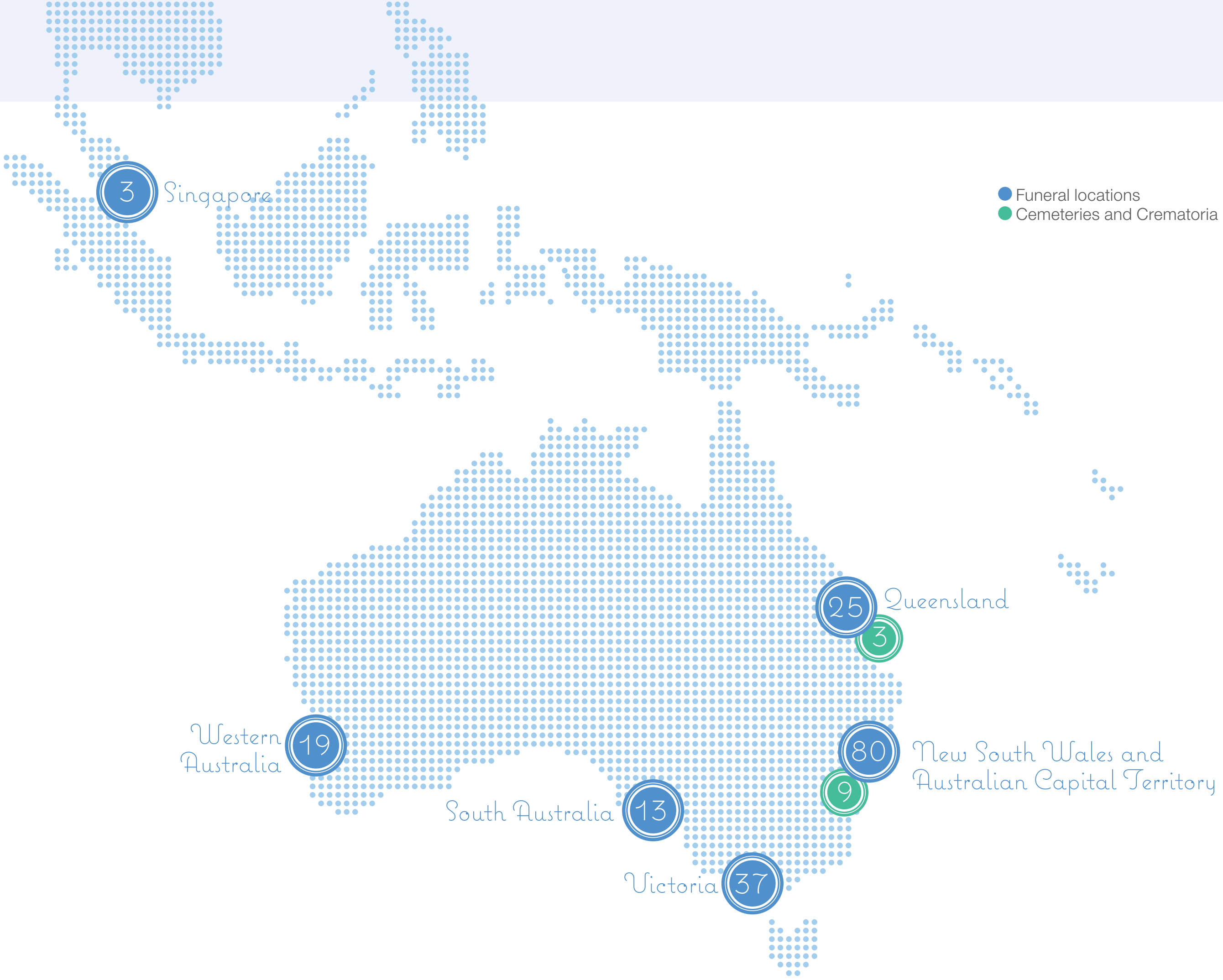
InvoCare
Innovation Vocation Care

Annual Report 2010

Cycle of growth

ALLAMBE MEMORIAL GARDENS

A place of quiet reflection at Allambe Gardens Memorial Park, this year's winner of InvoCare's parks and gardens award. Each year our cemeteries and crematoria vie for this prestigious award. Judging criteria emphasise the sense of calm and serenity the gardens create for our client families and visitors. Our dedicated team of parks and gardens staff bring vision and passion to the task of creating places of beauty and serenity.



InvoCare continues to expand its operations, to grow its network of locations across Australia and Singapore. The geographic spread outlines the commitment we have in providing outstanding care and services within all these areas.

Le Pine Funeral Services in Glen Waverley, Victoria.

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 in understanding and professionally servicing the needs of its client families. InvoCare exercises responsibility as an industry leader. It encourages the support of 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, prepaid administration, human resources, information technology, finance, property and facilities.

Above: George Hartnett Funerals in Redcliffe, Queensland.
Right: Inside the Chapel at Lake Macquarie Memorial Park on the NSW Central Coast.

National brands

Australia

White Lady Funerals — a woman's understanding

White Lady Funerals is a dedicated team of women offering a unique service for our client families. The life of the loved one is honoured with special nurturing, sensitivity, warmth and care, with a woman's understanding. There are 43 White Lady locations throughout Australia.

Simplicity Funerals — Simply Respectful. Simply Affordable. Simply Australian.

Flexible and less traditional, Simplicity Funerals offers practical, dignified, respectful and affordable funeral services. Steadily expanding, there are 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.

Cemeteries and Crematoria

Lung Po Shan Chinese Memorial Garden

InvoCare operates 12 cemeteries and crematoria in Australia. 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.

Contemporary 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
- WN Bull Funerals — Leaders in Personal Service
- Oakwood Funeral Services
- Le Pine Funerals
- Chipper Funerals

InvoCare's contemporary-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 97 InvoCare contemporary-style and heritage funeral homes throughout Australia.

With the acquisition of W N Bull Funerals in New South Wales and through a combination of new openings, we've been able to take our high standards of care and service to more families than ever before.

A full list of brands and locations is set out beginning on page 102.

Contents

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

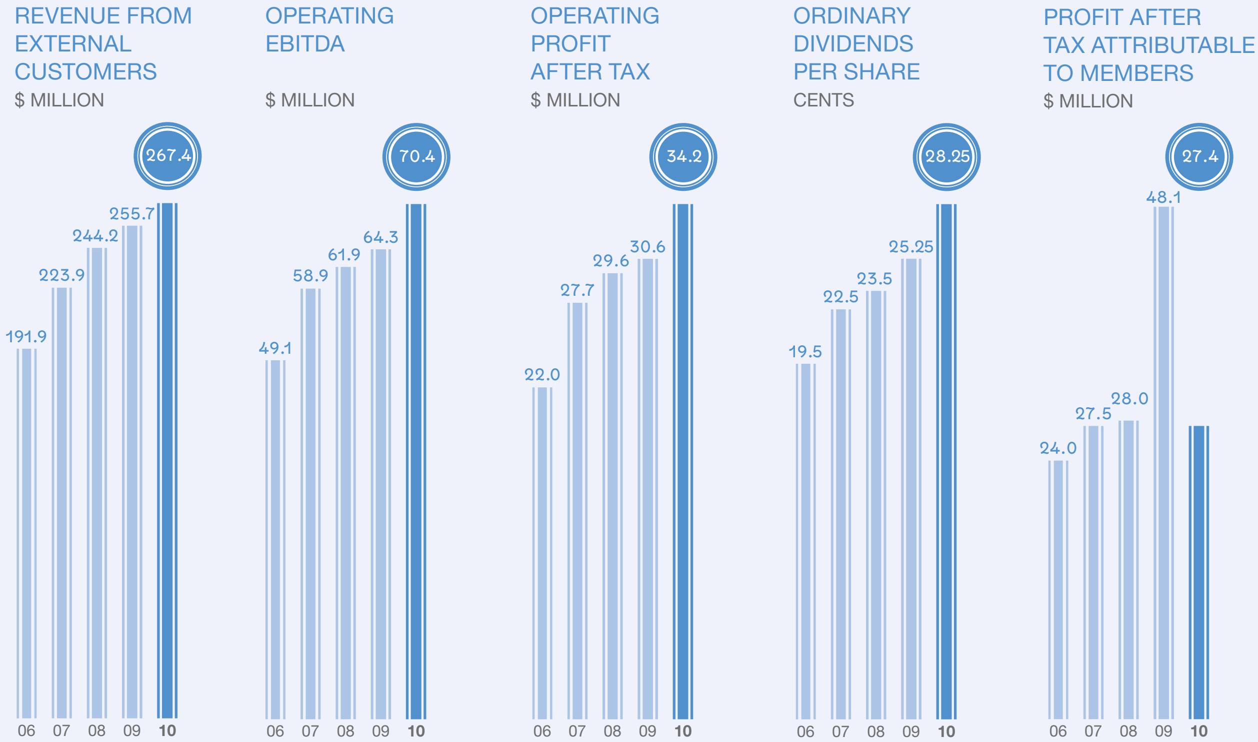
InvoCare continues to grow and remains focused on providing outstanding value and service to not only its investors as a group, but also personally in the lives of families we touch every day in their time of need.

We celebrate the cycle of life with our expanding network of funeral homes and crematoria which continually provide a haven for understanding and compassion. With this growth comes shared knowledge and experiences of our dedicated team across the business and through the communities we serve.

We nurture and grow these relationships, and continually strive to be innovative and dedicated across our business, here in Australia and Singapore.

The Hydrangea is a symbol of heartfelt emotions, devotion and understanding. It denotes that your home is a place where friends are welcome. At InvoCare our dedicated teams strive to make our client families feel at home in their time of need.

Performance highlights



Five year financials

$'000	**2010**	2009	2008	2007	2006
Revenue from external customers	**267,449**	255,676	244,215	223,918	191,932
Operating EBITDA	**70,411**	64,273	61,874	58,935	49,140
Operating EBITDA margin	**26.3%**	25.1%	25.3%	26.3%	25.6%
Operating profit after tax	**34,234**	30,607	28,342	27,073	21,636
Operating earnings per share (cents)	**33.7**	30.3	28.3	27.2	22.2
Profit after tax attributable to members	**27,366**	48,141	28,026	27,554	24,047
Earnings per share (cents)	**26.9**	47.7	28.0	27.6	24.7
Dividend paid in respect of the financial year	**28.25**	25.25	23.50	22.50	19.50
Ungeared, tax free operating cash flow	**69,059**	63,094	60,495	62,023	50,611
Proportion of EBITDA converted to cash	**98%**	98%	98%	105%	103%
Actual capital expenditure	**14,266**	13,846	16,359	17,366	9,817
Net debt	**147,538**	148,358	152,452	145,886	146,787
Operating EBITDA/Net interest (times)	**7.1**	6.6	6.2	6.0	5.4
Net debt/EBITDA (times)	**2.1**	2.3	2.5	2.5	3.0
Funeral homes (number)	**177**	173	163	152	136
Cemeteries and crematoria (number)	**12**	12	12	12	12
Employees (full time equivalents)	**1,112**	1,101	1,052	923	842
Prepaid contract sales/prepaid redemptions	**16.8%**	17.9%	6.9%	(2.0%)	(13.3%)

Operating profit excludes the net gain/(loss) on undelivered prepaid contracts, acquisition related costs, prior period tax movements, investment allowance benefits, non-cash interest rate swap movements, gain/(loss) on sale, disposal or impairment of non-current assets and minority interests.

Chairman's message

InvoCare's proven business model produces another solid financial result

InvoCare once again showed the resilience of its business model by delivering an Operating Profit after Tax of $34.2 million, a 12% increase from 2009.

A change in accounting policy retrospectively applied to the beginning of 2009 has introduced the value of prepaid contract funds under management and associated liabilities onto the balance sheet. This change includes making fair value adjustments to the funds and introduces volatility into Reported Profit after Tax, which for 2010 decreased by 43% to $27.4 million. After extensive consultations the Board has decided to use Operating Profit after Tax which it believes is a better indicator of the health of the business and management's success in running the business for the benefit of shareholders. A full reconciliation of adjustments is provided on page 19.

InvoCare's dedicated team continues to deliver outstanding service to family and funeral director customers across Australia and Singapore. Additionally, 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 our markets returned to trend, market share gains continued to be achieved. The acquisition of W N Bull funerals, widely respected by Sydney's Catholic community, in June 2010 added three new locations. Four smaller locations were opened and a number relocated to higher visibility locations to promote brand awareness. New prepaid funeral contract sales continued to grow.

In general, the funeral industry and InvoCare are not significantly affected by prevailing economic conditions. Changes in the numbers of deaths tend to have more significant impact. During the year, the Board and management closely monitored and reacted to the reduction in the numbers of deaths, which have returned to the long-term growth trend. In this climate, InvoCare successfully improved operating margins, generated strong cash flows and strengthened its healthy financial position.

The existing debt facilities, which were due to expire in January 2011, were successfully renewed. Due to the significant tightening in credit markets seen during the global financial crisis this resulted in a small increase in funding costs.

InvoCare's Board and management continue to explore expansion opportunities, in both existing and potential markets in Australia and the broader Asia-Pacific region. The acquisition of the Bledisloe Group announced in November 2010 will, subject to approval of the ACCC, permit expansion into new markets including New Zealand, Tasmania and regional Queensland.

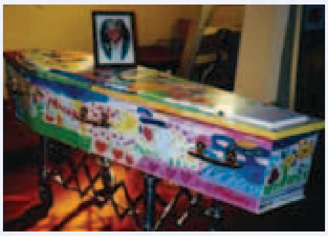
Given the strong 2010 result, the Board has declared a fully franked final dividend of 15.25 cents per share. Total dividends, which are fully franked, in respect of 2010, total 28.25 cents per share, an increase of 11.9% or 3 cents per share over 2009. Total shareholder returns (price movement plus cash dividends) since the initial public offering in late 2003 now stands at more than 24% compound annual growth.

On behalf of the Board and all its 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, provides the Board with confidence that InvoCare can continue sustained future growth.

IAN FERRIER
CHAIRMAN


CUSTOMER SERVICE AWARD WINNER
Anne Dawson
Each year examples of exemplary customer service are collected and the individuals responsible for the best win a "Wow! That's Service" Award. Queensland's Somerville Funerals, Anne Dawson is one winner. Other winners in 2010 were Sheridan Walder, Julie Harvey, Siobhan Mathilassi, Ian de Blaquiere, Grant Russel and Jackie Thompson.

Going beyond the expected in our level of customer service



Top: Mrs Smith's coffin.
Above: A horse drawn hearse used for a funeral of a horse loving family following the Black Saturday bush fires.

At InvoCare, we aim to go beyond the call of duty, as each grieving experience is different. We are proud to be able to provide individual and unique offerings to our customers, to make their experience personal. Some examples of these are below.

When Mrs Smith, a grandmother to 14 grandchildren, passed away, her family wanted the children to be involved somehow. With an age range of 18 months to 16 years, we suggested they design her coffin. A plain white coffin was taken to the family home and the kids added designs, paintings and personal messages on the sides and lid. From simple handprints to more involved designs incorporating Mrs Smith's interests, it was great to see the involvement of the family. It was a very positive celebration of this lady's life.

In speaking to a mother when arranging a funeral for her toddler, Jasmine, she mentioned how her love of the flower inspired her baby's name. For the burial, I brought in cuttings of star jasmine from my home garden to line the grave. When the coffin was lowered it was on to a bed of jasmine and the family was also given cuttings to put into the grave. The family still stays in touch and still uses heart shaped arrangements of jasmine when they visit her grave.

During the arrangement for a World War II Royal Air Force veteran, the family mentioned their father's involvement with a local flying school where he mentored many pilots. There was plenty of memorabilia on display at the funeral but what they weren't expecting was a flyover which I had arranged with the flying school. During the last song (Coming in on a wing and a prayer) a light plane (probably very illegally) circled the chapel three times, flying low enough to be seen through the windows. Very spectacular and very emotional for all who were there.

Chief Executive Officer's review

ANDREW SMITH
CHIEF EXECUTIVE OFFICER

InvoCare has delivered another strong operating result evidencing the continued dedication and commitment of our teams across Australia and Singapore who deliver outstanding customer service to our client families.

InvoCare delivered another solid result in 2010 with sales revenue up 4.6% to $267.4 million and operating profit after tax up 11.9% to $34.2 million. The outcome is due to continued focus on our pillars of growth and is a credit to our dedicated employees.

The result includes:

- small decline in the numbers of deaths in Australia;
- normal annual price increases;
- mix benefits from branding and from the markets where deaths occurred;
- favourable average contract values in the cemetery and crematorium operations;
- the impact of new locations and acquisitions; and
- improvement in operating leverage.

Dividends for the year were 28.25 cents per share, up 3 cents per share or 11.9% from 2009.

Bledisloe acquisition

In November 2010 we announced the proposed acquisition of Bledisloe, New Zealand's largest provider of funeral services and one of the top four operators in several key Australian markets.

This transaction, and in particular our entrance into New Zealand, will position InvoCare as a significant provider of funeral services in the Asia-Pacific region, serving over 50,000 families per year and generating more than A$325 million in sales revenues.

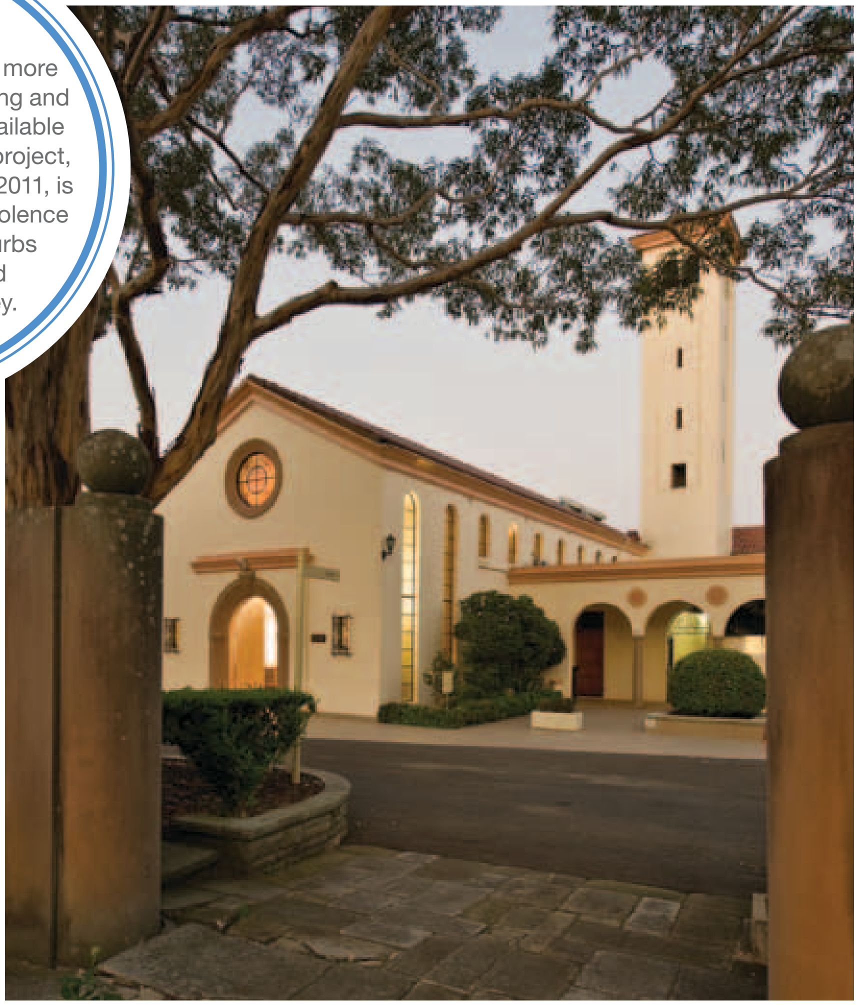
The acquisition is subject to Australian Competition & Consumer Commission ("ACCC") approval. We have provided additional data and information to the ACCC, along with compelling arguments, to assist its review of competition issues identified during its market inquiries. The ACCC's decision is expected during April.

Results reflect service culture

Australian sales revenue was up 4.7% to $258 million from InvoCare's 174 funeral homes and 12 cemeteries and crematoria. In constant dollars, Singapore revenues from its three funeral locations grew by 13%. These sales achievements reflect the customer service package we offer, being our people, our products and our premises.

Across Australia, our customer surveys indicate between 93–97% of our various businesses' clients would probably or definitely recommend an InvoCare service provider to a third party and 95–99% indicated InvoCare met or exceeded their expectations. Similarly, 87–97% of our client families believed that the cost of the funeral they arranged or the cost of the memorial was within or lower than expectations.

In 2010 InvoCare invested more than $4 million in refurbishing and developing the facilities available for client families. A major project, which will be completed in 2011, is the development of a condolence facility at Northern Suburbs Memorial Garden and Crematorium in Sydney.



Top: Ann Wilson Funerals in Mona Vale, NSW.
Right: The West Chapel at Rookwood Memorial Gardens and Crematorium in Sydney, NSW.
Above: Singapore Casket Company's main Parlour complex and facility in Singapore.

There is no other way to achieve these high ratings except through the creation of a pervasive service culture throughout our organisation. Many letters of appreciation are received which is a great tribute to our dedicated and experienced teams.

Continuing our long-term commitment to serving families in the local community, Simplicity Funerals at Black Forest hosted a celebration to mark the 30th anniversary of the establishment of the Simplicity brand which has now grown to 45 locations across Australia, as well as expanding into Singapore. Blackwell Funerals also achieved 70 years of continuous service to families in South Australia. We note with sadness the passing during the year of Daryl Blackwell, a highly respected member of the funeral industry, both nationally and internationally.

InvoCare's strategic commitment to acquiring well placed funeral homes that can be integrated into the existing network remains unaltered. Four new Australian funeral homes were opened in 2010 and three underperforming locations closed. The acquisition of W N Bull funerals in June 2010 added three new locations in the Sydney market, being Newtown, Parramatta and North Sydney. It gives me great pleasure to welcome the team from W N Bull to InvoCare and I look forward to their continuing service to client families, particularly from the Catholic community. The new and acquired locations are all within acceptable distances of existing shared services centres, enabling the Group to achieve cost synergies from the locations.

InvoCare's focus on providing the highest level of service continues with over $4 million invested in facility refurbishments and upgrades to ensure the Group's locations are presented professionally. The construction of a new condolence facility at Northern Suburbs Memorial Gardens and Crematorium in Sydney is nearing completion and the ongoing refurbishment of our main Singapore premises will create even more appealing and impressive parlours for client families in their time of need. Major upgrades have begun or are in planning stages at other key locations. The cremator upgrade programme was completed during 2010 with the commissioning of cremators at Castlebrook, Newcastle Memorial Park, Mt Thompson and Northern Suburbs Memorial Garden and Crematorium.

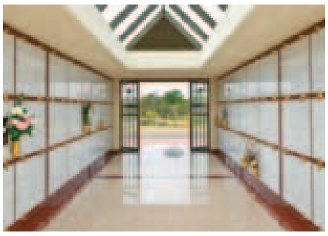
Results reflect service culture continued

We were pleased to support Australia's growing Muslim population by relinquishing a section of the Rookwood leasehold site to enable the establishment of a dedicated section for this faith. Surplus buildings at Kew East, which had previously housed the Victorian state office and flood prone sites in Lismore were sold.

The manufacturing facilities and intellectual property rights of LifeArt were purchased during the year. LifeArt supplies emotionally personal and environmentally friendly coffins to the funeral industry. We also took a small equity stake in the innovative online heavenaddress (www.heavenaddress.com), which seeks to build a universal online memorial community based on the principles of honouring, respecting and celebrating a deceased, regardless of time, distance or nationality. Both these investments enable us to continue to support client families through the provision of innovative and creative products and services.

InvoCare continues to actively work with industry associations and other stakeholder groups to ensure that the industry meets the highest ethical standards. During 2010, our people continued to actively support and participate in events organised by industry groups such as the Australian Institute of Embalmers and the Australian Funeral Directors Association. This assists with the professional development of our staff so they can continue to provide outstanding customer service.

Top: The Chapel at Mount Thompson Memorial Gardens in Brisbane.
Above: A LifeArt environmentally friendly coffin with one of its unique designs available.
Right: The Chapel at Tweed Heads Memorial Gardens on NSW far north coast.



Top: Inside the crypt complex at Albany Creek Memorial Park in Brisbane.
Above: InvoCare participants at the Queensland AFDA Women in Funeral Services Conference.
Right: The Chapel complex at Newcastle Memorial Park, Newcastle.

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. One highlight was Guardian Funerals' sponsorship of the Lions Clubs International Convention held in Sydney. Our involvement with Legacy, McGrath Foundation, the Lions Club Australia's Recycle for Sight program, the Australian Chinese Community Association, Australian Chinese Charity Foundation and many other charities and community projects continued unabated.

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 that of shareholders and to retain key personnel.

Looking ahead

Our commitment to service quality, focus on the communities in which we operate and strong brands when 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, acquisitions and new locations and cost management to improve operating leverage. In terms of acquisitions, discussions with other parties continue in both Australian domestic and new Asian markets, although the current highest priority is to complete the proposed Bledisloe transaction.

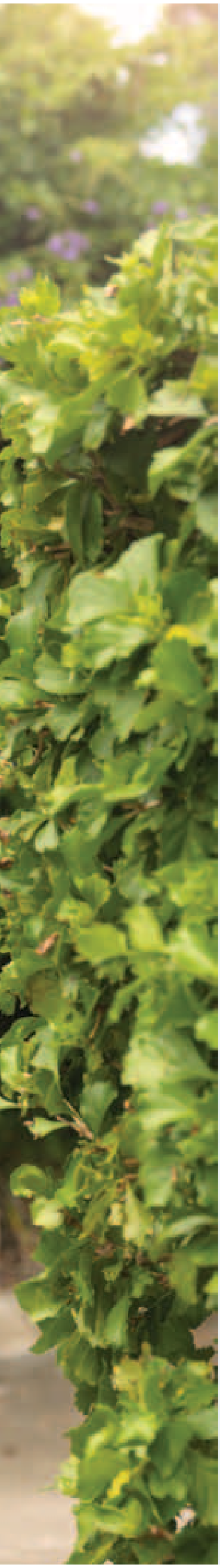
The Group's results, as demonstrated by the 2010 outcome, are subject to variation due to the number of deaths in InvoCare's markets, but with the continued focus on the pillars of growth, external variations can be overcome.

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.

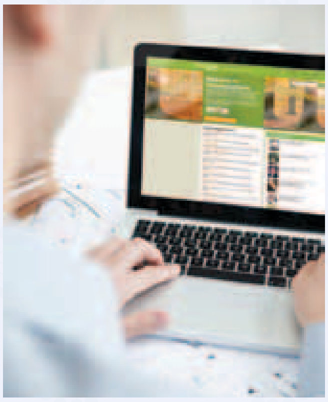
ANDREW SMITH
CHIEF EXECUTIVE OFFICER

AFDA WINNER
Sarah O'Connor

InvoCare is particularly proud of Sarah O'Connor, a mortuary supervisor from Brisbane, who recently won the prestigious Australian Funeral Directors Association (AFDA) Scholarship. Sarah's winning entry analysed the role of social media in the funeral industry and provided valuable insights on the emerging trends in social media for all our customer service people.



Investing in our people and services we provide to our customers



At InvoCare, we are constantly investing in new initiatives to improve the services available to our client families. This extends not only to facilities, but also to other aspects of the overall experience with services provided by InvoCare.

During the year, InvoCare made a strategic investment in *HeavenAddress* which is an on-line memorial site. The site enables families and friends to post favourite memories, pictures and other material to honour the memory of their departed friend or relative.

Another initiative throughout the year included upgrading and enhancing our websites. These sites are often the first contact a grieving family will have with InvoCare. We believe it is important that these facilitate the easy understanding of the processes involved in arranging a funeral and the services and facilities available.

InvoCare also acquired the rights to manufacture and distribute *LifeArt* coffins. LifeArt can, with its technologically advanced printing system, develop a coffin to suit almost any taste. For example, an endless wave coffin was used for a champion Surf Life Saver when his family found out that this was possible. They believed the traditional coffins offered by others didn't do justice to a life lived to the full.

2010 key strategies

A Simplicity Funerals location in Melbourne, Victoria

The robust business model InvoCare has charted will deliver growth through anticipated volume increases, business acquisitions and investments in our brands, people and facilities.

Brand awareness

InvoCare aims to sustain and improve brand awareness by running integrated TV, radio, press and billboard campaigns. When selecting new or replacement sites, InvoCare seeks high visibility locations as a cost effective means to promote brand awareness.

Another critical component of building 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 contemporary brands in individual markets, enjoy strong awareness levels. In our latest surveys White Lady achieved an outstanding brand awareness score of 94%. In Sydney after a targeted advertising campaign, Guardian Funerals aided brand awareness rose to 61%, up from 19% in 2004.

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 conducted its first fully accredited Certificate IV in the Diploma of Management in 2010 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 audio-visual systems, are available for those who choose them. We also continue to expend substantial sums of money 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 prepaid 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 operating profit after tax to shareholders as dividends, meet debt servicing obligations, invest in property, plant and equipment, as well as fund smaller new business acquisitions. The Company's Dividend Reinvestment Plan has been supported by up to 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.

Management

The management team at InvoCare has more than 140 years combined relevant industry experience and many team members have held senior executive roles in other industries.

ANDREW SMITH
CHIEF EXECUTIVE OFFICER

Industry experience
5 years

PHILLIP FRIERY
CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY

Industry experience
16 years

WEE LENG GOH
CHIEF EXECUTIVE OFFICER SINGAPORE CASKET COMPANY

Industry experience
3 years

GREG BISSET
NATIONAL FUNERALS GENERAL MANAGER

Industry experience
3 years

ARMEN MIKAELIAN
NATIONAL GENERAL MANAGER CEMETERIES AND CREMATORIA

Industry experience
21 years

ANDREW PULSFORD
NEW SOUTH WALES FUNERALS GENERAL MANAGER

Industry experience
4 years

DAVINA ALSTON
QUEENSLAND FUNERALS GENERAL MANAGER

Industry experience
1 year

JOHN FOWLER
VICTORIAN FUNERALS GENERAL MANAGER

Industry experience
35 years

JASON MAHER
SOUTH AUSTRALIAN FUNERALS GENERAL MANAGER

Industry experience
15 years

ANDREW HOGAN
WESTERN AUSTRALIAN FUNERALS GENERAL MANAGER

Industry experience
17 years

DORIS ZAGDANSKI
CORPORATE PROJECTS GENERAL MANAGER

Industry experience
27 years

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

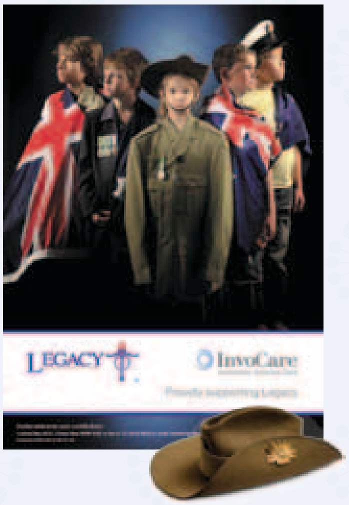
All operations are supported by specialist back office management in the areas of Marketing & Communications, Prepaid Funeral Administration, Human Resources, Information & Technology, Property & Facilities, Finance, Internal Audit, and Risk Management.

Buddhist and Feng Shui traditions are honoured during Chong Yeung.

CHONG YEUNG FESTIVAL

Both Lung Po Shan Asian Memorial Gardens and Po Fook Shan Chinese Memorial Gardens host grave tending celebrations on this important day.

Being a part of the community in which we serve



Top: A poster promoting InvoCare's support for Legacy. Middle: Bede Long (left) and Allan Drew (right), both of Allan Drew Funerals, at the Lions Club International Convention. Bottom: Part of the colour from 2010 Chong Yeung celebration.

InvoCare and its people are proud to support a wide range of charity and community organisations, both large and small.

In 2010, InvoCare signed a Memorandum of Understanding to support Legacy for the next three years. This has seen donation envelopes available in our locations and relationships made with each of Legacy's 50 branches, staffed by more than 6,000 volunteers.

Our association with the Lions Club continued and Guardian Funerals were a proud sponsor of the Lions Club International Annual Convention held in Sydney during the year. A three year Memorandum of Understanding was also signed with Lions Clubs in 2010.

Other organisations such as Can Too, Samaritans Purse, St Vincent de Paul and Australia's Biggest Morning Tea, to name but a few, were supported in myriad of ways.

At our cemeteries and crematoria, many different cultural and spiritual events are hosted and actively supported. Our association with the Chinese community was further strengthened in 2010 by the signing of a Corporate Partnership with the Australian Chinese Community Association of NSW.

Our people and the environment

Members of the White Lady Funerals team at the Mornington Races where a race was sponsored by White Lady Funerals to aid Peninsula Hospice on the Mornington Peninsula, Victoria.

InvoCare is committed to the communities it serves and actively attempts to mitigate its environmental impacts. Our commitment to training and development ensures our people are able to provide exemplary services to our client families.

People

2010 was a year of significant change within the external industrial relations and workplace environment in Australia. The introduction of the *Fair Work Act*, with consistency, simplification and fairness as cornerstones, allowed us to take stock and examine the industrial instruments, policies and practices which underpin our workforce. For a nationally based business, the amalgamation of a number of state based funeral and cemetery and crematoria awards into two Federal Modern Awards has simplified administration significantly.

It's gratifying to report that through the implementation of a number of Enterprise Agreements, we have been able to guarantee pay and conditions to a majority of staff for the next three years which overall are higher than those mandated by the Modern Award system.

SafeTrac online training was rolled out to existing staff in mid 2010 to ensure we have a workplace that is respectful, and safe for all. SafeTrac is used to train, assess and record practical implementation of our EEO, Harassment and Anti-Discrimination policies across the organisation. This training is mandatory for every level of employee upon commencement with InvoCare.

During 2010 we were also pleased to be awarded exemption status from reporting requirements of the Equal Opportunity in the Workplace agency (EOWA) which reflected the consistency of InvoCare performance in providing equal opportunity for women in the areas of recruitment, promotion and training. Of the total number of staff we hired in 2010, 63% were female and 37% were male. Training participation was higher among females than males. InvoCare increased female representation at senior management level by the recruitment of a General Manager in Queensland funerals and a Regional Manager in Western Australia funerals.

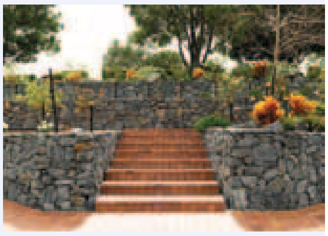
The need for a focus on diversity has been prominent in the media and government in 2010, and with changes to legislation and to ASX reporting guidelines will continue to be a focus for 2011. InvoCare will continue to focus on the broader definition of diversity to ensure our workforce accurately reflects the communities we serve.

We employ staff from many cultural backgrounds, a broad range of ages and a mix of male and female, always with an emphasis on the best person for the job. However it's the broader definition of diversity which we can see at work at InvoCare. To service our families, we look for staff who have life experience, who can take what they have learnt in life and bring this experience to the workplace, and use it when caring for our client families.

We regularly receive feedback, not only from our client families, but also from suppliers, contractors and partners of InvoCare, as well as employees and managers who have only recently joined the company, which talks to the uniqueness of our employees, the depth of their knowledge and how they view their roles within the community, as being a vocation.

PARKS AND GARDENS AWARD

The parks and garden team at Allambe Gardens Memorial Park on the Gold Coast are proud winners of the 2010 parks and garden award.



All images: Some of the gardens and places of reflection at Allambe Gardens Memorial Park in Queensland.

InvoCare complements the "vocational heart" of our employees by offering significant training opportunities at various stages within their careers.

Operational staff participate in training in numerous areas; arranger training, handling grief, customer service skills, telephone skills and OH&S training modules. The participation of administrative and support staff in experiencing the operational functions of the business is encouraged and welcomed by our staff "at the coal face". We have a number of staff completing tertiary and TAFE courses in areas closely linked to the business.

In 2010 a group of 13 managers from across NSW successfully completed training in the Management Diploma Course, financially supported through a Federal Government initiative. In 2011 formal training is underway for a number of trainee embalmers nationally, again supported through a Government initiative. This will provide InvoCare with a pool of developing talent in a role traditionally difficult to fill.

The introduction of the Flexible Work policy as part of the National Employment Standards in January 2010, formally legislated what had been happening informally within our workplace for some time. We currently have three employees working under a flexible working arrangement including one senior manager who has returned to work from her second term of parental leave and four employees who are currently on parental leave.

Of equal importance, and an area of focus for 2011, is to look at the needs of the demographic of our workplace. There are a number of our senior funeral directors and key people who after a lifetime of service to the industry are looking for flexibility and a smooth transition to retirement. A challenge for 2011 will be to look at how we can retain and capture the lifetime of knowledge they carry with them, while recognising and respecting their wish to have more of a work-life balance.

Top: The main centre at Tweed Heads Memorial Gardens on NSW far north coast.
Above: Northern Suburbs Memorial Gardens and Crematorium.

Environment

Once again in 2010, InvoCare was included in the Carbon Disclosure Leadership Index of disclosing companies across the ASX200 and NZX50, which is the top third of companies based on submissions to the international Carbon Disclosure Project 2010 where globally 534 investors, representing US$64 trillion in funds under management, subscribe.

Although the reporting threshold under the National Greenhouse and *Energy Reporting Act 2007* for the year ending 30 June 2011 has reduced to 50,000 tonnes CO_2 from the previous year's threshold of 87,500 tonnes CO_2, InvoCare group emissions in 2010 were less than 25% of the new 2011 reporting threshold.

The Board through the Risk Committee, continually monitors progress on climate related risks and opportunities throughout the year at their regular meetings. There is a strong focus on reducing or minimising emissions, with many initiatives both large and small being implemented, along with the setting of corporate targets for emission reductions.

Purchased electricity continues to be the main source of emissions for its 190 locations, however, due to initiatives implemented during the year, the electricity usage was able to be reduced by some 1.5% compared to the 2009 year.

Another ongoing initiative has been to reduce emissions from fuel associated with the company's vehicle fleet, and we are pleased to report that although the fleet has increased by some 7% due to business growth, the emissions from fuel in 2010 has been reduced by 3.5% due to the substitution of diesel vehicles in lieu of petrol vehicles wherever possible under our vehicle policy. The number of diesel vehicles has now grown to 21% of the fleet compared to 11% in 2009.

The reduction in emissions related to gas usage has continued with the cremator replacement programme, where the benefits continue to flow, and have resulted in an effective 10% reduction in emissions from gas since 2007 taking into account the volume of cremations.

Following the early achievement in 2009 of the previous short-term emission reduction target of 2.5% by the end of 2010, a new target of a further 2.5% reduction on actual 2009 levels by 2012 was established. This target is already well on the way to achievement, with an overall reduction in emissions in 2010 of 2% compared to 2009.

Group financial and operating review

FINANCIAL HIGHLIGHTS

	FIRST HALF				SECOND HALF				FULL YEAR			
	2010 $m	2009 $m	Change $m	Change %	**2010 $m**	2009 $m	Change $m	Change %	**2010 $m**	2009 $m	Change $m	Change %
Total sales to external customers	**127.4**	123.2	4.2	3.4	**140.0**	132.4	7.6	5.7	**267.4**	255.7	11.8	4.6
Other revenue	**2.6**	2.5	0.1	4.8	**2.5**	2.6	(0.2)	(5.8)	**5.1**	5.2	(0.0)	(0.6)
Operating expenses	**(97.6)**	(96.5)	(1.1)	(1.1)	**(104.5)**	(100.0)	(4.5)	(4.5)	**(202.2)**	(196.6)	(5.6)	(2.9)
Operating EBITDA	**32.4**	29.2	3.2	10.9	**38.0**	35.1	2.9	8.4	**70.4**	64.3	6.1	9.5
Operating EBITDA Margin	**25.4%**	23.7%		1.7	**27.1%**	26.5%		0.7	**26.3%**	25.1%		1.25
Depreciation and amortisation	**(5.4)**	(5.3)	(0.1)	(1.7)	**(5.8)**	(5.5)	(0.3)	(6.1)	**(11.2)**	(10.8)	(0.4)	(3.9)
Finance costs	**(5.5)**	(5.4)	(0.1)	(1.7)	**(6.3)**	(5.6)	(0.7)	(13.2)	**(11.9)**	(11.0)	(0.8)	(7.5)
Interest income	**0.3**	0.3	0.0	8.9	**0.3**	0.3	0.1	17.4	**0.7**	0.6	0.1	13.0
Operating profit before tax	**21.8**	18.7	3.0	16.2	**26.2**	24.3	1.9	7.9	**48.0**	43.0	5.0	11.5
Income tax expense	**(6.2)**	(5.5)	(0.8)	(14.5)	**(7.5)**	(7.0)	(0.5)	(7.1)	**(13.7)**	(12.4)	(1.3)	(10.8)
Effective tax rate	**28.7%**	29.2%		(0.4)	**28.6%**	28.8%		(0.2)	**28.6%**	28.8%		(0.2)
Operating profit after tax	**15.5**	13.3	2.2	16.9	**18.7**	17.3	1.4	8.3	**34.2**	30.6	3.6	11.9
Operating earnings per share	**15.3 cents**	13.1 cents	2.2 cents	16.4	**18.4 cents**	17.2 cents	1.2 cents	7.1	**33.7 cents**	30.3 cents	3.4 cents	11.2
Net gain/(loss) on undelivered prepaid contracts after tax	**(9.5)**	4.1	(13.6)		**2.3**	11.6	(9.3)		**(7.2)**	15.7	(22.9)	
Acquisition related costs after tax	**(0.9)**	–	(0.9)		**(0.4)**	(0.1)	(0.3)		**(1.3)**	(0.1)	(1.1)	
Prior period tax (expense)/credit	**(0.0)**	0.2	(0.2)		**(0.0)**	(0.0)	0.0		**(0.0)**	0.2	(0.2)	
Investment allowance tax benefit	**0.3**	0.2	0.1		**0.1**	0.3	(0.2)		**0.4**	0.5	(0.1)	
Non-cash swap movements after tax	**0.4**	0.8	(0.4)		**0.2**	0.7	(0.5)		**0.6**	1.6	(1.0)	
Profit/(loss) on sale of assets	**0.7**	(0.2)	0.9		**(0.2)**	0.0	(0.2)		**0.6**	(0.2)	0.8	
Minority interest	**(0.1)**	(0.0)	(0.0)		**(0.0)**	(0.0)	0.0		**(0.1)**	(0.1)	(0.0)	
Profit after tax attributable to the members of InvoCare Limited	**6.6**	18.3	(11.8)	(64.2)	**20.8**	29.8	(9.0)	(30.2)	**27.4**	48.1	(20.8)	(43.2)
Earnings per share	**6.5 cents**	18.2 cents	(11.7) cents	(64.3)	**20.4 cents**	29.5 cents	(9.1) cents	(30.8)	**26.9 cents**	47.7 cents	(20.8) cents	(43.6)

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 calculated from the table as presented.

Summary of financial performance

Despite reduced numbers of deaths, particularly in the first half, InvoCare has achieved another solid operating performance in the year to 31 December 2010 with operating profit after tax up 11.9% to $34.2 million, from $30.6 million in 2009.

The reported profit after tax was lower at $27.4 million (2009: $48.1 million) primarily due to the adoption of a change in accounting for prepaid contracts and associated funds under management which is explained under the heading "Prepaid contracts" below.

On 19 November 2010, InvoCare announced agreement had been reached to purchase Bledisloe, New Zealand's largest provider of funeral services and one of the top four operators in several key Australian markets. The transaction is subject to approval of the Australian Competition & Consumer Commission ("ACCC").

The Group's debt facilities which were due to mature in January 2011 were refinanced effective September 2010. The new facilities are for $255 million (an increase of $75 million from the previous $180 million facilities), spread evenly across three major banks (ANZ, NAB and CBA).

Sales increased by 4.6% or $11.8 million to $267.4 million, with some key components being:

- Australian funeral sales increased by 4.8% to $201.0 million (2009: $191.8 million). Average revenue per funeral increased by 4.1% due to price increases, brand mix and state mix, and the number of funeral services performed, which increased by 0.6% despite the number of deaths falling by an estimated 0.2%. W N Bull Funerals, acquired in June 2010, contributed $2.7 million to sales.
- Australian cemeteries and crematoria sales increased by 5.1% to $65.8 million (2009: $62.6 million) despite the number of cremations and burials performed being 2.5% lower, partly due to the lower number of deaths, but also due to some market share loss to a new facility in the Tweed River Valley and to a lesser extent Allambe Memorial Park on the Gold Coast. Average selling prices for cemeteries and crematoria products and services were increased by slightly more than 4% in early 2010. The number of memorial contracts averaging more than $15,000 was up 13% on 2009. The first half also had the benefit of completion of crypts and other large memorials enabling recognition of $1.6 million in previously deferred revenue. At 31 December 2010, contracted sales of further crypts and large memorials amounting to $0.5 million were included in deferred revenue pending completion of construction during 2011.
- Singapore funeral sales increased by 3.1% to $9.5 million (2009: $9.2 million). In local Singapore currency, sales revenue increased by 12.7%. The number of funeral services performed increased by 3.1%, through a small market share increase, and average revenue per funeral increased by 9.4%, due to a combination of price increases and packaged offerings.
- Intra-group elimination of cemeteries and crematoria sales to InvoCare owned funeral homes amounted to $7.0 million (2009: $6.6 million).

The graph below shows ABS actual, estimated and longer-term forecasts. Consistent with InvoCare's experience, the number of deaths in Australia appears to be reverting to the longer-term trend, after a short period of above average numbers.

In Australia, the number of new prepaid funeral contracts sold increased by 0.9% on the previous year and exceeded the number of prepaid services performed by 16.8% (2009: 17.9%). Prepaid funerals performed in the year were 13% (2009: 13%) of all Australian at need funerals. Prepaid funerals are not a feature of the Singapore market.

ACTUAL AND PROJECTED DEATHS – AUSTRALIA

Operating expenses (excluding depreciation, amortisation, acquisition related and finance costs) increased $5.6 million or 2.9% to $202.2 million. Some key highlights for the year are as follows:

- Finished goods, consumables and funeral disbursements increased by $0.8 million or 1.0% to $76.3 million. These costs were 28.5% of sales compared to 29.5% in 2009. The margin improvement is due to a combination of selling price increases, supplier cost management (including savings generated by offshore sourcing) and product mix.
- Overall employee related costs increased by $2.1 million or 2.6% to $80.2 million. Scale efficiencies were again achieved with the ratio of these costs to sales revenue improving to 30.0% from 30.6% in 2009. Non-sales related personnel costs increased 2.3% reflecting continued effective management of these costs.
- Advertising and marketing expenses increased by $0.8 million or 9.7%. The increase occurred in the second half, with intentional additional advertising on main media in the Sydney and Brisbane markets, as well as ongoing redevelopment of brand websites.
- Occupancy and facility expenses increased by $1.7 million or 10.5% to $18.0 million. New locations (including the new parlours in Singapore) and W N Bull Funerals account for $0.6 million of the increase, with the balance of the increase of $1.1 million representing a 7.2% increase across various categories of expense (for example, light and power was up $0.2 million or approximately 20%).
- Motor vehicle expenses were down $0.3 million or 4.9% to $5.1 million.
- Other operating expenses increased by $0.5 million or 3.9% to $13.8 million.

Operating EBITDA (i.e. earnings before interest, tax, depreciation, amortisation, acquisition related expenses and net gains or losses on asset sales and impairment) improved by $6.1 million or 9.5% to $70.4 million (2009: $64.3 million).

Operating margin as a percentage of gross sales improved 1.2% to 26.3% (2009: 25.1%). Margins improved with continued focus on managing operating expenses.

Operating cash flows were $7.9 million higher than the corresponding period and EBITDA conversion to cash remained strong at 98%.

Depreciation and amortisation expenses increased by $0.4 million to $11.2 million. The main increase relates to motor vehicles as a direct result of fleet upgrades.

Finance costs (excluding non-cash interest rate swap fair value movements) increased by $0.8 million to $11.9 million (2009: 11.0 million). With new debt facilities in place from late September 2010, $0.7 million of this increase occurred in the second half, compared to $0.1 million in the first half.

Favourable non-cash fair value movements in interest rate swap contracts amounting to $0.8 million were booked in the year (2009: $2.2 million). These swaps related to the previous debt facilities and have all since been replaced. The fair value movements in the new swaps are not anticipated to have any impact on future profit and loss.

A net gain of $0.6 million was realised in the year (2009: loss of $0.2 million) and was largely due to the sale of some non-strategic properties.

Income tax expense on operating profit before tax increased by $1.3 million to $13.7 million (2009: $12.4 million) and the effective rate was 28.6% (2009: 28.8%). The main contributor to the rate being lower than Australia's corporate 30% tax rate is that 17% is payable on Singapore profits.

Reported income tax expense of $10.3 million (2009: $19.1 million) was 27.4% (2009: 28.3%) of reported profit before tax. The significant difference to income tax on operating profit is primarily due to the impact of the new accounting policy for prepaid contracts which increased tax expense by $3.1 million (2009: decreased by $6.7 million). The effective tax rate is lower than underlying operating income tax due to the benefit from $0.4 million (2009: $0.5 million) investment allowance on qualifying capital expenditure, the tax effect of reduced non-cash swap gains, the non-deductibility of business acquisition costs and the utilisation of previously unrecognised capital losses to reduce the tax payable on asset sale gains. In addition, the previous year included a favourable $0.2 million prior period amount.

Prepaid contracts

The reported profit after tax has been impacted by the adoption of a change in accounting for prepaid contracts and associated funds under management, with retrospective application from 1 January 2009. The change introduces income statement volatility, but has not impacted InvoCare's underlying business operations.

The accounting policy change has been made following review by, and discussions with, the Australian Securities & Investments Commission ("ASIC"). Essentially, prepaid funds under management are now recognised as assets on the balance sheet, with fair value movements going through profit and loss, and obligations to perform prepaid services recognised as liabilities, with changes to the value of those obligations also going through profit and loss.

The balance sheet now records:

(a) as a liability, an obligation to perform future services under prepaid contracts – $264.6 million (2009: $244.9 million); and

(b) as an asset, the market value of associated funds under management – $273.5 million (2009: $264.6 million).

To effect this change, the 1 January 2009 balances of assets held in independent trusts for the relevant prepaid contracts were used to record the initial liability and initial asset values, both being $230.2 million. There was no impact on retained earnings or other equity accounts when establishing these opening balances.

The liability and asset are increased by new prepaid contracts. When contracted services are performed, the funds under management are redeemed as cash and the liability is reduced by entry to profit and loss as set out below.

The profit and loss now records:

(a) changes in the fair value of funds under management;

(b) as an expense in periods up to actual service delivery, the increase in the obligation to perform future services based upon increases in selling prices; and

(c) the release of obligations upon delivery of prepaid services in two parts:

i. as sales revenue, the original contract amount for post 1 January 2009 contracts or for earlier contracts the transition amounts established on 1 January 2009; and

ii. as a reduction in expenses, any cumulative increases in obligations from the original amounts recorded.

Items (a) and (b) relate to undelivered prepaid contracts and are separately reported in the income statement as set out below. Item (a) introduces volatility into InvoCare's reported profits, as evidenced by the absolute 2010 and 2009 amounts and year on year differences. There was significant equity market volatility in both those years, in particular, in 2009 with significant recoveries after the global financial crisis and during 2010 with overall negative returns once again.

The profit and loss impact of undelivered prepaid contracts (i.e. above items (a) and (b)) is summarised as follows:

	2010 $m	2009 $m
Gain on prepaid contract funds under management	1.5	32.5
Change in provision for prepaid contract liabilities	(11.8)	(10.1)
Net gain/(loss) on prepaid funds	**(10.3)**	**22.4**

When prepaid contract services are in fact delivered, the profit and loss is impacted by the release of the liability (i.e. item (c) above). InvoCare previously recorded the amount recovered from the prepaid investment fund as sales revenue and the actual costs of service delivery as expenses. In the current financial year, the following summarises the EBITDA impact of the accounting change from the method previously applied.

	2010 $m	2009 $m
Reduction in sales revenue from previous accounting method	(1.9)	(1.4)
Reduction of actual expenses upon liability release	1.1	0.3
Net EBITDA decrease compared to previous accounting method	**(0.8)**	**(1.1)**

A more detailed statement of changes to each line item of the statutory Statement of Comprehensive Income is set out on the next page.

The following tables set out a summary of the movements in the asset and liability:

Movements in prepaid contract funds under management	2010 $m	2009 $m
Balance at the beginning of the year	264.6	230.2
Sale of new prepaid contracts	22.4	20.7
Initial recognition of contracts paid by instalment	1.3	1.3
Redemption of prepaid contracts following service delivery	(20.7)	(20.1)
Increase due to business combinations	4.4	–
Increase in fair value of contract funds under management	1.5	32.5
Balance at the end of the year	**273.5**	**264.6**

Movements in prepaid contract liabilities	2010 $m	2009 $m
Balance at the beginning of the year	244.9	232.1
Sale of new prepaid contracts	22.4	20.7
Initial recognition of contracts paid by instalment	1.3	1.3
Decrease following delivery of services	(20.2)	(19.3)
Increase due to business combinations	4.4	–
Increase due to reassessment of delivery costs	11.8	10.1
Balance at the end of the year	**264.6**	**244.9**

To assist in an understanding of the changes, below is a full statement of comprehensive income identifying the changes between the old and new accounting:

	BEFORE ADJUSTMENT 2010 $m	BEFORE ADJUSTMENT 2009 $m	Notes	ADJUSTMENTS 2010 $m	ADJUSTMENTS 2009 $m	AFTER ADJUSTMENT 2010 $m	AFTER ADJUSTMENT 2009 $m
Sales revenue	269.3	257.1	1	(1.9)	(1.4)	267.4	255.7
Other revenue	5.1	5.2		–	–	5.1	5.2
Revenue from continuing operations	274.5	262.2		(1.9)	(1.4)	272.6	260.8
Finished goods, consumables and funeral disbursements	(76.7)	(75.5)	2	.5	.0	(76.3)	(75.5)
Employee benefits expense	(66.1)	(63.9)	2	.3	.0	(65.7)	(63.9)
Employee relation and on-cost expenses	(14.5)	(14.2)	2	.1	.0	(14.4)	(14.2)
Advertising and public relations expense	(8.9)	(8.1)		–	–	(8.9)	(8.1)
Occupancy and facilities expenses	(18.0)	(16.3)		–	–	(18.0)	(16.3)
Motor vehicle expenses	(5.1)	(5.3)	2	.0	.0	(5.1)	(5.3)
Other expenses	(14.0)	(13.5)	2	.2	.3	(13.8)	(13.3)
Operating earnings before interest, tax, depreciation and amortisation	71.2	65.3		(.8)	(1.1)	70.4	64.3
Depreciation, amortisation and impairment expenses	(11.2)	(10.8)		–	–	(11.2)	(10.8)
Finance costs	(11.0)	(8.8)		–	–	(11.0)	(8.8)
Interest income	.7	.6		–	–	.7	.6
Net gain/(loss) on prepaid contracts	–	–	3	(10.3)	22.4	(10.3)	22.4
Acquisition related costs	(1.3)	(.2)		–	–	(1.3)	(.2)
Net gain/(loss) on disposal of non-current assets	.6	(.2)		–	–	.6	(.2)
Profit before income tax	48.9	46.0		(11.1)	21.3	37.8	67.3
Income tax expense	(13.7)	(12.7)	4	3.3	(6.4)	(10.3)	(19.1)
Profit for the year	35.2	33.3		(7.7)	14.9	27.5	48.2
Profit is attributable to:							
Equity holders of InvoCare Limited	35.1	33.2		(7.7)	14.9	27.4	48.1
Minority interest	.1	.1		–	–	.1	.1
	35.2	33.3		(7.7)	14.9	27.5	48.2

Earnings per share for profit attributable to the ordinary equity holders of the Company

	BEFORE 2010 Cents per share	BEFORE 2009 Cents per share	ADJUSTMENTS 2010 Cents per share	ADJUSTMENTS 2009 Cents per share	AFTER 2010 Cents per share	AFTER 2009 Cents per share
Basic earnings per share	34.6	32.9	(7.6)	14.8	26.9	47.7
Diluted earnings per share	34.6	32.9	(7.6)	14.8	26.9	47.7

Notes

1. Backs out prepaid fund earnings on redeemed contracts (2010: 1.6m and 2009:1.1m) and reallocation of release of unfunded liability to expenses (2010: 0.2m and 2009: 0.3m).
2. Release of past prepaid liability increases due to price rises (2010: 0.9m and 2009: 0.1m) and reallocation of release of unfunded liability from sales (2010: 0.2m and 2009: 0.3m).
3. FUM gains (2010: 1.5m and 2009: 32.5m) less liability increases due to price rises (2010: 11.8m and 2009: 10.1m).
4. Tax effect at 30%.

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
- Number of services performed
- Market share
- Average selling prices
- Delivery timeframes of prepaid 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
- Lost time injury rates and return to work statistics

An investment of $1 at 31 December 2003 would have increased in value, excluding dividends, by more than the S&P/ASX200 Index as shown in the graph below.

2011 outlook and beyond

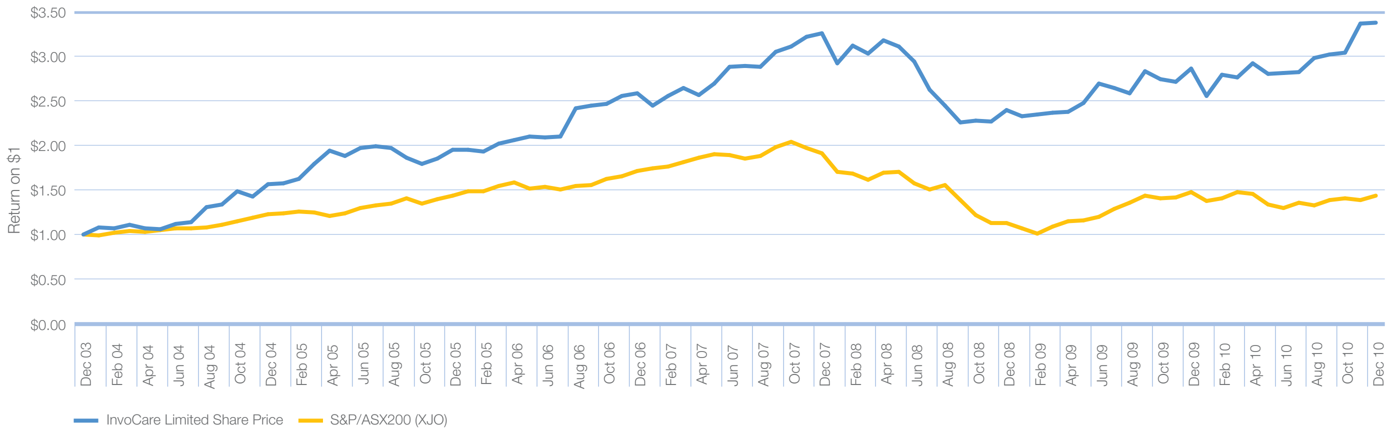
The number of deaths in the early part of 2011 has been relatively flat compared to the same period of 2010. Australian funeral prices were increased by approximately 4.5% in December 2010 which has mitigated the lower than expected volumes. Singapore has sustained its average price gains achieved in 2010. Memorial sales in cemeteries and crematoria have remained strong.

With the change in accounting for prepaid contracts, fair value movements in funds under management will impact InvoCare's reported earnings. Investment earnings must exceed the increase in the liability for prepaid service obligations (which is incremented by selling price increases) to neutralise the impact on InvoCare's reported earnings. As can be seen from the 2010 reports, the price increase was $11.8 million in 2010 and $10.1 million in 2009. It is anticipated that earnings of at least $12 million will be required in 2011 to offset price increases.

Despite the accounting change, fund investment strategies take a long-term view because on average, prepaid contracts are delivered 12–15 years after initiation. Such strategies look at average long-term returns and suitable asset allocations to achieve required returns, acknowledging and accepting that short-term investment returns may spike up or down over the investment horizon.

The acquisition of Bledisloe will launch InvoCare into New Zealand, Tasmania and regional parts of Queensland and will complement InvoCare's existing businesses in Sydney, Melbourne and Brisbane/Gold Coast. This transaction and, in particular the entrance into New Zealand, will position InvoCare as a significant provider of funeral services in the Asia-Pacific region, serving over 50,000 families per year and generating more than A$325 million in sales revenues. InvoCare will increase its overall Australian market share by 4% to 26% and importantly 55% of Bledisloe's revenue is derived from markets in which InvoCare does not currently have a presence. The ACCC, at time of writing, was in the process of considering the transaction.

RETURN ON $1 – INVOCARE LIMITED AGAINST S&P/ASX200 INDEX



The Bledisloe acquisition will remain a focus of management attention and will be a major step in InvoCare's growth. There have been potential acquisition discussions with other business owners and further expansion opportunities are being explored in some offshore markets. However, the near-term priority will be integrating Bledisloe.

Approximately two to four new funeral homes are expected to be opened each year over the next few years.

Capital expenditure, while slightly lower than anticipated in 2010, is expected to be in the region of $15 million to $20 million in 2011. From 2012, capital expenditure is expected to approximate depreciation.

With the Bledisloe acquisition, debt drawings on the new facilities are anticipated to result in approximately $15 million available headroom. This is sufficient in the short term for planned capital expenditure and smaller bolt-on acquisitions. However, funding options, including through equity raising and/or increased debt, will be considered in the event further sizeable acquisition opportunities present.

As it has done in 2010, InvoCare will use operating profit, rather than the more volatile reported profit, in determining future dividends. Thus shareholders can expect InvoCare to payout a minimum 75% of operating profit as well as target annual incremental dividends per share.

InvoCare has had yet another successful year and, with the opportunity to open new locations and make smaller acquisition, will continue its growth. The acquisition and integration, if approved, will accelerate growth.

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
- continued capital management, which is dependent upon trading and economic conditions, as well as acquisition/expansion opportunities and capital expenditure.

2. Acquisitions:

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

3. Prepaid funds:

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

4. Operating leverage:

- maintaining suitable, but not excessive, operating capacity to absorb the immediate demands from increased volumes;
- continue to contain and manage operating expenses, in particular payroll related costs; and
- achieve 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 2010

The financial report covers 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 22 February 2011. 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.

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Directors' Report

The directors submit their report on the consolidated entity consisting of InvoCare Limited (the "Company") and the entities it controlled for the year ended 31 December 2010. 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 operating profit after tax for the year was $34,234,000 (2009: $30,606,000). The consolidated after tax profit of the Group attributable to shareholders was $27,366,000 (2009: $48,140,000).

Dividends

The Directors have recommended a final, fully franked dividend of 15.25 cents per share payable on 8 April 2011. Total full year dividends are 28.25 cents, being 3.00 cents or 11.9% higher than 2009, which is equal to the 11.9% growth in operating profit after tax. The full year dividend payout ratio is 84.4% (2009: 83.8%) of operating profit after tax.

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

	2010 $'000	2009 $'000
Interim ordinary dividend of 13.0 cents (2009: 11.5 cents) per fully paid share paid on 8 October 2010	**13,269**	11,657
Final ordinary dividend of 15.25 cents (2009: 13.75 cents) per fully paid share has been recommended by directors on 22 February 2011 to be paid on 8 April 2011	**15,619**	14,002
Total ordinary dividends of 28.25 cents (2009: 25.25 cents)	**28,888**	25,659

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

The Dividend Reinvestment Plan ("DRP") was available for the 2010 interim dividend and $11,168,715 (2009: $8,711,256) was paid in cash and $2,100,267 (2009: $2,945,874) through the issue of 325,558 (2009: 467,973) shares at $6.45 (2009: $6.29) 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 2010 and 2009.

The DRP will apply to the final 2010 dividend which is not being underwritten and no discount to the market price will apply.

Review of operations

Results highlights:

	2010 $'000	2009 $'000	Change $'000	Change %
Total sales to external customers	**267,449**	**255,676**	11,773	4.6%
Other revenue	5,125	5,157	(32)	(0.6%)
Operating expenses	(202,163)	(196,560)	(5,603)	(2.9%)
Operating EBITDA (i)	**70,411**	**64,273**	6,138	9.5%
Operating Margin	*26.3%*	*25.1%*		*1.2%*
Depreciation and amortisation	(11,215)	(10,793)	(422)	(3.9%)
Finance costs (ii)	(11,873)	(11,046)	(827)	(7.5%)
Interest income	654	579	75	13.0%
Operating earnings before tax	**47,977**	**43,013**	4,964	11.5%
Income tax expense	(13,743)	(12,406)	(1,337)	(10.8%)
Effective tax rate	*28.6%*	*28.8%*		*(0.2%)*
Operating profit after tax	**34,234**	**30,607**	3,627	11.9%
Basic earnings per share	33.7 cents	30.3 cents	3.4 cents	11.2%
Net gain/(loss) on undelivered prepaid contracts after tax (iii)	(7,210)	15,693	(22,903)	
Acquisition related expenses after tax	(1,284)	(147)	(1,137)	
Prior period tax (expense)/credit	(23)	171	(194)	
Investment allowance tax benefit	443	530	(87)	
Non-cash swap movements after tax	593	1,551	(958)	
Asset sale gains/(losses) after tax	707	(182)	889	
Minority interest	(94)	(82)	(12)	
Net profit after tax attributable to InvoCare shareholders	**27,366**	**48,141**	(20,775)	(43.2%)
Basic earnings per share	26.9 cents	47.7 cents	(20.8 cents)	(43.6%)
Dividends				
Interim ordinary dividend per share	**13.00 cents**	11.50 cents	1.5 cents	13.0%
Final ordinary dividend per share	**15.25 cents**	13.75 cents	1.5 cents	10.9%
Total ordinary dividend per share	**28.25 cents**	25.25 cents	3.0 cents	11.9%

(i) Operating EBITDA excludes net gains or losses on undelivered prepaid contracts and acquisition related expenses.

(ii) Finance costs exclude non-cash fair value movements on financial instruments (e.g. interest rate swaps).

(iii) The net gain/(loss) on undelivered prepaid contracts explained in Note 1(n): Accounting Policies.

Despite reduced numbers of deaths, particularly in the first half, InvoCare has achieved another solid operating performance in the year to 31 December 2010 with operating profit after tax up 11.9% to $34.2 million, from $30.6 million in 2009. The main drivers of this growth were annual price increases, mix benefits from branding, mix benefits from the markets where deaths occurred and continued effective cost management enabling margin improvements.

The reported profit after tax was lower at $27.4 million (2009: $48.1 million) primarily due to the adoption of a change in accounting for prepaid contracts and associated funds under management.

The change in accounting policy introduces income statement volatility but has not impacted InvoCare's underlying business operations. The change has been made following review by, and discussions with, the Australian Securities & Investments Commission ("ASIC"). Essentially, prepaid funds under management are now recognised as assets on the balance sheet, with fair value movements going through profit and loss, and obligations to perform prepaid services being recognised as liabilities, with changes to the value of those obligations also going through profit and loss. The accounting change has been made with effect from the beginning of 2009 and is more fully explained on Note 1(n): Accounting Policies.

On 19 November 2010, InvoCare announced agreement had been reached to purchase Bledisloe, New Zealand's largest provider of funeral services and one of the top four operators in several key Australian markets. The transaction is subject to approval of the Australian Competition & Consumer Commission ("ACCC"), which commenced market inquiries on that date. On 19 January 2011, the ACCC released a Statement of Issues ("SOI") following its initial market inquiries setting out its preliminary views and inviting further public submissions by 4 February 2011. InvoCare responded to the SOI and also provided additional information and persuasive arguments to assist the ACCC in its inquiries which are continuing. The ACCC expects to announce its final decision in March 2011.

Cash flows remained strong, with conversion of EBITDA to cash maintained at 98%.

A final fully franked dividend of 15.25 cents per share is payable on 8 April 2011. This dividend is 1.5 cents or 10.9% higher than the previous year's final dividend of 13.75 cents per share. Total full year dividends are 28.25 cents, being 3.0 cents or 11.9% higher than 2009 and equal to the 11.9% growth in operating profit after tax. The full year dividend payout ratio of operating profit is 84.4% (2009: 83.8%).

The Group's debt facilities which were due to mature in January 2011 were refinanced effective September 2010. The new facilities are for $255 million, an increase of $75 million from the previous $180 million facilities, spread evenly across three major banks (ANZ, NAB and CBA).

Significant events after the balance date

Other than discussed above, 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. When completed, the Bledisloe acquisition will be a significant milestone in InvoCare's growth.

Since 31 December, the number of deaths in InvoCare's Australian funeral markets has remained static compared to the same period in 2010, although Singapore funeral volumes have increased. Australian funeral prices were increased by approximately 4.5% in December 2009 which has mitigated lower volumes. Singapore has sustained its average price gains achieved in 2010. Memorial sales in cemeteries and crematoria have remained strong.

With the change in accounting for prepaid contracts, fair value movements in funds under management will impact InvoCare's reported earnings. Pleasingly, since year end, better investment returns have been experienced. For example, InvoCare's main funeral fund with Over Fifty Guardian Friendly Society has grown by approximately 2.5%. Investment earnings must exceed the increase in the liability for prepaid service obligations, which is incremented by selling price increases, to neutralise the impact on InvoCare's reported earnings. As can be seen from the 2010 Financial Reports, the price increase was $11.8 million in 2010 and $10.1 million in 2009. It is anticipated that earnings of at least $12 million will be required in 2011 to offset price increases.

Fund investment strategies take a long-term view, because on average, prepaid contracts are delivered 12–15 years after initiation. Such strategies look at average long-term returns and suitable asset allocations to achieve required returns, acknowledging and accepting that short-term investment returns may spike up or down over the investment horizon. With the change in accounting, InvoCare will be reviewing asset allocations in the Guardian fund, over which it has some influence, and may seek changes to the allocation of its assets with a view to help mitigate earnings volatility while at the same time obtaining suitable long-term investment returns on prepaid contract funds.

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.

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

Left to right:
Richard Fisher; Tina Clifton; Ian Ferrier;
Andrew Smith; Roger Penman and Benjamin Chow.

Mr Ian Ferrier AM FCA
Chairman of the Board
Chairman of Nomination Committee
Member of Remuneration Committee
Member of Risk Committee

Ian has held the position of Chairman of InvoCare Limited since 2001. He is a Fellow of The Institute of Chartered Accountants in Australia. Ian has had over 45 years of experience in company corporate recovery and turnaround practice. He is also a director of a number of private and public companies. Ian is currently Chairman of InvoCare Limited, Goodman Limited and Australian Vintage Limited and a director of Energy One Limited and Reckon 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 Limited (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.

Board of Directors continued

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

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

Tina has been a director of InvoCare Limited since October 2003. She is a registered medical practitioner, a Councillor of the University of New South Wales and was formerly a director of various public and private companies largely in the healthcare sector. 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
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 Crowe 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 business experience, including mergers, acquisitions, IPOs and advising many businesses at a high level and is also a specialist tax advisor on a wide range of transactions, both Australian and International. He is also a director of Emergency Architects Australia Limited.

Mr Benjamin Chow AO BE

Non-executive Director
Member of Risk Committee
Member of Nomination Committee
Member of Remuneration 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. He joined the Remuneration Committee in September 2010. Benjamin has worked continuously in the land development industry, both in Australia and South East Asia since 1968, having immigrated to Australia in 1962. He chaired the Council for Multicultural Australia which assists the Australian Government implement its multicultural policies. He is currently a member of the Bond University Council, President of Sydney University Nerve Research Foundation and a director of Chain Reaction Foundation Ltd. He is a past President and a current Councillor of the Australian Chinese Community Association of NSW, a past President of the Chinese Australian Forum of NSW and a past President and current Trustee of the Australian Chinese Charity Foundation. He has previously served as a Vice-President of the Ethnic Communities Council of NSW and a member of the Council of the National Museum of Australia.

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 both its Graduate School of Government and Faculty of Law. 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 2010 are set out in the Corporate Governance Statement on page 34.

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.

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

Corporate governance

The Directors' Report continues 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), 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 31 of the Directors' Report.

Corporate Governance Statement continued

Meetings of directors

During the year ended 31 December 2010, 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		Due Diligence Committee	
	A	B	A	B	A	B	A	B	A	B	A	B
Independent												
Ian Ferrier	13	13	2 *	–	1	1	3	4	1	1	–	–
	Chair				Member		Member		Chair			
Christine Clifton	13	13	5	5	–	–	4	4	1	1	–	–
			Member				Chair		Member			
Roger Penman	13	13	5	5	1	1	1 *	–	1	1	5	5
			Chair		Chair				Member		Chair	
Benjamin Chow	12	13	5 *	–	–	–	4	4	1	1	–	–
					Member		Member		Member			
Richard Fisher	13	13	5	5	–	–	4	4	1	1	–	–
			Member				Member		Member			
Executive												
Andrew Smith	13	13	5 *	–	1 *	–	4 *	–	1 *	–	4	5

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 September 2010, in order to provide greater oversight, Benjamin Chow was appointed as a member 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.

During 2010 a special purpose due diligence committee, consisting of one non-executive and one executive director was formed to consider the acquisition of the Bledisloe Group. Given the nature of the responsibilities of this committee the Board waived the normal quorum requirements.

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.

InvoCare utilises the professional advice of external consultants to find the best person for the position of Director of the company. These advisors would seek applicants according to the Board's skills requirements. The Board also acknowledges the benefits of a diverse Board and would require the advisors to present candidates with equal numbers of suitably qualified men and women and with some diversity in cultural background and age. The Board would then select the most suitable candidate(s) for the consideration of the shareholders. The Board is looking to achieve an appropriate mix of skills and diversity among Directors.

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 2010.

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

Corporate Governance Statement continued

Principle 5 – Make Timely and Balanced Disclosure

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

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

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

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

Principle 6 – Respect the Rights of Shareholders

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

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

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

The next Annual General Meeting is scheduled to be held at 11.00am on Friday, 20 May 2011 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 ISO 31000 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. The risk register is continuously reviewed and maintained as new identified risks or incidents occur, or mitigating controls change.

Extracts of the risk register 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.

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 four-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 four-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 37 to 47.

The Directors' Report continues with the Remuneration Report.

Remuneration Report

The Remuneration Report summarises the key compensation policies for the year ended 31 December 2010, 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*.

Remuneration Report continued

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 $650,000, being the amount approved by shareholders at the Annual General Meeting held on 21 May 2010.

This remuneration is to be divided among the non-executive directors in such proportion as the Board determines. During the 2010 financial year, annual fees for non-executive directors were $160,700 for the Chairman of the Board and $93,700 for each of the other four non-executive directors. For the 2011 financial year, based upon an external review of non-executive director compensation which was commissioned by the Board Remuneration Committee, the fees are $180,000 for the Chairman and $100,000 for each of the other four non-executive directors.

The base fees exclude any remuneration determined by the directors where a director performs additional or special duties for the Company. If a director performs additional or special duties for the Company, they may be remunerated as determined by the directors and that remuneration can be in addition to the limit mentioned above. No fees for additional or special duties were paid to non-executive directors during the years ended 31 December 2010 and 31 December 2009.

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

Equity participation

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

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

During 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.

Following Andrew Smith's elevation to the role of Chief Executive Officer the position of Chief Operating Officer has remained 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 2011.

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	56%–57% 57%	24%–24% 24%	19%–19% 19%
Other Executive Management	Range Average	40%–75% 62%	13%–46% 22%	12%–19% 16%

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.

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.

Remuneration Report continued

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.

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 ("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
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&P200; 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 43 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 43 under "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:

2010	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	147,431	–	–	13,269	–	–	160,700
Christine Clifton	85,963	–	–	7,737	–	–	93,700
Roger Penman	93,700	–	–	–	–	–	93,700
Benjamin Chow	85,963	–	–	7,737	–	–	93,700
Richard Fisher	85,963	–	–	7,737	–	–	93,700
Executive director							
Andrew Smith	501,110	171,437	31,752	21,400	–	237,247	962,946
Other key management personnel							
Phillip Friery	321,213	114,876	12,628	28,909	–	106,310	583,936
Totals for each component	1,321,343	286,313	44,380	86,789	–	343,557	2,082,382
Totals by category		1,652,036		86,789	–	343,557	2,082,382
Other executives in the category of the five highest paid executives but who are not key management personnel							
Greg Bisset	220,505	78,860	12,852	19,845	–	71,846	403,908
Armen Mikaelian [3]	369,715	97,279	19,648	47,104	–	74,000	607,746
Wee Leng Goh [1]	167,311	38,319	15,628	20,742	–	13,209	255,208
John Fowler [2]	226,927	27,500	40,221	20,505	–	55,233	370,386

Remuneration Report continued
B. Details of Remuneration continued

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	–	–	268,660
John Fowler [2]	215,261	59,675	45,281	19,373	–	48,058	387,648

1. *Wee Leng Goh, Chief Executive Officer of Singapore Casket Company, received total remuneration of $S327,280 (2009: $S298,456) which has been converted to Australian dollars at the average exchange rate for the year of 0.780 (2009: 0.899).*
2. *Includes payments for annual leave extinguished rather than taken of $26,923 (2009: $21,922).*
3. *Includes payments for annual leave extinguished rather than taken of $74,157 (2009: Nil).*

The key management personnel of the Group are the non-executive directors of InvoCare Limited (see pages 31 to 32), 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 – National General Manager Cemeteries and Crematoria Division;
– 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 35 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.

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. The LTI shares are subject to the same performance conditions as set out in Section A for senior InvoCare management. 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 2009 and 2010 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 the 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.

Remuneration Report continued
D. Share-based Compensation continued

Details of the grants follow:

	Grant value $		Expensed $	
	2010	2009	**2010**	2009
Executive director				
Andrew Smith [1, 2]	**318,326**	275,000	**237,247**	154,272
Other key management personnel				
Phillip Friery	**122,540**	100,000	**106,310**	88,912
Other executives in the category of the five highest paid executives but who are not other key management personnel				
Greg Bisset	**84,121**	81,100	**71,846**	52,935
Armen Mikaelian	**75,000**	75,000	**74,000**	66,684
John Fowler	**59,000**	55,000	**55,233**	48,058

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 in 2009.*
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 70.

Share Appreciation Rights

An executive in the category of the five highest paid executives but who is not other key management personnel received share appreciation rights under the terms of her employment contract. This plan is designed as a cash-settled share-based payment with terms which exactly mirror the InvoCare Deferred Employee Share Plan.

Details of the grant follow:

	Grant value $		Expensed $	
	2010	2009	**2010**	2009
Other executives in the category of the five highest paid executives but who are not other key management personnel				
Wee Leng Goh	**32,760**	–	**13,209**	–

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.

	2010	2009	2008	2007	2006
Earnings per share	**26.9**	47.7	28.0	27.6	24.7
Dividends paid in year (cents per share):					
Interim for current year	**13.0**	11.5	10.5	10.0	8.0
Final for previous year	**13.75**	13.0	12.5	11.5	9.5
Total dividends paid in the year	**26.75**	24.5	23.0	21.5	17.5
Share price – 1 January	**$6.16**	$5.15	$7.01	$5.57	$4.19
Share price – 31 December	**$7.28**	$6.16	$5.15	$7.01	$5.57
Total shareholder return (price movement plus cash dividends)	**$1.39**	$1.26	($1.63)	$1.66	$1.56
Total shareholder return as percentage of opening share price	**23%**	24%	(23%)	30%	37%

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)
2010	7 to 10%	32.3 cents	February 2012 February 2013 February 2014 February 2015 (if required)

Remuneration Report continued

E. Additional Information 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	73	27	2006	100	–	Nil	Nil	2010
			2007	67	–	Nil	43,000	2010 2011
			2008 (Note 3)	–	–	Nil	135,450	2011 2012 2013
			2009 (Note 4)	–	–	Nil	275,000	2011 2012 2013
			2010	–	–	Nil	182,875	2012 2013 2014
Phillip Friery	73	27	2007	67	–	Nil	33,333	2010 2011
			2008	33	–	Nil	66,667	2010 2011 2012
			2009	–	–	Nil	100,000	2011 2012 2013
			2010	–	–	Nil	122,540	2012 2013 2014
Greg Bisset	73	27	2008	33	–	Nil	50,000	2010 2011 2012
			2009	–	–	Nil	81,100	2011 2012 2013
			2010	–	–	Nil	84,121	2012 2013 2014
Armen Mikaelian	73	27	2007	67	–	Nil	25,000	2010 2011
			2008	33	–	Nil	50,000	2010 2011 2012
			2009	–	–	Nil	75,000	2011 2012 2013
			2010	–	–	Nil	75,000	2012 2013 2014
Wee Leng Goh	100	0	2010	–	–	Nil	32,760	2012 2013 2014
John Fowler	55	45	2007	67	–	Nil	17,000	2010 2011
			2008	33	–	Nil	36,667	2010 2011 2012
			2009	–	–	Nil	55,000	2011 2012 2013
			2010	–	–	Nil	59,000	2012 2013 2014

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 2010 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 2010:

	$
Australian Firm	
Assurance services	17,283
Accounting advisory services	70,000
Taxation services	77,648
Transaction services	120,491
Non-Australian Firms	
Transaction services	14,763
Total	300,185

Auditor's independence declaration

The copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 48.

Rounding of amounts

The Company is of a kind referred to in Class Order 98/100 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 22nd day of February 2011.

Auditor's Independence Declaration

PRICEWATERHOUSECOOPERS

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As lead auditor for the audit of InvoCare Limited for the year ended 31 December 2010, 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
22 February 2011

Liability limited by a scheme approved under Professional Standards Legislation

Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	2010 $'000	2009 $'000
Revenue from continuing operations	3	**272,574**	260,833
Finished goods, consumables and funeral disbursements		**(76,251)**	(75,465)
Employee benefits expense		**(65,740)**	(63,914)
Employee related and on-cost expenses		**(14,427)**	(14,198)
Advertising and public relations expenses		**(8,858)**	(8,071)
Occupancy and facilities expenses		**(18,042)**	(16,328)
Motor vehicle expenses		**(5,064)**	(5,326)
Other expenses		**(13,781)**	(13,258)
Operating earnings before interest, tax, depreciation and amortisation		**70,411**	64,273
Depreciation, amortisation and impairment expenses	4	**(11,215)**	(10,793)
Finance costs	4	**(11,026)**	(8,830)
Interest income		**654**	579
Net gain/(loss) on undelivered prepaid contracts	14	**(10,300)**	22,418
Acquisition related costs		**(1,284)**	(151)
Net gain/(loss) on disposal of non-current assets		**562**	(193)
Profit before income tax		**37,802**	67,303
Income tax expense	5	**(10,342)**	(19,080)
Profit from continuing activities		**27,460**	48,223
Profit for the year		**27,460**	48,223
Profit is attributable to:			
Equity holders of InvoCare Limited		**27,366**	48,141
Minority interest		**94**	82
		27,460	48,223
Earnings per share for profit attributable to the ordinary equity holders of the Company			
Basic earnings per share (cents per share)	10	**26.9**	47.7
Diluted earnings per share (cents per share)	10	**26.9**	47.7

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Comprehensive Income continued

FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	2010 $'000	2009 $'000
Profit for the year		**27,460**	48,223
Other comprehensive income			
Changes in the fair value of cash flow hedges, net of tax	25	**1,384**	2,359
Changes in foreign currency translation reserve, net of tax	25	**58**	(1,911)
Other comprehensive income for the year, net of tax		**1,442**	448
Total comprehensive income for the year		**28,902**	48,671
Total comprehensive income for the year is attributable to:			
Equity holders of InvoCare Limited		**28,808**	48,589
Minority interest		**94**	82
		28,902	48,671

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Balance Sheet

AS AT 31 DECEMBER 2010

	Notes	2010 $'000	2009 $'000	1 January 2009 $'000
ASSETS				
Current assets				
Cash and cash equivalents	11	**5,123**	5,509	6,414
Trade and other receivables	12	**22,635**	20,895	18,407
Inventories	13	**17,193**	15,354	13,691
Prepaid contract funds under management	14	**273,544**	264,589	230,225
Deferred selling costs		**587**	570	544
Total current assets		**319,082**	306,917	269,281
Non-current assets				
Trade and other receivables	12	**13,177**	10,191	9,488
Property, plant and equipment	17	**232,138**	223,448	222,229
Intangible assets	18	**62,197**	58,486	61,991
Derivative financial instruments	19	**643**	765	–
Deferred selling costs		**8,219**	7,985	7,613
Total non-current assets		**316,374**	300,875	301,321
Total assets		**635,456**	607,792	570,602
LIABILITIES				
Current liabilities				
Trade and other payables	20	**25,723**	22,599	21,015
Borrowings	21	**76**	–	–
Derivative financial instruments	19	**–**	1,996	–
Current tax liabilities		**6,522**	3,311	4,696
Prepaid contract liabilities	14	**264,646**	244,872	232,116
Deferred revenue		**3,038**	2,941	2,885
Provisions	22	**9,473**	8,728	8,538
Total current liabilities		**309,478**	284,447	269,250
Non-current liabilities				
Trade and other payables	20	**–**	334	577
Borrowings	21	**153,401**	153,759	158,655
Derivative financial instruments	19	**–**	–	12,500
Deferred tax liabilities	23	**32,679**	35,978	26,855
Deferred revenue		**41,115**	39,559	38,498
Provisions	22	**1,361**	1,308	1,289
Total non-current liabilities		**228,556**	230,938	238,374
Total liabilities		**538,034**	515,385	507,624
Net assets		**97,423**	92,407	62,978
EQUITY				
Contributed equity	24	**79,937**	76,950	71,806
Reserves	25	**2,088**	174	(649)
Retained profits/(Accumulated losses)	25	**14,259**	14,164	(9,216)
Parent entity interest		**96,284**	91,288	61,941
Minority interest	26	**1,139**	1,119	1,037
Total equity		**97,423**	92,407	62,978

The above Balance Sheet should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total	Non-controlling interest $'000	Total equity $'000
		Attributable to Owners of InvoCare Limited					
Balance at 1 January 2010		**76,950**	**174**	**14,164**	**91,288**	**1,119**	**92,407**
Total comprehensive income for the year		**–**	**1,442**	**27,366**	**28,808**	**94**	**28,902**
Transactions with owners in their capacity as owners:							
Dividends paid	9	**–**	**–**	**(27,271)**	**(27,271)**	**(74)**	**(27,345)**
Dividend Reinvestment Plan issues	24	**3,523**	**–**	**–**	**3,523**	**–**	**3,523**
Deferred employee share plan shares vesting during the year	24, 25	**519**	**(519)**	**–**	**–**	**–**	**–**
Acquisition of shares by the InvoCare Deferred Share Plan Trust	24	**(1,262)**	**–**	**–**	**(1,262)**	**–**	**(1,262)**
Forfeit of shares on termination of employment	24	**32**	**–**	**–**	**32**	**–**	**32**
Issue of shares to InvoCare Exempt Share Plan Trust	24	**175**	**–**	**–**	**175**	**–**	**175**
Employee shares – value of services	25	**–**	**991**	**–**	**991**	**–**	**991**
Balance at 31 December 2010		**79,937**	**2,088**	**14,259**	**96,284**	**1,139**	**97,423**
Balance at 1 January 2009		71,806	(649)	(9,216)	61,941	1,037	62,978
Total comprehensive income for the year		–	448	48,141	48,589	82	48,671
Transactions with owners in their capacity as owners:							
Dividends paid	9	–	–	(24,761)	(24,761)	–	(24,761)
Dividend Reinvestment Plan issues	24	5,786	–	–	5,786	–	5,786
Deferred employee share plan shares vesting during the year	24, 25	285	(285)	–	–	–	–
Acquisition of shares by the InvoCare Deferred Share Plan Trust	24	(948)	–	–	(948)	–	(948)
Forfeit of shares on termination of employment	24	21	–	–	21	–	21
Employee shares – value of services	25	–	660	–	660	–	660
Balance at 31 December 2009		76,950	174	14,164	91,288	1,119	92,407

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	2010 $'000	2009 $'000
Cash flow from operating activities			
Receipts from customers		**292,931**	282,985
Payments to suppliers and employees		**(229,084)**	(224,990)
Other revenue		**5,212**	5,099
		69,059	63,094
Interest received		**107**	81
Finance costs		**(11,170)**	(10,992)
Income taxes paid		**(11,747)**	(13,835)
Net cash provided by operating activities	31	**46,249**	38,348
Cash flow from investing activities			
Proceeds from sale of property, plant and equipment		**1,989**	274
Purchase of subsidiaries and other businesses net of cash acquired		**(8,716)**	(345)
Purchase of property, plant and equipment		**(14,266)**	(13,846)
Net cash used in investing activities		**(20,993)**	(13,917)
Cash flow from financing activities			
Payment for shares acquired by InvoCare Deferred Employee Share Plan Trust		**(1,257)**	(948)
Proceeds from borrowings		**175,938**	19,000
Repayment of borrowings		**(176,367)**	(24,000)
Payment of dividends – InvoCare Limited shareholders (net of Dividend Reinvestment Plan $3,523,000 (2009: $5,786,000)		**(23,748)**	(18,976)
Payment of dividends – minority interests		**(74)**	–
Finance lease payments		**(40)**	–
Net cash (used in) financing activities		**(25,548)**	(24,924)
Net increase/(decrease) in cash held		**(292)**	(493)
Cash and cash equivalents at the beginning of the year		**5,509**	6,414
Effects of exchange rate changes on cash and cash equivalents		**(94)**	(412)
Cash and cash equivalents at the end of the year	11	**5,123**	5,509

The above Statement of Cash Flows 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 statements are for 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").

(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 38.

(iv) Comparatives

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures. In particular, Note 1(n) discloses a change of accounting policy in relation to the treatment of Prepaid Contracts.

(v) Early adoption of standards

The Group has elected to apply the new standards AASB 9: *Financial Instruments* to the annual reporting periods beginning on 1 January 2009.

(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 2010 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 statement of comprehensive income 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.

(iii) Associates

Associates are entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

The Group's share of its associates' post-acquisition profits or losses and its share of post-acquisition movements in reserves is recognised in the statement of comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends received from associates are recognised as a reduction in the carrying amount of the investment.

If the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Note 1: Summary of Significant Accounting Policies continued

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. This reporting is based on the operational location of the business because different economic and cultural factors impact growth and profitability of the segment.

(d) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

(iii) Group companies

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

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- 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 when the funeral, burial, cremation or other services are performed or the goods supplied.

Revenues relating to undelivered memorials and merchandise are deferred.

The Group enters into prepaid contracts to provide funeral, burial and cremation services in the future, and funds received are placed in trust and are not recognised as revenue until the service is performed. Refer Note 1(n).

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 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.

Note 1: Summary of Significant Accounting Policies continued

(g) Income tax continued

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.

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 Notes 34(e) and 35(d).

(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. Where equity instruments are issued in an acquisition, the value of the instruments is their published market price as at the date of exchange. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

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

Note 1: Summary of Significant Accounting Policies continued

(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 twelve 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) Prepaid contracts

Prepaid contracts are tripartite agreements whereby InvoCare agrees to deliver a specified funeral, cremation or burial service at the time of need and the beneficiary invests the current price of the service to be delivered with a financial institution and conditionally assigns the benefit to InvoCare. InvoCare records the value of the invested funds as an asset and revalues the invested funds to fair value at the end of each reporting period. InvoCare initially recognises a liability at the current selling price of the service to be delivered and increases this liability to reflect the change in selling prices to reflect the best estimate of the expenditure required to settle the obligation at the end of each reporting period.

When the service is delivered, the liability is derecognised. The initially recorded liability amount is included in revenue and the price increases recognised since initial recognition are recorded as a reduction in the costs of service delivery.

Change in accounting policy

This is a change in the Group's accounting policy for prepaid contracts following a review of the Group's accounting policies by the Australian Securities and Investments Commission.

Previously, prepaid contracts were recognised only when delivered.

The changes were implemented retrospectively from 1 January 2009. The following adjustments were made to the balance sheets as at 1 January 2009 and 31 December 2009.

	Dec 2009 $'000	Increase/ Decrease $'000	2009 Restated $'000	Jan 2009 $'000	Increase/ Decrease $'000	2009 Restated $'000
Balance sheet (extract)						
Prepaid contract funds under management	–	264,589	264,589	–	230,225	230,225
Prepaid contract liabilities	–	(244,872)	(244,872)	–	(232,116)	(232,116)
Deferred tax liabilities	(29,574)	(6,404)	(35,978)	(26,855)	–	(26,855)
Deferred revenue – non-current	(41,188)	1,629	(39,559)	(40,389)	1,891	(38,498)

The impact on the profit previously reported for the period ended 31 December 2009 is as follows:

	Notes	2009 $'000	Increase/ Decrease $'000	2009 (Restated) $'000
Statement of comprehensive income (extract)				
Revenue from continuing operations	3	262,236	(1,403)	**260,833**
Price increases since initial recognition on delivered prepaid contracts		–	331	**331**
Net gain/(loss) on prepaid contracts	14	–	22,418	**22,418**
Profit before income tax		45,956	21,346	**67,302**
Income tax expense	5	(12,676)	(6,404)	**(19,080)**
Profit for the year		33,280	14,942	**48,222**
Profit is attributable to:				
Equity holders of InvoCare Limited		33,198	14,942	**48,140**
Non-controlling interest		82	–	**82**
		33,280	14,942	**48,222**
Earnings per share for profit attributable to the ordinary equity holders of the Company				
Basic earnings per share (cents per share)	10	32.9	14.8	**47.7**
Diluted earnings per share (cents per share)	10	32.9	14.8	**47.7**

(o) Property, plant and equipment

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

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

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

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

(p) Intangible assets

(i) Goodwill

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

(ii) Trademarks and brand names

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

(q) Trade and other payables

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

(r) Borrowings

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

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

Refer to Notes 2 and 21 for further information on borrowings.

(s) Derivative financial instruments

The Group uses derivative financial instruments such as cross currency and interest rate swaps to hedge its risks associated with exchange 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 19. Movements in the hedging reserve in shareholders' equity are shown in Note 25. 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 twelve months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than twelve months. Trading derivatives are classified as a current asset or liability.

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

Note 1: Summary of Significant Accounting Policies continued

(s) Derivative financial instruments continued

(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.

(t) 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 twelve 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.

(u) Contributed equity

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

(v) Dividends

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

(w) Earnings per share

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

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

(x) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of 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 statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from or payable to the taxing authority, is classified as operating cash flows.

(y) Parent entity financial information

The financial information for the parent entity, InvoCare Limited, disclosed in Note 36 has been prepared on the same basis as the consolidated financial statements, except investments in subsidiaries and associates which are accounted for at cost in the financial statements of InvoCare Limited. Dividends received from associates are recognised as a reduction in the carrying value of the investment in associates.

(z) 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.

(aa) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2010 reporting periods. The Group's assessment of the impacts of these new standards and interpretations are set out below.

(i) Revised AASB 124 *Related Party Disclosures* and AASB 2009-12 *Amendments to Australian Accounting Standards* (effective from 1 January 2011)

In December 2009 the AASB issued a revised AASB 124 *Related Party Disclosures*. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment clarifies and simplifies the definition of a related party. The Group will apply the standard from 1 January 2011. When the amendments are applied the Group will need to disclose any transactions between its subsidiaries and associates. However, there will be no impact on any of the amounts recognised in the financial statements.

(ii) AASB 2010-3 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project*, AASB 2010-4 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* and AASB 2010-5 *Amendments to Australian Accounting Standards* (effective from 1 January 2011)

In June 2010, the AASB made a number of amendments to Australian Accounting Standards as a result of the IASB's annual improvement project with further revisions promulgated in October 2010. The Group will apply the amendments from 1 January 2011 but does not expect that any adjustments will be necessary as a result of applying the revised standards.

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 and 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, which operate under policies approved by the Board, are 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 holds the following financial assets and liabilities:

	2010 $'000	2009 $'000
Financial assets		
Cash and cash equivalents	**5,123**	5,509
Trade and other receivables	**35,812**	31,086
Prepaid contract funds under management	**273,544**	264,589
Derivative financial instruments	**643**	765
	315,122	301,949
Financial liabilities		
Trade and other payables	**25,722**	22,933
Borrowings	**153,477**	153,759
Derivative financial instruments	**–**	1,996
	179,199	178,688

(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 based on the Group's leverage ratio. 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 over the next twelve months by entering into interest rate swap contracts. During 2009 the Group's borrowings were all denominated at variable Australian rates in Australian dollars. In 2010, following the refinancing of the Group's debt, some borrowings were made in Singapore dollars at variable Singapore rates with the remainder in Australian dollars at Australian variable rates. 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 6.8% (2009: 6.5%) inclusive of swaps and margins but excluding establishment fees.

At balance date, interest rate swaps for 99% (2009: 99%) of borrowings were in place. Of these interest rate swaps 14% (2009: 15%) were denominated in Singapore dollar fixed interest instruments and the balance denominated in Australian dollars. As at 31 December 2010 the weighted average fixed interest rate payable on the interest rate swaps is 4.82% (2009: 5.85%) and the weighted average variable rate receivable as at 31 December 2010 is 4.38% (2009: 4.29%).

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

	31 December 2010		31 December 2009	
	Weighted average interest rate	Balance $'000	Weighted average interest rate	Balance $'000
Bank loans	**4.45%**	**152,661**	4.93%	153,867
Interest rate swaps (notional principal)	**4.82%**	**151,161**	5.85%	152,867
Net exposure to cash flow interest rate risk		**1,500**		1,000

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

	2010 $'000	2009 $'000
One or less years	–	130,000
One to two years	–	22,867
Two to three years	**86,661**	–
Three to four years	**64,500**	–
	151,161	152,867

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 (2009: 100 basis points) in the interest rate would result in additional interest expense after tax of $209,000 (2009: $73,000). A decrease of 100 basis points (2009: 100 basis points) would result in an after tax gain of $209,000 (2009: $87,000). Since 2009 a bank account has been opened in Singapore dollars so that interest payments due in Singapore dollars can be paid in the same currency. This effectively removes the profit and loss volatility due to currency movements. In 2009 the 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 in the Australian to Singapore dollar exchange rate would result in a reduction in interest expense after tax of $85,000 and a decrease of 10% would have resulted in an after tax loss of $69,000.

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 $130 million interest rate swap initially entered into in October 2005 and designated as a cash flow hedge expired on 29 December 2010. The swap failed effectiveness testing 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 continued to meet the commercial objective of ensuring predictable and regular cash flows over the life of the derivative.

The impact of a loss of effectiveness was that the amount deferred in equity was quarantined and amortised over the remaining life of the hedge and all other movements in fair value were recorded through profit and loss. The final impact of this swap has been recognised in the current reporting period.

The derivative financial instruments used to fund the acquisition payments for Singapore Casket Company made in 2006 and 2007 contained both a currency and interest rate portion. The currency portion of these instruments was designated as a hedge of a net investment and was effective during its life. The interest rate portion of these swap arrangements was not designated as a hedge and movements in fair value were recorded in profit and loss and included in the Group's finance costs. These instruments were terminated during 2010 resulting in an overall gain of $1.5 million which has been recorded in equity.

New interest rate swaps were transacted in September 2010 with terms equal to the underlying borrowings. A 10% shift in interest rates either up or down would not result in these instruments being ineffective at balance date so the full movement in fair value would be recorded in equity.

The overall impact on the Group has been summarised on page 68.

The Group's cash and cash equivalents held in Australia are interest bearing. At 31 December 2010 the weighted average interest rate was 3.5% (2009: 2.6%). If interest rates changed by 100 basis points (2009: 100 basis points) the Group's after tax result would increase or decrease by $20,000 (2009: $17,000).

Note 2: Financial Risk Management continued

(a) Market risk continued

(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. During the year Singapore dollar denominated borrowings were transacted to provide a natural hedge against the risk of changes in exchange rates. 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 2010 98% (2009: 96%) 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 were designated as hedges of the Group's net investment in Singapore but were terminated during 2010 and replaced with Singapore dollar borrowings. 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 unhedged foreign exchange exposures at 31 December 2010.

(iii) Price risk

The Group is the ultimate beneficiary of funds invested in various prepaid contract trusts which, as described in Note 1(n), have been recognised for the first time in 2010. There are a significant number of trusts in existence with investment profiles extending from pure cash to almost 100% equities.

Accordingly, the Group's future revenue and margins are sensitive to the price risk relating to the investment returns of these funds under management. The returns of these funds are recognised in the Statement of Comprehensive Income. If the return on the funds under management had improved by 10% in 2010, an after tax gain of $7,000 (2009: $2,195,000) would have resulted. If returns had deteriorated by 10%, an after tax loss of $7,000 (2009: $1,996,000) would have resulted. 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.

The asset allocation at year end of prepaid contract funds under management is as follows:

	2010 %	2009 %
Australian equities	**48.7**	62.2
International equities	**1.2**	1.4
Property	**3.8**	1.0
Fixed interest	**9.8**	9.5
Cash	**36.5**	25.9

The overall annual return of all funds, before administration charges, to 31 December 2010 was 2.6% higher than the benchmark of 2.2%. Overall fund returns were negative for the first half of 2010 but positive in the second half. This reflects the volatility of equity returns.

Approximately 80% of InvoCare's prepaid funds under management are with Over Fifty Guardian Friendly Society. This fund held 54% of its assets in equities at 31 December 2010, compared to 53% at 30 June 2010 and 71% at 31 December 2009. A higher proportion of this fund's assets have been allocated to cash and term deposits (40%) than its long-term strategic asset allocation (15%) while equity market volatility exists. Term deposit interest rates for this fund are currently averaging 6.8% per annum, including some deposits with five year terms at 7.25%.

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

Note 2: Financial Risk Management continued

(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 $1,594,000 (2009: $1,537,000). As at 31 December 2010, receivables with a nominal value of $2,251,000 (2009: $2,564,000) 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.

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 2010, trade receivables of $3,281,000 (2009: $2,831,000) 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:

	2010 $'000	2009 $'000
One to three months overdue	**2,819**	2,262
Over three months overdue	**462**	569

(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.

(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 relatively 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's facilities are as follows.

Note 2: Financial Risk Management continued

(c) Liquidity risk continued

	2010 $'000	2009 $'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
– unsecured loan facility expiring in two to five years	**255,000**	–
– working capital facility expiring within one year	**5,000**	5,000
	260,000	185,000
Used at balance date		
– unsecured loan facility	**152,661**	153,867
– working capital facility	**749**	494
	153,410	154,361
Unused at balance date		
– unsecured loan facility	**102,339**	26,133
– working capital facility	**4,251**	4,506
	106,590	30,639

The Group's external debt financing is provided by three of the major Australian banks through bi-lateral revolver debt facilities totalling $255 million expiring in September 2013, 2014 and 2015.

The facilities agreements' covenant ratios are calculated on a rolling twelve month basis and have been met at 31 December 2010. The ratio of net debt to EBITDA (adjusted for acquisitions) must be no greater than 3.5 and the ratio of EBITDA to net interest must be greater than 3.0.

Note 2: Financial Risk Management continued

(d) Capital risk management

The Group's capital management objectives and strategies seek to maximise total shareholder returns, 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 2010 basic EPS was 26.9 cents (2009: 47.7 cents). Normalised EPS, which excludes gains and losses on the disposal or impairment of non-current assets movement in prepaid contracts, was 33.7 cents (2009: 30.3 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 24% (2009: 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 $3.73 or 373% (2009: $2.98 or 298%) up to 31 December 2010.
- Maintaining a minimum ordinary dividend payout ratio of at least 75% of operating profit after tax: 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 2010 dividends represents a payout ratio of 84.4% (2009: 83.8%) of operating profit after tax.
- Monitoring participation in the Dividend Reinvestment Plan: Up to 25% of the Company's shareholders have participated in the DRP since it was first activated in October 2006.
- 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.
  - Leverage ratio (Net Debt/Adjusted EBITDA) must not be greater than 3.50:1.
- 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. 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.
- Maintaining floating to fixed base interest rate swaps for at least 75% of debt principal. At 31 December 2010 the proportion of debt hedged was 99% (2009: 99%). The hedge contracts extend to the second half of 2014.
- Managing refinancing risk: The Group's borrowing facilities were renewed during 2010 and in order to reduce refinancing risk, split into three tranches which currently expire in 2013, 2014 and 2015.

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.

31 December 2010		Interest rate risk				Foreign exchange risk			
		– 100 basis points		+ 100 basis points		– 10%		+ 10%	
	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	**5,123**	**(20)**	**–**	**20**	**–**	**–**	**–**	**–**	**–**
Accounts receivable	**35,812**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Prepaid contract funds									
under management	**273,544**	**7**	**–**	**(8)**	**–**	**–**	**–**	**–**	**–**
Derivatives	**643**	**–**	**(2,752)**	**–**	**2,659**	**–**	**(2,495)**	**–**	**1,678**
Financial liabilities									
Trade and other payables	**(25,722)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Borrowings	**(153,477)**	**209**	**–**	**(209)**	**–**	**–**	**2,084**	**–**	**(2,084)**
Total increase/(decrease)		**182**	**(2,752)**	**(181)**	**2,659**	**–**	**(411)**	**–**	**(406)**

31 December 2009		Interest rate risk				Foreign exchange risk			
		– 100 basis points		+ 100 basis points		– 10%		+ 10%	
	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	–	–	–	–	–	–	–	–
Prepaid contract funds									
under management	264,589	(1,996)	–	2,195	–	–	–	–	–
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)		(2,097)	(449)	2,307	442	(69)	1,506	85	(1,507)

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 adopted the amendment to AASB 7 *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)

Prepaid contract funds under management are Level 1 assets. The Group holds derivatives used for hedging which are all Level 2 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).

Note 3: Revenue from Continuing Operations

	2010 $'000	2009 $'000
Sales revenue		
Sale of goods	**118,281**	111,982
Services revenue	**149,168**	143,694
	267,449	255,676
Other revenue		
Rent	**391**	270
Administration fees	**3,587**	3,360
Sundry revenue	**1,147**	1,527
	5,125	5,157
Total revenue from continuing operations	**272,574**	260,833

Note 4: Expenses

	2010 $'000	2009 $'000
Profit before income tax includes the following specific expenses:		
Depreciation		
Buildings	**2,925**	2,972
Property, plant and equipment	**7,214**	6,829
Total depreciation	**10,139**	9,801
Amortisation of non-current assets		
Cemetery land	**360**	344
Leasehold land and buildings	**135**	128
Leasehold improvements	**213**	179
Brand names	**368**	341
Total amortisation	**1,076**	992
Total depreciation and amortisation	**11,215**	10,793
Finance costs		
Interest paid and payable	**10,613**	10,246
Interest rate swap (gain)/loss	**(847)**	(2,216)
Other finance costs	**1,260**	800
Total financing costs	**11,026**	8,830
Impairment losses – financial assets		
Trade receivables	**456**	180
Rental expense		
Operating lease rental – minimum lease payments	**7,204**	6,852
Defined contribution superannuation expense	**4,933**	4,821

Note 5: Income Tax Expense

	2010 $'000	2009 $'000
(a) Income tax expense		
Current tax	**14,469**	12,514
Deferred tax	**(4,150)**	6,737
Under/(over) provided in prior years	**23**	(171)
Income tax expense attributable to continuing operations	**10,342**	19,080
(b) Reconciliation of income tax expense to prima facie tax payable		
Prima facie tax at 30% (2009: 30%) on profit from ordinary activities	**11,341**	20,191
Tax effect of amounts which are not deductible/(taxable) in calculation of taxable income		
Difference in overseas tax rates	**(603)**	(562)
Impact of reduction in overseas tax rates	**–**	(35)
Investment allowance	**(443)**	(530)
Under/(over) provision in prior years	**23**	(171)
Impact of previously unrecognised capital losses offsetting capital gains	**(314)**	–
Acquisition costs not deductible	**385**	41
Other items (net)	**(47)**	146
Income tax expense	**10,342**	19,080

(c) Tax losses

The Group has unutilised Australian capital losses with a potential benefit of $636,000 (2009: $954,000) at a tax rate of 30% (2009: 30%).

Note 6: Key Management Personnel Disclosures

(a) Key management personnel compensation

	2010 $	2009 $
Short-term employee benefits	**1,652,036**	1,700,471
Post-employment benefits	**86,789**	95,557
Share-based payments	**343,557**	243,184
	2,082,382	2,039,212

Detailed remuneration disclosures are provided in sections A to C of the Remuneration Report on pages 37 to 47.

(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 43 to 44.

Note 6: Key Management Personnel Disclosures continued

(b) Equity instrument disclosures relating to key management personnel continued

(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 the year as compensation	Other changes during the year	Balance at end of the year
Non-executive Directors				
Ian Ferrier	52,401	–	–	52,401
Christine Clifton	112,451	–	510	112,961
Roger Penman	8,000	–	–	8,000
Benjamin Chow	10,182	–	231	10,413
Richard Fisher	5,713	–	248	5,961
Executive Directors				
Andrew Smith	76,929	69,549	–	146,478
Other key management personnel				
Phillip Friery	73,953	20,374	–	94,327

(iii) Option holdings

At the end of the period there were no options over unissued shares.

(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 $396 (2009: $1,980).

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

	2010 $	2009 $
Amounts recognised as expense		
Other professional services	**396**	1,980
	396	1,980

At balance date there were no amounts payable in either 2010 or 2009 to key management personnel of the Group, including their personally related parties, relating to the above types of transactions.

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 2010, more than 800 (2009: 800) 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 of six months as a full-time or permanent part-time employee at the time of the offer. In November 2010, 26,639 shares were issued to the trustee, IVC Employee Share Plan Managers Pty Ltd and 5,737 that had previously been forfeited by members of the deferred employee share plan were allocated, to a total of 213 eligible employees who had elected to participate. In November 2009 the trustee purchased on-market 32,050 shares on behalf of 190 plan members. The plan rules require members to leave the shares in the plan for a minimum of three years after purchase, unless the member leaves the Group's employment earlier. Future offers of participation may be made at the discretion of, and subject to terms and conditions determined by, the Board of Directors. At 31 December 2010, the balance owing by employee plan members for the purchase price of shares was $160,812 (2009: $145,447).

(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 2010, offers were made to and accepted by a total of 43 (2009: 43) employees and a total of 209,820 (2008: 199,935) shares purchased on-market for $1,261,987 (2009: $974,100) at an average price of $6.01 (2009: $4.87) per share. Set out on the following page is a summary of the grants under the plan.

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:

	2010 $'000	2009 $'000
Long-term incentive bonus share expense	**1,049**	790
	1,049	790

Note 7: Share-based Payments continued

(c) Employee share options

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

Details of unvested grants and other movements in the deferred employee share plan follow:

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
1 January 2006	22 February 2010	6.21	41	–	(41)	–	–
1 January 2007	22 February 2010	6.33	43	–	(43)	–	–
	22 February 2011	6.33	43	–	–	–	43
1 January 2007	25 February 2010	6.21	138	–	(138)	–	–
	25 February 2011	6.21	138	–	–	–	138
1 July 2007	25 February 2010	6.21	54	–	(54)	–	–
	25 February 2011	6.21	54	–	–	(4)	50
1 January 2008	25 February 2010	6.33	180	–	(180)	–	–
	25 February 2011	6.33	180	–	–	–	180
	25 February 2012	6.33	180	–	–	–	180
1 January 2008	25 February 2011	6.01	–	45	–	–	45
	25 February 2012	6.01	–	45	–	–	45
	25 February 2013	6.01	–	45	–	–	45
1 July 2008	25 February 2010	6.33	63	–	(63)	–	–
	25 February 2011	6.33	63	–	–	(3)	60
	25 February 2012	6.33	63	–	–	(3)	60
1 January 2009	25 February 2011	4.87	264	33	–	–	297
	25 February 2012	4.87	264	34	–	–	298
	25 February 2013	4.87	264	34	–	–	298
1 March 2009	25 February 2011	4.87	61	–	–	(4)	57
	25 February 2012	4.87	61	–	–	(5)	56
	25 February 2013	4.87	61	–	–	(5)	56
1 January 2010	25 February 2012	6.01	–	282	–	–	282
	25 February 2013	6.01	–	282	–	–	282
	25 February 2014	6.01	–	282	–	–	282
1 March 2010	25 February 2012	6.01	–	60	–	(2)	58
	25 February 2013	6.01	–	60	–	(3)	57
	25 February 2014	6.01	–	60	–	(3)	57
			2,215	1,262	(519)	(32)	2,926

Note 8: Remuneration of Auditors

	2010 $	2009 $
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	**258,900**	199,500
Non-PricewaterhouseCoopers – Singaporean firm		
Audit and review of financial reports	**17,080**	20,062
Total remuneration for audit services	**275,980**	219,562
(b) Non-audit services		
PricewaterhouseCoopers – Australian firm		
Assurance services	**17,283**	24,270
Accounting advisory services	**70,000**	–
Taxation services	**77,648**	121,066
Transaction services	**120,491**	–
PricewaterhouseCoopers – non-Australian firms		
Transaction services	**14,763**	–
Non-PricewaterhouseCoopers – Singaporean firm		
Other services	**8,372**	7,783
Total remuneration for non-audit services	**308,557**	153,119

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

	2010 $'000	2009 $'000
Dividends paid		
Final ordinary dividend for the year ended 31 December 2009 of 13.75 cents (2008: 13.0 cents) per fully paid share paid on 9 April 2010 (2008: 9 April 2009), fully franked based on tax paid at 30% (2008: 30%)	**14,002**	13,104
Interim ordinary dividend for the year ended 31 December 2010 of 13.0 cents (2009: 11.5 cents) per share paid on 8 October 2010 (2009: 9 October 2009), fully franked based on tax paid at 30% (2009: 30%)	**13,269**	11,657
Dividends paid to members of InvoCare Limited	**27,271**	24,761
On 5 March 2010 a 9 cents per fully paid share fully franked dividend based on tax paid at 30% was paid. No dividends were paid to minority interests during 2009	**74**	–
	27,345	24,761
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 15.25 cents (2009: 13.75 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 8 April 2011 out of 2010 profits, but not recognised as a liability at year end is:	**15,619**	14,002
Franking credit balance		
The amounts of franking credits available for subsequent financial years are:		
Franking account balance at the end of the financial year	**18,240**	19,473
Franking credits that will arise from the payment of income tax payable at the end of the financial year	**5,753**	2,608
Reduction in franking account resulting from payment of proposed final dividend of 15.25 cents (2009: 13.75 cents)	**(6,694)**	(6,001)
	17,299	16,080

Note 10: Earnings per Share

	2010 $'000	2009 $'000
Reconciliation of Earnings to Profit and Loss		
Profit from ordinary activities after income tax	**27,460**	48,222
Less profit attributable to minority interests	**(94)**	(82)
Profit used to calculate basic and diluted EPS	**27,366**	48,140

	2010 Number	2009 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	**101,583,915**	100,944,902
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	**101,583,915**	100,944,902

Note 11: Cash and Cash Equivalents

	2010 $'000	2009 $'000
Cash on hand	**59**	53
Cash at bank	**5,064**	5,456
	5,123	5,509

Cash at bank attracts floating interest rates between 3.0% and 4.0% (2009: 2.25% and 3.85%)

	2010 $'000	2009 $'000
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 statement of cash flows as follows:		
Balances as above	**5,123**	5,509
Balances per the statement of cash flows	**5,123**	5,509

Note 12: Trade and Other Receivables

	2010 $'000	2009 $'000
Current		
Trade receivables	**20,301**	19,227
Provision for doubtful receivables	**(1,527)**	(1,254)
Prepayments	**2,473**	1,761
Other receivables	**1,388**	1,161
	22,635	20,895
Non-current		
Trade receivables	**12,368**	9,611
Provision for doubtful receivables	**(67)**	(283)
Security deposits	**248**	240
Other receivables	**628**	623
	13,177	10,191

(a) Impaired receivables

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

	2010 $'000	2009 $'000
As at 1 January	**1,537**	1,688
Provision for impairment recognised during the year	**456**	180
Receivables written off as uncollectible	**(399)**	(331)
As at 31 December	**1,594**	1,537

Note 13: Inventories

	2010 $'000	2009 $'000
Current		
Work in progress – at cost	**1,824**	3,060
Finished goods – at cost	**15,369**	12,294
	17,193	15,354

Note 14: Prepaid Contracts

(a) Impact on statement of comprehensive income

	2010 $'000	2009 $'000
Gain on prepaid contract funds under management	**1,531**	32,499
Change in provision for prepaid contract liabilities	**(11,831)**	(10,081)
Net gain/(loss) on undelivered prepaid contracts	**(10,300)**	22,418

(b) Movements in prepaid contract funds under management

	2010 $'000	2009 $'000
Balance at the beginning of the year	**264,589**	230,225
Sale of new prepaid contracts	**22,450**	20,681
Initial recognition of contracts paid by instalment	**1,279**	1,333
Redemption of prepaid contract funds following service delivery	**(20,704)**	(20,149)
Increase due to business combinations	**4,399**	–
Increase in fair value of contract funds under management	**1,531**	32,499
Balance at the end of the year	**273,544**	264,589

(c) Movements in prepaid contract liabilities

	2010 $'000	2009 $'000
Balance at the beginning of the year	**244,872**	232,116
Sale of new prepaid contracts	**22,450**	20,681
Initial recognition of contracts paid by instalment	**1,279**	1,333
Decrease following delivery of services	**(20,185)**	(19,339)
Increase due to business combinations	**4,399**	–
Increase due to reassessment of delivery costs	**11,831**	10,081
Balance at the end of the year	**264,646**	244,872

(d) Nature of contracts under management and liabilities

Prepaid contracts are tripartite agreements whereby InvoCare agrees to deliver a specified funeral service, cremation or burial at the time of need and the beneficiary invests the current price of the service to be delivered with a financial institution and conditionally assigns the benefit to InvoCare. InvoCare records the value of the invested funds as an asset and revalues the invested funds to fair value at the end of each reporting period. InvoCare also records a liability at the current selling price of the service to be delivered and uplifts this liability for the change in selling prices during the period.

The assignment of the benefit of the invested funds to InvoCare only becomes unconditional when InvoCare demonstrates that it has delivered the service specified. InvoCare receives the investment returns as well as the initial investment when the service has been delivered.

As required by law, the funds are controlled by trustees who are independent of InvoCare.

InvoCare permits, on request, contracts to be paid by instalments over periods not exceeding three years. In some instances these contracts are never fully paid. If, during the three year period the contract becomes at need, the family is given the option of either paying outstanding instalments and receiving the contracted services at the original fixed price or using the amount paid as a part payment of the at need service. If the contract is not fully paid after three years InvoCare only permits the family to use the amounts paid as a partial payment of the at need services. At balance date the total instalments received were $3,900,000 (2009: $3,342,000). These funds and the relevant liability are recognised when the contract has been fully paid.

InvoCare also manages a number of funeral bond contracts where an investment is made to provide for payment of an expense in the future without any contractual commitment for InvoCare to deliver any services in particular. InvoCare will receive the value of these bonds only if it delivers a service and any difference between the then current price of the service delivered and value of the bond is paid to, or received from, the estate of the beneficiary. The value of the funds under management in these arrangements at the end of the year was $773,000 (2009: $1,036,000). These arrangements are not recorded as an asset or liability in the financial statements.

Note 15: 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 2010 %	Equity holding 2009 %
InvoCare Australia Pty Limited	Australia	**100**	100
New South Wales Cremation Company Pty Limited	Australia	**100**	100
A.C.N. 002 553 746 Pty Limited (In liquidation) (formerly Cremations (Newcastle) Holdings Pty Limited)	Australia	**100**	100
A.C.N. 000 030 491 Pty Limited (In liquidation) (formerly Cremations (Newcastle) Pty Limited)	Australia	**100**	100
A.C.N. 050 110 453 Pty Limited (In liquidation) (formerly Novocastrian Funerals Pty Limited)	Australia	**100**	100
Novocastrian Funerals Unit Trust	Australia	**100**	100
LifeArt Australasia Pty Limited (formerly Catholic Funerals Newcastle Pty Limited)	Australia	**100**	100
Macquarie Memorial Park Pty Limited	Australia	**83**	83
Macquarie Funeral Service Pty Limited	Australia	**83**	83
A.C.N. 008 826 453 Pty Limited (In liquidation) (formerly 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
A.C.N. 003 778 792 Pty Limited (In liquidation) (formerly Beresfield Funerals Pty Limited)	Australia	**100**	100
A.C.N. 068 935 348 Pty Ltd (In liquidation) (formerly Restbind Pty Limited)	Australia	**100**	100
A.C.N. 060 625 372 Pty Limited (In liquidation) (formerly D & J Drysdale Pty Ltd)	Australia	**100**	100
A.C.N 054 583 345 Pty Ltd (In liquidation) (formerly 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**	100
Casket Company Embalming and Funeral Services Pte. Ltd	Singapore	**100**	100
InvoCare New Zealand Limited	New Zealand	**100**	100
InvoCare Hong Kong Limited	Hong Kong	**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 32.

As part of a rationalisation of the structure of the Group, eight subsidiary companies of InvoCare Australia Pty Limited and two trading trusts transferred their business assets, liabilities and undertakings to InvoCare Australia Pty Limited. On 16 December 2010 these entities were placed into voluntary liquidation. During the process of winding up these legal entities the trading trusts will be dissolved.

Note 16: Equity Accounted Investments

	2010 $'000	2009 $'000
Shares in associates	–	–
	–	–

(a) Movements in carrying amounts

	2010 $'000	2009 $'000
Carrying amount at the beginning of the year	–	–
Equity interest acquired during the year	–	–
Share of profits/(losses) after income tax	(9)	–
Share of loss not recognised	9	–
Dividends received	–	–
	–	–

(b) Summarised financial information of associates

The Group's share of the result of its associates and their aggregated assets (including goodwill) and liabilities are as follows:

	Ownership Interest %	Assets $'000	Group's share of: Liabilities $'000	Revenues $'000	Profit $'000
2010					
HeavenAddress Holdings Pty Ltd	27.59	283	51	39	(9)
		283	51	39	(9)

This associate is an unlisted private company incorporated in Australia and the investment was made during 2010.

(c) Transactions with non-controlling interests

On 13 July 2010, a controlled entity, InvoCare Australia Pty Limited subscribed for shares representing an equity interest of 27.59% of HeavenAddress Holdings Pty Ltd. At the same time a services agreement was executed between HeavenAddress Holdings and InvoCare Australia for the provision of services enabling client families to post online obituaries on the web. An initial payment for this service of $300,000 was made in July 2010 which has been expensed over the service period.

Note 17: Property, Plant and Equipment

	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 2010							
Cost	**105,158**	**45,451**	**92,113**	**4,466**	**2,330**	**67,281**	**316,800**
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**	**223,448**
Year ended 31 December 2010							
Additions	**–**	**163**	**4,801**	**1**	**514**	**9,539**	**15,018**
Business combinations	**–**	**4,385**	**1,700**	**–**	**–**	**260**	**6,345**
Disposals	**(79)**	**(231)**	**(759)**	**(56)**	**(6)**	**(325)**	**(1,456)**
Depreciation/amortisation charge	**(360)**	**–**	**(2,925)**	**(135)**	**(213)**	**(7,214)**	**(10,847)**
Effect of movement in exchange rates	**–**	**(264)**	**(85)**	**–**	**–**	**(21)**	**(370)**
Transfers/reclassifications	**–**	**–**	**(44)**	**–**	**–**	**44**	**–**
Closing net book amount	**83,549**	**49,504**	**65,079**	**2,182**	**1,412**	**30,412**	**232,138**
At 31 December 2010							
Cost	**105,079**	**49,504**	**97,550**	**4,351**	**2,781**	**70,517**	**329,782**
Accumulated depreciation/amortisation	**(5,554)**	**–**	**(32,471)**	**(2,169)**	**(1,369)**	**(40,105)**	**(81,668)**
Impairment write-downs	**(15,976)**	**–**	**–**	**–**	**–**	**–**	**(15,976)**
Net book amount	**83,549**	**49,504**	**65,079**	**2,182**	**1,412**	**30,412**	**232,138**
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	223,448
At 31 December 2009							
Cost	105,158	45,451	92,113	4,466	2,330	67,281	316,800
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	223,448

Note 17: Property, Plant and Equipment continued

(a) Assets in the course of construction

The carrying amounts of assets disclosed on the previous page include the following expenditure recognised in relation to property, plant and equipment which is in the course of construction:

	2010 $'000	2009 $'000
Cemetery land	–	80
Freehold land	–	11
Freehold buildings	2,356	912
Leasehold improvements	168	5
Plant and equipment	328	1,666
Total assets in the course of construction	2,853	2,674

(b) Impairment

(i) 2010

All impaired cemetery and crematorium sites were reassessed at 31 December 2010 using the same methodology as previously applied and no change to the impairment provision was considered necessary in 2010.

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 of 4% in revenues and 3% in 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 10.5% (2009: 10.8%), reflecting the risk estimates for the business as a whole.

(ii) 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.

Note 18: Intangible Assets

	Goodwill $'000	Brand name $'000	Total $'000
At 1 January 2010			
Cost	**56,161**	**3,330**	**59,491**
Accumulated amortisation	**–**	**(1,005)**	**(1,005)**
Net book amount	**56,161**	**2,325**	**58,486**
Year ended 31 December 2010			
Acquisition of subsidiary/businesses	**3,880**	**656**	**4,536**
Effect of movement in exchange rates	**(433)**	**(24)**	**(457)**
Amortisation charge	**–**	**(368)**	**(368)**
Net book amount	**59,608**	**2,589**	**62,197**
At 31 December 2010			
Cost	**59,608**	**3,948**	**63,556**
Accumulated amortisation	**–**	**(1,359)**	**(1,359)**
Net book amount	**59,608**	**2,589**	**62,197**
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

(a) Impairment test for goodwill

For the Group's Australian-based operations, goodwill cannot be allocated on a non-arbitrary basis to individual cash generating units (CGUs) due to the significant history of numerous acquisitions, especially during the years 1993 to 1999, and resulting post-acquisition business integration activities and operational changes over many years. The 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.

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

Management determined budgeted cash flows based on past performance and its expectations for the future. The growth rates of 4% in revenue and 3% in expense projections are not inconsistent with historical trends and forecasts included in reports prepared by market analysts. The pre-tax discount rate used was 10.5% (2009: 10.8%), reflecting the risk estimates for the business as a whole. Sensitivity analysis indicates significant headroom exists in the value-in-use calculations for both Australia and Singapore compared to the carrying value of goodwill.

Note 19: Derivative Financial Instruments

	2010 $'000	2009 $'000
Non-current assets		
Interest rate swap contracts – cash flow hedges	**643**	(551)
Cross currency basis swap contracts	**–**	1,316
	643	765
Current liabilities		
Interest rate swap contracts – cash flow hedges	**–**	1,966
	–	1,966

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 20: Trade and Other Payables

	2010 $'000	2009 $'000
Current		
Trade payables	**19,253**	17,191
Sundry payables and accrued expenses	**5,860**	5,120
Deferred cash settlement for business interests acquired	**610**	288
	25,723	22,599
Non-current		
Deferred cash settlement for business interests acquired	**–**	334
	–	334

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

Note 21: Borrowings

	2010 $'000	2009 $'000
Short-term borrowings		
Lease liabilities	**76**	–
	76	–
Long-term borrowings		
Borrowings are represented by:		
Principal amount of bank loans – unsecured	**152,661**	153,867
Lease liabilities	**1,872**	–
Loan establishment costs	**(1,132)**	(108)
	153,401	153,759

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

Note 22: Provisions for Employee Benefits

	2010 $'000	2009 $'000
Current		
Employee benefits	**9,473**	8,728
Non-current		
Liability for long service leave	**1,361**	1,308

	2010 Number	2009 Number
(a) Employee numbers		
Number of full-time equivalent employees	**1,112**	1,101

(b) Superannuation plan

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

Note 23: Deferred Tax Assets and Liabilities

	2010 $'000	2009 $'000
Deferred tax (asset)/liability		
The deferred tax (asset)/liability balances comprised temporary differences attributable to:		
Amounts recognised in profit and loss:		
Cemetery land	**24,997**	25,105
Property, plant and equipment	**5,128**	5,438
Leasehold land and buildings	**95**	97
Deferred selling costs	**2,642**	2,567
Prepayments and other	**528**	512
Brand names	**673**	602
Prepaid contracts	**2,929**	5,915
Lease liabilities	**11**	–
Provisions	**(3,793)**	(3,557)
Receivables	**(254)**	(194)
Accruals and other	**(470)**	(126)
Loan establishment costs	**–**	(12)
Derivatives	**–**	(364)
Amounts recognised directly in equity:		
Foreign currency translation reserve	**4**	395
Cash flow hedge reserve	**189**	(400)
	32,679	35,978
The net movement in the deferred tax (asset)/liability is as follows:		
Balance at the beginning of the year	**35,978**	26,855
Net charge (credit) to income statement	**(4,150)**	333
Amounts recognised due to a change in accounting policy	**–**	6,404
Amounts recognised due to business combinations	**651**	–
Amounts recognised directly in equity	**198**	2,846
Impact of change of income tax rate in Singapore	**–**	(35)
Adjustment to previously recognised balances	**(57)**	(292)
Effect of movements in exchange rates	**59**	(133)
Balance at the end of the year	**32,679**	35,978
Deferred tax liabilities/(assets) to be settled within 12 months	**(171)**	3,078
Deferred tax liabilities/(assets) to be settled after 12 months	**32,850**	32,909
	32,679	35,978

Note 24: Contributed Equity

	2010 $'000	2009 $'000
Fully paid ordinary shares	**79,937**	76,950

	2010 Number	2010 $'000	2009 Number	2009 $'000
Ordinary shares				
Balance at the beginning of the financial year	**101,834,236**	**79,165**	100,799,439	73,379
Dividend reinvestment plan issues	**560,413**	**3,523**	1,034,797	5,786
Exempt employee share plan issues	**26,639**	**175**	–	–
Total contributed equity	**102,421,288**	**82,863**	101,834,236	79,165
Treasury shares	**(518,763)**	**(2,926)**	(397,676)	(2,215)
Total consolidated contributed equity	**101,902,525**	**79,937**	101,436,560	76,950

(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 2009	Opening 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)
31 December 2009	Balance	397,676	2,215
22 to 25 February 2010	Shares vested	(82,996)	(519)
22 February to 5 March 2010	Acquisition of shares by the Trust and reallocation of previously forfeited shares	209,820	1,262
9 April 2010	Forfeit of shares on termination of employment	(3,579)	(20)
8 October 2010	Forfeit of shares on termination of employment	(2,158)	(12)
3 November 2010	Transfer of shares to members of the Exempt Employee Share Plan	(5,737)	–
		518,763	2,926

(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 25: Reserves and Retained Profits

	2010 $'000	2009 $'000
(a) Reserves		
Share-based payments reserve	1,810	1,338
Hedging reserve – cash flow hedge reserve	450	(934)
Foreign currency translation reserve	(172)	(230)
	2,088	174
Movements:		
Share-based payments reserve		
Balance at the beginning of the year	1,338	963
Options/deferred employee share plan expense	991	790
Vesting of deferred employee share plan shares	(519)	(285)
Deferred tax	–	(130)
Balance at the end of the year	1,810	1,338
Hedging reserve		
Balance at the beginning of the year	(934)	(3,293)
Revaluation to fair value – gross	643	–
Amortisation of hedge reserve	1,334	3,370
Deferred tax	(593)	(1,011)
Balance at the end of the year	450	(934)
Foreign currency translation reserve		
Balance at the beginning of the year	(230)	1,681
Revaluation to fair value – gross	411	5,683
Deferred tax	(123)	(1,705)
Currency translation differences	(230)	(5,889)
Balance at the end of the year	(172)	(230)
(b) Retained profits/(accumulated losses)		
Movements in retained profits/(accumulated losses) were as follows:		
Balance at the beginning of the year	14,164	(9,216)
Net profit for the year	27,366	48,141
Dividends paid during the year	(27,271)	(24,761)
Balance at the end of the year	14,259	14,164

(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 (s). The reserve is recognised in the profit and loss when the net investment is sold.

Note 25: 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 $4,472,000 (2009: $4,341,000). 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 $3,642,000.

	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	–	–	48,140	48,140
Dividends paid during 2009	–	–	(24,762)	(24,762)
Profit after tax for the 2010 year	–	–	27,366	27,366
Dividends paid during 2010	–	–	(27,270)	(27,270)
Transfers between sub-accounts	–	4,472	(4,472)	–
Balance of retained earnings/(accumulated losses) as at 31 December 2010	–	(41,751)	56,010	14,259

Note 26: Minority Interest

	2010 $'000	2009 $'000
Reconciliation of minority interests in controlled entities:		
Share capital	**800**	800
Retained earnings		
Balance at the beginning of the year	**220**	138
Add share of operating profit	**94**	82
Less dividends paid	**(74)**	–
Closing balance of retained earnings	**240**	220
Reserves	**99**	99
Balance at the end of the year	**1,139**	1,119

Note 27: Capital and Leasing Commitments

	2010 $'000	2009 $'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	**6,175**	5,699
– between 12 months and 5 years	**11,976**	8,998
– greater than 5 years	**8,485**	9,204
	26,636	23,901

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	5,915	225	35	6,175
Between 12 months and five years	11,621	355	–	11,976
Greater than five years	8,485	–	–	8,485
	26,021	580	35	26,636

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 27: Capital and Leasing Commitments continued

	2010 $'000	2009 $'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	2,823	–
Plant and equipment purchases		
– within one year	630	4,479
(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	2,466	1,404
Documentary letters of credit outstanding at balance date payable:		
– within one year	110	–

Note 28: Business Combinations

During 2010, the Group acquired the funeral business of W N Bull, which operates in Sydney. Pursuant to the purchase agreements in prior years, further payments were made in 2010 in relation to Christian Funerals which operates in Perth and Drysdale Funerals which operates on the Sunshine Coast in Queensland. Further details of these acquisitions are set out below.

W N Bull

(a) Summary of the W N Bull acquisition

On 15 June 2010, a subsidiary, InvoCare Australia Pty Limited, acquired W N Bull's funeral business assets and two properties. The business operates from a main location in Newtown with subsidiary operations in Parramatta and North Sydney in Sydney, New South Wales.

Since acquisition the business has generated revenue of more than $2.6 million with operating earnings before interest, tax, depreciation and amortisation in excess of $400,000.

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

	$'000
Purchase consideration (refer to (b) below):	
Cash paid	7,830
Anticipated additional consideration	2,324
Total purchase consideration	10,154
Fair value of net identifiable assets acquired (refer to (c) below):	6,274
Goodwill	3,880

(b) W N Bull purchase consideration

Outflow of cash to acquire the business, net of cash acquired	
Cash consideration for W N Bull business	7,830
Outflow of cash	7,830

Contingent consideration will be payable in cash in the future in respect of the business assets based on the achievement of pre-determined volume targets for the first twelve months and upon the exercise of a put and call option over the business premises in North Sydney. The contingent consideration has been included in the calculation 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 W N Bull's funeral business with the rest of the Group.

Total costs of $691,000 consisting largely of NSW Stamp Duty have been incurred and expensed in the Statement of Comprehensive Income as required by AASB 3: *Business Combinations*.

Note 28: Business Combinations continued

(c) W N Bull assets acquired

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

	Acquiree's carrying amount $'000	Fair value $'000
Inventories	108	108
Prepaid contract funds under management	–	4,399
Property, plant and equipment	6,349	6,349
Intangible assets: Brand name	–	656
Prepaid contract liabilities	–	(4,399)
Provisions	(145)	(188)
Deferred tax liabilities	–	(651)
Net identifiable assets acquired	6,312	6,274

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 $200,000 was paid in July 2010 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.

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 fourth additional payment of $100,000, which has already been brought to account, in respect of restraint and retention amounts, was made during 2010.

Note 29: Contingent Liabilities and Contingent Assets

	2010 $'000	2009 $'000
The Group had contingent liabilities at 31 December 2010 in respect of bank guarantees given for leased premises of controlled entities to a maximum of:	**639**	467

For information about the deed of cross guarantees given by InvoCare Limited, InvoCare Australia Pty Limited and InvoCare (Singapore) Pty Limited, refer to Note 32. No deficiencies of assets exist in any of these companies.

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

Note 30: 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 segments.

(b) Segment information provided to the Chief Executive Officer

The segment information provided to the Chief Executive Officer for reportable segments to 31 December 2010 is as follows:

	Australian Operations		Singapore Operations		Consolidated	
	2010 $'000	2009 $'000	**2010 $'000**	2009 $'000	**2010 $'000**	2009 $'000
Revenue from external customers	**257,933**	246,442	**9,516**	9,234	**267,449**	255,676
Other revenue (excluding interest income)	**4,938**	4,990	**187**	167	**5,125**	5,157
Operating expenses	**(197,391)**	(192,086)	**(4,772)**	(4,475)	**(202,163)**	(196,561)
Operating EBITDA	**65,480**	59,346	**4,931**	4,926	**70,411**	64,272
Depreciation and amortisation	**(10,845)**	(10,183)	**(370)**	(610)	**(11,215)**	(10,793)
Finance costs	**(10,317)**	(8,522)	**(709)**	(308)	**(11,026)**	(8,830)
Interest income	**654**	579	**–**	–	**654**	579
Income tax expense	**(14,199)**	(11,914)	**(662)**	(603)	**(14,861)**	(12,517)
Normalised profit after tax	**30,774**	29,306	**3,190**	3,405	**33,964**	32,711
After tax gain/(loss) on prepaid contract movements	**(7,210)**	15,693	**–**	–	**(7,210)**	15,693
Acquisition costs	**(1,284)**	(151)	**–**	–	**(1,284)**	(151)
Profit/(loss) on sale of assets	**707**	(183)	**–**	1	**707**	(182)
Minority interest	**(94)**	(82)	**–**	–	**(94)**	(82)
Net profit after tax attributable to equity holders of InvoCare Limited	**24,177**	44,734	**3,190**	3,406	**27,366**	48,140
Acquisition of property, plant and equipment and intangibles	**18,346**	13,270	**450**	675	**18,796**	13,945
Total assets	**609,145**	579,872	**26,311**	27,920	**635,456**	607,792

(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 31: Cash Flow Information

	2010 $'000	2009 $'000
Reconciliation of cash flow from operations with profit from ordinary activities after income tax		
Profit from ordinary activities after income tax	**27,460**	48,222
Non-cash items in profit from ordinary activities		
Depreciation and amortisation	**11,215**	10,793
Share-based payments expense	**1,049**	863
Loan establishment costs	**197**	104
Interest rate swap expense	**(847)**	(2,216)
Imputed interest from deferred purchase consideration	**41**	49
Net amount reclassified as an expense from property plant and equipment and other non-current assets	**29**	(29)
Net (gain)/loss on disposal of property, plant and equipment	**(562)**	193
Unrealised (gain)/loss on prepaid contracts	**10,300**	(22,418)
Other prepaid contract movements	**519**	811
Effect of movement in exchange rates	**57**	421
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries		
(Increase)/decrease in trade and other receivables	**(4,509)**	(1,881)
(Increase)/decrease in inventories	**(1,839)**	(1,663)
(Increase)/decrease in deferred selling expenses	**(251)**	(398)
Increase/(decrease) in payables	**2,581**	(719)
Increase/(decrease) in deferred revenue	**1,652**	1,116
Increase/(decrease) in income taxes payable	**2,732**	(1,385)
Increase/(decrease) in deferred taxes	**(4,187)**	6,277
Increase/(decrease) in provisions	**612**	208
	46,249	38,348

Note 32: 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 2010 of the Closed Group.

Note 32: Deed of Cross Guarantee continued

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

	2010 $'000	2009 $'000
Consolidated income statement of the Closed Group		
Revenue from continuing operations	**243,406**	229,083
Finished goods and consumables used	**(67,899)**	(65,613)
Price increases since initial recognition on delivered prepaid contracts	**1,123**	331
Employee benefits expense	**(57,700)**	(54,463)
Employee related and on-cost expenses	**(12,920)**	(12,387)
Advertising and public relations expenses	**(8,033)**	(7,125)
Occupancy and facilities expenses	**(14,163)**	(12,623)
Motor vehicle expenses	**(4,570)**	(4,628)
Other expenses	**(12,720)**	(12,002)
Earnings before interest, tax, depreciation and amortisation	**66,524**	60,573
Depreciation, impairment and amortisation expenses	**(9,807)**	(9,076)
Finance costs	**(12,615)**	(8,759)
Interest income	**613**	552
Net gain/(loss) on prepaid contracts	**(10,300)**	22,418
Acquisition costs	**(1,284)**	(151)
Net gain/(loss) on disposal of non-current assets	**513**	(59)
Profit before income tax	**33,644**	65,498
Income tax expense	**(10,931)**	(16,469)
Profit for the year	**22,713**	49,029
Changes in the fair value of cash flow hedges, net of tax	**1,385**	2,359
Changes in foreign currency translation reserve, net of tax	**901**	3,978
Other comprehensive income for the year, net of tax	**2,286**	6,337
Total comprehensive income for the year	**24,999**	55,366
Summary of movements in consolidated retained profits of the Closed Group		
Retained profits/(accumulated losses) at the beginning of the financial year	**25,585**	1,317
Profit for the year	**22,713**	49,029
Dividends paid	**(27,270)**	(24,761)
Retained profits/(accumulated losses) at the end of the financial year	**21,028**	25,585

Note 32: Deed of Cross Guarantee continued

(b) Balance sheet of the Closed Group

	2010 $'000	2009 $'000
Current assets		
Cash and cash equivalents	**2,467**	2,629
Trade and other receivables	**21,488**	19,405
Inventories	**16,198**	14,181
Prepaid contract funds under management	**273,544**	264,589
Deferred selling costs	**548**	515
Total current assets	**314,245**	301,319
Non-current assets		
Trade and other receivables	**1,986**	23,085
Shares in subsidiaries	**56,329**	52,384
Property, plant and equipment	**212,094**	192,308
Intangible assets	**42,681**	30,516
Derivative financial instruments	**643**	765
Deferred selling costs	**7,668**	7,215
Total non-current assets	**321,401**	306,273
Total assets	**635,646**	607,591
Current liabilities		
Trade and other payables	**24,695**	21,753
Short-term borrowings	**76**	–
Current tax liabilities	**5,359**	2,529
Prepaid contract liabilities	**264,646**	244,872
Deferred revenue	**2,844**	2,640
Provisions for employee benefits	**9,450**	8,701
Total current liabilities	**307,070**	280,495
Non-current liabilities		
Trade and other payables	**–**	334
Long-term borrowings	**153,401**	153,759
Derivative financial instruments	**–**	1,996
Deferred tax liabilities	**30,514**	30,667
Deferred revenue	**38,414**	35,334
Provisions for employee benefits	**1,361**	1,308
Total non-current liabilities	**223,690**	218,624
Total liabilities	**530,760**	223,398
Net assets	**104,886**	103,698
Equity		
Contributed equity	**79,937**	76,950
Reserves	**3,921**	1,163
Retained profits/(Accumulated losses)	**21,028**	25,585
Total equity	**104,886**	103,698

Note 33: Events after the Balance Sheet Date

On 19 November 2010 InvoCare announced it had reached agreement to acquire the Bledisloe Group for an enterprise value of $114 million, subject to among other things, regulatory approval. On 19 January 2011 the Australian Competition and Consumer Commission ("ACCC") released a Statement of Issues paper raising preliminary concerns about the proposed acquisition. InvoCare has made further submissions in response to this paper and as at the date of this report there have been no further developments. The ACCC decision is expected during March 2011.

Other than discussed above there have been no significant events that have occurred subsequent to 31 December 2010.

Note 34: 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 15.

(c) Directors and key management personnel

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

	2010 $	2009 $
(d) Transactions with related parties		
Transactions with other related parties		
Contributions to superannuation funds on behalf of employees	**4,932,814**	4,820,508

(e) Guarantees and other matters

Under the terms of loan facility agreements executed on 22 September 2010 InvoCare Limited and most of its wholly-owned entities (the "Guarantors") have 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 35: Parent Entity Financial Information

(a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts.

	2010 $'000	2009 $'000
Balance sheet		
Current assets	**109**	245
Total assets	**270,898**	260,671
Current liabilities	**5,903**	2,723
Total liabilities	**137,254**	135,234
Shareholders' equity		
Contributed equity	**79,937**	76,950
Reserves		
Share-based payments	**1,810**	1,338
Hedging reserve – cash flow hedge reserve	**441**	(934)
Retained earnings	**51,456**	47,702
	133,644	125,056
Profit for the year	**31,026**	30,611
Total comprehensive income for the year	**32,873**	33,345

(b) Contingent liabilities of the parent entity

	2010 $'000	2009 $'000
The parent entity had contingent liabilities at 31 December 2010 in respect of bank guarantees given for leased premises of controlled entities to a maximum of:	**639**	467

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.

(c) Contractual commitments for the acquisition of property, plant or equipment

The parent entity has no contractual commitments for the acquisition of property, plant or equipment at 31 December 2010 (31 December 2009: Nil).

(d) 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.

Note 36: Economic Dependence

The parent entity depends on dividend and interest income from, and management fees charged to, its controlled entities to source the payment of future dividends and fund its operating costs and debt service obligations as borrower under the bank loan facility agreements. The parent entity's financial position is sound, notwithstanding a net current liability situation being shown in the balance sheet 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 $102,339,000 as outlined in Note 2(c), or by on-demand repayment of intercompany advances.

Note 37: Critical Accounting Estimates and Judgements

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

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

(i) Estimated impairment of goodwill

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

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

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

(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 $34.3 million at 31 December 2010 (2009: $32.6 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 $1.1 million (2009: $1.0 million) per annum in revenue.

Note 38: 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 39: Authorisation of the Financial Report

This financial report was authorised for issue by the directors on 22 February 2011. The Company has the power to amend and reissue this report.

Directors' Declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 49 to 97 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 2010 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 32 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 32.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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
22 February 2011

Independent Audit Report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INVOCARE LIMITED

PRICEWATERHOUSECOOPERS

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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 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for 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 of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. 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. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial 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.

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 consolidated entity's financial position as at 31 December 2010 and of its 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 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 37 to 47 of the directors' report for the year ended 31 December 2010. 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 2010, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

John Feely
Partner

Sydney
22 February 2011

Shareholder Information

Shares and options as at 30 March 2011

	Number
Shares on issue	102,421,288
Options on issue	Nil

Distribution of shareholders as at 30 March 2011

	Number of shareholders	Number of shares	Percentage %
1 – 1,000	2,962	1,618,567	1.58
1,001 – 5,000	5,259	13,903,283	13.57
5,001 – 10,000	1,317	9,884,293	9.65
10,001 – 100,000	713	14,465,189	14.12
100,001 and over	40	62,549,956	61.08
	10,291	102,421,288	100.00

There were 167 holders of less than a marketable parcel of ordinary shares (being 71 based on a price of $7.00 on 30 March 2011) who hold a total of 3,352 ordinary shares.

Equity security holders

	Number of shares	Percentage %
Largest 20 holders of ordinary shares at 30 March 2011		
1. J P Morgan Nominees Australia Limited	17,136,518	16.73
2. National Nominees Limited	14,479,357	14.14
3. HSBC Custody Nominees (Australia) Limited	10,887,357	10.63
4. Citicorp Nominees Pty Limited	5,997,562	5.86
5. Cogent Nominees Pty Limited	3,751,987	3.66
6. Milton Corporation Limited	1,626,526	1.59
7. Argo Investments Limited	1,226,358	1.20
8. BKI Investment Company Limited	919,000	0.90
9. UBS Wealth Management Australia Nominees Pty Ltd	850,956	0.83
10. IVC Employee Share Plan Managers Pty Ltd	834,096	0.81
11. Mr Richard Hugh Davis	807,516	0.79
12. Mirrabooka Investments Limited	495,000	0.48
13. Gwynvill Trading Pty Ltd	465,643	0.45
14. Avanteos Investments Limited	451,246	0.44
15. RBC Dexia Investor Services Australia Nominees Pty Limited	438,449	0.43
16. AMP Life Limited	384,000	0.37
17. Questor Financial Services Limited	372,077	0.36
18. Equity Trustees Limited	334,684	0.33
19. RBC Dexia Investor Services Australia Nominees Pty Limited	318,836	0.31
20. Queensland Investment Corporation	312,715	0.31
Total for top 20	62,089,883	60.62

Substantial holders

	Number of shares held	Percentage
Substantial holders in the Company as at 30 March 2011 are set out below:		
J F Capital Partners Ltd	14,537,992	14.19
National Australia Bank Limited Group	7,744,585	7.56
Commonwealth Bank of Australia and its subsidiaries	5,248,262	5.12

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
Lidcombe
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
Tuggeranong (ACT)

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

W N Bull (est 1892)
Newtown
Parramatta
North Sydney

Queensland

George Hartnett Funerals

(est 1947)
Albany Creek
Cleveland
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 (est 1889)
Mandurah
Myaree
Rockingham
Subiaco

Christian Funerals (est 1978)
Maylands

Value Funerals
All areas

Simplicity (est 1979)

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

White Lady Funerals (est 1987)

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

Overseas

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

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
ACCC	Australian Competition & Consumer Commission
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 20 May 2011

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

Commonwealth Bank of Australia
201 Sussex Street
Sydney NSW 2000

National Australia Bank Limited
255 George Street
Sydney NSW 2000

carbon neutral

elemental chlorine free

mill certified

renewable energy

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Pages 1–32 are printed on Impress Silk.
Impress is FSC Mix Certified, which ensures that all virgin pulp is derived from well managed forests and controlled sources. It is manufactured by an ISO 14001 certified mill.

Pages 33–108 are printed on ENVI Uncoated.
ENVI – Australia's Carbon Neutral Paper. 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.

Designed and produced by Ross Barr & Associates Pty Limited


www.invocare.com.au