InvoCare
Innovation Vocation Care

Annual Report 2008

Yesterday,
today,
tomorrow...

Contents

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

InvoCare's dedicated and professional staff service families in Australia and Singapore through a growing network of locations.

NATIONAL BRANDS

AUSTRALIA

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 special nurturing, sensitivity, warmth and care, with a woman's understanding.

There are 37 White Lady locations throughout Australia.

Simplicity Funerals
Simply Respectful. Simply Affordable. Simply Australian.

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

Steadily expanding, there are 42 Simplicity Funeral locations throughout Australia.

SINGAPORE

SINGAPORE CASKET

Singapore Casket Company has been offering caring and professional services to client families, of all denominations, since 1920. Its current facilities include nine refurbished air-conditioned parlours offering a bright, clean and tranquil environment for the comfort of families.

SINGAPORE
1 Funeral location

WESTERN AUSTRALIA
18 Funeral locations

SOUTH AUSTRALIA
13 Funeral locations

QUEENSLAND
24 Funeral locations
3 Cemeteries and Crematoria

NSW AND ACT
74 Funeral locations
9 Cemeteries and Crematoria

VICTORIA
33 Funeral locations

Traditional and Heritage Funerals

Guardian Funerals · Northern Rivers Funerals · Chipper Funerals · Blackwell Funerals · Purslowe Funerals · Drysdale Funerals · George Hartnett Funerals · Somerville Funerals · Le Pine Funeral Services

InvoCare's traditional-style brands of funeral homes maintain the service approach respected by families over many generations. The service is personal and 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 89 InvoCare traditional-style and heritage brands of funeral homes in Australia.

Christian Funerals in Perth and Southern Cross Funerals in Melbourne were acquired in 2008, further expanding our ability to service families in need.

Cemeteries and Crematoria

InvoCare 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 multicultural nature of Australia is recognised with burial, cremation and memorial options, including Asian sections designed by Feng Shui advisers, and the availability of architecturally designed crypts, vaults and family mausoleums preferred by many European communities.

Yesterday, we were there, assisting families and providing quality funeral services throughout Australia.

Today, we are Australia's largest provider of funeral services; operating multi-branded funeral homes, cemeteries and crematoria across Australia and in Singapore.

Tomorrow, we intend to still be at the forefront of our industry, with innovative preneed and memorialisation products supporting our traditional funeral brands.

InvoCare. Growing investor value through the preservation of everlasting family memories.

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 ASX 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.

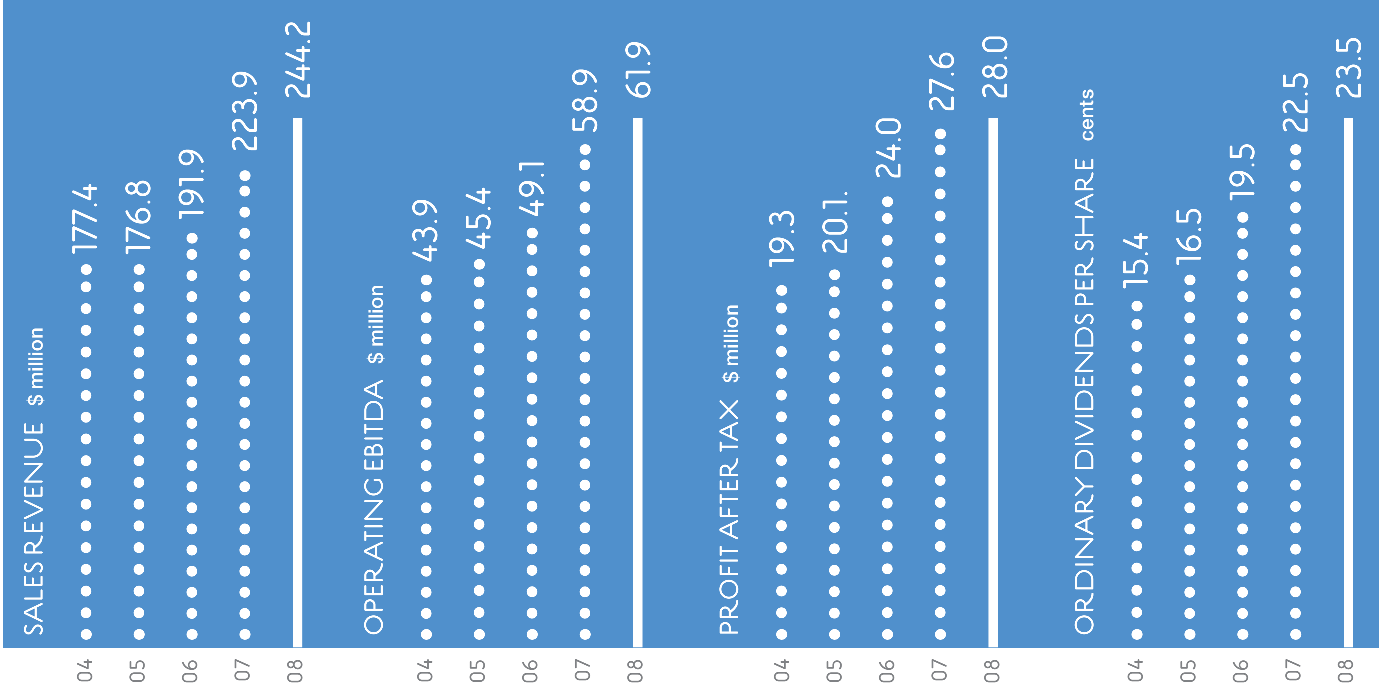
InvoCare places great value on understanding and professionally servicing its client family needs. InvoCare exercises responsibility as an industry leader. It encourages supporting local communities and also actively works with industry and other stakeholder groups.

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.

2008 performance highlights

- DEATH RATE ABOVE TREND
- MARKET SHARE INCREASED
- TWO BUSINESSES ACQUIRED
- 9 NEW FUNERAL HOMES



Results at a glance

$ million unless otherwise stated

	2008	2007	% change
Sales revenue	244.2	223.9	9.1
Normalised operating EBITDA	61.9	58.9	5.0
Normalised operating EBITDA operating margin	25.3%	26.3%	-1.0
Normalised profit after tax	28.3	27.1	4.7
Normalised basic earnings per share (EPS)	28.3 cents	27.2 cents	4.0
Reported profit after tax	28.0	27.6	1.7
Basic EPS (cents per share)	28.0 cents	27.6 cents	1.4
Prepaid funeral funds under management	237.0	272.0	-13.0
Funeral homes (number)	163	152	
Cemeteries and crematoria (number)	12	12	
Employees (full-time equivalents)	993	923	

Ian Ferrier

Chairman's message

In a year when economic conditions worsened and global financial markets experienced major upheaval, InvoCare once again demonstrated the robustness of its business model by reporting a profit after tax of $28.0 million, being 1.7% or $0.5 million higher than 2007.

InvoCare's dedicated employees continue to deliver outstanding service to their family and funeral director customers across Australia and in Singapore. Increased service volumes and strong average sale price growth contributed to the solid result. Market share gains were achieved through both acquisitions and opening new locations and the above trend number of deaths continued during the year.

The downturn in equity markets, however, did reduce the surplus contribution from redeemed prepaid funeral funds. Also, the prevailing economic conditions resulted in lower sales of discretionary preneed memorials by InvoCare's cemeteries and crematoria, especially in the second half of 2008. This was mitigated by construction and delivery of previously sold memorials enabling recognition of past deferred revenue.

The Board and management are closely monitoring and responding to the impacts of the economic climate caused by the global financial crisis. However, the funeral industry in general and InvoCare in particular are not as significantly affected as others. In InvoCare's case, it has strong cash flows and is in a healthy financial position, with debt facilities in place until January 2011. The Company will continue to influence, where possible, the investment strategies of prepaid funeral trusts to improve returns and is continuing its memorial construction activity to mitigate any ongoing memorial sale contract shortfalls.

INVOCARE'S ROBUST BUSINESS MODEL DELIVERS ANOTHER SOLID RESULT IN AN UNCERTAIN ENVIRONMENT.

Two funeral business acquisitions were completed in 2008, in Perth and Melbourne, taking to seven the number of acquisitions since December 2005. In addition to the 2008 acquisitions, InvoCare's penetration of the Australian funeral market was further assisted by opening nine new funeral homes in strategic locations, taking the number of funeral homes in Australia at the end of the year to 162.

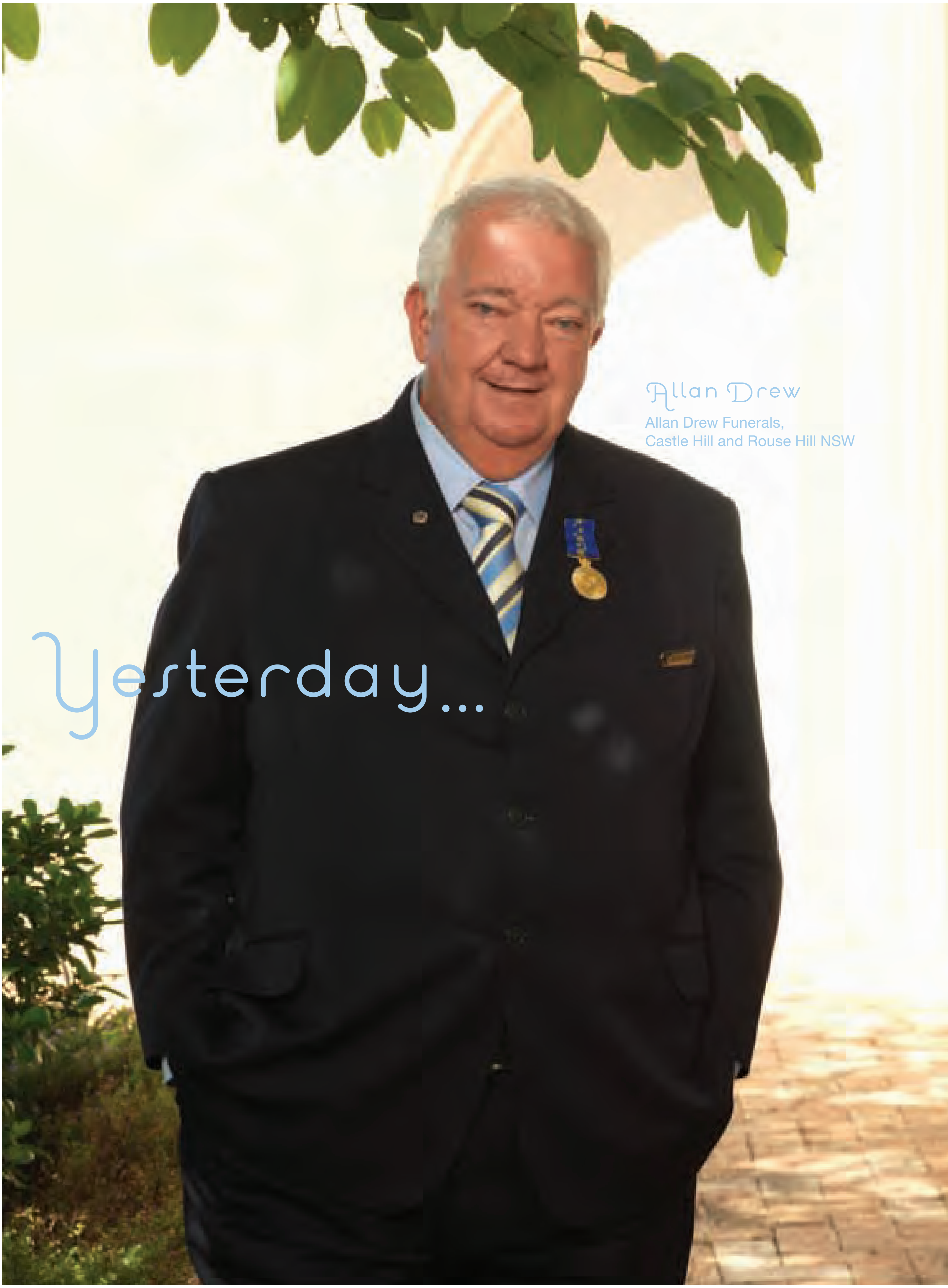
Following the strong overall financial performance, the Board declared a fully franked final dividend of 13.0 cents per share. The total fully franked ordinary dividends for the year increased 4.4% to 23.5 cents per share. Total shareholder returns (price movement plus cash dividends) since the initial public offering in late 2003 amount to 230%. InvoCare's share price, although reduced during the equity market declines, has traded above the ASX 200 index, highlighting the Company's strength.

The appointment of Andrew Smith as Chief Executive Officer from 1 January 2009 is evidence of the Board's focus on management succession and engaging quality senior management. Andrew joined the Company in January 2006 and since becoming Chief Operating Officer in March 2007 has been driving the recent strategic and operational direction of InvoCare's business.

Richard Davis, the departing Chief Executive Officer, must be given credit for almost 20 years building and managing InvoCare to its present scale and success. The Board, staff and other stakeholders are sincerely indebted to Richard for his successful leadership and for providing a very solid foundation for InvoCare's future.

On behalf of the Board and all its shareholders, I commend management and employees across Australia and Singapore on the excellent results achieved and I thank them for all their hard efforts. Once again, their commitment, dedication and high service ethics have contributed to InvoCare's 2008 performance. The Board is confident that the Company is extremely well positioned to deliver sustainable growth into the future.

Ian Ferrier CHAIRMAN


Allan Drew
Allan Drew Funerals,
Castle Hill and Rouse Hill NSW
Yesterday...

OUR BRANDS – YESTERDAY

Le Pine Funerals provides the highest standards in traditional funeral services. From its humble beginnings in a cabinetmaker's shop to 20 locations today, every lesson learnt in service ensures client families receive the full benefit of Le Pine's experience and its attention to detail. Only a trusted and reputable provider of funeral services can provide this level of satisfaction.

OUR ASSETS – YESTERDAY

InvoCare is proud of its roots stretching back to the 1880s. We own and maintain many heritage listed buildings and other items including this horse drawn hearse, dating from 1891, seen here taking part in 150th anniversary celebrations commemorating the first funeral at the Kew Cemetery in Melbourne.

YESTERDAY – IN THE COMMUNITY

Chipper Funerals, operated by Don Chipper, is a proud supporter of veteran associations and related bodies. Whether for Anzac Day, sponsoring RSL activities and conventions or arranging funerals for current serving personnel, Don Chipper and Chipper Funerals are committed to remembering their sacrifice.

Allan Drew of Allan Drew Funerals in Sydney's Castle Hill is one of many long serving funeral directors InvoCare is proud to have as part of its team. Allan has been providing funeral services since 1970 and his name is synonymous with care, compassion and respect.

Men and women like Allan have created successful funeral businesses across Australia and Singapore that have stood the test of time. These proud ambassadors of the funeral industry are integral to InvoCare's success. They provide positive role models to their colleagues, are proof of InvoCare's respect for the continuity of acquired businesses and are key to ensuring the highest standards for care and respect are passed on from yesterday to be applied both today and tomorrow.

On Australia Day 2009, Allan Drew was awarded an Order of Australia medal for his services to the funeral industry and for service to the community through a range of charity and service organisations.

Key strategies of 2008

With no shift in our strategic direction, InvoCare's long-term growth will be delivered by anticipated volume increases, business acquisitions, location, brand, staff investment and solid capital management.

INCREASING BRAND AWARENESS AND ALIGNMENT TO CONSUMER NEEDS

InvoCare aims to sustain and improve brand awareness by undertaking strategic marketing initiatives, such as main media campaigns, combined with more tactical and localised marketing strategies. Brand awareness is also enhanced by our staff who dedicate many hours to community and social organisations, and most importantly by service excellence with a very personal touch. InvoCare's two Australian national brands, White Lady and Simplicity, along with the primary brands in individual markets enjoy strong awareness levels.

OPENING NEW LOCATIONS AND ACQUIRING SUCCESSFUL BUSINESSES

InvoCare's robust business model is based on personal service supported by highly efficient back end processes to ensure client families receive the most professional service possible. We continue to seek new locations and acquisitions within the foot print of established shared service functions. To build on InvoCare's existing successful operations in highly populated centres or regions across Australia and in Singapore, more geographically dispersed opportunities and models are being examined.

INVESTMENT IN OUR PEOPLE

The professionalism of our staff is constantly being enhanced by investment in training and other learning opportunities presented by InvoCare's learning and development team. In addition to the investment in core operational programmes, including various induction, customer service and occupational health and safety modules, the Future Leaders Programme aims to identify and develop the next generation of InvoCare's service team. This major initiative has been well received and supported across the Company with six of the 21 initial participants securing location manager roles to date. We are able to offer our staff a career in the industry, as well as an opportunity to own shares in the Company, unlike most of the other family owned and operated business competitors.

IMPROVING OUR FACILITIES AND EXPANDING MEMORIALISATION

We continue to invest $15-20 million annually enhancing and improving the facilities available. This ensures that the ambience of our locations continues to meet client expectations and that the most modern facilities, such as audio visual systems, are available for those who choose them. We also continue to expend substantial sums maintaining our many heritage listed assets, especially in our locations where many generations of individual families are memorialised.

VALUABLE FUTURE INCOME STREAMS

InvoCare continues to grow the number and value of prepaid contracts by emphasising the peace of mind our clients experience from knowing that when the time comes their families are protected from unexpected burdens. We also work with our investment managers to ensure that investment strategies are put in place that will continue to ensure surpluses are delivered.

SOLID CAPITAL AND FINANCIAL MANAGEMENT

Our capital management initiatives are designed to ensure that an appropriate mix of debt and equity is maintained to maximise returns to shareholders while ensuring adequate funds are available to support growth and expansion.

The Company is in a healthy financial position and its strong operating cash flows provide necessary funds to pay at least 75% of annual profits to shareholders as dividends, meet debt servicing obligations, invest in property, plant and equipment, as well as fund smaller new business acquisitions.

The Company's DRP has been supported by approximately 25% of shareholders to provide additional funds for the business.

In the event opportunities become limited for investing in the growth of the business, the Company will consider making alternative returns to shareholders.

CEO review

INVOCARE'S ROBUST BUSINESS MODEL, A HIGHER NUMBER OF DEATHS, STRONG AVERAGE SALES PERFORMANCE AND THE POSITIVE CONTRIBUTION FROM ACQUISITIONS AND NEW LOCATIONS RESULTED IN ANOTHER SOLID YEAR IN 2008.

Andrew Smith

In delivering my first report as CEO I would like to thank Richard Davis for his outstanding contribution to InvoCare over nearly 20 years. The support and encouragement Richard has provided me personally over the last three years and particularly during the transition phase has been invaluable. The transition has progressed well and, I believe, has been well received by key stakeholders, including staff and shareholders.

In terms of 2008 InvoCare delivered a solid profit after tax of $28.0 million, an increase of 1.7% on the prior year. This was achieved by our continued focus on the five pillars of growth and a stable, committed team dedicated to providing service excellence to our client families.

The solid result was underpinned by:

– the continuation of the above trend death rate;

– acquisitions;

– new location openings; and

– pricing increases.

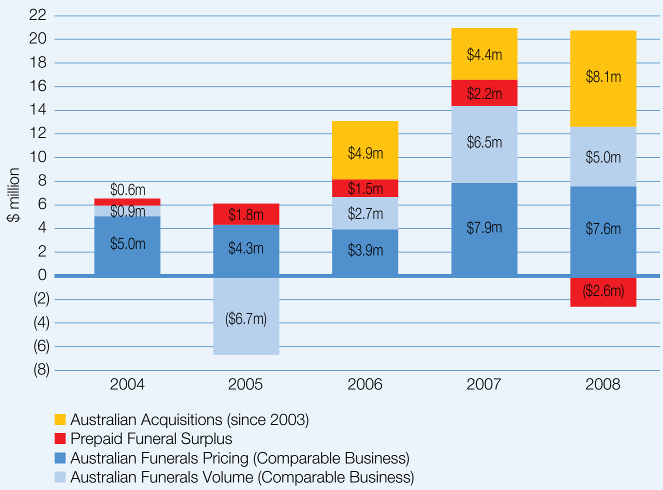
These more than offset the effects, most notable in the second half, of the reduction in prepaid funeral surpluses caused by the global financial crisis' effects on equity markets.

Dividends of 23.5 cents per share, up 1 cent per share from 2007, have been declared for 2008.

FUNERAL HOMES

Sales revenues from InvoCare's 162 Australian funeral homes was up a pleasing 11%, continuing the growth of InvoCare's funeral operations.

Historical Revenue Growth Contributors – Australian Funerals



Above: The new chapel at Liberty Funerals, Granville NSW

As the table demonstrates, the impact of the death rate running at higher than recent ABS trend levels has contributed favourably to this outcome. InvoCare estimates that the death rate within its Australian market areas increased by 2.1% during the year.

The Group, in line with its unaltered strategic direction, opened a total of nine new Australian funeral homes in 2008. These homes were opened in positions that InvoCare believes will contribute to the long-term health of the business by focusing on new locations where the demographics suggest growth will continue. At the same time, these locations must be within acceptable distances of our shared service centres to ensure the robustness of the business model is maintained. Furthermore, many of the openings support the growth in our national brands, White Lady and Simplicity, as well as an acknowledgement that some of our traditional brands in major metropolitan markets were under represented.

Market surveys revealed that 97% of clients would definitely or probably recommend an InvoCare provider to a third party and 99% of clients believe InvoCare meets or exceeds their expectations. This is a great tribute to the dedicated people on the InvoCare team.

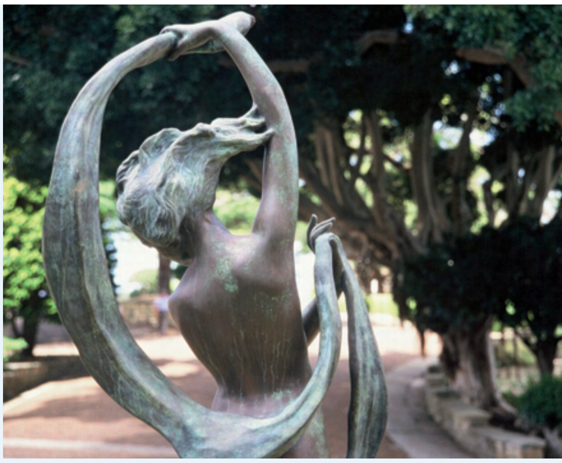
In constant dollars, Singapore Casket Company grew by 7% due to an 11.8% increase in average sales value as a result of favourable sales mix and increased parlour occupancy.

During the year, Butler Funerals, part of the Guardian Funerals network, celebrated 80 years service to its local community. Many of our traditional brands have been providing support to their local communities for many generations. For example, Chipper & Son has been in continuous operation since 1889, providing service to many generations of families in the Perth region.

CEMETERIES AND CREMATORIA

Sales of memorial contracts from InvoCare's 12 cemeteries and crematoria declined $0.3 million due to a reduction in the number and average value of sales. The decline was particularly noticeable in the second half and given the discretionary nature of this part of the business was mainly due to the decline in the economy brought about by the global financial crisis. This decline was offset by an increase of $1.5 million in revenue from previously deferred sales achieved by an aggressive building programme undertaken during the year.

The chapels at Mt Thompson, Pinegrove and Castlebrook were extensively upgraded to improve the ambience of these locations for our client families.



A major fire at Rookwood impacted the second half of the year unfavourably. Rectification and enhancements on this site have begun and are expected to be completed in the first half of 2009, including the installation of state of the art, emission efficient cremators. The cremator replacement programme, which began with the commissioning of new cremators at Allambe Gardens Memorial Park in the middle of 2007, continued and it is expected all 12 crematoria will be fully upgraded by the middle of 2010.

InvoCare estimates that the death rate in the Australian markets served by our cemeteries and crematoria increased by 2.6% during the year.

Market surveys show that 93% of client families would definitely or probably recommend an InvoCare location to a third party if the need arose.

PREPAID FUNERAL FUNDS

Consistent with prior years, 13% of InvoCare's Australian funerals were prepaid. The number of new prepaid contracts sold during the year was 18.8% higher than 2007, reflecting the effort this aspect of the business has received. New sales exceeded redemptions by 6.9%, ensuring that future revenue will continue to grow as these prepaid arrangements are delivered.

At the end of the period, total funds in independently managed trust funds were $237 million, down from $272 million in the previous year. The global financial crisis, particularly in the second half of 2008, resulted in substantial revaluation downwards of these funds. The long-term bias to equities in the investment strategies used by the trustees have been altered in the short term to ensure that capital is preserved. As a result, 85% of investments are now in fixed term deposits until Australian equity markets become more stable and provide a greater certainty of returns.

Management estimates that at 31 December 2008 the funds invested were $7 million above the standard prices for the provision of those prepaid services. Following price increases applied from 1 January 2009, it is estimated the funds fall $3 million short of the standard price value of delivery of those services on that date.

ACQUISITIONS

The Chipper Funerals business acquired at the end of 2007 was fully integrated into InvoCare's Perth operations during 2008. This business contributed around 900 cases in this market and helps to capitalise on InvoCare's robust business model of centralising back office functions while ensuring that our client families receive a professionally delivered, compassionate and caring service.

Christian Funerals, also in the Perth market, was acquired in August 2008, followed by Southern Cross Funerals in the Melbourne market in October. Both these businesses have made positive contributions to the results for their respective states.

Strategically, InvoCare is committed to continuing to grow through the acquisition of well placed funeral homes that can be integrated into the business.

OVERVIEW OF OPERATIONS

InvoCare continues to focus on ensuring positive returns from all its locations and ensuring these are professionally presented for the highest possible level of service. During the year, capital expenditure exceeded $16 million with more than $5.5 million spent on upgrading and improving facilities, including the start of construction of a major new operations centre at Glen Waverley in Melbourne, extensive refurbishments of Ferntree Gully in Victoria and Granville in Sydney and the enhancement of chapels at cemetery and crematorium locations.

No major property sales or purchases occurred during the year.

InvoCare continues to work with industry and other stakeholder groups to ensure our industry meets the highest ethical standards through the implementation of practical consumer protection measures either by legislation or via industry codes of practice.

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" programmes focusing on the key areas of the business. During 2008, the "Future Leaders" programme was launched with around 20 aspiring leaders identified for more extensive training and development.

Key managers were again offered the opportunity to participate in the Company's Deferred Employee Share Plan, an important initiative aimed at aligning management interests to those of shareholders and the retention of key personnel. The offer was made to all regional managers and above. This initiative, together with the Exempt Share Plan replicated again in 2008, has enabled over 25% of InvoCare's personnel to have equity in the business.

LOOKING AHEAD

The Group's ongoing commitment to service, its strong brands, its network of locations, its valuable prepaid funeral fund and its operating leverage position the Group well for sustainable long-term growth.

InvoCare's strategic direction is unchanged and continues to focus on the five pillars of growth – pricing, favourable demographics, prepaid funeral funds, acquisitions and new locations.

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

Richard Davis retired at the end of last year after 19 years with the Group but he continues to provide his valuable insights in a consulting capacity. Richard's continued commitment to InvoCare is very much appreciated.

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.

Andrew Smith CHIEF EXECUTIVE OFFICER

Organisational and management structure

The management team at InvoCare have more than 120 years relevant industry experience and many have held senior executive roles in other industries.

Board of Directors

Chief Executive Officer

Andrew Smith
Industry experience
3 years

Chief Financial Officer and Company Secretary

Phillip Friery
Industry experience
14 years

Chief Executive Officer – Singapore Casket Company

Wee Leng Goh
Industry experience
1 year

National Funerals General Manager and General Manager NSW Funerals

Greg Bisset
Industry experience
1 year

General Manager Cemeteries and Crematoria

Armen Mikaelian
Industry experience
19 years

General Manager Queensland Funerals

Doris Zagdanski
Industry experience
25 years

General Manager Victorian Funerals

John Fowler
Industry experience
33 years

General Manager South Australian Funerals

Jason Maher
Industry experience
13 years

General Manager Western Australian Funerals

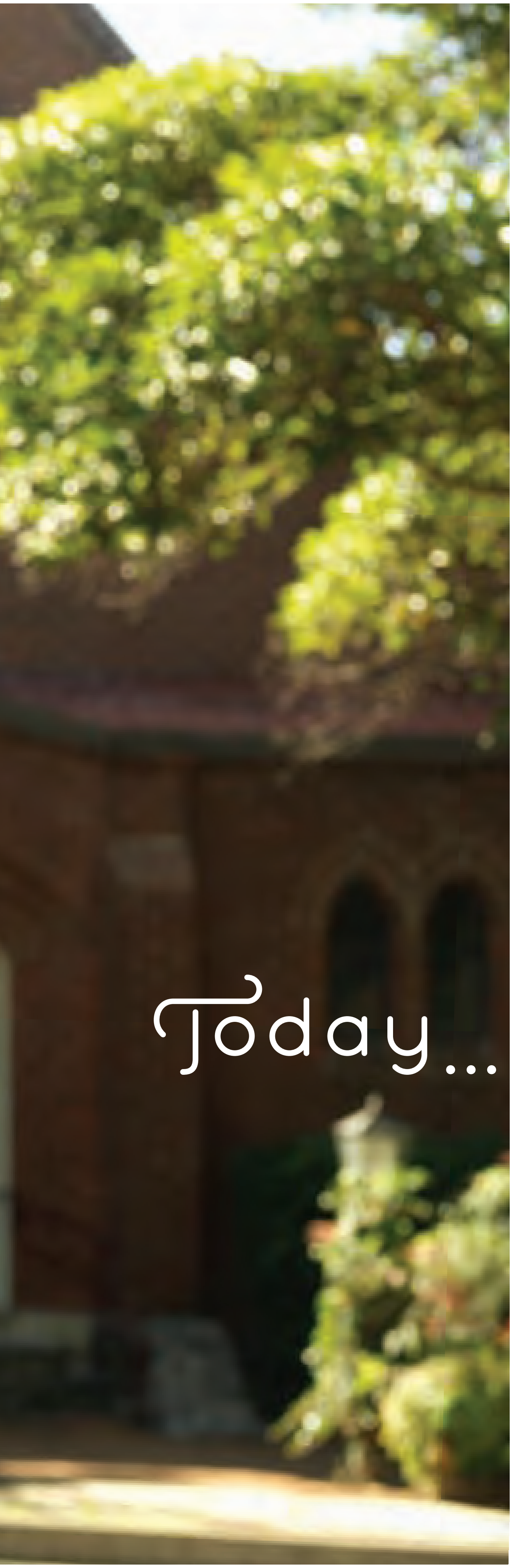
Andrew Hogan
Industry experience
15 years

Each operational area is supported by a network of regional managers and other specialist staff.

All operations are supported by the following back office management:

- Marketing & Communications; Ian McKenzie
- Prepaid Funeral Administration; Sasha Moore-Shupick
- Human Resources
- Information & Technology; John Brennan
- Property & Facilities; Damien Fitzpatrick
- Finance; Nailesh Shah and Chris Mooney
- Internal Audit; Chris Bennecke

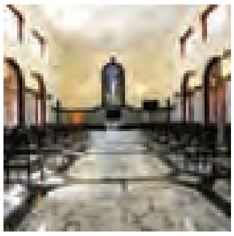

Kay Toovey
White Lady, Roseville NSW



Today…

OUR BRANDS – TODAY

All things change, funeral traditions included. When Australia's way of life began to change in the 1970s, a new approach to funerals arose that gave families permission to say farewell to departed loved ones in a personal way. Simplicity Funerals is a modern funeral provider that arose in the midst of those heady times. Right up to today it provides a modern approach to suit the times.



OUR ASSETS – TODAY

The heritage listed West Chapel at Mt Thompson Memorial Garden in Brisbane following an extensive refurbishment in 2008. The chapel which includes many Art Deco features has been significantly upgraded to meet current safety standards and to provide state of the art audio visual facilities while maintaining its sense of tranquillity.

TODAY – IN THE COMMUNITY

Some InvoCare staff with the relics of Saints Gabriel Possentu, Gemma Galgani and Maria Goretti and the Blessed Pier Giorgio Frassati which were brought to Australia as part of the World Youth Day celebrations. InvoCare was proud to provide transportation for these priceless objects which formed an integral part of the World Youth Day celebrations.

InvoCare has a diverse and experienced work force, a real asset in today's competitive marketplace.

Kay Toovey from White Lady Funerals at Roseville in Sydney understands that traditional funeral service roles, such as arranging, conducting, attending, pall bearing, hearse driving and embalming, must be performed by capable staff with empathy and maturity. At cemeteries and crematoria, teams of qualified ground staff prepare and maintain the tranquil surroundings while caring personnel guide and assist families and friends in the choice of a suitable permanent memorial for a life lived. Supporting the operational front end of the business are other experienced teams such as human resources, training, marketing, finance and property management.

InvoCare's integrated approach to its operations provides benefit to people like Kay through continuity of experience and career development. This doesn't just happen. It involves good human resource planning and training and the result is retained, experienced staff with good skills and whole-of-business understanding.

Community, people, environment

IN 2008 INVOCARE HAS MAINTAINED ITS STRONG COMMITMENT TO RECOGNISING THE IMPORTANCE OF ITS OBLIGATIONS TO THE COMMUNITY, ITS PEOPLE AND THE ENVIRONMENT, WHILE ACHIEVING THE GROUP'S STRATEGIC OBJECTIVE OF SUSTAINING BUSINESS PERFORMANCE.

COMMUNITY

During the year, InvoCare maintained its commitment to the community by participating in 290 individual events at both local and national levels. Our people arranged and participated in events including remembrance services, community presentations, tours of facilities and memorial parks (participants including school and scouting groups), grief seminars and education sessions on coping with grief and death for nursing staff from local hospitals and nursing homes.

A highlight of the year was managing the transportation of the relics of Saints Gabriel Possentu, Gemma Galgani and Maria Goretti and the Blessed Pier Giorgio Frassati, which were brought to Australia as part of World Youth Day celebrations. Staff from 21 locations across three states ensured that this delicate transportation task went smoothly.

Charities such as the Cancer Council were supported with organised events for Australia's Biggest Morning Tea. Support was provided for other fund raising events for a range of charity and community service groups including the Lions Club, Rotary, Movember and various seniors' and church groups. In addition, the Company made a donation to ARS Musica Australis, which manages scholarships and music-based educational programmes. Various other charities were supported with small direct donations.

EMPLOYEES/HEALTH AND SAFETY

InvoCare has 1,224 employees at 175 locations in Australia and Singapore. Our people represent a diverse cross section of the communities in which we operate and 53% (2007: 54%) of them are women. There is a comprehensive in-house learning and development programme in place to constantly improve the professionalism of our people. This includes programmes delivered by our specialist training team and electronic self-paced learning. It is supplemented by external training activities where necessary.

Training includes occupational health and safety best practices, human rights and equal opportunity requirements, as well as skill-based training. Over 850 training programmes were delivered in 2008, covered more than 4,350 employee sessions. 65% of these sessions related to customer service and the majority of the balance focused on occupational health and safety issues. Where appropriate, staff are supported both financially and through paid leave to pursue higher educational and professional qualifications relevant to their current or future career paths.

The "Future Leaders" programme, introduced in 2008, was undertaken by 21 employees, six of whom have already received management promotional opportunities.

During the year, enhancement of fire evacuation training was a key focus of occupational health and safety. Following the fire at the Rookwood Crematorium, a professional review of fire risks at all major locations was undertaken. Remedial actions are now in progress where this was recommended.

Occupational health and safety audits were completed in all locations during the year. This review process has been enhanced by the development of an automated self-assessment tool available to staff responsible for the management of risks at each of the Group's locations.

The Employee Assistance Programme continued during 2008, offering confidential counselling to employees who may be suffering stress, trauma or conflict.

Above: The Multicultural Unit's Phillip Lam assists Feng Shui Master Cheung Hon to light the incense for the cleansing ceremony. Left: Lakeside Memorial Park's ground staff Bruno Kuehne and Simon Micallef supervise the children of Coonawarra Public School as they upgrade their war memorial.

ENVIRONMENT

InvoCare is focused on minimising any adverse environmental impact related to its business activities, whilst continuing to maintain quality and service excellence and providing a safe working environment for employees.

Employees are encouraged to identify and act on opportunities to reduce any adverse environmental impact. A programme is in place to identify and implement improvements in use of resources, to reduce waste and maximise recycling wherever practical. We are also in dialogue with key suppliers regarding production of their products and services in the most environmentally responsible manner.

As reported last year, the cremator replacement programme continues, with new energy efficient cremators being installed, which will provide energy savings and a reduction in carbon emissions compared to the previous equipment. Gas consumption has already been effectively reduced by 4.5% compared to 2007.

The Company maintained its holding of over 660 acres of open space for its memorial parks and gardens in urban locations. These provide a tranquil environment for client families or visitors to reflect on memories of their family and friends.

The Company has voluntarily participated in the international Carbon Disclosure Project (CDP) reporting. This is an independent organisation which holds the world's largest database of corporate climate change information on behalf of institutional investors, purchasing organisations and government bodies. InvoCare's response outlined the key issues and challenges that InvoCare may face as a result of climate change. It also provides a transparent, quantified reporting of the Company's energy usage and greenhouse gas emissions. A base year of 2007 has been established from which to measure future performance in relation to greenhouse gas emissions. Currently the 2008 year data is being collected and will be reported on in the CDP 2009 Questionnaire due for submission in May 2009.

The *National Greenhouse and Energy Reporting Act 2007* came into effect on 1 July 2008; however, InvoCare's emissions for the 2007 year are well below any reporting requirement threshold of this Act. Despite being below the reporting threshold, the Company is developing a Greenhouse Gas Emissions Plan for the purpose of identifying measures to reduce energy intensity in addition to the measures already taken, and also to establish emission reduction targets.


Tomorrow...
Joe Griffin
Newcastle Memorial Park

OUR BRANDS – TOMORROW

White Lady Funerals is launching on the Sunshine Coast. South East Queensland is one of Australia's fastest growing regions, attracting new residents from areas where White Lady Funerals is well known. Sunshine Coast residents can now also arrange funerals with all of the elegance White Lady can provide.

OUR ASSETS – TOMORROW

The cremators at the Northern Suburbs Memorial Gardens and Crematorium are scheduled to be part of the $9 million upgrade of all InvoCare's cremator facilities. This involves the replacement of the existing equipment with modern fuel efficient cremators designed with the latest safety features and producing significantly lower carbon emissions.

TOMORROW – IN THE COMMUNITY

Touched by the stories of people who had lost loved ones to suicide, Genean Beetson of Simplicity Funerals ran her own suicide prevention and awareness seminar. The result was a support group which meets regularly and continues to assist these families.

Initiatives like the "Future Leaders" programme allow InvoCare to look to its long-term success by taking the experience of yesterday, the lessons of today and turning both into a plan for tomorrow.

Joe Griffin from Newcastle Memorial Park has been identified as someone able to progress within the Company and in possession of a desire to take on more senior roles. The "Future Leaders" programme provides a forum where Joe's enthusiasm and drive can be developed for tomorrow.

Families trust that the park or garden where their loved one is memorialised will always be a beautiful place to reflect on their departed. Client families also trust that the excellent service they received from their local funeral home in the past will remain available to them when needed in the future. InvoCare's approach to talent identification and career development ensures tomorrow's services will be every bit as good as today's.

Group financial and operational review

FINANCIAL HIGHLIGHTS

	1st Half 2008 $m	1st Half 2007 $m	Change $m	Change %	**2nd Half 2008 $m**	2nd Half 2007 $m	Change $m	Change %	**Full Year 2008 $m**	Full Year 2007 $m	Change $m	Change %
Funerals												
– Comparable Australia	**79.6**	75.9	3.7	4.8	**94.6**	87.4	7.2	8.2	**174.2**	163.4	10.8	6.6
– Comparable Singapore	**3.9**	3.9	–	(0.6)	**4.5**	3.5	1.0	29	**8.4**	7.4	1.0	13.4
– Australian acquisitions	**4.0**	0.9	3.2	365.1	**5.7**	1.6	4.1	255.9	**9.8**	2.5	7.3	294
Total funerals	**87.5**	80.7	6.8	8.4	**104.8**	92.5	12.3	13.3	**192.3**	173.2	19.1	11.0
Cemeteries and crematoria	**28.2**	27.7	0.4	1.5	**30.3**	29.6	0.7	2.5	**58.5**	57.3	1.2	2.0
Elimination of intra-group sales	**(3.0)**	(3.0)	0.1	(2.2)	**(3.6)**	(3.6)	–	0.3	**(6.6)**	(6.6)	0.1	(0.8)
Sales Revenues	**112.7**	105.4	7.3	6.9	**131.5**	118.5	13.0	11.0	**244.2**	223.9	20.3	9.1
Other revenue	**2.1**	1.7	0.4	21.3	**2.1**	1.9	0.1	7.6	**4.1**	3.6	0.5	14.0
Operating expenses	**87.6**	80.4	7.2	9.0	**98.9**	88.3	10.7	12.1	**186.5**	168.6	17.9	10.6
Normalised Operating EBITDA	**27.2**	26.7	0.4	1.6	**34.7**	32.2	2.5	7.8	**61.9**	58.9	2.9	5.0
Normalised Operating EBITDA Margin	***24.1%***	*25.4%*	*(1.3%)*	*(1.3)*	***26.4%***	*27.2%*	*(0.8%)*	*(0.8)*	***25.3%***	*26.3%*	*(1.0%)*	*(1.0)*
Depreciation and amortisation	**(4.6)**	(4.3)	(0.3)	6.4	**(5.1)**	(4.7)	(0.5)	10.3	**(9.7)**	(8.9)	(0.8)	8.5
Finance costs	**(5.5)**	(6.1)	0.6	(9.9)	**(8.2)**	(6.0)	(2.2)	36.8	**(13.7)**	(12.1)	(1.6)	13.2
Interest income	**0.3**	0.3	–	–	**0.3**	0.3	–	–	**0.6**	0.7	–	(1.7)
Income tax expense	**(5.1)**	(5.3)	0.2	(3.2)	**(5.7)**	(6.2)	0.5	8.5	**(10.8)**	(11.5)	0.7	(6.1)
Effective tax rate	***29.3%***	*31.7%*	*(2.4%)*	*(7.5)*	***26.1%***	*28.3%*	*(2.2%)*	*(7.7)*	***27.5%***	*29.8%*	*(2.2%)*	*(7.5)*
Normalised Profit After Tax	**12.3**	11.4	0.9	8.3	**16.0**	15.7	0.3	2.1	**28.3**	27.1	1.3	4.7
Normalised Basic Earnings per Share	***12.3 cents***	*11.4 cents*	*0.9 cents*	*7.9*	***16.0 cents***	*15.7 cents*	*0.3 cents*	*1.9*	***28.3 cents***	*27.2 cents*	*1.1 cents*	*4.0*
Profit After Tax on Sale of Assets	**–**	0.1	(0.1)	(96.6)	**(0.3)**	0.4	(0.7)	(158.7)	**(0.2)**	0.6	(0.8)	(143.1)
Minority interest	**–**	–	–	–	**–**	(0.1)	–	(51.6)	**(0.1)**	(0.1)	–	(29.9)
Profit After Tax	**12.3**	11.5	0.8	6.9	**15.7**	16.1	(0.3)	(2.0)	**28.0**	27.6	0.5	1.7
Basic Earnings per Share	***12.3 cents***	*11.6 cents*	*0.7 cents*	*6.0*	***15.7 cents***	*16.1 cents*	*(0.4) cents*	*(2.5)*	***28.0 cents***	*27.6 cents*	*0.4 cents*	*1.4*

Summary of financial performance

The Company increased normalised profit after tax for the year ended 31 December 2008 by 4.7% to $28.3 million. Normalised basic EPS increased 4.0% to 28.3 cents per share. These results were underpinned by:

- a higher number of deaths in InvoCare's Australian markets;
- the contribution from funeral business acquisitions and new funeral home locations;
- average selling price improvements, offset by reduced contribution from redeemed prepaid funeral funds; and
- continued focus on managing costs.

Operating cash flows remained strong at $36.5 million, although $2.1 million lower than the previous year due to the reduced prepaid funeral fund contribution. Cash conversion was a healthy 98% of EBITDA, enabling further reinvestment in the business and continuation of a high dividend payout ratio of 84.3% (2007: 81.8%).

With the solid 2008 results, a final fully franked dividend of 13.0 cents per share was declared, taking the full year dividends to 23.5 cents, 4.4% or 1.0 cent higher than 2007.

InvoCare's business model involves pursuit of organic and acquisition growth, improving service levels, increasing operational efficiencies, positioning for favourable demographic changes and prudent capital management. The model was again proven in 2008.

Sales revenue

Sales revenue for the full year increased by $20.3 million, or 9.1%, to $244.2 million. Funeral sales increased by 11.0% to $192.3 million and contributed $19.1 million of the overall increase.

Comparable Australian funeral operations, which include new locations, generated an additional $10.8 million or 6.6%, increasing comparable sales revenue to $174.2 million for the year. The number of funeral services performed increased by 3.6%, contributing $5.7 million to the sales increase. The number of deaths in InvoCare's Australian markets increased by an estimated 2.1% in 2008 (2007: 4.4%) and InvoCare's overall market share increased by 1.7%.

At the time of announcing InvoCare's full year results on 19 February 2009, mention was made of estimates released by the Australian Bureau of Statistics (ABS) up to the end of the second quarter of 2008 and differences to InvoCare's own market estimates. On 18 March 2009, ABS released preliminary Australian death numbers for the third quarter of 2008, including updating some past estimates. The latest data released by ABS is not in sufficient detail to determine deaths in each InvoCare market. However, the revised ABS numbers now more closely align to InvoCare's own market estimates as set out in the following table showing percentage increases in the number of deaths compared to the prior corresponding year or half year.

	IVC estimates for its markets %	ABS national estimates released on 18 March 2009 %	ABS national estimates released on 2 December 2008 %
Year ended 31 December 2007	4.4	3.3	2.5
Six months ended 30 June 2008	1.9	4.7	6.4
Year ended 30 June 2008	4.3	4.5	5.3
Year ended 30 September 2008	2.4	1.4	n/a
Year ended 31 December 2008	2.1	n/a	n/a

Despite the differences between ABS and InvoCare estimates, importantly there is a consistent demographic trend of increasing numbers of deaths as shown in the graph below of actual and projected numbers based on ABS data.

In 2008, InvoCare's average Australian funeral selling prices rose by 4.6%, contributing $7.7 million to the sales revenue increase. The surplus from prepaid funeral fund redemptions contributed $0.5 million to sales revenue, a drop of $2.6 million on the previous year as investment returns declined due to the global financial crisis.

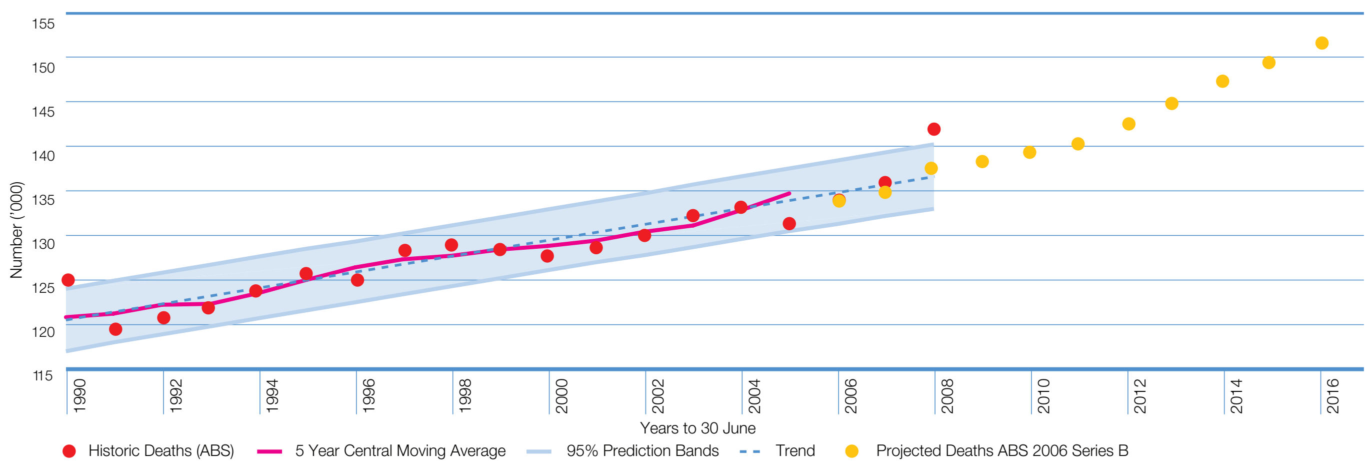
Nine new funeral homes were opened in 2008, taking the total opened in the last three years to 26 and the total across Australia to 162. It can take several years for a new location to achieve InvoCare's operating margin. In addition, as more new locations are opened, including by expansion of InvoCare's funeral brands into pre-existing markets, the contribution made by these new locations may not be as high as in new markets. However, this new location and branding strategy is expected to create economies of scale in supporting and promoting the brands, increase brand awareness in the communities and generate increased sales by those brands.

Australian funeral businesses acquired since 1 January 2007 generated $9.8 million sales revenue in 2008, contributing $7.3 million to the funeral sales increase. The businesses acquired were Liberty Funerals (Sydney, March 2007), Chipper Funerals (Perth and surrounds, December 2007), Christian Funerals (Perth, August 2008) and Southern Cross Funerals (Melbourne, October 2008). All business acquisitions made since ASX listing in December 2003, including Ann Wilson Funerals (Sydney, December 2005), Drysdale Funerals (Sunshine Coast, July 2006) and Singapore Casket Company (October 2006), have performed well and according to plan.

Approximately 13% (2007: 13%) of InvoCare's Australian funerals performed had been prepaid. During 2008, the number of new prepaid funeral contracts sold for future service delivery exceeded prepaid funeral contracts performed by 6.9% and average new contract prices increased by 7.2% on 2007.

InvoCare's Singapore funeral business contributed A$8.4 million to the Group's sales revenue, an increase of 13.4% or A$1.0 million on 2007. In local Singapore currency, Singapore's sales increased by 7.0%. Case volume was down by 4.1% due to increased competition, but this was more than offset by an 11.8% improvement in average price per case in local Singapore currency. The Australian dollar weakened by more than 21% against the Singapore dollar during the year which contributed to the above sales growth expressed in Australian currency.

Actual and Projected Deaths – Australia



InvoCare's cemeteries and crematoria, which only operate in New South Wales and Queensland, increased sales revenue by $1.2 million, or 2.0%, to $58.5 million. The number of deaths in InvoCare's markets was estimated to have increased by 2.6% (2007: 3.8%) but a small market share erosion was experienced in Sydney due to Rookwood crematorium not operating at full capacity following a fire in late July 2008. There was also a reduction in the number and average value of prepaid memorial contracts, particularly higher value sales in the second half of the year, as some customers chose to defer or limit purchases in the prevailing economic climate. This impact was partly mitigated by stepped up activity to construct and deliver previously sold memorials enabling recognition of previously deferred revenue.

Normalised operating EBITDA

Normalised operating EBITDA increased by $2.9 million, or 5.0%, to $61.9 million. Normalised Operating EBITDA margins were 25.3% compared to 26.3% in the previous year. Of this 1.0% decline, 0.9% was due to the lower contribution from prepaid funeral fund redemptions and the balance arose from lower margin acquisitions and new locations.

Operating costs were generally consistent with, or contributed to, business growth. Margins are expected to improve over time from operating leverage and efficiencies as new businesses are integrated and new funeral home locations mature.

Employee related costs, which represent approximately 40% of all operating costs, increased 9.1% to $72.8 million. The ratio of these costs to sales was 29.8%, the same as 2007. Comparable employment costs (that is, excluding the impact of acquisitions) increased 6.6% to $70.7 million. The ratio of comparable employment costs to sales revenue remained fairly constant with a small increase to 30.1%, from 29.9% in 2007.

Finished goods, consumables used and funeral disbursements represent approximately 39% of all operating costs and increased 13.1% to $73.1 million. The ratio of these expenses to sales was 29.9% compared to 28.9% in 2007. On a comparable business basis, the ratio was 29.6%, compared to 28.7% in 2007. The ratio movements are mainly sales mix related.

Occupancy costs, which represent approximately 8% of operating costs, increased 14.4% to $15.2 million in 2008. The ratio of occupancy costs to sales increased to 6.2% from 5.9% in 2007. The increases were primarily due to acquisitions and the opening of new leased funeral locations. Comparable business occupancy costs increased 9.0% to $14.3 million.

Advertising and promotion expenses represent approximately 4% of all operating costs and increased $1.0 million, or 13.9%, to $7.9 million in 2008. Comparable business advertising and promotion expenses increased $0.8 million, or 11.7%, to $7.7 million. Of the overall increase, $0.8 million arose in the first half of 2008, following a planned acceleration of spending in that half to promote brand development and prepaid funerals. The second half expenses increased by $0.2 million or 5.1% on the corresponding second half of 2007.

Motor vehicle costs, representing about 3% of all operating costs, increased by $0.5 million or 9.5% to $5.5 million primarily due to business acquisitions ($0.2 million of the increase) and higher fuel prices ($0.3 million).

Other operating expenses for 2007, which represent approximately 7% of all operating costs, increased 9.0% overall and 4.6% in comparable operations.

Depreciation and amortisation

Depreciation expense increased by $0.8 million to $9.7 million in 2008. This increase was mainly attributed to the impact of business acquisitions ($0.2 million), new capital expenditure ($0.4 million) and accelerated depreciation on certain plant and equipment following reassessment of useful lives ($0.4 million).

Financing costs

Finance costs increased by $1.6 million to $13.7 million. The main components of the increase were unfavourable, non-cash fair value movements in derivative financial instruments ($1.2 million), interest paid on debt, which was on average $3 million higher than in 2007 ($0.2 million), and foreign exchange losses ($0.1 million).

Taxation

InvoCare's 2008 income tax expense was $10.7 million (2007: $11.7 million). Excluding the impact of $0.6 million in prior period adjustments, the overall effective tax rate was 29.2%, compared to 29.8% for 2007.

The Company has $15.1 million in available franking credits (2007: $13.4 million).

CAPITAL MANAGEMENT

InvoCare's capital management objectives and strategies seek to maximise total shareholder returns, in terms of earnings per share, distributions and share price, while maintaining a capital structure with acceptable debt and financial risk.

Basic earnings per share since listing has increased from 18.1 cents in 2004, the first full year as a listed company, to 28.0 cents in 2008. This represents a compound annual growth rate of 11.5%.

An investment of $1.00 in InvoCare at 31 December 2003 would have increased in value, excluding dividends, against the S&P/Index as shown in the graph below. In particular, the graph shows how InvoCare's share price has held its value far better than the underlying market since the start of the financial crisis in late 2007 which reflects market confidence in InvoCare.

Since InvoCare's initial public offering in late 2003, the total shareholder return to 31 December 2008 was 230%, comprising share price growth of $3.30, from the application price of $1.85, and fully franked dividends paid amounting to 94.9 cents per share, excluding the final 2008 dividend of 13.0 cents payable on 9 April 2009.

During the 2008 year, InvoCare continued active capital management, which allowed it to again reward shareholders with an increased dividend. Basic earnings per share increased 1.4% to 28.0 cents per share. Total ordinary dividends for the 2008 year increased by 4.4% to 23.5 cents per share (2007: 22.5 cents per share) with the directors declaring a final, fully franked, dividend of 13.0 cents per share (2007: 12.5 cents per share). The 2008 dividend payout ratio was 84.3% (2007: 81.8%), exceeding the minimum 75% target ratio.

InvoCare's Dividend Reinvestment Plan (DRP), which was first activated for the 2006 interim dividend paid in October 2006, remains active for the 2008 final dividend. Approximately 25% of InvoCare investors have elected to participate in the DRP.

Maintaining an optimal leverage ratio is a key capital management objective. The optimal capital structure, which has the lowest cost of capital, is indicatively at a leverage ratio (i.e. Net Debt/EBITDA) of between 3:1 and 5:1. The Group can sustain and service higher levels of debt than the amount at balance date and, before the onset of the global financial crisis, had a longer term net debt target of 3.5x EBITDA. Financiers may be unwilling to lend at this ratio in the current markets. Where the capacity exists, debt financing will be used for small acquisitions and capital expenditure. In the absence of opportunities to invest in growing the business, the Group will consider applying excess debt capacity to make returns to shareholders (e.g. special dividends, share buy-backs, etc). No major capital management initiatives involving a return to shareholders in excess of normal dividends are anticipated during 2009.

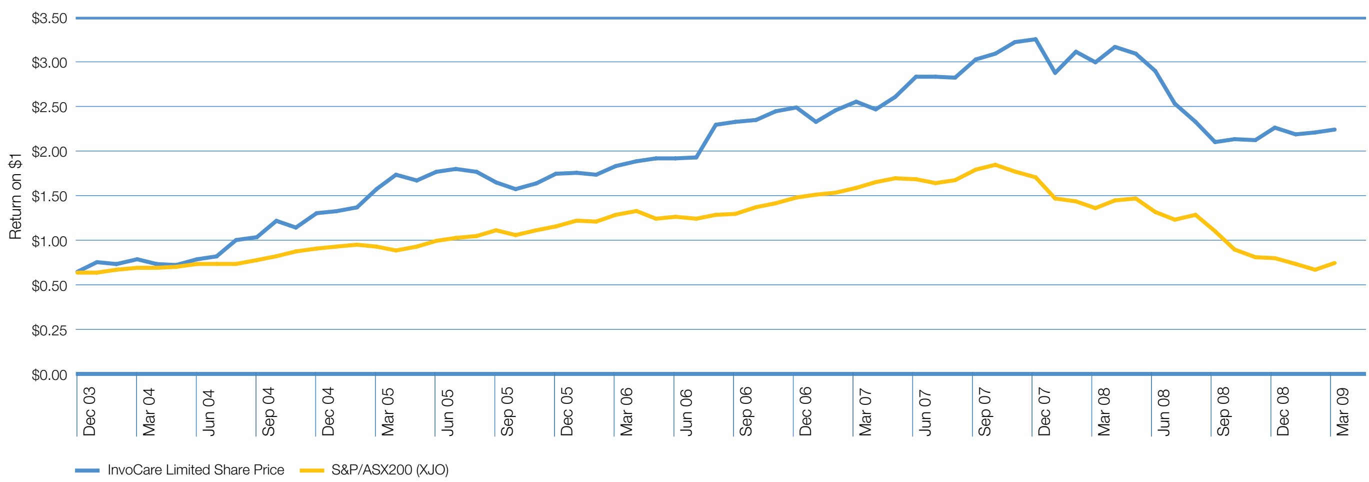
The Group's existing bi-lateral debt facilities with two of Australia's big four banks (Australia and New Zealand Banking Group Limited and National Australia Bank Limited) expire in January 2011 when all the debt becomes due and payable. These unsecured facilities provide up to $180 million in debt finance, plus $5 million in working capital. At 31 December 2008, borrowings drawn on the debt facilities amounted to $158.9 million, an increase of $4.0 million from the previous year end. The Group has commenced work in preparation for the debt refinancing well in advance of the maturity of the existing bank debt facilities.

InvoCare has complied with its debt covenants for the above facilities. The covenant ratios, as defined in the debt facility agreements, were as follows:

- Interest cover (EBITDA/Net Interest Expense) must be greater than 3.00:1. At 31 December 2008 this ratio was 5.97:1 (2007: 5.40:1).
- Leverage ratio (Net Debt/Adjusted EBITDA) must not be greater than 3.75:1. At 31 December 2008 this ratio was 2.49:1 (2007: 2.47:1).

Another important capital management objective is to avoid excessive exposure to interest rate fluctuations. InvoCare's policy to maintain floating to fixed base interest rate swaps for at least 75% of debt principal was again achieved in 2008. At 31 December 2008 the proportion of debt hedged was 96% (2007: 99%). The hedge contracts extend to the end of 2010. As a result of these contracts, InvoCare's effective interest rate, including margin, on borrowings at 31 December 2008 was 6.4% (2007: 6.6%).

Return on $1 – InvoCare Limited against S&P/ASX 200 Index



CASH FLOW

	2008 $m	2007 $m
Net cash provided by operating activities	**36.5**	38.6
Proceeds from sale of property, plant and equipment	**0.6**	4.6
Purchase of subsidiaries and other businesses, net of cash acquired	**(6.1)**	(8.5)
Purchase of property, plant and equipment	**(16.4)**	(17.4)
Net cash used in investing activities	**(21.9)**	(21.3)
Proceeds from issue of ordinary shares	**–**	0.3
Shares acquired by InvoCare Deferred Employee Share Plan Trust	**(0.8)**	(0.8)
Net increase in borrowings	**4.0**	2.4
Payment of dividends – InvoCare Limited shareholders	**(20.4)**	(15.7)
Other	**–**	(0.1)
Net cash used in financing activities	**(17.2)**	(13.9)
Net increase/(decrease) in cash held	**(2.6)**	3.4
Cash and cash equivalents at the beginning of the year	**9.0**	5.7
Effect of exchange rate change	**–**	(0.1)
Cash and cash equivalents at the end of the year	**6.4**	9.0

Operating cash flows were $2.1 million lower than the corresponding year, primarily due to the decline in prepaid surplus.

Consistent with previous years, for the full year there was strong conversion of Operating EBITDA to cash. In the first half the conversion rate was 88%, but this shortfall was arrested as expected with a strong second half conversion at 106%, resulting in 98% for the full year.

	2008 $m	2007 $m
Operating EBITDA	**61.9**	58.9
Cash flow		
Cash provided by operating activities	**36.5**	38.6
Add/(less):		
Finance costs	**11.3**	11.1
Income tax paid	**12.9**	12.6
Interest received	**(0.2)**	(0.3)
Ungeared, tax free operating cash flow	**60.5**	62.0
Proportion of EBITDA converted to cash	**98%**	105%

Payments for the purchase of businesses included the acquisition of Christian Funerals ($1.6 million) and Southern Cross Funerals ($0.5 million) plus payments of deferred consideration for Singapore Casket Company ($0.9 million), Liberty Funerals ($0.7 million) and Chipper/Oakwood Funerals ($2.4 million).

Payments for property, plant and equipment comprise:

	2008 $m	2007 $m
Property purchases	**0.4**	3.4
Refurbishments and facility upgrades	**5.7**	4.1
Motor vehicles	**3.2**	3.9
Cremators	**2.2**	1.8
Other assets	**4.9**	4.2
Total capital expenditure	**16.4**	17.4

Dividend payments were higher this year due to the increase in cents per share on previous interim and final dividends and the on market purchase of required DRP shares for the 2007 final dividend paid in April 2008.

PREPAID FUNERALS

At 31 December 2008, prepaid funeral funds under management, including customer instalment amounts receivable, not controlled by InvoCare and not recorded as an asset on InvoCare's balance sheet, amounted to $237 million (31 December 2007: $272 million). The prepaid funds will be recognised in sales and operating profit in future years when the prepaid funeral services are performed and monies are redeemed from the prepaid trusts. An estimated 50% is expected to be recognised over the next 10 years and 90% over about 25 years. As mentioned above, in any one year approximately 13% of all Australian funeral services performed by InvoCare have been prepaid.

The estimated surplus, or additional margin, included in the prepaid funds to be recognised in future years reduced during the year by $49 million to an estimated $7 million at 31 December 2008. This surplus is the excess of funds invested over the retail price of funerals if all the prepaid services had been performed on 31 December 2008. However, funeral service selling price increases in the order of 4.0% to 4.5% applied from 1 January 2009 and will have resulted in the surplus declining by an estimated $10 million (that is, to negative $3 million). Consequently, sales and operating margins after 31 December 2008 will be negatively impacted as the contracts on hand at the end of 2008 are redeemed, unless future net investment returns exceed the impact of selling price increases.

InvoCare monitors the asset allocations and investment performance at least quarterly and makes representations where possible to those in control of the trusts to mitigate price risks and enhance the returns which will ultimately impact InvoCare's future results. Despite the number of new funeral contracts exceeding redemptions, the volatile capital and financial markets have resulted in negative returns over the last year, as shown below. Pleasingly, the returns have remained above benchmark.

	31 December 2008	31 December 2007	Change $ or %
Prepaid funds under management	**$237m**	$272m	($35m)
Asset allocation			
Australian equities	**28.4%**	56.9%	(28.5%)
International equities	**1.6%**	1.8%	(0.2%)
Property	**1.1%**	4.7%	(3.6%)
Fixed interest	**10.1%**	20.5%	(10.4%)
Cash	**58.8%**	16.1%	42.7%
Gross annual returns for all fund assets*			
One year ended	**(14.1%)**	11.9%	(26.0%)
Three years ended	**4.0%**	14.4%	(10.4%)
Five years ended	**8.6%**	13.5%	(4.9%)
Seven years ended	**6.8%**	10.2%	(3.4%)

** Excludes investment management and administration fees (currently 1.6%)*

With the funds held in trust for relatively long periods (because contracts are redeemed over approximately 15 years), investment strategies take a long-term view for those trusts not restricted to more conservative, capital guaranteed assets. Historically, equities have provided the best long-term returns and consequently, until recently, there has been an asset allocation bias to equities. However, over the last 18 months, the unprecedented global financial crisis has seen significant declines in equity market values, as well as falling cash interest rates.

To mitigate and lessen exposure to further value erosion of the invested funds, in August 2008 the fund manager of the largest portion (approximately 75%) of prepaid funeral fund assets shifted $58 million from equities and property into cash and fixed term deposits. With the benefit of hindsight, it is estimated that this tactical tilt from equities saved approximately $15 million in further value declines over the period to 31 December 2008. Since 31 December 2008, a further $23 million was shifted from equities into term deposits.

After the above asset reallocations, InvoCare estimates Australian equity investments had reduced to approximately 17% of total prepaid funds under management. The long-term investment strategies remain unchanged. The tactical short-term asset reallocations from equities to fixed term deposits provide certainty of positive returns for the near future, as opposed to volatile and generally negative equity returns, and protect InvoCare's future sales and operating margin when the prepaid services are performed. With varying maturity dates during 2009, the maturing term deposits may be redirected into equity markets when there is an observed and sustained recovery in those markets.

OTHER RATIO ANALYSIS FOR INFORMATION

InvoCare's management across all operations uses various financial and non-financial key performance indicators in monitoring the results and position of the Group and its various businesses. These measures may include, but are not limited to, areas such as the following:

- Customer surveys
- Numbers of services performed
- Market share
- Average selling prices
- Delivery timeframes of preneed memorials
- Ratio of prepaid contracts sold to contracts redeemed
- Prepaid fund asset allocations and investment returns
- Brand awareness surveys
- Days sales in receivable
- Cash flows
- Debt service costs and covenant ratios
- Operating margin percentages
- Effective income tax rates
- Employee learning and development
- Workers's compensation claims and costs
- Lost time injury rates and return to work statistics.

Several key financial ratios relating to the Group as a whole which may be useful to investors are presented in the table below. The adoption of AIFRS resulted in some transitional accounting adjustments which precludes meaningful calculations for some of these ratios for the 2004 year.

Ratio	Calculation		2008	2007	2006	2005	2004
Operating margin on sales	EBITDA/Sales	%	**25.3**	26.3	25.6	25.7	24.8
Income tax rate	Tax expense/PBT	%	**27.5**	29.8	30.2	30.4	31.2
Dividend payout ratios:	Dividend/PAT						
– Ordinary dividends		%	**84.3**	81.8	79.8	79.4	76.0
– Special dividend		%	**–**	–	–	50.5	–
– Total dividend payout ratio		%	**84.3**	81.8	79.8	129.9	76.0
Return on equity	PAT/Average equity	%	**45.5**	51.8	65.4	68.1	n/a
Return on assets	EBIT/Average total assets	%	**15.4**	15.8	15.4	15.3	n/a
Gearing	Net debt/Equity	%	**241.7**	240.7	315.7	493.4	410.3
Leverage	Net debt/EBITDA	x	**2.5**	2.5	3.0	3.0	3.0
Net interest cover	EBIT/Net interest	x	**4.0**	4.4	4.4	3.4	3.5
Asset replacement	Capital expenditure/ Depreciation and amortisation	x	**1.7**	1.9	1.2	1.1	0.6

2009 OUTLOOK AND BEYOND

Preliminary sales for the first quarter of 2009 were $58.5 million, 7.7% above the corresponding first quarter of 2008. The number of funerals performed in Australia was 4.4% higher than 2008, and on a comparable basis 2.7% higher. Prepaid funeral fund contributions, as expected, have remained lower than 2008 and reduced sales and margins for the quarter by $0.3 million compared to $0.3 million increase in the first quarter of 2008. After net deferred revenue adjustments, overall cemeteries and crematoria sales were 0.5% lower in the quarter.

The Group's performance is significantly dependent upon the number of deaths. Long-term actuarial trend predictions indicate the number of deaths will increase as the population ages, but in any one year the actual number may vary above or below the trend.

InvoCare's results are also impacted by monies received from off balance sheet trusts upon delivery of prepaid services. The long-term investment strategy for these prepaid funds includes an asset allocation bias to equities, which historically has given the best long-term investment returns. However, equity values have declined significantly in the global financial crisis, impacting InvoCare's results. A tactical tilt away from equities has been made to mitigate the short-term impacts.

Furthermore, another factor impacting results notably in the second half of 2008 was discretionary cemeteries and crematoria memorial purchases by family customers appeared to have been delayed or scaled down in the weaker economic conditions. This trend is expected to continue into 2009 but can be partly mitigated by acceleration of delivery of prepaid memorials to enable recognition of previously deferred revenue.

InvoCare remains well positioned as the market leader in Australia and Singapore. With a solid and proven business model and sound financial fundamentals supporting it, InvoCare can continue to grow from its profit drivers:

1. Organically:

- investing in our people and their development;
- enhancing service offerings to our client families;
- annually increasing prices at least equal to CPI;
- benefiting from an increasing number of deaths, which the ABS has estimated to rise beyond 1.5% p.a. from 2011, growing progressively to a rate of 2.7% around 2030 before steadily declining to around 1.0% again in the mid 2050s;
- opening new locations and leveraging brands to grow market share;
- monitoring asset performance, including investing in facility upgrades and refurbishments or divesting non-performing/ non-strategic assets;
- increasing the memorialisation rate in the cemeteries and crematoria by focusing on service and product offerings; and
- continued capital management, which is dependent upon trading and economic conditions, as well as acquisition/ expansion opportunities and capital expenditure.

2. Acquisitions:

- pursuing acquisition opportunities to improve existing market share; and
- entering new domestic or international markets; for example, by acquisition, joint venture or greenfield operations, subject to sound business cases and not materially affecting our overall low risk profile.

3. Prepaid funds:

- growing the value of prepaid funds under management;
- writing more new prepaid contracts than contracts performed;
- optimising fund asset allocations and returns; and
- ensuring that the annual net return on invested funds is greater than annual price increases to deliver incremental margin expansion.

4. Operating leverage:

- maintaining suitable, but not excessive, operating capacity to absorb the immediate demands from increased volumes;
- continuing to contain and manage operating expenses, in particular payroll related costs; and
- achieving efficiencies through the pooling of labour, vehicles and back office functions, in particular as new business acquisitions are integrated and new funeral home locations mature.

Financial Report

InvoCare Limited and Controlled Entities

Financial Report
For the financial year ended
31 December 2008

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

InvoCare Limited (ABN 42 096 437 393) 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 27 March 2009. 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.

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 2008. 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 (resigned 31 December 2008)
Andrew Smith (appointed 1 January 2009)
Christine Clifton
Roger Penman
Benjamin Chow
Richard Fisher

Principal activities

The Group is a leading private provider of services to the funeral industry in Australia and 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.

Operating results

The consolidated profit of the consolidated entity after providing for income tax and eliminating minority interest was $28,026,000 (2007: $27,554,000).

Dividends

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

	2008 $'000	2007 $'000
Interim ordinary dividend of 10.5 cents (2007: 10.0 cents) per fully paid share paid on 10 October 2008	**10,530**	9,991
Final ordinary dividend of 13.0 cents (2007: 12.5 cents) per fully paid share declared by directors on 19 February 2009 to be paid on 9 April 2009	**13,104**	12,536
Total ordinary dividends of 23.5 cents (2007: 22.5 cents)	**23,634**	22,527

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

The Dividend Reinvestment Plan (DRP), first activated for the 2006 interim dividend, was available for the 2008 interim dividend and $7,846,540 (2007: $7,535,955) was paid in cash and $2,683,636 (2007: $2,454,864) through the issue of 512,114 (2007: 379,139) shares at $5.24 (2007: $6.47) per share via the DRP. The shortfall in the DRP take-up was not underwritten nor were DRP shares issued at a discount to the market price for dividends paid in 2008 and 2007.

The Dividend Reinvestment Plan will apply to the final 2008 dividend which is not being underwritten and no discount to the market price will apply.

Review of operations

Results highlights:

	2008 $'000	2007 $'000	Change $'000	Change %
Sales revenue				
Funerals				
Comparable Australian	**174,178**	163,373	10,805	6.6%
Comparable Singapore	**8,373**	7,383	990	13.4%
Acquired Australian business	**9,767**	2,479	7,288	294.0%
Total funerals	**192,318**	173,235	19,083	11.0%
Cemeteries and crematoria	**58,453**	57,295	1,158	2.0%
Elimination of intra-group sales	**(6,556)**	(6,612)	56	-0.8%
Total sales to external customers	**244,215**	223,918	20,297	9.1%
Operating EBITDA	**61,875**	58,935	2,940	5.0%
(excluding net asset sale gains and net impairment of non-current assets)				
Operating margin	**25.3%**	26.3%		-1.0%
Net profit after tax attributable to InvoCare Limited shareholders	**28,026**	27,554	472	1.7%
EPS				
Basic earnings per share	**28.0 cents**	27.6 cents	0.4 cents	1.4%

Sales revenue grew 9.1% or $20.3 million to $244.2 million, driven by volume and price. Service volumes were higher, with the number of Australian deaths remaining above the long-term growth trend, and acquired businesses and new locations contributing to increased market share. The continued downturn in equity markets reduced the surplus contribution from redeemed prepaid funeral funds by $2.6 million which negatively impacted sales and operating margins.

The number of deaths in the Australian funeral markets in which InvoCare operates increased by an estimated 2.1% in 2008, compared to the 4.4% estimated for the year to 31 December 2007. Whilst the increase is lower than the previous year, the estimated number of deaths was above the trend of approximately 1% increase per year over the last 20 years. The average selling price per funeral service in comparable Australian funeral homes increased by 4.6%, a reduction from the previous year's 5.3% increase due to the mix of where the deaths occurred.

Australian funeral business acquisitions since 1 January 2007, being Liberty Funerals (Sydney NSW, March 2007), Chippers (WA, December 2007), Christian Funerals (Perth WA, August 2008) and Southern Cross Funerals (Melbourne VIC, October 2008) contributed $7.3 million to the growth in funeral sales revenue. All acquisitions are performing well and meeting expectations.

Nine new funeral home locations were opened in 2008, taking the total number of InvoCare funeral home locations across Australia to 162. The new location strategy continues to improve the penetration of InvoCare's key brands in existing and new markets.

InvoCare's overall share of the Australian funeral markets in which it operates has increased by an estimated 1.7% since 31 December 2007, due primarily to the impact of new acquisitions, in particular Chippers and Christian Funerals in Western Australia. Excluding the acquisitions, InvoCare estimates its share of comparable markets increased by 0.4%.

Cemeteries and crematoria sales revenue was adversely impacted by reduced memorial contract numbers and average prices, particularly in the second half of the year as economic conditions worsened, and by a small market share loss in the Sydney region, due to Rookwood Crematorium operating at less than full capacity following a fire in July 2008. These impacts were mitigated by increased numbers and average prices of burials and cremations and stepped up memorial construction activity to deliver previously deferred memorial revenue.

Operating costs generally increased slightly more than the growth in revenues.

Operating EBITDA (i.e. earnings before interest, tax, depreciation, amortisation and net gains or losses on asset sales and impairment) improved by $2.9 million or 5.0% to $61.9 million. Excluding the impact of the prepaid surplus from both years, Operating EBITDA would have improved by $5.6 million or 10.0%.

Comparable (i.e. excluding new acquisitions) Operating EBITDA increased by $1.3 million or 2.3% to $59.8 million. Excluding the prepaid surplus, Operating EBITDA would have improved by $4.0 million or 7.2%.

Operating cash flows were $2.1 million lower than the corresponding year, primarily due to the decline in prepaid surplus. Consistent with previous years there was strong conversion of Operating EBITDA to cash.

Following the good result, a fully franked final dividend of 13.0 cents per share (2007: 12.5 cents per share) has been declared, taking the total ordinary dividends for 2008 to 23.5 cents, a 4.4% increase on 2007 (22.5 cents). The dividend payout ratio for the year was 84.3% (2007: 81.8%).

Significant events after the balance date

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

Future developments and results

InvoCare continues to pursue growth through acquisitions, new locations, investing in existing locations, ongoing operational improvements and favourable demographic changes.

The Group's performance is significantly dependent upon the number of deaths increasing in line with actuarial trend predictions in the markets in which InvoCare operates. In addition, results are impacted when monies are received from off balance sheet trusts upon delivery of prepaid services, in particular where the values of the assets in those trusts fluctuate depending on the asset allocations and investment earnings. Although there is a long-term investment strategy bias to equities, in the current global financial crisis the short-term bias strongly favours cash and fixed interest securities.

With the prevailing economic climate, plans for continued capital expenditure and the potential opportunities for further business acquisitions, no major capital management initiatives are planned for 2009. InvoCare is well positioned with its total $180 million existing bi-lateral, unsecured bank borrowing facilities in place until January 2011. Drawings on these facilities at the end of 2008 were $158.9 million, leaving $21.1 million headroom, and banking covenants were comfortably satisfied. Capital management is a constant focus and preparations for debt refinancing have commenced with negotiations expected in late 2009 or early 2010.

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 FCA

Chairman of the Board
Chairman of Remuneration Committee
Chairman of Nomination Committee
Member of Risk Committee

Ian has held the position of Chairman of InvoCare Limited since 2001. He is a Fellow of The Institute of Chartered Accountants in Australia. Ian has had over 45 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, Goodman Limited and Australian Vintage Limited and a director of Energy One Limited and Reckon Group Limited. He has significant experience in turnaround management, property and development, tourism, manufacturing, retail, hospitality and hotels, infrastructure and aviation and service industries.

Other Public Company Directorships held in the last three years
Australian Oil Company Limited (appointed May, 2005: retired December, 2008)
Australian Vintage Limited (appointed November, 1991)
Energy One Limited (appointed November, 1996)
Goodman Group (appointed September, 2003)
Reckon Limited (appointed August, 2004)

Mr Richard Davis BEc

Chief Executive Officer (until 31 December 2008)

Richard has worked in the funeral industry since 1989, initially as Chief Financial Officer and then Chief Executive Officer of businesses which are now part of the InvoCare Group. He held the position of Chief Executive Officer of InvoCare Limited from 1995 to 31 December 2008 when he resigned as director and Chief Executive Officer. For the immediate future and to provide transitional assistance, he has retained directorships on a number of InvoCare controlled subsidiaries including Singapore Casket Company (Private) Limited. Richard resigned as a director of Over Fifty Guardian Friendly Society Limited on 24 March 2009. Prior to joining the funeral industry, Richard worked in venture capital and as an accounting partner of Bird Cameron. Richard holds a Bachelor of Economics from the University of Sydney.

Mr Andrew Smith BCom MBA CA

Chief Executive Officer (from 1 January 2009)

Andrew joined InvoCare in January 2006 as Chief Financial Officer and was promoted to Chief Operating Officer in March 2007. On 1 January 2009, Andrew was promoted to Chief Executive Officer and Managing Director. Prior to joining InvoCare Andrew held the position of Chief Financial Officer with Brazin Limited and previously OrotonGroup Limited. Andrew was also Financial Controller for Sales & 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 was appointed as a director of Over Fifty Guardian Friendly Society Limited on 24 March 2009. He holds a Bachelor of Commerce from the University of Queensland, a Master of Business Administration from the University of New England and is a member of the Institute of Chartered Accountants in Australia.

Dr Christine (Tina) Clifton MB BS (Hons) BHA

Non-executive Director
Chairman of Risk Committee
Member of Audit Committee
Member of Nomination Committee

Tina Clifton is a registered medical practitioner. Tina has been a director of InvoCare Limited since October 2003 and her other current directorships include The Hospitals Contribution Fund of Australia Limited (HCF) and Healthcare Australia. She is also a Councillor of the University of New South Wales. 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.

Other Public Company Directorships held in the last three years
Diversa Limited (formerly Ambri Limited) (appointed August, 2001: resigned December, 2006)

Top to bottom, left to right: Ian Ferrier, Richard Davis, Andrew Smith, Tina Clifton, Roger Penman, Benjamin Chow and Richard Fisher.

Mr Roger Penman BEc FCA FTIA

Non-executive Director
Chairman of Audit Committee
Member of Remuneration Committee
Member of Nomination Committee

Roger Penman was appointed as a director of InvoCare Limited in January 2005 and commenced his roles on the Audit Committee and Remuneration Committee in February 2005. Roger has been a Principal of WHK Horwath Sydney 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
Member of Nomination Committee

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

Mr Richard Fisher AM MEc LLB

Non-executive Director
Member of Risk Committee
Member of Audit Committee
Member of Nomination Committee

Richard Fisher is General Counsel to The University of Sydney and is an Adjunct Professor in its Graduate School of Government. Richard is the immediate past Chairman of Partners at Blake Dawson and specialised in corporate law. He has been a director of InvoCare Limited since 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.

Company Secretary

Mr Phillip Friery BBus CA

Phillip Friery was appointed Company Secretary in January 2007 and Chief Financial Officer in March 2007. He joined the consolidated entity in 1994 as Accounting Manager initially responsible for financial reporting and taxation, and over subsequent years assumed responsibility for information systems, treasury, management accounting, internal audit and capital management. 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 joined the board of Over Fifty Guardian Friendly Society Limited on 24 March 2009. He 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.

Meetings of directors

Details of the meetings attended by each director during the year ended 31 December 2008 are set out in the Corporate Governance Statement on page 36.

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 and Richard Fisher will retire by rotation as directors at the Annual General Meeting and, being eligible, offer themselves for re-election.

Corporate governance

The Directors' Report continues on this 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 as issued in August 2007, unless otherwise stated. Effective from the end of the financial year, Richard Davis ceased to be Chief Executive Officer and was replaced by Andrew Smith who was Chief Operating Officer for the duration of the financial year. As at the date of this report the position of Chief Operating Officer is vacant with the role currently being shared among a number of senior executives.

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

PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Functions of the Board and senior executives

The Board of InvoCare Limited is responsible for guiding and monitoring the Group on behalf of the shareholders by whom they are elected and to whom they are 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 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 (the "CEO") and senior executives, being the Chief Operating Officer (the "COO") and the Chief Financial Officer (the "CFO"), and other management. Delegations are set out in the Group's delegations policy and are reviewed regularly. Delegations, within defined authority limits, relate to various operational functions including areas such as expenditure and commitments, employee matters (e.g. recruitment, termination, remuneration, discipline, training, development, health and safety, etc), pricing, branding, investor and media communications. The Board ensures that the senior executives and the management team are appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess the performance of the CEO and the senior executives.

In deciding which functions and activities the Board reserves to itself it is guided by the overarching principle that the Board is charged with strategic responsibility, along with a management oversight function, and that the executive management have an implementation function. In fulfilling these functions, the directors seek to enhance shareholder value and protect the interests of stakeholders.

All Board members have formal letters of appointment which clearly articulate the roles, responsibilities, expectations and remuneration of directors.

All employees, including the CEO and senior executives, have formal job descriptions. The level of seniority of the role determines whether a formally drafted contract of employment or a less complex letter of appointment is used to confirm employment. Regardless of type all employment agreements clearly articulate duties and responsibilities but also rights and expectations. Standard letters of appointment were last reviewed and updated in 2007 and used for all appointments since that time.

The Board Charter is available on the Company's website: **www.invocare.com.au**

Senior executive evaluation

After the conclusion of each financial year the CEO evaluates and documents the performance of his direct reports, being the COO and CFO. The results of this evaluation are reviewed by the Remuneration Committee with specific focus on achievements against targeted key performance indicators. Also at this time, key performance indicator targets for the ensuing year are established. The Remuneration Committee and the Board also review and determine the COO and CFO remuneration for the ensuing year.

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

In addition to a review of monthly financial results, at least quarterly the Board monitors the key performance indicators for the Group which provides the opportunity to more regularly evaluate the performance of senior executives outside the annual review process.

When appointed, all new senior executives receive an induction appropriate to their experience, which is designed to ensure they can quickly and effectively participate in decision making. The programme is also designed to ensure that the executive gains a good working knowledge of both the industry and the Group covering the financial position, strategies and operations. This induction programme also focuses on the internal policies and procedures with a particular emphasis on the respective roles of the Board and its committees and those functions delegated to management.

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, being the CEO. Any director appointed to fill a casual vacancy, except for the CEO, 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, may 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. 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.

The Board has assessed, using the criteria set out in the ASX Corporate Governance Principles and Recommendations, the independence of non-executive directors in light of their interests and relationships and considers them all to be independent. The Company will provide immediate notification to the market where the independence status of a director changes.

The skills, experience and expertise relevant to the position of each director and their term of office are set out starting on page 32 of the Directors' Report.

Corporate Governance Statement continued

Meetings of directors

During the year ended 31 December 2008, 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
Independent										
Ian Ferrier	9	9	2*	–	7	7	4	4	1	1
	Chair				Chair		Member		Chair	
Christine Clifton	9	9	5	5	5*	–	4	4	1	1
			Member				Chair		Member	
Roger Penman	9	9	5	5	7	7	2*	–	1	1
			Chair		Member				Member	
Benjamin Chow	9	9	3*	–	5*	–	4	4	1	1
							Member		Member	
Richard Fisher	9	9	5	5	5*	-	4	4	1	1
			Member				Member		Member	
Executive										
Richard Davis	9	9	5*	–	3*	-	4*	–	1*	–

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.*

The quorum for the Board and Board Committees is two, both of whom must be independent directors. Board Committees consist entirely of independent non-executive directors. The CEO may attend all Board Committee meetings by invitation and the COO and CFO attend Board and Committee meetings by invitation.

Nomination committee

The Nomination Committee critically reviews on an annual basis the corporate governance procedures of the Group and the composition and effectiveness of the Board.

The Committee currently consists of the five independent non-executive directors of the Board whose skills and experience cover finance and accounting, taxation, law, medicine and health administration, property development and community service with an emphasis on multiculturalism. The Committee is chaired by Ian Ferrier. The Committee believes that the Board has a healthy mix of skills to ensure the ongoing development and growth of the Group.

In addition to its role in proposing candidates for director appointment for consideration by the Board, the Nomination Committee reviews and advises the Board in relation to Chief Executive Officer and Board succession planning and advises on Board and Committees' performance.

The Committee Charter is available on the Company's website:
www.invocare.com.au

Directors' performance evaluation

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 2008.

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 advisers 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 other 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 them to discharge their 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.

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 programme 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 Nomination Committee is responsible for reviewing the effectiveness of the director induction programme. 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. This code also mandates the avoidance of conflicts of interest and requires high standards of personal integrity, objectivity and honesty in the dealings of all directors, executives and staff, providing detailed guidelines to ensure the highest standards are maintained.

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.

Such behaviours extend to areas such as confidentiality, Privacy Act obligations, communications with the media, occupational health and safety and drugs and alcohol.

This code is provided to all directors and employees as part of their induction process. It is subject to ongoing review and assessment to ensure it continues to be relevant to contemporary conditions.

The code is available on the Company's website: **www.invocare.com.au**

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 all senior staff particularly those, such as finance team members, who have access to information which is not generally available. In addition, it applies to all the associates of these individuals. The policy prohibits trading in the Company's shares except within narrow and specific windows when the Group believes the market is fully informed. There are limited procedural exceptions to the policy and in certain circumstances the Chairman has the ability to approve trading outside the policy prescriptions.

The share trading policy is available on the Company's website: **www.invocare.com.au**

PRINCIPLE 4 – SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Audit committee

The Audit Committee provides assistance to the Board in fulfilling its corporate governance, risk management and oversight responsibilities in relation to the Group's financial reporting, internal control structure, information management systems, interest rate and foreign currency risks 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 Audit Committee comprises three independent non-executive directors and is currently chaired by Roger Penman. Mr Penman is an FCA and brings a wealth of financial and taxation experience to the Committee. Other members are Christine Clifton and Richard Fisher.

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

The Committee Charter is available on the Company's website: **www.invocare.com.au**

Corporate Governance Statement continued

PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE

The Company has appropriate mechanisms in place to ensure all investors are provided with material, timely, complete and accurate information affecting the Group's financial position, performance, ownership and governance.

The Chairman, CEO, CFO or Company Secretary are responsible, as appropriate, for communication with shareholders and Australian Securities Exchange (ASX). This includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX listing rules and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public. Continuous disclosure obligations are well understood and upheld by the Board and senior executives. Formal and informal discussion and consideration of these obligations occur as and when the need arises.

The Group's shareholder communication strategy is designed to ensure that all relevant information, especially market sensitive information, is made available to all shareholders and other stakeholders as soon as possible. InvoCare's website is structured to ensure information is easily located and logically grouped. Those shareholders who have made the appropriate election receive email notification of all announcements.

The Continuous Disclosure Policy and Shareholder Communication Strategy are available on the Company's website: **www.invocare.com.au**

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 Company uses its website to complement the official release of material information to the market. Shareholders may elect to receive email alerts when Company announcements are made. Notice of Annual General Meeting, half year and annual results announcements and financial reports, investor presentations, press releases and other ASX announcements can be found on the Company's website: **www.invocare.com.au**

The Board encourages full participation of shareholders at the Annual General Meeting. The Company's external auditor attends the Annual General Meeting and is 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 encourages shareholders to ask reasonable questions of the auditor regarding the audit and auditor's report. Questions for the auditor can be submitted prior to the Annual General Meeting by contacting the Company's registered office.

The next Annual General Meeting is scheduled to be held at 11.00am on Friday, 22 May 2009 at the Radisson Plaza Hotel, 27 O'Connell Street, Sydney.

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

The Shareholder Communication Strategy is available on the Company's website: **www.invocare.com.au**

PRINCIPLE 7 – RECOGNISE AND MANAGE RISK

The Board, through the Risk Committee and Audit Committee, reviews and oversees the Group's risk management systems.

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 for strategic or financial (including information technology) risk management, which is the focus of InvoCare's Audit Committee.

The Company's approach to managing risk draws from the Australian/New Zealand Standard, and the Committee of Sponsoring Organisations of the Treadway Commission's integrated framework for Enterprise Risk Management.

Each senior executive, with input and assistance from their direct reports, identifies key risks for their areas of responsibility and function which are in turn aggregated into an overall corporate risk register. Detailed work on this task is delegated to the Group Internal Audit Manager. Each risk is assessed and assigned an inherent risk rating. After considering the impact of management controls, a residual risk rating is determined for each risk. The risk register is continuously reviewed and maintained as new identified risks or incidents occur, or mitigating controls change which warrant a reassessment of risk ratings.

Extracts of the risk register focusing on the risks with high and very high residual ratings are provided to the Risk Committee at each of its meetings, together with specific commentary or information on significant changes to the risks or the ratings. Specific major risks or incidents are reported as and when they occur with the CEO and COO responsible for escalating these to the Risk Committee and Board, where necessary, if the event occurs outside the regular cycle of Committee meetings. The Committee is informed of the effectiveness of actions to mitigate the impact of risk events. By way of example, during 2008 a fire occurred at the Group's Rookwood Crematorium following which the Risk Committee obtained management's assessment of fire risks and controls at all the Group's crematoria. In addition, the Committee considers developments or improvements in risk management and controls, including the adequacy of insurance programmes. In particular, the Committee reviews and monitors the Group's rolling three-year risk management plan which includes targets, timelines and status for the management of risks.

Separate records and registers are maintained for other more common or recurring risks; for example, arising from customer complaints and occupational health and safety issues. These are managed and reported to the Committee by relevant in-house specialists, including the Group Internal Audit Manager. In this context, the Committee monitors complaints handling and also has a strong focus on ensuring suitable work practices and employee learning and development programmes are developed and delivered.

The Group is finalising a Greenhouse Emissions Plan for Board review which will include any risks and opportunities associated with climate change and identify emission reduction targets. In the interim, the Company has taken steps to reduce or minimise carbon emissions; for example, by progressively replacing its older less fuel efficient cremators. Based on measures of carbon emissions in 2007, as a base year, InvoCare is well below the threshold reporting levels under the *National Greenhouse and Energy Reporting Act 2007* which is effective from 1 July 2008.

The Risk Committee comprises four independent non-executive directors and is currently chaired by Christine Clifton. The other members are Ian Ferrier, Richard Fisher and Benjamin Chow.

The Risk Committee Charter is available on the Company's website: **www.invocare.com.au**

Internal control

The Group maintains a register of delegated authorities which are designed to ensure that all transactions are approved at the appropriate level of management and by individuals who have no conflicts of interest in relation to the transaction.

An internal audit function is established and conducts a series of risk-based and routine reviews in accordance with three-year strategic, and more detailed annual, internal audit plans. These plans are based on the existing risk environment and the level of inherent risk, i.e. the level of risk before the application of controls, in order to effectively identify and prioritise internal audit projects. Within the three-year period all key business systems and processes are regularly reviewed, either using in-house or outsourced resources, to ensure that adequate levels of checks and balances exist to safeguard the assets of the Company and ensure that all transactions are correctly and promptly recorded.

Internal audit has developed a self-assessment questionnaire which is distributed to operational management. This questionnaire serves to build higher awareness and understanding of business risks and how to manage and control them. In addition, internal audit reviews all systems improvements and enhancements prior to live implementation to ensure an adequate level of internal control and accountability are maintained.

The Group Internal Audit Manager meets privately with the Chair of the Risk and Audit Committees without management present on a regular basis.

Assurance

Prior to finalising the release of half-year and full-year results and reports the Board receives assurance from the CEO and CFO in accordance with s295A of the *Corporations Act 2001* and Recommendation 7.3 of the ASX Corporate Governance Principles and Recommendations. These assurances also provide the Board with information in relation to internal control and other areas of risk management. These officers receive similar assurance from the key financial and operational staff reporting to them in relation to these matters.

PRINCIPLE 8 – 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.

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.

The Remuneration Committee comprises two independent non-executive directors, Ian Ferrier who chairs the committee and Roger Penman.

The Remuneration Committee Charter is available on the Company's website: **www.invocare.com.au**

Remuneration structure

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, access by invitation to the Deferred Employee Share Plan and fringe benefits.

The Remuneration Report is set out on pages 40 to 46.

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 2008, 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 in this Remuneration Report has been audited as required by section 308(3C) of the *Corporations Act 2001.*

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 advisers.

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 $575,000, being the amount approved by shareholders at the Annual General Meeting held on 23 May 2008.

This remuneration is to be divided among the non-executive directors in such proportion as the Board determines. During the 2008 financial year, annual fees for non-executive directors were $150,000 for the Chairman of the Board and $87,500 for each of the other four non-executive directors. For the 2009 financial year, based upon an external review of non-executive director compensation which was commissioned by the Board Remuneration Committee, the fees are $157,500, for the Chairman and $91,875 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 2008 and 31 December 2007.

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.

During 2008, the Board resolved that with effect from 1 January 2009, non-executive directors of InvoCare Limited be required to acquire a minimum equity interest in the Company equivalent in value to 50% of their annual director's fee applying at the time of their appointment as a director of the Company and that directors be allowed up to three years to accumulate the required shareholding. Since the end of the year Benjamin Chow, the only non-executive director not holding shares at 31 December 2008, acquired a parcel of 10,000 shares. Accordingly, at the date of this report all non-executive directors have an equity interest in the Company.

Retiring allowances

No retiring allowances are paid to non-executive directors.

Superannuation

Where relevant, 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 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.

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.

Effective from the end of the financial year, Richard Davis ceased to be Chief Executive Officer and was replaced by Andrew Smith who was Chief Operating Officer for the duration of the financial year.

As at the date of this report the position of Chief Operating Officer is vacant with the role currently being shared among a number of senior executives. Despite this current situation, the executive directors and management remuneration principles and processes outlined in this report were applied during the financial year and are expected to generally apply in 2009, albeit the role of Chief Operating Officer may be shared during the remainder of 2009.

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 reviews for the approval of the Board of Directors, 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 base 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:

– 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.

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 45 under "Share-based Compensation – Options".

During 2007, a share-based compensation scheme, the InvoCare Deferred Employee Share Plan, was introduced under which the Board may offer selected senior executives and other managers incentive shares ("LTI shares") for no consideration but subject to performance and/or continuous service conditions. If employment is terminated, for any reason, prior to the vesting date, or if the performance and service conditions are not met, any unvested LTI shares will be forfeited.

For the offers made in 2007 and 2008, all LTI shares will vest in three equal tranches in February of each of the second, third and fourth subsequent years. The LTI shares are held in trust until vesting and the employees will be entitled to any dividends paid in respect of unforfeited shares. Upon vesting, the employee has the discretion to leave the shares in the plan, withdraw or sell any number of them.

Performance conditions apply to senior managers who have an important strategic role impacting InvoCare's financial performance and relate to compound normalised earnings per share growth. Normalised means adjusted to remove the impacts of any gains or losses arising from the sale, disposal or impairment of non-current assets. LTI shares will vest in accordance with the following table:

Remuneration Report continued

Normalised earnings per share (EPS) compound growth per annum from 1 January in the year of offer	Proportion of each one third tranche of LTI shares that will vest
12% or more	100%
11% or more but less than 12%	80% plus 2% for each 0.1% growth in EPS over 11%
10% or more but less than 11%	65% plus 1.5% for each 0.1% growth in EPS over 10%
9% or more but less than 10%	55% plus 1% for each 0.1% growth in EPS over 9%
8% or more but less than 9%	50% plus 0.5% for each 0.1% growth in EPS over 8%
Less than 8%	Nil

In February 2009, the Board has made further offers to selected senior executives and other managers. The 2009 LTI shares will vest in three equal tranches in February of each of 2011, 2012 and 2013 subject to normalised compound EPS growth from 1 January 2009 as set out below:

Normalised earnings per share compound growth per annum from 1 January in the year of offer	Proportion of each one third tranche of LTI shares that will vest
10% or more	100%
9% or more but less than 10%	77% plus 2.3% for each 0.1% growth in EPS over 9%
8% or more but less than 9%	53% plus 2.4% for each 0.1% growth in EPS over 8%
7% or more but less than 8%	30% plus 2.3% for each 0.1% growth in EPS over 7%
Less than 7%	Nil

The performance conditions for LTI shares were selected following independent advice and analysis of:

- broker analysis and forecasts for InvoCare;
- historic and forecast EPS growth in the ASX/S&P 200; and
- InvoCare's own earnings forecasts.

If the EPS performance conditions are not met at the vesting date, the LTI shares remain available until February in the fifth year after grant and may vest based on the compound growth from the date of grant to 31 December of the previous year.

To receive 100% of the LTI shares, the senior executive or manager must remain employed for four years after grant date, and if subject to performance conditions, InvoCare's compound EPS growth must equal or exceed the maximum target growth percentage.

Future offers of LTI shares may be made at the discretion of the Board and the service and performance conditions for any future offers may vary from previous LTI share offers.

Further details of LTI shares are set out on page 44 under "Share-based Compensation – Shares".

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

Details of the remuneration of the directors, the key management personnel of the Group and specified executives are set out in the following tables.

The key management personnel of the Group are the non-executive directors of InvoCare Limited (see pages 32 to 33), the CEO (Richard Davis for 2008, Andrew Smith from 1 January 2009), the COO (Andrew Smith for 2008, a shared role from 1 January 2009 to the present time) and the CFO (Phillip Friery).

Other executives who are also included in the category of the five highest paid executives but who are not considered key management personnel are:

- Armen Mikaelian – General Manager, Cemeteries and Crematoria;
- John Fowler – General Manager Victoria, Funerals Division;
- Greg Bisset – General Manager NSW, Funeral Division; and
- Wee Leng Goh – Chief Executive Officer, Singapore Casket Company.

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 33 years and by InvoCare since 1994 when it acquired the Le Pine funeral businesses in Victoria.

Greg Bisset joined the Group on 15 January 2008, after holding general management and other senior retail positions in South Africa, the Middle East and Australia. On 1 March 2009, Greg was promoted to National Funerals General Manager.

Wee Leng Goh joined the Group on 2 January 2008, after holding senior management positions in insurance and direct marketing industries.

All key management personnel (other than non-executive directors), other Australian executives and staff are employed by InvoCare Australia Pty Limited, a wholly-owned controlled entity of InvoCare Limited. Singapore executives and staff are employed by Singapore Casket Company (Private) Limited, whose ultimate parent entity is InvoCare Limited.

Remuneration details are as follows.

2008		Short-term employee benefits		Post employment benefits		Share-based payments	
	Cash salary or fee $	Short-term cash bonus $	Non-monetary benefits $	Superannuation $	Termination benefits $	Shares $	Total $
Non-executive directors							
Ian Ferrier	137,615	–	–	12,385	–	–	150,000
Christine Clifton	80,275	–	–	7,225	–	–	87,500
Roger Penman	87,500	–	–	–	–	–	87,500
Benjamin Chow	80,275	–	–	7,225	–	–	87,500
Richard Fisher	80,275	–	–	7,225	–	–	87,500
Executive directors							
Richard Davis [4]	475,001	128,250	14,317	46,350	477,884	–	1,141,802
Andrew Smith	372,800	188,326	23,822	33,552	–	116,026	734,526
Other key management personnel							
Phillip Friery	300,000	82,620	16,318	27,000	–	69,915	495,853
Totals for each component	1,613,741	399,196	54,457	140,962	477,884	185,941	2,872,181
Totals by category		2,067,394		140,962	477,884	185,941	2,872,181
Other executives in the category of the five highest paid executives but who are not key management personnel							
Armen Mikaelian	163,462	172,123	15,127	33,653	–	50,936	435,301
John Fowler	203,491	25,000	50,570	18,314	–	35,993	333,368
Wee Leng Goh	198,655	45,149	18,367	6,005	–	–	268,176
Greg Bisset	147,661	46,328	12,150	13,290	–	25,433	244,862

2007		Short-term employee benefits		Post employment benefits		Share-based payments		
	Cash salary or fee $	Short-term cash bonus $	Non-monetary benefits $	Superannuation $	Termination benefits $	Options [1] $	Shares $	Total $
Non-executive directors								
Ian Ferrier	–	–	–	145,000	–	–	–	145,000
Christine Clifton	71,560	–	–	6,440	–	–	–	78,000
Roger Penman	78,000	–	–	–	–	–	–	78,000
Benjamin Chow	61,123	–	–	5,501	–	–	–	66,624
Richard Fisher	71,560	–	–	6,440	–	–	–	78,000
Executive directors								
Richard Davis	440,000	432,221	14,090	39,600	–	–	–	925,911
Michael Grehan [2]	40,028	–	42,096	30,602	389,192	8,224	–	510,142
Other key management personnel								
Andrew Smith	355,045	174,150	22,864	31,953	–	–	85,732	669,744
Phillip Friery	250,000	147,500	17,515	22,500	–	1,495	33,911	472,921
Totals for each component	1,367,316	753,871	96,565	288,036	389,192	9,719	119,643	3,024,342
Totals by category		2,217,752		288,036	389,192	129,362		3,024,342
Other executives in the category of the five highest paid executives but who are not key management personnel								
Armen Mikaelian	170,000	186,430	11,484	31,078	–	2,392	25,433	426,817
John Fowler	139,828	70,000	46,155	45,320	–	748	17,140	319,191
Damian Hiser [3]	153,128	–	20,287	12,620	–	–	–	186,035

1. *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.*
2. *Michael Grehan resigned as a Director and Chief Operating Officer on 15 February 2007.*
3. *Damian Hiser resigned effective 27 September 2007 and the information disclosed above relates to the period from 1 January 2007 to 27 September 2007.*
4. *Richard Davis received only statutory leave entitlements upon cessation of employment.*

Remuneration Report continued

C. SERVICE AGREEMENTS

On appointment to the Board, all non-executive directors receive a letter of appointment which summarises the Board policies and terms, including compensation, relevant to the office of director.

The Remuneration Committee reviews the CEO base salary and bonus incentives annually.

The remuneration and other terms of employment for the previous Chief Executive Officer, Richard Davis, who resigned effective 31 December 2008, 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 provided for the provision of salary, short-term performance related cash bonuses, superannuation and other benefits. Mr Davis received only statutory leave entitlements upon his cessation of employment but has agreed to remain a consultant to the Group until 30 June 2009.

Remuneration and other terms of employment from 1 January 2009 for the new Chief Executive Officer, Andrew Smith, were formalised in a service agreement executed on 17 December 2008 which replaces agreements executed in March 2007 (upon promotion to Chief Operating Officer) and December 2005 (for employment commencing January 2006 as Chief Financial Officer). 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 current term of employment is for three years and four months commencing on 1 January 2009 with a starting base salary of $458,716, short-term incentive bonus up to 45% of base salary and superannuation ($225,000 in the first year) and LTI shares of up to 35% of base salary and superannuation ($175,000 in the first year). The LTI shares are subject to the same performance conditions as set out in Section A above for senior InvoCare management. The performance conditions for the 2008 LTI share-based bonus under the previous March 2007 service agreement ($135,450) were not achieved but under the terms of the latest agreement this bonus may still be payable subject to the achievement in subsequent years of compound annual profit growth of 7.5% or more. Except in the case of misconduct, termination may generally be effected, by either party, with either six months' notice or by payment of six months' 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 managers are formalised in service agreements or letters of appointment as varied from time to time, including through annual review of the base salary, short and long -term incentives. Each contract is for an indefinite term. Up to six months' 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. During 2007 and 2008, the other key management personnel and certain other senior managers participated in the InvoCare Deferred Employee Share Plan. Details of this plan are set out in Section D Share-based Compensation. The other key management personnel and certain other senior executives also participated 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 out in Section D Share-based Compensation.

D. SHARE-BASED COMPENSATION

Shares

Under service agreements, Andrew Smith may receive long-term incentive bonus remuneration in the form of ordinary shares in InvoCare Limited. The maximum annual bonus is up to 35% 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 subsequent anniversaries of their purchase. The employee will be entitled to any dividends paid in respect of the shares. Any unvested shares granted before appointment as Chief Executive Officer on 1 January 2009 will be forfeited upon termination of employment for any reason. Unvested LTI shares granted after 1 January 2009 will be forfeited if Mr Smith terminates his employment or if the Company terminates his employment for reasons including serious misconduct, otherwise unvested shares will automatically vest upon termination. Mr Smith's long-term incentive bonus is determined by the Remuneration Committee.

Key management personnel and other executives in the category of the five highest paid executives but who are not other key management personnel received shares under the terms of the InvoCare Deferred Employee Share Plan. The shares were purchased on market and granted for no consideration. Details of the grants are set out below.

	Grant value $		Expensed $	
	2008	2007	**2008**	2007
Executive directors				
Andrew Smith [1]	**–**	129,000	**116,026**	85,732
Other key management personnel				
Phillip Friery	**100,000**	100,000	**67,915**	33,911
Other executives in the category of the five highest paid executives but who are not other key management personnel				
Armen Mikaelian	**75,000**	75,000	**50,936**	25,433
John Fowler	**55,000**	51,000	**35,993**	17,295
Greg Bisset	**75,000**	–	**25,433**	–

1. *Under the terms of Mr Smith's service agreement the LTI share offer performance hurdle for 2008 was not achieved but shares to the value of $135,450 will be granted if compound annual profit growth of 7.5% or more is achieved in a subsequent year.*

The numbers of ordinary shares in the Company held during the year by each director of InvoCare Limited and other key management personnel are summarised in Note 6 on page 69.

Options

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.

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

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 results of the Company and returns to shareholders over the last five years are summarised below.

	2008	2007	2006	2005	2004
Earnings per share	**28.0**	27.6	24.7	21.0	20.4
Dividends paid in year (cents per share):					
Interim for current year	**10.5**	10.0	8.0	7.0	6.4
Final for previous year	**12.5**	11.5	9.5	9.0	–
Special	**–**	–	–	10.5	–
Total dividends paid in the year	**23.0**	21.5	17.5	26.5	6.4
Share price – 1 January	**$7.01**	$5.57	$4.19	$3.35	$2.14
Share price – 31 December	**$5.15**	$7.01	$5.57	$4.19	$3.35
Total shareholder return (price movement plus cash dividends)	**($1.63)**	$1.66	$1.56	$1.11	$1.27
Total shareholder return as percentage of opening share price	**(23%)**	30%	37%	33%	59%

Under the InvoCare Deferred Employee Share Plan, the LTI share remuneration is linked to the compound annual growth in normalised earnings per share over the vesting periods. The following table summarises the performance to date for the grants made in 2007 and 2008:

LTI share grant year	Target annual compound normalised EPS growth from 1 January of grant year	Normalised EPS on 1 January of grant year	Performance condition testing
2007	8 to 12%	22.2 cents	February 2009 – satisfied and 1/3rd fully vested February 2010 February 2011 February 2012 (if required)
2008	8 to 12%	27.2 cents	February 2010 February 2011 February 2012 February 2013 (if required)

The first one-third tranche of the 2007 share grant fully vested in February 2009 based upon achievement of more than 12% annual compound growth in normalised EPS to 31 December 2008. For the next one-third tranche of the 2007 grant to fully vest in February 2010, normalised EPS for 2009 must exceed 28.5 cents. For the first one-third tranche of the 2008 grants to fully vest in February 2010 normalised EPS for 2009 must exceed 36.3 cents.

Remuneration Report continued

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 cash bonuses is payable in future years.

	Cash bonus		Share-based bonus					
Name	Payable %	Forfeited %	Grant year	Vested %	Forfeited %	Minimum yet to vest (Note 2) $	Maximum yet to vest $	Financial years in which shares may vest (Note 3) $
Richard Davis	25	75	N/A	N/A	N/A	N/A	N/A	N/A
Andrew Smith	84	16	2006	33	–	Nil	82,543	2009 2010
			2007	–	–	Nil	129,000	2009 2010 2011
Phillip Friery	54	46	2007	–	–	Nil	100,000	2009 2010 2011
			2008	–	–	Nil	100,000	2010 2011 2012
Armen Mikaelian	99	1	2007	–	–	Nil	75,000	2009 2010 2011
			2008	–	–	Nil	75,000	2010 2011 2012
John Fowler	54	46	2007	–	–	Nil	51,000	2009 2010 2011
			2008	–	–	Nil	55,000	2010 2011 2012
Wee Leng Goh	100	0	N/A	N/A	N/A	N/A	N/A	N/A
Greg Bisset	100	0	2008	–	–	Nil	75,000	2010 2011 2012

1. *N/A = Not applicable*
2. *Performance conditions must be met before vesting and, if not, the minimum that will vest could be nil.*
3. *Under the terms of the grants, an additional year beyond the last shown may be allowed for vesting if the performance hurdles have not been achieved.*

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 at 31 December 2008 nor were any options granted during or since the end of the financial year.

The Directors' Report concludes on the following page.

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 the 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 2008:

	$
Assurance services	15,450
Taxation services	79,815
Advisory services	12,730
Total	107,995

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 48.

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

Andrew Smith
Director

Dated this 27th day of March 2009.

Auditor's Independence Declaration

PRICEWATERHOUSECOOPERS

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As lead auditor for the audit of InvoCare Limited for the year ended 31 December 2008, 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 Feely
Partner

PricewaterhouseCoopers

Sydney
27 March 2009

Liability limited by a scheme approved under Professional Standards Legislation

Income Statements

FOR THE YEAR ENDED 31 DECEMBER 2008

		Consolidated Entity		Parent Entity	
	Notes	**2008 $'000**	2007 $'000	**2008 $'000**	2007 $'000
Revenue from continuing operations	3	**248,992**	228,197	**50,872**	44,663
Finished goods, consumables and funeral disbursements		**(73,108)**	(64,635)	**–**	–
Employee benefits expense		**(59,632)**	(53,111)	**(500)**	(457)
Employee related and on-cost expenses		**(13,149)**	(13,599)	**(2)**	(10)
Advertising and public relations expenses		**(7,905)**	(6,939)	**–**	–
Depreciation, amortisation and impairment expenses	4	**(9,703)**	(8,945)	**–**	–
Occupancy and facilities expenses		**(15,198)**	(13,287)	**–**	–
Finance costs	4	**(13,696)**	(12,095)	**(11,384)**	(9,966)
Motor vehicle expenses		**(5,527)**	(5,049)	**–**	–
Other expenses		**(11,957)**	(11,989)	**(450)**	(529)
Net gain/(loss) on disposal of non-current assets		**(355)**	818	**–**	–
Profit before income tax		**38,762**	39,366	**38,536**	33,701
Income tax expense	5	**(10,668)**	(11,715)	**(2,405)**	(1,728)
Profit from continuing activities		**28,094**	27,651	**36,131**	31,973
Profit for the year		**28,094**	27,651	**36,131**	31,973
Profit is attributable to:					
Equity holders of InvoCare Limited		**28,026**	27,554	**36,131**	31,973
Minority interest		**68**	97	**–**	–
		28,094	27,651	**36,131**	31,973
Earnings per share for profit attributable to the ordinary equity holders of the Company					
Basic earnings per share (cents per share)	10	**28.0**	27.6		
Diluted earnings per share (cents per share)	10	**28.0**	27.6		

The above income statements should be read in conjunction with the accompanying notes.

Balance Sheets

AS AT 31 DECEMBER 2008

	Notes	Consolidated Entity 2008 $'000	Consolidated Entity 2007 $'000	Parent Entity 2008 $'000	Parent Entity 2007 $'000
ASSETS					
Current assets					
Cash and cash equivalents	11	**6,414**	8,981	**1,056**	–
Trade and other receivables	12	**18,410**	18,567	**19**	18
Inventories	13	**13,691**	13,170	**–**	–
Deferred selling costs		**544**	543	**–**	–
Total current assets		**39,059**	41,261	**1,075**	18
Non-current assets					
Trade and other receivables	12	**9,488**	9,072	**238,538**	220,781
Shares in subsidiaries	14	**–**	–	**16,473**	15,957
Property, plant and equipment	15	**222,229**	212,715	**–**	–
Intangible assets	16	**61,991**	56,457	**–**	–
Derivative financial instruments	17	**–**	5,257	**–**	4,360
Deferred tax assets	21	**–**	–	**1,683**	–
Deferred selling costs		**7,613**	7,607	**–**	–
Total non-current assets		**301,321**	291,108	**256,694**	241,098
Total assets		**340,380**	332,369	**257,769**	241,116
LIABILITIES					
Current liabilities					
Trade and other payables	18	**21,017**	25,557	**178**	168
Borrowings	19	**–**	–	**–**	929
Current tax liabilities		**4,696**	4,661	**3,429**	4,150
Deferred revenue		**2,885**	2,956	**–**	–
Provisions	20	**8,538**	8,079	**–**	–
Total current liabilities		**37,136**	41,253	**3,607**	5,247
Non-current liabilities					
Trade and other payables	18	**577**	251	**–**	–
Borrowings	19	**158,655**	154,547	**135,799**	131,701
Derivative financial instruments	17	**12,500**	–	**7,036**	–
Deferred tax liabilities	21	**26,855**	33,390	**–**	1,509
Deferred revenue		**40,389**	41,382	**–**	–
Provisions	20	**1,289**	1,067	**–**	–
Total non-current liabilities		**240,265**	230,637	**142,835**	133,210
Total liabilities		**277,401**	271,890	**146,442**	138,457
Net assets		**62,979**	60,479	**111,327**	102,659
EQUITY					
Contributed equity	22	**71,806**	70,125	**71,806**	70,125
Reserves	23	**(649)**	3,504	**(2,330)**	3,748
Retained profits/(Accumulated losses)	23	**(9,215)**	(14,175)	**41,851**	28,786
Parent entity interest		**61,942**	59,454	**111,327**	102,659
Minority interest	24	**1,037**	1,025	**–**	–
Total equity		**62,979**	60,479	**111,327**	102,659

The above balance sheets should be read in conjunction with the accompanying notes.

Statements of Recognised Income and Expense

FOR THE YEAR ENDED 31 DECEMBER 2008

	Consolidated Entity		Parent Entity	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Share-based payment reserve	**742**	(25)	**742**	(25)
Cash flow hedges, net of tax	**(6,820)**	2,565	**(6,820)**	2,565
Exchange difference on translation of foreign operations	**1,925**	(207)	**–**	–
Net income recognised directly in equity	**(4,153)**	2,333	**(6,078)**	2,540
Profit after tax	**28,094**	27,651	**36,131**	31,973
Total recognised income and expense for the year	**23,941**	29,984	**30,053**	34,513
Total recognised income and expense for the year is attributable to:				
Members of InvoCare Limited	**23,873**	29,887	**30,053**	34,513
Minority interest	**68**	97	**–**	–
	23,941	29,984	**30,053**	34,513

The above statements of recognised income and expense should be read in conjunction with the accompanying notes.

Cash Flow Statements

FOR THE YEAR ENDED 31 DECEMBER 2008

		Consolidated Entity		Parent Entity	
	Notes	**2008 $'000**	2007 $'000	**2008 $'000**	2007 $'000
Cash flow from operating activities					
Receipts from customers		**267,306**	245,629	**–**	–
Payments to suppliers and employees		**(210,877)**	(187,062)	**(944)**	(799)
Other revenue		**4,066**	3,456	**–**	–
		60,495	62,023	**(944)**	(799)
Interest received		**214**	273	**–**	1
Finance costs		**(11,272)**	(11,092)	**(9,633)**	(9,600)
Income taxes paid		**(12,964)**	(12,609)	**–**	–
Net cash provided by/(used in) operating activities	29	**36,473**	38,595	**(10,577)**	(10,398)
Cash flow from investing activities					
Proceeds from sale of property, plant and equipment		**555**	4,571	**–**	–
Purchase of subsidiaries and other businesses net of cash acquired		**(6,126)**	(8,526)	**–**	–
Purchase of property, plant and equipment		**(16,359)**	(17,366)	**–**	–
Net cash used in investing activities		**(21,930)**	(21,321)	**–**	–
Cash flow from financing activities					
Proceeds from issue of ordinary shares		**–**	335	**–**	335
Payment for shares acquired by InvoCare Deferred Employee Share Plan Trust		**(786)**	(816)	**(786)**	(816)
Proceeds from borrowings		**17,000**	18,362	**17,000**	16,000
Repayment of borrowings		**(13,000)**	(16,000)	**(13,000)**	(16,000)
Payment of dividends – InvoCare Limited shareholders (net of Dividend Reinvestment Plan $2,683,000 (2007: $5,687,000))		**(20,381)**	(15,708)	**(20,381)**	(15,708)
Payment of dividends – minority interests		**(56)**	(122)	**–**	–
Proceeds from repayments by controlled entities		**–**	–	**29,729**	25,684
Net cash provided by/(used in) financing activities		**(17,223)**	(13,949)	**12,562**	9,495
Net increase/(decrease) in cash held		**(2,680)**	3,325	**1,985**	(903)
Cash and cash equivalents at the beginning of the year		**8,981**	5,717	**(929)**	(26)
Effects of exchange rate changes on cash and cash equivalents		**113**	(61)	**–**	–
Cash and cash equivalents at the end of the year	11	**6,414**	8,981	**1,056**	(929)

The above cash flow statements should be read in conjunction with the accompanying notes.

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*.

(i) 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).

AASB 8 *Operating Segments* is applicable to annual reporting periods beginning on or after 1 January 2009. However, the Group elected to adopt this standard early, although this resulted in only minor changes to the reporting of operating segments and brought them into line with the segments used for internal management reporting.

(ii) 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).

(iii) 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 at Note 34.

(iv) Comparatives

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

(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 2008 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 InvoCare Exempt Employee Share Plan and the InvoCare Deferred Employee Share Plan. This trust is consolidated, as the substance of the relationship is that the trust is controlled by the Group. Shares held by the InvoCare Deferred Employee Share Plan Trust are disclosed as treasury shares and deducted from contributed equity.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Chief Executive Officer whose direct operational reports were in 2008 the Chief Operating Officer and Chief Executive Officer of Singapore Casket Company.

(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 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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

– 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 will be 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:

(i) 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.

(ii) Cemeteries and crematoria operations
Sales of at-need and prepaid 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. Revenues 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 and unused tax losses.

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.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised in equity.

(i) 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(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(o)). 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 acquisition. 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.

(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 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 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.

The carrying amount of the asset is reduced through the use of a provision for doubtful receivables account and the amount of the loss is recognised in the income statement within "other expenses". When a trade receivable is uncollectible, it is written off against the provision account for trade receivables. Subsequent recoveries of amounts previously written off are credited against "sundry revenue" in the income statement. Details of the impaired receivables, provision account movements and other details are included in Notes 2 and 12.

(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 overhead. 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, 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)).

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Cemetery land is carried at cost less accumulated amortisation and impairment write-downs. 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.

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.

(o) 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 16).

(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.

(p) 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.

(q) 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 Notes 2 and 19 for further information on borrowings.

(r) 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 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.

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 17. Movements in the hedging reserve in shareholders' equity are shown in Note 23. 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 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) 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 finance costs.

Amounts accumulated in equity are recycled in the income statement within finance costs in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place).

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(ii) 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.

(s) Employee benefits

(i) 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.

(ii) 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.

(iii) 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.

(iv) 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.

(v) 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 7.

The cost of equity-settled transactions with employees 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).

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.

(t) 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 for the acquisition of a business are included in the cost of the acquisition as part of the purchase consideration.

(u) 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.

(v) 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.

(w) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of the GST, except where the amount of the GST incurred is not recoverable from the taxing authority. In these circumstances, the GST is recognised as part of the cost of acquisition of 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.

(x) 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(y) New accounting standards and interpretations
Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2008 reporting periods. The Group's and parent entity's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 3 *Business Combinations*, AASB 127 *Consolidated and Separate Financial Statements* and AASB 2008-3 *Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127* (effective 1 July 2009)
The Australian Accounting Standards Board has announced that the revisions to the equivalent international accounting standard will be adopted in Australia for business combinations with an acquisition date on or after reporting periods beginning on or after 1 July 2009. The main impact of this standard is that the costs associated with the completion of an acquisition will no longer be regarded as part of the cost of the acquisition and these costs must be written off in the income statement. This will result in an immediate impact on the income statement in the year an acquisition is made; however, the quantum of the impact cannot be forecast due to the inherently uncertain nature of the timing and costs of completing acquisitions. The Group will apply the revised standards prospectively to all business combinations from 1 January 2010.

(ii) Revised AASB 123 *Borrowing Costs* and AASB 2007-6 *Amendments to Australian Accounting Standards arising from AASB 123* (effective from 1 January 2009)
The revised AASB 123 has removed the option to expense all borrowing costs and, on adoption, will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. Qualifying assets are those assets which take a substantial time to construct or develop and generally exclude assets acquired through business combinations. The Group undertakes certain property related developments and improvement projects and constructs crypts and other memorials for resale. The length of time taken for these developments is generally less than 12 months. Accordingly, the impact on the Group, except in the case of a major unforecast transaction, will be minimal as it is unlikely any qualifying assets will be constructed. Most acquisitions of non-current assets are funded through the use of operating cash flows.

(iii) Revised AASB 101 *Presentation of Financial Statements* and AASB 2007-8 *Amendments to Australian Accounting Standards arising from AASB 101* (effective from 1 January 2009)
The September 2007 revised AASB 101 requires the presentation of a statement of comprehensive income and makes changes to the statement of recognised income and expense, but will not affect the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. The Group will apply the revised standard from 1 January 2009.

(iv) AASB 2008-1 *Amendments to Australian Accounting Standards – Share-based Payments: Vesting Conditions and Cancellations* (effective from 1 January 2009)
AASB 2008-1 clarifies that vesting conditions are service conditions and performance conditions only and that other features of a share-based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or other parties, should receive the same accounting treatment. The Group will apply the revised standard from 1 January 2009, but it is not expected to affect the accounting for the Group's share-based payments.

(v) AASB 2008-7 *Amendments to Australian Accounting Standards – Costs of an Investment in a Subsidiary, Jointly Controlled Entity of Associate* (effective 1 July 2009)
In July 2008, the AASB approved amendments to AASB 1 *First-time Adoption of International Financial Reporting Standards* and AASB 127 *Consolidated and Separate Financial Statements*. The Group will apply the revised rules prospectively from 1 January 2010. After that date, all dividends received from investments in subsidiaries, jointly controlled entities or associates will be recognised as revenue, even if they are paid out of pre-acquisition profits, but the investments may need to be tested for impairment as a result of the dividend payment. Under the Group's current policy, these dividends are deducted from the cost of the investment.

(vi) AASB Interpretation 16 *Hedges of a Net Investment in a Foreign Operation* (effective 1 October 2008)
AASB-I 16 clarifies which foreign currency risks qualify as hedged risk in the hedge of a net investment in a foreign operation and that hedging instruments may be held by any entity or entities in the Group. It also provides guidance on how an entity should determine the amount to be reclassified from equity to profit and loss for both the hedging instrument and the hedged item. The Group will apply the interpretation prospectively from 1 January 2009. There will be no changes to the accounting for the existing hedge of the net investment in Singapore.

NOTE 2: FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow interest rate risk and price risk, but not fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as interest rate swaps and cross currency swaps to hedge risk exposures. The Group uses different methods to measure different types of risks to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and price risk and aging analysis for credit risk.

Risk management is carried out under policies approved by the Board of Directors on the recommendation of the Risk Committee. These policies provide written principles for overall risk management, as well as policies covering specific areas such as interest rate risk and currency risk.

The Group and the parent entity hold the following financial assets and liabilities:

	Consolidated Entity		Parent Entity	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Financial assets				
Cash and cash equivalents	**6,414**	8,981	**1,056**	–
Trade and other receivables	**27,898**	27,639	**238,557**	220,799
Derivative financial instruments	**–**	5,257	**–**	4,360
Other financial assets	**–**	–	**16,473**	15,957
	34,312	41,877	**256,086**	241,116
Financial liabilities				
Trade and other payables	**21,594**	25,808	**178**	168
Borrowings	**158,655**	154,547	**135,799**	132,630
Derivative financial instruments	**12,500**	–	**7,036**	–
	192,749	180,355	**143,013**	132,798

(a) Market risk

(i) Cash flow interest rate risk

The Group's main interest rate risk arises from long-term borrowings. All borrowings are initially at variable interest rates determined by a margin over the reference rate. The margin over the reference rate is determined by the Group's leverage ratio and may vary between 100 basis points and 55 basis points. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. It is the policy of the Group to keep at least 75% of debt on fixed interest rates by entering into interest rate swap contracts. During 2008 and 2007 the Group's borrowings were all denominated at variable Australian rates in Australian dollars. The Group has entered into interest rate swap contracts under which it receives interest at variable rates and pays interest at fixed rates. The bank loans of the Group currently bear an effective average variable interest rate inclusive of swaps of 6.4% (2007: 6.6%).

At balance date 96%, (2007: 99%) of long-term borrowings were protected by interest rate swaps. Of these interest rate swaps 15% (2007: 15%) were denominated in Singapore dollar fixed interest instruments and the balance denominated in Australian dollars. As at 31 December 2008 the weighted average fixed interest rate payable on the interest rate swaps is 5.85% (2007: 5.85%) and the weighted average variable rate receivable as at 31 December 2008 is 4.16% (2007: 6.89%). The weighted average fixed interest payable under interest rate swaps on debt principal that has been swapped into Singapore dollars is 3.447% (2007: 3.455%).

The following variable rate borrowings and interest rate swap contracts are outstanding:

	31 December 2008		31 December 2007	
	Weighted average interest rate	Balance $'000	Weighted average interest rate	Balance $'000
Bank loans	**4.86%**	**158,867**	7.64%	154,867
Interest rate swaps (notional principal)	**5.85%**	**152,867**	5.85%	152,867
Net exposure to cash flow interest rate risk		**6,000**		2,000

NOTE 2: FINANCIAL RISK MANAGEMENT CONTINUED

(a) Market risk continued

(i) Cash flow interest rate risk continued

The notional principal amounts and periods of expiry of the interest rate swap contracts are as follows:

	Consolidated Entity		Parent Entity	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
One – two years	**130,000**	130,000	**130,000**	130,000
Two – three years	**22,867**	22,867	**–**	–
	152,867	152,867	**130,000**	130,000

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.

As a consequence the Group is exposed to interest rate risks on that portion of total borrowings not swapped to fixed rates and to potential movements in the margin due to changes in the Group's leverage ratio. An increase of 100 basis points (2007: 100 basis points) in the interest rate would result in additional interest expense after tax of $86,000 (2007: $82,000 loss). A decrease of 100 basis points (2007: 50 basis points) would result in an after tax gain of $86,000 (2007: $68,000 gain). That portion of borrowings that have been swapped to fixed rates denominated in Singapore dollars give rise to a currency risk on the interest payments. A 10% increase (2007: 10%) in the Australian to Singapore dollar exchange rate would result in a reduction in interest expense after tax of $89,000 (2007: $43,000) and a decrease of 10% (2007: 10%) would result in an after tax loss of $73,000 (2007: $52,000).

Due to the use of floating to fixed interest rate swaps the Group has fixed interest commitments and the changes in the fair value of the future cash flows of these derivatives are recognised in equity to the extent that the derivative remains effective in accordance with AASB 139 *Financial Instruments: Recognition and Measurement*.

The major derivative is a $130 million interest rate swap initially entered into in October 2005 and designated as a cash flow hedge. This instrument, which expires on 31 December 2010, blended earlier swaps with a new swap which resulted in the hedge having a non-zero value on designation. During 2008 the very substantial movements in Australian interest rates resulted in this hedge moving from a net asset position of $4,360,000 at 31 December 2007 to a net liability of $7,036,000 at 31 December 2008. Despite this substantial change in value the derivative continues to meet the commercial objective of ensuring predictable and regular cash flows over the life of the derivative.

The impact on parent entity profit and loss and equity of changes in market interest rates for the $130 million interest rate swap is summarised below:

Year	Interest rate change	Effectiveness test results	Profit $'000	Equity $'000
2008	Decrease by 100 basis points	Effective	(836)	(763)
	Increase by 100 basis points	Ineffective	(5,858)	(778)
2007	Decrease by 50 basis points	Effective	8	(1,077)
	Increase by 100 basis points	Effective	(15)	2,104

All hedges were effective at 31 December 2008 and 31 December 2007. The impact of a loss of effectiveness is that the amount deferred in equity is quarantined and amortised over the remaining life of the hedge and all other movements in fair value are recorded through profit and loss.

The derivative financial instruments used to fund the acquisition payments for Singapore Casket Company made in 2006 and 2007 contain both a currency and interest rate portion. The currency portion of these instruments has been designated as a hedge of a net investment and has been effective in both years and against the ranges of sensitivities used for measurement. The interest rate portion of these swap arrangements has not been designated as a hedge and movements in fair value are recorded in profit and loss and included in the Group's finance costs.

The overall impact on the Group has been summarised on page 65.

NOTE 2: FINANCIAL RISK MANAGEMENT CONTINUED

(a) Market risk continued

(i) Cash flow interest rate risk continued

The Group's cash and cash equivalents held in Australia are interest bearing. At 31 December 2008 the weighted average interest rate was 6.3% (2007: 6.5%). If interest rates increased by 100 basis points (2007: 100 basis points) the Group's after tax result would increase by $31,000 (2007: $30,000). A decrease of 100 basis points (2007: 50 basis points) would result in a decrease in the Group's after tax result of $31,000 (2007: $16,000).

(ii) Foreign exchange risk

The Group rarely undertakes commercial transactions in currencies other than in the functional currency of the operating entity.

Foreign exchange risks arise from recognised assets and liabilities that are denominated in a currency other than the Group's functional currency, the Australian dollar. The major foreign exchange risk relates to the investment in a controlled entity in Singapore. This exposes the Group to foreign currency risk on the assets and liabilities. Where natural hedges do not exist, currency swap instruments are used to hedge at least 75% of the net recognised assets and liabilities which are denominated in foreign currencies. At 31 December 2008 82.0% (2007: 84.9%) of the Group's exposure was hedged.

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. A further two cross currency basis swaps were executed in March 2007 to swap $2,362,000 Australian dollars into $2,892,000 Singapore dollars and to swap the principal at the same exchange rate of 0.8165 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 are 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.

In March 2008, the only significant foreign currency exposure, the deferred cash settlement for business interests acquired, was settled. Settlement of this liability resulted in a decrease of $11,000 in the value of the investment recognised and had no impact on profit and loss or equity. The carrying amounts of the Group's trade and other payables that are denominated in foreign currency are:

	Consolidated Entity		Parent Entity	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Current				
Singapore dollars	–	940	–	–

(iii) Price risk

The Group does not hold any investments in equities or commodities and, therefore, is not subject to price risk for any recognised financial assets or liabilities.

However, as described in Note 1(e), monies received for prepaid services are held in trust and are not controlled by the Group and not recorded as an asset on the balance sheet. These monies totalled $237 million at 31 December 2008 (2007: $272 million).

The Group recognises revenue on these prepaid services only when the services are performed and the monies held in trust, including any investment earnings, are receivable by the Group. Accordingly, the Group's future revenue and margins are sensitive to the price risk relating to the investment returns of these funds under management. Future revenue and margins will be impacted positively if net investment returns exceed the service selling price increases (generally 4% per annum), but adversely if the reverse applies. An estimated 50% of the funds are expected to be recognised over the next 10 years and 90% over about 25 years. In any one year approximately 13% of all Australian funeral services performed by InvoCare have been prepaid; a proportion that has been reasonably constant for many years and is not expected to significantly change in the short term.

InvoCare monitors the asset allocations and investment performance at least quarterly and makes representations where possible to those in control of the trusts to mitigate price risks and enhance the returns which will ultimately impact InvoCare's future results. The volatile capital and financial markets have resulted in negative returns over the last year, as shown below. Pleasingly, the returns have remained above benchmark.

NOTE 2: FINANCIAL RISK MANAGEMENT CONTINUED

(a) Market risk continued

(iii) Price risk continued

	31 December 2008	31 December 2007	Change $ or %
Prepaid funds under management	**$237m**	$272m	($35m)
Asset allocation			
Australian equities	**28.4%**	56.9%	(28.5%)
International equities	**1.6%**	1.8%	(0.2%)
Property	**1.1%**	4.7%	(3.6%)
Fixed interest	**10.1%**	20.5%	(10.4%)
Cash	**58.8%**	16.1%	42.7%
Gross annual returns for all fund assets *			
One year ended	**(14.1%)**	11.9%	(26.0%)
Three years ended	**4.0%**	14.4%	(10.4%)
Five years ended	**8.6%**	13.5%	(4.9%)
Seven years ended	**6.8%**	10.2%	(3.4%)

** Excludes investment management and administration fees (currently 1.6%).*

With the funds held in trust for relatively long periods, investment strategies take a long term view for those trusts not restricted to more conservative, capital guaranteed assets. Historically, equities have provided the best long-term returns and consequently, until recently, there has been an asset allocation bias to equities. However, over the last 18 months, the unprecedented global financial crisis has seen significant declines in equity market values, as well as falling cash interest rates.

To mitigate and lessen exposure to the continuing equity market declines the investment manager of the largest portion of the funds under management made tactical shifts from equities and property into cash and fixed term deposits in August 2008 and more recently in February 2009.

After the February 2009 asset reallocation, Australian equity investments have reduced to approximately 17% of total prepaid funds under management. The long-term investment strategies remain unchanged. The tactical short-term asset reallocations from equities to fixed term deposits provide certainty of positive returns for the near future, as opposed to volatile and generally negative equity returns, and protect InvoCare's future sales and operating margin when the prepaid services are performed. With varying maturity dates during 2009, the maturing term deposits may be redirected into equity markets when there is an observed and sustained recovery in those markets.

Other than disclosed above the Group does not hold any investments in equities or commodities and is therefore not subject to price risk.

(b) Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of AA- are accepted.

Credit risks in relation to customers are highly dispersed and without concentration on any particular region or sector. Funeral homes attempt to collect deposits at the time the service is commissioned both as a sign of good faith and in order to cover out of pocket expenses. Cemetery and crematorium products are generally not delivered prior to the receipt of all or substantially all of the amounts due.

(i) Impaired receivables

The total amount of the provision for doubtful receivables was $1,688,000 (2007: $1,683,000). As at 31 December 2008, receivables with a nominal value of $1,426,000 (2007: $1,168,000) had been referred to the Group's independent debt collection agent and hence were considered to be impaired. The amount of the provision for doubtful receivables was calculated by applying the historical debt collector's recovery ratio to all debtors over 90 days overdue. There are no impaired trade receivables in the parent company in 2008 or 2007.

The movement in the provision for impaired receivables is set out in Note 12 Trade and other receivables.

NOTE 2: FINANCIAL RISK MANAGEMENT CONTINUED

(b) Credit risk continued

(ii) Receivables past due but not impaired
As of 31 December 2008, trade receivables of $4,357,000 (2007: $3,962,000) were past due but had not been referred to external debt collection agents and hence were considered not to be impaired. These relate to customers where there is no current evidence of an inability or unwillingness to settle the amount due but where payment has been delayed. The Group's own collection activity, which varies based on the nature and relative age of the debt, is routinely applied to all past due accounts. When these activities do not result in a successful outcome, the debt is referred to external debt collection agencies.

The aging of receivables past due but not impaired follows:

	Consolidated Entity	
	2008 $'000	2007 $'000
One to three months overdue	**2,243**	2,459
Over three months overdue	**2,114**	1,503

The parent company has no impaired receivables.

(iii) Other receivables
These amounts generally arise from transactions outside the normal operating activities of the Group. Interest is generally not charged on the amounts involved although collateral is generally obtained for larger amounts receivable.

(iv) Interest rate risks
The Group has no exposure to interest rate risk in respect of 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 32.

(c) Liquidity risk

Prudent liquidity management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the relative stable nature of the Group's business, management aims to maintain a large portion of committed credit lines on a long-term basis.

The Group's borrowings are unsecured but subject to negative pledges and the Group has complied with these covenants throughout and at the end of the year. Details of the Group and parent entity facilities are as follows.

	Consolidated Entity		Parent Entity	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Finance facilities available				
Unrestricted access was available at balance date to the following lines of credit:				
Total facilities				
– unsecured loan facility expiring in two to three years	**180,000**	180,000	**180,000**	180,000
– working capital facility expiring within one year	**5,000**	5,000	**5,000**	5,000
	185,000	185,000	**185,000**	185,000
Used at balance date				
– unsecured loan facility	**158,867**	154,867	**158,867**	154,867
– working capital facility	**438**	398	**438**	398
	159,305	155,265	**159,305**	155,265
Unused at balance date				
– unsecured loan facility	**21,133**	25,133	**21,133**	25,133
– working capital facility	**4,562**	4,602	**4,562**	4,602
	25,695	29,735	**25,695**	29,735

NOTE 2: FINANCIAL RISK MANAGEMENT CONTINUED

(c) Liquidity risk continued

The global financial crisis has put significant pressure on many economies and entities, in particular, the availability of credit. The Group's borrowing facilities mature in January 2011 and are expected to be sufficient for the Group's anticipated needs up to that time. Accordingly, currently there is neither intention nor need to seek additional debt finance or refinance existing debt. However, the Group is preparing for the refinancing discussions and expects negotiations with financiers to commence in late 2009 or early 2010. These preparations include financial modelling for at least five future years, continuing relationships with the two existing major Australian bi-lateral bank facility providers, exploring other possible financing options and developing relationships with other possible financiers.

(d) Capital risk management

The Group's capital management objectives and strategies seek to maximise total shareholder returns, in terms of earnings per share, distributions and share price, while maintaining a capital structure with acceptable debt and financial risk.

The capital management goals can be broadly described as:

– manage the amount of equity and the expectation of returns – including dividend distribution policy, dividend reinvestment and share buy-back policies;

– maintain debt and gearing that is prudent, cost effective, supports operational needs and provides flexibility for growth and development; and

– avoid excessive exposure to interest rate fluctuations and debt refinancing risk.

The goals are actively managed by the use of quantifiable measures. These measures and relevant comments are as follows:

– Maximising shareholder returns. Earnings per share (EPS) is a key measure and for 2008 basic EPS was 28.0 cents (2007: 27.6 cents). Importantly, senior management of the Group have long-term incentives linked to EPS growth, thus aligning employee and shareholder interests. Total shareholder return, being the sum of cash dividends and share price growth, has exceeded 25% (2007: 30%) per annum since the Company listed in December 2003. A shareholder investing $1.00 in the initial public offering (IPO) would have enjoyed a total return of $2.30 or 230% (2007: $3.18 or 318%) up to 31 December 2008.

– Maintaining a minimum ordinary dividend payout ratio of at least 75%. For each of the years since listing, the Group has distributed ordinary dividends in excess of this payout ratio. The aggregate of the interim and final 2008 dividends represents a payout ratio of 84.3% (2007: 81.8%).

– Monitoring participation in the Dividend Reinvestment Plan. Approximately 25% of the Company's shareholders have participated in the DRP since it was first activated in October 2006, indicating it is attractive to investors, especially retail investors.

– Confirming compliance with the debt covenant ratios, as defined in the facility agreements, through bi-annual calculations. The Group has complied with its banking covenants as follows:

  – Interest cover (EBITDA/Net Interest Expense) must be greater than 3.00:1. At 31 December 2008 this ratio was 5.97:1 (2007: 5.40:1).

  – Leverage ratio (Net Debt/Adjusted EBITDA) must not be greater than 3.75:1. At 31 December 2008 this ratio was 2.49:1 (2007: 2.47:1).

– Maintaining an optimal leverage ratio. The optimal capital structure, which has the lowest cost of capital, is indicatively at a leverage ratio (i.e. Net Debt/EBITDA) of between 3:1 and 5:1. The Group can sustain and service higher levels of debt than the amount at balance date and, before the onset of the global financial crisis, had a longer term net debt target of 3.5x EBITDA. Financiers may be unwilling to lend at this ratio in the current markets. Where the capacity exists, debt financing will be used for small acquisitions and capital expenditure. In the absence of opportunities to invest in growing the business, the Group will consider applying excess debt capacity to make returns to shareholders (e.g. special dividends, share buy-backs, etc). No major capital management initiatives involving a return to shareholders are anticipated during 2009.

– Maintaining floating to fixed base interest rate swaps for at least 75% of debt principal. At 31 December 2008 the proportion of debt hedged was 96% (2007: 99%). The hedge contracts extend to the end of 2010.

– Managing refinancing risk. The Group's existing debt facilities expire in January 2011 when all the debt becomes due and payable. The Group is exposed to risks of refinancing all the amounts drawn (up to $180 million) at the one time. Accordingly, it is proposed future financing facilities will have a staggered maturity profile to reduce the risk of refinancing on one maturity date.

NOTE 2: FINANCIAL RISK MANAGEMENT CONTINUED

(e) Summarised sensitivity analysis

The following table summarises the sensitivity of the Group's financial assets and financial liabilities to interest rate risk and foreign exchange risk net of applicable income tax.

Consolidated Entity		Interest rate risk				Foreign exchange risk			
		- 100 basis points		+ 100 basis points		- 10%		+ 10%	
31 December 2008	Carrying amount $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000
Financial assets									
Cash and cash equivalents	6,414	(31)	–	31	–	–	–	–	–
Accounts receivable	27,898	–	–	–	–	–	–	–	–
Financial liabilities									
Trade and other payables	(21,594)	–	–	–	–	–	–	–	–
Borrowings	(158,655)	86	–	(86)	–	(73)	–	89	–
Derivative financial instruments	(12,500)	(1,019)	(763)	(5,650)	(778)	–	(1,966)	–	1,993
Total increase/(decrease)		(964)	(763)	(5,705)	(778)	(73)	(1,966)	89	1,993

Consolidated Entity		Interest rate risk				Foreign exchange risk			
		- 50 basis points		+ 100 basis points		- 10%		+ 10%	
31 December 2007	Carrying amount $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000
Financial assets									
Cash and cash equivalents	8,981	(16)	–	30	–	–	–	–	–
Accounts receivable	27,639	–	–	–	–	–	–	–	–
Derivative financial instruments	5,257	(210)	(1,077)	166	2,104	–	(1,465)	–	1,492
Financial liabilities									
Trade and other payables	(25,808)	–	–	–	–	–	–	–	–
Borrowings	(154,547)	68	–	(82)	–	(52)	–	43	–
Total increase/(decrease)		(158)	(1,077)	114	2,104	(52)	(1,465)	43	1,492

Parent Entity		Interest rate risk				Foreign exchange risk			
		- 100 basis points		+ 100 basis points		- 10%		+ 10%	
31 December 2008	Carrying amount $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000
Financial assets									
Cash and cash equivalents	1,056	–	–	–	–	–	–	–	–
Accounts receivable	238,557	–	–	–	–	–	–	–	–
Other financial assets	16,473	–	–	–	–	–	–	–	–
Financial liabilities									
Trade and other payables	(178)	–	–	–	–	–	–	–	–
Borrowings	(135,799)	76	–	(76)	–	–	–	–	–
Derivative financial instruments	(7,036)	(836)	(763)	(5,858)	(778)	–	–	–	–
Total increase/(decrease)		(760)	(763)	(5,934)	(778)	–	–	–	–

NOTE 2: FINANCIAL RISK MANAGEMENT CONTINUED

(e) Summarised sensitivity analysis continued

Parent Entity		Interest rate risk				Foreign exchange risk			
		- 50 basis points		+ 100 basis points		- 10%		+ 10%	
31 December 2007	Carrying amount $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000
Financial assets									
Accounts receivable	220,799	–	–	–	–	–	–	–	–
Derivative financial instruments	4,360	8	(1,077)	(15)	2,104	–	–	–	–
Other financial assets	15,957	–	–	–	–	–	–	–	–
Financial liabilities									
Trade and other payables	(168)	–	–	–	–	–	–	–	–
Borrowings	(132,630)	60	–	(74)	–	–	–	–	–
Total increase/(decrease)		68	(1,077)	(89)	2,104	–	–	–	–

The sensitivity analysis has been completed by applying the range values to the actual balances that existed at all points throughout the year.

(f) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The fair value of derivatives, which are recorded on the balance sheet, are measured using the cumulative dollar offset method.

The Group does not hold any financial instruments or derivatives which are held for trading.

The carrying value less impairment provisions for trade receivables and payables is a reasonable approximation of their fair values due to the short-term nature of trade receivables. Non-current trade receivables are discounted to their fair value in accordance with the accounting policy outlined in Note 1(l).

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.

NOTE 3: REVENUE FROM CONTINUING OPERATIONS

	Consolidated Entity		Parent Entity	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Sales revenue				
Sale of goods	**105,508**	98,547	**–**	–
Services revenue	**138,707**	125,371	**–**	–
Management fees	**–**	–	**1,200**	1,200
	244,215	223,918	**1,200**	1,200
Other revenue				
Rent	**265**	277	**–**	–
Administration fees	**2,847**	2,355	**–**	–
Sundry revenue	**1,023**	994	**–**	–
Dividend income:				
Wholly owned group – controlled entities	**–**	–	**30,500**	26,500
Interest revenues				
Other persons/corporations	**642**	653	**–**	–
Wholly-owned group – controlled entities	**–**	–	**19,172**	16,963
	4,777	4,279	**49,672**	43,463
Total revenue from continuing operations	**248,992**	228,197	**50,872**	44,663

NOTE 4: EXPENSES

	Consolidated Entity 2008 $'000	Consolidated Entity 2007 $'000	Parent Entity 2008 $'000	Parent Entity 2007 $'000
Profit before income tax includes the following specific expenses:				
Depreciation				
Buildings	**2,820**	2,890	**–**	–
Property, plant and equipment	**5,947**	5,196	**–**	–
Total depreciation	**8,767**	8,086	**–**	–
Amortisation of non-current assets				
Cemetery land	**336**	365	**–**	–
Leasehold land and buildings	**128**	128	**–**	–
Leasehold improvements	**146**	122	**–**	–
Brand names	**326**	244	**–**	–
Total amortisation	**936**	859	**–**	–
Total depreciation and amortisation	**9,703**	8,945	**–**	–
Finance costs				
Interest paid and payable	**10,584**	10,425	**9,633**	9,549
Interest rate swap loss	**2,101**	862	**1,652**	319
Other finance costs	**1,011**	808	**99**	98
Total financing costs	**13,696**	12,095	**11,384**	9,966
Impairment losses – financial assets				
Trade receivables	**180**	500	**–**	–
Rental expense				
Operating lease rental – minimum lease payments	**6,068**	4,657	**–**	–
Defined contribution superannuation expense	**4,395**	3,858	**–**	–

NOTE 5: INCOME TAX EXPENSE

	Consolidated Entity		Parent Entity	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
(a) Income tax expense				
Current tax	13,075	12,316	2,665	2,159
Deferred tax	(1,758)	(562)	(254)	(1)
Benefit arising from reversal of a previously recognised deferred tax liability of a prior period	(475)	–	–	–
Impact of change of income tax rate in Singapore	–	(84)	–	–
Under/(over) provided in prior years	(174)	45	(6)	(430)
Income tax expense attributable to continuing operations	10,668	11,715	2,405	1,728
(b) Reconciliation of income tax expense to prima facie tax payable				
Prima facie tax at 30% (2007: 30%) on profit from ordinary activities	11,629	11,810	11,561	10,110
Tax effect of amounts which are not deductible/(taxable) in calculation of taxable income				
Difference in overseas tax rates	(446)	(365)	–	–
Share-based payments expense	–	(15)	–	–
Non-assessable dividend	–	–	(9,150)	(7,950)
Under/(over) provision in prior years	(174)	45	(6)	(430)
Impact of previously unrecognised capital losses offsetting gains in the prior year	(92)	–	–	–
Other items (net)	(249)	240	–	(2)
Income tax expense	10,668	11,715	2,405	1,728

(c) 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.

This agreement was updated on 5 June 2007 and provides that 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 or 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 Australia Pty Limited, as permitted by the tax funding agreement acts on behalf of InvoCare Limited 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.

(d) Tax losses

The Group has unutilised Australian capital losses with a potential benefit of $717,000 (2007: Nil) at a tax rate of 30%.

NOTE 6: KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Key management personnel compensation

	Consolidated Entity		Parent Entity	
	2008 $	2007 $	**2008 $**	2007 $
Short-term employee benefits	**2,067,394**	2,217,752	**465,940**	282,243
Post-employment benefits	**140,962**	288,036	**34,060**	163,381
Termination benefits	**477,884**	389,192	**–**	–
Share-based payments	**185,941**	129,362	**–**	–
	2,872,181	3,024,342	**500,000**	445,624

Detailed remuneration disclosures are provided in sections A to C of the Remuneration Report on pages 40 to 44.

(b) Equity instrument disclosures relating to key management personnel

(i) Shares and options provided as remuneration and shares issued on exercise of such options
Details of shares and options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the shares and options, can be found in section D of the Remuneration Report on pages 44 to 45.

(ii) Shareholdings
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 indirectly by their personally related parties or by the trustee of the InvoCare Deferred Employee Share Plan, are set out below. During the year shares were granted to other key management personnel under the terms of the InvoCare Deferred Employee Share Plan the details of which are outlined in Note 7.

	Balance at start of year	Granted during year as compensation	Other changes during year	Balance at end of year
Non-executive Directors				
Ian Ferrier	102,401	–	(50,000)	52,401
Christine Clifton	110,526	–	964	111,490
Roger Penman	–	–	8,000	8,000
Benjamin Chow	–	–	–	–
Richard Fisher	5,263	–	206	5,469
Executive Directors				
Richard Davis	1,299,733	–	(483,282)	816,451
Andrew Smith	20,100	20,908	–	41,008
Other key management personnel				
Phillip Friery	52,385	15,789	–	68,174

(iii) Option holdings
At the end of the period all vested options had been exercised and there were no options over unissued shares. The numbers of options over ordinary shares in the Company held during the previous 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.

2007	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
Director							
Michael Grehan	140,060	–	–	140,060	140,060	–	–
Other key management personnel							
Phillip Friery	25,466	–	–	25,466	25,466	–	–

(c) Loans to key management personnel

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

NOTE 6: KEY MANAGEMENT PERSONNEL DISCLOSURES CONTINUED

(d) Other transactions with key management personnel

The Chairman, Ian Ferrier, is also Chairman and a shareholder of Good Health Solutions Pty Limited, a company which provides specialist medical services to the corporate sector. During the year, services were provided to the Group on normal terms and conditions amounting to $2,830 (2007: $10,907).

A director, Richard Fisher, is a past Chairman of Partners of Blake Dawson. During 2007, this firm undertook one legal assignment on normal commercial terms and conditions amounting to $7,151.

The 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 $563 (2007: $12,550).

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

	2008 $	2007 $
Amounts recognised as expense		
Accounting and tax advisory fees	**563**	12,550
Other professional services	**2,830**	10,907
Legal services	**–**	7,151
	3,393	30,608

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:

	2008 $	2007 $
Current liabilities	**935**	–

NOTE 7: SHARE-BASED PAYMENTS

(a) Employee shares

(i) Exempt employee share plan

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.

During 2008, more than 750 (2007: 650) 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 12 months to 30 June 2009. The criteria for eligibility included being employed for a minimum six months as a full-time or permanent part-time employee. In June 2008 (2007: June), the trustee, IVC Employee Share Plan Managers Pty Ltd, purchased on market 32,373 (2007: 31,288) shares on behalf of 206 (2007: 192) plan members. The plan rules require members to leave the shares in the plan for a minimum 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 2008, the balance owing by employee plan members for the purchase price of shares was $103,784 (2007: $92,702).

(ii) Deferred employee share plan

In 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 are able to participate and benefit from a range of remuneration opportunities, including long-term equity incentives to align executive and shareholder interests.

NOTE 7: SHARE-BASED PAYMENTS CONTINUED

(a) Employee shares continued

(ii) Deferred employee share plan continued

Under the terms of the plan, employees are offered a predetermined value of shares which the Trustee, IVC Employee Share Plan Managers Pty Ltd, purchases on market. During 2008, offers were made to and accepted by a total of 42 (2007: 40) employees and a total of 118,578 (2007: 131,305) shares purchased on market for $750,994 (2007: $816,002) at an average price of $6.33 (2007: $6.21) per share. Set out below is a summary of the grants under the plan:

Grant date	Vesting date	Purchase price per share $	Balance at the start of the year $'000	Granted during the year $'000	Vested during the year $'000	Forfeited during the year $'000	Balance at the end of the year $'000
Consolidated and parent entity							
1 January 2006	22 February 2008	6.21	41	–	(41)	–	–
	22 February 2009	6.21	41	–	–	–	41
	22 February 2010	6.21	41	–	–	–	41
1 January 2007	22 February 2009	6.33	–	43	–	–	43
	22 February 2010	6.33	–	43	–	–	43
	22 February 2011	6.33	–	43	–	–	43
1 January 2007	25 February 2009	6.21	144	–	–	–	144
	25 February 2010	6.21	144	–	–	–	144
	25 February 2011	6.21	144	–	–	–	144
1 July 2007	25 February 2009	6.21	60	–	–	(3)	57
	25 February 2010	6.21	60	–	–	(3)	57
	25 February 2011	6.21	60	–	–	(3)	57
1 January 2008	25 February 2010	6.33	–	192	–	–	192
	25 February 2011	6.33	–	192	–	–	192
	25 February 2012	6.33	–	192	–	–	192
1 July 2008	25 February 2010	6.33	–	61	–	–	61
	25 February 2011	6.33	–	61	–	–	61
	25 February 2012	6.33	–	61	–	–	61
			735	888	(41)	(9)	1,573

Performance hurdles apply to certain grants to senior managers. Generally, no shares vest in the event that compound earnings per share growth is less than 8% and 100% of the shares vest when earnings per share compound growth is 12% or more. Shading in provisions apply with partial vesting where compound earnings per share growth is greater than 8% but less than 12%.

(b) Expenses arising from share-based payment transactions

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

	Consolidated Entity		Parent Entity	
	2008 $	2007 $	**2008 $**	2007 $
Options issued under employee option plan	**–**	(42)	**–**	–
Long-term incentive bonus share expense	**562**	313	**–**	–
	562	271	**–**	–

(c) Employee share options

InvoCare Limited has no options over unissued shares granted to executive management outstanding at balance date. No options have been granted since 22 September 2003. The last of the options vested on 1 May 2007 and have all since been exercised.

NOTE 7: SHARE-BASED PAYMENTS CONTINUED

(d) Employee share options continued

Set out below is a summary of the movement in options during the previous year, including those held by directors and other key management personnel. At 31 December 2007, no options were vested and exercisable and there are no options at 31 December 2008 over unissued shares.

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
2007 – consolidated and parent entity							
22 Sept 2003*	1 May 08	$1.07	313,228	–	313,228	–	–
			313,228	–	313,228	–	–
Weighted average exercise price			$1.07		$1.07		
Weighted average share value at exercise					$5.90		
Proceeds from shares issued					$335,154		

** Options issued under the Employee Share Option Plan.*

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.

NOTE 8: REMUNERATION OF AUDITORS

	Consolidated Entity		Parent Entity	
	2008 $	2007 $	**2008 $**	2007 $
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.				
(a) Audit services				
PricewaterhouseCoopers – Australian firm				
Audit and review of financial reports	**215,000**	189,000	**–**	–
Non-PricewaterhouseCoopers – Singaporean firm				
Audit and review of financial reports	**17,921**	16,875	**–**	–
Total remuneration for audit services	**232,921**	205,875	**–**	–
(b) Non-audit services				
PricewaterhouseCoopers – Australian firm				
Assurance services	**15,450**	21,163	**–**	–
Advisory services	**12,730**	13,900	**–**	–
Taxation services	**79,815**	129,975	**–**	–
Related practices of PricewaterhouseCoopers – Australian firm				
Legal	**–**	6,000	**–**	–
Non-PricewaterhouseCoopers – Singaporean firm				
Other services	**10,967**	3,367	**–**	–
Total remuneration for non-audit services	**118,962**	174,405	**–**	–

It is the Company's policy to employ PricewaterhouseCoopers on assignments additional to their statutory audit duties where PricewaterhouseCoopers' expertise and experience with the consolidated entity are important and auditor independence is not compromised. 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 9: DIVIDENDS

	Consolidated Entity		Parent Entity	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Dividends paid				
Final ordinary dividend for the year ended 31 December 2007 of 12.5 cents (2006: 11.5 cents) per fully paid share paid on 11 April 2008 (2007: 12 April 2006), fully franked based on tax paid at 30% (2006: 30%)	**12,536**	11,404	**12,536**	11,404
Interim ordinary dividend for the year ended 31 December 2008 of 10.5 cents (2007: 10.0 cents) per share paid on 10 October 2008 (2007: 12 October 2007), fully franked based on tax paid at 30% (2007: 30%)	**10,530**	9,991	**10,530**	9,991
Dividends paid to members of InvoCare Limited	**23,066**	21,395	**23,066**	21,395
Dividends paid to minority interest of 7.0 cents (2007: 15.2 cents) per fully paid share fully franked based on tax paid at 30% (2007: 30%)	**56**	122	**–**	–
	23,122	21,517	**23,066**	21,395
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 13.0 cents (2007: 12.5 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 9 April 2009 out of 2008 profits, but not recognised as a liability at year end is:	**13,104**	12,536	**13,104**	12,536
Franking credit balance				
The amounts of franking credits available for subsequent financial years are:				
Franking account balance at the end of the financial year	**16,935**	14,664	**16,814**	14,022
Franking credits that will arise from the payment of income tax payable at the end of the financial year	**3,813**	4,064	**3,429**	3,790
Reduction in franking account resulting from payment of proposed final dividend of 13.0 cents (2007: 12.5 cents)	**(5,616)**	(5,373)	**(5,616)**	(5,373)
	15,132	13,355	**14,627**	12,439

NOTE 10: EARNINGS PER SHARE

	Consolidated Entity	
	2008 $'000	2007 $'000
Reconciliation of Earnings to Profit and Loss		
Profit from ordinary activities after income tax	**28,094**	27,651
Less profit attributable to minority interests	**(68)**	(97)
Profit used to calculate basic and diluted EPS	**28,026**	27,554

	2008 Number	2007 Number
Weighted average number of shares used as a denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**100,215,660**	99,657,830
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	**100,215,660**	99,657,830

NOTE 11: CASH AND CASH EQUIVALENTS

	Consolidated Entity		Parent Entity	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Cash on hand	**53**	60	**–**	–
Cash at bank	**6,361**	8,921	**1,056**	–
	6,414	8,981	**1,056**	–
Cash at bank attracts floating interest rates between 3.9% and 7.0% (2007: 5.5% and 6.5%)				
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 cash flow statements as follows:				
Balances as above	**6,414**	8,981	**1,056**	–
Bank overdraft (Note 19)	**–**	–	**–**	(929)
Balances per cash flow statements	**6,414**	8,981	**1,056**	(929)

NOTE 12: TRADE AND OTHER RECEIVABLES

	Consolidated Entity		Parent Entity	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Current				
Trade receivables	**17,329**	17,313	**–**	–
Provision for doubtful receivables	**(1,531)**	(1,371)	**–**	–
Prepayments	**1,803**	1,722	**19**	18
Other receivables	**809**	903	**–**	–
	18,410	18,567	**19**	18
Non-current				
Trade receivables	**8,987**	8,763	**–**	–
Provision for doubtful receivables	**(157)**	(312)	**–**	–
Security deposits	**251**	180	**–**	–
Other receivables	**407**	441	**–**	–
Loan to controlled entity	**–**	–	**238,538**	220,781
	9,488	9,072	**238,538**	220,781

(a) Impaired receivables

Movements in the provision for impairment of receivables are as follows:

	Consolidated Entity	
	2008 $'000	2007 $'000
As at 1 January	**1,683**	1,495
Provision for impairment recognised during the year	**180**	500
Receivables written off as uncollectible	**(177)**	(321)
Effect of movements in exchange rates	**2**	9
As at 31 December	**1,688**	1,683

NOTE 13: INVENTORIES

	Consolidated Entity		Parent Entity	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Current				
Work in progress – at cost	**–**	744	**–**	–
Finished goods – at cost	**13,691**	12,426	**–**	–
	13,691	13,170	**–**	–

NOTE 14: 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).

		Equity Holding	
Name of entity	Country of incorporation	**2008 %**	2007 %
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	**100**	100
Dignity Pre-Arranged Funerals Pty Limited	Australia	**100**	100
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**	100
Liberty Funerals Pty Limited	Australia	**100**	100
IVC Employee Share Plan Managers Pty Ltd	Australia	**100**	100
InvoCare (Singapore) Pty Limited	Australia	**100**	100
Singapore Casket Company (Private) Limited	Singapore	**100**	100
Casket Palace Pte Ltd	Singapore	**100**	100
InvoCare New Zealand Limited	New Zealand	**100**	100

Shares in subsidiaries are carried at cost and relate to InvoCare Limited's ownership interest in InvoCare Australia Pty Limited, InvoCare (Singapore) Pty Limited, InvoCare New Zealand Limited and IVC Employee Share Plan Managers Pty Ltd. All shares held are ordinary shares.

InvoCare Australia Pty Limited and InvoCare (Singapore) Pty Limited have been granted relief from the necessity to prepare financial reports in accordance with Class Order 98/1418 issued by the Australian Securities and Investments Commission. For further information refer to Note 30.

NOTE 15: PROPERTY, PLANT AND EQUIPMENT

	Consolidated Entity						
	Cemetery land $'000	Freehold land $'000	Buildings $'000	Leasehold land and buildings $'000	Leasehold improvements $'000	Plant and equipment $'000	Total $'000
At 1 January 2008							
Cost	**106,278**	**44,825**	**81,584**	**4,466**	**1,690**	**59,574**	**298,417**
Accumulated depreciation/amortisation	**(4,514)**	**–**	**(24,463)**	**(1,838)**	**(914)**	**(37,997)**	**(69,726)**
Impairment write-downs	**(15,976)**	**–**	**–**	**–**	**–**	**–**	**(15,976)**
Net book amount	**85,788**	**44,825**	**57,121**	**2,628**	**776**	**21,577**	**212,715**
Year ended 31 December 2008							
Additions	**267**	**299**	**6,350**	**–**	**307**	**9,136**	**16,359**
Business combinations	**–**	**360**	**45**	**–**	**9**	**59**	**473**
Disposals	**–**	**(1)**	**(454)**	**–**	**(9)**	**(353)**	**(817)**
Depreciation/amortisation charge	**(336)**	**–**	**(2,820)**	**(128)**	**(146)**	**(5,947)**	**(9,377)**
Effect of movement in exchange rates	**–**	**1,906**	**813**	**–**	**–**	**157**	**2,876**
Transfers/reclassifications	**(1,335)**	**(92)**	**1,124**	**–**	**(31)**	**334**	**–**
Closing net book amount	**84,384**	**47,297**	**62,179**	**2,500**	**906**	**24,963**	**222,229**
At 31 December 2008							
Cost	**105,209**	**47,297**	**89,423**	**4,466**	**1,960**	**63,536**	**311,891**
Accumulated depreciation/amortisation	**(4,849)**	**–**	**(27,244)**	**(1,966)**	**(1,054)**	**(38,573)**	**(73,686)**
Impairment write-downs	**(15,976)**	**–**	**–**	**–**	**–**	**–**	**(15,976)**
Net book amount	**84,384**	**47,297**	**62,179**	**2,500**	**906**	**24,963**	**222,229**
At 1 January 2007							
Cost	106,334	41,438	76,227	4,466	1,516	55,895	285,876
Accumulated depreciation/amortisation	(4,148)	–	(21,213)	(1,709)	(991)	(40,042)	(68,103)
Impairment write downs	(15,976)	–	–	–	–	–	(15,976)
Net book amount	86,210	41,438	55,014	2,757	525	15,853	201,797
Year ended 31 December 2007							
Additions	41	2,801	3,670	–	349	10,505	17,366
Business combinations	–	–	–	–	29	174	203
Disposals	(49)	(121)	(88)	–	(4)	(269)	(531)
Depreciation/amortisation charge	(365)	–	(2,890)	(128)	(122)	(5,196)	(8,701)
Effect of movement in exchange rates	–	(339)	(133)	–	–	(31)	(503)
Assets no longer classified as held for sale	–	1,394	1,689	–	–	–	3,083
Transfers/Reclassifications	(49)	(348)	(142)	(1)	(1)	541	–
Closing net book amount	85,788	44,825	57,121	2,628	776	21,577	212,715
At 31 December 2007							
Cost	106,278	44,825	81,584	4,466	1,690	59,574	298,417
Accumulated depreciation/amortisation	(4,514)	–	(24,463)	(1,838)	(914)	(37,997)	(69,726)
Impairment write-downs	(15,976)	–	–	–	–	–	(15,976)
Net book amount	85,788	44,825	57,121	2,628	776	21,577	212,715

NOTE 15: PROPERTY, PLANT AND EQUIPMENT CONTINUED

(a) Parent entity
The parent entity does not have any property, plant and equipment.

(b) Assets in the course of construction
The carrying amounts of assets disclosed above include the following expenditure recognised in relation to property, plant and equipment which is in the course of construction:

	Consolidated Entity		Parent Entity	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Cemetery land	**51**	–	**–**	–
Freehold buildings	**2,008**	1,806	**–**	–
Leasehold improvements	**10**	5	**–**	–
Plant and equipment	**1,293**	940	**–**	–
Total assets in the course of construction	**3,362**	2,751	**–**	–

(c) Impairment
(i) 2008
All impaired cemetery and crematorium sites were reassessed at 31 December 2008 using the same methodology as previously applied and no change to the impairment provision was considered necessary in 2008.

The impairment losses may be reversed in future years. The Group has no impairment at other cemetery and crematorium sites, or of other property, plant and equipment assets. The total recoverable amount of the Group's assets is well in excess of carrying value.

The recoverable amount of cash generating units 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 are 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 pre-tax discount rate used was 10.6% (2007: 12.3%), reflecting the risk estimates for the business as a whole.

(ii) 2007
All impaired cemetery and crematorium sites were reassessed at 31 December 2007 using the same methodology as previously applied and no change to the impairment provision was considered necessary in 2007.

NOTE 16: INTANGIBLE ASSETS

	Consolidated Entity		
	Goodwill $'000	Brand name $'000	Total $'000
At 1 January 2008			
Cost	**53,945**	**2,866**	**56,811**
Accumulated amortisation	**–**	**(354)**	**(354)**
Net book amount	**53,945**	**2,512**	**56,457**
Year ended 31 December 2008			
Acquisition of subsidiary/businesses	**1,998**	**455**	**2,453**
Effect of movement in exchange rates	**3,175**	**232**	**3,407**
Amortisation charge	**–**	**(326)**	**(326)**
Net book amount	**59,118**	**2,873**	**61,991**
At 31 December 2008			
Cost	**59,118**	**3,612**	**62,730**
Accumulated amortisation	**–**	**(739)**	**(739)**
Net book amount	**59,118**	**2,873**	**61,991**
At 1 January 2007			
Cost	45,199	2,202	47,401
Accumulated amortisation	–	(113)	(113)
Net book amount	45,199	2,089	47,288
Year ended 31 December 2007			
Acquisition of subsidiary/businesses	9,055	733	9,788
Effect of movement in exchange rates	(309)	(69)	(378)
Amortisation charge	–	(241)	(241)
Net book amount	53,945	2,512	56,457
At 31 December 2007			
Cost	53,945	2,866	56,811
Accumulated amortisation	–	(354)	(354)
Net book amount	53,945	2,512	56,457

(a) Parent entity
The parent entity does not have any intangible assets.

(b) 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 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.

(c) 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 expense projections are not inconsistent with historical trends and forecasts included in reports prepared by market analysts. The pre-tax discount rate used was 10.6% (2007: 12.3%), 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 17: DERIVATIVE FINANCIAL INSTRUMENTS

	Consolidated Entity		Parent Entity	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Non-current assets				
Interest rate swap contracts – cash flow hedges	**–**	3,712	**–**	4,360
Cross currency basis swap contracts	**–**	1,545	**–**	–
	–	5,257	**–**	4,360
Non-current liabilities				
Interest rate swap contracts – cash flow hedges	**8,133**	–	**7,036**	–
Cross currency basis swap contracts	**4,367**	–	**–**	–
	12,500	–	**7,036**	–

Full details of the derivatives being used by the Group and the risks and aging of the existing derivatives are set out in Note 2 – Financial risk management.

NOTE 18: TRADE AND OTHER PAYABLES

	Consolidated Entity		Parent Entity	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Current				
Trade payables	**16,630**	16,640	**178**	168
Sundry payables and accrued expenses	**4,066**	5,331	**–**	–
Deferred cash settlement for business interests acquired	**321**	3,586	**–**	–
	21,017	25,557	**178**	168
Non-current				
Deferred cash settlement for business interests acquired	**577**	251	**–**	–
	577	251	**–**	–

Full details of the risks and currency exposure of trade and other payments are set out in Note 2 – Financial risk management.

NOTE 19: BORROWINGS

	Consolidated Entity		Parent Entity	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Short-term borrowings				
Bank overdraft	**–**	–	**–**	929
	–	–	**–**	929
Long-term borrowings				
Borrowings are represented by:				
Principal amount of bank loans – unsecured	**158,867**	154,867	**136,000**	132,000
Loan establishment costs	**(212)**	(320)	**(201)**	(299)
	158,655	154,547	**135,799**	131,701

Full details of the risks, aging and available facilities are set out in Note 2 – Financial risk management.

NOTE 20: PROVISIONS FOR EMPLOYEE BENEFITS

	Consolidated Entity		Parent Entity	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Current				
Employee benefits	**8,538**	8,079	**–**	–
Non-current				
Liability for long service leave	**1,289**	1,067	**–**	–

	Consolidated Entity		Parent Entity	
	2008 Number	2007 Number	**2008 Number**	2007 Number
(a) Employee numbers				
Number of full-time equivalent employees	**993**	923	**–**	–

(b) Superannuation plan

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

NOTE 21: DEFERRED TAX ASSETS AND LIABILITIES

	Consolidated Entity		Parent Entity	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Deferred tax (asset)/liability				
The deferred tax (asset)/liability balances comprised temporary differences attributable to:				
Amounts recognised in profit or loss:				
Cemetery land	**25,241**	25,812	**–**	–
Property, plant and equipment	**6,705**	7,212	**–**	–
Leasehold land and buildings	**95**	97	**–**	–
Deferred selling costs	**2,447**	2,445	**–**	–
Prepayment and other	**104**	35	**–**	(5)
Brand names	**736**	642	**–**	–
Provisions	**(3,539)**	(3,295)	**–**	–
Receivables	**(115)**	143	**–**	–
Accruals and other	**(1,271)**	(1,476)	**(40)**	(49)
Loan establishment costs	**(20)**	14	**(4)**	–
Derivatives	**(959)**	(401)	**(699)**	(204)
Amounts recognised directly in equity:				
Foreign currency reserve	**(1,379)**	395	**–**	–
Cash flow hedges	**(1,412)**	1,511	**(1,412)**	1,511
Deferred employee share plan	**222**	256	**472**	256
	26,855	33,390	**(1,683)**	1,509
The net movement in the deferred tax (asset)/liability is as follows:				
Balance at the beginning of the year	**33,390**	32,317	**1,509**	411
Net charge (credit) to income statement	**(1,758)**	(562)	**(254)**	(1)
Amounts recognised due to business combinations	**161**	174	**–**	–
Amounts recognised directly in equity	**(4,919)**	1,509	**(3,145)**	1,099
Impact of change of income tax rate in Singapore	**–**	(84)	**–**	–
Adjustment to previously recognised balances	**(206)**	–	**207**	–
Effect of movements in exchange rates	**187**	36	**–**	–
Balance at the end of the year	**26,855**	33,390	**(1,683)**	1,509
Deferred tax liabilities/(assets) to be settled within 12 months	**(2,945)**	(2,659)	**112**	462
Deferred tax liabilities to be settled after more than 12 months	**29,800**	36,049	**(1,795)**	1,047
	26,855	33,390	**(1,683)**	1,509

NOTE 22: CONTRIBUTED EQUITY

	Consolidated Entity		Parent Entity	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Fully paid ordinary shares	**71,806**	70,125	**71,806**	70,125

	2008 Number	2008 $'000	2007 Number	2007 $'000
Ordinary shares				
Balance at the beginning of the financial year	**100,287,325**	**70,696**	99,025,548	64,473
Issued pursuant to exercise of share options	**–**	**–**	313,228	335
Dividend reinvestment plan issues	**512,114**	**2,683**	948,549	5,687
Transferred from share-based payment reserve	**–**	**–**	–	201
Total contributed equity – parent entity	**100,799,439**	**73,379**	100,287,325	70,696
Treasury shares	**(249,697)**	**(1,573)**	(131,308)	(571)
Total consolidated contributed equity	**100,549,742**	**71,806**	100,156,017	70,125

(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) Treasury shares

Treasury shares are shares in InvoCare Limited that are held by the InvoCare Deferred Employee Share Plan Trust for the purpose of issuing shares under the InvoCare Deferred Employee Share Plan, as set out in Note 7.

Date	Details	Number of shares	$'000
1 January 2007	Opening balance	–	–
6 to 25 July 2007	Acquisition of shares by the Trust	131,308	571
31 December 2007/1 January 2008	Closing/Opening balance	131,308	571
11 February 2008	Forfeit of shares on termination of employment	(14,397)	257
22 February 2008	Shares vested	(6,700)	(41)
11 March 2008	Acquisition of shares by the Trust and reallocation of previously forfeited shares	20,908	35
1 to 3 July 2008	Acquisition of shares by the Trust	118,578	751
31 December 2008	Balance	249,697	1,573

(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.

NOTE 23: RESERVES AND RETAINED PROFITS

	Consolidated Entity		Parent Entity	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
(a) Reserves				
Share-based payment reserve	**963**	221	**963**	221
Hedging reserve – cash flow hedge reserve	**(3,293)**	3,527	**(3,293)**	3,527
Foreign currency translation reserve	**1,681**	(244)	**–**	–
	(649)	3,504	**(2,330)**	3,748
Movements:				
Share-based payments reserve				
Balance at the beginning of the year	**221**	246	**221**	246
Options/deferred employee share plan expense	**562**	271	**562**	271
Transfer to share capital upon exercise of options	**–**	(201)	**–**	(201)
Vesting of deferred employee share plan shares	**(42)**	–	**(42)**	–
Deferred tax	**222**	(95)	**222**	(95)
Balance at the end of the year	**963**	221	**963**	221
Hedging reserve				
Balance at the beginning of the year	**3,527**	962	**3,527**	962
Revaluation to fair value – gross	**(9,743)**	3,664	**(9,743)**	3,664
Deferred tax	**2,923**	(1,099)	**2,923**	(1,099)
Balance at the end of the year	**(3,293)**	3,527	**(3,293)**	3,527
Foreign currency translation reserve				
Balance at the beginning of the year	**(244)**	(37)	**–**	–
Revaluation to fair value – gross	**(5,913)**	1,061	**–**	–
Deferred tax	**1,774**	(410)	**–**	–
Currency translation differences	**6,064**	(858)	**–**	–
Balance at the end of the year	**1,681**	(244)	**–**	–
(b) Retained profits/(accumulated losses)				
Movements in retained profits/(accumulated losses) were as follows:				
Balance at the beginning of the year	**(14,175)**	(20,334)	**28,786**	18,208
Net profit for the year	**28,026**	27,554	**36,131**	31,973
Dividends paid during the year	**(23,066)**	(21,395)	**(23,066)**	(21,395)
Balance at the end of the year	**(9,215)**	(14,175)	**41,851**	28,786

(c) Nature and purpose of reserves

(i) Share-based payments reserve
The share-based payments reserve is used to recognise the expensed portion of shares granted to employees under the terms of the Deferred Employee Share Plan.

(ii) 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.

(iii) 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.

NOTE 23: RESERVES AND RETAINED PROFITS CONTINUED

(d) Transition to AIFRS

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 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 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 $3,771,000 (2007: $2,575,000). These are shown as transfers in the table below and comprise:

- reversal of non-current asset impairment losses of $1,691,000 (net of tax) recognised on transition;
- AASB 132 and AASB 139 financial instruments adjustments $861,000 (net of tax); and
- reversal of temporary differences relating to the deferred tax liability established at transition to AIFRS $2,941,000.

	Previously reported AGAAP earnings $'000	Transitional AIFRS adjustments to retained earnings $'000	Post AIFRS adoption reported earnings $'000	Total $'000
Balance of retained profits/(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)
Profit after tax for the 2007 year	–	–	27,554	27,554
Dividends paid during 2007	–	–	(21,395)	(21,395)
Profit after tax for the 2008 year	–	–	28,026	28,026
Dividends paid during 2008	–	–	(23,066)	(23,066)
Transfers between sub-accounts	–	3,771	(3,771)	–
Balance of retained earnings/(accumulated losses) as at 31 December 2008	–	(42,452)	33,237	(9,215)

NOTE 24: MINORITY INTEREST

	Consolidated Entity		Parent Entity	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Reconciliation of minority interests in controlled entities:				
Share capital	**800**	800	**–**	–
Retained earnings				
Balance at the beginning of the year	**126**	151	**–**	–
Add share of operating profit	**68**	97	**–**	–
Less dividends paid	**(56)**	(122)	**–**	–
Closing balance of retained earnings	**138**	126	**–**	–
Reserves	**99**	99	**–**	–
Balance at the end of the year	**1,037**	1,025	**–**	–

NOTE 25: CAPITAL AND LEASING COMMITMENTS

	Consolidated Entity		Parent Entity	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'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	**5,714**	5,206	**–**	–
– between 12 months and five years	**9,817**	9,335	**–**	–
– greater than five years	**10,157**	11,038	**–**	–
	25,688	25,579	**–**	–

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	4,993	147	574	5,714
Between 12 months and five years	9,083	458	276	9,817
Greater than five years	10,157	–	–	10,157
	24,233	605	850	25,688

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		Parent Entity	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
(b) Capital expenditure commitments				
Capital expenditure commitments contracted for at the reporting date but not recognised as liabilities payable:				
Building extensions and refurbishments				
– within one year	**1,237**	1,422	**–**	–
Plant and equipment purchases				
– within one year	**335**	1,364	**–**	–
(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	**3,712**	1,579	**–**	–

NOTE 26: BUSINESS COMBINATIONS

During 2008, the Group acquired the funeral businesses of Christian Funerals, which operates in Perth, Australia and Southern Cross Funerals, which operates in Melbourne, Australia. The accounting for the December 2007 Chipper business combination which had been completed on a provisional basis was finalised. Pursuant to the purchase agreements in prior years, further payments were made in 2008 in relation to Liberty Funerals which operates in Sydney, the Singapore Casket Company which operates in Singapore and Drysdale Funerals which operates on the Sunshine Coast in Queensland. Further details of these acquisitions are set out below.

Christian Funerals

(a) Summary of the Christian Funerals acquisition

On 1 August 2008, a subsidiary, InvoCare Australia Pty Limited, acquired the Christian Funerals business assets. The business operates from one location in Perth, Western Australia.

NOTE 26: BUSINESS COMBINATIONS CONTINUED

(a) Summary of the Christian Funerals acquisition continued
During 2008, Christian Funerals contributed revenues of $1.0 million and an EBITDA of $0.2 million. Further integration of the business with other InvoCare businesses in the Perth region is underway.

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	1,398
Direct costs relating to the acquisition	204
Sub-total	1,602
Anticipated additional consideration	491
Total purchase consideration	2,093
Fair value of net identifiable assets acquired (refer to (c) below):	300
Goodwill	1,793

(b) Christian Funerals purchase consideration	
Outflow of cash to acquire the business, net of cash acquired	
Cash consideration for Christian's business	1,398
Outflow of cash	1,398

Additional consideration will be payable in cash in the future in respect of the business assets based on the achievement of pre-determined revenue growth targets over a three-year period from July 2008. 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 Christian Funerals 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 Christian Funerals with the rest of the Group.

(c) Christian Funerals assets and liabilities acquired
The assets and liabilities arising from the acquisition are as follows:

	Acquiree's carrying amount $'000	Fair value $'000
Inventories	16	16
Other current assets	32	32
Property, plant and equipment	161	161
Intangible assets: Brand name	–	143
Provisions	(9)	(13)
Deferred tax liabilities	–	(39)
Net identifiable assets acquired	200	300

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 the 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.

Southern Cross Funerals

(a) Summary of the Southern Cross Funerals acquisition
On 15 October 2008, a subsidiary, InvoCare Australia Pty Limited, acquired the Southern Cross Funerals business assets including the land and buildings used by the business. The business operates from a single location in the south east of Melbourne, Victoria.

During 2008, the Southern Cross Funerals business contributed revenues of less than $0.1 million and broke even on an EBITDA basis. The business is in the process of being integrated into the InvoCare Melbourne operations.

NOTE 26: BUSINESS COMBINATIONS CONTINUED

(a) Summary of the Southern Cross Funerals acquisition continued

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	463
Direct costs relating to the acquisition	55
Sub-total	518
Anticipated additional consideration	125
Total purchase consideration	643
Fair value of net identifiable assets acquired (refer to (c) below):	446
Goodwill	197

(b) Southern Cross Funerals purchase consideration

Outflow of cash to acquire the business, net of cash acquired	
Cash consideration for Southern Cross business	463
Outflow of cash	463

Additional consideration will be payable in cash in the future in respect of the business assets based on the achievement of pre-determined revenue growth targets in the 12 months from acquisition. 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 Southern Cross Funerals 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 Southern Cross with the rest of the Group.

(c) Southern Cross Funerals assets and liabilities acquired

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

	Acquiree's carrying amount $'000	Fair Value $'000
Inventories	1	1
Other current assets	13	13
Property, plant and equipment	14	14
Land and building	350	400
Intangible assets: Brand name	–	43
Deferred tax liabilities	–	(25)
Net identifiable assets acquired	378	446

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 the 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.

Chippers Funerals

(a) Summary of the Chippers acquisition

On 13 December 2007, Oakwood Funerals Pty Limited, a subsidiary of InvoCare Australia Pty Limited, acquired the Chippers Funeral business assets. The business operates from five locations in the Western Australian market.

During 2008, the Chippers business contributed revenues of $5.6 million. During the year, it was integrated into InvoCare's existing businesses in the Perth region and it is estimated that it contributed around $1.0 million to EBITDA.

At 31 December 2007 the accounting for the business combination had only been determined provisionally. The final accounting for the business combination resulted in an increase in the total consideration and costs of $367,000 and an increase in brand name valuation of $269,000. This resulted in an increase of $64,000 in goodwill.

NOTE 26: BUSINESS COMBINATIONS CONTINUED

Chippers Funerals continued

(a) Summary of the Chippers acquisition continued

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	4,753
Direct costs relating to the acquisition	518
Total purchase consideration	5,271
Fair value of net identifiable assets acquired (refer to (c) below):	791
Goodwill	4,480

(b) Chippers Funerals purchase consideration

Outflow of cash to acquire the business, net of cash acquired	
Cash consideration for Chippers business	2,597
Cash consideration for equity instruments	2,156
Outflow of cash	4,753

(c) Chippers Funerals assets and liabilities acquired

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

	Acquiree's carrying amount $'000	Fair value $'000
Inventories	84	84
Property, plant and equipment	300	300
Intangible assets: Brand name	–	715
Provisions	(134)	(134)
Deferred tax liabilities	–	(174)
Net identifiable assets acquired	250	791

Liberty Funerals Pty Limited

On 1 March 2007, InvoCare Australia Pty Limited, a wholly-owned Australian subsidiary of InvoCare Limited, acquired 100% of the issued share capital of Liberty Funerals Pty Limited. This company operates a funeral business in Sydney, Australia.

Additional purchase consideration of $700,000 was paid in February 2008 in accordance with the contract. The payment was in line with expectations following the achievement of pre-determined EBITDA benchmarks established at the time of the initial acquisition.

Singapore Casket Company (Private) Limited

In 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.

Additional purchase consideration of $932,000 was paid during March 2008 in accordance with the contract. This amount was less than originally anticipated by $11,000 due to the appreciation of the Australian dollar compared to the Singapore dollar. The contract provided for additional purchase consideration in the event the pre-determined EBITDA target was achieved in 2007. The acquired entity met these targets and consideration of $932,000 became due and payable. The difference between the final deferred payment and the initial estimate was brought to account as a component of the goodwill arising on the acquisition.

Drysdale Funerals

In July 2006, the Group 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. The second additional payment of $100,000, which has already been brought to account, in respect of restraint and retention amounts, was made during 2008.

NOTE 27: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

	Consolidated Entity		Parent Entity	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
The parent entity and consolidated entity had contingent liabilities at 31 December 2008 in respect of bank guarantees given for leased premises of controlled entities to a maximum of:	**438**	398	**438**	398

For information about the deed of cross guarantees given by InvoCare Limited, InvoCare Australia Pty Limited and InvoCare (Singapore) Pty Limited, refer to Note 30. 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 28: SEGMENT REPORTING

(a) Description of segments

Management has determined that the operating segments should be based on the management reporting regularly reviewed by the Chief Executive Officer. This reporting is based on the operational location of the business because different economic and cultural factors impact the growth and profitability of the segment.

(b) Segment information provided to the Chief Executive Officer

The segment information provided to the Chief Executive Officer for reportable segments to 31 December 2008 is as follows:

	Australian Operations		Singapore Operations		Consolidated Entity	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000	**2008 $'000**	2007 $'000
Sales revenue						
Funerals						
Comparable	**174,178**	163,373	**8,373**	7,383	**182,551**	170,756
Acquired businesses	**9,767**	2,479	**–**	–	**9,767**	2,479
Total funerals	**183,945**	165,852	**8,373**	7,383	**192,318**	173,235
Cemeteries and crematoria	**58,453**	57,295	**–**	–	**58,453**	57,295
Elimination of intra-group sales	**(6,556)**	(6,612)	**–**	–	**(6,556)**	(6,612)
Revenue from external customers	**235,842**	216,535	**8,373**	7,383	**244,215**	223,918
Other revenue (excluding interest income)	**4,065**	3,561	**69**	65	**4,134**	3,626
Operating expenses	**(182,353)**	(164,919)	**(4,121)**	(3,690)	**(186,474)**	(168,609)
Normalised operating EBITDA	**57,554**	55,177	**4,321**	3,758	**61,875**	58,935
Depreciation and amortisation	**(9,088)**	(8,336)	**(615)**	(609)	**(9,703)**	(8,945)
Finance costs	**(12,098)**	(10,605)	**(1,598)**	(1,490)	**(13,696)**	(12,095)
Interest income	**642**	642	**–**	11	**642**	653
Income tax expense	**(10,522)**	(11,334)	**(253)**	(141)	**(10,775)**	(11,475)
Normalised profit after tax	**26,488**	25,544	**1,855**	1,529	**28,343**	27,073
Profit/(loss) on sale of assets	**(250)**	542	**1**	36	**(249)**	578
Minority interest	**(68)**	(97)	**–**	–	**(68)**	(97)
Net profit after tax attributable to equity holders of InvoCare Limited	**26,170**	25,989	**1,856**	1,565	**28,026**	27,554
Acquisition of property, plant and equipment and intangibles	**18,756**	26,452	**61**	324	**18,817**	26,776
Total assets	**309,550**	304,417	**30,830**	27,952	**340,380**	332,369

NOTE 28: SEGMENT REPORTING CONTINUED

(c) Segment information – accounting policies

The consolidated entity operates in one industry, being the funeral industry, with operations in Australia and Singapore.

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.

NOTE 29: CASH FLOW INFORMATION

	Consolidated Entity		Parent Entity	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Reconciliation of cash flow from operations with profit from ordinary activities after income tax				
Profit from ordinary activities after income tax	**28,094**	27,651	**36,131**	31,973
Non-cash flows in profit from ordinary activities				
Depreciation and amortisation	**9,703**	8,945	**–**	–
Share-based payments expense	**607**	270	**–**	(8)
Loan establishment costs	**107**	101	**98**	98
Interest rate swap expense	**2,101**	954	**1,652**	320
Imputed interest from deferred purchase consideration	**38**	–	**–**	–
Management fee received from related parties	**–**	–	**(1,200)**	(1,200)
Interest received from related parties	**–**	–	**(19,172)**	(16,963)
Dividends received from related parties	**–**	–	**(30,500)**	(26,500)
Income tax expense paid by a related party	**–**	–	**3,140**	1,368
Net amount reclassified as an expense from property plant and equipment and other non-current assets	**(82)**	–	**–**	–
Net (gain)/loss on disposal of property, plant and equipment	**355**	(519)	**–**	–
Effect of movement in exchange rates	**(182)**	–	**–**	–
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries				
(Increase)/decrease in trade and other receivables	**(282)**	(1,513)	**(1)**	(2)
(Increase)/decrease in inventories	**(470)**	(605)	**–**	–
(Increase)/decrease in deferred selling expenses	**(6)**	–	**–**	–
Increase/(decrease) in payables	**(992)**	3,059	**10**	143
Increase/(decrease) in deferred revenue	**(1,064)**	222	**–**	–
Increase/(decrease) in income taxes payable	**35**	(212)	**(721)**	220
Increase/(decrease) in deferred taxes liabilities	**(2,156)**	(706)	**(14)**	153
Increase/(decrease) in provisions	**667**	948	**–**	–
	36,473	38,595	**(10,577)**	(10,398)

NOTE 30: DEED OF CROSS GUARANTEE

InvoCare Limited, InvoCare Australia Pty Limited and InvoCare (Singapore) Pty Limited entered into a Deed of Cross Guarantee 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 2008 of the Closed Group.

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

	2008 $'000	2007 $'000
Consolidated income statement of the Closed Group		
Revenue from continuing operations	**217,333**	205,124
Finished goods and consumables used	**(63,030)**	(57,344)
Employee benefits expense	**(50,916)**	(46,652)
Employee related and on-cost expenses	**(11,544)**	(12,142)
Advertising and public relations expenses	**(7,143)**	(6,252)
Depreciation, impairment and amortisation expenses	**(7,979)**	(7,401)
Occupancy and facilities expenses	**(11,836)**	(10,392)
Finance costs	**(13,640)**	(12,078)
Motor vehicle expenses	**(4,867)**	(4,638)
Other expenses	**(10,191)**	(10,565)
Net gain/(loss) on disposal of non-current assets	**(376)**	779
Profit before income tax	**35,811**	38,439
Income tax expense	**(7,901)**	(10,017)
Profit for the year	**27,910**	28,422
Summary of movements in consolidated retained profits of the Closed Group		
Retained profits/(accumulated losses) at the beginning of the financial year	**(17,340)**	(24,367)
Profit for the year	**27,910**	28,422
Dividends provided for or paid	**(23,066)**	(21,395)
Retained profits/(accumulated losses) at the end of the financial year	**(12,496)**	(17,340)

NOTE 30: DEED OF CROSS GUARANTEE CONTINUED

(b) Balance sheet of the Closed Group

	2008 $'000	2007 $'000
Current assets		
Cash and cash equivalents	**3,840**	5,887
Trade and other receivables	**16,719**	17,135
Inventories	**12,473**	12,089
Deferred selling costs	**490**	491
Total current assets	**33,522**	35,602
Non-current assets		
Trade and other receivables	**5,598**	9,052
Shares in subsidiaries	**52,384**	52,102
Property, plant and equipment	**190,008**	182,720
Derivative financial instruments	**–**	5,257
Intangible assets	**30,634**	28,465
Deferred selling costs	**6,863**	6,877
Total non-current assets	**285,487**	284,473
Total assets	**319,009**	320,075
Current liabilities		
Trade and other payables	**20,184**	24,620
Current tax liabilities	**3,429**	3,790
Deferred revenue	**2,585**	3,274
Provisions for employee benefits	**8,510**	7,854
Total current liabilities	**34,708**	39,538
Non-current liabilities		
Trade and other payables	**577**	2,906
Long-term borrowings	**158,655**	154,547
Derivative financial instruments	**12,500**	–
Deferred tax liabilities	**21,327**	27,898
Deferred revenue	**36,191**	36,665
Provisions for employee benefits	**1,289**	1,067
Total non-current liabilities	**230,539**	223,083
Total liabilities	**265,247**	262,621
Net assets	**53,762**	57,454
Equity		
Contributed equity	**71,806**	70,125
Reserves	**(5,548)**	4,669
Retained profits/(Accumulated losses)	**(12,496)**	(17,340)
Total equity	**53,762**	57,454

NOTE 31: EVENTS AFTER THE BALANCE SHEET DATE

There have been no significant events that have occurred subsequent to 31 December 2008.

NOTE 32: 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 14.

(c) Directors and key management personnel
Disclosures relating to directors and key management personnel are set out in Note 6.

	Consolidated Entity		Parent Entity	
	2008 $	2007 $	**2008 $**	2007 $
(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	**–**	–	**1,200,000**	1,200,000
Loans advanced by the parent entity	**–**	–	**17,756,902**	17,608,240
Interest charged by the parent entity	**–**	–	**19,172,135**	16,963,403
Dividend paid to the parent entity	**–**	–	**30,500,000**	26,500,000
Amounts receivable by the parent entity from controlled entities				
Loan by parent entity to a subsidiary	**–**	–	**238,537,437**	220,780,535
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% (2007: 9%).				
Transactions with other related parties				
Contributions to superannuation funds on behalf of employees	**4,394,856**	3,857,653	**–**	–

(e) Guarantees and other matters
Under the terms of loan facility agreements executed on 16 December 2005 and amended in October 2006, June 2007 and November 2008, InvoCare Limited and each of its wholly-owned Australian entities (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. In accordance with the terms of the TSA, InvoCare Australia Pty Limited makes tax payments on behalf of InvoCare Limited and receives reimbursement through the intercompany loan account for amounts paid except for the tax allocated to that entity.

NOTE 33: 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 and an operating net cash outflow. 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 $25,695,000 as outlined in Note 2(c), or by on-demand repayment of inter company advances.

NOTE 34: 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(o). 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 16 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 15 for details of these assumptions.

(iii) Timing of recognition of deferred plaque and miscellaneous merchandise revenue
Prepaid cemetery/crematorium plaque and miscellaneous 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 $31.1 million at 31 December 2008 (2007: $30.2 million).

The 15-year period is based on the actuarially assessed average period between a customer entering into a prepaid funeral plan and the contract becoming at-need. The actual history of a prepaid cemetery/crematorium contract may differ from the profile of a prepaid 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 prepaid 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 a reduction of approximately $1.0 million (2007: $0.5 million) per annum in revenue.

NOTE 35: 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 36: AUTHORISATION OF THE FINANCIAL REPORT

This financial report was authorised for issue by the directors on 27 March 2009. 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 49 to 94 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 2008 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) at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in Note 30 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 30.

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

Andrew Smith
Director

Sydney
27 March 2009

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

Report on the financial report

We have audited the accompanying financial report of InvoCare Limited (the company), which comprises the balance sheet as at 31 December 2008, and the income statement, statement of recognised income and expense and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both InvoCare Limited and the InvoCare Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the consolidated financial statements and notes comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and the remuneration disclosures contained in the directors' report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report and the remuneration disclosures contained in the directors' report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

For further explanation of an audit, visit our website http://www.pwc.com/au/financialstatementaudit.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Independence
In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion on the financial report
In our opinion:

(a) the financial report of InvoCare Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the company's and consolidated entity's financial position as at 31 December 2008 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the consolidated financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the remuneration report
We have audited the remuneration report included in pages 40 to 46 of the directors' report for the year ended 31 December 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion
In our opinion, the Remuneration Report of InvoCare Limited for the year ended 31 December 2008 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

John Feely
Partner

Sydney
27 March 2009

Shareholder Information

Shares and options as at 12 March 2009

	Number
Shares on issue	100,799,439
Options on issue	Nil

Distribution of shareholdings as at 12 March 2009

	Number of shareholders	Number of shares	Percentage %
1 – 1,000	2,495	1,393,507	1.38%
1,001 – 5,000	4,822	13,006,716	12.90%
5,001 – 10,000	1,308	9,865,997	9.79%
10,001 – 100,000	725	14,705,706	14.59%
100,001 and over	52	61,827,513	61.34%
	9,402	100,799,439	100.00%

There were 211 holders of less than a marketable parcel of ordinary shares (being 104 based on a market price of $4.81 on 12 March 2009) who hold a total of 12,304 ordinary shares.

Equity security holders

	Number of shares	Percentage %
Largest 20 holders of ordinary shares at 12 March 2009		
1. National Nominees Limited	18,268,757	18.12%
2. J P Morgan Nominees Australia	10,543,924	10.46%
3. ANZ Nominees Limited	7,344,977	7.29%
4. Citicorp Nominees Pty Limited	5,424,260	5.38%
5. HSBC Custody Nominees (Australia) Limited	3,042,350	3.02%
6. Cogent Nominees Pty Limited	2,856,611	2.83%
7. Bond Street Custodians Limited	2,338,599	2.32%
8. Neweconomy Com Au Nominees Pty Limited	1,412,418	1.40%
9. Argo Investments Limited	1,176,358	1.17%
10. Queensland Investment Corporation	1,150,649	1.14%
11. Milton Corporation Limited	965,254	0.96%
12. Richard Hugh Davis	816,451	0.81%
13. UBS Wealth Management Australia Nominees Pty Ltd	755,750	0.75%
14. Huntley Investment Company Limited	650,000	0.64%
15. IVC Share Plan Managers Pty Ltd	520,612	0.52%
16. AMP Life Limited	507,607	0.50%
17. Australian Executor Trustees Limited	479,479	0.48%
18. The University of Melbourne	437,268	0.43%
19. Questor Financial Services Limited	428,326	0.42%
20. Mirrabooka Investments Limited	415,000	0.41%
Total for top 20	59,534,650	59.06%

Substantial holders

	Number of shares held	Percentage %
Substantial holders in the Company as at 12 March 2009 are set out below:		
J P Morgan Chase & Co. and its affiliates	11,763,441	11.67%
National Australia Bank Limited Group	6,851,452	6.80%

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.

InvoCare Locations

Traditional

NSW/ACT

Guardian Funeral Providers

AF Anderson Funerals (est 1917)
Merrylands

Allen Matthews Funerals (est 1960)
Cremorne
North Ryde
Warrawee

Bruce Maurer Funerals (est 1941)
Crows Nest

Butler Funerals (est 1928)
Campbelltown

Dignified Funerals (est 1964)
Burwood

Guardian Funerals (est 1960)
Blacktown

Hansen & Cole Funerals (est 1936)
Bulli
Kembla Grange
Wollongong

J & C Hardy Funerals (est 1928)
Hurstville

J W Chandler Funerals (est 1885)
Richmond
Windsor

Macarthur District Funerals (est 1979)
Leppington

Metcalfe & Morris Funerals (est 1890)
Parramatta

Metropolitan Funerals (est 1937)
Bankstown
Rockdale

Sydney Funerals (est 1975)
Minchinbury

Tobin Brothers Funerals (est 1946)
Belconnen (ACT)
Kingston (ACT)
Queanbeyan

Other Traditional Providers

Allan Drew Funerals (est 1985)
Castle Hill
Rouse Hill

Ann Wilson Funerals (est 1995)
Dee Why
Mona Vale

David Lloyd Funerals (est 1885)
Adamstown
Belmont
Beresfield
Toronto

Byron District Funerals (est 1978)
Byron Bay

Casino Funerals (est 1930)
Casino

Economy Funerals
All areas

Kevin Geaghan Funerals (est 1896)
Ballina

Liberty Funerals (est 1994)
Chatswood
Granville

Twin Towns Funerals (est 1913)
Tweed Heads

Universal Chung Wah (est 1955)
Fairfield

William Riley & Sons (est 1882)
Lismore

Queensland

George Hartnett Funerals
(est 1947)
Albany Creek
Cleveland
Darra
Holland Park
Redcliffe
Sandgate
Wynnum

Other Providers

Cannon & Cripps (est 1886)
Kelvin Grove

Drysdale Funerals (est 1983)
Nambour
Tewantin

Reed & Bottcher (Reed est 1869 and Bottcher 1887)
Ipswich

Sommerville Funerals (est 1932)
Nerang
Robina
Southport

Value Funerals
All areas

Victoria

Le Pine including Le Pine Heritage
(est 1891)
Box Hill
Camberwell
Croydon
Dandenong
Eltham
Ferntree Gully
Footscray West
Glen Waverley
Greensborough
Healesville
Ivanhoe
Kew East
Lilydale
Mordialloc
Oakleigh
St Kilda
Thornbury

Other Providers

Mulqueen Funerals (est 1932)
Coburg

Provinciale Servzio Funebre (est 1982)
Coburg

Southern Cross (est 1998)
Noble Park

Value Funerals
All areas

South Australia

Blackwell Funerals
(est 1940)
Glenside
Payneham
Prospect
South Brighton
Torrensville

Other Providers

Value Funerals
All areas

Western Australia

Purslowe Funerals
(est 1907)
Midland
North Perth
South Fremantle
Victoria Park
Wangara

Other Providers

Oakwood Funerals (est 1999)
Booragoon
Rockingham

Chipper & Son (est1889)
Mandurah
Myaree
Rockingham
Subiaco
Victoria Park

Christian Funerals (est 1978)
Maylands

Value Funerals
All areas

Simplicity (est 1979)

NSW		Queensland	Victoria	South Australia	Western Australia
Balgowlah	Paddington	Buranda	Carnegie	Albert Park	Joondalup
Bankstown	Penrith	Ipswich	Flemington	Black Forest	Kelmscott
Bateau Bay	Randwick	Kedron	Frankston	Brahma Lodge	Osborne Park
Chatswood	Ryde	Logan	Pascoe Vale	Enfield	Spearwood
Erina	Sans Souci	Miami	Reservoir	Morphett Vale	
Hornsby	Smithfield	Parkwood	Sunshine	Victor Harbor	
Liverpool	Toukley East	Strathpine	Werribee		
Mascot	Tweed Heads				
Miranda	Woy Woy				
Newtown	Wyong				

White Lady Funerals (est 1987)

NSW/ACT		Queensland	Victoria	South Australia	Western Australia
Bankstown	Narrabeen	Ashmore	Caulfield South	Hillcrest	*Operating as Mareena Purslowe & Associates Funerals*
Belconnen (ACT)	Nelson Bay	Chelmer	Doncaster	Plympton	Subiaco
Bondi Junction	Pennant Hills	Kelvin Grove	Epping		Willetton
Camden	Penrith	Morningside	Heidelberg		
Charlestown	Queanbeyan	Tanah Merah	Mornington		
Charmhaven	Rockdale	Warana	North Essendon		
Eastwood	Roseville		South Melbourne		
Five Dock	Sutherland				
Kingston (ACT)	Tweed Heads				
Manly	Wyoming				
Mayfield					
Mosman					

Cemeteries and Crematoria

NSW		Queensland	
Castlebrook Memorial Park (est 1973)	Rouse Hill	Albany Creek Memorial Park (est 1964)	Bridgeman Downs
Forest Lawn Memorial Park (est 1962)	Leppington	Allambe Gardens Memorial Park (est 1968)	Nerang
Lake Macquarie Memorial Park (est 1994)	Ryhope	Mt Thompson Memorial Gardens (est 1934)	Holland Park
Lakeside Memorial Park (est 1964)	Dapto		
Newcastle Memorial Park (est 1936)	Beresfield		
Northern Suburbs Memorial Gardens and Crematorium (est 1933)	North Ryde		
Pinegrove Memorial Park (est 1962)	Eastern Creek		
Rookwood Memorial Gardens and Crematorium (est 1925)	Rookwood		
Tweed Heads Memorial Gardens (est 1971)	Tweed Heads		

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 eight essential corporate governance principles and best practice recommendations of the ASX Corporate Governance Council August 2007
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
Condolence Lounge	A facility for family and friends to gather at 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
OH&S	Occupational Health and Safety
Operating EBITDA	EBITDA excluding asset sale and impairment gains or losses
Prepaid Cemetery and Crematorium Services	Cemetery and crematorium services that have been arranged and paid for in advance
Prepaid Funeral Fund	The fund where prepaid funeral monies are held in trust until the funeral service is provided
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

Executor will need certain financial information when applying for grant of probate.

Name — Telephone

Address — Postcode

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

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)

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 Information

InvoCare Limited
ABN 42 096 437 393

Directors
Ian Ferrier (Chairman)
Andrew Smith (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 Radisson Plaza Hotel, 27 O'Connell Street, Sydney on 22 May 2009.

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

Stock Exchange Listing
InvoCare Limited is a company limited by shares that is incorporated and domiciled in Australia.

InvoCare Limited's shares are listed on the Australian Securities Exchange only.
ASX code is IVC

Auditors
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

carbon neutral
elemental chlorine free
mill certified
renewable energy

ENVI Coated is made from elemental chlorine free pulp derived from sustainably managed forests and non controversial sources.

It is certified carbon neutral and Australian Paper is ISO 14001 certified which utilises energy resources.

ENVI – Australia's Carbon Neutral Paper.

This product is printed on ENVI Carbon Neutral Paper.

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