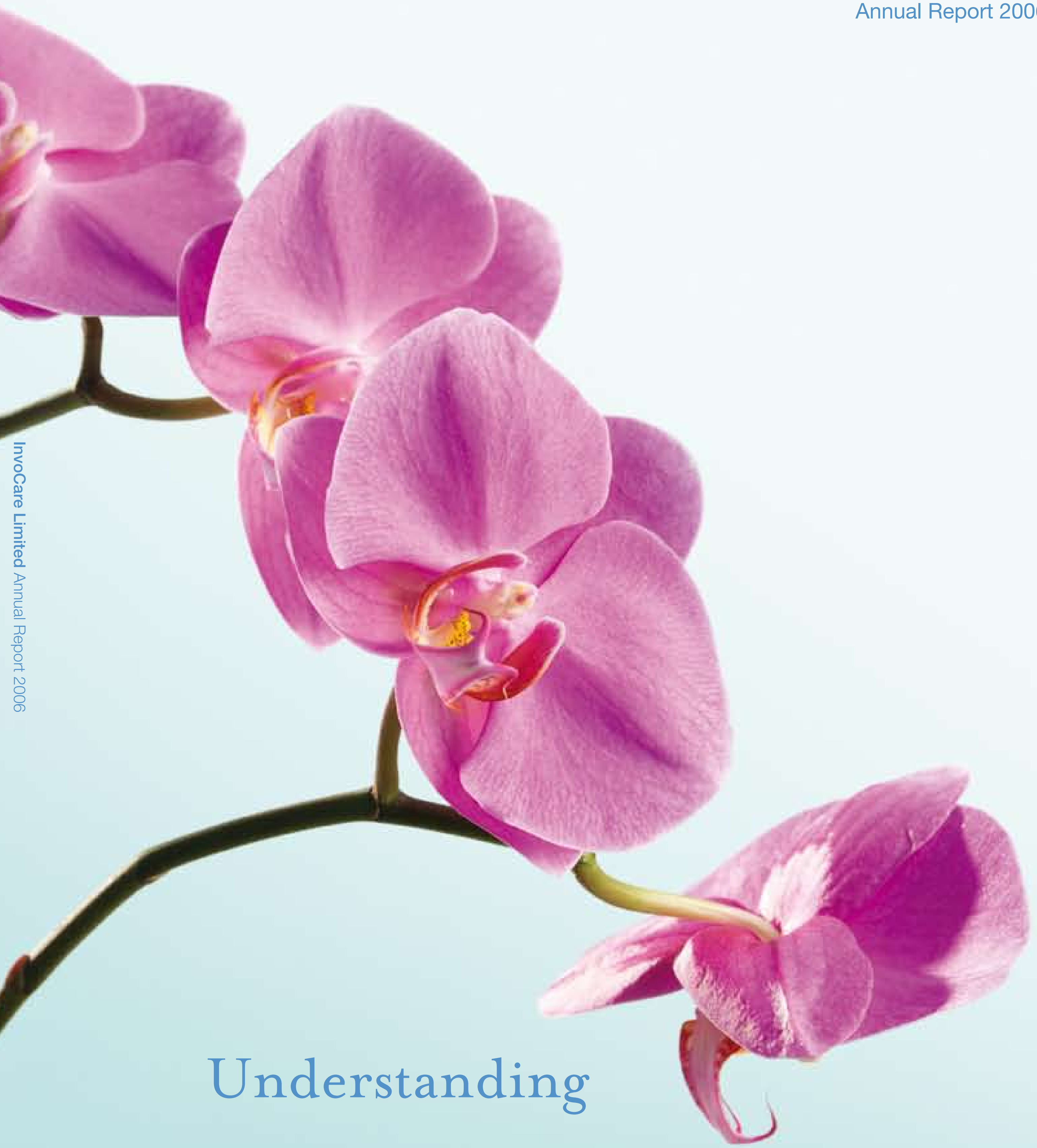
InvoCare
Innovation Vocation Care

Annual Report 2006



InvoCare Limited Annual Report 2006

Understanding

Juliette Frame
Regional Manager,
White Lady Funerals – NSW

Contents

A "Personal details guide" has been included in the back of this document to assist our stakeholders.

InvoCare Limited ABN 42 096 437 393

Our brands cater to the varying needs and preferences of our client families.

White Lady Funerals

WHITE LADY FUNERALS
a woman's understanding

White Lady Funerals is a dedicated team of women offering a unique service for our client families. The life of the loved one is honoured with a special nurturing, sensitivity, warmth and care, with a woman's understanding.

There are 31 White Lady locations throughout Australia, with plans to open locations in markets where White Lady may be under-represented.

Traditional Funerals

GUARDIAN FUNERALS
BLACKWELL FUNERALS
GEORGE HARTNETT FUNERALS
LE PINE FUNERALS
PURSLOWE FUNERALS

InvoCare's traditional-style brands of funeral homes maintain the service approach respected by families over many generations. The service is as personal as it is professional, gently guiding families through the arrangement process.

With one major brand in each state and a number of smaller heritage brands serving local communities, there are 73 InvoCare traditional-style brands of funeral homes in Australia.

Simplicity Funerals

Simplicity Funerals

Flexible and less traditional, Simplicity Funerals offers a practical, dignified, respectful and affordable funeral service.

Steadily expanding, there are 35 Simplicity Funeral locations throughout Australia.

Cemeteries and Crematoria

InvoCare owns and operates 12 cemeteries and crematoria in New South Wales and Queensland. Many have a fine heritage and have been places of memories and tranquillity for generations of families.

The multi-cultural nature of Australia is recognised with burial, cremation and memorial options, including Asian sections designed by Feng Shui advisors, and the availability of architecturally designed crypts, vaults and family mausoleums preferred by many European communities.

Singapore

New acquisition completed in October 2006.

Market leader with 10% market share.

Excellent brand awareness.

Strong margins secured by substantial freehold property.

InvoCare services Australian and Singaporean families with leading brands and a well established network of locations.

Australia

Market leader with 20% funeral market share and 15% cemeteries and crematoria market share.

The only two national funeral brands in White Lady and Simplicity.

Operates from over 150 strategically located properties.

Focus on capital cities and major regional markets where the majority of people reside.

An investment in understanding

We strive to deliver service excellence to our client families. Professional values, integrity and a personal approach allow us to better understand our client family needs at a pivotal time in their lives.

Our brands, our facilities and in particular our people, support the strong results we provide our stakeholders.

InvoCare is an Australian company that owns and operates funeral homes, cemeteries and crematoria across Australia and in Singapore. The Company was floated on the Australian Securities Exchange in 2003 and owns key national brands Simplicity Funerals, White Lady Funerals and Singapore Casket, as well as leading brands in each Australian state in which it operates.

InvoCare places great value on understanding and professionally servicing its client family needs. InvoCare exercises responsibility as an industry leader. It encourages supporting local communities and also actively works with industry and other stakeholder groups. Our mission to shareholders is to improve investor value. The development of our people, our brands and our facilities are the keys to achieving this objective.

InvoCare's business model operates with multi-branded "front-end" businesses, supported by "back-office" shared service functions including marketing, preneed administration, human resources, information technology, finance, property and facilities.

2006 Performance highlights

Profit after Tax $24.0 million

Earnings per Share 24.7 cents

Fully Franked Ordinary Dividends 19.5 cents

Sales Revenues $159.8 million

2 New Markets, 3 Acquired Funeral Locations (Singapore and Sunshine Coast, Queensland)

8 New Funeral Locations Opened

151 Properties – 96 Owned

Results at a Glance

$ millions unless otherwise stated

	2006	2005	Change
Sales Revenues	**159.8**	148.2	+7.8%
Normalised Operating EBITDA	**49.1**	45.4	+8.3%
Normalised Operating EBITDA Margin	**30.7%**	30.6%	+3.0%
Normalised Profit After Tax	**21.5**	18.7	+14.9%
Normalised Basic Earnings per Share	**22.1 cents**	19.5 cents	+13.1%
Profit After Tax on Sale of Assets	**4.9**	1.4	+259%
Profit After Tax on Net Asset Impairment	**(2.4)**	0.0	
Profit After Tax	**24.0**	20.1	+19.4%
Basic Earnings per Share (cents per share)	**24.7 cents**	21.0 cents	+17.6%
Prepaid Funeral Funds Under Management	**252.0**	220.9	+14.1%
Funeral Homes (number)	**139**	128	
Cemeteries and Crematoria (number)	**12**	12	
Employees (full-time equivalents)	**842**	792	

Chairman's message

Ian Ferrier

In 2006, the robustness of InvoCare's business model resulted in another year of solid financial performance.

Reported profit after tax of $24.0 million grew 19.4% or $3.9 million and resulted in a basic EPS of 24.7 cents per share. The strong overall financial performance has enabled the Board to declare a fully franked final dividend of 11.5 cents per share. The total fully franked ordinary dividends for the year increased 18.2% to 19.5 cents per share.

Total shareholder returns (price movement plus cash dividends) for the year ended December 2006 increased 12% to 37%.

The CEO Review and the Group Finance and Operations Review highlight the advancements made during 2006 and the strong position the Company is in to take advantage of further growth opportunities.

I am particularly pleased to be able to report four acquisitions in the past 15 months and the initial strong performances from these operations, including Singapore Casket Company, Singapore's largest funeral operator.

I was pleased to welcome to the Board, in February 2007, Benjamin Chow (AO) as a non-executive director. Benjamin has an impressive background in the land development industry and multi-cultural affairs and was recently awarded an Officer of the Order of Australia for services to the community.

In February 2007, the Company announced the resignation of Mike Grehan as a director and Chief Operating Officer. During his seven years with the Company, Mike was instrumental in introducing resource sharing by the various funeral homes and considerable operational improvements. These included marketing, service delivery, administration and expansion by brand consolidation and acquisitions. The Company is indebted to him for his services for those years.

In January 2007, the Company announced the retirement of Ken Mealey as Company Secretary. On behalf of the Board, I would like to take this opportunity to thank Ken for his contribution to the Company's success over the past 12 years.

I am delighted that the positions vacated have been filled internally, demonstrating the depth of our senior management team.

Andrew Smith has been appointed to the position of Chief Operating Officer of the Group, having been, in more recent times, the Chief Financial Officer. Andrew will now be able to focus on broader operational issues and play a key role in the strategic development of the Company going forward.

Phillip Friery has been appointed to the position of Chief Financial Officer and Company Secretary. For the past 12 years, Phillip has been in senior finance roles within the Group, including more recently as Group Finance Manager.

The Board is strongly committed to appropriate corporate governance best practice and we continue to embrace the ASX Corporate Governance Guidelines and CLERP 9 reforms. Our Audit, Risk and Remuneration Committees during the year, and since March 2006 when it was established, the Nomination Committee, have all functioned effectively and good corporate governance is well and truly embedded into the culture and values at InvoCare.

On behalf of the Board and all its shareholders, I commend management and employees on the excellent results achieved and I thank them for all their hard efforts. Their commitment, dedication and high service ethics have notably contributed to the strong performance of InvoCare in 2006.

The Board is confident that the Company is in a strong position currently to deliver sustainable growth into the future.

Ian Ferrier Chairman

Continued focus on key strategies

In 2006 strong progress has been made on the delivery of key strategies. The Company is well positioned to deliver continued sustainable growth.

Brand awareness and alignment to markets

- Brand alignment to major consumer segment needs continues
- Consumers seeking greater involvement in funerals according to most recent research
- InvoCare brands well positioned for this shift with no change in brand mix noted
- National and major regional strong brand awareness maintained
- Guardian Funerals in Sydney increased brand awareness by 35% on prior year

Guardian brand awareness up 35%

Improving our facilities and expanding memorialisation

- In 2006 increased strategic capital expenditure investment to $6.3 million
- Upgrades to facilities at Allambe Gardens Memorial Park (Gold Coast), Albany Creek Memorial Park (Brisbane) and Rookwood Memorial Gardens and Crematorium (Sydney)
- Strategic capital expenditure investment to continue and net capital expenditure therefore likely to be between $7 million and $10 million p.a. for the next five years
- Strategic capital expenditure will focus on operational facilities in cemeteries, crematoria and funeral homes, including chapels, arrangement rooms and condolence lounges
- Improved range of memorial options introduced

Pursuit of locations and acquisition opportunities

Caloundra, Sunshine Coast, Qld

- Four acquisitions in the last 15 months to March 2007
- Revenues attributable to acquisitions in 2006 – $5.1 million
- Eight new funeral locations opened in 2006
- Four to six new funeral locations scheduled for opening per year for the next five years
- Confident that further acquisitions possible
- Keen to expand internationally provided overall low risk profile not materially affected

Solid capital and financial management

- Net operating cash flows improved 15.7% to $29.6 million
- Two non-strategic assets sold during 2006 resulted in profit after tax benefit of $4.9 million
- Total ordinary dividends increased 18.2% to 19.5 cents per share
- DRP activated for the interim and final dividends
- Net debt increased only $10.9 million or 8% to $146.4 million (facility $185.0 million) despite acquisition cash outflows of $25.2 million
- 99% effective debt hedged with interest rate swaps at December 2006
- Continued focus on operational efficiencies, including major casket supplier arrangements under review in 2007 and continued focus on employment costs, including a new labour management system tool

Singapore

Valuable future income streams

- Prepaid funeral funds under management increased 14.1% to $252 million
- Growth in funds was on the back of strong investment returns
- Long-term gross investment returns reached 10% for the first time
- Increased prepaid funeral disclosure – estimated prepaid funeral fund surplus is $46 million; expected maturity profile of surplus actuarially graphed on page 24
- Prepaid funeral redemption in 2006 contributed approximately 2% to funeral average sale
- In 2006 prepaid funeral redemptions exceeded new contracts written by 19.1%
- Challenge for 2007 and beyond is to at least maintain the number of prepaid funerals under management
- Considering a preneed funeral insurance product in addition to the prepaid funeral product

Investment in our people

- Recruitment programs introduced to attract quality candidates
- Investment in learning and development, with emphasis on improving service levels, OH&S and succession
- Focus on offering a career
- Exempt Share Plan offered to employees in 2006
- A Deferred Share Plan will be offered in 2007 to certain management personnel as a long-term incentive
- A commitment to safety has resulted in fewer claims

Focus on OH&S in 2006

CEO review

Richard Davis

Overall, InvoCare performed strongly in 2006 with profit after tax increasing 19.4% to $24.0 million. The performance reflected the consistency and success of our strategy.

The 2006 Performance Highlights on page 2 summarise the financial performance across the key parameters. Key factors influencing performance were the increase in the number of deaths, acquisitions of funeral businesses and the profit on sale of non-core assets. Adjusting for asset sales and impairment of assets, InvoCare's normalised profit after tax increased 14.9% to $21.5 million.

The 2006 financial performance once again reflects the strength of the Company's business model and, strategically, we maintained our focus on improving client service, developing our people and our brands, upgrading our facilities, improving memorialisation, pursuing acquisitions and opening new locations, maintaining the strong prepaid funeral fund performance, managing our asset portfolio and controlling costs and capital.

Most importantly, client service excellence remains at the heart of our strategy and our employees' commitment to service excellence played a vital role in strengthening our position in the markets in which we operate.

Of particular note is the acquisition of Singapore Casket Company, Singapore's largest funeral operator, and also the growth in the Company's prepaid funeral funds to $252 million, which underpins future funeral revenues and which includes an estimated $46.0 million surplus at year end.

Financial Overview

For the year ended 31 December 2006, overall sales revenues increased 7.8% to $159.8 million, predominantly as a result of an increase in the number of services performed, driven by an increase in the number of deaths and by acquisitions. The estimated increase in the number of deaths for the period reflects a reversion towards the trend in the Australian Bureau of Statistics death projections. Even though there was an increase in average sale of services and products in funerals, cemeteries and crematoria, average sale was adversely affected by mix, the majority of which occurred in the first half of the year.

Operating margins (normalised earnings before depreciation, amortisation and tax/sales revenues) increased from 30.6% to 30.7% as a consequence of improved sales revenues. A pleasing result, considering the deliberate cost deferrals made in 2005 which flowed into 2006. Profit after tax generated from sale of non-core assets amounted to $4.1 million versus $1.4 million in the prior year. This gain mitigated the $2.4 million after tax loss resulting from asset impairments.

Earnings per share amounted to 24.7 cents, representing a 17.6% improvement on that achieved in 2005.

The strong financial performance enabled the Board to declare a final fully franked dividend of 11.5 cents per share. The total dividends paid or payable for the year amounted to 19.5 cents per share fully franked, representing an increase of 18.2% on that paid or declared in the prior year, excluding special dividends.

These dividends, together with the growth in the share price during the year, have delivered superior returns to shareholders, with total shareholder return for the year amounting to 37%.

Funeral Services

Sales revenues from InvoCare's 138 funeral homes amounted to $108.0 million, 10.7% above those achieved in 2005. Funeral services provided increased 7.4%, largely as result of acquisitions which contributed $5.1 million in revenues and the increase in the number of deaths in InvoCare Australian markets, estimated at 2.3%. Prepaid funerals performed contributed 2.0% of the 3.1% average sale growth for the year, with average sale performance being affected by an adverse mix movement of where deaths occurred.

Client satisfaction remained high, with 97% of InvoCare survey respondents indicating again a willingness to definitely or probably recommend an InvoCare provider to a third party if the need arose. Overall, 88% of respondents continue to believe InvoCare's pricing is in line with or below their expectations. We continue to use feedback from these surveys to identify elements of our service that are being performed well or could be improved.







Major brand awareness remained strong through out the year, with the new Guardian umbrella brand in Sydney increasing its awareness to 35%, an increase of 35% on the prior year. The alignment of InvoCare's major brands to different consumer segments continues as the Company endeavours to meet the needs of consumers.

Eight new funeral locations across four Australian states were opened during the year and a further four to six funeral locations are scheduled for opening in 2007. In addition, the Company plans to rebrand three traditional locations to either Simplicity or White Lady as part of its ongoing branding strategy.

Management estimates that overall market share remained stable in the markets within which InvoCare operates, excluding the impact of acquisitions. Funeral acquisitions have performed in line with or above expectations, resulting in additional purchase price proceeds being paid as a consequence of contractual "earn out" provisions.

Cemeteries and Crematoria

Sales revenues from InvoCare's 12 cemeteries and crematoria amounted to $51.8 million, representing a 2.4% improvement on those achieved in 2005. The improvement reflects the increase in the number of deaths in InvoCare markets, with average sale of product and services remaining relatively stable as a consequence of mix.

Overall, management estimates that market share has remained stable, notwithstanding some minor loss to Macquarie Park Crematorium, at North Ryde in Sydney. The opening of the Catholic Cemeteries Board crematorium within the Catholic section of Rookwood Cemetery in February 2007 is likely to lead to further minor losses in the Sydney market.

Pleasingly, minor market share gains have been noted where InvoCare has completed major facility and memorial option improvements.

Facility upgrades which have been completed or are in progress include Rookwood Memorial Gardens and Crematorium (Sydney), Albany Creek Memorial Park (Brisbane) and Allambe Gardens Memorial Park (Gold Coast). Works include chapel refurbishments and condolence lounges.

Whilst there has been no shift in the rate of memorialisation for cremation in recent years, InvoCare maintains its community awareness programs, educating the public on the benefits of having a memorial.

In terms of burials, InvoCare completed a major crypt and mausoleum development at Albany Creek Memorial Park (Brisbane) and is in the process of planning for construction of mausoleums at Forest Lawn Memorial Park (Leppington) and Lakeside Memorial Park (Dapto). In total, $4.3 million has been committed for the above works.

Pleasingly, 93% of InvoCare survey respondents indicated again a willingness to definitely or probably recommend an InvoCare facility to a third party if the need arose, with 97% of the respondents indicating InvoCare's pricing to be in line with or below their expectations.

Prepaid Funeral Funds

14% of the funerals InvoCare conducted in 2006 were prepaid, consistent with the experience of 2005. Prepaid redemptions exceeded new contracts sold by 19%, necessitating an increased focus for management in 2007.

As at 31 December 2006, $252.0 million was independently managed in trust funds, an increase of 14.1% on the monies held at the end of 2005. Gross returns for funds under management for the past year amounted to 17.2%, a 20.3% increase on those achieved in 2005, reflecting strong investment market conditions. Overall management fees and administration costs remained stable at approximately 1.9% p.a.

During the year, the investment bias to equities increased 2% to 57% of the portfolio compared to the prior year.

Management estimates that there is a surplus in the prepaid funeral funds under management amounting to $46.0 million, where the surplus relates to the difference between the funds under management as at year end compared to the retail price that InvoCare would charge to provide those funerals. This surplus will be realised over time as the prepaid funerals are performed. The actual surplus realised will be dependent upon future investment returns until service performance occurs.

In 2006, the estimated funeral average sale growth attributable to prepaid funerals performed was approximately 2%.

Acquisitions, Net Debt and Cash Flows

Revenues attributable to acquisitions in 2006 (including Ann Wilson Funerals in December 2005) amounted to $5.1 million.

Acquisitions completed during the year included Singapore Casket Company in October and Drysdale Funerals in July. Both acquisitions provided InvoCare with important exposure to new markets.

Singapore Casket Company is the largest funeral provider in Singapore, performing approximately 10% of the nation's funerals, operating from a multi-storey freehold building that the company owns.

Drysdale Funerals operates from two locations on the Sunshine Coast of Queensland, one of Australia's fastest growing regions.

In March 2007, InvoCare announced the acquisition of Liberty Funerals (Sydney), which has two locations and further strengthens InvoCare's position in Australia's largest funeral market.

Overall, net debt increased 8.0% to $146.4 million. Outlays for acquisitions amounting to $25.2 million and capital expenditure of $9.8 million were partially funded by the activation of the Company's Dividend Reinvestment Plan (DRP), which raised $3.1 million, the exercise of employee options amounting to $2.0 million and the proceeds from sale of assets, including non-strategic assets of $5.1 million.

Operating cash flows improved 15.7% to $29.6 million, coupled with an improvement in operating EBITDA of 8.3%, reflecting a strong focus on working capital performance in 2006.

In total, dividends amounting to $13.8 million (net of DRP proceeds) were paid during the year, compared to $25.5 million in the prior year (including a special dividend of $10.2 million).

Overview of Operations

Two non-strategic or non-performing assets were sold in the past year, one in Victoria and another in Queensland, generating an after tax profit of $4.9 million. The operating revenues and profit contribution from these assets were not material. A further non-strategic property has been identified for divestment in 2007 as the Company continues its focus on the strategic importance and effective returns of its locations.




Capital expenditure is scheduled to be maintained at $7.0 million to $10.0 million per annum for the next five years, net of divestitures of non-strategic, non-performing assets.

InvoCare continues working with the industry and other stakeholder groups as various state governments review their legislation in respect of the industry. As previously reported, the majority of the focus continues to be on protecting consumers.

Local community support continued throughout the year, with both the Company and its staff actively participating. Support included financial assistance, provision of facilities and equipment, as well as staff volunteering their valuable personal time.

InvoCare continues to be committed to training and developing its employees, with extensive "learning and development" programs catering to key areas of the business. The Company has a network of accredited trainers within the organisation who focus on delivering programs which ensure the Company sets the highest standards for the way staff conduct themselves and service our client families. During 2006, the Company focussed on the development and delivery of programs covering occupational health and safety and recruitment and performance appraisals.

In February 2007, the Company announced the resignation of Mike Grehan as a director and Chief Operating Officer. In Mike's seven years with the Company, he was a key driver of operational change and I would like to take this opportunity to acknowledge his significant contribution in helping position the Company for further growth opportunities.

In January 2007, the Company announced the retirement of Ken Mealey as Company Secretary and again I would like to thank Ken for his involvement in the Company's success over the last 12 years.

I am very pleased that we had a strong depth in our senior management team and that these vacated positions have been filled internally. Andrew Smith was appointed to the Chief Operating Officer role in March 2007. Andrew was previously our Chief Financial Officer and this appointment will allow Andrew to focus on broader operational issues and be instrumental in the strategic development of the Company in the future.

Phillip Friery has been appointed to the position of Chief Financial Officer and Company Secretary. Phillip has held senior roles at InvoCare over the last 12 years, more recently as Group Finance Manager.

Both Andrew and Phillip have an enormous wealth of experience and I am excited about the value they will each bring to the Company with their new appointments.

Our employees continue to play a vital role in our business, whether they deal with client families or are involved in support functions.

During 2006, an Exempt Share Plan was introduced to eligible employees, resulting in approximately 25% of our staff now being shareholders. Due to the success of the program, I am pleased to advise that the Exempt Share Plan will be offered again this year. In addition, in 2007, the Board has approved the introduction of a Deferred Share Plan as part of a Long Term Incentive Scheme for senior executives and management.

Looking Ahead

The Company's ongoing commitment to service, its strong brands, its network of locations, its valuable prepaid funeral funds under management and its operating leverage position the Company well for sustainable growth.

As evidenced in recent years, the Company is well positioned to grow by way of acquisition both in this country and now internationally.

Whilst InvoCare's results will continue to be affected by the number of deaths in any given period, InvoCare's positioning in the markets within which it operates, together with its strategic initiatives, position the Company well for the future.

Finally, I would like to take this opportunity to thank my management team and all the dedicated employees of InvoCare who have worked so hard to achieve this result.

Richard Davis Chief Executive Officer

Organisational and management structure








Chief Executive Officer
Richard Davis

Chief Financial Officer and Company Secretary
Phillip Friery

Chief Operating Officer
Andrew Smith

Funerals

Damian Hiser
General Manager, New South Wales Funeral Division

John Fowler
General Manager, Victoria Funeral Division

Doris Zagdanski
General Manager, Queensland Funeral Division

Andrew Hogan
General Manager, Western Australia Funeral Division

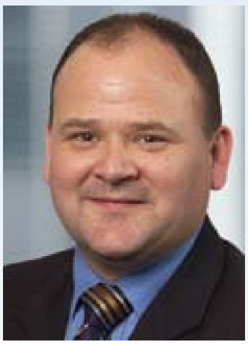
Jason Maher
General Manager, South Australia Funeral Division

Cemeteries and Crematoria

Armen Mikaelian
General Manager, Cemeteries and Crematoria

Supported by back office service functions including:
– Marketing
– Preneed Administration
– Human Resources
– Information Technology
– Finance
– Property and Facilities
– Investor Relations

From left to right and top to bottom: Richard Davis, Andrew Smith, Phillip Friery, Armen Mikaelian, Damian Hiser, John Fowler, Doris Zagdanski Andrew Hogan and Jason Maher



Collectively, the above management personnel have in excess of 100 years of management experience with the Company, of which the national executive have in excess of 35 years. In addition, the above management personnel have also held various senior management positions with other companies prior to joining the Group.

Environment, safety, people and community




InvoCare is responsible for ensuring that the Company and its employees deliver long-term sustainable returns, by seeking to add value for our customers, employees, the communities in which it operates and for shareholders.

Environment

InvoCare is conscious of its environmental responsibilities and continually strives to improve the environmental performance of its locations. The main focus is on the emissions from its crematoria, the disposal of mortuary waste and the use of water. InvoCare's LPG powered cremators and mortuaries are regularly monitored to ensure compliance with the Company's standards and all appropriate environmental laws and regulations. During the recent protracted period of drought, InvoCare has carefully managed the use of water to balance the competing priorities of maintaining quality parks and gardens against the need to ensure water resources are sustainably managed.

The Company's cemeteries and crematoria, which are accessible to the community, provide over 660 acres of much needed open space in high density urban areas. These memorial parks provide a tranquil environment for people to reflect and remember their family and friends.

Safety

InvoCare's commitment to the safety of its employees, contractors and the public at large is taken very seriously. The Company has a risk management system that highlights safety risks and documents the actions being taken to either eliminate or reduce risk.

Key initiatives include the delivery of learning and development modules for manual handling and infection control. All operational employees have completed the first module of manual handling training and are progressively undertaking the second and third modules. Approximately 15% of relevant operational employees have completed the first infection control module. In addition to learning and development, InvoCare monitors all equipment used from a safety perspective, upgrading equipment where deemed necessary and changing work practices as required.

Occupational Health and Safety (OH&S) is an important element in InvoCare's approach to its staff. The Company leads the industry in OH&S management. The Board monitors OH&S performance including the Lost Time Injury Frequency Rate, which has reduced some 8% in the last 12 months, and any significant incidents. The Company has recently appointed a dedicated return to work officer and is in the process of establishing panels of doctors in each state to assist injured employees return to work.

During 2006, an internal OH&S audit was completed of all major sites, with all sites passing the audit.

People

Employees are one of InvoCare's most valuable assets. InvoCare has 1013 employees. The Company endeavours to recruit and retain the best people in the industry and in this regard uses a comprehensive recruiting, performance management and learning and development system.




The Company's comprehensive Learning and Development Program helps ensure staff are properly trained and equipped for further advancement within the organisation or the industry at large. InvoCare is recognised as an industry leader in this respect.

In addition to performance reviews, InvoCare recognises employee service with various awards based on years of service with the Company. The Company employs 797 full-time and permanent part-time employees and 216 casual employees, as well as 73 consultants. Over 41% of the Company's personnel have five or more years of service with InvoCare and 18% have 10 or more years of service.

The Company strongly supports Equal Employment Opportunity (EEO) with an EEO Policy. It also has anti-discrimination and harassment policies in place. 54% of the Company's employees are female, and many of these have senior line management positions.

The Company has a comprehensive Code of Conduct in place, with which all employees are required to be familiar. This is particularly important in regard to the sensitive nature of the business and the confidentiality of information required.

Also, the Company has an Employee Assistance Program as a part of a commitment to the wellbeing of its employees. Confidential counselling is available for employees suffering trauma, stress or conflict.

Community

InvoCare's operations and its employees play a significant community role, providing important services and interment rights for the various cultural and religious groups that comprise these communities.

Market research both internal and external is continually being undertaken, the results of which are taken into consideration in the Company's strategic planning. InvoCare's branding strategy and in particular the alignment of its major brands to identified major market segments is an example of this.

The Company's cemeteries and crematoria preserve heritage and provide a valuable history of the past. The Company's ongoing community awareness program, encouraging memorialisation, helps ensure community history is not lost. A number of InvoCare's locations have been acknowledged as sites of historical significance, as well as being beautiful places to reflect and remember. In 2006, several memorial parks have won garden awards in their local government areas.

The Company supports financially (both directly in financial support and indirectly via its employees) various community activities. In 2006 there were 291 (2005: 168) community events held across Australia with many thousands of community attendees. These ranged from fund raising events for the Cancer Council to open days at Company facilities and grief seminars. In addition to the recognition the Company has received from various communities, a number of our employees have been recognised by federal, state and local governments for their community services.

Group financial and operational review

Financial Highlights

	2006 $'m	2005 $'m	Variance %	1st half 2006 $'m	1st half 2005 $'m	Variance %	2nd half 2006 $'m	2nd half 2005 $'m	Variance %
Sales revenues	**159.8**	148.2	7.8	**76.1**	69.6	+9.3	**83.8**	78.6	+6.5
Normalised operating EBITDA (i)	**49.1**	45.4	+8.3	**22.0**	19.3	+13.9	**27.1**	26.0	+4.2
Normalised margin (ii)	**30.7%**	30.6%	+3.0	**28.9%**	27.8%	+4.0	**32.4%**	33.1%	-2.2
Depreciation and amortisation	**7.9**	6.3	+24.6	**3.8**	3.1	+21.1	**4.0**	3.2	+28.2
Finance costs	**11.3**	12.8	-12.1	**5.4**	5.9	-8.7	**5.8**	6.9	-15.1
Tax expense	**10.4**	8.8	-18.6	**4.2**	3.2	+30.5	**6.2**	5.6	+11.8
Effective tax rate	**30.2%**	30.4%		**31.4%**	29.1%		**29.4%**	31.1%	
Normalised profit after tax	**21.5**	18.7	+14.9	**9.0**	7.5	+19.7	**12.5**	11.2	+11.5
Normalised basic earnings per share	**22.1 cents**	19.5 cents	+13.1	**9.3 cents**	7.9 cents	+17.7	**12.8 cents**	11.7 cents	+9.4
Profit after tax on sale of assets	**4.9**	1.4		**0.1**	0.4		**4.8**	1.1	
Loss after tax on net asset impairment	**2.4**	0.0		**0.0**	0.0		**2.4**	0.0	
Net profit attributable to members of InvoCare Limited	**24.0**	20.1	+19.4	**9.1**	7.8	16.6	**14.9**	12.3	+21.1
Basic earnings per share	**24.7 cents**	21.0 cents	+17.6	**9.4 cents**	8.2 cents	+14.5	**15.3 cents**	12.8 cents	+19.3

(i) EBITDA excluding assets sales and impairment.
(ii) Normalised operating EBITDA / sales revenues.

Summary of Financial and Operational Performance

The Company's 14.9% increase in normalised profit after tax for the year ended December 2006 to $21.5 million and 13.1% increase in normalised basic EPS to 22.1 cents per share were underpinned by:

– an increase in the number of deaths of approximately 2.3%;
– average sale improvements from pricing of approximately 3.0%;
– solid contribution to funerals average sale price from prepaid funeral funds under management of approximately 2.0%;
– funeral business acquisitions; and
– managing costs

offset, in part, by the adverse impacts on average sale prices of state mix issues, in terms of where the deaths have occurred.

The robustness of InvoCare's business model therefore allowed for another successful overall strong performance throughout the year even though there were fluctuations in the numbers of deaths within each of the states in which the Company operates. It is not, however, until the results for 2006 are analysed half on half that it becomes evident how key internal and external drivers can affect the model and why we are confident that we can effectively manage the Company's positioning and performance through these variations and fluctuations.

Sales Revenue

The Company achieved an increase in sales revenue for the full year of 7.8% to $159.8 million. This growth was underpinned by acquisitions, new locations, increases in the number of deaths estimated at 2.3%, and overall improvements in average sale.

In H1 2006, the increase in the number of deaths was estimated to be +5.3%; however, average sale was lower than expected due principally to where the deaths were occurring. Qld and NSW, which have lower levels of average sale, had increased deaths, compared to Vic, SA and WA, which have higher average sale, but whose increases in the number deaths were below the Company average.

In H2 2006, the number of deaths was estimated to have reduced by 0.4%; however, there was a recovery in average sale, with Vic having an improvement in the number of deaths.

The Company's cemeteries and crematoria operations, located in NSW and Qld, performed strongly in H1 due to where the increase in the number of deaths was attributable. In H2 there was an estimated 1.4% decline in the number of deaths in these markets. Overall market share and average sale for the year were flat, mainly due to the strong performance of Qld. Qld has a lower average sale, and good market share improvements. NSW has a higher average sale than Qld, but had slightly lower market share due to increased competition. Comparative H2 revenues were also affected by the recognition of crypt sales of approximately $1.0 million in H2 2005, when construction was completed.

Normalised Operating EBITDA Dollars and Margins; and Operating Costs

Normalised operating EBITDA increased 8.3% to $49.1 million for the 2006 year. Normalised operating EBITDA margins also improved 13bpts to 30.7%.

In H1 2006, operating costs were well controlled and this allowed for a 4% improvement to operating EBITDA margins.

Whilst costs continued to be well managed in H2 2006, prior year comparisons were affected by the deferral of cost increases from H2 2005, such as advertising and promotion expenses, and employee costs in NSW and Vic. These cost deferrals, which were not considered sustainable at the time, were a necessary response to the decline in the number of deaths of approximately 4% in 2005. Operating EBITDA margins in H2 2006 declined 2.2% in line with expectations.

Employment costs for 2006, which represent over 50% of all operating costs, increased 7.5% to $59.1 million. Comparative employment costs (excluding the impact from acquisitions) increased 4.7%. There was also a marginal improvement of 6bpts in the employment costs to sales revenue ratio at 37.0%, again in line with management expectations.

Finished goods costs for 2006, which represent more than 20% of all operating costs, increased 6.1% to $23.0 million. There was also a marginal improvement of 18bpts in the finished goods costs to sales revenue ratio at 14.4%.

Occupancy costs for 2006, which represent more than 10% of all operating costs, increased 13.4% to $11.8 million. The increase was due to the majority of new locations being leased facilities. Due to the lag time required to establish these new locations and achieve volume potential, there has been a marginal decline of 27bpts in the occupancy costs to sales revenue ratio at 7.4%.

Advertising and promotion for 2006, which represents approximately 5% of all operating costs, increased 9.1% to $5.4 million. The advertising and promotion to sales revenue ratio was maintained in 2006 as the cost deferrals in H2 2005 were not considered sustainable without affecting branding, and leverage was therefore not achievable with the higher volume.

Motor vehicle costs for 2006, which represents just over 3% of all operating costs, increased 26.7% to $4.4 million. Whilst an increased number of services performed contributed in part to this increase, the main cause was the increase, in fuel prices in the year, which resulted in a marginal decline of 39bpts in the motor vehicle costs to sales revenue ratio at 2.7%.

All other operating expenses for 2006, which represents approximately 10% of all operating costs, decreased 4.1% to $10.5 million, resulting in an improvement of 78bpts in the other operating expenses to sales revenue ratio at 6.6%.

Acquisitions

H2 2006 saw the positive effects from acquisitions:

– sales revenues +$3.7 million;
– operating EBITDA +$1.3 million; and
– profit after tax +$0.4 million.

Ann Wilson Funerals, purchased in late December 2005, performed slightly better than expected for the full year.

Drysdale Funerals was acquired in July 2006 on the Sunshine Coast in the strategic South East Queensland market. Since its acquisition, Drysdale Funerals has performed in line with expectations.

Singapore Casket Company, Singapore's leading funeral provider with 10% market share, strong brand awareness and margins secured by a substantial freehold property, was purchased in October 2006 and represents the Company's first overseas acquisition. Better than expected performances from this acquisition has meant that there is an increase in the deferred consideration amount payable under the share purchase agreement.

InvoCare confirmed in early March 2007 that it had successfully completed the purchase of Liberty Funerals. This company operates from two locations in Sydney and generates sales revenues of approximately $2.0 million per annum.

Locations and Asset Sales

Eight new funeral locations (mainly leased shop fronts) were opened in 2006, with a further four to six planned for 2007.

Proceeds received and receivable from the sale of non-strategic locations amounted to $8.5 million (2005: $3.0 million), generating a before tax gain on disposal of $7.0 million (2005: $2.0 million). Deferred proceeds of approximately $3.4 million are expected in H2 2007 in accordance with an asset sale agreement for one of the disposed assets. The non-strategic properties sold were the result of management's ongoing asset performance assessment.

A further location has been identified for sale and has been disclosed as a current asset on the balance sheet. The proceeds from this location are expected to be in the vicinity of the location's carrying value of $3.0 million.

Asset Impairments

On transition to Australian equivalents to International Financial Reporting Standards (AIFRS), the Company impaired four Cash Generating Unit (CGU) locations. As at December 2006, the performance of these CGUs was re-assessed.

Two CGUs performed strongly in 2006, resulting in an asset impairment reversal of $1.7 million profit after tax effect.

Two further properties, one of which had major capital expenditure incurred for commercial reasons during 2006, had to be further impaired by $4.1 million loss after tax effect. In modelling this position under AIFRS, the Company applied prudent assumptions, and given the estimated head room in the remaining CGUs, the Company is reasonably confident that further asset impairments should not be required in the short to medium term.

Capital Management

During the 2006 year, the Company had an active capital management program in place which resulted in a healthy increase in ordinary dividends to shareholders. Total ordinary dividends for the 2006 year were up 18.2% to 19.5 cents per share (2005: 16.5 cents per share) with the directors having declared a final, fully franked, dividend of 11.5 cents per share (2005: 9.5 cents per share).

In H2 2006, the Company enacted its Dividend Reinvestment Plan (DRP) for the first time on the interim dividend, resulting in a better than expected uptake of over 40%. The DRP has remained activated for the final dividend.

When acquiring Singapore Casket Company, the Company negotiated an increase in its facility limits with its banking partners and now has an unsecured, non-amortising $185.0 million facility, including a $5.0 million overdraft facility.

At December 2006, despite the strong acquisition activity resulting in $25.2 million cash outflows, net debt only increased 8.0% or $10.9 million to $146.4 million.

Finance Costs

The Group's finance costs decreased by 12.1% to $11.3 million.

Previous interest rate swap contracts were terminated by the Company in December 2005, resulting in annual, non-cash, interest expenses of approximately $0.8 million before tax for the next three years.

New interest rate swaps, totalling $130.0 million, plus $20.5 million in synthetic swaps relating to the acquisition of Singapore Casket Company in October 2006, meant the Group's borrowings were 99% hedged at 31 December 2006.

Taxation

The Group's tax expense was $10.4 million (2005: $8.8 million) with a small reduction in the overall effective rate to 30.2% (2005: 30.4%).

The Group has $10.9 million available franking credits (2005: $8.5 million).

Cash Flow Highlights

	2006 $'m	2005 $'m
Net cash provided by operating activities	**29.6**	25.6
Proceeds from sale of property, plant and equipment	**5.1**	3.0
Purchase of subsidiary net of cash acquired	**(25.2)**	(3.4)
Purchase of property, plant and equipment	**(9.8)**	(6.9)
Other	**(1.7)**	0
Net cash used in investing activities	**(31.6)**	(7.3)
Proceeds from issue of ordinary shares	**5.1**	2.2
Proceeds from borrowings	**40.5**	159.0
Repayment of borrowings	**(28.0)**	(150.5)
Payment of dividends – InvoCare Limited shareholders	**(13.8)**	(25.5)
Other	**(0.1)**	(0.1)
Net cash used in financing activities	**3.7**	(15.0)
Net increase/(decrease) in cash held	**1.7**	3.3
Cash and cash equivalents at the beginning of the year	**4.0**	0.7
Cash and cash equivalents at the end of the year	**5.7**	4.0

Cash and cash equivalents at 31 December 2006 was $5.7 million, representing an increase of $1.7 million for the 2006 year. Operating cash flows remained strong and increased by $4.0 million (or 15.7%) to $29.6 million for the year, largely as a result of increased sales revenues and cost control.

Asset sale proceeds of $5.1 million, plus $5.1 million received through the underwritten Dividend Reinvestment Plan for the Company's interim dividend and the exercising of employee share options, partly funded total ordinary dividends paid to shareholders during 2006, which amounted to $13.8 million.

Additional net borrowings of $12.5 million allowed the Company to invest in capital expenditure of $9.8 million, including strategic capital expenditure of $6.4 million for condolence lounges and chapels. It also, in part, funded acquisition considerations of $25.2 million.

AIFRS

On transition to AIFRS, required adjustments resulted in retained earnings being reduced by $44.9 million primarily as a result of the recognition of deferred tax liabilities and impairment losses on cemetery and crematorium land. This adjustment may reduce by $34.8 million if the standard setting authorities' recommendations are adopted.

Importantly, the AIFRS adjustments should not materially adversely impact or restrict InvoCare's current and future operational profitability, cash flows or dividend capability.

Prepaid Funerals

	2006	2005	Movement %
Prepaid funeral funds	**$252.0m**	$220.9m	+14.1
Gross returns			
12 months	**17.2%**	14.3%	+20.3
3 years	**16.2%**	13.0%	+24.6
5 years	**10.7%**	8.7%	+23.0
7 years	**10.0%**	7.0%	+42.9

Gross returns exclude investment management fees and administration fees (currently 1.9%).
Percentage of 2006 funerals performed previously prepaid: 14% (prior year: 14%.)

Prepaid funeral funds under management increased 14.1% to $252.0 million. The asset allocation of these funds was: 57% invested in Australian equities, 2% in international equities, 5% in Australian property, and 36% in cash and fixed interest. The Company closely monitors the asset allocation of the funds under administration and the asset managers' performances.

Prepaid funeral redemptions in 2006 exceeded new contracts written by 19.1%. Whilst this is not a material number of contracts for 2006 – given the last five years has seen a net increase in contracts – the Company will be focussing on ensuring that this decline is quickly rectified, so that it does not become a long-term trend.

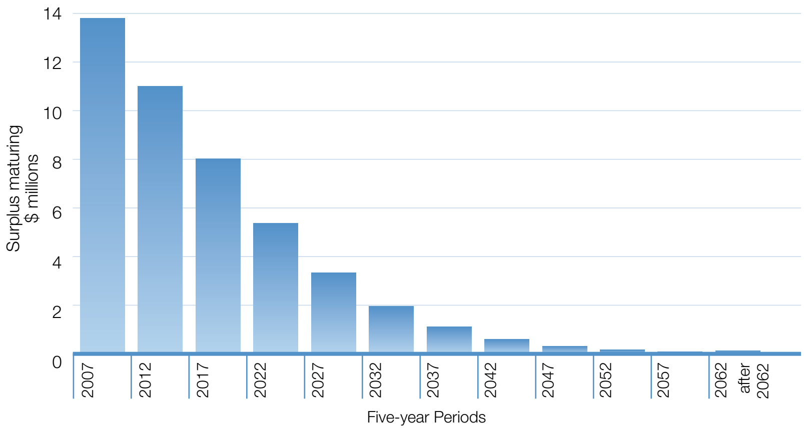
Estimated prepaid funeral fund surplus (the difference between the funds under management and the retail price of delivering contracts held) is $46.0 million as at 31 December 2006. Note:

- the surplus is an off balance sheet item;
- the surplus is only recognised on delivery of contracts;
- the surplus is not guaranteed and is subject to fluctuation;
- the actual surplus redeemed is dependent on the date of delivery of contracts, plus future returns on funds under management and future retail price increases.

Surplus redemptions in 2006 contributed approximately 2% to funeral average sale growth.

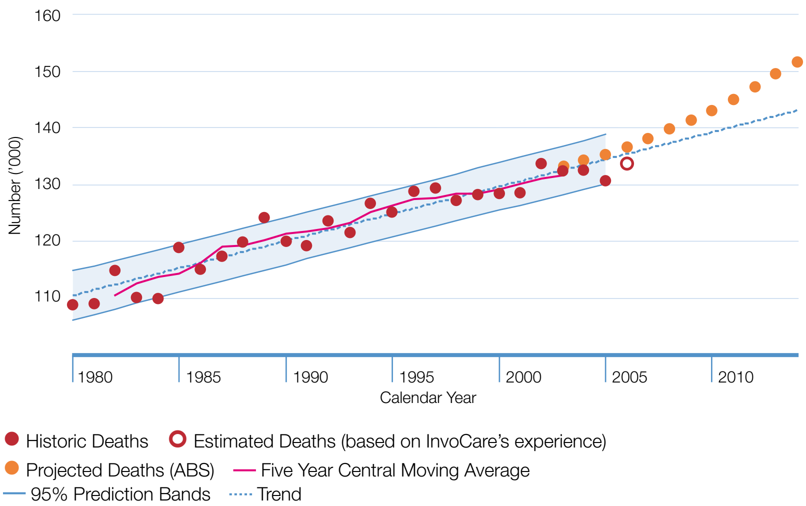
The expected maturity profile of the surplus has been actuarially determined and graphed above right.

Expected Maturity Profile of Surplus*



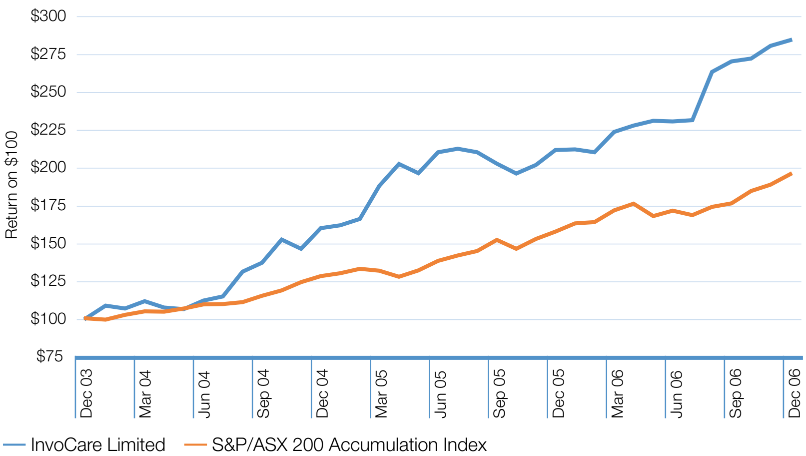
* Actuarially determined by Rice Warner Actuaries using current account balances and estimates of future.

Actual and Projected Deaths



Source: Rice Warner Actuaries

Total Shareholder Return on $100 – InvoCare Limited Share Price Plus Dividend Payments against S&P/ASX 200 Accumulation Index



From top to bottom:
Andrew Smith and Phillip Friery

2007 Outlook and Beyond

Preliminary results for first two months of 2007 indicate low double digit comparative sales revenue increases, underpinned by solid average sale performances, particularly in the Funerals Division. It is not necessarily appropriate to extrapolate this result for the balance of 2007, due to the impact of external factors, such as the death rate and prepaid funds under management contributions. The result, however, combined with the expected positive performance from recent acquisitions, is encouraging, as it means we are starting the year positively and will focus on capitalising on this position.

InvoCare continues to be well positioned given the ageing population. Being the market leader in Australia and Singapore, with solid financial fundamentals supporting it, means InvoCare can continue to grow from four main drivers of profit:

1. Organically:

- investing in our people and their development;
- enhancing service offerings to our client families;
- pricing, through annual price increases at least in line with the Consumer Price Index (CPI);
- death rate, which the ABS has estimated to increase 1.2% p.a. until 2012, when it will increase to 1.4% p.a. for at least the next 10 years thereafter (refer to Actual and Projected Deaths graphed on page 24);
- opening new locations and leveraging brand positionings to market segments and improving brand awareness to either maintain or grow market share;
- monitoring asset performance, including investing in strategic properties or divesting non-performing/non-strategic assets;
- increasing the memorialisation rate in the cemeteries and crematoria operations by focussing on service and product offerings;
- focussing on future capital management, which is dependent upon trading and economic conditions, as well as acquisition/expansion opportunities.

2. Acquisitions:

- pursuing acquisition opportunities to improve market share where we may be under-represented;
- entering new markets, subject to sound business cases, including not materially affecting our overall low risk profile.

3. Prepaid Funerals:

- at least maintain the number of prepaid funerals under management;
- maintain the strong prepaid funeral fund investment performance;
- ensure that the annual net return on invested funds is greater than annual price increases; this should deliver future incremental margins, provided costs for delivering funerals are contained to approximately CPI levels.

4. Operating Leverage:

- InvoCare believes it has adequate excess capacity in its operations to absorb any immediate demands from increased volumes.
- Operating expenses will continue to be well managed and annual increases restricted to approximately CPI levels.
- Efficiencies can continue to be achieved through the pooling of labour, vehicles and back office functions.

Mr Andrew Smith JP BCom MBA CA

Chief Operating Officer
(previously Chief Financial Officer)

Andrew Smith was appointed Chief Operating Officer of InvoCare in March 2007. Prior to this Andrew was InvoCare's Chief Financial Officer, having commenced employment with the Company in January 2006. Andrew brings over 15 years of financial expertise and extensive commercial and retail experience in senior executive roles. These included Chief Financial Officer and Company Secretary of retailers Brazin Limited and OrotonGroup Limited. Andrew was also the Financial Controller for Sales and Marketing at a major international fast moving consumer goods company, an Internal Audit Manager for a global insurance company and an Audit Senior at KPMG.

Andrew holds a Bachelor of Commerce from the University of Queensland and an MBA (with Distinction) from the University of New England. Andrew is a Justice of the Peace and also a member of the Institute of Chartered Accountants in Australia.

Mr Phillip Friery BBus CA

Chief Financial Officer and Company Secretary
(previously Group Finance Manager)

Phillip Friery was appointed InvoCare's Chief Financial Officer in March 2007 and Company Secretary in January 2007. Phillip has been with InvoCare in senior financial roles since commencing employment with the Company in December 1994. A full biography for Phillip is in the Directors' Report on page 30.

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 2006. InvoCare Limited and its controlled entities together are referred to as "InvoCare", the "Group" or the "consolidated entity" in this Directors' Report.

Directors

Unless indicated otherwise, the following persons were directors of InvoCare Limited during the whole of the financial year and until the date of this report:

Ian Ferrier
Richard Davis
Christine Clifton
Richard Fisher
Roger Penman
Benjamin Chow (appointed 22 February 2007)
Michael Grehan (resigned 15 February 2007).

Principal Activities

The Group is a leading private provider of services to the funeral industry in Australia and, since October 2006, Singapore. There were no significant changes in the nature of these activities during the year.

Significant Changes in the State of Affairs

There have been no significant changes in the state of the Group's affairs during the financial year, except that the Group expanded its operations into Singapore.

Operating Results

The consolidated profit of the consolidated entity after providing income tax and eliminating minority interest was $24,047,000 (2005: $20,141,000).

Dividends

Dividends to ordinary shareholders of the Company have been paid or declared as follows:

	2006 $'000	2005 $'000
Interim ordinary dividend of 8.0 cents (2005: 7.0 cents) per fully paid share paid on 12 October 2006	**7,797**	6,785
Final ordinary dividend of 11.5 cents (2005: 9.5 cents) per fully paid share declared by directors on 21 February 2007 to be paid on 12 April 2007	**11,404**	9,207
Total ordinary dividends of 19.5 cents (2005: 16.5 cents)	**19,201**	15,992
Special dividend of nil cents (2005: 10.5 cents)	**–**	10,168
Total ordinary and special dividends	**19,201**	26,160

All dividends are fully franked at the company tax rate of 30%.

The Dividend Reinvestment Plan (DRP) was activated for the first time for the 2006 interim dividend and $4,602,879 was paid in cash and $3,194,196 through issue of shares (639,687 at $4.99 per share) via the DRP. The shortfall in the DRP take-up was 100% underwritten and 922,421 shares at $4.99 per share were issued to the underwriter.

The Dividend Reinvestment Plan will apply to the final 2006 dividend which is not being underwritten.

Review of Operations

Results highlights:

	2006 $'000	2005 $'000	Change $'000	%
Sales revenue				
Funerals	**108,029**	97,614	10,415	10.7
Cemeteries and Crematoria	**51,785**	50,586	1,199	2.4
Total sales revenue	**159,814**	148,200	11,614	7.8
Operating EBITDA (excluding net asset sale gains and net impairment of non-current assets)	**49,140**	45,369	3,771	8.3
Operating margin	**30.7%**	30.6%		0.3
Net profit after tax attributable to InvoCare Limited shareholders	**24,047**	20,141	3,906	19.4
EPS				
Basic earnings per share	**24.7 cents**	21.0 cents	3.7 cents	17.6

Sales revenues in 2006 increased by $11.6 million or 7.8% compared to 2005. This increase is attributable to and comprises:

- volume increases due to an estimated 3.2% increase in the number of deaths in the Australian markets in which InvoCare operates;
- funeral business acquisitions in Australia 2.4%;
- the acquisition of Singapore funeral business 1.0%; and
- preneed returns and other pricing/mix 1.2%.

There was no material change in InvoCare's market share, excluding acquisitions.

Operating EBITDA (excluding net asset sale gains and impairment of non-current assets) increased 8.3% to $49.1 million and operating margins increased slightly to 30.7% (2005: 30.6%).

Proceeds received ($5.1 million) and receivable ($3.2 million) from the sale of non-current assets (2005: $3.0 million), generated a before tax gain on disposal of $7.0 million (2005: $2.0 million). InvoCare's ongoing asset performance assessment resulted in sales of these non-strategic property assets. Future operating results will not be impacted by the sale of these assets. Under a contract of sale for one of the surplus properties, 50% (i.e. $3.2 million) of the sale price proceeds is receivable from the purchaser no later than 31 December 2007. InvoCare has secured this receivable by bank guarantee.

Offsetting the above asset sale gains were net impairment writedowns of assets amounting to $3.5 million, before tax. A reassessment of four previously impaired cemetery and crematorium sites as at 31 December 2006 resulted in the reversal of previous impairment losses at two sites totalling $2.4 million, reflecting improvements in financial performance at those sites, and additional impairment losses at two other sites totalling $5.9 million, due primarily to less than expected performance improvements despite recent capital investment in refurbishments at one of the sites. InvoCare has no impairment at other cemetery and crematorium sites or of other cash generating units or assets. The total recoverable amount of InvoCare's assets is well in excess of carrying value.

Finance costs reduced by $1.6 million or 12.1%. The reduction primarily relates to loan establishment costs. In 2005, establishment costs of $2.0 million were written off upon the refinancing of former borrowing facilities in December 2005. The new facility establishment costs amortised in 2006 amounted to $0.1 million. Gross debt levels increased by $12.5 million to $152.5 million, due mainly to the Singapore acquisition. Interest rate swaps hedge 99% (2005: 93%) of debt principal.

Profit after tax attributable to InvoCare Limited shareholders increased 19.4% on the previous year.

Operating cash flows improved by 15.7% to $29.6 million. These operating cash flows, together with asset sale proceeds of $5.1 million (2005: $3.0 million), proceeds of share issues and Dividend Reinvestment Plan of $5.1 million (2005: $2.2 million) and net increased borrowings of $12.5 million (2005: $8.5 million), funded cash dividends paid to shareholders of $13.8 million (2005: $25.5 million including a special dividend $10.2 million), capital expenditure of $9.8 million (2005: $6.9 million) and business acquisitions of $25.2 million (2005: $3.4 million).

Consistent with the improved result, the directors have declared a final fully franked ordinary dividend of 11.5 cents per share which, together with the interim fully franked dividend of 8.0 cents per share paid in October 2006, will make the total ordinary dividends in respect of 2006 19.5 cents per share, 18.2% higher than the dividends in respect of the previous year.

Significant Events After the Balance Date

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

The directors were pleased to recently announce to the market the successful completion on 1 March 2007 of the purchase of all the issued shares of Liberty Funerals Pty Limited which operates two funeral homes in Sydney, New South Wales.

Future Developments and Results

InvoCare continues to pursue growth through acquisitions, new locations, investing in existing locations, ongoing operational improvements and favourable demographic changes. In 2007, InvoCare is expected to benefit from the full year impact of its 2006 acquisitions (Drysdale Funerals in July 2006 and Singapore Casket Company in October 2006), further acquisitions and additional new locations. The Group's performance will be dependent on the number of deaths in the markets in which InvoCare operates increasing in line with actuarial trend predictions.

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 appropriate risk management systems in place at its 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 the following pages.

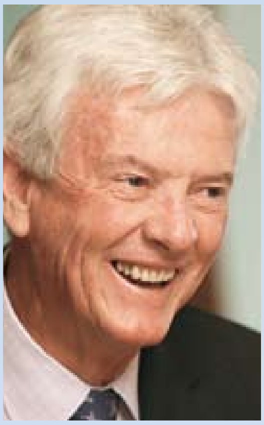
Board of Directors

Mr Ian Ferrier AM CA
Chairman of the Board
Chairman of Remuneration Committee
Chairman of Nomination Committee
(from 29 March 2006)
Member of Risk Committee

Ian has held the position of Chairman of InvoCare Limited since 2001. He was the founder of Ferrier Hodgson and now is a consultant to the firm. He is a Fellow of the Institute of Chartered Accountants in Australia. Ian has had over 40 years of experience in company corporate recovery and turnaround practice. He is also a director of a number of private and public companies. Ian is currently Chairman of InvoCare Limited, Energy One Limited and Australian Oil Company Limited and a director of McGuigan Simeon Wines Limited, Macquarie Goodman Management Limited and Reckon Group Limited. He has previously been Chairman of Port Douglas Reef Resorts Limited and director of MIA Group Limited. He has significant experience in turnaround management, property and development, tourism, manufacturing, retail, hospitality and hotels, infrastructure and the aviation and service industries.

Mr Richard Davis BEc
Chief Executive Officer

Richard has held the position of Chief Executive Officer of InvoCare Limited since 1995. Richard is a director of Over Fifty Guardian Friendly Society Limited. 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.






Top, left to right: Ian Ferrier and Richard Davis

Centre, left to right: Roger Penman and Christine Clifton

Bottom, left to right: Richard Fisher and Benjamin Chow

Dr Christine (Tina) Clifton

MB BS (Hons), BHA
Non-executive Director
Chairman of Risk Committee
Member of Audit Committee
Member of Nomination Committee
(from 29 March 2006)

Tina Clifton is a registered medical practitioner. Tina has been a director of InvoCare Limited since 24 October 2003 and her other current directorships include The Hospitals Contribution Fund of Australia Limited (HCF), Healthcare Australia and IWPE Nominees Pty Limited. She is also a Councillor of the University of New South Wales. From August 2001 to December 2006, Tina was also a director of Ambri Limited. 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 obtained a specialist qualification in medical administration.

Mr Roger Penman BEc FCA FTIA

Non-executive Director
Chairman of Audit Committee
Member of Remuneration Committee
Member of Nomination Committee
(from 29 March 2006)

Roger Penman was appointed as a director of InvoCare Limited on 1 January 2005 and commenced his roles on the Audit Committee and Remuneration Committee on 28 February 2005. Roger has been a Principal of WHK Greenwoods (part of the WHK Group Limited) since 1986. He is a Fellow of the Institute of Chartered Accountants and the Taxation Institute of Australia with over 30 years tax consulting and general business experience. Roger has extensive experience with mergers, acquisitions, complex taxation and other tax issues. He is also a specialist adviser to many professional practices on tax, accounting and general business matters.

Mr Benjamin Chow AO BE

Non-executive Director
Member of Risk Committee
(from 22 February 2007)
Member of Nomination Committee
(from 22 February 2007)

Benjamin Chow was appointed as a director of InvoCare Limited on 22 February 2007 and also became a member of the Risk Committee and the Nomination Committee on that date. Benjamin has worked continuously in the land development industry both in Australia and South East Asia since 1968, having emigrated to Australia in 1962. He chaired the Council for Multicultural Australia, which assists the Australian Government in implementing its multicultural policies. He has previously served as President of the Australian Chinese Community Association of NSW and President of the Chinese Australian Forum of NSW. He is a member of the Council of the National Museum of Australia, a member of the Bond University Council, a Vice President of the Ethnic Communities Council of NSW, Trustee and Vice-President of the Australian Chinese Charity Foundation and a Director of Chain Reaction Foundation Ltd.

In January 2007, Benjamin was awarded an Officer of the Order of Australia for service to the community through inter-cultural activities to promote economic and employment opportunities and social interaction, including the establishment of Harmony Day.

Mr Richard Fisher MEc, LLB

Non-executive Director
Member of Risk Committee
Member of Audit Committee
Member of Nomination Committee
(from 29 March 2006)

Richard Fisher is a partner and immediate past Chairman of Partners at Blake Dawson Waldron specialising in corporate law. He has been a director of InvoCare Limited since 24 October 2003. Richard is a former part-time Commissioner at the Australian Law Reform Commission and is a current International Consultant for the Asian Development Bank and Member of the Library Council of NSW. Richard holds a Master of Economics from the University of New England and a Bachelor of Laws from the University of Sydney.

Mr Michael Grehan resigned as a director of InvoCare Limited on 15 February 2007, having been appointed on 24 October 2003. He also resigned as Chief Operating Officer of InvoCare on 15 February 2007, having held that position since March 2000. In announcing his resignation, the Chairman acknowledged Mr Grehan's significant contribution to the business.

Company Secretary

Mr Phillip Friery BBus CA

Phillip Friery was appointed Company Secretary on 12 January 2007. He joined the consolidated entity in 1994 as Accounting Manager responsible for financial reporting and taxation. Over subsequent years he has assumed greater responsibilities, including information systems and treasury, and was appointed Chief Financial Officer on 28 March 2007. Prior to joining the consolidated entity, Phillip spent approximately 19 years with Coopers & Lybrand (before its merger with Price Waterhouse) in external audit, technical advisory and financial management consulting roles. Phillip holds a Bachelor of Business from the New South Wales Institute of Technology (now University of Technology Sydney) and is a member of the Institute of Chartered Accountants in Australia.

Mr Kenneth Mealey retired as Company Secretary on 12 January 2007. In making the announcement of Mr Mealey's retirement, the directors acknowledged and thanked Mr Mealey for his contribution since 1994 to the Company's success.

Retirement, Election and Continuation in Office of Directors

In accordance with the Constitution of InvoCare Limited, at each Annual General Meeting the following directors must retire from office:

– one third (or a number nearest one third) of the number of directors, excluding from the number of directors the Managing Director (i.e. the Chief Executive Officer), who is exempt from retirement by rotation, and any other director appointed by the directors either to fill a casual vacancy or as an addition to the existing directors; and
– any other director who has held office for three years or more since last being elected; and
– any other director appointed to fill a casual vacancy or as an addition to the existing directors.

Ian Ferrier (by rotation) and Benjamin Chow (appointed by the directors on 22 February 2007) will retire as directors at the Annual General Meeting and, being eligible, offer themselves for re-election.

Meetings of Directors

During the year ended 31 December 2006, 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 are as follows:

	Board		Audit Committee		Remuneration Committee		Risk Committee		Nomination Committee	
	A	B	A	B	A	B	A	B	A	B
Ian Ferrier	10	12	3*	–	3	3	3	4	3	3
Richard Davis	12	12	7*	–	–	–	4*	–	–	–
Michael Grehan	12	12	7*	–	–	–	4*	–	–	–
Roger Penman	12	12	7	7	3	3	1*	–	3	3
Christine Clifton	11	12	7	7	–	–	4	4	3	3
Richard Fisher	12	12	6	7	–	–	4	4	3	3

A = number of meetings attended.
B = number of meetings held during the time the director held office or was a member of the committee during the year.
* = includes meetings attended as an invited guest of the committee where the director was not a member of the relevant committee.

Corporate Governance

The Directors' Report continues on the following page with the start of the Corporate Governance Statement.

Corporate governance statement

InvoCare Limited (the "Company" and the Board of Directors (the "Board") are committed to achieving and demonstrating the highest standards of corporate governance. The Company and its controlled entities together are referred to as "InvoCare" or the "Group" in this statement.

This statement outlines the main corporate governance practices in place throughout the financial year, which comply with the ASX Corporate Governance Council's principles and recommendations, unless otherwise stated.

For further information on the corporate governance policies adopted by InvoCare Limited, refer to the Company's website: www.invocare.com.au

Unless disclosed below, all the Corporate Governance Council's principles and recommendations were in place for the financial year ended 31 December 2006.

Principle 1 – Lay Solid Foundations for Management and Oversight

The Board of InvoCare Limited is responsible for guiding and monitoring the Group on behalf of the shareholders by whom it is elected and to whom it is accountable.

The Board seeks to identify the expectations of the shareholders, as well as other regulatory and ethical expectations and obligations. In addition, the Board is responsible for identifying areas of significant business risk and ensuring that arrangements are in place to adequately manage those risks.

The responsibility for the operation and administration of the Group, including day to day management of the Group's affairs and the implementation of the corporate strategy and policy initiatives, is delegated by the Board to the Chief Executive Officer (CEO) and the Senior Executives. Delegations are set out in the Group's delegations policy and are reviewed regularly. The Board ensures that this team is appropriately qualified and experienced to discharge its responsibilities and has in place procedures to assess the performance of the CEO and the Senior Executives.

The Board is responsible for ensuring that management's objectives and activities are aligned with the expectations and risks identified by the Board. The Board has a number of mechanisms in place to ensure this is achieved including:

- Board approval of a strategic plan designed to enhance shareholder value, meet stakeholders' needs and manage business risk;
- ongoing development of the strategic plan and approval of initiatives and strategies designed to ensure the continued growth and success of the Group; and
- implementation of budgets by management and monitoring of progress against budget via the establishment and reporting of both financial and non-financial key performance indicators.

Other functions reserved to the Board include:

- approving the annual and half-yearly financial reports;
- approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures;
- ensuring that the Group operates ethically and responsibly and in compliance with internal codes of conduct and legal and regulatory requirements;
- enhancing and protecting the reputation of InvoCare;
- establishing and determining the powers and functions of the committees of the Board;
- ensuring a high standard of corporate governance practice;
- ensuring that any significant risks are identified, assessed, appropriately managed and monitored;
- ratifying the appointment and/or removal of and assessing the performance of the CEO;
- ratifying the appointment and/or removal of and contributing to the performance assessment of the members of the executive management team including the Chief Operating Officer (COO), Chief Financial Officer (CFO) and the Company Secretary; and
- reporting to shareholders.

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

Principle 2 – Structure the Board to Add Value

Board Composition

The Board currently comprises six directors, being five non-executive directors (including the Chairman) and one executive director. Any director appointed to fill a casual vacancy must stand for election by shareholders at the next Annual General Meeting. In addition, one third of the non-executive directors, and any other director who has held office for three years or more since last being elected, must retire from office and, if eligible, stand for re-election. The CEO is exempt from retirement by rotation and is not counted in determining the number of directors to retire by rotation.

The majority of the Board must be independent directors, one of whom is the Chairman, and the Chairman and the Chief Executive Officer must be separate persons. A director is deemed to be "independent" if independent of management and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of unfettered and independent judgement.

Corporate governance statement continued

Specifically, an independent director is a non-executive director and:

(i) is not a substantial shareholder of the Company (as defined by the Corporations Act 2001) or an officer or otherwise associated directly with a substantial shareholder of the Company;
(ii) has not been employed in an executive capacity by the Company or another Group member within the last three years;
(iii) has not been a principal of a material professional advisor or material consultant to the Company or another Group member or an employee materially associated with the service provided, within the last three years;
(iv) is not a material supplier or customer of the Company or another Group member or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
(v) has no material contractual relationship with the Company or another Group member other than as a director of the Company;
(vi) has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Group; and
(vii) is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Group.

The Board has assessed the independence of non-executive directors in light of their interests and relationships and considers them all to be independent. Directors considered by the Board to be independent are Ian Ferrier, Christine Clifton, Roger Penman, Richard Fisher and Benjamin Chow. The Company will provide immediate notification to the market where the independence status of a director changes.

The Nomination Committee is responsible for the selection of new directors. The Board regularly reviews its composition to ensure that the Board continues to have the mix of skills and experience necessary for the conduct of the Group's activities. The directors believe the skills base of the current directors is appropriate and adequate for the Company at its present size and stage of development. The Board will continue to monitor the need for additional skills on the Board and make further appointments as appropriate. The Chairman is elected by the full Board.

The skills, experience and expertise relevant to the position of each director and their term of office are detailed in the Directors' Report.

Board of Directors Quorum

A Board of Directors quorum is two directors, both of whom must be independent directors.

Meetings

The Board holds at least eight meetings each year. Additional meetings may be held as deemed necessary to address significant matters as they arise. At least two of the meetings include visits to operations and meeting employees.

The number of Board meetings and Committee meetings and the number of meetings attended by each director are disclosed in the Directors' Report under the heading "Meetings of Directors" on page 30.

The Chairman and the CEO meet regularly to discuss key issues and performance trends of InvoCare. Other directors maintain contact with relevant senior executives through dealings on Committees.

On regular occasions, the directors receive a detailed operating review from the CEO regardless of whether or not a Board meeting is being held.

The non-executive directors meet at least 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.

The Chairman is responsible for leading the Board, ensuring that Board activities are organised and efficiently conducted and for ensuring that 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.

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.

Directors' Access to Independent Professional Advice and Company Information

To assist in the effective discharge of their duties, directors may, in consultation with the Chairman, seek independent legal or financial advice on their duties and responsibilities at the expense of the Company and, in due course, make all Board members aware of both instructions to advisors and the advice obtained.

All directors have the right of access to all relevant Company information and to seek information from the Company Secretary and senior executives. They also have a right to other records of the Company subject to these not being sought for personal purposes.

All directors and former directors are entitled to inspect and copy the books of the Company for the purposes of legal proceedings including situations where the director is a party to proceedings, where the director proposes in good faith to bring proceedings and where a director has reason to believe proceedings will be brought against him or her. In the case of former directors, this right of access continues for a period of seven years after the person ceases to be a director.

Prior to each Board meeting, the Board is provided with management reports and information in a form, timeframe and quality that enables it to discharge its duties. If it considers this information to be insufficient to support informed decision-making, then they are entitled to request additional information prior to or at Board meetings.

Delegation of Authority to Management

The Board delegates authority to management in relation to various operational functions. These authorities relate to expenditure, disciplinary action, remuneration changes, recruitment of new staff, termination of staff, release of intellectual property, pricing, and commitment to promotional and advertising expenditure programs.

The following rules take precedent over specific delegations:

– There has to be a budget for the expenditure.
– Items not in the budget that are considered material must have been subsequently approved by the Board, or they must be within the overall budget limit and be approved by either the CEO or the CFO.
– An executive can never approve his/her own expenditure item. Items must be approved by the executive deemed to be on the next level above the relevant executive.
– Authorities cannot be sub-delegated without prior authority from the next level up.

Board Committees

Whilst at all times the Board retains full responsibility for guiding and monitoring the Company and the Group, in discharging its stewardship it makes use of sub-committees. Specialist committees are able to focus on a particular responsibility and provide informed feedback to the Board.

The Board has four formally constituted Committees:

– the Audit Committee – refer to Principle 4;
– the Risk Committee – refer to Principle 7;
– the Remuneration Committee – refer to Principle 9; and
– the Nomination Committee – refer to Principle 8 and below.

Each is comprised entirely of non-executive directors. The Committee structure and membership is reviewed regularly.

Each of these Committees has developed 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 are reviewed regularly.

The minutes of all Board Sub-Committee meetings are tabled and any recommendations considered at the next scheduled Board meeting.

Additional requirements for specific reporting by the Committees to the Board are addressed in the charter of the individual Committees.

Nomination Committee

In March 2006, the Board established a Nomination Committee. The Nomination Committee critically reviews on a regular basis the corporate governance procedures of the Group and the composition and effectiveness of the Board.

In addition to its role in proposing candidates for director appointment for consideration by the Board, the Nomination Committee reviews fees payable to non-executive directors and reviews and advises the Board in relation to Chief Executive Officer succession planning.

The Nomination Committee's charter is available on the Company's website.

Responsibilities

The main responsibilities of the Committee are:

– assessing the necessary and desirable competencies of Board members – including an evaluation of the range of skills, expertise and experience on the Board before identifying and recommending a candidate for appointment who will best increase the effectiveness of the Board;
– reviewing Board and CEO succession plans, ensuring that plans are in place to maintain an appropriate balance of skills, experience and expertise on the Board and with the CEO;
– evaluating the Board and sub-committees' performances – including both a review of the size and composition of the Board and sub-committees and also the effectiveness of the Board and sub-committees to ensure that the Board is making decisions expediently, with the benefit of a variety of perspectives and skills;

Corporate governance statement continued

– considering the appointment and removal of directors – if a need for a new Board member is identified, selecting a new director who can contribute additional skills and experience, particularly having regard to the Group's size and its various businesses. The Board looks for candidates with a proven ability to make a contribution to a Board's strategy, policies, stewardship and effectiveness. The Board may seek assistance from external independent consultants when considering the appointment of directors; and
– ensuring that an effective induction process is in place.

The names of candidates submitted for election to shareholders are accompanied by key supporting information including biographical details, qualifications and competencies, directorships and other relevant business relationships including any relationships which might involve or be perceived to involve the Group, the term of office currently served by directors subject to re-election, and other particulars required by law.

A director is engaged by way of Letter of Appointment, which specifies the key terms of the relationship including the term of appointment, remuneration, trading and notification policy as regards Company shares, disclosure of directors' interests and matters that affect independence, general duties, responsibilities and obligations. It includes details of access to independent professional advice, as well as indemnity and insurance arrangements.

The Chairman annually assesses the performance of individual directors and meets privately with each director to discuss this assessment. The Nomination Committee also coordinates the Board's annual review of the Chairman. Directors conform to the Board's agreed performance criteria for directors.

Membership

The Nomination Committee members comprise the non-executive directors, all of whom must be independent directors. The Chief Executive Officer may attend by invitation.

Members of the Nomination Committee are currently Ian Ferrier, Roger Penman, Christine Clifton, Richard Fisher and Benjamin Chow.

Chairman

The Nomination Committee Chairman is the Board of Directors Chairman, currently Ian Ferrier.

Quorum

The quorum for Nomination Committee meetings is two members, both of whom must be independent, non-executive directors.

Meetings

The Nomination Committee meets at least once each year and more regularly as required. The number of meetings and attendance by directors during 2006 are set out on page 30. The CEO, CFO, COO and Company Secretary may attend by invitation.

Directors' Induction

When appointed to the Board, all new directors receive an induction appropriate to their experience, which is designed to quickly allow them to participate fully and productively in Board decision-making.

The induction program covers the Group's structure and goals, financial, strategic, operational and risk management positions, the rights and duties of a director and the role and operation of the Board Committees. The Board is responsible for reviewing the effectiveness of the director induction program. New directors are given an orientation regarding the business including corporate governance policies, all other corporate policies and procedures, committee structures and responsibilities and reporting procedures.

Directors' Continuing Education

Directors are expected to undertake continuing education both as regards the normal discharge of their formal director duties, as well as ongoing developments within the Group and its operating environment. Directors typically attend courses and seminars relevant to the effective discharge of their duties.

Principle 3 – Promote Ethical and Responsible Decision-making

Code of Conduct

The Board, in recognition of the importance of ethical and responsible decision-making, has adopted a Code of Conduct for all employees and directors which outlines the standards of ethical behaviour and is essential to maintain the trust of all stakeholders and the wider community.

The Code requires high standards of personal integrity, objectivity and honesty in all dealings. The Code also requires a respect for the privacy of customers and others and compliance with the law and InvoCare policies. This Code is provided to all directors and employees as part of their induction process.

The Code is subject to ongoing review and assessment to ensure it continues to be relevant to contemporary conditions and is available on the Company's website.

All directors, executive officers and employees are responsible for taking appropriate action in proven cases of illegal behaviour outside the spirit of this Code in the workplace.

InvoCare recognises that its clients may be vulnerable due to a recent bereavement and it requires all employees to be aware of their ethical and legal responsibilities. Accordingly, InvoCare requires all employees to behave according to this Code, to maintain its reputation as a good corporate citizen.

Ensuring Integrity

InvoCare is committed to maintaining its reputation for dealing with clients with integrity and honesty. The Company will view seriously any employee deliberately or recklessly breaching consumer protection laws. Offenders may be liable for dismissal or even legal proceedings.

InvoCare staff must immediately report to their manager any possible fraudulent activity including theft of Group property, breach of any legal, regulatory or organisational requirement, or inappropriate practices or behaviour which affects InvoCare and its clients.

InvoCare staff must not engage in unconscionable conduct, i.e. they must not take advantage of a client family and must ensure client families understand the information provided. (In many cases, InvoCare asks its client families to acknowledge in writing that this is done).

InvoCare staff must not use aggressive means or undue harassment in regard to the supply of goods or services to a client family, or payment for goods or services.

InvoCare staff must provide services with care and skill to the level that should be reasonably expected by client families to achieve the desired result.

InvoCare staff should not use "bait" advertising, i.e. advertising of goods or services if availability of these goods or services may not meet likely demand.

InvoCare staff must not accept payment if they do not intend to supply goods or services, or have reasonable grounds for believing they will not be able to supply these.

InvoCare staff must state full prices, even when discussing partial payment or a deposit, for goods or services.

Conflict of Interest Policy Statement

It is generally accepted as good business practice that employees/contractors disclose in detail any outside activities or interests which potentially may conflict or appear to conflict with InvoCare's best interests. Accordingly, it is the policy of InvoCare to require such disclosures.

While it is not possible to describe, or even anticipate all the circumstances and situations that might involve or even appear to involve conflict of interest, the following examples of some such activities are given for illustration. However, it should be understood that these examples are not intended to be an exhaustive list.

Conflict of Interest. Employees shall not without prior management approval be connected directly or indirectly with any business as owner, partner, officer, director, participant, licensee, consultant or shareholder; or as a recipient of wages, salary, bonus fees or commissions; as a supplier of equipment, facilities or services to InvoCare; or which is in direct or indirect competition with; or which is a customer of InvoCare. Employees shall not deal directly or indirectly through ownership or lease of property, in real estate or facilities in which InvoCare has an active or potential interest.

Gifts and Benefits. Employees shall not seek or accept gifts, payments, fees, services, privileges, vacations or pleasure trips without a business purpose, loans (other than conventional loans from lending institutions), or other favours from any person or business organisations that does or seeks to do business with, or is a competitor of InvoCare. No employee shall accept anything of value in exchange for referral of third parties to any such person or business organisation. The foregoing does not prohibit an employee from accepting a gift of nominal value made in the course of a normal business relationship.

Selling Products. Employees shall not speculate or commercially deal in products (first quality, used, obsolete or scrap) sold by InvoCare or in any used property (machinery, equipment, facilities, furniture and fixtures, flower stands, etc) of InvoCare.

Dealing in InvoCare Limited Shares. Insider trading in InvoCare Limited shares is illegal and can result in substantial penalties, including jail terms. Such illegal conduct will lead to disciplinary action and may lead to termination of employment. Employees must adhere to the InvoCare share trading policy, details of which are set out on page 36 under the heading "Share Trading Policy".

Confidentiality

Information concerning InvoCare and its clients is confidential and must not be released without authorisation from a manager. Information gained through dealings with clients should only be used in the course of employment.

Corporate governance statement continued

Privacy Act Obligations
Employees must comply with the Privacy Act. Employees have an obligation and personal responsibility to respect clients' and all individuals' rights to privacy. This means doing everything in their power to ensure the security of any personal information handled in the course of employment.

Protecting Confidential Information
Commercially sensitive documents, records and files should be stored securely and not left where visible. Confidential information should not be left on computer screens and computer access passwords must not be shared with others.

Computer systems should be secured and used for business purposes only. This ensures the long-term integrity of the systems and confidentiality of business, customer and employee data. Employees must not misuse email or internet systems and should refer to the Email, Intranet and Internet Usage Policy in the Corporate Policies and Procedures manual.

Communication with the Media
Media or public comment on InvoCare must be authorised by Executive Management or the Communications Manager.

InvoCare staff should be familiar with the corporate policies and procedures relating to media, enquiries and visits.

Confidentiality after Ceasing Employment
When signed, InvoCare's Code of Conduct legally obliges staff to keep any information acquired during employment confidential, even after employment ceases. Staff cannot pass on information about InvoCare's business, customers, suppliers or staff.

Employees
Employees must maintain a strong focus on a safe working environment and support training and further education. Employees must be familiar with the Group's Occupational Health & Safety Risk Injury Management System Manual to understand responsibilities, reporting procedures, safety guidelines and all other policies and procedures to ensure safety of all persons in the workplace.

InvoCare is an equal opportunity employer and does not support discrimination. Employees must not engage in conduct which is discriminatory or constitutes harassment.

Drugs and Alcohol
The use of drugs and alcohol may impair an employee's capacity to perform their job safely, efficiently and with respect for work colleagues and clients.

No employees are to work whilst under the influence of alcohol or drugs. Employees found to be under the influence of drugs or alcohol, or in possession of illegal drugs whilst at work, will be subject to disciplinary action and in some cases, their employment may be terminated. Employees who from time to time require prescription medication that affects or has the potential to affect their ability to carry out their duties in a safe manner are required to report the taking of any such medication to their Manager.

Responsibilities
It is the responsibility of all directors and employees to ensure that they work in a manner consistent with this Code.

Share Trading Policy

The Company's share trading policy is designed to minimise the risk that InvoCare, its directors and its employees will breach the insider trading provisions of the Corporations Act or compromise confidence in InvoCare's practices in relation to securities trading. The policy prohibits directors and employees from trading in InvoCare securities when they are in possession of information not generally available to the investment community, and otherwise confines the opportunity for directors and employees to trade in InvoCare securities to certain limited periods.

This policy applies to the following "Senior Personnel":

- directors;
- Chief Executive Officer;
- Chief Financial Officer;
- Chief Operating Officer;
- Company Secretary;
- National Managers;
- General Managers;
- Communication Manager;
- all financial management employees; and
- any other employee who has access to Non-public Price Sensitive Information (see below).

This policy also applies to related parties of Senior Personnel such as spouses (including de facto spouses), children under 18, family companies of which the Senior Personnel is a director and family trusts in which the Senior Personnel has a beneficial interest or makes the investment decisions.

Background

Generally, the insider trading provisions of the Corporations Act prohibit a person who possesses Non-public Price Sensitive Information from applying for, acquiring or disposing of securities, or entering into price protection arrangements with third parties to hedge such securities, or procuring another person to do the same ("Deal" or "Dealing").

"Non-public Price Sensitive Information" means information that is not generally available, but if it were generally available, a reasonable person would expect it to have a material effect on the price or value of a company's securities.

A person who breaches the insider trading provisions may face severe penalties, including imprisonment.

The Policy

Senior Personnel must not, at any time, Deal in InvoCare securities if in possession of Non-public Price Sensitive Information. Further, Senior Personnel must only communicate that information to other persons on a "need to know" basis.

Senior Personnel who are personally satisfied that they are not in possession of Non-public Price Sensitive Information may Deal in InvoCare securities during designated "Senior Personnel Trading Periods". Unless notified otherwise, the Senior Personnel Trading Periods are:

- 30 days following the day after the release of InvoCare's interim results;
- 30 days following the day after the release of InvoCare's final results; and
- 30 days following the day after InvoCare's Annual General Meeting.

Outside of the Senior Personnel Trading Periods, Senior Personnel who are personally satisfied that they are not in possession of Non-public Price Sensitive Information may only Deal in InvoCare securities with the prior consent of the Chairman of the Board.

Under the ASX Listing Rules, InvoCare must notify the ASX within five days of any Dealing in its securities by directors. Further, under the Corporations Act, directors themselves must notify the ASX within 14 days. Notice given by InvoCare satisfies the director's personal obligations under the Corporations Act. Accordingly, any director who wishes to Deal in InvoCare securities, either during the Senior Personnel Trading Periods, or outside of the Senior Personnel Trading Periods but with the Chairman's prior consent, must notify the Company Secretary prior to undertaking such Dealing.

Following a Deal by Senior Personnel, details of that Deal must be provided to the Company Secretary within five days and also in accordance with the Corporations Act.

It is inappropriate for Senior Personnel to procure others to trade in InvoCare securities when they are precluded from trading.

Exceptions to the Policy

These restrictions do not apply to the exercise of share options under the Company's Employee Share Option Plan or to the issue of securities pursuant to the Company's Dividend Reinvestment Plan, but do apply to Dealing in securities to which participants become entitled under those plans.

The Chairman has the discretion to grant an exemption to Dealing by a related party where it can be demonstrated that the related party Deals independently in shares or securities on a bona fide basis.

In exceptional cases of financial hardship, the Chairman has discretion to approve Dealing in InvoCare securities that would otherwise be prohibited by the share trading policy. However, the Chairman has no discretion to approve Dealing by Senior Personnel who possess Non-public Price Sensitive Information.

Principle 4 – Safeguard Integrity in Financial Reporting

Audit Committee

The Audit Committee provides assistance to the Board in fulfilling its corporate governance and oversight responsibilities in relation to the Group's financial reporting, internal control structure, risk management systems, and the internal and external audit functions.

It is the responsibility of the Committee to maintain free and open communication between the Committee, the external auditor, the internal auditor and management of the Group. Both the internal and external auditors have a direct line of communication to the Chairman of the Audit Committee.

The Chief Executive Officer, the Chief Financial Officer and the Chief Operating Officer declared in writing to the Board that InvoCare's financial records for the financial year have been properly maintained, and that the Group's financial reports for the year ended 31 December 2006 comply with accounting standards and present a true and fair view of the Group's financial condition and operational results.

The external auditor met with the Audit Committee and the Board of Directors twice during the year without management being present.

Corporate governance statement continued

Responsibilities

The main responsibilities of the Audit Committee are to:

- review, assess and approve the Annual Report, 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 the law and ASX Listing Rules;
- assist the Board in reviewing the effectiveness of InvoCare's internal control environment covering:
  - reliability of financial reporting; and
  - 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 its 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; and
- 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, the external auditor and the internal auditor;
- meets with the external auditor and the internal auditor at least twice a year or more frequently if necessary;
- requires the CEO, COO 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 and operational results and that they are in accordance with relevant accounting standards;
- reviews any significant disagreements between the auditors and management, irrespective of whether they have been resolved;
- meets separately with the external auditor and internal auditor at least twice a year without the presence of management; and
- provides the internal and external auditors with clear lines 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.

Membership

The Audit Committee comprises three independent non-executive directors. The Audit Committee members are all required to be financially literate or become financially literate within a reasonable period of time after appointment. At least one must have specific experience in financial or accounting matters and at least one must have an understanding of the Group's industry.

Currently, members of the Audit Committee are Roger Penman, Christine Clifton and Richard Fisher.

Chairman

The Audit Committee Chairman is appointed by the Board from the independent, non-executive Committee members.

The Audit Committee is currently chaired by Roger Penman.

Quorum

The Audit Committee quorum is two members, both of whom must be an independent, non-executive director.

Audit Committee Meetings

The Audit Committee meets at least four times each year and more regularly as required. The number of meetings and attendance by directors during 2006 are set out on page 30. The other directors, the CEO, the CFO, the COO and the Company Secretary attend by invitation.

Auditor Selection, Auditor Appointment and Lead Partner Rotation

The policy of InvoCare and the Audit Committee is to appoint an external auditor which clearly demonstrates quality and independence.
The performance of the external auditor is reviewed and assessed annually.

PricewaterhouseCoopers was appointed as the external auditor in 1994. It is PricewaterhouseCoopers' policy, consistent with the requirements of CLERP 9, to rotate audit engagement partners on listed companies at least every five (previously seven) years. The existing audit engagement partner was introduced for the year ended 31 December 2000 and a replacement engagement partner has been introduced for the year ending 31 December 2007.

An analysis of fees paid to the external auditor, including a break-down of fees for non-audit services, is provided in the Financial Statements of the Group's Annual Report. It is the policy of the external auditor to provide an annual declaration of its independence to the Audit Committee.

Should a change in auditor be considered necessary, a formal tendering process will be undertaken. The Audit Committee will identify the attributes required of an auditor and will ensure that the selection process is sufficiently robust so as to ensure selection of an appropriate auditor.

The Audit Committee shall ensure that prospective auditors have been provided with a sufficiently detailed understanding of the Group, its operations, its key personnel and any other information including Group structures and financial statements that will have a direct bearing on each firm's ability to develop an appropriate proposal and fee estimate.

The Audit Committee shall consider the appointment in conjunction with the Board and senior management.

In selecting an external auditor, particular consideration shall be given to determining whether the fee quoted is sufficient for the work required, that the work is to be undertaken by people with an appropriate level of seniority, skill and knowledge and whether the work proposed is sufficient to meet InvoCare's needs and expectations.

The Audit Committee shall satisfy itself on a regular, and at a minimum on an annual basis, that the audit firm's procedures regarding succession planning for all professional staff assigned to the Company's audit and lead engagement partner rotation are appropriate and will ensure an ongoing efficient and effective audit.

A summary of the Audit Committee's charter is available on the Company's website.

Principle 5 – Make Timely and Balanced Disclosure

The continuous disclosure requirements of the ASX are contained in Chapter Three of the Listing Rules and have been adopted by the Company.

InvoCare has established policies and procedures on information disclosure to ensure all investors have equal and timely access to material information concerning the Group and to enable a normal investor to make an informed assessment of the Group's activities and trading results.

The Company Secretary is responsible for:

- making sure that the Company complies with the continuous disclosure requirements under the ASX Listing Rules;
- overseeing and coordinating disclosure of information to the ASX, analysts, brokers, shareholders, the media and the public; and
- educating directors and staff on the Company's disclosure policies and procedures and raising awareness of the principles underlying continuous disclosure.

Market sensitive and material information is publicly released through the ASX before disclosing it to analysts or others outside the Company. Further dissemination to investors is also managed through the ASX. Information is posted on the Company's website immediately after the ASX confirms an announcement has been made, with the aim of making the information accessible to the widest audience.

Where uncertainty arises as to the meeting of continuous disclosure obligations, the Company Secretary may seek external legal advice. The Board monitors the implementation and effectiveness of the continuous disclosure procedures and promotes the understanding of compliance.

The Company's designated media and analyst communications contacts are the Chairman, Chief Executive Officer, Chief Financial Officer and Company Secretary.

Principle 6 – Respect the Rights of Shareholders

The Board of Directors aims to ensure that the shareholders are informed of all major developments affecting the Group's state of affairs.

The Chairman, Chief Executive Officer, Chief Financial Officer or Company Secretary have been nominated as responsible for communications with shareholders and the ASX as set out in Principle 5. This includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing and coordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

Information is communicated to shareholders as follows:

- The Notice of Annual General Meeting is distributed to all shareholders, while the Annual Report and half-yearly results are distributed to all shareholders who have requested a hard copy. The Annual Report includes relevant information about the operations and financial performance of the Group during the year, changes in the state of affairs of the Group and details of future developments in addition to other disclosures required by the Corporations Act 2001 and the Australian Securities Exchange Listing Rules.
- The Notice of Annual General Meeting and Annual Report, along with investor presentations and press releases, can be found on the Company's website www.invocare.com.au.

Corporate governance statement continued

– Announcements (which include media releases) are made to the Australian Securities Exchange in respect of half-yearly and annual results and on other occasions under the continuous disclosure requirements when the Company becomes aware of information that might materially affect the price of its shares. There is a link from the Company website to the Australian Securities Exchange through which shareholders can access these announcements.

Where information or presentation material has been prepared for external promotional and communication purposes, especially for analysts, institutional and media markets, such material will be released to the Australian Securities Exchange and included on the Company's website so as to avoid premature disclosure and/or the emergence of a false market.

The Board encourages full participation of shareholders at the Annual General Meeting. It is Company policy for the external auditor to be requested to attend the Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report. The Chairman of the meeting is to allow a reasonable opportunity for shareholders to ask questions of the auditor regarding the audit and auditor's report.

The next Annual General Meeting is scheduled to be held at 11.00am on Friday 25 May 2007 at The Westin Sydney, 1 Martin Place, Sydney.

Shareholders are also able to direct any questions relating to the Company's securities to the share registry, Link Market Services Limited.

The Company's shareholder communication strategy is available on its website.

Principle 7 – Recognise and Manage Risk

Risk Committee

The Risk Committee determines the Group's "risk profile" and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control.

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.

The Risk Committee operates in accordance with a charter which is reviewed regularly. The charter is available on the Company's website.

Responsibilities

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 operational and compliance risk;
– to inform the Board of material changes to the risk profile of InvoCare; and
– to maintain appropriate risk management practices and systems throughout the operations of InvoCare.

The management of operational and compliance risks includes, but is 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; and
– InvoCare's overall operational risk management program.

Membership

The Risk Committee comprises a minimum of three non-executive directors, all of whom must be independent directors. The Risk Committee members are all required to possess sufficient technical expertise and industry knowledge to fulfil the functions of the Committee.

The current Risk Committee members are Christine Clifton, Richard Fisher, Ian Ferrier and Benjamin Chow.

Chairman

The Risk Committee Chairman, currently Christine Clifton, is appointed by the Board from the independent, non-executive Committee members.

Quorum

A quorum for Risk Committee meetings is two members.

Meetings

The Committee meets at least twice each year and more regularly as required. The number of meetings and attendance by directors during 2006 are set out on page 30. The other directors, the CEO, the CFO, the COO and the Company Secretary attend by invitation.

Principle 8 – Encourage Enhanced Performance

The Board, through its Nomination Committee, undertakes an annual performance review of the full Board, its Committees and of the Chairman. The Chairman performs individual appraisals of each director.

The evaluation process involves an assessment of Board and Committee performance by each director completing a confidential questionnaire. The questionnaire covers such matters as the role of the Board, the composition and structure of the Board and Committees, operation of the Board, Group behaviours and protocols and performance of the Board and Committees, and invites comments from each director.

The results of the questionnaire are aggregated and discussed by the Board as a basis for collegiate consideration of Board performance and opportunities for enhancement.

The individual appraisals between each director and the Chairman provide an opportunity for consideration of individual contributions, development plans and issues specific to the director.

Performance evaluation reviews were undertaken during 2006.

Senior executive evaluations are performed by the Chief Executive Officer and the results reviewed annually with the Remuneration Committee with specific focus on performance against key performance indicators. Also at this time, key performance indicators for the ensuing year are established. The Remuneration Committee also reviews remuneration recommendations proposed by the Chief Executive Officer for making recommendations to the Board.

The Remuneration Committee evaluates the performance of the Chief Executive Officer against key performance indicators and reports to the Board its recommendations on performance appraisal and remuneration.

Principle 9 – Remunerate Fairly and Responsibly

Remuneration Committee

InvoCare's remuneration policy ensures that remuneration packages properly reflect the person's duties and responsibilities, and that remuneration is competitive in attracting, retaining and motivating people of the highest quality.

The Remuneration Committee reviews and makes recommendations to the Board on senior executive remuneration and appointment and on overall staff remuneration and compensation policies.

The Remuneration Committee operates in accordance with a charter which is reviewed regularly. The charter is available on the Company's website.

When making recommendations, the Committee aims to design policies that attract and retain the executives needed to run InvoCare successfully and to motivate executives to pursue appropriate growth strategies while marrying performance with remuneration.

Remuneration for senior executives typically comprises a package of fixed and performance-based components. The Committee may, from time to time, seek advice from special remuneration consulting groups so as to ensure that the Board remains informed of market trends and practices.

Non-executive directors are remunerated by way of directors' fees, which may be sacrificed by payment into superannuation plans or by allocation of ordinary shares. They do not participate in schemes designed for the remuneration of executives, and do not receive retirement benefits, bonus payments or incentive shares.

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.

The Remuneration Report is set out on pages 43 to 53.

Corporate governance statement continued

Responsibilities

The Committee is responsible for:

- reviewing and approving any long-term incentive plans for the Group;
- 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;
- reviewing the disclosure of directors' and senior executives' remuneration in the financial statements; and
- management succession planning, including the implementation of appropriate executive development programs and ensuring that adequate arrangements are in place, so that appropriate candidates are recruited for later promotion to senior positions.

No individual is able to become directly involved or participate in the decision involving their own remuneration.

Membership

The Committee is comprised of two non-executive directors, both of whom must be an independent director.

The Remuneration Committee currently comprises the Chairman of the Board, Ian Ferrier, and one other non-executive director, currently Roger Penman.

Chairman

The Remuneration Committee Chairman, currently Ian Ferrier, is appointed by the Board from the independent, non-executive Committee members.

Quorum

The Remuneration Committee quorum for meetings is two members.

Meetings

The Remuneration Committee meets as frequently as required to perform its functions, which generally is at least twice a year. The number of meetings and attendance by directors during 2006 are set out on page 30. The other directors, the CEO, the CFO, the COO and the Company Secretary may attend by invitation.

Principle 10 – Recognise the Legitimate Interests of Stakeholders

The Board and management of InvoCare Limited are committed to the Code of Conduct which is based on the InvoCare's core values of ethical conduct, fairness and honesty along with legal and fiduciary obligations to all legitimate stakeholders including shareholders, customers, employees and the broader community.

InvoCare has well established policies and procedures which seek to promote a culture of compliance with legislation affecting its operations and ethical standards throughout the Group.

The Code of Conduct is set out in detail in Principle 3 and is also on the Company's website.

The Directors' Report continues on the next page with the start of the Remuneration Report.

Remuneration report

The remuneration report summarises the key compensation policies for the year ended 31 December 2006, highlights the link between remuneration and corporate performance and provides detailed information on the compensation for directors and other key management personnel.

The remuneration report is set out under the following main headings:

A. Principles Used to Determine the Nature and Amount of Remuneration
B. Details of Remuneration
C. Service Agreements
D. Share-based Compensation
E. Additional Information.

The information provided under sections A to D includes remuneration disclosures required under Accounting Standard AASB 124 Related Party Disclosures. These disclosures have been transferred from the notes to the financial statements and have been audited. The information in section E is additional disclosure required by the Corporations Act 2001 and the Corporations Regulations 2001 which have not been audited.

A. Principles Used to Determine the Nature and Amount of Remuneration

Non-executive directors

Policy

The Board's primary focus is on the long-term strategic direction and overall performance of the Group. Accordingly, non-executive director remuneration is not targeted to short-term results. Fees paid to non-executive directors are determined with the assistance of independent external advisors.

The remuneration policy is designed to:

– attract and retain competent and suitably qualified non-executive directors;
– motivate non-executive directors to achieve InvoCare's long-term strategic objectives; and
– align the interests of non-executive directors with the long-term interests of shareholders.

Fee Pool and Other Fees

Non-executive directors' base fees for services as directors are determined within an aggregate directors' fee pool limit, which is periodically approved by shareholders. At the date of this report, the pool limit is $400,000, being the amount approved by shareholders at the Annual General Meeting held on 31 May 2004. The shareholders will be asked to consider and if thought fit pass a resolution at the Annual General Meeting on 25 May 2007 to increase the pool limit to $500,000.

This remuneration is to be divided among the non-executive directors in such proportion as the Board determines. During the 2006 financial year, annual fees for non-executive directors were $110,000 for the Chairman of the Board and $68,000 for each of the other three non-executive directors who held office for the full year. For the 2007 financial year, based upon an external review of non-executive director compensation which was commissioned by the Board Remuneration Committee and subject to shareholder approval of the pool limit, the fees are $145,000 for the Chairman and $78,000 for each of the other four non-executive directors.

The base fees exclude any remuneration determined by the directors where a director performs additional or special duties for the Company. 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. No fees for additional or special duties were paid to non-executive directors during the years ended 31 December 2006 and 31 December 2005.

Directors are entitled to be reimbursed for all reasonable costs and expenses incurred by them in the performance of their duties as directors.

Equity Participation

Non-executive directors may receive options as part of their remuneration, subject only to shareholder approval. No options are held by any non-executive director at the date of this report.

Non-executive directors may participate in the Company's Deferred Employee Share Plan on a fee sacrifice basis. No shares have been issued or allocated to non-executive directors under the Deferred Employee Share Plan.

Retiring Allowances

No retiring allowances are paid to non-executive directors.

Superannuation

Where relevant, total fees paid to non-executive directors are inclusive of any superannuation guarantee charge and, at the discretion of each non-executive director, may be paid into superannuation funds.

Executive Directors and Management

Policy

The guiding principle underlying InvoCare's executive remuneration philosophy is to ensure that rewards are fair and reasonable, having regard to both internal and external relativities, and appropriately balanced between fixed and variable components and that all variable components are commensurate with performance and results delivered.

Remuneration report continued

InvoCare's remuneration policy is that:

- for each role, the balance between fixed and variable components should reflect market conditions;
- individual objectives should reflect the need for sustainable outcomes;
- all variable pay should be tightly linked to measurable personal and business group performance; and
- total compensation should be market competitive.

Approval

The Board Remuneration Committee makes recommendations to the Board of Directors in relation to the remuneration of the Chief Executive Officer (CEO).

The CEO recommends, and the Remuneration Committee approves, remuneration of all other key management personnel within a defined budget, approved by the Board of Directors.

The key management personnel determine the remuneration of other senior management, within a defined budget approved by the Board of Directors.

Remuneration Structure

InvoCare's compensation structure aims to provide a balance of fixed and variable remuneration components. Variable components are tied to the performance of the Group and the individual and are entirely at risk.

The compensation of the Chief Executive Officer and other key management personnel and other staff members is comprised of payments and/or allocations under the following categories:

- short-term employee benefits which include cash salary (fixed), short-term cash bonuses (variable), annual leave (fixed), non-monetary benefits (fixed) and other incidental benefits (fixed);
- post-employment benefits comprising superannuation contributions (fixed);
- long-term employee benefits including incentives (variable) and long service leave (fixed); and
- termination benefits as defined in individual employment contracts and as required by law (fixed).

Short-term Employee Benefits

Short-term employee benefits comprise:

- Cash salary – executives are offered a market competitive base cash salary. The cash salary is reviewed on a regular basis against market data for comparable positions provided by independent remuneration consultants and selected survey data. Adjustments to base salary are made based on increases in role scope or responsibility, pay position relative to market and relative performance in the role.
- Short-term bonuses – short-term incentives (STI) are awarded for achievement of pre-determined financial and non-financial objectives. For key management personnel, the target criteria and possible bonus levels are defined each year by the non-executive directors and the Remuneration Committee. For other executives, the key management personnel determine the objectives and reward levels within the constraints of a Board approved budget.

  Each executive has a target STI opportunity depending on the accountabilities of the role and impact on performance. For example, amongst the range of mainly quantitative financial performance measures are EBITDA targets, income accretion targets, operating cost control targets, debt cost reduction targets, qualitative measures of customer satisfaction, debtor days outstanding targets and other key strategic non-financial measures linked to drivers of performance in future reporting periods.

  The target criteria for key management personnel are more heavily weighted to overall Group financial performance (e.g. EBITDA). Thus, the variable reward is only available when value has been created for shareholders and when profit is consistent with the business plan.

  The maximum target STI opportunity varies for each executive, but is generally no higher than 50% of base cash salary, except for certain sales related staff, where a greater portion of their compensation is at risk, being more weighted to achievement of sales targets.

  The bonuses are generally payable in the first quarter of each year, based on performance for the previous year ended 31 December.
- Non-monetary benefits include provision of fully maintained cars and car parking spaces.
- Other incidental benefits include:
  - payment of death and total and permanent disablement and salary continuance insurance premiums for senior executive staff; and
  - nominal discounts for funerals of immediate family members.

Post Employment Benefits
InvoCare provides retirement and superannuation benefits for its employees, including senior executives, through the InvoCare Australia Pty Limited Superannuation Fund or a complying superannuation plan at the choice of the employee. The InvoCare Australia Pty Limited Superannuation Fund provides accumulation benefits based on employer and employee contributions and plan earnings.

Long-term Employee Benefits
InvoCare's long-term incentive policy aims to create a balance between corporate performance and retention of key executives.

Equity compensation in the form of shares is currently limited to one executive. Prior to the Initial Public Offering of InvoCare, equity compensation in the form of share options had been provided to selected executives. No further options have been issued. Details are set out on page 47 under "Share-based Compensation – Options".

InvoCare's long-term incentive practices have been reviewed in detail and proposed changes expected to be implemented in 2007 will strengthen the link between long-term performance of the Group and employee reward. The Board of Directors may invite selected key management personnel and other senior executives to participate in the InvoCare Deferred Employee Share Plan, which will provide a range of remuneration opportunities, including long-term equity incentives to align executive and shareholder interests.

All employees are entitled to statutory long service leave.

Termination Benefits
Termination benefits are provided in the respective individual contracts of employment, details of which for key management personnel are set out in Section C. Service Agreements.

B. Details of Remuneration

Unless indicated otherwise, the following persons were the key management personnel of InvoCare during the whole of the financial years ended 31 December 2006 and 31 December 2005:

Executive Directors
Richard Davis – Chief Executive Officer
Michael Grehan – Chief Operating Officer

Non-Executive Directors
Ian Ferrier (Chairman)
Christine Clifton
Richard Fisher
Roger Penman
John Murphy (resigned 28 February 2005)

Senior Executives (who are also included in the category of the five highest paid executives)
– Andrew Smith – Chief Financial Officer (appointed 16 January 2006);
– Kenneth Mealey – Chief Financial Officer (until 16 January 2006) and Company Secretary (appointed 6 September 1994);
– Phillip Friery – Group Finance Manager (appointed 12 December 1994).

Since the end of the financial year and before the financial report was approved for issue:
– Kenneth Mealey retired as Company Secretary on 12 January 2007;
– Michael Grehan resigned as executive director and Chief Operating Officer on 15 February 2007;
– Benjamin Chow was appointed non-executive director on 22 February 2007;
– Andrew Smith was appointed Chief Operating Officer with effect from 28 March 2007; and
– Phillip Friery was appointed Company Secretary on 12 January 2007 and Chief Financial Officer on 28 March 2007.

Other executives who are also included in the category of the five highest paid executives but who are not considered key management personnel (as the term is defined in the relevant legislative instrument governing remuneration disclosures in this report) are:
– Armen Mikaelian – General Manager, Cemeteries and Crematoria; and
– John Fowler – General Manager, Victoria Funeral Division.

Armen Mikaelian was promoted to the above position on 1 January 2005, having been with InvoCare since 1990 in various capacities.

John Fowler has held general manager positions with InvoCare since May 1995, having been employed in the industry for over 31 years and by InvoCare since 1994 when it acquired the Le Pine funeral businesses in Victoria.

All key management personnel (other than non-executive directors), other executives and staff are employed by InvoCare Australia Pty Limited, a wholly-owned controlled entity of InvoCare Limited.

Details of the remuneration of the directors of InvoCare Limited, other key management personnel of the consolidated entity and other executives in the category of the five highest paid executives but who are not other key management personnel of the Group are set out in the following tables.

The cash bonuses are dependent on the satisfaction of the performance conditions as set out in the information on short-term employment benefits set out above. All other elements of remuneration are not directly related to performance.

Remuneration report continued

2006	Short-term employee benefits			Post-employment benefits	Termination benefits	Share-based payments		
	Cash salary or fees $	Short-term cash bonus $	Non -monetary benefits $	Super -annuation $	Long service leave $	Options $	Shares $	Total $
Non-executive directors								
Ian Ferrier	100,917	–	–	9,083	–	–	–	110,000
Richard Fisher	–	–	–	68,000	–	–	–	68,000
Christine Clifton	62,385	–	–	5,615	–	–	–	68,000
Roger Penman	68,000	–	–	–	–	–	–	68,000
Executive directors								
Richard Davis	400,000	327,611	31,207	36,000	–	–	–	794,818
Michael Grehan	300,000	180,000	20,856	27,000	–	56,568	–	584,424
Other key management personnel								
Andrew Smith	296,550	151,047	23,331	26,690	–	–	37,980	535,598
Kenneth Mealey	220,000	40,000	22,025	19,800	–	15,428	–	317,253
Phillip Friery	200,000	93,600	18,907	18,000	–	8,523	–	339,030
Totals for each component	1,647,852	792,258	116,326	210,188	–	80,519	37,980	2,885,123
Totals by category		2,556,436		210,188	–	118,499		2,885,123
Other executives in the category of five highest paid executives but who are not other key management personnel								
Armen Mikaelian	170,000	152,926	26,205	29,063	–	10,818	–	389,012
John Fowler	145,667	20,000	41,697	28,183	–	5,143	–	240,690

2005	Short-term employee benefits			Post-employment benefits	Termination benefits	Share-based payments	
	Cash salary or fees $	Short-term cash bonus $	Non -monetary benefits $	Super -annuation $	Long service leave $	Options $	Total $
Non-executive directors							
Ian Ferrier	91,743	–	–	8,257	–	–	100,000
Richard Fisher	–	–	–	65,000	–	–	65,000
Christine Clifton	59,633	–	–	5,367	–	–	65,000
Roger Penman	65,000	–	–	–	–	–	65,000
John Murphy	9,167	–	–	–	–	–	9,167
Executive directors							
Richard Davis	400,000	100,000	11,706	36,000	–	–	547,706
Michael Grehan	300,000	70,000	7,795	27,000	–	209,114	613,909
Other key management personnel							
Kenneth Mealey	220,000	50,000	15,871	19,800	–	80,993	386,664
Phillip Friery	180,000	50,000	17,242	16,200	–	26,916	290,358
Totals for each component	1,325,543	270,000	52,614	177,624	–	317,023	2,142,804
Totals by category		1,648,157		177,624	–	317,023	2,142,804
Other executives in the category of five highest paid executives but who are not other key management personnel							
Armen Mikaelian	170,000	94,905	15,749	23,841	–	24,339	328,834
John Fowler	148,500	20,000	13,918	13,174	–	22,605	218,197
Damian Hiser	150,000	20,000	2,353	13,500	–	–	185,853

In accordance with Australian equivalents to International Financial Reporting Standards, only the fair value of options issued after 7 November 2002 has been recognised in the income statement and the balance sheet, whilst the amounts disclosed above relate to all options granted to key management personnel.

C. Service Agreements

Remuneration and other terms of employment for the Chief Executive Officer, Richard Davis, were formalised in a service agreement dated 8 May 2001 with an initial term of two years, renewable each year for a further 12 months at the discretion of the Board of Directors. The agreement provides for the provision of salary, short-term performance related cash bonuses, superannuation and other benefits. The Remuneration Committee reviews the base salary and short-term incentives annually. Termination may be effected with either six month's notice or by payment of six month's remuneration. In the event of termination, the agreement provides normal commercial restraint conditions for a period of 12 months after termination. The agreement also provided for long-term performance incentives by the grant of options over unissued shares in InvoCare Limited on 8 May 2004. Details of the share options are set out in Section D. Share-based Compensation.

Remuneration and other terms of employment for the Chief Operating Officer, previously Chief Financial Officer, Andrew Smith, were formalised in service agreements executed in March 2007 and in December 2005 respectively. The agreements provide for provision of salary, short-term performance related cash bonuses, long-term performance related share-based bonuses, superannuation and other benefits. The Remuneration Committee reviews the base salary and bonus incentives annually. The term of employment is indefinite and termination may generally be effected with either six month's notice or by payment of six month's remuneration. Details of the share-based remuneration are set out in Section D. Share-based Compensation.

Remuneration and other terms of employment for each of the other key management personnel and other senior executives are formalised in letters of appointment as varied from time to time, including through annual review of the base salary and short-term incentives. Each contract is for an indefinite term. One month's notice or payment in lieu of notice is generally required in the event of resignation. Termination benefits are limited to statutory leave entitlements, unless determined otherwise by the Remuneration Committee. The other key management personnel and certain other senior executives also participate in the Company's Employee Share Option Plan and options were granted to them in September 2003. Since that date, no further options have been granted. Details of these options are set in Section D. Share-based Compensation.

It is intended that the key management personnel and other senior executives will be invited by the Board of Directors to participate in the InvoCare Deferred Employee Share Plan under which a range of remuneration opportunities will be available, including long-term equity-based incentives and remuneration sacrifice. In addition, since the end of the financial year, there have been several changes in roles and responsibilities of key management personnel, as outlined earlier in this report, and the Remuneration Committee has reviewed and revised as appropriate the remuneration and other terms of employment for the key management personnel.

D. Share-based Compensation

Options

The terms and conditions of each grant of options affecting remuneration in this or future reporting periods are as follows:

Grant date	Expiry date	Exercise price	Value per option at grant date	Date exercisable
22 September 2003	1 May 2006	$0.50	$1.32	1/3 on 22 September 2003, 1/3 on 1 May 2004, 1/3 on 1 May 2005
22 September 2003	1 May 2007	$0.59	$1.18	1/3 on 1 May 2004, 1/3 on 1 May 2005, 1/3 on 1 May 2006
22 September 2003	1 May 2008	$1.07	$0.69	1/3 on 1 May 2005, 1/3 on 1 May 2006, 1/3 on 1 May 2007

Remuneration report continued

The above options were granted to certain senior executives of the consolidated entity for no consideration under the Employee Share Option Plan, which was established prior to the Initial Public Offering of InvoCare Limited. The option grants made were at the discretion of, and determined by, the directors of the Company at that time. Except for the Chief Executive Officer and the non-executive directors, the key management personnel and selected other executives were granted options under the plan.

There have been no options granted under the plan since 22 September 2003.

The options granted carry no dividend or voting rights. When exercised, each option is convertible into one fully paid ordinary share of the Company. No amounts are unpaid on any shares issued on the exercise of options.

Options were granted for no consideration in a previous financial year (on 8 May 2004) to Richard Davis, director and Chief Executive Officer, under a service agreement dated 8 May 2001. Each option entitled Mr Davis to acquire one fully paid ordinary share of the Company and had a fair vale at the grant date of $0.73. These options vested upon issue and were exercised on 9 June 2005 at an exercise price of $1.51 per option.

Details of options over unissued ordinary shares in InvoCare Limited provided as remuneration to each director, other key management personnel of the consolidated entity and other executives in the category of the five highest paid executives but who are not other key management personnel of the Group are set out below.

2006	Balance at start of year	Vested at start of year	Granted during year	Vested during year	Total exercised during year	Balance at end of year	Vested and exercisable at end of year
Directors							
Michael Grehan	420,179	–	–	280,119	280,119	140,060	–
Other key management personnel							
Kenneth Mealey	114,594	–	–	76,396	76,396	38,198	–
Phillip Friery	63,665	–	–	38,199	38,199	25,466	–
Other executives in the category of five highest paid executives but who are not other key management personnel							
Armen Mikaelian	81,489	–	–	40,744	40,744	40,745	–
John Fowler	38,200	–	–	25,467	25,467	12,733	–

2005	Balance at start of year	Vested at start of year	Granted during year	Vested during year	Total exercised during year	Balance at end of year	Vested and exercisable at end of year
Directors							
Richard Davis	988,565	988,565	–	–	988,565	–	–
Michael Grehan	827,624	–	–	407,445	407,445	420,179	–
Other key management personnel							
Kenneth Mealey	318,317	–	–	203,723	203,723	114,594	–
Phillip Friery	114,595	–	–	50,930	50,930	63,665	–
Other executives in the category of five highest paid executives but who are not other key management personnel							
Armen Mikaelian	122,233	–	–	40,744	40,744	81,489	–
John Fowler	89,130	–	–	50,930	50,930	38,200	–

The amounts disclosed for remuneration relating to options are the assessed fair values at grant date allocated equally over the period from grant date to vesting date. Fair values at grant date were independently determined using a binomial option pricing model that takes into account the exercise price, the expected life of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price on grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the expected life of the option.

The key inputs to the model for the options granted under the Employee Share Option Plan on 22 September 2003 were:

– Exercise prices: as set out above;
– Grant date: 22 September 2003;
– Expiry dates: as set out above;
– Price at grant date: $1.88 was assessed as a representative market value, being the closing price on the first day of trading (4 December 2003), because at the time of the grant the Company's shares were not listed and the All Ordinaries Index was nearly the same on both dates;
– Price volatility: 18%;
– Dividend yield: 6.8%;
– Risk free interest rate: 5.3%.

The key inputs to the model for the options granted to the Chief Executive Officer on 8 May 2004 were:

– Exercise price: $1.51;
– Grant date: 8 May 2004;
– Expiry date: 8 May 2009;
– Price at grant date: $2.24;
– Price volatility: 16%;
– Dividend yield: 5.5%;
– Risk free interest rate: 5.3%.

Shares Provided on Exercise of Remuneration Options

Details of ordinary shares in the Company provided as a result of the exercise of remuneration options to, and the amounts paid per ordinary share by, each director of InvoCare Limited, other key management personnel and other executives in the category of the five highest paid executives but who are not other key management personnel of the Group are set out below.

	Amount paid per share		Number of ordinary shares issued on exercise of options during the year	
	2006	2005	**2006**	2005
Directors				
Richard Davis	**–**	$1.51	**–**	988,565
Michael Grehan	**–**	$0.50	**–**	127,327
Michael Grehan	**$0.59**	$0.59	**140,060**	140,059
Michael Grehan	**$1.07**	$1.07	**140,059**	140,059
Other key management personnel				
Kenneth Mealey	**–**	$0.50	**–**	127,327
Kenneth Mealey	**$0.59**	$0.59	**38,198**	38,198
Kenneth Mealey	**$1.07**	$1.07	**38,198**	38,198
Phillip Friery	**–**	$0.50	**–**	12,733
Phillip Friery	**$0.59**	$0.59	**12,734**	12,732
Phillip Friery	**$1.07**	$1.07	**25,465**	25,465
Other executives in the category of five highest paid executives but who are not other key management personnel				
Armen Mikaelian	**$1.07**	$1.07	**40,744**	40,744
John Fowler	**–**	$0.50	**–**	25,466
John Fowler	**$0.59**	$0.59	**12,734**	12,732
John Fowler	**$1.07**	$1.07	**12,733**	12,732

No amounts are unpaid on any shares issued on the exercise of options. Refer to Section E. Additional Information for details of shares provided to Michael Grehan upon exercise of options since the end of the financial year.

Remuneration report continued

Shares

Under a service agreement executed in December 2005, Andrew Smith may receive long-term incentive bonus remuneration in the form of ordinary shares in InvoCare Limited. The maximum bonus payable each year is one third of his combined base salary and superannuation and is linked to the profit performance of InvoCare. Shares to the value of the bonus will be purchased on behalf of the employee and one third will vest on each of the first, second and third anniversaries of their purchase on behalf of the employee. The employee will be entitled to any dividends paid in respect of the shares and any unvested shares will be forfeited upon termination of employment. Mr Smith's long-term incentive bonus in respect of 2006 has been determined by the Remuneration Committee as $112,000 and shares to this value will be purchased shortly, one third of which will vest in each of the next three years. In accordance with the requirements of AASB 2 Share-based Payment, $37,980 (2005: $nil) was expensed as share-based remuneration during the year ended 31 December 2006 in relation to the above long-term incentive bonus.

The numbers of ordinary shares in the Company held during the year by each director of InvoCare Limited, other key management personnel and other executives in the category of the five highest paid executives but who are not other key management personnel of the Group are set out below.

	Balance at start of year	Received during year on exercise of options	Other changes during year	Balance at end of year
Non-executive directors				
Ian Ferrier	152,401	–	–	152,401
Richard Fisher	5,000	–	80	5,080
Christine Clifton	100,000	–	160	100,160
Roger Penman	–	–	–	–
Executive directors				
Richard Davis	1,599,733	–	(300,000)	1,299,733
Michael Grehan	802,157	280,119	(28,371)	1,053,905
Other key management personnel				
Andrew Smith	–	–	–	–
Kenneth Mealey	303,723	76,396	(260,000)	120,119
Phillip Friery	41,677	38,199	(64,129)	15,747
Other executives in the category of five highest paid executives but who are not other key management personnel				
Armen Mikaelian	30,000	40,744	(10,744)	60,000
John Fowler	114,592	25,467	–	140,059

E. Additional Information

Principles Used to Determine the Nature and Amount of Remuneration: Relationship Between Remuneration and Company Performance

The overall level of executive reward takes into account the performance of the Group over a number of years, with greater emphasis given to the current and prior year. The Company listed in December 2003, and the first three years' results of the Company and returns to shareholders are summarised below. The remuneration of executive key management personnel has not grown to the same extent as shareholder wealth.

	2006	2005	2004
Earnings per share	**24.7**	21.0	20.4
Dividends paid in year (cents per share):			
– Interim for current year	**8.0**	7.0	6.4
– Final for previous year	**9.5**	9.0	–
– Special	**–**	10.5	–
Total dividends paid in the year	**17.5**	26.5	6.4
Share price – 1 January	**$4.19**	$3.35	$2.14
Share price – 31 December	**$5.57**	$4.19	$3.35
Total shareholder return (price movement plus cash dividends)	**$1.56**	$1.11	$1.27
Total shareholder return as percentage of opening share price	**37%**	33%	59%

Cash and Share-based Bonuses

For each cash bonus and share-based bonus included in the above remuneration tables, the percentage of the available bonus that was payable for the financial year and the percentage that was forfeited because the person or the consolidated entity did not meet the service and performance criteria is set out below. No part of the bonuses is payable in future years.

	Cash bonus		Share-based bonus	
	Payable %	Forfeited %	Payable %	Forfeited %
Richard Davis	85	15	–	–
Michael Grehan	100	–	–	–
Andrew Smith	100	–	100	–
Kenneth Mealey	100	–	–	–
Phillip Friery	81	19	–	–
Armen Mikaelian	79	21	–	–
John Fowler	30	70	–	–

Remuneration report continued

Share-based Compensation – Options

Further details relating to options are set out below:

	A	B	C	D	E
	Remuneration consisting of options %	Value at grant date $	Value at exercise date $	Value at lapse date $	Total of columns B to D $
Michael Grehan	9.7	–	1,028,037	–	1,028,037
Kenneth Mealey	4.9	–	335,378	–	335,378
Phillip Friery	2.5	–	163,620	–	163,620
Armen Mikaelian	2.8	–	135,678	–	135,678
John Fowler	2.1	–	93,464	–	93,464

A = The percentage of the value of remuneration consisting of options, based on the value at grant date set out in column B.
B = The value at grant date calculated in accordance with AASB 2 Share-based Payment of options granted during the year as part of remuneration.
C = The value at exercise date of options that were granted as part of remuneration and were exercised during the year.
D = The value at lapse date of options that were granted as part of remuneration and that lapsed during the year.

Share-based Compensation – Shares

One third of the shares to be purchased in respect of the 2006 long-term share-based incentive bonus for Andrew Smith will vest in each of the 2008, 2009 and 2010 financial years. The value of the shares will be expensed over the periods from grant to vesting in accordance with AASB 2 Share-based Payment and is estimated as follows:

Financial years ending 31 December	Value of unvested shares to be expensed $
2006	37,980
2007	37,980
2008	23,622
2009	10,925
2010	1,493

Loans to Directors and Executives

There are no loans to directors and executives.

Share Options Granted to Directors and the Most Highly Remunerated Officers

There were no options over unissued ordinary shares of InvoCare Limited granted during or since the end of the financial year.

Shares Under Option

Unissued ordinary shares of InvoCare Limited under option at the date of this report are as follows:

Date options granted	Expiry date	Issue price of shares	Number under option
22 September 2003	1 May 2008	$1.07	173,168

No option holder has any right under the options to participate in any other share issue of the Company or any other entity.

Pursuant to arrangements agreed with Michael Grehan upon cessation of his employment since the end of the financial year, 140,060 options immediately vested and became exercisable and share sale restrictions were removed. These options would have otherwise vested on 1 May 2007 and would have been forfeited if employment ceased before vesting. Consequently, since the end of the financial year Mr Grehan exercised 140,060 options at an exercise price of $1.07 each.

Shares Issued on the Exercise of Options

The following ordinary shares of the Company were issued during the year ended 31 December 2006 on the exercise of options granted under the Employee Share Option Plan:

Date options granted	Issue price of shares	Number of shares issued
22 September 2003	$0.59	234,287
22 September 2003	$1.07	313,222
		547,509

Since 31 December 2006, 140,060 shares have been issued at an issue price of $1.07 per share on the exercise of options granted under the Employee Share Option Plan on 22 September 2003.

No amounts are unpaid on any of the shares.

The rest of this page does not form part of the Remuneration Report.

Indemnifying Officers or Auditor

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.

Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

Non-audit Services

The directors are satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

The following fees for non-audit services were paid/payable to the external auditor (PricewaterhouseCoopers) during the year ended 31 December 2006.

	$
Assurance services	8,550
Taxation services	73,966
Advisory services	3,800
Legal services (PricewaterhouseCoopers Legal)	22,695
Total	109,011

Legal fees related to advice in respect of employee related and other commercial matters required in the ordinary course of business.

Auditor's Independence Declaration

The copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 54.

Rounding of Amounts

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.

Signed in accordance with a resolution of the Board of Directors.

Ian Ferrier
Director

Richard Davis
Director

Dated this 30th day of March 2007.

Auditor's Independence Declaration

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
ABN 52 780 433 757

Darling Park Tower 2
201 Sussex Street
GPO BOX 2650
SYDNEY NSW 1171
DX 77 Sydney
Australia
www.pwc.com/au
Telephone +61 2 8266 0000
Facsimile +61 2 8266 9999

As lead auditor for the audit of InvoCare Limited for the year ended 31 December 2006,
I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of InvoCare Limited and the entities it controlled during the period.

John Gordon
Partner
PricewaterhouseCoopers

Sydney
30 March 2007

Liability limited by a scheme approved under Professional Standards Legislation

Financial report

InvoCare Limited and Controlled Entities

Refer to page 101 for Independent Audit Report and page 103 for Shareholder Information.

The financial report covers both InvoCare Limited as an individual entity and the consolidated entity consisting of InvoCare Limited and its subsidiaries. The financial report is presented in the Australian currency.

InvoCare Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 4, 153 Walker Street
North Sydney NSW 2060

A description of the nature of the consolidated entity's operations and its principal activities is included in the Directors' Report.

The financial report was authorised for issue by the directors on 30 March 2007. The Company has power to amend and reissue the financial report.

Through the use of the internet, InvoCare ensures corporate reporting is timely, complete, and available globally at minimum cost to the Company. All press releases, financial reports and other information are available on the Company's website: www.invocare.com.au.

Notes to the Financial Statements

Income Statements

For the year ended 31 December 2006

	Note	Consolidated Entity 2006 $'000	Consolidated Entity 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000
Revenue from continuing operations	2	**164,172**	152,444	**37,735**	45,000
Other income	3	**7,027**	1,955	**–**	–
Finished goods and consumables used		**(22,972)**	(21,649)	**–**	–
Employee benefits expense		**(46,214)**	(42,836)	**(314)**	(304)
Employee related and on-cost expenses		**(12,844)**	(12,107)	**–**	–
Advertising and public relations expenses		**(5,354)**	(4,906)	**–**	–
Depreciation, impairment and amortisation expenses	4	**(11,314)**	(6,305)	**–**	–
Occupancy and facilities expenses		**(11,818)**	(10,418)	**–**	–
Finance costs	4	**(11,258)**	(12,814)	**(10,390)**	(12,114)
Motor vehicle expenses		**(4,373)**	(3,452)	**–**	–
Other expenses		**(10,481)**	(10,927)	**(506)**	(973)
Profit before income tax		**34,571**	28,985	**26,525**	31,609
Income tax expense	5	**(10,434)**	(8,797)	**(2,080)**	(1,420)
Profit from continuing activities after income tax expense		**24,137**	20,188	**24,445**	30,189
Profit attributable to minority interest		**(90)**	(47)	**–**	–
Profit attributable to members of InvoCare Limited		**24,047**	20,141	**24,445**	30,189
Earnings per share for profit attributable to the ordinary equity holders of the Company					
Basic earnings per share (cents per share)	9	**24.7**	21.0		
Diluted earnings per share (cents per share)	9	**24.6**	20.8		

The accompanying notes form part of these financial statements.

Balance Sheets

As at 31 December 2006

	Note	Consolidated Entity 2006 $'000	Consolidated Entity 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000
Current assets					
Cash and cash equivalents	10	**5,717**	4,000	**–**	155
Trade and other receivables	11	**20,606**	18,857	**16**	14
Inventories	12	**12,743**	11,081	**–**	–
Property classified as held for sale	13	**3,083**	3,083	**–**	–
Deferred selling costs	14	**528**	504	**–**	–
Total current assets		**42,677**	37,525	**16**	169
Non-current assets					
Trade and other receivables	11	**9,069**	7,653	**203,172**	194,956
Other financial assets	15	**–**	–	**15,679**	15,641
Property, plant and equipment	17	**201,797**	190,795	**–**	–
Derivative financial instruments	21	**1,486**	–	**1,016**	–
Deferred tax assets	22	**–**	–	**–**	1,162
Intangible assets	18	**47,288**	30,289	**–**	–
Deferred selling costs	14	**7,397**	7,061	**–**	–
Total non-current assets		**267,037**	235,798	**219,867**	211,759
Total assets		**309,714**	273,323	**219,883**	211,928
Current liabilities					
Trade and other payables	19	**21,013**	17,095	**25**	668
Short-term borrowings	20	**–**	–	**26**	–
Current tax liabilities		**4,781**	3,901	**3,930**	3,647
Deferred revenue	24	**2,940**	2,867	**–**	–
Provisions for employee benefits	23	**7,429**	7,471	**–**	–
Total current liabilities		**36,163**	31,334	**3,981**	4,315
Non-current liabilities					
Trade and other payables	19	**559**	7	**–**	–
Long-term borrowings	20	**152,084**	139,504	**131,602**	139,504
Derivative financial instruments	21	**–**	3,511	**–**	3,511
Deferred tax liabilities	22	**32,317**	30,376	**411**	–
Deferred revenue	24	**41,167**	40,138	**–**	–
Provisions for employee benefits	23	**1,064**	992	**–**	–
Total non-current liabilities		**227,191**	214,528	**132,013**	143,015
Total liabilities		**263,354**	245,862	**135,944**	147,330
Net assets		**46,360**	27,461	**83,889**	64,598
Equity					
Contributed equity	25	**64,473**	55,729	**64,473**	55,729
Reserves	26	**1,171**	(1,898)	**1,208**	(1,898)
Retained profits/(Accumulated losses)	26	**(20,334)**	(27,377)	**18,208**	10,767
Parent entity interest		**45,310**	26,454	**83,889**	64,598
Minority interest	27	**1,050**	1,007	**–**	–
Total equity		**46,360**	27,461	**83,889**	64,598

The accompanying notes form part of these financial statements.

Statements of Changes in Equity

For the year ended 31 December 2006

	Note	Consolidated Entity 2006 $'000	Consolidated Entity 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000
Total equity at the beginning of the financial year		**27,461**	31,844	**64,598**	58,336
Adjustment on adoption of AASB 132, AASB 139, net of tax, to:					
– Retained profits – loan establishment costs previously written off		**–**	1,421	**–**	1,421
– Retained profits – discounting of receivables		**–**	(560)	**–**	–
– Hedging reserve – cash flow hedges		**–**	(1,721)	**–**	(1,721)
Cash flow hedges, net of tax		**3,420**	(737)	**3,420**	(737)
Exchange difference on translation of foreign operations		**(37)**	–	**–**	–
Net income/(expense) recognised directly in equity		**3,383**	(1,597)	**3,420**	(1,037)
Profit after tax		**24,137**	20,188	**24,445**	30,189
Total recognised income and expense for the year		**27,520**	18,591	**27,865**	29,152
Transactions with equity holders in their capacity as equity holders:					
– Shares issued upon exercise of options		**474**	2,166	**474**	2,166
– Shares issued pursuant to dividend reinvestment plan		**7,797**	–	**7,797**	–
– Dividends paid	8	**(17,004)**	(25,503)	**(17,004)**	(25,503)
– Employee share options		**159**	447	**159**	447
Dividends paid to minority interests in subsidiaries		**(47)**	(84)	**–**	–
		(8,621)	(22,974)	**(8,574)**	(22,890)
Total equity at the end of the financial year		**46,360**	27,461	**83,889**	64,598
Total recognised income and expense for the year is attributable to:					
Members of InvoCare Limited		**27,430**	18,544	**27,865**	29,152
Minority interest		**90**	47	**–**	–
		27,520	18,591	**27,865**	29,152

The accompanying notes form part of these financial statements.

Cash Flow Statements

For the year ended 31 December 2006

	Note	Consolidated Entity 2006 $'000	Consolidated Entity 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000
Cash flow from operating activities					
Receipts from customers		**179,801**	165,890	**900**	1,400
Payments to suppliers and employees		**(132,831)**	(123,545)	**(1,027)**	(365)
Interest received		**302**	256	**17,125**	16,278
Other revenue		**3,641**	2,714	**–**	–
Dividends received		**–**	–	**19,710**	27,323
Finance costs		**(10,987)**	(10,811)	**(10,609)**	(9,709)
Income taxes paid		**(10,295)**	(8,898)	**–**	–
Net cash provided by operating activities	32	**29,631**	25,606	**26,099**	34,927
Cash flow from investing activities					
Proceeds from sale of property, plant and equipment		**5,055**	3,012	**–**	–
Purchase of subsidiaries and other businesses net of cash acquired		**(25,203)**	(3,431)	**–**	–
Purchase of property, plant and equipment		**(9,817)**	(6,904)	**–**	–
Payment of dividend by newly acquired subsidiary to former shareholders		**(1,674)**	–	**–**	–
Net cash used in investing activities		**(31,639)**	(7,323)	**–**	–
Cash flow from financing activities					
Proceeds from issue of ordinary shares		**5,077**	2,166	**5,077**	2,166
Proceeds from borrowings		**40,505**	159,000	**20,000**	159,000
Repayment of borrowings		**(28,000)**	(150,500)	**(28,000)**	(150,500)
Payment of dividends – InvoCare Limited shareholders		**(13,810)**	(25,503)	**(13,810)**	(25,503)
(net of Dividend Reinvestment Plan $3,194,000; 2005: nil)					
Payment of dividends – minority interests		**(47)**	(84)	**–**	–
Repayment of finance lease principal		**–**	(49)	**–**	–
Proceeds from repayment by/(additional loan provided to) controlled entity		**–**	–	**(9,547)**	(20,166)
Net cash provided by/(used in) financing activities		**3,725**	(14,970)	**(26,280)**	(35,003)
Net increase/(decrease) in cash held		**1,717**	3,313	**(181)**	(76)
Cash and cash equivalents at the beginning of the year		**4,000**	687	**155**	231
Cash and cash equivalents at the end of the year	10	**5,717**	4,000	**(26)**	155

The accompanying notes form part of these financial statements.

Note 1: Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for InvoCare Limited as an individual entity and the consolidated entity consisting of InvoCare Limited and its subsidiaries.

(a) Basis of preparation

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

Compliance with IFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the consolidated financial statements and notes of InvoCare Limited comply with International Financial Reporting Standards (IFRS). The consolidated entity and parent entity financial statements and notes comply with IFRS except for the election to apply the relief available to parent entities in respect of certain disclosure requirements contained in AASB 132 Financial Instruments: Disclosure and Presentation.

Historical cost convention

These financial statements have been prepared on an accruals basis under the historical cost convention, as modified by the revaluation to fair value of financial assets and liabilities (including derivative instruments).

Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 38.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of InvoCare Limited ("Company" or "parent entity") as at 31 December 2006 and the results of all subsidiaries for the year then ended. InvoCare Limited and its subsidiaries are together referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to note 1(i)).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interests in the results and equity of subsidiaries are shown separately in the consolidated income statement and balance sheet, respectively.

(ii) Employee Share Trust

The Group has formed a trust to administer the Group's Exempt Employee Share Plan. This trust is consolidated, as the substance of the relationship is that the trust is controlled by the Group.

(c) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Australian dollars, which is InvoCare Limited's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting

Note 1: Summary of Significant Accounting Policies continued

from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

(iii) Group companies

The results and financial positions of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

– assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
– income and expenses for each income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
– all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences is recognised in the income statement, as part of the gain or loss on sale where applicable.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entities and translated at the closing rate.

(e) 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 measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, allowances, duties and taxes paid. Revenue is recognised as set out below:

Funeral operations

Revenue is recognised when the funeral service is performed.

The Group 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 the Group's policy and, where relevant, state laws). The monies held in trust for individual prepaid funeral contracts are not controlled by the Group, because the Group does not have the power to govern the financial and operating policies of the trust or trustee entities nor does the Group have the legal right or access to the trust funds until the contracted funeral services are performed. Accordingly, the monies held in trust are not recognised in the financial statements. The Group recognises revenue on prepaid funeral contracts when the prepaid funeral service is eventually performed and the amount held in trust, including any investment earnings, is receivable by the Group.

Cemeteries and crematoria operations

Sales of at-need and preneed interment or inurnment rights are recognised immediately as revenue. Sales of associated memorials, other merchandise and burial and cremation services are recognised as revenue when the memorial or merchandise is determined as delivered or the service is performed. Revenue relating to undelivered memorials and merchandise and unperformed services are deferred. Contracted receivables and cash received relating to recognised and deferred revenue on sale of rights, memorials and merchandise are recorded in the financial statements. However, similarly to prepaid funeral services, monies for prepaid burial and cremation services are placed in trust until the service is performed.

(f) Deferred selling costs

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

(g) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities attributable to temporary differences and to unused tax losses.

Note 1: Summary of Significant Accounting Policies continued

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Tax consolidation legislation

InvoCare Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, InvoCare Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, InvoCare Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group. Details about the tax funding agreement are disclosed in note 5.

(h) Leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease. Lease income from operating leases is recognised in income on a straight-line basis over the lease term.

(i) Business combinations and acquisitions of assets

The purchase method of accounting is used to account for all acquisitions of assets (including business combinations) regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their published market price as at the date of exchange. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (refer to note 1(p)). If the cost of acquisition is less than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

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 exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Note 1: Summary of Significant Accounting Policies continued

(j) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversals of the impairment at each reporting date.

(k) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Any bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(l) Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful receivables.

Trade receivables are usually due for settlement no more than 30 days from the date of recognition, except where extended payment terms (up to a maximum of 60 months) have been made available on cemetery or crematorium contracts for sale of interment or inurnment rights and associated memorials and other merchandise. Receivables arising from cemetery or crematorium contracts which are initially expected to be collected over a period exceeding 12 months are recognised as non-current receivables and measured as at the net present value of estimated future cash receipts, discounted at an imputed effective interest rate. Upon initial recognition of the contract receivables, any undelivered portion of the contracts is included in deferred revenue until delivery.

A provision for doubtful receivables is made when collection of the full amount is no longer probable. Receivables which are known to be uncollectible are written off when identified.

(m) 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 overheads. Costs are assigned to individual items of inventory predominantly on the basis of weighted average cost. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

(n) Property held for sale

Non-current assets are separately classified as held for sale and stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

An impairment loss is recognised for any initial or subsequent writedown of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of derecognition.

Assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the asset continue to be recognised as an expense.

(o) Property, plant and equipment

Property, plant and equipment are carried at historical cost less depreciation or amortisation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Repairs, maintenance and minor renewals are charged to the income statement during the financial period in which they are incurred.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(j)).

Cemetery land is carried at cost less accumulated amortisation and impairment writedowns. 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 or space 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. Other freehold land is not depreciated or amortised.

Note 1: Summary of Significant Accounting Policies continued

Depreciation of other assets is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

– Buildings 40 years
– Plant and equipment 3-10 years.

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 shorter. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. Gains and losses are included in the income statement.

(p) Intangible assets

(i) Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill acquired in business combinations is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses (note 18(a)).

(ii) Trademarks and brand names
Trademarks and brand names have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and brand names over their estimated useful lives of 10 years.

(q) Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year which had not been settled at balance date. The amounts are unsecured and are usually paid within 60 days of recognition.

(r) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest rate method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Refer to Note 20 for further information on borrowings.

(s) Derivative financial instruments

The Group uses derivative financial instruments such as cross currency and interest rate swaps to hedge its risks associated with foreign currency and interest rate fluctuations. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

– hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or
– hedges of the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges); or
– hedges of a net investment in a foreign operation.

The Group documents at inception the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment of whether the derivatives that are used in hedging transactions have been, and will continue to be, highly effective in offsetting changes in fair values or cash flows or hedged items.

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement and are included in other income or other expenses.

The fair value of interest rate swap contracts is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date. The fair values of derivative financial instruments used for hedging purposes are disclosed in note 21. Movements in the hedging reserve in shareholders' equity are shown in note 26. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged

Note 1: Summary of Significant Accounting Policies continued

item is less than 12 months. Trading derivatives are classified as a current asset or liability.

Hedges that meet the strict criteria for hedge accounting are accounted for as follows:

(i) Fair value hedges
Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in the income statement within finance costs, together with changes in the fair value of the hedged fixed rate borrowings attributable to interest rate risk. The gain or loss relating to the ineffective portion is recognised in the income statement within other income or other expenses.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedge item for which the effective interest method is used is amortised to profit or loss over the period to maturity using a recalculated effective interest rate.

(ii) Cash flow hedges
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within other income or other expense.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within finance costs.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(iii) Hedges of a net investment
Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a similar way to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised directly in equity while any gains or losses relating to the ineffective portion are recognised in the income statement. On disposal of the foreign operation, the cumulative value of any such gains or losses recognised directly in equity is transferred to the income statement.

(t) Employee benefits

Wages and salaries, annual leave and sick leave
Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables and provision for employee benefits 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, including appropriate on-costs. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

Long service leave
The liability for long service leave is recognised in the provision for employee benefits 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 periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Bonus plans
The Group recognises a liability in other payables and an expense for bonus plans 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
- past practices give clear evidence of a constructive obligation.

Note 1: Summary of Significant Accounting Policies continued

Retirement benefits

Employees of the Group are entitled to benefits on retirement, disability or death from the Group sponsored defined contribution superannuation plans. Fixed statutory contributions are made by the Group to these plans and are recognised as an expense as they become payable. The Group's liability is limited to these contributions.

Share-based payments

The Group provides benefits to certain employees, including key management personnel, in the form of share-based payments, whereby employees render services in exchange for shares or options over shares. Details of the employee share or option plans are set out in note 23.

The cost of equity-settled transactions with employees (for grants awarded after 7 November 2002 and that were unvested at 1 January 2005) is measured by reference to the fair value of the equity instruments at the date granted. The cost is recognised as an employee benefit expense in the income statement, with a corresponding increase in equity, over the period during which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become unconditionally entitled to the award (the vesting date).

The fair value of options at grant date is independently determined using a binomial option pricing model that takes into account the exercise price of an option, the term of an option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The fair value of the grant excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable.

At each balance sheet date, the Group revises its estimate of the number of awards that are expected to vest. The employee benefit expense recognised each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in the income statement with a corresponding adjustment to equity.

Upon the exercise of options, the exercise proceeds received are allocated to share capital and the balance of the share-based payments reserve relating to those options is transferred to share capital.

(u) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are included in the cost of the acquisition as part of the purchase consideration.

(v) Dividends

Provision is made for the amount of any dividend declared being appropriately authorised and no longer at the discretion of the Company on or before the end of the financial year but not distributed at balance date.

(w) Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(x) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the taxing authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are included in the cash flow statement 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 taxing authority, is classified as operating cash flows.

Note 1: Summary of Significant Accounting Policies continued

(y) Rounding of amounts

The Company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to rounding of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(z) Future Accounting Standards and UIG Interpretations

As at 31 December 2006, the following Accounting Standards and UIG Interpretations had been issued but were not yet mandatory: AASB 7 Financial Instruments: Disclosures and AASB 2005-10 Amendments to Australian Accounting Standards (AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 and AASB 1038). AASB 7 and AASB 2005-10 are applicable to annual reporting periods beginning on or after 1 January 2007. AASB 7 introduces new disclosures of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces AASB 130 Disclosures in the Financial Statements of Banks and Similar Financial Institutions and the disclosure requirements in IAS 32 Financial Instruments: Disclosure and Presentation. It is applicable to all reporting entities. The amendment to AASB 101 introduces disclosures about the level of an entity's capital and how it manages capital. The Group assessed the impact of AASB 7 and the amendments to AASB 101 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and the capital disclosures required by the amendment of AASB 101. The Group will apply the standards from annual reporting periods beginning 1 January 2007.

Revised AASB 101 Presentation of Financial Statements

A revised AASB 101 was issued in October 2006 and is applicable to annual reporting periods beginning on or after 1 January 2007. The Group has not adopted the standard early. Application of the revised standard will not affect any of the amounts recognised in the financial statements, but will remove some of the disclosures currently required, including the disclosure about economic dependencies.

Note 2: Revenue from Continuing Operations

	Consolidated Entity 2006 $'000	Consolidated Entity 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000
Sales revenue				
Sale of goods	**82,531**	77,561	**–**	–
Services revenue	**77,283**	70,639	**–**	–
Management fees	**–**	–	**900**	1,400
	159,814	148,200	**900**	1,400
Other revenue				
Rent	**219**	229	**–**	–
Administration fees	**1,907**	2,042	**–**	–
Sundry revenue	**1,256**	1,193	**–**	–
Dividend income				
Wholly owned group – controlled entities	**–**	–	**19,710**	27,323
Interest revenues				
Other persons/corporations	**976**	780	**8**	9
Wholly owned group – controlled entities	**–**	–	**17,117**	16,268
	4,358	4,244	**36,835**	43,600
Total revenue from continuing operations	**164,172**	152,444	**37,735**	45,000

Note 3: Other Income

	Consolidated Entity 2006 $'000	Consolidated Entity 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000
Net gain on disposal of non-current assets	**7,027**	1,955	**–**	–

Note 4: Expenses

	Consolidated Entity 2006 $'000	Consolidated Entity 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000
Profit before income tax includes the following specific expenses:				
Depreciation				
Buildings	**2,416**	2,034	**–**	–
Property, plant and equipment	**4,714**	3,682	**–**	–
Total depreciation	**7,130**	5,716	**–**	–
Amortisation of non-current assets				
Cemetery land	**362**	350	**–**	–
Leasehold land and buildings	**137**	129	**–**	–
Leasehold improvements	**116**	110	**–**	–
Brand names	**113**	–	**–**	–
Total amortisation	**728**	589	**–**	–
Impairment of non-current assets				
Impairment loss	**5,871**	–	**–**	–
Reversal of impairment loss	**(2,415)**	–	**–**	–
Total impairment of non-current assets (see note 17)	**3,456**	–	**–**	–
Total depreciation, impairment and amortisation	**11,314**	6,305	**–**	–
Finance costs				
Interest paid and payable	**10,683**	10,779	**9,933**	10,079
Amortisation of loan establishment costs	**100**	2,035	**98**	2,035
Interest rate swap loss	**475**	–	**359**	–
Total finance costs expensed	**11,258**	12,814	**10,390**	12,114
Bad and doubtful debts – trade debtors	**272**	(85)	**–**	–
Rental expense				
Operating lease rental – minimum lease payments	**4,273**	3,737	**–**	–
Defined contribution superannuation expense	**3,726**	3,249	**–**	–

	Consolidated Entity		Parent Entity	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000

Note 5: Income Tax

Income tax expense				
Current tax	**11,328**	9,230	**2,122**	873
Deferred tax	**(417)**	(112)	**108**	547
Benefit arising from previously unrecognised temporary difference of a prior period	**(544)**	3	**(150)**	–
Adjustments recognised in the current year in relation to the current tax of prior years	**67**	(324)	**–**	–
Income tax expense attributable to ordinary activities	**10,434**	8,797	**2,080**	1,420
Reconciliation of income tax expense to prima facie tax payable				
Prima facie tax at 30% (2005: 30%) on profit from ordinary activities	**10,371**	8,696	**7,957**	9,483
Tax effect of amounts which are not deductible/(taxable) in calculation of taxable income				
Share-based payments expense	**48**	134	**36**	134
Non-assessable dividend	**–**	–	**(5,913)**	(8,197)
Under/(over) provision in prior years	**67**	(324)	**–**	–
Other items (net)	**(52)**	291	**–**	–
Income tax expense attributable to ordinary activities	**10,434**	8,797	**2,080**	1,420

Tax consolidation legislation

InvoCare Limited and its wholly-owned Australian controlled entities implemented the tax consolidation legislation from 1 January 2004. The accounting policy in relation to this legislation is set out in note 1(g).

On adoption of the tax consolidation legislation, the entities in the tax consolidated group entered into a tax sharing and funding agreement which, in the opinion of the directors, limits the joint and several liability of the wholly-owned entities in the case of a default by the head entity InvoCare Limited. The entities are finalising an updated tax sharing agreement which will not alter the above liability limitations.

The entities are also finalising an updated tax funding agreement under which the wholly-owned entities will continue to fully compensate InvoCare Limited for any current tax payable assumed and be compensated by InvoCare Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to InvoCare Limited under the tax consolidation legislation.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. InvoCare Limited has appointed InvoCare Australia Pty Limited as its agent for the purpose of meeting its obligations to make tax payments, or receive refunds, and reimburses, or is compensated by, that entity through the intercompany loan account for amounts of tax paid, or received, except for the tax allocated to that entity.

Note 6: Key Management Personnel Disclosures

(a) Directors

The following persons were directors of InvoCare Limited during the financial year:

Non-executive directors
Ian Ferrier (Chairman)
Richard Fisher
Christine (Tina) Clifton
Roger Penman

Executive directors
Richard Davis – Chief Executive Officer
Michael Grehan – Chief Operating Officer

Since the end of the financial year, Michael Grehan resigned as director and Chief Operating Officer on 15 February 2007, and Benjamin Chow was appointed non-executive director on 22 February 2007.

(b) Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year:
Andrew Smith – Chief Financial Officer (from 16 January 2006)
Kenneth Mealey – Chief Financial Officer (until 16 January 2006) and Company Secretary
Phillip Friery – Group Finance Manager.

Except for Andrew Smith, all of the above persons were also key management personnel during the year ended 31 December 2005.

Since the end of the financial year:
- Kenneth Mealey retired as Company Secretary on 12 January 2007;
- Andrew Smith was appointed Chief Operating Officer with effect from 28 March 2007; and
- Phillip Friery was appointed Company Secretary on 12 January 2007 and Chief Financial Officer on 28 March 2007.

(c) Key management personnel compensation

	Consolidated Entity		Parent Entity	
	2006 $	2005 $	**2006 $**	2005 $
Short-term employee benefits	**2,556,436**	1,648,157	**231,302**	225,543
Post-employment benefits	**210,188**	177,624	**82,698**	78,624
Share-based payments	**118,499**	317,023	**–**	–
	2,885,123	2,142,804	**314,000**	304,167

The Company has taken advantage of the relief provided by Corporations Regulation 2M.6.04 and has transferred the detailed remuneration disclosures to the Directors' Report. The relevant information can be found in sections A, B and C of the remuneration report on pages 43 to 47.

(d) Equity instrument disclosures relating to key management personnel

Options provided as remuneration and shares issued on exercise of such options
Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in section D of the remuneration report on pages 47 to 50.

Note 6: Key Management Personnel Disclosures continued

Option holdings

The numbers of options over ordinary shares in the Company held during the financial year by each director of InvoCare Limited and other key management personnel of the Group, including their personally related parties, are set out below.

2006	Balance at start of year	Vested at start of year	Granted during year	Vested during year	Total exercised during year	Balance at end of year	Vested and exercisable at end of year
Directors							
Richard Davis	–	–	–	–	–	–	–
Michael Grehan	420,179	–	–	280,119	280,119	140,060	–
Other key management personnel							
Andrew Smith	–	–	–	–	–	–	–
Kenneth Mealey	114,594	–	–	76,396	76,396	38,198	–
Phillip Friery	63,665	–	–	38,199	38,199	25,466	–

2005	Balance at start of year	Vested at start of year	Granted during year	Vested during year	Total exercised during year	Balance at end of year	Vested and exercisable at end of year
Directors							
Richard Davis	988,565	988,565	–	–	988,565	–	–
Michael Grehan	827,624	–	–	407,445	407,445	420,179	–
Other key management personnel							
Kenneth Mealey	318,317	–	–	203,723	203,723	114,594	–
Phillip Friery	114,595	–	–	50,930	50,930	63,665	–

No options are vested and unexercisable at the end of the year.

Share holdings

The numbers of ordinary shares in the Company held during the financial year by each director of InvoCare Limited and other key management personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

	Balance at start of year	Received during year on exercise of options	Other changes during year	Balance at end of year
Non-executive directors				
Ian Ferrier	152,401	–	–	152,401
Richard Fisher	5,000	–	80	5,080
Christine Clifton	100,000	–	160	100,160
Roger Penman	–	–	–	–
Executive directors				
Richard Davis	1,599,733	–	(300,000)	1,299,733
Michael Grehan	802,157	280,119	(28,371)	1,053,905
Other key management personnel				
Andrew Smith	–	–	–	–
Kenneth Mealey	303,723	76,396	(260,000)	120,119
Phillip Friery	41,677	38,199	(64,129)	15,747

Note 6: Key Management Personnel Disclosures continued

(e) Loans to key management personnel

There were no loans to directors of the Company and other key management personnel.

(f) Other transactions with key management personnel

A director, Roger Penman, is a principal in WHK Greenwoods, which has provided professional accounting and tax advisory services to the consolidated entity in the first half of the year on normal commercial terms and conditions amounting to $26,846 (2005: $83,335). No services have been provided to the consolidated entity since May 2006.

The Group Finance Manager (since year end appointed Chief Financial Officer and Company Secretary), Phillip Friery, is a director and shareholder of Laurach Pty Limited (trading as Friery Accounting Services) and has the capacity to significantly influence decision making of that company, which has provided professional accounting and taxation services to the consolidated entity for several years on normal commercial terms and conditions. The services during the year amounted to $21,000 (2005: $32,595).

The brother of Michael Grehan, former director and the Chief Operating Officer, has the capacity to significantly influence decision making of Hillmir Pty Ltd (trading as J B Goodwin Midson & Partners) which has provided surveying and town planning services to the consolidated entity for several years on normal commercial terms and conditions. The services during the year amounted to $Nil (2005: $54,927).

Aggregate amounts of each of the above types of other transactions with key management personnel of the consolidated entity, including their personally related parties:

	2006 $	2005 $
Amounts recognised as expense		
Accounting and tax advisory fees	**47,846**	115,930
Other advisory fees	**–**	34,377
	47,846	150,307
Amounts recognised as property, plant and equipment		
Construction of building	**–**	20,550

Aggregate amounts payable at balance date to key management personnel of the Group, including their personally related parties, relating to the above types of other transactions:

	2006 $	2005 $
Current liabilities	**8,250**	20,550

	Consolidated Entity 2006 $	Consolidated Entity 2005 $	Parent Entity 2006 $	Parent Entity 2005 $

Note 7: Auditors' Remuneration

During the year, the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms.

	Consolidated Entity 2006 $	Consolidated Entity 2005 $	Parent Entity 2006 $	Parent Entity 2005 $
(a) Audit services				
PricewaterhouseCoopers – Australian firm				
Audit and review of financial reports	**159,000**	237,100	**–**	–
Non-PricewaterhouseCoopers – Singaporean firm				
Audit and review of financial reports*	**14,967**	–	**–**	–
Total remuneration for audit services	**173,967**	237,100	**–**	–
(b) Non-audit services				
PricewaterhouseCoopers – Australian firm				
Assurance services	**8,550**	70,700	**–**	–
Advisory services	**3,800**	54,609	**–**	–
Taxation services	**73,966**	153,530	**–**	–
Related practices of PricewaterhouseCoopers – Australian firm				
Legal	**22,695**	404,786	**–**	–
Total remuneration for non-audit services	**109,011**	683,625	**–**	–

* Fee paid or payable to the auditor of Singapore Casket Company (Private) Limited for the full year ended 31 December 2006. This entity was acquired on 20 October 2006.

It is the Company's policy to employ PricewaterhouseCoopers on assignments additional to its 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 the Company's policy to seek competitive tenders for any major consulting projects.

Note 8: Dividends

	Consolidated Entity 2006 $'000	Consolidated Entity 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000
Dividends paid				
Final ordinary dividend for the year ended 31 December 2005 of 9.5 cents (2004: 9.0 cents) per fully paid share paid on 12 April 2006 (2004: 12 April 2005), fully franked based on tax paid at 30% (2005: 30%)	**9,207**	8,550	**9,207**	8,550
Interim ordinary dividend for the year ended 31 December 2006 of 8.0 cents (2005: 7.0 cents) per share paid on 12 October 2006 (2005: 12 October 2005), fully franked based on tax paid at 30% (2005: 30%)	**7,797**	6,785	**7,797**	6,785
Special dividend of 10.5 cents per fully paid share paid on 24 June 2005, fully franked based on tax paid at 30%	**–**	10,168	**–**	10,168
Dividends paid to members of InvoCare Limited	**17,004**	25,503	**17,004**	25,503
Dividends paid to minority interest of 5.9 cents (2005: 10.5 cents) per fully paid share fully franked based on tax paid at 30% (2005: 30%)	**47**	84	**–**	–
	17,051	25,587	**17,004**	25,503

Note 8: Dividends continued

	Consolidated Entity 2006 $	Consolidated Entity 2005 $	Parent Entity 2006 $	Parent Entity 2005 $
Dividends not recognised at year end				
In addition to the above dividends, since the year end, the directors recommended the payment of a final dividend to InvoCare Limited shareholders of 11.5 cents (2005: 9.5 cents) per fully paid ordinary share, fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend, expected to be paid on 12 April 2007 out of 2006 profits, but not recognised as a liability at year end is	**11,404**	9,207	**11,404**	9,207
Franking credit balance				
The amounts of franking credits available for subsequent financial years are:				
Franking account balance at the end of the financial year	**11,636**	8,506	**10,963**	8,171
Franking credits that will arise from the payment of income tax payable at the end of the financial year	**4,193**	3,901	**3,930**	3,647
Reduction in franking account resulting from payment of proposed final dividend of 11.5 cents (2005: 9.5 cents)	**(4,887)**	(3,946)	**(4,887)**	(3,946)
	10,942	8,461	**10,006**	7,872

Note 9: Earnings per Share

	Consolidated Entity 2006 $'000	Consolidated Entity 2005 $'000
Reconciliation of earnings to profit and loss		
Profit from ordinary activities after income tax	**24,137**	20,188
Less profit attributable to minority interests	**(90)**	(47)
Profit used to calculate basic and diluted earnings per share	**24,047**	20,141

	2006 Number	2005 Number
Weighted average number of shares used as a denominator		
Weighted average number of ordinary shares used as a denominator in calculating basic earnings per share	**97,541,881**	96,086,636
Adjustments for calculation of diluted earnings per share relating to options	**242,493**	773,676
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	**97,784,374**	96,860,312

Options

Options granted to employees under the Employee Option Plan are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The options have not been included in the determination of basic earnings per share. Details relating to options are set out in note 23.

	Consolidated Entity		Parent Entity	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000

Note 10: Cash and Cash Equivalents

Cash on hand	**51**	46	**–**	–
Cash at bank	**5,666**	3,954	**–**	155
	5,717	4,000	**–**	155

Cash at bank attracts floating interest rates between 4.8% and 6.0% (2005: 4.8% to 5.4%)

Reconciliation to cash at the end of the year: The above figures are reconciled to cash at the end of the financial year as shown in the statements of cash flows as follows:				
Balances as above	**5,717**	4,000	**–**	155
Bank overdraft (note 20)	**–**	–	**(26)**	–
Balances per statement of cash flows	**5,717**	4,000	**(26)**	155

Note 11: Trade and Other Receivables

Current				
Trade receivables	**16,657**	16,961	**–**	–
Provision for doubtful receivables	**(1,183)**	(1,183)	**–**	–
Prepayments	**1,352**	2,493	**16**	14
Other receivables	**3,780**	586	**–**	–
	20,606	18,857	**16**	14
Non-current				
Trade receivables	**9,390**	8,214	**–**	–
Discounting of receivables (refer note 1(l))	**(563)**	(749)	**–**	–
Provision for doubtful receivables	**(312)**	(312)	**–**	–
Security deposits	**123**	100	**–**	–
Other receivables	**431**	400	**–**	–
Loan to controlled entity	**–**	–	**203,172**	194,956
	9,069	7,653	**203,172**	194,956

Interest rate risks

The Group has no exposure to interest rate risk in respect of the above receivables as they are non-interest bearing. Interest earned by the parent entity on the fixed rate loan to controlled entity is set out in note 35.

Credit risk

Except for the loan from the parent entity to its controlled entity, there is no concentration of credit risk with respect to current and non-current receivables as the Group has a large number of customers dispersed across Australia and Singapore.

	Consolidated Entity		Parent Entity	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
Note 12: Inventories				
Current				
Work in progress – at cost	**1,747**	–	**–**	–
Finished goods – at cost	**10,996**	11,081	**–**	–
	12,743	11,081	**–**	–
Note 13: Property Classified as Held for Sale				
Land and buildings held for sale	**3,083**	3,083	**–**	–

The Group has an intention to sell certain Australian land and buildings and has initiated action to locate buyers and complete the sales as soon as practicable.

Note 14: Other Assets

Current				
Deferred selling costs (refer note 1(f))	**528**	504	**–**	–
Non-current				
Deferred selling costs (refer note 1(f))	**7,397**	7,061	**–**	–

Note 15: Other Financial Assets

Shares in subsidiaries	**–**	–	**15,679**	15,641

Shares in subsidiaries are carried at cost and relate to InvoCare Limited's ownership interest in InvoCare Australia Pty Limited and InvoCare (Singapore) Pty Limited. All shares held are ordinary shares. Refer to note 16: Subsidiaries for details of controlled entities.

Note 16: Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of InvoCare Limited and the following controlled entities in accordance with the accounting policy in note 1(b). The proportion of ownership interest is equal to the proportion of voting power held.

		Equity holding	
Name of entity	Country of incorporation	**2006 %**	2005 %
InvoCare Australia Pty Limited	Australia	**100**	100
New South Wales Cremation Company Pty Limited	Australia	**100**	100
Cremations (Newcastle) Holdings Pty Limited	Australia	**100**	100
Cremations (Newcastle) Pty Limited	Australia	**100**	100
Macquarie Memorial Park Pty Limited	Australia	**83**	83
Macquarie Funeral Service Pty Limited	Australia	**83**	83
Novocastrian Funerals Pty Limited	Australia	**100**	100
Novocastrian Funerals Unit Trust	Australia	**100**	100
Catholic Funerals Newcastle Pty Limited	Australia	**100**	100
Mead & Purslowe Pty Limited	Australia	**100**	100
Mead & Purslowe Trading Trust	Australia	**100**	100
Oakwood Funerals Pty Limited	Australia	**50**	50
Dignity Pre-Arranged Funerals Pty Limited	Australia	**100**	100

Name of entity	Country of incorporation	Equity holding 2006 %	2005 %
Note 16: Subsidiaries continued			
Memorial Guardian Plan Pty Limited	Australia	**100**	100
Pine Grove Forest Lawn Funeral Benefit Company Pty Limited	Australia	**100**	100
Kitleaf Pty Limited	Australia	**100**	100
The Australian Cremation Society Pty Limited	Australia	**100**	100
Metropolitan Burial and Cremation Society Funeral Contribution Fund Pty Limited	Australia	**100**	100
Labor Funerals Contribution Fund Pty Limited	Australia	**100**	100
Purslowe Custodians Pty Limited	Australia	**100**	100
Beresfield Funerals Pty Limited	Australia	**100**	100
Restbind Pty Limited	Australia	**100**	100
D & J Drysdale Pty Ltd	Australia	**100**	–
IVC Employee Share Plan Managers Pty Ltd	Australia	**100**	–
InvoCare (Singapore) Pty Limited	Australia	**100**	–
Singapore Casket Company (Private) Limited	Singapore	**100**	–
Casket Palace Pte Ltd	Singapore	**100**	–

	Consolidated Entity 2006 $'000	Consolidated Entity 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000
Note 17: Property, Plant and Equipment				
Land and buildings				
Cemetery land at cost	**106,334**	106,158	**–**	–
Accumulated amortisation	**(4,148)**	(3,787)	**–**	–
Impairment writedowns	**(15,976)**	(12,520)	**–**	–
	86,210	89,851	**–**	–
Freehold land at cost	**41,438**	32,683	**–**	–
Buildings at cost	**76,227**	68,629	**–**	–
Accumulated depreciation	**(21,213)**	(18,493)	**–**	–
	55,014	50,136	**–**	–
Leasehold land and buildings at cost	**4,466**	4,470	**–**	–
Accumulated amortisation	**(1,709)**	(1,582)	**–**	–
	2,757	2,888	**–**	–
Leasehold improvements at cost	**1,516**	1,493	**–**	–
Accumulated amortisation	**(991)**	(951)	**–**	–
	525	542	**–**	–
Total land and buildings	**185,944**	176,100	**–**	–
Plant and equipment				
Plant and equipment at cost	**55,895**	51,326	**–**	–
Accumulated depreciation	**(40,042)**	(36,631)	**–**	–
Total plant and equipment	**15,853**	14,695	**–**	–
Total property, plant and equipment	**201,797**	190,795	**–**	–

Note 17: Property, Plant and Equipment continued

Movements in carrying amounts

Movements in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year are reconciled as follows:

	Cemetery land $'000	Freehold land $'000	Buildings $'000	Leasehold land and buildings $'000	Leasehold improvements $'000	Plant and equipment $'000	Total $'000
Consolidated entity							
Balance at the beginning of year	89,851	32,683	50,136	2,888	542	14,695	190,795
Assets purchased during the year	199	750	4,546	–	103	4,219	9,817
Assets acquired on acquisition of subsidiaries	–	8,647	3,806	–	–	1,201	13,654
Disposals during the year	–	(527)	(420)	–	(4)	(317)	(1,268)
Depreciation and amortisation expense	(362)	–	(2,416)	(137)	(116)	(4,714)	(7,745)
Net impairment writedowns (see below)	(3,456)	–	–	–	–	–	(3,456)
Transfers/reclassifications	(22)	(115)	(638)	6	–	769	–
Carrying amount at the end of year	86,210	41,438	55,014	2,757	525	15,853	201,797

Included in the above carrying amounts are expenditures amounting to $587,000 (2005: $845,000) for property, plant and equipment in the course of construction.

A reassessment of four previously impaired cemetery and crematorium sites as at 31 December 2006 resulted in the reversal of previous impairment losses at two sites totalling $2,415,000, reflecting improvements in financial performance at those sites, and additional impairment losses at two other sites totalling $5,871,000, due primarily to less than expected performance improvements despite recent capital investment in refurbishments at one of the sites. The recoverable amount of these cash generating units, which primarily comprise cemetery and crematorium land, is based on value-in-use calculations. These calculations use cash flow projections based on financial estimates approved by management based on past performance and future expectations. The cash flows cover an initial five-year period and were then extrapolated beyond five years using estimated growth rates in revenues and expenses which are not inconsistent with historical trends and forecasts included in reports prepared by market analysts. The discount rate used was 9.9% (being unchanged from previous calculations), reflecting the risk estimates for the business as a whole which are deemed appropriate for these sites. The impairment losses may be reversed in future years. The Group has no impairment at other cemetery and crematorium sites or of other assets. The total recoverable amount of the Group's assets is well in excess of carrying value.

Note 18: Intangible Assets

	Consolidated Entity		Parent Entity	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
Goodwill	**45,199**	29,539	**–**	–
Brand name	**2,089**	750	**–**	–
	47,288	30,289	**–**	–

Note 18: Intangible Assets continued

Consolidated movements in intangible assets during the year

	Consolidated Entity Goodwill $'000	Consolidated Entity Brand name $'000	Consolidated Entity Total $'000
For the year ended 31 December 2005:			
Balance at the beginning of the year	26,302	–	26,302
Acquisition of subsidiary	3,237	750	3,987
Balance at the end of the year	29,539	750	30,289
For the year ended 31 December 2006:			
Balance at the beginning of the year	**29,539**	**750**	**30,289**
Acquisition of subsidiaries	**15,660**	**1,452**	**17,112**
Amortisation charge	**–**	**(113)**	**(113)**
Balance at the end of the year	**45,199**	**2,089**	**47,288**

(a) Impairment test for goodwill

For the Group's Australian-based operations, goodwill cannot be allocated on a non-arbitrary basis to individual cash generating units (CGUs) due to the significant history of numerous acquisitions, especially during the years 1993 to 1999, and resulting post-acquisition business integration activities and operational changes over many years. The recently acquired Singapore operation is a separate CGU and the associated goodwill arising from that acquisition has been allocated to that single Singaporean CGU. As a result, the lowest level within the Group at which goodwill is monitored for management purposes comprises the grouping of all CGUs within a country of operation. The recoverable amounts of the total of Australian CGUs and of the Singaporean CGU are based on value-in-use calculations. These calculations use cash flow projections based on financial estimates approved by management covering a five-year period. Cash flows beyond the five-year period have been extrapolated using estimated growth rates.

(b) Key assumptions used for value-in-use calculations

Management determined budgeted cash flows based on past performance and its expectations for the future. The growth rates used for revenue and expenses projections are not inconsistent with historical trends and forecasts included in reports prepared by market analysts. The discount rate used is 9.9%, reflecting the risk estimates for the business as a whole. Sensitivity analysis indicates significant headroom exists in the value-in-use calculations for both Australia and Singapore compared to the carrying value of goodwill.

Note 19: Trade and Other Payables

	Consolidated Entity 2006 $'000	Consolidated Entity 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000
Current				
Trade payables	**9,445**	7,660	**–**	–
Sundry payables and accrued expenses	**8,976**	8,713	**25**	668
Deferred cash settlement for business interests acquired	**2,592**	722	**–**	–
	21,013	17,095	**25**	668
Non-current				
Deferred cash settlement for business interests acquired	**559**	7	**–**	–
	559	7	**–**	–

Trade and other creditors are unsecured, non-interest bearing and are normally settled within 60 day terms.

Note 20: Borrowings

	Consolidated Entity 2006 $'000	Consolidated Entity 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000
Short-term borrowings				
Bank overdraft	**–**	–	**26**	–
Long-term borrowings				
Borrowings are represented by:				
Principal amount of bank loans – unsecured	**152,505**	140,000	**132,000**	140,000
Loan establishment costs	**(421)**	(496)	**(398)**	(496)
	152,084	139,504	**131,602**	139,504

To debt fund the Group's acquisition in Singapore in October 2006, amendments to the bilateral financing agreements established in December 2005 were executed to increase total borrowing facilities to $185.0 million (previously $165.0 million), including a working capital facility of $5.0 million. These unsecured facilities are non-amortising and are available until January 2011.

The Group continues its policy of protecting at least 75% of the loans from exposure to variable interest rates by entering into interest rate swap contracts under which it is obliged to pay interest at fixed rates and receive interest at variable rates (refer to note 21).

The Group has complied with its covenants throughout and at the end of the year.

	Consolidated Entity 2006 $'000	Consolidated Entity 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000
Finance facilities available				
Unrestricted access was available at balance date to the following lines of credit:				
Total facilities				
– unsecured loan facility	**180,000**	160,000	**180,000**	160,000
– working capital facility	**5,000**	5,000	**5,000**	5,000
	185,000	165,000	**185,000**	165,000
Used at balance date				
– unsecured loan facility	**152,505**	140,000	**152,505**	140,000
– working capital facility	**181**	269	**181**	269
	152,686	140,269	**152,686**	140,269
Unused at balance date				
– unsecured loan facility	**27,495**	20,000	**27,495**	20,000
– working capital facility	**4,819**	4,731	**4,819**	4,731
	32,314	24,731	**32,314**	24,731

Note 20: Borrowings continued

Interest rate risk exposures

The following table sets out the Group's exposure to interest rate risk, including the contractual repricing dates and the effective weighted average interest rate by maturity periods.

		Fixed interest rate						
2006	Floating interest rate $'000	1 year or less $'000	Over 1 to 2 years $'000	Over 2 to 3 years $'000	Over 3 to 4 years $'000	Over 4 to 5 years $'000	Over 5 years $'000	Total $'000
Bank loans	152,084	–	–	–	–	–	–	152,084
Interest rate swaps (notional principal)	(150,505)	–	–	–	130,000	20,505	–	–
	1,579	–	–	–	130,000	20,505	–	152,084
Weighted average interest rate	7.19%	– %	– %	– %	7.02%	4.19%	– %	

		Fixed interest rate						
2005	Floating interest rate $'000	1 year or less $'000	Over 1 to 2 years $'000	Over 2 to 3 years $'000	Over 3 to 4 years $'000	Over 4 to 5 years $'000	Over 5 years $'000	Total $'000
Bank loans	139,504	–	–	–	–	–	–	139,504
Interest rate swaps (notional principal)	(130,000)	–	–	–	–	130,000	–	–
	9,504	–	–	–	–	130,000	–	139,504
Weighted average interest rate	6.39%	– %	– %	– %	– %	7.02%	– %	

The carrying amounts and fair values of interest bearing liabilities at balance date are:

	2006		2005	
	Carrying amount $'000	**Fair value $'000**	Carrying amount $'000	Fair value $'000
On-balance sheet				
Bank loans	**152,084**	**152,084**	139,504	139,504

	Consolidated Entity		Parent Entity	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
Note 21: Derivative Financial Instruments				
Non-current assets				
Interest rate swap contracts – cash flow hedges	**1,001**	–	**1,016**	–
Cross currency basis swap contracts	**485**	–	**–**	–
	1,486	–	**1,016**	–
Non-current liabilities				
Interest rate swap contracts – cash flow hedges	**–**	3,511	**–**	3,511

The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest rates and hedge the net investment in Singapore in accordance with Group's financial risk management policies.

Cash flow hedges – interest rate swaps

It is the policy of the Group to protect at least 75% of the loans from exposure to increasing interest rates. Accordingly, the Group has entered into interest rate swap contracts under which it receives interest at variable rates and pays interest at fixed rates. Bank loans of the Group currently bear an effective average variable interest rate inclusive of swaps of 6.64% (2005: 6.97%).

Interest rate swaps currently in place cover approximately 99% (2005: 93%) of the loan principal outstanding and are timed to expire when the loan matures. As at 31 December 2006 the weighted average fixed interest rate payable on the interest rate swaps is 5.89% (2005: 6.27%) and the weighted average variable rate receivable as at 31 December 2006 is 6.45% (2005: 5.65%). The fixed interest payable under interest rate swaps on debt principal that has been swapped into Singapore dollars is 3.485%.

The contracts require settlement of net interest receivable or payable each 90 days. The settlement dates coincide with the dates on which interest is payable on the underlying debt. The gain or loss from remeasuring the hedging instruments at fair value is deferred in equity in the hedging reserve, to the extent that the hedge is effective, and reclassified into profit and loss when the hedged interest expense is recognised. Any ineffective portion is recognised in the income statement immediately. In the year ended 31 December 2006, a $417,000 was transferred to the income statement (2005: nil).

At 31 December 2006, the notional principal amounts and periods of expiry of the interest rate swap contracts are as follows:

	Consolidated Entity		Parent Entity	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
Less than 1 year	**–**	–	**–**	–
1 – 2 years	**–**	–	**–**	–
2 – 3 years	**–**	–	**–**	–
3 – 4 years	**130,000**	–	**130,000**	–
4 – 5 years	**20,505**	130,000	**–**	130,000
More than 5 years	**–**	–	**–**	–
	150,505	130,000	**130,000**	130,000

Hedge of net investment in Singapore – cross currency basis swaps

Two cross currency basis swaps were executed in October 2006 to swap the currency of borrowings used to fund the Singapore acquisition from $20,505,000 Australian dollars into $24,200,000 Singapore dollars and to swap the principal at the same exchange rate of 0.8473 at maturity. These cross currency basis swaps have been designated as hedges of the Group's net investment in Singapore. Gains and losses on remeasuring these swaps is transferred to equity (foreign currency translation reserve) to offset any gains or losses on translation of the net investment in Singapore Casket Company (Private) Limited.

	Consolidated Entity 2006 $'000	Consolidated Entity 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000

Note 22: Deferred Tax Assets and Liabilities

Deferred tax (asset)/liability

	Consolidated Entity 2006 $'000	Consolidated Entity 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000
The deferred tax (asset)/liability balance comprises temporary differences attributable to:				
Amounts recognised in profit or loss:				
Cemetery land	**26,837**	26,955	**–**	–
Property, plant and equipment	**6,008**	6,281	**–**	–
Leasehold land and buildings	**475**	477	**–**	–
Deferred selling costs	**2,394**	2,269	**–**	–
Prepayment and other	**160**	147	**–**	–
Brand names	**514**	225	**–**	–
Other	**–**	3	**–**	–
Provisions	**(2,964)**	(2,987)	**–**	–
Receivables	**(197)**	(225)	**–**	–
Accruals and other	**(1,330)**	(1,677)	**(45)**	(70)
Loan establishment costs	**159**	(39)	**159**	(39)
Derivatives	**(136)**	–	**(115)**	–
Amounts recognised directly in equity:				
Foreign currency reserve	**(15)**	–	**–**	–
Cash flow hedges	**412**	(1,053)	**412**	(1,053)
	32,317	30,376	**411**	(1,162)

	Consolidated Entity 2006 $'000	Consolidated Entity 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000
The net movement in the deferred tax (asset)/liability is as follows:				
Balance at the beginning of the year	**30,376**	30,957	**(1,162)**	(615)
Net charge/(credit) to income statement	**(417)**	(112)	**108**	(547)
Amounts recognised upon acquisition of subsidiaries	**908**	215	**–**	–
Amounts recognised directly in equity	**1,450**	(684)	**1,465**	–
Balance at the end of the year	**32,317**	30,376	**411**	(1,162)

Note 23: Provisions for Employee Benefits and Share-based Payments

	Consolidated Entity 2006 $'000	Consolidated Entity 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000
Current				
Employee benefits	**7,429**	7,471	**–**	–
Non-current				
Liability for long service leave	**1,064**	992	**–**	–

(a) Employee share options

InvoCare Limited has options over unissued shares granted to executive management on 22 September 2003, including Michael Grehan, who was an executive but not a director at the time of grant, under the Employee Share Option Plan established prior to the initial public offering.

There were no options granted under the Employee Share Option Plan during the years ended 31 December 2006 and 31 December 2005.

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. Options are granted for no consideration and carry no dividend or voting rights. No option holder has any rights under the options to participate in any other share issue of the Company or any other entity.

Details of the movements in the numbers of options over ordinary shares in InvoCare Limited held by each director and other key management personnel are set out in note 6.

The options granted to a participant in the Employee Share Option Plan vest as follows:

(i) for options with an exercise price of $0.50, one third of the number of options granted vested on 22 September 2003, a further one third vested on 1 May 2004 and the final one third vested on 1 May 2005;

(ii) for options with an exercise price of $0.59, one third of the number of options granted vested on 1 May 2004, a further one third vested on 1 May 2005 and the final one third vested on 1 May 2006; and

Note 23: Provisions for Employee Benefits and Share-based Payments continued

(iii) for options with an exercise price of $1.07, one third of the number of options granted vested on 1 May 2005, a further one third vested on 1 May 2006 and the final one third will vest on 1 May 2007.

No option can be exercised until it has vested, except that under the termination arrangements agreed by the Board of Directors with Michael Grehan after the end of the financial year, his unvested options became fully vested and exercisable.

Unless otherwise determined, under the Employee Share Option Plan 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 the consolidated entity; and
– immediately upon the option holder's employment by the consolidated entity being terminated with cause.

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 Employee Share Option 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.

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).

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.

Once options issued under the Plan 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 that causes the lapse of options.

In addition to options issued pursuant to the Employee Share Option Plan, options were granted for no consideration in a previous financial year (on 8 May 2004) to Richard Davis, director and Chief Executive Officer, under a Service Agreement dated 8 May 2001. These options vested upon issue and were exercised during 2005. The exercise price was $1.51 per option and each option had a fair value at the grant date of $0.73. Each option entitled Mr Davis to acquire one fully paid ordinary share of the Company.

Set out below is a summary of the movement in options during the year, including those held by directors and other key management personnel. At both 31 December 2006 and 31 December 2005, no options were vested and exercisable.

Grant date	Expiry date	Exercise price	Balance at start of year	Issued during year	Exercised during year	Lapsed during year	Balance at end of year
2006 – consolidated and parent entity							
22 Sept 2003*	1 May 07	$0.59	234,287	–	234,287	–	–
22 Sept 2003*	1 May 08	$1.07	626,450	–	313,222	–	313,228
			860,737	–	547,509	–	313,228
Weighted average exercise price			$0.94	–	$0.86		$1.07
Weighted average share value at exercise					$4.66		
Proceeds from shares issued					$473,377		

* Options issued under the Employee Share Option Plan.

Note 23: Provisions for Employee Benefits and Share-based Payments continued

Grant date	Expiry date	Exercise price	Balance at start of year	Issued during year	Exercised during year	Lapsed during year	Balance at end of year
2005 – consolidated and parent entity							
22 Sept 2003*	1 May 06	$0.50	356,518	–	356,518	–	–
22 Sept 2003*	1 May 07	$0.59	468,565	–	234,278	–	234,287
22 Sept 2003*	1 May 08	$1.07	1,000,786	–	333,592	40,744	626,450
8 May 2004**	8 May 09	$1.51	988,565	–	988,565	–	–
			2,814,434	–	1,912,953	40,744	860,737
Weighted average exercise price			$1.07	–	$1.13	$1.07	$0.94
Weighted average share value at exercise					$4.11		
Proceeds from shares issued					$2,166,159		

* Options issued under the Employee Share Option Plan.
** Options issued to Chief Executive Officer, Richard Davis, under a Service Agreement dated 8 May 2001.

The weighted value of shares issued on the exercise of options is based upon Australian Securities Exchange daily closing prices and trading volumes of the Company's shares on each of the five days up to and including the date of exercise.

The weighted average remaining contractual life of share options outstanding at the end of the year was 1.33 years (2005: 2.06 years).

(b) Employee shares

During October 2006, the Company established the InvoCare Exempt Employee Share Plan, providing plan members the opportunity to acquire ordinary shares in InvoCare Limited to the tax-free value of $1,000. More than 600 eligible employees were invited to participate in the plan and pay the share purchase price by regular deductions from pre-tax wage or salary over the eight months to 30 June 2007. The criteria for eligibility included being employed for a minimum six months as a full-time or permanent part-time employee. In November 2006 the trustee, IVC Employee Share Plan Managers Pty Ltd, purchased on market 41,610 shares on behalf of 219 plan members. The plan rules require members to leave the shares in the plan for a minimum of three years after purchase, unless the member leaves the Group's employment earlier. Future offers of participation may be made at the discretion of, and subject to terms and conditions determined by, the Board of Directors. At 31 December 2006, the balance owing by employee plan members for the purchase price of shares was $177,846.

In late 2006, following a review of long-term incentive practices by the Remuneration Committee, the Board of Directors approved the establishment of the InvoCare Deferred Employee Share Plan whereby selected key management personnel and other senior managers may be invited to participate and benefit from a range of remuneration opportunities, including long-term equity incentives to align executive and shareholder interests. This plan is expected to become operational during 2007.

	Consolidated Entity		Parent Entity	
	2006 Number	2005 Number	**2006 Number**	2005 Number
(c) Employee numbers				
Number of full-time equivalent employees	**842**	792	**–**	–

(d) Superannuation plan

The Company contributes to accumulation-type employee superannuation plans in accordance with statutory requirements.

	Consolidated Entity		Parent Entity	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000

Note 23: Provisions for Employee Benefits and Share-based Payments continued

(e) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expenses were as follows:

	Consolidated 2006 $'000	Consolidated 2005 $'000	Parent 2006 $'000	Parent 2005 $'000
Options issued under employee option plan	**121**	448	**121**	448
Long-term incentive bonus share expense	**38**	–	**–**	–
	159	448	**121**	448

Note 24: Deferred Revenue

	Consolidated 2006 $'000	Consolidated 2005 $'000	Parent 2006 $'000	Parent 2005 $'000
Current				
Prepaid crematorium and cemetery deferred income	**2,940**	2,867	**–**	–
Non-current				
Prepaid crematorium and cemetery deferred income	**41,167**	40,138	**–**	–

In addition to deferred crematorium and cemetery revenue, monies held in trust not controlled by the Company for prepaid funeral contracts and prepaid burial and cremation services amounted to $252.0 million (2005: $220.9 million). The monies held in trust will only be recognised as revenue when the services are performed (refer to "Revenue recognition" in note 1(e): Summary of significant accounting policies).

Note 25: Contributed Equity

	Consolidated 2006 $'000	Consolidated 2005 $'000	Parent 2006 $'000	Parent 2005 $'000
Fully paid ordinary shares	**64,473**	55,729	**64,473**	55,729

	2006 Number	**2006 $'000**	2005 Number	2005 $'000
Ordinary shares				
Balance at the beginning of the financial year	**96,915,931**	**55,729**	95,002,978	52,589
Issued pursuant to exercise of share options	**547,509**	**474**	1,912,953	2,166
Dividend reinvestment plan issues	**1,562,108**	**7,797**	–	–
Transferred from share-based payments reserve	**–**	**473**	–	974
Balance at the end of the financial year	**99,025,548**	**64,473**	96,915,931	55,729

(a) Ordinary shares

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.

(b) Employee Share Option Plan

Information relating to the Employee Share Option Plan, including details of shares issued under the scheme, is set out in note 23.

(c) Dividend Reinvestment Plan

During 2006, the Company activated its Dividend Reinvestment Plan under which holders of ordinary shares may elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares rather than by being paid in cash.

	Consolidated Entity		Parent Entity	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000

Note 26: Reserves and Retained Profits

(a) Reserves

Share-based payments reserve	**246**	560	**246**	560
Hedging reserve – cash flow hedge reserve	**962**	(2,458)	**962**	(2,458)
Foreign currency translation reserve	**(37)**	–	**–**	–
	1,171	(1,898)	**1,208**	(1,898)
Movements:				
Share-based payments reserve				
Balance at the beginning of the year	**560**	1,087	**560**	1,087
Options expense	**159**	447	**121**	447
Transfer to share capital upon exercise of options	**(473)**	(974)	**(435)**	(974)
Balance at the end of the year	**246**	560	**246**	560
Hedging reserve				
Balance at the beginning of the year	**(2,458)**	–	**(2,458)**	–
Adjustment on adoption of AASB 132 and AASB 139:	**–**	(2,459)	**–**	(2,459)
Revaluation to fair value – gross	**4,885**	(1,052)	**4,885**	(1,052)
Deferred tax	**(1,465)**	1,053	**(1,465)**	1,053
Balance at the end of the year	**962**	(2,458)	**962**	(2,458)
Foreign currency translation reserve				
Balance at the beginning of the year	**–**	–	**–**	–
Translation of foreign operations	**(37)**	–	**–**	–
Balance at the end of the year	**(37)**	–	**–**	–

Nature and purpose of reserves

Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of options issued to employees and directors but not exercised.

Hedging reserve – cash flow hedge reserve

The hedging reserve is used to record gains or losses on hedging instruments that are cash flow hedges which are recognised directly in equity. Amounts are recognised in profit and loss when the associated hedged transaction affects the profit and loss.

Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entity are taken to the foreign currency translation reserve as set out in note 1(d). The reserve is recognised in the profit and loss when the net investment is sold.

	Consolidated Entity		Parent Entity	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
(b) Retained profits/(accumulated losses)				
Movements in retained profits/(accumulated losses) were as follows:				
Balance at the beginning of the year	**(27,377)**	(22,876)	**10,767**	4,660
Effect of change in accounting policy from 1 January 2005 relating to AASB 132, AASB139	**–**	861	**–**	1,421
Net profit for the year	**24,047**	20,141	**24,445**	30,189
Dividends paid during the year	**(17,004)**	(25,503)	**(17,004)**	(25,503)
Balance at the end of the year	**(20,334)**	(27,377)	**18,208**	10,767

Note 26: Reserves and Retained Profits continued

The transition to AIFRS resulted in $47,084,000 being charged against retained earnings of the consolidated entity at 1 January 2004. These adjustments primarily related to the recognition of deferred tax liabilities and impairment losses on cemetery and crematorium land and gave rise to consolidated net accumulated losses. There is a possibility that the deferred tax liability may be reversed in a future reporting period if a change to AIFRS currently under consideration by the standard setting authorities is adopted.

The AIFRS transitional adjustments will not materially adversely impact or restrict the Group's current and future profitability, cash flows or dividend capability. Since making the transition to AIFRS, the Group has distributed all available previous Australian Generally Accepted Accounting Principles (AGAAP) profits as dividends and continues to distribute dividends from AIFRS reported profits.

The following table shows the movements in the consolidated entity's retained earnings/(accumulated losses) since transition to AIFRS on 1 January 2004, set out in separate sub-account components relating to: firstly, previously reported AGAAP retained earnings; secondly, the AIFRS transitional adjustments to retained earnings; and, finally, AIFRS determined profits. The amounts of retained earnings AIFRS transitional adjustments which have since reversed into profits amount to $2,105,000. These are shown as transfers in the table below and comprise reversals of:

– non-current asset impairment losses of $1,691,000 (net of tax);
– AASB 132 and AASB 139 financial instruments adjustments of $861,000 (net of tax); and
– temporary differences relating to the deferred tax liability established at transition to AIFRS of $1,275,000.

	Previously reported AGAAP earnings $'000	Transitional AIFRS adjustments to retained earnings $'000	Post AIFRS adoption reported earnings $'000	Total $'000
Balance of retained earnings/(accumulated losses) as at 1 January 2004	11,033	(47,084)	–	(36,051)
Profit after tax for the 2004 year	17,088	–	2,167	19,255
Dividends paid during 2004	(6,080)	–	–	(6,080)
Transitional AIFRS adjustments on 1 January 2005 relating to adoption of AASB 132 and AASB 139	–	861	–	861
Profit after tax for the 2005 year	–	–	20,141	20,141
Dividends paid during 2005	(22,041)	–	(3,462)	(25,503)
Profit after tax for the 2006 year	–	–	24,047	24,047
Dividends paid during 2006	–	–	(17,004)	(17,004)
Transfers between sub-accounts	–	2,105	(2,105)	–
Balance of retained earnings/(accumulated losses) as at 31 December 2006	–	(44,118)	23,784	(20,334)

Note 27: Minority Interest

	Consolidated Entity		Parent Entity	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
Reconciliation of minority interest in controlled entities:				
Share capital	**800**	800	**–**	–
Retained earnings				
Balance at the beginning of the year	**108**	145	**–**	–
Add share of operating profit	**90**	47	**–**	–
Less dividends paid	**(47)**	(84)	**–**	–
Closing balance of retained earnings	**151**	108	**–**	–
Reserves	**99**	99	**–**	–
Balance at the end of the year	**1,050**	1,007	**–**	–

Note 28: Capital and Leasing Commitments

	Consolidated Entity 2006 $'000	Consolidated Entity 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000
(a) Operating lease commitments				
Non-cancellable operating leases contracted for at the reporting date but not capitalised in the financial statements:				
Payable — minimum lease payments				
– not later than 12 months	**4,757**	5,257	**–**	–
– between 12 months and 5 years	**10,469**	10,452	**–**	–
– greater than 5 years	**13,936**	14,725	**–**	–
	29,162	30,434	**–**	–

Non-cancellable operating leases contracted for at the reporting date but not capitalised in the financial statements include the following:

	Property $'000	Equipment $'000	Motor vehicles $'000	Total $'000
Not later than 12 months	3,561	58	1,138	4,757
Between 12 months and 5 years	8,081	156	2,232	10,469
Greater than 5 years	13,833	12	91	13,936
	25,475	226	3,461	29,162

The Group leases premises, motor vehicles and sundry office equipment under non-cancellable operating leases with terms generally from one to five years. The Rookwood Crematorium lease expires in 2025.

	Consolidated Entity 2006 $'000	Consolidated Entity 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000
(b) Capital expenditure commitments				
Capital expenditure commitments contracted for at the reporting date but not recognised as liabilities payable:				
Plant and equipment purchases				
– within one year	**1,897**	2,336	**–**	–
(c) Other expenditure commitments				
Commitments for the construction of crypts, contracted for at the reporting date but not recognised as liabilities payable:				
– within one year	**764**	793	**–**	–

Note 29: Business Combinations

During 2006, the Group acquired a funeral operation in Singapore and the Drysdale Funerals business on the Sunshine Coast in Queensland, Australia. Pursuant to the 2005 purchase agreement, final purchase payments were made in 2006 in relation to the Ann Wilson Funerals business operating in Sydney, Australia. Since the end of the financial year, the Group acquired Liberty Funerals which operates in Sydney, Australia. Further details of these acquisitions are set out below.

Singapore Casket Company (Private) Limited

(a) Summary of Singapore acquisition

On 20 October 2006 InvoCare (Singapore) Pty Limited, a wholly-owned Australian subsidiary of InvoCare Limited, acquired 100% of the issued share capital of Singapore Casket Company (Private) Limited, incorporated in the Republic of Singapore. This company operates a funeral business in Singapore.

The Singapore business contributed A$0.25 million, net of associated debt funding costs, to the Group's 2006 after tax profit. Due to different accounting policies and operating cost structures prior to acquisition by the Group, it is impractical to reliably estimate the full year contribution that this business would have made in the pre acquisition period.

Details of the fair value of the assets and liabilities acquired and goodwill are as follows:

	$'000
Purchase consideration (refer to (b) below):	
Cash paid	20,261
Direct costs relating to the acquisition	110
Sub-total	20,371
Anticipated additional consideration (refer to (b) below)	2,747
Total purchase consideration	23,118
Fair value of net identifiable assets acquired (refer to (c) below)	11,635
Goodwill	11,483

(b) Singapore purchase consideration

Outflow of cash to acquire subsidiary, net of cash acquired	
Cash consideration	20,371
Less: Cash balances acquired	2,239
Outflow of cash	18,132

The anticipated additional purchase consideration includes $2,522,000 payable during March 2007 and, in the event that target pre-determined EBITDA is achieved by the acquired entity during 2007, an estimated $225,000 payable in March 2008. At the date of this financial report, it is considered likely that this additional payment will be made. Therefore, additional consideration has been brought to account as a component of the goodwill arising on the acquisition.

The purchase price of the business of Singapore Casket Company (Private) Limited was determined using expected future maintainable earnings. This has resulted in the recognition of goodwill which reflects the high profitability of the acquired entity.

Note 29: Business Combinations continued

(c) Singapore assets and liabilities acquired

The assets and liabilities arising from the acquisition are as follows:

	Acquiree's carrying amount $'000	Fair value $'000
Cash	2,239	2,239
Trade and other receivables	183	183
Prepayments	12	12
Inventories	119	119
Investments	117	117
Property, plant and equipment	7,594	11,445
Deferred tax liability	(74)	(872)
Intangible assets: Brand name	–	1,129
Trade payables	(577)	(577)
Provision for current income tax	(486)	(486)
Provision for dividend	(1,674)	(1,674)
Net identifiable assets acquired	7,453	11,635

The goodwill is attributable to the high profitability of the acquired business.

The initial accounting for the business combination has been determined provisionally as at the acquisition date. The fair values assigned to the identifiable assets, liabilities or contingent liabilities may require adjustment as at acquisition date. Under AASB 3 Business Combinations any adjustments to those provisional values as a result of completing the initial accounting may be recognised within 12 months of the acquisition date.

Drysdale Funerals

(a) Summary of Drysdale Funerals acquisition

On 14 July 2006, InvoCare Australia Pty Limited, a wholly-owned subsidiary of InvoCare Limited, acquired 100% of the issued share capital of D & J Drysdale Pty Ltd together with business assets including property, some of which were acquired in March 2006, from persons or entities related to the company. The business trades as Drysdale Funerals on the Sunshine Coast in Queensland, Australia.

The Drysdale Funerals business contributed $0.06 million, net of associated debt funding costs, to the Group's 2006 after tax profit. The Drysdale Funerals business has been integrated into existing InvoCare businesses and it is not possible to reliably estimate the impact the acquisition would have had on the full year results if it had occurred at the beginning of 2006.

Details of the fair value of the assets and liabilities acquired and goodwill are as follows:

	$'000
Purchase consideration (refer to (b) below):	
Cash paid	6,533
Direct costs relating to the acquisition	256
Sub-total	6,789
Anticipated additional consideration (refer to (b) below)	408
Total purchase consideration	7,197
Fair value of net identifiable assets acquired (refer to (c) below)	2,747
Goodwill	4,450

Note 29: Business Combinations continued

(b) Drysdale Funerals purchase consideration

	$'000
Outflow of cash to acquire subsidiary, net of cash acquired	
Cash consideration	6,789
Less: Cash balances acquired	91
Outflow of cash	6,698

Additional consideration will be payable in cash in the future in respect of restraint and retention amounts. Therefore, additional consideration has been brought to account as a component of the goodwill arising on the acquisition.

The purchase price of the business of D & J Drysdale Pty Ltd was determined using expected future maintainable earnings. This has resulted in the recognition of goodwill which relates to synergies expected to be achieved as a result of combining Drysdale Funerals with the rest of the Group.

(c) Drysdale Funerals assets and liabilities acquired

The assets and liabilities arising from the acquisition are as follows:

	Acquiree's carrying amount $'000	Fair value $'000
Cash	91	91
Other assets	30	30
Trade and other receivables	120	120
Prepayments	13	13
Income tax receivable	65	65
Inventories	74	74
Property, plant and equipment	986	2,209
Intangible assets: Brand name	–	323
Trade payables and other payables	(63)	(63)
Deferred tax liability	–	(99)
Provision for employee benefits	(16)	(16)
Net identifiable assets acquired	1,300	2,747

The initial accounting for the business combination has been determined provisionally as at the acquisition date. The fair values assigned to the identifiable assets, liabilities or contingent liabilities may require adjustment as at acquisition date. Under AASB 3 Business Combinations any adjustments to those provisional values as a result of completing the initial accounting may be recognised within 12 months of the acquisition date.

Ann Wilson Funerals

In the previous financial year, on 22 December 2005, the Group acquired 100% of the issued shares of Restbind Pty Limited, trading as Ann Wilson Funerals in Sydney, New South Wales, Australia. During 2006, an additional $373,000 purchase consideration was paid, in accordance with the purchase agreement, making the total consideration $3,801,000, net of cash acquired. The Ann Wilson Funerals business contributed $0.1 million, net of associated debt funding costs, to the Group's 2006 pre tax profit. The finalisation of the acquisition accounting for Restbind Pty Limited during 2006 resulted in a $45,000 reduction in goodwill initially recognised.

Liberty Funerals

Since the end of financial year, on 1 March 2007 the Group acquired 100% of the issued shares of Liberty Funerals Pty Limited, which trades from two locations in Sydney, New South Wales, Australia. The purchase consideration paid amounts to $3,300,000, excluding incidental direct costs and working capital adjustment. Subject to EBITDA performance over the next three years, additional deferred consideration to a maximum $850,000 may be payable. Further information relating to the carrying amounts and fair values of assets and liabilities of the acquired entity is not available because completion date financial statements and fair value determinations are incomplete.

	Consolidated Entity		Parent Entity	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000

Note 30: Contingent Liabilities and Contingent Assets

The parent entity and consolidated entity had contingent liabilities at 31 December 2006 in respect of bank guarantees given for leased premises of controlled entities to a maximum of:	**149**	135	**149**	135

For information about the deed of cross guarantees given by InvoCare Limited, InvoCare Australia Pty Limited and InvoCare (Singapore) Pty Limited, refer to note 33. No deficiencies of assets exist in any of these companies.

No liability was recognised by the parent entity or the consolidated entity in relation to the guarantees as the fair value of the guarantees is immaterial.

Note 31: Segment Reporting

(a) Primary reporting format – geographical segments

	Australian operations		Singapore operations		Consolidated	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000	**2006 $'000**	2005 $'000
Revenue and other income						
Services revenue	**76,688**	70,639	**595**	–	**77,283**	70,639
Sale of goods	**81,723**	77,561	**808**	–	**82,531**	77,561
	158,411	148,200	**1,403**	–	**159,814**	148,200
Other revenue						
Rent	**207**	229	**12**	–	**219**	229
Administration fees	**1,907**	2,042	**–**	–	**1,907**	2,042
Interest income	**959**	780	**17**	–	**976**	780
Sundry income	**1,256**	1,193	**–**	–	**1,256**	1,193
	4,329	4,244	**29**	–	**4,358**	4,244
Profit on disposal of assets	**7,027**	1,955	**–**	–	**7,027**	1,955
Total segment revenue and other income	**169,767**	154,399	**1,432**	–	**171,199**	154,399
Profit before income tax	**34,295**	28,985	**276**	–	**34,571**	28,985
Income tax expense					**(10,434)**	(8,797)
Profit from ordinary activities after income tax expenses					**24,137**	20,188
Profit attributable to minority interest					**(90)**	(47)
Profit attributable to members of InvoCare Limited					**24,047**	20,141
Segment assets	**284,937**	273,323	**24,777**	–	**309,714**	273,323
Segment liabilities	**(203,044)**	(211,585)	**(23,212)**	–	**(226,256)**	(211,585)
Unallocated liabilities					**(37,098)**	(34,277)
Total liabilities					**(263,354)**	(245,862)
Acquisitions of property, plant and equipment	**12,349**	8,104	**12,574**	–	**24,923**	8,104
Depreciation and amortisation expense	**7,715**	6,305	**143**	–	**7,858**	6,305
Impairment of trade receivables	**270**	(85)	**2**	–	**272**	(85)
Impairment of assets	**3,456**	–	**–**	–	**3,456**	–

Note 31: Segment Reporting continued

(b) Secondary reporting format – business segments

	Segment revenues from sales to external customers		Segment assets		Acquisitions of property, plant and equipment and intangibles	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000	**2006 $'000**	2005 $'000
Cemeteries and Crematoria	**51,785**	50,586	**149,940**	146,191	**4,151**	2,461
Funeral Services	**108,029**	97,614	**151,478**	120,116	**19,946**	4,184
	159,814	148,200	**301,418**	266,307	**24,097**	6,645

(c) Segment information – accounting policies

The consolidated entity operates in one industry, being the funeral industry, and until the acquisition of operations in Singapore in October 2006, had previously only operated in one geographical location, being Australia. For details of the Singapore acquisition refer to note 29.

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. Segment assets include all assets used by a segment and consist primarily of operating cash, receivables, inventories, property, plant and equipment and goodwill and other intangible assets, net of related provisions. Segment liabilities consist primarily of trade and other creditors and employee benefits and, in the case of Singapore, includes an allocation of the long-term borrowings raised in Australia to fund the investment in Singapore. Segment assets and liabilities do not include income taxes.

Note 32: Cash Flow Information

	Consolidated Entity		Parent Entity	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
Reconciliation of cash flow from operations with profit from ordinary activities after income tax				
Profit from ordinary activities after income tax	**24,137**	20,188	**24,445**	30,189
Non-cash flows in profit from ordinary activities:				
Depreciation and amortisation	**7,858**	6,305	**–**	–
Impairment of non-current assets	**3,456**	–	**–**	–
Bad and doubtful debt expense	**272**	(85)	**–**	–
Share options expense	**159**	447	**121**	447
Loan establishment costs	**98**	2,034	**98**	2,034
Debtors discounting – sales revenue	**464**	472	**–**	–
Debtors discounting – interest revenue	**(651)**	(523)	**–**	–
Interest rate swap expense	**475**	–	**–**	–
Net gain on disposal of property, plant and equipment	**(7,027)**	(1,955)	**–**	–
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:				
(Increase)/decrease in trade and other receivables	**294**	(3,153)	**(2)**	79
(Increase)/decrease in inventories	**(1,470)**	(136)	**–**	–
(Increase)/decrease in deferred tax assets	**–**	–	**1,162**	(547)
Increase/(decrease) in payables	**635**	1,607	**325**	(1,641)
Increase/(decrease in deferred revenue	**1,102**	1,409	**–**	–
Increase/(decrease) in income taxes payable	**880**	139	**283**	3,198
Increase/(decrease) in deferred taxes payable	**971**	(239)	**411**	–
Increase/(decrease) in derivative liabilities	**(2,052)**	(958)	**(1,107)**	2,029
Loan account movement affecting cash flows from operating activities	**–**	–	**363**	(861)
Increase/(decrease) in provisions	**30**	54	**–**	–
	29,631	25,606	**26,099**	34,927

Note 33: Deed of Cross Guarantee

InvoCare Limited, InvoCare Australia Pty Limited and InvoCare (Singapore) Pty Limited entered into a Deed of Cross Guarantee which became effective on 11 December 2006 under which each company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

The above companies represent a "Closed Group" for the purposes of the Class Order, and as there are no other parties to the Deed of Cross Guarantee that are controlled by InvoCare Limited, they also represent the "Extended Closed Group".

Set out below is a consolidated income statement, summary of movements in consolidated retained profits and balance sheet for the year ended 31 December 2006 of the Closed Group. Comparative information has not been disclosed because the Deed of Cross Guarantee was not executed until December 2006 and the Closed Group therefore did not exist at 31 December 2005.

(a) Consolidated income statement and a summary of movements in consolidated retained profits of the Closed Group

	2006 $'000
Consolidated income statement of the Closed Group	
Revenue from continuing operations	146,732
Other income	6,985
Finished goods and consumables used	(20,938)
Employee benefits expense	(41,589)
Employee related and on-cost expenses	(11,645)
Advertising and public relations expenses	(4,949)
Depreciation, impairment and amortisation expenses	(11,092)
Occupancy and facilities expenses	(9,326)
Finance costs	(11,231)
Motor vehicle expenses	(4,102)
Other expenses	(9,684)
Profit before income tax	29,161
Income tax expense	(9,017)
Profit for the year	20,144
Summary of movements in consolidated retained profits of the Closed Group	
Retained profits/(accumulated losses) at the beginning of the financial year	(27,507)
Adjustment on adoption of AASB 132 and AASB 139	–
Profit for the year	20,144
Dividends provided for or paid	(17,004)
Retained profits/(accumulated losses) at the end of the financial year	(24,367)

Note 33: Deed of Cross Guarantee continued

(b) Balance sheet of the Closed Group

	2006 $'000
Current assets	
Cash and cash equivalents	2,420
Trade and other receivables	19,771
Inventories	11,700
Property classified as held for sale	3,083
Deferred selling costs	480
Total current assets	37,454
Non-current assets	
Trade and other receivables	4,682
Other financial assets	47,531
Property, plant and equipment	170,609
Derivative financial instruments	1,486
Intangible assets	26,302
Deferred selling costs	6,723
Total non-current assets	257,333
Total assets	294,787
Current liabilities	
Trade and other payables	21,046
Current tax liabilities	3,930
Deferred revenue	2,662
Provisions for employee benefits	7,275
Total current liabilities	34,913
Non-current liabilities	
Trade and other payables	559
Long-term borrowings	152,084
Derivative financial instruments	–
Deferred tax liabilities	27,582
Deferred revenue	37,271
Provisions for employee benefits	1,064
Total non-current liabilities	218,560
Total liabilities	253,473
Net assets	41,314
Equity	
Contributed equity	64,473
Reserves	1,208
Retained profits/(Accumulated losses)	(24,367)
Parent entity interest	41,314
Minority interest	–
Total equity	41,314

Note 34: Events After the Balance Sheet Date

There have been no significant events that have occurred subsequent to 31 December 2006, except the purchase of Liberty Funerals referred to in note 29.

Note 35: Related Party Transactions

(a) Parent entity

The ultimate parent entity within and for the Group is InvoCare Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in note 16.

(c) Directors and key management personnel

Disclosures relating to directors and key management personnel are set out in note 6.

	Consolidated Entity		Parent Entity	
	2006 $	2005 $	**2006 $**	2005 $
(d) Transactions with related parties				
Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.				
Transactions between InvoCare Limited and its controlled entities				
Management fee charged by the parent entity	**–**	–	**900,000**	1,400,000
Loans advanced by the parent entity	**–**	–	**9,546,923**	20,166,879
Interest charged by the parent entity	**–**	–	**17,117,084**	16,267,883
Dividend paid to the parent entity	**–**	–	**19,710,000**	27,323,443
Amounts receivable by the parent entity from controlled entities				
Loan by parent entity to a subsidiary	**–**	–	**203,172,295**	194,955,622
The loan made by InvoCare Limited to a controlled entity is unsecured and has no fixed terms of repayment. Interest on the loan is charged at 9% (2005: 9%).				
Transactions with other related parties				
Contributions to superannuation funds on behalf of employees	**3,726,363**	3,249,090	**–**	–

(e) Guarantees and other matters

Under the terms of loan facility agreements executed on 16 December 2005 and amended in October 2006, InvoCare Limited and each of its wholly-owned Australian entities except D & J Drysdale Pty Ltd (the "Guarantors") has individually guaranteed to the financiers the due and punctual payment in full of any liabilities or obligations under the facilities. The Guarantors have also indemnified the financiers against any loss or damage suffered by the financiers arising from any failure by a borrower or any Guarantor to satisfy the obligations.

Under income tax consolidation legislation, InvoCare Limited assumes responsibility for the income tax payable by the consolidated Australian tax group comprising InvoCare Limited and its wholly-owned entities. A tax sharing and funding agreement (TSA) between InvoCare Limited and its wholly-owned Australian entities covers the funding, accounting and calculation of the tax liability for each individual entity, and also caters for entities joining and exiting the group. Under the terms of the TSA, which is in the process of being updated, InvoCare Limited has appointed InvoCare Australia Pty Limited as its agent for the purpose of making tax payments and will reimburse that entity through the intercompany loan account for amounts paid except for the tax allocated to that entity.

Note 36: Economic Dependence

The parent entity depends on dividend and interest income from, and management fees charged to, its controlled entities to source the payment of future dividends and fund its operating costs and debt service obligations as borrower under the bank loan facility agreements. The parent entity's financial position is sound, notwithstanding a net current liability situation being shown in the balance sheet. Adequate cash resources are available to enable it to meet its obligations as and when they fall due, through either drawing on unused loan facilities, which at the reporting date amounted to $32,314,000 (refer to note 20), or by on-demand repayment of intercompany advances.

Note 37: Financial Instruments

(a) Financial risk management

The Group's financial instruments consist mainly of deposits with banks, accounts receivable and payable, bank borrowings, loans to and from subsidiaries, and interest rate and cross currency swap contracts. The main purpose of non-derivative financial instruments is to raise funds for Group operations. Senior executives of the Group meet on a regular basis to analyse interest rate exposure and to evaluate treasury management strategies in the context of economic conditions and forecasts.

The main risks the Group is exposed to through its financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk.

Interest rate risk

The Group's borrowings bear interest at variable rates. Interest rate risk is managed through entering into interest rate swap contracts. It is the policy of the Group to keep at least 75% of debt on fixed interest rates via entering into interest rate swap contracts.

Liquidity risk

The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements. The consolidated entity does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the economic entity.

Foreign currency risk

The Group's expansion into Singapore has given rise to a foreign currency risk associated with that investment. This risk has been mitigated by a cross currency swap on the debt funding which has been treated as a hedge of the net investment. The Group is not otherwise materially exposed to fluctuations in foreign currencies.

Other risks

The Group is not exposed to any material commodity price risk.

(b) Net fair values

The net fair values of assets and liabilities approximate their carrying value. No financial assets or financial liabilities are readily traded on organised markets in standardised form. The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the balance sheet and in the notes to the financial statements. The carrying amount of financial assets and liabilities approximates their fair value.

Note 38: Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1(p). The recoverable amounts of cash generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions. Refer to note 18 for details of these assumptions and the potential impact of changes to the assumptions.

(ii) Estimated impairment of other non-financial assets and cash generating units

The Group annually considers if events or changes in circumstances indicate that the carrying amount of other non-financial assets or cash generating units may not be recoverable. Similarly, at each reporting date, assets or cash generating units that suffered a previous impairment are reviewed for possible reversals of the impairment. The recoverable amounts are determined based on value-in-use calculations which require the use of assumptions. Refer to note 17 for details of these assumptions.

Note 38: Critical Accounting Estimates and Judgements continued

(iii) Timing of recognition of deferred cemetery/crematorium merchandise revenue

Preneed cemetery/crematorium merchandise sales are currently brought to account over an assumed 15-year period. Unredeemed merchandise sales (included within deferred revenue on the balance sheet) total $28.8 million at 31 December 2006 (2005: $27.7 million).

The 15-year period is based on the actuarially assessed average period between a customer entering into a preneed funeral plan and the contract becoming at-need. The actual history of a preneed cemetery/crematorium contract may differ from the profile of a preneed funeral plan; however, in the absence of more specific data being available, the funeral data has been applied.

The average 15-year period is an assumption only and therefore subject to uncertainty. It is possible that there will remain unperformed contracts at the end of the 15-year amortisation period, yet all revenue will have been recognised. Offsetting this is the likelihood that contracts performed during the 15-year period will have unrecognised revenue.

Management has been collating actual redemptions information for a sample of sites in order to determine a more accurate historical pattern of cemetery/crematorium preneed sale redemptions. The information supports the current recognition period. Management will continue sampling to monitor redemption history and reassess the assumed 15-year period.

The impact of recognising revenue over 20 years instead of the current 15 years would be approximately $0.5 million (2005: $0.5 million) per annum in revenue.

Note 39: Company Details

InvoCare Limited is a company limited by shares, incorporated and domiciled in Australia.

The registered office and principal place of business of the Company is:

Level 4, 153 Walker Street,
North Sydney NSW 2060

Note 40: Authorisation of the Financial Report

This financial report was authorised for issue by the directors on 30 March 2007. The Company has the power to amend and reissue this report.

Directors' Declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 56 to 99 are in accordance with the *Corporations Act 2001*, including:

  (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

  (ii) giving a true and fair view of the Company's and consolidated entity's financial position as at 31 December 2006 and of their performance for the financial year ended on that date; 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; and

(c) the audited remuneration disclosures set out on pages 43 to 50 of the Directors' Report comply with Accounting Standards AASB 124 *Related Party Disclosures* and the *Corporations Regulations 2001*; and

(d) at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in note 33 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the Deed of Cross Guarantee described in note 33.

The directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

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

Ian Ferrier
Director

Richard Davis
Director

Sydney
30 March 2007

Independent Audit Report

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
ABN 52 780 433 757

Darling Park Tower 2
201 Sussex Street
GPO BOX 2650
SYDNEY NSW 1171
DX 77 Sydney
Australia
www.pwc.com/au
Telephone +61 2 8266 0000
Facsimile +61 2 8266 9999

Independent audit report to the members of InvoCare Limited

Audit opinion

In our opinion:

1. 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 2006, 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; and

2. the remuneration disclosures that are contained on pages 43 to 50 of the directors' report comply with Accounting Standard AASB 124 *Related Party Disclosures* (AASB 124) and the *Corporations Regulations 2001*.

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

Scope

The financial report, remuneration disclosures and directors' responsibility

The financial report comprises the balance sheet, income statement, cash flow statement, statement of changes in equity, accompanying notes to the financial statements, and the directors' declaration for both InvoCare Limited (the Company) and the InvoCare Group (the consolidated entity), for the year ended 31 December 2006. The consolidated entity comprises both the Company and the entities it controlled during that year.

The Company has disclosed information about the remuneration of directors and executives (remuneration disclosures) as required by AASB 124, under the heading "remuneration report" on pages 43 to 50 of the directors' report, as permitted by the *Corporations Regulations 2001*.

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. The directors are also responsible for the remuneration disclosures contained in the directors' 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 and the remuneration disclosures comply with AASB 124 and the *Corporations Regulations 2001*. 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. For further explanation of an audit, visit our website http://www.pwc.com/au/financialstatementaudit.

PRICEWATERHOUSECOOPERS

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, changes in equity and cash flows. We also performed procedures to assess whether the remuneration disclosures comply with AASB 124 and the *Corporations Regulations 2001*.

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 remuneration disclosures, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

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
30 March 2007

Shareholder Information

Shares and Options as at 12 March 2007

	Number
Shares on issue	99,165,608
Options on issue	173,168

Distribution of Shareholdings as at 12 March 2007

	Number of shareholders	Number of shares	Percentage %
1 – 1,000	1,403	864,338	0.87
1,001 – 5,000	4,318	12,306,384	12.41
5,001 – 10,000	1,368	10,453,102	10.54
10,001 – 100,000	793	15,951,965	16.09
100,001 and over	49	59,589,819	60.09
	7,931	99,165,608	100.00

There were 27 holders of less than a marketable parcel of ordinary shares (being 89 based on a market price of $5.63 on 12 March 2007) who hold a total of 684 ordinary shares.

Equity Security Holders

Largest 20 holders of ordinary shares at 12 March 2007

		Number of shares	Percentage %
1	National Nominees Limited	14,508,456	14.63
2	Westpac Custodian Nominees Ltd	8,983,833	9.06
3	Citicorp Nominees Pty Limited	8,829,732	8.90
4	J P Morgan Nominees Australia	8,575,717	8.65
5	ANZ Nominees Limited	3,375,165	3.40
6	Bond Street Custodians Limited	3,011,313	3.04
7	Queensland Investment Corporation	2,294,624	2.31
8	Cogent Nominees Pty Limited	1,362,181	1.37
9	Richard Hugh Davis	1,299,733	1.31
10	Michael James Grehan	1,053,905	1.06
11	Australian Reward Investment	1,030,569	1.04
12	Milton Corporation Limited	808,254	0.82
13	Argo Investments Limited	750,000	0.76
14	UBS Wealth Management Australia Nominees Pty Ltd	735,073	0.74
15	The University of Melbourne	686,241	0.69
16	HSBC Custody Nominees (Australia) Limited	597,086	0.60
17	Australian Executor Trustees Limited	520,525	0.52
18	Huntley Investment Company Limited	470,349	0.47
19	Gowing Bros Limited	450,000	0.45
20	HSBC Custody Nominees (Australia) Limited – A/C 2	406,599	0.41
	Total for top 20	59,749,355	60.25

	Number on issue	Number of holders
Unquoted equity securities		
Options issued under the Employee Share Option Plan to take up ordinary shares	173,168	8

Substantial holders

Substantial holders in the Company as at 12 March 2007 are set out below:

	Number of shares held	Percentage %
J P Morgan Chase & Co. and its affiliates	13,370,680	13.48
Commonwealth Bank of Australia	7,975,177	8.04
National Australia Bank Limited Group	7,755,505	7.82
Barclays Global Investors Australia Limited	6,821,634	6.88
INVESCO Australia Limited	4,875,666	4.92

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.

InvoCare locations

InvoCare operates in capital cities and major regional areas where the majority of Australians reside. The Company's leading brands, including the only two national brands, White Lady and Simplicity Funerals, are supported by a network of strategically located facilities – the majority of which are fully owned.

White Lady Funerals

New South Wales/ACT
Bankstown
Belconnen (ACT)
Bondi Junction
Camden
Charlestown
Eastwood
Five Dock
Kingston (ACT)
Manly
Mayfield
Mosman
Narrabeen
Pennant Hills
Penrith
Rockdale
Roseville
Sutherland
Wyoming

Queensland
Ashmore
Chelmer
Kelvin Grove
Morningside
Tanah Merah

Victoria
Caulfield South
Epping
Heidelberg
Mornington
North Essendon
South Melbourne

South Australia
Hillcrest
Plympton

Western Australia
InvoCare operates under *Mareena Purslowe & Associates Funerals* at
Subiaco
Willetton

Traditional Funerals

New South Wales/ACT

Guardian Funeral Providers
AF Anderson Funerals
Granville

Allen Matthew Funerals
Cremorne
North Ryde

Butler Funerals
Campbelltown

Dignified Funerals
Burwood

Bruce Maurer Funerals
Crows Nest

Guardian Funerals
Blacktown

Hansen & Cole Funerals
Bulli
Kembla Grange
Wollongong

J & C Hardy Funerals
Hurstville

J W Chandler Funerals
Richmond
Windsor

Macarthur District Funerals
Leppington

Metcalfe & Morris Funerals
Parramatta

Metropolitan Funeral Homes
Bankstown
Rockdale

Parkway Funerals
Dee Why

Sydney Funerals
Minchinbury

Tobin Brothers Funerals
Belconnen (ACT)
Kingston (ACT)
Queanbeyan

Other Traditional Providers
Allan Drew Funerals
Castle Hill
Rouse Hill

Ann Wilson Funerals
Dee Why
Mona Vale

David Lloyd Funerals
Adamstown
Belmont
Beresfield

Casino Funerals
Casino

Economy Funerals
all areas

Kevin Geaghan Funerals
Ballina

Traditional Funerals continued

Liberty Funerals
Auburn (relocating to Granville May 2007)
Chatswood

Twin Town Funerals
Tweed Heads

William Riley & Sons
Lismore

Universal Chung Wah
Fairfield

Queensland

George Hartnett Funerals
Albany Creek
Cleveland
Holland Park
Redcliffe
Sandgate
Wynnum

Other Providers
Cannon & Cripps
Kelvin Grove

Drysdale Funerals
Nambour
Tewantin

J & H Reed / O. Bottcher & Sons Funerals
Ipswich

Somerville Funerals
Nerang
Southport

Value Funerals
all areas

Victoria

Le Pine Funerals including Le Pine Heritage
Box Hill
Camberwell
Croydon
Dandenong
Eltham
Ferntree Gully
Glen Waverley
Greensborough
Healesville
Ivanhoe
Kew East
Lilydale
Mordialloc
Oakleigh
St Kilda
Thornbury

Other Providers
Mulqueen Funerals
Coburg

Provinciale Servzio Funebre
Coburg

Value Funerals
all areas

Traditional Funerals continued

Western Australia

Purslowe Funeral Home
Midland
North Perth
South Fremantle
Victoria Park
Wangara

Other Providers
Oakwood Funerals
Booragoon
Rockingham

Value Funerals
all areas

South Australia

Blackwell Funerals including Pengelly and Knabe Funerals
Glenside
Payneham
Prospect
Torrensville

Other Providers
Value Funerals
all areas

Simplicity Funerals

New South Wales
Balgowlah
Bankstown
Bateau Bay
Chatswood
Erina
Hornsby
Liverpool
Mascot
Miranda
Newtown
Paddington
Penrith
Randwick
Smithfield
Toukley East
Tweed Heads
Warrawee
Woy Woy

Queensland
Buranda
Ipswich
Kedron
Logan
Miami
Parkwood

Simplicity Funerals continued

Victoria
Carnegie
Frankston
Pascoe Vale
Reservoir
Sunshine
Werribee

South Australia
Black Forest
Brahma Lodge
Enfield
Morphett Vale
Victor Harbor

Western Australia
Kelmscott
Osborne Park
Spearwood

Cemeteries and Crematoria

New South Wales

Castlebrook Memorial Park – Rouse Hill

Forest Lawn Memorial Park – Leppington

Lake Macquarie Memorial Park – Ryhope

Lakeside Memorial Park – Dapto

Newcastle Memorial Park – Beresfield

Northern Suburbs Memorial Gardens and Crematorium – North Ryde

Pinegrove Memorial Park – Eastern Creek

Rookwood Memorial Gardens and Crematorium – Rookwood

Tweed Heads Memorial Gardens – Tweed Heads

Queensland

Albany Creek Memorial Park – Bridgeman Downs

Allambe Gardens Memorial Park – Nerang

Mt Thompson Memorial Garden – Holland Park

Glossary

AASB	Australian Accounting Standards Board
ABS	Australian Bureau of Statistics
AGAAP	Australian Generally Accepted Accounting Principles
AIFRS	The Australian equivalents to International Reporting Standards for annual reporting periods beginning on or after 1 January 2005
ASX	Australian Securities Exchange which is the operating brand of ASX Limited
ASX Corporate Governance Guidelines	The 10 essential corporate governance principles and best practice recommendations of the ASX Corporate Governance Council March 2003
Cemetery	A place for burials and memorialisation
CGU	A cash-generating unit which is the smallest identifiable group of assets that independently generates cash inflows
CLERP 9	Latest round of reforms of the Corporate Law Economic Reform Program, which amends the Corporations Act 2001 primarily relating to corporate governance and auditor independence
Condolence Lounge	A facility for family and friends to gather after the funeral service – usually offering a catering service
Constitution	The Constitution of the Company
Crematorium	A place for cremations and memorialisation
Crypts	Above ground burial facilities
DRP	Dividend reinvestment plan
EBITDA	Earnings before interest, tax, depreciation and amortisation
EEO	Equal Employment Opportunity
EPS	Earnings per share
Funeral Arrangement	The process in which the funeral service is planned and necessary documentation prepared
Funeral Home	The InvoCare location where a funeral can be arranged and where some services can be conducted
Memorial or Memorialisation	The physical marker or tribute to the life of the deceased
Memorial Park	An InvoCare location offering cremation, burial and memorialisation services
Operating EBITDA	EBITDA excluding asset sale and impairment gains or losses
Prepaid Funeral Fund	The fund where prepaid funeral monies are held in trust until the funeral service is provided
Prepaid Cemetery and Crematorium Services	Cemetery and crematorium services that have been arranged and paid for in advance
OH&S	Occupational Health and Safety
Volume	A term that refers to the number of funeral services, burials and cremations performed

InvoCare
Innovation Vocation Care

Personal details guide

For the benefit of our stakeholders, this guide is made available to enable you to record information and arrangements in advance that will assist your family and funeral director to ensure everything is conducted in accordance with your wishes.

Should you require assistance in completing it or require further copies of this guide for other family members, please call Guardian Plan Toll Free 1800 151 158.

Personal Information

Family name | Given names

Address | Postcode

Date of birth | ☐ Female | ☐ Male

Place of birth (Town/City/State/Country)

If born overseas, year arrived in Australia

Occupation during working life

Name and Address of Person Who I would Like to Make Any Arrangements

(For instance, registering the death and contacting the funeral director, e.g. executor, solicitor, family member)

Name | Telephone

Address | Postcode

Funeral Director

(Funeral director you would like to conduct your service)

Name | Telephone

Address | Postcode

Next of Kin

This information is needed when the death is registered.

Name | Telephone

Address | Postcode

Executor of my Will

Executer will need certain financial information when applying for grant of probate.

Name | Telephone

Address | Postcode

Copy of my Will

Date of Will

Deposited with (Name and Address)

Solicitor

Name | Telephone

Address | Postcode

Family Doctor

Name | Telephone

Address | Postcode

Personal Documents

Birth Certificate Location

Marriage Certificate Location

Medicare Card Card number (to be returned to Medicare office)

Centrelink Pension Number Type of pension

Veterans' Affairs Number

Passport Name shown on passport

Passport number Expiry date

(Passport should be returned to passport office in your area, details at local Post Office)

Driver Licence Number State of issue

Club or association memberships (Should be returned to appropriate organisation.
It may be that a claim can be made for unexpired memberships or mortality fund benefit.)

Family Details

Father's surname First names

Usual occupation

Mother's maiden surname First names

Usual occupation

Spouse surname First names

Marriage Details (Please tick appropriate box(es))

☐ Married ☐ Divorced ☐ Separated ☐ Widowed ☐ Never married ☐ De facto

Details of Marriage(s)

First marriage (Place/City/Town/Country)

Age at date of marriage Name of spouse (at date of marriage)

Second marriage (if applicable) (Place/City/Town/Country)

Age at date of marriage Name of spouse (at date of marriage)

Children's Details

(List all children in order of date of birth, including legally adopted, deceased (D), still born (SB), or if no children write "none".)

First name Date of birth ☐ Female ☐ Male

First name Date of birth ☐ Female ☐ Male

First name Date of birth ☐ Female ☐ Male

First name Date of birth ☐ Female ☐ Male

Financial Information (Information below may be required by the executor of your Will.)

Bank account details Bank name

Account numbers Bank branch

Location of documents, books, statements

Building society/Financial institution Building society/Financial institution name

Account numbers

Address

Income tax records Tax File Number Location of records

Deeds of property Property address(es)

Location of records

Mortgage details Location of records

Lender Reference number

Address of lender

Life insurance policies

Location of records

Superannuation

Details

Stocks and shares

Location of records

Safe deposit box Box location/number

Location of keys

Accountant Name Telephone

Address Postcode

Car details Registration number and state

Registration document location

Location of purchase receipt/H.P. details

Military Information (If applicable)

Branch of service | Service serial number

Date entered service | Place

Date of discharge | Place

Grade, rank or rating

Wars/Conflicts served

Additional Information

Historical information

Every individual is deserving of a meaningful obituary written in their memory. It is here that you may list those achievements and accomplishments that have been of pride to you and your family that are not mentioned elsewhere in your "Personal details guide".

Education

Name of primary school

Date attended from | to

Name of secondary school

Date attended from | to

Name of tertiary institution

Date attended from | to

Qualifications attained

Societies/Clubs Memberships and positions held (include dates)

Other (including civic or public office held)

Special achievements (details of any special achievements or recognitions)

Medical History

This information is very important for your spouse, children and grandchildren. It is also suggested that you keep an updated copy of your medical records for your family, as doctors often ask for it.

Special Instructions and Information

We suggest that you use these lines to keep our information current. We also recommend that you always date these entries to avoid possible confusion later.

Person to be notified Name

Relationship | Telephone

Person to be notified Name

Relationship | Telephone

Person to be notified Name

Relationship | Telephone

Corporate directory

InvoCare Limited
ABN 42 096 437 393

Directors

Ian Ferrier (Chairman)
Richard Davis (Managing Director and Chief Executive Officer)
Roger Penman (Non-executive Director)
Christine Clifton (Non-executive Director)
Richard Fisher (Non-executive Director)
Benjamin Chow (Non-executive Director)

Company Secretary

Phillip Friery

Annual General Meeting

The Annual General Meeting of InvoCare Limited will be held at The Westin Sydney, 1 Martin Place, Sydney on 25 May 2007.

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 Registry

Link Market Services Limited
Level 12, 680 George Street
Sydney NSW 2000
Toll free: 1300 854 911
Facsimile: 02 9287 0303

Securities 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 Securities Exchange only. ASX code is IVC.

Auditor

PricewaterhouseCoopers
Darling Park Tower 2
201 Sussex Street
Sydney NSW 1171

Solicitors

Addisons Lawyers
Level 12
60 Carrington Street
Sydney NSW 2000

Bankers

Australia and New Zealand Banking Group Limited
20 Martin Place
Sydney NSW 2000

National Australia Bank Limited
255 George Street
Sydney NSW 2000

Designed and produced by Ross Barr & Associates Pty Limited