



Dignity (2002) Limited

Unaudited Investor Report

for the 53 week period ended 1 April 2011

To: BNY Corporate Trustee 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 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 53 week period ended 1 April 2011

	Pages
Financial Overview	3
Consolidated EBITDA and capital expenditure for the 53 week period ended 1 April 2011	4
Consolidated Net Assets, Cash balances, Financial Indebtedness, Permitted Obligor Acquisitions and Permitted Obligor Disposals as at 1 April 2011	5
Coverages and covenants for the 53 week period ended 1 April 2011	6
Notes to the Investor Report for the 53 week period ended 1 April 2011	7

Dignity (2002) Limited

Financial Overview

Review of operations

- Unaudited EBITDA for the 53 week period ended 1 April 2011 was £71.6m compared to £69.2m for the audited 53 week period ended 31 December 2010.
- This performance is due to increased contributions from all operating divisions.
- On 19 January 2011, the trustees approved the payment of actuarial surpluses of £1.5m from the pre-arranged funeral plan trust. This is not included within EBITDA as presented in this report, but has been paid into the Elective Capex Account in accordance with the IBLA.

Trading locations

- The number of funeral locations at the period end was 575, which compares to 567 at 31 December 2010. The movement in the portfolio is shown below:

Number of locations at 31 December 2010 ^{§1}	567
Acquisitions – short leasehold	2
Acquisitions – freehold	1
Satellite locations – short leasehold	5
Number of locations at 1 April 2011 ^{§2}	<u>575</u>

- The Dignity (2002) Group operates from 34 crematoria (Dec 2010: 33). The movement in the year represents the construction of one crematorium.
- 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 homes 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 53 week period ending 1 April 2011 and 53 week period ending 31 December 2010.

^{§1} Excludes 7 telephone branches.

^{§2} Excludes 8 telephone branches.

Dignity (2002) Limited

Consolidated EBITDA and capital expenditure

for the 53 week period ended 1 April 2011

	Note	Funeral services £m	Crematoria £m	Pre-arranged funeral plans £m	Portfolio £m	Central overheads £m	53 week period ending 1 Apr 2011 £m	53 week period ending 31 Dec 2010 £m
Net revenue		146.0	39.6	18.6	204.2	-	204.2	199.1
Operating expenses	1	(88.9)	(17.4)	(15.5)	(121.8)	(10.8)	(132.6)	(129.9)
EBITDA	1	57.1	22.2	3.1	82.4	(10.8)	71.6	69.2
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	(7.8)	(7.6)
Minimum Capex Maintenance Amount	3	n/a	n/a	n/a	n/a	n/a	(8.7)	(8.6)
Free Cashflow		n/a	n/a	n/a	n/a	n/a	55.1	53.0
Actual Capital Maintenance Expenditure – <i>calendar YTD</i>		0.9	0.3	-	1.2	0.1	1.3	9.9
Expenditure on Permitted Obligor Crematorium Developments – <i>52 week period</i>		-	3.3	-	3.3	-	3.3	3.3

Dignity (2002) Limited

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

as at 1 April 2011

	<i>Note</i>	<i>1 Apr 2011 £m</i>	<i>31 Dec 2010 £m</i>
Consolidated Net Assets:			
Fixed assets		241.0	240.9
Total current assets	5	64.2	45.3
Creditors: amounts falling due within one year		(194.0)	(185.6)
Net current liabilities		(129.8)	(140.3)
Total assets less current liabilities		111.2	100.6
Creditors: amounts falling due after more than one year		(324.8)	(324.8)
Provisions for liabilities and charges		(9.6)	(9.5)
Pension asset (net of deferred tax)		6.4	6.2
Net liabilities		(216.8)	(227.5)
Cash balances – amounts standing to the credit of:			
Capex Reserve Account		-	-
Funeral Home Reserve Account		-	-
Loan Payments Account	6	6.8	8.5
Issuer Transaction Account		-	-
Crematorium Reserve Account		-	-
Principal Reserve Account		-	-
Elective Capex Account	6	4.0	2.5
Special Capex Account		-	-
Restricted Payments Account		-	-
Upgrade Reserve Account	6	1.3	0.9
Permitted Obligor Acquisitions and Permitted Obligor Disposals:			
Permitted Obligor Acquisitions (gross) in the Relevant Period	7	5.9	6.7
Permitted Obligor Disposals (gross) in the Relevant Period (where Net Sale Proceeds exceeds £50,000 x RPI)	8	0.5	0.7
Financial Indebtedness:	10	507.4	498.7

Dignity (2002) Limited

Coverages and covenants

for the 53 week period ended 1 April 2011

		<i>53 week period ending</i>	<i>53 week period ending</i>
	<i>Note</i>	<i>1 Apr 2011 £m</i>	<i>31 Dec 2010 £m</i>
EBITDA for the Relevant Period		71.6	69.2
Free Cashflow for the Relevant Period		55.1	53.0
Debt Service for the Relevant Period	9	28.2	27.0

Financial Covenant

EBITDA DSCR ('Debt Service cover ratio') :

Target	>= 1.5 : 1	>= 1.5 : 1
Actual	2.54:1	2.56:1

Restricted Payment Condition

Free Cashflow DSCR :

Target	>= 1.4 : 1	>= 1.4 : 1
Actual	1.95:1	1.96:1

EBITDA DSCR :

Target	>=1.85 : 1	>=1.85 : 1
Actual	2.54:1	2.56:1

Confirmations

The Dignity (2002) Group confirms that the Financial Covenant has been observed for the Relevant Period ending 1 April 2011.

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

On 30 June 2010, a Restricted Payment totalling £14.2m was paid as a dividend to Dignity (2004) Limited and onwards to Dignity plc.

On 31 December 2010, a Restricted Payment totalling £9.4m was paid to Dignity Holdings Limited as a loan. This loan was offset against the existing loan from Dignity Holdings Limited to Borrower in accordance with clause 19.16.1 (b) of the IBLA. These funds were subsequently paid to Dignity plc by way of a dividend.

Dignity (2002) Limited

Notes to the Investor Report

for the 53 week period ended 1 April 2011

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>53 week period ended 1 Apr 2011</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	146.0	39.6	18.6	-	204.2
Operating expenses	(88.9)	(17.4)	(15.5)	(10.8)	(132.6)
EBITDA	57.1	22.2	3.1	(10.8)	71.6
<i>53 week period ended 31 Dec 2010</i>					
Net revenue	143.3	37.5	18.3	-	199.1
Operating expenses	(87.9)	(16.4)	(15.4)	(10.2)	(129.9)
EBITDA	55.4	21.1	2.9	(10.2)	69.2

2 Taxation

Taxation represents amounts paid in cash or falling due in respect of Tax during 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.

Dignity (2002) Limited

Notes to the Investor Report

for the 53 week period ended 1 April 2011

4 Consolidated net assets

The consolidated net assets as at 31 December 2010 as disclosed in this Investor Report represents the final audited figures as per the 2010 statutory accounts.

Following the issuance of the Investor Report at 31 December 2010, a number of adjustments have been made to the balance sheet of the Dignity (2002) Group to reflect reclassification of intercompany balances, accordingly the consolidated net assets as at 31 December 2010 have been adjusted to the following:

• Fixed assets	£240.9m
• Total current assets	£45.3m
• Creditors: amounts falling due within one year	(£185.6m)
• Net current liabilities	(£140.3m)
• Total assets less current liabilities	£100.6m
• Creditors: amounts falling due after more than one year	(£324.8m)
• Net liabilities	(£227.5m)

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

5 Total current assets

Total current assets include cash at bank and in hand of £29.1m (Dec 2010: £14.3m) of which £16.5m (Dec 2010: £1.9m) is cash held for operations.

Dignity (2002) Limited

Notes to the Investor Report

for the 53 week period ended 1 April 2011

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.

Elective Capex Account

The balance in this account represents the receipt of the actuarial surplus from the pre arranged funeral plan trust and proceeds from the sale of freehold properties. £1.5m of this balance is restricted until February 2012.

Upgrade Reserve Account

The balance on the Upgrade Reserve Account is £1.3m. The movement in the balance during the Relevant Period is net of contributions and withdrawals.

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.

Emission reductions can be achieved either by fitting abatement equipment at some of its sites operated by the Dignity (2002) Group or by trading emissions through the CAMEO trading scheme set up by the Federation of British Cremation Authorities. The Dignity (2002) Group has decided to install equipment at some of its sites and is working with its suppliers to ensure compliance by the end of 2012.

Six locations are now fully fitted with mercury abatement equipment with a further five due to be abated. The Dignity (2002) Group is on track to complete the project by the end of 2012 as required by law.

The necessary capital expenditure is being financed by a levy on each cremation. An Annual Upgrade Update was provided to the Note Trustee and the Rating Agencies on 28 May 2010.

7 Permitted Obligor Acquisitions

The expenditure in the Relevant Period relates to the acquisition of businesses and properties other than crematoria properties.

Dignity (2002) Limited

Notes to the Investor Report

for the 53 week period ended 1 April 2011

8 Permitted Obligor Disposals

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

9 Debt Service and Financial Covenant

The Dignity (2002) Group confirms that none of the following occurred in the Relevant Period ending 1 April 2011:

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

The Company made the following debt repayments during the Relevant Period (paid on 30 June 2010 and 31 December 2010):

	<i>Interest</i>	<i>Principal</i>
	<i>£'000</i>	<i>£'000</i>
Class A Secured 6.310% Notes due 2023	9,174	6,308
Class B Secured 8.151% Notes due 2030	12,164	-

The interest payments above include the 1bp margin payable under the IBLA. The actual payments to bondholders were £9,159,000 and £12,149,000 under the Class A and Class B Notes respectively.

Dignity (2002) Limited

Notes to the Investor Report

for the 53 week period ended 1 April 2011

9 Debt Service and Financial Covenant (continued)

Debt Service for the Relevant Period ending 1 April 2011 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	85,990	6.32%	5,558
£100m Class B Notes	100,000	8.161%	8,161
£45.5m Class A Notes – issued February 2006	35,608	6.32%	2,301
£32.5m Class B Notes – issued February 2006	32,500	8.161%	2,652
£38.9m Class A Notes – issued September 2010	38,031	6.32%	1,830
£33.1m Class B Notes – issued September 2010	33,100	8.161%	2,026
Accrued interest received on issue of 2010 Class A&B Notes	-	-	(1,256)
Working capital facility	5,000	0.45%	22
Liquidity facility	50,000	0.50%	195
Hedging documents	202,500	0.3404% ^{§1}	688
Senior Interest accrued in the period			22,177
Interest received in the period	Variable	Variable	(272)
Scheduled repayments of principal in the period		n/a	6,308
Debt Service for the Relevant Period			28,213

^{§1} Net rate payable on notional principal.

Dignity (2002) Limited

Notes to the Investor Report

for the 53 week period ended 1 April 2011

10 Financial Indebtedness

Following the issue of further Class A and B secured notes on 21 February 2006, the IBLA was amended and restated. The restatement at this time incorporated an amendment that replaced the requirement to report Permitted Financial Indebtedness with that of Financial Indebtedness, which is defined as follows:

“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 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

Notes to the Investor Report

for the 53 week period ended 1 April 2011

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 53 week period ended 1 April 2011

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 Obligors	Annual Upgrade Update	Borrower	Debt Service	EBITDA	Financial Adviser Appointment
Financial Covenant	Financial Indebtedness	Free Cashflow	Funeral Home Start-Ups	Issuer	Loan Event of Default
Maintenance Capex	Note Trustee	Permitted Obligor Acquisition	Permitted Crematorium Development	Permitted Obligor Disposal	Portfolio
Potential Loan Event of Default	Relevant Period	Restricted Payment	Restricted Payment Condition	Senior Interest	Secured Notes
Security Trustee	Tax	Tax Deed of Covenant	Transaction Documents		

13 Acquisition outside securitisation group

On 25 May 2010, the Note Trustee and the Security Trustee exercised their discretionary power following a rating affirmation to authorise Dignity Crematoria Limited, a wholly owned subsidiary of Dignity plc to build a new crematorium in Kidderminster, Worcestershire. The crematorium may be partially funded by way of a loan from the Royal Bank of Scotland group, who will obtain security over the assets. The new crematorium will be leased to and operated by Dignity Funerals Limited.

14 Issue of further Secured Notes and amendments to the Transaction Documents

On 17 September 2010, Class A note holders voted in favour to various amendments to the Transaction Documents. Details of the key terms of the revised Transaction Documents can be found in the prospectus issued by Dignity Finance PLC on 22 September 2010, which was issued in connection with an issue of further Secured Notes.

On 27 September 2010, Dignity Finance PLC issued further Class A notes with an outstanding principal of £38.9 million and further Class B notes with an outstanding principal of £33.1 million, raising gross proceeds of £87.1 million. £81.9 million was paid out of the securitisation group to Dignity plc in accordance with the consents received on 17 September 2010. £63.9 million has since been paid by Dignity plc to its equity shareholders.