Dignity
CARING FUNERAL SERVICES

Dignity (2002) Limited

Unaudited Investor Report

for the 52 week period ended 27 March 2009

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 52 week period ended 27 March 2009

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Dignity (2002) Limited

Financial Overview

Review of operations

- Unaudited EBITDA for the 52 week period ended 27 March 2009 was £62.6m compared to £59.9m for the audited 52 week period ended 26 December 2008.

- This performance is due to a combination of a £6m growth in revenues, supported by an increase in operating margin. EBITDA margin for the 52 week period ended 27 March 2009 was 34.4% compared to 34.1% for the 52 week period ended 26 December 2008.

- On 20 February 2009, 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 in to the Elective Capex Account in accordance with the IBLA.

Trading locations

- The number of funeral locations at the period end was 544, which compares to 544 at 26 December 2008. The movement in the portfolio is shown below:

Number of locations at 26 December 2008§1	544
Acquisitions – short leasehold	1
Acquisitions – freehold	-
Branch closure – freehold	-
Branch closure – leasehold	(1)
Number of locations at 27 March 2009§1	**544**

- The Dignity (2002) Group operated from 25 crematoria. Following the period end, the Dignity (2002) Group acquired the operating rights to five crematoria. These represent locations where the Dignity Group acquired the freehold or long leasehold interest in the last quarter of 2008. This increases Dignity's crematoria locations to 30.

- The Dignity (2002) Group is still pursuing other opportunities to acquire small, 'bolt-on' funeral locations 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 52 week period ending 27 March 2009 and 52 week period ending 26 December 2008.

§1 Excludes 5 telephone branches.

Dignity (2002) Limited

Consolidated EBITDA and capital expenditure

for the 52 week period ended 27 March 2009

	Note	*Funeral services*	*Crematoria*	*Pre-arranged funeral plans*	*Portfolio*	*Central overheads*	***52 week period ending 27 Mar 2009***	*52 week period ending 26 Dec 2008*
		£m	*£m*	*£m*	*£m*	*£m*	***£m***	*£m*
Net revenue		141.2	31.0	9.6	181.8	-	**181.8**	175.8
Operating expenses	1	(86.1)	(13.9)	(8.5)	(108.5)	(10.7)	**(119.2)**	(115.9)
EBITDA	1	**55.1**	**17.1**	**1.1**	**73.3**	**(10.7)**	**62.6**	59.9
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	**(3.7)**	(3.3)
Minimum Capex Maintenance Amount	3	n/a	n/a	n/a	n/a	n/a	**(8.3)**	(8.3)
Free Cashflow		**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**50.6**	48.3
Actual Capital Maintenance Expenditure – ***calendar YTD***		0.4	0.2	-	0.6	-	**0.6**	7.9
Expenditure on Permitted Developments – ***52 week period***		n/a	-	n/a	-	n/a	-	-

Dignity (2002) Limited

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

as at 27 March 2009

Consolidated Net Assets:	*Note*	*27 Mar 2009 £m*	*26 Dec 2008 £m*
Fixed assets		**218.8**	221.1
Total current assets	4	**62.0**	57.7
Creditors: amounts falling due within one year		**(42.4)**	(45.0)
Net current assets		**19.6**	12.7
Total assets less current liabilities		**238.4**	233.8
Creditors: amounts falling due after more than one year		**(378.6)**	(376.9)
Provisions for liabilities and charges		**(9.5)**	(9.7)
Pension asset (net of deferred tax)		**10.4**	10.2
Net liabilities		**(139.3)**	(142.6)
Balances – amounts standing to the credit of:			
Capex Reserve Account		**-**	-
Funeral Home Reserve Account		**-**	-
Loan Payments Account	5	**4.2**	12.3
Issuer Transaction Account		**0.2**	12.3
Crematorium Reserve Account		**-**	-
Principal Reserve Account		**-**	-
Elective Capex Account	5	**4.0**	2.7
Special Capex Account		**-**	-
Restricted Payments Account		**-**	-
Upgrade Reserve Account	5	**2.0**	2.0
Permitted Acquisitions and Permitted Disposals:			
Permitted Acquisitions (gross) in the Relevant Period	6	**12.7**	20.3
Permitted Disposals (gross) in the Relevant Period (where Net Sale Proceeds exceeds £50,000 x RPI)	7	**0.6**	1.6
Financial Indebtedness:	9	**410.4**	404.1

Dignity (2002) Limited

Coverages and covenants

for the 52 week period ended 27 March 2009

	Note	***52 week period ending*** ***27 Mar 2009*** ***£m***	*52 week period ending* *26 Dec 2008* *£m*
EBITDA for the Relevant Period		62.6	59.9
Free Cashflow for the Relevant Period		50.6	48.3
Debt Service for the Relevant Period	8	23.6	23.5
Financial Covenant			
EBITDA DSCR ('Debt Service cover ratio') :			
Target		**>= 1.5 : 1**	>= 1.5 : 1
Actual		**2.65:1**	2.55:1
Restricted Payment Condition			
Free Cashflow DSCR :			
Target		**>= 1.4 : 1**	>= 1.4 : 1
Actual		**2.14:1**	2.05:1
EBITDA DSCR :			
Target		**>=1.85 : 1**	>=1.85 : 1
Actual		**2.65:1**	2.55:1

Confirmations

The Dignity (2002) Group confirms that the Financial Covenant has been observed for the Relevant Period ending 27 March 2009.

On 30 June 2008, a Restricted Payment totalling £15.0m was paid as a dividend to Dignity (2004) Limited and onwards to Dignity plc.

On 31 December 2008, a Restricted Payment totalling £6.5m was paid as a dividend to Dignity (2004) Limited and onwards to Dignity plc.

Dignity (2002) Limited

Notes to the Investor Report

for the 52 week period ended 27 March 2009

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:

52 week period ended 27 Mar 2009	*Funeral services £m*	*Crematoria £m*	*Pre-arranged funeral plans £m*	*Central overheads £m*	*Group £m*
Net revenues	141.2	31.0	9.6	-	**181.8**
Operating expenses	(86.1)	(13.9)	(8.5)	(10.7)	**(119.2)**
EBITDA	**55.1**	**17.1**	**1.1**	**(10.7)**	**62.6**
52 week period ended 26 Dec 2008					
Net revenues	137.2	29.2	9.4	-	175.8
Operating expenses	(85.0)	(13.0)	(8.4)	(9.5)	(115.9)
EBITDA	52.2	16.2	1.0	(9.5)	59.9

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.

4 Total current assets

Total current assets include cash at bank and in hand of £35.5m (Dec 2008: £30.6m) of which £24.6m (Dec 2008: £0.9m) is cash held for operations.

Dignity (2002) Limited

Notes to the Investor Report

for the 52 week period ended 27 March 2009

5 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 2010.

Upgrade Reserve Account

The balance on the Upgrade Reserve Account is £2.0m. 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 9 of the 25 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 its sites and is working with its suppliers to ensure compliance by the end of 2012. The first sites are expected to have the new equipment by the end of 2009.

The necessary capital expenditure is being financed by a levy on each cremation. An Annual Upgrade Update will be provided to the Note Trustee and the Rating Agencies within 150 days after the end of each financial year, as required by the IBLA.

Notes to the Investor Report

for the 52 week period ended 27 March 2009

6 Permitted Acquisitions

The expenditure in the Relevant Period relates to the acquisition of two funeral locations and 2 crematoria locations.

7 Permitted Disposals

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

8 Debt Service and Financial Covenant

The Dignity (2002) Group confirms that none of the following occurred in the Relevant Period ending 27 March 2009:

- 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 2008 and 31 December 2008):

	Interest	*Principal*
	£'000	*£'000*
Class A Secured 6.310% Notes due 2023	8,571	4,680
Class B Secured 8.151% Notes due 2030	10,813	-

The interest payments above include the 1bp margin payable under the IBLA. The actual payments to bondholders were £8,558,000 and £10,800,000 under the Class A and Class B Notes respectively.

Dignity (2002) Limited

Notes to the Investor Report

for the 52 week period ended 27 March 2009

8 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	93,407	6.32%	6,009
£100m Class B Notes	100,000	8.161%	8,161
£45.5m Class A Notes – issued February 2006	38,679	6.32%	2,488
£32.5m Class B Notes – issued February 2006	32,500	8.161%	2,652
Working capital facility	5,000	0.45%	22
Liquidity facility	40,000	0.35%	140
Hedging documents	202,500	0.3404%[§3]	688
Senior Interest accrued in the period			**20,160**
Interest received in the period	variable	variable	(1,284)
Scheduled repayments of principal in the period		n/a	4,680
Debt Service for the Relevant Period			**23,556**

[§3] Net rate payable on notional principal.

Notes to the Investor Report

for the 52 week period ended 27 March 2009

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

Notes to the Investor Report

for the 52 week period ended 27 March 2009

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:

Additional Obligors	Annual Upgrade Update	Debt Service	EBITDA	Financial Adviser Appointment	Financial Covenant
Financial Indebtedness	Free Cashflow	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	Security Trustee	Secured Notes	Tax	Tax Deed of Covenant

12 Rotherham MBC Operating contract

On 1 August 2008, the Group took responsibility for the operation of the crematorium and cemeteries owned by Rotherham MBC.

This agreement, which is for 35 years did not strictly meet the definition of a Permitted Operating Contract. However, the Group demonstrated to the Security Trustee that the arrangement was not materially prejudicial to the Note holders. Furthermore, the Group received consent from the Secured Creditors and rating affirmation from both Standard & Poor's and Fitch.

Consequently, the Security Trustee exercised its discretionary power and consented to the transaction.

13 Acquisition outside Securitisation group

On 20 November 2008, the Note Trustee and the Security Trustee exercised their discretionary power following a rating affirmation to authorise Dignity plc to acquire (through a newly incorporated subsidiary, Dignity (2008) Limited) the entire issued share capital of a business outside of the existing securitisation structure. This was because the acquisition was partially funded by debt loaned by the Royal Bank of Scotland group, who required security over the assets. This facility, which totals £10m, was not of sufficient quantum to allow the acquisition to be funded by way of a tap issue of the Secured Notes. The Company concerned and Dignity (2008) Limited acceded to the Tax Deed of Covenant and the Group also gave an undertaking that both the Company and Dignity (2008) Limited would become Additional Obligors if the loan from RBS was repaid and not refinanced on similar terms.

This acquisition was completed on 24 November 2008. The only assets owned by the acquired company (Dignity Crematoria Limited) are the freeholds of five new crematoria. During the Relevant Period, these properties were leased to a third party, unconnected to the Dignity group. On 7 April 2009, the Dignity (2002) Group acquired that third party. Consequently, the leases now represent inter-company trading at market rates.