



Dignity (2002) Limited
Unaudited Investor Report
for the 52 week period ended 26 September 2008

To: BNY Corporate Trustee Services Limited
Fitch Ratings Limited
Standard & Poor's

From: Dignity (2002) Limited (as Borrower)

Terms defined in the Issuer / Borrower Loan Agreement ('IBLA') shall have the same meaning herein.

NOTICE TO THE READER

The information contained in this report represents information on Dignity (2002) Limited and its subsidiaries (the 'Dignity (2002) Group'), a sub-group of the Dignity plc group ('Group').

The information set out herein is not necessarily representative of the performance of the Group as a whole and should not be relied upon in this respect. For example it does not include the costs of non-executive directors or any dividends declared to shareholders of Dignity plc.

Furthermore, the Group reports its results in accordance with International Financial Reporting Standards ('IFRS'), whilst the Dignity (2002) Group will continue to apply UK Generally Accepted Accounting Principles ('UK GAAP').

Dignity (2002) Limited

Unaudited Investor Report

for the 52 week period ended 26 September 2008

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Dignity (2002) Limited

Financial Overview

Review of operations

- Unaudited EBITDA for the 52 week period ended 26 September 2008 was £59.2m compared to £55.2m for the audited 52 week period ended 28 December 2007.
- This performance is due to a combination of a £11.5m growth in revenues, supported by a comparable operating margin. EBITDA margin for 52 weeks ending 26 September 2008 was 34.6% compared to 34.6% for the 52 week period ending 28 December 2007.
- On 16 January 2008, the trustees approved the payment of actuarial surpluses of £1.5m from the pre-arranged funeral plan trust. This is not included within EBITDA as presented in this report but is credited to the Elective Capex Account in accordance with the IBLA.

Trading locations

- The number of funeral locations at the period end was 546, which compares to 540 at 28 December 2007. The movement in the portfolio is shown below:

Number of locations at 28 December 2007 ^{§1}	540
Acquisitions – short leasehold	7
Acquisitions – freehold	2
Branch closure – freehold	(2)
Branch closure – leasehold	(1)
Number of locations at 26 September 2008 ^{§1}	<u>546</u>

- During the period the Dignity (2002) Group acquired one crematorium and took over the operation of the Rotherham MBC contract. Consequently, at 26 September 2008, the Dignity (2002) Group operated from 24 crematoria.

Subsequent to the period end the Dignity (2002) Group acquired one further small crematorium.

- The Dignity (2002) Group is still pursuing other opportunities to acquire small, 'bolt-on' funeral locations as part of its stated strategy of developing its portfolio of funeral homes and crematoria.

Quarterly reference dates

The Dignity (2002) Group prepares accounts drawn up to the nearest Friday before the Quarter End Date each quarter. As a result the combined and consolidated information reflects the 52 week period ending 26 September 2008 and 52 week period ending 28 December 2007.

^{§1} Excludes 4 telephone branches.

Dignity (2002) Limited

Consolidated EBITDA and capital expenditure

for the 52 week period ended 26 September 2008

		<i>Funeral services</i>	<i>Crematoria</i>	<i>Pre-arranged funeral plans</i>	<i>Portfolio</i>	<i>Central overheads</i>	52 week period ending 26 Sept 2008	<i>52 week period ending 28 Dec 2007</i>
	<i>Note</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Net revenue		134.9	27.9	8.2	171.0	-	171.0	159.5
Operating expenses	1	(83.8)	(11.6)	(7.4)	(102.8)	(9.0)	(111.8)	(104.3)
EBITDA	1	51.1	16.3	0.8	68.2	(9.0)	59.2	55.2
Movement in provisions		n/a	n/a	n/a	n/a	n/a	-	-
Taxation	2	n/a	n/a	n/a	n/a	n/a	(3.0)	(3.1)
Minimum Capex Maintenance Amount	3	n/a	n/a	n/a	n/a	n/a	(8.2)	(7.9)
Free Cashflow		n/a	n/a	n/a	n/a	n/a	48.0	44.2
Actual Capital Maintenance Expenditure – <i>calendar YTD</i>		3.7	0.7	-	4.4	0.3	4.7	8.4
Expenditure on Permitted Developments – <i>52 week period</i>		n/a	-	n/a	-	n/a	-	(0.1)

Dignity (2002) Limited

Consolidated Net Assets, cash balances, Financial Indebtedness, Permitted Acquisitions and Permitted Disposals

as at 26 September 2008

	<i>Note</i>	<i>26 Sept</i> <i>2008</i> <i>£m</i>	<i>28 Dec</i> <i>2007</i> <i>£m</i>
Consolidated Net Assets:			
Fixed assets		218.2	208.8
Total current assets	4,5	50.6	55.9
Creditors: amounts falling due within one year	5	(37.9)	(41.8)
Net current assets		12.7	14.1
Total assets less current liabilities		230.9	222.9
Creditors: amounts falling due after more than one year	5	(379.5)	(360.8)
Provisions for liabilities and charges	5	(9.1)	(9.7)
Pension asset (net of deferred tax)		7.0	6.3
Net liabilities		(150.7)	(141.3)
Balances – amounts standing to the credit of:			
Capex Reserve Account		-	-
Funeral Home Reserve Account		-	-
Loan Payments Account	6	4.0	14.3
Issuer Transaction Account		0.2	12.2
Crematorium Reserve Account		-	-
Principal Reserve Account		-	-
Elective Capex Account	6	4.1	1.6
Special Capex Account		-	-
Restricted Payments Account		-	-
Upgrade Reserve Account	6	-	-
Permitted Acquisitions and Permitted Disposals:			
Permitted Acquisitions (gross) in the Relevant Period	7	18.3	16.9
Permitted Disposals (gross) in the Relevant Period (where Net Sale Proceeds exceeds £50,000 x RPI)	8	1.3	0.4
Financial Indebtedness:	10	409.6	389.2

Dignity (2002) Limited

Coverages and covenants

for the 52 week period ended 26 September 2008

		52 week period ending	52 week period ending
	Note	26 Sept 2008 £m	28 Dec 2007 £m
EBITDA for the Relevant Period		59.2	55.2
Free Cashflow for the Relevant Period		48.0	44.2
Debt Service for the Relevant Period	9	23.8	23.9
Financial Covenant			
EBITDA DSCR ('Debt Service cover ratio') :			
Target		>= 1.5 : 1	>= 1.5 : 1
Actual		2.49:1	2.31 : 1
Restricted Payment Condition			
Free Cashflow DSCR :			
Target		>= 1.4 : 1	>= 1.4 : 1
Actual		2.02:1	1.85 : 1
EBITDA DSCR :			
Target		>=1.85 : 1	>=1.85 : 1
Actual		2.49:1	2.31 : 1

Confirmations

The Dignity (2002) Group confirms that the Financial Covenant has been observed for the Relevant Period ending 26 September 2008.

On 31 December 2007, a Restricted Payment totalling £9.5m was paid as a dividend to Dignity (2004) Limited and onwards to Dignity plc.

On 30 June 2008, a Restricted Payment totalling £15.0m was paid as a dividend to Dignity (2004) Limited and onwards to Dignity plc.

Dignity (2002) Limited

Notes to the Investor Report

for the 52 week period ended 26 September 2008

1 EBITDA

EBITDA has been calculated in accordance with the definition in the IBLA. Pension costs are stated on a cash basis and have been allocated on a divisional basis.

For the benefit of users of this report, divisional EBITDA for the Relevant Periods was as follows:

<i>52 week period ended 26 Sept 2008</i>	<i>Funeral services £m</i>	<i>Crematoria £m</i>	<i>Pre-arranged funeral plans £m</i>	<i>Central overheads £m</i>	<i>Group £m</i>
Net revenues	134.9	27.9	8.2	-	171.0
Operating expenses	(83.8)	(11.6)	(7.4)	(9.0)	(111.8)
EBITDA	51.1	16.3	0.8	(9.0)	59.2
<i>52 week period ended 28 Dec 2007</i>					
Net revenues	126.3	25.7	7.5	-	159.5
Operating expenses	(78.6)	(10.5)	(6.6)	(8.6)	(104.3)
EBITDA	47.7	15.2	0.9	(8.6)	55.2

2 Taxation

Taxation represents amounts paid in cash or falling due in respect of Tax during the Relevant Period.

3 Capex Maintenance Amount

The IBLA requires the Minimum Capex Maintenance Amount rather than actual spend to be deducted in arriving at Free Cashflow.

4 Total current assets

Total current assets include cash at bank and in hand of £25.0m (Dec 2007: £29.3m) of which £16.3m (Dec 2007: £0.8m) is cash held for operations.

Dignity (2002) Limited

Notes to the Investor Report

for the 52 week period ended 26 September 2008

5 Consolidated Net Assets

The consolidated net assets as at 28 December 2007 as shown in this pack represents the final audited figures as per the 2007 statutory accounts. This differs to the figures reported in the December 2007 Investor Report.

The differences are explained below:

Creditors: The movement of £2.0m represents a reclassification relating to certain intercompany loans from amounts falling due after more than one year to amounts falling due within one year.

These changes did not result in any changes to the financial covenants.

6 Reserve account balances

Loan Payments Account

The balance in this account represents cash set aside to pay the future tax payments of the Dignity (2002) Group.

Elective Capex Account

The balance in this account represents the receipt of the actuarial surplus from the pre arranged funeral plan trust and proceeds from the sale of freehold properties. £1.5m of this balance is restricted until March 2009.

Upgrade Reserve Account

The balance on the Upgrade Reserve Account is £nil. As anticipated in the prospectus published when the Notes were issued in April 2003, environmental legislation has been passed in January 2005 requiring all crematoria in the UK to reduce their emissions of mercury by 50% by 2012.

Emission reductions can be achieved either by fitting abatement equipment at 9 of the 24 sites operated by the Dignity (2002) Group or by trading emissions through the CAMEO trading scheme set up by the Federation of British Cremation Authorities. The Dignity (2002) Group continues to evaluate whether to trade emissions or to install equipment at its sites.

Dignity (2002) Limited

Notes to the Investor Report

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7 Permitted Acquisitions

The expenditure in the Relevant Period relates to the acquisition of nine funeral locations.

8 Permitted Disposals

Asset disposals in the Relevant Period, where the market value exceeded £50,000, comprised of two freehold properties, that were not directly EBITDA-generating.

9 Debt Service and Financial Covenant

The Dignity (2002) Group confirms that none of the following occurred in the Relevant Period ending 26 September 2008:

- Loan Event of Default
- Potential Loan Event of Default
- Financial Adviser Appointment Event

The Company made the following debt repayments during the Relevant Period (paid on 31 December 2007 and 30 June 2008):

	<i>Interest</i>	<i>Principal</i>
	<i>£'000</i>	<i>£'000</i>
Class A Secured 6.310% Notes due 2023	8,714	4,508
Class B Secured 8.151% Notes due 2030	10,813	-

The interest payments above include the 1bp margin payable under the IBLA. The actual payments to bondholders were £8,700,000 and £10,800,000 under the Class A and Class B Notes respectively.

Dignity (2002) Limited

Notes to the Investor Report

for the 52 week period ended 26 September 2008

9 Debt Service and Financial Covenant (continued)

Debt Service for the Relevant Period has been calculated as follows:

	<i>Principal</i>	<i>Annual rate</i>	<i>Interest</i>
Senior Interest accruing in the period	£'000	%	£'000
£110m Class A Notes	95,093	6.32%	6,111
£100m Class B Notes	100,000	8.161%	8,161
£45.5m Class A Notes – issued February 2006	39,377	6.32%	2,531
£32.5m Class B Notes – issued February 2006	32,500	8.161%	2,652
Working capital facility	5,000	0.45%	22
Liquidity facility	40,000	0.35%	140
Hedging documents	202,500	0.3404% ^{§3}	688
Senior Interest accrued in the period			20,305
Interest received in the period	variable	variable	(1007)
Scheduled repayments of principal in the period		n/a	4,508
Debt Service for the Relevant Period			23,806

^{§3} Net rate payable on notional principal.

Dignity (2002) Limited

Notes to the Investor Report

for the 52 week period ended 26 September 2008

10 Financial Indebtedness

Following the issue of further Class A and B secured notes on 21 February 2006, the IBLA was amended and restated. This incorporated an amendment that replaced the requirement to report Permitted Financial Indebtedness with that of Financial Indebtedness.

Set out below is the definition of Financial Indebtedness extracted from the IBLA, as amended and restated on 21 February 2006.

“Financial Indebtedness” means any indebtedness for or in respect of:

- (a) moneys borrowed;
- (b) any amount raised by acceptance under any acceptance credit facility;
- (c) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instruments;
- (d) the amount of any liability in respect of any lease, credit sale, conditional sale agreement or hire purchase contract which would, in accordance with UK GAAP, be treated as a finance or capital lease;
- (e) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);
- (f) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing;
- (g) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the marked to market value shall be taken into account);
- (h) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution; and
- (i) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (a) to (h) above.

Dignity (2002) Limited

Notes to the Investor Report

for the 52 week period ended 26 September 2008

11 Dignity plc

For the avoidance of doubt, the financial information contained elsewhere in this report relates to the unaudited consolidated results and financial position of Dignity (2002) Limited and its subsidiaries ('the Dignity (2002) Group') as required under the IBLA. The ultimate parent undertaking of Dignity (2002) Limited is Dignity plc.

Consequently, the financial information set out elsewhere in this report does not include the results of either the ultimate or intermediate parent undertakings of Dignity (2002) Limited, nor any adjustments necessary as to present the consolidated results and financial position of the combined groups.

Specifically, the financial information set out elsewhere in this report does not include certain adjustments, including, but not limited to, the following:

- Certain administrative expenses accruing to the parent undertakings of the Dignity (2002) Group;
- Interest payable and receivable on borrowings or loans between the Dignity (2002) Group and its parent undertakings;
- Interest payable or receivable on borrowings or loans held by either the ultimate or intermediate parent undertakings of Dignity (2002) Limited;
- Dividends declared or receivable by either the ultimate or intermediate parent undertakings of Dignity (2002) Limited;
- The non-cash effects of FRS 17 in the Relevant Period;
- The net assets of either the ultimate or intermediate parent undertakings of Dignity (2002) Limited; and
- Any adjustments necessary in order to present the combined results and financial position of any entity outside the control of the Dignity (2002) Group.

This report has been prepared under UK Generally Accepted Accounting Principles ('UK GAAP'). Dignity plc prepares its consolidated financial statements under IFRS principles.

12 Terminology

The following capitalised terms and phrases used in this report are defined in the Issuer / Borrower Loan Agreement ('IBLA') and have the same meanings in this report as defined in the IBLA:

Debt Service	EBITDA	Financial Adviser Appointment	Financial Covenant	Financial Indebtedness	Free Cashflow
Funeral Home Start-Ups	Loan Event of Default	Maintenance Capex	Permitted Acquisition	Permitted Development	Permitted Disposal
Portfolio	Potential Loan Event of Default	Relevant Period	Restricted Payment	Restricted Payment Condition	Security Trustee
Senior Interest	Tax				

Dignity (2002) Limited

Notes to the Investor Report

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13 IBLA Amendment

On 12 March 2008, the Note Trustee and the Security Trustee exercised their discretionary power to authorise an amendment to the IBLA. This amendment gives Dignity plc the ability to:

- i.* Issue new ordinary shares of any class from time to time ranking *pari passu* with the shares of any such class which have already been issued;
- ii.* Purchase out of distributable profits any of its issued ordinary shares of any class and deal with such shares in accordance with section 162A of the Companies Act 1985; and
- iii.* Carry out activities required to enable Dignity plc to satisfy all applicable legal and listing rules requirements from time to time in connection with and ancillary to the issue or purchase of any class of ordinary shares, including necessary amendments to the articles of association of Dignity plc.

As part of this process, consent to the amendment was obtained from the Secured Creditors.

This amendment gives the Group alternative source of funds for Permitted Acquisitions and Developments. It also produces an alternative way of returning funds to Dignity plc shareholders other than the payment of dividends, which was already permitted.

14 Rotherham MBC Operating contract

On 1 August 2008, the Group took responsibility for the operation of the crematorium and cemeteries owned by Rotherham MBC.

This agreement, which is for 35 years did not strictly meet the definition of a Permitted Operating Contract. However, the Group demonstrated to the Security Trustee that the arrangement was not materially prejudicial to the Note holders. Furthermore, the Group received consent from the Secured Creditors and rating affirmation from both Standard & Poor's and Fitch.

Consequently, the Security Trustee exercised its discretionary power and consented to the transaction.