

Dignity Finance PLC

Directors' report and financial statements
for the period ended 30 December 2005

Registered number: 04488292



Dignity Finance PLC

Directors' report and financial statements for the period ended 30 December 2005

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Dignity Finance PLC

Directors' report for the period ended 30 December 2005

The directors present their report and the audited financial statements of Dignity Finance PLC ('the Company') for the period ended 30 December 2005. The Company is a subsidiary of Dignity plc and a member of the Dignity plc group ('the group').

Principal activities

The principal activity of the Company is that of a finance company.

Results and dividends

The results for the period are shown on page 4. No dividend (2004: £nil) was declared or paid by the Company in the period.

Directors and their interests

The directors who served during the period were:

P T Hindley
M K McCollum
A R Davies
J W Wilkinson

According to the share register required to be held under s325 of the Companies Act 1985, none of the directors had any beneficial interests in the shares of the Company as at 30 December 2005 or 31 December 2004. M K McCollum held one ordinary £1 share in the Company at 30 December 2005 (2004: one ordinary £1 share) as nominee for Dignity Finance Holdings Limited.

The directors are also directors of the ultimate parent company, Dignity plc. The interests of the directors in the shares and debentures of other group companies are shown in that annual report, which can be obtained from Plantsbrook House, 94 The Parade, Sutton Coldfield, West Midlands, B72 1PH.

Dignity Finance PLC

Directors' report for the period ended 30 December 2005 (continued)

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements that give a true and fair view of the state of affairs of the Company for each financial period and of the profit or loss of the Company for that period. The directors are required to prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The directors confirm that suitable accounting policies have been applied consistently, as explained in note 1 to the financial statements.

They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the period ended 30 December 2005, and that applicable accounting standards have been followed.

The directors are also responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the Company will be proposed at the annual general meeting.

By order of the board

A handwritten signature in black ink, appearing to be 'MK McCollum', written over a horizontal line.

MK McCollum
Director

24th April 2006

Independent auditors' report to the members of Dignity Finance PLC

We have audited the financial statements of Dignity Finance PLC for the period ended 30 December 2005 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses, Note of Historical Cost Profit and Losses, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 December 2005 and of its profit for the period then ended; and
- have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Birmingham

15 JUNE 2006

Dignity Finance PLC

Profit and loss account for the period ended 30 December 2005

		Period ended 30 December 2005	Period ended 31 December 2004
	Note	£'000	£'000
Operating profit	3	-	-
Interest payable and similar charges	5	(15,237)	(15,621)
Interest receivable and similar income	5	15,267	15,657
Net interest receivable and similar income	5	30	36
Profit on ordinary activities before taxation		30	36
Tax on profit on ordinary activities	6	-	-
Profit for the period after taxation		30	36
Retained profit for the financial period	13	30	36

The results have been derived wholly from continuing activities.

Statement of total recognised gains and losses

There were no other recognised gains or losses other than those included within the profit for the period, as shown above.

Note of historical profit and loss

There is no difference between the results disclosed in the profit and loss account and the results on an unmodified cost basis.

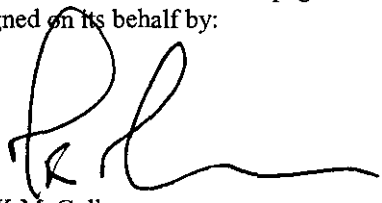
Dignity Finance PLC

Balance sheet as at 30 December 2005

		30 December 2005	31 December 2004
	Note	£'000	£'000
Current assets			
Debtors – amount falling due within one year	7	3,212	2,348
- amounts falling due after more than one year	7	192,752	195,103
Cash at bank and in hand	See (a) below	102	68
Total current assets		196,066	197,519
Creditors: amounts falling due within one year	9	(3,179)	(2,311)
Net current assets		192,887	195,208
Creditors: amounts falling due after more than one year	10	(192,752)	(195,103)
Net assets		135	105
Capital and reserves			
Called up share capital	12	50	50
Profit and loss account	13	85	55
Equity shareholder's funds	14	135	105

(a) Certain cash balances were subject to restrictions. See note 8.

The financial statements on pages 4 to 15 were approved by the board of directors on 24th April 2006 and were signed on its behalf by:



MK McCollum
Director

Dignity Finance PLC

Notes to the financial statements for the period ended 30 December 2005

1 Principal accounting policies

Basis of accounting

These financial statements are prepared on a going concern basis under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards. A summary of the principal accounting policies, which have been consistently applied, is set out below.

The Company has taken advantage of the exemptions contained within Financial Reporting Standard ('FRS') 1, 'Cash flow statements' and has not prepared a cash flow statement as the Company is included in the consolidated accounts of Dignity plc which include a consolidated cash flow statement.

Furthermore, as the Company is a wholly owned subsidiary of Dignity plc, the Company has also taken advantage of the exemptions contained within FRS 8, 'Related party transactions' and has therefore not disclosed any transactions within the Dignity plc group of companies.

Change of accounting policy

The Company has adopted FRS 26, 'Financial instruments: presentation and disclosure' during the period. However, this did not result in any change to the measurement of any of its financial instruments. The Company also falls under the exemption granted in FRS 25, 'Financial instruments: disclosure and presentation'. Accordingly and as required by FRS 25, the Company continues to adopt the disclosure requirements of FRS 13, 'Financial instruments'.

Taxation including deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, except that deferred tax assets are only recognised to the extent that they are regarded as more likely than not to be recoverable. Deferred tax balances are not discounted.

Finance costs and income

Debt finance

All borrowings and loans are stated at the fair value of consideration received or paid after deduction of issue costs. The issue costs and interest payable or recoverable on debt finance are charged / credited to the profit and loss account, as finance costs, on a constant-yield basis over the term of the borrowings, or over a shorter period where it is more likely than not that the lender will require earlier repayment.

Early termination costs

Premiums and discounts arising on the early repayment of borrowings are written-off to the profit and loss account as incurred.

2 Turnover

The Company is an intermediate holding company and has no turnover.

3 Operating profit

Auditors' remuneration is borne by a fellow subsidiary of the group.

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Notes to the financial statements for the period ended 30 December 2005 (continued)

4 Staff costs

(a) Employees

There were no staff costs in the period.

The average number of people, including directors, employed by the Company during the period was:

	30 December 2005	31 December 2004
	Number	Number
Administration and managerial	4	4
Total	4	4

(b) Directors' remuneration

The directors are directors of a fellow group company, Dignity Funerals Limited and details of their emoluments are included in the financial statements of that company. They received no emoluments in respect of their services to the Company.

5 Net interest receivable and similar income

	30 December 2005	31 December 2004
	£'000	£'000
Interest payable on secured loan notes	(14,753)	(15,117)
Amortisation of issue costs	(484)	(504)
Interest payable and similar charges	(15,237)	(15,621)
Bank interest	9	16
Other finance income	484	504
Interest receivable on intercompany loans	14,774	15,137
Interest receivable and similar income	15,267	15,657
Net interest receivable and similar income	30	36

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Notes to the financial statements for the period ended 30 December 2005 (continued)

6 Tax on profit on ordinary activities

(a) Analysis of tax charge in the period

No current UK tax charge arises in the period as no payments are made for group relief.

(b) Factors affecting tax charge for the period

The current tax charge for the period is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	30 December 2005	31 December 2004
	£'000	£'000
Profit on ordinary activities before tax	30	36
Profit on ordinary activities before tax multiplied by standard rate of corporation tax in the UK of 30%	9	11
Effects of:		
Group relief claimed without charge	(9)	(11)
Current tax charge for the period	-	-

7 Debtors

	2005	2004
	£'000	£'000
Amounts falling due within one year		
Called up share capital not paid	37	37
Amounts due from group undertakings	3,175	2,311
	3,212	2,348
Amounts falling due after more than one year		
Amounts due from group undertakings	192,752	195,103

Dignity Finance PLC

Notes to the financial statements for the period ended 30 December 2005 (continued)

7 Debtors (continued)

On 11 April 2003, the Company used the proceeds of the A notes and the B notes described in note 10 to loan Dignity (2002) Limited, a fellow group company, £210,000,000. The terms of the intercompany loan mirror the terms of the A notes and the B notes, except that interest accrues at a rate of 0.01% higher than the A notes and the B notes. The issue costs charged to Dignity (2002) Limited totalled £8,733,000 and are being released to the profit and loss account over the period of the loan. In order to show the Company's net debtor, the loan and the issue costs have been offset.

8 Cash at bank and in hand

The cash at bank and in hand includes £nil (2004: £nil) required under the terms of the Company's secured borrowings described in note 10 to be used to pay interest and principal at the balance sheet date.

9 Creditors: amounts falling due within one year

	2005	2004
	£'000	£'000
Class A secured notes (see note 10)	3,179	2,311

10 Creditors: amounts falling due after more than one year

	2005	2004
	£'000	£'000
Class A and B secured notes	192,752	195,103

On 11 April 2003, the Company issued £110,000,000 Class A secured notes (the 'A notes') and £100,000,000 Class B secured notes (the 'B notes').

The A notes carry interest at 6.31%, payable half yearly in arrears. The A notes are repayable in instalments ending in December 2023. The issue costs of the A notes totalled £4,574,000. The B notes carry interest at 8.151%, payable half yearly in arrears. The B notes are repayable in instalments ending in December 2030. The issue costs of the B notes totalled £4,159,000.

In order to show the Company's net borrowing, the notes and the issue costs have been offset. Both the A notes and the B notes are secured by first ranking security in respect of the undertakings and assets of Dignity (2002) Limited and its subsidiaries.

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Notes to the financial statements for the period ended 30 December 2005 (continued)

10 Creditors: amounts falling due after more than one year (continued)

At 30 December 2005, £102,635,000 of the principal of the A notes and £100,000,000 of the principal of the B notes was outstanding (2004: £105,277,000 and £100,000,000).

At 30 December 2005, £3,658,000 and £3,708,000 of the issue costs in respect of the A notes and the B notes respectively remained unamortized (2004: £3,989,000 and £3,874,000).

11 Financial instruments

Treasury policy

The Company's objective is to raise external finance for the group. The Company manages its funding requirements by the careful selection of appropriate financing methods. This approach seeks to minimise interest rate fluctuations.

Interest rate risk

The Company's aim is to minimise the effects of interest rate fluctuations. As set out below, 100% (2004: 100%) of the financial instruments carried interest at fixed rates.

Liquidity risk

The Company's objective is to raise external finance for the group and consequently seeks to maintain a balance between certainty of funding and a flexible, cost-effective borrowings structure, and therefore seeks facilities that have, for the most part, a maturity of five years or longer.

Currency risk

All the Company's financial assets and liabilities are denominated in Sterling.

Credit risk

The Group uses well-established financial institutions or debt securities with high credit ratings.

Short-term debtors and creditors

Short term debtors and creditors have been excluded from the following disclosures.

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Notes to the financial statements for the period ended 30 December 2005 (continued)

11 Financial instruments (continued)

Interest rate risk profile of financial liabilities

The interest rate risk profile of the Company's financial liabilities was as follows:

	Total	Floating rate financial liabilities	Fixed rate financial liabilities	Financial liabilities on which no interest is paid
	£'000	£'000	£'000	£'000
Financial liabilities at 30 December 2005	195,269	-	195,269	-
Financial liabilities at 31 December 2004	197,414	-	197,414	-

All the Company's creditors falling due within one year (other than bank and other borrowings) are excluded from the above table due to the exclusion of short-term items.

Interest rate composition of financial liabilities

	Fixed rate financial liabilities		Financial liabilities on which no interest is paid
	Weighted average interest rate	Weighted average period for which rate is fixed	Weighted average period until maturity
Sterling	%	Years	Years
Financial liabilities 30 December 2005	7.2	22.5	-
Financial liabilities at 31 December 2004	7.2	22.4	-

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Notes to the financial statements for the period ended 30 December 2005 (continued)

11 Financial instruments (continued)

Interest rate risks of financial assets

	2005			2004		
	Cash at bank and in hand	Other	Total	Cash at bank and in hand	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Floating rate	69	-	69	68	-	68
Fixed rate	-	195,269	195,269	-	197,414	197,414
At end of period	69	195,269	195,338	68	197,414	197,482

The fixed rate financial assets represent the amount loaned to the Company's intermediate parent company, Dignity (2002) Limited, (see note 7).

Maturity of financial liabilities

The maturity profile of the carrying value of the Company's financial liabilities which are all debt, other than short-term trade creditors and accruals at the period end was:

	2005	2004
	£'000	£'000
Within one year	2,192	2,311
Between 1-2 years	2,588	2,192
Between 2-5 years	9,340	8,532
Over five years	181,149	184,379
Total	195,269	197,414

Borrowing facilities

The Company had no undrawn committed borrowing facilities available at the period end.

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Notes to the financial statements for the period ended 30 December 2005 (continued)

11 Financial instruments (continued)

Fair values of financial assets and financial liabilities

	2005		2004	
	Book value	Fair value	Book value	Fair value
	£'000	£'000	£'000	£'000
Primary financial instruments held or issued to finance the Group's operations:				
Class A notes	(102,635)	(114,674)	(105,277)	(114,226)
Deferred issue costs of class A notes	3,658	-	3,989	-
Class B notes	(100,000)	(136,310)	(100,000)	(130,000)
Deferred issue costs of class B notes	3,708	-	3,874	-
Cash deposits	69	69	68	68
Inter company loans – IBLA	202,635	251,009	205,277	244,250
Issue costs	(7,366)	-	(7,863)	-
	69	94	68	92

The fair value of the class A and B secured notes are based on the closing price as quoted on the Irish stock exchange.

The fair value of the intercompany loan is taken to be the fair value of the Class A and B notes, adjusted for the margin chargeable under the IBLA.

Financial instruments held for trading purposes and hedges

The Company has no financial instruments held as hedges.

The Company does not trade in financial instruments.

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Notes to the financial statements for the period ended 30 December 2005 (continued)

12 Called up share capital

	Authorised	Called up	Authorised	Called up
	2005	2005	2004	2004
	£'000	£'000	£'000	£'000
Ordinary shares of £1 each (2 shares fully paid, 49,998 quarter paid)	100	50	100	50

The amount of paid up share capital at 30 December 2005 was £12,502 (2004: £12,502).

13 Profit and loss account

	2005	2004
	£'000	£'000
At beginning of period	55	19
Profit for the financial period	30	36
At end of period	85	55

14 Reconciliation of movement in shareholder's funds

	2005	2004
	£'000	£'000
Profit for financial period	30	36
Opening shareholder's funds	105	69
Closing equity shareholder's funds	135	105

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Notes to the financial statements for the period ended 30 December 2005 (continued)

15 Ultimate holding company

The Company's ultimate holding company and controlling party at 30 December 2005 and 31 December 2004 was Dignity plc.

The parent company of the smallest group in which the financial statements of the Company are consolidated is Dignity (2002) Limited. Copies of the consolidated financial statements of the Dignity (2002) Limited group are available from Plantsbrook House, 94 The Parade, Sutton Coldfield, West Midlands, B72 1PH.

The parent company of the largest group in which financial statements of the Company are consolidated is Dignity plc. Copies of the consolidated financial statements of Dignity plc are available from Plantsbrook House, 94 The Parade, Sutton Coldfield, West Midlands, B72 1PH.

The immediate parent company is Dignity Finance Holdings Limited.

16 Contingent liabilities

On 11 April 2003, the group refinanced its debt by way of a whole business securitisation. As a result, the following guarantees and charges were granted to JP Morgan Corporate Trustee Services Limited in its capacity as Security Trustee in the securitisation:

- Dignity (2002) Limited and its wholly owned subsidiaries, including the Company, ('Dignity (2002) Group') have granted the Security Trustee fixed and floating charges over the assets and undertakings of the Dignity (2002) Group;

At 30 December 2005, the amount outstanding by the Dignity (2002) Group in relation to these borrowings was £202,635,000 (2004: £205,282,000).

In the opinion of the directors no liability is likely to crystallise in respect of these guarantees.