

Dignity (2002) Limited
Unaudited Investor Report
for the 52 week period ended 28 June 2019

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.

Dignity (2002) Limited

Unaudited Investor Report

for the 52 week period ended 28 June 2019

| | Pages |
|---|--------------|
| Financial Overview | 3 |
| Consolidated EBITDA and capital expenditure for the 52 week period ended 28 June 2019 | 4 |
| Consolidated Net Assets, Cash balances, Financial Indebtedness, Permitted Obligor Acquisitions and Permitted Disposals as at 28 June 2019 | 5 |
| Coverages and covenants for the 52 week period ended 28 June 2019..... | 6 |
| Notes to the Investor Report for the 52 week period ended 28 June 2019..... | 7 |

Dignity (2002) Limited

Financial Overview

Review of operations

- Unaudited EBITDA for the 52 week period ended 28 June 2019 was £69.6m compared to £86.8m for the audited 52 week period ended 28 December 2018.
- On 19 January 2018, the Group confirmed it was taking decisive action on its funeral pricing strategy with a view to protecting market share and repositioning the Group for future growth. Further details may be found in the Group's public announcements which are available on the Group's investor website.

Trading locations

- The number of funeral locations within the Dignity (2002) Group at the period end was 756, which compares to 761 at 28 December 2018. The movement in the portfolio is shown below:

| | Dignity (2002) Group | Non-Obligor | Dignity Group |
|---|-------------------------|-------------|---------------|
| Number of locations at 28 December 2018 ^{§1} | 761 | 70 | 831 |
| Branch closure - freehold | (3) | - | (3) |
| Branch closure - leasehold | (3) | - | (3) |
| Other openings | 1 | - | 1 |
| Number of locations at 28 June 2019 ^{§1} | 756 | 70 | 826 |

- The Dignity (2002) Group operates from 40 crematoria (Dec 2018: 40). Non-Obligors operate from an additional 6 crematoria (Dec 2018: 6).
- The Group has concluded that the acquisition of small funeral businesses is currently inconsistent with its overall plans. The Group does not therefore anticipate acquiring any further funeral locations in the foreseeable future. Instead, it will concentrate its financial and corporate resources on delivering the transformation plan outlined in the Group's interim results. Should opportunities of larger, established businesses become available, the Group will consider these on a case by case basis. The Group also continues to view new crematoria developments as a good use of capital and will therefore continue developing such opportunities wherever possible.

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 28 June 2019 and 52 week period ending 28 December 2018.

^{§1} Excludes eight telephone branches within the Dignity (2002) Group and three telephone branches relating to Non-Obligors.

Dignity (2002) Limited

Consolidated EBITDA and capital expenditure

for the 52 week period ended 28 June 2019

| | | <i>Funeral services</i> | <i>Crematoria</i> | <i>Pre- arranged funeral plans</i> | <i>Portfolio</i> | <i>Central overheads</i> | 52 week period ending 28 Jun 2019 | <i>52 week period ending 28 Dec 2018</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 | | 180.5 | 68.4 | 19.7 | 268.6 | - | 268.6 | 286.3 |
| Operating expenses | | (124.5) | (30.9) | (19.7) | (175.1) | (23.9) | (199.0) | (199.5) |
| EBITDA | 1 | 56.0 | 37.5 | - | 93.5 | (23.9) | 69.6 | 86.8 |
| 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 | (7.0) | (8.8) |
| Minimum Capex Maintenance Amount | 3 | n/a | n/a | n/a | n/a | n/a | (10.7) | (10.7) |
| Free Cashflow | | n/a | n/a | n/a | n/a | n/a | 51.9 | 67.3 |
| Actual Capital Maintenance Expenditure – <i>calendar YTD</i> | | 1.8 | 1.2 | - | 3.0 | 0.3 | 3.3 | 15.4 |
| Expenditure on Permitted Crematorium – Developments by Obligors – 52 week period | | - | 2.6 | - | 2.6 | - | 2.6 | 2.4 |

Dignity (2002) Limited

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

as at 28 June 2019

| | <i>Note</i> | <i>28 Jun</i> <i>2019</i> <i>£m</i> | <i>28 Dec</i> <i>2018</i> <i>£m</i> |
|---|-------------|---|---|
| Consolidated Net Assets: | 4 | | |
| Fixed assets | | 476.7 | 382.4 |
| Other current assets | | 56.9 | 63.4 |
| Total current assets | 5 | 56.9 | 63.4 |
| Other creditors: amounts falling due within one year | | (241.8) | (251.2) |
| Creditors: amounts falling due within one year | | (241.8) | (251.2) |
| Net current liabilities | | (184.9) | (187.8) |
| Total assets less current liabilities | | 291.8 | 194.6 |
| Creditors: amounts falling due after more than one year | | (738.3) | (553.9) |
| Provisions for liabilities | | 2.0 | (16.8) |
| Pension liability | | (27.1) | (25.2) |
| Net liabilities | | (471.6) | (401.3) |
| Cash balances – amounts standing to the credit of: | | | |
| Capex Reserve Account | | - | - |
| Funeral Home Reserve Account | | - | - |
| Loan Payments Account | 6 | 7.0 | 4.5 |
| Issuer Transaction Account | | 0.3 | 17.2 |
| Crematorium Reserve Account | | - | - |
| Principal Reserve Account | | - | - |
| Elective Capex Account | | 0.8 | - |
| Special Capex Account | | - | - |
| Restricted Payments Account | | - | - |
| Upgrade Reserve Account | | - | - |
| Permitted Obligor Acquisitions and Permitted Disposals: | | | |
| Permitted Obligor Acquisitions (gross) in the Relevant Period | 7 | 1.2 | 2.2 |
| Permitted Disposals (gross) in the Relevant Period (where Net Sale Proceeds exceeds £75,000 x CPI) | 8 | 1.5 | - |
| Financial Indebtedness: | 10 | 727.7 | 731.9 |

Dignity (2002) Limited

Coverages and covenants

for the 52 week period ended 28 June 2019

| | | 52 week period ending | <i>52 week period ending</i> |
|--|-------------|----------------------------------|----------------------------------|
| | Note | 28 Jun 2019 £m | 28 Dec 2018 £m |
| EBITDA for the Relevant Period | | 69.6 | 86.8 |
| Free Cashflow for the Relevant Period | | 51.9 | 67.3 |
| Debt Service for the Relevant Period | 9 | 34.0 | 34.0 |
| Financial Covenant | | | |
| EBITDA DSCR ('Debt Service cover ratio') : | | | |
| Target | | >= 1.5 : 1 | >= 1.5 : 1 |
| Actual | | 2.05 :1 | 2.55 :1 |
| Restricted Payment Condition | | | |
| Free Cashflow DSCR : | | | |
| Target | | >= 1.4 : 1 | >= 1.4 : 1 |
| Actual | | 1.53 :1 | 1.98 :1 |
| EBITDA DSCR : | | | |
| Target | | >=1.85:1 | >=1.85 : 1 |
| Actual | | 2.05 :1 | 2.55 :1 |

Confirmations

The Dignity (2002) Group confirms that the Financial Covenant has been observed for the Relevant Period ending 30 June 2019.

The Restricted Payment Condition has been satisfied.

Dignity (2002) Limited

Notes to the Investor Report

for the 52 week period ended 28 June 2019

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 28 Jun 2019</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 | 180.5 | 68.4 | 19.7 | - | 268.6 |
| Operating expenses | (124.5) | (30.9) | (19.7) | (23.9) | (199.0) |
| EBITDA | 56.0 | 37.5 | - | (23.9) | 69.6 |
| <i>52 week period ended 28 Dec 2018</i> | | | | | |
| Net revenue | 193.3 | 70.3 | 22.7 | - | 286.3 |
| Operating expenses | (127.6) | (30.6) | (19.9) | (21.4) | (199.5) |
| EBITDA | 65.7 | 39.7 | 2.8 | (21.4) | 86.8 |

Pre-arranged funeral plans

Although the pre-arranged funeral plan trusts are well funded, holding approximately £300 more assets per plan at 28 December 2018 than was paid out in 2018 to perform each funeral, the Group has concluded that it should reduce the level of marketing allowance it seeks to claim from the trusts when it makes a plan sale, thereby leaving a greater proportion of the plan's sales value in the trust available for when the plan holder dies and the plan is used. The Group believes that it has long led the industry in best practice and given its calls for higher levels of capital solvency to protect consumers, feels this is the appropriate course of action.

This change was made from the beginning of the second half of 2018 to a level that covers the marketing costs incurred. For the vast majority of pre-arranged funerals which are ultimately performed by the Group, this represents a timing difference as the Group will benefit from the greater proportion of the plan value when the funeral is provided.

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.

Dignity (2002) Limited

Notes to the Investor Report

for the 52 week period ended 28 June 2019

4 Consolidated Net Assets

The consolidated net assets as at 28 December 2018 as disclosed in this Investor Report represent the final audited figures as per the 2018 statutory accounts.

Following the issuance of the Investor Report as at 28 December 2018, adjustments have been made to the balance sheet of the Dignity (2002) Group, which increased Other creditors: amounts falling due within one year by £0.2m, increased Creditors: amounts falling due within one year by £0.2m, increased Net current liabilities by £0.2m, reduced Total assets less current liabilities by £0.2m and increased Net liabilities by £0.2m.

These changes did not result in any changes to the financial covenants.

IFRS 15

The Dignity (2002) Group has adopted IFRS 15 on 29 December 2018 using the modified retrospective method. Under the modified retrospective method of transition, prior year comparatives are not restated therefore the Consolidated Net Assets as at 28 December 2018 is not comparable.

Please refer to note 15 for further details.

In addition, the Group's Interim Report for the period ended 28 June 2019 includes additional information on the effect of IFRS 15 and is available on the Group's Investor website.

5 Total current assets

Total current assets include cash at bank and in hand of £12.8m (Dec 2018: £24.6m) of which £4.2m (Dec 2018: £2.3m) is cash held for operations.

6 Reserve account balances

Loan Payments Account

The balance in this account represents cash set aside to pay the future tax payments of the Dignity (2002) Group.

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

There were three asset disposals by Obligors in the Relevant Period, where the market value exceeded £75,000 x CPI, comprised of freehold properties that was not directly EBITDA generating.

Dignity (2002) Limited

Notes to the Investor Report

for the 52 week period ended 28 June 2019

9 Debt Service and Financial Covenant

The Dignity (2002) Group confirms that none of the following occurred in the Relevant Period ending 30 June 2019:

- 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 2018 and 30 June 2019):

| | <i>Interest</i> | <i>Principal</i> |
|--|-----------------|------------------|
| | <i>£'000</i> | <i>£'000</i> |
| Class A Secured 3.5456% Notes due 2034 | 7,177 | 9,317 |
| Class B Secured 4.6956% Notes due 2049 | 16,735 | - |
| | 23,912 | 9,317 |

Debt Service for the Relevant Period ending 30 June 2019 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 | 195,433 | 3.5556% | 7,198 |
| Class B Notes | 356,402 | 4.7056% | 16,772 |
| Working capital facility | 5,000 | 1.10% | 55 |
| Liquidity facility | 55,000 | 1.10% | 605 |
| Senior Interest accrued in the period | | | 24,630 |
| Finance leases | | | 92 |
| Interest received in the period | Variable | Variable | (17) |
| Scheduled repayments of principal in the period | | n/a | 9,317 |
| Debt Service for the Relevant Period | | | 34,022 |

Dignity (2002) Limited

Notes to the Investor Report

for the 52 week period ended 28 June 2019

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 28 June 2019

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 IAS 19 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 EU adopted International Financial Reporting Standards (IFRS).

Dignity (2002) Limited

Notes to the Investor Report

for the 52 week period ended 28 June 2019

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:

| | | | | | |
|-----------------------------|---------------------------------|-------------------------------|-------------------------------------|----------------------------------|-------------------------------|
| Accounting Standards Change | Additional Obligor | Annual Upgrade Update | Borrower | Capital Maintenance Expenditure | Change of Basis Election |
| Debt Service | Dignity Group | 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.dignityfuneralsplc.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.

14 Transfer of the Liquidity Facility

Pursuant to a Deed of Novation dated 21 December 2018 and entered into between (1) Dignity Finance PLC (the "**Issuer**"), (2) NatWest Markets Plc (formerly known as The Royal Bank of Scotland plc) acting as agent for National Westminster Bank Plc (the "**Existing Liquidity Facility Provider**"), (3) NatWest Markets Plc (the "**New Liquidity Facility Provider**"), (4) Dignity Funerals Limited (the "**Cash Administrator**") and (5) BNY Mellon Corporate Trustee Services Limited (the "**Note Trustee**"), the Existing Liquidity Facility Provider has transferred by novation all of the Existing Liquidity Facility Provider's rights and obligations under the Liquidity Facility Agreement and certain other Issuer Transaction Documents to the New Liquidity Facility Provider.

The transfer was made in connection with a reorganisation of the Existing Liquidity Facility Provider's business for the purposes of the Financial Services (Banking Reform) Act 2013.

The transfer was effective on 28 December 2018.

Dignity (2002) Limited

Notes to the Investor Report

for the 52 week period ended 28 June 2019

15 Accounting Standards Change

The Dignity (2002) Group has adopted IFRS 15 on 29 December 2018.

In accordance with clause 13.6 of the Issuer/Borrower Loan Agreement, the Borrower has notified the Security Trustee that it is making a Change of Basis Election in respect of this Accounting Standards Change.

This Accounting Standards Change does not therefore result in a change to the Impacted Ratios and Tests. Consequently, Revenue and EBITDA reported for the LTM June 2019 excludes the impact of IFRS 15. However, as the Consolidated Net Assets is not an Impacted Ratio or Test, the Consolidated Net Assets statement as at June 2019 on page 5 includes the impact of IFRS 15.