InvoCare
Innovation Vocation Care

Annual Report 2009

Here for you

Parks and gardens

Each year our cemeteries and crematoria vie for the parks and gardens award. Judging criteria emphasise the sense of calm and serenity the gardens create for all our client families and visitors. The passion and vision our dedicated staff bring to the development and maintenance of these facilities, both for the current season and in the long term, are second to none.

Some of the winners of this year's award are pictured at the Newcastle Memorial Park showcasing a sample of their creations.

InvoCare's network of over 180 locations in Australia and Singapore ensures we are here for you at your time of need.

Singapore
3 Funeral locations

Western Australia
19 Funeral locations

South Australia
13 Funeral locations

Queensland
26 Funeral locations
3 Cemeteries and Crematoria

NSW and ACT
76 Funeral locations
9 Cemeteries and Crematoria

Victoria
36 Funeral locations

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 families' 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 is the key 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.

National brands

Australia

WHITE LADY FUNERALS
a woman's understanding

Simplicity Funerals
Simply Respectful. Simply Affordable. Simply Australian.

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 43 White Lady locations throughout Australia.

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

Steadily expanding, there are 45 Simplicity Funeral locations throughout Australia and one in Singapore.

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.

Traditional and Heritage Funerals

Guardian Funerals
Blackwell Funerals
Purslowe Funerals
George Hartnett Funerals
Drysdale Funerals
Hansen & Cole Funerals
Somerville Funerals
Tobin Brothers Funerals
Ann Wilson Funerals
Le Pine Funerals
Chipper Funerals

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 93 InvoCare traditional-style and heritage funeral homes in Australia.

A full list of brands and locations is set out on page 98.

Cemeteries and Crematoria

龍寶山 Lung Po Shan Chinese Memorial Garden

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.

InvoCare is successful because of our ability to be here in a number of important ways.

We are here for each other as an organisation; sharing our successes and transferring knowledge and skills into the hands of those whom client families rely on to deliver outstanding funerals and related services.

We are here for the families we are privileged to serve, before, during and long after the funeral service is over or the memorial is completed. We are here for the communities we serve through national alliances and significant contributions made at the local level by our locations and our dedicated staff.

And we are here for the investors in our business; increasing investor value by growing our presence in Australia and Singapore and through the continual enhancement of our facilities and capabilities.

We are here for you

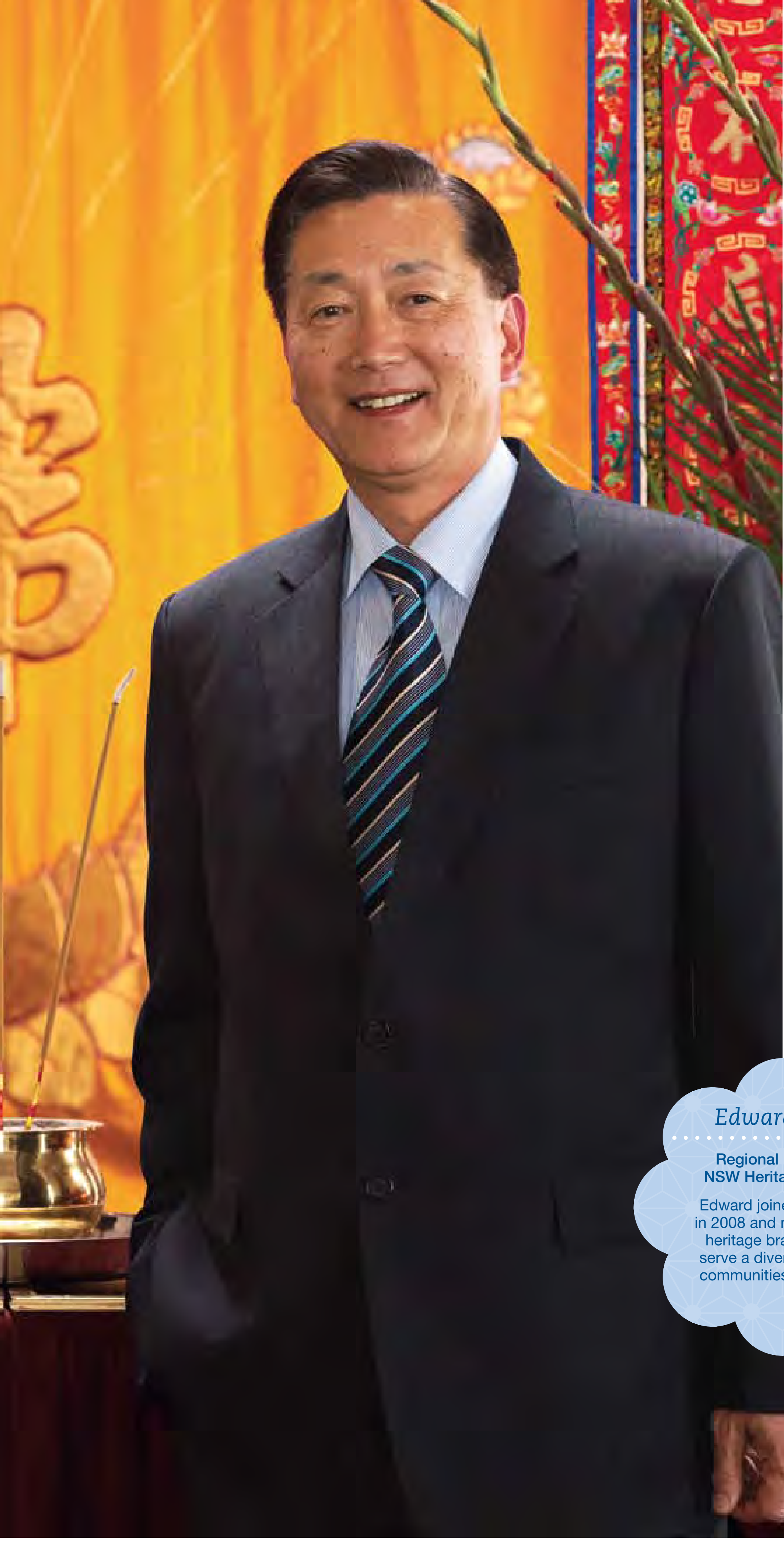
Contents

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

The flower

The Peony is associated with medicine and healing in Greek mythology and symbolises peace and nobility. In China the Peony is greatly admired and is often seen as a national symbol.

The company we keep



We are honoured and proud of the relationships we have made with leading community associations.

The Australian Chinese Community Association of NSW (ACCA) is a non-political, non-religious and non-profit community organisation. It provides a wide range of services to the Chinese community in Australia, and promotes mutual understanding between Chinese and other Australians. ACCA also aims to ensure that members of the Chinese community have access to the rights and services enjoyed by the wider community.

Universal Chung Wah and the Cemeteries and Crematoria division's Multicultural Unit, has built up a solid relationship with ACCA, culminating in the signing of a three year Corporate Partnership agreement in January 2010.

The South Australian team has worked closely with the Adelaide Italian Carnevale organising committee seconding Teresa Leonardi OAM to the coordinating committee. We are very proud of Teresa who was awarded her OAM for services to the Italian community of South Australia.

InvoCare funeral directors have always had a strong relationship with Lions Clubs. A recent national initiative between Lions and InvoCare is supporting the Recycle for Sight programme which involves the collection and recycling of reading glasses. Through this partnership close to 30,000 pairs of spectacles have been distributed to countries in the Asia Pacific region.

Edward Chui

Regional Manager, NSW Heritage Brands

Edward joined InvoCare in 2008 and manages the heritage brands which serve a diverse range of communities and faiths.

Learning together

We are focused on improving our service levels to the community through the training of our people.

Many of our team provide training internally to staff and externally to many other health care professionals. Major initiatives were undertaken in 2009 in areas as diverse as recruitment and selection, OH&S and pandemic response situations.

In 2009, Queensland staff benefited from a presentation by Shaima Kahn of the Al-Nisa Youth Group Inc on needs of Muslim families.

Chief Inspector (Rtd) Gary Raymond APM, OAM led a grief seminar supported by Simplicity in NSW which aims to prepare people for grief, manage the crisis stage and recover.

Sixteen managers are currently enrolled in the funeral services programme which will be converted to Certificate 3 in Funeral Services in 2010.

Susan Piacun

Location Manager, Somerville Funerals Nerang

Susan has been with Somerville Funerals for more than 10 years and has been actively involved in many training initiatives in her region.

We are providing an enhanced service to the community through new and upgraded facilities.

InvoCare invests millions of dollars each year in developing, upgrading and maintaining our facilities for the benefit of the communities we serve. At Pinegrove Memorial Park a new crypt development, favoured by the Italian community, will open in the middle of 2010, the first at Pinegrove Memorial Park to offer the option of a family vault.

Work has begun on a new condolence facility at Northern Suburbs Memorial Gardens and Crematoria, which will provide on-site facilities for families to celebrate the lives of their loved ones in a peaceful and tranquil setting.

A key part of our greenhouse gas emissions management plan, the cremator replacement programme has seen 10 new cremators replace 13 old cremators, reducing CO_2 emissions by 10% or 225 tonnes in 2009.

Where possible, diesel vehicles have been substituted for petrol. This resulted in an increase of 38 diesel vehicles during 2009, bringing the number to 10% of the fleet. Despite an increase of 6% in vehicle numbers, our carbon emissions from this source only increased by 1.6%.

Tom Vukelic, Operations Manager at Northern Suburbs Memorial Gardens and Crematorium at the Condolence Facility construction site.

An artist's impression of the condolence facility at Northern Suburbs Memorial Gardens and Crematorium.

Investing in our communities

Ian Parker, Commercial Manager – Cemeteries and Crematoria, who manages many of InvoCare's major projects, at the construction of the new crypts at Pinegrove Memorial Park.

A recently installed cremator at Pinegrove Memorial Park.

2009 *performance highlights*

Sales revenue
$ million

Operating EBITDA
$ million

Profit after tax
$ million

Ordinary dividends per share
cents

Five year financials

	2009 $'000	2008 $'000	2007 $'000	2006 $'000	2005 $'000
Sales revenue					
– Funerals	201,068	192,318	173,235	146,357	131,790
– Cemeteries and crematoria	62,644	58,453	57,295	51,785	50,584
– Elimination of intra-group sales	(6,633)	(6,556)	(6,612)	(6,210)	(5,532)
Revenue from external customers	257,079	244,215	223,918	191,932	176,842
Operating EBITDA	65,193	61,874	58,935	49,140	45,369
Operating EBITDA margin	25.4%	25.3%	26.3%	25.6%	25.7%
Normalised profit after tax*	33,462	28,342	27,073	21,636	18,720
Normalised basic earnings per share (cents)*	33.1	28.3	27.2	22.2	19.5
Profit after tax attributable to members	33,198	28,026	27,554	24,047	20,141
Basic earnings per share (cents)	32.9	28.0	27.6	24.7	21.0
Dividend paid in respect of the financial year (excluding special dividend paid in 2005)	25.25	23.50	22.50	19.50	16.50
Ungeared, tax free operating cash flow	63,094	60,495	62,023	50,611	45,059
Proportion of EBITDA converted to cash	97%	98%	105%	103%	99%
Actual capital expenditure	13,846	16,359	17,366	9,817	6,904
Net Debt	148,358	152,452	145,886	146,787	136,000
Operating EBITDA/Net interest (times)	6.7	6.2	6.0	5.4	4.9
Net debt / EBITDA (times)	2.3	2.5	2.5	3.0	3.0
Prepaid funds under management	272,000	237,000	272,000	252,000	221,000
Funeral homes (number)	173	163	152	136	125
Cemeteries and crematoria (number)	12	12	12	12	12
Employees (full-time equivalents)	1,101	1,052	923	842	792

** Normalised profit after tax is the profit after tax adjusted for the tax effected impacts of the gains and losses arising from the sale, disposal or impairment of non-current assets.*

Chairman's message

InvoCare's robust business model produces another solid financial result.

InvoCare once again showed the strength of its business model by delivering an underlying profit after tax of $31.9 million, a 7% increase from 2008. After including non-cash swap gains and income tax credits, reported profit after tax increased by 18.5% to $33.3 million.

The dedicated team at InvoCare continues to deliver outstanding service to family and funeral director customers across Australia and Singapore. In addition, these people contributed countless hours of their time to a range of voluntary organisations and events, demonstrating InvoCare's commitment to the communities in which it operates.

In a year when the number of deaths in its markets declined, market share gains continued to be achieved with the addition of eight new funeral home locations in Australia and two in Singapore, augmented by the full year impact of acquisitions made in 2008. Particularly pleasing were stronger sales and delivery of memorials by InvoCare's 12 cemeteries and crematoria, following the poorer economic conditions which prevailed in the second half of 2008 and the first four months of 2009.

New prepaid funeral contract sales continued to grow, although surplus contributions from contract redemptions were constrained. As funds have been reallocated to equities and investment returns improve, contributions from prepaid funeral fund redemptions are expected to once again enhance future profits.

In general, the funeral industry and InvoCare are not significantly affected by prevailing economic conditions. Changes in the death rate tend to have more significant impact. During the year, the Board and management closely monitored and reacted to the economic cycle and the decline in the number of deaths. In this climate, InvoCare successfully improved operating margins, generated strong cash flows and strengthened its healthy financial position.

The existing debt facilities, which expire in January 2011, are currently being renegotiated and indications are that new debt facilities will be obtained without difficulty. Unfortunately, the significant tightening in credit markets seen during the global financial crisis, while easing, will result in an increase in funding costs over the next few years.

InvoCare's Board and management continue to explore expansion opportunities, in both existing and potential markets in Australia and the broader Asia Pacific region. In the short term, smaller "bolt on" acquisitions are more likely than a large acquisition. The Australian acquisitions completed in the latter half of 2008 have been fully integrated into InvoCare's network. A small acquisition was completed in Singapore during the year, which provided entry into a strategic area in the Singapore market. Towards the end of the year, Singapore Casket Company was successful, in a competitive tender, for funeral parlours in the Mount Vernon area.

Given the strong 2009 result, the Board has declared a fully franked final dividend of 13.75 cents per share. Total dividends, which are fully franked, in respect of 2009 total 25.25 cents per share, an increase of 7.4% or 1.75 cents per share on 2008. Total shareholder returns (price movement plus cash dividends) since the initial public offering in late 2003 now stand at 25.5% compound annual growth.

On behalf of the Board and all of InvoCare's shareholders, I congratulate the management and staff of InvoCare across Australia and Singapore on the excellent results achieved. Their hard work and commitment to outstanding service delivery under Andrew Smith's leadership, combined with the robust business model, provide the Board with confidence that InvoCare can continue sustained future growth.

Ian Ferrier Chairman

CEO review

InvoCare's solid operating results have again been underpinned by the commitment and dedication of our employees who deliver outstanding customer service to our client families across Australia and Singapore.

2009 has seen InvoCare deliver another solid operating result, with profit after tax up 18.5% to $33.2 million. Underlying profit, which excludes the impact of non-recurring items, rose 7% to $31.9 million. These outcomes are a credit to our dedicated employees and continued focus on our pillars of growth.

This solid outcome was achieved despite a decline in the death rate in InvoCare's markets and a decline in the margin from prepaid funerals. These declines were more than offset by:

– normal annual price increases;

– favourable geographic and brand mix effects;

– market share growth and the impact of new locations and acquisitions; and

– improvement in memorialisation revenues.

Dividends for the year were 25.25 cents per share, up 1.75 cents per share or 7.4% from 2008.

Funeral homes

Sales revenue from InvoCare's 170 Australian funeral homes was up 4.3% from 2008.

The bulk of the increase came through price increases and it is pleasing to note that our market surveys showed that 87% of our client families believed that the cost of their funeral was lower than or in line with their expectations. A decline in the death rate resulted in lower case volumes. InvoCare estimates the death rate in its markets was down 1% for the full year and around 2.5% in the second half.

In line with the Group's strategic direction, eight new Australian funeral homes were opened in 2009. Three traditional brand, four White Lady and one Simplicity locations were added. These new locations are all within acceptable distances of existing shared services centres, enabling the Group to achieve cost synergies from the locations. The majority of new locations opened in 2009 were in the satellite growth areas of the major capitals, such as Mandurah south of Perth and Warana on the Sunshine Coast.

Market surveys revealed that 97% (2008: 97%) of clients would probably or definitely recommend an InvoCare funeral provider to a third party and 99% (2008: 99%) of clients believe InvoCare meets or exceeds their expectations. This is a great tribute to our dedicated and experienced team members who continue to receive many letters of thanks and appreciation from client families.

Historical revenue growth contributors – Australian funerals

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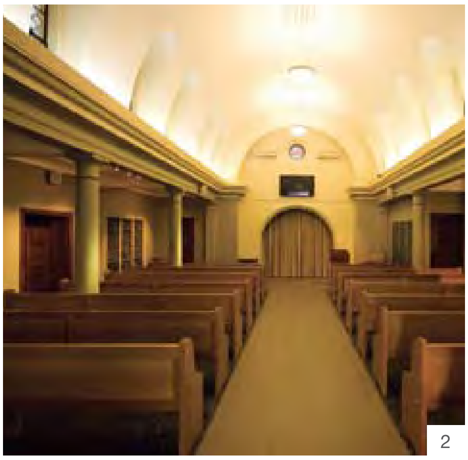

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In constant dollars, Singapore revenues grew by 7% due to an increase in case volumes and some market share gains. During the year a Simplicity location was opened in the Sin Ming Drive area and late in the year Singapore Casket Company was successful in a competitive tender for funeral parlours in the Mount Vernon location.

White Lady Funerals was established in South Australia in 1979. It is the fastest growing funeral brand operating Australia wide providing excellent service with a woman's understanding has continued its long-term commitment to serving families in the local community. A key milestone in 2009 saw White Lady Funerals celebrate 20 years of operation in NSW and the ACT growing from a single location in Bankstown 20 years ago to a network of 19 locations across NSW and the ACT today.

Cemeteries and crematoria

InvoCare's 12 cemeteries and crematoria increased sales revenue by $4.2 million or 7% over 2008. The sales growth was driven by higher memorialisation sales. There was a 34% increase in the number of contracts having an average sale value greater than $15,000. A good portion of this result can be attributed to the success of the multicultural team, reflecting InvoCare's active support of Asian and other communities.

Rookwood Crematorium was damaged by fire in July 2008 and, after a period of operating at less than full capacity while repairs were carried out, was fully re-opened in May 2009. The opportunity was taken during this period to bring forward the replacement of existing cremators, with new and more fuel efficient equipment installed in the repaired building.

Clockwise from top:

1. The Rookwood Crematorium after restoration following a major fire in July 2009
2. The restored interior of the chapel at Rookwood Crematorium following its reopening in May 2009
3. The chapel at Simplicity Woy Woy following the redevelopment of this location during 2009
4. The interior of the chapel at Pinegrove Memorial Park which was extensively upgraded and enhanced in 2009
5. The exterior of the Pinegrove Memorial Park chapel and crematorium complex.

> *InvoCare's robust business model will deliver growth through anticipated volume increases, business acquisitions and investments in our brands, people, facilities and the communities we are here for.*

Key Strategies of 2009

Brand awareness

InvoCare aims to sustain and improve brand awareness by running integrated TV, radio, press and billboard campaigns. Another critical component of building the brand awareness is the many hours our staff devote to community and social organisations. InvoCare's two Australian national brands, White Lady and Simplicity, along with the primary progressive brands in individual markets, enjoy strong awareness levels. In our latest surveys, White Lady achieved an outstanding brand awareness score of 93%. In Sydney, Guardian Funerals aided brand awareness has risen from 19% in 2004 to 56% in 2009.

New locations and acquisitions

Building on InvoCare's robust business model we continue to seek new locations and acquisitions within the footprint of established shared service functions. The model is based on personal service supported by highly efficient back-end processes to ensure client families receive the most professional service possible. 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.

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, InvoCare anticipates being the first to offer a fully accredited Certificate 3 in Funeral Services to enhance the professionalism of our teams. 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.

Facilities

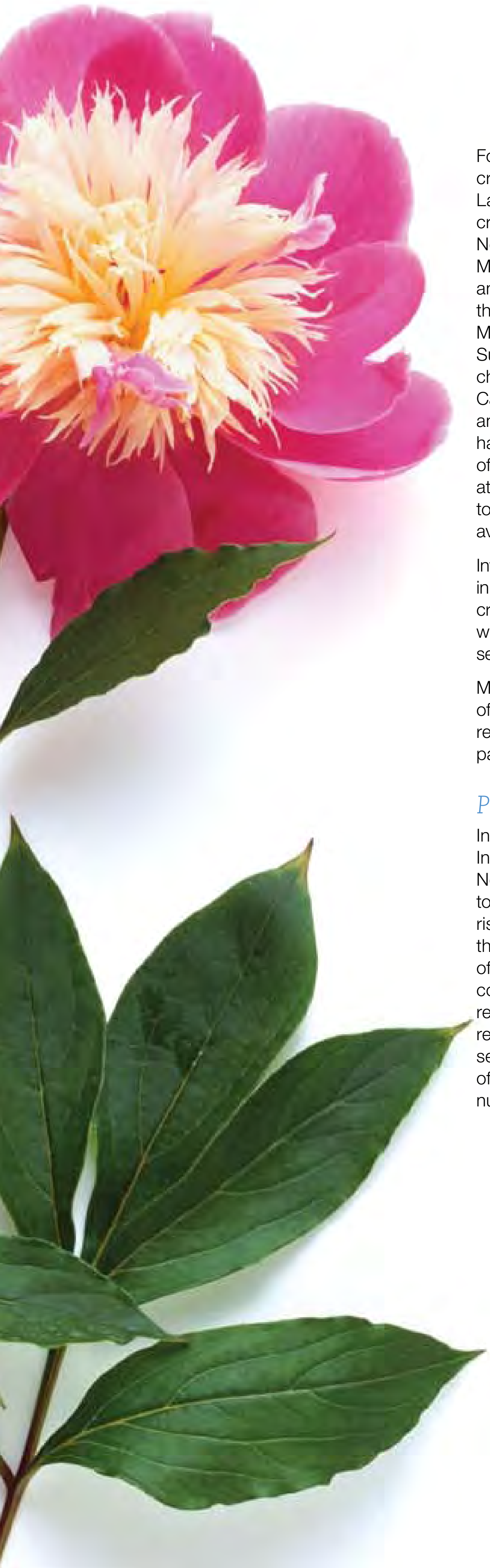
Our focus is to continue to invest in enhancing and improving the facilities available. We aim to ensure that the ambience of our locations continues to meet client expectations and that the most modern facilities, such as audiovisual systems, are available for those who choose them. We also continue to expend substantial sums maintaining our many heritage listed assets, especially in our locations where many generations of individual families are memorialised.

Future income streams

The number and value of prepaid contracts continues to grow, providing our clients with the peace of mind from knowing that when the time comes their families are protected from unexpected burdens. We work with our investment managers to ensure that investment strategies are put in place that will continue to ensure surpluses are delivered from our preneed contracts. InvoCare also continues to expand the range of memorialisation options available to our client families, ensuring valuable future revenue streams as these products are delivered.

Capital management

InvoCare's 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 and invest in property, plant and equipment, as well as fund smaller new business acquisitions. The Company's Dividend Reinvestment Plan 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.



Following the successful installation of new cremators at Pinegrove, Forest Lawn and Lakeside. In the prior year the ongoing cremator upgrade programme continued. New cremators were commissioned at Lake Macquarie Memorial Park, Albany Creek and Tweed Heads. During 2010 the last of the upgrades at Castlebrook, Newcastle Memorial Park, Mt Thompson and Northern Suburbs will come into service. In addition, chapel upgrades were completed at Castlebrook, Pinegrove, Tweed Heads and Mt Thompson during the year. Work has just commenced on the development of a significant condolence lounge facility at Northern Suburbs Memorial Gardens to greatly enhance the range of facilities available for our client families.

InvoCare estimates that the number of deaths in the markets in which the cemeteries and crematoria operate was down 2% in 2009, with the reduction particularly evident in the second half of the year.

Market surveys show that 94% (2008: 93%) of client families would definitely or probably recommend an InvoCare location to a third party if the need arose.

Prepaid funeral funds

In line with previous years, 13% of InvoCare's Australian funerals were prepaid. New contracts written rose 9.5% compared to 2008, with the average contract value rising by 5.2%. This healthy rise continues the trend of recent years as this aspect of the business has received a more concentrated focus. New sales exceeded redemptions by 17.9%, ensuring that future revenue will continue to grow as these services are delivered. This is well ahead of our strategic objective of maintaining the number of contracts in the pool.

The independently managed trust funds totalled $272 million at the end of the year. Assuming all services were performed at balance date, the surplus or additional margin was $10 million. Since the end of the year the continued volatility in the equities market has seen this surplus initially decline but recent increases in the equities market have reversed this trend. As the global financial crisis has abated, the investment mix of these funds has been returned to the longer-term trend, with 64% of the funds at 31 December 2009 now in equity investments compared to a 65% weighting towards cash at the end of 2008.

Acquisitions

InvoCare's strategic commitment to acquiring well placed funeral homes that can be integrated into the existing network remains unaltered. Discussions with a number of parties are continuing.

During the year a small acquisition was completed in Singapore, which has provided a location in the important Sin Ming Drive area. Simplicity Casket, a new brand introduced into the Singapore market, now operates from this location.

The Australian acquisitions completed during 2008 have been fully integrated into InvoCare's existing network.

Overview of operations

InvoCare's focus on providing the highest level of service continues and in 2009 over $3 million was invested in facility refurbishments and upgrades to ensure all the Group's locations are presented professionally. The recently commenced construction of a new condolence facility at Northern Suburbs Memorial Gardens is expected to cost in excess of $5 million and will provide families with a greater range and better quality of on-site facilities.

The operating leverage of the business, with tight management of expenses, continues to deliver positive results despite the headwinds presented by the current death rate.

No major property sales or purchases occurred during the year.

InvoCare's ongoing investment in its people and facilities – we are here for you at your time of need.

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Clockwise from top:

1. The parks and garden staff at Newcastle Memorial Park, proud winners of InvoCare's 2009 Parks and Garden Award.
2. One of the creations of our parks and garden team.
3. The Tranquil Waters individual cremation garden constructed at Newcastle Memorial Park during 2009 by the parks and gardens team.
4. An outlook from Forest Lawn Memorial Park.
5. The interior of the heritage listed chapel at Allan Drew Funeral at Castle Hill.
6. Individual family vaults at Allambe Gardens Memorial Park which have recently been completed.

InvoCare continues to actively work with industry associations and other stakeholder groups to ensure that the industry meets the highest ethical standards. During 2009, the NSW Office of Fair Trading conducted audits of many funeral homes to check compliance with the Basic Funeral Notice regulations in that state. It is pleasing to report that all 22 InvoCare locations audited were found to be in full compliance with the regulations.

InvoCare and its staff continued to support a wide variety of community organisations throughout the year with financial assistance, facilities and equipment. Many staff continue to volunteer their time and energy to a wide range of community organisations. Highlights included White Lady's continued support for the McGrath Foundation, with memorial services held across the country in 2009, the Lions Club Australia's Recycle for Sight programme, where our funeral homes collect donated spectacles for redistribution to disadvantaged people overseas, and ongoing involvement with the Australian Chinese Community Association and Australian Chinese Charity Foundation to name just a few.

Our extensive commitment to the training and development of our staff continued through the year, with the Learning and Development team delivering many hours of structured training. Given the geographic spread of our locations, delivery of programmes is a challenge which in some cases is achieved online. The online modules were substantially reviewed and upgraded during the year.

Over 25% of InvoCare's personnel have equity in the business through participation in the Company's Deferred Employee Share Plan ("DESP") or Exempt Employee Share Plan ("EESP"). The DESP, which was again offered to regional managers and above, is an important initiative aimed at aligning management interests to those of shareholders and to retain key personnel. Despite the confusion caused by the Federal Government's changes to the taxation of employee share plans, an EESP offer was made to over 800 eligible staff late in 2009, with nearly 25% accepting the offer.

Looking ahead

Our commitment to service quality, focus on the communities in which we operate and strong brands, combined with our expanding network of locations and growing prepaid funds, have positioned InvoCare well for sustainable long-term growth.

InvoCare remains committed to its strategic direction, which focuses on the pillars of growth – favourable demographics, pricing, market share improvements, prepaid funeral funds and memorialisation, acquisitions and new locations and cost management to improve operating leverage.

The Group's results, as demonstrated by the 2009 outcome, shows the robustness of the proven business model despite the challenges presented by variations in death rate in InvoCare's markets. Continuing the focus on the pillars of growth enables external variations to be overcome.

In closing, I would like to thank my management team and all the dedicated employees of InvoCare who have worked tirelessly to achieve this result.

Andrew Smith Chief Executive Officer

Organisational and management structure

Board of Directors

The management team at InvoCare has more than 130 years combined of relevant industry experience and many team members have held senior executive roles in other industries.

Chief Executive Officer

Andrew Smith
Industry experience
4 years

Chief Financial Officer and Company Secretary

Phillip Friery
Industry experience
15 years

Chief Executive Officer – Singapore Casket Company

Wee Leng Goh
Industry experience
2 years

National Funerals General Manager

Greg Bisset
Industry experience
2 years

General Manager Cemeteries and Crematoria

Armen Mikaelian
Industry experience
20 years

General Manager New South Wales Funerals

Andrew Pulsford
Industry experience
3 years

General Manager Queensland Funerals

Doris Zagdanski
Industry experience
26 years

General Manager Victorian Funerals

John Fowler
Industry experience
34 years

General Manager South Australian Funerals

Jason Maher
Industry experience
14 years

General Manager Western Australian Funerals

Andrew Hogan
Industry experience
16 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: Lyndall Jones
- Information & Technology: John Brennan
- Property & Facilities: Damien Fitzpatrick
- Finance: Nailesh Shah and Chris Mooney
- Internal Audit: Chris Bennecke

Community, people, environment

InvoCare is here for you supporting the community in many ways, from national alliances with community service groups to initiatives undertaken at single funeral homes, cemeteries or crematoria or by individual staff.

InvoCare appreciates that community support is fundamental to long-term success.

InvoCare is here for you supporting the community in many ways, from national alliances with community service groups to initiatives undertaken at single funeral homes, cemeteries or crematoria or by individual staff.

White Lady Funerals continues to support the McGrath Foundation, which provides physical, psychological and emotional support for women diagnosed with breast cancer and their families, from initial diagnosis and throughout treatment. White Lady Funerals was honoured to conduct Jane McGrath's funeral in June 2008. Following numerous requests for public memorial services, White Lady Funerals was honoured to host memorial services around Australia in June 2009.

InvoCare was proud to lend its support to Brenda Lin, the surviving member of the Lin family whose deaths shocked Australia and the world. The Australian Chinese Charity Foundation (ACCF), the Australian Chinese Cultural Association (ACCA), local representatives and a number of business people joined forces to provide their support for Brenda.

With the support of the ACCA, community workshops were held across Sydney to deliver information in Cantonese about estate planning, making provision for funeral costs, retirement, health and aging.

InvoCare supports the important religious events of many faiths. All Souls' Day, a time for Catholics to remember the faithfully departed, has been a regular feature of many of our memorial parks' calendars for many years. This year more than 2,000 people for the local Filipino Communities celebrated this important occasion attending a commemoration at Pinegrove. Fourteen Filipino clerics celebrated mass and led prayers. Afterwards, the Philippine Consul-General, Eva Betita, unveiled a plaque in commemoration of the victims of the September 2009 floods in the Philippines. InvoCare donated water purification equipment to assist the many thousands of people in the northern Philippines who were without a reliable source of clean drinking water.

InvoCare staff are involved in many community service organisations, such as Rotary, Lions, Legacy and Zonta. Jenny Crewes of Somerville Funerals at Southport and Greg Saunders of George Hartnett Funerals at Cleveland were named "Rotarians of the Year" for 2009. To be considered for the Rotarian of the Year Award, nominees must demonstrate outstanding volunteer service and commitment to their local Rotary Club.

InvoCare sponsors many community events and was proud to be the major sponsor of the Australian and Asia Pacific National Palliative Care Conference held in Perth in 2009. Around 1,200 delegates attended from all over Australia and the Asia Pacific region to discuss the latest trends in palliative care and research.

People

InvoCare's strength lies in its employee community of over 1,200 people, focused and dedicated to serving our client families. In a myriad of front-line and support roles, InvoCare's employees come from a variety of backgrounds and work and life experiences, but together represent a diverse community dedicated to providing the highest standards of excellence to our clients.

The key skills looked for in staff are emotional maturity, a passion for serving others and attention to detail in whatever role they take.

Providing a safe and supported working environment for our employee community is integral to InvoCare's success. Throughout 2009 we continued training in key OH&S areas, as well as proactively addressing any possible hazards in the workplace. Management of the risks associated with the H1N1 pandemic (swine flu) was a priority for 2009, with the company implementing an established pandemic management plan, then reviewing and updating the plan to incorporate lessons learnt during the active stage of the pandemic. We continue to provide support to our employees to deal with the unique challenges of their roles through the provision of our Employee Assistance Programme, resourced through an external provider to ensure confidentiality.

Throughout 2009, via our network of state-based training teams and our National Learning and Development team, we focused on delivering both group training sessions and on-the-job training in the areas of operational and customer service skills. The geographic spread of our locations is always a challenge when providing training, so 2009 saw the launch of our fully interactive online induction. All employees complete 10 modules which cover all aspects of working at InvoCare and the funeral, cemeteries and crematoria industry, including customer service, dealing with grief, harassment, anti-discrimination, bullying and OH&S.

2009 saw the second intake of our Future Leaders programme, with 11 location managers and seven regional managers joining the programme. It requires participants to complete a development plan, participate in formal learning and undertake a group project, with the overall goal of obtaining a management position.

During 2009 we continued the rollout of an extensive recruitment and selection training programme for managers, which aims to help managers identify what makes a successful InvoCare employee and then carry out professional recruitment and selection processes to identify and engage prospective employees.

Sixteen managers are currently enrolled in the Management Diploma programme in NSW, with a view to implementing the programme nationally this year. Preparations are also underway to offer a Certificate 3 in Funeral Services, again initially in NSW.

Environment

In 2009 InvoCare was rated in the top third in Australia and New Zealand of the Carbon Disclosure Leaders Index ("CDLI") following its submission to the international Carbon Development Project ("CDP"). The CDP includes over 2,500 of the world's largest companies, with combined assets of US$64 trillion, who voluntarily report to 534 institutional investors. The CDLI comprises the top scoring ASX 200 and NZ 50 respondents to the CDP. InvoCare has been classified as in the "less exposed sector".

Clockwise from top:

1. Maintenance at Newcastle Memorial Park.
2. Debbie McCraw – Concierge Allambe Memorial Park
3. David Lloyd OAM of Blackwell Funerals with some of the toys donated for the Rotary Christmas Toy Drive. Blackwell Funerals locations are used as collection points for the Drive.
4. Buddhist monks from the Nan Tien Temple at the Lin family memorial.
5. Lions Club representative Bede Long OAM, Liang Zhan and Carol Thackray from Simplicity Funerals with some eyeglasses collected for the Lions Recycle for Sight programme.

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Emissions from purchased electricity make up some 60% of total emissions from our 190 Australian locations. Although the number of locations increased by 4.5% during 2009, electricity usage was held to a 3.5% increase compared to 2008.

Water usage during the year increased, mainly due to the effects of the drought and the need to maintain our 260 hectares of memorial parks and gardens in pristine condition to support our client families. Water reticulation systems were checked for efficiency in 2009 to minimise any wastage and new plantings have focused on drought resistant plant varieties.

Opportunities for energy savings and rainwater harvesting are considered during the planning of new facilities and refurbishments and proceed where the business case justifies the expenditure. Enhancements were made in 2009 to environmental reporting data collection to ensure accurate information is available to monitor the effectiveness of carbon emission reduction programmes.

In early 2008 InvoCare developed a short-term emission reduction target of 2.5% by the end of 2010 on a "same business" basis. The target had been achieved at the end of 2009 and a new reduction target will be established. These initiatives have been enhanced by programmes aimed at reducing waste, increasing recycling and raising the awareness of our employees in identifying and implementing environmental programmes.

InvoCare is well below the reporting thresholds of the *National Greenhouse and Energy Reporting Act 2007* (Cth). The Act has a reporting threshold of 125,000 tCO_2e for the year to 30 June 2009, which then reduces to 87,500 tCO_2e for the year to 30 June 2010 and 50,000 tCO_2e for the 2011 year. InvoCare's total corporate emissions in the 2009 calendar year were less than 15% of the 2010 threshold.

Group financial and operating review

Financial Highlights

	1st Half 2009 $m	2008 $m	Change $m	Change %	2nd Half 2009 $m	2008 $m	Change $m	Change %	Full Year 2009 $m	2008 $m	Change $m	Change %
Sales revenue												
– Comparable Australia	90.0	83.6	6.4	7.7%	99.0	99.2	(0.2)	(0.2%)	189.1	182.8	6.2	3.4%
– Comparable Singapore	4.8	3.9	0.9	23.2%	4.5	4.5	(0.0)	(0.8%)	9.2	8.4	0.9	10.3%
– Australian acquisitions	1.3	–	1.3	–	1.5	1.1	0.4	31.0%	2.8	1.1	1.6	143.9%
Total funerals	96.1	87.5	8.6	9.8%	105.0	104.8	0.2	0.2%	201.1	192.3	8.8	4.5%
Cemeteries and crematoria	30.5	28.2	2.4	8.5%	32.1	30.3	1.8	6.0%	62.6	58.5	4.2	7.2%
Elimination of intra-group sales	(3.1)	(3.0)	(0.2)	6.1%	(3.5)	(3.6)	0.1	(2.9%)	(6.6)	(6.6)	(0.1)	1.2%
Sales revenues	123.5	112.7	10.8	9.6%	133.6	131.5	2.1	1.6%	257.1	244.2	12.9	5.3%
Other revenue	2.5	2.1	0.5	22.2%	2.6	2.1	0.6	27.3%	5.2	4.1	1.0	24.7%
Operating expenses	(96.7)	(87.6)	(9.1)	10.4%	(100.4)	(98.9)	(1.5)	1.5%	(197.0)	(186.5)	(10.6)	5.7%
Operating EBITDA	29.3	27.2	2.1	7.9%	35.9	34.7	1.2	3.4%	65.2	61.9	3.3	5.4%
Operating EBITDA Margin	23.7%	24.1%		(0.4%)	26.9%	26.4%		0.5%	25.4%	25.3%		0.1%
Depreciation and amortisation	(5.3)	(4.6)	(0.8)	17.2%	(5.5)	(5.1)	(0.3)	6.0%	(10.8)	(9.7)	(1.1)	11.2%
Finance costs	(4.3)	(5.5)	1.2	(22.2%)	(4.6)	(8.2)	3.6	(44.5%)	(8.8)	(13.7)	4.9	(35.5%)
Interest income	0.3	0.3	(0.0)	(8.8%)	0.3	0.3	(0.0)	(11.1%)	0.6	0.6	(0.1)	(9.8%)
Profit/(loss) on sale of assets	(0.2)	0.0	(0.2)		0.0	(0.4)	0.4	(103.3%)	(0.2)	(0.4)	0.2	(45.6%)
Income tax expense	(5.4)	(5.1)	(0.3)	6.4%	(7.2)	(5.6)	(1.7)	30.2%	(12.7)	(10.7)	(2.0)	18.8%
Effective tax rate	27.5%	29.3%		(1.8%)	27.7%	26.1%		1.6%	27.6%	27.5%		0.1%
Profit after tax	14.3	12.3	2.0	16.3%	18.9	15.8	3.2	20.1%	33.3	28.1	5.2	18.5%
Minority interest	(0.0)	(0.0)	(0.0)	5.4%	(0.0)	(0.0)	(0.0)	43.3%	(0.1)	(0.1)	(0.0)	20.6%
Profit after tax attributable to the members of InvoCare Limited	14.3	12.3	2.0	16.4%	18.9	15.7	3.2	20.1%	33.2	28.0	5.2	18.5%
Basic earnings per share	14.2 cents	12.3 cents	1.9 cents	15.4%	18.7 cents	15.7 cents	3.0 cents	19.1%	32.9 cents	28.0 cents	4.9 cents	17.5%

Note: The data in this table has been calculated in thousands and presented in millions and as a consequence some totals and movements cannot be computed from the table as presented.

Summary of financial performance

Reported after tax profits for the year ended 31 December 2009 increased by 18.5% or $5.2 million to $33.2 million and basic earnings per share increased by 17.5% to 32.9 cents per share.

Reported profit includes $1.6 million after tax gains (2008: $1.5 million after tax losses) from non-cash, fair value movements on derivative financial instruments and $0.7 million tax credits (2008: $0.6 million). Removing these items, underlying profit after tax increased by 7.0%.

Key components of this good underlying profit result include:

– Funeral sales increased by 4.5% and were impacted by:

– average revenue per funeral service increase of 5.3% in Australia (excluding any surplus or deficit from prepaid funeral fund contributions), and a small decline in Singapore;

– a favourable mix change with higher volumes recorded in Victoria, which has higher average funeral prices;

– a 0.2% higher number of funeral services across the Group, although Australian cases were down 0.2% caused by an estimated 1% reduction in the number of deaths in InvoCare's Australian markets, particularly in the second half when the number of deaths declined by an estimated 2.5%;

– part year contributions from eight new Australian, and one new Singaporean, funeral locations opened in 2009 and full year contributions from nine new Australian homes and two acquired businesses in 2008 (Christian Funerals in Perth and Southern Cross Funerals in Melbourne);

– small overall market share gains; and

– a lower contribution from the performance of prepaid funerals, being $0.5 million below normal retail sales values in 2009 compared to $0.5 million above in 2008.

– Cemeteries and crematoria sales, although impacted by a decline in the number of deaths, increased by 7.2% following recoveries in the memorialisation rate and the number and average value of memorialisation sales, which had declined during late 2008 and early 2009.

– A continued focus on cost management and control to improve operating leverage, in particular:

  – Payroll costs – use of overtime and casuals was minimised, base labour rate average increases were contained to between 3% and 4%, and headcount increases were limited to areas of improved service, new locations and acquisitions; and

  – Advertising and marketing – negotiated better main media rates.

The number of deaths in Australia does fluctuate over time and it is never possible to accurately predict or forecast short-term numbers. After several years of above trend numbers, there was a decline in 2009, especially in the second half, which has continued into early 2010. Importantly, the long-term demographic trend is an increasing number of deaths, as shown in the graph below.

Operating cash flow rose by 5% to $38.3 million, with 97% conversion of operating EBITDA to cash. In the absence of a business acquisition during 2009, operating cash flows fully funded dividends and capital expenditure and enabled $5 million repayment of debt. Debt facilities' covenants were comfortably met at balance date and floating to fixed interest rate hedges were in place for 99% of the debt drawn. The Group's existing debt facilities mature in January 2011 and negotiations are underway to refinance well before maturity. No difficulties are expected in obtaining new facilities, but with a tightening of credit markets, debt funding costs are expected to be higher.

The number of new prepaid funeral contracts sold increased by 9.5% (2008: 18.8%) and exceeded the number of prepaid services performed by 17.9% (2008: 6.9%). Prepaid funds were redirected to equity investments during the second half and by year end, 62% of funds were allocated to equities. Helped by the recovery in equity markets, total prepaid funds under management at year end were $272 million (2008: $237 million). There was a small surplus above retail sales value on prepaid contracts redeemed in the second half, compared to $0.6 million deficit in the first half. Assuming all services had been performed at balance date, the prepaid funds include an estimated surplus, or additional margin (adjusted for selling price increases applied at or around balance date), amounting to $10 million (2008: deficit $3 million).

A fully franked final dividend of 13.75 cents per share was declared for payment on 9 April 2010, taking full year dividends to 25.25 cents, an increase of 1.75 cents or 7.4% on the previous year.

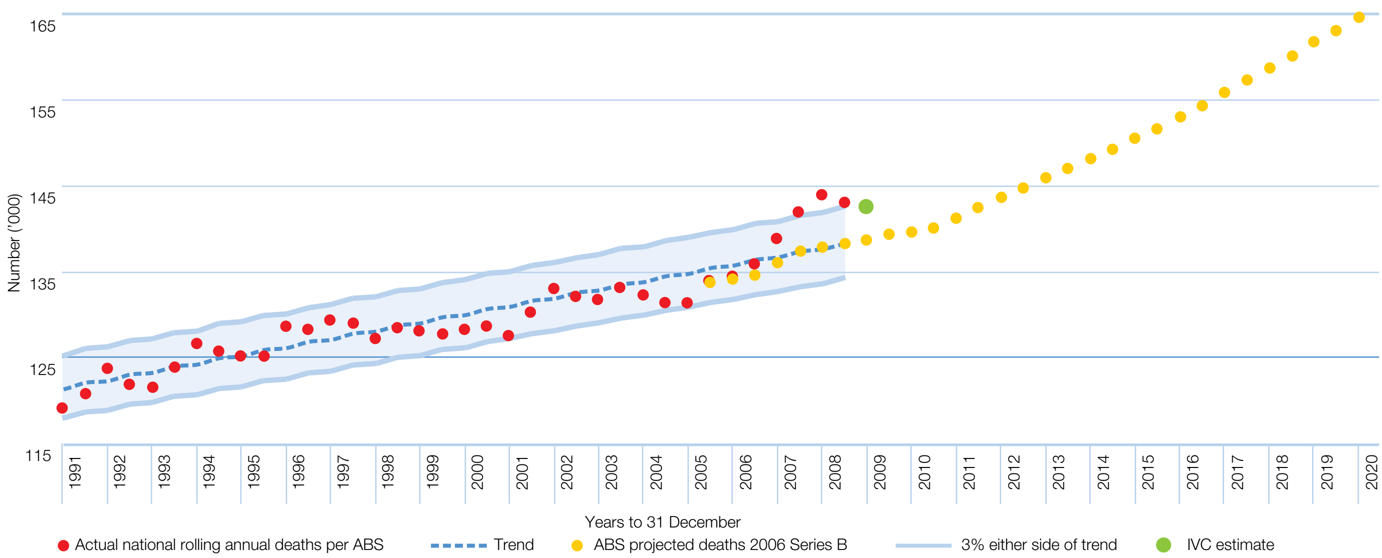
The dividend payout ratio of 77.3% remains above the target minimum of 75%.

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 compensation claims and costs; and
– lost time injury rates and return to work statistics.

Actual and projected deaths – Australia

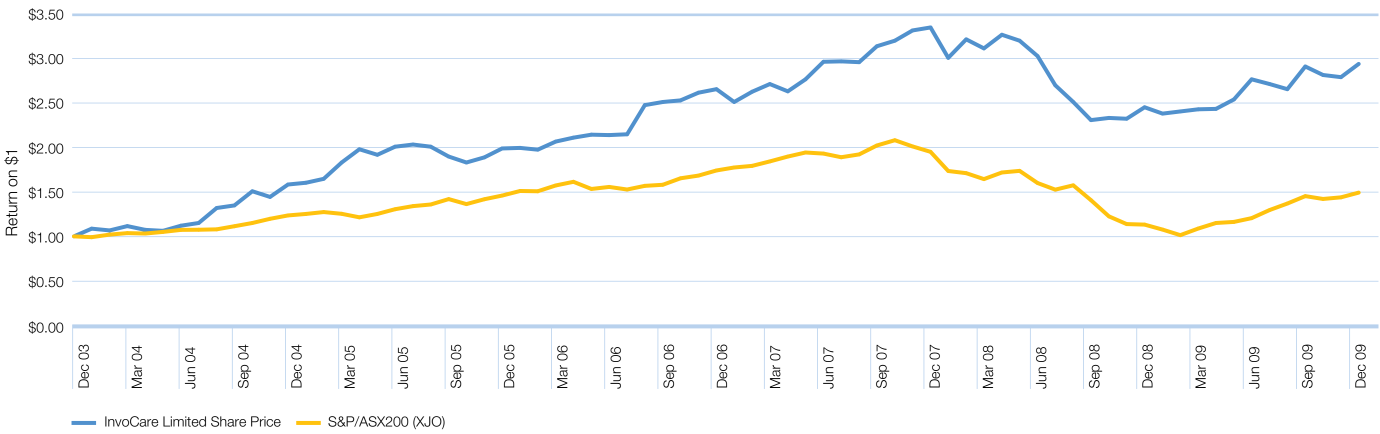


Several key financial ratios relating to the Group as a whole, which may be useful to investors, are presented in the table below.

Ratio	Calculation		2009	2008	2007	2006	2005
Operating margin on sales	EBITDA/Sales	%	25.4	25.3	26.3	25.6	25.7
Income tax rate	Tax expense/PBT	%	27.6	27.5	29.8	30.2	30.4
Dividend payout ratio	Dividends/PAT	%					
– Ordinary dividends			77.3	84.3	81.8	79.8	79.4
– Special dividend			–	–	–	–	50.5
–Total dividend payout ratio			77.3	84.3	81.8	79.8	129.9
Return on equity	PAT/Average equity	%	47.4	45.5	51.8	65.4	68.1
Return on assets	EBIT/Average total assets	%	15.9	15.4	15.8	15.4	15.3
Gearing	Net debt/Equity	%	191.4	241.7	240.7	315.7	493.4
Leverage	Net debt/EBITDA	x	2.3	2.5	2.5	3.0	3.0
Net interest cover	EBIT/Net interest	x	6.6	4.0	4.4	4.4	3.4
Asset replacement	Capital expenditure/ Depreciation and amortisation	x	1.3	1.7	1.9	1.2	1.1

An investment of $1 at 31 December 2003 would have increased in value, excluding dividends, by more than the S&P/ASX 200 Index, as shown in the graph below.

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



2010 outlook and beyond

Sales revenue for the first two months of 2010 was 4.7% above the corresponding two months of 2009.

For the two months, funeral sales revenue was flat, with price rises offsetting a volume decline. The number of funerals performed across the group was down 3.4%, with Australia down 4.4% due to the death rate and Singapore up 16.9% due to market share gains. In the state of Victoria, the number of services was down almost 12% from the unusually high volumes caused by heat waves and bushfires in January and February 2009.

Short-term fluctuations in the number of deaths do occur and a short period, such as two months, is not a reliable indicator of half year or full year numbers. At the time of preparing this summary in the third week of March, Australian funeral services were approximately 5% above the same three week period in March 2009, and the year to date volume decline has moved from 4.4% mentioned above to 2%. Accordingly, it is not possible to accurately predict funeral volumes.

Cemeteries and crematoria sales for the two months were 22.7% higher, with continued higher memorial sales, well up on the lower memorial sales experienced in early 2009 during weaker economic conditions. The memorial sales increases more than offset lower cremation and burial service numbers caused by death rate declines.

Pleasingly and as expected, prepaid funeral fund contributions have been neutral, but nevertheless are better by approximately $0.2 million than the deficits recorded in the first two months of 2009.

Costs were well managed in the two months and further operating margin improvements were achieved.

InvoCare is in various stages of negotiation with potential business vendors across Australia, as well as continuing to explore offshore opportunities. Accordingly, some acquisitions are anticipated to be completed during 2010. At this point in time, the likely acquisitions are smaller, "bolt on" businesses and InvoCare does not expect a material acquisition.

Approximately two to four new funeral home location openings are expected each year over the next few years as InvoCare continues to expand its operations within existing or, in some cases, new markets in Australia. A further location has been established in Singapore, but its contribution will not be material.

Capital expenditure, while slightly lower than anticipated in 2009, is expected to be in the region of $15 million to $20 million in each of the next two years. After that, capital expenditure is expected to approximate depreciation.

After another successful year, InvoCare is well placed to continue to focus on the following pillars of growth and pursue its proven, attractive and successful business model.

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
- continuing 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 excessively excess, 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 2009

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 19 March 2010. 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

Contents

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 2009. InvoCare Limited and its controlled entities together are referred to as "InvoCare", the "Group" or the "consolidated entity" in this Directors' Report.

Directors

The following persons were directors of InvoCare Limited during the whole of the financial year and until the date of this report:

Ian Ferrier
Andrew Smith
Christine Clifton
Roger Penman
Benjamin Chow
Richard Fisher

Principal activities

The Group is the leading provider of services in 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 after tax profit of the Group was $33,198,000 (2008: $28,026,000).

Dividends

The directors have declared a final, fully franked dividend of 13.75 cents per share payable on 9 April 2010. Total full year dividends are 25.25 cents, being 1.75 cents or 7.4% higher than 2008 and slightly above the 7.0% growth in underlying operating profit. The full year dividend payout ratio is 77.3% (2008: 84.3%).

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

	2009 $'000	2008 $'000
Interim ordinary dividend of 11.5 cents (2008: 10.5 cents) per fully paid share paid on 9 October 2009	**11,657**	10,530
Final ordinary dividend of 13.75 cents (2008: 13.0 cents) per fully paid share declared by directors on 18 February 2010 to be paid on 9 April 2010	**14,002**	13,104
Total ordinary dividends of 25.25 cents (2008: 23.5 cents)	**25,659**	23,634

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

The Dividend Reinvestment Plan ("DRP") was available for the 2009 interim dividend and $8,711,256 (2008: $7,846,540) was paid in cash and $2,945,874 (2008: $2,683,636) through the issue of 467,973 (2008: 512,114) shares at $6.29 (2008: $5.24) 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 2009 and 2008.

The DRP will apply to the final 2009 dividend which is not being underwritten and no discount to the market price will apply.

Review of operations

Results highlights:

	2009 $'000	2008 $'000	Change $'000	Change %
Sales revenue				
Funerals				
Comparable Australian	**189,050**	182,803	6,247	3.4
Comparable Singapore	**9,234**	8,373	861	10.3
Acquired Australian businesses	**2,784**	1,142	1,642	143.8
Total funerals	**201,068**	192,318	8,750	4.5
Cemeteries and crematoria	**62,644**	58,453	4,191	7.2
Elimination of intra-group sales	**(6,633)**	(6,556)	(77)	1.2
Total sales to external customers	**257,079**	244,215	12,684	5.3
Operating EBITDA				
(excluding net asset sale gains/(losses) and net impairment of non-current assets)	**65,193**	61,874	3,319	5.4
Operating margin	**25.4%**	25.3%		0.1
Net profit after tax attributable to InvoCare Limited shareholders	**33,198**	28,026	5,172	18.5
EPS				
Basic earnings per share	**32.9 cents**	28.0 cents	4.9 cents	17.5

InvoCare's sales revenue increased by 5.3% to $257.1 million.

Funeral sales rose by 4.5%, with Australian funerals up 4.3% including a $1.6 million incremental contribution from businesses acquired during 2008 offset by a reduction of $1.1 million in the prepaid funeral surplus. Funeral case volumes across the group were 0.2% higher than 2008, with Australian cases down 0.2%, reflecting a reduced number of deaths, particularly in the second half.

Cemeteries and crematoria sales increased by 7.2%.

Operating EBITDA increased by 5.4% to $65.2 million and the margin on sales slightly improved to 25.4% as costs were controlled and operating efficiencies gained.

The number of new prepaid funeral contracts sold increased by 9.5% (2008: 18.8%) and exceeded the number of prepaid services performed by 17.9% (2008: 6.9%). The investment mix of prepaid funds, which are held by independent trustees, was redirected to equity investments during the second half. Helped by the recovery in equity markets, total prepaid funds under management at year end were $272 million (2008: $237 million). If all the services required under these contracts had been performed at balance date, the estimated surplus or additional margin (adjusted for selling price increases applied at or around balance date), amounted to $10 million (2008: deficit $3 million).

Profit after tax increased 18.5% to $33.2 million and basic earnings per share increased by 17.5% to 32.9 cents per share. Reported profit includes $1.6 million after tax gains (2008: $1.5 million after tax losses) from non-cash, fair value movements on derivative financial instruments and $0.7 million tax credits (2008: $0.6 million). Removing these items, underlying operating profit after tax increased by 7.0%.

Normalised Earnings Per Share (EPS) was 33.1 cents, a growth of 17%.

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.

The continued volatility in equity markets means the value of prepaid surplus or additional margin in the prepaid funds under management is now estimated to be marginally positive. Based on current fund asset allocations, each 1% change in equity values gives rise to a $1.7 million change in the surplus. Despite this volatility, InvoCare remains committed to its long-term strategy of growing its prepaid funeral business.

Capital expenditure, while slightly lower than anticipated in 2009, is expected to be in the region of $15 million to $20 million in each of the next two years. After that, capital expenditure is expected to approximate depreciation.

Debt refinancing will occur during 2010, before existing facilities mature in January 2011.

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 follow.

Board of Directors

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

Mr Ian Ferrier AM FCA

Chairman of the Board
Chairman of Nomination Committee
Member of Remuneration Committee and prior to 21 December 2009 Chairman
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 Andrew Smith BCom MBA CA

Chief Executive Officer

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 and Marketing at a major international fast moving consumer goods company, an Internal Audit Manager for a global insurance company and an Audit Senior at KPMG. Andrew 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.

Mr Roger Penman BEc FCA FTIA

Non-executive Director
Chairman of Audit Committee
Chairman of Remuneration Committee from 21 December 2009 and previously a Member
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 is a Senior Principal at WHK Horwath Sydney, joining the firm in 1986. He has had over 30 years of tax consulting and general business experience. He is also a Fellow of the Institute of Chartered Accountants in Australia, a Fellow of the Taxation Institute of Australia and a member of the Crowe Horwath International Tax Committee. He has wide experience, including mergers, acquisitions, IPOs and advising businesses at a high level on most issues and is also a specialist tax advisor on a wide range of transactions, both Australian and International.

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 emigrated 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 the Australian Chinese Community Association of NSW, President of the Chinese Australian Forum of NSW and Vice-President of the Ethnic Communities Council of NSW. He is a former member of the Council of the National Museum of Australia, a member of the Bond University Council, President of Sydney University Nerve Research Foundation, a Trustee and current President of the Australian Chinese Charity Foundation and a Director of Chain Reaction Foundation Ltd.

Other Public Company Directorships held in the last three years
Mindax Limited (appointed October 2009)

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 was an International Consultant for the Asian Development Bank. He is currently a director of Baosteel Mining Company (Australia) Pty Ltd 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 Group 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 2009 are set out in the Corporate Governance Statement on page 31.

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;

– 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.

Benjamin Chow and Tina Clifton 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 with 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. Andrew Smith, who was formerly Chief Operating Officer, was appointed Chief Executive Officer on 1 January 2009. 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 and 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 28 of the Directors' Report.

Meetings of directors

During the year ended 31 December 2009, 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 *	–	2	2	3	3	1	1
	Chair				Member		Member		Chair	
Christine Clifton	9	9	5	5	–	–	3	3	1	1
			Member				Chair		Member	
Roger Penman	9	9	5	5	2	2	1 *	–	1	1
			Chair		Chair				Member	
Benjamin Chow	9	9	2 *	–	–	–	3	3	1	1
							Member		Member	
Richard Fisher	9	9	4	5	–	–	3	3	1	1
			Member				Member		Member	
Executive										
Andrew Smith	8	9	5 *	–	–	–	3 *	–	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.*

In December 2009 Roger Penman assumed the chair of the Remuneration 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. 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 2009.

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 which 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 and compliance is reviewed on a regular basis. 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**

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, 21 May 2010 at the offices of PricewaterhouseCoopers, 201 Sussex 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 (Board responsibility) 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 International 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. 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 Key Performance Indicators (KPIs) which includes targets, timelines and status for the management of risks.

The Group has identified risks and identified KPIs which the Group believes to be relevant in the industry in which the company operates.

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 and General Manager of Human Resources.
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 has established a Greenhouse Emissions Plan for Board review which includes risks and opportunities associated with climate change and identifies emission reduction targets. The Group 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 2008, as a base year, InvoCare is well below the threshold reporting levels under the *National Greenhouse and Energy Reporting Act 2007* which was 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. Exception reports have been developed that assist in continuous monitoring of major processes.

An informal process exists by which employees of InvoCare may, in confidence, raise concerns about possible improprieties in financial reporting or other matters. Internal audit would usually be involved in independent investigations of such matters and follow-up actions.

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 calibre.

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 and Roger Penman. From 21 December 2009 Roger Penman became chair of this committee which had previously been chaired by Ian Ferrier.

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 35 to 43.

The Directors' Report continues with the Remuneration Report.

Remuneration Report

The Remuneration Report summarises the key compensation policies for the year ended 31 December 2009, 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 linked 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. The shareholders will be asked to consider and if thought fit pass a resolution at the Annual General Meeting on 21 May 2010 to increase the pool limit to $650,000.

This remuneration is to be divided among the non-executive directors in such proportion as the Board determines. During the 2009 financial year, annual fees for non-executive directors were $156,000 for the Chairman of the Board and $91,000 for each of the other four non-executive directors. Subsequent to the publication of the 2008 Annual Report, and in response to concerns raised by shareholders, fees for 2009 were reduced from the amounts previously reported. For the 2010 financial year, based upon an external review of non-executive director compensation which was commissioned by the Board Remuneration Committee, the fees are $160,700 for the Chairman and $93,700 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 2009 and 31 December 2008.

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

Remuneration Report continued

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 2009, 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. At the date of this report all non-executive directors have equity interests in the Company higher than required.

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 beginning of the financial year, Andrew Smith who was Chief Operating Officer, replaced Richard Davis as Chief Executive Officer. 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 2010.

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 the remuneration of all other key management personnel, who are the Chief Financial Officer (CFO) and Chief Operating Officer (COO), and other executives within a defined budget. The Remuneration Committee reviews the recommendation which is 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).

The breakdown of components of remuneration are in the following bands:

Category	Measure	% of Total Annual Remuneration		
		Fixed Annual Remuneration	Short-term Incentives	Long-term Incentives
Executive Key Management Personnel	Range Average	51%–57% 53%	22%–27% 24%	16%–27% 23%
Other Executive Management	Range Average	40%–89% 64%	11%–46% 22%	0%–20% 14%

The range of short-term incentive components in the other executive category reflects the degree to which the executive in question can directly influence and contribute to revenue and revenue growth. Those with the most ability to directly affect revenue have the highest levels of short-term incentive payments.

Subsequent to the end of the financial year the remuneration structure of the one executive whose remuneration package did not include a share-based element was restructured. The restructure resulted in the grant of a long-term incentive share-based reward to better align the remuneration of this individual with the interests of shareholders.

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 Remuneration Committee. For other executives, the key management personnel determine the objectives and reward levels, subject to ratification by the Remuneration Committee, 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 Group performance. The target criteria for key management personnel are more heavily weighted to overall Group financial performance. Bonuses are payable in the first quarter of each year after the completion of the audit of the results for the previous year ended 31 December.

In summary, the factors used to determine short-term bonuses include:

Category	Pre-determined Financial and Non-financial Objectives
Executive Key Management Personnel	– Group EBITDA growth on comparable businesses – Absolute market share growth in comparable businesses – Achievement of five year plan key performance indicators
Other Executive Management	– Case average pricing versus budget – EBITDA versus budget – Case volume versus budget – Sold pre-need contracts as a % of at-need volume – Market share growth – Contract volume – Contract payment rates

Other levels of staff also received short-term objective based compensation based on the measurable and pre-determined targets. In addition to complementing the targets applying to senior staff, these objectives include items such as the management of labour cost ratios, client survey results and debtors' days outstanding.

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.

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 later years, the 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.

Remuneration Report continued

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 granted in 2007 and 2008 will vest in accordance with the following table:

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

LTI shares granted in 2009 and 2010 will vest in three equal tranches in February of each of the second, third and fourth subsequent years subject to the achievement of the normalised compound EPS growth targets 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 40 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 for key management personnel are set out on page 40 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.

Remuneration details are as follows:

2009	Short-term employee benefits			Post employment benefits		Share-based payments	
	Cash salary or fee $	Short-term cash bonus $	Non-monetary benefits $	Super-annuation $	Termination benefits $	Shares $	Total $
Non-executive directors							
Ian Ferrier	143,120	–	–	12,880	–	–	156,000
Christine Clifton	83,487	–	–	7,513	–	–	91,000
Roger Penman	91,000	–	–	–	–	–	91,000
Benjamin Chow	83,487	–	–	7,513	–	–	91,000
Richard Fisher	83,487	–	–	7,513	–	–	91,000
Executive director							
Andrew Smith	467,818	224,185	29,016	32,193	–	154,272	907,484
Other key management personnel							
Phillip Friery	310,505	168,609	15,757	27,945	–	88,912	611,728
Totals for each component	1,262,904	392,794	44,773	95,557	–	243,184	2,039,212
Totals by category		1,700,471		95,557	–	243,184	2,039,212
Other executives in the category of the five highest paid executives but who are not key management personnel							
Greg Bisset	194,421	88,080	6,407	17,498	–	52,935	359,341
Armen Mikaelian	173,269	254,087	47,834	45,376	–	66,684	587,250
Wee Leng Goh [1]	202,236	42,870	14,248	9,306	–	–	268,260
John Fowler [2]	215,261	59,675	45,281	19,373	–	48,058	387,648

2008	Short-term employee benefits			Post employment benefits		Share-based payments	
	Cash salary or fee $	Short-term cash bonus $	Non-monetary benefits $	Super-annuation $	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 [3]	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							
Greg Bisset	147,661	46,328	12,150	13,290	–	25,433	244,862
Armen Mikaelian	163,462	172,123	15,127	33,653	–	50,936	435,301
Wee Leng Goh [1]	198,655	45,149	18,367	6,005	–	–	268,176
John Fowler [2]	203,491	25,000	50,570	18,314	–	35,993	333,368

1. *Wee Leng Goh, Chief Executive Officer of Singapore Casket Company, received total remuneration of $S298,456 (2008: $S267,291), which has been converted to Australian dollars at the average exchange rate for year of 0.899 (2008: 1.003).*
2. *Includes payments for annual leave extinguished rather than taken of $21,922 (2008: $17,788).*
3. *Richard Davis received only statutory leave entitlements upon cessation of employment.*

Remuneration Report continued

The key management personnel of the Group are the non-executive directors of InvoCare Limited (see pages 28 to 29), the CEO and the CFO.

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

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

Greg Bisset joined the Group in 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.

Armen Mikaelian was promoted to General Manager, Cemeteries and Crematoria on 1 January 2005, having been with InvoCare since 1990 in various capacities.

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

John Fowler has held general management positions with InvoCare since May 1995, having been employed in the industry for over 34 years and by InvoCare since 1994 when it acquired the Le Pine funeral businesses in Victoria.

All key management personnel (other than non-executive directors), other 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.

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.

Remuneration and other terms of employment from 1 January 2009 for the Chief Executive Officer, Andrew Smith, were formalised in a service agreement executed on 17 December 2008. 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 Remuneration Committee and Board may provide additional performance incentives and have approved an additional $100,000 share-based incentive for 2009 performance. The LTI shares are subject to the same performance conditions as set out in Section A for senior InvoCare management. The performance conditions for the 2008 LTI share-based bonus under the previous March 2008 service agreement ($135,450) were not initially achieved. The compound annual growth was achieved in 2009 and the shares have been acquired since 31 December 2009 in accordance with the terms of the service agreement. 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 2008 and 2009 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.

D. Share-based Compensation

Shares

Under service agreements, Andrew Smith receives a 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 second, third and fourth 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 follow:

	Grant value $		Expensed $	
	2009	2008	**2009**	2008
Executive director				
Andrew Smith [1, 2]	**275,000**	135,450	**154,272**	116,026
Other key management personnel				
Phillip Friery	**100,000**	100,000	**88,912**	67,915
Other executives in the category of the five highest paid executives but who are not other key management personnel				
Greg Bisset	**81,100**	75,000	**52,935**	25,433
Armen Mikaelian	**75,000**	75,000	**66,684**	50,936
John Fowler	**55,000**	55,000	**48,058**	35,993

1. *Mr Smith's 2009 grant comprises $175,000 under the terms of his service agreement and a discretionary $100,000 approved by the Remuneration Committee and Board.*
2. *Under the terms of Mr Smith's service agreement the LTI share offer performance hurdle for 2008 was not achieved in 2008. The cumulative performance hurdle of compound annual profit growth of 7.5% or more was achieved at the end of 2009. In accordance with the relevant service agreement, shares valued at $135,450 were purchased in 2010.*

The number 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 67.

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.

	2009	2008	2007	2006	2005
Earnings per share	**32.9**	28.0	27.6	24.7	21.0
Dividends paid in year (cents per share):					
Interim for current year	**11.5**	10.5	10.0	8.0	7.0
Final for previous year	**13.0**	12.5	11.5	9.5	9.0
Special	**–**	–	–	–	10.5
Total dividends paid in the year	**24.5**	23.0	21.5	17.5	26.5
Share price – 1 January	**$5.15**	$7.01	$5.57	$4.19	$3.35
Share price – 31 December	**$6.16**	$5.15	$7.01	$5.57	$4.19
Total shareholder return (price movement plus cash dividends)	**$1.26**	($1.63)	$1.66	$1.56	$1.11
Total shareholder return as percentage of opening share price	**24%**	(23%)	30%	37%	33%

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 since 2007.

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 – satisfied and 1/3rd fully vested February 2011 February 2012 (if required)
2008	8 to 12%	27.2 cents	February 2010 – satisfied and 1/3rd fully vested February 2011 February 2012 February 2013 (if required)
2009	7 to 10%	28.3 cents	February 2011 February 2012 February 2013 February 2014 (if required)

Remuneration Report continued

Cash and share-based bonuses

For each cash bonus and share-based bonus included in the 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 parts 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 1) $	Maximum yet to vest $	Financial years in which shares may vest (Note 2) $
Andrew Smith	100	0	2006	67	–	Nil	41,271	2010
			2007	33	–	Nil	86,000	2010 2011
			2008 (Note 3)	–	–	Nil	135,450	2011 2012 2013
			2009 (Note 4)	–	–	Nil	275,000	2011 2012 2013
Phillip Friery	100	0	2007	33	–	Nil	66,667	2010 2011
			2008	–	–	Nil	100,000	2010 2011 2012
			2009	–	–	Nil	100,000	2011 2012 2013
Greg Bisset	100	0	2008	–	–	Nil	75,000	2010 2011 2012
			2009	–	–	Nil	81,100	2011 2012 2013
Armen Mikaelian	100	0	2007	33	–	Nil	50,000	2010 2011
			2008	–	–	Nil	75,000	2010 2011 2012
			2009	–	–	Nil	75,000	2011 2012 2013
Wee Leng Goh	100	0	N/A	N/A	N/A	N/A	N/A	N/A
John Fowler	100	0	2007	33	–	Nil	34,000	2010 2011
			2008	–	–	Nil	55,000	2010 2011 2012
			2009	–	–	Nil	55,000	2011 2012 2013

N/A = Not applicable

1. *Performance conditions must be met before vesting and, if not, the minimum that will vest could be nil.*
2. *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.*
3. *Under the terms of Mr Smith's service agreement dated March 2007 the LTI profit growth hurdles for 2008 were not achieved. However, the cumulative growth targets for 2008 and 2009 were achieved by 31 December 2009 and the shares granted in relation to 2008 were purchased subsequent to the end of the 2009 year.*
4. *Mr Smith's 2009 grant comprises $175,000 under the terms of his service agreement and a discretionary $100,000 approved by the Remuneration Committee and Board.*

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 2009 nor were any options granted during or since the end of the financial year.

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 2009:

	$
Assurance services	24,270
Taxation services	121,066
Total	145,336

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 44.

Rounding of amounts
The Company is of a kind referred to in Class Order 98/100 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 19th day of March 2010.

Auditor's Independence Declaration

PRICEWATERHOUSECOOPERS

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As lead auditor for the audit of InvoCare Limited for the year ended 31 December 2009, 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
19 March 2010

Statements of Comprehensive Income

For the year ended 31 December 2009

	Notes	Consolidated Entity 2009 $'000	Consolidated Entity 2008 $'000	Parent Entity 2009 $'000	Parent Entity 2008 $'000
Revenue from continuing operations	3	**262,815**	248,992	**43,320**	50,872
Finished goods, consumables and funeral disbursements		**(75,502)**	(73,108)	**–**	–
Employee benefits expense		**(63,940)**	(59,632)	**(520)**	(500)
Employee related and on-cost expenses		**(14,204)**	(13,149)	**(30)**	(2)
Advertising and public relations expenses		**(8,071)**	(7,905)	**–**	–
Depreciation, amortisation and impairment expenses	4	**(10,793)**	(9,703)	**–**	–
Occupancy and facilities expenses		**(16,328)**	(15,198)	**–**	–
Finance costs	4	**(8,830)**	(13,696)	**(7,774)**	(11,384)
Motor vehicle expenses		**(5,328)**	(5,527)	**–**	–
Other expenses		**(13,670)**	(11,957)	**(393)**	(450)
Net gain/(loss) on disposal of non-current assets		**(193)**	(355)	**–**	–
Profit before income tax		**45,956**	38,762	**34,603**	38,536
Income tax expense	5	**(12,676)**	(10,668)	**(3,991)**	(2,405)
Profit from continuing activities		**33,280**	28,094	**30,612**	36,131
Profit for the year		**33,280**	28,094	**30,612**	36,131
Profit is attributable to:					
Equity holders of InvoCare Limited		**33,198**	28,026	**30,612**	36,131
Minority interest		**82**	68	**–**	–
		33,280	28,094	**30,612**	36,131
Earnings per share for profit attributable to the ordinary equity holders of the Company					
Basic earnings per share (cents per share)	10	**32.9**	28.0		
Diluted earnings per share (cents per share)	10	**32.9**	28.0		

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

For the year ended 31 December 2009

	Notes	Consolidated Entity 2009 $'000	Consolidated Entity 2008 $'000	Parent Entity 2009 $'000	Parent Entity 2008 $'000
Profit for the year		**33,280**	28,094	**30,612**	36,131
Other comprehensive income					
Changes in the fair value of cash flow hedges, net of tax	23	**2,359**	(6,820)	**2,359**	(6,820)
Changes in foreign currency translation reserve, net of tax	23	**(1,911)**	1,925	**–**	–
Other comprehensive income for the year, net of tax		**448**	(4,895)	**2,359**	(6,820)
Total comprehensive income for the year		**33,728**	23,199	**32,971**	29,311
Total comprehensive income for the year is attributable to:					
Equity holders of InvoCare Limited		**33,646**	23,131	**32,971**	29,311
Minority interest		**82**	68	**–**	–
		33,728	23,199	**32,971**	29,311

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

Balance Sheets

As at 31 December 2009

	Notes	Consolidated Entity 2009 $'000	Consolidated Entity 2008 $'000	Parent Entity 2009 $'000	Parent Entity 2008 $'000
ASSETS					
Current assets					
Cash and cash equivalents	11	**5,509**	6,414	**222**	1,056
Trade and other receivables	12	**19,588**	18,410	**23**	19
Inventories	13	**15,354**	13,691	**–**	–
Deferred selling costs		**570**	544	**–**	–
Total current assets		**41,021**	39,059	**245**	1,075
Non-current assets					
Trade and other receivables	12	**10,191**	9,488	**242,739**	238,538
Shares in subsidiaries	14	**–**	–	**17,305**	16,473
Property, plant and equipment	15	**223,447**	222,229	**–**	–
Intangible assets	16	**58,486**	61,991	**–**	–
Derivative financial instruments	17	**765**	–	**–**	–
Deferred tax assets	21	**–**	–	**382**	1,683
Deferred selling costs		**7,985**	7,613	**–**	–
Total non-current assets		**300,874**	301,321	**260,426**	256,694
Total assets		**341,895**	340,380	**260,671**	257,769
LIABILITIES					
Current liabilities					
Trade and other payables	18	**21,292**	21,017	**192**	178
Derivative financial instruments	17	**1,996**	–	**1,996**	–
Current tax liabilities		**3,311**	4,696	**2,529**	3,429
Deferred revenue		**2,941**	2,885	**–**	–
Provisions	20	**8,727**	8,538	**–**	–
Total current liabilities		**38,267**	37,136	**4,717**	3,607
Non-current liabilities					
Trade and other payables	18	**334**	577	**–**	–
Borrowings	19	**153,759**	158,655	**130,898**	135,799
Derivative financial instruments	17	**–**	12,500	**–**	7,036
Deferred tax liabilities	21	**29,574**	26,855	**–**	–
Deferred revenue		**41,188**	40,389	**–**	–
Provisions	20	**1,308**	1,289	**–**	–
Total non-current liabilities		**226,163**	240,265	**130,898**	142,835
Total liabilities		**264,430**	277,401	**135,615**	146,442
Net assets		**77,465**	62,979	**125,056**	111,327
EQUITY					
Contributed equity	22	**76,950**	71,806	**76,950**	71,806
Reserves	23	**174**	(649)	**404**	(2,330)
Retained profits/(Accumulated losses)	23	**(778)**	(9,215)	**47,702**	41,851
Parent entity interest		**76,346**	61,942	**125,056**	111,327
Minority interest	24	**1,119**	1,037	**–**	–
Total equity		**77,465**	62,979	**125,056**	111,327

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

Statements of Changes in Equity

For the year ended 31 December 2009

Consolidated Entity	Notes	Attributable to owners of InvoCare Limited Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total	Non controlling interest $'000	Total equity $'000
Balance at 1 January 2009		**71,806**	**(649)**	**(9,215)**	**61,942**	**1,037**	**62,979**
Total comprehensive income for the year		**–**	**448**	**33,198**	**33,646**	**82**	**33,728**
Transactions with owners in their capacity as owners:							
Dividends paid	9	**–**	**–**	**(24,761)**	**(24,761)**	**–**	**(24,761)**
Dividend Reinvestment Plan issues	22	**5,786**	**–**	**–**	**5,786**	**–**	**5,786**
Deferred employee share plan shares vesting during the year	23	**285**	**(285)**	**–**	**–**	**–**	**–**
Acquisition of shares by the InvoCare Deferred Share Plan Trust	22	**(948)**	**–**	**–**	**(948)**	**–**	**(948)**
Forfeit of shares on termination of employment	22	**21**	**–**	**–**	**21**	**–**	**21**
Employee shares – value of services	23	**–**	**660**	**–**	**660**	**–**	**660**
Balance at 31 December 2009		**76,950**	**174**	**(778)**	**76,346**	**1,119**	**77,465**
Balance at 1 January 2008		70,125	3,504	(14,175)	59,454	1,025	60,479
Total comprehensive income for the year		–	(4,895)	28,026	23,131	68	23,199
Transactions with owners in their capacity as owners:							
Dividends paid	9	–	–	(23,066)	(23,066)	(56)	(23,122)
Dividend Reinvestment Plan issues	22	2,683	–	–	2,683	–	2,683
Deferred employee share plan shares vesting during the year	23	42	(42)	–	–	–	–
Acquisition of shares by the InvoCare Deferred Share Plan Trust	22	(787)	–	–	(787)	–	(787)
Forfeit of shares on termination of employment	22	(257)	–	–	(257)	–	(257)
Employee shares – value of services	23	–	784	–	784	–	784
Balance at 31 December 2008		71,806	(649)	(9,215)	61,942	1,037	62,979

The above statements of changes in equity should be read in conjunction with the accompanying notes.

Parent Entity	Notes	Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total
Balance at 1 January 2009		**71,806**	**(2,330)**	**41,851**	**111,327**
Total comprehensive income for the year		**–**	**2,359**	**30,612**	**32,971**
Transactions with owners in their capacity as owners:					
Dividends paid	9	**–**	**–**	**(24,761)**	**(24,761)**
Dividend Reinvestment Plan issues	22	**5,786**	**–**	**–**	**5,786**
Deferred employee share plan shares vesting during the year	23	**285**	**(285)**	**–**	**–**
Acquisition of shares by the InvoCare Deferred Share Plan Trust	22	**(948)**	**–**	**–**	**(948)**
Forfeit of shares on termination of employment	22	**21**	**–**	**–**	**21**
Employee shares – value of services	23	**–**	**660**	**–**	**660**
Balance at 31 December 2009		**76,950**	**404**	**47,702**	**125,056**
Balance at 1 January 2008		70,125	3,748	28,786	102,659
Total comprehensive income for the year		–	(6,820)	36,131	29,311
Transactions with owners in their capacity as owners:					
Dividends paid	9	–	–	(23,066)	(23,066)
Dividend Reinvestment Plan issues	22	2,683	–	–	2,683
Deferred employee share plan shares vesting during the year	23	42	(42)	–	–
Acquisition of shares by the InvoCare Deferred Share Plan Trust	22	(787)	–	–	(787)
Forfeit of shares on termination of employment	22	(257)	–	–	(257)
Employee shares – value of services	23	–	784	–	784
Balance at 31 December 2008		71,806	(2,330)	41,851	111,327

The above statements of changes in equity should be read in conjunction with the accompanying notes.

Cash Flow Statements

For the year ended 31 December 2009

	Notes	Consolidated Entity 2009 $'000	Consolidated Entity 2008 $'000	Parent Entity 2009 $'000	Parent Entity 2008 $'000
Cash flow from operating activities					
Receipts from customers		**282,985**	267,306	**–**	–
Payments to suppliers and employees		**(224,990)**	(210,877)	**(932)**	(944)
Other revenue		**5,099**	4,066	**–**	–
		63,094	60,495	**(932)**	(944)
Interest received		**81**	214	**–**	–
Finance costs		**(10,992)**	(11,272)	**(9,303)**	(9,633)
Income taxes paid		**(13,835)**	(12,964)	**–**	–
Net cash provided by/(used in) operating activities	29	**38,348**	36,473	**(10,235)**	(10,577)
Cash flow from investing activities					
Proceeds from sale of property, plant and equipment		**274**	555	**–**	–
Purchase of subsidiaries and other businesses net of cash acquired		**(345)**	(6,126)	**–**	–
Purchase of property, plant and equipment		**(13,846)**	(16,359)	**–**	–
Net cash used in investing activities		**(13,917)**	(21,930)	**–**	–
Cash flow from financing activities					
Payment for shares acquired by InvoCare Deferred Employee Share Plan Trust		**(948)**	(786)	**(948)**	(786)
Proceeds from borrowings		**19,000**	17,000	**19,000**	17,000
Repayment of borrowings		**(24,000)**	(13,000)	**(24,000)**	(13,000)
Payment of dividends – InvoCare Limited shareholders (net of Dividend Reinvestment Plan $5,786,000 (2008: $2,683,000))		**(18,976)**	(20,381)	**(18,976)**	(20,381)
Payment of dividends – minority interests		**–**	(56)	**–**	–
Proceeds from repayments by controlled entities		**–**	–	**34,325**	29,729
Net cash provided by/(used in) financing activities		**(24,924)**	(17,223)	**9,401**	12,562
Net increase/(decrease) in cash held		**(493)**	(2,680)	**(834)**	1,985
Cash and cash equivalents at the beginning of the year		**6,414**	8,981	**1,056**	(929)
Effects of exchange rate changes on cash and cash equivalents		**(412)**	113	**–**	–
Cash and cash equivalents at the end of the year	11	**5,509**	6,414	**222**	1,056

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").

The Group adopted the revised AASB 123: *Borrowing Costs* from 1 January 2009 although this had no impact as the Group's accounting policy already required the capitalisation of borrowing costs. From 1 July the Group also applied the revised AASB 3: *Business Combinations* to all business combinations completed on or after this date. The revised AASB 101: *Presentation of Financial Statements* has been adopted in preparing these financial statements.

(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 2009 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 in 2009 were the National Funerals General Manager, General Manager Cemeteries and Crematoria 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.

Note 1: *Summary of Significant Accounting Policies continued*

(d) Foreign currency translation continued

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

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

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

(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.

(iii) Dividends
Dividends are recognised as revenue when the right to receive payments is established.

(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.

Companies in the Group may be entitled to claim special tax deductions for investments in qualifying assets (investment allowances). The Group accounts for such allowances as tax credits, which mean that the allowance reduces income tax payable and current tax expense.

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.

Note 1: Summary of Significant Accounting Policies continued

(g) Income tax continued

(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.

(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 statement of comprehensive income, 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. Any variations in the initial estimates of deferred consideration and the final amount payable are remeasured through the Statement of Comprehensive Income.

The indirect costs of completing business combinations is recorded in the statement of comprehensive income.

(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 statement of comprehensive income 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 statement of comprehensive income. 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.

Note 1: Summary of Significant Accounting Policies continued

(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)).

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 statement of comprehensive income.

(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.

Note 1: Summary of Significant Accounting Policies continued

(r) Derivative financial instruments continued

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 statement of comprehensive income within finance costs.

Amounts accumulated in equity are recycled in the statement of comprehensive income 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 statement of comprehensive income.

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 statement of comprehensive income.

(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 statement of comprehensive income. On disposal of the foreign operation, the cumulative value of any such gains or losses recognised directly in equity is transferred to the statement of comprehensive income.

(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 statement of comprehensive income 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.

Note 1: *Summary of Significant Accounting Policies continued*

(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 98/100, 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.

(y) New accounting standards and interpretations
Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2009 reporting periods. The Group's and parent entity's assessment of the impact of these new standards and interpretations are set out below.

(i) AASB 2009-4 Amendments to Australian Accounting Standards arising from the Annual Improvement Project (effective for annual periods beginning on or after 1 July 2009)
The AASB has made amendments to AASB 2 *Share-based Payments*, AASB 138 *Intangible Assets*, AASB Interpretations 9 *Reassessment of Embedded Derivatives* and 16 *Hedges of a Net Investment in a Foreign Operations* as a result of the IASB's annual improvements project. The Group will apply the amendments from 1 January 2010 but does not expect any adjustments will be necessary as a result of applying the revised rules.

(ii) AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (effective for annual periods beginning on or after 1 January 2010)
In May 2009 the AASB issued a number of improvements to existing Australian Accounting Standards. The Group will apply the revised standards from 1 January 2010 but does not expect any adjustments will be necessary as a result of applying the revised rules.

(iii) AASB 9 Financial Instruments (effective for annual reporting periods beginning on or after 1 January 2013)
In December 2009 the AASB issued a new standard on financial instruments which effectively replaces elements of AASB 139 *Financial Instruments: Recognition and Measurement*. The Group has yet to make a decision about the adoption of this standard, although it does not expect that any adjustments will be necessary when the standard is applied.

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.

Strategic risk management is carried out by the Board of Directors. The Risk Committee and Audit Committee, who operate under policies approved by the Board responsible for operational and financial risk management. 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	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Financial assets				
Cash and cash equivalents	**5,509**	6,414	**222**	1,056
Trade and other receivables	**29,779**	27,898	**242,762**	238,557
Derivative financial instruments	**765**	–	**–**	–
Other financial assets	**–**	–	**17,305**	16,473
	36,053	34,312	**260,289**	256,086
Financial liabilities				
Trade and other payables	**21,626**	21,594	**192**	178
Borrowings	**153,759**	158,655	**130,898**	135,799
Derivative financial instruments	**1,996**	12,500	**1,996**	7,036
	177,381	192,749	**133,086**	143,013

(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 2009 and 2008 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 of 6.5% (2008: 6.4%) inclusive of swaps and margins.

At balance date, interest rate swaps for 99% (2008: 96%) of borrowings were in place. Of these interest rate swaps 15% (2008: 15%) were denominated in Singapore dollar fixed interest instruments and the balance denominated in Australian dollars. As at 31 December 2009 the weighted average fixed interest rate payable on the interest rate swaps is 5.85% (2008: 5.85%) and the weighted average variable rate receivable as at 31 December 2009 is 4.29% (2008: 4.16%). The weighted average fixed interest payable under interest rate swaps on debt principal that has been swapped into Singapore dollars is 3.45% (2008: 3.45%).

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

	31 December 2009		31 December 2008	
	Weighted average interest rate	Balance $'000	Weighted average interest rate	Balance $'000
Bank loans	**4.93%**	**153,867**	4.86%	158,867
Interest rate swaps (notional principal)	**5.85%**	**152,867**	5.85%	152,867
Net exposure to cash flow interest rate risk		**1,000**		6,000

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	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
One or less years	**130,000**	–	**130,000**	–
One to two years	**22,867**	130,000	**–**	130,000
Two to three years	**–**	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 (2008: 100 basis points) in the interest rate would result in additional interest expense after tax of $73,000 (2008: $51,000 loss). A decrease of 100 basis points (2008: 100 basis points) would result in an after tax gain of $87,000 (2008: $60,000 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 (2008: 10%) in the Australian to Singapore dollar exchange rate would result in a reduction in interest expense after tax of $85,000 (2008: $51,000) and a decrease of 10% (2008: 10%) would result in an after tax loss of $69,000 (2008: $62,000).

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 the second half of 2008 the very substantial movements in Australian interest rates resulted in this hedge becoming a net liability of $7,036,000 at 31 December 2008, compared to a net asset of $4,678,000 at 30 June 2008 and a net asset of $4,360,000 at 31 December 2007. The stringent effectiveness test criteria contained in AASB 139 *Financial Instruments: Recognition and Measurement* were failed at 30 June 2009, when the swap was a net liability of $4,734,000, which resulted in the de-designation of the swap effective from 1 January 2009. Despite the 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
2009	Decrease by 100 basis points	Ineffective	(223)	(449)
	Increase by 100 basis points	Ineffective	219	442
2008	Decrease by 100 basis points	Effective	(836)	(763)
	Increase by 100 basis points	Ineffective	(5,858)	(778)

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 63.

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 2009 the weighted average interest rate was 2.6% (2008: 6.3%). If interest rates increased by 100 basis points (2008: 100 basis points) the Group's after tax result would increase by $17,000 (2008: $22,000). A decrease of 100 basis points (2008: 100 basis points) would result in a decrease in the Group's after tax result of $17,000 (2008: $22,000).

(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 2009 96% (2008: 82%) 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.

The Group has no significant foreign exchange exposures at 31 December 2009.

(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 $272 million at 31 December 2009 (2008: $237 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. Pleasingly, the returns have remained above benchmark.

As the funds are 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 although with the onset of the global financial crisis a substantial shift in the investment bias was made towards more conservative cash and fixed interest investments. As equity markets have stabilised, funds have been moved towards equity investments which generally provide better returns over the longer term.

Note 2: Financial Risk Management continued

(a) Market risk continued

(iii) Price risk continued

	31 December 2009	31 December 2008	Change $ or %
Prepaid funds under management	**$272m**	$237m	$35m
Asset allocation			
Australian equities	**62.2%**	28.4%	33.8%
International equities	**1.4%**	1.6%	(0.2%)
Property	**1.0%**	1.1%	(0.1%)
Fixed interest	**9.5%**	10.1%	(0.6%)
Cash	**25.9%**	58.8%	(32.9%)
Gross annual returns for all fund assets *			
One year ended	**16.2%**	(14.1%)	30.3%
Three years ended	**3.6%**	4.0%	(0.4%)
Five years ended	**8.4%**	8.6%	(0.2%)
Seven years ended	**9.5%**	6.8%	2.7%

** Excludes investment management and administration fees (currently 1.3%).*

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 $1,537,000 (2008: $1,688,000). As at 31 December 2009, receivables with a nominal value of $2,564,000 (2008: $2,329,000) had been referred to the Group's independent debt collection agent or specifically identified internally as doubtful 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 2009 or 2008.

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

(ii) Receivables past due but not impaired

As of 31 December 2009, trade receivables of $2,831,000 (2008: $4,357,000) 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	
	2009 $'000	2008 $'000
One to three months overdue	**2,262**	2,243
Over three months overdue	**569**	2,114

The parent company has no impaired receivables.

Note 2: Financial Risk Management continued

(b) Credit risk continued

(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 its 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	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Finance facilities available				
Unrestricted access was available at balance date to the following lines of credit:				
Total facilities				
– unsecured loan facility expiring in one to two 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	**153,867**	158,867	**131,000**	136,000
– working capital facility	**494**	438	**494**	438
	154,361	159,305	**131,494**	136,438
Unused at balance date				
– unsecured loan facility	**26,133**	21,133	**26,133**	21,133
– working capital facility	**4,506**	4,562	**4,506**	4,562
	30,639	25,695	**30,639**	25,695

The Group's external debt financing is provided by two of the major Australian banks through bi-lateral revolver debt facilities totalling $180 million expiring in January 2011. At 31 December 2009, gross borrowings on these facilities were $153,867,000 (2008: $158,867,000). Interest rate swap contracts for $152,867,000 (2008: $152,867,000) or 99% (2008: 96%) of this debt have fixed the interest rates through to the end of 2010.

The facilities agreements' covenant ratios are calculated on a rolling twelve month basis and have been met at 31 December 2009. The ratio of Net Debt to EBITDA (adjusted for acquisitions) must be no greater than 3.75 and the ratio of EBITDA to net interest must be greater than 3.0. At 31 December 2009, these ratios were 2.3 and 6.7 respectively.

Discussions and work are underway with banks to secure refinancing of these facilities before their maturity in January 2011.
Further negotiations will progress over coming months.

Note 2: *Financial Risk Management continued*

(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 2009 basic EPS was 32.9 cents (2008: 28.0 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% (2008: 25%) per annum since the Company listed in December 2003, except for 2008 when global equity market values declined, although InvoCare's share price did not fall as significantly as the rest of the market. A shareholder investing $1.00 in the initial public offering (IPO) would have enjoyed a total return of $2.98 or 298% (2008: $2.30 or 230%) up to 31 December 2009.
- 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 2009 dividends represents a payout ratio of 77.3% (2008: 84.3%).
- 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 2009 this ratio was 6.65:1 (2008: 5.97:1).
  - Leverage ratio (Net Debt/Adjusted EBITDA) must not be greater than 3.75:1. At 31 December 2009 this ratio was 2.30:1 (2008: 2.49:1).
- 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. Although debt capital market financiers tightened leverage requirements during the global credit crisis, InvoCare expects to be able to secure refinanced facilities with covenants at or near this target leverage. 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 2010.
- Maintaining floating to fixed base interest rate swaps for at least 75% of debt principal. At 31 December 2009 the proportion of debt hedged was 99% (2008: 96%). The hedge contracts extend to the end of 2010 and early 2011.
- Managing refinancing risk: The Group's existing debt facilities provided by two banks 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) from its two lenders at the one time. Refinancing discussions with, and indicative terms received from, five banks during the second half of 2009 provided confidence InvoCare should have no difficulty obtaining renewed debt facilities, although margins and other debt costs were expected to be substantially higher than the current facilities. Accordingly, InvoCare did not proceed to refinance before balance date. Since balance date, debt market conditions and confidence have improved and margins and other costs have eased. Refinancing negotiations have commenced and are anticipated to be concluded during the first half of 2010. Although debt servicing costs are still expected to be higher than current levels it is anticipated future financing facilities will be provided by three banks and have a staggered maturity profile to reduce the future refinancing risk.

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 2009	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	5,509	(17)	–	17	–	–	–	–	–
Accounts receivable	29,779	–	–	–	–	–	–	–	–
Derivatives	765	87	–	(73)	–	–	1,506	–	(1,507)
Financial liabilities									
Trade and other payables	(21,626)	–	–	–	–	–	–	–	–
Borrowings	(153,759)	51	–	(51)	–	(69)	–	85	–
Derivative financial instruments	(1,996)	(223)	(449)	219	442	–	–	–	–
Total increase/(decrease)		(102)	(449)	112	442	(69)	1,506	85	(1,507)

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	(22)	–	22	–	–	–	–	–
Accounts receivable	27,898	–	–	–	–	–	–	–	–
Financial liabilities									
Trade and other payables	(21,594)	–	–	–	–	–	–	–	–
Borrowings	(158,655)	60	–	(60)	–	(62)	–	51	–
Derivatives	(12,500)	(1,019)	(763)	(5,650)	(778)	–	(1,966)	–	1,993
Total increase/(decrease)		(981)	(763)	(5,688)	(778)	(62)	(1,966)	51	1,993

Parent Entity		Interest rate risk				Foreign exchange risk			
		- 100 basis points		+ 100 basis points		- 10%		+ 10%	
31 December 2009	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	222	–	–	–	–	–	–	–	–
Accounts receivable	242,762	–	–	–	–	–	–	–	–
Other financial assets	17,305	–	–	–	–	–	–	–	–
Financial liabilities									
Trade and other payables	(192)	–	–	–	–	–	–	–	–
Borrowings	(130,898)	51	–	(51)	–	–	–	–	–
Derivatives	(1,966)	(223)	(449)	219	442	–	–	–	–
Total increase/(decrease)		(172)	(449)	168	442	–	–	–	–

Note 2: *Financial Risk Management continued*

(e) Summarised sensitivity analysis continued

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)	53	–	(53)	–	–	–	–	–
Derivatives	(7,036)	(836)	(763)	(5,858)	(778)	–	–	–	–
Total increase/(decrease)		(783)	(763)	(5,911)	(778)	–	–	–	–

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.

As of 1 January 2009, the Group has adopted the amendment to AASB7 *Financial Instruments: Disclosures* which requires the disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3)

The Group holds derivatives used for hedging which are all Level 1 assets or liabilities. No financial instruments or derivatives 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	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Sales revenue				
Sale of goods	**112,330**	105,508	**–**	–
Services revenue	**144,749**	138,707	**–**	–
Management fees	**–**	–	**1,200**	1,200
	257,079	244,215	**1,200**	1,200
Other revenue				
Rent	**270**	265	**–**	–
Administration fees	**3,360**	2,847	**–**	–
Sundry revenue	**1,527**	1,023	**–**	–
Dividend income:				
Wholly-owned group – controlled entities	**–**	–	**21,300**	30,500
Interest revenues				
Other persons/corporations	**579**	642	**4**	–
Wholly-owned group – controlled entities	**–**	–	**20,816**	19,172
	5,736	4,777	**42,120**	49,672
Total revenue from continuing operations	**262,815**	248,992	**43,320**	50,872

Note 4: *Expenses*

	Consolidated Entity		Parent Entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Profit before income tax includes the following specific expenses:				
Depreciation				
Buildings	**2,972**	2,820	**–**	–
Property, plant and equipment	**6,829**	5,947	**–**	–
Total depreciation	**9,801**	8,767	**–**	–
Amortisation of non-current assets				
Cemetery land	**344**	336	**–**	–
Leasehold land and buildings	**128**	128	**–**	–
Leasehold improvements	**179**	146	**–**	–
Brand names	**341**	326	**–**	–
Total amortisation	**992**	936	**–**	–
Total depreciation and amortisation	**10,793**	9,703	**–**	–
Finance costs				
Interest paid and payable	**10,246**	10,584	**9,303**	9,633
Interest rate swap (gain)/loss	**(2,216)**	2,101	**(1,670)**	1,652
Other finance costs	**800**	1,011	**141**	99
Total financing costs	**8,830**	13,696	**7,774**	11,384
Impairment losses – financial assets				
Trade receivables	**180**	180	**–**	–
Rental expense				
Operating lease rental – minimum lease payments	**6,852**	6,193	**–**	–
Defined contribution superannuation expense	**4,821**	4,395	**–**	–

Note 5: Income Tax Expense

	Consolidated Entity		Parent Entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
(a) Income tax expense				
Current tax	**12,514**	13,075	**3,090**	2,665
Deferred tax	**333**	(1,758)	**901**	(254)
Benefit arising from reversal of a previously recognised deferred tax liability of a prior period	**–**	(475)	**–**	–
Under/(over) provided in prior years	**(171)**	(174)	**–**	(6)
Income tax expense attributable to continuing operations	**12,676**	10,668	**3,991**	2,405
(b) Reconciliation of income tax expense to prima facie tax payable				
Prima facie tax at 30% (2008: 30%) on profit from ordinary activities	**13,787**	11,629	**10,381**	11,561
Tax effect of amounts which are not deductible/(taxable) in calculation of taxable income				
Difference in overseas tax rates	**(562)**	(446)	**–**	–
Non-assessable dividend	**–**	–	**(6,390)**	(9,150)
Impact of reduction in overseas tax rates	**(35)**	–	**–**	–
Investment allowance	**(530)**	–	**–**	–
Under/(over) provision in prior years	**(171)**	(174)	**–**	(6)
Impact of previously unrecognised capital losses offsetting gains in the prior year	**–**	(92)	**–**	–
Other items (net)	**187**	(249)	**–**	–
Income tax expense	**12,676**	10,668	**3,991**	2,405

(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 $954,000 (2008: $717,000) at a tax rate of 30% (2008: 30%).

Note 6: Key Management Personnel Disclosures

(a) Key management personnel compensation

	Consolidated Entity		Parent Entity	
	2009 $	2008 $	**2009 $**	2008 $
Short-term employee benefits	**1,700,471**	2,067,394	**484,581**	465,940
Post-employment benefits	**95,557**	140,962	**35,419**	34,060
Termination benefits	**–**	477,884	**–**	–
Share-based payments	**243,184**	185,941	**–**	–
	2,039,212	2,872,181	**520,000**	500,000

Detailed remuneration disclosures are provided in sections A to C of the Remuneration Report on pages 35 to 40.

(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 40 to 41.

(ii) Share-holdings
The number 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 the year	Granted during year as compensation	Other changes during year	Balance at end of the year
Non-executive directors				
Ian Ferrier	52,401	–	–	52,401
Christine Clifton	111,490	–	961	112,451
Roger Penman	8,000	–	–	8,000
Benjamin Chow	–	–	10,182	10,182
Richard Fisher	5,469	–	244	5,713
Executive directors				
Andrew Smith	41,008	35,921	–	76,929
Other key management personnel				
Phillip Friery	68,174	20,526	(14,747)	73,953

(iii) Option holdings
At the end of the period there were no options over unissued shares.

Note 6: Key Management Personnel Disclosures continued

(c) Loans to key management personnel

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

(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 $1,980 (2008: $2,830).

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 had provided professional accounting and taxation services to the consolidated entity on normal commercial terms and conditions. During the previous year services were provided on normal commercial terms amounting to $563.

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

	2009 $	2008 $
Amounts recognised as expense		
Accounting and tax advisory fees	–	563
Other professional services	**1,980**	2,830
	1,980	3,393

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:

	2009 $	2008 $
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 2009, more than 800 (2008: 750) eligible employees were invited to participate in the plan and pay the share purchase price by regular deductions from pre-tax wage or salary. The criteria for eligibility included being employed for a minimum six months as a full-time or permanent part-time employee at the time of the offer. In November 2009 (2008: June), the trustee, IVC Employee Share Plan Managers Pty Ltd, purchased on market 32,050 (2008: 32,373) shares on behalf of 190 (2008: 206) 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 2009, the balance owing by employee plan members for the purchase price of shares was $145,447 (2008: $103,784).

(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.

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 2009, offers were made to and accepted by a total of 43 (2008: 42) employees and a total of 199,935 (2008: 118,578) shares purchased on market for $974,100 (2008: $750,994) at an average price of $4.87 (2008: $6.33) 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 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	–	–	(6)	138
	25 February 2011	6.21	144	–	–	(6)	138
1 July 2007	25 February 2009	6.21	57	–	(57)	–	–
	25 February 2010	6.21	57	–	–	(3)	54
	25 February 2011	6.21	57	–	–	(3)	54
1 January 2008	25 February 2010	6.33	187	–	–	(7)	180
	25 February 2011	6.33	187	–	–	(7)	180
	25 February 2012	6.33	187	–	–	(7)	180
1 July 2008	25 February 2010	6.33	63	–	–	–	63
	25 February 2011	6.33	63	–	–	–	63
	25 February 2012	6.33	63	–	–	–	63
1 January 2009	25 February 2011	4.87	–	264	–	–	264
	25 February 2012	4.87	–	264	–	–	264
	25 February 2013	4.87	–	264	–	–	264
1 March 2009	25 February 2011	4.87	–	61	–	–	61
	25 February 2012	4.87	–	61	–	–	61
	25 February 2013	4.87	–	61	–	–	61
			1,564	975	(285)	(39)	2,215

Note 7: Share-based Payments continued

(a) Employee shares continued

(ii) Deferred employee share plan continued
Performance hurdles apply to certain grants to senior managers which are outlined in detail in the Remuneration Report. Shading in provisions apply with partial vesting where compound earnings per share growth is less than the target.

(b) Expenses arising from share-based payment transactions

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

	Consolidated Entity		Parent Entity	
	2009 $	2008 $	**2009 $**	2008 $
Long-term incentive bonus share expense	**790**	562	**–**	–
	790	562	**–**	–

(c) Employee share options

InvoCare Limited has no options over unissued shares granted to executive management outstanding at balance date.

Note 8: Remuneration of Auditors

	Consolidated Entity		Parent Entity	
	2009 $	2008 $	**2009 $**	2008 $
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	**199,500**	187,500	**–**	–
Non-PricewaterhouseCoopers – Singaporean firm				
Audit and review of financial reports	**20,062**	17,921	**–**	–
Total remuneration for audit services	**219,562**	205,421	**–**	–
(b) Non-audit services				
PricewaterhouseCoopers – Australian firm				
Assurance services	**24,270**	42,950	**–**	–
Advisory services	**–**	12,730	**–**	–
Taxation services	**121,066**	79,815	**–**	–
Non-PricewaterhouseCoopers – Singaporean firm				
Other services	**7,783**	10,967	**–**	–
Total remuneration for non-audit services	**153,119**	146,462	**–**	–

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	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Dividends paid				
Final ordinary dividend for the year ended 31 December 2008 of 13.0 cents (2007: 12.5 cents) per fully paid share paid on 9 April 2009 (2008: 11 April 2008), fully franked based on tax paid at 30% (2007: 30%)	**13,104**	12,536	**13,104**	12,536
Interim ordinary dividend for the year ended 31 December 2009 of 11.5 cents (2008: 10.5 cents) per share paid on 9 October 2009 (2008: 10 October 2008), fully franked based on tax paid at 30% (2008: 30%)	**11,657**	10,530	**11,657**	10,530
Dividends paid to members of InvoCare Limited	**24,761**	23,066	**24,761**	23,066
No dividends were paid to minority interests during 2009. In 2008 a 7 cents per fully paid share fully franked based on tax paid at 30% was paid	**–**	56	**–**	–
	24,761	23,122	**24,761**	23,066
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 13.75 cents (2008: 13 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 2010 out of 2009 profits, but not recognised as a liability at year end is:	**14,002**	13,104	**14,002**	13,104
Franking credit balance				
The amounts of franking credits available for subsequent financial years are:				
Franking account balance at the end of the financial year	**19,473**	16,935	**18,463**	16,814
Franking credits that will arise from the payment of income tax payable at the end of the financial year	**2,608**	3,813	**2,529**	3,429
Reduction in franking account resulting from payment of proposed final dividend of 13.75 cents (2008: 13.0 cents)	**(6,001)**	(5,616)	**(6,001)**	(5,616)
	16,080	15,132	**14,991**	14,627

Note 10: Earnings per Share

	Consolidated Entity 2009 $'000	Consolidated Entity 2008 $'000
Reconciliation of Earnings to Profit and Loss		
Profit from ordinary activities after income tax	**33,280**	28,094
Less profit attributable to minority interests	**(82)**	(68)
Profit used to calculate basic and diluted EPS	**33,198**	28,026

	2009 Number	2008 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	**100,944,902**	100,215,660
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	**100,944,902**	100,215,660

Note 11: Cash and Cash Equivalents

	Consolidated Entity		Parent Entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Cash on hand	**53**	53	**–**	–
Cash at bank	**5,456**	6,361	**222**	1,056
	5,509	6,414	**222**	1,056
Cash at bank attracts floating interest rates between 2.25% and 3.85% (2008: 3.9% and 7.0%)				
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	**5,509**	6,414	**222**	1,056
Balances per cash flow statements	**5,509**	6,414	**222**	1,056

Note 12: *Trade and Other Receivables*

	Consolidated Entity		Parent Entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Current				
Trade receivables	**17,920**	17,329	**–**	–
Provision for doubtful receivables	**(1,254)**	(1,531)	**–**	–
Prepayments	**1,761**	1,803	**23**	19
Other receivables	**1,161**	809	**–**	–
	19,588	18,410	**23**	19
Non-current				
Trade receivables	**9,611**	8,987	**–**	–
Provision for doubtful receivables	**(283)**	(157)	**–**	–
Security deposits	**240**	251	**–**	–
Other receivables	**623**	407	**–**	–
Loan to controlled entity	**–**	–	**242,739**	238,538
	10,191	9,488	**242,739**	238,538

(a) Impaired receivables

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

	Consolidated Entity	
	2009 $'000	2008 $'000
As at 1 January	**1,688**	1,683
Provision for impairment recognised during the year	**180**	180
Receivables written off as uncollectible	**(331)**	(177)
Effect of movements in exchange rates	**–**	2
As at 31 December	**1,537**	1,688

Note 13: *Inventories*

	Consolidated Entity		Parent Entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Current				
Work in progress – at cost	**3,060**	–	**–**	–
Finished goods – at cost	**12,294**	13,691	**–**	–
	15,354	13,691	**–**	–

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).

Name of entity	Country of incorporation	Equity holding 2009 %	Equity holding 2008 %
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
Simplicity Casket Private Limited	Singapore	**100**	–
Casket Company Embalming and Funeral Services Pte. Ltd	Singapore	**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 2009							
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**
Year ended 31 December 2009							
Additions	**59**	**12**	**3,761**	**–**	**392**	**10,533**	**14,757**
Business combinations	**–**	**–**	**–**	**–**	**–**	**20**	**20**
Disposals	**(2)**	**(3)**	**(81)**	**–**	**(3)**	**(402)**	**(491)**
Depreciation/amortisation charge	**(344)**	**–**	**(2,972)**	**(128)**	**(179)**	**(6,829)**	**(10,452)**
Effect of movement in exchange rates	**–**	**(1,855)**	**(657)**	**–**	**–**	**(104)**	**(2,616)**
Transfers/reclassifications	**(109)**	**–**	**161**	**–**	**1**	**(53)**	**–**
Closing net book amount	**83,988**	**45,451**	**62,391**	**2,372**	**1,117**	**28,128**	**223,447**
At 31 December 2009							
Cost	**105,158**	**45,451**	**92,113**	**4,466**	**2,330**	**67,281**	**316,799**
Accumulated depreciation/amortisation	**(5,194)**	**–**	**(29,722)**	**(2,094)**	**(1,213)**	**(39,153)**	**(77,376)**
Impairment write-downs	**(15,976)**	**–**	**–**	**–**	**–**	**–**	**(15,976)**
Net book amount	**83,988**	**45,451**	**62,391**	**2,372**	**1,117**	**28,128**	**223,447**
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

(a) Parent entity

The parent entity does not have any property, plant and equipment.

Note 15: Property, Plant and Equipment continued

(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	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Cemetery land	**80**	51	**–**	–
Freehold land	**11**	–	**–**	–
Freehold buildings	**912**	2,008	**–**	–
Leasehold improvements	**5**	10	**–**	–
Plant and equipment	**1,666**	1,293	**–**	–
Total assets in the course of construction	**2,674**	3,362	**–**	–

(c) Impairment

(i) 2009

All impaired cemetery and crematorium sites were reassessed at 31 December 2009 using the same methodology as previously applied and no change to the impairment provision was considered necessary in 2009.

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. A sensitivity analysis has been conducted on the impaired sites by moving the underlying assumptions both up and down 10%. This analysis demonstrates that changing the assumptions is unlikely to result in a material change in the currently recognised impairment losses. Management considers that a +/– 10% shift is within the reasonably possible range of long-term outcomes. The pre-tax discount rate used was 10.8% (2008: 10.6%), reflecting the risk estimates for the business as a whole.

(ii) 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.

Note 16: *Intangible Assets*

	Consolidated Entity		
	Goodwill $'000	Brand name $'000	Total $'000
At 1 January 2009			
Cost	**59,118**	**3,612**	**62,730**
Accumulated amortisation	**–**	**(739)**	**(739)**
Net book amount	**59,118**	**2,873**	**61,991**
Year ended 31 December 2009			
Acquisition of subsidiary/businesses	**110**	**–**	**110**
Effect of movement in exchange rates	**(3,067)**	**(207)**	**(3,274)**
Amortisation charge	**–**	**(341)**	**(341)**
Net book amount	**56,161**	**2,325**	**58,486**
At 31 December 2009			
Cost	**56,161**	**3,330**	**59,491**
Accumulated amortisation	**–**	**(1,005)**	**(1,005)**
Net book amount	**56,161**	**2,325**	**58,486**
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

(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. Management has assessed that a reasonable possible long-term shift in key assumptions will not cause further impairment.

(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 10.8% (2008: 10.6%), 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	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Non-current assets				
Interest rate swap contracts – cash flow hedges	**(551)**	–	**–**	–
Cross currency basis swap contracts	**1,316**	–	**–**	–
	765	–	**–**	–
Current liabilities				
Interest rate swap contracts – cash flow hedges	**1,966**	–	**1,966**	–
Cross currency basis swap contracts	**–**	–	**–**	–
	1,966	–	**1,966**	–
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	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Current				
Trade payables	**15,884**	16,630	**192**	178
Sundry payables and accrued expenses	**5,120**	4,066	**–**	–
Deferred cash settlement for business interests acquired	**288**	321	**–**	–
	21,292	21,017	**192**	178
Non-current				
Deferred cash settlement for business interests acquired	**334**	577	**–**	–
	334	577	**–**	–

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	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Long-term borrowings				
Borrowings are represented by:				
Principal amount of bank loans – unsecured	**153,867**	158,867	**131,000**	136,000
Loan establishment costs	**(108)**	(212)	**(102)**	(201)
	153,759	158,655	**130,898**	135,799

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	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Current				
Employee benefits	**8,727**	8,538	**–**	–
Non-current				
Liability for long service leave	**1,308**	1,289	**–**	–

	Consolidated Entity		Parent Entity	
	2009 Number	2008 Number	**2009 Number**	2008 Number
(a) Employee numbers				
Number of full-time equivalent employees	**1,101**	1,052	**–**	–

(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	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Deferred tax (asset)/liability				
The deferred tax (asset)/liability balances comprised temporary differences attributable to:				
Amounts recognised in profit and loss:				
Cemetery land	**25,105**	25,241	**–**	–
Property, plant and equipment	**5,438**	6,705	**–**	–
Leasehold land and buildings	**97**	95	**–**	–
Deferred selling costs	**2,567**	2,447	**–**	–
Prepayments and other	**512**	104	**–**	–
Brand names	**602**	736	**–**	–
Provisions	**(3,557)**	(3,539)	**–**	–
Receivables	**(194)**	(115)	**–**	–
Accruals and other	**(615)**	(1,271)	**215**	(40)
Loan establishment costs	**(12)**	(20)	**1**	(4)
Derivatives	**(364)**	(959)	**(198)**	(699)
Amounts recognised directly in equity:				
Foreign currency translation reserve	**395**	(1,379)	**–**	–
Cash flow hedge reserve	**(400)**	(1,412)	**(400)**	(1,412)
Deferred employee share plan reserve	**–**	222	**–**	472
	29,574	26,855	**(382)**	(1,683)
The net movement in the deferred tax (asset)/liability is as follows:				
Balance at the beginning of the year	**26,855**	33,390	**(1,683)**	1,509
Net charge (credit) to income statement	**333**	(1,758)	**901**	(254)
Amounts recognised due to business combinations	**–**	161	**–**	–
Amounts recognised directly in equity	**2,846**	(4,919)	**1,141**	(3,145)
Amounts transferred between entities due to the employee share scheme	**–**	–	**(741)**	–
Impact of change of income tax rate in Singapore	**(35)**	–	**–**	–
Adjustment to previously recognised balances	**(292)**	(206)	**–**	207
Effect of movements in exchange rates	**(133)**	187	**–**	–
Balance at the end of the year	**29,574**	26,855	**(382)**	(1,683)
Deferred tax liabilities/(assets) to be settled within 12 months	**(3,335)**	(2,945)	**(558)**	112
Deferred tax liabilities/(assets) to be settled after 12 months	**32,909**	29,800	**176**	(1,795)
	29,574	26,855	**(382)**	(1,683)

Note 22: *Contributed Equity*

	Consolidated Entity		Parent Entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Fully paid ordinary shares	**76,950**	71,806	**76,950**	71,806

	2009 Number	**2009 $'000**	2008 Number	2008 $'000
Ordinary shares				
Balance at the beginning of the financial year	**100,799,439**	**73,379**	100,287,325	70,696
Dividend reinvestment plan issues	**1,034,797**	**5,786**	512,114	2,683
Total contributed equity – parent entity	**101,834,236**	**79,165**	100,799,439	73,379
Treasury shares	**(397,676)**	**(2,215)**	(249,697)	(1,573)
Total consolidated contributed equity	**101,436,560**	**76,950**	100,549,742	71,806

(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 2008	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)	(42)
11 March 2008	Acquisition of shares by the Trust and reallocation of previously forfeited shares	20,908	36
1 to 3 July 2008	Acquisition of shares by the Trust	118,578	751
31 December 2008	Balance	249,697	1,573
22 February 2009	Shares vested	(13,670)	(84)
25 February 2009	Shares vested	(32,382)	(201)
23 to 27 February 2009	Acquisition of shares by the Trust and reallocation of previously forfeited shares	200,218	948
2 April 2009	Forfeit of shares on termination of employment	(5,313)	(16)
26 June 2009	Forfeit of shares on termination of employment	(874)	(5)
		397,676	2,215

(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 in ordinary shares rather than by being paid in cash.

Note 23: Reserves and Retained Profits

	Consolidated Entity		Parent Entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
(a) Reserves				
Share-based payments reserve	1,338	963	1,338	963
Hedging reserve – cash flow hedge reserve	(934)	(3,293)	(934)	(3,293)
Foreign currency translation reserve	(230)	1,681	–	–
	174	(649)	404	(2,330)
Movements:				
Share-based payments reserve				
Balance at the beginning of the year	963	221	963	221
Options/deferred employee share plan expense	790	562	790	562
Vesting of deferred employee share plan shares	(285)	(42)	(285)	(42)
Deferred tax	(130)	222	(130)	222
Balance at the end of the year	1,338	963	1,338	963
Hedging reserve				
Balance at the beginning of the year	(3,293)	3,527	(3,293)	3,527
Revaluation to fair value – gross	–	(9,743)	–	(9,743)
Amortisation of hedge reserve	3,370	–	3,370	–
Deferred tax	(1,011)	2,923	(1,011)	2,923
Balance at the end of the year	(934)	(3,293)	(934)	(3,293)
Foreign currency translation reserve				
Balance at the beginning of the year	1,681	(244)	–	–
Revaluation to fair value – gross	5,683	(5,913)	–	–
Deferred tax	(1,705)	1,774	–	–
Currency translation differences	(5,889)	6,064	–	–
Balance at the end of the year	(230)	1,681	–	–
(b) Retained profits/(accumulated losses)				
Movements in retained profits/(accumulated losses) were as follows:				
Balance at the beginning of the year	(9,215)	(14,175)	41,851	28,786
Net profit for the year	33,198	28,026	30,612	36,131
Dividends paid during the year	(24,761)	(23,066)	(24,761)	(23,066)
Balance at the end of the year	(778)	(9,215)	47,702	41,851

(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 entities and from the hedging of the net investment in foreign operations are taken to the foreign currency translation reserve as set out in Notes 1(d) and (r). 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 $4,341,000 (2008: $3,771,000). 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 $3,511,000.

	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)
Profit after tax for the 2009 year			33,198	33,198
Dividends paid during 2009			(24,761)	(24,761)
Transfers between sub-accounts	–	4,341	(4,341)	–
Balance of retained earnings/(accumulated losses) as at 31 December 2009	–	(41,882)	41,104	(778)

Note 24: *Minority Interest*

	Consolidated Entity		Parent Entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Reconciliation of minority interests in controlled entities:				
Share capital	**800**	800	**–**	–
Retained earnings				
Balance at the beginning of the year	**138**	126	**–**	–
Add share of operating profit	**82**	68	**–**	–
Less dividends paid	**–**	(56)	**–**	–
Closing balance of retained earnings	**220**	138	**–**	–
Reserves	**99**	99	**–**	–
Balance at the end of the year	**1,119**	1,037	**–**	–

Note 25: *Capital and Leasing Commitments*

	Consolidated Entity		Parent Entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'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	**5,699**	5,714	**–**	–
– between 12 months and 5 years	**8,998**	9,817	**–**	–
– greater than 5 years	**9,204**	10,157	**–**	–
	23,901	25,688	**–**	–

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	5,204	226	269	5,699
Between 12 months and five years	8,411	568	19	8,998
Greater than five years	9,204	–	–	9,204
	22,819	794	288	23,901

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.

Note 25: *Capital and Leasing Commitments continued*

	Consolidated Entity		Parent Entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'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	**–**	–
Plant and equipment purchases				
– within one year	**4,479**	335	**–**	–
(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	**1,404**	3,712	**–**	–

Note 26: *Business Combinations*

During 2009, the Group acquired the funeral business of Casket Company Embalming and Funeral Services, which operates in Singapore. Pursuant to the purchase agreements in prior years, further payments were made in 2009 in relation to Christian Funerals which operates in Perth, Southern Cross Funerals which operates in Melbourne and Drysdale Funerals which operates on the Sunshine Coast in Queensland. Further details of these acquisitions are set out below.

Casket Company Embalming and Funeral Services

(a) Summary of the Casket Company Embalming and Funeral Services acquisition

On 17 July 2009, a subsidiary, Simplicity Casket Private Limited, acquired the business of Casket Company Embalming and Funeral Services which operates from Sin Ming Drive area of Singapore. The business has been completely subsumed into the business of Simplicity Casket Company which now operates from the premises in Sin Ming Drive.

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

	$'000
Purchase consideration (refer to (b) below):	
Cash paid	212
Anticipated additional consideration	21
Total purchase consideration	233
Fair value of net identifiable assets acquired (refer to (c) below):	23
Goodwill	210
(b) Casket Company Embalming and Funeral Services purchase consideration	
Outflow of cash to acquire the business, net of cash acquired	
Cash consideration for Casket Company Embalming and Funeral Services business	212
Outflow of cash	212

Additional consideration has become or will become payable since the date of the acquisition based on the achievement of a pre-determined number of cases over a twelve month period from the date of 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 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 Casket Company Embalming and Funeral Services with the rest of the Group.

Subsequent to the acquisition a new entity, Casket Company Embalming and Funeral Services Pte. Ltd, was incorporated for name protection purposes.

Note 26: Business Combinations continued

(c) Casket Company Embalming and Funeral Services assets acquired

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

	Acquiree's carrying amount $'000	Fair value $'000
Inventories	3	3
Property, plant and equipment	20	20
Net identifiable assets acquired	23	23

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.

Christian Funerals

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

Additional purchase consideration of $100,000 was paid in July 2009 in accordance with the contract. The payment was in line with expectations following the achievement of pre-determined revenue benchmarks established at the time of the initial acquisition.

Southern Cross Funerals

On 15 October 2008, a subsidiary, InvoCare Australia Pty Limited, acquired 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.

Additional purchase consideration of $25,000 was paid in October 2009 in accordance with the contract and the remainder of the future consideration of $100,000, initially recorded, was treated as a reduction of goodwill. The payment was below expectations as pre-determined revenue benchmarks established at the time of the initial acquisition were not achieved.

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 third additional payment of $100,000, which has already been brought to account, in respect of restraint and retention amounts, was made during 2009.

Note 27: Contingent Liabilities and Contingent Assets

	Consolidated Entity		Parent Entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
The parent entity and consolidated entity had contingent liabilities at 31 December 2009 in respect of bank guarantees given for leased premises of controlled entities to a maximum of:	**467**	438	**467**	438

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 2009 is as follows:

	Australian Operations		Singapore Operations		Consolidated	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000	**2009 $'000**	2008 $'000
Sales revenue						
Funerals						
Comparable	**189,050**	182,804	**9,234**	8,373	**198,284**	191,177
Acquired businesses	**2,784**	1,141	**–**	–	**2,784**	1,141
Total funerals	**191,834**	183,945	**9,234**	8,373	**201,068**	192,318
Cemeteries and crematoria	**62,644**	58,453	**–**	–	**62,644**	58,453
Elimination of intra-group sales	**(6,633)**	(6,556)	**–**	–	**(6,633)**	(6,556)
Revenue from external customers	**247,845**	235,842	**9,234**	8,373	**257,079**	244,215
Other revenue (excluding interest income)	**4,990**	4,065	**167**	69	**5,157**	4,134
Operating expenses	**(192,568)**	(182,353)	**(4,475)**	(4,121)	**(197,043)**	(186,474)
Normalised operating EBITDA	**60,267**	57,554	**4,926**	4,321	**65,193**	61,875
Depreciation and amortisation	**(10,183)**	(9,088)	**(610)**	(615)	**(10,793)**	(9,703)
Finance costs	**(8,522)**	(12,098)	**(308)**	(1,598)	**(8,830)**	(13,696)
Interest income	**579**	642	**–**	–	**579**	642
Income tax expense	**(12,084)**	(10,522)	**(603)**	(253)	**(12,687)**	(10,775)
Normalised profit after tax	**30,057**	26,488	**3,405**	1,855	**33,462**	28,343
Profit/(loss) on sale of assets	**(183)**	(250)	**1**	1	**(182)**	(249)
Minority interest	**(82)**	(68)	**–**	–	**(82)**	(68)
Net profit after tax attributable to equity holders of InvoCare Limited	**29,792**	26,170	**3,406**	1,856	**33,198**	28,026
Acquisition of property, plant and equipment and intangibles	**13,270**	18,756	**675**	61	**13,945**	18,817
Total assets	**313,975**	309,550	**27,920**	30,830	**341,895**	340,380

(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	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Reconciliation of cash flow from operations with profit from ordinary activities after income tax				
Profit from ordinary activities after income tax	**33,280**	28,094	**30,612**	36,131
Non-cash items in profit from ordinary activities				
Depreciation and amortisation	**10,793**	9,703	**–**	–
Share-based payments expense	**863**	607	**–**	–
Loan establishment costs	**104**	107	**98**	98
Interest rate swap expense	**(2,216)**	2,101	**(1,670)**	1,652
Imputed interest from deferred purchase consideration	**49**	38	**–**	–
Management fee received from related parties	**–**	–	**(1,200)**	(1,200)
Interest received from related parties	**–**	–	**(20,815)**	(19,172)
Dividends received from related parties	**–**	–	**(21,300)**	(30,500)
Income tax expense paid by a related party	**–**	–	**4,928**	3,140
Net amount reclassified as an expense from property, plant and equipment and other non-current assets	**(29)**	(82)	**–**	–
Net loss on disposal of property, plant and equipment	**193**	355	**–**	–
Effect of movement in exchange rates	**421**	(182)	**–**	–
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries				
(Increase)/decrease in trade and other receivables	**(1,881)**	(282)	**(4)**	(1)
(Increase)/decrease in inventories	**(1,663)**	(470)	**–**	–
(Increase)/decrease in deferred selling expenses	**(398)**	(6)	**–**	–
Increase/(decrease) in payables	**(719)**	(992)	**15**	10
Increase/(decrease) in deferred revenue	**855**	(1,064)	**–**	–
Increase/(decrease) in income taxes payable	**(1,385)**	35	**(900)**	(721)
Increase/(decrease) in deferred taxes	**(127)**	(2,156)	**1**	(14)
Increase/(decrease) in provisions	**208**	667	**–**	–
	38,348	36,473	**(10,235)**	(10,577)

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 earnings and balance sheet for the year ended 31 December 2009 of the Closed Group.

Note 30: *Deed of Cross Guarantee continued*

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

	2009 $'000	2008 $'000
Consolidated income statement of the Closed Group		
Revenue from continuing operations	**231,038**	217,329
Finished goods and consumables used	**(65,613)**	(63,026)
Employee benefits expense	**(54,463)**	(50,917)
Employee related and on-cost expenses	**(12,387)**	(11,544)
Advertising and public relations expenses	**(7,125)**	(7,145)
Depreciation, impairment and amortisation expenses	**(9,076)**	(7,980)
Occupancy and facilities expenses	**(12,623)**	(11,834)
Finance costs	**(8,759)**	(13,640)
Motor vehicle expenses	**(4,628)**	(4,867)
Other expenses	**(12,153)**	(10,190)
Net gain/(loss) on disposal of non-current assets	**(59)**	(376)
Profit before income tax	**44,152**	35,810
Income tax expense	**(10,065)**	(7,901)
Profit for the year	**34,087**	27,909
Changes in the fair value of cash flow hedges, net of tax	**2,359**	(6,820)
Changes in foreign currency translation reserve, net of tax	**3,978**	(4,139)
Other comprehensive income for the year, net of tax	**6,337**	(10,959)
Total comprehensive income for the year	**40,424**	16,950
Summary of movements in consolidated retained profits of the Closed Group		
Retained profits/(accumulated losses) at the beginning of the financial year	**1,317**	(3,526)
Profit for the year	**34,087**	27,909
Dividends paid	**(24,761)**	(23,066)
Retained profits/(accumulated losses) at the end of the financial year	**10,643**	1,317

Note 30: *Deed of Cross Guarantee continued*

(b) Balance sheet of the Closed Group

	2009 $'000	2008 $'000
Current assets		
Cash and cash equivalents	**2,629**	3,840
Trade and other receivables	**18,098**	16,719
Inventories	**14,181**	12,474
Deferred selling costs	**515**	490
Total current assets	**35,423**	33,523
Non-current assets		
Trade and other receivables	**23,085**	19,410
Shares in subsidiaries	**52,384**	52,384
Property, plant and equipment	**192,308**	190,005
Intangible assets	**30,516**	30,634
Derivative financial instruments	**765**	–
Deferred selling costs	**7,215**	6,864
Total non-current assets	**306,273**	299,297
Total assets	**341,696**	332,820
Current liabilities		
Trade and other payables	**20,446**	20,185
Current tax liabilities	**2,529**	3,429
Deferred revenue	**2,640**	2,585
Provisions for employee benefits	**8,701**	8,510
Total current liabilities	**34,316**	34,709
Non-current liabilities		
Trade and other payables	**334**	577
Long-term borrowings	**153,759**	158,654
Derivative financial instruments	**1,996**	12,500
Deferred tax liabilities	**24,263**	21,327
Deferred revenue	**36,964**	36,190
Provisions for employee benefits	**1,308**	1,289
Total non-current liabilities	**218,624**	230,537
Total liabilities	**252,940**	265,246
Net assets	**88,756**	67,574
Equity		
Contributed equity	**76,950**	71,806
Reserves	**1,163**	(5,549)
Retained profits/(Accumulated losses)	**10,643**	1,317
Total equity	**88,756**	67,574

Note 31: *Events After the Balance Sheet Date*

There have been no significant events that have occurred subsequent to 31 December 2009.

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	
	2009 $	2008 $	**2009 $**	2008 $
(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	**–**	–	**4,561,078**	17,756,902
Interest charged by the parent entity	**–**	–	**20,815,372**	19,172,135
Dividend paid to the parent entity	**–**	–	**21,300,000**	30,500,000
Amounts receivable by the parent entity from controlled entities				
Loan by parent entity to a subsidiary	**–**	–	**242,738,961**	238,537,437
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% (2008: 9%).				
Transactions with other related parties				
Contributions to superannuation funds on behalf of employees	**4,820,508**	4,394,856	**–**	–

(e) Guarantees and other matters
Under the terms of loan facility agreements executed on 16 December 2005 and amended in October 2006, June 2007, November 2008 and July 2009, 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 $30,639,000 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 $32.6 million at 31 December 2009 (2008: $31.1 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 (2008: $1.0 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 18 March 2010. 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 45 to 92 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 2009 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
19 March 2010

PRICEWATERHOUSECOOPERS

Independent auditor's report to the members of InvoCare Limited

PricewaterhouseCoopers
ABN 52 780 433 757

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SYDNEY NSW 1171
DX 77 Sydney
Australia
www.pwc.com/au
Telephone +61 2 8266 0000
Facsimile +61 2 8266 9999

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 2009, and the statement of comprehensive income, statement of changes in equity 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 the financial statements 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.

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
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 2009 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 report 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 35 to 43 of the directors' report for the year ended 31 December 2009. 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 2009 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

John Feely
Partner

Sydney
19 March 2010

Shareholder Information

Shares and options as at 16 March 2010

	Number
Shares on issue	101,834,236
Options on issue	Nil

Distribution of shareholdings as at 16 March 2010

	Number of shareholders	Number of shares	Percentage %
1 – 1,000	2,736	1,486,643	1.46%
1,001 – 5,000	5,053	13,497,733	13.25%
5,001 – 10,000	1,323	9,996,750	9.82%
10,001 – 100,000	740	15,148,880	14.88%
100,001 and over	43	61,704,230	60.59%
	9,895	101,834,236	100.00%

There were 160 holders of less than a marketable parcel of ordinary shares (being 82 based on a market price of $6.08 on 16 March 2010) who hold a total of 4,320 ordinary shares.

Equity security holders

	Number of shares	Percentage %
Largest 20 holders of ordinary shares at 16 March 2010		
1. National Nominees Limited	12,978,514	12.74%
2. J P Morgan Nominees Australia	11,093,567	10.89%
3. HSBC Custody Nominees (Australia) Limited	9,526,260	9.35%
4. Citicorp Nominees Pty Limited	5,839,118	5.73%
5. ANZ Nominees Limited	5,301,335	5.21%
6. Cogent Nominees Pty Limited	4,474,901	4.39%
7. Queensland Investment Corporation	1,460,582	1.43%
8. Argo Investments Limited	1,176,358	1.16%
9. Milton Corporation Limited	1,063,254	1.04%
10. UBS Wealth Management Australia Nominees Pty Ltd	865,590	0.85%
11. BKI Investment Company Limited	851,000	0.84%
12. Richard Hugh Davis	746,607	0.73%
13. IVC Employee Share Plan Managers Pty Ltd	735,176	0.72%
14. Choiseul Investments Limited	507,047	0.50%
15. Avanteos Investments Limited	480,625	0.47%
16. RBC Dexia Investor Services Australia Nominees Pty Ltd	479,215	0.47%
17. AMP Life Limited	477,732	0.47%
18. Gwynvill Trading Pty Limited	465,643	0.46%
19. Mirrabooka Investments Limited	455,768	0.45%
20. Questor Financial Services Limited	381,182	0.37%
Total for top 20	59,255,551	58.29%

Substantial holders

	Number of shares held	Percentage %
Substantial holders in the Company as at 16 March 2010 are set out below:		
J P Morgan Chase & Co. and its affiliates	14,185,641	13.93%
National Australia Bank Limited Group	8,873,199	8.71%
Commonwealth Bank of Australia and its subsidiaries	5,248,262	5.15%

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

Guardian Funerals (est 1890)
Bankstown
Blacktown
Burwood
Campbelltown
Cremorne
Hurstville
Leppington
Merrylands
Minchinbury
North Ryde
Parramatta
Rockdale
Warrawee

Bruce Maurer Funerals (est 1941)
Crows Nest

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

J W Chandler Funerals (est 1885)
Richmond
Windsor

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)
Goonellabah

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)
Maroochydore
Nambour
Tewantin

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

Somerville 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
Pakenham
St Kilda
Thornbury

Le Pine Asian Funerals
Glen Waverley
West Footscray

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

White Lady Funerals (est 1987)

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

Overseas

Singapore Casket Company (est 1920)	Simplicity Casket (est 2009)
Lavender Street Mount Vernon	Sin Ming Drive

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		
Lung Po Shan Information Centre (est 2000)	Haymarket		
Newcastle Memorial Park (est 1936)	Beresfield		
Northern Suburbs Memorial Gardens and Crematorium (est 1933)	North Ryde		
Pinegrove Memorial Park (est 1962)	Minchinbury		
Po Fook Shan Information Centre (est 2002)	Cabramatta		
Rookwood Memorial Gardens and Crematorium (est 1925)	Rookwood Necropolis		
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 enables you to record important personal information. This will assist your family and funeral director to make arrangements ensuring everything is conducted in accordance with your wishes.

Should you require assistance in completing it or further copies of the guide for other family members, please call Guardian Plan on Freecall 1 800 PRE PLAN (1 800 772 7526)

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

Copy of My Will

Date of Will

Deposited with (Name and Address)

Solicitor

Name Telephone

Address Postcode

Family Doctor

Name Telephone

Address Postcode

Personal Documents

Birth Certificate Location

Marriage Certificate Location

Medicare Card Card number (to be returned to Medicare office)

Centrelink Pension Number Type of pension

Veterans' Affairs Number

Passport Name shown on passport

Passport number Expiry date

(Passport should be returned to passport office in your area, details at local Post Office)

Driver Licence Number State of issue

Club or association memberships (Should be returned to appropriate organisation.
It may be that a claim can be made for unexpired memberships or mortality fund benefit.)

Family Details

Father's surname First names

Usual occupation

Mother's maiden surname First names

Usual occupation

Spouse surname First names

Marriage Details (Please tick appropriate box(es))

☐ Married ☐ Divorced ☐ Separated ☐ Widowed ☐ Never married ☐ De facto

Details of Marriage(s)

First marriage (Place/City/Town/Country)

Age at date of marriage Name of spouse (at date of marriage)

Second marriage (if applicable) (Place/City/Town/Country)

Age at date of marriage Name of spouse (at date of marriage)

Children's Details

(List all children in order of date of birth, including legally adopted, deceased (D), still born (SB), or if no children write "none".)

First name | Date of birth | ☐ Female | ☐ Male

First name | Date of birth | ☐ Female | ☐ Male

First name | Date of birth | ☐ Female | ☐ Male

First name | Date of birth | ☐ Female | ☐ Male

Financial Information (Information below may be required by the executor of your Will.)

Bank account details Bank name

Account numbers Bank branch

Location of documents, books, statements

Building society/Financial institution Building society/Financial institution name

Account numbers

Address

Income tax records Tax File Number Location of records

Deeds of property Property address(es)

Location of records

Mortgage details Location of records

Lender Reference number

Address of lender

Life insurance policies

Location of records

Superannuation

Details

Stocks and shares

Location of records

Safe deposit box Box location/number

Location of keys

Accountant Name Telephone

Address Postcode

Car details Registration number and state

Registration document location

Location of purchase receipt/H.P. details

Military Information (If applicable)

Branch of service | Service serial number

Date entered service | Place

Date of discharge | Place

Grade, rank or rating

Wars/Conflicts served

Additional Information

Historical information

Every individual is deserving of a meaningful obituary written in their memory. It is here that you may list those achievements and accomplishments that have been of pride to you and your family that are not mentioned elsewhere in your "Personal details guide".

Education

Name of primary school

Date attended from | to

Name of secondary school

Date attended from | to

Name of tertiary institution

Date attended from | to

Qualifications attained

Societies/Clubs Memberships and positions held (include dates)

Other (including civic or public office held)

Special achievements (details of any special achievements or recognitions)

Medical History

This information is very important for your spouse, children and grandchildren. It is also suggested that you keep an updated copy of your medical records for your family, as doctors often ask for it.

Special Instructions and Information

We suggest that you use these lines to keep our information current. We also recommend that you always date these entries to avoid possible confusion later.

Person to be notified Name

Relationship | Telephone

Person to be notified Name

Relationship | Telephone

Person to be notified Name

Relationship | Telephone

Corporate 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 offices of PricewaterhouseCoopers, 201 Sussex Street, Sydney on 21 May 2010.

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.

Pages 1 – 32 are printed on ENVI Coated and pages 33 – 104 are printed on ENVI Uncoated.

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