



Dignity (2002) Limited
Unaudited Investor Report
for the 53 week period ended 30 December 2016

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

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 profits and losses generated by certain companies held outside the Dignity (2002) Group or any dividends declared to shareholders of Dignity plc.

Dignity (2002) Limited

Unaudited Investor Report

for the 53 week period ended 30 December 2016

	Pages
Financial Overview	3
Consolidated EBITDA and capital expenditure for the 53 week period ended 30 December 2016	4
Consolidated Net Assets, Cash balances, Financial Indebtedness, Permitted Obligor Acquisitions and Permitted Disposals as at 30 December 2016	5
Coverages and covenants for the 53 week period ended 30 December 2016.....	6
Notes to the Investor Report for the 53 week period ended 30 December 2016.....	7

Dignity (2002) Limited

Financial Overview

Review of operations

- Unaudited EBITDA for the 53 week period ended 30 December 2016 was £114.2m compared to £113.1m for the audited 52 week period ended 25 December 2015.

Trading locations

- The number of funeral locations within the Dignity (2002) Group at the period end was 731, which compares to 716 at 25 December 2015. The movement in the portfolio is shown below:

	Dignity (2002) Group	Non-Obligor	Dignity Group
Number of locations at 25 December 2015 ^{§1}	716	51	767
Acquisition – freehold	2	3	5
Acquisition – leasehold	5	6	11
Branch closure – leasehold	(2)	-	(2)
Other openings	10	1	11
Number of locations at 30 December 2016 ^{§1}	<u>731</u>	<u>61</u>	<u>792</u>

- The Dignity (2002) Group operates from 39 crematoria (Dec 2015: 39).
- The Dignity (2002) Group continues to pursue other opportunities to acquire small, 'bolt-on' funeral locations and additional crematoria as part of its stated strategy of developing its portfolio of funeral locations 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 53 week period ending 30 December 2016 and 52 week period ending 25 December 2015.

^{§1} Excludes nine telephone branches within the Dignity (2002) Group and two telephone branches relating to Non-Obligors.

Dignity (2002) Limited

Consolidated EBITDA and capital expenditure

for the 53 week period ended 30 December 2016

		<i>Funeral services</i>	<i>Crematoria</i>	<i>Pre- arranged funeral plans</i>	<i>Portfolio</i>	<i>Central overheads</i>	53 week period ending 30 Dec 2016	<i>52 week period ending 25 Dec 2015</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		202.6	65.0	28.3	295.9	-	295.9	297.3
Operating expenses		(117.8)	(26.6)	(19.6)	(164.0)	(17.7)	(181.7)	(184.2)
EBITDA	1	84.8	38.4	8.7	131.9	(17.7)	114.2	113.1
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	(10.2)	(2.8)
Minimum Capex Maintenance Amount	3	n/a	n/a	n/a	n/a	n/a	(10.2)	(10.0)
Free Cashflow		n/a	n/a	n/a	n/a	n/a	93.8	100.3
Actual Capital Maintenance Expenditure – <i>calendar YTD</i>		12.3	3.5	-	15.8	2.4	18.2	15.2
Expenditure on Permitted Crematorium – Developments by Obligors – 53 week period		-	0.8	-	0.8	-	0.8	-

Dignity (2002) Limited

Consolidated Net Assets, Cash balances, Financial Indebtedness, Permitted Obligor Acquisitions and Permitted Disposals

as at 30 December 2016

	<i>Note</i>	<i>30 Dec</i> 2016 <i>£m</i>	<i>25 Dec</i> <i>2015</i> <i>£m</i>
Consolidated Net Assets:			
Fixed assets		347.7	336.5
Other current assets		54.0	88.9
Total current assets	4	54.0	88.9
Other creditors: amounts falling due within one year		(215.0)	(232.5)
Creditors: amounts falling due within one year		(215.0)	(232.5)
Net current liabilities		(161.0)	(143.6)
Total assets less current liabilities		186.7	192.9
Creditors: amounts falling due after more than one year		(567.9)	(581.0)
Provisions for liabilities		(10.5)	(6.9)
Pension liability (net of deferred tax)		(25.9)	(12.5)
Net liabilities		(417.6)	(407.5)
Cash balances – amounts standing to the credit of:			
Capex Reserve Account		-	-
Funeral Home Reserve Account		-	-
Loan Payments Account	5	4.4	26.0
Issuer Transaction Account		0.5	17.1
Crematorium Reserve Account		-	-
Principal Reserve Account		-	-
Elective Capex Account		0.3	0.2
Special Capex Account		-	-
Restricted Payments Account		-	-
Upgrade Reserve Account		-	-
Permitted Obligor Acquisitions and Permitted Disposals:			
Permitted Obligor Acquisitions (gross) in the Relevant Period	6	6.8	8.4
Permitted Disposals (gross) in the Relevant Period (where Net Sale Proceeds exceeds £75,000 x CPI)	7	0.4	0.6
Financial Indebtedness:	9	721.3	755.1

Dignity (2002) Limited

Coverages and covenants

for the 53 week period ended 30 December 2016

		53 week period ending	52 week period ending
	Note	30 Dec 2016 £m	25 Dec 2015 £m
EBITDA for the Relevant Period		114.2	113.1
Free Cashflow for the Relevant Period		93.8	100.3
Debt Service for the Relevant Period	8	33.9	33.8
Financial Covenant			
EBITDA DSCR ('Debt Service cover ratio') :			
Target		>= 1.5 : 1	>= 1.5 : 1
Actual		3.37:1	3.35:1
Restricted Payment Condition			
Free Cashflow DSCR :			
Target		>= 1.4 : 1	>= 1.4 : 1
Actual		2.77:1	2.97:1
EBITDA DSCR :			
Target		>=1.85:1	>=1.85 : 1
Actual		3.37:1	3.35:1

Confirmations

The Dignity (2002) Group confirms that the Financial Covenant has been observed for the Relevant Period ending 31 December 2016.

The Restricted Payment Condition in relation to each Restricted Payment below has been satisfied.

On 30 June 2016, a Restricted Payment totalling £25.6m was paid to a member of the Dignity Group.

On 30 December 2016, a Restricted Payment totalling £24.4m was paid to a member of the Dignity Group.

Dignity (2002) Limited

Notes to the Investor Report

for the 53 week period ended 30 December 2016

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>53 week period ended 30 Dec 2016</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 revenue	202.6	65.0	28.3	-	295.9
Operating expenses	(117.8)	(26.6)	(19.6)	(17.7)	(181.7)
EBITDA	84.8	38.4	8.7	(17.7)	114.2
<i>52 week period ended 25 Dec 2015</i>					
Net revenue	204.6	63.1	29.6	-	297.3
Operating expenses	(119.3)	(26.9)	(21.6)	(16.4)	(184.2)
EBITDA	85.3	36.2	8.0	(16.4)	113.1

2 Taxation

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

3 Minimum Capex Maintenance Amount

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

Dignity (2002) Limited

Notes to the Investor Report

for the 53 week period ended 30 December 2016

4 Total current assets

Total current assets include cash at bank and in hand of £10.2m (Dec 2015: £49.7m) of which £4.5m (Dec 2015: £5.9m) is cash held for operations.

5 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.

6 Permitted Obligor Acquisitions

The expenditure in the Relevant Period relates to the acquisition of businesses and properties other than crematoria properties and Funeral Home Start-Ups.

7 Permitted Disposals

Asset disposals by Obligors in the Relevant Period, where the market value exceeded £75,000 x CPI, comprised of four freehold properties that were not directly EBITDA generating.

Dignity (2002) Limited

Notes to the Investor Report

for the 53 week period ended 30 December 2016

8 Debt Service and Financial Covenant

The Dignity (2002) Group confirms that none of the following occurred in the Relevant Period ending 31 December 2016:

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

The Dignity (2002) Group made the following debt repayments to Bondholders during the Relevant Period (paid on 30 June 2016 and 30 December 2016):

	<i>Interest</i>	<i>Principal</i>
	<i>£'000</i>	<i>£'000</i>
Class A Secured 3.5456% Notes due 2034	7,961	8,531
Class B Secured 4.6956% Notes due 2049	16,735	-
	<u>24,696</u>	<u>8,531</u>

Dignity (2002) Limited

Notes to the Investor Report

for the 53 week period ended 30 December 2016

8 Debt Service and Financial Covenant (continued)

Debt Service for the Relevant Period ending 31 December 2016 has been calculated as follows:

	<i>Principal</i>	<i>Annual rate</i>	<i>Interest</i>
Senior Interest accruing in the period	£'000	%	£'000
Class A Notes	218,124	3.5556%	7,984
Class B Notes	356,402	4.7056%	16,771
Working capital facility	5,000	1.10%	55
Liquidity facility	55,000	1.10%	605
Senior Interest accrued in the period			25,415
Interest on Finance lease			93
Interest received in the period	Variable	Variable	(177)
Scheduled repayments of principal in the period		n/a	8,531
Debt Service for the Relevant Period			33,862

Dignity (2002) Limited

Notes to the Investor Report

for the 53 week period ended 30 December 2016

9 Financial Indebtedness

“**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 instrument;
- (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 Accounting Policies, 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 53 week period ended 30 December 2016

10 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 IAS 19 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 EU adopted International Financial Reporting Standards (IFRS).

Dignity (2002) Limited

Notes to the Investor Report

for the 53 week period ended 30 December 2016

11 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:

Accounting Standards Change	Additional Obligor	Annual Upgrade Update	Borrower	Capital Maintenance Expenditure	Change of Basis Election
Debt Service	Dignity Group	EBITDA	Financial Adviser Appointment Event	Financial Covenant	Financial Indebtedness
Free Cashflow	Funeral Home Start-Up	Issuer	Loan Event of Default	Minimum Capex Maintenance Amount	Non-Obligor
Non-Obligor Investment	Note Trustee	Obligor Transaction Documents	Permitted Crematorium Development	Permitted Disposal	Permitted Obligor Acquisition
Portfolio	Potential Loan Event of Default	Relevant Period	Restricted Payment	Restricted Payment Condition	Senior Interest
Secured Notes	Securitisation Group	Security Trustee	Tax	Tax Deed of Covenant	

12 Investor Report Information to Bloomberg

The Dignity (2002) Group is a sub-group of the Dignity plc Group, which is listed on the London Stock Exchange. As a result, this Investor Report is publicly available on the Group's Investor website www.dignityfuneralsplc.co.uk. The Dignity (2002) Group has therefore published this entire Investor Report on Bloomberg, rather than restricting the information provided as permitted by the IBLA.

13 Accounting Standards Change

The Dignity (2002) Group has applied EU adopted International Financial Reporting Standards (IFRS) for the first time in this Investor Report. The transition date from the previous UK GAAP was 27 December 2014. On transition to IFRS, the Dignity (2002) Group has applied the requirements of paragraphs 6 – 33 of IFRS 1 "First time adoption of International Financial Reporting Standards". This results in a restatement of its 2015 financial results and the preparation of results for 2016 and beyond under new accounting policies compared to before.

In accordance with clause 13.6 of the Issuer/Borrower Loan Agreement, the Borrower has notified the Security Trustee that it is **not** making a Change of Basis Election in respect of this Accounting Standards Change. Consequently:

- This Accounting Standards Change is being taken into account in the Impacted Ratios and Tests reported in the Investor Report for the period ended 30 December 2016 (including comparative amounts) and all subsequent Investor Reports;
- The Accounting Standards Change did not result in a change to the Financial Covenant reported for the Relevant Period ended 25 December 2015; and
- Financial Indebtedness for the Relevant Period ended 25 December 2015 increased by less than 0.1% from £754.5m to £755.1m.

Therefore the Borrower will not be seeking to appoint an expert under clause 13.6.5 as no changes to the Impacted Ratios and Tests are required.