



Dignity (2002) Limited

Unaudited Investor Report

for the 52 week period ended 26 March 2004

To: J.P. Morgan 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.

The reader's attention is also directed to the trading statement issued by Dignity plc today for general information on the performance of the Group as a whole during the 13 week period ended 26 March 2004.

Dignity (2002) Limited

Unaudited Investor Report for the 52 week period ended 26 March 2004

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Dignity (2002) Limited

Financial Overview

Review of operations

- Unaudited EBITDA for the 52 week period ended 26 March 2004 was £41.8m compared to £39.9m for the audited 52 week period ended 26 December 2003.
- This strong performance is due to a combination of a £2.3m growth in revenues, compared to 2003, allied to continued strong cost control: EBITDA margin for 52 weeks ending 26 March 2004 was 31.8% compared to 30.7% at December 2003.

Trading locations

- The number of funeral locations at the period end was 507 (excluding 10 telephone branches), and is unchanged from December 2003.
- The Group traded from 21 crematoria throughout the entire period.
- The Crematorium Development at North Lanarkshire is projected to open late in quarter three 2004.
- The Group and South Lanarkshire council continue to seek planning permission for the alternative site of the proposed Crematorium Development.
- The Group is pursuing a number of opportunities to acquire small, 'bolt-on', funeral homes as part of its stated strategy of churning its funeral home portfolio.

Quarterly reference date

The 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 March 2004 and 26 December 2003.

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Consolidated EBITDA and capital expenditure for the 52 week period ended 26 March 2004

		Funeral services	Crematoria	Pre- arranged funeral plans	Portfolio	Central overhead	52 week period ending 26 Mar. 2004	(As restated) 52 week period ending 26 Dec. 2003
	Note	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Net revenue		104,890	20,414	5,916	131,220	-	131,220	128,978
Operating expenses	1	(68,212)	(9,569)	(4,490)	(82,271)	(7,149)	(89,420)	(89,104)
EBITDA	1	36,678	10,845	1,426	48,949	(7,149)	41,800	39,874
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	(49)	(42)
Minimum Capex Maintenance Amount	3	n/a	n/a	n/a	n/a	n/a	(7,050)	(7,000)
Free Cashflow		n/a	n/a	n/a	n/a	n/a	34,701	32,832
Actual Capital Maintenance Expenditure – calendar YTD		367	135	-	502	89	591	6,874
Expenditure on Permitted Developments – 52 week period		n/a	2,159	n/a	2,159	n/a	2,159	2,149

Dignity (2002) Limited

Consolidated Net Assets, cash balances, Permitted Financial Indebtedness, Permitted Acquisitions and Permitted Disposals as at 26 March 2004

	Note	26 Mar. 2004	(As restated) 26 Dec. 2003
Consolidated Net Assets:		£'000	£'000
Fixed assets		190,963	193,770
Total current assets	4	64,384	64,621
Creditors: amounts falling due within one year		(24,523)	(31,880)
Net current assets		39,861	32,741
Total assets less current liabilities		230,824	226,511
Creditors: amounts falling due after more than one year		(298,654)	(299,158)
Provisions for liabilities and charges		(9,668)	(10,020)
Net liabilities		(77,498)	(82,667)
Balances – amounts standing to the credit/ (debit) of:			
Capex Reserve Account		126	-
Funeral Home Reserve Account		-	-
Loan Payments Account		32	7,509
Issuer Transaction Account		20	7,436
Crematorium Reserve Account		-	-
Principal Reserve Account		-	-
Elective Capex Account	6	11,905	10,401
Special Capex Account	5	-	-
Restricted Payments Account		-	-
Upgrade Reserve Account		-	-
Permitted Financial Indebtedness:			
As defined under paragraphs (a) and (c) to (o) inclusive	10	335,024	335,255
The balance above includes the following:			
Per paragraph (i) – DHL inter-company loans	10	67,533	67,199
Per paragraph (j) – Mezz On-Loan	10	41,829	45,228
Permitted Acquisitions and Permitted Disposals:			
Permitted Acquisitions (gross) in the Relevant Period	6	8,126	7,885
Permitted Disposals (gross) in the Relevant Period (where Net Sale Proceeds exceeds £50,000 x RPI)	7	940	590

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Coverages and covenants for the 52 week period ended 26 March 2004

	Note	52 week period ending	
		26 Mar. 2004	(As restated) 26 Dec. 2003
		£'000	£'000
EBITDA for the Relevant Period		41,800	39,874
Free Cashflow for the Relevant Period		34,701	32,832
Debt Service for the Relevant Period	9	16,919	17,721
Financial Covenant			
EBITDA DSCR ('Debt Service cover ratio') :			
Target		> = 1.5 : 1	> = 1.5 : 1
Actual		2.47 : 1	2.24 : 1
Restricted Payment Condition			
Free Cashflow DSCR :			
Target		> = 1.4 : 1	> = 1.4 : 1
Actual		2.05 : 1	1.84 : 1
EBITDA DSCR :			
Target		> = 1.84 : 1	> = 1.84 : 1
Actual		2.47 : 1	2.24 : 1

Confirmations

The directors confirm that the Financial Covenant has been observed for the Relevant Period ending 31 March 2004.

£5,833,000 was paid (from the Loan Payments Account) in respect of accrued interest on the Mezz On-Loan on 30 January 2004. The same amount was then used by Dignity Mezzco Limited to repay accrued interest on the Mezzanine Loan.

The directors confirm that the Restricted Payment Condition was satisfied with regard to the above Restricted Payment.

On 18 March 2004, a dividend of £399,541 was declared and paid by the Company to its immediate parent undertaking, Dignity (2004) Limited (formerly Broomco (3369) Limited).

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Notes to the Investor Report for the 52 week period ended 26 March 2004

1 EBITDA

EBITDA has been calculated in accordance with the definition in the IBLA. Pension costs are stated before any non-cash SSAP 24 adjustments and have been allocated on a divisional basis.

The allocation of pension cash costs to the relevant division is a change in presentation from previous Investor Reports, where the costs were allocated to Central overheads.

Furthermore, comparative figures have been extracted from the audited consolidated financial statements of Dignity (2002) Limited and differ slightly from the, unaudited, figures reported in the December 2003 Investor report.

For the benefit of users of this report, had pension cash costs been consistently allocated on a divisional basis, EBITDA for the Relevant Periods would be as follows:

52 week period ended 26 Dec. 2003 (as restated)	Funeral Services £'000	Crematoria £'000	Pre-arranged funeral plans £'000	Central overhead £'000	Group £'000
Revenues	103,093	20,136	5,749	-	128,978
Expenses	(67,833)	(9,591)	(4,608)	(7,072)	(89,104)
EBITDA	35,260	10,545	1,141	(7,072)	39,874
52 week period ended 26 Mar. 2004					
Revenues	104,890	20,414	5,916	-	131,220
Expenses	(68,212)	(9,569)	(4,490)	(7,149)	(89,420)
EBITDA	36,678	10,845	1,426	(7,149)	41,800

The reconciliation between the December 2003 Investor Report and the audited financial statements (required under clause 13.2.4 of the IBLA) will be issued to the Note Trustee.

2 Taxation

The tax charge relates solely to the Group's Jersey based operations. Otherwise, no provision has been made for current tax in the period as initial forecasts indicate that no tax charge will arise. This will be monitored throughout the forthcoming year.

3 Capex Maintenance Amount

The IBLA requires the Minimum Capex Maintenance Amount rather than actual spend to be deducted in arriving at Free Cashflow. RPI for 2003 has been calculated at 2.86%.

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Notes to the Investor Report for the 52 week period ended 26 March 2004

4 Total current assets

Total current assets include cash at bank and in hand of £29,533,000 (Dec 2003: £29,262,000) of which £17,709,000 (Dec 2003: £3,631,000) is cash held for operations.

5 Cash balances

There were no deposits made in the Special Capex Account in the Relevant Period.

The balance in the Elective Capex account includes £2,200,000 actuarial surplus received in the Relevant Period.

6 Permitted Acquisitions

The expenditure since the last report relates to Funeral Home Start-Ups.

7 Permitted Disposals

Those asset disposals in the period from 11 April 2003, where the market value exceeded £50,000, comprised of four freehold properties, that were not directly EBITDA-generating.

8 Material changes in assets

The only significant change in the Group's assets in the period from 11 April 2003 relate to £1,971,000 set aside by way of a guarantee on the construction of North Lanarkshire Crematorium. These monies are refundable on completion of the project and accordingly are recorded as a debtor on the balance sheet.

The expenditure was funded from the Elective Capex Account.

The Company's ultimate parent undertaking, Dignity plc, was admitted to the Official List of the London Stock Exchange on 08 April 2004.

Dignity plc raised c£115m (after fees) from the placing, which was used to repay existing indebtedness on borrowings outside the Dignity (2002) Group.

Whilst the flotation is not expected to alter the underlying financial position of the Dignity (2002) Group, the directors consider that the strengthening of the ultimate parent's equity position can only be of benefit to the Dignity (2002) Group.

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Notes to the Investor Report for the 52 week period ended 26 March 2004

9 Debt Service and Financial Covenant

The directors confirm that none of the following occurred in the Relevant Period ending 31 March 2004:

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

The transaction closed on 11 April 2003. During the period 11 April 2003 to 31 March 2004, the Company made the following debt repayments (paid on 30 June and 31 December 2003):

	Interest	Principal
	£'000	£'000
Class A Secured 6.310% Notes due 2023	4,965	1,158
Class B Secured 8.151% Notes due 2031	5,869	-

The interest payments above include the 1bp margin payable under the IBLA. The actual payments to bondholders were £4,957,000 and £5,862,000 under the Class A and Class B Notes respectively.

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Notes to the Investor Report for the 52 week period ended 26 March 2004

9 Debt Service and Financial Covenant (continued)

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

	Principal	Annual rate	Interest
Senior Interest accruing in the period ¹	£'000	%	£'000
£110m Class A Notes	108,885	6.32%	5,143
£100m Class B Notes	100,000	8.161%	6,121
Working capital facility	5,000	0.45%	17
Liquidity facility	30,000	0.35%	79
Hedging documents	202,500	0.3404% ²	519
Senior Interest accrued in the period			11,879
Other interest charges in the period			4
Interest received in the period	variable	variable	(833)
Scheduled repayments of principal in the period		n/a	1,158
Repayments of other Financial Indebtedness in the period		n/a	176
Actual Debt Service in the period¹			12,384
Plus adjustment per clause 14.3.3 of IBLA			4,535
Debt Service for the Relevant Period			16,919

The repayments of other Financial Indebtedness in the period relate to £156,000 floating rate unsecured Loan Notes and £20,000 in respect of deferred consideration outstanding at the 11 April 2003.

¹ For the period 01 July 2003 to 31 March 2004 (275 days) in accordance with clause 14.3 of the IBLA

² Net rate payable on principal

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Notes to the Investor Report for the 52 week period ended 26 March 2004

10 Permitted Financial Indebtedness

The significant movements in Permitted Financial Indebtedness ("PFI") include the following:

- Under clause (a), the addition in the period of £8,155,000 relating to the value of interest rate swaps entered into, on or around, the Closing Date. The value is based on the marked to market values.
- For the avoidance of doubt, PFI excludes any cash balances held.
- The PFI falling due under paragraphs (b) and (p) relates to Inter-Company loans within the securitisation group. Consequently, these are £Nil on a consolidated basis. On a company-by-company basis however, the level of indebtedness under these paragraphs is £151,810,000 and £189,530,000 respectively.

Set out below is the definition of Permitted Financial Indebtedness extracted from the IBLA.

'Permitted Financial Indebtedness' means Financial Indebtedness:

- (a) Under this agreement, the Working Capital Facility Agreement, a £350,000 open credit facility with Lloyds TSB Bank PLC to cover arrangements to cash cheques and the Hedging Documents;
- (b) of an Obligor to an Obligor;
- (c) under any conditional purchase, hire purchase, finance lease or capital lease permitted under this Agreement;
- (d) under any BACS Facility provided by an Approved Bank;
- (e) under the netting arrangements of an Approved Bank in relation to the operating accounts of an Obligor (including in relation to any one Obligor at any one time up to £6,000,000 of Financial Indebtedness incurred by that Obligor to the Approved Bank provided always that, when netted against the amounts standing to the credit of the accounts of the other Obligors with the Approved Bank at any time, the aggregate netted balance is not less than £1);
- (f) under any Acquisition Loan Notes issued by the Obligors or any of them, in an aggregate principal amount for all Obligors not exceeding £10,000,000 at any time and satisfying the following conditions:
 - (i) the full face value of such Acquisition Loan Notes and any interest that may accrue thereon
 - (ii) up to maturity is collateralised by a charge over cash in favour of the relevant vendor;
 - (iii) the charge secures only the Acquisition Loan Notes in question;
 - (iv) the vendor in respect of the relevant Permitted Acquisition is not entitled to retain, and does not retain, any proprietary interest in the assets the subject thereof; and
 - (v) the cash collateral is funded exclusively from the sources of funding permitted in respect of such Permitted Acquisitions;

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Notes to the Investor Report for the 52 week period ended 26 March 2004

10 Permitted Financial Indebtedness (continued)

- (g) under any construction bonding facility in respect of Permitted Developments in favour of the Obligors or any of them, in an aggregate principal amount for all Obligors not exceeding £10,000,000 at any time provided that the following conditions are satisfied:
 - (i) the full amount that may be called in respect of any bond issued under such bonding facility is collateralised by a charge over cash in favour of the relevant bondsman;
 - (ii) the charge secures only such bond calls; and
 - (iii) the cash collateral is funded exclusively from the sources of funding permitted in respect of the relevant Permitted Development and is the bondsman's sole recourse;
- (h) constituted by advance payments or trade credit made in the ordinary course of business;
- (i) existing under the DHL Non-Interest Bearing Loan and the DHL Interest Bearing Loan;
- (j) existing under the Mezz On-Loan;
- (k) of £80,000 outstanding at the date of this Agreement in respect of deferred consideration owed to David Stockwell **provided that** such Financial Indebtedness is repaid in full on or before 2 February 2007;
- (l) of £96,228 of floating rate unsecured loan notes due 2050 issued by Great Southern Group plc jointly to Eileen Davies and Christopher Hill outstanding at the date of this Agreement;
- (m) of £203,956 of floating rate unsecured loan notes issued by DFL to H. Cooksley at the date of this Agreement **provided that** such Financial Indebtedness is repaid in full on or before 31 October 2006;
- (n) of £263,929 representing amounts due but unpaid to former shareholders of Great Southern Group plc and Plantsbrook Group Limited; and
- (o) under a guarantee of any overdraft facility granted to the KCH JV provided that the maximum contingent liability under such guarantee does not exceed £200,000; and
- (p) any other loans owed by the Obligors (including to Jerseyco) if subordinated under the Subordination Deed or the Dormant Company Subordination Deed to their actual and contingent liabilities in respect of indebtedness under the facility, the Working Capital Facility and the Hedging Documents provided that such subordination shall not be required in respect of loans owed to any of the Dormant Companies having an aggregate principal amount not exceeding £1,000,000.

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Notes to the Investor Report for the 52 week period ended 26 March 2004

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 SSAP24 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.

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	Free Cashflow	Financial Adviser Appointment Event	Financial Covenant	Financial Indebtedness
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	Senior Interest