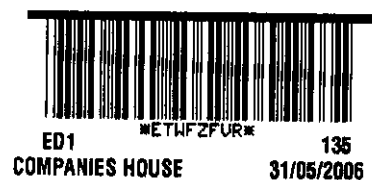


Dignity Holdings No. 2 Limited

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

Registered number: 04349722



Dignity Holdings No. 2 Limited

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

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Dignity Holdings No. 2 Limited

Directors' report for the period ended 30 December 2005

The directors present their report and the audited financial statements of Dignity Holdings No. 2 Limited ('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 holding company.

Results and dividends

The Company's profit for the financial year is £20,094,000 (restated profit for 2004: £10,831,000). The dividends paid and proposed are set out in note 6.

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.

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.

Donations

The Company did not make any charitable or political donations in either period.

Dignity Holdings No. 2 Limited

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



MK McCollum
Director
24th April 2006

Independent auditors' report to the members of Dignity Holdings No. 2 Limited

We have audited the financial statements of Dignity Holdings No. 2 Limited for the period ended 30 December 2005 which comprise the profit and loss account, the balance sheet, 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

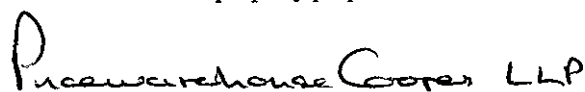
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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

24 April 2006

Dignity Holdings No. 2 Limited

Profit and loss account for the period ended 30 December 2005

		30 December 2005	As restated 31 December 2004
	Note	£'000	£'000
Operating profit	3	-	-
Income from shares in group undertakings		20,094	5,500
Interest payable and similar charges		-	(1)
Profit on ordinary activities before taxation		20,094	5,499
Tax on profit on ordinary activities	5	-	-
Profit on ordinary activities after taxation		20,094	5,499
Dividends	6	(20,086)	(5,500)
Retained profit for the period / (loss)	11	8	(1)

The results have been derived wholly from continuing activities.

Dignity Holdings No. 2 Limited

Statement of total recognised gains and losses

		As restated
	30 December 2005	31 December 2004
	£'000	£'000
Profit for the period and total recognised gains for the period	20,094	5,499
Prior period adjustment – FRS 21	(5,332)	
Total gains and losses recognised since last annual report	14,762	

Note of historical cost profit and loss

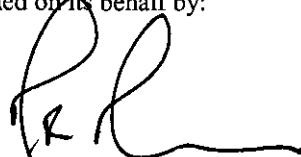
There is no difference between the profit disclosed in the profit and loss account and the profit on an unmodified historical cost basis.

Dignity Holdings No. 2 Limited

Balance sheet as at 30 December 2005

		30 December 2005	As restated 31 December 2004
	Note	£'000	£'000
Fixed assets			
Investments	7	1,500	1,500
Current assets			
Debtors - amounts falling due within one year	8	12,274	12,274
- amounts falling after more than one year	8	400	400
Total current assets		12,674	12,674
Creditors – amounts falling due within one year	9	-	(8)
Net current assets		12,674	12,666
Total assets less current liabilities		14,174	14,166
Net assets		14,174	14,166
Capital and reserves			
Called up share capital	10	2,000	2,000
Profit and loss account	11	12,174	12,166
Equity shareholder's funds	12	14,174	14,166

The financial statements on pages 4 to 13 were approved by the board of directors on 24th April 2006 and were signed on its behalf by:



MK McCollum
Director

Dignity Holdings No. 2 Limited

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

1 Principal accounting policies

Basis of preparation

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 financial statements contain information about the Company as an individual undertaking and do not contain consolidated financial information as the parent of a group. The reason for this is that the Company is a wholly owned subsidiary of Dignity plc and is included in that company's consolidated financial statements. Consequently the Company by virtue of section 228.1 (a) of the Companies Act 1985 is exempt from the preparation of its own consolidated financial statements.

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 financial statements of Dignity plc which includes 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.

Investments

Investments are stated at historical cost, less any provision for impairment.

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.

Changes in accounting policy

The company has adopted FRS21, "Events after the balance sheet date" in these financial statements. The adoption of this standard represents a change in accounting policy and the comparative figures have been restated appropriately.

The effect of the change in accounting policy to adopt FRS21 was to recognise the final proposed dividend payable of £5,324,000 and the final proposed dividend receivable of £5,332,000 for the period ended 31 December 2004 in the current year. The final proposed dividends payable and receivable for the current period of £5,000,000 will be recognised in the following year, as it has not yet been approved.

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.

Dignity Holdings No. 2 Limited

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

4 Staff costs

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
	£'000	£'000
Administration and managerial	4	4
Total	4	4

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.

Dignity Holdings No. 2 Limited

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

5 Tax on profit on ordinary activities

Analysis of tax charge in the period

No current UK tax charge arises in the period as no taxable income was received in the period.

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	As restated 31 December 2004
	£'000	£'000
Profit on ordinary activities before tax	20,094	5,499
Profit on ordinary activities before tax multiplied by standard rate of corporation tax in the UK of 30%	6,028	1,650
Effects of:		
Income not chargeable for tax purposes	(6,028)	(1,650)
Current tax charge for the period	-	-

6 Dividends

	30 December 2005	As restated 31 December 2004
	£'000	£'000
Ordinary £1 shares - £10.04 per share (2004: £5.41)	20,086	5,500

The directors have proposed a final dividend of £5,000,000 for the period ended 30 December 2005. The dividend has not been accounted for within the current financial statements as it has yet to be approved.

Dignity Holdings No. 2 Limited

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

7 Investments

	Total
Cost and net book amount	£'000
At beginning and end of period	1,500

The Company has investments in the following companies:

	Activity	Number of shares at 30 December 2005	Percentage held
Dignity Mezzco Limited	Intermediate holding company	1,000 Ordinary at £1 each	100%
Dignity Holdings Limited	Intermediate holding company	1,500,000 Ordinary at £1 each	100%

The investment holding in Dignity Mezzco Limited is held indirectly.

On 19 March 2005, Dignity plc, acquired the entire issued share capital of Dignity (2004) Limited for £1.

Following this transaction, Dignity (2004) Limited, Dignity plc and Dignity Mezzco Limited entered into a tri-partite agreement, such that Dignity (2004) Limited acquired the entire issued share capital of Dignity (2002) Limited for consideration of £116,000,000 (being the market value of the Dignity (2002) Limited group at that time) and Dignity plc assumed the debt to Dignity Mezzco Limited in consideration for Dignity (2004) Limited issuing 998 ordinary £1 shares to Dignity plc.

Following the above, Dignity plc transferred its investment in the Company to Dignity (2004) Limited in a share for share exchange.

Dignity Holdings No. 2 Limited

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

8 Debtors

	As restated	
	2005	2004
	£'000	£'000
<hr/>		
Amounts falling due within one year:		
Amounts due from ultimate parent company	12,274	12,274
	12,274	12,274
<hr/>		
Amounts falling due after more than one year:		
Amounts due from group undertakings	400	400
	400	400
<hr/>		

9 Creditors: amounts falling due within one year

	As restated	
	2005	2004
	£'000	£'000
<hr/>		
Amounts due to group undertakings	-	7
Accrued interest on intercompany loans	-	1
	-	8
<hr/>		

The amounts due to group undertakings accrue interest at 2% above the Barclays Bank PLC base rate. There is no fixed date for repayment.

Dignity Holdings No. 2 Limited

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

10 Called up share capital

	2005		2004	
	Number	£'000	Number	£'000
Authorised				
Ordinary shares	2,000,000	2,000	2,000,000	2,000
Allotted, called up and fully paid				
2,000,000 Ordinary shares of £1 each		2,000		2,000

11 Profit and loss account

	As restated
	£'000
1 January as previously reported	12,174
Prior period adjustment – FRS21	(8)
At beginning of period	12,166
Retained profit for the financial period	8
At end of period	12,174

Dignity Holdings No. 2 Limited

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

12 Reconciliation of movement in shareholder's funds

	As restated	
	2005	2004
	£'000	£'000
Profit for the financial period	20,094	5,499
Dividends	(20,086)	(5,500)
Net addition to shareholder's funds	8	(1)
Opening shareholder's funds	14,166	14,167
Closing shareholder's funds	14,174	14,166

13 Ultimate holding company

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

As detailed in note 7, Dignity (2004) Limited acquired the entire issued share capital of the Company from Dignity plc by way of share for share exchange.

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

14 Contingent liabilities

On 11 April 2004, 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:

- The Company granted the Security Trustee, with full title guarantee a first fixed charge over the shares (and any monies receivable in respect of the shares) which it holds in Dignity Holdings Limited;

At 30 December 2005, the amount outstanding 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.