



New beginnings

INVOCARE ANNUAL REPORT 2011

W.D. Rose Funerals
located at Brighton Victoria,
is one of the many heritage
locations acquired due to the
Bledisloe acquisition. The
tranquility of locations like
this one assist families in their
time of need.

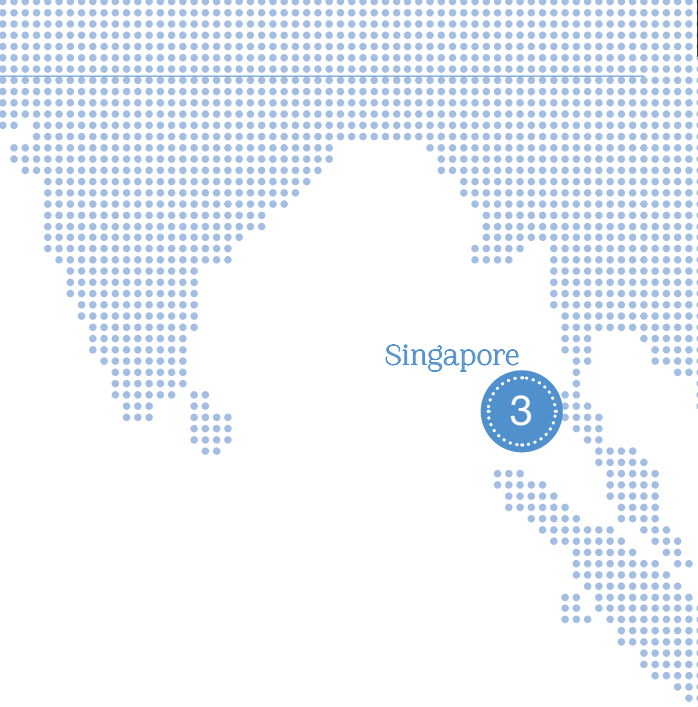


InvoCare is an Australian company that owns and operates funeral homes, cemeteries and crematoria across Australia, New Zealand and Singapore.

The Company was floated on the ASX in 2003 and owns the key brands Simplicity Funerals and White Lady Funerals, as well as leading contemporary brands in Australia, New Zealand and Singapore.

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, brands and 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.



Singapore

3

Key Funeral Brands



Cemeteries and Crematoria



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 44 White Lady locations throughout Australia.

Flexible and less traditional, Simplicity Funerals offers practical, dignified, respectful and affordable funeral services. Steadily expanding, there are 47 Simplicity Funeral locations throughout Australia and one in Singapore.

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.

InvoCare operates 14 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



InvoCare's over 60 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 Australian state and a number of smaller heritage brands serving local communities, there are 145 InvoCare contemporary-style and heritage funeral homes in Australia and New Zealand.

The acquisition of Bledisloe resulted in many exceptionally long-lived brands being welcomed to the Group, along with the teams that service their communities. Joseph Allison Funerals (established in 1853) and John Rhind Funeral Directors (established in 1881) are but two examples.

A full list of brands and locations is set out on pages 102-103.

1. White Lady Funerals, Kelvin Grove Queensland.
2. Allambe Memorial Park, Queensland.



Western
Australia

19

42 Queensland

5

South Australia

14

82

9

New South Wales
and Australian
Capital Territory

Victoria

42

1

Tasmania

22

New
Zealand

InvoCare continues to expand and grow its network of locations across Australia, New Zealand and Singapore. The geographic spread outlines the commitment we have in providing outstanding care and services to all the communities we serve.

● Funeral locations ● Memorial Parks

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Established understanding. New beginnings.

This financial year marks a very important milestone for your company. InvoCare warmly welcomes Bledisloe Group employees into the InvoCare family.

Our strategy for growth remains and with this expansion, we are now able to reach and touch the lives of a much wider audience including a large presence in New Zealand where we have never been before.

We will continue to provide outstanding value and service to the lives of our clients, local communities and investors as a group.

240

locations now
in the portfolio

Expanding into new markets

The recent acquisition of Bledisloe Group Holdings allows InvoCare to deliver funeral services in New Zealand, Tasmania and new parts of Queensland where we have never been before.

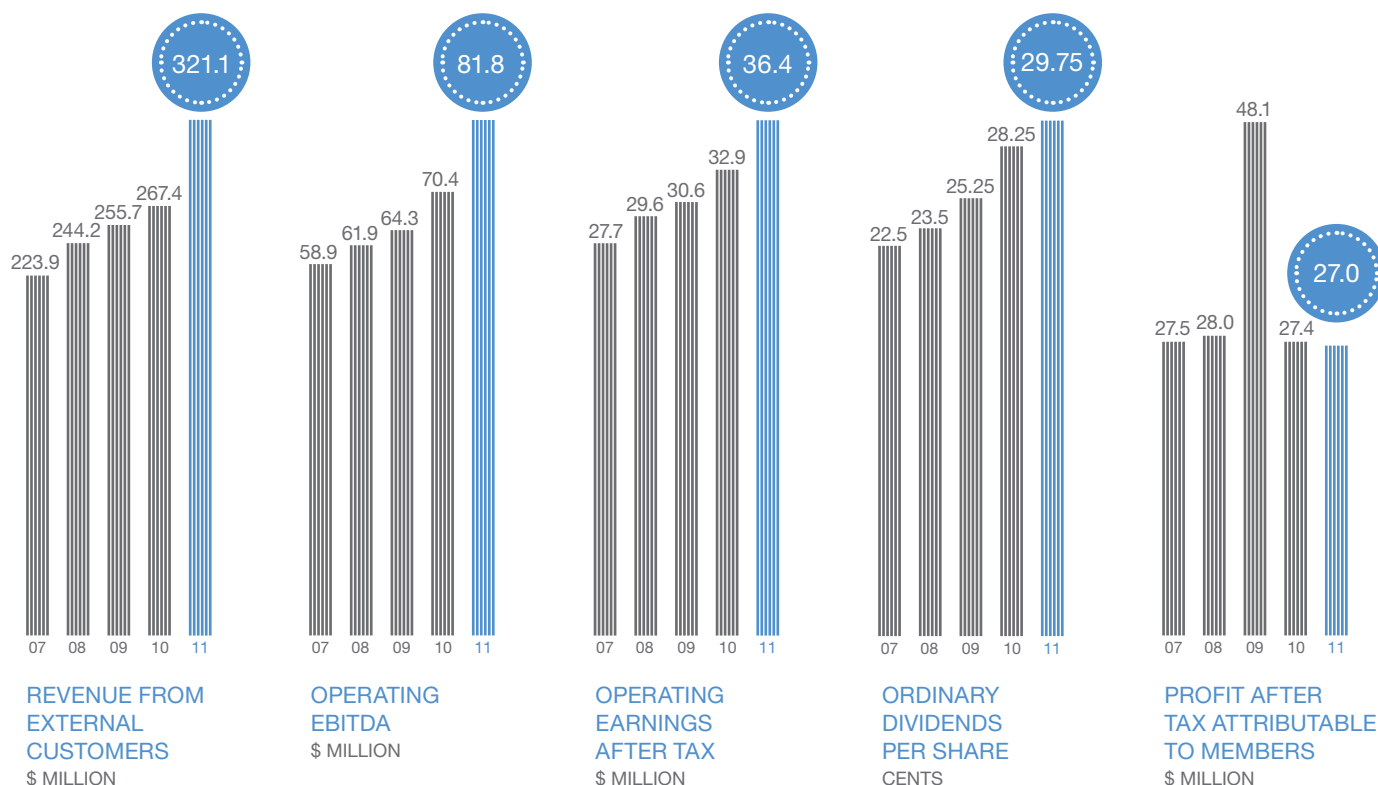


Pohutukawa

According to Maori tradition, after death the spirit travels to the Pohutukawa or New Zealand Christmas bush.

Performance highlights

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



Five year financials

\$'000	2011	2010	2009	2008	2007
Revenue from external customers	321,113	267,449	255,676	244,215	223,918
Operating EBITDA	81,802	70,411	64,273	61,874	58,935
Operating EBITDA margin	25.5%	26.3%	25.1%	25.3%	26.3%
Operating earnings after tax	36,406	32,928	30,607	28,342	27,073
Operating earnings per share (cents)	34.5	32.4	30.3	28.3	27.2
Profit after tax attributable to members	27,012	27,366	48,141	28,026	27,554
Earnings per share (cents)	25.6	26.9	47.7	28.0	27.6
Dividend paid in respect of the financial year (cents)	29.75	28.25	25.25	23.50	22.50
Ungeared, tax free operating cash flow	75,411	69,059	63,094	60,495	62,023
Proportion of EBITDA converted to cash	92%	98%	98%	98%	105%
Actual capital expenditure	16,723	14,266	13,846	16,359	17,366
Net Debt	209,114	147,538	148,358	152,452	145,886
Operating EBITDA / Net interest (times)	6.5	7.1	6.6	6.2	6.0
Net debt / EBITDA (times)	2.6	2.1	2.3	2.5	2.5
Funeral homes (number)	226	177	173	163	152
Cemeteries and crematoria (number)	14	12	12	12	12
Employees (full time equivalents)	1,430	1,112	1,101	1,052	923
Prepaid contract sales / prepaid redemptions	16.5%	16.8%	17.9%	6.9%	(2.0)%

Operating earnings excludes the net gain/(loss) on undelivered prepaid contracts, 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 delivers another solid financial and operational performance underpinned by the acquisition of Bledisloe.



InvoCare's business growth in 2011 was well supported by the acquisition of the major Australian and New Zealand operator, Bledisloe and the solid performance of the core operations as well.

Successes in these key areas again prove the resilience of InvoCare's business model. Operating Earnings after Tax were \$36.4 million, a 10.6% increase on 2010. Statutory Profit after Tax, which includes the non-cash impact of movements in prepaid contract funds under management and associated liabilities, decreased by 1.3% to \$27.0 million.

The Bledisloe acquisition, first announced in November 2010, was successfully completed on 15 June 2011 after a lengthy review by the Australian Competition & Consumer Commission. The acquisition expands InvoCare's markets into New Zealand, Tasmania and regional Queensland and grows its existing presence in South East Queensland and Melbourne. InvoCare is now a significant provider of funeral services in the Asia-Pacific region with businesses across Australia, New Zealand and Singapore.

The operational and corporate office integration of the Bledisloe business has progressed well. Bledisloe's profit contribution for the post acquisition period was only slightly positive, due to the expensing of acquisition costs. The expected merger synergies of \$3.5 million are being delivered and the acquisition will be earnings accretive in 2012 and beyond. The continued integration of Bledisloe remains our current primary focus and the Board personally welcomed numerous Bledisloe employees during its site visits to Brisbane, Auckland, Wellington and Christchurch in late 2011.

Service volumes increased during the year, with market share gains achieved and customer satisfaction survey results remaining at very high levels. New prepaid funeral contract sales continued to grow. Disappointing returns from prepaid funds under management have been addressed by tactical asset allocation tilts away from volatile equity markets in the main fund InvoCare is able to influence.

The current asset allocations are expected to provide improved and more stable returns during 2012.

InvoCare continues to explore expansion opportunities, in both existing and potential markets in Australia, New Zealand and other countries. Five new location openings are planned in 2012, including the launch of the White Lady Funerals brand in the New Zealand market.

Given the strong operational & financial results in 2011, the Board has declared a fully franked final dividend of 16.25 cents per share. Total dividends, which are fully franked, in respect of 2011 total 29.75 cents per share, an increase of 1.5 cents per share over 2010. Total shareholder returns (price movement plus cash dividends) since the initial public offering in late 2003 now stands at more than 22% compound annual growth.

On behalf of the Board and all its shareholders, I congratulate the management and staff of InvoCare under Andrew Smith's leadership. They have achieved very solid operational and financial results and their efforts in consolidating Bledisloe have translated into slightly better than expected performances from this business in 2011.

In recognition of InvoCare's larger size, the need to continually improve customer service and to pursue growth opportunities, the Board has recently appointed Aliza Knox and Richard Davis as Independent, Non-Executive Directors. The Board has also endorsed some senior management changes, including the elevation of Greg Bisset to Chief Operating Officer Australia.

I look forward to InvoCare's next phase of growth, the introduction of innovative technologies, as well as continuing the success of the core business operations.

A handwritten signature in blue ink, appearing to read 'Ian Ferrier', with a small blue dot at the end of the line.

IAN FERRIER
CHAIRMAN

Shaken but not stirred



Wayne Lyons, an industry veteran, with Tania Leighs.

February 2012 marked the one year anniversary of the devastating Christchurch earthquake that killed 185 people. However, for many, including many InvoCare staff and their families, the effects and ongoing problems are just as real today.

To date there have been almost ten thousand quakes and aftershocks and predictions are that this activity will continue for up to the next thirty years.

Proving the resilience of our colleagues in New Zealand, staff at InvoCare funeral homes, including John Rhind Funeral Directors and Academy Funeral Services, have worked through some very trying circumstances but still deliver outstanding services to families in need. It must seem very surreal for these colleagues, who lived through the September 2010 earthquake, only to have their facilities and lives devastated less than six months later.

Ongoing effects include regular liquefaction during which a thick, mud-like sludge percolates to the surface. Each time this happens, clean-up and repair activities have to begin all over again.

John Rhind Funeral Directors' casket storage building was structurally unsound and has been demolished, meaning the hearse garage has had to be repurposed.

At one stage the John Rhind chapel was also damaged which was overcome by converting the catering lounge into a temporary chapel.

More than 70 churches across the Christchurch area were destroyed or damaged and essential services, including power, water and sewerage have all experienced, and continue to experience, disruptions. This is in addition to the effects of the September 2010 quake, which damaged other funeral facilities including the Kaiapoi branch which still has not been repaired.

Through all this, InvoCare staff around Christchurch, indeed all over New Zealand, have risen enormously to the challenges of supporting families and communities at this time.

Graeme Rhind
Chief Operating Officer
New Zealand

Graeme has worked continuously in the funeral business since joining the family business in 1977. He has also served the Funeral Directors Association of New Zealand for more than 15 years in various capacities.

4&5
GENERATIONS
of service to the
funeral industry.
Nick and Graeme
Rhind opposite.



Chief Executive Officer's review

InvoCare has delivered another robust operating result through the dedication and commitment of our teams across Australia, New Zealand and Singapore who provide outstanding customer service to our client families.



InvoCare delivered another strong result in 2011 with sales revenue up 20.1% to \$321.1 million and operating earnings after tax up 10.6% to \$36.4 million. The outcome is due to continued focus on our pillars of growth and is a credit to our dedicated employees.

The result highlights include:

- the positive impacts from the Bledisloe acquisition and the annualisation benefits of the WN Bull funerals business which was purchased in 2010;
- an increase in the numbers of deaths in Australia, New Zealand and Singapore;
- normal annual price increases;
- strong brand awareness, particularly in our national White Lady and Simplicity brands; as well as contemporary brands such as Guardian, Le Pine, George Hartnett, Metropolitan, Blackwell, Purslowe, Chipper, Singapore Casket, and John Rhind;
- investments in local sponsorships and encouraging and supporting staff to participate in record levels of community programs and charity groups;
- strong underlying pre-need business with a growing number of families we are supporting;
- the impact of new locations;
- a memorial construction program which allowed the recognition of revenues and profits from contracts sold in previous periods; and
- improvements in operating leverage.

Dividends for the year were 29.75 cents per share, up 1.5 cents per share with a payout of 89% of operating EPS.

Bledisloe Acquisition

The acquisition of Bledisloe was completed in June 2011 which saw InvoCare welcome another 300 employees spread across 50 locations in Australia and New Zealand. Bledisloe is the market leader in New Zealand and was the second largest operator in Australia. The integration of Bledisloe is on plan and since acquisition Bledisloe locations have contributed \$38 million in revenue and \$6.5 million in operating EBITDA. Action has been taken in 2011 to deliver synergy benefits of \$2.6 million, with a further \$0.7 million actioned in the early part of 2012. These synergies will positively impact 2012 results and provide an exceptionally strong platform for both 2012 and beyond. InvoCare is now the largest private funeral and cemetery crematorium operator in the Asia Pacific region serving over 50,000 families each year.

Results Reflect Service Culture

Australian sales revenue from comparable operations was up 5.6% to \$272 million from InvoCare's 174 funeral homes and 12 cemeteries and crematoria. In constant dollars, Singapore revenues from its three funeral locations grew by 3.7%. These sales achievements reflect the customer service promise 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 either in line with or lower than their expectations.



The synergies arising from the integration of Bledisloe will positively impact 2012 results and provide an exceptionally strong platform for both 2012 and beyond. InvoCare is now the largest private funeral and cemetery crematorium operator in the Asia Pacific region serving over 50,000 families each year.

1. Sibuns House, New Zealand – a tradition in service in Auckland since 1913.
2. Elliotts Funeral Services, Tauranga – serving the Bay of Plenty for nearly 40 years.
3. John Rhind Funeral Directors' Chapel, Christchurch.
4. Tony Garing Regional Manager NZ South and General Manager John Rhind Funeral Directors: Tania Leighs, Funeral Director Academy Funeral Services: Wayne Lyons, Manager Academy Funeral Services.





5. Mariappan, Executive Funeral Assistant at Simplicity Casket, Singapore.

6. The historic facade of Turnbulls Family Funerals, North Hobart.



Results Reflect Service Culture (continued)

The only way to achieve these consistently high ratings is by continuing to deliver and further develop a service excellence culture throughout our organisation. Every year many letters of thanks and appreciation are received which is a great tribute to our dedicated and experienced team.

InvoCare continues to actively work with industry associations and other stakeholders groups to ensure that the industry meets the highest ethical standards. A number of our operational managers are in fact industry leaders in their own right. They tirelessly support leading industry bodies such as, the Australian Funeral Directors Association (AFDA), Funeral Directors Association of New Zealand (FDANZ) and the Australasian Cemeteries and Crematoria Association (ACCA). Congratulations go to the following appointees:

- John Fowler, Junior Vice President of the National Council of the AFDA
- Doris Zagdanski, President of the Queensland Division of the AFDA
- Warwick Hansen, President of the New South Wales Division of the AFDA
- Daniel McKeig, President of the Western Australian Division of the AFDA
- Armen Mikaelian, Senior Vice President of ACCA
- Gavin Murphy, Vice President of FDANZ

Congratulations must also go to both Tony Garing, who led the FDANZ for the last two years, and to Wee Leng Goh, who was Vice President of the Singapore Funeral Directors Association also for the last two years.

InvoCare's strategic commitment to acquiring well placed funeral homes that can be integrated into the existing network remains unaltered. Three new Australian funeral homes were opened in 2011 and one underperforming location closed. The acquisition of Bledisloe added another 25 locations in Australia and 22 in New Zealand. Most of the new and acquired Australian locations are all within acceptable distances of existing shared services centres, enabling the Group to achieve cost synergies from the locations. Additionally, regional locations in Tasmania, South East Queensland and North Queensland have resulted in an increase in the number of different communities served. The Bledisloe acquisition also saw the addition of two cemetery locations in the South East Queensland area. In New Zealand we now have operations from Christchurch in the south to Auckland in the north serving communities in most major population centres.

Investing in the future

InvoCare's focus on providing the highest level of service continues with over \$7 million invested in facility refurbishments and upgrades to ensure all the Group's locations are presented to the highest standards. The ongoing refurbishment of our main Singapore premises was completed which has created even more appealing and impressive parlours for client families in their time of need. Other major upgrades occurred at Northern Suburbs Crematorium with the recent opening of the after funeral condolence lounges, as well refurbishments in funeral homes throughout Australia and New Zealand.

A major focus of the year was improving our offerings in the digital space which included website upgrades, plus the ongoing promotion of HeavenAddress, an online memorial and tribute service, and investment in tablet applications to enhance the initial arranging experience for client families. Many chapels now support both the delivery of electronic presentations during the service and web casting of services to meet the needs of increasingly geographically remote friends and family.

Community engagement

InvoCare and its staff continued to support a wide variety of community organisations with financial assistance, facilities and equipment. Many of our staff continue to volunteer their time and energy to a wide range of community organisations. Organisations as diverse as Ars Musica Australis (which currently support over 100 young Australian performing artists), the 20th Man Fund (which provides educational, sporting and counselling services to the disadvantaged), Alzheimer's Australia, and the Salvation Army have all benefited from our involvement.

One highlight was our support of Baroness Susan Greenfield's visit to Australia as a guest of Alzheimer's Australia (Baroness Greenfield is a leading researcher into neuro-degenerative disorders, based in Oxford). Staff from our funeral brands across Australia assisted with the Baroness' travel and logistics arrangements, and many of our managers have subsequently developed strong working relationships with their counterparts at Alzheimer's Australia, and have jointly developed training and other educational programmes. 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.



7. W.D. Rose Funerals at Burwood, Victoria.
8. Metropolitan Funerals at Mount Gravatt, Queensland.

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.

Committed to our people

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.

During the year, we have taken the opportunity to restructure the executive team in readiness for further expansion and to provide innovative, leading edge services that our customers are seeking. Congratulations must go to Greg Bisset who is now Chief Operating Officer, Australia. His four years industry experience running the Australian Funerals Division, combined with his customer service ethos from his retailing days, will mean Greg will help our Australian businesses continue improving their market share position over the next phase of growth.

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 and New Zealand markets, albeit the current main priority is to complete the integration of the Bledisloe businesses and associated synergies.

The Group's results, as demonstrated by the 2011 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. I also wish the new senior executives all the very best in their new roles as together we take the business forward into its next phase of growth.

ANDREW SMITH
CHIEF EXECUTIVE OFFICER

Taking a lead role



W.D. Rose Funerals at Burwood, Victoria.

It's one thing to be good at your profession, it is another thing entirely to take your experience and use it to benefit all in your chosen field.

InvoCare is privileged to have attracted and retained many career-minded professionals in both the funerals and the cemeteries and crematoria industries. These individuals have been generous with their knowledge and time, serving on a range of industry bodies and making themselves available as thought leaders in their fields of endeavour.

Organisations on which you will find InvoCare representatives include the Australian Funeral Directors Association, the New Zealand Funeral Directors Association as well as a variety of state and regional funeral representative bodies, the Australasian Cemeteries & Crematoria Association, and the Australian Institute of Embalming.

One such industry champion is John Fowler, InvoCare Funerals General Manager, Victoria.

John has been involved in the funeral profession for more than a quarter of a century and in that time has made a significant contribution to bodies such as the Australian Funeral Directors Association, both in Victoria, South Australia, and at a national level.

Over a period of many years, John has become known as a well-regarded spokesperson on a range of funeral industry issues. His opinion is often sought out by journalists for comment whenever there is a change or innovation affecting funerals.

John currently serves as the Junior National Vice President of the Australian Funeral Directors Association, having previously served in a variety of office bearer roles, including Past President of the Victorian Funeral Directors Association.

John Fowler,
InvoCare Funerals General
Manager, Victoria

For over 30 years, John has made a significant contribution to the funeral industry and he was recently appointed Junior National Vice President of the Australian Funeral Directors Association.

30
YEARS

of service to the
funeral industry



Key strategies

InvoCare's robust business model continues to deliver growth through anticipated volume increases, investments in our brands, our people, our communities, our facilities, and our pre-need options. New locations and business acquisitions have also supported our growth as we aim to provide outstanding customer service to our client families in more geographic locations.

Demographics

The baby-boomer generation are seeking more celebratory style services rather than traditional services. Our White Lady and contemporary funeral brands are positioned well to tailor their services to meet these emerging trends continued with the ageing population in Australia, New Zealand and Singapore.

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 the brand awareness is the many hours our staff devotes 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 Le Pine our key contemporary brand in Melbourne has maintained its brand awareness at greater than 90% for the fifth year running. Total awareness for Guardian Funerals, our New South Wales umbrella brand, rose 10% to 62% in the latest surveys.

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 and digital systems, are available for those who choose them. We also continue to expend substantial sums maintaining our many heritage listed assets, especially in our locations where many generations of individual families are memorialised.

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. In 2011 particular emphasis was placed on developing our managers' performance appraisal skills so they are better placed to assist with the development of their team members. 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.

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 manage our investment risks and to have investment strategies where surpluses are expected from our pre-need funds under management 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.

New Locations and Acquisitions

Building on InvoCare's robust business model we continue to seek new locations and acquisitions within the foot print 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, New Zealand and in Singapore, more geographically dispersed opportunities and models are being examined.

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 earnings 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 team

The management team at InvoCare has more than 65 years combined relevant industry experience and many team members have held senior executive roles in other industries.



ANDREW SMITH
CHIEF EXECUTIVE OFFICER

Industry experience
6 years

PHILLIP FRIERY
CHIEF FINANCIAL
OFFICER AND COMPANY
SECRETARY

Industry experience
17 years

GREG BISSET
CHIEF OPERATING
OFFICER,
AUSTRALIA

Industry experience
4 years

WEE LENG GOH
CHIEF EXECUTIVE OFFICER
SINGAPORE CASKET
COMPANY

Industry experience
4 years

GRAEME RHIND
CHIEF OPERATING
OFFICER, NEW ZEALAND
COMPANY

Industry experience
35 years

Each operational area is supported by a network of general and 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.

Lakeside's win is a tale of progress



The garden at Lakeside Memorial Park, Dapto New South Wales.

When for the first time ever Lakeside Memorial Park took first place in the 2011 iteration of InvoCare's hotly contested Annual Park and Garden Awards, it highlighted a story of the maturing fruits of ongoing development.

First, Lakeside's victory is testament to InvoCare's commitment to career development in the cemeteries and funeral industries. Bruno Kuehne, now Operations Manager at Lakeside, began his career with InvoCare as a general hand at the Park.

Over the years, Bruno has had exposure to a broad cross-section of operational roles, and in 2008 was selected to take part in InvoCare's innovative Future Leaders Program. Initially implemented as part of succession planning for the business, Bruno has taken advantage of the opportunities presented by the program. Through his wealth of experience and the value of the training he has been provided, the goal of future proofing InvoCare's operations has now borne ripe fruit.

Lakeside Memorial Park itself is also the beneficiary of this ongoing development.

Together with his grounds team, over the years Bruno has worked very closely with the local community, with funeral directors, and with a range of other stakeholders to ensure Lakeside is able to serve the needs of the growing Illawarra area.

The result of this includes such Park additions as the Our Lady of Graces Crypts; memorial areas dedicated to the area's Croatian, Polish and Serbian residents; a special memorial area for the armed forces; the commissioning and blessing of the sculpture "Altos and Sopranos" by world renowned artist, Charles Billich, and most recently the completion of Stage 5 of the Giovanni Battista Scalabrini Crypts.

WINNERS
Lakeside wins
Annual Park and
Gardens Award

Bruno Kuehne,
Operations Manager
Lakeside

Bruno originally started at InvoCare as a park hand and is now the manager of Lakeside. InvoCare is proud to support its future leaders by providing ongoing vocational and managerial training to all team members.

Bruno Kuehne (left)
and team member.



Partners to our communities

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



Making a difference to the communities we serve

In 2011, InvoCare kept its commitments to organisations such as the Australian Chinese Charity Foundation, Legacy and Lions Clubs Australia. InvoCare has signed Memoranda of Understanding with all three of these organisations, giving them the certainty of being backed by a significant corporate entity that wishes to help them achieve their goals.

Right across its operations, InvoCare locations continued to be valuable partners to the community. Many White Lady Funerals and Simplicity Funerals locations across the country offered their premises as venues for community meetings. Contemporary funeral brands in each Australian state continued to host grief seminars and memorial services at Christmas, on Mothers' and on Fathers' Day.

In New Zealand, the process of building relationships with organisations such as Lions and Rotary is well underway, and Justice of the Peace services are being offered in many of our locations.

From Jeans for Genes Day, the Relay for Life, the Red Shield Appeal, the Biggest Morning Tea, Mo'vember, Shave for a Cure, Daffodil Day and the CEO Sleepout, InvoCare's funeral, cemeteries and crematoria staff found time to support these causes and many more.

InvoCare was also pleased to be a major supporter of the Australian tour of one of Britain's foremost neuroscientists, Baroness Susan Greenfield.

A guest of Alzheimer's Australia, and touring the country to raise awareness of this disease and other forms of neuro-degeneration, InvoCare's Contemporary funeral brands provided practical and logistical support for the Baroness's tour, facilitating her travels around the country and assisting her to make all of her conference and media engagements.

The Baroness's message, 'Is a dementia free world achievable?', was tailored to provoke thoughts on what a post-dementia may look like, as well as being a call to action to fund future research. Australia, as well as other countries with aging populations, faces a significant future challenge in assisting people with Alzheimer's and other forms of dementia.

InvoCare is a committed partner to groups and associations seeking to enhance the life prospects of aging populations. Whether by supporting tours such as that of Baroness Susan Greenfield, or through the running of community workshops on estate planning, putting information into the hands of those who need it is a valuable way InvoCare can enhance the outcomes of aging populations.

InvoCare is also proud to be associated with a range of other organisations such as palliative care groups, nursing and aged-care training providers, suicide prevention organisations and providers of grief management advice and support. InvoCare will continue to seek out well-regarded organisations and well-respected providers of information, and support their efforts to make a difference to the communities we serve.

Seeing a need and then acting

One of the greatest aspects of the vocational work performed by the funeral directors and cemeteries and crematoria staff employed by InvoCare is the delivery of genuine care to people in need. Yet there are many ways that this can be achieved, including the assistance we provide when we put the call out to the public, encouraging them to also make a difference.

With more than 240 locations spread around Australia, New Zealand and Singapore, InvoCare's network of facilities, along with the community networks made and maintained by location staff, makes using our funeral homes and cemeteries a smart way of raising awareness of important causes and initiatives.

In 2011, InvoCare's Cemeteries and Crematoria division supported a mobile phone recycling program that enabled people to donate their unused and broken mobile phones. The phones were then recycled for parts and valuable materials, or on sold if they were still in working order, with the proceeds going to cancer research groups so that they could continue their investigations into potential cures and advances in treatment.

Right across InvoCare's operations, funeral homes, chapels and other facilities were used as collection points for spectacles that were then donated to the Lions Recycle for Sight program. In addition, collection boxes were taken by InvoCare staff out to community centres, retirement villages and cultural groups to expand the network of collection points.



1. Gardeners at Lakeside, Dapto New South Wales.
2. Le Pine Asian Funerals Chapel, Glen Waverley Victoria.



3. Scott Turnbull (right) working with a team member at Turnbull Family Funerals North Hobart.
 4. Taking care of the little details is what makes White Lady Funerals so special.



Thanks to InvoCare's assistance with this program, the Lions have been able to take the donated spectacles to many parts of the developing world, as well as to remote and regional communities in Australia. Access to vision-enhancing services, such as optometrists and eye-glass specialists, is out of reach of many, not in the developing world but also in Australia. Recently, Lions Club Australia gratefully acknowledged that InvoCare locations had collected and passed on well over 200,000 spectacles. Each pair collected by InvoCare staff and locations is a life changing gift to someone in need.

InvoCare's staff also responds to the needs of the seasons

In winter, many funeral home locations take part in charity collections, such as the St Vincent de Paul's Winter Appeal. This worthwhile cause asks for donations of food and blankets that are distributed to those in need. It is not only the homeless who require this assistance. These days, a great many families are also heavily reliant on organisations such as the St Vincent de Paul Society to make ends meet. Providing blankets and food donations is a meaningful way to support people in need at this time of the year.

In summer, many InvoCare locations are able to make a difference by supporting local sun-smart programs. By donating 30+ sunblock to schools, and spreading the message that ensuring healthy, cancer-free skin is as easy as slip, slop, slap, wrap, InvoCare's staff are helping protect the younger generation from harm.

In Queensland, where individuals, families and communities are still dealing with the aftermath of 2011's Cyclone Yasi and the devastating floods, InvoCare was there for those whose lives had been disrupted. Beyond pitching in with the clean-up, collections were made of items such as children's toys, books, toothpaste and shampoo. These are everyday items for those who have been unaffected by a natural disaster, but they are simple, and much appreciated, luxuries for those who have lost so much.

At Christmas, many InvoCare staff participate in toy collections. These gifts are often collected during the moving remembrance services that are held in honour of missing loved ones. Families often attend these services year-on-year, not only gaining a sense of peace at this special time of the year, but also donating a toy to the drive. Partnering with organisations such as The Salvation Army and The Samaritans Purse, the collected Christmas gifts are distributed to disadvantaged families, helping bring cheer and good memories to those who are less fortunate.

Another significant way InvoCare employees are able to respond to a need is when a family makes a request that mourners donate to a charity in lieu of flowers. Through their network of community contacts, and their awareness of a variety of worthwhile causes, InvoCare's funeral directors are able to recommend a charity that is a good match to the wishes of the deceased and their families.

Greater reach
 With more than 240 locations spread around Australia, New Zealand and Singapore, InvoCare's network of community engagement means we can make a difference in peoples lives.

Group financial and operating review

The successful acquisition of Bledisloe in June 2011 launched InvoCare into New Zealand, Tasmania and regional parts of Queensland. Complementing InvoCare's existing businesses across Australia and Singapore, this acquisition positions InvoCare as a significant provider of funeral services in the Asia-Pacific region.

Financial Highlights

Full year, first half and second half financial results are summarised in the following table.

	FIRST HALF				SECOND HALF				FULL YEAR			
	2011 Actual \$m	2010 Actual \$m	Change \$m	Change %	2011 Actual \$m	2010 Actual \$m	Change \$m	Change %	2011 Actual \$m	2010 Actual \$m	Change \$m	Change %
Total sales to external customers	140.5	127.4	13.0	10.2%	180.7	140.0	40.6	29.0%	321.1	267.4	53.7	20.1%
Other revenue	2.8	2.6	0.1	4.9%	3.6	2.5	1.1	45.3%	6.4	5.1	1.3	24.5%
Operating expenses (i)	(108.1)	(97.6)	(10.4)	10.7%	(137.6)	(104.5)	(33.1)	31.7%	(245.7)	(202.2)	(43.5)	21.5%
Operating EBITDA (i)	35.1	32.4	2.7	8.5%	46.7	38.0	8.7	22.8%	81.8	70.4	11.4	16.2%
<i>Operating EBITDA Margin (i)</i>	25.0%	25.4%		(0.4%)	25.8%	27.1%		(1.3%)	25.5%	26.3%		0.1%
Depreciation and amortisation	(5.9)	(5.4)	(0.5)	9.5%	(7.8)	(5.8)	(2.0)	34.8%	(13.7)	(11.2)	(2.5)	22.6%
Finance costs (ii)	(6.3)	(5.5)	(0.8)	14.2%	(8.8)	(6.3)	(2.4)	38.4%	(15.1)	(11.9)	(3.2)	27.1%
Interest income	0.4	0.3	0.1	19.8%	0.3	0.3	0.0	3.3%	0.7	0.7	0.1	11.5%
Business acquisition costs	(1.0)	(0.9)	(0.1)	15.5%	(0.3)	(0.4)	0.1	(23.9%)	(1.3)	(1.3)	(0.0)	1.9%
Operating earnings before tax (i)	22.3	20.9	1.4	6.5%	30.1	25.8	4.3	16.7%	52.4	46.7	5.7	12.2%
Income tax expense	(6.9)	(6.2)	(0.6)	10.1%	(9.1)	(7.5)	(1.6)	22.0%	(16.0)	(13.8)	(2.2)	16.0%
<i>Effective tax rate</i>	30.9%	29.9%		1.0%	30.4%	29.1%		1.3%	30.5%	29.5%		1.0%
Operating earnings after tax (i)	15.4	14.7	0.7	5.0%	21.0	18.3	2.7	14.6%	36.4	32.9	3.5	10.6%
<i>Operating earnings per share (i)</i>	15.0	14.4	0.6	4.0%	19.5	18.0	1.6	8.6%	34.5	32.4	2.1	6.6%
	cents	cents	cents		cents	cents	cents		cents	cents	cents	
Net gain/(loss) on undelivered prepaid contracts after tax (i)	(0.9)	(9.5)	8.6		(8.5)	2.3	(10.9)		(9.4)	(7.2)	(2.2)	
Prior period tax (expense)/credit	(0.0)	(0.0)	0.0		0.0	(0.0)	0.0		(0.0)	(0.0)	0.0	
Investment allowance tax benefit (i)		0.3	(0.3)			0.1	(0.1)		-	0.4	(0.4)	
Non-cash swap movements after tax (i)	-	0.4	(0.4)		-	0.2	(0.2)		-	0.6	(0.6)	
Profit/(loss) on sale of assets (i)	0.0	0.7	(0.7)		0.2	(0.2)	0.3		0.1	0.7	(0.6)	
Minority interest	(0.1)	(0.1)	-		(0.1)	(0.0)	(0.0)		(0.1)	(0.1)	(0.0)	
Profit after tax attributable to the members of InvoCare Limited	14.5	6.6	7.9	120.1%	12.5	20.8	(8.2)	(39.7%)	27.0	27.4	(0.4)	(1.3%)
<i>Earnings per share</i>	14.1	6.5	7.6	116.9%	11.5	20.4	(8.9)	(43.6%)	25.6	26.9	(1.3)	(4.8%)
	cents	cents	cents		cents	cents	cents		cents	cents	cents	

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

(i) Non-IFRS financial information.

(ii) Finance costs exclude non-cash fair value movements on financial instruments (eg. Interest rate swaps).

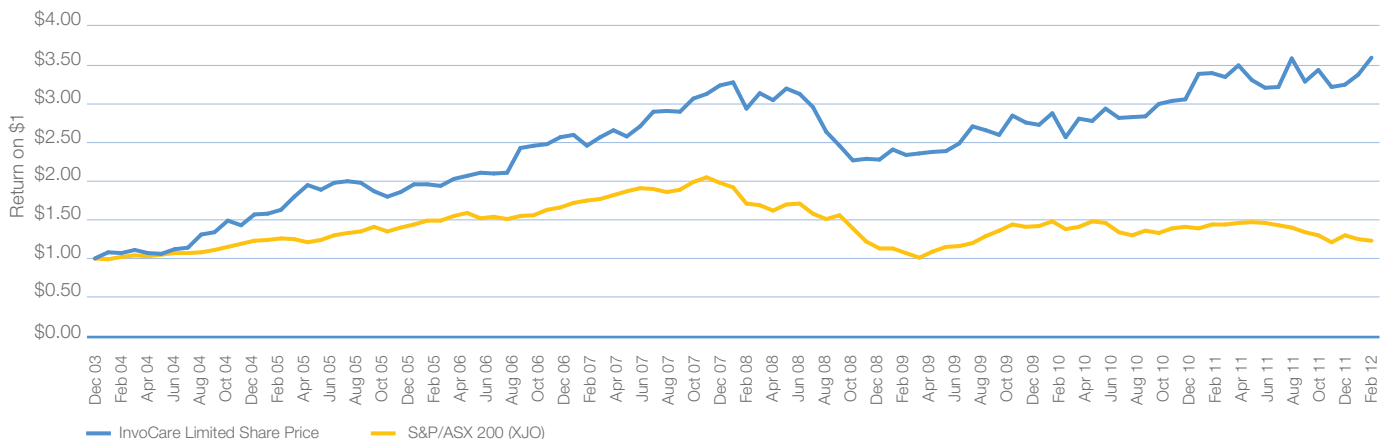
Reported profit after tax, which includes net gains and losses from undelivered prepaid contracts, was \$27.1 million compared to \$27.4 million in the corresponding 2010 year.

Operating earnings after tax¹ increased by 10.6% or \$3.5 million to \$36.4 million (2010: \$32.9 million). Operating earnings per share increased 6.6% which was lower than the percentage earnings increase due to the shares issued as part of the Bledisloe purchase. Bledisloe's contribution to this profit since 15 June 2011 was \$0.1 million (or 0.1 cents per share), after expensing non-tax deductible acquisition costs of \$1.6 million.

A final, fully franked dividend of 16.25 cents per share will be paid on 5 April 2012. Total dividends for the year are 29.75 cents, being 1.5 cents or 5.3% higher than 2010, equal to the 6.6% growth in operating earnings. The full year dividend payout ratio of operating earnings after tax is 89% (2010: 88%).

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

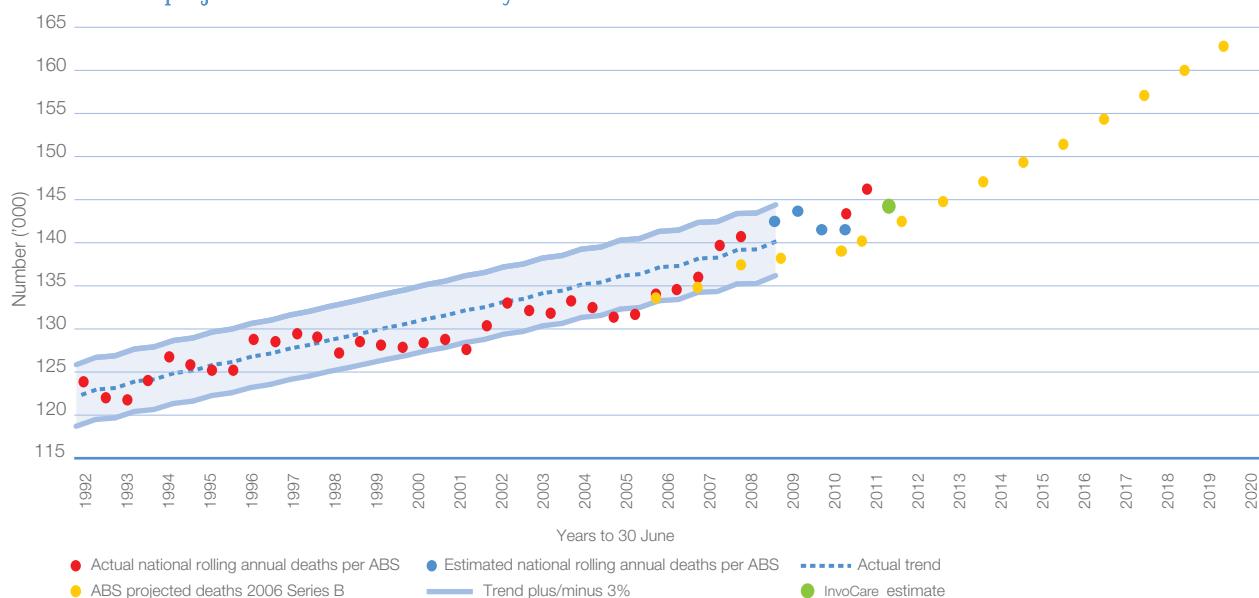
Return on \$1 - InvoCare Limited against S&P / ASX 200 Index (XJO)



Sales revenue increased 20.1% to \$321.1 million, including part year contribution of \$38.1 million from Bledisloe and full year contribution of \$4.8 million (2010: \$2.7 million) from WN Bull Funerals. Excluding the acquisitions, comparable business sales grew by 5.1% to \$278.3 million. This growth was driven by market share improvements, increased numbers of deaths, annual price changes and higher funeral disbursement revenues.

The following graph shows actual, estimated and longer term forecasts for Australian deaths. Consistent with InvoCare's experience in its markets, the number of deaths is reverting to the longer term trend after a short period of above average numbers. The recent business acquisitions have assisted in growing InvoCare's share of the Australian funeral market to 26%.

Actual and projected fiscal and calendar year deaths - Australia



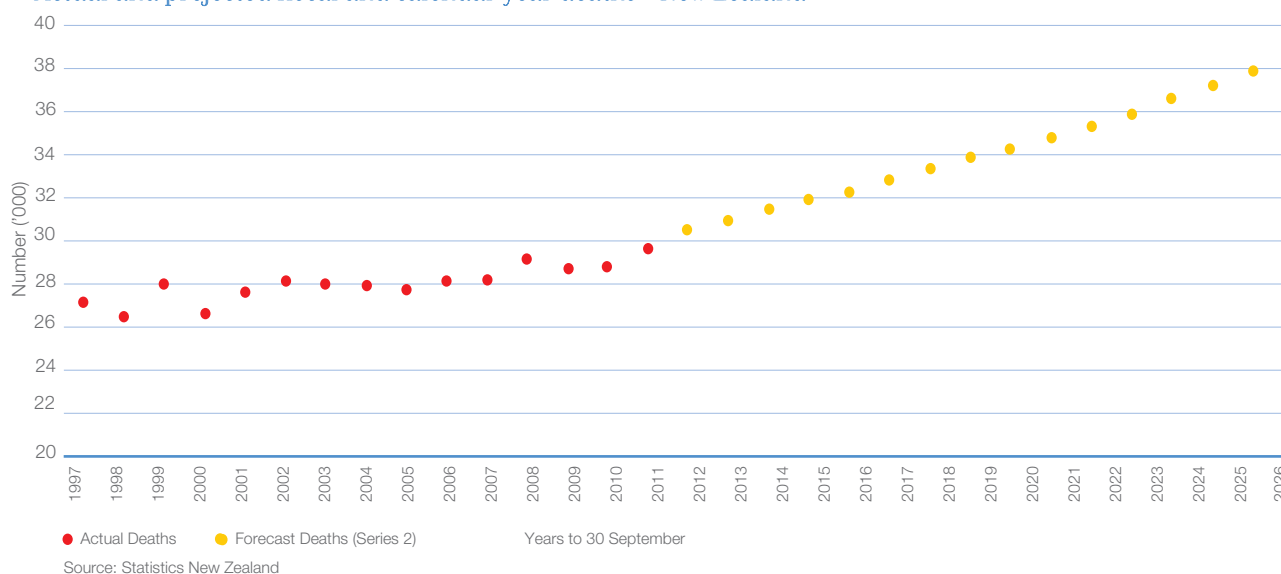
¹ Operating earnings after tax and operating earnings per share are non-IFRS financial information.

Group financial and operating review continued

With the Bledisloe acquisition, InvoCare now has around 16% share of the New Zealand funeral market. Similar to Australia, New Zealand's national statistical agency is forecasting an increasing number of deaths as shown in the following graph.

Operating expenses (excluding depreciation, amortisation, acquisition related and finance costs) increased \$43.5 million or 21.5% to \$245.7 million. On a comparable basis (excluding Bledisloe and WN Bull), the increase was 5.0% or \$10.0 million.

Actual and projected fiscal and calendar year deaths - New Zealand



After costs of goods sold, consumables and funeral disbursement expenses, personnel related costs are the main operating cost. The group now has approximately 1,500 employees, including 350 who joined with the Bledisloe acquisition, 180 in Australia and 170 in New Zealand.

Operating EBITDA² improved by \$11.4 million or 16.2% to \$81.8 million (2010: \$70.4 million), including part year contribution of \$6.5 million from Bledisloe and full year contribution of \$1.0 million (2010: \$0.4 million) from WN Bull Funerals. Excluding these acquisitions, comparable business EBITDA grew by \$4.3 million or 6.1% to \$74.3 million (2010: \$70.0 million). Sales margins in comparable businesses improved. Overall margins were slightly down with the key impact being the lower margin Bledisloe business.

With the change in accounting policy introduced in 2010, net gains and losses from undelivered prepaid contracts are included in reported profit. The gains and losses are non-cash and do not impact on InvoCare's business operations. During 2011, a net before tax loss of \$13.5 million has been recorded (2010: \$10.3 million). Non-cash fair value movements (ie. investment earnings) of \$2.1 million in prepaid contract funds under management (2010: \$1.5 million) were insufficient to offset the non-cash growth due to selling price increases of \$15.5 million in the liability for future service delivery obligations (2010: \$11.8 million). Asset allocations have been revised in the main prepaid contract fund with the aim of improving future investment earnings.

In Australia, sales of new prepaid funeral contracts increased by 8.6% on the previous year and exceeded the number of prepaid services performed by 16.5% (2010: 16.8%). Prepaid funerals performed in the year were 13.8% (2010: 13.0%) of comparable at need funerals. Prepaid funerals are not a feature of the New Zealand or Singapore markets.

Depreciation and amortisation expenses increased by \$2.5 million to \$13.7 million. On a comparable basis, excluding the acquisitions, depreciation and amortisation expenses increased by \$0.9 million to \$12.0 million. The main increase relates to motor vehicles (up \$0.4 million) as a direct result of fleet upgrades and buildings (up \$0.2 million) following new capital expenditure.

Finance costs, excluding non-cash interest rate swap movements, increased by \$3.2 million to \$15.1 million (2010: \$11.9 million). The increase relates to the higher cost of the refinanced debt facilities from September 2010, as well as higher levels of debt used to fund the Bledisloe acquisition.

Acquisition related costs expensed in the year were \$1.3 million (2010: \$1.3 million). The costs, which include legal fees, were higher than anticipated due to the protracted seven month Australian Competition & Consumer Commission ("ACCC") review of InvoCare's acquisition of Bledisloe. The previous year's acquisition expense was related to stamp duty on property acquired in the WN Bull Funerals acquisition and the preliminary expenses associated with the Bledisloe acquisition.

² Operating EBITDA is non-IFRS financial information.

Operating cash flows were \$2.2 million lower than the corresponding year at \$44.0 million (2010: \$46.2 million). Excluding the Bledisloe business, operating EBITDA conversion to cash remained strong for the core InvoCare business. As part of the Bledisloe integration activities, InvoCare is improving working capital management within the Bledisloe businesses.

At 31 December 2011, gross borrowings from the group's total \$255 million debt facilities were \$215.0 million, compared to \$236.3 million at 30 June 2011 and \$152.7 million at 31 December 2010. The current drawings comprise AUD174 million, SGD27 million and NZD27 million. The foreign currency drawings naturally hedge InvoCare's investments in Singapore and New Zealand. Financial covenant ratios on these facilities were comfortably met at 31 December 2011.

Expansion activities continue in Australia and abroad. In addition to plans to open five new funeral home locations in Australia and New Zealand, InvoCare is in discussions with a number of potential vendors. The timing and size of any successful acquisition is uncertain.

With the addition of Bledisloe, the group's capital expenditure in 2012 is expected to be approximately \$20 million, compared to \$16.7 million in 2011. The main investments planned include new condolence and chapel facilities in Sydney, upgrading shared service operations in Sydney and Brisbane, a new funeral home in New Zealand and digitalisation technology, in all cases to lift service standards and offerings. Offsetting this expenditure is the sale in the first half of a surplus Melbourne funeral home property for net proceeds of \$2.4 million.

There has been no change to InvoCare's capital management plans. Sufficient funds are expected to be available from debt facilities and free cash flows for capital expenditure and smaller "bolt on" acquisitions. If a more substantial opportunity arises, alternative funding sources, such as an equity raising, would be considered. It remains the policy of the Board to distribute at least 75% of operating earnings after tax³ as dividends, as well as increase the quantum of those dividends year on year.

InvoCare has had yet another successful year and expects to continue its growth through the pillars of higher numbers of deaths, selling price increase, prepaid contracts, growing share in existing markets, business acquisitions and opening new locations.

³ Operating earnings after tax is non-IFRS financial information.



Financial Report

InvoCare Limited and Controlled Entities

Financial Report for the financial year ended 31 December 2011

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 20 March 2012. 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 2011. 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

Ms Aliza Knox and Mr Richard Davis were appointed as directors on 1 October 2011 and 21 February 2012, respectively, and continue in office at the date of this report.

Principal activities

The Group is the leading provider of services in the funeral industry in Australia, New Zealand and Singapore. Other than disclosed in this report there were no significant changes in the nature of these activities during the year.

Significant changes in the state of affairs

During the year the Group acquired Bledisloe Group Holdings Pty Limited and its controlled entities. This acquisition expanded the Group's foot print on the east coast of Australia and gave the Group a significant presence in the New Zealand market. Other than the Bledisloe acquisition there have been no significant changes in the state of the Group's affairs during the financial year.

Operating results

The operating earnings after tax for the year was \$36,406,000 (2010: \$32,928,000) as reconciled on page 25. The consolidated after tax profit of the Group attributable to shareholders was \$27,012,000 (2010: \$27,366,000).

Dividends

The Directors have recommended a final, fully franked dividend of 16.25 cents per share payable on 5 April 2012. Total full year dividends are 29.75 cents, being 1.50 cents or 5.3% higher than 2010 which is comparable to the 6.6% growth in operating earnings after tax per share. The full year dividend payout ratio is 89% (2010: 88%) of operating profit after tax.

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

	2011 \$'000	2010 \$'000
Interim ordinary dividend of 13.5 cents (2010: 13.0 cents) per fully paid share paid on 7 October 2011	14,568	13,269
Final ordinary dividend of 16.25 cents (2010: 15.25 cents) per fully paid share has been recommended by directors on 20 February 2012 to be paid on 5 April 2012	17,880	15,619
Total ordinary dividends of 29.75 cents (2010: 28.25 cents)	32,448	28,888

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

The Dividend Reinvestment Plan ("DRP") was available for the 2011 interim dividend and \$14,128,009 (2010: \$11,168,715) was paid in cash and \$3,335,371 (2010: \$2,100,267) through the issue of 484,715 (2010: 325,558) shares at \$6.88 (2010: \$6.45) per share via the DRP. The shortfall in the DRP take-up was underwritten and 1,632,686 shares issued. All shares were issued at a 2% discount. The interim dividend in 2010 was not underwritten.

The DRP will apply to the final 2011 dividend which is not being underwritten and no discount to the market price will apply.

Review of operations

Operating EBITDA and operating earnings are financial measures which are not prescribed by Australian Accounting Standards ("AAS") and represent the earnings under AAS adjusted for specific non-cash items and significant items. The following table summarises the key reconciling items between net profit after tax attributable to InvoCare shareholders and operating EBITDA and operating earnings before and after tax. The operating EBITDA and operating earnings before and after tax information included in the table below has not been subject to any specific audit or review procedures by our auditor but has been extracted from the accompanying financial report.

Results highlights:

	2011	2010	Change	
	\$'000	\$'000	\$'000	%
Total sales to external customers	321,113	267,449	53,633	20.1%
Other revenue	6,383	5,125	1,258	24.6%
Operating expenses ⁽ⁱ⁾	(245,695)	(202,163)	(43,532)	21.5%
Operating EBITDA⁽ⁱ⁾	81,802	70,411	11,391	16.2%
Operating Margin	25.5%	26.3%	(0.9%)	(0.9%)
Depreciation, amortisation and impairment	(13,746)	(11,215)	(2,531)	22.6%
Finance costs ⁽ⁱⁱ⁾	(15,092)	(11,873)	(3,218)	27.1%
Interest income	729	654	75	11.4%
Business acquisition costs	(1,309)	(1,284)	(25)	1.9%
Operating earnings before tax⁽ⁱ⁾	52,383	46,693	5,690	12.2%
Income tax expense ⁽ⁱ⁾	(15,977)	(13,743)	(2,212)	16.1%
Effective tax rate	30.5%	29.5%		1.0%
Operating earnings after tax⁽ⁱ⁾	36,406	32,928	3,478	10.6%
Operating earnings per share	34.5 cents	32.4 cents	2.1 cents	6.6%
Net gain/(loss) on undelivered prepaid contracts after tax ^{(i) & (iii)}	(9,434)	(7,210)	(2,224)	30.9%
Investment allowance tax benefit ⁽ⁱ⁾	–	443	(443)	
Non-cash swap movements after tax ⁽ⁱ⁾	–	593	(593)	
Asset sale gains after tax ⁽ⁱ⁾	142	707	(565)	
Minority interest	(103)	(94)	(9)	
Net profit after tax attributable to InvoCare shareholders	27,012	27,366	(354)	(1.3%)
Basic earnings per share	25.6 cents	26.9 cents	(1.3 cents)	(4.9%)
Dividends				
Interim ordinary dividend per share	13.50 cents	13.00 cents	0.50 cents	3.8%
Final ordinary dividend per share	16.25 cents	15.25 cents	1.00 cents	6.6%
Total ordinary dividend per share	29.75 cents	28.25 cents	1.50 cents	5.3%

(i) Non-IFRS financial information.

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

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

The successful acquisition of Bledisloe in June 2011 launched InvoCare into New Zealand, Tasmania and regional parts of Queensland. Complementing InvoCare's existing businesses across Australia and Singapore, this acquisition positions InvoCare as a significant provider of funeral services in the Asia-Pacific region.

Reported profit after tax, which includes net gains and losses from undelivered prepaid contracts and minority interests, was \$27.0 million compared to \$27.4 million in the corresponding 2010 year.

Operating earnings after tax¹ increased by 10.6% or \$3.5 million to \$36.4 million (2010: \$32.9 million). Operating earnings per share increased 6.6%, lower than the operating earnings after tax percentage increase due to the issue of shares as part consideration to the vendors of Bledisloe. Bledisloe's contribution to this profit since 15 June 2011 was \$0.1 million (or 0.1 cents per share), after expensing non-tax deductible acquisition costs of \$1.6 million.

Sales revenue increased 20.1% to \$321.1 million, including part year contribution of \$38.1 million from Bledisloe and full year contribution of \$4.8 million (2010: \$2.7 million) from WN Bull Funerals, which was acquired on 15 June 2010. Excluding the acquisitions, comparable business sales grew by 5.1% to \$278.3 million. This growth was driven by market share improvements, increased numbers of deaths, annual price changes and higher funeral disbursement revenues.

¹ Operating earnings after tax and operating earnings per share are non-IFRS financial information. A reconciliation to IFRS financial information is set out in the results highlights on this page.

Operating EBITDA² was up 16.2% to \$81.8 million, including part year contribution of \$6.5 million from Bledisloe and full year contribution of \$1.0 million (2010: \$0.4 million) from WN Bull Funerals. Excluding these acquisitions, comparable business EBITDA grew by 6.1% to \$74.3 million. Sales margins in comparable businesses improved. Overall margins were slightly down with the key impact being the lower margin Bledisloe business.

The non-cash fair value movements (ie. investment earnings) of \$2.1 million in prepaid contract funds under management (2010: \$1.5 million) were insufficient to offset the non-cash growth due to selling price increases of \$15.5 million in the liability for future service delivery obligations (2010: \$11.8 million). Asset allocations have been revised in the main prepaid contract fund with the aim of improving future investment earnings.

Significant events after the balance date

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

Future developments and results

Year to date case volumes in comparable businesses are similar to last year, although it is evident that the lower number of deaths initially experienced in the second half of 2011 has continued into the first quarter of 2012. Bledisloe's Australian and New Zealand case volumes are also slightly below those achieved in the early part of 2011, before InvoCare's acquisition in June 2011. Consistent with past practice, funeral prices were increased as planned in late 2011 and cemetery and crematoria prices were increased in early March. InvoCare's sales revenue is significantly affected by changes in the numbers of deaths and, as such, the early weeks of 2012 cannot and should not be used as an indicator of future 2012 results.

With the closure of Bledisloe's former corporate office in late 2011 and near finalisation of operational changes, InvoCare is on track to deliver at least \$3.0 million in synergy benefits in 2012. It is anticipated Bledisloe should contribute, including synergies, at least \$14 million to the group's operating EBITDA during 2012. The Bledisloe integration and delivery of synergy benefits remains a significant management priority.

Prepaid funeral trust investment returns are expected to improve in 2012, especially given the tactical tilt away from equities by the main prepaid fund which holds approximately 75% of prepaid contract funds. In particular, that fund's investment manager is actively exploring alternative asset investments, including properties, with a view to improving returns and minimising volatility, which has been a feature of equity markets in recent years. If successful, these initiatives should result in fair value movements in funds under management more than offsetting the increase in the future obligation which results from InvoCare's selling price increases.

Expansion activities continue in Australia and abroad. In addition to plans to open three new funeral home locations in Australia and two in New Zealand, InvoCare is in discussion with a number of potential vendors. The timing and size of any successful acquisition is uncertain, but InvoCare is confident of future acquisitions in both countries. Although regulatory competition barriers may be encountered in some Australian markets, as experienced with the Bledisloe acquisition, InvoCare is exploring opportunities in various markets, including some regional areas where it is currently unrepresented. The appointment of Aliza Knox and Richard Davis to the Board strengthens InvoCare's overseas and international business experience as it considers opportunities in markets outside Australia, New Zealand and Singapore.

With the addition of Bledisloe, the group's capital expenditure in 2012 is expected to be approximately \$20 million. The main investments planned include new condolence and chapel facilities in Sydney, upgrading shared service operations in Sydney and Brisbane, new funeral homes in New Zealand and digitalisation technology, in all cases to lift service standards and offerings. Offsetting this expenditure is the sale in the first half of a surplus Melbourne funeral home property which has been held since 1994. The proceeds are around \$2.4 million with a before tax sale gain of around \$1.8 million. No other property sales are currently anticipated, although InvoCare will continue its practice of reviewing the performance of its property assets and, if required, may dispose underperforming assets.

There has been no change to InvoCare's capital management plans. Sufficient funds are expected to be available from debt facilities and free cash flows for capital expenditure and smaller "bolt on" acquisitions. If a more substantial opportunity arises, alternative funding sources, such as an equity raising, would be considered. It remains the policy of the Board to distribute at least 75% of operating earnings after tax³ as dividends, as well as increase the quantum of those dividends year on year.

InvoCare has had yet another successful year and expects to continue its growth through the pillars of higher numbers of deaths, selling price increases, prepaid contracts, growing share in existing markets, business acquisitions and opening new locations.

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.

² Operating EBITDA is non-IFRS financial information and its components are set out in the results highlights on page 25.

³ Operating Earnings after tax is non-IFRS financial information and its components are set out in the results highlights on page 25.

Board of Directors



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

Information on directors

Details of the directors' qualifications and experience follow.

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 8 May 2001. He is a Fellow of The Institute of Chartered Accountants in Australia. Ian has had over 46 years of experience in company corporate recovery and turnaround practice in various industries including property and development, tourism, manufacturing, retail, hospitality and hotels, infrastructure and aviation. He is co-founder and Chairman of BRI Ferrier, a specialist corporate advisory firm and 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 is also co-chairman of the National Centre of Indigenous Excellence.

Other Public Company Directorships held in the last three years

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.

Directors' Report 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 Clifton has been a director of InvoCare Limited since 24 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, including HCF, Health Care Australia, Ambri Ltd, the Garvan Institute of Medical Research, the Victor Chang Cardiac Research Institute, and St Vincents Hospitals. Prior to 2001, Tina held various positions in the public and private healthcare sectors, including Chief Executive Officer of the Sisters of Charity Health Service in New South Wales and deputy Chief Executive Officer of the Northern Sydney Area Health Service. From 1980 to 1988 Tina was a general practitioner. She has also been President of the Doctors Health Advisory Service and active with Matthew Talbot, Amnesty International, NSW mental health services Official Visitors' programme and Bushcare. Tina holds degrees in medicine and health administration from the University of New South Wales and obtained a specialist qualification in medical administration (FRACMA).

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 on 1 January 2005 and joined both the Audit Committee and the Remuneration Committee in February 2005. He became Chairman of the Remuneration Committee on 21 December 2009. Roger is a Principal of the Taxation Services division at Crowe Horwath Sydney, joining the firm in 1986. He has had over 30 years of high-level specialist tax consulting and general business experience, including mergers, acquisitions, initial public offerings and group restructures. He is also a director of Emergency Architects Australia Limited. Roger holds a Bachelor of Economics from the Australian National University, is a Fellow of the Institute of Chartered Accountants in Australia, a Fellow of the Taxation Institute of Australia, a member of the Australian Institute of Company Directors and a member of the Crowe Horwath International Tax Committee.

Mr Benjamin Chow AO BE

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

Benjamin Chow was appointed as a director of InvoCare Limited on 22 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 to implement its multicultural policies. He is the Deputy Chairman of NSW Government Multicultural Business Advisory Panel, the President of Sydney Executive Business Lions Club, President of Sydney University Nerve Research Foundation, a Director of Chain Reaction Foundation and an Honorary Governor to the Council of Sydney Medical School Foundation, University of Sydney. He served six years on the Council of the National Museum of Australia, as well as Bond University.

He served and continues to serve many leading Chinese community organisations in Sydney for over 30 years. He was awarded a Centenary Medal in 2001 and an Officer of the Order of Australia in 2007.

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

Mr Richard Fisher AM MEd 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 during his 25 years as a partner of that firm. He has been a director of InvoCare Limited since 24 October 2003. He was appointed as a director of Sydney Water effective 1 January 2012, is a director of Baosteel Mining Company (Australia) Pty Ltd and a Member of the Library Council of NSW. Richard is a former part-time Commissioner at the Australian Law Reform Commission and was an International Consultant for the Asian Development Bank. Richard holds a Master of Economics from the University of New England and a Bachelor of Laws from the University of Sydney.

Ms Aliza Knox BA MBA

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

Aliza Knox was appointed as a director of InvoCare Limited on 1 October 2011 and became a member of the Risk Committee later that month. Aliza is a digital media and financial service executive with more than two decades broad international marketing and management experience. Appointed in 2007 as Managing Director of the Online Sales Group for Google Asia Pacific, she is now the Managing Director Commerce for Google Asia Pacific with responsibility for China, India, South East Asia, Japan, Australia and all other countries in the region.

Her previous roles have included Senior Vice President with global payments technology company Visa International, with responsibility for commercial solutions and global product platforms, Senior Vice President with investing services and solutions provider Charles Schwab & Company, with responsibility for international wireless and Asian expansion, and Partner in Boston Consulting Group as head of its Asian Financial Services Practice.

She is a board member of a workforce development NGO in USA and an advisor to several organisations and a government committee in Singapore.

Aliza holds a Bachelor of Arts (Applied Math and Economics) from Brown University (USA) and Masters of Business Administration (Marketing) from New York University Graduate School of Administration (USA).

Mr Richard Davis BEc (appointed 21 February 2012)
Non-executive Director
Member of Nomination Committee

Richard Davis was appointed a non-executive director of InvoCare Limited on 21 February 2012. Richard previously retired as InvoCare's Chief Executive Officer and Managing Director on 31 December 2008 after 20 years with InvoCare. For the majority of that time, he held the position of Chief Executive Officer and successfully initiated and managed the growth of the business through a number of ownership changes and over 20 acquisitions, including Singapore Casket, the Company's first international acquisition.

Richard has been a non-executive director of Australian Vintage Ltd since 5 May 2009 and is also Chairman of the Audit Committee of that company. Prior to joining the funeral industry, Richard worked in venture capital and as an accounting partner of Bird Cameron. Richard holds a Bachelor of Economics from the University of Sydney.

Other Public Company Directorships held in the last three years
Australian Vintage Limited (appointed May 2009)

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 2011 are set out in the Corporate Governance Statement on page 30.

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.

Ian Ferrier and Benjamin Chow will retire by rotation as directors at the Annual General Meeting and, being eligible, offer themselves for re-election. Aliza Knox and Richard Davis, who were appointed by the Board prior to the date of this report, retire in accordance with the Constitution, and being eligible, offer themselves for 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 and as amended in 2010, unless otherwise stated. Andrew Smith, who was formerly Chief Operating Officer, was appointed Chief Executive Officer (the "CEO") on 1 January 2009. Effective from 1 January 2012 the position of Chief Operating Officer Australia ("COO Australia") was filled by Greg Bisset formerly National General Manager Funerals Australia. Graeme Rhind who joined the Group in June 2011 following the acquisition of Bledisloe Group Holdings is Chief Operating Officer of New Zealand ("COO New Zealand") and Singapore is under the control of Wee Leng Goh who is Chief Executive Officer of Singapore Casket Company ("CEO Singapore"). Together with the Chief Financial Officer (the "CFO") these positions comprise the Other Key Management Personnel ("Other KMP").

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 CEO, Other KMPs, 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.

Directors' Report continued

Corporate Governance Statement continued

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 have been 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 the Other KMPs. 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 Other KMPs' 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

From 21 February 2012 the Board comprises eight directors, being seven 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 27 of the Directors' Report.

Meetings of directors

During the year ended 31 December 2011, the number of meetings of the Board of Directors and of each Board Committee and the number of meetings attended by each of the directors are as follows:

	Board		Audit Committee		Remuneration Committee		Risk Committee		Nomination Committee	
	A	B	A	B	A	B	A	B	A	B
Non-executive Directors										
Ian Ferrier	9	9	4 *	–	2	2	4	4	1	1
		Chair			Member		Member		Chair	
Christine Clifton	9	9	4	4	1 *	–	4	4	1	1
			Member				Chair		Member	
Roger Penman	9	9	4	4	2	2	2 *	–	–	1
			Chair		Chair				Member	
Benjamin Chow	9	9	4 *	–	2	2	4	4	1	1
					Member		Member		Member	
Richard Fisher	9	9	4	4	1 *	–	4	4	1	1
			Member				Member		Member	
Aliza Knox	2	2	1 *	–	–	–	1 *	–	–	–
							Member			
Executive Director										
Andrew Smith	9	9	4 *	–	1 *	–	4 *	–	–	–

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 October 2011, in order to provide greater oversight, Aliza Knox was appointed as a member of the Risk 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 Australia and CFO attend Board and Committee meetings by invitation.

Nomination Committee

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

The Committee currently consists of the seven independent non-executive directors of the Board whose skills and experience cover finance and accounting, taxation, law, medicine and health administration, marketing, digital media, funeral industry 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 succession planning, Board succession planning and Board and Committees' performance appraisals.

InvoCare may utilise the professional advice of external consultants to find the best person for the position of Director of the company. These advisors seek applicants according to the Board's skills requirements. The Board also acknowledges the benefits of a diverse Board and requires 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 then selects the most suitable candidate(s) for the consideration of the shareholders. The Board is looking to achieve an appropriate mix of skills and diversity amongst 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 2011.

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, time frame and quality that enables them to discharge their duties. If a board member 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.

Corporate Governance Statement continued

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

Diversity

InvoCare serves a diverse range of communities across Australia, New Zealand and Singapore and believes it is very important to ensure that a diverse range of people, specifically suited to the community being served are available for families in their time of need. This includes actively encouraging women at all levels of the organisation.

Women currently comprise 25% of the board, 25% of other key management personnel, 33% of operational general managers in Australia and 22% of support general managers. 56% of total staff are women.

InvoCare's aspirational target is to exceed 30% of women in all the senior management positions outlined above.

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 twice during the year without management being present.

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

Principle 5 - Make Timely and Balanced Disclosure

The Company has appropriate mechanisms in place to ensure all investors are provided with 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 10.00am on Friday, 11 May 2012 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 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. Each risk is assessed and assigned an inherent risk rating. The risk register is continuously reviewed and maintained as new risks are identified 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 to the CEO and Other KMPs who are 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 Integration and Risk 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.

Corporate Governance Statement continued

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 five independent non-executive directors and is currently chaired by Christine Clifton. The other members are Ian Ferrier, Richard Fisher, Benjamin Chow and Aliza Knox.

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

Internal control

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

An internal audit function is established and conducts a series of risk-based and routine reviews in accordance with three-year strategic, and more detailed annual, internal audit plans. These plans are based on the existing risk environment and the level of inherent risk, i.e. the level of risk before the application of controls, in order to effectively identify and prioritise internal audit projects. Within a three-year period all key business systems and processes are regularly reviewed, either using in-house or external 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 and Integration and Risk Manager meet privately with the chairs of the Audit and Risk 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 three independent non-executive directors with Roger Penman as Chair and Ian Ferrier and Benjamin Chow as members.

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

Remuneration structure

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

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

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

The Remuneration Report is set out on pages 35 to 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 2011, highlights the link between remuneration and corporate performance and provides detailed information on the compensation for non-executive and executive directors, other key management personnel and the five highest remunerated executives.

The Remuneration Report is set out under the following main headings:

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

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

A. Directors and senior executives

For the purposes of this report, the key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group or a major operation within the Group and are as follows:

Non-executive directors

Ian Ferrier (Chairman)
Christine Clifton
Roger Penman
Benjamin Chow
Richard Fisher
Aliza Knox (appointed 1 October 2011)
Richard Davis (appointed 21 February 2012)

Other key management personnel

Andrew Smith (Executive Director and Chief Executive Officer)
Phillip Friery (Chief Financial Officer)
Greg Bisset (Chief Operating Officer Australia)
Wee Leng Goh (Chief Executive Officer Singapore)
Graeme Rhind (Chief Operating Officer New Zealand)

In addition, to the above key management personnel, the other person who was among the five highest remunerated executives during 2011 was Armen Mikaelian (National General Manager Cemeteries and Crematoria, Memorials and Pre-need).

In the previous 2010 year, excluding the non-executive directors, only Andrew Smith and Phillip Friery had been identified as key management personnel. For 2011, Greg Bisset and Wee Leng Goh are now both regarded as key management personnel and their remuneration information is included in the comparative remuneration tables for 2010, having been amongst the top five highest paid managers in that year. With the acquisition of Bledisloe on 15 June 2011, the Group entered New Zealand for the first time and Graeme Rhind, the country manager, became a member of key management personnel from that date.

Following the Bledisloe acquisition, some structural management changes have been implemented with official effect from 1 January 2012, although there has been unofficial transitioning to this new structure from June 2011. The primary changes are that:

- a) Greg Bisset, previously National General Manager Funerals, was appointed to a newly created role as Chief Operating Officer Australia with responsibility for funeral, cemetery and crematorium operations across Australia, as well as for various corporate support functions such as human resources and marketing which previously reported to Andrew Smith;
- b) Greg Bisset's former role has been filled by the appointment on 1 September 2011 of Andrew Mullis, previously Bledisloe's Chief Financial Officer, who reports to Greg Bisset; and
- c) Armen Mikaelian has been assigned broader responsibilities as National General Manager for Cemeteries & Crematoria, Memorials and Pre-need and he also now reports to Greg Bisset instead of Andrew Smith.

B. 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, CRA Plan Managers Pty Ltd ("CRA"), a specialist consultancy and advisory business dedicated to all aspects of executive compensation and equity incentive strategies.

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. The shareholders will be asked to consider, and if thought fit, pass a resolution at the Annual General Meeting on 11 May 2012 to increase the pool limit to \$1,000,000.

This remuneration is divided among the non-executive directors in such proportion as the Board determines. During the 2011 financial year, annual fees for non-executive directors were \$180,000 for the Chairman of the Board and \$100,000 for each of the other five non-executive directors. Based upon an external review of non-executive director compensation which was commissioned by the Board Remuneration Committee, and subject to the shareholder approval to an increase in the fee pool limit, the proposed 2012 fees are \$190,000 for the Chairman and \$105,000 for each of the other six non-executive directors.

Remuneration report continued

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 holding office during the years ended 31 December 2011 and 31 December 2010.

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, except for Aliza Knox who was appointed on 1 October 2011, 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;
- total compensation should be market competitive and be reviewed annually, with no component guaranteed to increase; and

- the Chief Executive Officer's and senior executives' total remuneration be targeted at the 50th percentile of comparable positions in comparable size companies (taking into account sales revenue, number of employees, net profit after tax and market capitalisation) which is achieved when individual and overall Group performance targets are met.

The Board has an established Remuneration Committee which critically reviews the Group's remuneration policy and, under its charter, has the following primary functions:

- review and make recommendations to the Board regarding the remuneration and appointment of senior executive officers and non-executive directors;
- review and make recommendations to the Board regarding policies for remuneration and compensation programmes of the Group focusing on appropriate remuneration policies designed to meet the needs of the Group and enhance corporate and individual performance;
- review and make recommendations to the Board regarding administration of remuneration and compensation programs;
- review and make recommendations for approval by the Board regarding all reports on executive remuneration required by law or regulation or which is proposed to be included in the annual report;
- review and make recommendations to the Board regarding all equity based remuneration or compensation plans; and
- report to the Board regularly on each of the above matters.

During 2011, the Remuneration Committee conducted its review with assistance as required from independent remuneration adviser, CRA. In particular, the Committee focussed on remuneration for the Chief Executive Officer and other senior executives, the short term incentive plan, the long term incentive plan and changes in legislation regarding director and executive remuneration.

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. 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 both the Board Remuneration Committee remuneration policy framework and 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
Chief Executive Officer		56	25	19
Other Executive Key Management Personnel	Range	57 – 70	15 – 24	12 – 19
	Average	59	23	18
Other Executive Management	Range	63 – 81	7 – 18	9 – 20
	Average	70	12	18

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 predetermined 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 STI opportunity is up to a maximum of 45% of base salary plus superannuation. The target criteria for key management personnel are more heavily weighted to overall Group financial performance. Bonuses are payable in cash in the first quarter of each year after the completion of the audit of the results for the previous year ended 31 December. The Board Remuneration Committee considers that the share based long term incentives, described in more detail below, encourage executives to remain employed with the Group and accordingly no portion of the STI is deferred or is equity based.

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

Category	Pre-determined Financial and Non-financial Objectives
Executive Key Management Personnel	<ul style="list-style-type: none"> – Group EBITDA targets. – Absolute market share growth in comparable businesses. – Achievement of five year plan key performance indicators, which include new locations, acquisitions and prepaid results.
Other Executive Management	<ul style="list-style-type: none"> – 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.

Other levels of staff also received short-term objective based compensation based on the measurable and predetermined targets. In addition to complementing the targets applying to more 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.

Remuneration report continued

Post employment benefits

InvoCare provides retirement and superannuation benefits for its employees, including senior executives, through a complying superannuation plan at the choice of the employee.

Long-term employee benefits

In addition to employee entitlements to statutory long service leave, InvoCare has a policy of providing long-term incentives to senior management. This policy aims to create a balance between corporate performance and retention of key executives.

Recognising the importance of an appropriate long term incentive for rewarding and retaining senior management, during 2007 a share-based compensation scheme, the InvoCare Deferred Employee Share Plan ("DESP"), was introduced under which the Board may offer selected senior managers incentive shares ("LTI shares").

In the case of foreign based senior employees who may not be able to participate in Australian share offers, share appreciation rights ("LTI rights") may be offered which mirror the same outcomes for the employee as LTI shares. No consideration is payable by the employee for the offer of LTI shares or LTI rights, but they are subject to performance and/or continuous service conditions.

The LTI shares are purchased on market and hence the DESP is operated on a completely non-dilutive basis. LTI rights are valued by reference to the market value of InvoCare shares at the time of the offer. The value of LTI shares or LTI rights offered is up to a maximum of 35% of an employee's base salary plus superannuation.

Vesting of the LTI shares and LTI rights will be in three equal tranches in February of each of the second, third and fourth subsequent years after the year of offer. Unless otherwise determined by the Board in its sole discretion, unvested LTI shares and LTI rights will be forfeited on death and disability, retirement or resignation or other employment termination.

The LTI shares are held in trust until vesting and the employees will be entitled to any dividends paid in respect of unvested, unforfeited shares, thus reinforcing the value of the long term reward. Similarly, notional dividend amounts will be paid to holders of unvested, unforfeited LTI rights coinciding with the payment of InvoCare dividends.

Upon vesting of LTI shares, the employee has the discretion to leave the LTI shares in trust, withdraw or sell any number of them. In accordance with InvoCare's Share Trading Policy, senior managers are not permitted to enter into transactions in products associated with their shareholding in the Company which operate to limit the economic risk of their shareholding (eg hedging or cap and collar arrangements), which includes limiting the economic risk of holdings of unvested entitlements associated with LTI shares.

Upon vesting of LTI rights, the employee will be paid in cash an amount equivalent to the number of vested LTI rights multiplied by the value of those rights derived by reference to the market value of InvoCare shares.

Performance conditions apply to senior managers who have an important strategic role impacting InvoCare's financial performance and relate to compound growth per annum in normalised earnings per share over the vesting period. "Normalised earnings" means reported profit is adjusted:

- to remove the impacts of any gains or losses arising from the sale, disposal or impairment of non-current assets; and
- to maintain consistency in accounting policies (for example, to revert to the previously applied accounting for prepaid contracts which changed from the beginning of 2009).

Normalised earnings per share compound growth per annum was selected at the time of establishment of the DESP as the most suitable and reliable measure of organisational performance based on independent advice from CRA and analysis by the Board.

During 2011 as part of its normal review of remuneration policy, the Board Remuneration Committee re-affirmed the appropriateness of an earnings per share absolute measure, including by comparison to the commonly used Total Shareholder Return ("TSR") relative metric. The reasons for this conclusion include:

- InvoCare is a stable, unique business without a true comparator peer or group to benchmark performance against;
- relative TSR incentives tend to favour executives in companies with higher levels of inherent share price volatility than InvoCare, which has lower volatility in both share price and earnings than other ASX listed entities or market indices;
- InvoCare has relatively small market capitalisation and its growth may be appear constrained relative to an index or selected peer group;
- The vagaries of equity markets, particularly evident in recent times, are not controllable by InvoCare's Board or its executives and introducing TSR would detract from the clear and proven organisational performance culture which already exists within InvoCare; and
- Earnings per share growth is aligned with InvoCare's strategic objectives and more closely reflects management performance and success in incrementally creating value through good decision making and sustained and improving performance over time.

However, rather than using normalised earnings per share for offers made in 2012 and beyond, reported earnings per share will be used, adjusted only for gains and losses on the sale of non-current assets. For 2012 offers, the 2011 base comparison year earnings per share has been set at 34.4 cents per share to exclude the asset sale gains and the large negative impacts arising from net losses on undelivered pre-paid contracts during 2011.

More information demonstrating the creation of shareholder value is set out below under the heading "F. Additional Information".

LTI shares or LTI rights granted in 2012 vest as set out below:

Adjusted reported earnings per share ("EPS") compound growth per annum from 34.4 cents per share	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

LTI shares or LTI rights granted in 2011, 2010 and 2009 vest as 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

LTI shares granted in 2008 and 2007 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

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

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

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

The Board Remuneration Committee continues to support as fair and reasonable the fact that the LTI plan provides for a cumulative EPS test over the vesting period. This is to allow for the impact that the number of deaths, which is outside the control of management, has on InvoCare's annual result, in particular given the fixed cost nature of the business.

To receive 100% of the LTI shares or LTI rights, 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.

Directors' Report continued

Remuneration report continued

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 date and vesting outcome
2007	8% to 12%	22.2 cents	February 2009 – satisfied, first 1/3 rd fully vested February 2010 – satisfied, second 1/3 rd fully vested February 2011 – 82% of final 1/3 rd tranche vested February 2012 – not satisfied, 40% of previously unvested shares forfeited
2008	8% to 12%	27.2 cents	February 2010 – 70% of the first 1/3 rd tranche vested February 2011 – not satisfied, second 1/3 rd not vested February 2012 – not satisfied, final 1/3 rd not vested February 2013
2009	7% to 10%	28.3 cents	February 2011 – 86% of first 1/3 rd tranche vested February 2012 – 39% of second 1/3 rd tranche vested February 2013 February 2014 (if required)
2010	7% to 10%	32.3 cents	February 2012 – not satisfied, first 1/3 rd not vested February 2013 February 2014 February 2015 (if required)
2011	7% to 10%	33.9 cents	February 2013 February 2014 February 2015 February 2016 (if required)

Future offers of LTI shares and LTI rights 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 and LTI rights offers.

Further details of LTI shares and LTI rights are set out on page 43 under the heading “E. Share-based Compensation – Shares”.

Termination benefits

Termination benefits are provided in the respective individual contracts of employment and are normally limited to statutory entitlements, such as accrued but untaken leave, and payments in lieu of notice periods, which generally range between one month up to a maximum of six months. Details for key management personnel are set out on page 42 under the heading “D. Service Agreements”.

C. 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.

2011	Short-term employee benefits			Post employment benefits		Share-based payments	Total \$
	Cash salary or fee \$	Short-term cash bonus \$	Non-monetary benefits \$	Super-annuation \$	Termination benefits \$	Shares \$	
Non-executive directors							
Ian Ferrier	166,731	–	–	13,269	–	–	180,000
Christine Clifton	92,263	–	–	7,737	–	–	100,000
Roger Penman	100,000	–	–	–	–	–	100,000
Benjamin Chow	92,263	–	–	7,737	–	–	100,000
Richard Fisher	92,263	–	–	7,737	–	–	100,000
Aliza Knox ¹	25,000	–	–	–	–	–	25,000
Executive director							
Andrew Smith	551,858	299,683 ²	52,354	22,902	–	211,895	1,138,692
Other key management personnel							
Phillip Friery	337,273	178,712	26,672	30,355	–	117,362	690,374
Greg Bisset	285,006	156,440	23,481	25,650	–	89,815	580,392
Wee Leng Goh ³	171,710	26,279	16,336	9,620	–	25,816	249,762
Graeme Rhind ⁴	93,571	20,368	5,568	4,655	–	–	122,892
Totals for each component	2,007,938	681,482	124,411	129,662	–	444,888	3,388,381
Totals by category		2,813,831		122,662	–	444,888	3,388,381
Other executives in the category of the five highest paid executives but who are not key management personnel							
Armen Mikaelian ⁵	288,939	121,440	32,187	21,641	–	86,432	550,639

1. Aliza Knox was appointed a Director on 1 October 2011.

2. Includes a bonus of \$75,000 in respect of 2010 but not payable until the acquisition of Bledisloe was complete.

3. Wee Leng Goh, Chief Executive Officer of Singapore Casket Company, received total remuneration of SG\$323,812 (2010: SG\$327,280, which has been converted to Australian dollars at the average exchange rate for year of 0.771 (2010: 0.780).

4. Graeme Rhind joined the Group on 15 June 2011 upon acquisition of Bledisloe received total remuneration from 15 June 2011 of NZ\$159,407.

5. Includes payments for annual leave extinguished rather than taken of \$49,438 (2010: \$74,157).

6. Includes payments for annual leave extinguished rather than taken in 2010 of \$26,923.

Directors' Report continued

Remuneration report continued

2010	Short-term employee benefits			Post employment benefits		Share-based payments	Total \$
	Cash salary or fee \$	Short-term cash bonus \$	Non-monetary benefits \$	Super-annuation \$	Termination benefits \$	Shares \$	
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 were not key management personnel							
Greg Bisset	220,505	78,860	12,852	19,845	–	71,846	403,908
Armen Mikaelian ⁵	369,715	97,279	19,648	47,104	–	74,000	607,746
Wee Leng Goh ³	167,311	38,319	15,628	20,742	–	13,209	255,208
John Fowler ⁶	226,927	27,500	40,221	20,505	–	55,233	370,386

D. Service Agreements

Non-executive directors

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.

Chief Executive Officer

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, which was updated by subsequent agreement dated March 2012. 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 latest term of employment is for three years and four months beginning on 1 January 2012 and provides for remuneration as follows:

- base salary and superannuation, being \$695,414 for 2012,
- short-term incentive bonus up to 52.5% of base salary and superannuation,
- LTI shares of up to 40.8% of base salary and superannuation, and
- other benefits such as fully maintained motor vehicle and membership of relevant professional or commercial bodies.

The Remuneration Committee and Board may provide additional performance incentives.

Except in the case of misconduct where the Company may terminate the employee immediately and without notice, termination by the Company may be effected with six months' notice and by payment of six months total remuneration package, including a pro-rata short term bonus for the year of termination based upon any bonus paid relating to the previous financial year. In addition, unvested LTI shares will immediately vest.

If the employee resigns, the employee must give six months' notice or forfeit six months' total remuneration for that notice period. Any unvested LTI shares will be forfeited.

Further details of the share-based remuneration are set out in Section E – Share-based Compensation.

Other key management personnel

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 2010 and 2011 the other key management personnel and certain other senior managers participated in the InvoCare Deferred Employee Share Plan.

Further details of this plan are set out in Section E – Share-based Compensation.

E. Share-based Compensation

Shares

Under service agreements, Andrew Smith receives a long-term incentive bonus remuneration in the form of ordinary shares in InvoCare Limited. The maximum annual bonus is up to 35% of his combined base salary and superannuation and is linked to the profit performance of InvoCare. Shares to the value of the bonus will be purchased on behalf of the employee and one third will vest on subsequent second, third and fourth anniversaries of their purchase. The employee will be entitled to any dividends paid in respect of the shares. Any unvested shares granted before appointment as Chief Executive Officer on 1 January 2009 will be forfeited upon termination of employment for any reason. Unvested LTI shares granted after 1 January 2009 will be forfeited if Mr Smith terminates his employment or if the Company terminates his employment for reasons including serious misconduct, otherwise unvested shares will automatically vest upon termination. Mr Smith's long-term incentive bonus is determined in accordance with his service agreement.

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

Details of the grants follow:

	Grant value \$		Expensed \$	
	2011	2010	2011	2010
Executive director				
Andrew Smith ¹	201,163	318,326	211,895	237,247
Other key management personnel				
Phillip Friery	128,667	122,540	117,362	106,310
Greg Bisset	108,728	84,121	89,815	71,846
Other executives in the category of the five highest paid executives but who are not other key management personnel				
Armen Mikaelian	108,728	75,000	86,432	74,000

1. Under the terms of Mr Smith's service agreement dated March 2007 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 7 on page 71.

Directors' Report continued

Remuneration report continued

Share Appreciation Rights

An overseas based executive who is included as 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 \$	
	2011	2010	2011	2010
Other executives in the category of the five highest paid executives but who are not other key management personnel				
Wee Leng Goh	40,800	32,760	25,816	13,209

F. 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.

InvoCare's TSR compared to the S&P/ASX 200 Index for financial years ended 31 December is set out below.

	2011	2010	2009	2008	2007
InvoCare Limited	10.2%	23.3%	25.2%	(23.5%)	30.6%
Percentile rank	79.0%	71.4%	33.3%	79.7%	63.2%
S&P/ASX 200 Index					
75th percentile	5.2%	30.9%	140.4%	(26.0%)	45.3%
Median	(13.3%)	6.3%	50.7%	(48.0%)	15.1%
25th percentile	(30.4%)	(8.6%)	11.8%	(65.9%)	(2.8%)

Source: Bloomberg as at 7 March 2012

Note: Based on net dividends reinvested and a base currency of Australian dollars. Index members based on membership as at the date of the Bloomberg data, not historical membership.

InvoCare's Total Shareholder Return ("TSR") for the financial years ended 31 December compared to a range of similar international business is set out below.

	2011	2010	2009	2008	2007
InvoCare Limited	10.2%	23.3%	25.2%	(23.5%)	30.6%
Percentile rank	62.3%	56.4%	32.1%	50.9%	67.0%
Tear Corporation	(32.6%)	50.3%	62.6%	6.1%	(22.8%)
San Holdings Inc	6.8%	(10.9%)	(16.3%)	1.5%	(2.3%)
Carriage Services Inc	17.1%	23.5%	95.9%	(77.2%)	73.1%
Dignity plc	16.1%	20.2%	3.2%	(16.2%)	12.3%
Funespana SA	2.7%	20.2%	12.4%	11.3%	(43.0%)
Service Corporation International	31.6%	2.6%	70.3%	(64.0%)	38.6%
Stewart Enterprises Inc	(12.7%)	33.5%	75.9%	(65.7%)	44.5%
Stonemor Partners LP	(15.4%)	68.5%	92.3%	(33.1%)	(13.3%)
Mean	1.7%	26.0%	49.5%	(29.7%)	10.9%
Median	4.7%	21.8%	66.5%	(24.7%)	5.3%

Source: Bloomberg as at 7 March 2012

Note: Based on net dividends reinvested and a base currency of Australian dollars.

InvoCare's remuneration approach and mix of remuneration elements has delivered shareholder value since listing as summarised below:

	2011	2010	2009	2008	2007
Earnings per share	25.6	26.9	47.7	28.0	27.6
Dividends paid in year (cents per share):					
Interim for current year	13.5	13.0	11.5	10.5	10.0
Final for previous year	16.25	13.75	13.0	12.5	11.5
Total dividends paid in the year	29.75	26.75	24.5	23.0	21.5
Share price – 1 January	\$7.28	\$6.16	\$5.15	\$7.01	\$5.57
Share price – 31 December	\$7.70	\$7.28	\$6.16	\$5.15	\$7.01
Total shareholder return (price movement plus cash dividends)	\$0.72	\$1.39	\$1.26	(\$1.63)	\$1.66
Total shareholder return as percentage of opening share price	10%	23%	24%	(23%)	30%

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 are payable in future years.

Directors' Report continued

Remuneration report continued

Name	Cash bonus		Share-based bonus					
	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	90	10	2007	100	–	Nil	Nil	2011
			2008 (Note 3)	33	–	Nil	90,303	2012
			2009 (Note 4)	30	–	Nil	191,366	2013
			2010	–	–	Nil	182,875	2011
			2011	–	–	Nil	201,163	2012
Phillip Friery	89	11	2007	94	–	Nil	6,293	2011
			2008	23	–	Nil	76,832	2011
			2009	29	–	Nil	71,256	2012
			2010	–	–	Nil	122,540	2011
			2011	–	–	Nil	128,667	2012
Greg Bisset	89	11	2008	23	–	Nil	57,625	2011
			2009	29	–	Nil	57,794	2012
			2010	–	–	Nil	84,121	2012
			2011	–	–	Nil	108,728	2013
Wee Leng Goh	75	25	2010	–	–	Nil	32,760	2012
			2011	–	–	Nil	40,800	2013
Armen Mikaelian	87	13	2007	94	–	Nil	4,527	2011
			2008	23	–	Nil	57,625	2011
			2009	29	–	Nil	53,441	2012
			2010	–	–	Nil	75,000	2012
			2011	–	–	Nil	108,728	2013

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 2011 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	16,600
Accounting advisory services	13,693
Taxation services	131,882
Transaction services	72,761
Non-Australian Firms	
Transaction services	4,864
Total	239,800

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 20th day of March 2012.

Auditor's Independence Declaration



As lead auditor for the audit of InvoCare Limited for the year ended 31 December 2011, 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.

A handwritten signature in blue ink, appearing to read 'John Feely', is written over a light blue horizontal line.

John Feely
Partner
PricewaterhouseCoopers

Sydney
20 March 2012

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Liability limited by a scheme approved under Professional Standards Legislation.

Consolidated Income Statement

FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	2011 \$'000	2010 \$'000
Revenue from continuing operations	4	327,496	272,574
Finished goods, consumables and funeral disbursements		(95,392)	(76,251)
Employee benefits expense		(78,219)	(65,740)
Employee related and on-cost expenses		(18,267)	(14,427)
Advertising and public relations expenses		(10,101)	(8,858)
Occupancy and facilities expenses		(21,961)	(18,042)
Motor vehicle expenses		(6,866)	(5,064)
Other expenses		(14,888)	(13,781)
		81,802	70,411
Depreciation, amortisation and impairment expenses	5	(13,746)	(11,215)
Finance costs	5	(15,092)	(11,026)
Interest income		729	654
Net gain/(loss) on undelivered prepaid contracts	15	(13,477)	(10,300)
Acquisition related costs		(1,309)	(1,284)
Net gain/(loss) on disposal of non-current assets		203	562
Profit before income tax		39,110	37,802
Income tax expense	6	(11,995)	(10,342)
Profit from continuing activities		27,115	27,460
Profit for the year		27,115	27,460
Profit is attributable to:			
Equity holders of InvoCare Limited		27,012	27,366
Minority interest		103	94
		27,115	27,460
Earnings per share for profit attributable to the ordinary equity holders of the Company			
Basic earnings per share (cents per share)	11	25.6	26.9
Diluted earnings per share (cents per share)	11	25.6	26.9

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

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	2011 \$'000	2010 \$'000
Profit for the year		27,115	27,460
Other comprehensive income			
Changes in the fair value of cash flow hedges, net of tax	26	(5,272)	1,384
Changes in foreign currency translation reserve, net of tax	26	(106)	58
Other comprehensive income for the year, net of tax		(5,378)	1,442
Total comprehensive income for the year		21,737	28,902
Total comprehensive income for the year is attributable to:			
Equity holders of InvoCare Limited		21,634	28,808
Minority interest		103	94
		21,737	28,902

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

Consolidated Balance Sheet

AS AT 31 DECEMBER 2011

	Notes	2011 \$'000	2010 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	12	5,872	5,123
Trade and other receivables	13	32,354	22,635
Inventories	14	19,858	17,193
Prepaid contract funds under management	15	311,763	273,544
Property held for sale		625	–
Deferred selling costs		590	587
Total current assets		371,062	319,082
Non-current assets			
Trade and other receivables	13	13,758	13,178
Other financial assets		4	–
Property, plant and equipment	18	282,538	232,138
Intangible assets	19	130,791	62,197
Derivative financial instruments	20	–	643
Deferred selling costs		8,264	8,219
Total non-current assets		435,355	316,375
Total assets		806,417	635,457
LIABILITIES			
Current liabilities			
Trade and other payables	21	28,355	25,723
Borrowings	22	1,872	76
Current tax liabilities		8,278	6,522
Prepaid contract liabilities	15	317,598	264,646
Deferred revenue		3,112	3,038
Provisions	23	11,688	9,473
Total current liabilities		370,903	309,478
Non-current liabilities			
Trade and other payables	21	70	–
Borrowings	22	214,034	153,401
Derivative financial instruments	20	6,873	–
Deferred tax liabilities	6(d)	28,415	32,679
Deferred revenue		41,928	41,115
Provisions	23	1,577	1,361
Total non-current liabilities		292,897	228,556
Total liabilities		663,800	538,034
Net assets		142,617	97,423
EQUITY			
Contributed equity	25	133,336	79,937
Reserves	26	(2,934)	2,088
Retained profits/(Accumulated losses)	26	11,084	14,259
Parent entity interest		141,486	96,284
Minority interest	27	1,131	1,139
Total equity		142,617	97,423

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

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2011

		Attributable to Owners of InvoCare Limited					
	Notes	Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Total	Non controlling interest \$'000	Total equity \$'000
Balance at 1 January 2011		79,937	2,088	14,259	96,284	1,139	97,423
Total comprehensive income for the year		-	(5,378)	27,012	21,634	103	21,737
Transactions with owners in their capacity as owners:							
Dividends paid	10	-	-	(30,187)	(30,187)	(111)	(30,298)
Dividend Reinvestment Plan issues	25	16,060	-	-	16,060	-	16,060
Shares issued in a business combination	29	37,935	-	-	37,935	-	37,935
Deferred employee share plan shares vesting during the year	26	617	(617)	-	-	-	-
Acquisition of shares by the InvoCare Deferred Share Plan Trust	25	(1,339)	-	-	(1,339)	-	(1,339)
Forfeit of shares on termination of employment	25	126	-	-	126	-	126
Employee shares – value of services	25	-	973	-	973	-	973
Balance at 31 December 2011		133,336	(2,934)	11,084	141,486	1,131	142,617
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	10	-	-	(27,271)	(27,271)	(74)	(27,345)
Dividend Reinvestment Plan issues	25	3,523	-	-	3,523	-	3,523
Deferred employee share plan shares vesting during the year	26	519	(519)	-	-	-	-
Acquisition of shares by the InvoCare Deferred Share Plan Trust	25	(1,262)	-	-	(1,262)	-	(1,262)
Forfeit of shares on termination of employment	25	32	-	-	32	-	32
Issue of shares to InvoCare Exempt Share Plan Trust		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

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

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	2011 \$'000	2010 \$'000
Cash flow from operating activities			
Receipts from customers		351,221	292,931
Payments to suppliers and employees		(282,198)	(229,084)
Other revenue		6,388	5,212
		75,411	69,059
Interest received		133	107
Finance costs		(14,443)	(11,170)
Income taxes paid		(17,092)	(11,747)
Net cash provided by operating activities	31	44,009	46,249
Cash flow from investing activities			
Proceeds from sale of property, plant and equipment		678	1,989
Proceeds from sale of business		7,216	
Purchase of subsidiaries and other businesses net of cash acquired		(44,488)	(8,716)
Purchase of property, plant and equipment		(16,723)	(14,266)
Net cash used in investing activities		(53,317)	(20,993)
Cash flow from financing activities			
Payment for shares acquired by InvoCare Deferred Employee Share Plan Trust		(1,213)	(1,257)
Proceeds from borrowings		97,034	175,938
Repayment of borrowings		(71,619)	(176,367)
Payment of dividends – InvoCare Limited shareholders (net of Dividend Reinvestment Plan \$4,827,000 (2010: \$3,523,000))		(25,360)	(23,748)
Proceeds from issue of shares		11,233	
Payment of dividends – minority interests		(111)	(74)
Finance lease payments		(87)	(40)
Net cash (used in) financing activities		9,877	(25,548)
Net increase/(decrease) in cash held		569	(292)
Cash and cash equivalents at the beginning of the year		5,123	5,509
Effects of exchange rate changes on cash and cash equivalents		180	(94)
Cash and cash equivalents at the end of the year	12	5,872	5,123

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2011

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 37.

(iv) Comparatives

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

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of InvoCare Limited ("Company" or "parent entity") as at 31 December 2011 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.

(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.

Note 1: Summary of Significant Accounting Policies continued

(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 until delivered or made ready for use. Minor items such as plaques, ash containers and vases are not individually tracked and are released to revenue over 15 years.

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.

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.

Notes to the Financial Statements continued

FOR THE YEAR ENDED 31 DECEMBER 2011

Note 1: Summary of Significant Accounting Policies continued

(g) Income tax continued

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(c).

(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.

(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.

Note 1: Summary of Significant Accounting Policies continued

(l) Receivables

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

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

The carrying amount of the asset is reduced through the use of a provision for doubtful receivables account and the amount of the loss is recognised in the statement of comprehensive income within "other expenses". When a trade receivable is uncollectible, it is written off against the provision account for trade receivables. Subsequent recoveries of amounts previously written off are credited against "sundry revenue" in the statement of comprehensive income. Details of the impaired receivables, provision account movements and other details are included in Notes 2 and 13.

(m) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where appropriate, a proportion of variable and fixed overhead. Costs are assigned to individual items of inventory predominantly on the basis of weighted average cost. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

(n) 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 cost of service delivery.

(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 income statement.

(p) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill acquired in business combinations is not amortised. Instead, goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses (Note 19).

(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.

Notes to the Financial Statements continued

FOR THE YEAR ENDED 31 DECEMBER 2011

Note 1: Summary of Significant Accounting Policies continued

(q) Trade and other payables

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

(r) Borrowings

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

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

Refer to Notes 2 and 22 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 20. 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 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

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

(i) Cash flow hedges

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

When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(ii) Hedges of a net investment

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

(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 12 months of the reporting date are recognised in other payables and provision for employee benefits in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled, including appropriate on-costs. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(ii) Long service leave

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

Note 1: Summary of Significant Accounting Policies continued

(t) Employee benefits continued

(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 8.

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 34 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 2011 reporting periods. The Group's assessments of the impacts of these new standards and interpretations are set out below.

(i) *AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 (effective 1 January 2013)*

AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The Group has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. The Group does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 31 December 2013.

Notes to the Financial Statements continued

FOR THE YEAR ENDED 31 DECEMBER 2011

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, 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, respectively. 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:

	2011 \$'000	2010 \$'000
Financial assets		
Cash and cash equivalents	5,872	5,123
Trade and other receivables	46,112	35,812
Prepaid contract funds under management	311,763	273,544
Other financial assets	4	-
Derivative financial instruments	-	643
	363,751	315,122
Financial liabilities		
Trade and other payables	28,425	25,722
Borrowings	216,858	153,477
Derivative financial instruments	6,873	-
	252,156	179,199

(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. Following the refinancing of the Group's debt in 2010, some borrowings were made in Singapore dollars and in 2011 part of the borrowings used to fund the acquisition of Bledisloe were made in New Zealand dollars. All borrowings are at variable rates applicable to the currency in which the borrowing was completed. 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 interest rate of 6.8% (2010: 6.8%) inclusive of swaps and margins but excluding establishment fees.

At balance date, interest rate swaps for 94% (2010: 99%) of borrowings were in place. Of these interest rate swaps 10% (2010: 14%) were denominated in Singapore dollar and 10% (2010: Nil) in New Zealand dollar fixed interest instruments, with the balance denominated in Australian dollars. As at 31 December 2011 the weighted average fixed interest rate payable on the interest rate swaps is 4.78% (2010: 4.82%) and the weighted average variable rate receivable as at 31 December 2011 is 3.91% (2010: 4.38%).

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

	31 December 2011		31 December 2010	
	Weighted average interest rate	Balance \$'000	Weighted average interest rate	Balance \$'000
Bank loans	6.84%	214,986	4.45%	152,661
Interest rate swaps (notional principal)	4.78%	201,486	4.82%	151,161
Net exposure to cash flow interest rate risk		13,500		1,500

Note 2: Financial Risk Management continued

(a) Market risk continued

(i) Cash flow interest rate risk continued

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

	2011 \$'000	2010 \$'000
One to two years	86,439	–
Two to three years	64,500	86,661
Three to four years	50,547	64,500
Four to five years	60,000	–
	261,486	151,161

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 (2010: 100 basis points) in the interest rate would result in additional interest expense after tax of \$128,000 (2010: \$209,000). A decrease of 100 basis points (2010: 100 basis points) would result in an after tax gain of \$128,000 (2010: \$209,000). Where possible borrowings are made in the same country as the operation being funded to provide a natural hedge against currency volatility. Where this is not possible other techniques, such as foreign currency bank accounts, are used to mitigate the profit and loss volatility due to currency movements.

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 interest rate swap contracts were all effective at 31 December 2011 and the movements in the fair value of these instruments have been quarantined in equity. If interest rates decline by 100 basis points a further \$4,095,000 (2010: \$2,752,000) net of tax would have been charged to equity and a 100 basis points increase in interest rates would have resulted in a credit to equity of \$3,937,000 (2010: \$2,659,000) net of tax.

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

The Group's cash and cash equivalents held in Australia are interest bearing. At 31 December 2011 the weighted average interest rate was 3.4% (2010: 3.5%). If interest rates changed by 100 basis points (2010: 100 basis points) the Group's after tax result would increase or decrease by \$23,000 (2010: \$20,000).

(ii) Foreign exchange risk

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

Foreign exchange risks arise from recognised assets and liabilities that are denominated in a currency other than the Group's functional currency, the Australian dollar. The major foreign exchange risk relates to the investments in controlled entities in New Zealand and Singapore. This exposes the Group to foreign currency risk on the assets and liabilities. Borrowings have been made in New Zealand and Singapore dollars 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.

The Group has no significant unhedged foreign exchange exposures at 31 December 2011.

Notes to the Financial Statements continued

FOR THE YEAR ENDED 31 DECEMBER 2011

Note 2: Financial Risk Management continued

(a) Market risk continued

(iii) Price risk

The Group is the ultimate beneficiary of funds invested in various prepaid contract trusts, as described in Note 1 (n). There are a significant number of trusts in existence with various investment profiles.

Accordingly, the Group's future revenue and margins are sensitive to the price risk relating to the investment returns of these funds under management. These funds are invested in a range of asset classes with different price risk variables including cash, fixed interest, Australian and international equities, hybrids and direct and indirect property. Based on the asset allocation as at 31 December 2011 and 31 December 2010 the following changes in investment returns are reasonably probable.

	31 December 2011		31 December 2010	
	Increase	Decrease	Increase	Decrease
Asset class				
Equities (plus or minus 10%)	1,702	(1,702)	9,555	(9,555)
Property (plus or minus 3%)	583	(583)	218	(218)
Cash and fixed interest (no price risk)	-	-	-	-
	2,285	(2,285)	9,773	(9,773)

The returns of these funds are recognised in the income statement. An estimated 50% of the funds are expected to be realised 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 the instability of the equity markets has caused a substantial shift in the investment bias towards more conservative cash and fixed interest investments.

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

	2011 %	2010 %
Australian equities	6.5	48.7
International equities	1.3	1.2
Property	8.9	3.8
Cash and fixed interest	83.3	46.3

Approximately 75% of InvoCare's prepaid funds under management are with Over Fifty Guardian Friendly Society. This fund held less than 1% of its assets in equities at 31 December 2011, compared to 54% at 31 December 2010. The tactical reallocation from equities to assets with less volatile, more certain earnings has been made to achieve better returns required to offset increases in the Group's liabilities to deliver prepaid funeral contracts.

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 \$2,236,000 (2010: \$1,594,000) including \$690,000 recognised upon the acquisition of the Bledisloe Group. As at 31 December 2011, receivables with a nominal value of \$2,522,000 (2010: \$2,251,000) 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 13 – Trade and Other Receivables.

(ii) Receivables past due but not impaired

As of 31 December 2011, trade receivables of \$7,229,000 (2010: \$3,281,000) 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:

	2011 \$'000	2010 \$'000
One to three months overdue	3,669	2,819
Over three months overdue	3,560	462

The acquisition of the Bledisloe Group, which included a significant amount of long overdue debtors, is primarily responsible for the substantial increase in the category of debts overdue by more than three months.

(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.

Notes to the Financial Statements continued

FOR THE YEAR ENDED 31 DECEMBER 2011

Note 2: Financial Risk Management continued

(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:

	2011 \$'000	2010 \$'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	127,500	–
– unsecured loan facility expiring in two to five years	127,500	255,000
– working capital facility expiring within one year	6,523	5,000
	261,523	260,000
Used at balance date		
– unsecured loan facility	214,986	152,661
– working capital facility	653	749
	215,639	153,410
Unused at balance date		
– unsecured loan facility	40,014	102,339
– working capital facility	5,870	4,251
	45,884	106,590

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 12 month basis and have been met at 31 December 2011. 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 2011, basic EPS was 25.6 cents (2010: 26.9 cents). Operating EPS, which excludes gains and losses on the disposal or impairment of non-current assets and on undelivered prepaid contracts and non-controlling interests, was 34.5 cents (2010: 32.4 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 22% (2010: 24%) 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 \$4.11 or 411% (2010: \$3.73 or 373%) up to 31 December 2011.
- Maintaining a minimum ordinary dividend payout ratio of at least 75% of operating earnings 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 2011 dividends represents a payout ratio of 89.1% (2010: 84.4%) of operating earnings 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 2011 the proportion of debt hedged was 94% (2010: 99%). The hedge contracts extend to the second half of 2016.
- Managing refinancing risk: The Group's borrowing facilities were renewed during 2010 and in order to reduce refinancing risk were split into three tranches which currently expire in 2013, 2014 and 2015.

(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 2011		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	5,872	(23)	–	23	–	–	–	–	–
Accounts receivable	46,112	–	–	–	–	–	–	–	–
Prepaid contract funds under management	311,763	(145)	–	145	–	–	–	–	–
Financial liabilities									
Trade and other payables	(28,425)	–	–	–	–	–	–	–	–
Borrowings	(214,034)	(128)	–	128	–	(33)	2,044	29	(2,044)
Derivatives	(6,873)	–	(4,095)	–	3,937	–	(2,044)	–	2,044
Total increase/(decrease)		(296)	(4,095)	296	3,937	(33)	–	29	–

Notes to the Financial Statements continued

FOR THE YEAR ENDED 31 DECEMBER 2011

Note 2: Financial Risk Management continued

(e) Summarised sensitivity analysis continued

	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
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)

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 AASB7 *Financial Instruments: Disclosures* which requires the disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- 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
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

	2011 \$'000	2010 \$'000
Level 1		
Prepaid contract funds under management	311,763	273,544
Level 2		
Derivatives financial instruments	(6,873)	643

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(i).

Note 3: Segment Information

(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 2011 and 31 December 2010 is below.

	Australian Operations		Singapore Operations		New Zealand Operations		Consolidated	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Revenue from external customers	295,578	257,933	9,519	9,516	16,016	–	321,113	267,449
Other revenue (excluding interest income)	5,831	4,938	174	187	378	–	6,383	5,125
Operating expenses	(227,445)	(199,087)	(4,889)	(4,772)	(13,360)	–	(245,694)	(202,163)
Operating EBITDA	73,964	63,784	4,804	4,931	3,034	–	81,802	70,411
Depreciation and amortisation	(12,505)	(10,845)	(574)	(370)	(667)	–	(13,746)	(11,215)
Finance Costs	(13,530)	(9,469)	(633)	(709)	(929)	–	(15,092)	(11,874)
Interest Income	703	654	–	–	26	–	729	654
Business acquisition costs	(1,309)	(1,284)	–	–	–	–	(1,309)	(1,284)
Operating earnings before tax	47,323	42,840	3,597	3,852	1,464	–	52,384	46,692
Income tax expense	(14,792)	(13,103)	(603)	(662)	(402)	–	(15,977)	(13,756)
Operating earnings after tax	32,351	29,737	2,994	3,190	1,062	–	36,407	32,927
After tax loss on prepaid contract movements	(9,434)	(7,210)	–	–	–	–	(9,434)	(7,210)
Investment allowance tax benefit	–	443	–	–	–	–	–	443
Non-cash swap movements after tax	–	593	–	–	–	–	–	593
Profit on sale of assets after tax	138	707	–	–	4	–	142	707
Non-controlling interest	(103)	(94)	–	–	–	–	(103)	(94)
Net profit after tax attributable to equity holders of InvoCare Limited	22,952	24,176	2,994	3,190	1,066	–	27,012	27,366
Total assets	742,149	609,145	26,822	26,312	37,446	–	806,417	635,457
Total liabilities	615,989	515,480	22,411	22,554	25,400	–	663,800	538,034

(c) Segment information – accounting policies

The consolidated entity operates in one industry, being the funeral industry, with operations in Australia, New Zealand 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, include an allocation of the long-term borrowings raised in Australia to fund the investment in Singapore. New Zealand has long-term borrowings which are arranged in New Zealand but with the support of Australia.

Notes to the Financial Statements continued

FOR THE YEAR ENDED 31 DECEMBER 2011

Note 4: Revenue from Continuing Operations

	2011 \$'000	2010 \$'000
Sales revenue		
Sale of goods	133,165	118,281
Services revenue	187,948	149,168
	321,113	267,449
Other revenue		
Rent	429	391
Administration fees	4,212	3,587
Sundry revenue	1,742	1,147
	6,383	5,125
Total revenue from continuing operations	327,496	272,574

Note 5: Expenses

	2011 \$'000	2010 \$'000
Profit before income tax includes the following specific expenses:		
Depreciation		
Buildings	3,476	2,925
Property, plant and equipment	8,411	7,214
Total depreciation	11,887	10,139
Amortisation of non-current assets		
Cemetery land	355	360
Leasehold land and buildings	175	135
Leasehold improvements	524	213
Brand names	710	368
Total amortisation	1,764	1,076
Total depreciation and amortisation	13,651	11,215
Impairment of other assets		
Goodwill	95	–
Finance costs		
Interest paid and payable	13,027	10,613
Interest rate swap (gain)/loss	–	(847)
Other finance costs	2,065	1,260
Total financing costs	15,092	11,026
Impairment losses – financial assets		
Trade receivables	351	456
Rental expense		
Operating lease rental – minimum lease payments	9,375	7,204
Defined contribution superannuation expense	5,630	4,933

Note 6: Income Tax

(a) Income tax expense

	2011 \$'000	2010 \$'000
Current tax	17,421	14,469
Deferred tax	(5,435)	(4,150)
Under/(over) provided in prior years	9	23
Income tax expense attributable to continuing operations	11,995	10,342

(b) Reconciliation of income tax expense to prima facie tax payable

	2011 \$'000	2010 \$'000
Prima facie tax at 30% (2009: 30%) on profit from ordinary activities	11,733	11,341
Tax effect of amounts which are not deductible/(taxable) in calculation of taxable income		
Difference in overseas tax rates	(603)	(603)
Investment allowance	-	(443)
Under/(over) provision in prior years	9	23
Impact of previously unrecognised capital losses offsetting capital gains	-	(314)
Acquisition costs not deductible	433	385
Other items (net)	423	(47)
Income tax expense	11,995	10,342

(c) Tax expense (income) relating to items of other comprehensive income

	2011 \$'000	2010 \$'000
Cash flow hedges	(2,244)	593
	(2,244)	593

Notes to the Financial Statements continued

FOR THE YEAR ENDED 31 DECEMBER 2011

Note 6: Income Tax

(d) Deferred tax (asset)/liability

	2011 \$'000	2010 \$'000
The deferred tax (asset)/liability balances comprised temporary differences attributable to:		
Amounts recognised in profit and loss:		
Cemetery land	25,181	24,997
Property, plant and equipment	8,078	5,223
Deferred selling costs	2,656	2,642
Prepayments and other	675	528
Brand names	2,286	673
Prepaid contracts	(1,419)	2,929
Provisions	(5,188)	(3,793)
Receivables	315	(254)
Accruals and other	(2,118)	(459)
Amounts recognised directly in equity:		
Foreign currency translation reserve	-	4
Cash flow hedge reserve	(2,051)	189
	28,415	32,679
The net movement in the deferred tax (asset)/liability is as follows:		
Balance at the beginning of the year	32,679	35,978
Net charge (credit) to income statement	(5,435)	(4,150)
Amounts recognised due to business combinations net of businesses subsequently sold	3,389	651
Amounts recognised directly in equity	(2,244)	198
Adjustment to previously recognised balances	-	(57)
Effect of movements in exchange rates	26	59
Balance at the end of the year	28,415	32,679
Deferred tax liabilities/(assets) to be settled within 12 months	(9,137)	(171)
Deferred tax liabilities/(assets) to be settled after 12 months	37,552	32,850
	28,415	32,679

(e) Tax losses

The Group has unutilised Australian capital losses with a potential benefit of \$882,000 (2010: \$636,000) at a tax rate of 30% (2010: 30%).

Note 7: Key Management Personnel Disclosures

(a) Key management personnel compensation

	2011 \$	2010 \$
Short-term employee benefits	2,813,831	1,652,036
Post-employment benefits	129,662	86,789
Share-based payments	444,888	343,557
	3,388,381	2,082,382

Detailed remuneration disclosures are provided in sections A to C of the Remuneration Report on pages 35 to 42.

(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 E of the Remuneration Report on pages 43 to 44.

(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 8.

	Balance at start of the year	Granted during year as compensation	Other changes during year	Balance at end of the year
Non-executive Directors				
Ian Ferrier	52,401	–	–	52,401
Christine Clifton	112,961	–	–	112,961
Roger Penman	8,000	–	–	8,000
Benjamin Chow	10,413	–	–	10,413
Richard Fisher	5,961	–	116	6,077
Executive Directors				
Andrew Smith	146,478	27,288	–	173,766
Other key management personnel				
Phillip Friery	94,327	17,454	–	111,781
Greg Bisset	38,574	14,749	–	53,323

(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.

Notes to the Financial Statements continued

FOR THE YEAR ENDED 31 DECEMBER 2011

Note 7: Key Management Personnel Disclosures continued

(d) Other transactions with key management personnel

The Chairman, Ian Ferrier, is also Chairman and a shareholder of Good Health Solutions Pty Limited, a private company which provides specialist medical services to the corporate sector. In the previous year, services were provided to the Group on normal terms and conditions amounting to \$396.

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

	2011 \$	2010 \$
Amounts recognised as expense		
Other professional services	-	396

At balance date there were no amounts payable in either 2011 or 2010 to key management personnel of the Group, including their personally related parties, relating to the above types of transactions.

Note 8: 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 2011, more than 850 (2010: 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 six months as a full-time or permanent part-time employee at the time of the offer. In July 2011, 33,241 shares were purchased by the Trustee, IVC Employee Share Plan Managers Pty Ltd and allocated to a total of 238 eligible employees who had elected to participate. In November 2010, 26,639 shares were issued to the Trustee and a further 5,737 that had previously been forfeited were allocated to 213 plan members. The plan rules require members to leave the shares in the plan for a minimum three years after purchase, unless the member leaves the Group's employment earlier. Future offers of participation may be made at the discretion of, and subject to terms and conditions determined by, the Board of Directors. At 31 December 2011, the balance owing by employee plan members for the purchase price of shares was \$123,162 (2010: \$160,812).

(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 2011, offers were made to and accepted by a total of 54 (2010: 43) employees and a total of 170,594 (2010: 208,573) shares purchased on market for \$1,257,886 (2010: \$1,261,987) at an average price of \$7.37 (2010: \$6.01) 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:

	2011 \$'000	2010 \$'000
Long-term incentive bonus share expense	1,090	1,049

Note 8: 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 2007	22 February 2011	6.33	43	–	(43)	–	–
1 January 2007	25 February 2011	6.21	138	–	(112)	(2)	24
1 July 2007	25 February 2011	6.21	50	–	(50)	–	–
1 January 2008	25 February 2011	6.33	180	–	–	(7)	173
	25 February 2012	6.33	180	–	–	(6)	174
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 2011	6.33	60	–	(60)	–	–
	25 February 2012	6.33	60	–	–	(5)	55
1 January 2009	25 February 2011	4.87	297	–	(261)	–	36
	25 February 2012	4.87	298	–	–	(7)	291
	25 February 2013	4.87	298	–	–	(7)	291
1 March 2009	25 February 2011	4.87	57	–	(56)	(1)	–
	25 February 2012	4.87	56	–	–	(5)	51
	25 February 2013	4.87	56	–	–	(4)	52
1 January 2010	25 February 2012	6.01	282	–	–	(7)	275
	25 February 2013	6.01	282	–	–	(7)	275
	25 February 2014	6.01	282	–	–	(7)	275
1 March 2010	25 February 2012	6.01	58	–	–	(3)	55
	25 February 2013	6.01	57	–	–	(3)	54
	25 February 2014	6.01	57	–	–	(3)	54
1 January 2011	25 February 2013	7.37	–	336	–	(8)	328
	25 February 2014	7.37	–	337	–	(8)	329
	25 February 2015	7.37	–	337	–	(9)	328
1 March 2011	25 February 2013	7.37	–	76	–	(9)	67
	25 February 2014	7.37	–	76	–	(9)	67
	25 February 2015	7.37	–	76	–	(9)	67
1 July 2011	25 February 2013	7.37	–	6	–	–	6
	25 February 2014	7.37	–	7	–	–	7
	25 February 2015	7.37	–	7	–	–	7
			2,926	1,258	(627)	(126)	3,431

The plan rules allow, in instances where full vesting does not occur, an additional year to satisfy the vesting conditions. The tranche with a vesting date in 2011 and a closing balance will be retested in 2012 to determine if vesting will occur.

Notes to the Financial Statements continued

FOR THE YEAR ENDED 31 DECEMBER 2011

Note 9: Remuneration of Auditors

	2011 \$	2010 \$
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	391,840	258,900
Non-PricewaterhouseCoopers – Singaporean firm		
Audit and review of financial reports	17,355	17,080
Total remuneration for audit services	409,195	275,980
(b) Non-audit services		
PricewaterhouseCoopers – Australian firm		
Assurance services	16,600	17,283
Accounting advisory services	13,693	70,000
Taxation services	131,882	77,648
Transaction services	72,761	120,491
PricewaterhouseCoopers – non-Australian firms		
Transaction services	4,864	14,763
Non-PricewaterhouseCoopers – Singaporean firm		
Other services	8,660	8,372
Total remuneration for non-audit services	248,460	308,557

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 10: Dividends

	2011 \$'000	2010 \$'000
Dividends paid		
Final ordinary dividend for the year ended 31 December 2010 of 15.25 cents (2009: 13.75 cents) per fully paid share paid on 8 April 2011 (2009: 9 April 2010), fully franked based on tax paid at 30% (2009: 30%)	15,619	14,002
Interim ordinary dividend for the year ended 31 December 2011 of 13.5 cents (2010: 13.0 cents) per share paid on 7 October 2011 (2010: 8 October 2010), fully franked based on tax paid at 30% (2010: 30%)	14,568	13,269
Dividends paid to members of InvoCare Limited	30,187	27,271
On 25 January 2011 and 18 August 2011 (2010: 5 March 2010) dividends totalling 13.7 cents (2010: 9 cents) per fully paid share, fully franked dividend based on tax paid at 30%, were paid to non-controlling interests.	111	74
	30,298	27,345
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 16.25 cents (2010: 15.25 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 5 April 2012 out of 2011 profits, but not recognised as a liability at year end is:	17,880	15,619
Franking credit balance		
The amounts of franking credits available for subsequent financial years are:		
Franking account balance at the end of the financial year	14,626	18,240
Franking credits that will arise from the payment of income tax payable at the end of the financial year	7,249	5,753
Reduction in franking account resulting from payment of proposed final dividend of 16.25 cents (2010: 15.75 cents)	(7,663)	(6,694)
	14,212	17,299

Note 11: Earnings per Share

	2011 \$'000	2010 \$'000
Reconciliation of Earnings to Profit and Loss		
Profit from ordinary activities after income tax	27,115	27,460
Less profit attributable to minority interests	(103)	(94)
Profit used to calculate basic and diluted EPS	27,012	27,366

	2011 Number	2010 Number
Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	105,405,838	101,583,915
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	105,405,838	101,583,915

Notes to the Financial Statements continued

FOR THE YEAR ENDED 31 DECEMBER 2011

Note 11: Earnings per Share continued

	2011 \$'000	2010 \$'000
Earnings per share for profit attributable to the ordinary equity holders of the Company		
Basic earnings per share (cents per share)	25.6	26.9
Diluted earnings per share (cents per share)	25.6	26.9

Note 12: Cash and Cash Equivalents

	2011 \$'000	2010 \$'000
Cash on hand	70	59
Cash at bank	5,802	5,064
	5,872	5,123
Cash at bank attracts floating interest rates between 2.9% and 4.0% (2010: 3.3% and 4.0%)		
Reconciliation to cash at the end of the year: The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:		
Balances as above	5,872	5,123
Balances per the statement of cash flows	5,872	5,123

Note 13: Trade and Other Receivables

	2011 \$'000	2010 \$'000
Current		
Trade receivables	29,329	20,301
Provision for doubtful receivables	(2,197)	(1,527)
Prepayments	3,327	2,473
Other receivables	1,895	1,388
	32,354	22,635
Non-current		
Trade receivables	13,133	12,368
Provision for doubtful receivables	(39)	(67)
Security deposits	264	248
Other receivables	400	629
	13,758	13,178

(a) Impaired receivables

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

	2011 \$'000	2010 \$'000
As at 1 January	1,594	1,537
Provision for impairment recognised during the year	351	456
Receivables written off as uncollectible	(399)	(399)
Increase due to business combinations	690	-
As at 31 December	2,236	1,594

Note 14: Inventories

	2011 \$'000	2010 \$'000
Current		
Work in progress – at cost	887	1,824
Finished goods – at cost	18,971	15,369
	19,858	17,193

Note 15: Prepaid Contracts

(a) Impact on statement of comprehensive income

	2011 \$'000	2010 \$'000
Gain/(loss) on prepaid contract funds under management	2,067	1,531
Change in provision for prepaid contract liabilities	(15,544)	(11,831)
Net gain/(loss) on undelivered prepaid contracts	(13,477)	(10,300)

(b) Movements in prepaid contract funds under management

	2011 \$'000	2010 \$'000
Balance at the beginning of the year	273,544	264,589
Sale of new prepaid contracts	26,651	22,450
Initial recognition of contracts paid by instalment	1,681	1,279
Redemption of prepaid contract funds following service delivery	(26,360)	(20,704)
Increase due to business combinations net of assets subsequently sold	34,180	4,399
Increase in fair value of contract funds under management	2,067	1,531
Balance at the end of the year	311,763	273,544

(c) Movements in prepaid contract liabilities

	2011 \$'000	2010 \$'000
Balance at the beginning of the year	264,646	244,872
Sale of new prepaid contracts	26,651	22,450
Initial recognition of contracts paid by instalment	1,681	1,279
Decrease following delivery of services	(25,657)	(20,185)
Increase due to business combinations net of liabilities subsequently sold	34,733	4,399
Increase due to re-evaluation of delivery obligation	15,544	11,831
Balance at the end of the year	317,598	264,646

(d) Other movements on the income statement

	2011 \$'000	2010 \$'000
Cash received/receivable for delivered prepaid contracts	25,019	20,632
Initial value of delivered prepaid contracts	(22,295)	(18,990)
Reversal of previously recognised price increases	(1,798)	(880)
Net cash impact	926	762
Amortisation of unfunded prepaid contracts	(224)	(243)
Other impacts on the income statement	702	519

Notes to the Financial Statements continued

FOR THE YEAR ENDED 31 DECEMBER 2011

Note 15: Prepaid Contracts continued

(e) 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 \$4,991,000 (2010: \$3,900,000). 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 \$510,000 (2010: \$1,036,000). These arrangements are not recorded as an asset or liability in the financial statements.

Note 16: Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of InvoCare Limited and the following controlled entities in accordance with the accounting policy in Note 1(b).

Name of entity	Country of incorporation	Equity Holding	
		2011 %	2010 %
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)	Australia	100	100
A.C.N. 000 030 491 Pty Limited (In liquidation)	Australia	100	100
A.C.N. 050 110 453 Pty Limited (In liquidation)	Australia	100	100
LifeArt Australasia Pty Limited	Australia	100	100
Macquarie Memorial Park Pty Limited	Australia	83	83
A.C.N. 008 826 453 Pty Limited (In liquidation)	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)	Australia	100	100
A.C.N. 068 935 348 Pty Ltd (In liquidation)	Australia	100	100
A.C.N. 060 625 372 Pty Limited (In liquidation)	Australia	100	100
A.C.N 054 583 345 Pty Ltd (In liquidation)	Australia	100	100
Bledisloe Group Holdings Pty Ltd	Australia	100	–
Bledisloe Finance Pty Ltd	Australia	100	–
Bledisloe Holdings Pty. Ltd.	Australia	100	–
Bledone Pty Ltd	Australia	100	–
Bledtwo Pty Ltd	Australia	100	–
Bledisloe Australia Pty Ltd	Australia	100	–
A.C.N. 001 068 373 Pty Ltd	Australia	100	–
A.C.N. 000 146 261 Pty Ltd	Australia	100	–
A.C.N. 000 963 299 Pty Ltd	Australia	100	–
F Tighe & Co Pty Ltd	Australia	100	–
Crematorium Chapel Funerals of Australasia Pty Ltd	Australia	100	–
William Lee & Sons Pty Ltd	Australia	100	–
Australian Pre-Arranged Funeral Plan Pty Ltd	Australia	100	–
Dylhost Pty Ltd	Australia	100	–
Australian Funerals Pty Limited	Australia	100	–
Metropolitan Funeral Services Pty. Ltd.	Australia	100	–
Sydney Cremation Services Pty Ltd	Australia	100	–
Cemetery & Crematorium Management Services Pty Ltd	Australia	100	–
Cemetery & Crematorium Finance Trust	Australia	100	–
Nationwide Care Services Pty Ltd	Australia	100	–
South-East Asia & Australasian Services Pty Ltd	Australia	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
Bledisloe New Zealand Holdings Limited	New Zealand	100	–
Bledisloe New Zealand Limited	New Zealand	100	–
InvoCare Hong Kong Limited	Hong Kong	100	100

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

InvoCare Australia Pty Limited, InvoCare (Singapore) Pty Limited, Bledone Pty Ltd and Bledisloe Australia Pty Ltd 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.

Notes to the Financial Statements continued

FOR THE YEAR ENDED 31 DECEMBER 2011

Note 17: Equity Accounted Investments

	2011 \$'000	2010 \$'000
Shares in associates	-	-

(a) Movements in carrying amounts

	2011 \$'000	2010 \$'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 is as follows:

	Ownership Interest %	Assets \$'000	Group's share of: Liabilities \$'000	Revenues \$'000	Profit \$'000
2011					
HeavenAddress Holdings Pty Ltd	27.59	216	55	111	(69)
2010					
HeavenAddress Holdings Pty Ltd	27.59	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. In July 2011 a payment of \$300,000 (2010: \$300,000) was made for the period to June 2012.

Note 18: 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 2011							
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
Year ended 31 December 2011							
Additions	85	–	5,254	–	510	10,285	16,134
Business combinations	1,243	24,435	16,234	736	597	5,850	49,095
Disposals	–	(1)	(238)	–	(9)	(531)	(779)
Depreciation/ amortisation charge	(355)	–	(3,476)	(175)	(524)	(8,409)	(12,939)
Effect of movement in exchange rates	–	(261)	(136)	–	(1)	(88)	(486)
Transfers/ reclassifications	–	(325)	(300)	–	–	–	(625)
Closing net book amount	84,522	73,352	82,417	2,743	1,985	37,519	282,538
At 31 December 2011							
Cost	106,437	73,352	120,718	5,087	3,877	92,298	401,769
Accumulated depreciation/amortisation	(5,939)	–	(38,301)	(2,344)	(1,892)	(54,779)	(103,255)
Impairment write-downs	(15,976)	–	–	–	–	–	(15,976)
Net book amount	84,522	73,352	82,417	2,743	1,985	37,529	282,538
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

During the year a property in St Kilda, Melbourne, Victoria was deemed to be surplus to the needs of the Group and actively marketed which resulted in the sale of the location in February 2012. This building has been reclassified as an asset held for sale and is recorded as a transfer in the table above.

Notes to the Financial Statements continued

FOR THE YEAR ENDED 31 DECEMBER 2011

Note 18: Property, Plant and Equipment continued

(a) Assets in the course of construction

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

	2011 \$'000	2010 \$'000
Freehold buildings	4,251	2,356
Leasehold improvements	166	168
Plant and equipment	256	328
Total assets in the course of construction	4,673	2,852

(b) Impairment

All impaired cemetery and crematorium sites were reassessed at 31 December 2011 using the same methodology as previously applied and no change to the impairment provision was considered necessary in 2011.

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 10.7% (2010: 10.5%), reflecting the risk estimates for the business as a whole.

Note 19: Intangible Assets

	Goodwill \$'000	Brand name \$'000	Total \$'000
At 1 January 2011			
Cost	59,608	3,948	63,556
Accumulated amortisation	–	(1,359)	(1,359)
Net book amount	59,608	2,589	62,197
Year ended 31 December 2011			
Acquisition of subsidiary/businesses net of divestments	63,701	6,156	68,857
Effect of movement in exchange rates	(408)	(50)	(458)
Impairment	(95)	–	(95)
Amortisation charge	–	(710)	(740)
Net book amount	122,806	7,985	130,791
At 31 December 2011			
Cost	122,806	10,068	132,874
Accumulated amortisation	–	(2,083)	(2,083)
Net book amount	122,806	7,985	130,791
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

(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 New Zealand and Singapore operations are separate CGUs and the associated goodwill arising from that acquisition has been allocated to the single New Zealand or 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, New Zealand and Singaporean CGUs 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.

During the year, Singapore Casket Company undertook its own impairment calculations on the goodwill recorded in relation to Simplicity Casket Company and recognised an impairment loss of \$95,000.

(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 10.7% (2010: 10.5%), reflecting the risk estimates for the business as a whole. Sensitivity analysis indicates significant headroom exists in the value-in-use calculations for Australia, New Zealand and Singapore compared to the carrying value of goodwill.

Notes to the Financial Statements continued

FOR THE YEAR ENDED 31 DECEMBER 2011

Note 20: Derivative Financial Instruments

	2011 \$'000	2010 \$'000
Non-current assets		
Interest rate swap contracts – cash flow hedges	–	643
	–	643
Non-current liabilities		
Interest rate swap contracts – cash flow hedges	6,873	–
	6,873	–

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 21: Trade and Other Payables

	2011 \$'000	2010 \$'000
Current		
Trade payables	20,798	19,253
Sundry payables and accrued expenses	7,511	5,860
Deferred cash settlement for business interests acquired	46	610
	28,355	25,723
Non-current		
Deferred cash settlement for business interests acquired	70	–
	70	–

Full details of the risks and currency exposure of trade and other payables are set out in Note 2 – Financial Risk Management.

Note 22: Borrowings

	2011 \$'000	2010 \$'000
Short-term borrowings		
Lease liabilities	1,872	76
	1,872	76
Long-term borrowings		
Borrowings are represented by:		
Principal amount of bank loans – unsecured	214,986	152,661
Lease liabilities	–	1,872
Loan establishment costs	(952)	(1,132)
	214,034	153,401

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

Note 23: Provisions for Employee Benefits

	2011 \$'000	2010 \$'000
Current		
Employee benefits	11,688	9,473
Non-current		
Liability for long service leave	1,577	1,361

	2011 Number	2010 Number
(a) Employee numbers		
Number of full-time equivalent employees	1,430	1,112

(b) Superannuation plan

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

Note 24: Current Liabilities expected to be settled within Twelve Months

The amounts included in current liabilities which are expected to be settled within twelve months are set out below.

	Total Current Liabilities		Expected to Settle within Twelve Months	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Trade and other payables	28,355	25,723	28,355	25,723
Short-term borrowings	1,872	76	1,872	76
Current tax liabilities	8,278	6,522	8,278	6,522
Prepaid contract liabilities	317,598	264,646	28,901	24,083
Deferred revenue	3,112	3,048	3,112	3,048
Employee benefits	11,688	9,473	7,259	5,900
	370,903	309,488	77,777	65,352

The amounts expected to be settled within twelve months have been calculated based on the historical settlement patterns.

Notes to the Financial Statements continued

FOR THE YEAR ENDED 31 DECEMBER 2011

Note 25: Contributed Equity

	2011 \$'000	2010 \$'000
Fully paid ordinary shares	133,336	79,937

	2011 Number	2011 \$'000	2010 Number	2010 \$'000
Ordinary shares				
Balance at the beginning of the financial year	102,421,288	82,863	101,834,236	79,165
Dividend reinvestment plan issues	2,331,783	16,060	560,413	3,523
Shares issued in a business combination	5,277,227	37,935	–	–
Exempt employee share plan issues	–	–	26,639	175
Total contributed equity	110,030,298	136,858	102,421,288	82,863
Treasury shares (note 25(b))	(572,791)	(3,522)	(518,763)	(2,926)
Total consolidated contributed equity	109,457,507	133,336	101,902,525	79,937

(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.

During the year shares were issued in part settlement of the acquisition of the Bledisloe Group and the value recorded net of transaction costs.

(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 8.

Date	Details	Number of shares	\$'000
1 January 2010	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)
31 December 2010	Balance	518,763	2,926
22 to 25 February 2011	Shares vested	(113,895)	(627)
24 February to 3 March 2011	Acquisition of shares by the Trust and reallocation of previously forfeited shares	170,594	1,258
1 July 2011	Transfer of shares to members of the Exempt Employee Share Plan	(1,998)	(15)
5 July 2011	Forfeit of shares on termination of employment	(4,668)	(27)
15 July 2011	Forfeit of shares on termination of employment	(2,114)	(13)
10 October 2011	Forfeit of shares on termination of employment	(12,106)	(75)
14 October 2011	Forfeit of shares on termination of employment	(1,356)	(10)
	Unallocated shares held by the Trustee	19,571	105
31 December 2011	Balance	572,791	3,522

(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 26: Reserves and Retained Profits

	2011 \$'000	2010 \$'000
(a) Reserves		
Share-based payments reserve	2,166	1,810
Hedging reserve – cash flow hedge reserve	(4,822)	450
Foreign currency translation reserve	(278)	(172)
	(2,934)	2,088
Movements:		
Share-based payments reserve		
Balance at the beginning of the year	1,810	1,338
Options/deferred employee share plan expense	973	991
Vesting of deferred employee share plan shares	(617)	(519)
Balance at the end of the year	2,166	1,810
Hedging reserve		
Balance at the beginning of the year	450	(934)
Revaluation to fair value – gross	(7,516)	643
Amortisation of hedge reserve	–	1,334
Deferred tax	2,244	(593)
Balance at the end of the year	(4,822)	450
Foreign currency translation reserve		
Balance at the beginning of the year	(172)	(230)
Revaluation to fair value – gross	–	411
Deferred tax	–	(123)
Currency translation differences	(106)	(230)
Balance at the end of the year	(278)	(172)
(b) Retained profits/(accumulated losses)		
Movements in retained profits/(accumulated losses) were as follows:		
Balance at the beginning of the year	14,259	14,164
Net profit for the year	27,012	27,366
Dividends paid during the year	(30,187)	(27,271)
Balance at the end of the year	11,084	14,259

(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.

Notes to the Financial Statements continued

FOR THE YEAR ENDED 31 DECEMBER 2011

Note 26: 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 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 \$4,581,000 (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 \$3,751,000.

	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)
Profit after tax for the 2011 year	-	-	27,012	27,012
Dividends paid during 2011	-	-	(30,187)	(30,187)
Transfers between sub-accounts	-	4,581	(4,581)	-
Balance of retained earnings/(accumulated losses) as at 31 December 2011	-	(41,642)	52,726	11,084

Note 27: Minority Interests

	2011 \$'000	2010 \$'000
Reconciliation of minority interests in controlled entities:		
Share capital	800	800
Retained earnings		
Balance at the beginning of the year	240	220
Add share of operating earnings	103	94
Less dividends paid	(111)	(74)
Closing balance of retained earnings	232	240
Reserves	99	99
Balance at the end of the year	1,131	1,139

Note 28: Capital and Leasing Commitments

	2011 \$'000	2010 \$'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	8,350	6,175
– between 12 months and five years	18,170	11,976
– greater than five years	14,906	8,485
	41,426	26,636

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

	Property \$'000	Equipment \$'000	Total \$'000
Not later than 12 months	8,141	209	8,350
Between 12 months and five years	18,023	147	18,170
Greater than five years	14,906	–	14,906
	41,070	356	41,426

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.

	2011 \$'000	2010 \$'000
(b) Capital expenditure commitments		
Capital expenditure commitments contracted for at the reporting date but not recognised as liabilities payable:		
Building extensions and refurbishments		
– within one year	1,592	2,823
Plant and equipment purchases		
– within one year	766	630
(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
Documentary letters of credit outstanding at balance date payable:		
– within one year	129	110

Notes to the Financial Statements continued

FOR THE YEAR ENDED 31 DECEMBER 2011

Note 29: Business Combinations

Bledisloe Group

On 15 June 2011, a subsidiary InvoCare Australia Pty Limited completed the acquisition of 100% of Bledisloe Group Holdings Pty Ltd, following the Australian Competition & Consumer Commission's ("ACCC") announcement that it did not propose to oppose the acquisition. The Bledisloe Group operates funeral businesses on the east coast of mainland Australia, Tasmania and in New Zealand. Amongst its many highly respected funeral brands are Metropolitan Funerals in Brisbane, W D Rose in Melbourne, Turnbulls Family Funerals in Hobart and John Rhind Funeral Directors in Christchurch, New Zealand.

The Group provided the ACCC with enforceable undertakings in relation to the sale of the Gregory & Carr business in the northern suburbs of Sydney, the sale of Great Northern Garden of Remembrance in the north of Brisbane and an ownership statement for funeral operations in Brisbane. On 29 July, 2011 the sale of six Gregory & Carr locations, including three that were included in the undertakings, was completed. On 25 August, 2011 the sale of Great Northern Garden of Remembrance was completed. Proceeds from these two divestitures total \$7,216,000 and the sale price equated to the acquisition price.

During the period since completion on 15 June, 2011 the Bledisloe Group has contributed \$38.1 million in revenues and generated an operating EBITDA of \$6.5 million. Integration of the businesses with other InvoCare businesses and shared service centres, along with the elimination of duplicated functions is underway. Had the Bledisloe Group been acquired on 1 January 2011 the InvoCare Group revenue would have been \$358.6 million and profit after tax \$27.3 million for the period to 31 December 2011 without making any adjustments to the Bledisloe result.

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

	\$'000
Purchase consideration (refer to (b) below):	
Cash paid	40,040
Equity instruments issued	38,840
Total purchase consideration	78,880
Fair value of net identifiable assets acquired (refer to (c) below):	10,161
Goodwill	68,719

(b) Bledisloe purchase consideration

Outflow of cash to acquire the business, net of cash acquired	
Cash consideration for Bledisloe business	40,040
Outflow of cash	40,040

(c) Bledisloe assets acquired

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

	Acquiree's carrying amount \$'000	Fair value \$'000
Receivables	5,644	5,629
Inventories	1,395	1,395
Prepaid contract funds under management	37,393	37,393
Property, plant and equipment	41,799	51,123
Other financial assets	4	4
Intangible assets: Brand name	-	6,504
Trade and other payables	(7,763)	(9,109)
Bank overdraft	(187)	(187)
Income tax payable	(214)	(531)
Prepaid contract liabilities	(37,393)	(37,393)
Prepaid contract onerous liabilities	(588)	(588)
Provisions	(2,401)	(2,372)
Long term borrowings	(37,758)	(37,758)
Deferred purchase consideration	(372)	(372)
Deferred tax liabilities	(133)	(3,577)
Net identifiable assets acquired	(574)	10,161

Note 29: Business Combinations continued

Bledisloe Group continued

The initial accounting for the business combination has been determined provisionally. 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.

(d) Details of fair value of assets and goodwill disposed

	\$'000
Purchase consideration received	
Cash received	7,216
Total divestment consideration	7,216
Book value of net identifiable assets disposed (refer to (e) below):	2,198
Goodwill	5,018

(e) Details of assets disposed

The assets and liabilities disposed following the divestment are as follows:

	Fair value \$'000
Receivables	70
Inventories	148
Prepaid contract funds under management	3,213
Property, plant and equipment	2,028
Intangible assets: Brand name	359
Prepaid contract liabilities	(3,213)
Provisions	(219)
Deferred tax liabilities	(188)
Net identifiable assets sold	2,198

A total of 5,277,227 ordinary shares were issued and these shares have been valued at \$7.36 each, being the closing share price on 14 June, 2011 which was the day before completion. These shares are subject to escrow restrictions for a period of twelve months from the date of completion.

The purchase price of the business of the Bledisloe Group 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 the Bledisloe Group with the rest of the Group.

Total incidental costs of \$1,559,000 have been incurred in the reporting period bringing the total cost of this acquisition to \$1,865,000. These costs have been expensed as incurred and reported as Acquisition related costs in the Statement of Comprehensive Income as required by AASB 3: *Business Combinations*.

W N Bull

W N Bull's funeral business was acquired effective 15 June, 2010. Included in the purchase consideration was contingent consideration of \$250,000 which could be earned if certain predetermined case number hurdles were achieved by 15 June, 2011. The relevant hurdles were not achieved and the contingent consideration was written back as required by AASB 3: *Business Combinations* in the Statement of Comprehensive Income and netted against Acquisition related expenses.

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 \$275,000 was paid in July 2011 in accordance with the contract. The payment was in line with expectations following the achievement of predetermined revenue benchmarks established at the time of the initial acquisition and represents the final payment due for this business.

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 fifth and final additional payment of \$100,000, which has already been brought to account, in respect of restraint and retention amounts, was made during 2011.

Notes to the Financial Statements continued

FOR THE YEAR ENDED 31 DECEMBER 2011

Note 29: Business Combinations continued

Bledisloe Acquisitions

On the acquisition of Bledisloe a number of existing businesses, included in the fair values acquired, were still subjected to deferred consideration arrangements. Subsequent to acquisition of Bledisloe the following transactions have occurred in relation to these pre-acquisition business combinations.

Beth Shan Funeral Home

In May 2008 the Bledisloe Group acquired this business which operates in Napier, New Zealand. The final additional payment of NZ\$220,000, upon achievement of agreed earnings targets was paid during 2011.

Burkin Svendsens Funeral Directors

In November 2008 the Bledisloe Group acquired this business which operates in Cairns in North Queensland. The final payment was due during 2011 but the pre-agreed earnings target were not achieved so a payment of \$75,698 was made which represented approximately 75% of the total possible. The acquisition contract was amended in order to give the principal an opportunity to earn the shortfall in exchange for an extension to the contractual non-competition arrangements included in the original contract.

Guardian North City Funeral Home

This business was acquired by the Bledisloe Group in July 2010 and operates in Porirua, New Zealand which is to the north of Wellington. During the year, on the achievement of pre-agreed earnings targets an additional payment of NZ\$60,000 was made. Further payments may occur in 2012 and 2013 if the earnings targets are achieved.

Note 30: Contingent Liabilities and Contingent Assets

	2011 \$'000	2010 \$'000
The Group had contingent liabilities at 31 December 2011 in respect of bank guarantees given for leased premises of controlled entities to a maximum of:	1,242	639

For information about the deed of cross guarantees given by InvoCare Limited, InvoCare Australia Pty Limited, InvoCare (Singapore) Pty Limited, Bledone Pty Ltd and Bledisloe Australia Pty Ltd, refer to Note 32.

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

Note 31: Cash Flow Information

	2011 \$'000	2010 \$'000
Reconciliation of cash flow from operations with profit from ordinary activities after income tax		
Profit from ordinary activities after income tax	27,012	27,460
Non-cash items in profit from ordinary activities		
Depreciation, amortisation and impairment	13,746	11,215
Share-based payments expense	1,090	1,049
Loan establishment costs	343	197
Interest rate swap expense	-	(847)
Imputed interest from deferred purchase consideration	16	41
Net amount reclassified as an expense from property, plant and equipment and other non-current assets	-	29
Net (gain)/loss on disposal of property, plant and equipment	(203)	(562)
Unrealised (gain)/loss on prepaid contracts	13,477	10,300
Other prepaid contract movements	926	519
Once off acquisition costs classified in investing activities	1,560	-
Effect of movement in exchange rates	286	57
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries		
(Increase)/decrease in trade and other receivables	(4,729)	(4,509)
(Increase)/decrease in inventories	(1,275)	(1,839)
(Increase)/decrease in deferred selling expenses	47	(251)
Increase/(decrease) in payables	(4,106)	2,581
Increase/(decrease) in deferred revenue	867	1,652
Increase/(decrease) in income taxes payable	1,595	2,732
Increase/(decrease) in deferred taxes	(6,804)	(4,187)
Increase/(decrease) in provisions	161	612
	44,009	46,249

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. Effective from 15 June 2011 Bledone Pty Ltd and Bledisloe Australia Pty Ltd became parties to this Deed of Cross Guarantee. 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 2011 of the Closed Group.

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

	2011 \$'000	2010 \$'000
Consolidated income statement of the Closed Group		
Revenue from continuing operations	287,758	243,406
Finished goods and consumables used	(83,083)	(67,899)
Employee benefits expense	(68,018)	(57,700)
Employee related and on-cost expenses	(16,493)	(12,920)
Advertising and public relations expenses	(8,863)	(8,033)
Occupancy and facilities expenses	(17,770)	(14,163)
Motor vehicle expenses	(6,091)	(4,570)
Other expenses	(12,534)	(11,599)
Earnings before interest, tax, depreciation and amortisation	74,906	66,522
Depreciation, impairment and amortisation expenses	(11,498)	(9,807)
Finance costs	(14,121)	(12,615)
Interest income	656	613
Net gain/(loss) on prepaid contracts	(13,477)	(10,300)
Acquisition costs	(1,309)	(1,284)
Net gain/(loss) on disposal of non-current assets	181	513
Profit before income tax	35,338	33,644
Income tax expense	(9,291)	(10,931)
Profit for the year	26,047	22,713
Changes in the fair value of cash flow hedges, net of tax	(4,877)	1,385
Changes in foreign currency translation reserve, net of tax	240	901
Other comprehensive income for the year, net of tax	(4,637)	2,286
Total comprehensive income for the year	21,410	24,999
Summary of movements in consolidated retained profits of the Closed Group		
Retained profits/(accumulated losses) at the beginning of the financial year	21,028	25,585
Profit for the year	26,047	22,713
Dividends paid	(30,190)	(27,270)
Retained profits/(accumulated losses) at the end of the financial year	16,885	21,028

Notes to the Financial Statements continued

FOR THE YEAR ENDED 31 DECEMBER 2011

Note 32: Deed of Cross Guarantee continued

(b) Balance sheet of the Closed Group

	2011 \$'000	2010 \$'000
Current assets		
Cash and cash equivalents	2,062	2,467
Trade and other receivables	27,752	21,488
Inventories	18,316	16,198
Prepaid contract funds under management	311,763	273,544
Deferred selling costs	553	548
Total current assets	360,446	314,245
Non-current assets		
Trade and other receivables	13,676	1,986
Shares in subsidiaries	168,764	56,329
Property, plant and equipment	232,767	212,094
Intangible assets	47,672	42,681
Derivative financial instruments	–	643
Deferred selling costs	7,742	7,668
Total non-current assets	470,621	321,401
Total assets	831,067	635,646
Current liabilities		
Trade and other payables	25,415	24,695
Short-term borrowings	1,872	76
Current tax liabilities	7,137	5,359
Prepaid contract liabilities	317,598	264,646
Deferred revenue	2,893	2,844
Provisions for employee benefits	11,047	9,450
Total current liabilities	365,962	307,070
Non-current liabilities		
Trade and other payables	51,933	–
Long-term borrowings	193,487	153,401
Derivative financial instruments	6,323	–
Deferred tax liabilities	22,835	30,514
Deferred revenue	39,389	38,414
Provisions for employee benefits	1,577	1,361
Total non-current liabilities	315,544	223,690
Total liabilities	681,506	530,760
Net assets	149,561	104,886
Equity		
Contributed equity	133,336	79,937
Reserves	(660)	3,921
Retained profits/(Accumulated losses)	16,885	21,028
Total equity	149,561	104,886

Note 33: Events after the Balance Sheet Date

There have been no significant events that have occurred subsequent to 31 December 2011.

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 16.

(c) Directors and key management personnel

Disclosures relating to directors and key management personnel are set out in Note 7.

	2011 \$	2010 \$
(d) Transactions with related parties		
Transactions with other related parties		
Contributions to superannuation funds on behalf of employees	5,630,220	4,932,814

(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.

	2011 \$'000	2010 \$'000
Balance sheet		
Current assets	94	109
Total assets	369,523	270,898
Current liabilities	7,366	5,903
Total liabilities	184,997	137,254
<i>Shareholders' equity</i>		
Contributed equity	133,336	79,937
Reserves		
Share-based payments	2,166	1,810
Hedging reserve – cash flow hedge reserve	(4,280)	441
Retained earnings	53,305	51,456
	184,527	133,644
Profit for the year	32,036	31,026
Total comprehensive income for the year	27,671	32,873

Notes to the Financial Statements continued

FOR THE YEAR ENDED 31 DECEMBER 2011

Note 35: Parent Entity Financial Information continued

(b) Contingent liabilities of the parent entity

	2011 \$'000	2010 \$'000
The parent entity had contingent liabilities at 31 December 2011 in respect of bank guarantees given for leased premises of controlled entities to a maximum of:	204	639

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 2011 (31 December 2010: 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 \$45,884,000 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 19 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 18 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 \$35.8 million at 31 December 2011 (2010: \$34.3 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 (2010: \$1.1 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 20 March 2012. 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 2011 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
20 March 2012

Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INVOCARE LIMITED



Report on the financial report

We have audited the accompanying financial report of InvoCare Limited (the company), which comprises the balance sheet as at 31 December 2011, and the income statement, 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 2011 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.

PricewaterhouseCoopers, ABN 52 780 433 757
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

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Independent Auditor's Report continued

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INVOCARE LIMITED

Report on the Remuneration Report

We have audited the remuneration report included in pages 35 to 47 of the directors' report for the year ended 31 December 2011. 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 2011, complies with section 300A of the *Corporations Act 2001*.

Matters relating to the electronic presentation of the audited financial report

This auditor's report relates to the financial report and remuneration report of InvoCare Limited (the company) for the year ended 31 December 2011 included on InvoCare Limited's web site. The company's directors are responsible for the integrity of InvoCare Limited's web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report and remuneration report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report or the remuneration report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report and remuneration report to confirm the information included in the audited financial report and remuneration report presented on this web site.



PricewaterhouseCoopers



John Feely
Partner

Sydney
20 March 2012

Shareholder Information

Shares and options as at 19 March 2012

	Number
Shares on issue	110,030,298
Options on issue	Nil

Distribution of shareholders as at 19 March 2012

	Number of shareholders	Number of shares	Percentage %
1 – 1,000	3,079	1,671,204	1.52%
1,001 – 5,000	5,222	13,734,088	12.48%
5,001 – 0,000	1,270	9,474,938	8.61%
10,001 – 100,000	713	14,714,755	13.37%
100,001 and over	41	70,435,313	64.02%
	10,325	110,030,298	100.00%

There were 167 holders of less than a marketable parcel of ordinary shares (being 65 based on a price of \$7.60 on 19 March 2012) who hold a total of 2,815 ordinary shares.

Equity security holders

	Number of shares	Percentage %
--	------------------	--------------

Largest 20 holders of ordinary shares as at 19 March 2012

1. National Nominees Limited	15,909,513	14.46%
2. J P Morgan Nominees Australia Limited	14,613,414	13.28%
3. HSBC Custody Nominees (Australia) Limited	11,652,311	10.59%
4. Citicorp Nominees Pty Limited	4,605,621	4.19%
5. Propel Private Equity II, LP	4,407,052	4.01%
6. Cogent Nominees Pty Limited	2,920,978	2.65%
7. Milton Corporation Limited	1,695,526	1.54%
8. J P Morgan Nominees Australia Limited (Cash Income Account)	1,687,458	1.53%
9. Argo Investments Limited	1,281,310	1.16%
10. Australia Foundation Investment Company Limited	1,252,841	1.14%
11. Mirrabooka Investments Limited	974,658	0.89%
12. UBS Wealth Management Australia Nominees Pty Ltd	968,735	0.88%
13. BKI Investment Company Limited	949,000	0.86%
14. UCA Growth Fund Limited	900,000	0.82%
15. IVC Employee Share Plan Managers Pty Ltd	838,392	0.76%
16. Mr Richard Hugh Davis	656,607	0.60%
17. Australian United Investment Company Limited	500,000	0.45%
18. Gwynvill Trading Pty Ltd	465,643	0.42%
19. Citicorp Nominees Pty Limited (Colonial First State Account)	408,375	0.37%
20. AMP Life Limited	402,739	0.37%
Total for top 20	67,090,173	60.97%

Substantial holders

	Number of shares held	Percentage %
--	-----------------------	--------------

Substantial holders in the Company as at 19 March 2012 are set out below:

JCP Investment Partners Ltd	14,537,992	13.21%
National Australia Bank Limited Group	12,464,682	11.33%

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

Contemporary - Australia and New Zealand

New South Wales		Queensland	Victoria	South Australia	New Zealand
<p>Guardian Funeral Providers Guardian Funerals (est 1890) Bankstown Blacktown Bondi Junction Burwood Campbelltown Cremorne Hurstville Leppington Lidcombe Merrylands Minchinbury North Ryde Parramatta Rockdale Warrawee</p> <p>Bruce Maurer Funerals (est 1941) Crows Nest</p> <p>Hansen & Cole Funerals (est 1936) Bulli Kembla Grange Wollongong</p> <p>J W Chandler Funerals (est 1885) Richmond Windsor</p> <p>Boland Funerals (est 1962) Maroubra</p> <p>Tobin Brothers Funerals (est 1946) Queanbeyan</p>	<p>Other Providers Allan Drew Funerals (est 1985) Castle Hill Rouse Hill</p> <p>Ann Wilson Funerals (est 1995) Dee Why Mona Vale</p> <p>David Lloyd Funerals (est 1885) Adamstown Belmont Beresfield Toronto</p> <p>Byron District Funerals (est 1978) Byron Bay</p> <p>Casino Funerals (est 1930) Casino</p> <p>Economy Value Funerals All areas</p> <p>Kevin Geaghan Funerals (est 1896) Ballina</p> <p>Liberty Funerals (est 1994) Chatswood Granville</p> <p>Twin Towns Funerals (est 1913) Tweed Heads</p> <p>Universal Chung Wah (est 1955) Fairfield</p> <p>William Riley & Sons (est 1882) Lismore</p> <p>W N Bull (est 1892) Newtown Parramatta North Sydney</p>	<p>George Hartnett Funerals (est 1947) Albany Creek Cleveland Holland Park Redcliffe Sandgate Wynnum</p> <p>Metropolitan Funerals (est 1941) Aspley Cleveland Mt Gravatt Petrie Redcliffe Southport Springwood Toowong Wynnum</p> <p>Other Providers Cannon & Cripps (est 1886) Kelvin Grove</p> <p>Drysdale Funerals (est 1983) Maroochydore Nambour Tewantin</p> <p>Reed & Bottcher (Reed est 1869 and Bottcher 1887) Ipswich</p> <p>Somerville Funerals (est 1932) Nerang Robina Southport</p> <p>Value Funerals All areas</p> <p>City Funeral Services (est 1959) Mackay</p> <p>Gatton Funerals (est 1983) Gatton</p> <p>Hiram Philp Funerals (est 1903) Toowoomba</p> <p>Mackay Funerals (est 1884) Mackay</p> <p>Burkin Svendsens (est 1884) Cairns</p> <p>Laidley Funeral Services (est 1995) Laidley</p> <p>Serenity Funerals (est 2001) Beaudesert</p> <p>Beaudesert Funeral Services (est 1980) Beaudesert</p>	<p>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 Thornbury</p> <p>Le Pine Asian Funerals Glen Waverley West Footscray <i>W D Rose (est 1884)</i></p> <p>Brighton Burwood Cheltenham</p> <p>Joseph Allison (est 1853) Brunswick Essendon Werribee</p> <p>Other Providers Mulqueen Funerals (est 1932) Coburg Southern Cross (est 1998) Noble Park Value Funerals All areas</p>	<p>Blackwell Funerals (est 1940) Glenside Payneham Prospect South Brighton Torrensville</p> <p>Other Providers Value Funerals All areas</p>	<p>North Island Forrest Funeral Services (est 1978) Browns Bay (Auckland) Orewa (Auckland) Fountain's Funeral Services (est 1956) Papakura (Auckland) Manurewa (Auckland) Sibuns Funeral Directors (est 1913) Remuera (Auckland) Lychgate Funeral Home (est 1876) Wellington Gee & Hickton (est 1946) Lower Hutt Upper Hutt Guardian North City (est 1966) Porirua (Wellington) James R Hill (est 1965) Hamilton Pellows Funeral Directors (est 1963) Hamilton Elliotts Funeral Services (est 1967) Tauranga Mt Maunganui Kati Kati Beth Shan Funeral Directors (est 1977) Napier Cleggs Funeral Services (est 1919) Hawera Vospers (est 1933) New Plymouth Wairarapa Funeral Services (est 1938) Masterton</p> <p>South Island John Rhind Funeral Directors (est 1881) Christchurch Kaiapoi Academy Funeral Services (est 1982) Christchurch Geoffrey T Sowman (est 1869) Blenheim Sowman Memorials Blenheim</p>
				Tasmania	
				<p>Turnbull Family Funerals (est 1936) North Hobart</p>	
				Western Australia	
				<p>Purslowe Funerals (est 1907) Midland North Perth South Fremantle Victoria Park Wangara</p> <p>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</p>	
Australian Capital Territory					
<p>Tobin Brothers Funerals (est 1946) Belconnen Kingston Tuggeranong</p>					

Simplicity Funerals (est 1979)

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

White Lady Funerals (est 1987)

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

Singapore

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

Cemeteries and Crematoria

New South Wales		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	Great Southern Memorial Gardens (est 1997)	Carbrook
Lakeside Memorial Park (est 1964)	Dapto	Mt Thompson Memorial Gardens (est 1934)	Holland Park
Lung Po Shan Information Centre (est 2000)	Haymarket	Toowoomba Memorial Gardens (est 1966)	Toowoomba
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		
Tweed Heads Memorial Gardens (est 1971)	Necropolis		
	Tweed Heads		

Glossary

FOR THE YEAR ENDED 31 DECEMBER 2011

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 including 2010 amendments
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 Earnings	Earnings before the net gain/(loss) on undelivered prepaid contracts, asset sales gains/(losses), minority interests and any other unusual items as disclosed in the relevant reconciliations.
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

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	<input type="checkbox"/> Female	<input type="checkbox"/> 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)
Benjamin Chow (Non-executive Director)
Christine Clifton (Non-executive Director)
Richard Davis (Non-executive Director)
Richard Fisher (Non-executive Director)
Aliza Knox (Non-executive Director)
Roger Penman (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 11 May 2012

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

Anthony Harper Lawyers
Level 15, Chorus House
66 Wyndham Street
Auckland New Zealand

Bankers

Australia and New Zealand
Banking Group Limited
20 Martin Place
Sydney NSW 2000

ANZ National Bank Limited
Level 27, ANZ Centre
23 – 29 Albert Street
Auckland New Zealand

Bank of New Zealand Limited
Level 6
80 Queen Street
Auckland New Zealand

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

Printing Specifications

Pages 1 – 28 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 29 – 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.

