develop. Dignity is committed to, and is, making progress towards a full, mandatory TCFD submission for the period ending 30 December 2022, which will include climate scenario analysis and interim target setting. Due to the early stages of development of a pathway, these considerations did not have an impact on the current period financial reporting judgements and estimates.

New accounting standards, interpretations and amendments adopted by the Group

The Group has also applied the amendment to IAS 37, Provisions, Contingent Liabilities and Contingent Assets, for the first time for the period ending 30 December 2022. The amendment specifies which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendment has created an onerous provision of £0.3 million.

There are no other accounting standards, interpretations or amendments that have been adopted by the Group for the period ending 30 December 2022.

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 two 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 client 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 and operating profit

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 49.

Reconciliations to statutory amounts

Non-underlying items represent certain non-recurring or non-trading transactions. See alternative performance measures on pages 49 and 50 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.

2 Revenue and segmental analysis (continued)

Disaggregated revenue

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

	Underlying revenue £m	Other adjustments ⁽¹⁾ £m	Revenue £m
26 week period ended 1 July 2022			
Funeral services	90.8	33.7	124.5
Crematoria	42.4	-	42.4
Pre-arranged funeral plans	8.0	(8.0)	-
Group	141.2	25.7	166.9

(1) See alternative performance measures on page 52 for a reconciliation of other adjustments.

Within funeral services revenue £54.7 million relates to the release of deferred revenue arising on the completion of performance obligations or on cancellation 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 administration costs of the Trusts and to recognise commissions payable at the inception of a plan rather than on delivery of the funeral or cancellation.

	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
26 week period ended 1 July 2022						
Funeral services	18.7	(10.0)	8.7	(64.7)	8.2	(47.8)
Crematoria	25.6	(4.0)	21.6	(0.5)	-	21.1
Pre-arranged funeral plans	-	-	-	-	-	-
Central overheads	(14.7)	(0.9)	(15.6)	(6.0)	-	(21.6)
Group	29.6	(14.9)	14.7	(71.2)	8.2	(48.3)
Finance costs			(14.1)	-	-	(14.1)
Deferred revenue significant financing					(25.6)	(25.6)
Remeasurement of financial assets held by the Trusts and related income					(68.0)	(68.0)
Profit/(loss) before taxation			0.6	(71.2)	(85.4)	(156.0)
Taxation			(1.2)	3.9	24.0	26.7
Underlying earnings for the period			(0.6)			
Non-underlying items				(67.3)		
Other adjustments					(61.4)	
Loss after taxation						(129.3)
Loss per share for profit attributable to equity shareholders						
- Basic (pence)			(1.2)p			(258.6)p
- Diluted (pence)			(1.2)p			(258.6)p

(1) See alternative performance measures on pages 50 and 52 for a reconciliation of non-underlying items and other adjustments.

2 Revenue and segmental analysis (continued)

	Underlying revenue £m	Other adjustments ⁽¹⁾ £m	Revenue £m
26 week period ended 25 June 2021			
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 53 for a reconciliation of other adjustments.

Within funeral services revenue £55.4 million relates to the release of deferred revenue arising on the completion of performance obligations or on cancellation under pre-need trust plans.

	Underlying operating profit/ (loss) before depreciation and amortisation £m	Underlying depreciation and amortisation £m	Underlying operating profit/ (loss) £m	Non- underlying items ⁽¹⁾ £m	Other Adjustments ⁽¹⁾ £m	Operating profit/ (loss) £m
26 week period ended 25 June 2021						
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)
Deferred revenue significant financing Remeasurement of financial assets held by the Trusts and related income					(25.9)	(25.9)
					50.2	50.2
Profit before tax			23.2	(3.1)	30.4	50.5
Taxation – continuing activities - restated			(5.1)	0.4	(7.7)	(12.4)
Taxation – rate change – restated			-	(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
Earnings per share for profit attributable to equity shareholders						
- Basic (pence)			36.2p			62.4p
- Diluted (pence)						62.4p

(1) See alternative performance measures on pages 50 and 53 for a reconciliation of non-underlying items and other adjustments.

2 Revenue and segmental analysis (continued)

	Underlying revenue £m	Other adjustments ⁽¹⁾ £m	Revenue £m
53 week period ended 31 December 2021			
Funeral services	201.9	66.3	268.2
Crematoria	85.5	-	85.5
Pre-arranged funeral plans	24.6	(24.6)	-
Group	312.0	41.7	353.7

(1) See alternative performance measures on page 54 for a reconciliation of other adjustments.

Within funeral services revenue £108.1 million relates to the release of deferred revenue arising on the completion of performance obligations or on cancellation 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 administration costs of the Trusts and to recognise commissions payable at the inception of a plan rather than on delivery of the funeral or cancellation.

	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
53 week period ended 31 December 2021 – restated ⁽²⁾						
Funeral services	67.6	(19.4)	48.2	(45.4)	11.9	14.7
Crematoria	54.5	(7.5)	47.0	(0.5)	-	46.5
Pre-arranged funeral plans	-	-	-	(0.1)	0.1	-
Central overheads	(37.2)	(2.2)	(39.4)	(2.3)	-	(41.7)
Group	84.9	(29.1)	55.8	(48.3)	12.0	19.5
Finance costs			(29.0)	-	-	(29.0)
Deferred revenue significant financing					(51.6)	(51.6)
Remeasurement of financial assets held by the Trusts and related income					93.1	93.1
Profit before tax			26.8	(48.3)	53.5	32.0
Taxation – continuing activities			(5.4)	2.5	(10.1)	(13.0)
Taxation – rate change			-	(8.3)	1.4	(6.9)
Taxation – total			(5.4)	(5.8)	(8.7)	(19.9)
Underlying earnings for the period			21.4			
Non-underlying items				(54.1)		
Other adjustments					44.8	
Profit after taxation						12.1
Earnings per share for profit attributable to equity shareholders						
- Basic (pence)			42.8p			24.2p
- Diluted (pence)						24.2p

(1) See alternative performance measures on pages 50 and 54 for a reconciliation of non-underlying items and other adjustments.

(2) Prior year comparatives have been restated for the 53 week period ended 31 December 2021 due to a reclassification of foreign exchange movements. See Note 1 for further details.

3 Net finance costs

	26 week period ended		53 week period ended
	1 Jul	25 Jun	31 Dec
	2022	2021	2021
			restated ⁽¹⁾
	£m	£m	£m
Finance costs			
Secured Notes	11.4	11.9	23.1
Other loans	0.3	0.1	0.9
Finance costs on IFRS 16 lease liability	2.2	2.3	4.5
Net finance cost on retirement benefit obligations	0.2	0.2	0.5
Unwinding of discounts	-	0.1	-
Finance costs	14.1	14.6	29.0
Deferred revenue significant financing	25.6	25.9	51.6
Remeasurement of financial assets held by the Trusts and related income			
Investment income	(10.6)	(4.4)	(9.8)
Fair value loss/(gain) on financial assets held by the Trusts	68.0	(45.8)	(85.0)
Hedging/foreign exchange rate losses arising on financial assets held by the Trusts	10.6	-	1.7
Remeasurement of financial assets held by the Trusts and related income	68.0	(50.2)	(93.1)
Underlying net finance costs			
Underlying finance costs	14.1	14.6	29.0
Finance income	-	-	-
Underlying net finance costs	14.1	14.6	29.0

(1) Prior year comparatives have been restated for the 53 week period ended 31 December 2021 due to a presentation change in relation to a reclassification of foreign exchange movements. See note 1 for further details.

4 Taxation

The taxation credit 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 per cent (2021: 22.0 per cent) on loss before tax for the 26 week period ended 1 July 2022. The effective rate of tax is higher than the standard UK tax rate of 19.0 per cent (2021: 19.0 per cent) due to the effects of permanent disallowables and adjustments in respect of prior periods.

	26 week period ended		53 week period ended
	1 Jul 2022	25 Jun 2021	31 Dec 2021
	£m	£m	£m
Current tax	0.6	6.2	7.5
Deferred tax	(27.3)	13.1	12.4
Total taxation (credit)/charge	(26.7)	19.3	19.9

All of the deferred tax assets were available for offset against deferred tax liabilities and hence the net deferred tax asset at 1 July 2022 was £30.2 million (June 2021: £6.7 million; December 2021: £5.5 million). The Group has recognised the net deferred tax asset as this is expected to unwind over the foreseeable future. The net deferred tax asset has increased since 31 December 2021 primarily due to the decrease in Trust assets and the subsequent decrease in the corresponding deferred tax liability. The Group has no unrecognised deferred tax assets and no tax losses.

No deferred tax asset has been recognised in relation to £11.1 million (June 2021: £10.7 million; December 2021: £10.1 million) disallowed interest expense calculated in the annual corporate interest restriction returns due to insufficient evidence to support recognition.

In the recent budget announced in September 2022, it was confirmed that legislation will be introduced to reverse the upcoming increase in the main rate of corporation tax to 25 per cent from 1 April 2023 and the main rate of corporation tax is expected to remain at 19 per cent. The proposed change would decrease the Group's deferred tax liability by approximately £17.3 million.

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 1 July 2022, no adjustment has been made in respect of arriving at diluted earnings per share measures for that period (June 2021: anti-dilutive so no adjustment, December 2021: dilutive so an 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 49 to 55. 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 1 July 2022			
Underlying profit after taxation and EPS	(0.6)	50.0	(1.2)
Add: Non-underlying items (net of taxation credit of £3.9 million)	(67.3)		
Add: Other adjustments (net of taxation credit of £24.0 million) ⁽¹⁾	(61.4)		
Loss attributable to shareholders – Basic LPS	(129.3)	50.0	(258.6)
Loss attributable to shareholders – Diluted LPS	(129.3)	50.0	(258.6)
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
53 week period ended 31 December 2021			
Underlying profit after taxation and EPS	21.4	50.0	42.8
Add: Non-underlying items (net of taxation charge of £5.8 million)	(54.1)		
Add: Other adjustments (net of taxation charge of £8.7 million) ⁽¹⁾	44.8		
Profit attributable to shareholders – Basic EPS	12.1	50.0	24.2
Profit attributable to shareholders – Diluted EPS	12.1	50.1	24.2

(1) See note 2 for further details.

6 Goodwill and other intangible assets

	Trade names ⁽¹⁾ £m	Use of third party brand name £m	Other ⁽²⁾ £m	Software £m	Non-Compete Agreements £m	Sub-total £m	Goodwill £m	Total £m
Cost								
At 25 December 2020	150.4	3.2	4.7	2.7	0.2	161.2	232.6	393.8
Additions for the 26 weeks ended 25 June 2021	-	-	-	-	-	-	-	-
At 25 June 2021	150.4	3.2	4.7	2.7	0.2	161.2	232.6	393.8
Additions for the 27 weeks ended 31 December 2021	-	-	-	-	-	-	0.4	0.4
At 31 December 2021	150.4	3.2	4.7	2.7	0.2	161.2	233.0	394.2
Additions for the 26 weeks ended 1 July 2022 ⁽³⁾	-	-	0.2	-	-	0.2	0.2	0.4
At 1 July 2022	150.4	3.2	4.9	2.7	0.2	161.4	233.2	394.6
Accumulated amortisation and impairment								
At 25 December 2020	(35.8)	(2.0)	(1.8)	(0.9)	(0.2)	(40.7)	(28.7)	(69.4)
Amortisation charge for the 26 weeks ended 25 June 2021	(1.8)	(0.1)	(0.2)	(0.1)	-	(2.2)	-	(2.2)
At 25 June 2021	(37.6)	(2.1)	(2.0)	(1.0)	(0.2)	(42.9)	(28.7)	(71.6)
Amortisation charge for the 27 weeks ended 31 December 2021	(1.8)	(0.1)	(0.2)	(0.2)	-	(2.3)	-	(2.3)
Trade name write-off ⁽⁴⁾	(2.5)	-	-	-	-	(2.5)	-	(2.5)
Impairment	(2.8)	-	-	-	-	(2.8)	(36.4)	(39.2)
At 31 December 2021	(44.7)	(2.2)	(2.2)	(1.2)	(0.2)	(50.5)	(65.1)	(115.6)
Amortisation charge for 26 weeks ended 1 July 2022	(1.8)	-	(0.2)	(0.1)	-	(2.1)	-	(2.1)
Impairment	(5.5)	-	-	-	-	(5.5)	(42.7)	(48.2)
At 1 July 2022	(52.0)	(2.2)	(2.4)	(1.3)	(0.2)	(58.1)	(107.8)	(165.9)
Net book amount at 1 July 2022	98.4	1.0	2.5	1.4	-	103.3	125.4	228.7
Net book amount at 31 December 2021	105.7	1.0	2.5	1.5	-	110.7	167.9	278.6
Net book amount at 25 June 2021	112.8	1.1	2.7	1.7	-	118.3	203.9	322.2

(1) Trade names arise on the acquisitions of funeral businesses and their fair value is calculated by reference to the estimated incremental cash flows expected to arise by virtue of the trade name being well-established. There are no individually material trade names that amount to 6 per cent or more of the total net book value.

(2) Within 'other intangibles' is £2.3 million relating to previously acquired interests in two crematoria subject to finite periods of operation (by way of lease and/or service concession). The fair value of these interests has been identified and recognised as a separate intangible asset. The value of each interest will be amortised over the remaining period of operation.

(3) Additions in the period of £0.2 million within 'other intangibles' relate to costs incurred in the development of the new pre-arranged funeral plan journey platform which includes website development. This is still in the course of construction at the period end and no amortisation has been charged and will not commence until the websites are in use.

(4) During the 52 week period ending 31 December 2021, the Group identified seven specific trade names that are no longer being used within the Group under the new regional structure and those intangible items were required to be written off.

Goodwill acquisitions in 2022

On 18 March 2022, the Group acquired the trade and certain assets of Beyond Life Limited, a non-listed company based in the UK that offers online will-writing and other services in relation to end of life care. The Group acquired the business because the online offering is seen as an enhancement to the services the Group provides.

The fair values of the identifiable assets and liabilities of the business as at the date of acquisition were negligible and consequently, the consideration relates substantially to goodwill arising on acquisition, none of which is tax deductible. The cash consideration paid was £0.2 million. The goodwill comprises the value of expected access to customers and making available information and support to a wider customer base. Goodwill is allocated entirely to the funeral segment.

The results of the business from the start of the accounting period would not have been material to the Group had the acquisition been as of the beginning of the interim reporting period. From the date of acquisition, the business is not expected to contribute significantly to revenue or profit in the short-term until the Group provides investment in the business' operations to increase awareness of the service within the industry.

6 Goodwill and other intangible assets (continued)

Impairment tests for goodwill and other non-current assets

Goodwill and other non-current assets are subject to an impairment test as at 1 July 2022 as in accordance with IAS 36, Impairment of Assets, there is an indication of impairment due to slower funeral market share growth combined with more branch direct cremations rather than full adult funerals being performed than originally anticipated, in December 2021, and the subsequent short-term forecasts used for impairment testing at that time. These are deemed to be an impairment indicator.

For the purpose of this impairment test goodwill is tested at a business segment level as this is the lowest level at which the return on assets acquired, including goodwill, is monitored.

The segmental allocation of goodwill and the recoverable amount is shown below:

	Book value	Recoverable amount	Book value	Recoverable amount	Book value	Recoverable amount
	1 July 2022	1 July 2022	25 June 2021	25 June 2021	31 December 2021	31 December 2021
	£m	£m	£m	£m	£m	£m
Funeral services	69.6	299.4	148.1	n/a ⁽¹⁾	112.1	371.3
Crematoria	55.8	404.9	55.8	n/a ⁽¹⁾	55.8	391.5
	125.4	704.3	203.9	n/a ⁽¹⁾	167.9	762.8

- (1) The Group performed an assessment as at 25 June 2021 to determine whether there had been any indicators of impairment during the 26 week period. No indicators were identified and therefore no impairment value-in-use calculation was performed. Consequently, all references to prior year assessments only relate to the 53 week period ended 31 December 2021.

The recoverable amount of each goodwill CGU is based on a value-in-use calculation. The impairment assessment then compares this value-in-use calculation to the carrying value of the CGU. Any impairment of goodwill is then recognised in administrative expenses in the consolidated income statement.

The value-in-use calculations use cash flow projections derived from the latest forecast. Key assumptions used to produce the forecast are the estimated UK death rates (based on forecast death rates supplied by ONS), anticipated market share, average revenues driven by pricing and the mix between Attended and Unattended funerals and medium and long-term growth rates. The value-in-use calculations for the June 2022 model include the approved forecast for 2022, 2023 and 2024. Forecasts are based on death rates announced by ONS in January 2022 and market share growth assumptions reflecting forecasted increases of one per cent in 2023 and 2024 compared to H1 2022. This market share growth is supported by performance in areas of the business where the new strategy is embedded, and then stabilising at the projected 2024 year end market share position over the remaining forecast period. Average revenues are assumed at H1 2022 levels adjusted for the October 2022 price adjustment, with future price rises assumed to be in line with inflation and the mix is assumed to remain at H1 2022 levels.

Cash flows for segments beyond the initial 30 month period (December 2021: 36 month period) are extrapolated to 2040 ('medium-term growth rate') using the growth in the ONS death rate (December 2021: 2.25 per cent) as this is deemed to be a reliable indicator of future growth for the Group. The medium-term growth rates ranges from 2.43 per cent to 6.75 per cent. Beyond 2040 ('long-term growth rate') a growth rate of 2.25 per cent (December 2021: 2.25 per cent) is used, being an estimate of long-term growth rates for impairment review purposes only, which reflects the expectations of long-term inflation and death rates. The ONS issued updated death rates in January 2022 and together with a further eight months of death data they are now deemed to be a reliable estimate of future volumes. The cash flows for each segment are discounted at a pre-tax rate of 11.4 per cent (December 2021: 10.3 per cent).

Goodwill assessment

The impairment calculation indicated no impairment in the crematoria division with headroom under the current assumptions used of £181.3 million (December 2021: £170.3 million). The discount rate would need to increase to 19.5 per cent (per cent; December 2021: 17.7 per cent) or the long-term growth rate would need to fall to minus 9.5 per cent (December 2021: minus 7.7 per cent) for the impairment test to result in £nil headroom for this segment. The likelihood of such movements in the discount rate and growth rate is deemed unlikely based on current market conditions.

The impairment assessment of the funeral services division has resulted in an impairment of goodwill of £42.7 million (June 2021; £nil; December 2021: £36.4 million) which has been recognised within administrative expenses in the consolidated Income statement. The forecasts used in the assessment reflect the slower than expected market share growth which is a result of the new strategy taking longer to implement largely due to staff shortages. The Group is currently suffering like many other businesses with a shortage of workforce and a difficulty in recruiting which is causing us to be unable to offer funerals in a timeframe soon enough for some families and hence some business has been lost to competitors. The forecasts also reflect the at-need mix in funerals being more weighted to branch direct cremations (unattended funerals) than originally anticipated, with future assumptions aligned to actual year-to-date experience of attended funerals 59 per cent and unattended seven per cent of total funerals.

Whilst the Group expects further long-term market share growth from the new strategy, the accounting standard (IAS 36) for impairment assessments does not allow forecasts to be used where assumptions cannot be evidenced or have not yet been implemented (e.g. cost savings). As a result, whilst the Group is committed to delivering its market share growth ambitions, given the infancy of the strategic plan implementation and the available evidence to demonstrate this growth as at the interim reporting date when the impairment assessment is made, the full extent of potential longer-term gains are not reflected in the impairment modelling.

Trade name, right-of-use and property, plant and equipment assessment

In addition to the Group's goodwill impairment test, given the changes in the funeral market noted above, an impairment test was performed in respect of the Group's other non-current assets in accordance with the requirements of IAS 36. A value-in-use calculation has been performed against an individual CGU, which for the purposes of other non-current assets is deemed to be at a cost centre level,

which include a number of branches. This is the lowest level at which independent cash inflows can be identified due to the interdependency of various elements in relation to

6 Goodwill and other intangible assets (continued)

Impairment tests for goodwill and other non-current assets (continued)

the care of the deceased, performance of a funeral or administration work can and are often carried out by any branch within a cost centre. The CGU cashflows are based on the same forecasts and assumptions as used within the goodwill impairment assessment described above. As goodwill is not allocated at a cost centre CGU level the impairment test for other non-current assets is performed before goodwill at a business segment level.

The performance of this impairment assessment at cost centre level indicated that an impairment within the funerals segment of:

- £5.5 million (December 2021: £2.8 million) in relation to trade names;
- £10.3 million (December 2021: £nil) in relation to right-of-use assets; and
- £4.4 million (December 2021: £nil) in relation to property, plant and equipment.

£0.2 million has been recognised within cost of sales and £20.0 million recognised within administrative expenses in the consolidated Income statement.

The recoverable amount of all impaired CGU's within the funerals services division is £19.2 million which is based on a value-in-use calculation. In line with IAS 36 an exercise has been performed on an asset by asset basis to ensure that no asset (or CGU) has been impaired below its value-in-use or fair value less cost of disposal. This exercise has included obtaining external market valuations which were principally available for freehold properties and vehicles. Accordingly, an amount of £14.6 million of other non-current assets has not been impaired based on a recoverable amount measured as fair value less costs of disposal.

These impairments and the subsequent reduction in net book value have been reflected within the above goodwill impairment calculations to reflect the lower asset base.

The increase in the discount rate from 10.3 per cent to 11.4 per cent is primarily due to changes in the market, such as increases in the costs of debt has contributed to an overall higher impairment charge of £62.9 million as at 1 July 2022. This would have been £47.3 million lower using a discount rate of 10.3 per cent.

Goodwill and other non-current asset sensitivities

The impairment booked is based on management's best estimate of future performance however there is significant estimation uncertainty and judgement involved in determining future cashflows. The following table demonstrates the impact on the above impairment charges in the funerals segment based on a number of reasonably possible sensitivities:

Sensitivity applied:	Decrease/(increase) in impairment charge		
	Trade name and other non-current assets ⁽¹⁾	Goodwill	Total
	£m	£m	£m
Decrease in funeral services market share growth in 2023 and beyond of 0.5 per cent	(7.3)	(63.3)	(70.6)
Decrease in number of deaths by 10,000 in 2023 and 2024	(1.7)	(1.9)	(3.6)
Increase in discount rate of 1 per cent (to 12.4 per cent)	(1.3)	(32.6)	(33.9)
Increase in 2023 funeral services EBITDA and beyond of £1.0m	0.5	8.0	8.5
Decrease in 2023 funeral services EBITDA and beyond of £1.0m	(0.7)	(8.0)	(8.7)
Decrease in 2023 funeral services EBITDA and beyond of £5.0m	(3.6)	(39.6)	(43.2)
Decrease in 2023 funeral average revenue and beyond of £100	(7.0)	(62.4)	(69.4)
Decrease in medium-term growth rate of 0.5 per cent per year (1.93 to 6.25 per cent)	(0.5)	(14.2)	(14.7)
Decrease in long-term growth rate of 0.25 per cent (to 2.0 per cent)	-	(2.4)	(2.4)
Delay in funeral services market share growth by 1 per cent from 2023 to 2024	(9.0)	(74.6)	(83.6)

- (1) The sensitivities above are based on an assessment of value-in-use. In the event of further impairment, it is expected that a number of assets will have a measurable fair value less costs of disposal above the value-in-use of the assets, such that any additional impairment recognised is likely to be lower than demonstrated. However, such analysis cannot be reliably estimated until any additional impairment results as it is only then that an assessment can be made of the fair value less costs of disposal to ensure that the asset is written down to its appropriate carrying value (being the higher of value-in-use and fair value less costs of disposal).

7 Leases

Right-of-use asset

	1 Jul 2022	25 Jun 2021	31 Dec 2021
	£m	£m	£m
At the beginning of the period	89.1	95.2	95.2
Additions	1.6	0.5	2.4
Depreciation charge	(4.4)	(4.6)	(9.2)
Impact of changes in lease payments	(0.1)	0.4	0.7
Impairment	(10.3)	-	-
At the end of the period	75.9	91.5	89.1

See note 6 for further information on the impairment charge booked in the current period.

7 Leases (continued)

Lease liability	1 Jul 2022 £m	25 Jun 2021 £m	31 Dec 2021 £m
At the beginning of the period	82.9	88.5	88.5
Additions	1.6	0.5	2.7
Impact of changes in lease payments	(0.1)	0.4	0.8
Interest expense	2.2	2.3	4.5
Payments	(6.1)	(7.4)	(13.6)
At the end of the period	80.5	84.3	82.9
Current	7.1	7.1	7.1
Non-current	73.4	77.2	75.8

All right-of-use assets and lease liabilities are related to leasehold properties. Some lease contracts contain rent review periods, break clauses and options to extend, all of which are assessed and negotiated by the Group, taking into account any changes in business need, throughout the contract term. In accordance with IFRS 16, the Group has calculated the full lease term on the majority of its leases, beyond break, to represent the reasonably certain lease term within the total £80.5 million of lease liabilities held on the consolidated balance sheet.

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

	1 Jul 2022 £m	25 Jun 2021 £m	31 Dec 2021 £m
Depreciation expense of the right-of-use asset	4.4	4.6	9.2
Interest expense on lease liabilities	2.2	2.3	4.5
Expense related to practical expedients applied	0.2	0.2	0.5
Impairment	10.3	-	-
Total amount recognised in the consolidated income statement	17.1	7.1	14.2

In addition, £0.6 million (June 2021: £0.7 million, December 2021: £1.3 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. Contingent rentals depend upon the level of turnover achieved, in accordance with the related lease contracts.

The Group had total cash outflows for leases classified under IFRS 16 of £6.1 million (June 2021: £7.4 million, December 2021: £13.6 million). The Group also had non-cash additions to right-of-use assets and lease liabilities of £1.6 million (June 2021: £0.5 million, December 2021: £2.7 million).

Sublease payments received in the period amount to £0.1 million (June 2021: £0.2 million; December 2021: £0.3 million). Total future sublease payments receivable relating to leases amount to £0.2 million (June 2021: £0.2 million; December 2021: £0.2 million).

8 Financial assets – held by the Trusts

	1 Jul 2022 £m	25 Jun 2021 £m	31 Dec 2021 £m
Financial assets – held by the Trusts	960.9	1,006.8	1,043.1

8 Financial assets – held by the Trusts (continued)

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

	1 Jul 2022 £m	25 Jun 2021 £m	31 Dec 2021 £m
Fair value at the start of the period	1,043.1	967.1	967.1
Remeasurement recognised in the consolidated income statement	(68.0)	45.8	85.0
Investment income	10.6	2.4	7.7
Purchases	85.4	330.7	948.7
Disposals	(99.5)	(336.5)	(960.9)
Hedging/foreign exchange losses ⁽¹⁾	(10.6)	-	(1.7)
Investment administrative expenses deducted at source	(0.1)	(2.7)	(2.8)
Fair value at the end of the period	960.9	1,006.8	1,043.1

(1) This represents foreign exchange differences and currency hedges against exposure to global equity portfolios held by the trusts.

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

9 Trade and other receivables

	1 Jul 2022 £m	25 Jun 2021 £m	31 Dec 2021 £m
Trade receivables: Trusts	9.7	10.0	9.4
Trade receivables: at-need	24.1	20.8	24.0
Less: provision for impairment	(10.9)	(7.3)	(8.8)
Net trade receivables	22.9	23.5	24.6
Prepayments and accrued income	3.6	3.6	4.2
Other receivables	0.7	1.3	1.2
	27.2	28.4	30.0

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

	1 Jul 2022 £m	25 Jun 2021 £m	31 Dec 2021 £m
Trading group	32.6	64.8	55.9
Trusts	15.7	23.6	19.8
Operating cash as reported in the consolidated statement of cash flows as cash and cash equivalents	48.3	88.4	75.7
Amounts set aside for debt service payments	0.3	16.9	-
Cash and cash equivalents as reported in the balance sheet	48.6	105.3	75.7

(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 53 week period ended 31 December 2021 exclude the mid-year transfers and payments. £0.3 million was included in June 2022 as the repayment of liabilities due on the Group's commitment fees due on its undrawn borrowing facilities were made on 4 July 2022.

The note trustees have charge over this restricted bank account.

11 Deferred commissions and contract liabilities

Deferred commissions

	1 Jul 2022 £m	25 Jun 2021 £m	31 Dec 2021 £m
Deferred commissions - current	7.3	7.9	7.6
Deferred commissions - non-current	97.5	104.4	100.9

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.

Contract liabilities

	Note	1 Jul 2022 £m	25 Jun 2021 £m	31 Dec 2021 £m
Current				
Contract liabilities – deferred revenue	(a)	97.1	95.2	98.6
Contract liabilities – refund liability	(b)	1.0	1.1	1.0
		98.1	96.3	99.6
Non-current				
Contract liabilities – deferred revenue	(a)	1,219.7	1,220.3	1,224.0
Contract liabilities – refund liability	(b)	12.8	13.9	13.9
		1,232.5	1,234.2	1,237.9

11 Deferred commissions and contract liabilities (continued)

Movement in total contract liabilities

	1 Jul 2022	25 Jun 2021	31 Dec 2021
	£m	£m	£m
Balance at the beginning of the period	1,337.5	1,317.5	1,317.5
Sale of new Trust plans	29.0	48.6	86.3
Increase due to significant financing	25.6	25.9	51.6
Recognition of revenue following delivery or cancellation of a Trust plan	(61.5)	(61.5)	(117.9)
Balance at the end of the period	1,330.6	1,330.5	1,337.5

(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

	1 Jul 2022	25 Jun 2021	31 Dec 2021
	£m	£m	£m
Net amounts owing on Secured Notes per financial statements	(521.4)	(536.7)	(526.6)
Add: unamortised issue costs	(0.4)	(0.5)	(0.5)
Gross amounts owing	(521.8)	(537.2)	(527.1)
Accrued interest on Secured Notes	-	(11.9)	-
Cash and cash equivalents – Trading Group (note 10)	32.9	81.7	55.9
Net debt	(488.9)	(467.4)	(471.2)

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

The Group's primary financial covenant under the Secured Notes requires EBITDA to total debt service to be above 1.5 times. During the temporary covenant waiver period that was approved by bond holders in March 2022, any cash transferred into the Securitisation Group can be included within the EBITDA to debt service ratio for the following 12 months. The waiver allows for cash to be transferred at any covenant measurement point up to and including 31 December 2022. £15.1 million has been transferred in June 2022 which has resulted in a ratio of 1.86 times at 1 July 2022 (June 2021: 2.12 times; December 2021: 2.13 times). Excluding this cash transfer the ratio at 1 July 2022 was 1.42 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.

If this primary 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 Note holders. Refer to Note 1 to the interim financial statements for further details.

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.

The Group also has access to a £55.0 million liquidity facility relating to the Class A and B Secured Notes, which attracts floating interest rates once drawn.

See page 11 for more details.

13 Reconciliation of cash generated from operations

	26 week period ended		53 week period ended
	1 Jul 2022	25 Jun 2021	31 Dec 2021
	£m	£m	£m
Net (loss)/profit for the period	(129.3)	31.2	12.1
Adjustments for:			
Taxation	(26.7)	19.3	19.9
Net finance costs	29.1	36.1	70.8
Profit on disposal of fixed assets	-	(0.1)	(1.1)
Depreciation charges on property, plant and equipment	10.4	9.8	19.9
Depreciation charges on right-of-use asset	4.4	4.6	9.2
Amortisation of intangibles	2.1	2.2	4.5
Movement in inventories	0.7	(0.1)	0.4
Movement in trade receivables	2.6	0.4	(2.5)
Movement in trade payables	(1.0)	0.5	3.7
Movement in contract liabilities	(32.5)	(12.9)	(31.6)
Fair value movement on net assets	68.0	(45.8)	(85.0)
Net pension charges less contribution	(2.0)	(0.8)	(1.3)
Trade name write-off (note 6)	-	-	2.5
Trade name impairment (note 6)	5.5	-	2.8
Goodwill impairment (note 6)	42.7	-	36.4
Right-of-use asset impairment (note 7)	10.3	-	-
Property, plant and equipment impairment	4.4	-	-
Changes in other working capital	(3.2)	1.4	2.3
Trust investment administrative expenses deducted at source	0.1	2.7	2.8
Hedging/ foreign exchange rate difference – Trust assets	10.6	-	1.7
Employee share option charges	0.1	0.5	0.8
Cash flows from operating activities	(3.7)	49.0	68.3

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 31 December 2021. 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 31 December 2021, 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.

See going concern disclosures in note 1 for more information on liquidity.

14 Financial risk management and financial instruments (continued)

(c) Fair value of Trust financial assets

	1 Jul 2022	25 Jun 2021	31 Dec 2021
	£m	£m	£m
Financial assets at fair value through consolidated income statement			
Index linked gilts and corporate bonds	-	77.1	-
Core growth investments – Equities	596.1	378.9	669.8
Growth fixed income and alternative investments – Property funds and emerging market debt	-	105.5	-
Liquid investments – Open-ended investment funds	291.8	391.6	306.4
Illiquid investments – Private equity investments	73.0	53.7	66.9
Total financial assets at fair value	960.9	1,006.8	1,043.1

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.

1 July 2022

	Fair value measurement using			
		Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	Total £m	£m	£m	£m
Core growth investments – Equities	596.1	598.0	(1.9)	-
Liquid investments – Open-ended investment funds	291.8	112.9	178.9	-
Illiquid investments – Private equity investments	73.0	3.6	-	69.4

There was no change in the classification of fair value of financial assets during the 26 weeks ending 1 July 2022.

25 June 2021

	Fair value measurement using			
		Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	Total £m	£m	£m	£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 equity 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.

31 December 2021

	Fair value measurement using			
		Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	Total £m	£m	£m	£m
Core growth investments – Equities	669.8	669.5	0.3	-
Liquid investments – Open-ended investment funds	306.4	114.8	191.6	-
Illiquid investments – Private equity investments	66.9	-	-	66.9

During the 53 week period ending 31 December 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.

14 Financial risk management and financial instruments (continued)

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

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.

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		53 week period ended
	1 Jul 2022	25 Jun 2021	31 Dec 2021
	£m	£m	£m
Fair value at the start of the period	66.9	65.5	65.5
Remeasurement recognised in the consolidated income statement	9.8	2.9	10.7
Purchases	-	1.5	7.5
Sales	(7.1)	-	(15.6)
Investment administrative expenses	(0.2)	(0.6)	(1.2)
Fair value at the end of the period	69.4	69.3	66.9

At 1 July 2022, the Trust financial assets (all level 2 or 3, fair value of £246.4 million (June 2021: £485.1 million; December 2021: £258.8 million)) are exposed to market sensitivity and changes in valuation over time due to factors including currency, interest rate and commodity prices. As the fair value information is provided by the investment manager who has not been able to provide sensitivity analysis on the inputs to the fair values, the Group is unable to disclose this information. However, a five per cent movement in the fair value of these assets would result in a £12.3 million (June 2021: £24.3 million; December 2021: £12.9 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 £24.6 million (June 2021: £48.5 million; December 2021: £25.9 million).

14 Financial risk management and financial instruments (continued)

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

	1 Jul 2022			25 Jun 2021			31 Dec 2021		
	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	165.4	165.3	166.9	180.9	180.8	199.3	170.7	170.5	189.9
Secured B Notes – 4.6956% maturing 31 December 2049	356.4	356.1	321.7	356.4	356.0	349.9	356.4	356.1	385.0
Total	521.8	521.4	488.6	537.3	536.8	549.2	527.1	526.6	574.9

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

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

In addition to the above financial liabilities include lease payables of £80.5 million (June 2021: £84.3 million; December 2021: £82.9 million), which represent the present value of future minimum lease payments. At 1 July 2022 there is no difference between the book value and fair value of this liability.

15 Retirement benefit obligation

The retirement benefit obligation at the end of the period was £9.0 million (June 2021: £25.4 million; December 2021: £19.7 million). The discount rate used was 3.65 per cent (June 2021: 1.85 per cent; December 2021: 1.85 per cent) and the rate of inflation used was 3.50 per cent (June 2021: 3.45 per cent; December 2021: 3.6 per cent). The rate of increase in salaries used was 2.5 per cent (June 2021: 2.45 per cent; December 2021: 2.6 per cent) which has been determined using consistently applied methodology to previous periods. For every 0.5 per cent increase in the rate of increase in salaries would increase the deficit at 1 July 2022 by approximately £1.5 million.

A full actuarial valuation was undertaken as at 6 April 2020 with a subsequent Actuarial report as at 6 April 2021. This latest valuation has been updated to 1 July 2022 by a qualified independent Actuary.

16 Related party transactions

During the period Gary Channon and other members of Phoenix Asset Management Partners Limited, the Group's significant shareholder, have held roles such as Chief Executive, for which no remuneration has been paid to the individuals or Phoenix Asset Management Partner Limited.

Furthermore, Rawnnet Limited, a company who is 100 per cent owned by Phoenix Asset Management Partners Limited have provided marketing and web development services to the Group amounting to £0.4 million, of which £0.2 million was outstanding as at 1 July 2022. Of the amounts incurred £0.2 million has been charged to the consolidated income statement and £0.2 million has been capitalised within intangible assets. Services provided are at arms length.

17 Post balance sheet events

Capital structure – consent solicitation with bondholders

On 7 September 2022 a consent solicitation with approximately 61 per cent support from its class A Noteholders was launched. This sought certain consents from Noteholders for a potential transaction involving the realisation of value from selected crematoria assets, with the proceeds of such a transaction being applied in a partial redemption of the Class A Notes, as required by the current documentation. The necessary quorum was achieved on 29 September 2022 (with 99.92 per cent of the aggregate principal amount of the Notes for the time being outstanding being represented and the Extraordinary Resolution being passed with 94.42 per cent of the votes being cast in favour) and the consents referred to above apply for 12 month period to 29 September 2023.

Dignity will be required to inject a minimum of £70 million into the Securitisation Group to partially repay some of the Class A Notes outstanding in consideration for assets leaving the Securitisation Group. If the transaction completes in Q2 2023 and £70m is the net realisation then this will result in a deleveraging of the Group and a positive impact of £5.7 million on the DSCR covenant calculations, i.e., a reduction of the DSCR from c.£51 million to c.£45.3 million in 2023. If the transaction takes longer to complete and is completed in Q3 2023 there will be no positive impact in 2023 as the first possible date for repayment will be 29 December 2023. It would have a full year impact of £11.7 million on the DSCR covenant calculations, i.e., a reduction of the DSCR from c.£51 million to c.£39.3 million in 2024.

In addition, upon completion of the proposed transaction within the timeframe permitted by the noteholder consent, there are amendments to the documents that will allow further equity cures, with restrictions, to be made going forward should they be required. This can be used to supplement any EBITDA shortfall at 31 December 2023.

UK Funerals (2022) Trust established

We have established the UK Funerals (2022) Trust, operated by trustees independent to Dignity, which commenced selling pre-arranged funeral plans on 8 August 2022. The Dignity Trading Group also transferred £1.0 million cash into this new Trust on 11 July 2022 in order to meet a requirement of the new regulation.

18 Seasonality

The Group's financial results and cash flows have historically been subject to seasonal trends between the first half and second half of the financial period. Traditionally, the first half of the financial period sees slightly higher revenue and profitability. There is no assurance that this trend will continue in the future. The impact of COVID-19 may mean that 2022 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 IFRS, alternative performance measures are necessary to enable users of the financial statements to fully understand the trading performance and financial position of the Group.

The alternative performance measures provided are aligned with those used in the day-to-day management of the Group 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 2021 arising on the deferred tax balances on consolidating the Trusts and application of IFRS 15 have also been excluded, as well as non-underlying items comprising certain non-recurring and non-trading transactions.

The exclusion of the impact of consolidating the Trusts and the application of IFRS 15 will continue for the foreseeable future. We will also assess whether it is right to exclude any future new accounting standards from alternative performance measures based on whether they are included in the measures used in the day-to-day management of the business.

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);
- marketing costs in relation to trials;
- restructuring costs;
- payment for historical informal pre-need funerals;
- trade name write-offs and 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 Group and allow for greater comparability across periods.

In the tables below, non-underlying items are categorised as either non-trading or non-recurring. Non trading items refers to expenditure which does not relate to the normal day-to-day transactions of the business, whereas non-recurring also does not relate to the day-to day transactions of the business and is not expected to reoccur, however the same non-recurring item may straggle more than one accounting period.

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 1 July 2022					
Non-trading					
Amortisation of acquisition related intangibles	1.8	0.2	-	-	2.0
External transaction costs in respect of completed, aborted and ongoing ⁽¹⁾ transactions	-	0.3	-	3.4	3.7
Trade name impairment	5.5	-	-	-	5.5
Goodwill impairment	42.7	-	-	-	42.7
Right-of-use asset impairment	10.3	-	-	-	10.3
Property, plant and equipment impairment	4.4	-	-	-	4.4
Non-recurring					
Restructuring costs – redundancy	-	-	-	2.3	2.3
Restructuring costs – onerous provision	-	-	-	0.3	0.3
	64.7	0.5	-	6.0	71.2
Taxation impact on above adjustments ⁽²⁾					(3.9)
					67.3

(1) External transaction costs includes costs associated with the current capital structure work.

(2) All of the above items are subject to corporation tax, except for the trade name impairment, goodwill impairment, right-of-use asset impairment and external transactions costs.

26 week period ended 25 June 2021 (restated)⁽³⁾

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
Profit on sale of fixed assets (net of insurance proceeds received) ⁽⁴⁾	(0.1)	(0.1)	-	-	(0.2)
Non-recurring					
Marketing costs in relation to trials	-	-	-	0.6	0.6
	1.7	0.7	0.1	0.6	3.1
Taxation impact on above adjustments					(0.4)
Taxation – rate change					8.3
					11.0

(3) A presentational adjustment has been made in June 2021 to separately pull out the marketing costs in relation to trials as non-recurring.

(4) Includes £0.1 million of insurance proceeds in respect of a Crematoria fire which occurred in 2020.

53 week period ended 31 December 2021

Non-trading					
Amortisation of acquisition related intangibles	3.7	0.4	0.1	-	4.2
External transaction costs in respect of completed and aborted transactions	-	1.2	-	1.4	2.6
Profit on sale of fixed assets (net of insurance proceeds received) ⁽⁵⁾	-	(1.1)	-	-	(1.1)
Trade name write-off	2.5	-	-	-	2.5
Trade name impairment	2.8	-	-	-	2.8
Goodwill impairment	36.4	-	-	-	36.4
Non-recurring					
Marketing costs in relation to trials	-	-	-	0.9	0.9
	45.4	0.5	0.1	2.3	48.3
Taxation impact on above adjustments ⁽⁶⁾					(2.5)
Taxation – rate change					8.3
					54.1

(5) Includes £1.1 million of insurance proceeds received in respect of a Crematoria fire which occurred in 2020.

(6) All of the above items are subject to corporation tax, except for the trade name write-off, trade name impairment and goodwill impairment.

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 recognised by the Trading Group.
- 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 corporate interest restriction and changes in the rate of deferred tax associated with the items noted above are removed.

Non-GAAP measures (continued)

(c) Other adjustments reconciliation (continued)

26 week period ended 1 July 2022	Funeral services £m	Crematoria £m	Pre-arranged funeral plans £m	Central overheads £m	Group £m
Revenue					
<i>Trust consolidation:</i>					
Release of deferred revenue on death or cancellation	61.5	-	-	-	61.5
Removal of payments received from the Trusts on death	(28.8)	-	-	-	(28.8)
Payments on cancellation	(6.8)	-	-	-	(6.8)
Derecognise pre-need segment income	-	-	(8.0)	-	(8.0)
<i>IFRS 15:</i>					
Recognition of disbursement element of pre-need plans	7.8	-	-	-	7.8
Revenue - Total other adjustments	33.7	-	(8.0)	-	25.7
Cost of sales					
<i>IFRS 15:</i>					
Amounts paid on subcontracted funerals	(3.6)	-	-	-	(3.6)
Recognition of disbursement element of pre-need plans	(7.8)	-	-	-	(7.8)
Administrative expenses					
<i>Trust consolidation:</i>					
Recognition of the Trust costs	(2.5)	-	-	-	(2.5)
Transfer of pre-need costs into funeral segment	(8.0)	-	8.0	-	-
<i>IFRS 15:</i>					
Net decrease of deferred costs in respect of commissions	(3.6)	-	-	-	(3.6)
Operating profit – Total other adjustments	8.2	-	-	-	8.2
Finance costs					
<i>Trust consolidation:</i>					
Deferred revenue significant financing					(25.6)
Remeasurement of financial assets held by the Trusts and related income					(68.0)
Finance costs – Total other adjustments					(93.6)
Taxation:					
<i>Trust consolidation:</i>					
Taxation impact on above adjustments					23.3
<i>IFRS 15:</i>					
Taxation impact on above adjustments					0.7
Taxation – Total other adjustments					24.0
Loss after taxation – Total other adjustments					(61.4)

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					
<i>Trust consolidation:</i>					
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)
<i>IFRS 15:</i>					
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					
<i>IFRS 15:</i>					
Amounts paid on subcontracted funerals	(4.1)	-	-	-	(4.1)
Recognition of disbursement element of pre-need plans	(9.3)	-	-	-	(9.3)
Administrative expenses					
<i>Trust consolidation:</i>					
Recognition of the Trust costs	(3.5)	-	-	-	(3.5)
Transfer of pre-need costs into funeral segment	(15.7)	-	15.7	-	-
<i>IFRS 15:</i>					
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)					
<i>Trust consolidation:</i>					
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:					
<i>Trust consolidation:</i>					
Taxation impact on above adjustments					(4.5)
Corporate interest restriction disallowance					(2.1)
Deferred tax rate change					6.9
<i>IFRS 15:</i>					
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)

53 week period ended 31 December 2021 – restated ⁽¹⁾	Funeral services £m	Crematoria £m	Pre-arranged funeral plans £m	Central overheads £m	Group £m
Revenue					
<i>Trust consolidation:</i>					
Release of deferred revenue on death or cancellation	117.9	-	-	-	117.9
Removal of payments received from the Trusts on death	(58.4)	-	-	-	(58.4)
Payments on cancellation	(9.8)	-	-	-	(9.8)
Derecognise pre-need segment income	-	-	(24.6)	-	(24.6)
<i>IFRS 15:</i>					
Recognition of disbursement element of pre-need plans	16.6	-	-	-	16.6
Revenue - Total other adjustments	66.3	-	(24.6)	-	41.7
Cost of sales					
<i>IFRS 15:</i>					
Amounts paid on subcontracted funerals	(8.2)	-	-	-	(8.2)
Recognition of disbursement element of pre-need plans	(16.6)	-	-	-	(16.6)
Administrative expenses					
<i>Trust consolidation:</i>					
Recognition of the Trust costs	(4.5)	-	-	-	(4.5)
Transfer of pre-need costs into funeral segment	(24.7)	-	24.7	-	-
<i>IFRS 15:</i>					
Net increase of deferred costs in respect of commissions	(0.4)	-	-	-	(0.4)
Operating profit – Total other adjustments	11.9	-	0.1	-	12.0
Finance income/(costs)					
<i>Trust consolidation:</i>					
Deferred revenue significant financing					(51.6)
Remeasurement of financial assets held by the Trusts and related income					93.1
Finance costs – Total other adjustments					41.5
Taxation:					
<i>Trust consolidation:</i>					
Taxation impact on above adjustments					(8.1)
Corporate interest restriction disallowance					(1.5)
Deferred tax rate change					6.9
<i>IFRS 15:</i>					
Taxation impact on above adjustments					(0.5)
Deferred tax rate change					(5.5)
Taxation – Total other adjustments					(8.7)
Profit after taxation – Total other adjustments					44.8

(1) Prior year comparatives have been restated for the 53 week period ended 31 December 2021 due to a reclassification of foreign exchange movements. See Note 1 for further details.

Non-GAAP measures (continued)

(d) Non-underlying cash flow items

	26 week period ended		53 week period ended
	1 Jul 2022 £m	25 Jun 2021 £m	31 Dec 2021 £m
Cash flows from operating activities	(3.7)	49.0	68.3
Cash flows of other adjustments	18.2	5.8	16.1
Cash flows from operating activities – Trading Group	14.5	54.8	84.4
External transaction costs	4.0	0.2	1.6
Payment for historical informal pre-need funerals ⁽¹⁾	3.6	-	-
Restructuring costs – redundancy	2.3	-	-
Marketing costs in relation to trials	-	0.5	0.9
Directors' severance pay	-	0.9	0.9
Operating and competition review costs	-	0.2	0.5
Underlying cash generated from operations	24.4	56.6	88.3

(1) As part of the FCA requirements, the Group is required to ensure all active funeral plans are backed by pre-need arrangement held in an appropriate trust. As a result of prior acquisitions, the Group had committed to perform 1,600 funerals for which there are no formal pre-need arrangements in place. In order to comply with the FCA regulations and to ensure the customers of these plans are receiving the best possible outcome, the Group has transferred these funeral plans at the cost of today's prices to reflect the most appropriate level of cover required, totalling £3.6 million. The Trading Group does not anticipate any further cash being transferred to the pre-need Trust in relation to these informal arrangements.

(e) Funeral market share

Comparable funeral market share excludes any volumes from locations not contributing for the whole of 2021 and 2022 to date and therefore excludes 24 locations closed and five locations opened in 2021 and a further 23 locations closed and three locations opened in 2022.

(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.

	26 week period ended		53 week period ended
	1 Jul 2022	25 Jun 2021	31 Dec 2021
Net assets in the Trusts - £'000	1,076,000	1,169,000	1,179,000
Number of active plans - number	316,000	328,000	323,000
Asset per plan (£)	3,405	3,564	3,650

Non-GAAP measures (continued)

(g) Return on Trust assets

Return on Trust assets are calculated as net investment return in the Trusts divided by the opening net assets within the consolidated balance sheet.

	LTM 1 Jul 2022 £m	LTM 25 Jun 2021 £m	53 week period ended 31 Dec 2021 £m
Opening net assets as per the consolidated balance sheet	1,006.8	920.1	967.1
Remeasurement recognised in the consolidated income statement	(28.8)	104.8	85.0
Investment income	15.9	3.4	7.7
Hedging/foreign exchange rate difference	(12.3)	-	(1.7)
Investment administrative expenses deducted at source	(0.2)	(5.5)	(2.8)
Net investment return in the Trusts	(25.4)	102.7	88.2
Return on the Trust assets (per cent)	(2.5)%	11.2%	9.1%

(h) Cash Return on Core Capital ('CROCC')

The Dignity CROCC is a measure of the return made on the productive capital in the business ignoring intangible assets and non-cash returns. This is a proprietary measure ('APM') and therefore not subject to accounting rules which you should bear in mind.

This is calculated by taking the underlying cash generated from operations and subtracting the maintenance capital expenditure, net finance costs paid and tax paid; this gives the Cash Return ('CR'). This is then divided by the sum of the property, plant and equipment, Trade receivables: at-need and Inventories less Trade payables which make up the Core Capital ('CC').

To illustrate what it measures imagine that a company built a crematorium costing say £8 million including the land which once mature makes a return after tax and capital expenditure of £1.2 million, then its CROCC would be 15 per cent (£1.2 million/£8.0 million). Now if that crematorium were sold to another company for £20.0 million it would still be making £1.2 million but they might measure its return at 6 per cent (£1.2 million/£20.0 million). CROCC would still come out at 15 per cent because it is based upon the capital used to create the asset, not the goodwill reflected in its transfer. 6 per cent is the initial return on an investment in what is a 15 per cent asset purchased for 2.5 times the capital invested in it.

Core Capital is taken from a concept introduced by Warren Buffett about judging a business based upon the capital you would need to replicate it.

CROCC is useful because it gives a measure of the underlying returns of a business which are a guide to what the returns on retained capital might be. As we progress the CROCC will increasingly reflect the returns from the capital retained and allocated by the executive for organic growth. The CROCC calculation can be reconciled as follows:

	26 week period ended		53 week period ended
	1 Jul 2022 £m	25 Jun 2021 £m	31 Dec 2021 £m
Underlying cash generated from operations	24.4	56.6	88.3
Less:			
Maintenance capital expenditure	(10.5)	(8.0)	(17.6)
Net finance costs paid	(13.9)	(14.2)	(28.2)
Tax paid	(1.1)	(12.4)	(17.7)
Cash Return	(1.1)	22.0	24.8
Property, plant and equipment	240.7	241.2	242.1
Trade receivables: at-need	13.2	13.5	15.2
Inventories	7.9	9.1	8.6
Less:			
Trade payables	(8.3)	(6.0)	(9.3)
Core Capital	253.5	257.8	256.6
Cash Return on Core Capital (per cent)	(0.4)%	8.5%	9.7%

Non-GAAP measures (continued)

(i) Cost to deliver a funeral

The cost to deliver a funeral is calculated by taking underlying overheads before IFRS 16 divided by the number of funerals performed. The calculation can be reconciled as follows:

	LTM 1 Jul 2022	LTM 25 Jun 2021	53 week period ended 31 Dec 2021
Number of funerals performed (number)	77,800	75,700	79,200
Funeral services underlying revenue (£million)	184.0	198.0	201.9
Less: Funeral services underlying operating profits before depreciation and amortisation (£million)	(45.0)	(68.4)	(67.6)
Add back: Impact of IFRS 16 (£million)	9.0	9.7	9.4
Funeral services underlying overheads before IFRS 16 (£million)	148.0	139.3	143.7
Cost to deliver a funeral (£)	1,902	1,840	1,814

(j) Contribution per branch

The contribution per branch is calculated by taking underlying operating profit before depreciation, amortisation and IFRS 16 divided by the number of funerals locations. The calculation can be reconciled as follows:

	LTM 1 Jul 2022	LTM 25 Jun 2021	53 week period ended 31 Dec 2021
Number of funerals locations (number)	743	777	776
Funeral services underlying operating profits before depreciation and amortisation (£million)	45.0	68.4	67.6
Less: Impact of IFRS 16 (£million)	(9.0)	(9.7)	(9.4)
Funeral services underlying operating profit before depreciation, amortisation and IFRS 16 (£million)	36.0	58.7	58.2
Contribution per branch (£)	48,452	75,547	75,000

(k) Yield per crematoria

The yield per crematoria is calculated by taking underlying operating profit before depreciation, amortisation and IFRS 16 divided by the number of crematoria locations. The calculation can be reconciled as follows:

	LTM 1 Jul 2022	LTM 25 Jun 2021	53 week period ended 31 Dec 2021
Number of crematoria locations (number)	46	46	46
Crematoria underlying operating profits before depreciation and amortisation (£million)	51.2	52.3	54.5
Less: Impact of IFRS 16 (£million)	(2.6)	(2.8)	(2.7)
Crematoria operating profit before depreciation, amortisation and IFRS 16 (£million)	48.6	49.5	51.8
Yield per crematoria (£)	1,056,522	1,076,087	1,126,087

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 United Kingdom adopted International accounting standard IAS 34 'Interim Financial Reporting'; 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 2022 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 2022 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:

Kate Davidson – Chief Executive
Dean Moore – Interim Chief Financial Officer
John Castagno – Independent Non-Executive Chairman
Graham Ferguson – Senior Independent Director
Kartina Tahir Thomson – Independent Non-Executive Director

On behalf of the Board

Dean Moore

Interim Chief Financial Officer
29 September 2022

Independent review report to Dignity plc

Conclusion

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 1 July 2022 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 18. 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.

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 the 26 week period ended 1 July 2022 is not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Basis for Conclusion

We conducted our review in accordance with International Standard on Review Engagements 2410 (UK) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. 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.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with UK adopted international accounting standards. The condensed set of financial statements included in this interim financial report has been prepared in accordance with UK adopted International Accounting Standard 34, "Interim Financial Reporting".

Conclusions Relating to Going Concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis of Conclusion section of this report, nothing has come to our attention to suggest that management have inappropriately adopted the going concern basis of accounting or that management have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with this ISRE, however future events or conditions may cause the entity to cease to continue as a going concern.

Responsibilities of 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.

In preparing the interim financial report, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the review of the financial information

In reviewing the interim report, we are responsible for expressing to the Company a conclusion on the condensed set of financial statements in the interim financial report. Our conclusion, including our Conclusions Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report

This report is made solely to the company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. 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.

Ernst & Young LLP
Birmingham
29 September 2022

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.