



Dignity (2002) Limited

Unaudited Investor Report

for the 52 week period ended 26 December 2014

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.

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 Investor Report

for the 52 week period ended 26 December 2014

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Dignity (2002) Limited

Introduction

On 17 October 2014, the Dignity (2002) Group issued £238,904,000 Class A Secured 3.5456% Notes due 2034 and £356,402,000 Class B Secured 4.6956% Notes due 2049. All previous Secured Notes issued by the Dignity (2002) Group were repaid on the same date.

Financial Overview

Review of operations

- Unaudited EBITDA for the 52 week period ended 26 December 2014 was £99.4m compared to £88.0m for the audited 52 week period ended 27 December 2013.
- This performance is due to increased contributions from all operating divisions.
- On 7 August 2014, the Dignity Group incorporated a company, Dignity Funerals No. 3 Limited. This entity has been used to make certain Non-Obligor Investments.

Trading locations

- The number of funeral locations within the Dignity (2002) Group at the period end was 708, which compares to 690 at 27 December 2013. The movement in the portfolio is shown below:

	Dignity (2002) Group	Non-Obligor	Dignity Group
Number of locations at 27 December 2013 ^{§1}	690	-	690
Acquisition – freehold	6	2	8
Acquisition – leasehold	14	8	22
Satellite locations - short leasehold	4	-	4
Branch closure – freehold	(1)	-	(1)
Branch closure – leasehold	(5)	-	(5)
Number of locations at 26 December 2014 ^{§1}	<u>708</u>	<u>10</u>	<u>718</u>

- The Dignity (2002) Group operates from 39 crematoria (Dec 2013: 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 52 week period ending 26 December 2014 and 52 week period ending 27 December 2013.

^{§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 52 week period ended 26 December 2014

		<i>Funeral services</i>	<i>Crematoria</i>	<i>Pre-arranged funeral plans</i>	<i>Portfolio</i>	<i>Central overheads</i>	52 week period ending 26 Dec 2014	<i>52 week period ending 27 Dec 2013</i>
	<i>Note</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	£m	<i>£m</i>
Net revenue		183.9	55.2	29.3	268.4	-	268.4	247.1
Operating expenses		(108.2)	(24.5)	(21.7)	(154.4)	(14.6)	(169.0)	(159.1)
EBITDA	1	75.7	30.7	7.6	114.0	(14.6)	99.4	88.0
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	(6.0)	(9.3)
Minimum Capex Maintenance Amount	3	n/a	n/a	n/a	n/a	n/a	(10.0)	(9.6)
Free Cashflow		n/a	n/a	n/a	n/a	n/a	83.4	69.1
Actual Capital Maintenance Expenditure – <i>calendar YTD</i>		11.5	1.7	-	13.2	0.8	14.0	12.4
Expenditure on Permitted Crematorium Developments by Obligors – 52 week period		-	-	-	-	-	-	-

Dignity (2002) Limited

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

as at 26 December 2014

		26 Dec 2014	27 Dec 2013
	<i>Note</i>	<i>£m</i>	<i>£m</i>
Consolidated Net Assets:	4		
Fixed assets		326.9	316.6
Collateralised Liquidity facility		-	63.0
Other current assets		99.2	97.4
Total current assets	5	99.2	160.4
Collateralised Liquidity facility		-	(63.0)
Other creditors: amounts falling due within one year		(205.7)	(233.1)
Creditors: amounts falling due within one year		(205.7)	(296.1)
Net current liabilities		(106.5)	(135.7)
Total assets less current liabilities		220.4	180.9
Creditors: amounts falling due after more than one year		(587.8)	(384.5)
Provisions for liabilities		(5.8)	(10.2)
Pension liability (net of deferred tax)		(8.4)	(0.8)
Net liabilities		(381.6)	(214.6)
Cash balances – amounts standing to the credit of:			
Capex Reserve Account		-	-
Funeral Home Reserve Account		-	-
Loan Payments Account	6	32.6	17.0
Issuer Transaction Account	6	10.2	20.0
Liquidity Reserve Drawing		-	63.0
Crematorium Reserve Account		-	-
Principal Reserve Account		-	-
Elective Capex Account		-	17.3
Special Capex Account		-	-
Restricted Payments Account		-	-
Upgrade Reserve Account		-	2.7
Permitted Obligor Acquisitions and Permitted Disposals:			
Permitted Obligor Acquisitions (gross) in the Relevant Period	7	20.7	4.3
Permitted Disposals (gross) in the Relevant Period (where Net Sale Proceeds exceeds £75,000 x CPI)	8	-	0.3
Financial Indebtedness:	10	746.9	575.1

Dignity (2002) Limited

Coverages and covenants

for the 52 week period ended 26 December 2014

		<i>52 week period ending</i>	<i>52 week period ending</i>
	<i>Note</i>	<i>26 Dec 2014 £m</i>	<i>27 Dec 2013 £m</i>
EBITDA for the Relevant Period		99.4	88.0
Free Cashflow for the Relevant Period		83.4	69.1
Debt Service for the Relevant Period	9	9.3	35.8
Financial Covenant			
EBITDA DSCR ('Debt Service cover ratio') :			
Target		>= 1.5 : 1	>= 1.5 : 1
Actual		10.69:1	2.46:1
Restricted Payment Condition			
Free Cashflow DSCR :			
Target		>= 1.4 : 1	>= 1.4 : 1
Actual		8.97:1	1.93:1
EBITDA DSCR :			
Target		>=1.85 : 1	>=1.85 : 1
Actual		10.69:1	2.46:1

Debt Service

The new Class A Notes due 2034 and Class B Notes due 2049 were issued on 17 October 2014. Consequently, Senior Interest only accrues from this date for the Relevant Period. Debt Service, assuming a full year Senior Interest would have been approximately £33.7m. On this basis, the EBITDA DSCR would have been 2.95:1 and the Free Cashflow DSCR would have been 2.47:1.

Confirmations

The Dignity (2002) Group confirms that the Financial Covenant has been observed for the Relevant Period ending 31 December 2014.

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

On 23 October 2014, a Restricted Payment totalling £76.0m was paid to Dignity (2004) Limited as a dividend. These funds (arising from the issue of new notes) were subsequently paid to Dignity plc as a dividend.

On 31 December 2014, a Restricted Payment totalling £32.5m was paid to Dignity (2004) Limited as a dividend. These funds were subsequently paid to Dignity plc by way of a dividend.

Dignity (2002) Limited

Notes to the Investor Report

for the 52 week period ended 26 December 2014

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 26 Dec 2014</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	183.9	55.2	29.3	-	268.4
Operating expenses	(108.2)	(24.5)	(21.7)	(14.6)	(169.0)
EBITDA	75.7	30.7	7.6	(14.6)	99.4
<i>52 week period ended 27 Dec 2013</i>					
Net revenue	167.6	52.8	26.7	-	247.1
Operating expenses	(101.3)	(24.3)	(19.9)	(13.6)	(159.1)
EBITDA	66.3	28.5	6.8	(13.6)	88.0

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.

4 Consolidated Net Assets

The consolidated net assets as at 27 December 2013 as disclosed in this Investor Report represent the final audited figures as per the 2013 statutory accounts.

Following the issuance of the Investor Report as at 27 December 2013, adjustments have been made to the balance sheet of the Dignity (2002) Group, which have changed Fixed assets by £0.8m, Other current assets by £1.1m, Other creditors: amounts falling due within one year by £2.3m and Provisions for liabilities by £0.1m. Accordingly, the consolidated net assets as at 27 December 2013 have been adjusted to the position as shown on page 5.

These changes did not result in any changes to the financial covenants. However, as the £1.1m in Other current assets related to intercompany borrowings, financial indebtedness as at the end of December 2013 has been reduced by £1.1m and restated at £575.1m within this report.

Dignity (2002) Limited

Notes to the Investor Report

for the 52 week period ended 26 December 2014

5 Total current assets

Total current assets include cash at bank and in hand of £48.2m (Dec 2013: £123.8m) of which £4.9m (Dec 2013: £3.2m) is cash held for operations.

6 Reserve account balances

Loan Payments Account

Of the £32.6m held at 26 December 2014, a Restricted Payment totalling £32.5m was paid to Dignity (2004) Limited as a dividend on 31 December 2014.

Issuer Transaction Account

Of the £10.2m held at 26 December 2014, £9.6m was used to pay the debt interest and principal repayments that became due on 31 December 2014.

7 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.

8 Permitted Disposals

Asset disposals by Obligors in the Relevant Period, where the market value exceeded £75,000 x CPI, comprised of no freehold properties that were not directly EBITDA generating.

Dignity (2002) Limited

Notes to the Investor Report

for the 52 week period ended 26 December 2014

9 Debt Service and Financial Covenant

The Dignity (2002) Group confirms that none of the following occurred in the Relevant Period ending 31 December 2014:

- 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 31 December 2014):

	<i>Interest</i>	<i>Principal</i>
	<i>£'000</i>	<i>£'000</i>
Class A Secured 3.5456% Notes due 2034	1,726	4,011
Class B Secured 4.6956% Notes due 2049	3,411	-
	<hr/> 5,137	<hr/> 4,011

Dignity (2002) Limited

Notes to the Investor Report

for the 52 week period ended 26 December 2014

9 Debt Service and Financial Covenant (continued)

Debt Service for the Relevant Period ending 31 December 2014 has been calculated as follows:

	<i>Principal</i>	<i>Annual rate</i>	<i>Interest</i>
	<i>£'000</i>	<i>%</i>	<i>£'000</i>
Senior Interest accruing in the period			
Class A Notes	238,904	3.5556%	1,731
Class B Notes	356,402	4.7056%	3,418
Working capital facility	5,000	1.10%	11
Liquidity facility	55,000	1.10%	126
Senior Interest accrued in the period			5,286
Interest received in the period	Variable	Variable	(42)
Scheduled repayments of principal in the period		n/a	4,011
Debt Service for the Relevant Period			9,255

Dignity (2002) Limited

Notes to the Investor Report

for the 52 week period ended 26 December 2014

10 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 52 week period ended 26 December 2014

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.

Dignity (2002) Limited

Notes to the Investor Report

for the 52 week period ended 26 December 2014

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:

Additional Obligor	Annual Upgrade Update	Borrower	Capital Maintenance Expenditure	Debt Service	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				

13 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.dignityfunerals.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.