Dignity (2002) Limited

Unaudited Investor Report

for the 53 week period ended 30 September 2005

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.

Furthermore, the Group now 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').

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for the 53 week period ended 30 September 2005

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Financial Overview

Review of operations

- Unaudited EBITDA for the 53 week period ended 30 September 2005 was £48.1m compared to £44.9m for the audited 53 week period ended 31 December 2004.
- This performance is due to a combination of a £7.6m growth in revenues, compared to 2004, allied to continued strong cost control: EBITDA margin for 53 weeks ending 30 September 2005 was 33.6% compared to 33.1% for the 53 week period ending 31 December 2004.
- On the 27 April 2005, the trustees approved the payment of actuarial surpluses of £1,200,000 from certain of the pre-arranged funeral plan trusts.

Trading locations

- The number of funeral locations at the period end was 521, which compares to 512 at December 2004. The movement in the portfolio is shown below:

Number of locations at 31 December 2004[§1]	512
Acquisitions – short leasehold	8
Acquisitions – freehold	2
Funeral home start-up – short leasehold	-
Branch closure – leasehold	(1)
Branch closure – freehold	-
Number of locations at 30 September 2005[§1]	**521**

- The group operated from 22 crematoria during 2005.
- Since December 2004, the Group has acquired 10 funeral home locations. The Group is also pursuing a number of other opportunities to acquire small, 'bolt-on', funeral homes as part of its stated strategy of developing its funeral home portfolio.

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 30 September 2005 and 53 week period ending 31 December 2004.

[§1] Excludes 4 telephone branches. 6 telephone branches were closed in the quarter to 30 September 2005.

Dignity (2002) Limited

Consolidated EBITDA and capital expenditure

for the 53 week period ended 30 September 2005

	Note	*Funeral services*	*Crematoria*	*Pre-arranged funeral plans*	*Portfolio*	*Central overheads*	***53 week period ending 30 Sept. 2005***	*53 week period ending 31 Dec. 2004*
	Note	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	***£'000***	*£'000*
Net revenue		114,315	22,573	6,381	143,269	-	**143,269**	135,691
Operating expenses	1	(72,680)	(9,498)	(5,388)	(87,566)	(7,600)	**(95,166)**	(90,782)
EBITDA	1	**41,635**	**13,075**	**993**	**55,703**	**(7,600)**	**48,103**	44,909
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	**(1,474)**	(149)
Minimum Capex Maintenance Amount	3	n/a	n/a	n/a	n/a	n/a	**(7,360)**	(7,200)
Free Cashflow		**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**39,269**	37,560
Actual Capital Maintenance Expenditure – ***calendar YTD***		4,724	333	7	5,064	254	**5,318**	**7,537**
Expenditure on Permitted Developments – ***53 week period***	6	n/a	(1)	n/a	(1)	n/a	**(1)**	**146**

Dignity (2002) Limited

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

as at 30 September 2005

	Note	*30 Sept 2005*	*(Restated[§2]) 31 Dec. 2004*
Consolidated Net Assets:		***£'000***	*£'000*
Fixed assets		**197,644**	195,718
Total current assets	4	**45,391**	51,670
Creditors: amounts falling due within one year		**(25,298)**	(23,508)
Net current assets		**20,093**	28,162
Total assets less current liabilities		**217,737**	223,880
Creditors: amounts falling due after more than one year		**(277,889)**	(290,795)
Provisions for liabilities and charges		**(9,860)**	(10,038)
Pension obligations	8	**(9,815)**	(9,717)
Net liabilities	8	**(79,827)**	(86,670)
Balances – amounts standing to the credit/ (debit) of:			
Capex Reserve Account		**-**	130
Funeral Home Reserve Account		**-**	-
Loan Payments Account		**658**	5,309
Issuer Transaction Account		**76**	54
Crematorium Reserve Account		**-**	-
Principal Reserve Account		**-**	-
Elective Capex Account	5	**1,792**	7,231
Special Capex Account	5	**3,174**	-
Restricted Payments Account		**-**	-
Upgrade Reserve Account	5	**-**	-
Permitted Financial Indebtedness:			
As defined under paragraphs (a) and (c) to (o) inclusive	10	**312,750**	325,141
The balance above includes the following:			
Per paragraph (i) – DHL inter-company loans	10	**69,682**	68,551
Per paragraph (j) – Mezz On-Loan	10	**20,135**	37,202
Permitted Acquisitions and Permitted Disposals:			
Permitted Acquisitions (gross) in the Relevant Period	6	**9,934**	6,132
Permitted Disposals (gross) in the Relevant Period (where Net Sale Proceeds exceeds £50,000 x RPI)	7	**1,061**	1,560

[§2] See note 8 for details of the restatement.

Dignity (2002) Limited

Coverages and covenants

for the 53 week period ended 30 September 2005

	Note	***53 week period ending*** ***30 Sep 2005*** ***£'000***	*53 week period ending* *31 Dec. 2004* *£'000*
EBITDA for the Relevant Period		**48,103**	44,909
Free Cashflow for the Relevant Period		**39,269**	37,560
Debt Service for the Relevant Period	9	**16,807**	16,757
Financial Covenant			
EBITDA DSCR ('Debt Service cover ratio') :			
Target		**>= 1.5 : 1**	>= 1.5 : 1
Actual		**2.86: 1**	2.68 :1
Restricted Payment Condition			
Free Cashflow DSCR :			
Target		**>= 1.4 : 1**	>= 1.4 : 1
Actual		**2.34: 1**	2.24 : 1
EBITDA DSCR :			
Target		**>=1.85 : 1**	>=1.85 :1
Actual		**2.86: 1**	2.68 :1

Confirmations

The directors confirm that the Financial Covenant has been observed for the Relevant Period ending 30 September 2005.

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:

Date	***Total payment £'000***	***Interest £'000***	***Principal £'000***
31 January 2005	**5,312**	3,337	1,975
29 July 2005	**15,961**	3,009	12,952

The outstanding principal on the Mezz On-loan at 30 September 2005 was £19,499,000.

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

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Dignity (2002) Limited

Notes to the Investor Report

for the 53 week period ended 30 September 2005

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:

53 week period ended 30 Sep. 2005	*Funeral services £'000*	*Crematoria £'000*	*Pre-arranged funeral plans £'000*	*Central overheads £'000*	*Group £'000*
Revenues	114,315	22,573	6,381	-	**143,269**
Expenses	(72,680)	(9,498)	(5,388)	(7,600)	**(95,166)**
EBITDA	**41,635**	**13,075**	**993**	**(7,600)**	**48,103**
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 to the estimated current tax payable arising in the Relevant Period.

Previously, the Group utilised excess capital allowances in order to minimise its current tax charge. The tax shield afforded by these has now been fully utilised and as a consequence the Group anticipates that in future a larger proportion of the overall taxation charge will now be in the form of current tax.

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 £17,256,000 (Dec 2004: £20,780,000) of which £11,163,000 (Dec 2004: £7,748,000) is cash held for operations.

Prior year figures for the 53 week period ended 31 December 2004 have been restated (see note 8).

Notes to the Investor Report

for the 53 week period ended 30 September 2005

5 Cash balances

The balance in the Special Capex Account was £3,174,000.

The balance on the Upgrade Reserve Account is £nil. However, 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.

Work is ongoing to ascertain the most cost efficient way to achieve this but is likely to be via abatement at a small number of large sites financed by an industry wide levy.

Under the terms of the IBLA the Group is required to advise the Security Trustee and Rating Agencies of the expected capital cost of the upgrades ('Upgrade Event') and the required amount of the levy. This will be provided in accordance with the information provisions outlined in section 13.4 of the IBLA.

6 Permitted Acquisitions

The expenditure in the Relevant Period relates to the acquisition of 12 funeral home locations.

7 Permitted Disposals

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

8 Material changes in assets

As required under UK Generally Accepted Accounting Principles ('UK GAAP'), the Group has adopted Financial Reporting Standard 17, *Retirement Benefits* ('FRS 17') with effect from 1 January 2005 and prior year figures have been restated accordingly.

The adoption of FRS 17 has no effect on EBITDA, Free Cashflow, Debt Service or the Financial Covenant (as defined in the IBLA) due to the pension charge being stated on a cash basis.

However, net liabilities at 31 December 2004 have increased from £76,427,000 (as previously reported) to £86,670,000 due to the recognition of a defined benefit obligation of £9,717,000 (net of deferred tax) compared to defined benefit asset of £526,000 (net of deferred tax) recognised under SSAP 24 principles.

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Notes to the Investor Report

for the 53 week period ended 30 September 2005

9 Debt Service and Financial Covenant

The directors confirm that none of the following occurred in the Relevant Period ending 30 September 2005:

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

During the Relevant Period to 30 September 2005, the Company made the following debt repayments (paid on 31 December 2004 and 30 June 2005):

	Interest	*Principal*
	£'000	***£'000***
Class A Secured 6.310% Notes due 2023	6,693	2,544
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 £6,682,000 and £8,151,000 under the Class A and Class B Notes respectively.

Dignity (2002) Limited

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for the 53 week period ended 30 September 2005

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	103,981	6.32%	6,653
£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%[§3]	688
Senior Interest accrued in the period			15,629
Other interest charges in the period			4
Interest received in the period	Variable	variable	(1,402)
Scheduled repayments of principal in the period		n/a	2,544
Repayments of other Financial Indebtedness in the period		n/a	32
Debt Service for the Relevant Period			**16,807**

The repayment of other Financial Indebtedness in the period relates to £20,000 in respect of deferred consideration and £12,000 repayment in respect of loan notes 2006, outstanding at 30 September 2005.

[§3] Net rate payable on notional principal.

Notes to the Investor Report

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10 Permitted Financial Indebtedness

Since the last report, £15,961,000 (£12,952,000 principal and £3,009,000 accrued interest) has been repaid in respect of the Mezz-on-loan.

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 £205,593,000 and £192,369,000 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 up to maturity is collateralised by a charge over cash in favour of the relevant vendor;
  (ii) the charge secures only the Acquisition Loan Notes in question;
  (iii) 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
  (iv) the cash collateral is funded exclusively from the sources of funding permitted in respect of such Permitted Acquisitions;

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

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for the 53 week period ended 30 September 2005

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.

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