InvoCare
Innovation Vocation Care

Annual Report 2012

Realising possibilities

Contents

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

White Lady Funerals

The new White Lady Funerals uniforms introduced in 2012 on show at St David's Uniting Church, Haberfield, NSW.

Growing network

InvoCare's growing network of locations across Australia, New Zealand and Singapore ensures we continue to provide committed care with a personalised touch to the communities we are part of.

Funeral locations   Memorial Parks

Tuckers funeral home at Barrabool Hills, Geelong, Victoria.

The entrance to Hanson & Cole Funerals at Kembla Grange, Wollongong, New South Wales.

Pellows Funeral Directors location in Hamilton, New Zealand.

Key Funeral Brands

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, and another, opened in 2012, in Auckland, New Zealand.

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

Cemeteries and Crematoria

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 149 InvoCare contemporary-style and heritage funeral homes in Australia and New Zealand.

We were proud to celebrate 120 years of the WN Bull brand during 2012 along with milestones for Boland Funerals, Somerville Funerals, Mulqueen Funerals and Academy Funeral Services.

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

Realising possibilities

Completing the integration of the Bledisloe operations during the year with annualised synergy benefits of $3.5 million.

Key growth strategies remains unaltered and focus on the revenue pillars of growth and driving operating leverage.

Our aim is to provide outstanding service to our client families while contributing to the communities we serve and delivering solid returns to our shareholders.

A major new initiative in 2012 was to leverage the possibilities of the digital age to improve our services.

Pink Common Heath

The Epacris impressa, also known as common heath, is endemic to the Geelong region. Its pink colours symbolise compassion, hope and caring.

Update about the market

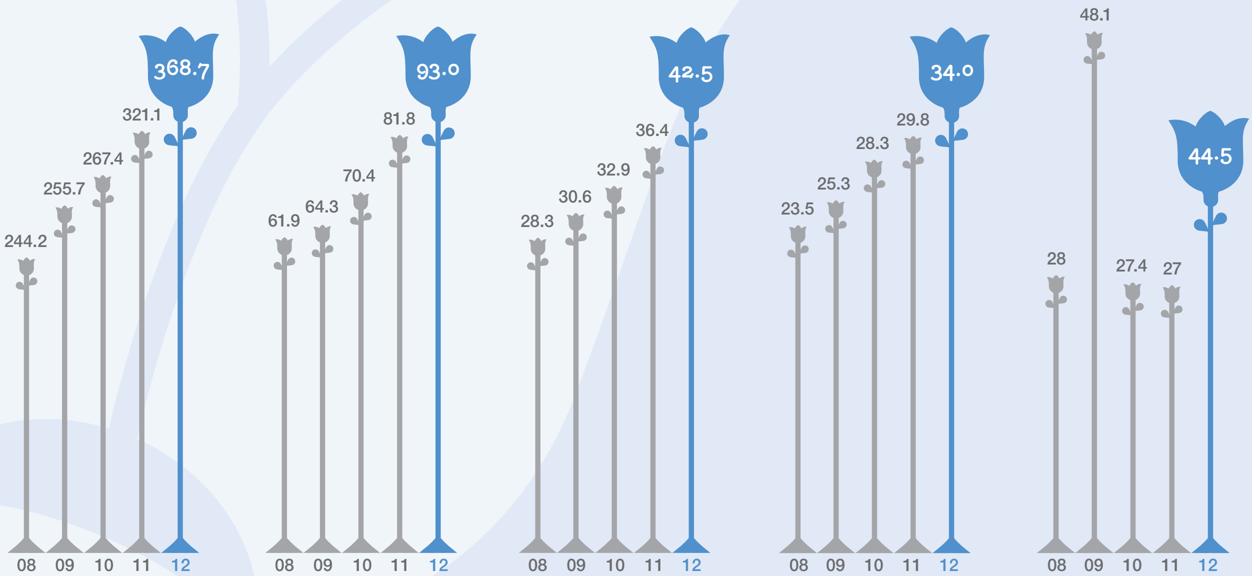
The Tuckers acquisition in December 2012 saw InvoCare enter the Geelong market for the first time and the Resthaven acquisition in February 2013 expanded our presence in Auckland.

AFE Award

In 2012 InvoCare won the coveted AFE Award for Professionalism and Leadership at the Asian Funerals Expo in Hong Kong.

Performance highlights

InvoCare's sound financial performance confirms the continuing effectiveness of the business model.



Revenue from external customers
$ million

Operating EBITDA
$ million

Operating earnings after tax
$ million

Ordinary dividends per share
$ million

Profit after tax attributable to members
$ million

Five year financials

$'000	2012	2011	2010	2009	2008
Revenue from external customers	**368,652**	321,113	267,449	255,676	244,215
Operating EBITDA	**93,026**	81,802	70,411	64,273	61,874
Operating EBITDA margin	**25.2%**	25.5%	26.3%	25.1%	25.3%
Operating earnings after tax	**42,479**	36,406	32,928	30,607	28,342
Operating earnings per share (cents)	**38.8**	34.5	32.4	30.3	28.3
Profit after tax attributable to members	**44,479**	27,012	27,366	48,141	28,026
Earnings per share (cents)	**40.6**	25.6	26.9	47.7	28.0
Dividend paid in respect of the financial year (cents)	**34.00**	29.75	28.25	25.25	23.50
Ungeared, tax free operating cash flow	**88,542**	75,411	69,059	63,094	60,495
Proportion of EBITDA converted to cash	**95%**	92%	98%	98%	98%
Actual capital expenditure	**18,412**	16,723	14,266	13,846	16,359
Net debt	**217,136**	209,114	147,538	148,358	152,452
Operating EBITDA/Net interest (times)	**6.3**	6.5	7.1	6.6	6.2
Net debt/EBITDA (times)	**2.4**	2.6	2.1	2.3	2.5
Funeral homes (number)	**231**	226	177	173	163
Cemeteries and crematoria (number)	**14**	14	12	12	12
Employees (full-time equivalents)	**1,470**	1,430	1,112	1,101	1,052
Prepaid contract sales/prepaid redemptions	**17.7%**	16.5%	16.8%	17.9%	6.9%

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

Chairman's message

InvoCare has delivered another sound financial performance by realising the possibilities presented by the markets in which it operates.

InvoCare continued to grow in 2012 by realising the opportunities of the Bledisloe acquisition and focusing on the core strategic growth pillars embodied in InvoCare's operational strategy.

Operating earnings after tax were $42.5 million for the year, an increase of 16.7% on 2011. Statutory profit after tax, which includes asset sale gains and the non-cash impact of movements in prepaid contracts funds under management and associated liabilities, increased 64.7% from $27.0 million to $44.5 million. The most significant reason for this was the non-cash investment returns from prepaid contract funds under management rose from $2.1 million in 2011 to $17.6 million in 2012.

The integration of Bledisloe was completed during 2012 and this saw the realisation of an annualised $3.5 million in synergies since acquisition in June 2011. Growth continues with the acquisition of Tuckers in December 2012 which sees InvoCare enter the Geelong market for the first time. Early in 2013 the Resthaven acquisition saw two new locations added in the key Auckland market where InvoCare is currently under-represented. Three new locations in Australasia were added in 2012 and both the Simplicity and White Lady brands were introduced into the New Zealand market.

Given the success of 2012, the Board declared a fully franked final dividend of 19 cents per share. Total dividends for the year total 34 cents per share, an increase of 14.3% on 2011. The 2012 dividends represent a payout ratio of 88% (2011: 89%) of operating earnings after tax. 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.

A major focus of 2012 was the development of the digital strategy which includes enhanced tools to improve the client interface with front line staff, new online offerings and improvements in the core operational and financial systems.

On behalf of the Board and all shareholders I congratulate the management and staff of InvoCare under Andrew Smith's leadership on realising the possibilities presented by the Bledisloe acquisition and the solid operational and financial results. The Board conducts twice yearly operational site visits and continues to be impressed by the professionalism and dedication demonstrated by all of InvoCare's personnel.

I look forward to InvoCare's continued successful growth of the core business operations in Australia, New Zealand and Singapore.

Ian Ferrier
CHAIRMAN

An industry leader

InvoCare is committed to maintaining the highest standards of professionalism and service within both its own operations and the industry more generally. One effective way of ensuring standards are maintained is by working with other industry players on matters of key concerns to the industry at large.

As a consequence many InvoCare employees are involved with the key industry groups being the Australian Funeral Directors Association, the Australasian Cemeteries & Crematoria Association, the Funeral Directors Association of New Zealand, Funeral Directors Association (Singapore), Australian Institute of Embalming and the New Zealand Embalmers Association.

Armen Mikaelian, National President of the Australasian Cemeteries and Cremation Association with his chains of office at Northern Suburbs Memorial Gardens and Crematorium.

Warwick Hansen OAM

Warwick is the President of the NSW Division of the Australian Funeral Directors Association and celebrated his 45th year in the industry during 2012. He was award the Order of Australia Medal in 2013 for services to the industry and community.

InvoCare employees holding senior industry positions include:

Armen Mikaelian
National General Manager Cemeteries/ Crematoria
President Australasian Cemeteries & Crematoria Association

John Fowler
General Manager – Victorian Funerals
National Senior Vice President Australian Funeral Directors Association

Jason Maher
General Manager – South Australian Funerals
National Councillor Australian Funeral Directors Association

Daniel McKeig
Regional Manager Western Australia
Divisional President WA Funeral Directors Association

Doris Zagdanski
General Manager – Corporate Projects
Divisional President QLD Funeral Directors Association

Warwick Hansen
Regional Manager NSW Country
Divisional President NSW Australian Funeral Directors Association

Gavin Murphy
Operations Manager New Zealand
Vice President Funeral Directors Association of New Zealand
National Examiner New Zealand Embalmers Association

Rachel Benns
Founder of Resthaven
Executive Member Funeral Directors Association of New Zealand

Tony Garing
Regional Manager
Executive Member Funeral Directors Association of New Zealand

A total of 13 other InvoCare staff members serve on various committees of these industry associations.

Chief Executive Officer's review

InvoCare has realised the possibilities presented by the Bledisloe acquisition in 2012 while continuing to focus on the core operations.

InvoCare has consolidated the Bledisloe business and continued its focus on the core business. This ensured InvoCare delivered growth in gross sales of 14.9% to $368.7 million (2011: $321.1 million) combined with strong growth in operating EBITDA which grew 13.7% to $93.0 million (2011: $81.8 million).

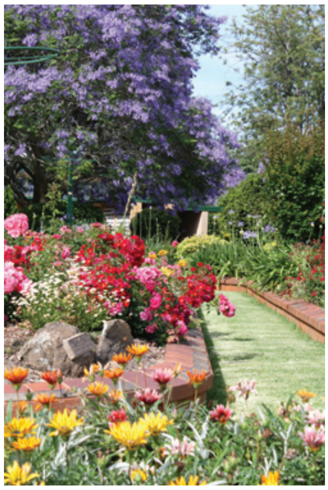
The outcome is a tribute to all our staff and the continued focus on the pillars of growth.

The result highlights include:

- A positive contribution of $13.0 million EBITDA from the **Bledisloe business** which saw $3.0 million in synergy benefits delivered;
- Normal **annual price increases** against a backdrop of subdued growth in the number of deaths;
- **An improvement in the margin leverage** of comparable businesses despite continued strong investments in marketing, digital business initiatives and management capabilities;
- **Continued strong growth** in the sale of new prepaid contracts;

Andrew Smith
CHIEF EXECUTIVE OFFICER

The Gee & Hickton location in Lower Hutt, New Zealand.



A tranquil garden at Toowoomba Garden of Remembrance, Toowoomba, Queensland.

- **A significant improvement in prepaid contract funds returns** which saw the returns in line with the impact of price increases on the future liabilities;
- We continue our **community support** programmes with many of our staff contributing personal time to community activities;
- Continued **strong brand awareness** with all key brands maintaining or increasing unprompted brand recall; and
- The full year dividends total 34 cents per share representing an **increase of 14.3%** and an 88% payout of operating earnings after tax (2011: 89%).

Acquisitions

The integration of the Bledisloe acquisition was completed during 2012 with a total annualised synergy benefit of $3.5 million. $3.0 million of these benefits were achieved during 2012. The Bledisloe results will no longer be separately reported as the Bledisloe brands have been fully integrated into the InvoCare structure. In 2012 Bledisloe's sales revenue was $69.3 million and estimated annualised EBITDA is $13.5 million inclusive of total synergy benefits. The entry into the New Zealand market via the Bledisloe acquisition has also allowed the launch of InvoCare's Simplicity and White Lady brands in New Zealand.

Late in 2012 InvoCare entered the Geelong market for the first time with the acquisition of Tuckers Funeral & Bereavement Services. Tuckers, a household name in Geelong, has been in continuous operation since 1893 and operates from four locations in the Geelong region.

Early in 2013 the Resthaven funeral business in Auckland New Zealand was acquired. Resthaven, which was established in 2000, operates from two locations in Auckland where InvoCare is currently under-represented.

It gives me great pleasure to welcome the staff of these businesses to the InvoCare fold.

Realising the possibilities of our service culture

In Australia funeral sales were up 6.3% to $226.8 million on a growth of 1.5% in case volumes. This is a pleasing outcome given the estimated number of deaths has only increased by 0.9% in InvoCare's Australian markets. As a consequence market share increases have been achieved. Case averages were impacted by both geographic and brand mix. The number of deaths in Victoria, which has a higher case average, were lower than anticipated compared to Queensland which has a lower case average. The continued success of Simplicity has also impacted brand mix.

Sales revenue in New Zealand was $30.2 million with operating EBITDA of $6.2 million. Market share has grown in the key Auckland market and is improving in Christchurch where the key Rhind's location was impacted by earthquake damage late in 2011.

In constant dollars the Singapore revenue grew by 11.3% despite little change in case volumes. Singapore has expanded its product offering to include funeral accessories in addition to the core services. These additional product areas have a lower margin but provide a far more seamless service to its client families.

Cemeteries and crematoria comparable sales revenues rose by 4.5% with increased volumes due to an increase in the number of deaths in InvoCare's markets. Memorial sales, most of which are initially deferred, rose in the year with major contracts (greater than $15,000) up 6% on the prior period.

Chief Executive Officer's review continued

Bruce Knight, Operations Manager with the parks and garden staff from Lake Macquarie Memorial Park this year's winner of the Parks and Gardens Award.

The relic of St Francis Xavier on display at St Mary's North Sydney during the pilgrimage to Australia in 2012.

Pleasingly, customer surveys across Australia showed that more than 97% of families would recommend InvoCare's services and most considered they received excellent value for money.

InvoCare is committed to introducing new and innovative service improvements to enhance the customer experience. During 2012 we continued to roll out tablets and smart phones to client facing teams to enable them to more efficiently support families in their time of need. We launched the online funeralorganiser.com.au and mymemorial.com.au. In addition, the investment in www.heavenaddress.com was increased to enable it to continue to develop its online memorial presence.

Realising the future

InvoCare continues to invest to improve the quality of services provided with more than $18 million in capital expenditure in 2012 including more than $6 million spent on building refurbishments and upgrades. The $7 million catering facility at Northern Suburbs Memorial Gardens and Crematorium in Sydney was officially opened by Her Excellency Professor Marie Bashir AC CVO Governor of New South Wales. This facility enables families to continue the celebration of a life against the tranquil backdrop of the Lane Cove National Park.

In New Zealand key locations at Papakura and Browns Bay underwent substantial renovation and upgrading. Building works have finally begun at Rhinds in Christchurch which suffered material damage in the multiple earthquakes that have struck the region over the last two and half years.

The development of a digital strategy aimed at interfacing with client families, improving InvoCare's social media presence, offering new digital client solutions and business process improvement was developed during the year. This was led by Andi Luiskandl who joined the Group in March 2012 as Chief Information Officer.

Engagement with the community

InvoCare's ongoing support and engagement with the community continued in 2012. One highlight was the support for the Australian pilgrimage of a relic of St Francis Xavier between September and December 2012. Funeral staff in many locations assisted with logistical support for the tour around Australia.

Many other organisations around Australia from sporting clubs to community organisations were again supported. The Lions Recycle for Sight programme continued to be a success along with the support we provided to the likes of Legacy, Westpac Rescue Helicopter Service, Jeans for Genes and Daffodil Day. Many of our staff also donated time to local groups to provide grief counselling and other advice on dealing with other debilitating conditions such as Alzheimer's.

Commitment to our people

Our training programmes continued during 2012 via both internally delivered professional development and through the support given to our people undertaking external training programmes. Congratulations go to Sue Eustace from Sibuns Funeral Directors and Advisors in Auckland who was awarded the Top Overall Student and Top Funeral Directing Student at the graduation ceremony of the Funeral Services Training Trust of New Zealand.

Our staff also continue to be shareholders with more than 25% of InvoCare employees participating in the Company's Deferred Employee Share Plan, Exempt Employee Share Plan or through direct ownership of shares in the Company.

Looking ahead

InvoCare's strong brands, commitment to service excellence and its focus on the communities in which we operate position the Group for sustainable growth into the future.

Our underlying strategic focus on the pillars of growth ensures that, as in 2012, InvoCare will for the foreseeable future, continue to realise the possibilities available within InvoCare's growing sphere of operation.

In closing, I would like to thank the commitment demonstrated by all InvoCare employees to the communities in which they operate and their continued desire to deliver the highest standard of services to our client families.

A tranquil memorial garden at Lake Macquarie Memorial Park at Ryhope, New South Wales.

A tradition of service delivered by our people

InvoCare is committed to developing its multi-cultural workforce and supporting the Federal Government's Mature Aged Workers Initiative. Training remains a major priority to ensure the highest level of care is delivered to families at their time of need and our people are conversant with the new and emerging technologies and positioned to take the next steps in their career as opportunities arise.

During 2012 more than 6,500 hours of classroom training was provided in addition to the on-the-job coaching and training that is constantly provided to support all our staff.

Patsy Healy and her team at WN Bull Funerals celebrated 120 years of continuous operation during 2012. WN Bull has always been at the forefront of industry development and in 1914 was the first funeral company to use a motorised hearse. In 1940 it filed a patent application for a device for the hermetic sealing of coffins. Over the years WN Bull has conducted services for many prominent Australians including Hon Frank Walker, a former NSW Attorney General, who died in June 2012.

We attempt to honour the achievements of all our staff but this year it is with great pleasure we announce that Warwick Hansen, who has 45 years in the industry, was awarded an Order of Australia Medal for services to the community and the funeral industry. Warwick started his career in the industry when, after a short stint with a bank he joined the family business. He has served as a director of the Australian Cemeteries & Crematoria Association and is currently President of the NSW Division of the Australian Funeral Directors Association.

Staff at Lake Macquarie Memorial Park, Ryhope, NSW at the opening of the Natural Memorial Reserve.

Patsy Healy

Patsy Healy with a WN Bull hearse at Waverley Cemetery, New South Wales.

The team at Tuckers Geelong outside the main West Geelong location shortly after InvoCare's acquisition of the business.

The chapel at WN Bull Funerals, Newtown which has been providing services to the Sydney community since 1892.

Key strategies

InvoCare successfully integrated the sizable Bledisloe business since acquisition in June 2011. The success of the business model in delivering sustained growth has again been confirmed in 2012.

Demographics

The gradual increase in the number of deaths in InvoCare's key markets continues to create possibilities for the business. With a change in attitudes to funerals with more people wanting an involved and celebratory experience, InvoCare key brands such as White Lady Funerals will continue to grow.

Brand Awareness

InvoCare aims to sustain and improve brand awareness by running integrated TV, radio, press and billboard campaigns. White Lady Funerals once again achieved aided brand awareness scores above 90% in InvoCare's research. All other brands researched, including Guardian Funerals, Simplicity, Le Pine and Metropolitan, achieved brand awareness scores equal to or better than prior years. The many hours our people devote to community and social organisations is a critical component of building the brand awareness. New or replacement sites are selected in high visibility locations as a cost effective means to promote brand awareness.

New Locations and Acquisitions

Building on InvoCare's robust business model we continue to seek new locations and acquisitions within the footprint of established shared service functions. The model is based on personal service supported by highly efficient back end processes to ensure client families receive the most professional service possible. As InvoCare has continued to grow, more geographically dispersed locations have been acquired or examined. For example, in 2012 InvoCare entered the Geelong market for the first time with the acquisition of Tuckers.

A mobile arranger trial has taken place with Simplicity Funerals on the Sunshine Coast, where the arranger visits families in a specially designed vehicle rather than being based in a physical location.

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. During 2012 a key focus of training was on developing the skills of InvoCare's personnel to embrace the increasing use of digital technologies. Additionally the core operational programmes continued in 2012, including various induction, customer service, staff management and occupational health and safety modules. Unlike most of our competitors, who are often family owned, we are able to offer our staff career advancement in the industry, as well as an opportunity to own shares in the Company.

Facilities

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

Future Income Streams

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

Capital Management

InvoCare's capital management initiatives are designed to ensure that an appropriate mix of debt and equity is maintained to maximise returns to shareholders while ensuring adequate funds are available to support growth and expansion. The Company is in a healthy financial position and its strong operating cash flows provide necessary funds to pay at least 75% of operating earnings after tax to shareholders as dividends, meet debt servicing obligations, and invest in property, plant and equipment, as well as fund smaller, new business acquisitions. The Company's Dividend Reinvestment Plan has been supported by up to 25% of shareholders. 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 70 years combined relevant industry experience and many team members have held senior executive roles in other industries.

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, Digital Business, Property & Facilities, Finance, Internal Audit, and Risk Management.

Andrew Smith
CHIEF EXECUTIVE OFFICER
Industry experience
7 years

Phillip Friery
CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY
Industry experience
18 years

Greg Bisset
CHIEF OPERATING OFFICER, AUSTRALIA
Industry experience
5 years

Wee Leng Goh
CHIEF EXECUTIVE OFFICER SINGAPORE
Industry experience
5 years

Graeme Rhind
CHIEF OPERATING OFFICER, NEW ZEALAND
Industry experience
36 years

Andi Luiskandl
CHIEF INFORMATION OFFICER
Industry experience
1 year

Community, people and environment

InvoCare is committed to the communities it serves and actively supports its people, both in their professional development and also with the myriad of community activities undertaken.

Community

InvoCare and its people are involved in many community events and organisations both large and small. During 2012 a major undertaking was the support of the pilgrimage of a relic of St Francis Xavier, who was a Jesuit missionary during the 1500s. WN Bull Funerals was the primary supporter of this pilgrimage but funeral homes in all Australian mainland states provided logistical support for this event which ran from September to December 2012.

As in prior years Simplicity supported the Lions Recycle for Sight programme which collects, repairs and collates discarded glasses and provides them to disadvantaged groups around Asia and Africa. Another project which is much more low key is the sponsorship of the Mount Carmel Waterloo Primary School Breakfast Club which came about from a casual conversation between a staff member at Simplicity Mascot and a mother of children at the school. This project has now expanded to include many other local businesses.

The Biggest Morning Tea, which provides funds for cancer research, was supported by many locations but perhaps the biggest supporter was Christian Funerals in Perth. The staff turned the chapel into a café for the occasion.

Many other organisations benefit from the generous support of InvoCare's people with Legacy, the Mary MacKillop Foundation and many others were supported in 2012. Once again several senior staff participated in the St Vincent de Paul CEO Sleep Out.

People

Within the InvoCare group, recruitment and development of our people remains a key ingredient to our business success. We have realised the possibility for individual career development, cross training of skills and promotion internally to enhance the performance of our business.

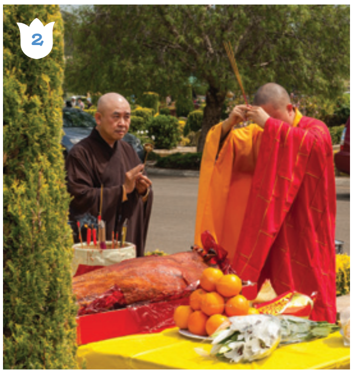
Our focus on learning and development continues, particularly in providing our employees with support and skills to work nimbly and with a high level of comfort with technology. This utilisation of technology will continue to set us apart, both as a market leader and an employer of choice. We continue to be actively engaged with the Federal Government's Mature Age Workers Initiative as a Corporate Champion, which involves looking at how we retain the skills of our employees transitioning to retirement, reshaping roles, and adjusting for flexible working patterns. We must continue to match the needs of our client families with the right level of maturity and life experience of our employees. This is not just part of a social or employee benefit initiative for InvoCare; it makes sound and practical business sense.

We developed internally an extensive training programme to equip our managers to deal proactively with workplace issues. This programme is being progressively rolled out to every manager with people responsibility in Australia and New Zealand.

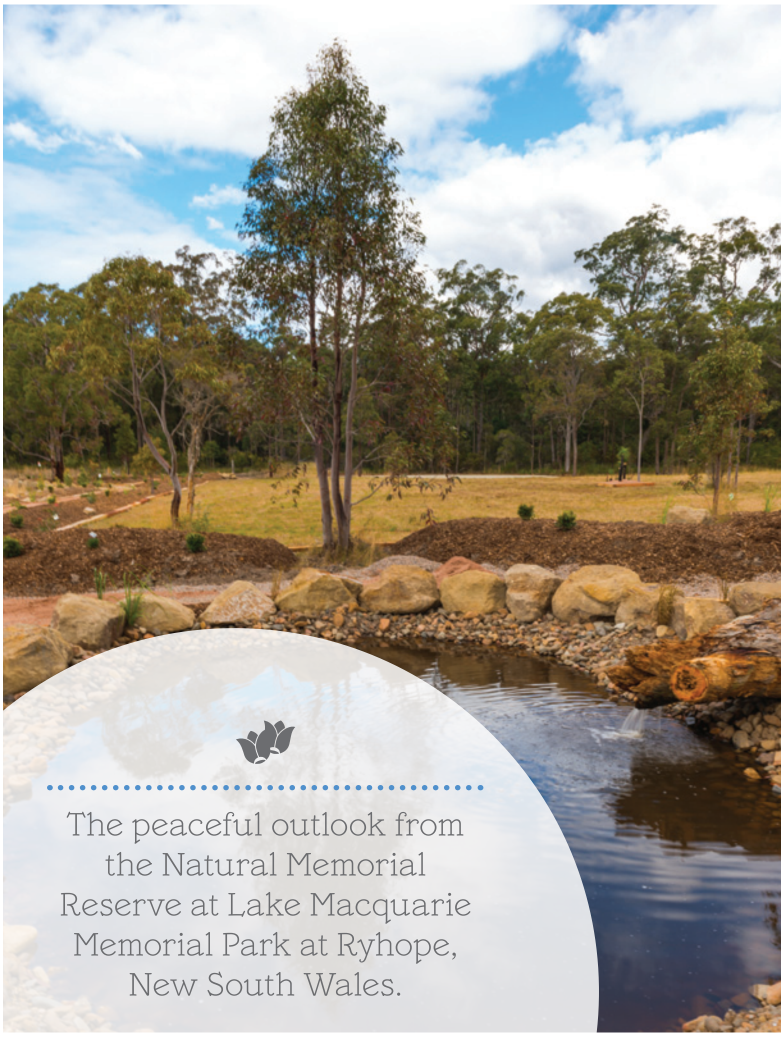
In Queensland, a group of high performing employees participated in our inaugural Management Development Programme, designed to provide management skills to potential managers of the future. This programme has also been implemented in Victoria and is key to underpinning the potential of InvoCare's growth strategy with strong managers who can lead our business, in this age of increasing complexity. We also took advantage of financial support from the government to assist in the provision of management skills training, specifically in New South Wales and Western Australia. We have promoted internally a number of Location Managers across the business, expanded the roles of current Regional and Area Managers, and moved Regional Managers across brands to expand their experience in the business.

We have also focused on identifying the potential of people to not only be promoted internally, but to move cross functionally within the organisation. Employees who have moved include a Regional Manager in Funerals moved into a General Manager role in NSW Cemeteries and Crematoria, a Graphic Designer from LifeArt to a centralised Marketing role and a Regional Manager from NSW Funerals into a key role in Human Resources.

These opportunities will increase as the size of the InvoCare business grows.



1. The dedication stone of the Natural Memorial Reserve at Lake Macquarie Memorial Park at Ryhope, NSW.
2. Buddist monks at the Chung Yeung celebrated at the Lung Po Shan Chinese Memorial Garden at Minchinbury, NSW.
3. Wicker coffins on display at the launch of Green Endings.



The peaceful outlook from the Natural Memorial Reserve at Lake Macquarie Memorial Park at Ryhope, New South Wales.

Environment

Every year InvoCare parks and gardens staff vie to win the coveted Parks and Gardens Award which acknowledges the best parks and gardens in InvoCare's network of cemeteries and crematoria. InvoCare maintains over 250 hectares of parks and gardens which provide a natural carbon sink.

In 2012 Oakwood Funerals in partnership with the Metropolitan Cemeteries Board launched Green Endings which aims to provide the first environmentally friendly funeral service in Australia. It is often not recognised that, depending on the choices made, embalming fluids, paints and resins used in preparing the body and the coffin may not have the best environmental outcomes. Green Endings supplies LifeArt coffins, wicker coffins and even wool coffins for the service. Any residual carbon emissions are offset by tree plantings performed by the not-for-profit Carbon Neutral.

Lake Macquarie Memorial Park opened a natural memorial reserve dedicated to Mike Leyland during the year. To use this reserve families must make environmentally responsible choices right through the funeral, burial or cremation process and only natural materials worked by local suppliers can be used for memorialisation.

Ensuring the highest level of service

Each year InvoCare spends considerable sums developing new facilities and renovating existing facilities to ensure the highest level of service is provided to client families.

We aim to ensure that our many heritage listed buildings are maintained to the highest standards but are also in the position to provide for the current needs of client families. In the case of heritage listed buildings it can prove especially challenging to incorporate new technologies in a manner sympathetic to the original design of the building. In 2012 a video wall was installed in the North Chapel of Northern Suburbs Memorial Gardens and Crematorium in Sydney which has received many compliments from client families.

The new catering lounge at Northern Suburbs Memorial Gardens and Crematorium was opened by Her Excellency Professor Marie Bashir AC CVO Governor of New South Wales. This facility enables families to continue the celebration of a life against the tranquil backdrop of the Lane Cove National Park.

In both Australia and New Zealand new locations were opened to improve the availability of InvoCare's services to client families. These locations are often in high visibility positions to aid brand awareness.

In New Zealand a process of upgrading a number of key locations has begun. Fountain's Funeral Services in Papakura, which is in the southern part of Auckland, and Forrest Funeral Services in Browns Bay in northern part of Auckland were upgraded during 2012. This continues InvoCare's focus on the key New Zealand market of Auckland.

Fountain's Funeral Services in Papakura, Auckland, New Zealand which was refurbished in 2012.

The serene surroundings of the Northern Suburbs Memorial Gardens and Crematorium at Ryde in NSW provide quiet space to reflect on the life of a loved one.

The new catering lounge at Northern Suburbs Memorial Gardens and Crematorium, Sydney which was built at a cost of over $7 million.

The Guardian Funeral home on the corner of the busy Pacific Highway and Mowbray Road, Chatswood NSW opened in 2012.

Digital business

During 2012 InvoCare developed and commenced implementing a customer-centric digital business strategy.

InvoCare's Digital Business vision is grounded in the emergence of new digital business models that are shaping the deeper structures of the funeral services industry.

As the market leader, InvoCare is determined to be pro-active digitising its business strategically, aimed at driving higher levels of business excellence, customer service and shareholder value. To be able to achieve these outcomes our digital business is being constructed by applying, unifying and integrating the following five capabilities with our traditional way of doing business:

Embracing digital solutions to better serve our clients

Websites and Search
Enabling our customers to find and learn more about us

Social Media
Enabling InvoCare to amplify its innovation, vocation and care

Electronic Business
Enabling our customers to do business with us electronically

Customer Relationship Management (CRM)
Enabling deeper relationships with our customers before, during and after the funeral service

Enterprise Resource Planning (ERP)
Enabling our business to be more efficient and responsive to meet our customers' needs

Facebook and Twitter
During 2012 InvoCare launched a number of new social media channels including Facebook pages for Simplicity Funerals, White Lady Funerals and Metropolitan Funerals

My Memorial
Allowing our clients to review and select memorials and memorial parks, and receive advice and quotations provided by our Cemeteries & Crematoria Team

www.mymemorial.com.au

HeavenAddress
Families can now celebrate a loved one's life through online memorials using HeavenAddress.com

Funeral Organiser
Enabling our clients to review and select funeral packages, or plan a funeral step-by-step, with advice and quotations provided by our Funeral Directors

www.funeralorganiser.com.au

Salesforce
InvoCare employees are championing the use of iPads to better serve our clients through digital customer relationship management systems

Epicor
InvoCare is optimising key business processes by enhancing its ERP platform

Group financial and operating review

The successful integration of the Bledisloe business combined with continued strong performance from the core business produced another sound financial result.

Financial Highlights

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

	First Half				Second Half				Full Year			
	2012 Actual $m	2011 Actual $m	Change $m	Change %	2012 Actual $m	2011 Actual $m	Change $m	Change %	2012 Actual $m	2011 Actual $m	Change $m	Change %
Total sales to external customers	**174.8**	140.5	34.4	24.5%	**193.8**	180.7	13.2	7.3%	**368.7**	321.1	47.5	14.9%
Other revenue	**3.4**	2.8	0.6	21.6%	**3.5**	3.6	(0.1)	(3.5%)	**6.9**	6.4	0.5	7.3%
Operating expenses(i)	**(135.5)**	(108.1)	(27.5)	25.4%	**(146.9)**	(137.6)	(9.3)	6.8%	**(282.5)**	(245.7)	(36.8)	15.0%
Operating EBITDA(i)	**42.6**	35.1	7.5	21.3%	**50.4**	46.7	3.7	8.0%	**93.0**	81.8	11.2	13.7%
Operating EBITDA Margin(i)	***24.4%***	*25.0%*		*(0.6%)*	***26.0%***	*25.8%*		*0.2%*	***25.2%***	*25.5%*		*(0.3%)*
Depreciation and amortisation	**(8.0)**	(5.9)	(2.0)	34.3%	**(8.4)**	(7.8)	(0.6)	7.4%	**(16.4)**	(13.7)	(2.6)	19.0%
Finance costs	**(8.1)**	(6.3)	(1.8)	28.0%	**(8.2)**	(8.8)	0.6	(6.8%)	**(16.3)**	(15.1)	(1.2)	7.8%
Interest income	**0.4**	0.4	0.1	16.5%	**0.3**	0.3	(0.0)	(3.7%)	**0.8**	0.7	0.0	7.0%
Business acquisition costs	**0.0**	(1.0)	1.0	(102.0%)	**(0.8)**	(0.3)	(0.4)	131.8%	**(0.7)**	(1.3)	0.6	(44.2%)
Operating earnings before tax(i)	**27.0**	22.3	4.7	21.3%	**33.4**	30.1	3.3	11.1%	**60.5**	52.4	8.1	15.4%
Income tax expense	**(8.1)**	(6.9)	(1.2)	17.0%	**(10.0)**	(9.1)	(0.9)	9.3%	**(18.0)**	(16.0)	(2.0)	12.5%
Effective tax rate	***29.8%***	*30.9%*		*(1.1%)*	***29.9%***	*30.4%*		*(0.5%)*	***29.7%***	*30.5%*		*(0.8%)*
Operating earnings after tax(i)	**19.0**	15.4	3.6	23.2%	**23.4**	21.0	2.5	11.8%	**42.5**	36.4	6.1	16.7%
Operating earnings per share (cents)(i)	***17.3¢***	*15.0¢*	*2.3¢*	*15.3%*	***21.4¢***	*19.5¢*	*1.9¢*	*9.8%*	***38.8¢***	*34.5¢*	*4.3¢*	*12.5%*
Net gain/(loss) on undelivered prepaid contracts after tax(i)	**(0.4)**	(0.9)	0.5		**0.4**	(8.5)	9.0		**(0.0)**	(9.4)	9.4	
Asset sale gains after tax(i)	**1.8**	0.0	1.8		**0.4**	0.2	0.2		**2.1**	0.1	2.0	
Non-controlling interest	**(0.1)**	(0.1)	(0.0)		**(0.0)**	(0.1)	0.0		**(0.1)**	(0.1)	–	
Net profit after tax attributable to InvoCare shareholders	**20.3**	14.5	5.9	40.4%	**24.2**	12.5	11.6	92.6%	**44.5**	27.0	17.5	64.7%
Earnings per share (cents)	***18.6¢***	*14.1¢*	*4.5¢*	*31.9%*	***22.0¢***	*11.5¢*	*10.5¢*	*91.3%*	***40.6¢***	*25.6¢*	*15.0¢*	*58.5%*

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

(i) Operating earnings after tax, operating earnings per share and operating EBITDA are non-IFRS financial information.

Summary of financial performance

Reported profit after tax and after non-controlling interests, which includes asset sale gains and non-cash movements in undelivered prepaid contract funds under management and associated liabilities, was $44.5 million compared to $27.0 million in the corresponding 2011 year. The increase was mainly attributed to a significant improvement in the investment returns from prepaid contract funds which increased to $17.6 million from $2.1 million in 2011.

Operating earnings after tax increased by 16.7% or $6.1 million to $42.5 million (2011: $36.4 million). Operating earnings per share increased 12.5% to 38.8 cents per share which was lower than the percentage earnings increase due to shares being issued as part consideration for the Bledisloe acquisition in June 2011. Bledisloe's contribution to this profit was $3.6 million or 3.3 cents per share (2011: $0.1 million or 0.1 cents per share).

A final, fully franked dividend of 19.0 cents per share was paid on 5 April 2013. Total dividends for the year were 34.0 cents, being 4.2 cents or 14.3% higher than 2011, comparable to the 16.7% growth in operating earnings after tax. The full year dividend payout ratio of operating earnings after tax was 88% (2011: 89%).

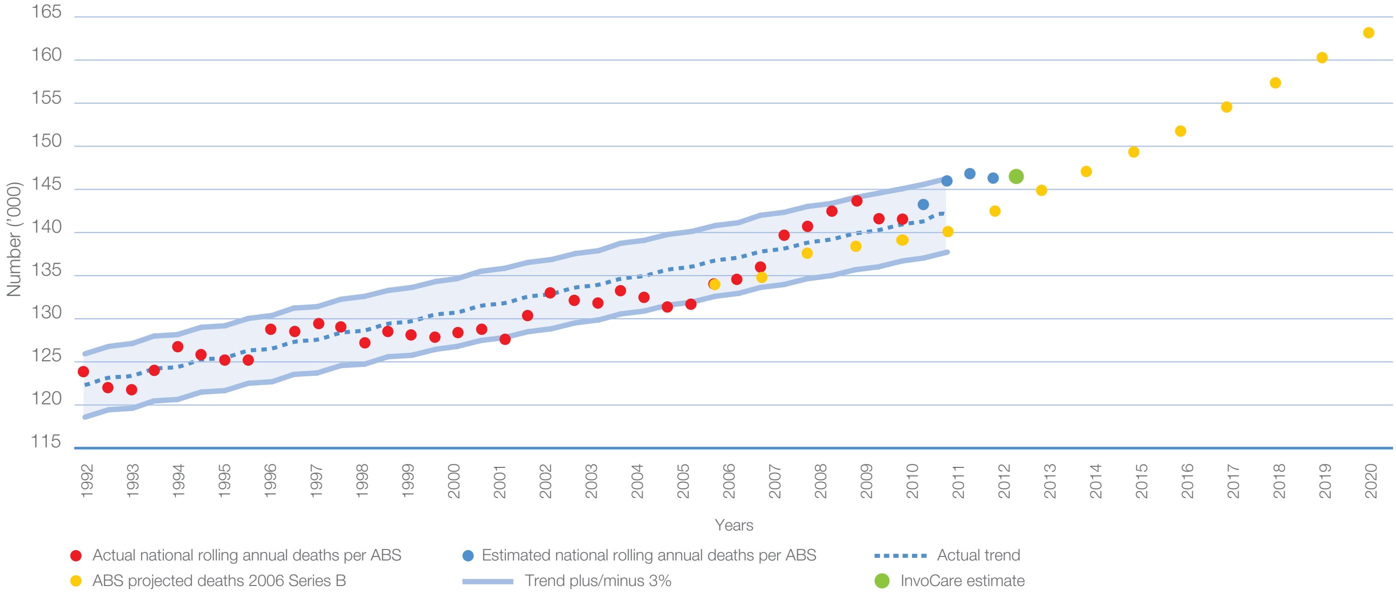
Sales revenue increased 14.9% to $368.7 million, including full year contribution of $69.3 million from Bledisloe (part year 2011: $38.1 million) and $0.4 million from the Tuckers business which was acquired on 10 December 2012. Excluding the acquisitions, comparable business sales grew by 5.6% to $298.9 million. This growth was driven by market share improvements, increased numbers of deaths, annual price changes and higher funeral disbursement revenues.

Sales margins were slightly down on the previous year. This was due to a combination of lower margin acquisitions, increased investment in marketing to drive brand awareness and the annualised impact of new roles created to support the larger business and deliver growth objectives.

Operating cash flows increased by $9.2 million to $53.2 million and operating EBITDA to cash conversion improved 3% to 95%, slightly below the desired trend of 98% – 100%. Capital expenditure was $18.4 million, compared to $16.7 million in the previous year, with $6.1 million (2011: $7.2 million) allocated to property refurbishments or upgrades and $6.0 million (2011: $5.0 million) to motor vehicles. Borrowings increased by $7.1 million to part fund payments of $9.3 million for business acquisitions. Dividends paid to shareholders amounted to $34.4 million during the year, $9.0 million higher than 2011.

A key pillar of growth for the Group which operates in the funeral industry is the population's increasing age and number of deaths. The following graph of Australian Bureau of Statistics ("ABS") actual, estimated and longer term forecasts suggests, consistent with InvoCare's experience in its markets, that the number of deaths appears to be reverting to the longer term trend after a short period of above average numbers. InvoCare performs approximately 26% of the nation's funerals, or approximately 36% of the funerals in the Australian markets in which it operates.

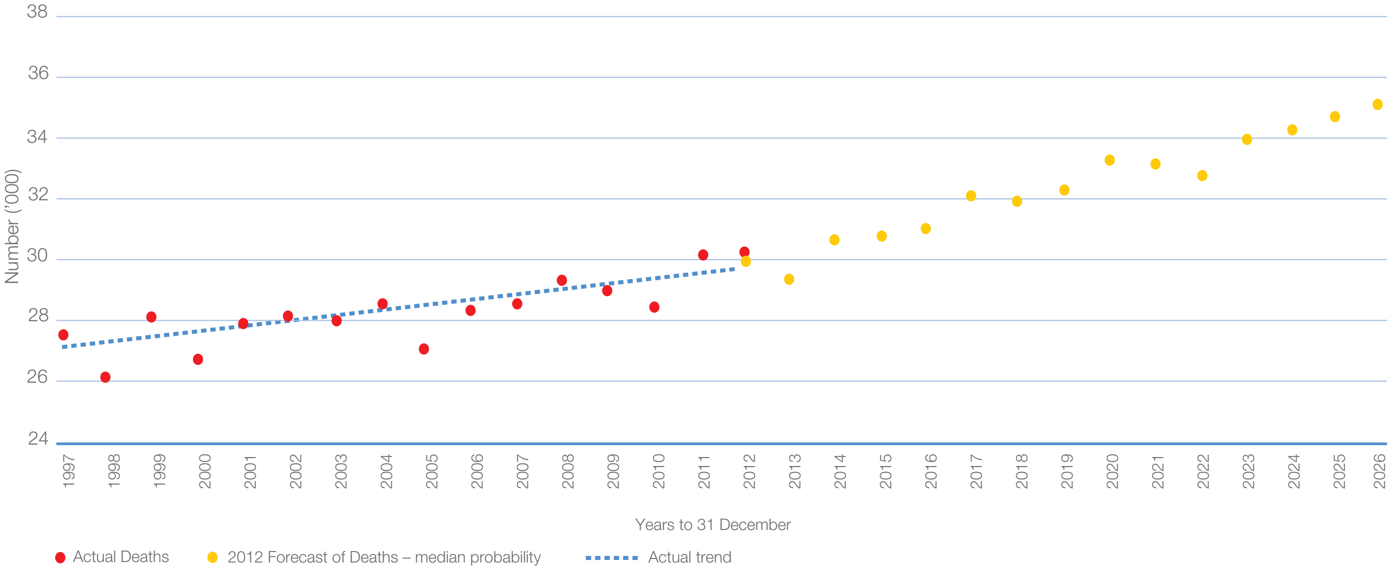
Actual and projected fiscal and calendar year deaths – Australia



The following graph of data sourced from the relevant national statistical agency shows the actual and projected numbers of deaths in New Zealand. InvoCare performs approximately 17% of the nation's funerals.

Similar to Australia and New Zealand, Singapore is experiencing an increase in the number of deaths. InvoCare performs approximately 10% of funerals in that country.

Deaths by year – New Zealand



Source: Statistics New Zealand

Capital management

At 31 December 2012, gross borrowings from the Group's total $255 million bank debt facilities were $224 million, compared to $225 million at 30 June 2012 and $215 million at 31 December 2011. The drawings comprised AUD182 million, SGD27 million and NZD27 million. The foreign currency drawings naturally hedge InvoCare's investments in its foreign Singapore and New Zealand markets. Financial covenant ratios on these facilities were comfortably met at 31 December 2012.

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 tax as dividends, as well as increase the quantum of those dividends year on year.

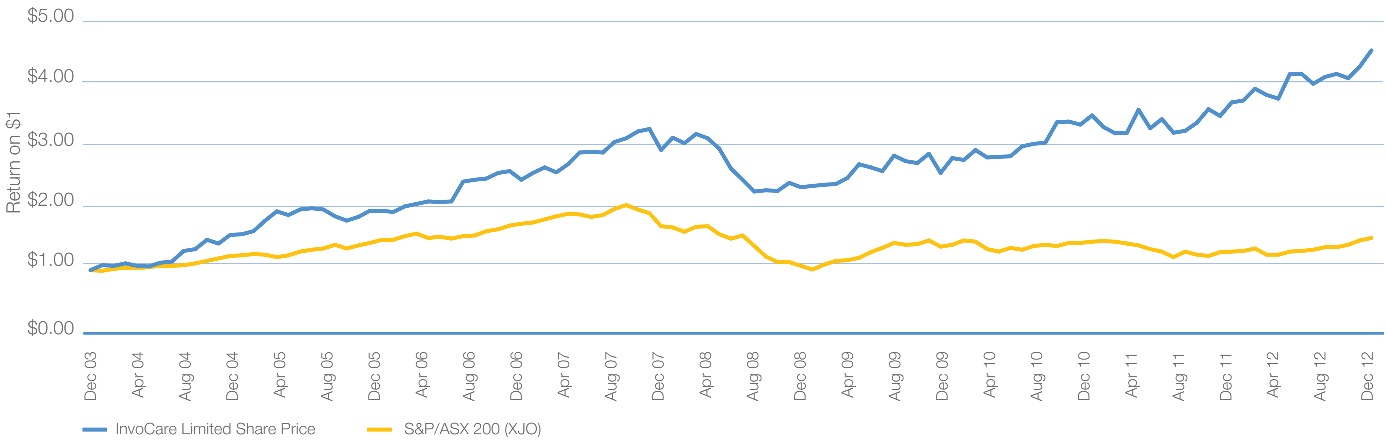
Shareholder value

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.

Conclusion

InvoCare has had yet another successful year with the completion of the integration of Bledisloe, improvement in returns on funds under management and continued growth in the core business through the pillars of higher number of deaths, selling price increase, prepaid contracts, growing share in existing markets, business acquisitions and opening new locations.

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



Financial Report

InvoCare Limited and Controlled Entities Financial Report for the financial year ended 31 December 2012

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 19 February 2013. 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 2012. 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
Aliza Knox

Mr Richard Davis was appointed as a director on 21 February 2012 and continues 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

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 $42,479,000 (2011: $36,406,000) as reconciled on page 25. The consolidated after tax profit of the Group attributable to shareholders was $44,479,000 (2011: $27,012,000).

Dividends

The directors have recommended a final, fully franked dividend of 19.0 cents per share payable on 5 April 2013. Total full year dividends are 34.0 cents, being 4.25 cents or 14.3% higher than 2011 which is comparable to the 16.7% growth in operating earnings after tax per share. The full year dividend payout ratio is 88% (2011: 89%) of operating earnings after tax.

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

	2012 $'000	2011 $'000
Interim ordinary dividend of 15.0 cents (2011: 13.5 cents) per fully paid share paid on 5 October 2012	**16,505**	14,568
Final ordinary dividend of 19.0 cents (2011: 16.25 cents) per fully paid share has been recommended by directors on 19 February 2013 to be paid on 5 April 2013	**20,906**	17,880
Total ordinary dividends of 34.0 cents (2011: 29.75 cents)	**37,411**	32,448

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

The Dividend Reinvestment Plan ("DRP") was available for the 2012 interim dividend and $12,587,969 (2011: $14,128,009) was paid in cash and $3,916,575 (2011: $3,335,371) through the issue of 466,077 (2011: 484,715) shares at $8.40 (2011: $6.88) per share via the DRP. The shortfall in the DRP take-up was not underwritten in 2012 and shares were not issued at a discount. In 2011 the DRP was underwritten and 1,632,686 shares issued at a 2% discount.

The DRP will apply to the final 2012 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 equivalents to International Financial Reporting Standards ("AIFRS") and represent the earnings under AIFRS 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:

	2012 $'000	2011 $'000	Change $'000	%
Total sales to external customers	**368,652**	**321,113**	47,539	14.9%
Other revenue	6,852	6,383	469	7.3%
Operating expenses(i)	(282,478)	(245,694)	(36,784)	15.0%
Operating EBITDA(i)	**93,026**	**81,802**	11,224	13.7%
Operating Margin	25.2%	25.5%		(0.3%)
Depreciation, amortisation and impairment	(16,360)	(13,746)	(2,614)	19.0%
Finance costs(ii)	(16,262)	(15,092)	(1,170)	7.8%
Interest income	780	729	51	7.0%
Business acquisition costs	(731)	(1,309)	578	(44.2%)
Operating earnings before tax(i)	**60,453**	**52,383**	8,070	15.4%
Income tax expense(i)	(17,974)	(15,977)	(1,997)	12.5%
Effective tax rate	29.7%	30.5%		(0.8%)
Operating earnings after tax(i)	**42,479**	**36,406**	6,073	16.7%
Operating earnings after tax per share	38.8 cents	34.5 cents	4.3 cents	12.5%
Net gain/(loss) on undelivered prepaid contracts after tax(i),(iii)	(13)	(9,434)	9,421	(99.9%)
Asset sale gains after tax(i)	2,116	142	1,974	
Non-controlling interest	(103)	(103)	–	–
Net profit after tax attributable to InvoCare shareholders	**44,479**	**27,012**	17,467	64.7%
Basic earnings per share	40.6 cents	25.6 cents	15.0 cents	58.5%
Dividends				
Interim ordinary dividend per share	**15.00 cents**	**13.50 cents**	1.50 cents	11.1%
Final ordinary dividend per share	**19.00 cents**	**16.25 cents**	2.75 cents	16.9%
Total ordinary dividend per share	**34.00 cents**	**29.75 cents**	4.25 cents	14.3%

(i) Non-IFRS financial information.

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

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

Overview

2012 was a year of consolidation and growth for InvoCare as the integration of the Bledisloe business across Australia and New Zealand was finalised. In addition InvoCare expanded into regional Victoria with the acquisition of the Tuckers Funeral & Bereavement Services (Tuckers) business in December 2012. Tuckers brings over 100 years of tradition in servicing the Geelong regional market and positions InvoCare as market leader in a new market segment.

Reported profit after tax and after non-controlling interests, which includes net gains and losses from undelivered prepaid contracts and asset sales, was $44.5 million compared to $27.0 million in the corresponding 2011 year.

Operating earnings after tax and before non-controlling interests[1] increased by 16.7% or $6.1 million to $42.5 million (2011: $36.4 million). Operating earnings after tax per share increased 12.5% to 38.8 cents per share with the dilution effect due to the Bledisloe acquisition in 2011 being partly funded by the issue of ordinary shares in InvoCare.

Sales revenue increased 14.8% to $368.7 million, including a full year contribution of $69.3 million from Bledisloe (2011: $38.0 million) which was acquired on 15 June 2011. The Tuckers business which was acquired on 10 December 2012 contributed $0.4 million of sales revenue. Excluding the acquisitions, comparable business sales grew by 5.6% to $298.9 million. This growth was driven by market share improvements, increased numbers of deaths, annual price changes and higher funeral disbursement revenues.

Operating EBITDA[2] was up 13.7% to $93.0 million, including an estimated full year contribution of $13.0 million from Bledisloe and part year contribution of $0.1 million from Tuckers. Excluding these acquisitions, comparable business EBITDA grew by 6.2% to $80.0 million. Sales margins in comparable businesses grew despite increased investment in marketing to drive brand awareness and the annualised impact of new roles created to support the larger business and deliver growth objectives.

During the year the non-cash fair value movements (i.e. investment earnings) of $17.6 million in prepaid contract funds under management (2011: $2.1 million) matched the non-cash growth due to selling price increases of $17.6 million in the liability for future service delivery obligations (2011: $15.5 million). The improvement in the investment earnings reflected the full year impact of decisions taken in the second half of 2011 to change the asset allocations in the main prepaid fund. The increase in the liability included a one off adjustment of $2.8 million booked in H1 relating to a change in the way price increases are applied in calculating the liability estimate. Under these changes the price rises are now applied gradually over the course of the year instead of the actual date of the price increase.

A final, fully franked dividend of 19.0 cents per share will be paid on 5 April 2013. Total dividends for the year are 34.0 cents, being 4.25 cents or 14.3% higher than 2011, comparable to the 16.7% growth in operating earnings. The full year dividend payout ratio of operating earnings after tax is 88% (2011: 89%).

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.

Subsequent to the end of the financial period a further investment has been made in HeavenAddress and Resthaven, a small funeral business in New Zealand, has been acquired.

Future developments and results

Case volumes in the first six weeks of 2013 have been flat year on year. This trend seems to be industry wide and appears to be driven by number of deaths as opposed to market share.

Consistent with past practice, funeral prices were increased as planned in late 2012 and cemetery and crematoria prices are scheduled to be increased during the first quarter of 2013. As always indicated to the market, InvoCare's sales revenue is significantly affected by changes in the numbers of deaths and, as such, the early weeks of 2013 cannot and should not be used as an indicator of future 2013 results.

The integrated Bledisloe business realised synergies of $3.0 million in 2012 with an annualised impact of $3.5 million. Estimated annualised operating EBITDA for 2012 was $13.5 million.

Returns on prepaid funeral funds under management are expected to improve in 2013. This follows a tactical tilt away from equities into more stable cash and property assets by the main prepaid fund which holds 73% of prepaid contract funds. As much of the asset base is held in high yielding fixed interest term deposits, the earnings are expected to remain relatively stable over 2013. Longer term challenges will be to find investments offering comparable returns as these deposits begin to roll over from late 2013.

Recent acquisitions provide further opportunities for InvoCare to grow. Tuckers in Geelong has provided InvoCare with access to a whole new region whilst Resthaven in Auckland will help InvoCare build a larger footprint in the largest market in New Zealand. Collectively these two businesses are expected to generate approximately $8.3 million in sales and $1.6 million in EBITDA in 2013.

Other expansion activities continue in Australia and abroad. Plans are currently in place to open four new sites across Sydney, Adelaide, Brisbane and New Zealand. In addition InvoCare continues to be 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 Australia and abroad. 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 and the Tuckers acquisition is an example of the possible opportunities in those regional markets.

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 page 25.*

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

The Group's capital expenditure in 2013 is expected to be approximately $24 million. The main investments are focused on continuously improving service standards and offerings. This includes new condolence and chapel facilities in Sydney, upgrading shared service operations in Sydney and Brisbane, refurbishment of funeral homes to provide a more contemporary feel and the continued rollout of digital technology across major facilities. Plans are also in place to commence upgrading the company's ageing ERP system in 2013.

Offsetting the capital expenditure is the settlement of the Brunswick property sale in Melbourne. The proceeds of $4.7 million are expected to deliver a $1.8 million pre-tax gain upon settlement in quarter 2 2013.

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 tax[3] as dividends, as well as increase the quantum of those dividends year on year.

In January 2013, InvoCare invested $5.0 million in the HeavenAddress business. This investment will be used to finance the next phase of development which is aimed at making HeavenAddress.com a global online memorials website. Already the site attracts approximately one-third of all funeral internet traffic in Australia, New Zealand and Singapore. This is a great opportunity to get exposure to InvoCare brands as well as developing online funeral and memorial communities where families, friends and communities can share experiences.

InvoCare has had yet another successful year with the completion of the integration of Bledisloe, improvement in returns on funds under management and continued growth in the core business through the pillars of higher number of deaths, selling price increase, prepaid contracts, growing share in existing markets, business acquisitions and opening new locations.

Environmental regulation and performance

InvoCare is committed to the protection of the environment, and 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. InvoCare is currently co-operating with an investigation by the Environment Protection Authority into illegal depositing of building material and other general waste on InvoCare owned land by an unknown third party or parties. Any costs associated with the clean-up of the waste are not expected to be material.

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; 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 35 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.

Other Public Company Directorships held in the last three years
Australian Vintage Limited (appointed November 1991)
Energy One Limited (appointed November 1996)
Goodman International Limited (appointed September 2003)
Reckon Limited (appointed August 2004)

Interest in shares: 52,401 ordinary shares in InvoCare Limited

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. In December 2012 Andrew was appointed to the Government's Interim NSW Cemeteries and Crematoria Board. 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.

Interest in shares: 205,303 ordinary shares in InvoCare Limited

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).

Interest in shares: 112,961 ordinary shares in InvoCare Limited

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, as its Chairman, and the Remuneration Committee in February 2005. He became Chairman of the Remuneration Committee in December 2009. Roger is a Principal in 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. 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.

Interest in shares: 8,000 ordinary shares in InvoCare Limited

Mr Benjamin Chow AO BE
Non-executive Director
Member of Risk Committee
Member of Nomination Committee
Member of Remuneration Committee

Benjamin Chow was appointed as a director of InvoCare Limited 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 the NSW Government Multicultural Business Advisory Panel, 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. During 2012 Benjamin was appointed as a non-executive director of the Western Sydney Wanderers Football Club. 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)

Interest in shares: 10,821 ordinary shares in InvoCare Limited

Mr Richard Fisher AM MEc LLB
Non-executive Director
Member of Risk Committee
Member of Audit Committee
Member of Nomination Committee

Richard Fisher is General Counsel to The University of Sydney and is an Adjunct Professor in both its Graduate School of Government and Faculty of Law. Richard is the immediate past Chairman of Partners at Blake Dawson and specialised in corporate law 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 and is 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.

Interest in shares: 6,315 ordinary shares in InvoCare Limited

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 of broad international marketing and management experience. Aliza joined Twitter in Asia Pacific as Managing Director Online Sales in November 2012. She was formerly Managing Director of the Online Sales Group for Google Asia Pacific and then 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 the 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).

Interest in shares: 3,050 ordinary shares in InvoCare Limited

Mr Richard Davis BEc
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 Company (Private) Limited, the Company's first international acquisition.

Richard has been a non-executive director of Australian Vintage Limited 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)

Interest in shares: 636,607 ordinary shares in InvoCare Limited

Company Secretary

Mr Phillip Friery BBus CA
Phillip Friery was appointed Company Secretary in January 2007 and Chief Financial Officer in March 2007. Prior to joining the Group in 1994 as Accounting Manager, 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.

Interest in shares: 98,899 ordinary shares in InvoCare Limited

Meetings of directors

Details of the meetings attended by each director during the year ended 31 December 2012 are set out in the Corporate Governance Statement on page 31.

Retirement, election and continuation in office of directors

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

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

Tina Clifton and Roger Penman will retire by rotation as directors at the Annual General Meeting on 24 May 2013 and, being eligible, offer themselves for re-election.

Corporate governance

The Directors' Report continues with the Corporate Governance Statement.

Corporate Governance Statement

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

This statement outlines the main corporate governance practices in place throughout the financial year, which comply with the ASX Corporate Governance Council's principles and recommendations as issued in August 2007 and as amended in 2010, unless otherwise stated. Andrew Smith, who was formerly Chief Operating Officer, was appointed Chief Executive Officer ("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") and Chief Information Officer (the "CIO"), who was appointed in March 2012, 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.

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. During 2013 the Human Resources team will undertake a review of standard employment terms and appropriate updates will be put in place at the end of this review.

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

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 terms of office are set out starting on page 28 of the Directors' Report.

Meetings of directors

During the year ended 31 December 2012, 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	10	11	Chair	2*	–		2	2	Member	3	4	Member	1	1	Chair
Christine Clifton	10	11		5	5	Member	–	–		4	4	Chair	1	1	Member
Roger Penman	10	11		5	5	Chair	2	2	Chair	2*	–		1	1	Member
Benjamin Chow	11	11		4*	–		1	2	Member	4	4	Member	1	1	Member
Richard Fisher	10	11		5	5	Member	–	–		3	4	Member	1	1	Member
Aliza Knox	10	11		3*	–		–	–		4	4	Member	1	1	
Richard Davis	11	10		3*	–		1*	–		1*	–	Member	1	1	
Executive Director															
Andrew Smith	11	11		5*	–		2*	–		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.*

Corporate Governance Statement continued

The composition of the Board and Board Committees is a minimum of three directors. Board Committees consist entirely of independent non-executive directors. The CEO may attend all Board Committee meetings by invitation. The Other KMPs 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 2012.

Directors' access to independent professional advice and Company information

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

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

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

Prior to each Board meeting, the Board is provided with management reports and information in a form, timeframe and quality that enables them to discharge their duties. If 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.

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 are 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, 20% of Other Key Management Personnel, 25% of operational general managers in Australia and 33% of support general managers. 53% 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, 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 the 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 occurs 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

Corporate Governance Statement continued

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 9.00am on Friday, 24 May 2013 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 KPMs 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.

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 transactions.

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.

Remuneration Report

The Remuneration Report summarises the key compensation policies and practices for the year ended 31 December 2012, highlights the link between remuneration and corporate performance and provides detailed information on the compensation for non-executive and executive directors and other key management personnel.

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

A. Directors and key management personnel disclosed in this report
B. Remuneration Governance
C. Use of remuneration consultants
D. Executive remuneration policy and framework
E. Relationship between remuneration and InvoCare's performance
F. Non-executive director remuneration policy
G. Voting at InvoCare's 2012 Annual General Meeting
H. Details of remuneration
I. Service agreements
J. Details of share-based compensation

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

A. Directors and key management personnel

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
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)
Andi Luiskandl (Chief Information Officer – appointed 5 March 2012)
Wee Leng Goh (Chief Executive Officer Singapore)
Graeme Rhind (Chief Operating Officer New Zealand – with effect from 15 June 2011)

With the acquisition of Bledisloe on 15 June 2011 in the previous financial year, 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. In addition, some structural management changes were implemented with official effect from 1 January 2012, although there was unofficial transitioning to this new structure from June 2011. The primary changes were:

Remuneration Report continued

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 was 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 was assigned broader responsibilities as National General Manager for Cemeteries & Crematoria, Memorials and Pre-need and reporting to Greg Bisset instead of Andrew Smith.

To drive and implement the Group's digital business strategy, Andi Luiskandl joined the Group on 5 March 2012 as Chief Information Officer.

B. Remuneration Governance

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 the remuneration of 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 programmes;
- review and make recommendations for approval by the Board regarding all reports on executive remuneration required by law or regulation 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 2012, the Remuneration Committee considered the emerging market remuneration practices and legislative developments, as well as views expressed by some shareholders and proxy advisers on the Group's remuneration practices in late 2011 and early 2012.

Any new disclosure requirements arising from the Australian Government's draft bill to amend the *Corporations Act 2001* will be reviewed to ensure InvoCare fully complies with any new enacted law.

Both the previous and this the latest Remuneration Report provide commentary about any changes to remuneration arrangements and outline the directors' rationale for the practices adopted.

The Board Remuneration Committee makes recommendations to the Board of Directors in relation to the remuneration of the CEO.

The CEO recommends the remuneration of all other key management personnel. The Remuneration Committee reviews the recommendations before submission to and approval 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.

C. Use of remuneration consultants

The Remuneration Committee conducted its remuneration review with assistance detailed below from independent remuneration consultant Mr Ian Crichton of CRA Plan Managers Pty Ltd ("CRA"), a specialist consultancy and advisory business dedicated to all aspects of director and executive compensation and equity incentive strategies.

CRA was appointed on 30 November 2012, in writing, by the Chairman of the Remuneration Committee, to undertake a remuneration benchmark assessment and analysis in respect of Director and selected key management personnel remuneration. Final reports were provided to the Chairman of the Remuneration Committee on 19 December 2012. The information provided was used, in part, to assist the Board in determining changes to Director and key management personnel remuneration for the 2013 financial year. CRA received a fee of $11,270 (excluding GST and out of pocket expenses) for this work.

CRA also received fees totalling $47,450 (excluding GST and expense recovery) during the year ended 31 December 2012 for other services, mainly related to employee share scheme management services.

CRA did not make any "remuneration recommendations" as defined in the *Corporations Act 2001* in the 2012 financial year.

D. Executive remuneration policy and framework

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 revenue, number of employees, net profit after tax and market capitalisation) which is achieved when individual and overall Group performance targets are met.

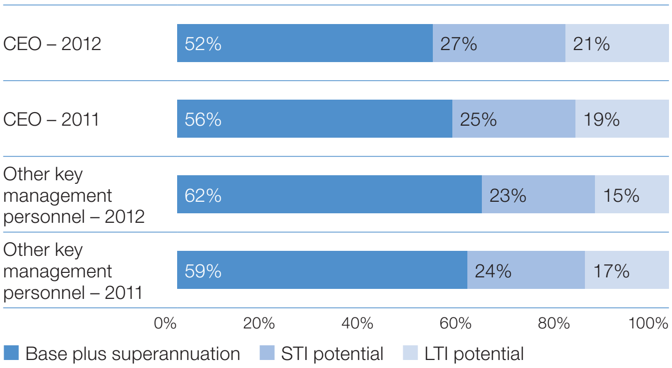
Remuneration structure

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 is comprised of payments and/or allocations under the following categories:

– base salary and benefits, including annual leave, superannuation and other incidental benefits;
– short-term incentives ("STI") in the form of annual cash bonuses; and
– long-term incentives ("LTI") in the form of share-based bonuses.

The target remuneration mix for the CEO and other key management personnel, as depicted in the following graph (and averaged for the other key management personnel), is set to place a considerable portion of executive remuneration at risk so as to align remuneration with both Group performance and the individual's personal influence and contribution to the Group performance.



No director or other key management personnel has, at 31 December 2012, during or since the end of the financial year, had any loans to or from the Group or any options over unissued ordinary shares of InvoCare Limited.

Base salary and benefits

Executives are offered a market competitive base cash salary, together with annual leave and post-employment superannuation benefits in accordance with relevant jurisdictional statutory requirements and other non-monetary or incidental benefits. An executive may elect to structure the base salary and benefits as a combination of cash and other benefits.

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. No guaranteed base pay increases are included in any executives' service agreements.

Non-monetary benefits may include provision of fully maintained cars and car parking spaces. Other incidental benefits may include payment of total and permanent disablement, death and salary continuance insurance premiums and nominal discounts for funerals of immediate family members.

In Australia, entitlements accrue for an employee's long service and, subject to relevant statutory requirements and qualifying periods, the entitlement may be taken as leave or is payable to the employee upon termination of employment.

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 service agreements are set out on page 45 under the heading "I. Service Agreements".

Short-term incentives

STI are awarded for achievement of pre-determined financial and non-financial objectives. For key management personnel, the target criteria and possible bonus levels are defined each year by the Remuneration Committee and Board. 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 52.5% of base salary plus superannuation for the CEO and up to a maximum 45% for the other key management personnel. The target criteria for key management personnel are heavily weighted to overall financial performance, being up to 50% of the potential STI opportunity, but are also tailored to the relevant circumstances of each executive.

In summary, the criteria used to determine short-term bonuses for key management personnel are aligned with InvoCare's strategic and business objectives and include:

– Group or specific country EBITDA growth targets, with EBITDA being a key financial measure of the success of operations.
– absolute case volume and market share growth, which are cornerstones of the past and future growth of the business, including through opening new locations in existing markets, entering new markets or acquiring businesses.
– innovation in customer service delivery and business operations, including introducing new products and services, modifying operating models and further developing or strengthening brand positioning.
– developing and implementing digital business strategies, embracing and harnessing new or existing technologies (e.g. social media) to enhance customer service and business efficiencies.
– continuing to grow the prepaid funeral business and, where possible, influencing independent fund managers to adopt appropriate asset allocations and achieve investment returns in excess of price rises and investment costs.

Other levels of staff also received short-term objective based compensation based on measurable and pre-determined targets. In addition to complementing the targets applying to more senior executives, these objectives included items such as case average pricing, sales of prepaid contracts, the management of labour costs, client survey results and debtors' days outstanding.

Remuneration Report continued

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 STI bonuses are awarded for achievement of key performance criteria for a particular financial year and that no part of the bonus should be deferred for payment in a later year. The Committee is of the view that the share based LTI, described in more detail below, encourage executives to remain employed with the Group and ensure alignment with shareholder interests.

Based upon achievements in 2012, the Remuneration Committee determined the CEO and other key management personnel achieved between 67% and 100% (average 91%) of their target STI opportunity. The following factors were among those considered by the Committee in making this assessment:

- operating EBITDA was 13.7% higher and operating after tax profit was 16.7% higher than the previous year;
- market share was improved or sustained in most key markets;
- integration of the Bledisloe business, acquired in June 2011, was finalised during 2012 with performance and synergies realised meeting expectations;
- negotiations with potential business vendors continued during the year, with the successful acquisition of Tuckers Funeral and Bereavement Service in Geelong in December 2012 and completion of the acquisition of Resthaven Funerals in Auckland in January 2013;
- appointment of a Chief Information Officer and consequent development of a digital business strategy to guide technological innovation in future years; and
- ongoing sales penetration of prepaid funeral contracts and correction of investment performance of the main fund over which InvoCare can exert some influence.

Long-term incentives

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 executives 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.

In determining the amount of an offer to an individual manager, consideration is given to factors including market benchmarks, skill and experience, expected and actual performance over time and promotion and succession potential.

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 40.8% of base salary plus superannuation for the CEO and up to a maximum 35% for the other key management personnel.

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. Similarly, notional dividend amounts will be paid to holders of unvested, unforfeited LTI rights coinciding with the payment of InvoCare dividends. The Remuneration Committee considers the payment of dividends on unvested shares or rights reinforces the value of the long-term reward. The practice helps align the managers' interests with those of InvoCare shareholders through appreciation of the importance of dividend benefits and provides further incentive for managers to remain with InvoCare until vesting conditions are met.

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 (e.g. 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 across the respective vesting periods for each grant.

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 and again in 2012, as part of its normal review of remuneration policy, the Board Remuneration Committee re-affirmed the appropriateness of the 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.

For 2012 offers, the 2011 base comparison year earnings per share was 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. The base for 2013 grants has been set at 38.7 cents per share which excludes the asset sale gains in that year.

LTI shares or LTI rights granted in 2013 vest as set out below:

Normalised reported earnings per share ("EPS") compound growth per annum from 38.7 cents per share	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 2.0% for each 0.1% EPS over 11%
10% or more but less than 11%	65% plus 1.5% for each 0.1% EPS over 10%
9% or more but less than 10%	55% plus 1.0% for each 0.1% EPS over 9%
8% or more but less than 9%	50% plus 0.5% for each 0.1% EPS over 8%
7% or more but less than 8%	30% plus 2.0% for each 0.1% EPS over 7%
Less than 7%	Nil

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

Normalised 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

Remuneration Report continued

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 S&P/ASX 200; and
– InvoCare's own earnings forecasts derived from its annual five-year plans.

If the cumulative EPS growth 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. Unvested shares and rights at the fifth anniversary of the grant are forfeited.

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. Each grant is split into three tranches with vesting ranging over two and up to a maximum of five years after each grant. 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 during the vesting period and InvoCare's compound EPS growth must equal or exceed the maximum target growth percentage. The employee remains exposed over this timeframe to the consequences of the Group's results, their own individual performance impacting those results and the market movements in InvoCare's share price.

The following table summarises the performance to date for the grants made since 2007 which impact remuneration in the current or a future financial year.

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 1/3rd fully vested February 2010 – satisfied, second 1/3rd fully vested February 2011 – 82% of final 1/3rd tranche vested February 2012 – not satisfied, all unvested shares forfeited
2008	8% to 12%	27.2 cents	February 2010 – 70% of the first 1/3rd tranche vested February 2011 – not satisfied, second 1/3rd not vested February 2012 – not satisfied, final 1/3rd not vested February 2013 – not satisfied, all unvested shares forfeited
2009	7% to 10%	28.3 cents	February 2011 – 86% of first 1/3rd tranche vested February 2012 – 39% vesting of second and unvested first tranches February 2013 – 37% vesting of third and previous unvested tranches February 2014 – to be determined
2010	7% to 10%	32.3 cents	February 2012 – not satisfied, first 1/3rd not vested February 2013 – not satisfied, second 1/3rd not vested February 2014 – to be determined February 2015 (if required)
2011	7% to 10%	33.9 cents	February 2013 – not satisfied, first 1/3rd not vested February 2014 – to be determined February 2015 – to be determined February 2016 (if required)
2012	7% to 10%	34.4 cents	February 2014 – to be determined February 2015 – to be determined February 2016 – to be determined February 2017 (if required)
2013	7% to 12%	38.7 cents	February 2015 – to be determined February 2016 – to be determined February 2017 – to be determined February 2018 (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 shares and LTI rights offers.

Further details of LTI shares and LTI rights are set out on page 46 under the heading "J. Share-based Compensation".

E. Relationship between remuneration and InvoCare's performance

The overall level of executive reward takes into account the performance of the Group over a number of years, with at risk remuneration linked to that performance. The remuneration approach, elements and mix have delivered shareholder value since listing as depicted by key performance indicators for the Group in the tables below.

	2012	2011	2010	2009	2008	2007	2006	2005	2004
Reported profit after tax ($m) – note 1	**$44.5m**	$27.0m	$27.4m	$48.1m	$28.0m	$27.6m	$24.0m	$20.1m	$19.3m
Basic earnings per share (cents)	**40.6¢**	25.6¢	26.9¢	47.7¢	28.0¢	27.6¢	24.7¢	21.0¢	20.4¢
Normal dividends ($m) – note 2	**$37.4m**	$32.5m	$28.9m	$25.7m	$23.6m	$22.5m	$19.2m	$16.0m	$14.6m
Normal dividends per share (cents)	**34.0¢**	29.75¢	28.25¢	25.25¢	23.5¢	22.5¢	19.5¢	16.5¢	15.4¢
Total return per share ($) – note 3	**$1.39**	$0.71	$1.37	$1.28	($1.63)	$1.66	$1.56	$1.11	$1.27
Total shareholder return (%) – note 3	**18%**	10%	22%	25%	(23%)	30%	37%	33%	59%
Share price – 31 December	**$8.78**	$7.70	$7.28	$6.18	$5.15	$7.01	$5.57	$4.19	$3.35
Shares on issue (m)	**110m**	110m	102m	102m	101m	100m	99m	97m	95m
Market capitalisation ($m) – note 4	**$966m**	$847m	$746m	$629m	$519m	$703m	$552m	$406m	$318m
Enterprise value ($m) – note 5	**$1,183m**	$1,055m	$894m	$778m	$671m	$849m	$698m	$542m	$449m

1. *From 2009, the Group changed its accounting policy for prepaid contracts following review by the Australian Securities and Investments Commission which introduced volatility into reported results associated with mark to market valuations of prepaid funds under management recognised on balance sheet for the first time. With a sizeable asset allocation to equities in those prepaid funds, the 2009 and 2010 fair value movements were quite significant as a consequence of the global financial crisis and equity returns in 2011 were subdued. Investment asset allocation tilts away from equities have reduced the return volatility.*
2. *A special dividend of 10.5 cents per share totalling $10.2m was paid in 2005 in addition to the normal dividends for that year.*
3. *Total return per share is the share price movement plus in year cash dividends paid. The total shareholder return percentage is the total return per share divided by the share price at the beginning of the year.*
4. *Market capitalisation at 31 December, being number of shares on issue multiplied by share price at that date.*
5. *Enterprise value is market capitalisation plus net debt.*

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

	2012	2011	2010	2009	2008	2007	2006	2005	2004
InvoCare Limited	**18.4%**	10.2%	23.3%	25.2%	(23.5%)	30.6%	38.0%	33.6%	60.1%
Percentile rank	**47.9%**	78.4%	68.2%	30.4%	80.2%	65.9%	65.4%	65.1%	75.9%
S&P/ASX 200 Index									
75th percentile	**39.0%**	5.7%	35.7%	(26.2%)	146.2%	40.3%	50.3%	49.8%	59.5%
Median	**21.5%**	(10.7%)	7.7%	(48.0%)	54.5%	13.7%	27.0%	22.2%	34.4%
25th percentile	**(2.8%)**	(25.9%)	(6.8%)	(65.3%)	17.3%	(6.0%)	12.7%	4.4%	14.7%

Source: Bloomberg as at 4 February 2013

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.

Remuneration Report continued

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

	2012	2011	2010	2009	2008	2007	2006	2005	2004
InvoCare Limited	**18.4%**	10.2%	23.3%	25.2%	(23.5)%	30.6%	38.0%	33.6%	60.1%
Percentile rank	**37.0%**	62.3%	56.4%	32.1%	50.9%	67.0%	98.9%	94.9%	100.0%
Service Corporation International	**32.6%**	31.6%	2.6%	70.3%	(64.0)%	38.6%	26.9%	10.9%	38.2%
Dignity plc	**35.2%**	16.1%	20.2%	3.2%	(16.2)%	12.3%	38.3%	43.3%	n/a
Stewart Enterprises Inc	**36.5%**	(12.7)%	33.5%	75.9%	(65.7)%	44.5%	17.6%	(21.7)%	23.1%
Carriage Services Inc	**114.7%**	17.1%	23.5%	95.9%	(77.2)%	73.1%	1.8%	1.2%	33.5%
Funespana SA	**(10.8)%**	2.7%	20.2%	12.4%	11.3%	(43.0)%	(3.1)%	9.4%	59.4%
Tear Corporation	**82.8%**	(32.6)%	50.3%	62.6%	6.1%	(22.8)%	n/a	n/a	n/a
San Holdings Inc	**(8.2)%**	6.8%	(10.9)%	(16.3)%	1.5%	(2.3)%	(16.3)%	4.2%	(2.9)%
Stonemor Partners LP	**(2.3)%**	(15.4)%	68.5%	92.3%	(33.1)%	(13.3)%	33.8%	10.8%	n/a
Mean	**35.1%**	1.7%	26.0%	49.5%	(29.7)%	10.9%	14.1%	8.3%	30.2%
Median	**33.9%**	4.7%	21.8%	66.5%	(24.7)%	5.0%	17.6%	9.4%	33.5%

Source: Bloomberg as at 4 February 2013

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

F. Non-executive director remuneration policy

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.

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 $1,000,000, being the amount approved by shareholders at the Annual General Meeting held on 11 May 2012.

This remuneration is divided among the non-executive directors in such proportion as the Board determines. During the 2012 financial year, annual fees for non-executive directors were $190,000 for the Chairman of the Board and $105,000 for each of the other six non-executive directors. No additional fees are paid to non-executive directors who chair the Board's committees. Using market information from an external review of non-executive director compensation commissioned by the Board Remuneration Committee, the Board has determined 2013 fees will be $220,000 for the Chairman and $120,000 for each of the other six non-executive directors. The aggregate of these fees is $940,000 which is below the current pool limit. The Directors do not propose to ask shareholders to consider increasing the pool limit at the next Annual General Meeting on 24 May 2013.

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 2012 and 31 December 2011.

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 and acquired shares to the value of $27,054 during 2012, all non-executive directors have equity interests in the Company higher than required. Directors' equity holdings are set out under the heading "Information on directors" on pages 28 to 30 of the Directors' Report and in Note 7: "Key Management Personnel Disclosures" on page 71 of the notes to the financial statements.

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.

G. Voting at InvoCare's 2012 Annual General Meeting

The Remuneration Report for the year ended 31 December 2011 received a vote of more than 93% in favour at the Annual General Meeting held on 11 May 2012. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

Remuneration Report continued

H. Details of Remuneration

Details of the remuneration of the directors and the executive key management personnel of the Group are set out in the following table.

		Short-term employment benefits			Post-employment benefits	Other long-term benefits	Share-based payments benefits			
	Year	Cash Salary or Fee (note 1) $	Short-term cash bonus (note 2) $	Non-monetary benefits (note 3) $	Super-annuation (note 4) $	Long Service Leave (note 5) $	LTI Shares at risk (note 6) $	LTI Shares forfeited (note 7) $	Total Statutory Remuneration (note 8) $	Executives' Actual Remuneration (note 9) $
Non-executive directors										
Ian Ferrier, Chairman	**2012**	**174,312**	**–**	**–**	**15,688**	**–**	**–**	**–**	**190,000**	
	2011	165,138	–	–	14,862	–	–	–	180,000	
Christine Clifton	**2012**	**96,330**	**–**	**–**	**8,670**	**–**	**–**	**–**	**105,000**	
	2011	91,743	–	–	8,257	–	–	–	100,000	
Roger Penman	**2012**	**105,000**	**–**	**–**	**–**	**–**	**–**	**–**	**105,000**	
	2011	100,000	–	–	–	–	–	–	100,000	
Benjamin Chow	**2012**	**96,330**	**–**	**–**	**8,670**	**–**	**–**	**–**	**105,000**	
	2011	91,743	–	–	8,257	–	–	–	100,000	
Richard Fisher	**2012**	**96,330**	**–**	**–**	**8,670**	**–**	**–**	**–**	**105,000**	
	2011	91,743	–	–	8,257	–	–	–	100,000	
Aliza Knox	**2012**	**105,000**	**–**	**–**	**–**	**–**	**–**	**–**	**105,000**	
(Appointed 1 October 2011)	2011	25,000	–	–	–	–	–	–	25,000	
Richard Davis	**2012**	**82,869**	**–**	**–**	**7,458**	**–**	**–**	**–**	**90,237**	
(Appointed 21 February 2012)	2011	–	–	–	–	–	–	–	–	
Executive director										
Andrew Smith	**2012**	**694,625**	**353,885**	**42,031**	**21,327**	**17,854**	**240,358**	**–**	**1,370,080**	**1,289,399**
	2011	585,404	299,683	52,354	22,902	16,018	211,895	–	1,188,256	1,217,239
Other key management personnel										
Phillip Friery	**2012**	**331,640**	**150,162**	**28,994**	**25,647**	**8,522**	**102,380**	**(79,349)**	**567,996**	**571,770**
	2011	340,008	178,712	26,672	30,355	10,255	117,362	–	703,364	670,474
Greg Bisset	**2012**	**339,926**	**159,422**	**33,353**	**27,807**	**5,759**	**106,862**	**(57,621)**	**615,508**	**587,823**
	2011	309,712	156,440	23,481	25,650	5,139	89,815	–	610,237	564,769
Andi Luiskandl	**2012**	**181,029**	**44,000**	**24,010**	**13,865**	**762**	**14,921**	**–**	**278,587**	**262,904**
(Appointed 5 March 2012)	2011	–	–	–	–	–	–	–	–	–
Wee Leng Goh	**2012**	**176,696**	**27,111**	**6,566**	**10,510**	**–**	**46,214**	**–**	**267,097**	**225,904**
(Note 10)	2011	171,710	26,279	16,336	9,620	–	25,816	–	249,761	227,104
Graeme Rhind (Note 11)	**2012**	**161,204**	**58,158**	**14,896**	**6,277**	**–**	**13,260**	**–**	**253,795**	**241,215**
(Commenced 15 June 2011)	2011	81,636	20,368	5,568	4,310	–	–	–	111,882	111,882

Notes to Remuneration Table:

1. *The total cost of fees and salary, including annual leave accruals and, at the discretion of the director or employee, any salary or fee sacrificed benefits, for example into superannuation.*
2. *The amount to be settled in cash relating to performance of the Group and the individual for the financial year from 1 January to 31 December. The proportions of STI bonuses awarded and forfeited are set out in the following table.*
3. *The cost to the company, including any fringe benefits tax, for the provision of fully maintained cars, car parking spaces and other items.*
4. *Company contributions to superannuation.*
5. *Long service leave accruals.*
6. *The amount amortised as an expense in the financial year in accordance with Australian Accounting Standards which require the value of long-term share-based incentive grants to be amortised as an expense over the relevant future vesting periods. The amounts shown relate to unvested share and rights grants made in the current and past financial years. Subject to meeting the vesting conditions of the grants, the shares or rights will vest, or be forfeited, in future financial years.*
7. *The reversal in the current financial year, in accordance with Australian Accounting Standards, of the previous years' amortisation expense for long-term incentive shares granted in earlier 2007 and 2008 years but which were forfeited in the current financial year because vesting conditions were not met.*

8. *Total statutory remuneration is calculated and disclosed in accordance with the Corporations Act and Australian Accounting Standards.*
9. *For information purposes and comparison with the total statutory remuneration, this column shows the executives' remuneration which actually crystallised during the year, including salary, superannuation, annual leave paid and accrued, short-term incentives payable in respect of the financial year, the market value at vesting date of long-term incentive shares granted in previous years which vested during the year and other benefits. The approximate market value of previous 2007 and 2008 share grants which were forfeited during the year were $110,000 for Phillip Friery and $80,000 for Greg Bisset.*
10. *Wee Leng Goh, Chief Executive Officer of Singapore Casket Company, received total remuneration of SG$345,617 (2011: SG$324,805), which has been converted to Australian dollars at the average exchange rate for the year of 0.773 (2011: 0.771).*
11. *Graeme Rhind, Chief Operating Officer of New Zealand, joined the Group on 15 June 2011 upon the Group's acquisition of Bledisloe and received total remuneration for the full 2012 year of NZ$324,403 (15 June 2011 to 31 December 2011: NZ$143,254), which has been converted to Australian dollars at the average exchange rate for the year of 0.782 (2011: 0.779).*

The percentage of the available STI cash 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:

	Cash STI bonus	
Name	Payable %	Forfeited %
Andrew Smith	97%	3%
Phillip Friery	91%	9%
Greg Bisset	97%	3%
Andi Luiskandl	100%	0%
Wee Leng Goh	67%	33%
Graeme Rhind	88%	12%

I. Service Agreements

Chief Executive Officer

Remuneration and other terms of employment for the Chief Executive Officer, Andrew Smith, have been formalised in a service agreement, which has been updated from time to time during his employment. The current agreement provides for provision of salary, superannuation, short-term performance related cash bonuses (up to 52.5% of base salary and superannuation), long-term performance related share-based bonuses (up to 40.8% of base salary and superannuation) and other benefits. The latest term of employment is for three years and four months beginning on 1 January 2012 and, subject to agreement to extend the term, ends on 30 April 2015.

The total remuneration package is reviewed annually and the latest review effective from 1 January 2013 provides for remuneration as follows:

– base salary and superannuation, being $745,000 for 2013 (from 1 January 2012: $695,414);
– short-term incentive bonus of up to $391,125 (from 1 January 2012: $364,752), being 52.5% of base salary and superannuation;
– LTI shares of $303,960 (from 1 January 2012: $283,695), being 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 have the discretion to provide additional performance incentives. Under the service agreement, where less than 100% of a short-term incentive bonus is achieved in a financial year, the employee may recover any shortfall in a subsequent financial year if the effective compound per annum achievement rate in a subsequent financial year exceeds the original rate not achieved.

Termination by the Company, other than in the case of misconduct, 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.

In the case of misconduct, the Company may terminate the employee immediately and without notice. Any unvested LTI shares will be forfeited and there will be no payment of pro-rata short-term incentive bonus amounts for the year of termination.

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.

In any termination, the employee will be entitled to accrued statutory leave entitlements. The employee is not subject to any post-employment restraints.

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

Remuneration Report continued

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-term and long-term incentives. Each contract is for an indefinite term.

The employee's total remuneration package is reviewed annually by the Remuneration Committee and Board and provides for remuneration to include:

- base salary and superannuation;
- short-term incentive bonus of up to 45% of base salary and superannuation;
- LTI shares or, in the case of overseas employees, share appreciation rights of up to 35% of base salary and superannuation; and
- other benefits such as fully maintained motor vehicle and membership of relevant professional or commercial bodies.

Up to six months' notice or payment in lieu of notice is generally required in the event of termination by the Company. The Company may terminate the employee immediately and without notice in the case of misconduct.

If the employee resigns, the employee must generally give six months' notice or forfeit six months' total remuneration for that notice period.

Termination benefits are limited to statutory leave entitlements, unless determined otherwise by the Remuneration Committee and Board. There is no payment of pro-rata short-term incentive bonus amounts for the year of termination. Unless the Board exercises its discretion to determine otherwise, upon employment termination for any reason unvested LTI shares will be forfeited. The Board may decide at its sole discretion that some or all of the shares will not lapse in the event of voluntary retirement on or after normal retirement age, bona fide redundancy, death or permanent disablement and/or any other reason.

Other executive key management personnel are generally subject to post-employment restrictions for up to 12 months after employment termination.

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.

J. Share-based Compensation

Details of the LTI share and LTI rights grants, vesting and forfeits for the Chief Executive Officer and other key management personnel are set out below.

	Year of grant	Final year vesting may occur (note 1)	Number of shares or rights granted	Value at grant date (note 2)	Number vested during year	Total number vested	Vested %	Maximum value yet to vest (note 3)	Number forfeited during year (note 4)	Value of forfeits (note 4)	Forfeited %
Andrew Smith	2008	2013	22,519	$135,451	7,506	15,012	67%	$45,158	–	–	–
(note 5)	2009	2014	52,547	$275,000	10,881	26,748	51%	$132,021	–	–	–
	2010	2015	30,404	$182,875	–	–	–	$182,875	–	–	–
	2011	2016	27,288	$201,163	–	–	–	$201,163	–	–	–
	2012	2017	31,537	$250,527	–	–	–	$250,527	–	–	–
Phillip Friery	2007	2012	16,172	$100,000	610	15,765	97%	–	407	$3,187	3%
	2008	2013	15,789	$100,000	–	3,658	23%	–	12,131	$106,510	77%
	2009	2014	20,526	$100,000	3,051	8,951	44%	$56,392	–	–	–
	2010	2015	20,374	$122,540	–	–	–	$122,540	–	–	–
	2011	2016	17,454	$128,667	–	–	–	$128,667	–	–	–
	2012	2017	8,098	$64,334	–	–	–	$64,334	–	–	–
Greg Bisset	2008	2013	11,842	$75,000	–	2,744	23%	–	9,098	$79,880	77%
	2009	2014	16,647	$81,100	2,474	7,258	44%	$45,741	–	–	–
	2010	2015	13,985	$84,121	–	–	–	$84,121	–	–	–
	2011	2016	14,749	$108,728	–	–	–	$108,728	–	–	–
	2012	2017	16,088	$127,803	–	–	–	$127,803	–	–	–
Andi Luiskandl	2012	2017	5,539	$44,000	–	–	–	$44,000	–	–	–
Wee Leng Goh	2010	2015	5,451	$32,760	–	–	–	$47,627	–	–	–
	2011	2016	5,536	$40,800	–	–	–	$48,370	–	–	–
	2012	2017	5,081	$39,432	–	–	–	$44,424	–	–	–
Graeme Rhind	2012	2017	4,536	$35,199	–	–	–	$39,659	–	–	–

1. *Under the terms of the respective year's LTI grants, unvested shares or rights may vest in whole or in part in any year from 2013 up to the final year shown for each grant year.*

2. *The value at grant date is based upon the share price at the time of grant. In accordance with Australian Accounting Standards, the original grant value of LTI shares is the amount amortised as an expense over the relevant future vesting periods. In the case of LTI rights for overseas based Wee Leng Goh and Graeme Rhind, the amount expensed over the relevant future vesting periods takes account of value changes of the rights using the Black-Scholes/Merton valuation methodology.*
3. *The maximum value of the original grant yet to vest. LTI shares are valued at original grant value. LTI rights for overseas based Wee Leng Goh and Graeme Rhind are valued using the Black-Scholes/Merton valuation methodology. Performance conditions must be met before vesting and, if not, the minimum that will vest could be nil.*
4. *Upon final testing in February 2013, from the balance of unvested shares held in trust at the end of the year, shares from grants made in 2008 to Phillip Friery and Greg Bisset were forfeited due to EPS performance conditions not being achieved. For the purposes of display in this table, these forfeits have been shown as occurring in 2012 (with forfeit values based upon InvoCare's share price at 31 December 2012) and, in accordance with Australian Accounting Standards, the forfeitures were taken into account in determining the share based expense for 2012 by reversing $134,453 of previous grant value amortisation expense.*
5. *Due to an administrative oversight, Mr Smith's 2012 grant of LTI shares should have been 4,255 higher. These additional shares will be allocated to him during February 2013, taking his share balance to 209,558, before the granting of 2013 long-term incentive shares.*

The number of ordinary shares in the Company, or share appreciation rights, held during the year by each director of InvoCare Limited and other key management personnel are summarised in Note 7 on page 71.

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.

No indemnity has been provided to the auditor of the Company in its capacity as auditor of the Company.

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 2012:

	$
Australian Firm	
Assurance services	42,673
Accounting advisory services	36,742
Taxation services	218,643
Other services	9,663
Non-Australian Firms	
Taxation services	27,110
Other services	6,411
Total	341,242

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 19th day of February 2013.

Auditor's Independence Declaration

As lead auditor for the audit of InvoCare Limited for the year ended 31 December 2012, 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.

Brett Entwistle
Partner

PricewaterhouseCoopers

Sydney
19 February 2013

PricewaterhouseCoopers, ABN 52 780 433 757
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
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Consolidated Income Statement

FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	2012 $'000	2011 $'000
Revenue from continuing operations	4	**375,504**	327,496
Finished goods, consumables and funeral disbursements		**(107,304)**	(95,392)
Employee benefits expense		**(91,061)**	(78,219)
Employee related and on-cost expenses		**(20,081)**	(18,267)
Advertising and public relations expenses		**(12,697)**	(10,101)
Occupancy and facilities expenses		**(25,196)**	(21,961)
Motor vehicle expenses		**(8,042)**	(6,866)
Other expenses		**(18,097)**	(14,888)
		93,026	81,802
Depreciation, amortisation and impairment expenses	5	**(16,360)**	(13,746)
Finance costs	5	**(16,262)**	(15,092)
Interest income		**780**	729
Net gain/(loss) on undelivered prepaid contracts	15	**(18)**	(13,477)
Acquisition related costs		**(731)**	(1,309)
Net gain/(loss) on disposal of non-current assets		**2,180**	203
Profit before income tax		**62,615**	39,110
Income tax expense	6	**(18,033)**	(11,995)
Profit from continuing activities		**44,582**	27,115
Profit for the year		**44,582**	27,115
Profit is attributable to:			
Equity holders of InvoCare Limited		**44,479**	27,012
Non-controlling interests		**103**	103
		44,582	27,115
Earnings per share for profit attributable to the ordinary equity holders of the Company			
Basic earnings per share (cents per share)	11	**40.6**	25.6
Diluted earnings per share (cents per share)	11	**40.6**	25.6

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 2012

	Notes	2012 $'000	2011 $'000
Profit for the year		**44,582**	27,115
Other comprehensive income			
Changes in the fair value of cash flow hedges, net of tax	26	**(1,742)**	(5,272)
Changes in foreign currency translation reserve, net of tax	26	**1,218**	(106)
Other comprehensive income for the year, net of tax		**(524)**	(5,378)
Total comprehensive income for the year		**44,058**	21,737
Total comprehensive income for the year is attributable to:			
Equity holders of InvoCare Limited		**43,955**	21,634
Non-controlling interests		**103**	103
		44,058	21,737

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

Consolidated Balance Sheet

AS AT 31 DECEMBER 2012

	Notes	2012 $'000	2011 $'000
ASSETS			
Current assets			
Cash and cash equivalents	12	**6,081**	5,872
Trade and other receivables	13	**34,540**	32,354
Inventories	14	**21,362**	19,858
Prepaid contract funds under management	15	**350,905**	311,763
Property held for sale		**2,631**	625
Deferred selling costs		**610**	590
Total current assets		**416,129**	371,062
Non-current assets			
Trade and other receivables	13	**14,920**	13,758
Other financial assets		**104**	4
Property, plant and equipment	18	**284,974**	282,538
Intangible assets	19	**137,484**	130,791
Deferred selling costs		**8,539**	8,264
Total non-current assets		**446,021**	435,355
Total assets		**862,150**	806,417
LIABILITIES			
Current liabilities			
Trade and other payables	21	**25,059**	28,355
Borrowings	22	**17**	1,872
Derivative financial instruments	20	**1,353**	–
Current tax liabilities		**5,216**	8,278
Prepaid contract liabilities	15	**355,090**	317,598
Deferred revenue		**3,161**	3,112
Provisions	23	**12,431**	11,688
Total current liabilities		**402,327**	370,903
Non-current liabilities			
Trade and other payables	21	**2,163**	70
Borrowings	22	**223,217**	214,034
Derivative financial instruments	20	**8,032**	6,873
Deferred tax liabilities	6(d)	**28,502**	28,415
Deferred revenue		**44,283**	41,928
Provisions	23	**1,735**	1,577
Total non-current liabilities		**307,932**	292,897
Total liabilities		**710,259**	663,800
Net assets		**151,891**	142,617
EQUITY			
Contributed equity	25	**132,687**	133,336
Reserves	26	**(3,120)**	(2,934)
Retained profits	26	**21,173**	11,084
Parent entity interest		**150,740**	141,486
Non-controlling interests	27	**1,151**	1,131
Total equity		**151,891**	142,617

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 2012

		Attributable to Owners of InvoCare Limited					
	Notes	Contri-buted equity $'000	Reserves $'000	Retained earnings $'000	Total	Non con-trolling interest $'000	Total equity $'000
Balance at 1 January 2012		**133,336**	**(2,934)**	**11,084**	**141,486**	**1,131**	**142,617**
Total comprehensive income for the year		**–**	**(524)**	**44,479**	**43,955**	**103**	**44,058**
Transactions with owners in their capacity as owners:							
Dividends paid	10	**–**	**–**	**(34,390)**	**(34,390)**	**(83)**	**(34,473)**
Deferred employee share plan shares vesting during the year	26	**367**	**(367)**	**–**	**–**	**–**	**–**
Acquisition of shares by the InvoCare Deferred Share Plan Trust	25	**(1,225)**	**–**	**–**	**(1,225)**	**–**	**(1,225)**
Forfeit of deferred employee share plan shares	25	**430**	**–**	**–**	**430**	**–**	**430**
Transfer of shares from the deferred plan to the InvoCare Exempt Share Plan Trust	25	**(221)**	**–**	**–**	**(221)**	**–**	**(221)**
Employee shares – value of services		**–**	**705**	**–**	**705**	**–**	**705**
Balance at 31 December 2012		**132,687**	**(3,120)**	**21,173**	**150,740**	**1,151**	**151,891**
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		–	973	–	973	–	973
Balance at 31 December 2011		133,336	(2,934)	11,084	141,486	1,131	142,617

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 2012

	Notes	2012 $'000	2011 $'000
Cash flows from operating activities			
Receipts from customers (including goods & services tax)		**409,219**	351,221
Payments to suppliers and employees (including goods & services tax)		**(327,624)**	(282,198)
Other revenue		**6,947**	6,388
		88,542	75,411
Interest received		**182**	133
Finance costs		**(15,624)**	(14,443)
Income tax paid		**(19,928)**	(17,092)
Net cash inflow from operating activities	31	**53,172**	44,009
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**3,294**	678
Proceeds from sale of business		**–**	7,216
Purchase of subsidiaries including acquisition costs, net of cash acquired		**(9,257)**	(44,488)
Purchase of property, plant and equipment		**(18,412)**	(16,723)
Net cash used in investing activities		**(24,375)**	(53,317)
Cash flows from financing activities			
Payment for shares acquired by InvoCare Deferred Employee Share Plan Trust		**(1,225)**	(1,213)
Proceeds from borrowings		**35,580**	97,034
Repayment of borrowings		**(28,500)**	(71,619)
Payment of dividends – InvoCare Limited shareholders (net of Dividend Reinvestment Plan share issues NIL (2011: $4,827,000)		**(34,390)**	(25,360)
Proceeds from issue of shares		**–**	11,233
Dividends paid to non-controlling interests in subsidiaries		**(83)**	(111)
Repayment of finance lease		**–**	(87)
Net cash (outflow)/inflow from financing activities		**(28,618)**	9,877
Net increase in cash and cash equivalents		**179**	569
Cash and cash equivalents at the beginning of the year		**5,872**	5,123
Effects of exchange rate changes on cash and cash equivalents		**30**	180
Cash and cash equivalents at the end of the year	12	**6,081**	5,872

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

Note 1: Summary of Significant Accounting Policies

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

(a) Basis of preparation

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

(i) Compliance with IFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards ("AIFRS"). Compliance with AIFRS ensures that the consolidated financial statements and notes of InvoCare Limited comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

(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 2012 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.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income and balance sheet, respectively.

(ii) Employee share trust

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

(iii) Associates

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

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

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

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

Note 1: Summary of Significant Accounting Policies continued

(c) Segment reporting

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

(d) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

(iii) Group companies

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

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

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

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

(e) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, allowances, duties and taxes paid.

Revenue is recognised when the funeral, burial, cremation or other services are performed or the goods supplied.

Revenues relating to undelivered memorials and merchandise are deferred 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).

Interest income is recognised using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

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

(f) Deferred selling costs

Selling costs applicable to prepaid funeral service contracts, net of any administrative fees recovered, are expensed when incurred. Direct selling costs applicable to deferred revenue on undelivered memorials and merchandise are deferred until the revenue is recognised.

(g) Income tax

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

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

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

Note 1: Summary of Significant Accounting Policies continued

(g) Income tax continued

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

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

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

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

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

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

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group. Details about the tax funding agreement are disclosed in Notes 34(e) and 35(d).

(h) Leases

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

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

(i) Business combinations and acquisitions of assets

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

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling 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 a 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.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

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

(j) Impairment of assets

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

Note 1: Summary of Significant Accounting Policies continued

(k) Cash and cash equivalents

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

(l) Receivables

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

Trade receivables are usually due for settlement no more than 30 days from the date of recognition, except where extended payment terms (up to a maximum of 60 months) have been made available on cemetery or crematorium contracts for sale of interment or inurnment rights and associated memorials and other merchandise. Receivables arising from cemetery or crematorium contracts which are initially expected to be collected over a period exceeding 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 uncollectable, 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.

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 risks associated with 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 26. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

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, share appreciation rights or options over shares. Details of the employee share, share appreciation 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 35 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 statements 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 2012 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.

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 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 ageing 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:

	2012 $'000	2011 $'000
Financial assets		
Cash and cash equivalents	6,081	5,872
Trade and other receivables*	44,906	42,785
Prepaid contract funds under management	350,905	311,763
Other financial assets	104	4
	401,996	360,424
Financial liabilities		
Trade and other payables	27,222	28,425
Borrowings	223,234	216,858
Derivative financial instruments	9,385	6,873
	259,841	252,156

** excluding prepayments*

(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 12 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 6.6% (2011: 6.8%) inclusive of swaps and margins but excluding establishment fees.

At balance date, interest rate swaps for 91% (2011: 94%) of borrowings were in place. Of these interest rate swaps 10% (2011: 10%) were denominated in Singapore dollar and 10% (2011: 10%) in New Zealand dollar fixed interest instruments, with the balance denominated in Australian dollars. As at 31 December 2012 the weighted average fixed interest rate payable on the interest rate swaps is 4.77% (2011: 4.78%) and the weighted average variable rate receivable as at 31 December 2012 is 2.80% (2011: 3.91%).

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

	31 December 2012		31 December 2011	
	Weighted average interest rate	Balance $'000	Weighted average interest rate	Balance $'000
Bank loans	6.57%	224,181	6.84%	214,986
Interest rate swaps (notional principal)	4.77%	203,185	4.78%	201,486
Net exposure to cash flow interest rate risk		20,996		13,500

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:

	2012 $'000	2011 $'000
Less than one year	**86,866**	–
One to two years	**64,500**	86,439
Two to three years	**51,117**	64,500
Three to four years	**60,000**	50,547
Four to five years	**–**	60,000
	262,483	261,486

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 in Australian and New Zealand rates and 50 basis points in Singapore (2011: 100 basis points) in the interest rate would result in additional interest expense after tax of $44,000 (2011: $128,000). A decrease of 100 basis points (2011: 100 basis points) would result in an after tax gain of $197,000 (2011: $128,000). 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 2012 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 $2,742,000 (2011: $4,095,000) 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 $566,000 (2011: $3,937,000) net of tax.

The overall impact on the Group has been summarised on page 66.

The Group's cash and cash equivalents held in Australia are interest bearing. At 31 December 2012 the weighted average interest rate was 2.2% (2011: 3.4%). If interest rates changed by 100 basis points (2011: 100 basis points) the Group's after tax result would increase or decrease by $49,000 (2011: $23,000).

(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's exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollars, was as follows:

	2012 $'000		2011 $'000	
	New Zealand Dollars	Singapore Dollars	New Zealand Dollars	Singapore Dollars
Borrowings	**21,415**	**21,270**	20,547	20,439
Derivatives	**549**	**132**	551	209

Note 2: Financial Risk Management continued

(a) Market risk continued

(ii) Foreign exchange risk continued

The Group has no significant unhedged foreign exchange exposures at 31 December 2012. The Singapore dollar borrowing is undertaken in Australia and designated as the hedge of a net investment in a subsidiary. The New Zealand borrowings are undertaken in New Zealand.

(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 2012 and 31 December 2011, the following changes in investment returns are reasonably probable.

	31 December 2012		31 December 2011	
	Increase	Decrease	Increase	Decrease
Asset class				
Equities (plus or minus 10%)	**2,807**	**(2,807)**	1,702	(1,702)
Property (plus or minus 3%)	**1,790**	**(1,790)**	583	(583)
Cash and fixed interest (no price risk)	**–**	**–**	–	–
	4,597	**(4,597)**	2,285	(2,285)

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.

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:

	2012 %	2011 %
Equities	**8.0**	8.0
Property	**17.0**	9.0
Cash and fixed interest	**75.0**	83.0

Approximately 75% of InvoCare's prepaid funds under management are with Over Fifty Guardian Friendly Society.

Other than disclosed above, the Group does not hold any investments in equities, which are not equity accounted, 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 $2,631,000 (2011: $2,236,000). As at 31 December 2012, receivables with a nominal value of $3,749,000 (2011: $2,522,000) had been specifically identified internally or referred to the Group's independent debt collection agent and hence were considered to be impaired. The amount of the provision for doubtful receivables was calculated by applying the historical debt collector's recovery ratio to all debtors over 90 days overdue.

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 2012, trade receivables of $6,816,000 (2011: $7,229,000) 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 ageing of receivables past due but not impaired follows:

	2012 $'000	2011 $'000
One to three months overdue	3,969	3,669
Over three months overdue	2,847	3,560

(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 risk

The Group has no exposure to interest rate risk in respect of receivables as they are non-interest bearing.

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:

	2012 $'000	2011 $'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	**64,500**	127,500
– unsecured loan facility expiring in two to five years	**190,500**	127,500
– working capital facility expiring within one year	**6,173**	6,523
	261,173	261,523
Used at balance date		
– unsecured loan facility	**224,181**	214,986
– working capital facility	**1,269**	653
	225,450	215,639
Unused at balance date		
– unsecured loan facility	**30,819**	40,014
– working capital facility	**4,904**	5,870
	35,723	45,884

The tables below analyse the Group's financial liabilities into the relevant maturity groupings based on their contractual terms. Trade and other payables and borrowings are non-derivative liabilities.

31 December 2012	Less than one year $'000	Two to three years $'000	More than three years $'000	Total $'000
Trade and other payables	**27,222**	**–**	**–**	**27,222**
Borrowings	**–**	**64,500**	**159,681**	**224,181**
Derivatives	**1,353**	**4,746**	**3,286**	**9,385**

31 December 2011	Less than one year $'000	Two to three years $'000	More than three years $'000	Total $'000
Trade and other payables	27,222	–	–	27,222
Borrowings	–	64,500	159,685	224,185
Derivatives	–	1,910	4,963	6,873

The Group's external debt financing is provided by three of the major Australian banks and their New Zealand operations where relevant through bi-lateral revolver debt facilities totalling $255 million expiring in September 2014, 2015 and 2016.

The facilities agreements' covenant ratios are calculated on a rolling 12 month basis and have been met at 31 December 2012. 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 2012, basic EPS was 40.6 cents (2011: 25.6 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 38.8 cents (2011: 34.5 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% (2011: 22%) 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 $4.86 or 486% (2011: $4.11 or 411%) up to 31 December 2012.
- 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 2012 dividends represents a payout ratio of 88% (2011: 89%) 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 2012 the proportion of debt hedged was 91% (2011: 94%). 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 over three, four and five years. The first tranche originally due to expire in 2013 was refinanced in December 2012 and now expires in 2016.

Note 2: Financial Risk Management continued

(e) Summarised sensitivity analysis

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

		Interest rate risk				Foreign exchange risk			
		– 100 basis points		+ 100 basis points		– 10%		+ 10%	
31 December 2012	Carrying amount $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000
Financial assets									
Cash and cash equivalents	6,081	(49)	–	49	–	–	7	–	(3)
Accounts receivable	44,905	–	–	–	–	–	–	–	–
Prepaid contract funds under management	350,905	(1,235)	–	1,235	–	–	–	–	–
Other financial assets	104	–	–	–	–	–	–	–	–
Financial liabilities									
Trade and other payables	(27,222)	–	–	–	–	–	–	–	–
Borrowings	(223,234)	(121)	–	121		(83)	2,922	68	(2,828)
Derivatives	(9,385)	–	2,742	–	489	–	(2,922)	–	2,828
Total increase/(decrease)		(1,405)	2,742	1,405	489	(83)	7	68	(3)

		Interest rate risk				Foreign exchange risk			
		– 100 basis points		+ 100 basis points		– 10%		+ 10%	
31 December 2011	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	42,785	–	–	–	–	–	–	–	–
Prepaid contract funds under management	311,763	(145)	–	145	–	–	–	–	–
Other financial assets	4	–	–	–	–	–	–	–	–
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	–

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:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
(b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The fair value of contingent consideration is calculated as the present value of the expected cash flows using a discount rate that reflects the incremental costs of borrowing used to fund the acquisition. If the discount rate was increased by 10% the contingent consideration would reduce by $19,000. Similarly, a 10% decrease in the discount rate results in an increase in contingent consideration of $21,000.

Note 2: Financial Risk Management continued

(f) Fair value estimation continued

	2012 $'000	2011 $'000
Level 1		
Prepaid contract funds under management	**350,905**	311,763
Level 2		
Derivative financial instruments	**(9,717)**	(6,873)
Level 3		
Contingent consideration	**2,163**	116

No financial instruments or derivatives are held for trading.

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

Note 3: 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 2012 and 31 December 2011 is below.

	Australian Operations		Singapore Operations		New Zealand Operations		Consolidated	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Revenue from external customers	**327,866**	295,578	**10,624**	9,519	**30,162**	16,016	**368,652**	321,113
Other revenue (excluding interest income)	**6,568**	5,831	**188**	174	**96**	378	**6,852**	6,383
Operating expenses	**(252,875)**	(228,075)	**(5,503)**	(4,889)	**(24,100)**	(12,730)	**(282,478)**	(245,694)
Operating EBITDA	**81,559**	73,334	**5,309**	4,804	**6,158**	3,664	**93,026**	81,802
Depreciation and amortisation	**(14,459)**	(12,505)	**(498)**	(574)	**(1,403)**	(667)	**(16,360)**	(13,746)
Finance costs	**(14,331)**	(13,530)	**(580)**	(633)	**(1,351)**	(929)	**(16,262)**	(15,092)
Interest income	**744**	703	**–**	–	**36**	26	**780**	729
Business acquisition costs	**(698)**	(1,309)	**–**	–	**(33)**	–	**(731)**	(1,309)
Inter-segment revenue/(expense)	**1,260**	630	**–**	–	**(1,260)**	(630)	**–**	–
Operating earnings before tax	**54,075**	47,323	**4,231**	3,597	**2,147**	1,464	**60,453**	52,384
Income tax expense	**(16,457)**	(14,972)	**(705)**	(603)	**(812)**	(402)	**(17,974)**	(15,977)
Operating earnings after tax	**37,618**	32,351	**3,526**	2,994	**1,335**	1,062	**42,479**	36,407
After tax loss on prepaid contract movements	**(13)**	(9,434)	**–**	–	**–**	–	**(13)**	(9,434)
Profit on sale of assets after tax	**2,141**	138	**6**	–	**(31)**	4	**2,116**	142
Non-controlling interest	**(103)**	(103)	**–**	–	**–**	–	**(103)**	(103)
Net profit after tax attributable to equity holders of InvoCare Limited	**39,643**	22,952	**3,532**	2,994	**1,304**	1,066	**44,479**	27,012
Total assets	**785,279**	742,149	**29,134**	26,822	**47,736**	37,446	**862,149**	806,417
Total goodwill	**84,840**	80,138	**11,618**	11,165	**32,971**	31,503	**129,429**	122,806
Total liabilities	**659,819**	615,989	**23,504**	22,411	**26,936**	25,400	**710,259**	663,800

Note 3: Segment Information continued

(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.

When the consolidated financial statements were issued the goodwill balances relating to Singapore and New Zealand were transposed; this has been corrected in the table.

Note 4: Revenue from Continuing Operations

	2012 $'000	2011 $'000
Sales revenue		
Sale of goods	**148,535**	133,165
Services revenue	**220,117**	187,948
	368,652	321,113
Other revenue		
Rent	**437**	429
Administration fees	**4,706**	4,212
Sundry revenue	**1,709**	1,742
	6,852	6,383
Total revenue from continuing operations	**375,504**	327,496

Note 5: Expenses

	2012 $'000	2011 $'000
Profit before income tax includes the following specific expenses:		
Depreciation		
Buildings	**3,955**	3,476
Property, plant and equipment	**10,543**	8,411
Total depreciation	**14,498**	11,887
Amortisation of non-current assets		
Cemetery land	**368**	355
Leasehold land and buildings	**177**	175
Leasehold improvements	**300**	524
Brand names	**1,017**	710
Total amortisation	**1,862**	1,764
Total depreciation and amortisation	**16,360**	13,651
Impairment of other assets		
Goodwill	**–**	95
Finance costs		
Interest paid and payable	**14,562**	13,027
Interest rate swap (gain)/loss	**–**	–
Other finance costs	**1,700**	2,065
Total financing costs	**16,262**	15,092
Impairment losses – financial assets		
Trade receivables	**870**	351
Rental expense		
Operating lease rental – minimum lease payments	**10,916**	9,375
Defined contribution superannuation expense	**6,469**	5,630

Note 6: Income Tax

(a) Income tax expense

	2012 $'000	2011 $'000
Current tax	**17,058**	17,421
Deferred tax	**971**	(5,435)
Under/(over) provided in prior years	**4**	9
Income tax expense attributable to continuing operations	**18,033**	11,995

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

	2012 $'000	2011 $'000
Prima facie tax at 30% (2011: 30%) on profit from ordinary activities	**18,784**	11,733
Tax effect of amounts which are not deductible/(taxable) in calculation of taxable income		
Impact of previously unrecognised capital losses offsetting capital gains	**(418)**	–
Impact of the eliminations of translation gains/(losses) on intercompany balances in foreign currencies	**165**	–
Acquisition costs not deductible	**86**	433
Other items (net)	**115**	423
	18,732	12,589
Difference in overseas tax rates	**(703)**	(603)
Under/(over) provided in prior years	**4**	9

	2012 $'000	2011 $'000
Income tax expense	**18,033**	11,995

Note 6: Income Tax continued

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

	2012 $'000	2011 $'000
Cash flow hedges	**(753)**	(2,244)

(d) Deferred tax (asset)/liability

	2012 $'000	2011 $'000
The deferred tax (asset)/liability balances comprised temporary differences attributable to:		
Amounts recognised in profit and loss:		
Cemetery land	**25,035**	25,181
Property, plant and equipment	**7,422**	8,078
Deferred selling costs	**2,743**	2,656
Prepayments and other	**720**	675
Brand names	**2,319**	2,286
Prepaid contracts	**(1,108)**	(1,419)
Provisions	**(4,568)**	(5,188)
Receivables	**(528)**	315
Accruals and other	**(729)**	(2,118)
Amounts recognised directly in equity:		
Cash flow hedge reserve	**(2,804)**	(2,051)
	28,502	28,415
The net movement in the deferred tax (asset)/liability is as follows:		
Balance at the beginning of the year	**28,415**	32,679
Net charge (credit) to income statement – current period	**971**	(5,435)
Net charge (credit) to income statement – prior periods	**(332)**	–
Amounts recognised due to business combinations net of businesses subsequently sold	**586**	3,389
Amounts recognised directly in equity	**(753)**	(2,244)
Effect of movements in exchange rates	**(385)**	26
Balance at the end of the year	**28,502**	28,415
Deferred tax liabilities/(assets) to be settled within 12 months	**(8,323)**	(9,137)
Deferred tax liabilities/(assets) to be settled after 12 months	**36,825**	37,552
	28,502	28,415

(e) Tax losses

The Group has unutilised Australian capital losses with a potential benefit of $478,000 (2011: $882,000) at a tax rate of 30% (2011: 30%).

Note 7: Key Management Personnel Disclosures

(a) Key management personnel compensation

	2012 $	2011 $
Short-term employee benefits	**3,583,879**	2,859,730
Post-employment benefits	**154,589**	132,470
Other long-term benefits	**32,897**	31,412
Share-based payments	**387,025**	444,888
	4,158,390	3,468,500

Detailed remuneration disclosures are provided in the Remuneration Report on pages 35 to 47.

(b) Equity instrument disclosures relating to key management personnel

(i) Shares and share appreciation rights provided as remuneration

Details of shares and share appreciation rights provided as remuneration, together with terms and conditions of the shares and share appreciation rights, can be found in the Remuneration Report on pages 35 to 47.

The Company has not provided any options over unissued shares as remuneration during the 2012 or 2011 financial years.

(ii) Holdings of shares and share appreciation rights

The number of ordinary shares in the Company, or share appreciation rights in the case of overseas based key management personnel, 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, Long Term Incentive ("LTI") shares or LTI rights 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	–	408	10,821
Richard Fisher	6,077	–	238	6,315
Aliza Knox	–	–	3,050	3,050
Richard Davis (note 1)	–	–	636,607	636,607
Executive Directors				
Andrew Smith (note 2)	173,766	31,537	–	205,303
Other key management personnel				
Phillip Friery (note 3)	111,781	8,098	(20,980)	98,899
Greg Bisset (note 3)	53,323	16,088	–	69,411
Andi Luiskandl	–	5,539	–	5,539
Wee Leng Goh (note 4)	10,987	5,081	–	16,068
Graeme Rhind (note 4)	–	4,536	–	4,536

1. *The number of shares held by Richard Davis upon his appointment as Director on 21 February 2012 was 656,607 and he subsequently sold 20,000 shares during the year.*
2. *Due to an administrative oversight, Mr Smith's 2012 grant of LTI shares should have been 4,255 higher. These additional shares were allocated to him during February 2013, taking his share balance to 209,558, before the granting of 2013 long-term incentive shares.*
3. *Upon final vesting test in February 2013, from the balance of shares held at the end of the year as shown in the above table, shares from grants made in 2008 were forfeited due to EPS performance conditions not being achieved. Phillip Friery forfeited 12,131 shares and Greg Bisset forfeited 9,098 shares. In accordance with Australian Accounting Standards, these forfeitures were taken into account in determining the share based expense for 2012 by reversing $136,670 of previous expense.*
4. *These grants are share appreciation rights.*

Note 7: Key Management Personnel Disclosures continued

(c) Loans to key management personnel

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

(d) Other transactions with key management personnel

The Chairman, Ian Ferrier, is also Chairman and a shareholder of Executive Health Solutions Pty Ltd, a private company which provides specialist medical services to the corporate sector. In the current year, services were provided to the Group on normal terms and conditions amounting to $27,144 (2011: Nil).

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

	2012 $	2011 $
Amounts recognised as expense		
Other professional services	**27,144**	–

At balance date there were no amounts payable in either 2012 or 2011 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 exempt value of $1,000.

During 2012, more than 950 (2011: 850) eligible employees were invited to participate in the plan and pay the share purchase price by regular deductions from pre-tax wages 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 2012, 27,750 shares that had previously been forfeited were allocated to 222 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 2012, the balance owing by employee plan members for the purchase price of shares was $110,393 (2011: $123,162).

(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 pre-determined value of shares which the Trustee, IVC Employee Share Plan Managers Pty Ltd, purchases on market. During 2012, offers were made to and accepted by a total of 56 (2011: 54) employees and a total of 154,543 (2011: 170,594) shares purchased on market for $1,227,691 (2011: $1,257,886) at an average price of $7.94 (2011: $7.37) 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.

In non-Australian jurisdictions the direct ownership of InvoCare Limited shares presents complex legal and taxation challenges in an employee share plan environment. In these cases senior non-Australian employees are granted share appreciation rights with the same vesting and performance conditions as the Australia Deferred Employee share plan.

Note 8: Share-based Payments continued

(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:

	2012 $'000	2011 $'000
Long-term incentive bonus share expense	**976**	1,090

(c) Employee share schemes

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	25 February 2011	6.21	24	–	(14)	(10)	–
1 January 2008	25 February 2011	6.33	172	–	26	(23)	175
	25 February 2012	6.33	172	–	26	(23)	175
1 January 2008	25 February 2012	6.01	45	–	(45)	–	–
	25 February 2013	6.01	45	–	–	–	45
1 July 2008	25 February 2012	6.33	58	–	(54)	(4)	–
1 January 2009	25 February 2011	4.87	35	–	(14)	(3)	19
	25 February 2012	4.87	291	–	(134)	(20)	137
	25 February 2013	4.87	291	–	–	(11)	279
1 March 2009	25 February 2012	4.87	51	–	(51)	–	–
	25 February 2013	4.87	51	–	–	(3)	48
1 January 2010	25 February 2012	6.01	275	–	–	(21)	254
	25 February 2013	6.01	275	–	–	(21)	254
	25 February 2014	6.01	275	–	–	(21)	254
1 March 2010	25 February 2012	6.01	54	–	(54)	–	–
	25 February 2013	6.01	54	–	–	(3)	51
	25 February 2014	6.01	54	–	–	(3)	51
1 January 2011	25 February 2013	7.37	328	–	–	(23)	305
	25 February 2014	7.37	328	–	–	(23)	305
	25 February 2015	7.37	328	–	–	(23)	305
1 March 2011	25 February 2013	7.37	67	–	–	(5)	62
	25 February 2014	7.37	67	–	–	(5)	62
	25 February 2015	7.37	67	–	–	(5)	62
1 July 2011	25 February 2013	7.37	7	–	–	–	7
	25 February 2014	7.37	7	–	–	–	7
	25 February 2015	7.37	7	–	–	–	7
1 January 2012	25 February 2014	7.94	–	404	–	–	404
	25 February 2015	7.94	–	404	–	–	404
	25 February 2016	7.94	–	404	–	–	404
1 March 2012	25 February 2014	7.94	–	68	–	(2)	67
	25 February 2015	7.94	–	68	–	(2)	67
	25 February 2016	7.94	–	68	–	(2)	67
			3,430	1,416	(314)	(255)	4,277

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

Note 8: Share-based Payments continued

(c) Employee share schemes continued

Details of unvested grants and other movements in share appreciation rights follow:

Grant date	Vesting date	Purchase price per share $	Balance at the start of the year $'000	Granted during the year $'000	Increase during the year $'000	Balance at the end of the year $'000
22 February 2010	22 February 2012	6.01	14	–	2	16
	22 February 2013	6.01	14	–	2	16
	22 February 2014	6.01	14	–	2	16
24 February 2011	24 February 2013	7.37	14	–	2	16
	24 February 2014	7.37	14	–	2	16
	24 February 2015	7.37	14	–	2	16
21 February 2012	21 February 2014	7.76	–	13	2	15
	21 February 2015	7.76	–	13	2	15
	21 February 2016	7.76	–	13	2	15
1 January 2012	25 February 2014	7.76	–	24	3	27
	25 February 2015	7.76	–	24	3	27
	25 February 2016	7.76	–	24	3	27
1 March 2012	25 February 2014	7.76	–	4	–	4
	25 February 2015	7.76	–	4	–	4
	25 February 2016	7.76	–	4	–	4
			84	124	28	236

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

The plan rules allow, in instances where full vesting does not occur, an additional year to satisfy the vesting conditions. The tranches with vesting dates in 2011 and 2012 which have closing balances will be retested in 2013 to determine if vesting will occur.

Note 9: Remuneration of Auditors

	2012 $	2011 $
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	**323,647**	391,840
PricewaterhouseCoopers – non-Australian firm		
Audit and review of financial reports	**7,535**	–
Non-PricewaterhouseCoopers – Singaporean firm		
Audit and review of financial reports	**24,728**	17,355
Total remuneration for audit services	**355,910**	409,195
(b) Non-audit services		
PricewaterhouseCoopers – Australian firm		
Assurance services	**42,673**	16,600
Accounting advisory services	**36,742**	13,693
Taxation services	**218,643**	131,882
Other services	**9,663**	72,761
PricewaterhouseCoopers – non-Australian firms		
Taxation services	**27,110**	–
Other services	**6,411**	4,864
Non-PricewaterhouseCoopers – Singaporean firm		
Other services	**18,229**	8,660
Total remuneration for non-audit services	**359,471**	248,460

Note 9: Remuneration of Auditors continued

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

	2012 $'000	2011 $'000
Dividends paid		
Final ordinary dividend for the year ended 31 December 2011 of 16.25 cents (2010: 15.25 cents) per fully paid share paid on 5 April 2012 (2010: 8 April 2011), fully franked based on tax paid at 30% (2010: 30%)	**17,885**	15,619
Interim ordinary dividend for the year ended 31 December 2012 of 15 cents (2011: 13.5 cents) per share paid on 5 October 2012 (2011: 7 October 2011), fully franked based on tax paid at 30% (2011: 30%)	**16,505**	14,568
Dividends paid to members of InvoCare Limited	**34,390**	30,187
On 19 November 2012 (2011: 25 January 2011 and 18 August 2011) dividend totalling 10.4 cents (2011: 13.7 cents) per fully paid share, fully franked based on tax paid at 30%, was paid to non-controlling interests.	**83**	111
	34,473	30,298
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 19.0 cents (2011: 16.25 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 2013 out of 2012 profits, but not recognised as a liability at year end is:	**20,906**	17,880
Franking credit balance		
The amounts of franking credits available for subsequent financial years are:		
Franking account balance at the end of the financial year	**14,490**	14,626
Franking credits that will arise from the payment of income tax payable at the end of the financial year	**3,903**	7,249
Reduction in franking account resulting from payment of proposed final dividend of 19.0 cents (2011: 16.25 cents)	**(8,960)**	(7,663)
	9,433	14,212

Note 11: Earnings per Share

	2012 $'000	2011 $'000
Reconciliation of Earnings to Profit and Loss		
Profit from ordinary activities after income tax	**44,582**	27,115
Less profit attributable to non-controlling interests	**(103)**	(103)
Profit used to calculate basic and diluted EPS	**44,479**	27,012

	2012 Number	2011 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	**109,498,442**	105,405,838
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	**109,498,442**	105,405,838

Note 11: Earnings per Share continued

	2012 cents	2011 cents
Earnings per share for profit attributable to the ordinary equity holders of the Company		
Basic earnings per share (cents per share)	**40.6**	25.6
Diluted earnings per share (cents per share)	**40.6**	25.6

Note 12: Cash and Cash Equivalents

	2012 $'000	2011 $'000
Cash on hand	**72**	70
Cash at bank	**6,009**	5,802
	6,081	5,872
Cash at bank attracts floating interest rates between 1.25% and 3.05% (2011: 2.9% 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	**6,081**	5,872
Balances per the statement of cash flows	**6,081**	5,872

Note 13: Trade and Other Receivables

	2012 $'000	2011 $'000
Current		
Trade receivables	**30,750**	29,329
Provision for doubtful receivables	**(2,541)**	(2,197)
Prepayments	**4,554**	3,327
Other receivables	**1,777**	1,895
	34,540	32,354
Non-current		
Trade receivables	**14,303**	13,133
Provision for doubtful receivables	**(90)**	(39)
Security deposits	**307**	264
Other receivables	**400**	400
	14,920	13,758

(a) Impaired receivables

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

	2012 $'000	2011 $'000
Balance at the beginning of the year	**2,236**	1,594
Provision for impairment recognised during the year	**870**	351
Receivables written off as uncollectible	**(475)**	(399)
Increase due to business combinations	**–**	690
Balance at the end of the year	**2,631**	2,236

Note 14: Inventories

	2012 $'000	2011 $'000
Current		
Work in progress – at cost	**833**	887
Finished goods – at cost	**20,529**	18,971
	21,362	19,858

Note 15: Prepaid Contracts

(a) Income statement impact of undelivered prepaid contracts

	2012 $'000	2011 $'000
Gain/(loss) on prepaid contract funds under management	**17,646**	2,067
Change in provision for prepaid contract liabilities	**(17,664)**	(15,544)
Net gain/(loss) on undelivered prepaid contracts	**(18)**	(13,477)

(b) Movements in prepaid contract funds under management

	2012 $'000	2011 $'000
Balance at the beginning of the year	**311,763**	273,544
Sale of new prepaid contracts	**30,414**	26,651
Initial recognition of contracts paid by instalment	**2,563**	1,681
Redemption of prepaid contract funds following service delivery	**(28,288)**	(26,360)
Increase due to business combinations net of assets subsequently sold	**16,807**	34,180
Increase in fair value of contract funds under management	**17,646**	2,067
Balance at the end of the year	**350,905**	311,763

(c) Movements in prepaid contract liabilities

	2012 $'000	2011 $'000
Balance at the beginning of the year	**317,598**	264,646
Sale of new prepaid contracts	**30,414**	26,651
Initial recognition of contracts paid by instalment	**2,563**	1,681
Decrease following delivery of services	**(30,346)**	(25,657)
Increase due to business combinations net of liabilities subsequently sold	**17,197**	34,733
Increase due to re-evaluation of delivery obligation	**17,664**	15,544
Balance at the end of the year	**355,090**	317,598

Note 15: Prepaid Contracts continued

(d) Nature of contracts under management and liabilities

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

The assignment of the benefit of the invested funds to InvoCare, in most cases, 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 generally 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 $5,727,000 (2011: $4,991,000). These funds and the relevant liability are recognised when the contract has been fully paid.

During the year the non-cash fair value movements (i.e. investment earnings) of $17.6 million in prepaid contract funds under management (2011: $2.1 million) matched the non-cash growth due to selling price increases of $17.6 million in the liability for future service delivery obligations (2011: $15.5 million). The improvement in the investment earnings reflected the full year impact of decisions taken in the second half of 2011 to change the asset allocations in the main prepaid fund.

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 2012 %	Equity Holding 2011 %
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 (Struck off in 2012)	Australia	**–**	100
A.C.N. 000 030 491 Pty Limited (Struck off in 2012)	Australia	**–**	100
A.C.N. 050 110 453 Pty Limited (Struck off in 2012)	Australia	**–**	100
LifeArt Australasia Pty Limited	Australia	**100**	100
Macquarie Memorial Park Pty Limited	Australia	**83**	83
A.C.N. 008 826 453 Pty Limited (Struck off in 2012)	Australia	**–**	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 (Struck off in 2012)	Australia	**–**	100
A.C.N. 068 935 348 Pty Ltd (Struck off in 2012)	Australia	**–**	100
A.C.N. 060 625 372 Pty Limited (Struck off in 2012)	Australia	**–**	100
A.C.N 054 583 345 Pty Ltd (Struck off in 2012)	Australia	**–**	100
Bledisloe Group Holdings Pty Ltd	Australia	**100**	100
Bledisloe Finance Pty Ltd	Australia	**100**	100
Bledisloe Holdings Pty. Ltd.	Australia	**100**	100
Bledone Pty Ltd	Australia	**100**	100
Bledtwo Pty Ltd	Australia	**100**	100
Bledisloe Australia Pty Ltd	Australia	**100**	100
A.C.N. 001 068 373 Pty Ltd	Australia	**100**	100
A.C.N. 000 146 261 Pty Ltd	Australia	**100**	100
A.C.N. 000 963 299 Pty Ltd	Australia	**100**	100
F Tighe & Co Pty Ltd	Australia	**100**	100
Crematorium Chapel Funerals of Australasia Pty Ltd	Australia	**100**	100
William Lee & Sons Pty Ltd	Australia	**100**	100
Australian Pre-Arranged Funeral Plan Pty Ltd	Australia	**100**	100
Dylhost Pty Ltd	Australia	**100**	100
Australian Funerals Pty Limited	Australia	**100**	100
Metropolitan Funeral Services Pty. Ltd.	Australia	**100**	100
Sydney Cremation Services Pty Ltd	Australia	**100**	100
Cemetery & Crematorium Management Services Pty Ltd	Australia	**100**	100
Cemetery & Crematorium Finance Trust	Australia	**100**	100
Nationwide Care Services Pty Ltd	Australia	**100**	100
South-East Asia & Australasian Services Pty Ltd	Australia	**100**	100
Tuckers Funeral & Bereavement Services Pty Ltd	Australia	**100**	–
Geelong Mortuary Transfer 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
Lavender Flora Pte Ltd	Singapore	**100**	–
Simplicity Flora Pte Ltd	Singapore	**100**	–
SCC Funeral Supplies Pte. Ltd.	Singapore	**100**	–
SCC Care Pte. Ltd.	Singapore	**100**	–
SCC Bereavement Services Pte. Ltd.	Singapore	**100**	–
SCC Tentage Pte. Ltd.	Singapore	**100**	–
InvoCare New Zealand Limited	New Zealand	**100**	100
Bledisloe New Zealand Holdings Limited	New Zealand	**–**	100
Bledisloe New Zealand Limited	New Zealand	**100**	100
InvoCare Hong Kong Limited	Hong Kong	**100**	100

Note 16: Subsidiaries continued

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, InvoCare Hong Kong Limited and IVC Employee Share Plan Managers Pty Ltd. All shares held are ordinary shares.

InvoCare Australia Pty Limited, InvoCare (Singapore) Pty Limited 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.

Effective from 31 December 2012, Bledisloe New Zealand Holdings Limited was amalgamated with InvoCare New Zealand Limited and therefore ceased to exist.

Note 17: Equity Accounted Investments

(a) The carrying amount of the Equity Accounted Investment at the beginning of 2012 is nil and there have been no movements in the carrying amount during 2012.

(b) Summarised financial information of associates

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

	Ownership Interest %	Group's share of:			
		Assets $'000	Liabilities $'000	Revenues $'000	Profit $'000
2012					
HeavenAddress Pte. Ltd	27.59	135	73	98	(118)
2011					
HeavenAddress Holdings Pty Ltd	27.59	216	55	111	(69)

This associate is an unlisted private company incorporated in Singapore (2011: Australia) and the initial 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 2012 a payment of $300,000 (2011: $300,000) was made for the period to June 2013.

In October 2012 the shares held in HeavenAddress Holdings Pty Ltd were exchanged for an equivalent number of shares in HeavenAddress Pte Limited. Contemporaneously, a new service agreement between the Group and HeavenAddress was entered into and HeavenAddress Holdings Pty Ltd became a 100% owned subsidiary of HeavenAddress Pte Ltd. Subsequent to the end of the financial period a further $5 million was invested to assist the growth of the business.

Note 18: Property, Plant and Equipment

	Cemetery land $'000	Freehold land $'000	Buildings $'000	Leasehold land and buildings $'000	Leasehold improve-ments $'000	Plant and equipment $'000	Total $'000
At 1 January 2012							
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**	**37,519**	**282,538**
Year ended 31 December 2012							
Additions	**352**	**–**	**2,151**	**–**	**524**	**12,748**	**15,775**
Business combinations	**(600)**	**2,925**	**1,017**	**–**	**101**	**585**	**4,028**
Disposals	**–**	**–**	**(5)**	**–**	**(2)**	**(306)**	**(313)**
Depreciation/ amortisation charge	**(368)**	**–**	**(3,955)**	**(177)**	**(300)**	**(10,543)**	**(15,343)**
Effect of movement in exchange rates	**–**	**613**	**328**	**–**	**2**	**165**	**1,108**
Transfers/reclassifications	**–**	**(2,000)**	**(632)**	**(187)**	**–**	**–**	**(2,819)**
Closing net book amount	**83,906**	**74,890**	**81,321**	**2,379**	**2,310**	**40,168**	**284,974**
At 31 December 2012							
Cost	**106,189**	**74,890**	**123,627**	**4,900**	**4,518**	**99,960**	**414,084**
Accumulated depreciation/amortisation	**(6,307)**	**–**	**(42,306)**	**(2,521)**	**(2,208)**	**(59,792)**	**(113,134)**
Impairment write-downs	**(15,976)**	**–**	**–**	**–**	**–**	**–**	**(15,976)**
Net book amount	**83,906**	**74,890**	**81,321**	**2,379**	**2,310**	**40,168**	**284,974**
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	37,519	282,538

During the year a property in Brunswick, Melbourne, Victoria was deemed to be surplus to the needs of the Group and was sold with the settlement deferred until the middle of 2013. This land and building has been reclassified as an asset held for sale and is recorded as a transfer in the table above.

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:

	2012 $'000	2011 $'000
Freehold buildings	**1,067**	4,251
Leasehold improvements	**9**	166
Plant and equipment	**577**	256
Total assets in the course of construction	**1,653**	4,673

(b) Impairment

All impaired cemetery and crematorium sites were reassessed at 31 December 2012 using the same methodology as previously applied and no change to the impairment provision was considered necessary in 2012.

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 10.9% (2011: 10.7%), reflecting the risk estimates for the business as a whole.

Note 19: Intangible Assets

	Goodwill $'000	Brand name $'000	Total $'000
At 1 January 2012			
Cost	**122,806**	**10,068**	**132,874**
Accumulated amortisation	**–**	**(2,083)**	**(2,083)**
Net book amount	**122,806**	**7,985**	**130,791**
Year ended 31 December 2012			
Acquisition of subsidiary/businesses net of divestments	**4,849**	**961**	**5,810**
Effect of movement in exchange rates	**1,774**	**126**	**1,900**
Amortisation charge	**–**	**(1,017)**	**(1,017)**
Net book amount	**129,429**	**8,055**	**137,484**
At 31 December 2012			
Cost	**129,429**	**11,179**	**140,608**
Accumulated amortisation	**–**	**(3,124)**	**(3,124)**
Net book amount	**129,429**	**8,055**	**137,484**
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	69,857
Effect of movement in exchange rates	(408)	(50)	(458)
Impairment	(95)	–	(95)
Amortisation charge	–	(710)	(710)
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

(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.

(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 for assessing the carrying value of goodwill in each CGU was 10.9% (2011: 10.7%), 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.

Note 20: Derivative Financial Instruments

	2012 $'000	2011 $'000
Current liabilities		
Interest rate swap contracts – cash flow hedges	1,353	–
	1,353	–
Non-current liabilities		
Interest rate swap contracts – cash flow hedges	8,032	6,873
	8,032	6,873

Full details of the derivatives being used by the Group and the risks and ageing of the existing derivatives are set out in Note 2 – Financial Risk Management.

In September 2010, a controlled entity entered into a bank loan amounting to SG$27 million. This loan, which was taken out to support the investment in Singapore, has been designated as a hedge of the net investment in this subsidiary. The fair value and carrying amount of the borrowing at 31 December 2012 was $21.3 million (31 December 2011: $20.4 million). There was no ineffectiveness to be recorded from net investments in foreign entity hedges.

Note 21: Trade and Other Payables

	2012 $'000	2011 $'000
Current		
Trade payables	16,950	20,798
Sundry payables and accrued expenses	8,109	7,511
Deferred cash settlement for business interests acquired	–	46
	25,059	28,355
Non-current		
Deferred cash settlement for business interests acquired	2,163	70
	2,163	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

	2012 $'000	2011 $'000
Short-term borrowings		
Lease liabilities	17	1,872
	17	1,872
Long-term borrowings		
Borrowings are represented by:		
Principal amount of bank loans – unsecured	224,181	214,986
Lease liabilities	10	–
Loan establishment costs	(974)	(952)
	223,217	214,034

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

Note 23: Provisions for Employee Benefits

	2012 $'000	2011 $'000
Current		
Employee benefits	**12,431**	11,688
Non-current		
Liability for long service leave	**1,735**	1,577

	2012 Number	2011 Number
(a) Employee numbers		
Number of full-time equivalent employees	**1,470**	1,430

(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 12 Months

The amounts included in current liabilities which are expected to be settled within 12 months are set out below.

	Total Current Liability		Expected to Settle within Twelve Months	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Trade and other payables	**25,059**	28,355	**25,059**	28,355
Short-term borrowings	**17**	1,872	**17**	1,872
Current tax liabilities	**5,216**	8,278	**5,216**	8,278
Prepaid contract liabilities	**355,090**	317,598	**30,006**	28,901
Deferred revenue	**3,161**	3,112	**3,161**	3,112
Employee benefits	**12,431**	11,688	**6,095**	7,259
	400,974	370,903	**69,554**	77,777

The amounts expected to be settled within 12 months have been calculated based on the historical settlement patterns.

Note 25: Contributed Equity

	2012 $'000	2011 $'000
Fully paid ordinary shares	**132,687**	133,336

	2012 Number	2012 $'000	2011 Number	2011 $'000
Ordinary shares				
Balance at the beginning of the financial year	**110,030,298**	**136,858**	102,421,288	82,863
Dividend reinvestment plan issues	**–**	**–**	2,331,783	16,060
Shares issued in a business combination	**–**	**–**	5,277,227	37,935
Total contributed equity	**110,030,298**	**136,858**	110,030,298	136,858
Treasury shares (Note 25 (b))	**(634,252)**	**(4,171)**	(572,791)	(3,522)
Total consolidated contributed equity	**109,396,046**	**132,687**	109,457,507	133,336

Note 25: Contributed Equity continued

(a) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting, in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(b) Treasury shares

Treasury shares are shares in InvoCare Limited that are held by the InvoCare Deferred Employee Share Plan Trust for the purpose of issuing shares under the InvoCare Deferred Employee Share Plan, as set out in Note 8.

Date	Details	Number of shares	$'000
1 January 2011	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
25 February 2012	Shares vested	(66,946)	(367)
20 March 2012 to 10 April 2012	Acquisition of shares by the Trust and reallocation of previously forfeited shares	160,419	1,274
02 January 2012	Forfeit of shares on termination of employment	(678)	(5)
25 February 2012	Shares forfeited due to failing vesting conditions	(1,556)	(10)
14 March 2012	Forfeit of shares on termination of employment	(2,194)	(13)
20 March 2012	Forfeit of shares on termination of employment	(23,416)	(146)
30 June 2012	Forfeit of shares on termination of employment	(11,458)	(72)
01 July 2012	Transfer of shares to members of the Exempt Employee Share Plan	(27,750)	(221)
21 November 2012	Forfeit of shares on termination of employment	(678)	(5)
04 December 2012	Forfeit of shares on termination of employment	(629)	(5)
14 December 2012	Shares granted but not yet allocated by the plan Trustee	17,815	141
31 December 2012	Shares provisionally forfeited but not yet de-allocated by the plan Trustee	(27,444)	(174)
	Unallocated shares held by the Trustee	45,976	252
31 December 2012	Balance	634,252	4,171

(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

	2012 $'000	2011 $'000
(a) Reserves		
Share-based payments reserve	2,504	2,166
Hedging reserve – cash flow hedge reserve	(6,564)	(4,822)
Foreign currency translation reserve	940	(278)
	(3,120)	(2,934)
Movements:		
Share-based payments reserve		
Balance at the beginning of the year	2,166	1,810
Deferred employee share plan expense	705	973
Vesting of deferred employee share plan shares	(367)	(617)
Balance at the end of the year	2,504	2,166
Hedging reserve		
Balance at the beginning of the year	(4,822)	450
Revaluation to fair value – gross	(2,495)	(7,516)
Deferred tax	753	2,244
Balance at the end of the year	(6,564)	(4,822)
Foreign currency translation reserve		
Balance at the beginning of the year	(278)	(172)
Currency translation differences	1,218	(106)
Balance at the end of the year	940	(278)
(b) Retained profits/(accumulated losses)		
Movements in retained profits/(accumulated losses) were as follows:		
Balance at the beginning of the year	11,084	14,259
Net profit for the year	44,479	27,012
Dividends paid during the year	(34,390)	(30,187)
Balance at the end of the year	21,173	11,084

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

Note 27: Non-controlling Interests

	2012 $'000	2011 $'000
Reconciliation of non-controlling interests in controlled entities:		
Share capital	**800**	800
Retained earnings		
Balance at the beginning of the year	**232**	240
Add share of operating earnings	**103**	103
Less dividends paid	**(83)**	(111)
Closing balance of retained earnings	**252**	232
Reserves	**99**	99
Balance at the end of the year	**1,151**	1,131

Note 28: Capital and Leasing Commitments

	2012 $'000	2011 $'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	**9,553**	8,350
– between 12 months and five years	**20,555**	18,170
– greater than five years	**14,676**	14,906
	44,784	41,426

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	8,690	863	9,553
Between 12 months and five years	19,521	1,034	20,555
Greater than five years	14,650	26	14,676
	42,861	1,923	44,784

Note 28: Capital and Leasing Commitments continued

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. The Great Southern Garden of Remembrance lease expires in 2047 with an option to renew for a further 50 years.

	2012 $'000	2011 $'000
(b) Finance lease commitments		
Non-cancellable finance leases in respect of motor vehicles contracted for at the reporting date and capitalised in the financial statements:		
Payable – minimum lease payments		
– not later than 12 months	17	–
– between 12 months and five years	10	–
	27	–
(c) 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	218	1,592
Plant and equipment purchases – within one year	930	766
(d) Other expenditure commitments		
Documentary letters of credit outstanding at balance date payable:		
– within one year	84	129

Note 29: Business Combinations

Tuckers Funeral & Bereavement Services

(a) Summary of acquisition:

On 10 December 2012, a subsidiary InvoCare Australia Pty Limited completed the acquisition of Tuckers Funeral & Bereavement Services Pty Ltd and Geelong Mortuary Transfer Services Pty Ltd together with the property assets owned by a party related to the vendors ("Tuckers"). Tuckers has been operating since 1883, and is recognised to be one of the largest regional funeral directors in Australia. The company operates in the state of Victoria and its main facilities are located in Geelong West, with additional chapels and offices located in Grovedale, Lara and Barrabool Hills.

Provisional accounting for this acquisition has been completed as at 31 December 2012.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

(b) Purchase consideration:

	$'000
Purchase consideration	
Cash paid	8,650
Contingent consideration	2,117
Total purchase consideration	10,767
Fair value of net identifiable assets acquired (refer (c) below):	4,961
Goodwill	5,806

The goodwill recognised is attributable to the workforce and high profitability of the acquired business. It will not be deductible for tax purposes.

Note 29: Business Combinations continued

(c) Assets acquired

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair Value $'000
Cash	84
Receivables	427
Inventories	87
Prepaid contract funds under management	16,807
Property, plant and equipment	4,835
Deferred Tax Liabilities	(364)
Brand name	961
Trade and other payables	(340)
Income tax payable	(95)
Prepaid contract liabilities	(16,807)
Provisions	(244)
Onerous contracts	(390)
Net identifiable assets acquired	4,961

Contingent consideration includes a total of $2.1 million in future payments if predetermined revenue targets are achieved in each of the next three calendar years along with a working capital adjustment determined after the delivery of final completion accounts.

The fair value of acquired trade receivables is $427,000.

The acquired business contributed revenues of $413,000 and after tax profit of $27,000 to the Group for the period from 10 December 2012 to 31 December 2012. If the acquisition had occurred on 1 January 2012, consolidated revenue and profit for the year ended 31 December 2012 would have been increased by approximately $6.8 million and profit after tax by approximately $650,000.

Acquisition-related costs of $284,000 are included in other expenses in profit or loss and in investing cash flows in the statement of cash flows.

Bledisloe Group

The acquisition of the Bledisloe Group, completed on 15 June 2011, was accounted for provisionally as at 31 December 2011. Subsequently, further information has come to light about certain events prior to the acquisition date which has caused a re-assessment of the fair values recognised as at 31 December 2011. The following table outlines the movements.

	Fair[1] Value on Acquisition $'000	Assets[2] Disposed $'000	Adjustment to Fair Values $'000	Revised Fair Value $'000
Receivables	5,629	(70)	(163)	5,396
Inventories	1,395	(148)	–	1,247
Prepaid contract funds under management	37,393	(3,213)	–	34,180
Property, plant and equipment	51,123	(2,028)	(807)	48,288
Other financial assets	4	–	–	4
Intangible assets: Brand name	6,504	(359)	–	6,145
Trade and other payables	(9,109)	–	–	(9,109)
Bank overdraft	(187)	–	–	(187)
Income tax payable	(531)	–	–	(531)
Prepaid contract liabilities	(37,393)	3,213	–	(34,180)
Prepaid contract onerous liabilities	(588)	–	–	(588)
Provisions	(2,372)	219	977	(1,176)
Long-term borrowings	(37,758)	–	–	(37,758)
Deferred purchase consideration	(372)	–	–	(372)
Deferred tax liabilities	(3,577)	188	950	(2,439)
Net identifiable assets acquired	10,161	(2,198)	957	8,920

1. *The Fair Value on Acquisition is the initial value ascribed to all Bledisloe assets and liabilities acquired on 15 June 2011 and as reported in the financial report dated 31 December 2011.*
2. *Assets disposed represent the fair value of assets and liabilities of Gregory & Carr and Great Northern Garden of Remembrance that were disposed of in accordance with the ACCC undertaking as disclosed in the financial report dated 31 December 2011.*

Note 29: Business Combinations continued

Goodwill arising from this acquisition has been reduced by $957,000 to $62,744,000.

Bledisloe acquisition

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 transaction has occurred in relation to these pre-acquisition business combinations.

Guardian North City Funeral Home, New Zealand

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 2013 if the earnings targets are achieved.

Note 30: Contingent Liabilities and Contingent Assets

	2012 $'000	2011 $'000
The Group had contingent liabilities at 31 December 2012 in respect of bank guarantees given for leased premises of controlled entities to a maximum of:	**1,269**	1,242

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

	2012 $'000	2011 $'000
Reconciliation of cash flow from operations with profit from ordinary activities after income tax		
Profit from ordinary activities after income tax	**44,479**	27,012
Non-cash items in profit from ordinary activities		
Depreciation, amortisation and impairment	**16,360**	13,746
Share-based payments expense	**766**	1,090
Loan establishment costs	**398**	343
Imputed interest from deferred purchase consideration	**–**	16
Net (gain)/loss on disposal of property, plant and equipment	**(2,180)**	(203)
Unrealised (gain)/loss on prepaid contracts	**18**	13,477
Other prepaid contract movements	**(1,788)**	926
Once off acquisition costs classified in investing activities	**731**	1,560
Effect of movement in exchange rates	**(150)**	285
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries		
(Increase)/decrease in trade and other receivables	**(3,609)**	(4,729)
(Increase)/decrease in inventories	**(1,478)**	(1,275)
(Increase)/decrease in deferred selling expenses	**(275)**	48
Increase/(decrease) in trade and other payables	**158**	(4,106)
Increase/(decrease) in deferred revenue	**2,398**	867
Increase/(decrease) in income taxes payable	**(3,507)**	1,595
Increase/(decrease) in deferred taxes	**10**	(6,804)
Increase/(decrease) in provisions	**841**	161
	53,172	44,009

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, statement of comprehensive income, summary of movements in consolidated retained earnings and balance sheet for the year ended 31 December 2012 of the Closed Group.

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

	2012 $'000	2011 $'000
Consolidated income statement of the Closed Group		
Revenue from continuing operations	322,405	287,758
Finished goods and consumables used	(89,599)	(83,083)
Employee benefits expense	(76,149)	(68,018)
Employee related and on-cost expenses	(17,743)	(16,493)
Advertising and public relations expenses	(10,891)	(8,863)
Occupancy and facilities expenses	(20,105)	(17,770)
Motor vehicle expenses	(6,914)	(6,091)
Other expenses	(15,327)	(12,534)
	85,677	74,906
Depreciation, impairment and amortisation expenses	(13,218)	(11,498)
Finance costs	(14,859)	(14,121)
Interest income	704	656
Net gain/(loss) on prepaid contracts	(18)	(13,477)
Acquisition costs	(698)	(1,309)
Net gain/(loss) on disposal of non-current assets	2,206	181
Profit before income tax	59,794	35,338
Income tax expense	(14,584)	(9,291)
Profit for the year	45,210	26,047
Changes in the fair value of cash flow hedges, net of tax	(2,090)	(4,877)
Changes in foreign currency translation reserve, net of tax	(824)	240
Other comprehensive income for the year, net of tax	(2,914)	(4,637)
Total comprehensive income for the year	42,296	21,410
Summary of movements in consolidated retained profits of the Closed Group		
Retained profits at the beginning of the financial year	16,885	21,028
Profit for the year	45,210	26,047
Dividends paid	(34,390)	(30,190)
Retained profits at the end of the financial year	27,705	16,885

Note 32: Deed of Cross Guarantee continued

(b) Balance sheet of the Closed Group

	2012 $'000	2011 $'000
Current assets		
Cash and cash equivalents	**1,139**	2,062
Trade and other receivables	**29,629**	27,752
Inventories	**19,565**	18,316
Prepaid contract funds under management	**350,905**	311,763
Deferred selling costs	**574**	553
Total current assets	**401,812**	360,446
Non-current assets		
Trade and other receivables	**14,835**	13,676
Shares in subsidiaries	**164,761**	168,764
Property, plant and equipment	**234,395**	232,767
Intangible assets	**47,682**	47,672
Deferred selling costs	**8,035**	7,742
Total non-current assets	**469,708**	470,621
Total assets	**871,520**	831,067
Current liabilities		
Trade and other payables	**20,957**	25,415
Short-term borrowings	**–**	1,872
Derivative financial instruments	**1,685**	–
Current tax liabilities	**3,404**	7,137
Prepaid contract liabilities	**354,700**	317,598
Deferred revenue	**2,983**	2,893
Provisions for employee benefits	**11,595**	11,047
Total current liabilities	**395,324**	365,962
Non-current liabilities		
Trade and other payables	**43,404**	51,933
Long-term borrowings	**201,796**	193,487
Derivative financial instruments	**5,798**	6,323
Deferred tax liabilities	**24,259**	22,835
Deferred revenue	**41,779**	39,389
Provisions for employee benefits	**1,703**	1,577
Total non-current liabilities	**318,739**	315,544
Total liabilities	**714,063**	681,506
Net assets	**157,457**	149,561
Equity		
Contributed equity	**132,687**	133,336
Reserves	**(2,935)**	(660)
Retained profits	**27,705**	16,885
Total equity	**157,457**	149,561

Note 33: Events after the Balance Sheet Date

There have been no significant events that have occurred subsequent to 31 December 2012. After the end of the financial period a further investment has been made in HeavenAddress; and Resthaven, a small funeral business in New Zealand, has been acquired.

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.

	2012 $	2011 $
(d) Transactions with related parties		
Transactions with other related parties		
Contributions to superannuation funds on behalf of employees	**6,468,550**	5,630,220

(e) Guarantees and other matters

Under the terms of loan facility agreements executed on 22 September 2010, as amended on 21 December 2012, 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:

	2012 $'000	2011 $'000
Balance sheet		
Current assets	**71**	94
Total assets	**379,771**	369,523
Current liabilities	**5,144**	7,366
Total liabilities	**190,996**	184,997
Shareholders' equity		
Contributed equity	**132,687**	133,336
Reserves		
Share-based payments	**2,504**	2,166
Hedging reserve – cash flow hedge reserve	**(6,424)**	(4,280)
Retained earnings	**60,008**	53,305
Total shareholders' equity	**188,775**	184,527
Profit for the year after tax	**41,087**	32,036
Total comprehensive income for the year	**39,281**	27,671

(b) Contingent liabilities of the parent entity

	2012 $'000	2011 $'000
The parent entity had contingent liabilities at 31 December 2012 in respect of bank guarantees given for leased premises of controlled entities to a maximum of:	**1,269**	1,242

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 2012 (31 December 2011: 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. 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 $35,719,000 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 $37.1 million at 31 December 2012 (2011: $35.8 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 collated to date suggests there is no material misstatement of revenue using the assumed 15-year period. The impact of recognising revenue over five years less (or five years more) than 15 years would be to increase annual revenue by approximately $2.5 million (decrease by $1.2 million).

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 19 February 2013. 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 2012 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
19 February 2013

Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INVOCARE LIMITED

pwc

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 2012, 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 2012 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

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 2012. 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 2012 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 2012 included on InvoCare Limited's web site. The Company's directors are responsible for the integrity of the InvoCare Limited 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

PricewaterhouseCoopers

Brett Entwistle
Partner

Sydney
19 February 2013

Shareholder Information

Shares and options as at 28 March 2013

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

Distribution of shareholders as at 28 March 2013

	Number of shareholders	Number of shares	Percentage %
1 – 1,000	3,980	2,196,713	2.00%
1,001 – 5,000	5,899	14,933,533	13.57%
5,001 – 10,000	1,323	9,849,491	8.95%
10,001 – 100,000	710	14,820,012	13.47%
100,001 and over	45	68,230,549	62.01%
	11,957	110,030,298	100.00%

There were 144 holders of less than a marketable parcel of ordinary shares (being 45 based on a price of $10.98 on 28 March 2013) who hold a total of 1,407 ordinary shares.

Equity security holders

	Number of shares	Percentage %
Largest 20 holders of ordinary shares at 28 March 2013		
1. HSBC Custody Nominees (Australia) Limited	14,257,097	12.96%
2. National Nominees Limited	13,537,162	12.30%
3. J P Morgan Nominees Australia Limited	12,219,338	11.11%
4. Citicorp Nominees Pty Limited	4,628,125	4.21%
5. BNP Paribas Nominees Pty Ltd	2,440,425	2.22%
6. J P Morgan Nominees Australia Limited (Cash Income A/C)	2,341,851	2.13%
7. HSBC Custody Nominees (Australia) Limited (NT-Comnwlth Super Corp A/C)	2,185,864	1.99%
8. Milton Corporation Limited	1,695,526	1.54%
9. Argo Investments Limited	1,507,191	1.37%
10. BNP Paribas Nominees Pty Ltd ACF Pengana (DRP A/C)	1,388,959	1.26%
11. Australia Foundation Investment Company Limited	1,279,043	1.16%
12. Mirrabooka Investments Limited	974,658	0.89%
13. BKI Investment Company Limited	974,000	0.89%
14. IVC Employee Share Plan Managers Pty Ltd	969,031	0.88%
15. UBS Wealth Management Australia Nominees Pty Ltd	965,869	0.88%
16. UCA Growth Fund Limited	850,000	0.77%
17. Mr Richard Hugh Davis	636,607	0.58%
18. Australian United Investment Company Limited	500,000	0.45%
19. Gwynvill Trading Pty Ltd	465,643	0.42%
20. Perpetual Trustee Company Limited	417,170	0.38%
Total for top 20	64,233,559	58.38%

Substantial holders

	Number of shares held	Percentage %
Substantial holders in the Company as at 28 March 2013 are set out below:		
JCP Investment Partners Ltd	14,502,739	13.18%
National Australia Bank Limited Group	10,143,868	9.22%

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

Guardian Funeral Providers

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

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

J W Chandler Funerals
(est 1885)
Richmond
Windsor

Boland Funerals
(est 1962)
Maroubra

Tobin Brothers Funerals
(est 1946)
Queanbeyan

Other Providers

Allan Drew Funerals
(est 1985)
Castle Hill
Rouse Hill

Ann Wilson Funerals
(est 1995)
Dee Why
Mona Vale

David Lloyd Funerals
(est 1885)
Adamstown
Belmont
Beresfield
Toronto

Byron District Funerals
(est 1978)
Byron Bay

Casino Funerals
(est 1930)
Casino

Economy Value Funerals
All areas

Kevin Geaghan Funerals (est 1896)
Ballina

Liberty Funerals
(est 1994)
Chatswood
Granville

Twin Towns Funerals
(est 1913)
Tweed Heads

Universal Chung Wah
(est 1955)
Fairfield

William Riley & Sons
(est 1882)
Lismore

W N Bull
(est 1892)
Newtown
Parramatta
North Sydney

Australian Capital Territory

Tobin Brothers Funerals (est 1946)
Belconnen
Kingston
Tuggeranong

Queensland

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

Metropolitan Funerals
(est 1941)
Aspley
Cleveland
Mt Gravatt
Petrie
Redcliffe
Southport
Springwood
Toowong
Wynnum

Other Providers

Cannon & Cripps
(est 1886)
Kelvin Grove

Drysdale Funerals
(est 1983)
Maroochydore
Nambour
Tewantin

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

Somerville Funerals
(est 1932)
Nerang
Robina
Southport

Value Funerals
All areas

City Funeral Services
(est 1959)
Mackay

Gatton Funerals
(est 1983)
Gatton

Hiram Philp Funerals
(est 1903)
Toowoomba

Mackay Funerals
(est 1884)
Mackay

Burkin Svendsens
(est 1884)
Cairns

Laidley Funeral Services
(est 1995)
Laidley

Serenity Funerals
(est 2001)
Beaudesert

Beaudesert Funeral Services (est 1980)
Beaudesert

Victoria

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

Le Pine Asian Funerals
Glen Waverley
West Footscray

W D Rose (est 1884)
Brighton
Burwood
Cheltenham

Joseph Allison
(est 1853)
Brunswick
Essendon
Werribee

Other Providers

Mulqueen Funerals
(est 1932)
Coburg

Southern Cross
(est 1998)
Noble Park

Tuckers Funeral & Bereavement Service
(est 1883)
Geelong West
Grovedale
Highton
Lara

Value Funerals
All areas

South Australia

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

Other Providers

Value Funerals
All areas

Tasmania

Turnbull Family Funerals (est 1936)
North Hobart

Western Australia

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

Other Providers

Oakwood Funerals
(est 1999)
Booragoon
Rockingham

Chipper Funerals
(est 1889)
Mandurah
Myaree
Rockingham
Subiaco

Christian Funerals
(est 1978)
Maylands

Value Funerals
All areas

New Zealand

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

South Island

John Rhind Funeral Directors (est 1881)
Christchurch

Academy Funeral Services (est 1982)
Christchurch

Geoffrey T Sowman
(est 1869)
Blenheim

Sowman Memorials
Blenheim

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 Smithfield Toukley East Tweed Heads Woy Woy Wyong	Buranda Ipswich Kedron Logan Miami Parkwood Strathpine Sunshine Coast	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 **New Zealand** Royal Oak

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 **Australian Capital Territory** Belconnen Kingston Tuggeranong	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

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 Garden of Remembrance (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 Necropolis		
Tweed Heads Memorial Gardens (est 1971)	Tweed Heads		

Glossary

AASB	Australian Accounting Standards Board
ABS	Australian Bureau of Statistics
ACCC	Australian Competition & Consumer Commission
AGAAP	Australian Generally Accepted Accounting Principles
AIFRS	The Australian equivalents to International Reporting Standards for annual reporting periods beginning on or after 1 January 2005
ASX	Australian Securities Exchange which is the operating brand of ASX Limited
ASX Corporate Governance Guidelines	The eight essential corporate governance principles and best practice recommendations of the ASX Corporate Governance Council 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

InvoCare
Innovation Vocation Care

Personal details guide

For the benefit of our stakeholders, this guide enables you to record important personal information. This will assist your family and funeral director to make arrangements ensuring everything is conducted in accordance with your wishes.

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

Personal Information

Family name ____________________ Given names ____________________

Address ____________________ Postcode ________

Date of birth ____________________ ☐ Female ☐ Male

Place of birth (Town/City/State/Country) ____________________

If born overseas, year arrived in Australia ____________________

Occupation during working life ____________________

Name and Address of Person Who I Would Like to Make Any Arrangements

(For instance, registering the death and contacting the funeral director, e.g. executor, solicitor, family member)

Name ____________________ Telephone ____________________

Address ____________________ Postcode ________

Funeral Director

(Funeral director you would like to conduct your service)

Name ____________________ Telephone ____________________

Address ____________________ Postcode ________

Next of Kin

This information is needed when the death is registered.

Name ____________________ Telephone ____________________

Address ____________________ Postcode ________

Executor of My Will

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

Name ____________________ Telephone ____________________

Address ____________________ Postcode ________

Copy of My Will

Date of Will

Deposited with (Name and Address)

Solicitor

Name Telephone

Address Postcode

Family Doctor

Name Telephone

Address Postcode

Personal Documents

Birth Certificate Location

Marriage Certificate Location

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

Centrelink Pension Number Type of pension

Veterans' Affairs Number

Passport Name shown on passport

Passport number Expiry date

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

Driver Licence Number State of issue

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

Family Details

Father's surname First names

Usual occupation

Mother's maiden surname First names

Usual occupation

Spouse surname First names

Marriage Details (Please tick appropriate box(es))

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

Details of Marriage(s)

First marriage (Place/City/Town/Country)

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

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

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

Children's Details

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

First name Date of birth ☐ Female ☐ Male

First name Date of birth ☐ Female ☐ Male

First name Date of birth ☐ Female ☐ Male

First name Date of birth ☐ Female ☐ Male

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

Bank account details Bank name

Account numbers Bank branch

Location of documents, books, statements

Building society/Financial institution Building society/Financial institution name

Account numbers

Address

Income tax records Tax File Number Location of records

Deeds of property Property address(es)

Location of records

Mortgage details Location of records

Lender Reference number

Address of lender

Life insurance policies

Location of records

Superannuation

Details

Stocks and shares

Location of records

Safe deposit box Box location/number

Location of keys

Accountant Name Telephone

Address Postcode

Car details Registration number and state

Registration document location

Location of purchase receipt/H.P. details

Military Information (If applicable)

Branch of service | Service serial number

Date entered service | Place

Date of discharge | Place

Grade, rank or rating

Wars/Conflicts served

Additional Information

Historical information

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

Education

Name of primary school

Date attended from | to

Name of secondary school

Date attended from | to

Name of tertiary institution

Date attended from | to

Qualifications attained

Societies/Clubs Memberships and positions held (include dates)

Other (including civic or public office held)

Special achievements (details of any special achievements or recognitions)

Medical History

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

Special Instructions and Information

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

Person to be notified Name

Relationship | Telephone

Person to be notified Name

Relationship | Telephone

Person to be notified Name

Relationship | Telephone

Corporate Information

InvoCare Limited
ABN 42 096 437 393

Directors
Ian Ferrier (Chairman)
Andrew Smith (Managing Director and Chief Executive Officer)
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 24 May 2013

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 Bank New Zealand 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

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Impress ensures that all virgin pulp is derived from well-managed forests and controlled sources. It is manufactured by an ISO 14001 certified mill and is Elemental Chlorine Free.

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