



Dignity<sup>®</sup>

CARING FUNERAL  
SERVICES

Dignity plc

**Interim Report  
2004**

(for the 26 week period ended 25 June 2004)

# Chairman's statement

## Introduction

Dignity plc was successfully admitted to the Official List of the London Stock Exchange in April 2004. The Group is the largest single provider of funeral related services, namely funeral services, cremations and funeral plans in Britain. It is also the only UK listed company in this area.

The listing raised £123.0 million before expenses, which was used by the Group to repay expensive debt, secure a more diversified ownership and provide more stable financing for the Group.

## Results

I am pleased to report a strong trading performance in the first half of our first financial year as a listed company. Operating profit before goodwill amortisation and exceptional items has increased by 19.8 per cent. to £20.0 million. Operating profit has increased by 39.4 per cent. to £19.1 million.

The Group performed 35,100 funerals from our network of 511 branches around the country; 19,800 cremations at our 21 crematoria; and sold 7,900 pre-arranged funeral plans. This was against a background of lower recorded deaths in the period. Total recorded deaths were 295,800, some 3.6 per cent. lower than last year. Historically fluctuations in recorded deaths tend to be self-correcting and the Board's view on medium-term death rates remains unchanged.

Lower than expected revenues in the period were more than offset by continued strong cost control in all areas of the business. The details of the trading results are included in the financial and operating highlights on page 3.

## Underlying profit and dividend

Underlying profit before tax in the first half of the financial year was £12.3 million compared to £9.4 million for the same period last year, an increase of 30.9 per cent. This is stated after adjusting for exceptional items, amortisation of goodwill and non-recurring finance charges. Including these items, the reported loss before taxation is £3.9 million (26 week period ended 27 June 2003: £1.3 million).

The Board has declared an interim dividend of 1.875p per share payable on 29 October 2004 to all shareholders on the register at 20 August 2004. This is consistent with the Group's dividend policy set out in the Listing Particulars published at the time of listing.

## Developments

During June and July, the Group acquired three funeral businesses, trading from four locations, to add to the existing branch network, for a total cash consideration of £2.9 million. The Group expects to complete further acquisitions in the second half of the year. In addition the Group opened two new funeral homes that will share the resources of nearby existing Dignity funeral homes.

The development of the new crematorium at Holytown in North Lanarkshire is nearing completion and the facility is expected to open during August 2004.

The Group operates within a traditional market which requires a personal service to customers and so a continued commitment to service excellence is central to the Group's strategy. This is achieved through the experienced and committed staff at our many locations. The Board continues to monitor customer satisfaction through client surveys and the results continue to be excellent. I would like to thank all our staff for their hard work and continued dedication to client service.

### **Outlook**

The successful listing of the company has created a strong base for the future development of the business. Margins have continued to be ahead of last year and the Group continues to trade well. Our expectations for the year remain positive.

A handwritten signature in black ink that reads "R.A. Connell". The letters are cursive and fluid, with a large initial 'R' and 'C'.

Richard Connell  
*Chairman*

# Financial and operating highlights

## Introduction

The Group's operations are managed across three main areas, namely funeral services, crematoria and pre-arranged funeral plans. Funeral services account for 80 per cent. of the Group's revenues and relates primarily to the provision of funerals and ancillary items such as memorials and floral tributes. Crematoria account for 16.1 per cent. of the Group's revenues which principally arise from cremation services and memorialisation. Income to cover the costs of administering the sale of pre-arranged funeral plans, in advance of the time of need, account for 3.9 per cent. of the Group's revenues.

## Financial highlights

- Underlying profit before tax<sup>1</sup> up 30.9 per cent. to £12.3 million.
- Operating profit before goodwill amortisation and exceptional items has risen 19.8 per cent. to £20.0 million.
- Turnover has increased 3.6 per cent. to £69.1 million.
- Interim dividend of 1.875p per share.

## Further statutory disclosures

- Operating profit has increased by 39.4 per cent. from £13.7 million to £19.1 million.
- Loss before tax of £3.9 million compared to £1.3 million in the previous comparative period.

## Trading overview

Funeral volumes were 35,100 in the period compared to 36,300 in 2003. This can be compared to a 3.6 per cent. fall in recorded deaths in the period against prior year. Revenues rose by 3.9 per cent. to £55.3 million whilst operating costs were reduced by 1.0 per cent. to £37.2 million.

Cremation volumes were 19,800 in the period compared to 20,600 in 2003. Revenues rose by 6.7 per cent. to £11.1 million, whilst operating costs fell by 7.0 per cent. to £5.3 million, in part due to a re-organisation in the division during Q2 2003.

Pre-arranged funeral plan sales were 7,900 in the period compared to 13,800 in 2003. This is primarily due to the timing of marketing campaigns conducted by the Group's affinity partners. In particular in 2003, AXA conducted two marketing campaigns, one in each half of the year, whereas in 2004, both campaigns are anticipated in the second half of the year. Royal London have recently closed their direct sales force operation to focus on other sales channels. This will have an adverse effect on pre-need sales in the second half of the year whilst we work with them to develop sales through their preferred routes to market. The Group continues to explore other routes to market via affinity partners.

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<sup>1</sup> – see page 5.

During the period the Group received £1.2 million (26 weeks to 27 June 2003: £nil; 52 weeks to 26 December 2003: £1.0 million) from the release of trust surpluses by the fund trustees. The directors do not anticipate any further recoveries of trust surpluses this year.

## Trading overview

	26 week period ended	
	25 June 2004 £m	27 June 2003 £m
<b>Turnover</b>		
Funeral services	55.3	53.2
Crematoria	11.1	10.4
Pre-arranged funeral plans	2.7	3.1
	<u>69.1</u>	<u>66.7</u>
<b>Operating profit before goodwill amortisation and exceptional items</b>		
Funeral services	18.1	15.7
Crematoria	5.8	4.7
Pre-arranged funeral plans	1.0	0.5
Central overheads	(4.9)	(4.2)
	<u>20.0</u>	<u>16.7</u>
<b>Exceptional items</b>		
Funeral services – profit on sale of fixed assets	0.5	0.3
Crematoria – profit/(loss) on sale of fixed assets	0.3	(0.1)
Pre-arranged funeral plans – recovery of trust surpluses	1.2	—
Central overheads – whole business securitisation costs	—	(0.5)
	<u>2.0</u>	<u>(0.3)</u>
<b>Operating profit before goodwill amortisation</b>		
Funeral services	18.6	16.0
Crematoria	6.1	4.6
Pre-arranged funeral plans	2.2	0.5
Central overheads	(4.9)	(4.7)
	<u>22.0</u>	<u>16.4</u>

## Underlying profit before tax

The past two years have witnessed significant re-organisations of the Group's capital structure, including the venture capital backed management-buy-out in 2002, whole business securitisation in 2003 followed by flotation and redemption of expensive debt in 2004, rendering comparison with prior periods or assessment of the underlying earnings difficult. The Directors are of the opinion that the following provides additional indicative information regarding the underlying profits of the Group:

	<i>26 week period ended</i>	
	<i>25 June</i>	<i>27 June</i>
	<i>2004</i>	<i>2003</i>
	<i>£m</i>	<i>£m</i>
Loss before tax for the period as reported	(3.9)	(1.3)
<i>Add/(deduct) the effects of:</i>		
Goodwill amortisation	2.9	2.7
Exceptional operating items	(2.0)	0.3
Exceptional interest expense (see below)	10.1	—
Interest expense of mezzanine loan and loan notes 2013 (see below)	4.7	7.4
Amortisation of debt issue costs of mezzanine loan and loan notes 2013 (see below)	0.5	0.3
Underlying profit before tax	<u>12.3</u>	<u>9.4</u>

The estimated effective tax rate on earnings before goodwill and exceptional items is considered to be approximately 33 per cent. in 2004 and is not expected to vary significantly in future years. As noted above, significant changes to the capital structure have rendered comparison of the taxation charges difficult.

## Financing

Following flotation, the Group redeemed the £40 million mezzanine loan and £57 million of the £63 million principal of the loan notes 2013, incurring an early redemption penalty of £4.0 million and writing-off £6.1 million of deferred issue costs. The remaining £6.0 million principal of the loan notes 2013 was redeemed on 30 July 2004.

Therefore, prospectively the Group's finance expense will substantially consist of the Class A & B secured notes and related ancillary instruments that were issued in April 2003. The finance charge in the period relating to these instruments was £8.5 million (including amortisation of debt issue costs of £0.5 million).

## Outlook

Although volumes in the first half of the year have been lower than expected, the Group continues to benefit from cost savings. Consequently, our expectations for the year remain positive.

## Consolidated profit and loss account (unaudited)

		26 week period ended		52 week period ended
		25 June	27 June	26 December
		2004	2003	2003
	Note	£m	£m	£m
<b>Turnover</b>	2	69.1	66.7	129.0
<b>Gross profit</b>		35.7	33.3	62.9
Other operating expenses		(17.8)	(19.6)	(36.7)
Other operating income		1.2	—	1.0
<b>Operating profit before goodwill amortisation and exceptional items</b>		20.0	16.7	32.0
Goodwill amortisation		(2.9)	(2.7)	(5.6)
Exceptional operating items		2.0	(0.3)	0.8
<b>Operating profit and profit on ordinary activities before interest and tax</b>	2	19.1	13.7	27.2
Net interest payable and similar charges before exceptional charges	3	(12.9)	(15.0)	(30.7)
Exceptional interest payable and similar charges on redemption of debt	3	(10.1)	—	—
<b>Net interest payable and similar charges</b>	3	(23.0)	(15.0)	(30.7)
<b>Loss on ordinary activities before tax</b>	2	(3.9)	(1.3)	(3.5)
Taxation	4	0.2	0.1	0.3
<b>Loss on ordinary activities after tax</b>		(3.7)	(1.2)	(3.2)
Equity minority interest		—	—	(0.3)
<b>Loss for the financial period</b>		(3.7)	(1.2)	(3.5)
Dividends declared	5	(1.5)	—	—
<b>Retained loss for the financial period</b>		(5.2)	(1.2)	(3.5)
Basic loss per share	6	(7.2p)	(4.5p)	(13.2p)
Interim dividend per share		1.875p	—	—

The results have been derived wholly from continuing activities throughout the period.

## Statement of total recognised gains and losses (unaudited)

There were no other gains or losses other than those included with the losses for the period, as shown above.

## Consolidated balance sheet (unaudited)

	25 June 2004 £m	27 June 2003 £m	26 December 2003 £m
<b>Fixed assets</b>			
Intangible assets	105.2	104.8	106.5
Tangible assets	84.3	83.7	86.2
Investments	1.0	1.0	1.0
	<u>190.5</u>	<u>189.5</u>	<u>193.7</u>
<b>Current assets</b>			
Stocks	3.1	3.2	3.1
Debtors – amounts falling due within one year	20.0	18.5	20.8
– amounts falling due after more than one year	11.4	12.5	11.1
Cash at bank and in hand (See (a) below)	42.5	39.7	41.9
<b>Total current assets</b>	<u>77.0</u>	<u>73.9</u>	<u>76.9</u>
<b>Creditors:</b> amounts falling due within one year	<u>(37.5)</u>	<u>(43.7)</u>	<u>(47.1)</u>
<b>Net current assets</b>	<u>39.5</u>	<u>30.2</u>	<u>29.8</u>
<b>Total assets less current liabilities</b>	230.0	219.7	223.5
<b>Creditors:</b> amounts falling due after more than one year	(189.0)	(287.7)	(293.1)
Provisions for liabilities and charges	<u>(10.5)</u>	<u>(9.6)</u>	<u>(10.0)</u>
<b>Net assets/(liabilities)</b>	<u><u>30.5</u></u>	<u><u>(77.6)</u></u>	<u><u>(79.6)</u></u>
<b>Capital and reserves</b>			
Called up share capital	5.6	2.0	2.0
Share premium account	111.6	—	—
Other reserves	(12.2)	(12.3)	(12.3)
Profit and loss account	<u>(73.3)</u>	<u>(65.8)</u>	<u>(68.1)</u>
<b>Equity shareholders' funds</b>	8 31.7	(76.1)	(78.4)
Equity minority interest	<u>(1.2)</u>	<u>(1.5)</u>	<u>(1.2)</u>
<b>Capital employed</b>	<u><u>30.5</u></u>	<u><u>(77.6)</u></u>	<u><u>(79.6)</u></u>

(a) Certain cash balances are subject to restrictions. See note 7.



## Consolidated cash flow statement (unaudited)

		26 week period ended		52 week period ended
	Note	25 June 2004	27 June 2003	26 December 2003
		£m	£m	£m
Net cash inflow from operating activities	9	26.1	23.3	41.9
Returns on investments and servicing of finance		(22.7)	(11.7)	(16.3)
Taxation		(0.1)	—	—
Capital expenditure and financial investments	7, 10	15.1	(3.8)	(15.1)
Acquisitions and disposals		(1.5)	(1.3)	(7.7)
<b>Cash inflow before use of liquid resources and financing</b>		16.9	6.5	2.8
Management of liquid resources	7	(9.2)	—	—
Financing – issue of shares		115.2	—	—
– (repayment of)/increase in debt		(115.6)	0.2	(0.9)
Increase in cash in the period		<u>7.3</u>	<u>6.7</u>	<u>1.9</u>

## Reconciliation of cash flow statement to movements in net debt

		26 week period ended		52 week period ended
		25 June 2004	27 June 2003	26 December 2003
		£m	£m	£m
Increase in cash in the period		7.3	6.7	1.9
Cash outflows from decrease in debt		115.6	4.3	7.2
Management of liquid resources		9.2	—	—
Change in net debt resulting from cash flows		132.1	11.0	9.1
Other non-cash changes		(6.3)	2.6	(5.8)
<b>Movement in net debt in the period</b>		125.8	13.6	3.3
Net debt at beginning of period		(284.4)	(287.7)	(287.7)
<b>Net debt at end of period</b>		<u>(158.6)</u>	<u>(274.1)</u>	<u>(284.4)</u>

# Notes to the interim report 2004

## 1. Basis of preparation

The interim financial statements have been prepared on the basis of the accounting policies set out in the Group's 2003 financial statements.

The statements were approved by the Board of Directors on 5 August 2004 and are unaudited. The Group's auditors have carried out a review of the statements and their report is set out on page 16.

The figures for the 52 week period ended 26 December 2003 have been extracted from the statutory financial statements which have been filed with the Registrar of Companies. The auditors' report on those financial statements was unqualified.

The figures for the 26 week period ended 27 June 2003 have been extracted from the underlying accounting records and are unaudited.

## 2. Turnover and segmental analysis

The turnover and operating profit before goodwill amortisation and exceptional items, by division, were as follows:

	<i>26 week period ended 25 June 2004</i>			
	<i>Operating profit/(loss) before goodwill amortisation and exceptionals</i>	<i>Goodwill amortisation and exceptionals</i>	<i>Operating profit/(loss)</i>	
	<i>Turnover £m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Funeral services	55.3	18.1	(1.5)	16.6
Crematoria	11.1	5.8	(0.5)	5.3
Pre-arranged funeral plans	2.7	1.0	1.1	2.1
Central overheads	—	(4.9)	—	(4.9)
	<u>69.1</u>	<u>20.0</u>	<u>(0.9)</u>	<u>19.1</u>
Interest expense				<u>(23.0)</u>
Loss before tax				<u>(3.9)</u>

	26 week period ended 27 June 2003			
	Turnover	Operating profit/(loss) before goodwill amortisation and exceptional items	Goodwill amortisation and exceptional items	Operating profit/(loss)
	£m	£m	£m	£m
Funeral services	53.2	15.7	(1.5)	14.2
Crematoria	10.4	4.7	(0.9)	3.8
Pre-arranged funeral plans	3.1	0.5	(0.1)	0.4
Central overheads	—	(4.2)	(0.5)	(4.7)
	<u>66.7</u>	<u>16.7</u>	<u>(3.0)</u>	<u>13.7</u>
Interest expense				(15.0)
Loss before tax				<u>(1.3)</u>

	52 week period ended 26 December 2003			
	Turnover	Operating profit/(loss) before goodwill amortisation and exceptional items	Goodwill amortisation and exceptional items	Operating profit/(loss)
	£m	£m	£m	£m
Funeral services	103.1	30.0	(3.3)	26.7
Crematoria	20.1	9.1	(1.9)	7.2
Pre-arranged funeral plans	5.8	1.1	0.8	1.9
Central overheads	—	(8.2)	(0.4)	(8.6)
	<u>129.0</u>	<u>32.0</u>	<u>(4.8)</u>	<u>27.2</u>
Interest expense				(30.7)
Loss before tax				<u>(3.5)</u>

Operating profit is stated after goodwill amortisation and exceptional items, which comprise the following:

- Goodwill amortisation of £2.9 million (2003: £2.7 million; 52 weeks to 26 December 2003: £5.6 million);
- Recoveries<sup>2</sup> of £1.2 million (2003: £nil; 52 weeks to 26 December 2003: £1.0 million);
- Profit from sale of fixed assets of £0.8 million (2003: £0.2 million; 52 weeks to 26 December 2003: £0.3 million), principally arising from the sale of properties; and
- Costs in connection with the whole business securitisation of £nil (2003: £0.5 million; 52 weeks to 26 December 2003: £0.5 million).

<sup>2</sup> From time to time, the Group receives monies from certain of the pre-arranged funeral plan trusts ('the Trusts'), in line with the relevant Trust's deed, which have been assessed by the trustees as not required to ensure the Trust has sufficient assets to meet its future liabilities in respect of current members ('Recoveries'). All Recoveries are recognised as other operating income in the period in which the trustees approve their payment.

### 3. Net interest payable

	26 week period ended		52 week period ended
	25 June	27 June	26 December
	2004	2003	2003
	£m	£m	£m
<b>Interest payable and similar charges:</b>			
£210 million class A and B secured notes	7.5	3.2	10.6
£210 million senior bridge finance	—	4.2	4.2
Mezzanine bank loan redeemed 08 April 2004	2.1	3.7	7.2
Loan notes 2013 (see below)	2.6	3.7	7.7
Amortisation of deferred debt issue costs	1.0	0.6	1.4
Other loans	0.1	—	0.1
Unwinding of discounts	0.4	0.1	0.5
	<u>13.7</u>	<u>15.5</u>	<u>31.7</u>
Interest payable and similar charges before exceptional items	13.7	15.5	31.7
Premium on early redemption of Mezzanine loan – exceptional	4.0	—	—
Amortisation of deferred debt issue costs – exceptional	6.1	—	—
	<u>23.8</u>	<u>15.5</u>	<u>31.7</u>
<b>Interest payable and similar charges</b>	<b>23.8</b>	<b>15.5</b>	<b>31.7</b>
<b>Interest receivable and similar income:</b>			
Bank deposits	(0.7)	(0.4)	(0.9)
Debenture loan	(0.1)	(0.1)	(0.1)
	<u>(0.8)</u>	<u>(0.5)</u>	<u>(1.0)</u>
<b>Interest receivable and similar income</b>	<b>(0.8)</b>	<b>(0.5)</b>	<b>(1.0)</b>
<b>Net interest payable and similar charges</b>	<b>23.0</b>	<b>15.0</b>	<b>30.7</b>

Following flotation, the Group redeemed the £40 million mezzanine loan and £57 million of the £63 million principal of the loan notes 2013, incurring an early redemption penalty of £4.0 million and writing-off £6.1 million of deferred issue costs. The remaining £6.0 million principal of the loan notes 2013 was redeemed on 30 July 2004. Further details are set out in the financial and operating highlights on page 3.

#### 4. Taxation

The taxation charge in the period is based on an estimated effective tax rate on profit before non tax deductible goodwill amortisation and exceptional items for the 53 week period ended 31 December 2004, less the associated net tax credit accruing to exceptional items.

#### 5. Dividends

On 5 August 2004, the directors approved an interim dividend of £1.5 million (2003: £nil), which equates to 1.875 pence per share, and will be paid on 29 October 2004 to those shareholders on the register at the close of business on 20 August 2004.

#### 6. Earnings per share

The calculation of basic loss per ordinary share has been based on the loss for the relevant period. There were no potentially dilutive shares in the period and hence fully diluted earnings per share are equivalent to basic earnings per share.

On 31 March 2004, prior to admission to the Official List of the London Stock Exchange, the Company undertook a restructuring of its existing share capital: The 1,300,000 'A' ordinary £1 shares, the 400,000 'B' ordinary £1 shares and the 300,000 'C' ordinary £1 shares were converted to a single class of ordinary £1 shares and then subdivided into 26,521,740 ordinary shares of 7 pence each.

The weighted average number of shares used for the current period is based on 26,521,740 shares prior to admission and 80,000,000 shares in issue after admission. The weighted average number of shares used for the comparative periods is 26,521,740.

#### Loss attributable to shareholders – Basic EPS

	<i>Earnings</i> £m	<i>Weighted average no. of shares</i> millions	<i>Per share amount</i> pence
26 week period ended 25 June 2004	(3.7)	51.5	(7.2)
26 week period ended 27 June 2003	(1.2)	26.5	(4.5)
52 week period ended 26 December 2003	(3.5)	26.5	(13.2)

The directors consider the information on page 5 to be a useful indication of underlying performance.

## 7. Cash at bank and in hand

The cash at bank and in hand held by the Group includes the following balances:

- an amount of £1.4 million (2003: £12.5 million; 52 weeks to 26 December 2003: £12.7 million) that is subject to a charge in favour of the holders of the loan notes 2012. This amount does not meet the definition of cash in FRS 1 'Cash Flow Statements'.
- an amount of £9.0 million (2003: £4.6 million; 52 weeks to 26 December 2003: £8.7 million) which was required under the terms of the Group's secured borrowings to be used to pay interest and principal on the secured borrowings and related facilities.
- an amount of £nil (2003: £nil; 52 weeks to 26 December 2003: £5.8 million) which (save for circumstance where the directors believed there may have been a risk of defaulting on the secured notes) could only be used in paying the interest and principal due on the Mezzanine loan. This amount did not meet the definition of cash in FRS 1.
- an amount of £11.3 million (2003: £14.9 million; 52 weeks to 26 December 2003: £10.4 million) which is required to be retained in a separate account. This account may, in normal circumstances, only be used for acquiring tangible fixed assets and businesses (either trade and assets or share purchases). Included in this amount is £2.2 million (2003: £nil; 52 weeks to 26 December 2003: £1.0 million) relating to Recoveries, which may not be used for 12 months following receipt and hence does not meet the definition of cash in FRS 1.

The amounts above that do not meet the definition of cash in FRS 1 have been treated as '*transfers from/(to) restricted bank accounts*' in the cash flow statement and are reported within '*Capital expenditure and financial investment*'. See note 10 for further information.

Cash at bank and in hand also includes an amount of £9.2 million (2003: £nil; 52 weeks to 26 December 2003: £nil) which (save for circumstance where the directors believe there may be a risk of defaulting on the secured notes) may only be used in paying the interest and principal due on a loan between Dignity (2002) Limited and Dignity Mezzco Limited, both of whom are wholly owned subsidiaries of Dignity plc. This amount does not meet the definition of cash in FRS 1 and has been reported within '*management of liquid resources*'.

## 8. Reconciliation of movement in shareholders' funds

	<i>Share capital £m</i>	<i>Share premium account £m</i>	<i>Other reserves £m</i>	<i>Profit and loss account £m</i>	<i>Total £m</i>
Shareholders' funds as at 27 December 2002	2.0	—	(12.3)	(64.6)	(74.9)
Loss for the 26 weeks ended 27 June 2003	—	—	—	(1.2)	(1.2)
Shareholders' funds as at 27 June 2003	2.0	—	(12.3)	(65.8)	(76.1)
Loss for the 26 weeks ended 26 December 2003	—	—	—	(2.3)	(2.3)
Shareholders' funds as at 26 December 2003	2.0	—	(12.3)	(68.1)	(78.4)
Share issue	3.6	111.6	—	—	115.2
Loss for the 26 weeks ended 25 June 2004	—	—	—	(3.7)	(3.7)
Dividends	—	—	—	(1.5)	(1.5)
Effects of Long Term Incentive Plan	—	—	0.1	—	0.1
<b>Shareholders' funds as at 25 June 2004</b>	<b>5.6</b>	<b>111.6</b>	<b>(12.2)</b>	<b>(73.3)</b>	<b>31.7</b>

Total expenses of £7.8 million were charged to the share premium account in connection with the flotation.

## 9. Reconciliation of operating profit to net cash inflow from operating activities

	<i>26 week period ended</i>		<i>52 week period ended</i>
	<i>25 June 2004 £m</i>	<i>27 June 2003 £m</i>	<i>26 December 2003 £m</i>
Operating profit	19.1	13.7	27.2
Goodwill amortisation charges	2.9	2.7	5.6
Depreciation charges	3.7	4.1	7.8
Profit on disposal of fixed assets	(0.8)	(0.2)	(0.3)
Changes in working capital	1.5	3.3	1.8
Movement in provisions	(0.3)	(0.3)	(0.2)
Net cash inflow from operating activities	<u>26.1</u>	<u>23.3</u>	<u>41.9</u>

Included within the operating cash flows shown above are exceptional items charged and/or credited to operating profit. The cash effect of these items is as follows:

- Cash outflows as a result of costs arising from the whole business securitisation of £nil (2003: £0.5 million; 52 weeks to 26 December 2003: £0.5 million); and
- Cash inflows arising from Recoveries of £1.2 million (2003: £nil; 52 weeks to 26 December 2003: £1.0 million).

## 10. Capital expenditure and financial investment

	<i>26 week period ended</i>		<i>52 week period</i>
	<i>25 June</i>	<i>27 June</i>	<i>ended</i>
	<i>2004</i>	<i>2003</i>	<i>26 December</i>
	<i>£m</i>	<i>£m</i>	<i>2003</i>
			<i>£m</i>
Purchase of tangible fixed assets	(1.9)	(2.4)	(7.3)
Transfers from/(to) restricted bank accounts (see note 7)	15.9	(0.2)	(7.3)
Construction bond	—	(2.0)	(2.0)
Sale of tangible fixed assets	1.1	0.8	1.5
Net cash inflow/(outflow) from capital expenditure and financial investment	15.1	(3.8)	(15.1)

## 11. Interim statement

Copies of the interim statement are available from the registered office, Plantsbrook House, 94 The Parade, Sutton Coldfield, West Midlands, B72 1PH, and at the Group's website [www.dignityfuneralsplc.co.uk](http://www.dignityfuneralsplc.co.uk).

## 12. Securitisation

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

Copies of these reports are available at [www.dignityfuneralsplc.co.uk](http://www.dignityfuneralsplc.co.uk).



# Independent review report to Dignity plc

## Introduction

We have been instructed by the company to review the financial information which comprises the consolidated profit and loss account, statement of total recognised gains and losses, balance sheet, cash flow statement and related notes for the 26 weeks ended as at 25 June 2004. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

## Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

## Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Listing Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the 26 weeks ended 25 June 2004.



PricewaterhouseCoopers LLP  
Chartered Accountants  
Birmingham

5 August 2004

### Notes:

- (a) The maintenance and integrity of the Dignity plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the interim report since it was initially presented on the website.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

Dignity plc. A Company registered in England No. 4569346.  
Plantsbrook House, 94 The Parade, Sutton Coldfield, West Midlands, B72 1PH.  
[www.dignityfuneralsplc.co.uk](http://www.dignityfuneralsplc.co.uk)