



Dignity (2002) Limited
Unaudited Investor Report
for the 52 week period ended 28 September 2007

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 now 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 28 September 2007

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Dignity (2002) Limited

Financial Overview

Review of operations

- Unaudited EBITDA for the 52 week period ended 28 September 2007 was £53.9m compared to £50.7m for the audited 52 week period ended 29 December 2006.
- This performance is due to a combination of a £6.2m growth in revenues, compared to 2006, allied to increasing margins. EBITDA margin for 52 weeks ending 28 September 2007 was 34.6% compared to 33.8% for the 52 week period ending 29 December 2006.
- On 13 February 2007, 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 541, which compares to 521 at December 2006. The movement in the portfolio is shown below:

Number of locations at 29 December 2006 ^{§1}	521
Acquisitions – short leasehold	18
Acquisitions – freehold	3
Branch closure – leasehold	(1)
Number of locations at 28 September 2007 ^{§1}	<u>541</u>

- The Dignity (2002) Group operates from 22 crematoria.
- 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 funeral home portfolio.

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 28 September 2007 and 52 week period ending 29 December 2006.

^{§1} Excludes 4 telephone branches.

Dignity (2002) Limited

Consolidated EBITDA and capital expenditure

for the 52 week period ended 28 September 2007

		<i>Funeral services</i>	<i>Crematoria</i>	<i>Pre-arranged funeral plans</i>	<i>Portfolio</i>	<i>Central overheads</i>	52 week period ending 28 Sept 2007	<i>52 week period ending 29 Dec 2006</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		123.5	25.0	7.5	156.0	-	156.0	149.8
Operating expenses	1	(77.0)	(10.3)	(6.2)	(93.5)	(8.6)	(102.1)	(99.1)
EBITDA	1	46.5	14.7	1.3	62.5	(8.6)	53.9	50.7
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	(3.2)	(2.9)
Minimum Capex Maintenance Amount	3	n/a	n/a	n/a	n/a	n/a	(7.8)	(7.6)
Free Cashflow		n/a	n/a	n/a	n/a	n/a	42.9	40.2
Actual Capital Maintenance Expenditure – <i>calendar YTD</i>		4.9	0.5	-	5.4	0.3	5.7	7.6
Expenditure on Permitted Developments – <i>52 week period</i>	6	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 28 September 2007

	<i>Note</i>	<i>28 Sept</i> <i>2007</i> <i>£m</i>	<i>29 Dec</i> <i>2006</i> <i>£m</i>
Consolidated Net Assets:			
Fixed assets		210.3	197.3
Total current assets	4,5	45.7	33.8
Creditors: amounts falling due within one year	5	(35.8)	(25.6)
Net current assets		9.9	8.2
Total assets less current liabilities		220.2	205.5
Creditors: amounts falling due after more than one year	5	(363.3)	(347.6)
Provisions for liabilities and charges		(9.5)	(9.3)
Pension asset (net of deferred tax)		4.6	2.6
Net liabilities		(148.0)	(148.8)
Balances – amounts standing to the credit of:			
Capex Reserve Account		-	-
Funeral Home Reserve Account		-	-
Loan Payments Account		3.3	4.0
Issuer Transaction Account		0.1	0.1
Crematorium Reserve Account		-	-
Principal Reserve Account		-	-
Elective Capex Account		1.6	1.4
Special Capex Account	6	-	0.2
Restricted Payments Account		-	-
Upgrade Reserve Account	6	-	-
Financial Indebtedness:	10	395.9	377.1
Permitted Acquisitions and Permitted Disposals:			
Permitted Acquisitions (gross) in the Relevant Period	7	20.9	8.0
Permitted Disposals (gross) in the Relevant Period (where Net Sale Proceeds exceeds £50,000 x RPI)	8	0.5	0.2

Dignity (2002) Limited

Coverages and covenants

for the 52 week period ended 28 September 2007

		52 week period ending	52 week period ending
	Note	28 Sept 2007 £m	29 Dec 2006 £m
EBITDA for the Relevant Period		53.9	50.7
Free Cashflow for the Relevant Period		42.9	40.2
Debt Service for the Relevant Period	9	24.4	21.8
Financial Covenant			
EBITDA DSCR ('Debt Service cover ratio') :			
Target		>= 1.5 : 1	>= 1.5 : 1
Actual		2.21 : 1	2.32 : 1
Restricted Payment Condition			
Free Cashflow DSCR :			
Target		>= 1.4 : 1	>= 1.4 : 1
Actual		1.76 : 1	1.84 : 1
EBITDA DSCR :			
Target		>=1.85 : 1	>=1.85 : 1
Actual		2.21 : 1	2.32 : 1

Confirmations

The Dignity (2002) Group confirms that the Financial Covenant has been observed for the Relevant Period ending 28 September 2007.

On 29 December 2006, a Restricted Payment totalling £8,000,000 was paid as a dividend to Dignity (2004) Limited and onwards to Dignity plc. On the same date a Restricted Payment totalling £2,604,088 was paid as a loan to Dignity plc.

On 29 June 2007, a Restricted Payment totalling £13,299,994 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 28 September 2007

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 28 Sept 2007</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	123.5	25.0	7.5	-	156.0
Operating expenses	(77.0)	(10.3)	(6.2)	(8.6)	(102.1)
EBITDA	46.5	14.7	1.3	(8.6)	53.9
<i>52 week period ended 29 Dec 2006</i>					
Net revenues	120.0	23.2	6.6	-	149.8
Operating expenses	(75.4)	(9.9)	(5.4)	(8.4)	(99.1)
EBITDA	44.6	13.3	1.2	(8.4)	50.7

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 £21.0m (Dec 2006: £8.7m) of which £15.6m (Dec 2006: £2.6m) is cash held for operations.

Dignity (2002) Limited

Notes to the Investor Report

for the 52 week period ended 28 September 2007

5 Consolidated Net Assets

The consolidated net assets as at 29 December 2006 as shown in this pack represents the final audited figures as per the 2006 statutory accounts. This differs to the figures reported in the December 2006 Investor Report.

The differences are explained below:

Total current assets: The final estimate of the year end tax provision reduced current assets by £0.2m.

Creditors: The movement of £1.7m represents a reclassification of interest relating to certain intercompany loans from amounts falling due after more than one year to amounts falling due within one year.

6 Cash balances

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 22 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.

7 Permitted Acquisitions

The expenditure in the Relevant Period relates to the acquisition of 26 funeral locations.

On 8 January 2007, the Group acquired all the allotted and issued ordinary B shares in Advance Planning Limited from Age Concern Enterprises Limited for consideration of £2 million. As the Group already owned all the allotted and issued A share capital of Advance Planning Limited, the company became a wholly owned subsidiary of the Group.

This transaction did not constitute a Permitted Acquisition and is therefore excluded from the total amount disclosed for Permitted Acquisitions on page 5. However, the transaction received discretionary consent from the Security Trustee on 5 January 2007.

8 Permitted Disposals

Asset disposals in the Relevant Period, where the market value exceeded £50,000, comprised of 2 freehold properties, that were not directly EBITDA-generating.

Dignity (2002) Limited

Notes to the Investor Report

for the 52 week period ended 28 September 2007

9 Debt Service and Financial Covenant

The Dignity (2002) Group confirms that none of the following occurred in the Relevant Period ending 28 September 2007:

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

During the Relevant Period to 28 September 2007, the Company made the following debt repayments (paid on 29 December 2006 and 29 June 2007):

	<i>Interest</i>	<i>Principal</i>
	<i>£'000</i>	<i>£'000</i>
Class A Secured 6.310% Notes due 2023	8,983	4,181
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 £8,969,000 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 28 September 2007

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	98,281	6.32%	6,305
£100m Class B Notes	100,000	8.161%	8,161
£45.5m Class A Notes – issued February 2006	40,697	6.32%	2,611
£32.5m Class B Notes – issued February 2006	32,500	8.161%	2,653
Working capital facility	5,000	0.45%	23
Liquidity facility	40,000	0.35%	140
Hedging documents	202,500	0.3404% ^{§3}	688
Senior Interest accrued in the period			20,581
Interest received in the period	variable	variable	(455)
Scheduled repayments of principal in the period		n/a	4,182
Repayments of other Financial Indebtedness in the period		n/a	52
Debt Service for the Relevant Period			24,360

The repayment of other Financial Indebtedness in the period relates to £20,000 in respect of deferred consideration and £32,000 repayment in respect of loan notes 2006.

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

Dignity (2002) Limited

Notes to the Investor Report

for the 52 week period ended 28 September 2007

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

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				