



Dignity (2002) Limited
Unaudited Investor Report
for the 52 week period ended 31 March 2006

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 31 March 2006

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Dignity (2002) Limited

Financial Overview

Review of operations

- Unaudited EBITDA for the 52 week period ended 31 March 2006 was £48.6m compared to £47.5m for the audited 52 week period ended 30 December 2005.
- This performance is due to a combination of a £2.2m growth in revenues, compared to 2005, allied to increasing margins. EBITDA margin for 52 weeks ending 31 March 2006 was 33.4% compared to 33.2% for the 52 week period ending 30 December 2005.
- In February 2006, the Group issued further notes with an outstanding principal of £75m. These notes were issued at a premium, resulting in net proceeds of £86m. The Group intends to return £80m (£1 a share) to shareholders in August 2006 and use the remaining funds and existing cash resources to make a payment of £10m to the Group's pension scheme, thereby substantially eliminating their deficits
- 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 520, which compares to 519 at December 2005. The movement in the portfolio is shown below:

Number of locations at 30 December 2005 ^{§1}	519
Acquisitions – short leasehold	-
Acquisitions – freehold	1
Funeral home start-up – short leasehold	-
Branch closure – leasehold	-
Branch closure – freehold	-
Number of locations at 31 March 2006 ^{§1}	<u>520</u>

- The group operates from 22 crematoria.
- Since December 2005, the Group has acquired 1 funeral home location. The Group is still pursuing other opportunities to acquire small, 'bolt-on', funeral homes as part of its stated strategy of developing its funeral home portfolio

Quarterly reference dates

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 31 March 2006 and 52 week period ending 30 December 2005.

^{§1} Excludes 4 telephone branches.

Dignity (2002) Limited

Consolidated EBITDA and capital expenditure

for the 52 week period ended 31 March 2006

		<i>Funeral services</i>	<i>Crematoria</i>	<i>Pre-arranged funeral plans</i>	<i>Portfolio</i>	<i>Central overheads</i>	<i>52 week period ending 31 Mar 2006</i>	<i>52 week period ending 30 Dec 2005</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		115.2	22.9	7.3	145.4	-	145.4	143.2
Operating expenses	1	(72.8)	(9.9)	(6.4)	(89.1)	(7.7)	(96.8)	(95.7)
EBITDA	1	42.4	13.0	0.9	56.3	(7.7)	48.6	47.5
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	(2.2)	(1.9)
Minimum Capex Maintenance Amount	3	n/a	n/a	n/a	n/a	n/a	(7.4)	(7.4)
Free Cashflow		n/a	n/a	n/a	n/a	n/a	39.0	38.2
Actual Capital Maintenance Expenditure – <i>calendar YTD</i>		0.6	0.2	-	0.8	0.1	0.9	7.3
Expenditure on Permitted Developments – <i>52 week period</i>	6	n/a	(0.1)	n/a	(0.1)	n/a	(0.1)	(0.1)

Dignity (2002) Limited

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

as at 31 March 2006

	<i>Note</i>	<i>31 Mar</i> <i>2006</i> <i>£m</i>	<i>30 Dec</i> <i>2005</i> <i>£m</i>
Consolidated Net Assets:			
Fixed assets		196.1	196.3
Total current assets	4	139.4	49.4
Creditors: amounts falling due within one year		(29.4)	(27.3)
Net current assets		110.0	22.1
Total assets less current liabilities		306.1	218.4
Creditors: amounts falling due after more than one year		(359.1)	(276.6)
Provisions for liabilities and charges		(9.8)	(9.7)
Pension obligations		(8.4)	(8.4)
Net liabilities		(71.2)	(76.3)
Balances – amounts standing to the credit/ (debit) of:			
Capex Reserve Account		-	-
Funeral Home Reserve Account		-	-
Loan Payments Account		88.8	7.8
Issuer Transaction Account		0.1	0.1
Crematorium Reserve Account		-	-
Principal Reserve Account		-	-
Elective Capex Account		1.7	1.7
Special Capex Account	5	0.9	3.2
Restricted Payments Account		-	-
Upgrade Reserve Account	5	-	-
Financial Indebtedness:	9	394.2	303.3
Permitted Acquisitions and Permitted Disposals:			
Permitted Acquisitions (gross) in the Relevant Period	6	6.6	7.5
Permitted Disposals (gross) in the Relevant Period (where Net Sale Proceeds exceeds £50,000 x RPI)	7	0.6	0.6

Dignity (2002) Limited

Coverages and covenants

for the 52 week period ended 31 March 2006

		<i>52 week period ending</i>	<i>52 week period ending</i>
	<i>Note</i>	<i>31 Mar 2006 £m</i>	<i>30 Dec. 2005 £m</i>
EBITDA for the Relevant Period		48.6	47.5
Free Cashflow for the Relevant Period		39.0	38.2
Debt Service for the Relevant Period	8	17.6	16.9
Financial Covenant			
EBITDA DSCR ('Debt Service cover ratio') :			
Target		>= 1.5 : 1	>= 1.5 : 1
Actual		2.76: 1	2.80: 1
Restricted Payment Condition			
Free Cashflow DSCR :			
Target		>= 1.4 : 1	>= 1.4 : 1
Actual		2.21: 1	2.25: 1
EBITDA DSCR :			
Target		>=1.85 : 1	>=1.85 : 1
Actual		2.76: 1	2.80: 1

Confirmations

The directors confirm that the Financial Covenant has been observed for the Relevant Period ending 31 March 2006.

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>
29 July 2005	15,961	3,009	12,952
31 January 2006	5,000	1,879	3,121

The outstanding principal on the Mezz On-loan at 31 March 2006 was £16,378,000.

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 31 March 2006

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 31 Mar 2006</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	115.2	22.9	7.3	-	145.4
Expenses	(72.8)	(9.9)	(6.4)	(7.7)	(96.8)
EBITDA	42.4	13.0	0.9	(7.7)	48.6
<i>52 week period ended 30 Dec. 2005</i>					
Revenues	113.8	22.5	6.9	-	143.2
Expenses	(72.4)	(9.4)	(6.0)	(7.9)	(95.7)
EBITDA	41.4	13.1	0.9	(7.9)	47.5

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 £111.6m (Dec 2005: £18.3m) of which £19.7m (Dec 2005: £5.1m) is cash held for operations.

£80m of the cash balance above is to be returned to shareholders in August 2006, provided the Restricted Payment Condition is satisfied at that time.

Dignity (2002) Limited

Notes to the Investor Report

for the 52 week period ended 31 March 2006

5 Cash balances

The balance in the Special Capex Account was £0.9m.

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 8 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.

Dignity (2002) Limited

Notes to the Investor Report

for the 52 week period ended 31 March 2006

8 Debt Service and Financial Covenant

The directors confirm that none of the following occurred in the Relevant Period ending 31 March 2006:

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

During the Relevant Period to 31 March 2006, 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 31 March 2006

8 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	102,635	6.32%	6,571
£100m Class B Notes	100,000	8.161%	8,161
£45.5m Class A Notes – issued February 2006	42,500	6.32%	672
£32.5m Class B Notes – issued February 2006	32,500	8.161%	663
Working capital facility	5,000	0.45%	23
Liquidity facility	30,000	0.35%	104
Hedging documents	202,500	0.3404% ^{§3}	688
Senior Interest accrued in the period			16,882
Other interest charges in the period			4
Interest received in the period	Variable	variable	(1,927)
Scheduled repayments of principal in the period		n/a	2,642
Repayments of other Financial Indebtedness in the period		n/a	31
Debt Service for the Relevant Period			17,632

The repayment of other Financial Indebtedness in the period relates to £20,000 in respect of deferred consideration and £11,000 repayment in respect of loan notes 2006, outstanding at 31 March 2006.

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

Dignity (2002) Limited

Notes to the Investor Report

for the 52 week period ended 31 March 2006

9 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

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 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.

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:

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