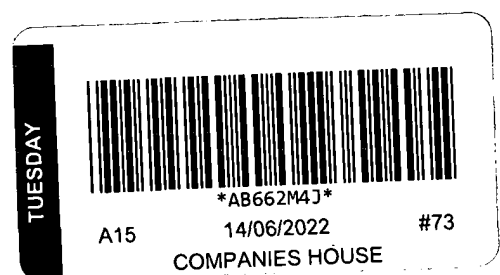


Registered number: 04594314

Dignity Finance Holdings Limited  
Annual report and financial statements  
for the period ended 31 December 2021



# **Dignity Finance Holdings Limited**

## **Annual report and financial statements for the period ended 31 December 2021**

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# **Dignity Finance Holdings Limited**

## **Strategic report for the period ended 31 December 2021**

The Directors present their Strategic report for Dignity Finance Holdings Limited ('the Company') for the period ended 31 December 2021. The Company is a subsidiary of Dignity plc and a member of the Dignity plc group ('the Dignity Group').

The financial statements have been prepared for the 53 week period ended 31 December 2021. The financial statements for the comparative period have been prepared for the 52 period ending 25 December 2020.

### **Business review and future development**

The result for the period was £nil (2020: £nil). The results for the period are set out in the Income statement on page 8.

The Company operates as an intermediate holding company. The Company may receive income from its investments in the form of dividends and interest receivable on amounts due from Dignity Group companies, and may incur costs in the form of interest payable on amounts due to Dignity Group companies. The directors do not currently anticipate any change in the Company's activities.

### ***Consent solicitation with bondholders***

On 17 February 2022, Dignity Finance Plc, a fellow subsidiary of the Dignity Group, announced the launch of a consent solicitation period with its Class A Bondholders in relation to a proposed temporary covenant waiver for the Dignity (2002) Limited Securitised Group. As stated in the Dignity Group's interim results on 21 September 2021, the directors of Dignity plc continue to work on its plans to improve the Dignity Group's capital structure in the pursuit of the best long-term value for shareholders.

Whilst the Dignity (2002) Limited Group's financial performance has delivered headroom in relation to financial covenants throughout the last 12 months, 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. Therefore, the Board of Dignity plc has taken the prudent decision to seek a temporary waiver of the abovementioned financial covenant on a precautionary basis in relation to the Dignity Finance Plc debt obligations.

Following a meeting of the Class A Bondholders on 11 March 2022, the necessary quorum was achieved (with 99.58 per cent of the aggregate principal amount of the Notes for the time being outstanding being represented) and the Extraordinary Resolution was duly passed (with 95.19 per cent of the votes being cast in favour).

The Directors do not consider there are any key performance indicators in respect of the Company other than the financial information set out in the Income statement, Statement of comprehensive income, Balance sheet and the Statement of changes in equity.

The directors of Dignity plc manage the Dignity Group's operations on a divisional basis. For this reason, the Company's directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of Dignity Finance Holdings Limited. The development, performance and position of the Dignity Group, which includes the Company, is discussed within the Strategic report of the Dignity Group's annual report which does not form part of this report.

### **Risks**

As an intermediate holding company, the key risks relate to impairment of the carrying value of investments or amounts due from group companies and the ability of the Company to meet its obligations under its intercompany liabilities. All risks are managed by the directors of Dignity plc on a group basis. From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Dignity Group and are not managed separately. Accordingly, the principal risks and uncertainties of the Dignity Group, which include those of the Company, are discussed within the Principal risks and uncertainties within the Strategic report of the Dignity Group's annual report which does not form part of this report.

# **Dignity Finance Holdings Limited**

## **Strategic report for the period ended 31 December 2021 (continued)**

### **Section 172 statement**

The directors are aware of their duty under s172(1) of the Companies Act 2006 to act in the way which they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its stakeholders as a whole, and in doing so, to have a regard (amongst other matters) to:

- the likely consequences of any decision in the long term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly towards all stakeholders of the Company.

The directors of the Company consider that they have had regard in material respects to the factors set out above.

The Company is a UK subsidiary of Dignity plc, a company quoted on the London Stock Exchange. The Dignity plc board determines the strategic objectives and policies of the Dignity Group to best support the delivery of long-term value, providing overall strategic direction within an appropriate framework of controls, delegated authority, and rewards. The Company follows Group policies and procedures, including those relating to standards of business conduct, employees, customers, suppliers, the environment, the communities in which we operate, and other stakeholders such as regulatory bodies and non-government organisations. Stakeholder engagement takes place at a Group level and the Company looks to Group initiatives for guidance and takes them into account in its decision making. More detail can be found on pages 21 to 21 in the Dignity Group's annual report which does not form part of this report.

The Company delegates authority for day-to-day management to the Dignity Group senior leadership team, who set, approve and oversee the execution of the Company's activities. Board meetings are held ad-hoc where the directors consider Company business, such as appointment of directors, approval of accounts, approval of dividends, guarantees and other strategic decisions relating to business operations. In considering items of business the Company makes autonomous decisions on each item's own merits, after due consideration of the long-term success of the Company, Section 172 factors, where relevant, and the stakeholders impacted.

The Strategic report has been approved by the Board.

By order of the board



KA Davidson  
**Director**

25 May 2022

# **Dignity Finance Holdings Limited**

## **Directors' report for the period ended 31 December 2021**

The Directors present their report with the audited financial statements of Dignity Finance Holdings Limited ('the Company') for the period ended 31 December 2021.

### **Going concern**

In order to assess the appropriateness of the application of the going concern principle in these financial statements the Directors have considered the principal risks and uncertainties and financial position of both the Company and of the Dignity Group as a whole, reflecting how the Company is managed.

Further information in respect of the Directors' assessment of the ability of the Dignity Group to continue as a going concern in addition to information in respect of the longer term viability of the Dignity Group is presented within the Dignity Group's annual report which does not form part of this report.

The Company has carried out a diligent going concern analysis and full details of this analysis are set out in note 1 to the financial statements.

Following consideration of the base case forecasts, and the range of downside and stress test scenarios, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for a period at least through to 30 June 2023. Therefore, the Directors continue to adopt the going concern basis of accounting in preparing the financial statements.

### **Dividends**

No dividends were declared or paid by the Company in either the current or preceding period.

### **Directors**

The directors who served during the period and up to the date of signing the financial statements were:

A Judd (resigned 1 April 2022)

A Lathbury (resigned 6 February 2022)

KA Davidson (appointed 6 February 2022)

G Channon (appointed 1 April 2022)

### **Directors' indemnities**

During the period, the Dignity Group maintained liability insurance for its Directors and Officers. The Directors of this Company have the benefit of an indemnity provision in the Dignity Group's Articles of Association. The indemnity provision, which is a qualifying third-party indemnity provision as defined by Section 234 of the Companies Act 2006, was in force throughout the period and is currently in force.

### **Statement of directors' responsibilities**

The directors are responsible for preparing the Strategic report, Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 *Reduced Disclosure Framework* (FRS 101). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

## **Dignity Finance Holdings Limited**

### **Directors' report for the period ended 31 December 2021 (continued)**

#### **Statement of directors' responsibilities (continued)**

In preparing these financial statements, the directors are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- state whether applicable United Kingdom Accounting Standards including FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- provide additional disclosures when compliance with the specific requirements in FRS 101 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the company financial position and financial performance; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a strategic report and directors' report, that comply with that law and those regulations. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

#### **Independent auditors**

A resolution to reappoint Ernst & Young LLP as auditors to the Company will be proposed at the annual general meeting.

#### **Statement of disclosure of information to auditors**

As at the date this report was signed, so far as each director is aware, there is no relevant audit information of which the Company's auditor are unaware and each director has taken all steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor are aware of that information.

#### **Other matters**

As permitted by legislation, some of the matters required to be included in the Directors' report have instead been included in the Strategic Report, as the Directors considers them to be of strategic importance. Specifically, these relate to likely future developments and subsequent events to the Company.

The Directors' report has been approved by the Board.

By order of the board



KA Davidson  
**Director**

25 May 2022

## **Independent auditor's report to the members of Dignity Finance Holdings Limited**

### **Opinion**

We have audited the financial statements of Dignity Finance Holdings Limited for the 53 week period ended 31 December 2021 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of comprehensive income, the Statement of changes in equity and the related notes 1 to 12, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2021 and of its result for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period from when the financial statements are authorised for issue through to 30 June 2023.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

## **Independent auditor's report to the members of Dignity Finance Holdings Limited (continued)**

### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on pages 3 and 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, 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 audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

### **Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (FRS 101 and the Companies Act 2006) and the relevant tax compliance regulations in the UK.



## **Independent auditor's report to the members of Dignity Finance Holdings Limited (continued)**

### **Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud (continued)**

- We understood how Dignity Finance Holdings Limited is complying with those frameworks by making enquiries of management, internal audit and those charged with governance to understand how the company, as part of the wider Dignity plc group, maintains and communicates its policies and procedures in these areas. We understood any controls put in place by management to reduce the opportunities for fraudulent transactions and those responsible for legal and compliance procedures.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by meeting with management, internal audit and those charged with governance to understand where it considered there was susceptibility to fraud. We understood the programmes and controls that the company, as part of the wider Dignity plc group, has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programmes and controls. Where the risk was considered to be higher in respect of management override, we performed audit procedures to address the identified fraud risk. These procedures included, journals posted by the key management personnel including directors of the company and journals indicating large or unusual transactions. We have considered the nature of these transactions and for those that we do not consider to be in the normal course of business and are not of a trivial value we obtain evidence to support the validity of the transactions. Our procedures were designed to provide reasonable assurance that the financial statements were free from material misstatement.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved journal entry testing, with a focus on journals posted by the key management personnel including directors of the company and journals indicating large or unusual transaction based on our understanding of the business and enquiries of management and internal audit.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### **Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Adrian Roberts (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
Birmingham  
25 May 2022

## **Dignity Finance Holdings Limited**

### **Income statement for the period ended 31 December 2021**

The Company is an intermediate holding company and did not enter into any transactions in the period that generated any profits or losses (2020: £nil).

### **Statement of comprehensive income for the period ended 31 December 2021**

There were no other items of comprehensive income such that there is no difference between the result for the financial period as shown above and the total comprehensive income. Therefore no separate statement of comprehensive income has been presented.

## Dignity Finance Holdings Limited

### Balance sheet as at 31 December 2021

		31 December 2021	25 December 2020
	Note	£'000	£'000
<b>Fixed assets</b>			
Investments	6	50	50
<b>Current assets</b>			
Debtors	7	38	38
		38	38
<b>Creditors: amounts falling due within one year</b>	8	(38)	(38)
<b>Net current assets</b>		-	-
<b>Total assets less current liabilities</b>		50	50
<b>Net assets</b>		50	50
<b>Capital and reserves</b>			
Called up share capital	9	50	50
Profit and loss reserve		-	-
<b>Total shareholders' funds</b>		50	50

The financial statements on pages 8 to 18 were approved by the board of directors on 25 May 2022 and were signed on its behalf by:



KA Davidson

**Director**

Dignity Finance Holdings Limited

Registered number: 04594314

## Dignity Finance Holdings Limited

### Statement of changes in equity for the period ended 31 December 2021

	Called up share capital	Profit and loss reserve	Total shareholders' funds
	£'000	£'000	£'000
Shareholders' funds as at 27 December 2019	50	-	50
Result for the financial period	-	-	-
<b>Total comprehensive income</b>	-	-	-
Shareholders' funds as at 25 December 2020	50	-	50
Result for the financial period	-	-	-
<b>Total comprehensive income</b>	-	-	-
<b>Shareholders' funds as at 31 December 2021</b>	<b>50</b>	<b>-</b>	<b>50</b>

# **Dignity Finance Holdings Limited**

## **Notes to the financial statements for the period ended 31 December 2021**

### **1 Principal accounting policies**

#### **Basis of preparation**

The financial statements of the Company for the period ended 31 December 2021 were authorised for issue by the board of directors and the balance sheet was signed on the board's behalf by Ms KA Davidson. The Company is incorporated and domiciled in England and Wales. The Company's registered address is 4 King Edwards Court, King Edwards Square, Sutton Coldfield, West Midlands, B73 6AP.

The financial statements of the Company have been prepared in accordance with the Companies Act 2006, as applicable to companies using Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) (applicable accounting standards). The financial statements have been prepared on a going concern basis under the historical cost convention. The principal accounting policies are set out below and have been applied consistently throughout the period.

The Company's financial statements are presented in Sterling and all values are rounded to the nearest thousand pound (£'000) except where otherwise indicated.

The financial statements contain information about the Company as an individual undertaking and do not contain consolidated financial information as the parent of a group. The reason for this is that the Company is a wholly owned subsidiary of Dignity plc and is included in that company's consolidated financial statements. Consequently the Company by virtue of section 400 of the Companies Act 2006 is exempt from the preparation of its own consolidated financial statements.

#### **Going concern**

The Company operates as part of the Dignity plc group ('Dignity Group') and is one of a number of entities within that group which are part of a Securitisation Group established in connection with the Dignity Group's only loan borrowings. The day-to-day liquidity requirements of the Company are sourced either from within the Company or, where necessary, from the continued support of certain other entities within the Dignity Group, such support having been confirmed in writing as available for a period at least through 30 June 2023.

The key factors which impact the Dignity Group's financial performance are death rate, market share, funeral mix (Attended Funeral vs Unattended Funeral) and average revenue per funeral.

The financial performance of the Dignity Group and the Securitisation Group has been forecast for a period through 30 June 2023 (the going concern period) and those forecasts have been subjected to a number of sensitivities. These forecasts reflect an assessment of current and future market conditions and their impact on the future profitability of the Dignity Group and the Securitised Group.

As at 31 December 2021, the Dignity Group had cash (excluding cash in the Trusts) of £55,877,000 and its operations are also funded by Class A Notes with an outstanding principal of £170,656,000 (matures 2034) and Class B Notes with an outstanding principal of £356,402,000 (matures 2049) that are listed on Euronext Dublin. As part of the conditions of these notes, the Securitisation Group is required to comply with an EBITDA: Debt Service Charge Ratio (DSCR) covenant, tested quarterly on a last 12 month basis. At each point of testing, EBITDA must exceed c.£51,000,000 (i.e. 1.5x the annual debt service cost of £34,000,000).

Due to the uncertainty around the forecasted deaths for 2022 and 2023 (due to the impact of COVID-19 on deaths in 2020 and 2021), as a precautionary measure, the Group sought and was granted a waiver of the DSCR and related covenants within the debt.

# Dignity Finance Holdings Limited

## Notes to the financial statements for the period ended 31 December 2021 (continued)

### 1 Principal accounting policies (continued)

#### Going concern (continued)

This 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. Any cash transferred into the Securitisation Group during this period (up to an allowed maximum of £15,000,000) is included within the EBITDA for the purpose of the DSCR for the following 12 months and therefore the waiver covers the entire going concern period, i.e. cash (required to be) injected into the Securitisation Group prior to 31 December 2022 will be included in the calculation of EBITDA for the following 12 months. The Group has forecast its liquidity position and has sufficient liquidity in Dignity plc (the company), under all severe but plausible scenarios modelled, should it need to inject cash into the Securitised Group.

The Dignity Group accelerated its new strategy in September 2021 and introduced an Attended Funeral at prices from £1,595 to £2,495 (excludes extras, e.g. limousines, etc., which are charged in addition to this rate) across the majority of the network, implemented the Unattended Funeral (direct cremation) across the whole network and the simple funeral was removed (apart from our location in Jersey). Whilst 2021 funeral market share is slightly lower than the prior year that started to change after the price changes and the Group expects the new strategy to generate growth in its funeral market share and growth in profits.

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

- Deaths being 10,000 less than budgeted (noting for going concern purposes, the directors considered a budget for 610,000 deaths which is less than the ONS projections of 631,000 deaths in 2022);
- Funeral market share growth being one per cent less than budgeted;
- Average revenue per funeral being two per cent lower than budgeted; and
- A higher proportion of Unattended Funerals than budgeted.

This scenario modelling confirmed that, after considering the potential use of the equity cure, there was no plausible scenario in which the Dignity Group would not meet its debt service payments or related covenants in the going concern period. The Group is forecast to have sufficient liquidity to meet its liabilities as they fall due in the period assessed through to 30 June 2023.

Having considered all the above, including the Company, Securitisation Group and Dignity Group's current financial position, the Directors remain confident in the long-term future prospects for the Group and its ability to continue as a going concern for the foreseeable future and for a period through to 30 June 2023 and therefore continue to adopt the going concern basis in preparing the Financial Statements.

#### Exemptions:

As permitted by FRS 101 the following exemptions from the requirements of International Financial Reporting Standards ("IFRS") have been applied in the preparation of these financial statements:

- The following paragraphs of IAS 1, 'Presentation of financial statements':
  - 10(d) (statement of cash flows);
  - 16 (statement of compliance with all IFRS);
  - 38A (requirement for minimum of two primary statements, including cash flow statements);
  - 38B-D (additional comparative information);
  - 111 (cash flow statement information); and
  - 134-136 (capital management disclosures).
- Paragraph 38 of IAS 1 'Presentation of financial statements' comparative information requirements in respect of paragraph 79 (a) (iv) of IAS 1 'Presentation of financial statements'.
- IAS 7, 'Statement of cash flows'

# **Dignity Finance Holdings Limited**

## **Notes to the financial statements for the period ended 31 December 2021 (continued)**

### **1 Principal accounting policies (continued)**

#### **Exemptions (continued)**

Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).

- IFRS 7, 'Financial instruments: Disclosures'
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation)
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

The Company is eligible to apply the above exemptions as it is included in the consolidated financial statements of Dignity plc who prepare financial statements under IFRS and include the above disclosures.

The consolidated financial statements of Dignity plc are available from 4 King Edwards Court, King Edwards Square, Sutton Coldfield, West Midlands, B73 6AP.

#### **New standards, amendments and IFRIC interpretations**

No new accounting standards, or amendments to accounting standards, or IFRIC interpretations that are effective for the period ended 31 December 2021, have had a material impact on the company.

#### **Investments**

Investments are stated at historical cost, less any provision for impairment.

#### **Intercompany receivables**

##### *Initial Recognition and measurement*

Financial assets are classified at initial recognition, and are subsequently measured, at amortised cost as the Company's financial assets give rise to cash flows that are solely payments of principal and, where applicable, interest on the principal amount and it is the Company's business model to collect the contractual cash flows.

##### *Impairment*

The Company recognises an allowance for expected credit losses (ECLs) for all receivables held at amortised cost. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12 month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

#### **Taxation**

The tax charge for the period includes the charge for tax currently payable and deferred tax. The current tax charge represents the estimated amount due that arises from the operations of the Company in the period and after making adjustments to estimates in respect of prior years. Tax is recognised in the income statement, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

Deferred tax is recognised in respect of all temporary differences that have originated but not reversed at the balance sheet date, except that deferred tax assets are only recognised to the extent that they are regarded as more likely than not to be recoverable.

Deferred tax is measured at the tax rates that are expected to apply in the periods in which the temporary differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted, by the balance sheet date. Deferred tax is measured on a non-discounted basis.

# **Dignity Finance Holdings Limited**

## **Notes to the financial statements for the period ended 31 December 2021 (continued)**

### **1 Principal accounting policies (continued)**

#### **Dividends policy**

Dividend distributions to the Company's shareholders are recognised as a liability in the financial statements in the period in which they are approved by the Company's shareholders in a general meeting.

#### **Critical accounting estimates and assumptions**

The preparation of the financial statements in conformity with FRS 101 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

Management has not made any judgements, estimates or assumptions in preparing these financial statements that materially affects the application of policies or the reported amounts of assets, liabilities, income or expenses.

### **2 Turnover**

The Company is an intermediate holding company and has no turnover in either period.

### **3 Operating result**

Auditors' remuneration is borne by a fellow subsidiary of the Dignity Group, and is not allocated to individual entities.

### **4 Staff costs**

#### **Employees**

There were no employees in either period.

The directors who served during the period were also directors of Dignity Funerals Limited and details of their remuneration are included in the financial statements of that company. The services provided to this Company are considered to represent an insignificant proportion of their time and as such the directors have received no remuneration in respect of their services to the Company in either period.

Andrew Judd was also a director of the ultimate parent company, Dignity plc and details of his remuneration are included in the financial statements of that company. The services provided to this Company were considered to represent an insignificant proportion of his time and as such the director received no remuneration in respect of his services to the Company in either period.



## Dignity Finance Holdings Limited

### Notes to the financial statements for the period ended 31 December 2021 (continued)

#### 5 Tax on result

##### Analysis of tax charge in the period

The tax charge in the period was £nil (2020: £nil).

There is no tax impact on other comprehensive income or equity in either period.

The tax charge for the period is equal to (2020: equal to) the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%). The differences are explained below:

	53 week period ended 31 December 2021 £'000	52 week period ended 25 December 2020 £'000
<b>Result before tax</b>	-	-
Result before tax multiplied by standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	-	-
Effects of:		
Group relief surrendered without credit	1	1
UK to UK transfer pricing adjustment	(1)	(1)
<b>Total tax charge for the period</b>	-	-

UK to UK transfer pricing reflects the charge on fees in relation audit, preparation of statutory accounts and tax computations and company secretarial costs borne by Dignity Funerals Limited, a fellow group subsidiary.

In the March 2021 budget legislation was announced that will increase the main rate of corporation tax from 19 per cent to 25 per cent from 1 April 2023. The change was substantively enacted at the balance sheet date.

The Company has no recognised or unrecognised deferred tax (2020: nil)

## Dignity Finance Holdings Limited

### Notes to the financial statements for the period ended 31 December 2021 (continued)

#### 6 Investments

	£'000
At beginning and end of the period	50

The Company has an investment in the following company

Shares in subsidiaries comprise:

	Activity	Issued share capital at 31 December 2021	Percentage held
Dignity Finance PLC	Finance company	49,999 Ordinary Shares at £1 each	100%

The above subsidiary is incorporated in the United Kingdom. The directors believe that the carrying value of the investment is supported by its underlying net assets. All of the above shares are held directly.

The above subsidiary undertaking is registered at 4 King Edwards Court, King Edwards Square, Sutton Coldfield, West Midlands, B73 6AP.

#### 7 Debtors

	31 December 2021 £'000	25 December 2020 £'000
<b>Amounts falling due within one year:</b>		
Amounts owed by group undertakings	38	38

The amounts owed by group undertakings are unsecured and non interest bearing.

## **Dignity Finance Holdings Limited**

### **Notes to the financial statements for the period ended 31 December 2021 (continued)**

#### **8 Creditors: amounts falling due within one year**

	<b>31 December 2021</b>	<b>25 December 2020</b>
	<b>£'000</b>	<b>£'000</b>
Amounts owed to group undertakings	<b>38</b>	<b>38</b>

The amounts owed to group undertakings are unsecured and non interest bearing.

#### **9 Called up share capital**

	<b>31 December 2021</b>	<b>25 December 2020</b>
	<b>£'000</b>	<b>£'000</b>
<b>Allotted and fully paid</b>		
50,000 (2020: 50,000) Ordinary Shares of £1 each	<b>50</b>	<b>50</b>

Each Ordinary Share carries equal voting rights and there are no restrictions on any share.

#### **10 Ultimate holding company**

The Company's ultimate holding company and controlling party at 31 December 2021 was Dignity plc.

The parent company of the smallest group in which the financial statements of the Company are consolidated is Dignity (2002) Limited. Copies of the consolidated financial statements of the Dignity (2002) Limited group are available from 4 King Edwards Court, King Edwards Square, Sutton Coldfield, West Midlands, B73 6AP, the Company's Registered office.

The parent company of the largest group in which the financial statements of the Company are consolidated is Dignity plc. Copies of the consolidated financial statements of Dignity plc are available from 4 King Edwards Court, King Edwards Square, Sutton Coldfield, West Midlands, B73 6AP.

The immediate parent company is Dignity Services.

## **Dignity Finance Holdings Limited**

### **Notes to the financial statements for the period ended 31 December 2021 (continued)**

#### **11 Contingent liabilities**

On 17 October 2014, the Dignity Group issued £238,904,000 Class A Secured 3.5456% Notes due 2034 ('Secured Class A Notes') and £356,402,000 Class B Secured 4.6956% Notes due 2049 ('Secured Class B Notes' and together with the Secured Class A Notes, the 'Secured Notes').

As a result of the issue of Secured Notes, BNY Mellon Corporate Trustee Services Limited in its capacity as Security Trustee of the Secured Notes has the following guarantees and charges:

- Dignity (2002) Limited and its wholly owned subsidiaries, including the Company, ('Dignity (2002) Group') have granted the Security Trustee fixed and floating charges over all the assets and undertakings of the Dignity (2002) Group.

At 31 December 2021, the amounts outstanding by the Dignity (2002) Group, in relation to these borrowings was £527,058,000 (2020: £542,186,000).

In the opinion of the directors, no liability is likely to crystallise in respect of these guarantees.

#### **12 Post balance sheet events**

##### ***Consent solicitation with bondholders***

On 17 February 2022, Dignity Finance Plc, a fellow subsidiary of the Dignity Group, announced the launch of a consent solicitation period with its Class A Bondholders in relation to a proposed temporary covenant waiver for the Dignity (2002) Limited Securitised Group. As stated in the Dignity Group's interim results on 21 September 2021, the directors of Dignity plc continue to work on its plans to improve the Dignity Group's capital structure in the pursuit of the best long-term value for shareholders.

Whilst the Dignity (2002) Limited Group's financial performance has delivered headroom in relation to financial covenants throughout the last 12 months, 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. Therefore, the Board of Dignity plc has taken the prudent decision to seek a temporary waiver of the abovementioned financial covenant on a precautionary basis in relation to the Dignity Finance Plc debt obligations.

Following a meeting of the Class A Bondholders on 11 March 2022, the necessary quorum was achieved (with 99.58 per cent of the aggregate principal amount of the Notes for the time being outstanding being represented) and the Extraordinary Resolution was duly passed (with 95.19 per cent of the votes being cast in favour).