



Dignity (2002) Limited  
Unaudited Investor Report  
for the 52 week period ended 30 December 2005

To: JP Morgan Corporate Trustees 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 30 December 2005

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# Dignity (2002) Limited

## Financial Overview

### Review of operations

- Unaudited EBITDA for the 52 week period ended 30 December 2005 was £47.5m compared to £44.9m for the audited 53 week period ended 31 December 2004.
- This result is in line with City expectations. However, as it represents a trading period of 52 weeks, 1 week less than the 53 week period ended September 2005, the result for December as anticipated is £0.6m lower than as reported at September 2005.
- This performance is due to a combination of a £7.5m growth in revenues, compared to 2004, allied to continued cost control. EBITDA margin for 52 weeks ending 30 December 2005 was 33.2% compared to 33.1% for the 53 week period ending 31 December 2004.
- On 27 April 2005, the trustees approved the payment of actuarial surpluses of £1.2m from certain of the pre-arranged funeral plan trusts. 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 519, which compares to 512 at December 2004. The movement in the portfolio is shown below:

Number of locations at 31 December 2004 <sup>§1</sup>	512
Acquisitions – short leasehold	8
Acquisitions – freehold	2
Funeral home start-up – short leasehold	-
Branch closure – leasehold	(2)
Branch closure – freehold	(1)
Number of locations at 30 December 2005 <sup>§1</sup>	<u><u>519</u></u>

- The group operated from 22 crematoria during 2005.
- Since December 2004, the Group has acquired 10 funeral home locations. The Group is also pursuing a number of other opportunities to acquire small, 'bolt-on', funeral homes as part of its stated strategy of developing 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 30 December 2005 and 53 week period ending 31 December 2004.

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<sup>§1</sup> Excludes 4 telephone branches.

## Dignity (2002) Limited

### Consolidated EBITDA and capital expenditure

for the 52 week period ended 30 December 2005

		<i>Funeral services</i>	<i>Crematoria</i>	<i>Pre-arranged funeral plans</i>	<i>Portfolio</i>	<i>Central overheads</i>	<b>52 week period ending 30 Dec 2005</b>	<i>53 week period ending 31 Dec. 2004</i>
	<i>Note</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<b>£m</b>	<i>£m</i>
<b>Net revenue</b>		113.8	22.5	6.9	143.2	-	<b>143.2</b>	135.7
Operating expenses	1	(72.4)	(9.4)	(6.0)	(87.8)	(7.9)	<b>(95.7)</b>	(90.8)
<b>EBITDA</b>	1	<b>41.4</b>	<b>13.1</b>	<b>0.9</b>	<b>55.4</b>	<b>(7.9)</b>	<b>47.5</b>	44.9
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	<b>(1.9)</b>	(0.1)
Minimum Capex Maintenance Amount	3	n/a	n/a	n/a	n/a	n/a	<b>(7.4)</b>	(7.2)
<b>Free Cashflow</b>		<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>38.2</b>	37.6
Actual Capital Maintenance Expenditure – <i>calendar YTD</i>		6.3	0.5	-	6.8	0.5	<b>7.3</b>	<b>7.5</b>
Expenditure on Permitted Developments – <i>53 week period</i>	6	n/a	(0.1)	n/a	(0.1)	n/a	<b>(0.1)</b>	<b>0.1</b>

# Dignity (2002) Limited

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

as at 30 December 2005

	<i>Note</i>	<i>30 Dec 2005</i>	<i>(Restated)<sup>§2</sup> 31 Dec. 2004</i>
		<i>£m</i>	<i>£m</i>
<b>Consolidated Net Assets:</b>			
<b>Fixed assets</b>		<b>196.3</b>	195.6
Total current assets	4	<b>49.4</b>	51.7
Creditors: amounts falling due within one year		<b>(27.3)</b>	(23.5)
<b>Net current assets</b>		<b>22.1</b>	28.2
<b>Total assets less current liabilities</b>		<b>218.4</b>	223.8
Creditors: amounts falling due after more than one year		<b>(276.6)</b>	(290.8)
Provisions for liabilities and charges		<b>(9.7)</b>	(10.0)
Pension obligations	8	<b>(8.4)</b>	(9.7)
<b>Net liabilities</b>	8	<b>(76.3)</b>	(86.7)
<b>Balances – amounts standing to the credit/ (debit) of:</b>			
Capex Reserve Account		-	0.1
Funeral Home Reserve Account		-	-
Loan Payments Account		<b>7.8</b>	5.3
Issuer Transaction Account		<b>0.1</b>	0.1
Crematorium Reserve Account		-	-
Principal Reserve Account		-	-
Elective Capex Account	5	<b>1.7</b>	7.2
Special Capex Account	5	<b>3.2</b>	-
Restricted Payments Account		-	-
Upgrade Reserve Account	5	-	-
<b>Financial Indebtedness:</b>	10	<b>303.3</b>	320.8
<b>Permitted Acquisitions and Permitted Disposals:</b>			
Permitted Acquisitions (gross) in the Relevant Period	6	<b>7.5</b>	6.1
Permitted Disposals (gross) in the Relevant Period (where Net Sale Proceeds exceeds £50,000 x RPI)	7	<b>0.6</b>	1.6

<sup>§2</sup> See note 8 for details of the restatement.

# Dignity (2002) Limited

## Coverages and covenants

for the 52 week period ended 30 December 2005

		<i>52 week period ending</i>	<i>53 week period ending</i>
	<i>Note</i>	<i>30 Dec 2005 £m</i>	<i>31 Dec. 2004 £m</i>
EBITDA for the Relevant Period		<b>47.5</b>	44.9
Free Cashflow for the Relevant Period		<b>38.2</b>	37.6
Debt Service for the Relevant Period	9	<b>16.9</b>	16.8
<b>Financial Covenant</b>			
EBITDA DSCR ('Debt Service cover ratio') :			
Target		<b>&gt;= 1.5 : 1</b>	>= 1.5 : 1
Actual		<b>2.80: 1</b>	2.68 :1
<b>Restricted Payment Condition</b>			
Free Cashflow DSCR :			
Target		<b>&gt;= 1.4 : 1</b>	>= 1.4 : 1
Actual		<b>2.25: 1</b>	2.24 : 1
EBITDA DSCR :			
Target		<b>&gt;=1.85 : 1</b>	>=1.85 :1
Actual		<b>2.80: 1</b>	2.68 :1

### Confirmations

The directors confirm that the Financial Covenant has been observed for the Relevant Period ending 30 December 2005.

During the Relevant Period, the following Restricted Payments (paid from the Loan Payments Account) have been made in respect of accrued interest and principal on the Mezz On-loan:

<i>Date</i>	<i>Total payment £'000</i>	<i>Interest £'000</i>	<i>Principal £'000</i>
31 January 2005	<b>5,312</b>	3,337	1,975
29 July 2005	<b>15,961</b>	3,009	12,952

The outstanding principal on the Mezz On-loan at 30 December 2005 was £19,499,000.

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

# Dignity (2002) Limited

## Notes to the Investor Report

for the 52 week period ended 30 December 2005

### 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 30 Dec 2005</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>
Revenues	113.8	22.5	6.9	-	<b>143.2</b>
Expenses	(72.4)	(9.4)	(6.0)	(7.9)	<b>(95.7)</b>
<b>EBITDA</b>	<b>41.4</b>	<b>13.1</b>	<b>0.9</b>	<b>(7.9)</b>	<b>47.5</b>
<i>53 week period ended 31 Dec. 2004</i>					
Revenues	108.7	21.6	5.4	-	135.7
Expenses	(70.0)	(9.2)	(4.0)	(7.6)	(90.8)
EBITDA	38.7	12.4	1.4	(7.6)	44.9

### 2 Taxation

The tax charge relates to the estimated current tax payable arising in 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 £18.3m (Dec 2004: £20.8m) of which £5.1m (Dec 2004: £7.7m) is cash held for operations.

Prior year figures for the 53 week period ended 31 December 2004 have been restated (see note 8).

# Dignity (2002) Limited

## Notes to the Investor Report

for the 52 week period ended 30 December 2005

### 5 Cash balances

The balance in the Special Capex Account was £3.2m.

The balance on the Upgrade Reserve Account is £nil. However, 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.

Work is ongoing to ascertain the most cost efficient way to achieve this but is likely to be via abatement at a small number of large sites financed by an industry wide levy.

Under the terms of the IBLA the Group is required to advise the Security Trustee and Rating Agencies of the expected capital cost of the upgrades ('Upgrade Event') and the required amount of the levy. This will be provided in accordance with the information provisions outlined in section 13.4 of the IBLA.

### 6 Permitted Acquisitions

The expenditure in the Relevant Period relates to the acquisition of 10 funeral home locations.

### 7 Permitted Disposals

Asset disposals in the Relevant Period, where the market value exceeded £50,000, comprised of 4 freehold properties, that were not directly EBITDA-generating.

### 8 Material changes in assets

As required under UK Generally Accepted Accounting Principles ('UK GAAP'), the Group has adopted Financial Reporting Standard 17, *Retirement Benefits* ('FRS 17') with effect from 1 January 2005 and prior year figures have been restated accordingly.

The adoption of FRS 17 has no effect on EBITDA, Free Cashflow, Debt Service or the Financial Covenant (as defined in the IBLA) due to the pension charge being stated on a cash basis.

However, net liabilities at 31 December 2004 have increased from £76.4m (as previously reported) to £86.7m due to the recognition of a defined benefit obligation of £9.7m (net of deferred tax) compared to defined benefit asset of £0.5m (net of deferred tax) recognised under SSAP 24 principles.



# Dignity (2002) Limited

## Notes to the Investor Report

for the 52 week period ended 30 December 2005

### 9 Debt Service and Financial Covenant

The directors confirm that none of the following occurred in the Relevant Period ending 30 December 2005:

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

During the Relevant Period to 30 December 2005, the Company made the following debt repayments (paid on 30 June 2005 and 30 December 2005):

	<i>Interest</i>	<i>Principal</i>
	<i>£'000</i>	<i>£'000</i>
Class A Secured 6.310% Notes due 2023	6,613	2,642
Class B Secured 8.151% Notes due 2031	8,161	-

The interest payments above include the 1bp margin payable under the IBLA. The actual payments to bondholders were £6,602,000 and £8,151,0000 under the Class A and Class B Notes respectively.

# Dignity (2002) Limited

## Notes to the Investor Report

for the 52 week period ended 30 December 2005

### 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>
<b>Senior Interest accruing in the period</b>	<b>£'000</b>	<b>%</b>	<b>£'000</b>
£110m Class A Notes	103,981	6.32%	6,613
£100m Class B Notes	100,000	8.161%	8,161
Working capital facility	5,000	0.45%	23
Liquidity facility	30,000	0.35%	104
Hedging documents	202,500	0.3404% <sup>§3</sup>	688
<b>Senior Interest accrued in the period</b>			<b>15,589</b>
Other interest charges in the period			4
Interest received in the period	Variable	variable	(1,339)
Scheduled repayments of principal in the period		n/a	2,642
Repayments of other Financial Indebtedness in the period		n/a	43
<b>Debt Service for the Relevant Period</b>			<b>16,939</b>

The repayment of other Financial Indebtedness in the period relates to £20,000 in respect of deferred consideration and £23,000 repayment in respect of loan notes 2006, outstanding at 30 December 2005.

<sup>§3</sup> Net rate payable on notional principal.

# Dignity (2002) Limited

## Notes to the Investor Report

for the 52 week period ended 30 December 2005

### 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	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