Dignity (2002) Limited

Unaudited Investor Report

for the 52 week period ended 31 March 2023

To: BNY Mellon Corporate Trustees 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 31 March 2023

Pages

Financial Overview 3

Consolidated EBITDA and capital expenditure for the 52 week period ended 31 March 2023 5

Consolidated Net Assets, Cash balances, Financial Indebtedness, Permitted Obligor Acquisitions and Permitted Disposals as at 31 March 2023 6

Coverages and covenants for the 52 week period ended 31 March 2023 7

Notes to the Investor Report for the 52 week period ended 31 March 2023 9

Dignity (2002) Limited

Financial Overview

Review of operations

- Unaudited EBITDA for the 52 week period ended 31 March 2023 was £36.1 million compared to £32.3 million for the audited 52 week period ended 30 December 2022.
- *Consent solicitation with bondholders – temporary covenant waiver*

  On 17 February 2022, Dignity Finance Plc, a fellow subsidiary of the Group, announced the launch of a consent solicitation period with its Class A Bondholders in relation to a proposed temporary covenant waiver for the Dignity (2002) Limited Securitised Group. As stated in the Group's 2022 Annual Report on 27 April 2023, the directors of Dignity plc continue to work on its plans to improve the Group's capital structure in the pursuit of the best long-term value for shareholders.

  Whilst the Dignity (2002) Group's financial performance has delivered headroom in relation to financial covenants throughout the last 12 months to 31 December 2021, given the distorting impact of the pandemic on the timing of deaths, there remains significant uncertainty around the UK death rate in the near term. Therefore, the Board of Dignity plc has taken the prudent decision to seek a temporary waiver of the abovementioned financial covenant on a precautionary basis in relation to the Dignity Finance Plc debt obligations.

  Following a meeting of the Class A Bondholders on 11 March 2022, the necessary quorum was achieved (with 99.58 per cent of the aggregate principal amount of the Notes for the time being outstanding being represented) and the Extraordinary Resolution was duly passed (with 95.19 per cent of the votes being cast in favour).

  This waiver allows for an equity cure should there be a shortfall in EBITDA of the Securitisation Group at any covenant measurement point up to and including 31 December 2022. Any cash transferred into the Securitisation Group during the waiver period (to 31 March 2023) will be included within the EBITDA for the purpose of the DSCR for the following 12 months.
- There was a cash transfer made of £47.8 million in the Relevant Period ending 31 March 2023. £14.6 million was required to ensure the DSCR ratio was 1.5 and the remaining £33.2 million was an additional cash transfer. This was used to fund maintenance capex over and above the Minimum Capex Maintenance Amount, other costs such as professional fees relating to the capital restructuring project and the transition of rescue plans.
- *Consent solicitation with bondholders – partial redemption of the Class A Notes*

  On 7 September 2022 a consent solicitation with approximately 61 per cent support from its class A Noteholders was launched. This sought certain consents from Noteholders for a potential transaction involving the realisation of value from selected crematoria assets, with the proceeds of such a transaction being applied in a partial redemption of the Class A Notes, as required by the current documentation. The necessary quorum was achieved on 29 September 2022 (with 99.92 per cent of the aggregate principal amount of the Notes for the time being outstanding being represented and the Extraordinary Resolution being passed with 94.42 per cent of the votes being cast in favour) and the consents referred to above apply for 12 month period to 29 September 2023.

  Dignity will be required to inject a minimum of £70 million into the Securitisation Group to partially repay some of the Class A Notes outstanding in consideration for assets leaving the Securitisation Group. If the transaction completes in Q2 2023 and £70m is the net realisation then this will result in a deleveraging of the Group and a positive impact of £5.7 million on the DSCR covenant calculations, i.e., a reduction of the DSCR from c.£51 million to c.£45.3 million in 2023. If the transaction takes longer to complete and is completed in Q3 2023 there will be no positive impact in 2023 as the first possible date for repayment will be 29 December 2023. It would have a full year impact of £11.7 million on the DSCR covenant calculations, i.e., a reduction of the DSCR from c.£51 million to c.£39.3 million in 2024.

  In addition, upon completion of the proposed transaction within the timeframe permitted by the noteholder consent, there are amendments to the documents that will allow further equity cures, with restrictions, to be made going forward should they be required. This can be used to supplement any EBITDA shortfall at 31 December 2023.
- *Recommended cash offer for Dignity plc*

  On 23 January 2023, the Board of the Dignity plc announced that it had reached agreement on the terms of a recommended cash offer for the Dignity business (the 'Offer'). The Offer was made by a consortium comprising SPWOne V Limited, Castelnau Group Limited and Phoenix Asset Management Partners Limited. On 14 February 2023, the offer document, which contains, amongst other things, the full terms and conditions of the Offer and the procedures for its acceptance, was published and posted to Dignity plc shareholders.

  In summary, under the Offer:

  - Dignity plc shareholders will be entitled to receive 550 pence in cash for each Dignity share (the 'Cash Offer');

Review of operations (continued)

- As an alternative to (or in combination with) the Cash Offer, eligible Dignity plc shareholders may elect to receive for each Dignity share 5.50 unlisted non-voting D shares in the capital of Valderrama (the indirect parent company of the consortium's Bidco) for each Dignity share (the 'Unlisted Share Alternative'); and
- As an alternative to (or in combination with) the Cash Offer and in addition to or instead of the Unlisted Share Alternative, eligible Dignity plc shareholders may elect to receive 7 1/3 listed voting Ordinary Shares in the capital of Castelnau for each Dignity share (the 'Listed Share Alternative' and, together with the Unlisted Share Alternative, the 'Alternative Offers').

Both the Unlisted Share Alternative and the Listed Share Alternative are subject to the "scale back" arrangements detailed in the offer document.

The Board of the Dignity Group were unanimous in recommending that Dignity plc shareholders accept the Cash Offer.

On 5 April 2023, the Offer obtained regulatory approval from the Financial Conduct Authority.

On 19 April 2023, the Offer became unconditional and the consortium obtained control of the Dignity Group.

On 21 April 2023, the consortium had acquired or agreed to acquire 75.09% of Dignity plc shares and Dignity plc subsequently announced that the notice period for the cancellation of listing and trading of its shares has now commenced and is expected to take place no earlier than 25 May 2023.

On 4 May 2023, the consortium had received acceptances representing 95.67% of the Dignity Shares and will now exercise its rights to acquire compulsorily the remaining Dignity Shares.

This change in control and cancellation of listing and trading of shares has no impact on the Securitised Debt.

Standard and Poor global rating

On February 2023, S&P Global Ratings lowered its credit ratings on Dignity Finance plc's class A notes to 'BBB-(sf)' from 'A- (sf)'and class B notes to 'CCC+ (sf)' from 'B+ (sf)'. At the same time, S&P removed its ratings on both classes from CreditWatch negative.

Fitch Ratings downgrade of Class A and Class B Notes

On 17 March 2023, Fitch Ratings downgraded Dignity Finance plc's Class A notes to 'BBB' from 'A-' and class B notes to 'B' from 'BB+' and placed that company on Rating Watch Negative.

Trading locations

- The number of funeral locations within the Dignity (2002) Group at the period end was 718 which compares to 725 at 30 December 2022. The movement in the portfolio is shown below:

	Dignity (2002) Group
Number of locations at 30 December 2022§1	725
Branch closure – freehold	(4)
Branch closure – leasehold	(3)
Number of locations at 31 March 2023§1	**718**

- There are no other funeral locations outside of the Dignity (2002) Group.
- The Dignity (2002) Group operates from 44 crematoria (Dec 2021: 44). Non-Obligors operate from an additional 2 crematoria (Dec 2021: 2).

§1 Excludes 11 (2021: 10) telephone branches within the Dignity (2002) Group.

Dignity (2002) Limited

Consolidated EBITDA and capital expenditure

for the 52 week period ended 31 March 2023

	Note	*Funeral services*	*Crematoria*	*Pre-arranged funeral plans*	*Portfolio*	*Central overheads*	***52 week period ending 31 Mar 2023***	*52 week period ending 30 Dec 2022*
		£m	*£m*	*£m*	*£m*	*£m*	***£m***	*£m*
Net revenue		182.9	80.2	11.0	274.1	-	**274.1**	266.3
Operating expenses		(162.0)	(36.6)	(10.2)	(208.8)	(29.2)	**(238.0)**	(234.0)
EBITDA	1	**20.9**	**43.6**	**0.8**	**65.3**	**(29.2)**	**36.1**	32.3
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	**-**	(0.1)
Minimum Capex Maintenance Amount	3	n/a	n/a	n/a	n/a	n/a	**(12.9)**	(12.7)
Free Cashflow		**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**23.2**	19.5
Actual Capital Maintenance Expenditure – ***calendar YTD***		4.8	1.2	-	6.0	2.9	**8.9**	24.6
Expenditure on Permitted Crematorium – Developments by Obligors – ***52 week period***		-	0.3	-	0.3	-	**0.3**	0.3

Dignity (2002) Limited

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

as at 31 March 2023

	Note	***31 Mar 2023***	*30 Dec 2022*
Consolidated Net Assets:	4	***£m***	*£m*
Fixed assets		**1,451.3**	1,445.0
Other current assets		**92.9**	62.0
Total current assets	5	**92.9**	62.0
Other creditors: amounts falling due within one year		**(489.8)**	(465.8)
Creditors: amounts falling due within one year		**(489.8)**	(465.8)
Net current liabilities		**(396.9)**	(403.8)
Total assets less current liabilities		**1,054.4**	1,041.2
Creditors: amounts falling due after more than one year		**(1,806.0)**	(1,814.1)
Provisions for liabilities		**(25.2)**	(25.2)
Pension liability		**(9.8)**	(10.8)
Net liabilities		**(786.6)**	(808.9)
Cash balances – amounts standing to the credit of:			
Capex Reserve Account		**-**	-
Funeral Home Reserve Account		**-**	-
Loan Payments Account	6	**0.1**	0.2
Issuer Transaction Account		**-**	-
Latent Tax Reserve Account	6	**0.4**	0.4
Crematorium Reserve Account		**-**	-
Principal Reserve Account		**-**	-
Elective Capex Account		**-**	0.2
Special Capex Account	6	**-**	-
Restricted Payments Account		**-**	-
Upgrade Reserve Account		**-**	-
Permitted Obligor Acquisitions and Permitted Disposals:			
Permitted Obligor Acquisitions (gross) in the Relevant Period	7	**1.0**	0.3
Permitted Disposals (gross) in the Relevant Period (where Net Sale Proceeds exceeds £75,000 x CPI)	8	**0.4**	0.1
Financial Indebtedness	10	**824.5**	806.5

Dignity (2002) Limited

Coverages and covenants (without equity cure)

for the 52 week period ended 31 March 2023

	Note	***52 week period ending 31 Mar 2023 £m***	*52 week period ending 30 Dec 2022 £m*
EBITDA for the Relevant Period		**36.1**	32.3
Free Cashflow for the Relevant Period		**23.2**	19.5
Debt Service for the Relevant Period	9	**33.8**	33.9
Financial Covenant			
EBITDA DSCR ('Debt Service cover ratio') :			
Target		**>= 1.5 : 1**	>= 1.5 : 1
Actual		**1.07 : 1**	0.95 : **1**
Restricted Payment Condition			
Free Cashflow DSCR :			
Target		**>= 1.4 : 1**	>= 1.4 : 1
Actual		**0.69 : 1**	0.58 : **1**
EBITDA DSCR :			
Target		**>=1.85 : 1**	>=1.85 : 1
Actual		**1.07 : 1**	0.95 : **1**

Confirmations

The Dignity (2002) Group confirms that the Financial Covenant has not been observed for the Relevant Period ending 31 March 2023 and an amount of £47.8 million has been brought into the Securitisation group as part of the waiver arrangement.

The Restricted Payment Condition in relation to each Restricted Payment above have not been satisfied for the Relevant Period ending 31 March 2023 and subsequently no Restricted Payments have been made.

Dignity (2002) Limited

Coverages and covenants (with equity cure)

for the 52 week period ended 31 March 2023

	Note	***52 week period ending*** ***31 Mar 2023*** ***£m***	*52 week period ending* *30 Dec 2022* *£m*
EBITDA for the Relevant Period		**36.1**	32.3
Equity cure for the Relevant Period	16, 17	**47.8**	34.3
Free Cashflow for the Relevant Period		**23.2**	19.5
Debt Service for the Relevant Period	9	**33.8**	33.9
Financial Covenant			
EBITDA + equity cure DSCR ('Debt Service cover ratio') :			
Target		**>= 1.5 : 1**	>= 1.5 : 1
Actual		**2.48 : 1**	1.96 : **1**
Restricted Payment Condition			
Free Cashflow DSCR :			
Target		**>= 1.4 : 1**	>= 1.4 : 1
Actual		**0.69 : 1**	0.58 : **1**
EBITDA + equity cure DSCR :			
Target		**>=1.85 : 1**	>=1.85 : 1
Actual		**2.48 : 1**	1.96 : **1**

Confirmations

There was a cash transfer made of £47.8 million in the Relevant Period ending 31 March 2023. £14.6 million was required to ensure the DSCR ratio was 1.5 and the remaining £33.2 million was an additional cash transfer.

Dignity (2002) Limited

Notes to the Investor Report

for the 52 week period ended 31 March 2023

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 31 Mar 2023	***Funeral services £m***	***Crematoria £m***	***Pre-arranged funeral plans £m***	***Central overheads £m***	***Group £m***
Net revenue	182.9	80.2	11.0	-	**274.1**
Operating expenses	(162.0)	(36.6)	(10.2)	(29.2)	**(238.0)**
EBITDA	**20.9**	**43.6**	**0.8**	**(29.2)**	**36.1**
52 week period ended 30 Dec 2022					
Net revenue	176.3	77.8	12.2	-	266.3
Operating expenses	(155.7)	(35.9)	(12.2)	(30.2)	(234.0)
EBITDA	20.6	41.9	-	(30.2)	32.3

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 31 March 2023

4 Consolidated Net Assets

The consolidated net assets as at 30 December 2022 as disclosed in this Investor Report remain subject to audit.

Following the issuance of the Investor Report for the period ended 30 December 2022 on 31 March 2023, an amendment to the Investor Report has been made to reclassify the current tax figure of £3.5 million, increasing both other creditors: amounts falling due within one year and other current assets by this amount.

Any changes are not anticipated to result in any changes to the Financial Covenants and audited financial statements will be delivered to the Note Trustee on or before 29 May 2023, as required by the IBLA.

5 Total current assets

Total current assets include cash at bank and in hand of £34.5 million (Dec 2022 restated: £14.0 million) of which £15.3 million (Dec 2022 restated: £3.2 million) is cash held for operations. The restated December 2022 figures are a result of a late audit adjustment.

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.

Latent Tax Reserve Account

The balance in this account represents cash set aside pursuant to clause 17.6.6 (b) of the IBLA.

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

Dignity (2002) Limited

Notes to the Investor Report

for the 52 week period ended 31 March 2023

9 Debt Service and Financial Covenant

The Dignity (2002) Group confirms that none of the following occurred in the Relevant Period ending 31 March 2023:

- 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 30 June 2022 and 30 December 2022):

	Interest	*Principal*
	£'000	***£'000***
Class A Secured 3.5456% Notes due 2034	5,581	10,538
Class B Secured 4.6956% Notes due 2049	16,735	-
	22,316	10,538

Debt Service for the Relevant Period ending 31 March 2023 has been calculated as follows:

		Principal	*Annual rate*	*Interest*
Senior Interest accruing in the period	**Note**	***£'000***	***%***	***£'000***
Class A Notes		160,118	3.5556%	5,881
Class B Notes		356,402	4.7056%	16,772
Liquidity facility		55,000	1.10%	604
Senior Interest accrued in the period				**23,257**
Finance leases				52
Interest received in the period		Variable	Variable	(34)
Scheduled repayments of principal in the period			n/a	10,538
Debt Service for the Relevant Period				**33,813**

Dignity (2002) Limited

Notes to the Investor Report

for the 52 week period ended 31 March 2023

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 31 March 2023

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 31 March 2023

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.dignityfunerals.co.uk/corporate. 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 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 31 March 2023 and 52 week period ending 30 December 2022.

15 Ancillary Facilities

The Dignity (2002) Group's £55 million Liquidity Facility remains available.

Dignity (2002) Limited

Notes to the Investor Report

for the 52 week period ended 31 March 2023

16 Consent solicitation with bondholders

Consent solicitation with bondholders – temporary covenant waiver

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Whilst the Dignity (2002) Group's financial performance has delivered headroom in relation to financial covenants throughout the last 12 months to 31 December 2021, given the distorting impact of the pandemic on the timing of deaths, there remains significant uncertainty around the UK death rate in the near term. Therefore, the Board of Dignity plc has taken the prudent decision to seek a temporary waiver of the abovementioned financial covenant on a precautionary basis in relation to the Dignity Finance Plc debt obligations.

Following a meeting of the Class A Bondholders on 11 March 2022, the necessary quorum was achieved (with 99.58 per cent of the aggregate principal amount of the Notes for the time being outstanding being represented) and the Extraordinary Resolution was duly passed (with 95.19 per cent of the votes being cast in favour).

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Consent solicitation with bondholders – partial redemption of the Class A Notes

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Dignity will be required to inject a minimum of £70 million into the Securitisation Group to partially repay some of the Class A Notes outstanding in consideration for assets leaving the Securitisation Group. If the transaction completes in Q2 2023 and £70m is the net realisation then this will result in a deleveraging of the Group and a positive impact of £5.7 million on the DSCR covenant calculations, i.e., a reduction of the DSCR from c.£51 million to c.£45.3 million in 2023. If the transaction takes longer to complete and is completed in Q3 2023 there will be no positive impact in 2023 as the first possible date for repayment will be 29 December 2023. It would have a full year impact of £11.7 million on the DSCR covenant calculations, i.e., a reduction of the DSCR from c.£51 million to c.£39.3 million in 2024.

In addition, upon completion of the proposed transaction within the timeframe permitted by the noteholder consent, there are amendments to the documents that will allow further equity cures, with restrictions, to be made going forward should they be required. This can be used to supplement any EBITDA shortfall at 31 December 2023.

17 Equity cure

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