



Dignity (2002) Limited
Unaudited Investor Report
for the 53 week period ended 31 December 2004

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.

The reader's attention is also directed to the preliminary announcement issued by Dignity plc today for general information on the performance of the Group as a whole during the 53 week period ended 31 December 2004.

Dignity (2002) Limited

Unaudited Investor Report

for the 53 week period ended 31 December 2004

	Pages
Financial Overview	3
Consolidated EBITDA and capital expenditure for the 53 week period ended 31 December 2004	4
Consolidated Net Assets, cash balances, Permitted Financial Indebtedness, Permitted Acquisitions and Permitted Disposals as at 31 December 2004	5
Coverages and covenants for the 53 week period ended 31 December 2004	6
Notes to the Investor Report for the 53 week period ended 31 December 2004	8

Dignity (2002) Limited

Financial Overview

Review of operations

- Unaudited EBITDA for the 53 week period ended 31 December 2004 was £44.9m compared to £39.9m for the audited 52 week period ended 26 December 2003.
- This strong performance is due to a combination of a £6.7m growth in revenues, compared to 2003, allied to continued strong cost control: EBITDA margin for 53 weeks ending 31 December 2004 was 33.0% compared to 30.9% at December 2003.

Trading locations

- The number of funeral locations at the period end was 512, which compares to 507 at December 2003. The movement in the portfolio is shown below:

Number of locations at 26 December 2003 ¹	507
Acquisitions – short leasehold	3
Acquisitions – freehold	3
Funeral home start-up – short leasehold	4
Branch closure – leasehold	(1)
Branch closure – freehold	(4)
Number of locations at 31 December 2004 ¹	<u>512</u>

- On 18 August 2004 the Group commenced trading from North Lanarkshire Crematorium, to bring the number of crematoria to 22. Prior to this date, the Group traded from 21 crematoria throughout the entire period.
- The Group has acquired the trade and assets of five funerals businesses since December 2003 and is pursuing a number of other opportunities to acquire small, 'bolt-on', funeral homes as part of its stated strategy of churning its funeral home portfolio.
- Following the period end, the Group acquired the entire issued share capital of a funeral business which trades from three leasehold locations. The total consideration was £3.5 million.

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 53 week period ending 31 December 2004 and 52 week period ending 26 December 2003.

¹ Excludes 10 telephone branches

Dignity (2002) Limited

Consolidated EBITDA and capital expenditure

for the 53 week period ended 31 December 2004

		<i>Funeral services</i>	<i>Crematoria</i>	<i>Pre-arranged funeral plans</i>	<i>Portfolio</i>	<i>Central overhead</i>	<i>53 week period ending 31 Dec. 2004</i>	<i>52 week period ending 26 Dec. 2003</i>
	<i>Note</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Net revenue		108,748	21,602	5,341	135,691	-	135,691	128,978
Operating expenses	1	(70,028)	(9,198)	(3,983)	(83,209)	(7,573)	(90,782)	(89,104)
EBITDA	1	38,720	12,404	1,358	52,482	(7,573)	44,909	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	(149)	(42)
Minimum Capex Maintenance Amount	3	n/a	n/a	n/a	n/a	n/a	(7,200)	(7,000)
Free Cashflow		n/a	n/a	n/a	n/a	n/a	37,560	32,832
Actual Capital Maintenance Expenditure – <i>53 week period</i>		6,165	875	-	7,040	497	7,537	6,874
Expenditure on Permitted Developments – <i>53 week period</i>		n/a	146	n/a	146	n/a	146	2,149

Dignity (2002) Limited

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

as at 31 December 2004

	<i>Note</i>	<i>31 Dec. 2004</i>	<i>26 Dec. 2003</i>
		<i>£'000</i>	<i>£'000</i>
Consolidated Net Assets:			
Fixed assets		195,718	193,770
Total current assets	4	52,196	64,621
Creditors: amounts falling due within one year		(23,508)	(31,880)
Net current assets		28,688	32,741
Total assets less current liabilities		224,406	226,511
Creditors: amounts falling due after more than one year		(290,795)	(299,158)
Provisions for liabilities and charges		(10,038)	(10,020)
Net liabilities		(76,427)	(82,667)
Balances – amounts standing to the credit/ (debit) of:			
Capex Reserve Account		130	-
Funeral Home Reserve Account		-	-
Loan Payments Account		5,309	7,509
Issuer Transaction Account		54	7,436
Crematorium Reserve Account		-	-
Principal Reserve Account		-	-
Elective Capex Account	5	7,231	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	325,141	335,255
The balance above includes the following:			
Per paragraph (i) – DHL inter-company loans	10	68,551	67,199
Per paragraph (j) – Mezz On-Loan	10	37,202	45,228
Permitted Acquisitions and Permitted Disposals:			
Permitted Acquisitions (gross) in the Relevant Period	6	6,132	7,885
Permitted Disposals (gross) in the Relevant Period (where Net Sale Proceeds exceeds £50,000 x RPI)	7	1,560	590

Dignity (2002) Limited

Coverages and covenants

for the 53 week period ended 31 December 2004

		<i>53 week period ending</i>	<i>52 week period ending</i>
	<i>Note</i>	<i>31 Dec. 2004 £'000</i>	<i>26 Dec 2003 £'000</i>
EBITDA for the Relevant Period		44,909	39,874
Free Cashflow for the Relevant Period		37,560	32,832
Debt Service for the Relevant Period	9	16,757	17,721

Financial Covenant

EBITDA DSCR ('Debt Service cover ratio') :

Target	>= 1.5 : 1	>= 1.5 : 1
Actual	2.68 : 1	2.25 : 1

Restricted Payment Condition

Free Cashflow DSCR :

Target	>= 1.4 : 1	>= 1.4 : 1
Actual	2.24 : 1	1.85 : 1

EBITDA DSCR :

Target	>= 1.85 : 1	>= 1.85 : 1
Actual	2.68 : 1	2.25 : 1

Confirmations

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

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>
30 January 2004	5,833	5,833	-
30 July 2004	9,224	3,650	5,574

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

Dignity (2002) Limited

Coverages and covenants (continued)

for the 53 week period ended 31 December 2004

Confirmations (continued)

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).

On the 31 January 2005 the following payments were made in respect of the Mezz on-loan:

<i>Date</i>	<i>Total payment £'000</i>	<i>Interest £'000</i>	<i>Principal £'000</i>
31 January 2005	5,312	3,337	1,975

The outstanding principal at 31 January 2005 was £32,451,000.

Dignity (2002) Limited

Notes to the Investor Report

for the 53 week period ended 31 December 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 Investor Reports issued in 2003, where the costs were allocated to Central overheads.

Furthermore, comparative figures have been extracted from the audited consolidated financial statements of Dignity (2002) Limited.

For the benefit of users of this report divisional EBITDA for the Relevant Periods was as follows:

52 week period ended 26 Dec. 2003	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
53 week period ended 31 Dec. 2004					
Revenues	108,748	21,602	5,341	-	135,691
Expenses	(70,028)	(9,198)	(3,983)	(7,573)	(90,782)
EBITDA	38,720	12,404	1,358	(7,573)	44,909

2 Taxation

The tax charge relates 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. RPI for 2004 has been calculated at 2.86%.

4 Total current assets

Total current assets include cash at bank and in hand of £20,780,000 (Dec 2003: £29,262,000) of which £7,748,000 (Dec 2003: £3,631,000) is cash held for operations.

Dignity (2002) Limited

Notes to the Investor Report

for the 53 week period ended 31 December 2004

5 Cash balances

There were no deposits made in the Special Capex Account in the Relevant Period. However, on 04 January 2005, £3,078,000 was transferred from operating accounts into the Special Capex Account.

The balance in the Elective Capex account includes £1,200,000 actuarial surplus received in the Relevant Period.

6 Permitted Acquisitions

The expenditure since the last report relates to the acquisition of the trade and assets of a funeral business and Funeral Home Start-Ups.

7 Permitted Disposals

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

8 Material changes in assets

There were no material changes to the net assets in the period since the last report.

Dignity (2002) Limited

Notes to the Investor Report

for the 53 week period ended 31 December 2004

9 Debt Service and Financial Covenant

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

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

During the Relevant Period to 31 December 2004, the Company made the following debt repayments (paid on 30 June and 31 December):

	Interest	Principal
	£'000	£'000
Class A Secured 6.310% Notes due 2023	6,770	2,450
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 £6,760,000 and £8,151,000 under the Class A and Class B Notes respectively.

Dignity (2002) Limited

Notes to the Investor Report

for the 53 week period ended 31 December 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	£'000	%	£'000
£110m Class A Notes	108,885	6.32%	6,770
£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% ²	688
Senior Interest accrued in the period			15,746
Other interest charges in the period			4
Interest received in the period	variable	variable	(1,463)
Scheduled repayments of principal in the period		n/a	2,450
Repayments of other Financial Indebtedness in the period		n/a	20
Debt Service for the Relevant Period			16,757

The repayment of other Financial Indebtedness in the period relates to £20,000 in respect of deferred consideration outstanding at 31 December 2003.

² Net rate payable on principal

Dignity (2002) Limited

Notes to the Investor Report

for the 53 week period ended 31 December 2004

10 Permitted Financial Indebtedness

There were no significant movements in Permitted Financial Indebtedness ("PFI") in the Relevant Period

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 £181,843,000 and £188,238,000 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;

Dignity (2002) Limited

Notes to the Investor Report

for the 53 week period ended 31 December 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.

Dignity (2002) Limited

Notes to the Investor Report

for the 53 week period ended 31 December 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