



Annual Report 2003

Contents

Financial Summary	6
Letter from the Chairman	7
CEO's Review of Operations	8
InvoCare Across Australia	14
Board of Directors	16
Corporate Governance	18
Directors' Report	22
Financial Report	29
Statements of Financial Performance	30
Statements of Financial Position	31
Statements of Cash Flows	32
Notes to the Financial Statements	33
Directors' Declaration	65
Independent Audit Report	66
Shareholder Information	67
Corporate Information	69



Simplicity Funerals



GUARDIAN FUNERALS



PINEGROVE MEMORIAL PARK
CEMETERY & CREMATORIUM

working together

InvoCare is Australia's **leading private** provider of funerals, burials and cremations. While our brands are varied and our locations widespread, our people are all **dedicated** to working towards the long-term success of the group.

At InvoCare, we provide **excellent service** and care to the families we serve. This is the cornerstone of our approach. We maximise synergies within our different businesses and **improve efficiencies** by promoting our major brands.

This coordinated focus drives our growth and delivers **solid results** for our shareholders.





“My father was also a professional funeral director, and while I’ve followed in his footsteps so much has changed. It’s refreshing to be part of a national brand like Simplicity, which is innovative yet simple and respectful.”

Rob James, Simplicity Funerals, Area Manager



“We provide an important function in administering prepaid funerals. People like the reassurance of knowing everything will be taken care of as planned. For some, those funds have been in place for many years. Having been with the group for more than 15 years, I still find one of the most satisfying aspects of my role is helping people.”

Gael Ellis, National Fund Administration Manager



“Being a White Lady means we are recognised everywhere for the distinctive style we have brought to the industry. I love being a part of something that can be so special to those families who need us at such a distressing time.”

Lauren Hardgrove, White Lady Community Relations Manager



“What I do can affect families forever. I am responsible for presenting someone’s family member or friend for a final viewing. InvoCare’s facilities give me the chance to constantly raise the bar in performing this role.”

Craig Kokernoot, Embalmer



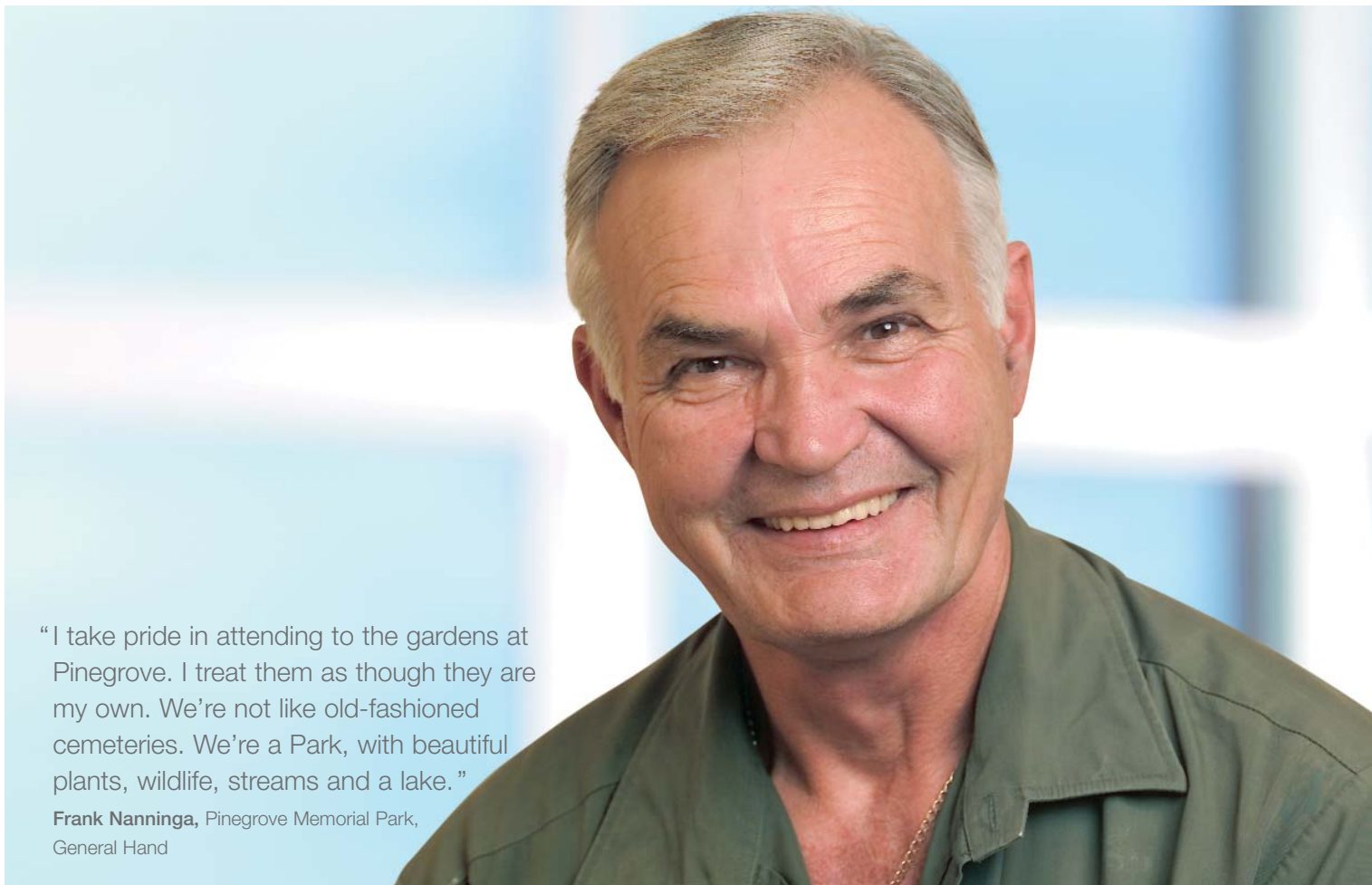
“I work behind the scenes, so for me, being a part of InvoCare is being part of an organisation that recognises the chance for every employee to advance and expand their role. It’s a company with strong management and leadership, and great people.”

Ruth Hilton-Bell, Corporate Accountant



“I’m privileged to have been one of the select few in Australia to be awarded a Master Funeral Director certificate. My expertise allows me to deliver a higher level of professionalism to the new Guardian Funerals brand. It’s why I’m part of a company that understands the importance of putting the families we serve first.”

Barry Steward, Regional Manager



“I take pride in attending to the gardens at Pinegrove. I treat them as though they are my own. We’re not like old-fashioned cemeteries. We’re a Park, with beautiful plants, wildlife, streams and a lake.”

Frank Nanninga, Pinegrove Memorial Park,
General Hand



“Each day I have the chance to guide families in choosing a fitting memorial. We are constantly adding to our list of memorial products so families can choose something more personal. It’s why InvoCare is the industry leader and it’s why I love working for a company in which I can also have a real share.”

Rosanna Kleckin, Rookwood Memorial Gardens
and Crematorium, Family Service Manager

Financial Summary

The key financial targets we forecast in our IPO Prospectus were exceeded. We are pleased with these solid results notwithstanding a decline in the number of deaths in 2003 compared to the previous year.

\$140.3 million Total sales revenue
(Prospectus forecast: \$138.3 million)

12.0 cents Earnings per share
(Prospectus forecast: 10.6 cents)

\$11.7 million Profit after tax
(Prospectus forecast: \$10.3 million)

\$41.0 million EBITDA
(Prospectus forecast: \$39.6 million)

\$24.6 million Free cash flow
(Prospectus forecast: \$20.8 million)

Letter from the Chairman



Ian Ferrier

In our industry, quality of service determines success. This is why we work so diligently on our service ability. We are leaders in our industry because we offer the best care.

Dear Shareholder,

OUR PAST YEAR has been one of transition. We changed our name to InvoCare, became a public company and welcomed Tina Clifton, Richard Fisher and Mike Grehan to our Board.

Listing InvoCare on the Australian Stock Exchange (ASX) is the most important step in the history of our company. It allowed us to broaden our shareholder base and build on the services we provide. It also meant we could offer our own people some real ownership in the business.

Our name is what we are: a company of innovation, vocation and care. *Innovation* – how we operate our business, train our staff and market our services; *vocation* – the attitude and professionalism of our staff; and *care* – because we are dedicated to the families we serve.

Of course, quality service is not possible without quality staff. With more than 1,000 people in 136 locations, we can claim wide coverage. But where we are is not as important as what we do. Our people are courteous, they know our service offerings and they understand the unique circumstances in which we operate every day.

As an Australian company that invests in Australia – with a strong financial base, established brands, experienced management, growth opportunities and solid business processes – we can look forward to a bright future.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Ian Ferrier'.

Ian Ferrier
Chairman

CEO's Review of Operations



Richard Davis

“ Our transition to a public company has been a success. We see the 2003 achievements as the benchmarks on which we plan to improve and expand. We have much we want to achieve and I am convinced we will continue to lead our industry because InvoCare people view their role as more than just a job. ”

Richard Davis, CHIEF EXECUTIVE OFFICER

TO MAINTAIN OUR STANDING as the industry leader carries expectations in enhancing performance, setting new benchmarks and continuously improving our level of service.

We take these responsibilities seriously at InvoCare. It is one of the reasons that in the 2003 year we have not only met the benchmarks set in our Prospectus, but also surpassed them.

Our successful float on ASX on 4 December 2003 was a landmark day for our company.

We enjoy solid support from institutions and retail investors, having more than 5,000 shareholders. However, the listing is only the beginning of the next chapter in our evolution.

FINANCIAL FORECAST EXCEEDED

We have exceeded the forecasts in our Prospectus. Total sales revenues from operating activities for 2003 were \$140.3 million.

This surpassed our forecast of \$138.3 million by 1.5% and our 2002 revenue of \$137 million. Our EBITDA of \$41 million exceeded our forecast of \$39.6 million by 3.5%.

InvoCare made a net profit after tax of \$11.7 million for the year to the end of December 2003. This compares to Prospectus expectations of \$10.3 million, and a profit in 2002 of \$10.11 million. Our free cash flow of \$24.6 million exceeded our forecast of \$20.8 million by 18.2%.

Capital expenditure was lower than anticipated due to delays in getting development approvals from local councils. We have reduced our debt of \$160 million just prior to listing to \$155 million today.

FUNERAL, CEMETERY AND CREMATORIUM OPERATIONS

Our market share for funerals remains stable, with InvoCare performing about one in five funerals in Australia. Our revenue from funerals of \$91.9 million eclipsed our forecast of \$90.5 million by 1.6% in 2003.

Prepaid funerals are important to us because they represent a significant part of our future business. In this area, we need to know how we are performing in terms of both the number of contracts we write and the return on investment we are achieving.



Review of Operations (continued)



FUNERAL, CEMETERY AND CREMATORIUM OPERATIONS (continued)

About 13% of our funerals performed in 2003 were prepaid and new prepaid contracts sold were in line with redemptions. As at 31 December 2003, \$169.5 million was held in trust for prepaid funerals and related services compared to the \$157.4 million held the year prior.

The gross return before administration fees for funds held in trust was 7.5% for the 12 months to 31 December 2003 and 5% per annum over the past five years.

The asset allocation of these trust funds continued to have a growth bias with 47% invested in Australian equities, 3% in international equities, 46% in cash and fixed interest, 4% in Australian property.

If the return on the trust funds is greater than the increase in costs of providing services then we will improve our margins, when the prepaid contracts are performed.

In NSW and Queensland, we operate 12 cemeteries and crematoria of which we own 11. The use of these facilities is not exclusive to our funeral homes, nor are our funeral homes restricted to using them. In other states, regulation prevents or inhibits private ownership.

The revenues for these operations of \$48.4 million in 2003 exceeded our forecast of \$47.8 million by 1.2%.

Key focus areas

ACQUISITIONS AND ORGANIC GROWTH

Our industry remains somewhat fragmented, leaving opportunities in most markets for growth. We believe we can expand our business by acquisition, which is the quickest way to grow, and through organic growth.

Acquisition has the potential to yield further economies of scale for InvoCare.

For organic growth, we have a long-term strategy to capitalise on the recognition that our leading brands enjoy, particularly White Lady, Simplicity and our major metropolitan brands in capital cities. This will include opening new locations.

BRANDING

InvoCare enjoys high brand awareness in all our markets. We are proud of this achievement but we want to continue to enhance their standing.

We believe we can grow our business by extending the reach of White Lady, Simplicity and our major traditional style brands. Their widespread and distinct brand awareness means we can launch them in new locations relatively easily.

In Sydney, we currently have many traditional style branded funeral homes. We have embarked on a strategy to create an umbrella brand called Guardian Funerals. This will allow many of the traditional funeral brands to capitalise on Guardian's ability to promote them on a larger scale in the marketplace, while maintaining the goodwill, heritage and reputation held in their individual brands.

Our traditional style funeral homes in other states, which include brands that have been around for more than 100 years, are already positioned similarly to Guardian Funerals. These brands are household names in the markets they serve – for example, Blackwell Funerals in Adelaide, George Hartnett Funerals in Brisbane, Le Pine Funerals in Melbourne and Purslowe Funerals in Perth.

MEMORIALS

We believe InvoCare is well positioned to increase our memorial revenue from our crematoria and cemeteries through promoting the benefits of having a memorial as well as offering new products. About one-third of the families who have a cremation at our facilities also purchase a memorial, so there is a definite opportunity to grow our business in this area.

SERVICE LEVELS

The three biggest drivers in selecting a funeral services provider are previous experience, recommendation and location. I believe our staff provide the best service in Australia, but since referrals are so important to InvoCare, we take the approach that service improvement never ends. This is why we distribute a survey to all our client families after they have used our service to gauge what they thought of our performance.



The customer survey also provides us with valuable feedback on our products, services and staff performance, and gives us direction for future products, services and staff training.

Review of Operations (continued)



We have reached a stage where – from a response rate of more than one in three clients – 97% would “definitely” or “probably” recommend our services. To me, that is one of the most important things about our business because it reveals we are doing the right thing. We know because our clients tell us. We never lose sight of the fact that what we do today has enormous impact on what will happen tomorrow.

OUR STAFF AND COMMUNITY

Our staff are InvoCare’s most important asset. They are the people dealing with families on a day to day basis, offering guidance, care and compassion in a distressing time. Our people are the public face of InvoCare. They are also the driving force behind our success.

It is not just the funeral arrangers or the family service staff at our cemeteries and crematoria who have an important role. There are many people behind the scenes who ensure each family’s needs are catered for in the utmost detail.

We have a training network in place that focuses on important areas such as grief awareness, communicating with grieving families, arranging funerals and other services.

Staff are actively involved in their local communities. Many are members of organisations such as Rotary, the RSL and local Chambers of Commerce. They support local charities, nursing homes and sporting teams through sponsorship or by volunteering their time. Staff in each location recognise the importance of being an active member of their local community.

The people who work for InvoCare come from a variety of backgrounds, from those whose families have been involved in the industry for generations to those from unrelated areas such as teaching and nursing. We seek to attract the best people and make every effort to ensure they stay with the company long term.

OCCUPATIONAL HEALTH AND SAFETY

We take Occupational Health and Safety (OH&S) issues very seriously and we already have policies and procedures in place concerning these issues. We recently appointed a National OH&S Manager to continue to implement systems that improve the safety of staff, contractors and the public. The objective is to continue to train managers, supervisors and other staff and ensure they are provided with the skills needed to understand the principles of consultation and involvement in risk management.

ASSET MANAGEMENT

We closely monitor the contribution and return on investment of our owned locations. We will maintain our focus on asset returns based on their existing and alternative uses. We will divest assets that are not performing, depending on their strategic importance to the company. The proceeds from these sales are likely to be applied against debt reduction.

The company is well advanced in developing a new computer system, the implementation of which is scheduled to commence later this year. The system will replace and update our existing financial and operational systems whilst providing additional valuable information on the utilisation of our resources, including labour and vehicles.

LOOKING AHEAD

As a public company, InvoCare is well positioned to grow both organically and by acquisition. The company's strong brands, its network of locations, its commitment to customer service and the projected increase in the number of deaths will enable the company to continue to grow.

InvoCare's ability to leverage its operational capacity will provide for further margin improvement over time. InvoCare's strong cash flows enable the company to reduce its debt resulting in improved earnings per share growth, whilst being able to pay dividends and allow for necessary capital expenditure.

We are conscious of the fact that as we grow our business we should never lose sight of the reason people come to us in the first place – to help them say farewell with dignity and meaning.

Into every one of the thousands of services we perform each year goes our personal attention, our experience, our focus on service and, of course our compassion. This is what InvoCare is all about.



Richard Davis
Chief Executive Officer



InvoCare Across Australia

a total of **124** city and regional funeral and crematoria locations and **12** cemeteries

conducting approximately **20%** of the nation's funerals

average **70%** brand awareness for Simplicity Funerals (in the state capital cities in which it operates)

average **75%** brand awareness for White Lady Funerals (in the state capital cities in which it operates)

employs over **1,000** people

conducts more than **26,000** funerals a year

average **80%** brand awareness for Le Pine, Purslowe, George Hartnett and Blackwell Funerals (in the state capital cities in which these operate)





Board of Directors



MR IAN FERRIER CA
Chairman of the Board
Chairman of Remuneration Committee
Member of Risk Committee

Ian Ferrier has held the position of Chairman of InvoCare Limited since 2001. Ian is a Senior Founding Partner of Ferrier Hodgson Accountants, Australia's largest firm of reconstruction accountants. Ian is the Chairman of Port Douglas Reef Resorts and a Non-Executive Director of McGuigan Simeon Wines Limited, Macquarie Goodman Management Limited and MIA Group Limited. As senior partner of Ferrier Hodgson, Ian has gained vast experience in numerous commercial fields. Ian is a Fellow of the Institute of Chartered Accountants in Australia and a Member of the Hong Kong Society of Accountants.

MR RICHARD DAVIS B.Ec
Chief Executive Officer

Richard Davis has held the position of Chief Executive Officer of InvoCare Limited since 1995. Richard is a Director of The Over 50s Guardian Friendly Society Limited and Chairman of the Singapore Casket Co Pte Limited, Singapore's leading funeral provider. Richard was recruited to the position of Chief Financial Officer of Chase Corporation's funeral business in 1989 and stayed on in this position when the business was acquired by Industrial Equity Limited, following which he became Chief Executive Officer. Prior to joining the funeral industry, Richard worked in venture capital and as an accounting partner of Bird Cameron. Richard holds a Bachelor of Economics from the University of Sydney.

MR MIKE GREHAN B.Acc, MBA
Chief Operating Officer

Mike Grehan has held the position of Chief Operating Officer of InvoCare Limited since March 2000. Prior to joining InvoCare, Mike held senior management positions across a number of different industries. These included Managing Director of National Jet Systems, Group Financial Controller overseeing all financial and commercial activities of Qantas' subsidiary businesses, including Regional Airlines, Flight Catering, Resorts, Freight and Property, and a long-term secondment as General Manager Purchasing, Distribution with Carrier Airconditioning. Prior to moving into management, Mike was a chartered accountant specialising in insolvency with KPMG, including two years spent in the United States with the firm. Mike holds a Bachelor of Business Accountancy and a Master of Business Administration from the Queensland University of Technology.



MR JOHN MURPHY B.Comm,
M.Comm, CA, FCPA
Non-Executive Director
Chairman of Audit Committee
Member of Remuneration Committee

John Murphy is Managing Director of Investec Wentworth Private Equity Pty Limited, a leading Australian private equity firm, and sits on the Board of each of the fund's seven investments. John is also a Director of Investec Bank (Australia) Limited, Southcorp Limited and the First Wine Fund Limited. Before founding the private equity business, five years ago, John spent 25 years with an international accounting firm including 14 years as a global partner. In that time John held a number of Australian and Asia Pacific management roles and has extensive experience in the areas of Corporate Recovery, Corporate Finance and Mergers and Acquisitions. John holds a Bachelor and Master of Commerce from the University of New South Wales. John is a member of the Institute of Chartered Accountants in Australia and a Fellow of CPA Australia.

DR CHRISTINE (TINA) CLIFTON
MB BS (Hons), BHA, FRACMA
Non-Executive Director
Chairman of Risk Committee
Member of Audit Committee

Tina Clifton is a registered medical practitioner. Tina's current Directorships include HCF, Ambri Limited and IWPE Nominees Pty Limited. Tina was formerly a Director of the Garvan Institute of Medical Research, the Victor Chang Cardiac Research Institute and St Vincents Hospitals. Prior to 2001 Tina held various positions in the public and private healthcare sectors including Chief Executive Officer of the Sisters of Charity Health Service in New South Wales and deputy Chief Executive Officer of the Northern Sydney Area Health Service. From 1980 to 1988 Tina was a general practitioner. Tina holds degrees in medicine and health administration, and also has a specialist qualification in medical administration.

MR RICHARD FISHER M.Ec, LLB
Non-Executive Director
Member of Risk Committee
Member of Audit Committee

Richard Fisher is a partner at Blake Dawson Waldron, specialising in corporate law, and also holds the position of Chairman of Partners. Richard is a former part-time Commissioner at the Australian Law Reform Commission and is a current International Consultant for the Asian Development Bank. Richard holds a Master of Economics from the University of New England and a Bachelor of Laws from the University of Sydney.

Corporate Governance

INVOCARE LIMITED (the company) and the Board are committed to achieving and demonstrating the highest standards of corporate governance. Prior to the company's listing on ASX, an initial review of the company's corporate governance framework was performed, in light of the best practice recommendations released by the ASX Corporate Governance Council in March 2003. A number of changes have been made and are still to be made as a result of this review or other recent governance developments. It is the company's intention to comply with the recommendations.

The relationship between the Board and Senior Management is important to InvoCare's longterm success. Day to day management of InvoCare's affairs and the implementation of the corporate strategy and policy initiatives are formally delegated by the Board to the Chief Executive Officer (CEO) and Senior Executives as set out in InvoCare's delegations policy. These delegations are reviewed on an annual basis.

A description of InvoCare's main corporate governance practices is set out below. All these practices, unless otherwise stated, were in place for the entire year.

THE BOARD OF DIRECTORS

Board Composition

The Board currently comprises six Directors, being four Non-Executive Directors (including the Chairman) and two Executive Directors. The roles of Chairman and CEO are separate. The skills, experience and expertise of each Director is set out in the Directors' Report under the heading "Information on Directors".

The Board has assessed the independence of Non-Executive Directors in light of their interests and relationships and considers them all to be independent.

The Board has considered establishing a Nomination Committee and decided in view of the relatively small number of Directors that such a Committee would not be a more efficient mechanism than the full Board for detailed selection and appointment practices.

The Chairman is elected by the full Board.

InvoCare's Constitution requires one-third of the Directors (excluding the Managing Director) to retire from office at the Annual General Meeting (AGM) each year.

There is and will at all times be a Non-Executive Chairman of the Board and a majority of Non-Executive Directors.

Responsibilities

The Board of Directors is responsible for reviewing and approving the strategic direction of InvoCare and for overseeing and monitoring its business and affairs including maintenance of sound corporate governance.

The Board reviews and approves InvoCare's strategic and business plans and guiding policies. Day to day management of InvoCare's affairs is delegated to the CEO and Senior Executives.

The responsibilities of the Board include:

- contributing to the development of and approving the corporate strategy
- reviewing and approving business plans, the annual budget and financial plans including available resources and major capital expenditure initiatives
- overseeing and monitoring:
 - organisational performance and the achievement of InvoCare's strategic goals and objectives
 - compliance with InvoCare's code of conduct
 - progress of major capital expenditures and other significant corporate projects including any acquisitions or divestments
- monitoring financial performance including approval of the annual and half-year Financial Reports and liaison with InvoCare's auditor
- appointment, performance assessment and, if necessary, removal of the CEO
- ratifying the appointment and/or removal and contributing to the performance assessment for the members of the Senior Management team including the Chief Operating Officer (COO), Chief Financial Officer (CFO) and the Company Secretary
- ensuring there are effective management processes in place and approving major corporate initiatives
- enhancing and protecting the reputation of InvoCare
- ensuring the significant risks facing InvoCare, including those associated with its legal compliance obligations, have been identified and appropriate and adequate control, monitoring, accountability and reporting mechanisms are in place
- reporting to shareholders.

In fulfilling these functions, the Directors seek to enhance shareholder value and protect the interests of stakeholders.

Non-Executive Directors

The four Non-Executive Directors meet twice during the year, in scheduled sessions without the presence of management, to discuss the operation of the Board and a range of other matters. Relevant matters arising from these meetings are shared with the full Board.

Chairman and Chief Executive Officer (CEO)

The Chairman is responsible for leading the Board, ensuring that Board activities are organised and efficiently conducted and for ensuring Directors are properly briefed for meetings. The CEO is responsible for implementing InvoCare's strategies and policies. The Board charter specifies that these are separate roles to be undertaken by separate people.

Commitments

The Board meets regularly 12 months of the year. There may be additional meetings to deal with particular matters, for example, strategic planning direction and corporate strategies. At least two of the meetings include visits to operations and meeting employees.

The Chairman and the CEO meet regularly to discuss key issues and performance trends of InvoCare. Other Directors maintain contact with relevant Senior Managers arising from dealings on Committees.

Each month the Directors receive a detailed operating review from the CEO regardless of whether or not a Board meeting is being held.

Conflict of Interest

Potential conflicts of interest by Directors will be reported to the Board and if necessary Directors will be excluded from discussion of the relevant matter and will not vote on that matter.

Independent Professional Advice

Directors and Board Committees have the right, in connection with their duties and responsibilities, to seek independent professional advice at InvoCare's expense. Prior written approval of the Chairman is required, but this will not be unreasonably withheld.

Performance Assessment

The intention is for the Chairman to annually assess the performance of individual Directors and meet privately with each Director to discuss this assessment. The Chairman's performance is reviewed by the Board. Directors will conform to the Board's agreed performance criteria for Directors.

Board Committees

The Board has established a number of Committees to assist in the execution of its duties and to allow detailed consideration of complex issues. Current Committees of the Board are the Audit Committee, Risk Committee and Remuneration Committee. Each is comprised entirely of Non-Executive Directors. The Committee structure and membership are reviewed on an annual basis.

Each of these Committees is developing its own written charter setting out its role and responsibilities, composition, structure, membership requirements and the manner in which the Committee is to operate. All of these charters will be reviewed on an annual basis. All matters determined by Committees are submitted to the full Board as recommendations for Board decision.

Minutes of Committee meetings are tabled at the immediately subsequent Board meeting. Additional requirements for specific reporting by the Committees to the Board are addressed in the charter of the individual Committees.

Remuneration Committee

The Remuneration Committee is chaired by Ian Ferrier with the other member being John Murphy.

The Committee, when deemed necessary, obtains independent advice on the appropriateness of remuneration packages.

The Remuneration Committee advises the Board on remuneration policies and practices generally, and makes specific recommendations on remuneration packages and other terms of employment for Executive Directors, other Senior Executives and Non-Executive Directors.

Executive remuneration and other terms of employment are reviewed annually by the Committee having regard to personal and corporate performance, contribution to long-term growth, relevant comparative information and independent expert advice. As well as a base salary, remuneration packages include superannuation, performance-related bonuses and fringe benefits.

Corporate Governance (continued)

The Remuneration Committee's terms of reference include responsibility for reviewing any transactions between InvoCare and the Directors, or any interest associated with the Directors, to ensure the structure and the terms of the transaction are in compliance with the Corporations Act 2001 and are appropriately disclosed.

The Committee also assumes responsibility for management succession planning, including the implementation of appropriate Executive development programs and ensuring adequate arrangements are in place, so that appropriate candidates are recruited for later promotion to senior positions.

Audit Committee

The Audit Committee is chaired by John Murphy with the other members being Christine Clifton and Richard Fisher. The members possess sufficient technical expertise and knowledge of the industry to fulfil the functions of the Committee. The Committee meets at least four times each year.

The Audit Committee operates in accordance with a charter which is being reviewed. The main responsibilities of the Committee are to:

- review, assess and approve the Annual Reports, the half-year Financial Report and all other financial information published by InvoCare or released to the market
- review and monitor InvoCare's compliance with law and ASX Listing Rules
- assist the Board in reviewing the effectiveness of InvoCare's internal control environment covering:
 - reliability of financial reporting
 - compliance with applicable laws and regulations
- determine the scope of the internal audit function and ensure that its resources are adequate and used effectively, and assess its performance, including independence
- recommend to the Board the appointment, removal and remuneration of the external auditor, and review the terms of its engagement, the scope and quality of the audit and assess performance
- consider the independence and competence of the external auditor on an ongoing basis
- review and approve the level of non-audit services provided by the external auditor and ensure it does not adversely impact on auditor independence

- review and monitor related party transactions and assess their propriety
- report to the Board on matters relevant to the Committee's role and responsibilities.

In fulfilling its responsibilities, the Audit Committee:

- receives regular reports from management and the external auditor
- meets with the external auditor at least twice a year or more frequently if necessary
- requires the CEO and CFO to state in writing to the Board that InvoCare's Financial Reports present a true and fair view, in all material respects, of InvoCare's financial condition, operational results and are in accordance with relevant accounting standards
- reviews any significant disagreements between the auditor and management, irrespective of whether they have been resolved
- meets separately with the external auditor at least twice a year without the presence of management
- provides the external auditor with a clear line of direct communication at any time to either the Chairman of the Audit Committee or the Chairman of the Board.

The Audit Committee has authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party.

External Auditor

The policy of InvoCare and the Audit Committee is to appoint an external auditor which clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually taking into consideration assessment of performance. PricewaterhouseCoopers was appointed as the external auditor in 1994. It is PricewaterhouseCoopers' policy to rotate audit engagement partners on listed companies at least every seven years, and in accordance with that policy a new audit engagement partner was introduced for the year ended 31 December 2000. This policy will be amended to comply with the requirements of CLERP 9.

An analysis of fees paid to the external auditor, including a breakdown of fees for non-audit services, is provided in Note 36 – Remuneration of auditor. It is the policy of the external auditor to provide an annual declaration of its independence to the Audit Committee.

Risk Committee

The Risk Committee, which was previously incorporated in the Audit Committee, is chaired by Christine Clifton and the other member is Richard Fisher. The members possess sufficient technical expertise and industry knowledge to fulfil the functions of the Committee. The Committee meets at least twice each year.

The Risk Committee operates in accordance with a charter which is currently under review. The main responsibilities of the Committee are:

- to establish a sound system of risk oversight and management and internal control under which InvoCare can identify, assess, monitor and manage risk
- to inform investors of material changes to the risk profile of InvoCare and maintain appropriate risk management practices and systems throughout the operations of InvoCare
- the management of operational and compliance risks, including but not limited to:
 - InvoCare's insurance program
 - environmental policy and issues
 - occupational health and safety
 - disaster recovery strategy
 - litigation against InvoCare
 - industry related regulatory compliance
 - compliance with the policy framework in place from time to time
 - internal controls over operational risks
 - InvoCare's overall operational risk management program.

The Risk Committee does not have responsibility in relation to strategic or financial (including information technology) risk management, which is the focus of InvoCare's Audit Committee.

Code of Conduct

InvoCare has developed a code of conduct (the code) which applies to all Directors and employees. The code is updated as necessary to ensure it reflects the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in InvoCare's integrity.

In summary, the code requires that at all times all InvoCare personnel act with the utmost integrity, objectivity and in compliance with the letter and the spirit of the law and InvoCare policies.

The purchase and sale of InvoCare Limited securities by Directors and employees is only permitted during the 30 day period following the release of the half-yearly and annual financial results to the market and the AGM of InvoCare. Any transactions undertaken must be notified to the Company Secretary in advance.

Continuous Disclosure and Shareholder Communication

The CEO and Company Secretary have been nominated as the people responsible for communications with ASX. This role includes responsibility for ensuring compliance with the continuous disclosure requirements in ASX listing rules and overseeing and coordinating information disclosure to ASX, analysts, brokers, shareholders, the media and the public.

All information disclosed to ASX is posted on InvoCare's website as soon as it is disclosed to ASX. When analysts are briefed on aspects of InvoCare's operations, the material used in the presentation is released to ASX and posted on InvoCare's website. Procedures have also been established for reviewing whether any price sensitive information has been inadvertently disclosed, and if so, this information is also immediately released to the market.

All shareholders will receive a copy of InvoCare's Annual Report (unless a shareholder has specifically requested not to receive the document). In addition, InvoCare seeks to provide opportunities for shareholders to participate through electronic means. All recent InvoCare announcements, media briefings, details of InvoCare meetings, press releases and Financial Reports are available on InvoCare's website www.invocare.com.au.

Directors' Report

THE DIRECTORS submit their report on the consolidated entity consisting of InvoCare Limited (the company) and the entities it controlled for the year ended 31 December 2003. This is the first report submitted after the successful listing of InvoCare Limited on ASX on 4 December 2003. InvoCare Limited and its controlled entities together are referred to as InvoCare or the consolidated entity in this Financial Report.

DIRECTORS

The names of the Directors of InvoCare Limited in office during the financial year and until the date of this report were:

Ian D Ferrier

Richard H Davis

Mike J Grehan
(Appointed 24 October 2003)

John W Murphy

Christine L Clifton
(Appointed 24 October 2003)

Richard H Fisher
(Appointed 24 October 2003)

Patrick F Elliott
(Resigned 24 October 2003)

MacDonell Roehm Jr
(Resigned 24 October 2003)

Michael R Webb
(Resigned 24 October 2003)

All Directors were in office from the beginning of the financial year until the date of this report, unless otherwise stated.

PRINCIPAL ACTIVITIES

InvoCare is Australia's leading private provider of services to the funeral industry. There were no significant changes in the nature of these activities during the year.

BACKGROUND INFORMATION

This is InvoCare Limited's first Annual Report provided to the market following the Initial Public Offering (IPO) and listing on ASX on 4 December 2003. The Prospectus, dated 31 October 2003, contained information about InvoCare and the IPO, including details of the share buy-back and dividend paid in March 2003 and the proposed restructuring of InvoCare Limited's share capital and debt financing arrangements just prior to listing. These capital and debt changes were effected and 93,142,105 ordinary shares, representing 99.3% of InvoCare Limited's undiluted issued shares, were offered and sold by the former owners, the majority of whom were private equity investors.

Financial information in this report, including information about dividends and earnings per share, should be read in the context of the public listing in December 2003 and the substantial change in InvoCare Limited's capital structure, debt arrangements and shareholdings.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Significant changes in the state of affairs of InvoCare during the year ended 31 December 2003 are listed below.

- Dividend payment to ordinary and preference shareholders on 28 March 2003 amounting to \$15,000,000 (representing 20 cents per share fully franked).
- Buy-back of 3,125,000 ordinary shares and 12,500,000 preference shares on 28 March 2003 for the total consideration of \$25,000,000 (representing \$1.60 per share).
- Increased borrowings by \$40,000,000 on 28 March 2003 to fund the dividend and share buy-back.
- SCIA Holdings Pty Limited changed its name to InvoCare Pty Limited on 9 September 2003 and converted from a proprietary company to a public company on 30 October 2003 at which date its name became InvoCare Limited.

- InvoCare Limited lodged a Prospectus on 31 October 2003 under which 93,142,105 ordinary shares, representing 99.3% of the company's undiluted ordinary shares, were offered for sale by the owners of those shares. As part of this IPO, the company's share capital and financing facilities were restructured.
- InvoCare Limited listed on ASX on 4 December 2003. The proceeds of the IPO, net of applicable costs, were received by the vendors of the shares. The company did not raise any capital from the IPO.
- Operating cash flow for the year was \$23.5 million compared to the Prospectus forecast of \$20.9 million, mainly due to the impact of higher than forecast revenues.
- Earnings per share (basic) were 12.0 cents per share compared to the Prospectus forecast of 10.6 cents per share.
- Market share has been maintained at approximately 20% of the Australian market.
- The Directors have determined that no further dividend will be payable in respect of the 2003 year as forecast in the Prospectus. There was a dividend of \$15 million paid to the previous shareholders in March 2003.

REVIEW OF OPERATIONS

The key highlights for the year include:

- On 4 December 2003, the company listed on ASX as a result of an IPO where existing shareholders, except the Managing Director Richard Davis, sold all of their shares. The Directors believe this is a major step in the development of the company in offering opportunities for improved capital management, flexibility and growth as well as enabling employees to participate in the ownership of the company.
- The consolidated net profit for the year after tax attributable to members of InvoCare Limited was \$11.6 million compared to the Prospectus forecast of \$10.3 million and \$10.1 million in 2002. This profit includes gain on sale of assets of \$2.7 million (before tax) and refinancing and restructuring costs during the year of \$2.1 million (before tax). Also costs associated with being a public company are included due to the company listing on ASX in December 2003.
- Revenues from operating activities were \$140.3 million, an increase of 2.4% over the previous year and 1.5% higher than the Prospectus forecast. This was achieved despite a decline in the number of deaths compared to the previous year, in the markets in which InvoCare operates. Preliminary Australian Bureau of Statistics data indicates a decline compared to the corresponding period in 2002, which adversely affected revenues and profit.
- The company has commenced implementation of its new Guardian branding and marketing strategy which will be rolled out in the Sydney market during 2004 to complement the strong branding position already in place of its national brands, White Lady and Simplicity.
- Marketing of prepaid funerals continued during the year and at December 2003 the company had \$169.5 million of funds in trust for prepaid funerals and prepaid cemetery and crematoria services. This is an increase of 7.7% compared to December 2002. During 2003, 13% of funerals performed were previously prepaid with the company.
- Significant progress was made in the development of new IT systems for the financial and operational aspects of the business and these are on track to be implemented in the second and third quarters of 2004.

Directors' Report (continued)

DIVIDENDS

The interim dividend of 20 cents per share (franked amount 20 cents per share) was paid on 28 March 2003 to the former owners of InvoCare Limited. At that time InvoCare Limited was not publicly listed and its share capital comprised both ordinary and preference shares. InvoCare Limited's share capital was restructured immediately before the allocation of ordinary shares pursuant to the Prospectus dated 31 October 2003 and InvoCare Limited's listing on ASX on 4 December 2003. Due to the capital restructure and listing, the 2003 interim dividend is not indicative of any future dividends per share.

As stated in InvoCare Limited's Prospectus dated 31 October 2003, no final dividend will be paid in respect of the 2003 financial year.

Further, as stated in the Prospectus, an interim dividend is expected to be paid each year in October and a final dividend is expected to be paid annually in April of the following year. The payment of dividends by InvoCare Limited in the future will be at the complete discretion of the Directors and will depend upon InvoCare Limited's available distributable earnings, franking credit balance, operating results, available cash flow, financial condition, outlook, terms of the debt financing facility, taxation position and future capital requirements, as well as general business and financial conditions and any other factors the Directors may consider relevant.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

There have been no significant events occurring after balance date which have significantly affected or may significantly affect either InvoCare's operations or results of those operations or InvoCare's state of affairs in future financial years.

FUTURE DEVELOPMENTS AND RESULTS

Likely developments and results have been discussed above in the review of operations.

Further information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the Directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

ENVIRONMENTAL REGULATION AND PERFORMANCE

InvoCare is committed to the protection of the environment, the health and safety of its employees, customers and the general public, as well as compliance with all applicable environmental laws, rules and regulations in the jurisdictions in which the consolidated entity operates its business. The consolidated entity is subject to environmental regulation in respect of its operations, including some regulations covering the disposal of mortuary and pathological waste and the storage of hazardous materials. InvoCare has Environmental Risk Management Systems in place at its appropriate locations.

There have been no claims during the year and the Directors believe InvoCare has complied with all relevant environmental regulations and holds all relevant licences.

INFORMATION ON DIRECTORS

Details of the Directors' qualifications and experience are set out on pages 16 and 17.

COMPANY SECRETARY

Mr Kenneth Mealey

B.Comm, CPA, Chief Financial Officer

Kenneth Mealey has held the position of Company Secretary and Chief Financial Officer since joining the consolidated entity in 1994. Prior to joining the consolidated entity, Kenneth had considerable senior management and financial experience across several industries, including five years as Finance Director and Company Secretary of previously listed company Hunter Douglas Limited, two years as Technology Division Finance Director for Lend Lease Corporation and 10 years as Director of Finance and Administration at Otis Elevator Company Pty Limited. Kenneth holds a Bachelor of Commerce from the University of New South Wales and is a member of CPA Australia.

MEETINGS OF DIRECTORS

During the year ended 31 December 2003, the number of meetings of the Board of Directors and of each Board Committee and the number of meetings attended by each of the Directors is as follows:

	Full Board Meetings		Audit		Meetings of Committees Remuneration		Risk		No. attended
	No. eligible to attend	No. attended	No. eligible to attend	No. attended	No. eligible to attend	No. attended	No. eligible to attend	No. attended	
Ian Ferrier	17	17	–	–	1	1	1	1	
Richard Davis	17	17	2	2	–	–	1	1	
John Murphy	17	16	2	2	1	1	1	1	
Mike Grehan (appointed 24 October 2003)	5	5	–	–	–	–	–	–	
Christine Clifton (appointed 24 October 2003)	5	5	–	–	–	–	–	–	
Richard Fisher (appointed 24 October 2003)	5	5	–	–	–	–	–	–	
Michael Webb (resigned 24 October 2003)	13	11	–	–	–	–	–	–	
Patrick Elliott (resigned 24 October 2003)	13	12	2	2	1	1	1	1	
MacDonell Roehm Jr (resigned 24 October 2003)	13	8	–	–	–	–	–	–	

Richard Davis was a member of the Board Committees operating up to the changes to the composition of the Board in October 2003. In accordance with ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations, the Board has reconstituted the Committees to be consistent with InvoCare Limited's status as a listed public company and consequently neither Richard Davis nor Mike Grehan, as Executive Directors, are members of the Committees.

RETIREMENT, ELECTION AND CONTINUATION IN OFFICE OF DIRECTORS

In accordance with the Constitution of InvoCare Limited, at each Annual General Meeting one-third of the Directors (or a number nearest one-third) and any other Director (except the Managing Director) who has held office for three years or more since last being elected must retire from office. Ian Ferrier and John Murphy will retire as Directors at the Annual General Meeting and, being eligible, offer themselves for re-election.

DIRECTORS' AND EXECUTIVES' EMOLUMENTS

A Remuneration Committee has been established from Non-Executive members of the Board to make recommendations to the Board on remuneration packages and policies related to Non-Executive Directors, Executive Directors and Senior Executives and to ensure that the remuneration policies and practices are consistent with InvoCare's strategic goals and human resource objectives.

Remuneration of Non-Executive Directors is determined by the Board within a maximum approved by shareholders from time to time. The maximum is currently \$250,000 per annum, in aggregate, being the amount set out in the Constitution of InvoCare Limited as at the date of listing. This excludes any remuneration determined by the Directors where a Director performs additional or special duties for the company.

Directors' Report (continued)

DIRECTORS' AND EXECUTIVES' EMOLUMENTS (continued)

If a Director performs additional or special duties for the company they may be remunerated as determined by the Directors and that remuneration can be in addition to the limit mentioned above.

Executive remuneration and other terms of employment are reviewed annually having regard to performance during the year, relevant comparative information and independent survey information. The broad policy is to ensure that remuneration packages properly reflect the individual's

responsibilities and are competitive to attract, retain and motivate people of the highest calibre.

Senior Executives may receive a performance-based incentive related to achievement of specific objectives. Non-Executive Directors do not receive any performance-based remuneration.

Details of the nature and amount of each element of the emolument of each Director of InvoCare Limited and each of the five other Executive Officers of the company and the consolidated entity receiving the highest emoluments are set out in the following tables.

Non-Executive Directors of InvoCare Limited

Name	Director's base fee \$	Committee fees \$	Superannuation \$	Total \$
Ian Ferrier	75,375	–	–	75,375
John Murphy	30,805	–	–	30,805
Christine Clifton	14,906	–	1,341	16,247
Richard Fisher	16,247	–	–	16,247
Patrick Elliott	20,558	–	–	20,558
MacDonell Roehm Jr	20,558	–	–	20,558
Michael Webb	20,558	–	–	20,558

Executive Directors of InvoCare Limited

Name	Base salary \$	Motor vehicle \$	Bonus \$	Super-annuation \$	Options ⁽²⁾ \$	Other benefits \$	Total \$
Richard Davis Chief Executive Officer	400,000	20,640	150,000	36,000	276,411	1,123	884,174
Mike Grehan ⁽¹⁾ Chief Operating Officer (Director from 24 Oct 2003)	55,890	2,094	19,673	5,038	180,397	–	263,092

Other Executives

InvoCare Limited

InvoCare Limited has no employees. All Executives and employees are employed by a controlled entity, Service Corporation International Australia Pty Limited.

Consolidated Entity

Name	Base salary \$	Motor vehicle \$	Bonus \$	Super-annuation \$	Options ⁽²⁾ \$	Other benefits \$	Total \$
Mike Grehan ⁽¹⁾ Chief Operating Officer (From 1 Jan 2003 – 24 Oct 2003)	197,084	9,148	85,927	17,737	256,798	–	566,694
Kenneth Mealey Chief Financial Officer	180,000	15,525	150,000	16,200	321,185	–	682,910
Phillip Friery Group Finance Manager	127,000	10,566	102,500	11,430	45,453	–	296,949
Colin Purslowe General Manager WA	143,000	34,719	7,865	16,911	70,037	7,442	279,974
John Fowler General Manager VIC	135,000	10,368	8,438	18,811	70,037	19,465	262,119

⁽¹⁾ Mike Grehan was appointed a Director on 24 October 2003, in addition to continuing his position as the company's Chief Operating Officer (COO). Amounts shown above in Directors' emoluments only include Mike's emoluments during the period that he was a Director. Amounts received in his position as COO, prior to being appointed as a Director, are excluded from Directors' emoluments and are included above in Executives' emoluments.

⁽²⁾ The amount disclosed for emoluments relating to options above is the assessed fair value at grant date of options granted to Executive Directors and other Executives, allocated equally over the period from grant date to vesting date. Fair values at grant date are independently determined using a binomial option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the current price and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

Information on transactions with Directors is set out in Note 37 – Related party disclosures.

The Corporate Governance Council has made recommendations in relation to Directors' remuneration disclosures, including disclosures about the expected outcomes of remuneration

structures and the basis for the exercise of the Directors' discretion in relation to the payment of bonuses. The Remuneration Committee will consider these recommendations and will make appropriate disclosures in future Directors' Reports.

Directors' Report (continued)

PARTICULARS OF DIRECTORS' INTERESTS IN SHARES AND OPTIONS

Details of the Directors' relevant interests in shares and options held in InvoCare Limited are listed below:

Director	Particulars of Directors' interests in shares and options of InvoCare Limited	
	Ordinary shares	Options
Ian Ferrier	Nil	302,401
Richard Davis	611,168	Nil ⁽¹⁾
Mike Grehan	Nil	1,222,336
John Murphy	56,417	Nil
Christine Clifton	110,000	Nil
Richard Fisher	Nil	Nil

⁽¹⁾ Under the terms of a Service Agreement dated 8 May 2001, Richard Davis is entitled to 988,565 options with an issue date of 8 May 2004, subject to ongoing employment. The exercise price is calculated on a per share basis being the equivalent of 6.71 times EBITDA for the financial year ending 31 December 2003 less debt at 30 April 2004. These options will vest when issued and have an expiry date of 8 May 2009.

Further information regarding share options of Directors and Executives is set out in Note 24 – Share options.

INDEMNIFICATION AND INSURANCE OF DIRECTORS

During the financial year, InvoCare paid a premium to insure Directors and officers of the consolidated entity. The insurance policy specifically prohibits disclosure of the nature and liability covered and the amount of the premium paid.

ROUNDING

The company is of a kind referred to in Class Order 98/0100 issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' Report and Financial Report. Amounts in the Directors' Report and Financial Report have been rounded off to the nearest thousand dollars (where rounding is applicable) in accordance with that Class Order.

This report is made in accordance with a resolution of the Directors.



Ian D Ferrier

Director

Sydney
29 March 2004



Richard H Davis

Director

Financial Report

Statements of Financial Performance	30
Statements of Financial Position	31
Statements of Cash Flows	32
Notes to the Financial Statements	33
Directors' Declaration	65
Independent Audit Report	66
Shareholder Information	67

Statements of Financial Performance

For the year ended 31 December 2003

	Notes	Consolidated		InvoCare Limited	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Revenues from ordinary activities	2	150,758	144,292	25,590	21,404
Finished goods and consumables used	3	(21,183)	(21,116)	–	–
Salaries and employee benefits expenses		(50,536)	(50,149)	–	–
Depreciation and amortisation expenses	3	(9,931)	(10,068)	–	–
Interest expenses	3	(14,115)	(14,754)	(13,337)	(14,023)
Refinancing costs	3	(2,148)	–	(2,148)	–
Advertising and public relations expenses		(5,722)	(5,294)	–	–
Occupancy and facilities expenses		(9,794)	(9,018)	–	–
Motor vehicle expenses		(3,204)	(3,130)	–	–
Written down value of assets sold or disposed and costs incurred		(5,083)	(4,057)	–	–
Other expenses from ordinary activities		(11,442)	(10,781)	(722)	(395)
Profit from ordinary activities before income tax expense		17,600	15,925	9,383	6,986
Income tax expense relating to ordinary activities	4	(5,917)	(5,771)	(710)	(2,131)
Profit from ordinary activities after income tax expense		11,683	10,154	8,673	4,855
Net profit		11,683	10,154	8,673	4,855
Net profit attributable to outside equity interest	26	(45)	(49)	–	–
Net profit attributable to members of InvoCare Limited	25	11,638	10,105	8,673	4,855
Total changes in equity attributable to members of InvoCare Limited other than those resulting from transactions with owners as owners		11,638	10,105	8,673	4,855
		Cents	Cents		
Basic earnings per share (cents per share)	31	12.0	n/a		
Diluted earnings per share (cents per share)	31	11.7	n/a		

The above Statements of Financial Performance should be read in conjunction with the accompanying notes to the financial statements set out on pages 33 to 64.

Statements of Financial Position

As at 31 December 2003

	Notes	Consolidated		InvoCare Limited	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Current assets					
Cash assets	27	7,143	5,196	2,437	47
Receivables	6	14,567	14,920	2,542	11,581
Inventories	7	9,962	9,341	–	–
Property	8	4,816	3,254	–	–
Other assets	9	2,718	2,143	92	33
Total current assets		39,206	34,854	5,071	11,661
Non-current assets					
Receivables	10	7,306	7,432	189,782	197,046
Other financial assets	11	–	–	15,641	15,641
Property, plant and equipment	12	206,036	214,385	–	–
Deferred tax assets	4	6,022	4,798	637	–
Intangible assets	13	26,302	28,798	–	–
Other assets	14	6,195	5,668	–	–
Total non-current assets		251,861	261,081	206,060	212,687
Total assets		291,067	295,935	211,131	224,348
Current liabilities					
Payables	15	18,380	17,283	2,363	944
Interest-bearing liabilities	16	2,515	9,877	2,500	9,840
Current tax liabilities	4	3,962	1,432	42	797
Provisions	17	4,563	4,610	–	–
Deferred revenue	18	2,619	2,417	–	–
Total current liabilities		32,039	35,619	4,905	11,581
Non-current liabilities					
Payables	19	365	882	–	–
Interest-bearing liabilities	20	152,549	129,740	152,500	129,740
Deferred tax liabilities	4	2,328	2,078	–	–
Provisions	21	3,008	3,305	–	–
Deferred revenue	22	36,664	33,839	–	–
Total non-current liabilities		194,914	169,844	152,500	129,740
Total liabilities		226,953	205,463	157,405	141,321
Net assets		64,114	90,472	53,726	83,027
Equity					
Parent entity interest					
Contributed equity	23	52,026	75,000	52,026	75,000
Retained profits	25	11,033	14,395	1,700	8,027
Total parent entity interest in equity		63,059	89,395	53,726	83,027
Total outside equity interest	26	1,055	1,077	–	–
Total equity		64,114	90,472	53,726	83,027

The above Statements of Financial Position should be read in conjunction with the accompanying notes to the financial statements set out on pages 33 to 64.

Statements of Cash Flows

For the year ended 31 December 2003

	Notes	Consolidated		InvoCare Limited	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Cash flows from operating activities					
Receipts from customers		161,413	160,639	480	440
Payments to suppliers and employees		(119,266)	(115,046)	(778)	(377)
Interest received		683	664	18,110	21,004
Other revenue		2,054	2,095	-	-
Dividend received		-	-	7,000	-
Interest paid		(14,841)	(15,055)	(14,062)	(14,124)
Refinancing costs paid		(2,148)	-	(2,148)	-
Income tax paid		(4,361)	(778)	(2,102)	(2,693)
Net cash flows from operating activities	27	23,534	32,519	6,500	4,250
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		7,129	4,560	-	-
Purchase of property, plant and equipment		(6,054)	(4,081)	-	-
Refund of purchase consideration for controlled entity		-	643	-	643
Net cash flows from investing activities		1,075	1,122	-	643
Cash flows from financing activities					
Proceeds from issues of ordinary shares		2,026	-	2,026	-
Payment for share buy-back		(25,000)	-	(25,000)	-
Proceeds from borrowings		65,000	-	65,000	-
Repayment of borrowings		(19,580)	(34,835)	(19,580)	(34,835)
Repayment of convertible notes		(30,000)	-	(30,000)	-
Payment of dividends – InvoCare Limited shareholders		(15,000)	-	(15,000)	-
Payment of dividends – Outside Equity Interest		(67)	-	-	-
Repayment of finance lease principal		(41)	(17)	-	-
Proceeds from repayment of loan by controlled entity		-	-	18,444	29,653
Net cash flows (used in) financing activities		(22,662)	(34,852)	(4,110)	(5,182)
Net increase/(decrease) in cash held		1,947	(1,211)	2,390	(289)
Cash at the beginning of the financial year		5,196	6,407	47	336
Cash at the end of the financial year	27	7,143	5,196	2,437	47

The above Statements of Cash Flows should be read in conjunction with the accompanying notes to the financial statements set out on pages 33 to 64.

Notes to the Financial Statements

For the year ended 31 December 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

This general purpose financial report has been prepared in accordance with the requirements of the Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the Corporations Act 2001.

It is prepared in accordance with the historical cost convention.

Comparatives

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except that InvoCare no longer records in the Statements of Financial Position monies held in trust for prepaid funeral contracts and prepaid burial and cremation services on the basis these monies are not controlled by InvoCare. Prior to this change an asset and corresponding deferred revenue were included in the Statements of Financial Position. As at 31 December 2003, the monies held in trust amounted to \$169.5 million (2002: \$157.4 million). This change in accounting policy has had no impact on revenues and expenses reported in the Statements of Financial Performance. Consistent with the previous year, the monies held in trust are only recognised as revenue when the services are performed (refer Revenue recognition below).

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by InvoCare Limited (the company) and the results of all controlled entities. InvoCare Limited and its controlled entities together are referred to as the consolidated entity or InvoCare. The effects of all transactions between entities in the consolidated entity are fully eliminated. Outside equity interests in the results and equity of controlled entities are shown separately in the consolidated Statements of Financial Performance and Statements of Financial Position respectively.

Where control of an entity is obtained during a financial year, its results are included in the consolidated Statements of Financial Performance from the date on which control commences. Where control of an entity ceases during a financial year its results are included for that part of the year during which control existed.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. Revenue is recognised as set out below:

Funeral operations

Revenue is recognised when the funeral service is performed.

InvoCare enters into prepaid funeral contracts providing for future funeral services at prices prevailing when agreements are signed. Payments under these contracts are placed in trust (pursuant to InvoCare's policy and, where relevant, state laws). The monies held in trust for individual prepaid funeral contracts are not controlled by InvoCare and are not recognised in the financial statements (refer Changes in accounting policy above).

Cemeteries and crematoria operations

Sales of at-need and pre-need interment or inurnment rights are recognised immediately as revenue. Sales of associated memorials and other merchandise and burial and cremation services are recognised when the memorial or merchandise is delivered or service is performed. Revenues relating to undelivered memorials and merchandise and unperformed services are deferred. Cash relating to recognised and deferred revenue on sale of rights, memorials and merchandise is recorded in the financial statements upon receipt. However, similarly to prepaid funeral services, monies for prepaid burial and cremation services are placed in trust until the service is performed (refer above Changes in accounting policies).

Deferred selling costs

Selling costs applicable to prepaid funeral service contracts, net of any administrative fees recovered, are expensed as incurred.

Direct selling costs applicable to deferred revenue on undelivered memorials and merchandise and unperformed burial and cremation services are deferred until the revenue is recognised.

Notes to the Financial Statements

For the year ended 31 December 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax

Tax effect accounting procedures are followed whereby the income tax expense in the Statements of Financial Performance is matched with the accounting profit after allowing for permanent differences. The future tax benefit relating to tax losses is not carried forward as an asset unless the benefit is virtually certain of realisation. Income tax on cumulative timing differences is set aside to the deferred income tax or the future income tax benefit accounts at the rates which are expected to apply when those timing differences reverse.

Maintenance and repairs

Maintenance, repair costs and minor renewals are charged as expenses as incurred, except where they relate to the replacement of a component of an asset, in which case the costs are capitalised and depreciated in accordance with Note 1 – Depreciation of property, plant and equipment, below.

Goods and Services Tax (GST)

Cash flows are included in the Statements of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Cash

For the purposes of the Statements of Cash Flows, cash includes deposits at call with financial institutions and other highly liquid investments with short periods to maturity which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of any outstanding bank overdrafts.

When in use, bank overdrafts are carried at the principal amount. Interest is charged as an expense as it accrues.

Receivables

All trade receivables are recognised at the amounts receivable from the date of recognition. Collectibility of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is raised when some doubt as to collection exists.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where appropriate, a proportion of variable and fixed overhead. Costs are assigned to individual items of inventory mainly on the basis of weighted average cost.

Acquisition of assets

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is determined as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of the acquisition. The discount rate used is the incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Recoverable amount of non-current assets

Non-current assets are valued at cost except where this exceeds the recoverable amount. The recoverable amount of an asset is the net amount expected to be recovered through the net cash inflows arising from its continued use and subsequent disposal.

Where the carrying amount of a non-current asset is greater than its recoverable amount the asset is written down to its recoverable amount. Where net cash inflows are derived from a group of assets working together, recoverable amount is determined on the basis of the relevant group of assets. The decrement in the carrying amount is recognised as an expense in net profit or loss in the reporting period in which the recoverable amount write-down occurs.

The expected net cash flows included in determining recoverable amounts of non-current assets are not discounted.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Depreciation of property, plant and equipment

Depreciation is calculated on a straight line basis to write off the net cost of each item of property, plant and equipment (excluding freehold land) over its expected useful life to the consolidated entity. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items. The expected useful lives are as follows:

Buildings	40 years
Plant and equipment	3 – 10 years

Cemetery land

Cemetery land is carried at cost less accumulated amortisation. Cost includes the cost of acquisitions and improvements. The consolidated entity sells interment and inurnment rights in perpetuity, while retaining title to the property. Cemetery land is amortised, as the right to each plot is sold, to write off the net cost of the land over the period in which it is utilised and an economic benefit has been received.

Leasehold improvements

The cost of improvements to or on leasehold properties is amortised over the unexpired period of the lease or the estimated useful life of the improvement to the consolidated entity, whichever is the shorter.

Leased non-current assets

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incident to ownership of leased non-current assets, and operating leases under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the interest expense.

The leased asset is amortised on a straight line basis over the term of the lease, or where it is likely that the consolidated entity will obtain ownership of the asset, the life of the asset. The leased asset held at the reporting date is being amortised over three years (2002: three years).

Operating lease payments are charged to the Statements of Financial Performance in the period in which they are incurred, as this represents the pattern of benefits derived from the leased assets.

Intangible assets – goodwill

Where an entity or operation is acquired, the identifiable net assets acquired are measured at fair value.

The excess of the fair value of the cost of acquisition over the fair value of the identifiable net assets acquired, including any liability for restructuring costs, is brought to account as goodwill and amortised on a straight line basis over 20 years, being the period during which the benefits are expected to arise. The cost of acquisition is discounted where settlement of any part of cash consideration is deferred.

Interest-bearing liabilities

Interest-bearing liabilities are carried at their principal amounts which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period it becomes due and is recorded as part of other creditors.

Employee benefits

Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, annual leave and accumulating sick leave are recognised in respect of employees' services up to the reporting date, and are measured at the amounts expected to be paid when the liabilities are settled, plus appropriate on-costs. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

Notes to the Financial Statements

For the year ended 31 December 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Long service leave

A liability for long service leave is recognised, and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date, including appropriate on-costs. Consideration is given to expected future wage and salary levels, experience of employee departures and period of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency to match, as closely as possible, the estimated future cash outflows.

Bonus plans

A liability for employee benefits in the form of bonus plans is recognised in other creditors when there is no realistic alternative but to settle the liability and at least one of the following conditions is met:

- there are formal terms in the plan for determining the amount of the benefit
- the amounts to be paid are determined before the time of completion of the financial report, or
- best practice gives clear evidence of the amount of the obligation.

Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

Employee Share Option Plan

Information relating to the Employee Share Option Plan is set out in Note 24 – Share options.

No accounting entries are made in relation to the Employee Share Option Plan until options are exercised, at which time the amounts receivable from participants are recognised in the Statements of Financial Position as share capital. The amounts disclosed for remuneration of Directors and Executives in Note 34 – Remuneration of Directors and Note 35 – Remuneration of Executives include the assessed fair values of options at the date they were granted, allocated equally over the period from grant date to vesting date.

Derivative financial instruments

The consolidated entity enters into interest rate swap agreements. The net amount receivable or payable under interest rate swap agreements is progressively brought to account over the period to settlement. The amount recognised is accounted for as an adjustment to interest and finance charges during the period and included in other debtors or other creditors at each reporting date.

When an interest rate swap is terminated early and the underlying hedged transactions are still expected to occur as designated, the gains or losses arising on the swap upon its early termination continue to be deferred and are progressively brought to account over the period during which the hedged transactions are recognised.

When an interest rate swap is terminated early and the underlying hedged transactions are no longer expected to occur as designated, the gains or losses arising on the swap upon its early termination are recognised in the Statements of Financial Performance as at the date of the termination.

Borrowing costs

Borrowing costs are recognised as expenses in the period in which they are incurred.

Earnings per share (EPS)

Basic EPS is calculated as net profit after tax attributable to members, divided by the weighted average number of ordinary shares outstanding during the financial year. The weighted average number of ordinary shares has been adjusted for the effects of the share split.

Diluted EPS is calculated as net profit after tax attributable to members divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for the effects of the share split.

Dividends

When necessary, provision is made for the amount of any dividend declared, determined or publicly recommended by the Directors on or before the end of the financial year but not distributed at balance date.

	Note	Consolidated		InvoCare Limited	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
2. REVENUES FROM ORDINARY ACTIVITIES					
Revenues from operating activities					
Revenues from sale of goods		74,027	71,036	-	-
Revenues from services		66,260	65,937	-	-
Management fees	37	-	-	480	400
Total revenues from operating activities		140,287	136,973	480	400
Revenues from outside the operating activities					
Rent		164	143	-	-
Administration fees		1,385	1,432	-	-
Sundry income		505	520	-	-
Dividends and distributions					
Wholly owned group – controlled entities		-	-	7,000	-
Interest revenues					
Other persons/corporations		683	664	-	-
Wholly owned group – controlled entities	37	-	-	18,110	21,004
Proceeds on the sale of non-current assets		7,734	4,560	-	-
Total revenues from outside the operating activities		10,471	7,319	25,110	21,004
Total revenues from ordinary activities		150,758	144,292	25,590	21,404
3. EXPENSES AND GAINS					
Expenses					
Cost of goods sold		21,183	21,116	-	-
Depreciation of non-current assets					
Buildings		2,124	2,159	-	-
Operating plant and equipment		4,651	4,741	-	-
Total depreciation of non-current assets		6,775	6,900	-	-
Amortisation of non-current assets					
Goodwill		2,497	2,529	-	-
Cemetery land		380	365	-	-
Leasehold land and buildings		129	128	-	-
Leasehold improvements		137	135	-	-
Plant and equipment under lease		13	11	-	-
Total amortisation of non-current assets		3,156	3,168	-	-
Total depreciation and amortisation expenses		9,931	10,068	-	-

Notes to the Financial Statements

For the year ended 31 December 2003

	Consolidated		InvoCare Limited	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
3. EXPENSES AND GAINS (continued)				
Borrowing costs				
Interest expenses				
Finance lease	4	8	-	-
Debentures	9,941	10,423	9,941	10,423
Convertible notes	3,394	3,600	3,394	3,600
Other interest	776	723	2	-
Total interest expenses	14,115	14,754	13,337	14,023
Refinancing costs	2,148	-	2,148	-
Total borrowing costs	16,263	14,754	15,485	14,023
Bad and doubtful debts – trade debtors	407	301	-	-
Operating lease rental – minimum lease payments	3,310	3,108	-	-
Gains				
Net gain on disposal of non-current assets	2,651	503	-	-

4. INCOME TAX

The income tax expense for the financial year differs from the amount calculated on profit.

The differences are reconciled as follows:

Prima facie tax on profit from ordinary activities	5,280	4,778	2,815	2,096
Tax effect of permanent differences				
Amortisation of cemetery land	113	109	-	-
Depreciation and amortisation of buildings	344	389	-	-
Amortisation of goodwill	749	759	-	-
Non-assessable capital gain	(273)	-	-	-
Tax credit for intercorporate dividend	-	-	(2,100)	-
Other items (net)	(296)	(264)	(5)	35
Income tax expense attributable to ordinary activities	5,917	5,771	710	2,131
Tax assets/(liabilities)				
Current tax payable	(3,962)	(1,432)	(42)	(797)
Provision for deferred income tax – non-current	(2,328)	(2,078)	-	-
Future income tax benefit – non-current	6,022	4,798	637	-

Income tax losses

No part of the future income tax benefit shown above is attributable to operating tax losses nor capital tax losses.

The consolidated entity had no operating tax losses as at 31 December 2003.

	Consolidated		InvoCare Limited	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
4. INCOME TAX (continued)				
Potential future income tax benefit as at 31 December 2003 in respect of capital tax losses not brought to account, as realisation of the benefit is not regarded as virtually certain, is:	60	73	-	-
This future income tax benefit will only be obtained if:				
(a) future assessable income is derived of a nature and of an amount sufficient to enable the benefit of the capital losses to be realised, or				
(b) the losses are transferred to an eligible entity in the consolidated entity,				
(c) the conditions for deductibility imposed by tax legislation continue to be complied with, and				
(d) no changes in tax legislation adversely affect the consolidated entity in realising the benefit.				
Tax consolidation				
InvoCare Limited and its wholly owned subsidiaries have the option of implementing the tax consolidation legislation. At the date of this report no decision has been taken although it is anticipated the legislation will be adopted from 1 January 2004. This is not expected to have any significant impact on the consolidated assets, liabilities and results.				
5. DIVIDENDS PAID OR PROVIDED FOR				
Dividends proposed				
As stated in the Prospectus dated 31 October 2003 no final dividend will be paid in respect of the 2003 financial year. Accordingly, no dividend was proposed at year end, nor has a dividend been declared since year end.				
Dividends paid during the year				
Dividend paid to InvoCare Limited shareholders				
Interim dividend of 20 cents paid 27 March 2003				
Fully franked based on tax paid @ 30%	15,000	-	15,000	-
Dividend paid to Outside Equity Interest				
Interim dividend of 8.43 cents paid 11 September 2003				
Fully franked based on tax paid @ 30%	67	-	-	-
	15,067	-	15,000	-
Franking credit balance				
The amount of franking credits available for subsequent financial years are:				
- franking account balance as at the end of the financial year at 30% (2002: 30%)	4,854	6,757	1,366	2,693
- franking credits that will arise from the payment of income tax payable as at the end of the financial year	3,962	1,432	42	797
	8,816	8,189	1,408	3,490

Notes to the Financial Statements

For the year ended 31 December 2003

	Notes	Consolidated		InvoCare Limited	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
6. RECEIVABLES (CURRENT)					
Trade debtors		15,759	16,231	-	-
Provision for doubtful debts		(1,536)	(1,668)	-	-
	39	14,223	14,563	-	-
Other debtors	39	344	357	-	-
Loan to controlled entity	(i), 10	-	-	2,542	11,581
		14,567	14,920	2,542	11,581

Terms and conditions

(i) Details of the terms and conditions relating to the above financial instrument are set out in Note 10 – Receivables (non-current).

7. INVENTORIES (CURRENT)

Finished goods – at cost		9,962	9,341	-	-
--------------------------	--	--------------	-------	---	---

8. PROPERTY (CURRENT)

Land and Buildings

Cemetery land – at cost		503	380	-	-
Freehold land – at cost		1,921	1,890	-	-
Buildings – at cost		2,845	1,120	-	-
Accumulated depreciation		(453)	(136)	-	-
		2,392	984	-	-
Total written down amount		4,816	3,254	-	-

Cemetery land

Cemetery land expected to be amortised within 12 months of year end is classified as current. InvoCare will retain ownership of this land and the amortisation represents the expected sale of the rights to use the cemetery land.

Freehold land and buildings

Land and buildings held for sale are classified as current assets as they are expected to be sold within 12 months of year end.

9. OTHER ASSETS (CURRENT)

Prepayments		2,276	1,739	92	33
Deferred selling costs		442	404	-	-
		2,718	2,143	92	33

	Notes	Consolidated		InvoCare Limited	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
10. RECEIVABLES (NON-CURRENT)					
Trade debtors	(i)	7,732	7,824	-	-
Provision for doubtful debts		(887)	(848)	-	-
		6,845	6,976	-	-
Security deposits		61	56	-	-
Other debtor		400	400	-	-
Loan to controlled entity	(ii)	-	-	189,782	197,046
		7,306	7,432	189,782	197,046

Terms and conditions

- (i) Trade debtors are non-interest-bearing and are receivable through regular instalments within a maximum period of 60 months from the original invoice date.
- (ii) The loan to a controlled entity bears interest at 9% (2002: 9%) and has no fixed term.

11. OTHER FINANCIAL ASSETS (NON-CURRENT)

Shares in controlled entity – unlisted	(i)	-	-	15,641	15,641
--	-----	---	---	--------	--------

- (i) The unlisted shares at cost relate to InvoCare Limited's 100% (2002: 100%) ownership interest in Service Corporation International Australia Pty Limited.

All the shares held are classified as ordinary shares.

Refer Note 38 – Investment in controlled entities for details of controlled entities.

12. PROPERTY, PLANT AND EQUIPMENT (NON-CURRENT)**Land and buildings**

Cemetery land – at cost	105,514	105,610	-	-
Accumulated amortisation	(3,036)	(2,656)	-	-
	102,478	102,954	-	-
Freehold land – at cost	33,393	35,944	-	-
Buildings – at cost	66,412	70,275	-	-
Accumulated depreciation	(14,725)	(13,290)	-	-
	51,687	56,985	-	-
Leasehold land and buildings – at cost	4,470	4,470	-	-
Accumulated amortisation	(1,326)	(1,197)	-	-
	3,144	3,273	-	-
Leasehold improvements – at cost	1,438	1,462	-	-
Accumulated amortisation	(747)	(615)	-	-
	691	847	-	-
Total land and buildings	191,393	200,003	-	-

Notes to the Financial Statements

For the year ended 31 December 2003

	Consolidated		InvoCare Limited	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
12. PROPERTY, PLANT AND EQUIPMENT (NON-CURRENT) (continued)				
Plant and equipment				
Operating plant and equipment – at cost	48,280	47,119	–	–
Accumulated depreciation	(35,961)	(33,323)	–	–
	12,319	13,796	–	–
Plant and equipment under lease – at cost	73	71	–	–
Accumulated amortisation	(6)	(23)	–	–
	67	48	–	–
Total plant and equipment	12,386	13,844	–	–
Assets under construction				
Assets under construction – at cost	2,257	538	–	–
Total property, plant and equipment At cost	261,837	265,489	–	–
Accumulated depreciation and amortisation	(55,801)	(51,104)	–	–
Total written down amount	206,036	214,385	–	–

Valuations of land and buildings

The most recent Directors' valuation of land and buildings was as at 31 December 2001 which at that date amounted to \$208,085,000. Since this time there have been acquisitions, disposals and depreciation which have resulted in a movement in this amount. The next valuation of land and buildings will be performed for the year ended 31 December 2004.

The basis of the valuation of land and buildings was fair value being the amounts for which the assets could be exchanged between willing parties in an arm's length transaction, based on an active market for similar properties in the same location and condition.

Assets pledged as security

Details of the non-current assets pledged as security are set out in Note 20 – Interest-bearing liabilities (non-current).

12. PROPERTY, PLANT AND EQUIPMENT (NON-CURRENT) (continued)

Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year are set out below for the consolidated entity. The parent entity does not hold any property, plant and equipment.

	Cemetery land \$'000	Freehold land \$'000	Buildings \$'000	Leasehold land and buildings \$'000	Leasehold improve- ments \$'000	Plant and equipment \$'000	Plant and equipment leased \$'000	Assets under construction \$'000	Total \$'000
Carrying amount 1 January 2003									
Current	380	1,890	984	–	–	–	–	–	3,254
Non-current	102,954	35,944	56,985	3,273	847	13,796	48	538	214,385
Total opening amount	103,334	37,834	57,969	3,273	847	13,796	48	538	217,639
Additions	135	–	93	–	11	3,273	73	1,884	5,469
Disposals	(108)	(2,520)	(1,946)	–	(30)	(177)	(41)	–	(4,822)
Depreciation/ amortisation expense	(380)	–	(2,124)	(129)	(137)	(4,651)	(13)	–	(7,434)
Reclassifications/ Adjustments	–	–	87	–	–	78	–	(165)	–
Total closing amount	102,981	35,314	54,079	3,144	691	12,319	67	2,257	210,852
Representing closing amount									
Current	503	1,921	2,392	–	–	–	–	–	4,816
Non-current	102,478	33,393	51,687	3,144	691	12,319	67	2,257	206,036
	102,981	35,314	54,079	3,144	691	12,319	67	2,257	210,852
				Notes	Consolidated 2003 \$'000	2002 \$'000	Invocare Limited 2003 \$'000	2002 \$'000	

13. INTANGIBLES

Goodwill	49,976	49,976	–	–
Accumulated amortisation	(23,674)	(21,178)	–	–
	26,302	28,798	–	–

14. OTHER ASSETS (NON-CURRENT)

Deferred selling costs	6,195	5,668	–	–
------------------------	--------------	-------	---	---

15. PAYABLES (CURRENT)

Trade creditors	39	4,375	4,844	–	–
Other creditors and accruals	39	13,447	11,810	2,363	944
Deferred cash settlement for business interests acquired	39	558	629	–	–
		18,380	17,283	2,363	944

Notes to the Financial Statements

For the year ended 31 December 2003

	Notes	Consolidated		InvoCare Limited	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
16. INTEREST-BEARING LIABILITIES (CURRENT)					
Secured					
Borrowings secured by fixed and floating charges					
– debentures	39	–	9,840	–	9,840
– cash advance facility	39	2,500	–	2,500	–
Lease liability secured by charge over leased assets	28, 39	15	37	–	–
		2,515	9,877	2,500	9,840
Terms and conditions					
Details of the terms and conditions of the above financial instruments are set out in Note 20 – Interest-bearing liabilities (non-current).					
17. PROVISIONS (CURRENT)					
Employee entitlements	29	4,563	4,303	–	–
Sundry provisions		–	307	–	–
		4,563	4,610	–	–
18. DEFERRED REVENUE (CURRENT)					
Prepaid crematorium and cemetery deferred revenue		2,619	2,417	–	–
19. PAYABLES (NON-CURRENT)					
Deferred cash settlement for business interests acquired	(i)	365	882	–	–
Terms and conditions					
(i) At balance date, InvoCare had a deferred cash settlement representing the present value of the remaining consideration payable for the acquisition of business interests, discounted at the prevailing commercial borrowing rate of 9% at the time the business interests were acquired. These are expected to be repaid by August 2007.					
20. INTEREST-BEARING LIABILITIES (NON-CURRENT)					
Secured					
Borrowings secured by fixed and floating charges					
– debentures	39	130,000	99,740	130,000	99,740
– cash advance facility	39	22,500	–	22,500	–
Lease liability secured by charge over leased assets	28, 39	49	–	–	–
Unsecured					
– convertible notes	39	–	30,000	–	30,000
		152,549	129,740	152,500	129,740

20. INTEREST-BEARING LIABILITIES (NON-CURRENT) (continued)

Debt refinancing

InvoCare executed revised financing agreements with a syndicate of bankers in December 2003 providing total borrowing facilities of \$165 million, including a working capital facility of \$5 million. As at 31 December 2003 \$155 million had been drawn down on these facilities, which is consistent with Prospectus forecasts.

Terms and conditions

(i) Debentures

Debentures held at balance date bear interest at a variable rate (based on BBR) plus a margin of 2.05%. The interest rate at 31 December 2003 was 7.6% (2002: 6.8%) paid quarterly in arrears with a maturity date of 30 September 2006. Separate interest rate swap contracts apply to no less than 75% of the debentures. The debentures are secured by fixed and floating charges over all the assets and undertakings of the consolidated entity, except those of Oakwood Funerals Pty Limited and Macquarie Memorial Park Pty Limited. The debentures require compliance with a number of covenants which were met as at 31 December 2003 (and 31 December 2002).

	Notes	Consolidated		InvoCare Limited	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
The repayment terms of the debentures are as follows:					
Within 1 year		–	9,840	–	9,840
1 – 2 years		–	11,670	–	11,670
2 – 3 years	*	130,000	12,850	130,000	12,850
3 – 4 years		–	75,220	–	75,220
		130,000	109,580	130,000	109,580
Representing					
Current		–	9,840	–	9,840
Non-current	*	130,000	99,740	130,000	99,740
		130,000	109,580	130,000	109,580

* The debentures have no set repayment terms, apart from the repayment of the loan at its maturity date, 30 September 2006.

(ii) Cash advance facility

The cash advance facility held at balance date bears interest at a variable rate (based on BBR) plus a margin of 2.05%. The interest rate at 31 December 2003 was 7.7% (2002: n/a) paid quarterly in arrears with a maturity date of 30 September 2006. Separate interest rate swap contracts apply to no less than 75% of the closing balance.

The repayment terms of the cash advance facility are fixed as follows:

Within 1 year		2,500	–	2,500	–
1 – 2 years		10,000	–	10,000	–
2 – 3 years	**	12,500	–	12,500	–
		25,000	–	25,000	–
Representing					
Current		2,500	–	2,500	–
Non-current	**	22,500	–	22,500	–
		25,000	–	25,000	–

** Included in the cash advance facility is a \$5 million component of the bullet finance facility which is not payable until the maturity date. Details of the bullet finance facility are set out below in Financing facilities available.

Notes to the Financial Statements

For the year ended 31 December 2003

20. INTEREST-BEARING LIABILITIES (NON-CURRENT) (continued)

(iii) Convertible notes

The convertible notes were payable to Service Corporation International, the former ultimate holding company incorporated in the United States of America. The notes were repaid in full by InvoCare Limited on 10 December 2003. They bore an interest rate of 12% (2002: 12%).

(iv) Finance leases

Finance leases have an average lease term of three years with the option to purchase the asset at the completion of the lease term for the asset's market value. The average discount rate implicit in the leases is 9.1% (2002: 12.5%). Lease liabilities are secured by a charge over the leased assets.

Notes	Consolidated		InvoCare Limited	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Financing facilities available				
Unrestricted access was available at balance date to the following lines of credit:				
Total facilities				
– bank overdraft	5,000	5,000	5,000	5,000
– bullet finance facility	10,000	–	10,000	–
	15,000	5,000	15,000	5,000
Used at balance date				
– bank overdraft	–	129	–	129
– bullet finance facility	5,000	–	5,000	–
	5,000	129	5,000	129
Unused at balance date				
– bank overdraft	5,000	4,871	5,000	4,871
– bullet finance facility	5,000	–	5,000	–
	10,000	4,871	10,000	4,871

The bullet finance facility bears the same interest rate and maturity date as the cash advance facility. It may be drawn at any time.

The bank overdraft may be drawn at any time. The interest rate on this facility is variable.

21. PROVISIONS (NON-CURRENT)

Employee entitlements	29	3,008	3,305	–	–
-----------------------	----	-------	-------	---	---

22. DEFERRED REVENUE (NON-CURRENT)

Prepaid crematorium and cemetery deferred revenue	39	36,664	33,839	–	–
---	----	--------	--------	---	---

23. CONTRIBUTED EQUITY

Issued and paid up capital

Ordinary shares fully paid	52,026	15,000	52,026	15,000
Preference shares fully paid	–	60,000	–	60,000
	52,026	75,000	52,026	75,000

23. CONTRIBUTED EQUITY (continued)

	Notes	Number of shares	2003 \$'000	Number of shares	2002 \$'000
Movements in ordinary shares on issue					
Beginning of the financial year		15,000,000	15,000	15,000,000	15,000
Movement prior to listing					
– bought back during the year prior to listing	(i)	(3,125,000)	(5,000)	–	–
– issued prior to listing		1,985,000	1,943	–	–
– conversion of preference shares to ordinary shares	(ii)	47,500,000	40,000	–	–
Total before share split		61,360,000	51,943	–	–
Total after share split and at date of listing	(ii)	93,753,273	51,943	–	–
Movement after listing					
– issued after listing		165,460	83	–	–
End of the financial year		93,918,733	52,026	15,000,000	15,000
Movements in preference shares on issue					
Beginning of the financial year		60,000,000	60,000	60,000,000	60,000
Movement prior to listing					
– bought back during the year prior to listing	(i)	(12,500,000)	(20,000)	–	–
– conversion to ordinary shares prior to listing	(ii)	(47,500,000)	(40,000)	–	–
End of the financial year		–	–	60,000,000	60,000

(i) After 31 December 2002 the Directors reviewed InvoCare's financial position and capital structure and noted the significant reduction in bank loans achieved by accelerated repayments since the loans were originally advanced in May 2001. The Directors concluded that additional debt finance to pay a fully franked dividend and share buy-back would not materially prejudice InvoCare's creditors.

On 28 March 2003, 3,125,000 ordinary shares fully paid to \$1 (representing 21% of ordinary shares) and 12,500,000 preference shares fully paid to \$1 (representing 21% of preference shares) were bought back. The ordinary and preference shares were repurchased for \$1.60 per share for a total cost of \$25,000,000.

(ii) Immediately prior to the IPO pursuant to a Prospectus dated 31 October 2003 all the preference shares were converted to ordinary share status on 2 December 2003. All ordinary shares were then subject to a share split of approximately 1.528 new ordinary shares for each existing ordinary share resulting in a total of 93,753,273 ordinary shares at a total paid up value of \$51,942,900. The holders of 93,142,105 ordinary shares offered a 100% sell down of their respective interests in InvoCare Limited and received all the sale proceeds, less applicable costs. InvoCare Limited did not raise any capital from the IPO.

Terms and conditions

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Preference shares entitled the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. Rights on winding up ranked higher than those for ordinary shares. On a show of hands every holder of preference shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote. Preference shares were converted to ordinary shares on 2 December 2003.

Share options

Information relating to the share options is included in Note 24 – Share options.

Notes to the Financial Statements

For the year ended 31 December 2003

24. SHARE OPTIONS

InvoCare Limited has shares under option issued under the following agreements:

- (i) Issued to a Director, Richard Davis, under a Service Agreement dated 8 May 2001
- (ii) Issued to a Director, Ian Ferrier, under a letter dated 1 May 2001, and
- (iii) Issued under the Employee Share Option Plan approved in a meeting of the Board of Directors.

Each option granted over unissued shares of InvoCare Limited entitles the holder to subscribe for one fully paid ordinary share in the capital of the company. No option holder has any rights under the options to participate in any other share issue of the company or any other entity.

Set out below is a summary of the movement in options during the year:

Grant date	Vesting date	Exercise date	Expiry date	Movement pre share split				Movement post share split					
				Exercise price pre share split	Outstanding 1 January 2003	Options issued pre share split	Exercised pre share split	Total pre share split	Exercise price post share split	Total post share split	Exercised post share split	Total outstanding at year end	
8 May 2001	8 May 2002*	24 Oct 2003	8 May 2006	\$0.76	1,125,000	–	(1,125,000)	–	n/a	–	–	–	– ⁽¹⁾
8 May 2002	8 May 2003*	24 Oct 2003	8 May 2007	\$0.90	430,000	–	(430,000)	–	n/a	–	–	–	– ⁽¹⁾
8 May 2003	8 May 2004*	24 Oct 2003	8 May 2008	\$1.63	–	430,000	(430,000)	–	n/a	–	–	–	– ⁽¹⁾
8 May 2001	8 May 2002	n/a	1 May 2006	\$0.76	197,917	–	–	197,917	\$0.50	302,401	–	–	302,401 ⁽²⁾
22 Sept 2003**		29 Dec 2003	1 May 2006	\$0.76	–	700,000	–	700,000	\$0.50	1,069,544	(165,460)	–	904,084 ⁽³⁾
22 Sept 2003**		n/a	1 May 2007	\$0.90	–	460,000	–	460,000	\$0.59	702,843	–	–	702,843 ⁽³⁾
22 Sept 2003**		n/a	1 May 2008	\$1.63	–	735,000	–	735,000	\$1.07	1,123,019	–	–	1,123,019 ⁽³⁾
					1,752,917	2,325,000	(1,985,000)	2,092,917		3,197,807	(165,460)	–	3,032,347 ^{***}

Representing the movement in options

(1) Options issued to a Director, Richard Davis, under a Service Agreement dated 8 May 2001	1,555,000	430,000	(1,985,000)	–	–	–	–
(2) Options issued to a Director, Ian Ferrier, under a letter dated 8 May 2001	197,917	–	–	197,917	302,401	–	302,401
(3) Options issued to a Director, Mike Grehan, under the Employee Share Option Plan on 22 September 2003 when he was an Executive	–	800,000	–	800,000	1,222,336	–	1,222,336
(3) Options issued to Executives (excluding Mike Grehan) under the Employee Share Option Plan	–	1,070,000	–	1,070,000	1,634,872	(165,460)	1,469,412
(3) Options issued to Non-Director and Non-Executive employees under the Employee Share Option Plan	–	25,000	–	25,000	38,198	–	38,198
	1,752,917	2,325,000	(1,985,000)	2,092,917	3,197,807	(165,460)	3,032,347

* These options vested immediately following the IPO.

** These options vest in varying quantities and at various dates from the issue date.

*** There were no options issued between year end and the date of this report.

24. SHARE OPTIONS (continued)

Options granted, during the year, to Directors and the most highly remunerated officers

Options over unissued ordinary shares of InvoCare Limited granted during or since the end of the financial year to any of the Directors or the five most highly remunerated officers of the company and consolidated entities as part of their remuneration were as follows:

Directors	Options granted *
Richard Davis, Managing Director and Chief Executive Officer	657,006
Other Executives of InvoCare Limited	
As indicated in the Directors' Report, InvoCare Limited has no employees. All Executives and employees are employed by a controlled entity, Service Corporation International Australia Pty Limited.	
Other Executives of the Consolidated Entity	
Mike Grehan, Chief Operating Officer**	1,222,336
Ken Mealey, Chief Financial Officer	611,168
Phillip Friery, Group Finance Manager	152,792
Colin Purslowe, General Manager WA	152,792
John Fowler, General Manager VIC	152,792

* Number of options is post share split equivalent.

** Options were issued to Mike Grehan on 22 September 2003 before he was appointed as a Director on 24 October 2003.

All the options, except those issued to Richard Davis, were granted under the Employee Share Option Plan on 22 September 2003.

Shares issued on the exercise of options

The options originally issued to Richard Davis, exercised prior to the capital restructure and public float of InvoCare Limited, were not all exercised by Richard Davis. Richard Davis exercised 400,000 (611,168 post share split) options at \$0.76 per share which increased net assets by \$304,000. By agreement Macquarie Direct Investment A Limited (MDIA) a former shareholder of InvoCare Limited, purchased and exercised 1,585,000 (2,421,755 post share split) options at \$0.76 per share for 725,000 options, \$0.90 per share for 430,000 options and \$1.63 per share for 430,000 options which increased net assets by \$1,638,900.

The 165,460 options exercised by participants pursuant to the Employee Share Option Plan at \$0.50 per share on 29 December 2003 increased net assets by \$82,730.

The aggregate proceeds received from employees on the conversion of options to shares during the financial year was \$386,730.

Options vested at the reporting date

	2003 Number	2002 Number
Issued to employees (including Executive Directors)	191,055	1,718,912
Issued to Non-Executive directors	302,401	302,401
	493,456	2,021,313

Notes to the Financial Statements

For the year ended 31 December 2003

24. SHARE OPTIONS (continued)

Employee Share Option Plan

InvoCare Limited currently has 2,729,946 options (post share split) issued to senior employees and management of the company under the Employee Share Option Plan.

The Employee Share Option Plan under which options may be issued by the company to employees for no cash consideration was approved in a meeting of the Board of Directors.

Option issue

The Board of Directors may determine from time to time to grant options upon such terms and to such participants (as described below) and at such exercise prices as they see fit.

Each option is to subscribe for one fully paid ordinary share in InvoCare Limited of a class to be determined by the Board. When issued, the share will rank equally with other ordinary shares of the same class in InvoCare Limited. Options will not be quoted on ASX.

Participants

Participants of the Employee Share Option Plan include eligible employees, eligible associates and eligible persons. Eligible employees may also be eligible associates. Eligible associates include any Director, officer or any person or entity holding any share for the benefit of any Director or officer of InvoCare Limited or a controlled entity previously approved by the Directors. Eligible persons means eligible employees and eligible associates.

Vesting of options

Unless otherwise determined by the Directors, a grant of options made to a participant will vest over a period of three years as follows:

- (a) one third of the number of options granted will vest on the second anniversary of the issue date of those options
- (b) a further one third of the number of options granted will vest on the third anniversary of the issue date of those options, and
- (c) the final one third of the number of options granted will vest on the fourth anniversary of the issue date of those options.

No option can be exercised until it has vested.

Once options have reached their vesting dates options may be exercised in parcels of no less than 10,000 (or if the vested entitlement is less than 10,000 the full amount of that vested entitlement must be exercised) until the earlier of the fifth anniversary of the issue date, the date of sale of all the shares in InvoCare Limited and the occurrence of one of the events listed below that causes the lapse of options.

Lapse of options

Unless otherwise determined, vested options of employees may be exercised at any time prior to the first to occur of:

- the expiry of five years from the date of issue
- expiry of three months after the date upon which the option holder dies or voluntarily or without cause ceases to be employed by InvoCare, and
- immediately upon the option holder's employment by InvoCare being terminated with cause.

In the case of options issued to Directors who are not an employee of InvoCare, once vested, vested options may be exercised by that participant at any time prior to the first to occur of:

- the expiry of five years from the date of issue,
- expiry of three months after the date upon which the option holder ceases to be a Director, and
- determination by the Directors that the participant has acted fraudulently, dishonestly or in breach of the Director's obligations to InvoCare.

24. SHARE OPTIONS (continued)

Assignment of options

Options may not be transferred other than to an associate or related body corporate (as those terms are defined in the Corporations Act) and providing the transferee enters into a deed of accession.

Bonus issues

If InvoCare Limited makes a bonus issue of shares or other securities pro rata to holders of shares (other than an issue in lieu, or in satisfaction, of dividends or by way of dividend reinvestment) and no shares have been allotted in respect of an option before the record date for determining entitlements to the bonus issue, then that option, when exercised in accordance with the Plan, will entitle the option holder to receive the number of shares that the option holder would have been entitled to under the bonus issue as if the option had been exercised and the shares allotted before that record date.

Rights issues

If InvoCare Limited makes a rights offer to all or most of the shareholders of the company (other than in lieu of dividends or by way of dividend reinvestment) then the exercise price of the options will be reduced by the values of the theoretical rights of entitlement received in relation to each share (as determined by the formula expressed in the terms of the Plan).

Overriding restrictions

All rights and entitlements attaching to an option or of an option holder under the Plan have been changed to the extent necessary to comply with the Listing Rules that apply to a reorganisation of the capital of InvoCare Limited, at the time that that reorganisation becomes effective.

Maximum number of shares issued pursuant to the Plan

The total number of shares issued upon exercise of the options under the Plan must not exceed 10% of the total number of shares on issue in the capital of InvoCare Limited (or shares capable of being issued under an equity security). However, if an applicable law at any time imposes a lower limit, then that lower limit will apply instead.

Options exercised by employees during the financial year

Details of the number of shares issued to employees and the fair values of those shares as at their issue date and the distribution date are listed below:

Exercise date		Fair value of shares at option exercise date	Number (post share split)
24 October 2003	*	\$1.89	611,168
29 December 2003	**	\$2.09	165,460
			776,628

* The fair value of shares issued on the exercise of options is estimated as the average of InvoCare Limited's shares high and low trades on ASX on the first day InvoCare Limited's shares were traded, being 4 December 2003. There was no public trading of the company's shares prior to this date.

** The fair value of shares issued on the exercise of options is the average of InvoCare Limited's shares high and low traded on ASX on the day the options were exercised.

Notes to the Financial Statements

For the year ended 31 December 2003

	Notes	Consolidated		InvoCare Limited	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
25. RETAINED PROFITS					
Retained profits		11,033	14,395	1,700	8,027
Retained profits					
Balance at the beginning of the year		14,395	4,290	8,027	3,172
Net profit attributable to members of InvoCare Limited		11,638	10,105	8,673	4,855
Total available for appropriation		26,033	14,395	16,700	8,027
Dividends paid		(15,000)	–	(15,000)	–
Balance at the end of the year		11,033	14,395	1,700	8,027
26. OUTSIDE EQUITY INTEREST					
Reconciliation of outside equity interest in controlled entities:					
Share capital		800	800		
Opening balance of retained earnings		178	129		
Add share of operating profit		45	49		
Less dividends paid		(67)	–		
Closing balance of retained earnings		156	178		
Reserves		99	99		
Closing balance		1,055	1,077		
27. STATEMENTS OF CASH FLOWS					
Reconciliation of the net profit after income tax to the net cash flows from operations					
Net profit after tax		11,683	10,154	8,673	4,855
Non-cash or non-operating items					
Depreciation of non-current assets	3	6,775	6,900	–	–
Amortisation of non-current assets	3	3,156	3,168	–	–
Net (profit) on disposal of property, plant and equipment	3	(2,651)	(503)	–	–
Changes in operating assets and liabilities					
(Increase)/decrease in trade and other receivables		479	4,713	–	2
(Increase)/decrease in inventory		(621)	735	–	–
(Increase)/decrease in future income tax benefit		(1,224)	4,180	(637)	–
(Increase)/decrease in other operating assets		(1,102)	(429)	(59)	–
(Decrease)/increase in trade and other creditors		1,576	1,113	(722)	(45)
(Decrease)/increase in deferred revenue		3,027	2,186	–	–
(Decrease)/increase in tax provision		2,530	1,423	(755)	(562)
(Decrease)/increase in deferred income tax liability		250	(612)	–	–
(Decrease)/increase in provisions		(344)	(509)	–	–
Net cash flow from operating activities		23,534	32,519	6,500	4,250

	Note	Consolidated		InvoCare Limited	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
27. STATEMENTS OF CASH FLOWS (continued)					
Reconciliation of cash					
Cash balance comprises:					
Cash on hand		47	46	-	-
Cash at bank		7,096	5,150	2,437	47
Closing cash balance		7,143	5,196	2,437	47

28. EXPENDITURE COMMITMENTS

Capital expenditure commitments

Commitments for the acquisition of property, plant and equipment contracted for at the reporting date but not recognised as liabilities payable:

- within one year		260	680	-	-
-------------------	--	-----	-----	---	---

In addition to the above commitments, the Directors have approved expenditure on the replacement of InvoCare's computer systems. The amount approved but not contracted for at balance date amounted to \$1,480,000.

Other expenditure commitments

Commitments for the construction of crypts, contracted for at the reporting date but not recognised as liabilities payable:

- within one year	(i)	2,286	-	-	-
-------------------	-----	-------	---	---	---

(i) The construction of crypt inventory is performed periodically, approximately every three years.

Lease expenditure commitments

Operating leases

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

- within one year		2,534	2,557	-	-
- later than one year and not later than five years		5,144	5,176	-	-
- later than five years		13,244	14,126	-	-
Aggregate lease expenditure contracted for at balance date		20,922	21,859	-	-

Assets that are the subject of operating leases include property, motor vehicles and office equipment.

Notes to the Financial Statements

For the year ended 31 December 2003

	Consolidated		InvoCare Limited	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
28. EXPENDITURE COMMITMENTS (continued)				
Lease expenditure commitments (continued)				
Finance leases				
Commitments in relation to finance leases are payable as follows:				
– within one year	21	40	–	–
– later than one year and not later than five years	54	–	–	–
Minimum lease payments	75	40	–	–
Future finance charges	(11)	(3)	–	–
Total lease liability	64	37	–	–
Representing lease liabilities				
– current liability	15	37	–	–
– non-current liability	49	–	–	–
	64	37	–	–

The weighted average interest rate implicit in the lease is 9.1% (2002: 12.5%).

InvoCare has the option to acquire the leased asset for its agreed residual value on expiry of the lease.

29. EMPLOYEE BENEFITS

Employee benefit and related on-costs liabilities

Included in other creditors and accruals				
– current (Note 15)	2,693	2,456	–	–
Provisions for employee entitlements				
– current (Note 17)	4,563	4,303	–	–
Provisions for employee entitlements				
– non-current (Note 21)	3,008	3,305	–	–
Aggregate employee benefit and related on-costs liabilities	10,264	10,064	–	–
Employee numbers				
Number of full-time equivalent employees at the reporting date	806	803	–	–

Information regarding share options issued to employees is set out in Note 24 – Share options.

30. CONTINGENT LIABILITIES

	Consolidated		InvoCare Limited	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
The parent entity and consolidated entity had contingent liabilities at 31 December 2003 in respect of bank guarantees given in respect of leased premises of controlled entities to a maximum amount of:	225	233	225	129

No material losses are anticipated in respect of the above contingent liabilities.

31. EARNINGS PER SHARE

Reconciliation of earnings used in calculating basic and diluted earnings per share

Net profit	11,683	
Adjustments:		
Net profit attributable to outside equity interest	(45)	
Earnings used in calculating basic and diluted earnings per share	11,638	n/a
	Number of shares	Number of shares

Weighted average number of shares used as the denominator

Weighted average number of ordinary shares used in calculating basic earnings per share:	96,920,114	n/a
Weighted average number of ordinary shares and potential ordinary shares used in calculating diluted earnings per share:	99,228,347	n/a

The average market price utilised in calculating the weighted average number of shares used in calculating diluted earnings per share was \$2.02, being the average of the daily market prices of InvoCare Limited's ordinary shares traded in the period from initial listing on 4 December 2003 until 31 December 2003.

Adjustment for share split

The weighted average number of ordinary shares used to calculate the basic and diluted earnings per share has been adjusted for the change in the number of ordinary shares which occurred as a result of the share split in December 2003. The number of ordinary shares outstanding before the share split has been adjusted for the proportionate change in the number of ordinary shares outstanding as if the share split had occurred at the beginning of the year.

Notes to the Financial Statements

For the year ended 31 December 2003

31. EARNINGS PER SHARE (continued)

Comparative information

Due to the change in status of InvoCare Limited from a private to a publicly listed company and the substantial changes to its capital structure during the year, comparative information has not been disclosed as it is considered there is no relevant basis of comparison.

Information concerning the classification of securities

Ordinary shares

In determining the weighted average number of shares for basic and diluted earnings per share the preference shares on issue (up to the listing in 2003) have been treated as ordinary shares as they fall within the definition of ordinary shares.

Options

Options granted are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share. The options have not been included in the determination of basic earnings per share.

Details relating to the options are set out in Note 24 – Share options.

Subsequent movements in contributed equity

Since the end of the financial year, no ordinary shares have been issued pursuant to the Employee Share Option Plan.

There have been no other conversions to, calls of, or subscriptions for ordinary shares or issues of potential ordinary shares since the reporting date and before the completion of this financial report.

32. SUBSEQUENT EVENTS

There have been no significant events that have occurred subsequent to 31 December 2003.

33. SEGMENT INFORMATION

InvoCare operates in one industry, being the funeral industry, and in one geographical location, being Australia.

34. REMUNERATION OF DIRECTORS

	Consolidated		InvoCare Limited	
	2003	2002	2003	2002
	\$	\$	\$	\$
Directors' remuneration				
Income paid or payable, or otherwise made available, in respect of the financial year, to Directors by entities in the consolidated entity and related parties in connection with the management of affairs of the parent entity or its controlled entities	1,859,449	1,148,290	1,347,614	692,003

Options are granted to Executive Directors, details of which are set out in Note 24 – Share options.

Details of options granted to and exercised by Directors during the year ended 31 December 2003 are set out in Note 24 – Share options.

The amounts disclosed for remuneration of Directors include the assessed fair values of options granted to Directors during the year ended 31 December 2003 at the date they were granted. Fair values have been independently determined using an appropriate option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the current price and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

	Number	Number
The number of Directors of InvoCare Limited whose total income falls within the following bands is:		
\$10,000 – \$19,999	2	–
\$20,000 – \$29,999	3	4
\$30,000 – \$39,999	1	–
\$70,000 – \$79,999	1	1
\$260,000 – \$269,999	1	–
\$520,000 – \$529,999	–	1
\$880,000 – \$889,999	1	–

Non-Executive Directors' fees

The Constitution provides that the Non-Executive Directors are entitled to be paid Directors' fees in aggregate up to a maximum of \$250,000 per annum or such other maximum amount determined from time to time by InvoCare in general meeting. This excludes any remuneration determined by the Directors where a Director performs additional or special duties for the company. This remuneration is to be divided among the Non-Executive Directors in such proportion as the Board determines. Directors are entitled to be reimbursed for all reasonable costs and expenses including time charges incurred by them in the performance of their duties as Directors.

Notes to the Financial Statements

For the year ended 31 December 2003

	Consolidated		InvoCare Limited	
	2003 \$	2002 \$	2003 \$	2002 \$
35. REMUNERATION OF EXECUTIVES				
Remuneration received, or due and receivable, from entities in the consolidated entity and related parties by Australian-based Executive Officers (including Directors) whose remuneration was at least \$100,000:				
Executive officers of the parent entity*	2,396,871	1,128,308	2,396,871	1,128,308
Executive officers of the other entities in the consolidated entity	1,953,209	1,470,224	-	-
	4,350,080	2,598,532	2,396,871	1,128,308
	Number	Number	Number	Number

The number of Executive Officers (including Directors) whose remuneration from entities in the consolidated entity and related parties was within the specified bands are as follows:

\$100,000 – \$109,999	2	1	-	-
\$120,000 – \$129,999	1	2	-	-
\$140,000 – \$149,999	-	1	-	-
\$160,000 – \$169,999	1	1	-	-
\$170,000 – \$179,999	-	1	-	-
\$180,000 – \$189,999	1	-	-	-
\$190,000 – \$199,999	-	1	-	-
\$200,000 – \$209,999	1	-	-	-
\$210,000 – \$219,999	-	1	-	-
\$220,000 – \$229,999	-	1	-	-
\$230,000 – \$239,999	1	-	-	-
\$250,000 – \$259,999	-	1	-	1
\$260,000 – \$269,999	1	-	-	-
\$270,000 – \$279,999	1	-	-	-
\$290,000 – \$299,999	1	-	-	-
\$340,000 – \$349,999	-	1	-	1
\$520,000 – \$529,999	-	1	-	1
\$680,000 – \$689,999	1	-	1	-
\$820,000 – \$829,999	1	-	1	-
\$890,000 – \$899,999	1	-	1	-

Options are granted to Executive Officers under the Employee Share Option Plan, details of which are set out in Note 24 – Share options.

* As mentioned in the Directors' report, InvoCare Limited has no employees, all Executives and officers are employed by a controlled entity, Service Corporation International Australia Pty Limited. Amounts disclosed are paid by the controlled entity, but are in relation to the work performed as Executives of InvoCare Limited.

The amounts disclosed for remuneration of Executive Officers in this note include the assessed fair values at the date they were granted of options granted to Executive Officers during the year ended 31 December 2003. Fair values have been independently determined using an appropriate option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the current price and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

	Consolidated		InvoCare Limited	
	2003	2002	2003	2002
	\$	\$	\$	\$
36. REMUNERATION OF AUDITOR				
During the year the auditor of the parent entity and its related practices earned the following remuneration:				
PricewaterhouseCoopers – Australian firm				
Audit of financial reports of the entity or any entity in the consolidated entity	110,000	78,000	–	–
Review of financial report of the consolidated entity	40,000	–	–	–
Other audit-related work	66,650	55,085	–	–
Total audit and other assurance services	216,650	133,085	–	–
Advisory services	56,593	89,298	–	–
Taxation	157,082	163,205	–	–
Total other services	213,675	252,503	–	–
Total remuneration of PricewaterhouseCoopers	430,325	385,588	–	–
Related practices of PricewaterhouseCoopers Australian firm				
PricewaterhouseCoopers Legal	159,039	41,848	–	–
PricewaterhouseCoopers Securities	207,800	–	–	–
Total remuneration of related practices	366,839	41,848	–	–
Total remuneration of auditors and related practices	797,164	427,436	–	–
Representing				
Amount paid by InvoCare	564,964	427,436	–	–
Amount paid by former shareholders	232,200	–	–	–
Total remuneration of auditor and related practices	797,164	427,436	–	–

There was a significant increase in the remuneration paid to the auditor of InvoCare. This increase is primarily due to the additional work performed in relation to the listing of InvoCare Limited's shares on ASX.

It is InvoCare's policy to employ PricewaterhouseCoopers on assignments additional to their statutory audit duties where PricewaterhouseCoopers' expertise and experience with the consolidated entity are important. These assignments are principally tax advice and advisory services, or where PricewaterhouseCoopers is awarded assignments on a competitive basis. It is InvoCare's policy to seek competitive tenders for any major consulting projects.

Notes to the Financial Statements

For the year ended 31 December 2003

37. RELATED PARTY DISCLOSURES

Directors

The Directors of InvoCare Limited during the financial year were:

Ian D Ferrier

Richard H Davis

Mike J Grehan (appointed 24 October 2003)

John W Murphy

Christine L Clifton (appointed 24 October 2003)

Richard H Fisher (appointed 24 October 2003)

Patrick F Elliott (resigned 24 October 2003)

MacDonell Roehm Jr (resigned 24 October 2003)

Michael R Webb (resigned 24 October 2003).

Remuneration and retirement benefits

Information on remuneration of Directors is disclosed in Note 34 – Remuneration of Directors.

Transactions of Directors concerning share options

Details of transactions of Directors concerning share options are set out in Note 24 – Share options.

Equity instruments of Directors and Director-related entities

Interests at balance date

Interests in the equity instruments of InvoCare Limited held by Directors of the reporting entity and their Director-related entities:

	Notes	Ordinary shares fully paid		Options over ordinary shares	
		2003 Number	2002 Number	2003 Number	2002 Number
Ian Ferrier	(i)	–	–	302,401	302,401
Richard Davis	(i), (ii)	611,168	–	–	–
Mike Grehan	(i)	–	–	1,222,336	–
John Murphy	(iii)	56,417	–	–	–
Christine Clifton	(iv)	110,000	–	–	–

(i) Equity instruments are held by Directors only, no equity instruments are held by Director-related entities of these Directors.

(ii) Under a Service Agreement dated 8 May 2001, Richard Davis will be issued with 988,565 options on 8 May 2004, subject to continuing employment. These options may be exercised at a price determined by the share equivalent of 6.71 times EBITDA for the financial year ended 31 December 2003 less debt at 30 April 2004. These share options expire 8 May 2009.

(iii) Equity instruments are held by a Director-related entity only, no equity instruments are held directly by John Murphy.

(iv) Equity instruments are held by the Director and a Director-related entity. Amount shown is the aggregate number held.

Interests after balance date

After 31 December 2003 a Director-related entity of Richard Fisher acquired 5,000 ordinary shares in InvoCare Limited.

37. RELATED PARTY DISCLOSURES (continued)

Escrow agreement

Richard Davis and Mike Grehan have entered separate voluntary escrow arrangements relating to shares and options in InvoCare whereby sale of the shares and options is not allowed until InvoCare has reported its audited financial results for the year ending 31 December 2004. In the event of death, permanent disability or ceasing to be a Director or employee of InvoCare, earlier sale is permitted.

Transactions with Director-related entities

A Director of InvoCare Limited, John Murphy, is a Director of Investec Wentworth Pty Limited and Investec Wentworth Private Equity Pty Limited who provided professional services to a controlled entity during the year ended 31 December 2003 on normal commercial terms and conditions.

A Director of InvoCare Limited, Richard Fisher, is a partner at Blake Dawson Waldron. Blake Dawson Waldron provided legal services to a controlled entity during the year ended 31 December 2003 on normal commercial terms and conditions.

Aggregate amounts of each of the above types of transactions with Director-related entities:

	Consolidated		InvoCare Limited	
	2003 \$	2002 \$	2003 \$	2002 \$
Professional services	15,950	—	—	—
Legal services	951	*	—	*

* Richard Fisher was appointed 24 October 2003, therefore comparative figures are not applicable.

Wholly owned group transactions

The ultimate parent entity in the wholly owned group is InvoCare Limited, a company listed on ASX.

The wholly owned group consists of InvoCare Limited and its wholly owned controlled entities. Ownership interest of these are set out in Note 38 – Investments in controlled entities.

Transactions between InvoCare Limited and its controlled entities consist of:

- (a) loan advanced by InvoCare Limited
- (b) loan repaid to InvoCare Limited
- (c) the payment of interest on the above loan
- (d) the payment of dividends to InvoCare Limited, and
- (e) the payment of a management fee to InvoCare Limited.

Loan

The loan made by InvoCare Limited to a controlled entity has no fixed terms of repayment. The aggregate amount receivable included in Note 6 – Receivables (current) and Note 10 – Receivables (non-current) totalled \$192,324,000 (2002: \$208,627,000). Interest on the loan is charged at 9% (2002: 9%).

Repayments totalling \$16,303,000 (2002: \$29,653,000) were made during the year. In addition, interest revenue included in the determination of operating profit before income tax that resulted from transactions with the entity in the wholly owned group totalled \$18,110,000 (2002: \$21,004,000).

Dividends

A fully franked dividend of \$7,000,000 was received by InvoCare Limited from a controlled entity. This amount has been included in the determination of operating profit before income tax.

Management fee

A management fee was charged by InvoCare Limited to a controlled entity during the year totalling \$480,000 (2002: \$400,000). This amount is included in the determination of operating profit before income tax.

Notes to the Financial Statements

For the year ended 31 December 2003

37. RELATED PARTY DISCLOSURES (continued)

Former shareholder transactions

Service Corporation International, a company incorporated in the United States of America, held 20% of the issued ordinary share capital until 8 December 2003. Service Corporation International provided a loan of \$30,000,000 in the form of convertible notes to InvoCare Limited until 10 December 2003 when the convertible notes were repaid in full. The interest expense on the convertible notes totalled \$3,394,000 (2002: \$3,600,000) and is included in the determination of operating profit before income tax.

38. INVESTMENTS IN CONTROLLED ENTITIES

The consolidated entity comprises the parent entity and the entities it controlled at the end of, or during, the financial year.

Parent Entity

InvoCare Limited

Name of entity	Equity holding		Cost of parent entity's investment	
	2003 %	2002 %	2003 \$'000	2002 \$'000
Service Corporation International Australia Pty Limited	100	100	15,641	15,641
New South Wales Cremation Company Pty Limited	100	100	-	-
Cremations (Newcastle) Holdings Pty Limited	100	100	-	-
Cremations (Newcastle) Pty Limited	100	100	-	-
Macquarie Memorial Park Pty Limited	83.14	83.14	-	-
Macquarie Funeral Service Pty Limited	83.14	83.14	-	-
Novocastrian Funerals Pty Limited	100	100	-	-
Novocastrian Funerals Unit Trust	100	100	-	-
Catholic Funerals Newcastle Pty Limited	100	100	-	-
Mead & Purslowe Pty Limited	100	100	-	-
Mead & Purslowe Trading Trust	100	100	-	-
Oakwood Funerals Pty Limited^^	50	50	-	-
Dignity Pre-Arranged Funerals Pty Limited	100	100	-	-
Memorial Guardian Plan Pty Limited	100	100	-	-
Pine Grove Forest Lawn Funeral Benefit Company Pty Limited	100	100	-	-
Kitleaf Pty Limited	100	100	-	-
The Australian Cremation Society Pty Limited	100	100	-	-
Metropolitan Burial and Cremation Society Funeral Contribution Fund Pty Limited	100	100	-	-
Labor Funerals Contribution Fund Pty Limited	100	100	-	-
Purslowe Custodians Pty Limited	100	100	-	-
Beresfield Funerals Pty Limited	100	100	-	-
			15,641	15,641

All entities are incorporated and domiciled in Australia.

^^ Service Corporation International Australia Pty Limited holds 50% of the shares in Oakwood Funerals Pty Limited, which is a controlling interest as it has the capacity to dominate decision making and operations of the company's business activities.

39. FINANCIAL INSTRUMENTS

(a) Interest rate risk exposures

The consolidated entity's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at the reporting date, are as follows:

Notes	Floating interest rate		Fixed interest rate maturing in:				Non-interest-bearing		Total	Weighted average interest rate			
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	Over 1 to 5 years 2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000		2003 \$'000	2002 \$'000	2003 %	2002 %
Financial assets													
Cash	27	5,002	5,196	-	-	-	-	-	-	5,002	5,196	3.7	4.0 [^]
Cash	27	-	-	2,141	-	-	-	-	-	2,141	-	4.5	0.0
Trade and other debtors	6, 10	-	-	-	-	-	-	21,812	22,296	21,812	22,296	n/a	n/a
Security deposit	10	19	18	-	-	-	-	42	38	61	56	3.8	3.9
Total financial assets		5,021	5,214	2,141	-	-	-	21,854	22,334	29,016	27,548		
Financial liabilities													
Trade and other creditors	15, 19	-	-	524	529	307	794	17,914	16,842	18,745	18,165	9.0	9.0
Deferred revenue	18, 22	-	-	-	-	-	-	39,283	36,256	39,283	36,256	n/a	n/a
Debentures	16, 20	130,000	109,580	-	-	-	-	-	-	130,000	109,580	7.6	6.8
Cash advance facility	16, 20	25,000	-	-	-	-	-	-	-	25,000	-	7.7	0.0
Convertible notes	20	-	-	-	-	-	30,000	-	-	-	30,000	12.0	12.0
Lease liability	16, 20	-	-	15	37	49	-	-	-	64	37	9.1	12.5
Interest rate swap*		(136,000)	(130,394)	20,994	12,024	115,006	118,370	-	-	-	-	#	#
Total financial liabilities		19,000	(20,814)	21,533	12,590	115,362	149,164	57,197	53,098	213,092	194,038		
Net financial assets/(liabilities)		(13,979)	26,028	(19,392)	(12,590)	(115,362)	(149,164)	(35,343)	(30,764)	(184,076)	(166,490)		

n/a Not applicable for non-interest-bearing financial instruments.

[^] Account is the aggregate of nine bank accounts. Where the aggregate balance is greater than \$5,000,000 a premium interest rate is received. When the aggregate balance is overdrawn a rate of 8.6% is charged.

* Notional principal amounts. Not recognised in financial statements.

The disclosure of effective interest rates is not applicable to derivative financial instruments. For information on interest rates see below.

Notes to the Financial Statements

For the year ended 31 December 2003

39. FINANCIAL INSTRUMENTS (continued)

(b) Net fair value of financial assets and liabilities

On-balance sheet

The carrying amount of financial assets and liabilities approximates their fair value.

(c) Off-balance sheet derivative instruments

InvoCare Limited is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest rates.

	Carrying amount		Net fair value	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Financial liabilities				
Interest rate swaps, net liability	-	-	780	2,287

Interest rate swap contracts

The debentures and cash advance facility currently bear an average variable interest rate of 7.64% (2002: 6.84%). It is policy to protect the majority of the loan agreement from exposure to increasing interest rates. In addition, the loan agreement requires at least 75% of the principal be covered by interest rate swaps. Accordingly, InvoCare has entered into interest rate swap contracts to reduce its exposure to adverse fluctuations in interest rates on debentures and cash advance facility. Swaps currently in place cover 85% (2002: 117%) of the debenture and cash advance facility principal outstanding.

Under the contracts, interest is paid at fixed rates and received at variable rates. The fixed weighted average interest rate is 5.639% (2002: 5.585%) and the variable rate is based on the BBSW which at the balance date was 5.515% (2002: 4.808%). The contract has notional principal amounts with a similar maturity profile to the debentures and cash advance facility and requires settlement of net interest receivable or payable each quarter coinciding with the dates on which interest is payable on the debentures and cash advance facility. There was no net amount receivable or payable on the swap contract at the reporting date.

(d) Credit risk exposures

The credit risk on financial assets of the consolidated entity which have been recognised on the statement of financial position, other than investment in shares, is generally the carrying amount, net of any provision for doubtful debts.

Directors' Declaration

As at 31 December 2003

The Directors declare that the financial statements and notes to the financial statements:

- (a) comply with the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
- (b) give a true and fair view of the company's and consolidated entity's financial position as at 31 December 2003 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date.

In the Directors' opinion:

- (a) the financial statements and notes are in accordance with the Corporations Act 2001, and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.



Ian D Ferrier

Director

Sydney
29 March 2004



Richard H Davis

Director

Independent Audit Report

Independent audit report to the members of InvoCare Limited

Audit opinion

In our opinion, the financial report of InvoCare Limited:

- gives a true and fair view, as required by the Corporations Act 2001 in Australia, of the financial position of InvoCare Limited and the InvoCare Group (defined below) as at 31 December 2003, and of their performance for the year ended on that date, and
- is presented in accordance with the Corporations Act 2001, Accounting Standards and other mandatory financial reporting requirements in Australia, and the Corporations Regulations 2001.

This opinion must be read in conjunction with the rest of our audit report.

Scope

The financial report and Directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the Directors' declaration for both InvoCare Limited (the company) and InvoCare Group (the consolidated entity), for the year ended 31 December 2003. The consolidated entity comprises both the company and the entities it controlled during that year.

The Directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Directors.

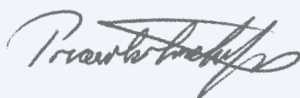
When this audit report is included in an Annual Report, our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Our audit did not involve an analysis of the prudence of business decisions made by Directors or management.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.



PricewaterhouseCoopers



John Gordon
Partner

Sydney
29 March 2004

Liability is limited by the Accountant's Scheme under the Professional Standards Act 1994 (NSW)

Shareholder Information

As at 31 December 2003

The shareholder information set out below was applicable as at 17 March 2004.

Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

	Class of equity securities	
	Ordinary shares	Options over ordinary shares
1 – 1,000	776	–
1,001 – 5,000	2,468	–
5,001 – 10,000	1,018	–
10,001 – 100,000	746	3
100,001 and over	52	9
	5,060	12

There were 3 holders of less than a marketable parcel of ordinary shares (being 219 at a market price of \$2.29 on 17 March 2004) who hold a total of 465 ordinary shares.

Equity security holders

20 largest quoted equity security holders

The names of the 20 largest holders of quoted equity securities are listed below:

Name	Ordinary shares	
	Number held	Percentage of issued shares
National Nominees Limited	10,745,998	11.44%
RBC Global Services Australia Nominees Pty Limited	9,682,941	10.31%
Westpac Custodian Nominees Limited	8,264,730	8.80%
JP Morgan Nominees Australia Limited	7,785,642	8.29%
Bond Street Custodians Limited	3,823,180	4.07%
Tasman Asset Management Limited	2,845,931	3.03%
UBS Private Clients Australia Nominees Pty Limited	2,445,657	2.60%
Permanent Trustee Australia Limited (SYD)	2,330,204	2.48%
ANZ Nominees Limited	2,035,835	2.17%
Queensland Investment Corporation	1,637,487	1.74%
PSS Board	1,421,811	1.51%
CSS Board	1,188,078	1.27%
IOOF Investment Management Limited	1,011,665	1.08%
MF Custodians Limited	711,000	0.76%
Mr Richard H Davis	611,168	0.65%
Cogent Nominees Pty Limited	603,566	0.64%
Government Superannuation Office	599,488	0.64%
AMP Life Limited	564,745	0.60%
Victorian Workcover Authority	559,856	0.60%
Huntley Investment Co Limited	500,000	0.53%
	59,368,982	63.21%

Shareholder Information

As at 31 December 2003

Unquoted equity securities

	Number on issue	Number of holders
Options issued under the Employee Share Option Plan to take up ordinary shares	2,729,946	11
Options issued under a letter to a Director to take up ordinary shares	302,401	1

Substantial holders

Substantial holders in the company are set out below:

	Number of shares held	Percentage
National Nominees Limited	10,745,998	11.44%
RBC Global Services Australia Nominees Pty Limited	9,682,941	10.31%
Westpac Custodian Nominees Limited	8,264,730	8.80%
JP Morgan Nominees Australia Limited	7,785,642	8.29%

Voting rights

The voting rights attaching to each class of security are set out below:

Ordinary shares

On a show of hands, each member present in person and each other person present as a proxy of a member, has one vote. On a poll each member present in person has one vote for each fully paid share held by the member and each person present as a proxy of a member has one vote for each fully paid share held by the member that the proxy represents.

Options

Options have no voting rights.

Shares subject to voluntary escrow

The number of ordinary shares subject to voluntary escrow that are on issue are listed below:

	Number on issue	Escrow period end date
Ordinary shares subject to voluntary escrow	611,168	*

* The escrow period end date is the earlier of 28 February 2005 or when the shareholder ceases to be an employee.

Corporate Information

ABN 42 096 437 393	InvoCare Limited (formerly SCIA Holdings Pty Limited)
Directors	Ian D Ferrier (Chairman) Richard H Davis (Managing Director and Chief Executive Officer) Mike J Grehan (Chief Operating Officer) John W Murphy (Non-Executive Director) Christine L Clifton (Non-Executive Director) Richard H Fisher (Non-Executive Director)
Company Secretary	Kenneth R Mealey (Chief Financial Officer)
Annual General Meeting	The Annual General Meeting of InvoCare Limited will be held at The Westin Sydney, 1 Martin Place, Sydney on Monday 31 May 2004.
Registered Office	Level 4, 153 Walker Street North Sydney NSW 2060 Telephone: 02 9978 5200 Facsimile: 02 9978 5299 Website: www.invocare.com.au
Share Register	ASX Perpetual Registrars Limited Level 8, 580 George Street Sydney NSW 2000 Toll free: 1300 854 911 Facsimile: 02 9287 0303 Website: www.asxperpetual.com.au
Stock Exchange Listing	InvoCare Limited is a company limited by shares that is incorporated and domiciled in Australia. InvoCare Limited's shares are listed on the Australian Stock Exchange only. ASX code is IVC.
Auditor	PricewaterhouseCoopers Darling Park Tower 2 201 Sussex Street Sydney NSW 1171
Solicitors	Coudert Brothers Level 8 Gateway 1 Macquarie Place Sydney NSW 2000
Bankers	Australia and New Zealand Banking Group Limited 20 Martin Place Sydney NSW 2000

