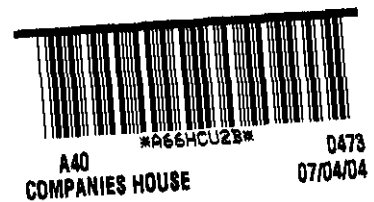


Dignity Holdings No. 2 Limited

Directors' report and financial statements

for the 52 week period ended 26 December 2003

Registered number: 04349722



# **Dignity Holdings No. 2 Limited**

## **Directors' report for the 52 week period ended 26 December 2003**

The directors present their report and the audited financial statements of Dignity Holdings No. 2 Limited ('the Company') for the 52 week period ended 26 December 2003. The Company is a subsidiary of the Dignity plc (formerly known as Dignity Limited) group ('the group') whose ultimate holding company is Dignity plc (formerly known as Dignity Limited).

### **Principal activities**

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

### **Results and dividends**

The results for the period are shown on page 4. No dividend (2002: £56,226,000) was declared or paid 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 26 December 2003 or 27 December 2002.

The directors are also directors of the ultimate parent company, Dignity plc (formerly known as Dignity Limited). 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 52 week period ended 26 December 2003 (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.

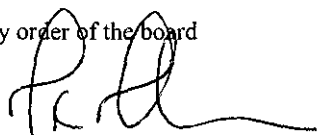
They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the 52 week period ended 26 December 2003, and that applicable accounting standards have been followed.

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



Director

29 MARCH 2004

## **Dignity Holdings No. 2 Limited**

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

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes, which have been prepared under the historical cost convention and the accounting policies set out in the statement of principal accounting policies.

#### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. 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 in to 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 transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

#### **Basis of audit opinion**

We conducted our audit in accordance with auditing standards 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 judgements 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 of the state of the Company's affairs at 26 December 2003 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

*PricewaterhouseCoopers LLP*

PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
Birmingham

*29 March 2004*

## Dignity Holdings No. 2 Limited

### Profit and loss account for the 52 week period ended 26 December 2003

		2003	2002
	Note	£'000	£'000
Administrative expenses		5	(112)
<b>Operating profit / (loss)</b>	3	<b>5</b>	<b>(112)</b>
Income from shares in group undertakings		-	68,500
<b>Profit on ordinary activities before taxation</b>		<b>5</b>	<b>68,388</b>
Tax on profit on ordinary activities	5	-	-
<b>Profit on ordinary activities after taxation</b>		<b>5</b>	<b>68,388</b>
Dividends paid	6	-	(56,226)
<b>Retained profit for the period</b>	11	<b>5</b>	<b>12,162</b>

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 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.

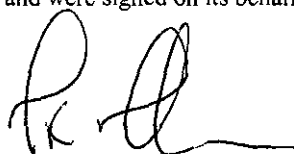
# Dignity Holdings No. 2 Limited

## Balance sheet as at 26 December 2003

	Note	2003 £'000	2002 £'000
<b>Fixed assets</b>			
Investments	7	1,500	1,500
<b>Current assets</b>			
Debtors - amounts falling due within one year	8	12,274	12,274
- amounts falling after more than one year	8	400	422
<b>Total current assets</b>		<b>12,674</b>	<b>12,696</b>
<b>Creditors – amounts falling due within one year</b>	9	<b>(7)</b>	<b>(34)</b>
<b>Net current assets</b>		<b>12,667</b>	<b>12,662</b>
<b>Total assets less current liabilities</b>		<b>14,167</b>	<b>14,162</b>
<b>Net assets</b>		<b>14,167</b>	<b>14,162</b>
<b>Capital and reserves</b>			
Called up share capital	10	2,000	2,000
Profit and loss account	11	12,167	12,162
<b>Equity shareholders' funds</b>	12	<b>14,167</b>	<b>14,162</b>

The financial statements on pages 4 to 13 were approved by the board of directors on 29 MARCH 2004

and were signed on its behalf by:



Director

# **Dignity Holdings No. 2 Limited**

## **Notes to the financial statements for the 52 week period ended 26 December 2003**

### **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 (formerly known as Dignity Limited) 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 (formerly known as Dignity Limited) which include a consolidated cash flow statement.

Furthermore, as the Company is a wholly owned subsidiary of Dignity plc (formerly known as Dignity Limited), 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 (formerly known as Dignity Limited) 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.

### **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 52 week period ended 26 December 2003

#### 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:

	2003	2002
	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 Tax on profit on ordinary activities

##### (a) Analysis of tax charge in the period

No current UK tax charge arises in the period as a consequence of the debt structure of the group, and that no payments are made for group relief.

##### (b) Factors affecting tax charge for the period

The current tax charge for the period is lower (2002: lower) than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2003	2002
	£'000	£'000
Profit on ordinary activities before tax	5	68,388
Profit on ordinary activities before tax multiplied by standard rate of corporation tax in the UK of 30%	2	20,516
Effects of:		
Income not chargeable for tax purposes	-	(20,550)
Group relief (claimed) / surrendered without charge	(2)	34
<b>Current tax charge for the period (note 5 (a))</b>	<b>-</b>	<b>-</b>



## Dignity Holdings No. 2 Limited

### Notes to the financial statements for the 52 week period ended 26 December 2003

#### 6 Dividends

	2003	2002
	£'000	£'000
'A' Ordinary shares paid nil (2002: £34.25 per share)	-	42,526
'B' Ordinary shares paid nil (2002: £34.25 per share)	-	13,700
	-	56,226

#### 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 through intermediate holding companies.

## Dignity Holdings No. 2 Limited

### Notes to the financial statements for the 52 week period ended 26 December 2003

#### 7 Investments (continued)

Shares in subsidiaries comprise:

	Activity	Number of shares at 26 December 2003	Percentage held
Dignity Services	Intermediate holding company	203,746,505 Ordinary at £1 each	100%
Dignity Funerals Limited	Funeral services	577,376,905 Ordinary at 10p each	100%
Pitcher & Le Quesne Limited	Funeral directors	100 Ordinary at £1 each	99%
Dignity Pre-Arrangement Limited	Pre-need funeral plans	5,001,001 Ordinary at £1 each	100%
Dignity Securities Limited	Pre-need funeral plans	19,801 Ordinary at £1 each 750,000 Redeemable Preference Shares at £1 each	100% 100%
Advance Planning Limited	Pre-need funeral plans	7,500 "A" Ordinary at £1 each 2,500 "B" Ordinary at £1 each 7,788,882 0.0000001p redeemable preference shares at £1 each	100% Nil 100%
Dignity Finance PLC	Finance company	50,000 Ordinary at £1 each	100% (see below)
Birkbeck Securities Limited	Intermediate holding company	1,102,271 Ordinary at £1 each	100%
Dignity Finance Holdings Limited	Intermediate holding company	50,000 Ordinary at £1 each	100%
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%
Dignity (2002) Limited	Intermediate holding company	2 Ordinary at £1 each	100%

All of the above are registered in England and Wales except for Pitcher and Le Quesne Limited, which is registered in Jersey and is effectively 100% controlled.

All of the above shareholdings are held indirectly, with the exception of Dignity Holdings Limited.

M K McCollum, a director of the Company holds one ordinary £1 share in Dignity Finance PLC.

## Dignity Holdings No. 2 Limited

### Notes to the financial statements for the 52 week period ended 26 December 2003

#### 8 Debtors

	2003	2002
	£'000	£'000
<hr/>		
Amounts falling due within one year:		
Amounts due from 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	422
	400	422
<hr/>		

#### 9 Creditors: amounts falling due within one year

	2003	2002
	£'000	£'000
<hr/>		
Amounts due to group undertakings	7	-
Accruals and deferred income	-	34
	7	34
<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 52 week period ended 26 December 2003

#### 10 Called up share capital

	2003		2002	
	Number	£'000	Number	£'000
<b>Authorised</b>				
<b>Equity Shares</b>				
Ordinary "A" shares of £1 each	1,241,635	1,242	1,241,635	1,242
Ordinary "B" shares of £1 each	400,000	400	400,000	400
Ordinary "C" shares of £1 each	300,000	300	300,000	300
Ordinary "D" shares of £1 each	58,365	58	58,365	58
	<b>2,000,000</b>	<b>2,000</b>	<b>2,000,000</b>	<b>2,000</b>

#### Allotted, called up and fully paid

##### Equity shares

2,000,000 Ordinary shares of £1 each	2,000
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Equal voting rights are attributable to the 'A', 'B', 'C' and 'D' shares. All of the issued shares rank pari passu for the purpose of dividends save that a dividend may be declared in respect of one particular class of shares, provided that no further dividend may be declared in respect of that particular class of shares until a dividend of an equal amount (calculated on a per share basis) has been declared in respect of each other class of shares.

#### 11 Reserves

	Profit and loss account
	£'000
At beginning of period	12,162
Retained profit for the financial period	5
<b>At end of period</b>	<b>12,167</b>

## Dignity Holdings No. 2 Limited

### Notes to the financial statements for the 52 week period ended 26 December 2003

#### 12 Reconciliation of movement in shareholders' funds

	2003	2002
	£'000	£'000
Profit for the financial period	5	68,388
Share capital issued	-	2,000
Dividends	-	(56,226)
Net addition to shareholders' funds	5	14,162
Opening shareholders' funds	14,162	-
Closing shareholders' funds	14,167	14,162

#### 13 Ultimate holding company

The Company's ultimate holding company and controlling party at 26 December 2003 and 27 December 2002 was Dignity plc (formerly known as Dignity Limited).

The parent company of the smallest and largest group in which the financial statements of the Company are consolidated is Dignity plc (formerly known as Dignity Limited). 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.

The immediate parent company is Dignity plc (formerly known as Dignity Limited).

Montagu Private Equity Limited and funds managed by its subsidiary companies control 65% of the share capital of the ultimate parent undertaking, Dignity plc (formerly known as Dignity Limited).

#### 14 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:

- 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 26 December 2003, the amount outstanding in relation to these borrowings was £261,374,000 (2002: £250,369,000).

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

## **Dignity Holdings No. 2 Limited**

### **Notes to the financial statements for the 52 week period ended 26 December 2003**

#### **15 Post balance sheet events**

On 19 March 2004, Dignity plc (formerly known as Dignity Limited), the Company's immediate and ultimate parent undertaking acquired the entire issued share capital of Dignity (2004) Limited (formerly known as Broomco (3369) Limited).

Following this transaction, Dignity (2004) Limited, Dignity plc and Dignity Mezzco Limited entered into a tripartite 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 Dignity plc 998 ordinary £1 shares.

Subsequently, Dignity (2004) Limited acquired the entire issued share capital of the Company from Dignity Limited by way of share for share exchange.