Dignity CARING FUNERAL SERVICES

Dignity (2002) Limited

Unaudited Abridged Investor Report

for the 52 week period ended 27 December 2013

To: Bloombergs

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.

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 Abridged Investor Report

for the 52 week period ended 27 December 2013

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Dignity (2002) Limited

Consolidated EBITDA and Net Assets

for the 52 week period ended 27 December 2013

EBITDA statement:	Note	***52 week period ending 27 Dec 2013*** ***£m***	*52 week period ending 28 Dec 2012* *£m*
Net revenue		**247.1**	225.2
Operating expenses		**(159.1)**	(147.1)
EBITDA	1	**88.0**	78.1

Consolidated Net Assets:		***27 Dec 2013*** ***£m***	*28 Dec 2012* *£m*
Fixed assets		**317.4**	246.1
Collateralised Liquidity facility	8	**63.0**	-
Other current assets		**98.5**	68.5
Total current assets	2	**161.5**	68.5
Collateralised Liquidity facility	8	**(63.0)**	-
Other creditors: amounts falling due within one year		**(235.4)**	(180.0)
Creditors: amounts falling due within one year		**(298.4)**	(180.0)
Net current liabilities		**(136.9)**	(111.5)
Total assets less current liabilities		**180.5**	134.6
Creditors: amounts falling due after more than one year		**(384.5)**	(306.8)
Provisions for liabilities		**(10.1)**	(9.4)
Pension (liability)/asset (net of deferred tax)		**(0.8)**	0.1
Net liabilities		**(214.9)**	(181.5)

Dignity (2002) Limited

Coverages and covenants

for the 52 week period ended 27 December 2013

	Note	***52 week period ending*** ***27 Dec 2013*** ***£m***	*52 week period ending* *28 Dec 2012* *£m*
EBITDA for the Relevant Period		**88.0**	78.1
Free Cashflow for the Relevant Period		**69.1**	60.4
Debt Service for the Relevant Period	3	**35.8**	32.1
Financial Covenant			
EBITDA DSCR ('Debt Service cover ratio') :			
Target		**>= 1.5 : 1**	>= 1.5 : 1
Actual		**2.46 : 1**	2.43 : 1
Restricted Payment Condition			
Free Cashflow DSCR :			
Target		**>= 1.4 : 1**	>= 1.4 : 1
Actual		**1.93 : 1**	1.88 : 1
EBITDA DSCR :			
Target		**>=1.85 : 1**	>=1.85 :1
Actual		**2.46 : 1**	2.43 : 1

Confirmations

The Dignity (2002) Group confirms that the Financial Covenant has been observed for the Relevant Period ending 31 December 2013.

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

On 28 June 2013, a Restricted Payment totalling £16.7m was paid to Dignity (2004) Limited as a dividend. These funds were subsequently paid to Dignity plc by way of a dividend.

On 30 July 2013, a Restricted Payment totalling £43.4m was paid to Dignity (2004) Limited as a dividend. These funds were subsequently paid to Dignity plc by way of a dividend.

On 30 July 2013, a Restricted Payment totalling £33.1m was paid to Dignity Funerals No.2 Limited as a loan. This loan was then subsequently used to repay the term facility to National Westminster Bank PLC.

The two Restricted Payments on 30 July 2013 were made as a result of the issue of further Secured Notes as detailed in note 7.

On 31 December 2013, a Restricted Payment totalling £9.2m was paid to Dignity Holdings Limited as a loan. This loan was offset against the existing loan from Dignity Holdings Limited to Borrower in accordance with clause 19.16.1 (b) of the IBLA. These funds were subsequently paid to Dignity plc by way of a loan.

Dignity (2002) Limited

Notes to the Investor Report

for the 52 week period ended 27 December 2013

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.

2 Total current assets

Total current assets include cash at bank and in hand of £123.8m (Dec 2012: £35.3m) of which £3.2m (Dec 2012: £0.9m) is cash held for operations.

3 Debt Service and Financial Covenant

The Dignity (2002) Group confirms that none of the following occurred in the Relevant Period ending 31 December 2013:

- 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 2013 and 28 June 2013):

	Interest	*Principal*
	£'000	***£'000***
Class A Secured 6.310% Notes due 2023	10,021	10,076
Class B Secured 8.151% Notes due 2030	15,177	-

The interest payments above include the 1bp margin payable under the IBLA. The actual payments to bondholders were £10,005,000 and £15,159,000 under the Class A and Class B Notes respectively.

Dignity (2002) Limited

Notes to the Investor Report

for the 52 week period ended 27 December 2013

3 Debt Service and Financial Covenant (continued)

Debt Service for the Relevant Period ending 31 December 2013 has been calculated as follows:

	Principal	*Annual rate*	*Interest*
Senior Interest accruing in the period	*£'000*	*%*	*£'000*
Class A Notes – existing	139,234	6.32%	8,938
Class B Notes – existing	165,600	8.161%	13,515
Class A Notes – issued July 2013	34,263	6.32%	1,083
Class B Notes – issued July 2013	40,750	8.161%	1,662
Accrued interest received on issue of 2013 Class A&B Notes	-	-	(451)
Working capital facility	5,000	0.45%	22
Liquidity facility	63,000	1.20%[§1]	536[§2]
Hedging documents	202,500	0.3404%[§3]	689
Senior Interest accrued in the period			**25,994**
Interest received in the period	variable	variable	(227)
Scheduled repayments of principal in the period		n/a	10,076
Debt Service for the Relevant Period			**35,843**

[§1] This represents the ongoing annual rate since the further issue of Secured Notes on 30 July 2013.

[§2] This represents the actual commitment fees payable in the Relevant Period ending 31 December 2013.

[§3] Net rate payable on notional principal.

Dignity (2002) Limited

Notes to the Investor Report

for the 52 week period ended 27 December 2013

4 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.

Dignity (2002) Limited

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for the 52 week period ended 27 December 2013

5 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:

Additional Obligors	Annual Upgrade Update	Borrower	Debt Service	EBITDA	Financial Adviser Appointment
Financial Covenant	Financial Indebtedness	Free Cashflow	Funeral Home Start-Ups	Issuer	Loan Event of Default
Maintenance Capex	Non-Obligor	Note Trustee	Permitted Obligor Acquisition	Permitted Crematorium Development	Permitted Obligor Disposal
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	Transaction Documents

6 Working capital facility

The Securitisation Group's working capital facility is available until 11 April 2018.

7 Issue of further Secured Notes

On 22 July 2013, Dignity Finance PLC issued a prospectus in respect of a further issue of Class A and Class B Secured Notes.

On 30 July 2013, completion occurred and gross proceeds of £97.7 million were raised.

As described in the Prospectus, the proceeds have been used by the Securitisation Group to:

(i) Allow Dignity Funerals No. 2 Limited to repay existing third party indebtedness of c£33 million. Dignity Funerals No.2 Limited is now part of the Securitisation Group as a result of the transaction and its trading history is described in the Prospectus;

(ii) Remit funds to Dignity plc together with the cash it already holds, to be used to help provide shareholders with a £61.9 million Return of Cash equating to £1.08 per Ordinary Share;

(iii) Deposit £18 million into the Elective Capex Account;

(iv) Make a payment of £1 million to the Dignity Pension and Assurance Scheme; and

(v) Pay fees relating to the transaction.

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Notes to the Investor Report

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8 Collateralisation of Liquidity Facility

The Dignity (2002) Group's Secured Notes are supported by a Liquidity Facility provided by the Royal Bank of Scotland. This facility is designed to support the first 18 months of debt service due in the event of a default. Following the issue of Secured Notes in 2013, the facility was increased to £63 million. This is a committed facility for the life of the Notes and serves to support the rating ascribed by S&P and Fitch.

In late 2013, S&P downgraded certain RBS entities. As a result, this downgrade triggered a clause in the facility that gave the Dignity (2002) Group a 30 day period in which to force RBS to cash collateralise the facility by placing funds with the Bank of New York Mellon. If the Dignity (2002) Group did not force this action within this period, then no cash collateralisation could be forced on RBS in the future, even if they were downgraded further. The Dignity (2002) Group therefore enforced this right.

This does not have a material impact of the Dignity (2002) Group's net finance cost in 2014 and whilst the cost of the facility in this cash collateralised state will increase over time, the Dignity (2002) Group is exploring ways to amend its terms within the next twelve months so that cash collateralisation is no longer necessary.