InvoCare
Innovation Vocation Care

Solace

Annual Report 2013

Contents

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

Albany Creek

The Stations of the Cross in the Garden of Trinity Catholic Cemetery at Albany Creek Memorial Park

Our network

InvoCare's location network across Australia, New Zealand and Singapore is committed to providing care to communities with a personalised touch.

Funeral locations Memorial Parks

A traditional Korean dancer performs at the Chuseok celebration.

Mt Thompson Memorial Gardens in Brisbane.

Key Funeral Brands

White Lady Funerals is a dedicated team of women offering a unique service for our client families with a woman's understanding. The life of the loved one is honoured with special nurturing, sensitivity, warmth and care. There are 48 White Lady locations throughout Australia.

Flexible and less traditional, Simplicity Funerals offers practical, dignified, respectful and affordable funeral services. Steadily expanding, there are 51 Simplicity Funeral locations throughout Australia, New Zealand and Singapore, and a growing number of mobile arrangers servicing areas lacking Simplicity representation.

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 at least one major brand in each Australian state and a number of smaller heritage brands serving local communities, there are 155 InvoCare contemporary-style and heritage funeral homes in Australia and New Zealand.

A full list of brands and locations is set out on pages 106-107.

Solace

Despite challenges in its market InvoCare has delivered another sound financial result and improved its cash conversion ratio allowing an increase in dividends in an otherwise difficult year.

Our core objective is to provide solace to our client families in their time of need though excellent customer service and by contributing to the communities we serve.

Concentration on our key growth strategies ensures that we can continue to provide solid returns to shareholders and be a source of solace for the families our people service.

The development of InvoCare's digital offerings remains a major priority.

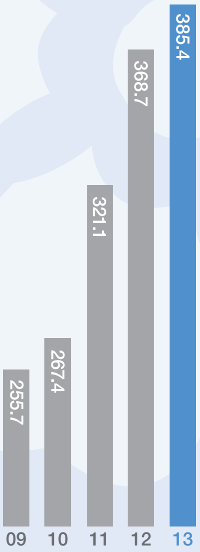
Forget-me-not

Myotsotis sylvatica, commonly known as the Forget-me-not, with its vibrant blue colour is generally associated with remembrance and continued love. In some countries the forget-me-not was also used to honour war dead although this custom has now generally been replaced by the poppy.

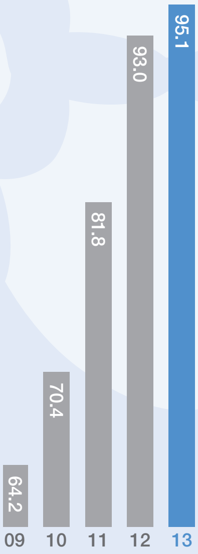
Paul McCarthy, with his painting of Northern Suburbs Memorial Gardens and Crematorium, that won a major prize in the 53rd Annual Ryde Arts Awards and now hangs in InvoCare's corporate office foyer.

Performance highlights

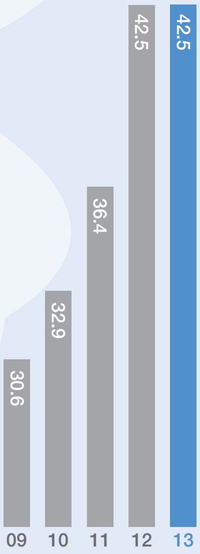
InvoCare's solid financial performance in a year when the number of deaths were down confirms the continuing effectiveness of the business model.



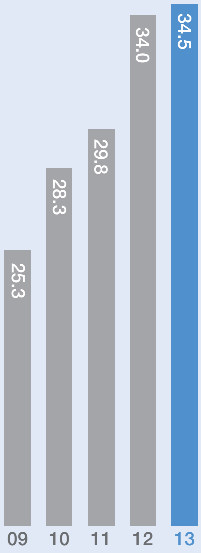
Revenue from external customers
$ million



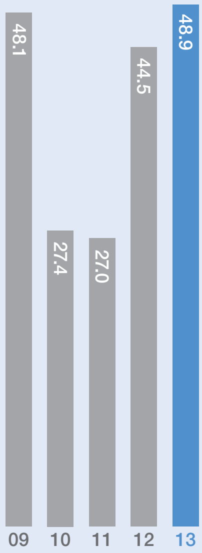
Operating EBITDA
$ million



Operating earnings after tax*
$ million



Ordinary dividends per share
cents per share



Profit after tax attributable to members
$ million

Five year financials

$'000	2013	2012	2011	2010	2009
Revenue from external customers	**385,352**	368,652	321,113	267,449	255,676
Operating EBITDA	**95,072**	93,026	81,802	70,411	64,273
Operating EBITDA margin	**24.7%**	25.2%	25.5%	26.3%	25.1%
Operating earnings after tax*	**42,498**	42,479	36,406	32,928	30,607
Operating earnings per share (cents)	**38.9**	38.8	34.5	32.4	30.3
Profit after tax attributable to members	**48,869**	44,479	27,012	27,366	48,141
Earnings per share (cents)	**44.7**	40.6	25.6	26.9	47.7
Dividend paid in respect of the financial year (cents)	**34.5**	34.00	29.75	28.25	25.25
Ungeared, tax free operating cash flow	**104,311**	88,542	75,411	69,059	63,094
Proportion of EBITDA converted to cash	**110%**	95%	92%	98%	98%
Actual capital expenditure	**19,264**	18,412	16,723	14,266	13,846
Net Debt	**215,057**	217,136	209,114	147,538	148,358
Operating EBITDA / Net interest (times)	**6.8**	6.3	6.5	7.1	6.6
Net debt / EBITDA (times)	**2.3**	2.4	2.6	2.1	2.3
Funeral homes (number)	**237**	232	226	177	173
Cemeteries and crematoria (number)	**14**	14	14	12	12
Employees (full time equivalents)	**1,470**	1,470	1,430	1,112	1,101
Prepaid contract sales / prepaid redemptions	**113%**	115%	119%	117%	118%

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

Chairman's message

InvoCare was challenged in 2013 by lower numbers of funeral, burial and cremation cases. Tight cost management and strong cash flows countered the volume effects to deliver a sound financial performance.

Operating earnings after tax were static at $42.5 million for the year. Case volume declines arose from both lower numbers of deaths and market share erosion. The adverse volume impacts were mitigated by a combination of favourable average revenue per case, rigorous cost management, foreign currency gains due to a weakening Australian dollar and the results from recently acquired businesses.

Statutory profit after tax increased 9.9% from $44.5 million to $48.9 million. The higher statutory profit was due to gains from sales of surplus assets, net impairment reversals and undelivered prepaid contracts.

During 2013, a number of businesses were acquired in New Zealand, primarily in the key Auckland market, and each made a good contribution to the year's result. Similarly, the Tuckers funeral business in Geelong, Australia, performed well following its acquisition in December 2012.

The focus on the development of the Company's digital strategy continued during 2013 and includes enhanced tools to improve the client interface with front line staff, new online offerings and improvements in the core operational and financial systems.

In light of strong operating EBITDA to cash conversion ratio at 110%, the Board approved a fully franked final dividend of 19.5 cents per share. Dividends for the year total 34.5 cents per share, an increase of 1.5% on 2012. The 2013 dividends represent a payout ratio of 89% (2012: 88%) 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.

On behalf of the Board and all shareholders I would like to thank my predecessor, Ian Ferrier, for his outstanding contribution as Chairman of the Company since joining the Board in 2001 and leading InvoCare through its first ten years as a listed company.

All the management and staff of InvoCare under Andrew Smith's leadership deserve a special thank you for delivering both great customer service and sound financial results in a difficult year. The Board, during its visits to various operational locations, continues to be impressed by the professionalism and dedication of InvoCare's most valuable asset; its personnel.

I look forward to InvoCare's continued success through focus on its core growth pillars, now including digital innovation.

Richard Fisher
CHAIRMAN

Chief Executive Officer's review

By focussing on its key strategies InvoCare has delivered a solid result despite the difficulties in its markets.

InvoCare has delivered a solid result from its core business in a year where deaths are estimated to be down 0.8% in InvoCare's markets and some market share erosion was experienced.

These impacts were in part mitigated by our continued expansion in the key Auckland market with the addition of five locations through acquisition. Sales revenue has grown by 4.5% to $385.4 million (2012: $368.7 million) and operating EBITDA grew 2.2% to $95.1 million (2012: $93.0 million) despite the challenges faced during the year.

Pleasingly, the second half result was more positive than the first, with tight cost controls contributing to a better financial performance. Volumes are on an encouraging trend at the beginning of 2014.

The result includes:

- A **significant improvement** in EBITDA to cash conversion to 110% in 2013 compared to 95% in 2012.
- Second half **EBITDA to sales ratio of 26.7%** compared to 2012 of 26.0%.
- Acquisitions **performing ahead of expectations** contributing $0.8 million in after tax operating earnings.

Andrew Smith
CHIEF EXECUTIVE OFFICER

The Tilton, Opie & Pattinson New Lynn location in Auckland following the inclusion of the Simplicity Funerals branding.


The H Morris Funerals Romaleigh chapel at Hillcrest in Auckland.

- A **positive after tax contribution** of $1.1 million from undelivered prepaid contracts compared to a break even result in 2012.
- Net after tax **asset sale gains** of $3.2 million compared to $2.1 million in 2012.
- **Continued strong growth** in the sale of new prepaid contracts with new contract exceeding redemptions by 13%.
- **Full year dividends up** 0.5 cents per share in light of the solid cash conversion ratio.

Acquisitions

During the year the focus was on the Auckland market where InvoCare was under-represented. In February 2013 Resthaven Funerals, with its highly respected team, became part of the InvoCare network. Resthaven operates from two locations in the south and east Auckland market.

In July 2013 Tilton, Opie & Pattinson, which operates in central and west Auckland was acquired, adding a further two locations to the InvoCare market. These locations have been co-branded Simplicity as part of the introduction of this brand to the New Zealand market.

In December 2013 H Morris Funerals, a significant operator in the northern part of Auckland was acquired.

In total five additional locations were added in Auckland during the year bringing InvoCare's presence in this key market to a total of 11 locations.

In an effort to improve our product and service offering available in the Christchurch market, Fraser Lawrence, a monumental stone mason, was acquired in August 2013.

Tuckers Funeral & Bereavement Services has continued to perform strongly in the Geelong, Victoria market since its acquisition in December 2012.

Exceeding customer expectations

In Australia comparable funeral sales were $264.2 million higher than the prior year by 0.7%. Case volumes declined 2.8% compared to the prior year. The winter months, typically the busiest part of the year, were very mild which led to a reduction in the annual number of deaths, estimated to be 1% in InvoCare's markets. Market share loss has been caused by aggressive competitor marketing, community and public relations and, in some markets, pricing as a reaction to the decline in the number of deaths, and the entry of new competitors. The tight management of InvoCare personnel numbers and marketing expenditure has contributed to some loss in market share.

All key brands continue to receive very positive brand recognition scores in our national surveys with several being the leading brand in their catchment areas. Once again, customer surveys show that 97% of respondents would recommend an InvoCare brand, with all brands receiving excellent scores.

New Zealand comparable funeral sales were down 2.3% from the prior year and totalled NZ$37.7 million. Case numbers were down by 5.2%, due to a 1.9% reduction in the number of deaths and mixed market share results. Some locations faced some aggressive competitive pressures including the emergence of new entrants. Despite some markets facing increased price competition, pleasingly average contract values across New Zealand rose by 4.1%.

In Singapore total sales were up 14.5% to S$15.7 million despite holding prices constant since 2011. This growth was assisted by the expansion into funeral accessories, which, while generating lower margins, this provides a more streamlined and improved service to client families. Case volumes were down marginally but this was more than offset by an increase in average case revenues.

Cemeteries and crematoria gross sales before deferred revenue adjustments were higher than 2012 by 1.6% reaching $81.2 million. At need volumes were less than last year, by 2.1%, due predominantly to the lower number of deaths in the Sydney

Chief Executive Officer's review continued

The Resthaven Funerals team.

The Resthaven Funerals Howick funeral home in West Auckland, New Zealand.

Actual and projected fiscal and calendar year deaths – Australia

and Brisbane regions. After allowing for movements in the deferred revenue pool of unconstructed memorials and related items, reported sales were up 2.3%. Client surveys reveal that 92% would recommend the InvoCare's parks and 97% believed the cost of memorialisation was either about what was expected or lower.

The sale of prepaid funeral contracts, which will generate future business in Australia, continues to perform strongly with the number of contracts sold increasing by 3.8% compared to the previous year. Pleasingly, average contract values rose by 4.9% with new contracts exceeding redemptions by 13.2%. 14.2% of funeral services delivered in 2013 resulted from prepaid arrangements sold in previous periods.

Planning for the future

InvoCare's investment in digital solutions and social media continued in 2013. One state in Australia has now fully implemented a mobile tablet solution for the funeral arrangement process. This solution provides a smoother process for client families, minimises errors and omissions to ensure the arrangement is delivered as the family requested, and reduces back office costs. Other notable achievements were the launch of FuneralOrganiser, MyMemorial and MyGriefAssist web sites which aim to provide solace to families at a very difficult time. HeavenAddress.com, InvoCare's online memorial solution, continues to grow and InvoCare is working closely with HeavenAddress to maximise the possibilities this service presents.

During the year HeavenAddress launched iTunes and Android Apps as well as providing additional functionality around donations, "memorial clouds" and "Resting Place", which links Google Maps and provides GPS coordinates of physical burial and memorial sites in certain cemeteries.

Facility improvements continued in 2013 with significant progress made on rectification and strengthening works in Christchurch, following the devastation caused by earthquakes over the last few years. It is anticipated that the final projects will be completed during 2014. The ongoing upgrade of the InvoCare motor vehicle fleet, to ensure service standards are maintained, continued.

1. The Simplicity Funerals Wall to Wall ride team present a cheque to police Legacy.

Christine Jones OAM, Location Manager Drysdale Funerals, Nambour who received an OAM during the year for her service to the community.

Commitment to the community

InvoCare continues to support a wide variety of community and service organisations. One highlight in 2013 was Simplicity's support for the Wall to Wall Ride to honour police officers who have given their lives in the course of duty. This saw riders from all over Australia, including Police Commissioners from the Australian Federal Police, New South Wales, Western Australia, Northern Territory, South Australia, Queensland and Tasmania, converge on Canberra to raise funds for Police Legacy.

Support was provided to The Salvation Army, Legacy, the Jane McGrath Foundation and Lions and many of InvoCare's staff were heavily involved in their local community service clubs such as Rotary. Christine Jones from Drysdale Funerals at Nambour was honoured with the Medal of the Order of Australia for services to her community. Christine has been active for many years in a wide range of community organisations, including the Police-Citizens Youth Club, the Cancer Council and the St Vincent de Paul Society.

Team InvoCare

Training programmes continue to be delivered to InvoCare's staff to ensure they are equipped to provide the best possible service. Management development programmes during the year were targeted at our future leaders, along with a range of occupational training courses focused on skills development. During the year a major staff survey, managed externally and anonymously, was completed to develop a better understanding of the key concerns and opportunities for InvoCare's workforce across Australia and New Zealand. Initiatives from this survey are now being implemented.

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

The path 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 2013, InvoCare will continue to grow and prosper while delivering solace to our client families at their time of need.

All InvoCare employees must, in closing, be thanked for the extra effort they delivered when a tight cost regime was in place. Despite this additional pressure, their commitment to the communities in which they operate, and their continued desire to deliver the highest standards of service to our client families never wavered and for that we are most appreciative.

Key strategies

InvoCare continued in 2013 to focus on its core strategies to drive growth and profitability.

Demographics

The aging baby boomer generation will see a gradual increase in the number of deaths in InvoCare's key markets, creating possibilities for the business. As experienced in 2013, factors beyond InvoCare's control, such as weather conditions, will impact the number of deaths within specific periods. Changing attitudes to funerals, with more people wanting an involved and celebratory experience, will ensure InvoCare key brands such as White Lady Funerals will continue to prosper.

Brand Awareness

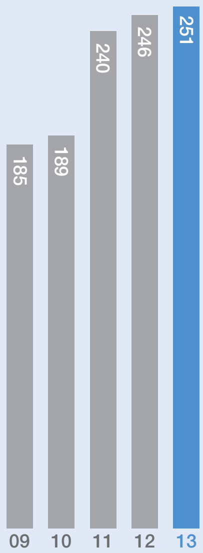
InvoCare aims to sustain and improve brand awareness by running integrated TV, radio, press and billboard campaigns. White Lady Funerals once again achieved aided brand awareness scores above 90% in InvoCare's research. All other brands researched, including Guardian Funerals, Simplicity, Le Pine and Metropolitan, achieved aided brand awareness scores around the same levels as the previous years. Tight controls on marketing expenditure during 2013 may have contributed to these outcomes. The many hours our people devote to community and social organisations are 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

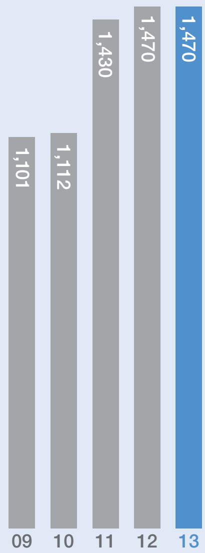
Building on InvoCare's robust business model we continue to seek new locations and acquisitions within the footprint of established shared service functions. The model is based on personal service supported by highly efficient back end processes to ensure client families receive the most professional service possible. During 2013 considerable focus was placed on the Auckland market where InvoCare has been under-represented and this resulted in the acquisition of five existing locations during 2013. As InvoCare has continued to grow, more geographically dispersed locations have been acquired or examined.

People

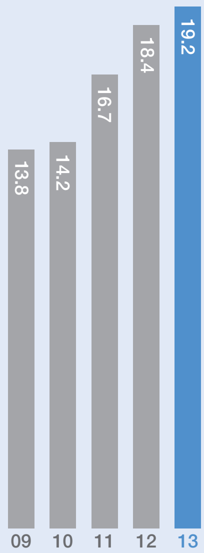
The professionalism of our staff is constantly being enhanced by investment in training and other learning opportunities presented by InvoCare's learning and development team. During 2013 a key focus of training was on developing the skills of InvoCare's personnel to embrace digital technologies being introduced to enhance the customer experience. Additionally the core operational programmes, including various induction, customer service, staff management and occupational health and safety modules, continued in 2013. 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.



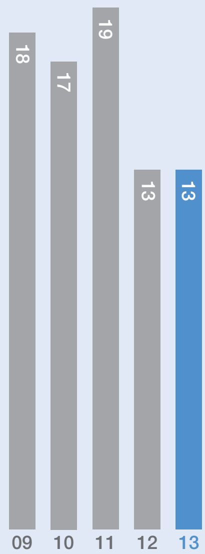
Total locations



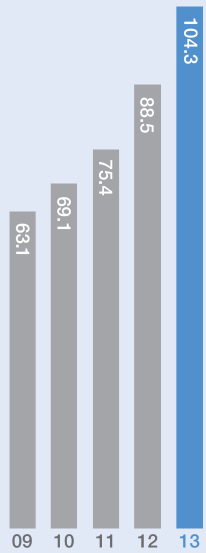
Employees (full-time equivalents)



Actual capital expenditure
$ million



Prepaid contract sales/prepaid redemptions
%



Ungeared, tax free operating cash flow
$ million

Facilities

Our focus is to continue to invest in enhancing and improving the facilities available. We aim to ensure that the ambience of our locations continues to meet client expectations and that the most modern facilities, such as audiovisual systems and web-casting, are available for those who choose them. We also continue to invest in the maintenance of 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 are put in place that will continue to ensure good returns are delivered from our pre-need 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, invest in property, plant and equipment, as well as fund smaller, new business acquisitions.

The Company's Dividend Reinvestment Plan has been supported by up to approximately 25% of shareholders.

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

Andrew Smith
CHIEF EXECUTIVE OFFICER
Industry experience
8 years

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

Greg Bisset
CHIEF OPERATING OFFICER, AUSTRALIA
Industry experience
6 years

Wee Leng Goh
CHIEF EXECUTIVE OFFICER SINGAPORE
Industry experience
6 years

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

Andi Luiskandl
CHIEF INFORMATION OFFICER
Industry experience
2 years

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.

People

InvoCare's staff are committed to serving the communities in which they work.

People

Every employee is responsible for the delivery of service and providing solace to our families, either directly or indirectly. Every role in InvoCare contributes to ensuring that this delivery is of the highest standard for each and every funeral and memorialisation we undertake. A workforce which is engaged and focused on service delivery is key to the ongoing success of the InvoCare business.

With this engagement of our employees at the forefront, in mid-2013, InvoCare in Australia and New Zealand undertook the first company-wide Employee Opinion Survey, "In Tune".

The purpose of this survey was to give our employees an opportunity to have a voice in the future direction of InvoCare and to tell us what they thought about a range of issues.

Almost two-thirds of our employees (1,000 people) responded to this survey, which was a very encouraging first-time participation rate.

Pleasingly, the InTune survey has shown that employees of InvoCare:

- are, overwhelmingly, passionate about the important work they do – the score in this area was one of the highest achieved when compared to both other similar industries and broader business categories,
- find enjoyment in their work, and see working for the company as a "vocation",
- are willing to go the extra mile to benefit colleagues and the families they serve, and
- have a strong intention to remain employed by InvoCare.

Our employees also perceive InvoCare as a strong and successful organisation that provides job security.

InvoCare management is seeking to ensure that we enhance these positive aspects of our employees' working experience with InvoCare even further in the future.

Our employees also sent some key messages about the areas in which they would like to see improvement, which include:

- **Recognition and Reward:** levels of pay are important but so too is being acknowledged appropriately for the work they do,
- **Recruitment:** working on better systems and training to assist InvoCare select, recruit and induct staff,
- **Career Development:** building the capabilities of staff and career confidence through planning, access to training and skill development, and
- **Staff Wellbeing:** ensuring adequate systems, processes and support are in place to maintain the wellbeing of all staff.

What is important is what we do with this valuable feedback. The emphasis during this action planning stage has been on getting involvement from employees at all levels of InvoCare. These initiatives are now being implemented and future feedback will be sought from the next survey.


1


2

1. Irene Morton, Funeral Director of Resthaven Funeral Service Howick, New Zealand; winner of the 2012 Funeral Directors Association of New Zealand President's Award.
2. Phil Schultz, Location Manager of Hiram Philp Funerals Toowoomba, Queensland, who celebrated 20 years as a funeral director during the year.

Digital business

2013 brings further digital business initiatives which will continue into 2014 and beyond.

iPad-enabled customer service for pre-paid funerals

Making it easier to find us on the web (search)

New Social Media channels reaching over 1 million people

Enhanced websites (increasingly mobile-enabled)

End of Life Considerations

Discovery, Engagement and Connection

The customer journey

1

2

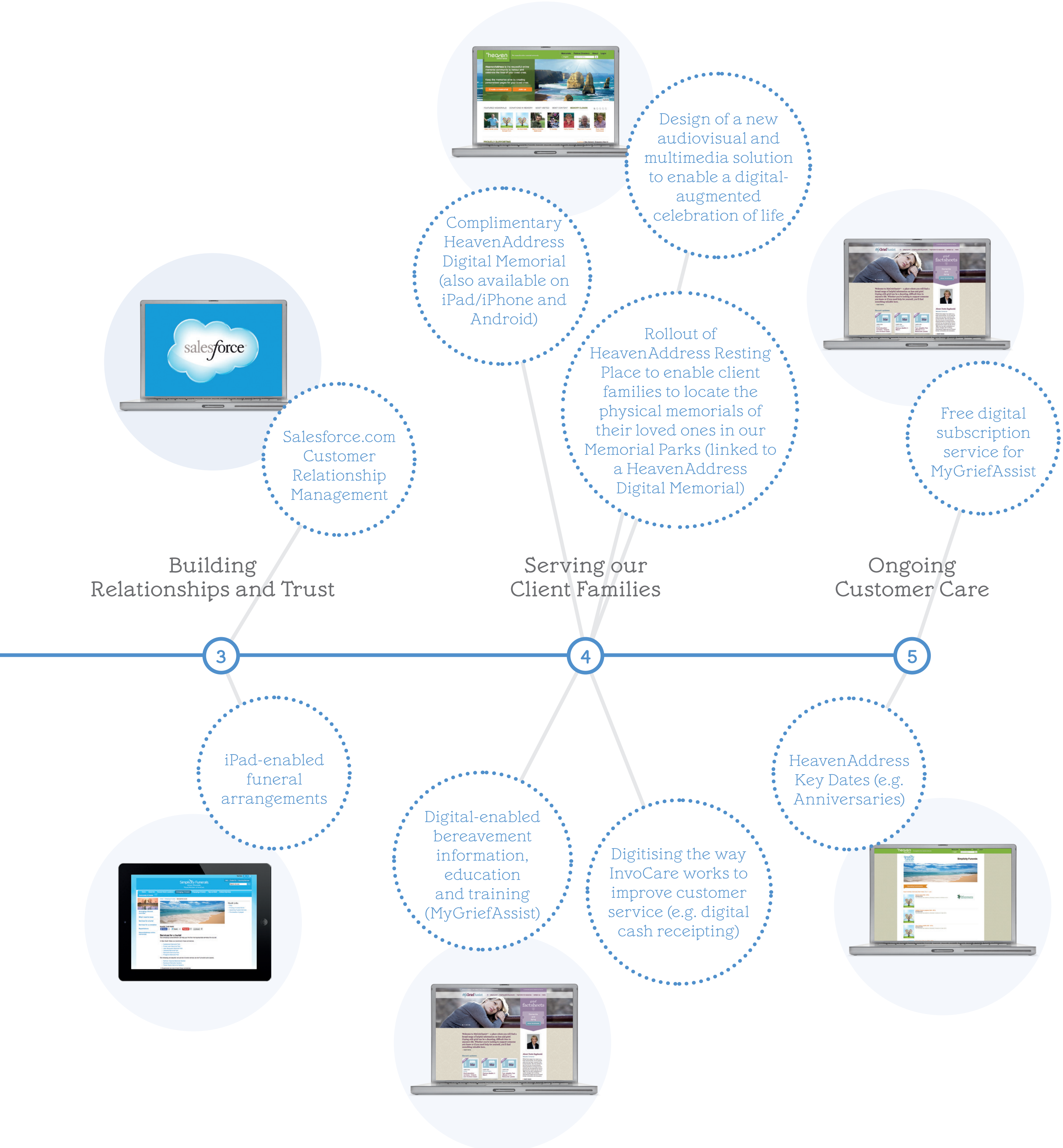
Salesforce.com-enabled pre-paid funerals customer enquiries handling

New services to discover funeral and memorialisation options (FuneralOrganiser, MyMemorial)

InvoCare's digital business strategy is grounded in the emergence of new digitally-enabled business models that are shaping the deeper structures of the funeral services industry.

As the market leader, InvoCare is determined to be pro-active in digitising its business strategically.

In 2013 InvoCare continued to implement its digital business strategy to better serve customers, achieve higher levels of business excellence and create shareholder value.


Building
Relationships and Trust
3
Salesforce.com Customer Relationship Management
iPad-enabled funeral arrangements
Serving our
Client Families
4
Complimentary HeavenAddress Digital Memorial (also available on iPad/iPhone and Android)
Design of a new audiovisual and multimedia solution to enable a digital-augmented celebration of life
Rollout of HeavenAddress Resting Place to enable client families to locate the physical memorials of their loved ones in our Memorial Parks (linked to a HeavenAddress Digital Memorial)
Digital-enabled bereavement information, education and training (MyGriefAssist)
Digitising the way InvoCare works to improve customer service (e.g. digital cash receipting)
Ongoing
Customer Care
5
Free digital subscription service for MyGriefAssist
HeavenAddress Key Dates (e.g. Anniversaries)

Community, Parks and Gardens

InvoCare's parks and gardens provide solace to families in their time of need.

Community

InvoCare and its people are involved in a wide variety of community events and organisations. Staff devoted many hours of their own time to support various charitable, community and sporting organisations.

Ann Wilson of Ann Wilson Funerals was honoured during the year with the 2013 Community Service Award presented by the Rotary Club of Narrabeen Lakes and Norma Gill of George Hartnett Funerals was elevated to the position of President of the Rotary Club of Sandgate. Forest Funeral Services were pleased to be part of the Rotary Soap Box Derby in Auckland.

Among the events supported for Legacy, a major focus of InvoCare, during 2013 was the Queanbeyan-Eden-Monaro 80th birthday proudly support by Tobin Brothers. In Victoria, White Lady Funerals was pleased to assist with the annual War Time Reflections musical event which honours those who have been lost in the service of Australia's armed forces.

Various cancer support and research organisations with many locations participating in Australia's Biggest Morning Tea events. White Lady Funerals have once again supported the McGrath Foundation, which aims to provide breast cancer support nurses, by assisting with the sale of merchandise during the Sydney Cricket Test's Pink day.

Many funeral homes, including Hansen & Cole, Guardian Funerals, White Lady Funerals, Simplicity Funerals and Reed & Bottcher Funerals provided support for the Salvation Army's Red Shield Appeal.

A host of InvoCare funeral homes are the latest support partners for the Defence Force Welfare Association which supports around 20,000 serving and former members of the defence forces and their dependants with a wide range of welfare-related issues. This include health and wellness, education, employment opportunities and social inclusion and integration.

A very special case is Margaret-Anne Hayes who is the biggest single fund raiser for Can Too which is the fund raising arm of Cure Cancer Australia. The funds raised go directly to high-end research projects into the detection and cure of cancers. The 73 years-young Margaret-Anne, with her indeflatable spirit, has parachuted from a plane and run a marathon, not to mention the thousands of jars of chutney made and sold in her efforts to raise money for Cure Cancer.

Parks and Gardens

Every year, InvoCare spends considerable sums on maintaining the more than 250 hectares of parks and gardens in its cemeteries and crematoria. 2013 was no exception, with over $2.5 million spent on a range of projects.

Albany Creek Memorial Park was proud to host Bishop Brian Finnigan as he officially opened the Garden of the Trinity Catholic Cemetery during the year. The section dedicated to the Catholic Community includes the 15 Stations of the Cross and is designed in the shape of the Shield of the Trinity ("Scutum Fidei"). The Shield of the Trinity dates to the 12th Century and represents the mysteries of the Holy Trinity.

Water-themed developments also featured highly in 2013, with Great Southern Memorial Park extending its existing stream and water feature to create an area of natural beauty and tranquillity. Lakeside Memorial Park also unveiled its Pool of Reflection during the year and provides a quiet area of reflection in the middle of the gardens.

Having taken second place in 2012, Toowoomba Garden of Remembrance was honoured to achieve first place in the 2013 in the Commercial Category of the Toowoomba Carnival of Flowers. Castlebrook Memorial Park retained its position as first place winner in the Blacktown City Council Awards for the Best Commercial and Industrial Garden.

Placings in the InvoCare's annual Park and Garden Awards are highly coveted by all our cemeteries and crematoria. This year, Pinegrove Memorial Park was the overall winner in a tightly fought contest.

1. Lt Colonel Peter Law of the Salvation Army receives a donation from the Hansen & Cole Funerals team.
2. Great Southern Memorial Gardens creek extension offers new places for tranquil reflection.

A team from White Lady Funerals outside the Cairns location, the first White Lady Funeral location in far North Queensland.

Financial Report

InvoCare Limited and Controlled Entities Financial Report for the financial year ended 31 December 2013

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 Australian currency.

InvoCare Limited (ABN 42 096 437 393) is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:
Level 4, 153 Walker Street
North Sydney NSW 2060

A description of the nature of the consolidated entity's operations and its principal activities is included in the Directors' Report.

The financial report was authorised for issue by the directors on 20 February 2014. 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 2013. 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:

Richard Fisher (Chairman)
Andrew Smith (Chief Executive Officer)
Christine Clifton
Roger Penman
Aliza Knox
Richard Davis

Mr Ian Ferrier resigned from the Board of the Company effective 22 October 2013 and Mr Benjamin Chow resigned from the Board of the Company effective 16 August 2013. Mr Richard Fisher was appointed Chairman on 22 October 2013 following Mr Ferrier's resignation.

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 $42,498,000 (2012: $42,479,000) as reconciled on page 19. The consolidated after tax profit of the Group attributable to shareholders was $48,869,000 (2012: $44,479,000).

Dividends

The Directors have recommended a final, fully franked dividend of 19.5 cents per share payable on 4 April 2014. Total full year dividends are 34.5 cents, being 0.5 cents or 1.5% higher than 2012 which is higher than the comparable growth in operating earnings after tax per share. The full year dividend payout ratio is 89% (2012: 88%) of operating earnings after tax.

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

	2013 $'000	2012 $'000
Interim ordinary dividend of 15.0 cents (2012: 15.0 cents) per fully paid share paid on 4 October 2013	**16,505**	16,505
Final ordinary dividend of 19.5 cents (2012: 19.0 cents) per fully paid share has been recommended by directors on 20 February 2014 to be paid on 4 April 2014	**21,456**	20,906
Total ordinary dividends of 34.5 cents (2012: 34.0 cents)	**37,961**	37,411

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

The Dividend Reinvestment Plan ("DRP") was available for the 2013 interim dividend and $13,304,679 (2012: $12,587,969) was paid in cash and $3,197,380 (2012: $3,916,575) through the issue of 288,312 (2012: 466,077) shares purchased on market at $11.09 (2012: $8.40) per share via the DRP. The shortfall in the DRP take-up was not underwritten in 2013 and shares were not issued at a discount.

The DRP will apply to the final 2013 dividend which is not being underwritten and no discount to the market price will apply.

Operating and Financial Review

	2013	2012	Change	
	$'m	$'m	$'m	%
Total sales to external customers	**385.4**	**368.7**	16.7	4.5%
Other revenue	6.8	6.9	(0.0)	(0.3%)
Operating expenses[(i)]	(297.1)	(282.5)	(14.6)	5.2%
Operating EBITDA[(i)]	**95.1**	**93.0**	2.0	2.2%
Operating margin	24.7%	25.2%		(0.6%)
Depreciation and amortisation	(17.8)	(16.4)	(1.4)	8.6%
Finance costs	(16.8)	(16.3)	(0.6)	3.4%
Interest income	0.7	0.8	(0.1)	(15.6%)
Business acquisition costs	(0.5)	(0.7)	0.2	26.5%
Share of loss from associates	(0.3)	–	(0.3)	–
Operating earnings before tax[(i)]	**60.3**	**60.5**	(0.2)	(0.2%)
Income tax on above operating earnings[(i)]	(17.8)	(18.0)	0.2	(0.9%)
Effective tax rate	29.5%	29.7%		(0.2%)
Operating earnings after tax[(i)]	**42.5**	**42.5**	19.0	0.0%
Operating earnings per share	38.9 cents	38.8 cents	0.1 cents	0.4%
Net gain or (loss) on undelivered prepaid	1.1	(0.0)	1.1	
Asset sale gains after tax[(i)]	3.2	2.1	1.0	
Reversal of impairment loss	2.2	–	2.2	
Non-controlling interest	(0.1)	(0.1)	(0.0)	
Net profit after tax attributable to InvoCare shareholders	**48.9**	**44.5**	4.4	9.9%
Basic earnings per share	44.7 cents	40.6 cents	4.1 cents	10.1%
Dividends				
Interim ordinary dividend per share	**15.0 cents**	**15.0 cents**	0.0 cents	0.0%
Final ordinary dividend per share	**19.5 cents**	**19.0 cents**	0.5 cents	2.6%
Total ordinary dividend per share	**34.5 cents**	**34.0 cents**	0.5 cents	1.5%

(i) Non-IFRS financial information.

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 table above 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.

Company profile

InvoCare owns and operates funeral homes, cemeteries and crematoria in Australia, New Zealand and Singapore. It is well known for its commitment to family care, community engagement and investor value.

Business model

InvoCare's business model is based upon earnings growth from the following pillars:

- annual sales revenue growth from:
  - ageing population trends with an approximate 1% annual increase in deaths;
  - consistent annual 3-4% pricing increments; and
  - market share improvements, including new funeral locations, generating 1% revenue growth.
- prepaid contracts providing families emotional and financial peace of mind as well as securing future market share for InvoCare;
- business acquisitions, which have contributed more than half of InvoCare's compound annual sales growth since listing; and
- operating leverage improvement, through delivery of revenue growth pillars and cost control so that annual EBITDA growth is greater than annual sales growth.

Not all the pillars contributed positively to 2013 results as depicted in the following table. More detail is provided throughout this report.

Favourable Demographics	✘
Pricing/average contract values	✔
Market share improvements	✘
Prepaid contracts	✔
New locations	✔
Business acquisitions	✔
Operating leverage	✘

Financial Overview

InvoCare's reported profit after tax was up by 9.9% or $4.4 million to $48.9 million (2012: $44.5 million). Disappointingly, operating earnings after tax[1] were flat year on year at $42.5 million (2012: $42.5 million).

Operating earnings were adversely impacted by declines in the number of funeral, burial and cremation cases, which commenced towards the end of the first half.

The number of deaths are estimated to have declined by an overall 0.8% in InvoCare's comparable markets, negatively impacting operating earnings after tax by an estimated $1.6 million.

Market share erosion in comparable operations is estimated to have reduced funeral cases by 2.1% and cremation and burial service volumes by 0.6%, and negatively impacted operating earnings after tax by an estimated $2.8 million.

There is no single cause of the market share losses with many factors in play. These include more aggressive competitor pricing in a market where there has been a declining number of deaths and new competitors entering the market. In some cases, the new competitors are operational staff who have left our own or other existing competitors' employment. Additionally, tight management of marketing and personnel costs may have contributed, but in the longer term these cost constraints are not sustainable.

The unexpected volume impacts were mitigated by a combination of:

- favourable average sales revenue per case, estimated to have contributed $13.6 million to operating earnings after tax in the year;
- rigorous cost management, particularly during the second half;
- foreign currency gains from New Zealand and Singapore operations due to a weakening Australian dollar; and
- results from recently acquired businesses.

EBITDA to sales margin, whilst down to 24.7% from last year's 25.2%, was assisted by a strong second half at 26.7%, up on 26.0% for the second half of 2012 and well up on 22.5% in the first half (2012 first half: 24.4%).

Consequently, second half operating earnings after tax of $25.3 million were up $1.8 million against 2012, offsetting the first half decline of $1.7 million.

Statutory reported profit benefited from $3.2 million after tax asset sale gains (2012: $2.1 million), net impairment reversals of $2.2 million after tax (2012: $Nil) following the reassessment of the carrying values of a number of property assets and an improvement in undelivered prepaid contracts to a net gain of $1.1 million after tax (2012: $Nil).

Cash flows remained strong for the year. Ungeared, tax free operating cash flow was 110% of EBITDA (2012: 95%), underpinning the ability to pay a final franked interim dividend of 19.5 cents per share, which is 0.5 cents up on last year. This is in addition to the 15.0 cent interim dividend paid in October, taking total dividends declared for the year to 34.5 cents (2012: 34.0 cents).

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

Sales, EBITDA, margins and major profit & loss line items

The following table summarises sales revenue, EBITDA and margins by country segments.

	1H13	1H12	Var	2H13	2H12	Var	FY13	FY12	Var
	$'m	$'m	%	$'m	$'m	%	$'m	$'m	%
Sales Revenue									
Australia	**158.3**	155.2	2.0%	**172.7**	172.2	0.3%	**331.0**	327.5	1.1%
New Zealand	**14.8**	14.2	4.2%	**17.2**	16.0	7.9%	**32.0**	30.2	6.1%
Singapore	**6.5**	5.4	21.8%	**6.4**	5.3	22.6%	**13.0**	10.6	22.2%
Comparable businesses	**179.6**	174.8	2.7%	**196.4**	193.4	1.5%	**376.0**	368.2	2.1%
Acquisitions	**4.0**			**5.4**	0.4		**9.4**	0.4	
Total InvoCare	**183.6**	174.8	5.0%	**201.7**	193.8	4.1%	**385.4**	368.7	4.5%
EBITDA									
Australia	**35.3**	36.9	–4.4%	**45.5**	44.5	2.2%	**80.7**	81.4	–0.8%
New Zealand	**2.2**	3.0	–25.0%	**3.9**	3.2	23.0%	**6.2**	6.2	–0.1%
Singapore	**3.1**	2.8	11.3%	**3.1**	2.7	17.7%	**6.2**	5.4	14.5%
Comparable businesses	**40.6**	42.6	–4.8%	**52.5**	50.3	4.3%	**93.1**	93.0	0.2%
Acquisitions	**0.7**			**1.2**	0.1		**1.9**	0.1	
Total	**41.3**	42.6	–3.1%	**53.8**	50.4	6.7%	**95.1**	93.0	2.2%
Margin on sales									
Australia	**22.3%**	23.8%	–1.5%	**26.3%**	25.8%	0.5%	**24.4%**	24.8%	–0.5%
New Zealand	**15.0%**	20.9%	–5.8%	**22.8%**	20.0%	2.8%	**19.2%**	20.4%	–1.2%
Singapore	**47.4%**	51.9%	–4.5%	**48.6%**	50.6%	–2.0%	**48.0%**	51.2%	–3.2%
Comparable businesses	**22.6%**	24.4%	–1.8%	**26.8%**	26.0%	0.7%	**24.8%**	25.2%	–0.5%
Acquisitions	**17.4%**			**23.2%**	13.3%	10.0%	**20.7%**	13.3%	7.5%
Total	**22.5%**	24.4%	–1.9%	**26.7%**	26.0%	0.7%	**24.7%**	25.2%	–0.6%

The following table shows the EBITDA performance of the business by halves, discussed in the following sections of the report.

	1H13	1H12	Var	2H13	2H12	Var	FY13	FY12	Var
	$'m	$'m	%	$'m	$'m	%	$'m	$'m	%
Total – all lines of business									
Sales Revenue	**183.6**	**174.8**	**5.0%**	**201.7**	**193.8**	**4.1%**	**385.4**	**368.7**	**4.5%**
Other revenue	3.4	3.4	2.8%	3.4	3.5	-3.2%	6.8	6.9	-0.3%
Expenses:									
Cost of goods sold	(53.9)	(50.4)	–6.9%	(59.3)	(56.9)	–4.3%	(113.2)	(107.3)	–5.5%
Personnel	(60.0)	(54.0)	–11.1%	(59.5)	(57.2)	–4.0%	(119.4)	(111.1)	–7.5%
Advertising and promotions	(6.8)	(6.3)	–7.4%	(6.4)	(6.4)	–1.2%	(13.2)	(12.7)	–4.3%
Occupancy and facility	(12.7)	(12.0)	–5.7%	(13.3)	(13.2)	–1.2%	(26.0)	(25.2)	–3.4%
Motor vehicles	(4.0)	(3.8)	–4.5%	(4.3)	(4.2)	–2.2%	(8.3)	(8.0)	–3.3%
Other	(8.4)	(9.0)	6.6%	(8.5)	(9.1)	7.2%	(16.8)	(18.1)	6.9%
Operating Expenses	(145.8)	(135.5)	–7.6%	(151.3)	(146.9)	–3.0%	(297.1)	(282.5)	–5.2%
Operating EBITDA	**41.3**	**42.6**	**–3.1%**	**53.8**	**50.4**	**6.7%**	**95.1**	**93.0**	**2.2%**
Operating Margin %	*22.5%*	*24.4%*		*26.7%*	*26.0%*		*24.7%*	*25.2%*	

Note: that the data in the tables above has been calculated in thousands and presented in millions and as a consequence some additions cannot be computed from the tables as presented.

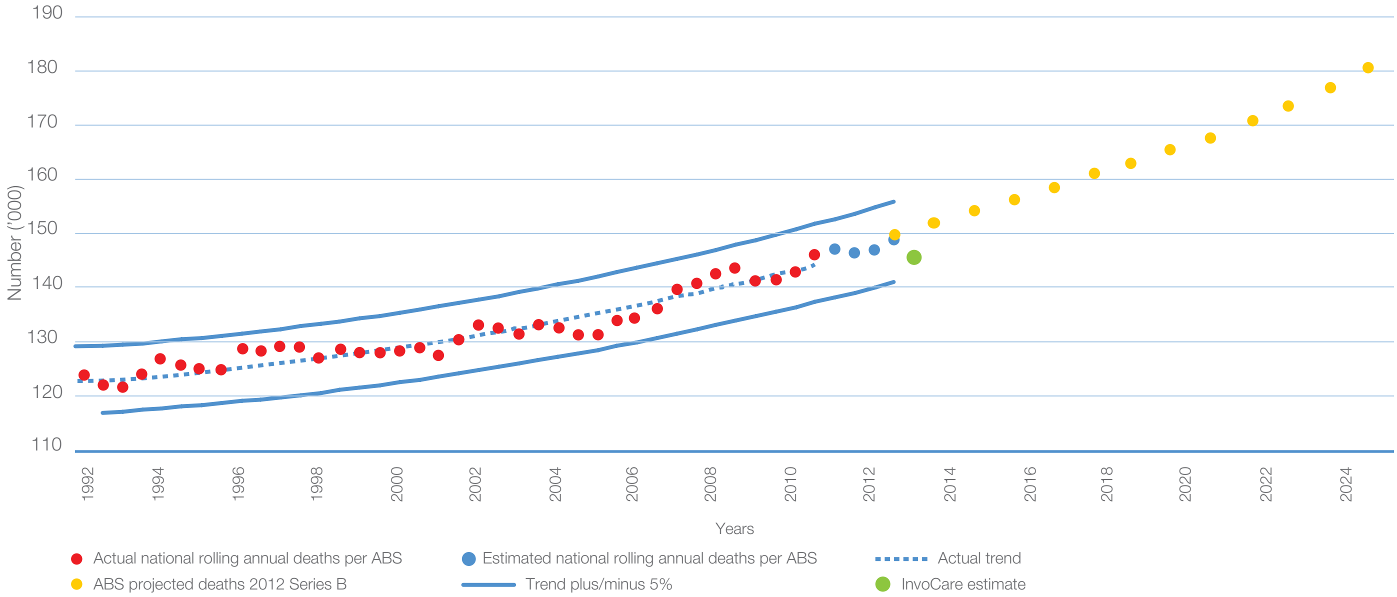
Number of deaths

As indicated in the past, the number of deaths is a very significant driver of InvoCare's performance. The ageing of the population in InvoCare's markets and the long-term trend of increasing number of deaths are major pillars of growth for the Group. However, short term fluctuations in the numbers of deaths do occur, such that in any year the number can be up to 4% above or below the trend line, as shown in the following graphs for both Australia and New Zealand.

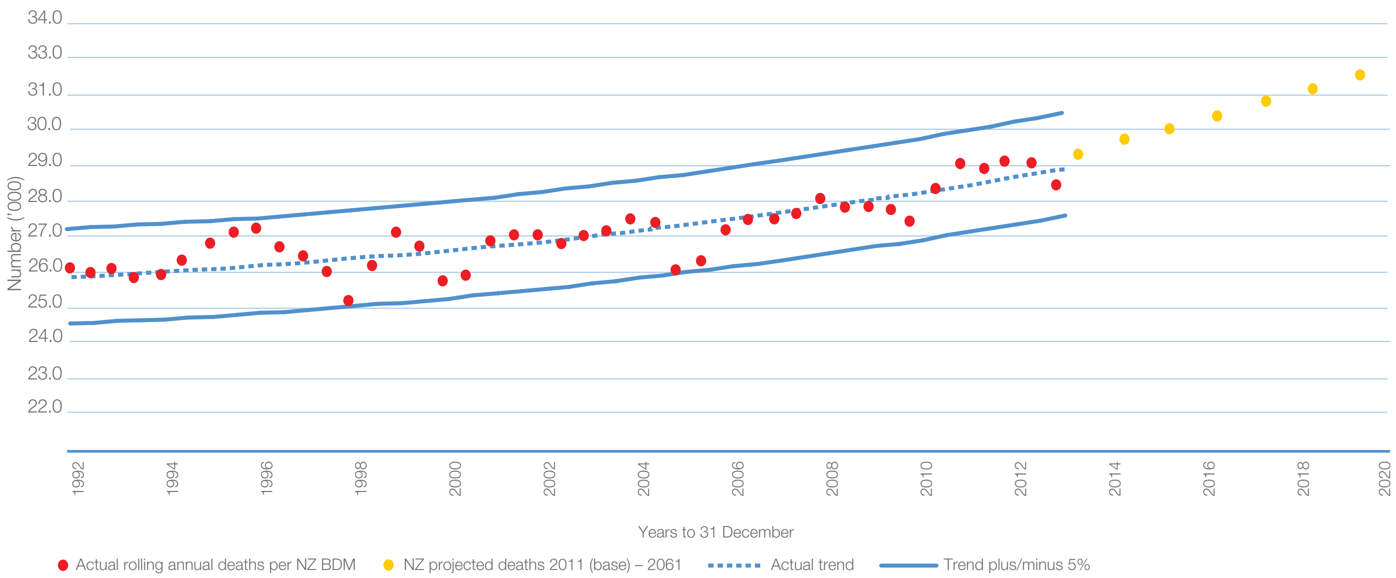
The Australian graph incorporates the most recent long-term death projections released in November 2013 by the Australian Bureau of Statistics.

Projections for New Zealand have been sourced from the latest data supplied by Statistics New Zealand and have a similar profile to that expected in Australia over the next ten years.

Actual and projected fiscal and calendar year deaths – Australia



Actual and projected fiscal and calendar year deaths – New Zealand



Across the Group, funeral case volumes in comparable businesses declined by 3.0% against the prior year. The sudden and unexpected magnitude of the drop in case volumes experienced in the first half is depicted in the table below. At the end of April the comparable funeral case volume was up 1.3% on the prior corresponding period ("PCP"), but over the months of May and June the volume was 4.2% below 2012 resulting in an overall decline in the first half of 0.7%. This trend continued into the second half with the comparable business case volumes down a further 5.1% against the prior year's half, resulting in the full year decline of 3.0%.

Funeral Case Volume Analysis

	Apr YTD % change	May and June % change	Half 1 Change	Half 2 Change	Full Year Change
Australia	1.1%	–2.7%	–0.3%	–5.1%	–2.8%
New Zealand	4.2%	–14.4%	–2.7%	–7.4%	–5.2%
Australia and New Zealand	1.4%	–4.1%	–0.6%	–5.4%	–3.1%
Singapore	–2.0%	–4.7%	–2.9%	2.6%	–0.3%
Total comparable business	1.3%	–4.2%	–0.7%	–5.1%	–3.0%
Total Group (including acquisitions)	4.0%	–1.5%	2.0%	–2.0%	–0.1%

InvoCare's market assessment indicates the number of deaths in InvoCare's Australian markets dropped by 1.0% during 2013, with the first half up 0.5% before a significant 2.3% decline in the second half.

Commentary on market share impacts is set out later in this report.

InvoCare estimates the number of deaths in its New Zealand markets declined by approximately 1.9% during 2013. Market share erosion has also been a contributor to case volume declines and further commentary is set out later in the report.

The Singapore market experienced a 5.0% growth in the number of deaths in the first half. However this swung around in the second half to be 1.4% down on the prior year's second half. Consequently, for the year the number of deaths was up an estimated 1.8%. Despite the second half decline, InvoCare's Singapore operation was able to grow its volumes and recover some market share lost in the first half.

InvoCare's Australian cemeteries and crematoria operating in New South Wales and Queensland experienced a 2.1% decline in cremation and burial service volumes. The number of deaths in those markets is estimated to have declined by 1.5% for the year, with a 1% reduction in the first half and 2.0% in the second.

The reasons for the declines in death numbers across InvoCare's markets, particularly in the second half, are unknown. As communicated at the half-year end, possible contributing factors may be that both Australia and New Zealand experienced very mild winters and neither country saw the onset of usual levels of winter influenza. Historically, the number of deaths generally peak during the winter months. The decline could also be cyclical with the market experiencing a period of below average growth. As discussed above the number of deaths do fluctuate such that in any year the number can be up to 4% above or below the long-term trend line.

Commentary on the period since 31 December 2013 is set out in the Outlook section.

Sales

Key components of the comparable sales movements are summarised below:

- comparable Australian funeral sales increased 0.7% or $1.8 million to $264.2 million (2012: $262.5 million);
  - average revenue per funeral case, excluding disbursements, increased 5.1% and contributed an estimated $9.2 million to sales growth. This increase is attributable to both price and mix. Prices are increased in December each year, but in some markets additional price increases were applied during the second half to help cover increased costs. There were also brand and state mix shifts which assisted the overall case averages;
  - the number of funeral services performed was down on the previous year by 2.8% causing approximately $5.1 million reduction in sales revenue, excluding disbursements. The case volume decline in the second half was far more significant than during the first half;
  - the reduction in the number of deaths in InvoCare's Australian markets, outlined earlier, is estimated to have contributed $1.6 million of the volume related drop in sales (excluding disbursements);
  - market share erosion, however, had a larger impact, estimated at $3.5 million (again excluding disbursements). The contributors to this disappointing outcome are believed to include more aggressive competitor pricing during a period of lower number of deaths and new competitors entering the market. In some cases, the new competitors are operational staff leaving our own or other existing competitors' employment. Additionally, tight management of marketing and personnel costs may have contributed, but in the longer term these cost constraints are not sustainable; and
  - the number of new prepaid funeral contracts sold for comparable Australian business increased by 0.2% on the previous year and exceeded the number of prepaid services performed by 15.3% (2012: 15.2%). Prepaid funerals performed in the year were 13.8% (2012: 13.4%) of comparable at need funerals.
- Australian cemeteries and crematoria sales were up 2.3% or $1.7 million to $76.6 million (2012: $74.9 million). There were 2.1% lower cremation and burial case volumes during the year, related to a combination of lower numbers of deaths, impacting sales by an estimated $1.1 million, and a small overall market share decline, impacting sales by an estimated $0.5 million. List prices were raised by an average 4% in early January for service fees and in early March for memorial products. Approximately $4.6 million (2012: $5.1 million) was added to the deferred revenue pool and will be recognised as sales in a future period upon delivery of the memorials;

- comparable New Zealand sales (in NZD) were down 2.3% or $0.9 million to $37.7 million (2012: $38.6 million). Average revenue per funeral increased by 4.1% following planned price increases but was offset by a decline in total funeral cases performed which were down 5.2%. Market share performance in New Zealand continues to remain mixed with some solid performance in Auckland and the South Island offset by challenges in parts of North Island with new competitors and increasingly price focused markets;
- singapore funeral sales increased by 14.5% in local currency and 22.2% in Australian currency. Service volumes declined 0.3%, largely due to market share losses. However, more than offsetting the lower volumes was average revenue per case which was up 14.8% in local currency (23.2% in Australian currency). The increase in average revenue was attributed to a shift towards packaged funerals and the introduction of sales of funeral accessories which began in 2012; and
- intra-group elimination of cemeteries and crematoria sales to InvoCare owned funeral homes amounted to $10.0 million (2012: $9.9 million).

The Tuckers funeral business in Australia was acquired in December 2012 and contributed sales of $7.2 million during the year (2012: $0.4 million). In addition there were several business acquisitions made in New Zealand, those being Resthaven Funerals in February 2013, Tilton Opie & Pattinson Funeral Services in July 2013, Fraser Lawrence Memorials in August 2013 and H Morris Funerals in December 2013. Combined, the New Zealand acquisitions contributed NZ$2.5 million (AU$2.2 million) to sales revenue. Accordingly, the 2013 sales of the consolidated InvoCare business include growth from these acquisitions with sales of $9.4 million.

Other revenue

Other revenue remained flat at $6.9 million. On a comparable basis, other revenue declined slightly by 2.4% to $6.7 million. Other revenue mainly comprises administration fees upon initial sale of prepaid funeral contracts and trailing commissions on prepaid funds.

Operating expenses and EBITDA

Operating EBITDA[2] increased by 2.2% or $2.1 million to $95.1 million (2012: $93.0 million). The margin on sales dropped 0.6% to 24.7%. On a comparable basis, Operating EBITDA increased by $0.2 million or 0.2% to $93.1 million (2012: $93.0 million), with margins dropping 0.5% to 24.8%.

Favourable FX movements benefitted Operating EBITDA by $1.0m, as the NZD and SGD strengthened against the AUD, particularly in the second half.

Operating expenses (excluding depreciation, amortisation, acquisition related and finance costs) increased $14.6 million or 5.2% to $297.1 million. On a comparable basis excluding the impact of the acquisitions, the increase was 2.6% or $7.4 million.

Backing out foreign exchange movement impacts ($2.6 million) to reflect constant exchange rates, operating expenses increased by 4.2%.

A summary of the comparable business Operating EBITDA by major income statement line item by halves is presented in the following table.

	1H13	1H12	Var	2H13	2H12	Var	FY13	FY12	Var
	$'m	$'m	%	$'m	$'m	%	$'m	$'m	%
Total – all lines of business									
Sales Revenue	**179.6**	**174.8**	**2.7%**	**196.4**	**193.4**	**1.5%**	**376.0**	**368.2**	**2.1%**
Other revenue	3.3	3.4	–0.8%	3.4	3.5	–4.0%	6.7	6.9	–2.4%
Expenses:									
Cost of good sold	(52.6)	(50.4)	–4.3%	(57.4)	(56.7)	–1.3%	(110.0)	(107.1)	–2.7%
Personnel	(58.7)	(54.0)	–8.8%	(58.0)	(57.0)	–1.6%	(116.7)	(111.0)	–5.1%
Advertising and promotions	(6.6)	(6.3)	–4.9%	(6.3)	(6.4)	1.4%	(12.9)	(12.7)	–1.7%
Occupancy and facility	(12.4)	(12.0)	–3.6%	(13.0)	(13.1)	1.4%	(25.4)	(25.2)	–1.0%
Motor vehicles	(3.9)	(3.8)	–1.7%	(4.2)	(4.2)	–0.3%	(8.1)	(8.0)	–1.0%
Other	(8.0)	(9.0)	10.5%	(8.3)	(9.1)	8.3%	(16.4)	(18.1)	9.4%
Operating Expenses	(142.3)	(135.5)	–5.0%	(147.2)	(146.6)	–0.4%	(289.5)	(282.1)	–2.6%
Operating EBITDA	**40.6**	**42.6**	**–4.8%**	**52.5**	**50.3**	**4.3%**	**93.1**	**93.0**	**0.2%**
Operating Margin %	*22.6%*	*24.4%*		*26.8%*	*26.0%*		*24.8%*	*25.2%*	

Cost of goods sold (excluding disbursements) increased as a percentage of gross sales from 12.0% in 2012 to 12.4% in 2013. Contributing to this increase was a marginal shift in the mix of sales away from service revenues towards products, deferral of a larger portion of high margin products and the commencement of the lower margin funeral accessories business in Singapore.

The ratio of personnel costs to sales revenue was 31.0% which was up from 30.1% in 2012. Base labour rates have generally been contained to 3.5% increases, consistent with the awards and enterprise agreements in place for the majority of the workforce.

2 *Operating EBITDA is non-IFRS financial information.*

As previously reported, headcount increases occurred during 2012, and to a lesser extent in the first half of 2013, to support InvoCare's expansion, to pursue marketing and digital business initiatives and in anticipation of expected increases in the number of deaths (e.g. approximately 1.2% in Australia) and growth in market share. This investment in personnel is in response to the Company's new digital business and marketing initiatives, the payback for which will be in future years.

During the second half efforts were made to realign the workforce with the lower volume environment. This included critically assessing fixed and casual staffing levels and reviewing vacancies created by departing employees to determine if immediate replacement was critical to maintain customer service standards. As a consequence of these actions the ratio of labour costs to sales fell from the 32.7% in the first half to 29.5% in the second half.

Advertising and marketing expenditure increased by $0.5 million or 4.3% to $13.2 million (2012: $12.7 million). Whilst more had been planned, some curtailment of expenditure occurred given the case volume pressures. Overall weighting in activity shifted towards digital media and increases in radio, press and outdoor. Work was also completed on a new television commercial which first went to air in April 2013. Also included in this amount was $0.3 million expenditure targeted at the Tuckers and New Zealand acquisitions.

In terms of digital business initiatives, work is continuing on various fronts. These include:

- enhancing electronic processing capabilities; for example at need and preneed funeral arrangements using tablet technology which is being rolled out across the funerals business;
- new websites, including MyGrief Assist, providing information and resources dealing with grief and MyMemorial and FuneralOrganiser which assist families view funeral and memorial options and help generate sales leads;
- design and selection of improved audio visual capability for InvoCare's chapels;
- continued focus on obtaining greater leverage from the HeavenAddress online memorial and tribute solution;
- promotion and support of InvoCare's social media channels; and
- planning and design of cloud based customer relationship management tools and front end applications.

Telecommunications and printing services savings resulting from a strategic sourcing review and contract renegotiations have helped fund the digital business initiatives. All other expenses have been contained and compare favourably to the prior year.

The comparable Australian Operating EBITDA margin on sales declined to 24.3% against the 24.8% achieved in 2012. The lower margins reflected the impact of lower case volumes and the difficulty of adjusting the high fixed cost structure for sudden changes in volumes. After implementing cost, labour and pricing initiatives, second half margins improved from 22.3% in the first half to 26.2%.

New Zealand comparative EBITDA margins on sales in local currency also declined from 20.4% of sales in 2012 to 19.1% in 2013. The declining margins again reflected the impact of lower case volumes which were down 5.2% and the additional headcount added in the second half of 2012. Second half margins of 22.9% improved on the first half of 15.0% following the implementation of cost and labour savings initiatives.

Singapore margins declined from 51.3% to 47.9% of sales in local currency. The margin decline reflected the change in product mix following the commencement of the lower margin funeral accessories business in 2012.

Depreciation and amortisation expenses

Depreciation and amortisation expenses were up $1.4 million in 2013 to $17.8 million (2012: $16.4 million). This increase included $0.4 million associated with a full year of the acquired Tuckers business in Australia and other more recent New Zealand acquisitions. The remainder of the increase was associated with replacement motor vehicles (including hearses and the progressive replacement of the previously leased Bledisloe fleet), leasehold and owned property refurbishments and general operational plant and equipment purchases.

Finance costs

Finance costs increased by $0.5 million to $16.8 million (2012: $16.3 million). The increases relate primarily to the higher average levels of debt during 2013 with interest expense up $0.2 million and $0.3 million in unamortised loan establishment fees which were expensed upon refinancing of the long-term debt facility in December 2013. More information about the Group's debt facilities (including the refinancing) is set out under the Capital Management section.

Acquisition related costs

Acquisition related costs of $0.5 million were down $0.2 million on the prior year (2012: $0.7m). These costs included expenses relating to the New Zealand acquisitions, as well as costs associated with the investigation and review of opportunities, both closed or currently under investigation.

Share of associate

After contributing $5 million equity in January 2013, InvoCare has a 35% investment in HeavenAddress which provides on-line memorial solutions. The company is in the early stages of its development and InvoCare has recognised a $0.3 million share of the small loss in accordance with equity accounting standards.

Undelivered prepaid contract gains

Net gains on undelivered prepaid contracts were $1.6 million, an improvement of $1.6 million on the breakeven position achieved in 2012. The current year gain comprised $20.6 million increase in the fair value of funds under management offset by $19.0 million growth in the future liability to deliver prepaid services (see table (a) below).

The fair value uplift of $20.6 million in funds under management was $3.0 million and represented an effective earnings rate of 5.7% (2012: 5.5%).

During the year the preneed liability was increased to progressively recognise the impact of planned in-year price increases. This resulted in liability growth of $19.0 million which was up on last year's $17.7 million. The higher growth in 2013 was the result of higher actual price increases in 2013 and size of the liability pool.

(a) Income statement impact of undelivered prepaid contracts

	2013 $'000	2012 $'000
Gain/(loss) on prepaid contract funds under management	**20.6**	17.6
Change in provision for prepaid contract liabilities	**(19.0)**	(17.7)
Net gain/(loss) on undelivered prepaid contracts	**1.6**	–

(b) Movements in prepaid contract funds under management

	2013 $'000	2012 $'000
Balance at the beginning of the year	**350.9**	311.8
Sale of new prepaid contracts	**32.0**	30.4
Initial recognition of contracts paid by instalment	**2.9**	2.6
Redemption of prepaid contract funds following service delivery	**(32.8)**	(28.3)
Increase due to business combinations	**–**	16.8
Increase in fair value of contract funds under management	**20.6**	17.6
Balance at the end of the year	**373.6**	350.9

(c) Movements in prepaid contract liabilities

	2013 $'000	2012 $'000
Balance at the beginning of the year	**355.1**	317.6
Sale of new prepaid contracts	**32.0**	30.4
Initial recognition of contracts paid by instalment	**2.9**	2.6
Decrease following delivery of services	**(32.5)**	(30.3)
Increase due to business combinations	**–**	17.2
Increase due to reassessment of delivery costs	**19.0**	17.7
Balance at the end of the year	**376.5**	355.1

Approximately 76% of InvoCare's prepaid funds under management are with the Over Fifty Guardian Friendly Society. This fund now holds approximately 60% of its assets in cash and fixed interest compared to 75% at 31 December 2012. During this time the fund has continued to diversify into property assets and has made a small increased allocation to equities.

Movements in the total asset mix of all funds under management over the last 12 months are illustrated in the following table:

	31 Dec 2013 %	30 June 2013 %	31 Dec 2012 %
Equities	**13**	10	8
Property	**23**	25	17
Cash and fixed interest	**64**	65	75

Asset sale gains and losses

Gains on the sale of assets of $3.2 million after tax included $1.3 million for the sale of a small parcel of cemetery land in Sydney and $1.8 million relating to the sale of a surplus funeral property in Melbourne.

Impairment reversal

Under IFRS, InvoCare is required to regularly review the carrying value of its business assets. Due to the continued improvement in financial performance, the prior impairment on certain assets was partially reversed during the year, resulting in an after tax gain of $3.4 million. This was offset to some extent by new impairments identified with an after tax impact of $1.2 million. As result net after tax impact gains were $2.2 million (2012: $Nil).

Income tax expense

Income tax expense on reported profit was $19.0 million (2012: $18.0 million), representing an effective rate of 28.0% (2012: 28.8%).

Income tax expense on operating earnings[3] decreased by $0.2 million to $17.8 million (2012: $18.0 million) and the effective rate was 29.5% (2012: 29.7%). The major difference between tax expense on reported profit and operating earnings was the tax effect on undelivered prepaid contracts, asset sales gains and impairments.

The main contributors to the effective rates being different to Australia's corporate 30% tax rate are set out in the following table:

	2013 $'m	2012 $'m
Prima facie tax at 30% (2012: 30%) on profit from ordinary activities	**20.4**	18.8
Plus/(minus):		
Previously unrecognised capital losses offsetting capital gains and unrecognised capital losses	**(0.7)**	(0.4)
Eliminations of translation gains/(losses) on intercompany balances in foreign currencies	**0.4**	0.2
Reassessment of depreciation rates applicable to New Zealand assets	**(0.6)**	–
Acquisition costs not deductible	**0.1**	0.1
Share of net profit of an associate	**0.1**	–
Other items (net)	**0.4**	0.1
Difference in overseas tax rates	**(0.8)**	(0.7)
Under/(over) provision in prior years	**(0.2)**	–
Income tax expense	**19.0**	18.0

Cash flow highlights

	2013 $'m	2012 $'m
Net cash provided by operating activities	**72.2**	53.2
Asset sale proceeds	**8.0**	3.3
Asset purchases	**(19.3)**	(18.4)
Purchase of subsidiaries and businesses	**(8.1)**	(9.3)
Purchase of interest in associates	**(5.0)**	–
Net cash used in investing activities	**(24.4)**	(24.4)
Dividends paid	**(37.4)**	(34.4)
Deferred Employee Share Plan purchases	**(0.8)**	(1.2)
Net (decrease)/increase in borrowings	**(6.8)**	7.1
Other movements	**(0.1)**	(0.1)
Net cash from/(used) in financing activities	**(45.1)**	(28.6)
Net increase in cash during year	**2.7**	0.2
Cash at start of year	**6.1**	5.9
Exchange rate effects	**0.1**	–
Cash at end of the year	**8.9**	6.1

Cash flows provided by operating activities were up on last year by $19.0 million to $72.2 million, which resulted from the benefit of improved working capital management (by $6.0 million), in particular creditor payments, and lower income tax payments (by $3.8 million), the latter arising mainly from a higher final Australian 2011 year income tax payment in the first half of 2012 to make up for lower Pay As You Go (PAYG) instalments during 2011.

3 *Operating earnings is non-IFRS financial information.*

Improvements in working capital management have resulted in 110% Operating EBITDA conversion to cash for the period, compared to 95.0% for the 2012 full year as shown in the table below:

	2013 $'m	2012 $'m
Operating EBITDA	**95.1**	93.0
Cash provided by operating activities	**72.2**	53.2
Add finance costs	**16.3**	15.6
Add Income tax paid	**15.9**	19.9
Less interest received	**(0.1)**	(0.2)
Ungeared, tax free operating cash flow	**104.3**	88.5
Proportion of Operating EBITDA converted to cash	**110%**	95%

The stronger operating cash flows and asset sale proceeds helped fund capital expenditure, business acquisitions and the HeavenAddress investment. Capital expenditure related to:

	2013 $'m	2012 $'m
Refurbishments and facility upgrades	**8.0**	6.1
Motor vehicles	**6.5**	6.0
Digital business	**2.1**	2.2
Other assets	**2.7**	4.1
Total capital expenditure	**19.3**	18.4

Dividends paid in the year were 34.0 cents per share, totalling $37.4 million. The amount included $7.5 million for the on-market purchase of shares for the dividend reinvestment plan.

Shares amounting to $0.8 million (2012: $1.2 million) were acquired during the year by the InvoCare Deferred Employee Share Plan Trust in connection with long-term, share-based incentives for senior management.

Capital management

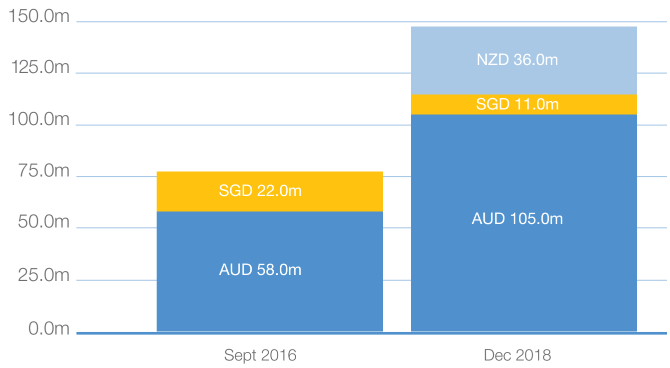
At 31 December 2013, the Group had drawn down $225 million borrowings (from total $255 million debt facilities) compared to $231 million at 30 June 2013 and $224 million at 31 December 2012. Net debt at 31 December 2013 was $216 million which was down on the balance at 30 June 2013 of $224 million and 31 December 2012 of $218 million.

During the last quarter of 2013 InvoCare refinanced $170 million of its $255 million bi-lateral, multi-currency, revolver facilities established in September 2010 and provided in equal proportions by Australia and New Zealand Banking Group Limited ("ANZ"), National Australia Bank Limited ("NAB") and Commonwealth Bank of Australia ("CBA"), including in the case of NZD, their respective New Zealand subsidiaries or branch.

As a result of the refinancing, the previous four- and five-year tranches totalling $127.5 million together with $42.5 million of the three-year tranche were rolled into new five-year bi-lateral facilities of $170 million due to mature in December 2018. The September 2016 maturity date of the $85 million three year tranches refinanced in December 2012 remains unchanged. The three-year tranches are now provided in equal proportions by ANZ and CBA. The five-year tranches are provided in equal proportions by ANZ, CBA, Westpac Banking Corporation ("Westpac") and HSBC Bank Australia Limited ("HSBC").

The current facilities' drawings comprise AUD163.0 million, SGD33.0 million and NZD36.0 million and the maturity profile is shown in the graph opposite. The foreign currency drawings naturally hedge investments in foreign Singapore and New Zealand markets.

Debt maturity profile
of AUD225m drawn from total AUD225 facilities



Financial covenant ratios on the borrowing facilities are a Leverage Ratio (being Net Debt to EBITDA adjusted for acquisitions) which must be no greater than 3.5 and an Interest Cover Ratio (being EBITDA to net interest) which must be greater than 3.0. Both these ratios continue to be comfortably met at 31 December 2013, being 2.3 and 6.4 respectively.

To maintain certainty over cash flows, the Group's policy is to maintain at least 75% of hedging cover for the next 12 months of forecast borrowings and 50% beyond 12 months up to a maximum of five years. At balance date, 80% of debt principal was covered by floating to fixed interest rate swaps. The table below shows the current swap profile, including the fixed rate payable in return for receipt of floating rates (e.g. BBSW in the case of AUD denominated borrowings). As a consequence of hedging, InvoCare has not enjoyed the benefit of the recent reductions in market rates on its hedged debt.

Swap Principal	Start Date	Termination Date	Fixed Rate Payable
AUD 64.5m	Sep-2010	Sep-2014	5.42%
AUD 30.0m	Jun-2011	Jun-2015	5.33%
AUD 60.0m	Sep-2013	Sep-2016	4.75%
AUD 60.0m	Sep-2014	Sep-2017	3.98%
SGD 27.0m	Sep-2010	Sep-2013	1.19%
NZD 27.0m	Sep-2011	Sep-2015	3.72%

The overall average effective interest rate is currently 6.1%, inclusive of fixed rates on hedged debt, floating rates on unhedged debt, margins (based on tranche tenor and leverage – currently averaging around 167bps), undrawn commitment fees and amortisation of establishment fees.

Headroom on the debt facilities of $29.8 million and cash of $9.0 million, provided $38.8 million in available funds at 31 December 2013. This amount together with operating cash flows will provide further capacity to fund near term growth opportunities.

Outlook

Sales revenue in January 2014 was 7.6% higher than the same month last year. Comparable business sales (i.e. excluding the New Zealand acquisitions completed in 2013) increased by 6.1%. EBITDA margin leverage growth was achieved with this sales improvement and continuing tight management of costs.

Funeral case volumes for both the total and comparable business have shown a return to year-on-year growth (4.4% and 2.4%), although cemetery and crematoria cases increased by a lower 0.5%. Whether the increases are a result of improved market share, a recovery in the number of deaths or a combination of both is yet to be established. To address market share challenges, strategies and plans have been developed and are being implemented in key areas, including those of people, marketing and digital.

Average revenue per funeral case has reflected normal price increases introduced as planned in late 2013. Cemetery and crematorium prices are scheduled to be increased in the first quarter of 2014.

The New Zealand acquisitions completed in 2013 are performing to plan and are expected to generate an estimated $4.5 million and $1.0 million in sales and EBITDA respectively in 2014.

If the sales revenue continues to improve, to more adequately pursue and support growth some relaxation of the cost constraints imposed during the second half of 2013, particularly in the areas of personnel, marketing and digital, may be possible.

InvoCare continues to review expansion opportunities both in Australia and abroad. There has been discussion with a number of potential vendors. There is no certainty about the success or timing of any acquisitions, nor of any movement into new markets.

The prepaid funeral fund returns are expected to be similar to 2013, although equity market returns during January 2014 were negative. This outlook assumes targeted investment returns are achieved from appropriate asset investment allocations and stable equity and property markets.

The Group's capital expenditure in 2014 is expected to be approximately $20 million. The main investments planned include the upgrading of funeral homes, initial plans for upgrade of the operations centres, continuing investment in chapel facilities and further investment in digital technology. InvoCare will continue its practice of reviewing the performance of its property assets and, if required, may dispose underperforming assets.

There has been no change to InvoCare's capital management plans. Sufficient funds are expected to be available from debt facilities and free cash flows for capital expenditure and smaller "bolt on" acquisitions. If a more substantial opportunity arises, alternative funding sources, such as an equity raising, would be considered. The refinancing of $170 million of borrowings in December 2013 is expected to reduce finance costs in 2014 by approximately $0.6 million, at current debt levels. No debt facilities are due to mature in 2014.

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. Despite the flat year on year operating results, the 2013 final dividend has been increased to 19.5 cents which is 0.5 cents higher than 2012. This was made possible by sustained Operating EBITDA to cash conversion mentioned earlier.

InvoCare remains focused on its core pillars for continued growth in 2014. The ongoing areas of focus in 2014 include:

- continued investment in advertising, marketing and digital business to drive brand awareness, customer satisfaction, market share improvement and business efficiencies;
- broadening the footprint of key brands, for example by opening new funeral homes;
- pursuing acquisition opportunities in existing countries of operation and further afield, although the size, timing and success is uncertain;
- investing in our people and facilities to enhance the experience for our client families and to continue our commitment to the development and welfare of our staff; and
- seeking sustained improvement in returns on funds under management.

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.

Environmental regulation and performance

InvoCare is committed to the protection of the environment, the health and safety of its employees, customers and the general public, as well as compliance with all applicable environmental laws, rules and regulations in the jurisdictions in which the consolidated entity operates its business. The consolidated entity is subject to environmental regulation in respect of its operations, including some regulations covering the disposal of mortuary and pathological waste and the storage of hazardous materials. InvoCare has appropriate risk management systems in place at its locations.

During the year instances of illegal dumping on land owned by the Group were detected and have been rectified. An Environment Protection Agency investigation is ongoing. Other than this there have been no claims during the year and the directors believe InvoCare, with the exceptions noted above, that the Group has complied with all relevant environmental regulations and holds all relevant licences.

Board of Directors

Left to right: Richard Fisher; Tina Clifton; Andrew Smith; Roger Penman; Aliza Knox; Richard Davis.

Information on directors

Mr Richard Fisher AM MEc LLB
Chairman of the Board (from 22 October 2013)
Member of Audit Committee
Chairman of Nomination Committee (from 22 October 2013, previously member)
Member of Remuneration Committee (from 26 November 2013)
Member of Risk Committee (until 26 November 2013)

Richard Fisher has been a director of InvoCare Limited since 24 October 2003 and was appointed Chairman on 22 October 2013. He 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 was appointed as a director of Sydney Water effective 1 January 2012. Richard is a former part-time Commissioner at the Australian Law Reform Commission, former Member of the Library Council of NSW 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: 11,580 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: 237,357 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 involved in NSW mental health services Official Visitors' programme. 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 Partner 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: 16,665 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 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: 5,172 ordinary shares in InvoCare Limited

Mr Richard Davis BEc
Non-executive Director
Member of Risk Committee (from 24 June 2013)
Member of Remuneration Committee (from 26 November 2013)
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: 606,607 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: 81,385 ordinary shares in InvoCare Limited

Meetings of directors

Details of the meetings attended by each director during the year ended 31 December 2013 are set out in the Corporate Governance Statement on page 33.

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.

Richard Fisher and Richard Davis will retire by rotation as directors at the Annual General Meeting on 23 May 2014 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. The Other Key Management Personnel ("Other KMP") comprise:

– Greg Bisset, Chief Operating Officer Australia ("COO Australia");
– Graeme Rhind, Chief Operating Officer New Zealand ("COO New Zealand");
– Wee Leng Goh, Chief Executive Officer of Singapore Casket Company ("CEO Singapore");
– Phillip Friery, Chief Financial Officer ("CFO"); and
– Andi Luiskandl, Chief Information Officer ("CIO").

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 KMP, 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 are used for all new appointments.

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 currently comprises six directors, being five non-executive directors (including the Chairman) and one executive director, being the CEO. Any director appointed to fill a casual vacancy, except for the CEO, must stand for election by shareholders at the next Annual General Meeting. In addition, one-third of the non-executive directors, and any other director who has held office for three years or more since last being elected, must retire from office and, if eligible, may stand for re-election. The CEO is exempt from retirement by rotation and is not counted in determining the number of directors to retire by rotation.

The majority of the Board must be independent directors, one of whom is the Chairman. A director is deemed to be "independent" if independent of management and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of unfettered and independent judgement.

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

The skills, experience and expertise relevant to the position of each director and their term of office are set out starting on page 30 of the Directors' Report.

Meetings of directors

During the year ended 31 December 2013, 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		Risk Committee		Remuneration Committee		Nomination Committee	
	A	B	A	B	A	B	A	B	A	B
Non-executive Directors										
Richard Fisher	15	15	5	5	3	3	1	1	2	2
Christine Clifton	15	15	5	5	3	3	–	–	2	2
Roger Penman	14	15	5	5	–	–	2	2	2	2
Aliza Knox	15	15	5*	–	3	3	–	–	2	2
Richard Davis	15	15	5*	–	3*	1	2*	1	2	2
Ian Ferrier	10	10	2*	–	3	3	1	1	1	2
Benjamin Chow	7	7	2*	–	2	2	1	1	1	2
Executive Director										
Andrew Smith	15	15	5*	–	3*	–	2*	–	–	–

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

During the year Ian Ferrier and Benjamin Chow resigned. Richard Davis was appointed as a member of the Risk Committee on 24 June 2013 and Richard Fisher left this committee on 26 November 2013. Both Richard Fisher and Richard Davis joined the Remuneration Committee on 26 November 2013.

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.

At the date of this report, the composition of the Board Committees is as follows:

Director	Audit	Risk	Nomination	Remuneration
Richard Fisher	✓		Chairman	✓
Christine Clifton	✓	Chairman	✓	
Roger Penman	Chairman		✓	Chairman
Aliza Knox		✓	✓	
Richard Davis		✓	✓	✓

Nomination Committee

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

The Committee currently consists of the five independent non-executive directors of the Board whose skills and experience cover finance and accounting, taxation, law, medicine and health administration, marketing, digital media and the funeral industry. The Committee has been chaired by Richard Fisher since Ian Ferrier's resignation. 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 require the advisors to present candidates with equal numbers of suitably qualified men and women and with some diversity in cultural background and age. The Board 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.

Due to the changes in the composition of the Board during the year no formal performance evaluation reviews were undertaken during 2013 although substantial discussions were held about the future composition of the Board and the mix of skills available currently and desired for the future growth of the Group.

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 advisors 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 33% of the board, 20% of other key management personnel, 29% of operational general managers in Australia and 38% of support general managers. Fifty-three percent of total InvoCare 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 Australian Securities Exchange ("ASX"). This includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX listing rules and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public. Continuous disclosure obligations are well understood and upheld by the Board and senior executives. Formal and informal discussion and consideration of these obligations occur as and when the need arises.

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

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

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 11.00am on Friday, 23 May 2014 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. 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 three independent non-executive directors and is currently chaired by Christine Clifton. The other members are Aliza Knox and Richard Davis.

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

Internal control

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

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

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

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

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

Assurance

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

Principle 8 – Remunerate Fairly and Responsibly

Remuneration Committee

InvoCare's remuneration policy ensures that remuneration packages properly reflect the person's duties and responsibilities, and that remuneration is competitive in attracting, retaining and motivating people of the highest calibre.

The Remuneration Committee reviews and makes recommendations to the Board on senior executive remuneration and appointment and on overall staff remuneration and compensation policies.

When making recommendations, the Committee aims to design policies that attract and retain the executives needed to run InvoCare successfully and to motivate executives to pursue appropriate growth strategies while marrying performance with remuneration.

The Remuneration Committee comprises three independent non-executive directors with Roger Penman as Chair and Richard Fisher and Richard Davis 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 37 to 49.

Remuneration Report

The Remuneration Report summarises the key compensation policies and practices for the year ended 31 December 2013, 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 2013 Annual General Meeting
H. Details of remuneration
I. Service agreements
J. 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

Richard Fisher (Chairman)
Christine Clifton
Roger Penman
Aliza Knox
Richard Davis
Ian Ferrier (resigned 22 October 2013)
Benjamin Chow (resigned 16 August 2013)

Other key management personnel

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

Remuneration Report continued

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 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 2013, the Remuneration Committee considered the emerging market remuneration practices and legislative developments.

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

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

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

The key management personnel determine the remuneration of other senior management, within both the Remuneration Committee remuneration policy framework and a defined budget approved by the Board.

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 in November 2013, 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 11 December 2013. The information provided was used, in part, to assist the Board in determining changes to Director and key management personnel remuneration for the 2014 financial year. CRA received a fee of $22,952 (excluding GST and out of pocket expenses) for this work.

CRA also received fees totalling $48,502 (excluding GST and expense recovery) during the year ended 31 December 2013 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 2013 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 performance;
- total compensation should be market competitive and be reviewed annually, with no component guaranteed to increase; and
- the Chief Executive Officer's and senior executives' total remuneration be targeted at the 50th percentile of comparable positions in comparable size companies (taking into account sales revenue, number of employees, net profit after tax and market capitalisation) which is achieved when individual and overall Group performance targets are met.

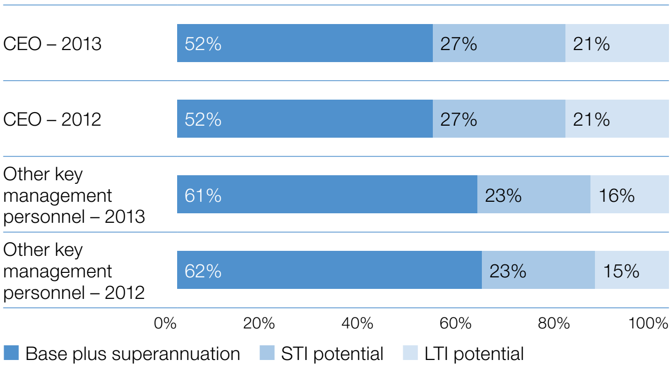
Remuneration structure

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 of 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 2013 or 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 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 executive's 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 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, 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 47 under the heading "I. Service Agreements".

Short-term incentives

STIs 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 56.3% of base salary plus superannuation for the CEO and up to a maximum 49% 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 Group or specific country 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;
– develop and implement digital business strategies, embracing and harnessing new or existing technologies (e.g. social media) to enhance customer service and business efficiencies; and
– continue to grow the prepaid funeral business and, where possible, influence independent fund managers to adopt appropriate asset allocations and achieve investment returns in excess of price rises and investment management 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 include key performance indicators 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 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 2013, the Remuneration Committee determined the CEO and other key management personnel achieved an average 37% of their target STI opportunity. Year on year operating EBITDA growth of 2.2%, although positive, was below targeted performance and hence the 50% STI opportunity relating to financial performance was forfeited.

The following factors were among those considered by the Remuneration Committee in making its assessment on the remainder of the STI opportunity:

– financial performance was adversely impacted by the lower number of deaths, which is out of the control of management; however cost management initiatives resulted in a much improved second half with EBITDA growth of 6.9% and year on year and margin growth of 0.7%;
– ongoing sales of prepaid funeral contracts;
– negotiations with potential business vendors continued during the year with the successful completion and integration of several businesses in Australia and New Zealand; and
– significant progress on roll out of digital strategy across the business.

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 continuous service and, for senior management, performance 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 41.8% of base salary plus superannuation for the CEO (based upon his 2014 remuneration) 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 as 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.

Compound growth per annum of normalised earnings per share 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.

As part of its normal review of remuneration policy, the 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 appear constrained relative to an index or selected peer group;

– the vagaries of equity markets 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 2013 offers, the 2012 base comparison year earnings per share was set at 38.7 cents per share to exclude the asset sale gains during 2012. For 2014 offers, the 2013 base comparison year earnings per share has been set at 39.7 cents per share which excludes the net gains from asset sales and impairments in 2013.

LTI shares or LTI rights granted in 2014, 2012, 2011, 2010 and 2009 vest as set out below:

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

Normalised reported 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 2.0% 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

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

– 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 at the fifth anniversary of the grant are forfeited.

The Remuneration Committee continues to support as fair and reasonable the consideration 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 that result and the market movements in InvoCare's share price.

Remuneration Report continued

The following table summarises the performance to date for the grants made since 2008 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
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 (but later discovered 30% vesting should have occurred – see note)
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 – 27% of remaining shares vested, balance forfeited (excluding shares used to correct vesting apportionment for 2008 grant – see note)
2010	7% to 10%	32.3 cents	February 2012 – not satisfied, first 1/3rd not vested February 2013 – not satisfied, first and second 1/3rd not vested February 2014 – not satisfied, all tranches not vested February 2015 – to be determined
2011	7% to 10%	33.9 cents	February 2013 – not satisfied, first 1/3rd not vested February 2014 – not satisfied, first and second 1/3rd not vested February 2015 – to be determined February 2016 (if required)
2012	7% to 10%	34.4 cents	February 2014 – 39% of the first 1/3rd tranche vested 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)
2014	7% to 10%	39.7 cents	February 2016 – to be determined February 2017 – to be determined February 2018 – to be determined February 2019 (if required)

Note: In February 2013 it had been determined there would be no final vesting for grants made in 2008. Later in the year it was discovered that the apportionment had resulted in an understatement of the number of shares which should have vested. The Directors resolved in February 2014 to vest an additional 16,196 shares for the 2008 grant for the affected ten senior managers, which included Phillip Friery (3,673 shares) and Greg Bisset (2,755 shares) from key management personnel. The additional vested shares were sourced from 36,740 shares forfeited from the 2009 grant which at the date of the resolution were still held in the deferred employee share plan trust.

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

Further details of LTI shares and LTI rights are set out on page 48 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 has delivered shareholder value since listing as depicted by key performance indicators for the Group in the tables below:

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Reported profit after tax ($m) – note 1	**$48.9m**	$44.5m	$27.0m	$27.4m	$48.1m	$28.0m	$27.6m	$24.0m	$20.1m	$19.3m
Basic earnings per share (cents)	**44.7¢**	40.6¢	25.6¢	26.9¢	47.7¢	28.0¢	27.6¢	24.7¢	21.0¢	20.4¢
Normal dividends ($m) – note 2	**$37.9m**	$37.4m	$32.5m	$28.9m	$25.7m	$23.6m	$22.5m	$19.2m	$16.0m	$14.6m
Normal dividends per share (cents)	**34.5¢**	34.0¢	29.75¢	28.25¢	25.25¢	23.5¢	22.5¢	19.5¢	16.5¢	15.4¢
Total return per share ($) – note 3	**$2.60**	$1.39	$0.71	$1.37	$1.28	($1.63)	$1.66	$1.56	$1.11	$1.27
Total shareholder return (%) – note 3	**30%**	18%	10%	22%	25%	(23%)	30%	37%	33%	59%
Share price – 31 December	**$11.04**	$8.78	$7.70	$7.28	$6.18	$5.15	$7.01	$5.57	$4.19	$3.35
Shares on issue (m)	**110m**	110m	110m	102m	102m	101m	100m	99m	97m	95m
Market capitalisation ($m) – note 4	**$1,215m**	$966m	$847m	$746m	$629m	$519m	$703m	$552m	$406m	$318m
Enterprise value ($m) – note 5	**$1,430m**	$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 & 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:

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
InvoCare Limited	**29.8%**	18.4%	10.2%	23.3%	25.2%	(23.5%)	30.6%	38.0%	33.6%	60.1%
Percentile rank	**65.6%**	40.2%	76.7%	70.4%	31.6%	78.2%	66.8%	64.5%	67.5%	75.9%
S&P/ASX 200 Index										
75th percentile	**37.2%**	42.3%	6.4%	31.2%	137.8%	(25.2%)	38.4%	50.3%	47.5%	59.5%
Median	**19.6%**	24.8%	(9.4%)	6.5%	51.3%	(46.2%)	12.9%	26.7%	20.2%	34.4%
25th percentile	**(4.4%)**	7.7%	(24.7%)	(6.8%)	17.3%	(63.6%)	(6.6%)	11.7%	3.1%	14.7%

Source: Bloomberg as at 8 January 2014

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 over the past 9 years compared to a range of similar international business is set out below:

	2013	2012	2011	2010	2009	2008	2007	2006	2005
InvoCare Limited	**29.8%**	18.4%	10.2%	23.3%	25.2%	(23.5%)	30.6%	38.0%	33.6%
Percentile rank	**39.7%**	57.3%	79.7%	59.5%	39.2%	45.6%	74.3%	99.3%	74.4%
Service Corporation International	**33.4%**	32.6%	31.6%	2.6%	70.3%	(64.0%)	38.6%	26.9%	10.9%
Dignity plc	**33.3%**	35.2%	16.1%	20.2%	3.2%	(16.2%)	12.3%	38.3%	43.3%
Stewart Enterprises Inc	**n/a**	36.5%	(12.7%)	33.5%	75.9%	(65.7%)	44.5%	17.6%	(21.7%)
Carriage Services Inc	**65.7%**	114.7%	17.1%	23.5%	95.9%	(77.2%)	73.1%	1.8%	1.2%
Funespana SA	**(2.9%)**	(10.8%)	2.7%	20.2%	12.4%	11.3%	(43.0%)	(3.1%)	9.4%
Tear Corporation	**92.1%**	82.8%	(32.6%)	50.3%	62.6%	6.1%	(22.8%)	n/a	n/a
San Holdings Inc	**18.2%**	(8.2%)	6.8%	(10.9%)	(16.3%)	1.5%	(2.3%)	(16.3%)	4.2%
Stonemor Partners LP	**34.4%**	(2.3%)	(15.4%)	68.5%	92.3%	(33.1%)	(13.3%)	33.8%	10.8%
Mean	**47.9%**	3.8%	(16.1%)	51.6%	64.6%	(28.8%)	2.5%	(2.6%)	61.6%
Median	**33.4%**	3.3%	(12.6%)	20.2%	62.6%	(16.2%)	(7.8%)	(3.1%)	10.1%

Source: Bloomberg as at 8 January 2014

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 2013 financial year, annual fees for non-executive directors were $220,000 for the Chairman of the Board and $120,000 for each of the other six non-executive directors. No additional fees were 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 2014 fees will remain unchanged and be $220,000 for the Chairman and $120,000 for each of the other non-executive directors. The Chairman of the Audit Committee will receive an additional $10,000 for the additional work associated with the Audit Committee. The aggregate of these fees is $710,000 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 23 May 2014.

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 2013 and 31 December 2012.

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

Equity participation

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

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

During 2009, the Board resolved that with effect from 1 January 2009, non-executive directors of InvoCare Limited be required to acquire a minimum equity interest in the Company equivalent in value to 50% of their annual director's fee applying at the time of their appointment as a director of the Company and that directors be allowed up to three years to accumulate the required shareholding. At the date of this report, all non-executive directors have equity interests in the Company higher than required. Directors' equity holdings are set out under the heading "Information on directors" on pages 30 to 31 of the Directors' Report and in Note 7: "Key Management Personnel Disclosures" on page 73 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 2013 Annual General Meeting

The Remuneration Report for the year ended 31 December 2012 received a vote of more than 93% in favour at the Annual General Meeting held on 24 May 2013. 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 Re-muneration (note 8) $	Executives' Actual Re-muneration (note 9) $
Non-executive directors										
Richard Fisher (Chairman)	**2013**	**125,221**	**–**	**–**	**11,445**	**–**	**–**	**–**	**136,667**	
	2012	96,330	–	–	8,670	–	–	–	105,000	
Christine Clifton	**2013**	**109,966**	**–**	**–**	**10,034**	**–**	**–**	**–**	**120,000**	
	2012	96,330	–	–	8,670	–	–	–	105,000	
Roger Penman	**2013**	**120,000**	**–**	**–**	**–**	**–**	**–**	**–**	**120,000**	
	2012	105,000	–	–	–	–	–	–	105,000	
Aliza Knox	**2013**	**120,000**	**–**	**–**	**–**	**–**	**–**	**–**	**120,000**	
	2012	105,000	–	–	–	–	–	–	105,000	
Richard Davis	**2013**	**109,966**	**–**	**–**	**10,034**	**–**	**–**	**–**	**120,000**	
	2012	82,869	–	–	7,458	–	–	–	90,327	
Ian Ferrier	**2013**	**168,196**	**–**	**–**	**15,138**	**–**	**–**	**–**	**183,333**	
(resigned 22 October 2013)	2012	174,312	–	–	15,688	–	–	–	190,000	
Benjamin Chow	**2013**	**73,353**	**–**	**–**	**6,648**	**–**	**–**	**–**	**80,000**	
(resigned 16 August 2013)	2012	96,330	–	–	8,670	–	–	–	105,000	
Executive director										
Andrew Smith	**2013**	**720,246**	**122,227**	**39,345**	**21,989**	**20,149**	**264,881**	**(55,872)**	**1,133,565**	**1,168,354**
	2012	694,625	353,885	42,031	21,327	17,854	240,358	–	1,370,080	1,289,399
Other key management personnel										
Phillip Friery	**2013**	**366,253**	**64,517**	**30,402**	**19,000**	**10,504**	**97,893**	**(7,966)**	**580,603**	**546,983**
	2012	331,640	150,162	28,994	25,647	8,522	102,380	(79,349)	567,996	571,770
Greg Bisset	**2013**	**352,654**	**64,378**	**42,535**	**24,505**	**5,767**	**120,837**	**(9,323)**	**601,353**	**542,346**
	2012	339,926	159,422	33,353	27,807	5,759	106,862	(57,621)	615,508	587,823
Andi Luiskandl	**2013**	**248,715**	**37,089**	**20,222**	**23,146**	**1,284**	**36,605**	**–**	**367,060**	**333,043**
(Appointed 5 March 2012)	2012	181,029	44,000	24,010	13,865	762	14,921	–	278,587	262,904
Wee Leng Goh	**2013**	**195,359**	**26,921**	**7,323**	**11,103**	**–**	**76,012**	**–**	**316,718**	**249,425**
(Note 10)	2012	176,696	27,111	6,566	10,510	–	46,214	–	267,097	225,904
Graeme Rhind	**2013**	**176,630**	**24,966**	**14,656**	**9,602**	**–**	**28,731**	**–**	**254,584**	**228,574**
(Note 11)	2012	161,204	58,158	14,896	6,277	–	13,260	–	253,795	241,215

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 in accordance with relevant Australian Accounting Standards.*
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, previous years' amortisation expense for long term incentive shares granted in earlier 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 values of previous grants which were forfeited during the year were $102,000 for Andrew Smith, $18,000 for Phillip Friery and $17,000 for Greg Bisset.*
10. *Wee Leng Goh, Chief Executive Officer of Singapore Casket Company, received total remuneration of SG$383,236 (2012: SG$345,617), which has been converted to Australian dollars at the average exchange rate for year of 0.826 (2012: 0.773).*
11. *Graeme Rhind, Chief Operating Officer of New Zealand, received total remuneration of NZ$297,272 (2012: NZ$324,403), which has been converted to Australian dollars at the average exchange rate for the year of 0.848 (2012: 0.782).*

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	31%	69%
Phillip Friery	38%	62%
Greg Bisset	38%	62%
Andi Luiskandl	58%	42%
Wee Leng Goh	59%	41%
Graeme Rhind	33%	67%
Average	**37%**	**63%**

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, long-term performance related share-based bonuses 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, ending on 30 April 2015.

The total remuneration package is reviewed annually and the latest review effective from 1 January 2014 provides for remuneration as follows:

- base salary and superannuation, being $745,000 for 2014 (from 1 January 2013: $745,000);
- short-term incentive bonus of up to $419,528 (from 1 January 2013: $391,125), being 56.3% of base salary and superannuation (2013: 52.5%);
- LTI shares of $311,559 (from 1 January 2013: $303,960), being 41.8% of base salary and superannuation (2013: 40.8%); and
- other benefits such as fully maintained motor vehicle and membership of relevant professional or commercial bodies.

The Remuneration Committee and Board has 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. Unvested LTI shares will also vest if the Company does not extend the employee's service agreement.

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 E – 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 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 employer. The employer 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	22,519	100%	–	–	–	–
	2009	2014	52,547	$275,000	13,017	39,765	76%	$17,017	(9,289)	$102,551	18%
	2010	2015	30,404	$182,875	–	–	–	$182,875	–	–	–
	2011	2016	27,288	$201,163	–	–	–	$201,163	–	–	–
	2012	2017	35,792	$284,325	–	–	–	$284,325	–	–	–
	2013	2018	27,799	$303,960	–	–	–	$303,960	–	–	–
Phillip Friery	2009	2014	20,526	$100,000	4,271	13,222	64%	$27,619	(1,635)	$18,050	8%
	2010	2015	20,374	$122,540	–	–	–	$122,540	–	–	–
	2011	2016	17,454	$128,667	–	–	–	$128,667	–	–	–
	2012	2017	8,098	$64,334	–	–	–	$64,334	–	–	–
	2013	2018	9,617	$105,140	–	–	–	$105,140	–	–	–
Greg Bisset	2009	2014	16,647	$81,100	3,465	10,723	64%	$21,309	(1,550)	$17,112	9%
	2010	2015	13,985	$84,121	–	–	–	$84,121	–	–	–
	2011	2016	14,749	$108,728	–	–	–	$108,728	–	–	–
	2012	2017	16,088	$127,803	–	–	–	$127,803	–	–	–
	2013	2018	12,212	$133,525	–	–	–	$133,525	–	–	–
Andi Luiskandl	2012	2017	5,539	$44,000	–	–	–	$44,000	–	–	–
	2013	2018	5,848	$63,946	–	–	–	$63,946	–	–	–
Wee Leng Goh	2010	2015	5,451	$32,760	–	–	–	$59,928	–	–	–
	2011	2016	5,536	$40,800	–	–	–	$60,847	–	–	–
	2012	2017	5,081	$39,432	–	–	–	$55,848	–	–	–
	2013	2018	4,124	$45,075	–	–	–	$45,350	–	–	–
Graeme Rhind	2012	2017	4,536	$35,199	–	–	–	$49,858	–	–	–
	2013	2018	3,464	$37,862	–	–	–	$38,092	–	–	–

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 2014, from the balance of unvested shares held in trust at the end of the year, shares from grants made in 2009 were forfeited due to EPS performance conditions unlikely being achieved. To correct the apportionment calculation for the final testing of 2008 grants in February 2013, the Directors resolved in February 2014 to vest an additional 3,673 shares for Phillip Friery and 2,755 shares for Greg Bisset by using forfeited 2009 grant shares which remained available in the deferred employee share plan trust. For the purposes of display in this table, the 2009 grant forfeited shares, net of the additional 2008 grant vesting for the two key management personnel, have been shown as occurring in 2013 (with forfeit values based upon InvoCare's share price at 31 December 2013).*

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 73.

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 2013:

	$
Australian Firm	
Assurance services	26,000
Accounting advisory services	45,122
Taxation services	73,000
Other services	–
Non-Australian Firms	
Taxation services	58,599
Other services	12,623
Total	**215,344**

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 50.

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.

Richard Fisher
Director
Dated this 20th day of February 2014.

Andrew Smith
Director

Auditor's Independence Declaration

As lead auditor for the audit of InvoCare Limited for the year ended 31 December 2013, 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
20 February 2014

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 2013

	Notes	2013 $'000	2012 $'000
Revenue from continuing operations	4	**392,186**	375,504
Finished goods, consumables and funeral disbursements		**(113,227)**	(107,304)
Employee benefits expense		**(97,395)**	(91,061)
Employee related and on-cost expenses		**(22,051)**	(20,081)
Advertising and public relations expenses		**(13,242)**	(12,697)
Occupancy and facilities expenses		**(26,043)**	(25,196)
Motor vehicle expenses		**(8,307)**	(8,042)
Other expenses		**(16,849)**	(18,097)
		95,072	93,026
Depreciation, amortisation and impairment expenses	5	**(14,587)**	(16,360)
Finance costs	5	**(16,820)**	(16,262)
Interest income		**658**	780
Net gain/(loss) on undelivered prepaid contracts	15	**1,590**	(18)
Acquisition related costs		**(537)**	(731)
Share of net loss of associate		**(300)**	–
Net gain on disposal of non-current assets		**2,972**	2,180
Profit before income tax		**68,048**	62,615
Income tax expense	6	**(19,049)**	(18,033)
Profit from continuing activities		**48,999**	44,582
Profit for the year		**48,999**	44,582
Profit is attributable to:			
Equity holders of InvoCare Limited		**48,869**	44,479
Non-controlling interests		**130**	103
		48,999	44,582
Earnings per share for profit attributable to the ordinary equity holders of the Company			
Basic earnings per share (cents per share)	11	**44.7**	40.6
Diluted earnings per share (cents per share)	11	**44.7**	40.6

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 2013

	Notes	2013 $'000	2012 $'000
Profit for the year		**48,999**	44,582
Other comprehensive income			
Items that may be reclassified to profit or loss			
Changes in the fair value of cash flow hedges, net of tax	26	**2,575**	(1,742)
Changes in foreign currency translation reserve, net of tax	26	**4,330**	1,218
Other comprehensive income for the year, net of tax		**6,905**	(524)
Total comprehensive income for the year		**55,904**	44,058
Total comprehensive income for the year is attributable to:			
Equity holders of InvoCare Limited		**55,774**	43,955
Non-controlling interests		**130**	103
		55,904	44,058

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

Consolidated Balance Sheet

AS AT 31 DECEMBER 2013

	Notes	2013 $'000	2012 $'000
ASSETS			
Current assets			
Cash and cash equivalents	12	**8,899**	6,081
Trade and other receivables	13	**38,366**	34,540
Inventories	14	**21,637**	21,362
Prepaid contract funds under management	15	**30,480**	28,370
Property held for sale		**–**	2,631
Deferred selling costs		**1,039**	1,150
Total current assets		**100,421**	94,134
Non-current assets			
Trade and other receivables	13	**14,298**	14,920
Other financial assets		**63**	104
Property, plant and equipment	18	**296,545**	284,974
Prepaid contract funds under management	15	**343,129**	*322,535*
Intangible assets	19	**148,912**	137,484
Derivative financial instruments	*20*	**1**	–
Deferred selling costs		**8,493**	7,999
Equity accounted investments		**4,705**	–
Total non-current assets		**816,146**	768,016
Total assets		**916,567**	862,150
LIABILITIES			
Current liabilities			
Trade and other payables	21	**34,563**	25,059
Borrowings	22	**11**	17
Derivative financial instruments	20	**1,342**	1,353
Current tax liabilities		**9,946**	5,216
Prepaid contract liabilities	15	**30,481**	28,455
Deferred revenue		**6,925**	6,748
Provisions	23	**12,732**	12,431
Total current liabilities		**96,000**	79,279
Non-current liabilities			
Trade and other payables	21	**1,124**	2,163
Borrowings	22	**223,956**	223,217
Derivative financial instruments	20	**4,437**	8,032
Deferred tax liabilities	6 (d)	**28,755**	28,502
Prepaid contract liabilities	15	**346,044**	326,635
Deferred revenue		**43,527**	40,696
Provisions	23	**2,027**	1,735
Total non-current liabilities		**649,870**	630,980
Total liabilities		**745,870**	710,259
Net assets		**170,697**	151,891
EQUITY			
Contributed equity	25	**132,393**	132,687
Reserves	26	**4,423**	(3,120)
Retained profits	26	**32,636**	21,173
Parent entity interest		**169,452**	150,740
Non-controlling interests	27	**1,245**	1,151
Total equity		**170,697**	151,891

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 2013

	Notes	Attributable to Owners of InvoCare Limited					
		Contri-buted equity $'000	Reserves $'000	Retained earnings $'000	Total	Non con-trolling interest $'000	Total equity $'000
Balance at 1 January 2013		**132,687**	**(3,120)**	**21,173**	**150,740**	**1,151**	**151,891**
Total comprehensive income for the year		**–**	**6,905**	**48,869**	**55,774**	**130**	**55,904**
Transactions with owners in their capacity as owners:							
Dividends paid	10	**–**	**–**	**(37,406)**	**(37,406)**	**(36)**	**(37,442)**
Deferred employee share plan shares vesting during the year	26	**388**	**(388)**	**–**	**–**	**–**	**–**
Acquisition of shares by the InvoCare Deferred Share Plan Trust	25	**(842)**	**–**	**–**	**(842)**	**–**	**(842)**
Transfer of shares from the deferred plan to the InvoCare Exempt Share Plan Trust	25	**160**	**–**	**–**	**160**	**–**	**160**
Employee shares – value of services		**–**	**1,026**	**–**	**1,026**	**–**	**1,026**
Balance at 31 December 2013		**132,393**	**4,423**	**32,636**	**169,452**	**1,245**	**170,697**
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)
Transfer of shares from the deferred plan to the InvoCare Exempt Share Plan Trust	25	209	–	–	209	–	209
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

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 2013

	Notes	2013 $'000	2012 $'000
Cash flows from operating activities			
Receipts from customers (including GST)		**434,007**	409,219
Payments to suppliers and employees (including GST)		**(336,529)**	(327,624)
Other revenue		**6,833**	6,947
		104,311	88,542
Interest received		**77**	182
Finance costs		**(16,316)**	(15,624)
Income tax paid		**(15,856)**	(19,928)
Net cash inflow from operating activities	31	**72,216**	53,172
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**8,025**	3,294
Purchase of subsidiaries and other businesses including acquisition costs, net of cash acquired		**(8,178)**	(9,257)
Purchase of interest in associates		**(5,005)**	–
Purchase of property, plant, equipment and intangibles		**(19,264)**	(18,412)
Net cash outflow from investing activities		**(24,422)**	(24,375)
Cash flows from financing activities			
Payment for shares acquired by InvoCare Deferred Employee Share Plan Trust		**(842)**	(1,225)
Proceeds from borrowings		**155,328**	35,580
Repayment of borrowings		**(162,162)**	(28,500)
Payment of dividends – InvoCare Limited shareholders		**(37,406)**	(34,390)
Dividends paid to non-controlling interests in subsidiaries		**(36)**	(83)
Net cash outflow from financing activities		**(45,118)**	(28,618)
Net increase in cash and cash equivalents		**2,676**	179
Cash and cash equivalents at the beginning of the year		**6,081**	5,872
Effects of exchange rate changes on cash and cash equivalents		**142**	30
Cash and cash equivalents at the end of the year	12	**8,899**	6,081

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 the exercise 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 2013 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 entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

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 entites 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 intially being recognised at cost.

The Group's share of its associates' post-acquistion profits or losses and its share of post-acqusition 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 where actual deliveries are not individually tracked are released to revenue over fifteen 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.

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.

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 assets and liabilities 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 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 the Group 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 the Group. The Group 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. The Group 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 2013 reporting periods. The Group's assessments of the impacts of these new standards and interpretations are set out below.

(i) AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 , AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) and AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures (effective for annual reporting periods beginning on or after 1 January 2015)

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption. The new standard is likely to have no material impact on the Group.

(ii) AASB 2013-3 Amendments to AASB 136 Recoverable Amount Disclosures for Non-Financial Assets (effective 1 January 2014)

Amendments to AASB 136 have resulted in small changes to some of the disclosures that are required under AASB 136 Impairment of Assets. These may result in additional disclosures if the group recognises an impairment loss or the reversal of an impairment loss during the period. They will not affect any of the amounts recognised in the financial statements. The Group intends to apply the amendment from 1 January 2014.

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:

	2013 $'000	2012 $'000
Financial assets		
Cash and cash equivalents	**8,899**	6,081
Trade and other receivables*	**47,003**	44,599
Prepaid contract funds under management	**373,609**	350,905
Other financial assets	**63**	104
	429,574	401,689
Financial liabilities		
Trade and other payables	**35,687**	27,222
Borrowings	**223,967**	223,234
Derivative financial instruments	**5,778**	9,385
	265,432	259,841

** excluding prepayments and security deposits*

(a) Market risk

(i) Cash flow interest rate risk

The Group's main interest rate risk arises from long-term borrowings. All borrowings are initially at variable interest rates determined by a margin over the reference rate based on the Group's leverage ratio. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. It is the policy of the Group to keep at least 75% of debt on fixed interest rates over the next twelve months by entering into interest rate swap contracts. 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 outstanding during the year had an effective average interest rate of 6.4% (2012: 6.6%) inclusive of swaps and margins but excluding establishment fees.

At balance date, interest rate swaps for 80% (2012: 91%) of borrowings were in place. Of these interest rate swaps none (2012: 10%) were denominated in Singapore dollar and 14% (2012: 10%) in New Zealand dollar fixed interest instruments, with the balance denominated in Australian dollars. As at 31 December 2013 the weighted average fixed interest rate payable on the interest rate swaps is 4.94% (2012: 4.77%) and the weighted average variable rate receivable as at 31 December 2013 is 2.64% (2012: 2.80%).

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

	31 December 2013		31 December 2012	
	Weighted average interest rate	Balance $'000	Weighted average interest rate	Balance $'000
Bank loans	**6.39%**	**225,228**	6.57%	224,181
Interest rate swaps (notional principal)	**4.94%**	**179,318**	4.77%	203,185
Net exposure to cash flow interest rate risk		**45,910**		20,996

Note 2: Financial Risk Management continued

(a) Market risk continued

(i) Cash flow interest rate risk continued

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

	2013 $'000	2012 $'000
Less than one year	**64,500**	86,866
One to two years	**54,818**	64,500
Two to three years	**60,000**	51,117
Three to four years	**60,000**	60,000
	239,318	262,483

These 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 (2012: 100 basis points) in the interest rate would result in additional interest expense after tax of $259,000 (2012: $44,000). A decrease of 100 basis points (2012: 100 basis points) would result in an after tax gain of $119,000 (2012: $197,000). 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 2013 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 $1,404,000 (2012: $2,742,000) 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 $1,264,000 (2012: $566,000) net of tax.

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

The Group's cash and cash equivalents held in Australia are interest bearing. At 31 December 2013 the weighted average interest rate was 1.2% (2012: 2.2%). If interest rates changed by 100 basis points (2012: 100 basis points) the Group's after tax result would increase or decrease by $38,000 (2012: $49,000).

(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:

	2013 $'000		2012 $'000	
	New Zealand Dollars	Singapore Dollars	New Zealand Dollars	Singapore Dollars
Borrowings	**33,091**	**29,144**	21,415	21,270
Derivatives	**1**	**–**	549	132

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 2013. 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 2013 and 31 December 2012 the following changes in investment returns are reasonably probable.

	31 December 2013		31 December 2012	
	Increase	Decrease	Increase	Decrease
Asset class				
Equities (plus or minus 10%)	**4,857**	**(4,857)**	2,807	(2,807)
Property (plus or minus 3%)	**2,578**	**(2,578)**	1,790	(1,790)
Cash and fixed interest (no price risk)	**–**	**–**	–	–
	7,435	**(7,435)**	4,597	(4,597)

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 14% 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:

	2013 %	2012 %
Equities	**13**	8
Property	**23**	17
Cash and fixed interest	**64**	75

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 $2,608,000 (2012: $2,631,000). As at 31 December 2013, receivables with a nominal value of $3,515,000 (2012: $3,749,000) 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 2013, trade receivables of $7,341,000 (2012: $6,816,000) were past due but had not been referred to external debt collection agents and hence were considered not to be impaired. These relate to customers where there is no current evidence of an inability or unwillingness to settle the amount due but where payment has been delayed. The Group's own collection activity, which varies based on the nature and relative age of the debt, is routinely applied to all past due accounts. When these activities do not result in a successful outcome, the debt is referred to external debt collection agencies.

The aging of receivables past due but not impaired follows:

	2013 $'000	2012 $'000
One to three months overdue	**4,260**	3,969
Over three months overdue	**3,081**	2,847

(iii) Other receivables

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

(iv) Interest rate risks

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

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:

	2013 $'000	2012 $'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
– unsecured loan facility expiring in two to five years	255,000	190,500
– working capital facility expiring within one year	6,838	6,173
	261,838	261,173
Used at balance date		
– unsecured loan facility	225,228	224,181
– working capital facility	937	1,269
	226,165	225,450
Unused at balance date		
– unsecured loan facility	29,772	30,819
– working capital facility	5,902	4,904
	35,674	35,723

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

31 December 2013	Less than one year $'000	Two to three years $'000	More than three years $'000	Total $'000
Trade and other payables	34,563	969	155	35,687
Borrowings	–	77,400	147,828	225,228
Derivatives	1,342	3,833	603	5,778

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	4,745	3,287	9,385

The Group's external debt financing is provided by four major banks in Australia and their New Zealand operations, where relevant, through bi-lateral revolver debt facilities totalling $255 million, $85 million expiring in September 2016 and $170 million expiring in December 2018.

The facilities agreements' covenant ratios are calculated on a rolling 12-month basis and have been met at 31 December 2013. 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 2013, basic EPS was 44.7 cents (2012: 40.6 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 38.9 cents (2012: 38.8 cents). Importantly, senior management of the Group have long-term incentives linked to EPS growth, thus aligning employee and shareholder interests. Total compound annual shareholder return, being the sum of cash dividends and share price growth, has exceeded 22% (2012: 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 $5.87 or 587% (2012: $4.86 or 486%) up to 31 December 2013.
- 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 2013 dividends represents a payout ratio of 89% (2012: 88%) 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 2013 the proportion of debt hedged was 80% (2012: 91%). The hedge contracts extend to the second half of 2017.
- Managing refinancing risk: The Groups borrowing facilities were renewed during 2013 and have been split into two tranches across four banks in order to reduce refinancing risk. The second tranche originally due to expire in September 2014 was refinanced in December 2013 along with the tranche due to expire in September 2015 and now expire in December 2018.

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 2013	Carrying amount $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000
Financial assets									
Cash and cash equivalents	**8,899**	**(38)**	**–**	**38**	**–**	**–**	**1**	**–**	**3**
Accounts receivable	**47,003**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Prepaid contract funds under management	**373,609**	**(1,444)**	**–**	**1,444**	**–**	**–**	**–**	**–**	**–**
Other financial assets	**63**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Financial liabilities									
Trade and other payables	**35,687**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Borrowings	**223,967**	**(119)**	**–**	**259**	**–**	**(91)**	**3,133**	**74**	**(2,906)**
Derivatives	**5,778**	**–**	**1,404**	**–**	**(1,264)**	**–**	**(3,133)**	**–**	**2,906**
Total increase/(decrease)		**(1,601)**	**1,404**	**1,741**	**(1,264)**	**(91)**	**1**	**74**	**3**

		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	44,599	–	–	–	–	–	–	–	–
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)

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

(f) Fair value estimation

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

As of 1 January 2009, the Group adopted the amendment to AASB 7 *Financial Instruments: Disclosures*, which requires the disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

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 $15,000 (2012: $19,000). Similarly, a 10% decrease in the discount rate results in an increase in contingent consideration of $15,000 (2012: $21,000).

Note 2: Financial Risk Management continued

(f) Fair value estimation continued

	2013 $'000	2012 $'000
Level 1		
Prepaid contract funds under management	**373,609**	350,905
Level 2		
Derivatives financial instruments	**(5,778)**	(9,717)
Level 3		
Contingent consideration	**(2,437)**	(2,163)

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

The operating segments should be based on the management reporting regularly reviewed by the CEO. 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 ("CEO")

The segment information provided to the CEO for reportable segments to 31 December 2013 and 31 December 2012 is outlined below.

	Australian Operations		Singapore Operations		New Zealand Operations		Consolidated	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Revenue from external customers	**338,193**	327,866	**12,982**	10,624	**34,177**	30,162	**385,352**	368,652
Other revenue (excluding interest income)	**6,437**	6,568	**267**	188	**130**	96	**6,834**	6,852
Operating expenses	**(262,325)**	(252,875)	**(7,018)**	(5,503)	**(27,771)**	(24,100)	**(297,114)**	(282,478)
Operating EBITDA	**82,305**	81,559	**6,231**	5,309	**6,536**	6,158	**95,072**	93,026
Depreciation and amortisation	**(15,578)**	(14,459)	**(512)**	(498)	**(1,680)**	(1,403)	**(17,770)**	(16,360)
Finance costs	**(14,442)**	(14,331)	**(748)**	(580)	**(1,630)**	(1,351)	**(16,820)**	(16,262)
Interest income	**628**	744	**–**	–	**30**	36	**658**	780
Share of net loss of associate	**(300)**	–	**–**	–	**–**	–	**(300)**	–
Income tax expense	**(18,306)**	(16,527)	**(569)**	(700)	**(174)**	(806)	**(19,049)**	(18,033)
Total goodwill	**84,925**	84,840	**12,915**	11,618	**42,870**	32,971	**140,710**	129,429
Total assets	**812,596**	785,280	**37,331**	29,134	**66,640**	47,736	**916,567**	862,150
Total liabilities	**674,284**	659,819	**31,701**	23,504	**39,885**	26,936	**745,870**	710,259

Operating EBITDA of $95,072,000 (2012: $93,026,000) is reconciled to profit before tax on the face of the consolidated income statement.

(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.

Note 4: Revenue from Continuing Operations

	2013 $'000	2012 $'000
Sales revenue		
Sale of goods	**154,213**	148,535
Services revenue	**231,139**	220,117
	385,352	368,652
Other revenue		
Rent	**327**	437
Administration fees	**5,017**	4,706
Sundry revenue	**1,490**	1,709
	6,834	6,852
Total revenue from continuing operations	**392,186**	375,504

Note 5: Expenses

	2013 $'000	2012 $'000
Profit before income tax includes the following specific expenses:		
Depreciation		
Buildings	**4,094**	3,955
Property, plant and equipment	**11,613**	10,543
Total depreciation	**15,707**	14,498
Amortisation of non-current assets		
Cemetery land	**359**	368
Leasehold land and buildings	**180**	177
Leasehold improvements	**353**	300
Brand names	**1,171**	1,017
Total amortisation	**2,063**	1,862
Total depreciation and amortisation	**17,770**	16,360
Impairment of other assets		
Cemetery land impairment reversal	**(4,900)**	–
Cemetery land impairment charge	**1,200**	–
Leasehold land	**407**	–
Goodwill	**110**	–
Total depreciation, amortisation and impairment	**14,587**	16,360
Finance costs		
Interest paid and payable	**14,727**	14,562
Other finance costs	**2,093**	1,700
Total financing costs	**16,820**	16,262
Impairment losses – financial assets		
Trade receivables	**729**	870
Rental expense		
Operating lease rental – minimum lease payments	**11,089**	10,916
Defined contribution superannuation expense	**7,092**	6,469

Note 6: Income Tax

(a) Income tax expense

	2013 $'000	2012 $'000
Current tax	**20,339**	17,058
Deferred tax	**(1,050)**	971
Under/(over) provided in prior years	**(240)**	4
Income tax expense attributable to continuing operations	**19,049**	18,033

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

	2013 $'000	2012 $'000
Prima facie tax at 30% (2012: 30%) on profit from ordinary activities	**20,414**	18,784
Tax effect of amounts which are not deductible/(taxable) in calculation of taxable income		
Impact of previously unrecognised capital losses offsetting capital gains and unrecognised capital losses	**(581)**	(418)
Impact of the eliminations of translation gains/(losses) on intercompany balances in foreign currencies	**406**	165
Impact of the reassessment of the appropriate depreciation rates applicable to New Zealand building assets	**(583)**	–
Acquisition costs not deductible	**132**	86
Impact of share of the net loss of an associate	**90**	–
Other items (net)	**260**	115
	20,138	18,732
Difference in overseas tax rates	**(849)**	(703)
Under/(over) provision in prior years	**(240)**	4
Income tax expense	**19,049**	18,033

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

	2013 $'000	2012 $'000
Cash flow hedges	**772**	(753)

Note 6: Income Tax continued

(d) Deferred tax (asset)/liability

	2013 $'000	2012 $'000
The deferred tax (asset)/liability balances comprised temporary differences attributable to:		
Amounts recognised in profit and loss:		
Cemetery land	**25,191**	25,035
Property, plant and equipment	**7,196**	7,422
Deferred selling costs	**2,859**	2,743
Prepayments and other	**173**	720
Brand names	**1,761**	2,319
Prepaid contracts	**(149)**	(1,108)
Provisions	**(4,547)**	(4,568)
Receivables	**(1,275)**	(528)
Accruals and other	**(721)**	(729)
Amounts recognised directly in equity:		
Cash flow hedge reserve	**(1,733)**	(2,804)
	28,755	28,502
The net movement in the deferred tax (asset)/liability is as follows:		
Balance at the beginning of the year	**28,502**	28,415
Net charge (credit) to income statement – current period	**(1,050)**	971
Net charge (credit) to income statement – prior periods	**15**	(332)
Amounts recognised due to business combinations net of businesses subsequently sold	**424**	586
Amounts recognised directly in equity	**772**	(753)
Effect of movements in exchange rates	**92**	(385)
Balance at the end of the year	**28,755**	28,502
Deferred tax liabilities/(assets) to be settled within 12 months	**(7,551)**	(8,323)
Deferred tax liabilities/(assets) to be settled after 12 months	**36,306**	36,825
	28,755	28,502

(e) Tax losses

The Group has unutilised Australian capital losses with a potential benefit of $164,000 (2012: $478,000) at a tax rate of 30% (2012: 30%).

Note 7: Key Management Personnel Disclosures

(a) Key management personnel compensation

	2013 $	2012 $
Short-term employee benefits	**3,381,738**	3,583,879
Post-employment benefits	**162,644**	154,589
Other long term benefits	**37,704**	32,897
Share-based payments	**551,798**	387,025
	4,133,884	4,158,390

Detailed remuneration disclosures are provided in the Remuneration Report on pages 37 to 49.

(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 37 to 49.

The Company has not provided any options over unissued shares as remuneration during the 2013 or 2012 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 [1]				
Richard Fisher	6,315	–	5,265	11,580
Christine Clifton	112,961	–	–	112,961
Roger Penman	8,000	–	8,665	16,665
Aliza Knox	3,050	–	2,122	5,172
Richard Davis	636,607	–	(30,000)	606,607
Executive Directors				
Andrew Smith [2]	205,303	32,054	–	237,357
Other key management personnel				
Phillip Friery [2,3]	98,899	9,617	(27,131)	81,385
Greg Bisset [2,3]	69,411	12,212	(9,098)	72,525
Andi Luiskandl	5,539	5,848	–	11,387
Wee Leng Goh [4]	16,068	4,124	–	20,192
Graeme Rhind [4]	4,536	3,464	–	8,000

1. *Ian Ferrier and Benjamin Chow who resigned as directors during the year each held 52,401 and 10,821 shares respectively at the start of the year. Ian Ferrier held the same number of shares upon his resignation on 22 October 2013. Benjamin Chow held 11,009 shares upon his resignation on 16 August 2013, having been issued an additional 188 shares in April 2013 from his participation in the dividend reinvestment plan.*
2. *Upon final vesting test in February 2014, from the balance of shares held at the end of the year as shown in the above table, shares from grants made in 2009 were forfeited due to EPS performance conditions not being achieved. Andrew Smith forfeited 9,289 shares. Before the adjustment in Note 3, Phillip Friery forfeited 5,308 shares and Greg Bisset forfeited 4,305 shares.*
3. *In February 2013 it had been determined there would be no final vesting for grants made in 2008. Later in the year it was discovered that the apportionment had resulted in an understatement of the number of shares which should have vested. The Directors resolved in February 2014 to vest an additional 16,196 shares for the 2008 grant for the affected ten senior managers (which included Phillip Friery 3,673 shares and Greg Bisset 2,755 shares from key management personnel). The additional vested shares were sourced from shares forfeited from the 2009 grant which at the date of the resolution were still held in the deferred employee share plan trust.*
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 immediate past 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 previous year, services were provided to the Group on normal terms and conditions amounting to $27,144.

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

	2013 $	2012 $
Amounts recognised as expense		
Other professional services	–	27,144

At balance date there were no amounts payable in either 2013 or 2012 to key management personnel of the Group, including their personally related parties, relating to the above types of transactions.

Note 8: Share-based Payments

To align executive and shareholder interests, key management and other senior managers may be offered shares as long term incentives under the InvoCare Deferred Employee Share Plan which was established in 2006.

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 when compound earnings per share growth is less than the target.

In non-Australian jurisdictions the direct ownership of InvoCare Limited shares present 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.

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

	2013 $'000	2012 $'000
Long-term incentive bonus share expense	**1,026**	705

Note 8: Share-based Payments continued

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 2008	25 February 2011	6.33	175	–	–	(175)	–
	25 February 2012	6.33	175	–	–	(175)	–
1 January 2008	25 February 2013	6.01	45	–	(45)	–	–
1 January 2009	25 February 2011	4.87	19	–	(7)	–	12
	25 February 2012	4.87	137	–	(50)	–	87
	25 February 2013	4.87	279	–	(124)	–	155
1 March 2009	25 February 2013	4.87	48	–	(48)	–	–
1 January 2010	25 February 2012	6.01	254	–	–	–	254
	25 February 2013	6.01	254	–	–	–	254
	25 February 2014	6.01	254	–	–	–	254
1 March 2010	25 February 2013	6.01	51	–	(51)	–	–
	25 February 2014	6.01	51	–	–	(2)	49
1 January 2011	25 February 2013	7.37	305	–	–	–	305
	25 February 2014	7.37	305	–	–	–	305
	25 February 2015	7.37	305	–	–	–	305
1 March 2011	25 February 2013	7.37	62	–	(62)	–	–
	25 February 2014	7.37	62	–	–	(3)	59
	25 February 2015	7.37	62	–	–	(3)	59
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	7.97	404	–	–	(36)	368
	25 February 2015	7.97	404	–	–	(36)	368
	25 February 2016	7.97	404	–	–	(36)	368
1 March 2012	25 February 2014	7.97	67	–	–	(9)	58
	25 February 2015	7.97	67	–	–	(9)	58
	25 February 2016	7.97	67	–	–	(9)	58
1 January 2013	25 February 2015	10.93	–	425	–	(12)	413
	25 February 2016	10.93	–	425	–	(12)	413
	25 February 2017	10.93	–	425	–	(12)	413
1 March 2013	25 February 2015	10.93	–	76	–	(3)	73
	25 February 2016	10.93	–	76	–	(3)	73
	25 February 2017	10.93	–	76	–	(3)	73
			4,277	1,503	(387)	(538)	4,855

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.

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

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	16	–	4	20
	22 February 2013	6.01	16	–	4	20
	22 February 2014	6.01	16	–	4	20
24 February 2011	24 February 2013	7.37	16	–	4	20
	24 February 2014	7.37	16	–	4	20
	24 February 2015	7.37	16	–	4	20
21 February 2012	21 February 2014	7.76	15	–	4	19
	21 February 2015	7.76	15	–	4	19
	21 February 2016	7.76	15	–	4	19
1 January 2012	25 February 2014	7.76	27	–	6	33
	25 February 2015	7.76	27	–	6	33
	25 February 2016	7.76	27	–	6	33
1 March 2012	25 February 2014	7.76	4	–	2	6
	25 February 2015	7.76	4	–	2	6
	25 February 2016	7.76	4	–	2	6
1 January 2013	21 February 2015	10.93	–	26	–	26
	21 February 2016	10.93	–	26	–	26
	21 February 2017	10.93	–	26	–	26
21 February 2013	21 February 2015	10.93	–	15	–	15
	21 February 2016	10.93	–	15	–	15
	21 February 2017	10.93	–	15	–	15
1 March 2013	21 February 2015	10.93	–	6	–	6
	21 February 2016	10.93	–	6	–	6
	21 February 2017	10.93	–	6	–	6
			234	141	60	435

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.

Note 9: Remuneration of Auditors

	2013 $	2012 $
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	**408,630**	323,647
PricewaterhouseCoopers – non-Australian firm		
Audit and review of financial reports	**8,741**	7,535
Non-PricewaterhouseCoopers – Singaporean firm		
Audit and review of financial reports	**28,720**	24,728
Total remuneration for audit services	**446,091**	355,910
(b) Non-audit services		
PricewaterhouseCoopers – Australian firm		
Assurance services	**26,000**	42,673
Accounting advisory services	**45,122**	36,742
Taxation services	**73,000**	218,643
Other services	**-**	9,663
PricewaterhouseCoopers – non-Australian firms		
Taxation services	**58,599**	27,110
Other services	**12,623**	6,411
Non-PricewaterhouseCoopers – Singaporean firm		
Other services	**12,011**	18,229
Total remuneration for non-audit services	**227,355**	359,471

Included in $408,630 for audit and review of financial reports is $80,000 in relation to the scope changes for 2012 audit.

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

	2013 $'000	2012 $'000
Dividends paid		
Final ordinary dividend for the year ended 31 December 2012 of 19.0 cents (2011: 16.25 cents) per fully paid share paid on 5 April 2013 (2011: 5 April 2012), fully franked based on tax paid at 30% (2011: 30%)	20,901	17,885
Interim ordinary dividend for the year ended 31 December 2013 of 15 cents (2012: 15.0 cents) per share paid on 4 October 2013 (2012: 5 October 2012), fully franked based on tax paid at 30% (2012: 30%)	16,505	16,505
Dividends paid to members of InvoCare Limited	37,406	34,390
On 24 July 2013 (2012:19 November 2012) dividend totalling 4.46 cents (2012: 10.4 cents) per fully paid share, fully franked based on tax paid at 30%, was paid to non-controlling interests.	36	83
	37,442	34,473
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 19.5 cents (2012: 19.0 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 4 April 2014 out of 2013 profits, but not recognised as a liability at year end is:	21,456	20,906
Franking credit balance		
The amounts of franking credits available for subsequent financial years are:		
Franking account balance at the end of the financial year	23,435	14,490
Franking credits that will arise from the payment of income tax payable at the end of the financial year	8,346	3,903
Reduction in franking account resulting from payment of proposed final dividend of 19.5 cents (2012: 19.0 cents)	(9,195)	(8,960)
	22,586	9,433

Note 11: Earnings per Share

	2013 $'000	2012 $'000
Reconciliation of Earnings to Profit and Loss		
Profit from ordinary activities after income tax	48,999	44,582
Less profit attributable to non-controlling interests	(130)	(103)
Profit used to calculate basic and diluted EPS	48,869	44,479

	2013 Number	2012 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	109,394,543	109,498,442
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	109,394,543	109,498,442

	2013 cents	2012 cents
Earnings per share for profit attributable to the ordinary equity holders of the Company		
Basic earnings per share (cents per share)	44.7	40.6
Diluted earnings per share (cents per share)	44.7	40.6

Note 12: Cash and Cash Equivalents

	2013 $'000	2012 $'000
Cash on hand	**82**	72
Cash at bank	**8,817**	6,009
	8,899	6,081
Cash at bank attracts floating interest rates between 1.25% and 2.0% (2012: 1.25% and 3.05%)		
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	**8,899**	6,081
Balances per the statement of cash flows	**8,899**	6,081

Note 13: Trade and Other Receivables

	2013 $'000	2012 $'000
Current		
Trade receivables	**34,131**	30,750
Provision for doubtful receivables	**(2,571)**	(2,541)
Prepayments	**5,297**	4,554
Other receivables	**1,509**	1,777
	38,366	34,540
Non-current		
Trade receivables	**13,571**	14,303
Provision for doubtful receivables	**(37)**	(90)
Security deposits	**364**	307
Other receivables	**400**	400
	14,298	14,920

(a) Impaired receivables

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

	2013 $'000	2012 $'000
As at 1 January	**2,631**	2,236
Provision for impairment recognised during the year	**729**	870
Receivables written off as uncollectible	**(752)**	(475)
As at 31 December	**2,608**	2,631

Note 14: Inventories

	2013 $'000	2012 $'000
Current		
Finished goods – at cost	**20,104**	20,529
Work in progress – at cost	**1,533**	833
	21,637	21,362

Note 15: Prepaid Contracts

(a) Income statement impact of undelivered prepaid contracts

	2013 $'000	2012 $'000
Gain on prepaid contract funds under management	**20,622**	17,646
Change in provision for prepaid contract liabilities	**(19,032)**	(17,664)
Net gain/(loss) on undelivered prepaid contracts	**1,590**	(18)

(b) Movements in prepaid contract funds under management

	2013 $'000	2012 $'000
Balance at the beginning of the year	**350,905**	311,763
Sale of new prepaid contracts	**31,951**	30,414
Initial recognition of contracts paid by instalment	**2,941**	2,563
Redemption of prepaid contract funds following service delivery	**(32,810)**	(28,288)
Increase due to business combinations	**–**	16,807
Increase in fair value of contract funds under management	**20,622**	17,646
Balance at the end of the year	**373,609**	350,905

(c) Movements in prepaid contract liabilities

	2013 $'000	2012 $'000
Balance at the beginning of the year	**355,090**	317,598
Sale of new prepaid contracts	**31,951**	30,414
Initial recognition of contracts paid by instalment	**2,941**	2,563
Decrease following delivery of services	**(32,489)**	(30,346)
Increase due to business combinations	**–**	17,197
Increase due to re-evaluation of delivery obligation	**19,032**	17,664
Balance at the end of the year	**376,525**	355,090

Note 15: Prepaid Contracts continued

(d) Nature of contracts under management and liabilities

Prepaid contracts are tripartite agreements, currently entered into and performed in Australia only, 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 the end of the year the total balance of amounts received from instalment payments for incomplete contracts was $6,235,000 (2012: $5,727,000). 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 $20.6 million in prepaid contract funds under management (2012: $17.6 million) was greater than the non-cash growth due to selling price increases of $19.0 million in the liability for future service delivery obligations (2012: $17.6 million).

(e) Classification of prepaid funds under management and liabilities

At 31 December 2013 a change in accounting policy has been adopted so that the current and non-current portions of the prepaid contract assets and liabilities are now disclosed separately. The purpose of this change was to more clearly reflect the pattern of usage associated with the timing of actual contract redemptions. The impact of these changes on the balance sheet is summarised in the tables below.
The change does not affect income statement.

Prepaid contract funds under management

	31 December 2013	31 December 2012	31 December 2012
	$'000	$'000 Restated	$'000 Reported
Current	**30,480**	28,370	350,905
Non-Current	**343,129**	322,535	–
Total prepaid contract funds under management	**373,609**	350,905	350,905

Prepaid contract liabilities

	31 December 2013	31 December 2012	31 December 2012
	$'000	$'000 Restated	$'000 Reported
Current	**30,481**	28,455	355,090
Non-Current	**346,044**	326,635	–
Total prepaid contract liabilities	**376,525**	355,090	355,090

Note 16: Interest in Other Entities: Subsidiaries

(a) Interest in subsidiaries

Set out below are the Group's principal trading subsidiaries at 31 December 2013. Unless otherwise stated, the subsidiaries as listed below have share capital consisting solely of ordinary shares, which are held directly by the Group, and the proportion of ownership interests held equals to the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

			Ownership interest held by the group	
Name of entity	Country of incorporation	Principal activities	2013 %	2012 %
InvoCare Australia Pty Limited	Australia	Funeral services provider	**100**	100
Bledisloe Australia Pty Ltd	Australia	Funeral services provider	**100**	100
Bledisloe New Zealand Limited	New Zealand	Funeral services provider	**100**	100
Singapore Casket Company (Private) Limited	Singapore	Funeral services provider	**100**	100

InvoCare Australia 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.

(b) Significant restrictions

Other than those imposed by the legislative provisions in the respective country of incorporation, for the subsidiaries listed above, the Group has no significant restriction on its ability to access or use assets and settle liabilities.

(c) Complete list of subsidiaries

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

		Equity Holding	
Name of entity	Country of incorporation	2013 %	2012 %
InvoCare Australia Pty Limited	Australia	**100**	100
New South Wales Cremation Company Pty Limited	Australia	**100**	100
LifeArt Australasia Pty Limited	Australia	**100**	100
Macquarie Memorial Park Pty Limited	Australia	**83**	83
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
IVC Custodians Pty Limited	Australia	**100**	100
Bledisloe Group Holdings Pty Ltd	Australia	**100**	100
Bledisloe Finance Pty Ltd (in liquidation)	Australia	**100**	100
Bledisloe Holdings Pty. Ltd. (in liquidation)	Australia	**100**	100
Bledone Pty Ltd	Australia	**100**	100
Bledtwo Pty Ltd (in liquidation)	Australia	**100**	100
Bledisloe Australia Pty Ltd	Australia	**100**	100
A.C.N. 001 068 373 Pty Ltd (in liquidation)	Australia	**100**	100
A.C.N. 000 146 261 Pty Ltd (in liquidation)	Australia	**100**	100
A.C.N. 000 963 299 Pty Ltd (in liquidation)	Australia	**100**	100
F Tighe & Co Pty Ltd (in liquidation)	Australia	**100**	100
Crematorium Chapel Funerals of Australasia Pty Ltd (in liquidation)	Australia	**100**	100
William Lee & Sons Pty Ltd (in liquidation)	Australia	**100**	100
Australian Pre-Arranged Funeral Plan Pty Ltd	Australia	**–**	100
Dylhost Pty Ltd (in liquidation)	Australia	**100**	100
Australian Funerals Pty Limited	Australia	**100**	100
Metropolitan Funeral Services Pty. Ltd.	Australia	**100**	100
Sydney Cremation Services Pty Ltd (in liquidation)	Australia	**100**	100
Cemetery & Crematorium Management Services Pty Ltd (in liquidation)	Australia	**100**	100
Cemetery & Crematorium Finance Trust (being dissolved)	Australia	**100**	100

Name of entity	Country of incorporation	Equity Holding 2013 %	2012 %
Nationwide Care Services Pty Ltd (in liquidation)	Australia	**100**	100
South-East Asia & Australasian Services Pty Ltd (in liquidation)	Australia	**100**	100
Tuckers Funeral & Bereavement Services Pty Ltd	Australia	**100**	100
Geelong Mortuary Transfer Services Pty Ltd	Australia	**100**	100
IVC Employee Share Plan Managers Pty Ltd	Australia	**100**	100
InvoCare Hong Kong Limited	Hong Kong SAR	**100**	100
InvoCare Consulting Services (Beijing) Co., Ltd	People's Republic of China	**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**	100
Simplicity Flora Pte. Ltd.	Singapore	**100**	100
SCC Care Services Pte. Ltd. (formerly SCC Funeral Supplies Pte. Ltd.)	Singapore	**100**	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 Limited	New Zealand	**100**	100

Shares in subsidiaries are carried at cost and relate to InvoCare Limited's ownership interest in InvoCare Australia Pty Limited, InvoCare (Singapore) Pty Limited, InvoCare New Zealand Limited, 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.

During the year SCC Care Pte. Ltd., SCC Bereavement Services Pte. Ltd. and SCC Tentage Pte. Ltd. were dissolved and therefore ceased to exist.

During the year the solvent winding up of a total of 14 entities was commenced and it is expected that this process will be completed during 2014.

100% of the issued equity of Australian Pre-Arranged Funeral Plan Pty Ltd, which acted as trustee of a prepaid funeral plan of the same name, was sold as part of the finalisation of the sale of Gregory & Carr.

(d) Subsidiaries with non-controlling interests ("NCI")

One subsidiary, Macquarie Memorial Park Pty Limited, has non-controlling interests of 16.86% (2012: 16.86%). During the year dividends totalling $35,745 were paid to non-controlling interests (2012: $83,000).

Note 17: Interest in Other Entities: Associates

(a) Interests in associates

(i) Set out below is the associate of the group at 31 December 2013. The entity listed below has share capital consisting solely of ordinary shares, which are held directly by the group. The country of incorporation or registration is also its principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held. The interest held in this entity is not material to the Group.

Name of entity	Country of incorporation	Nature of relationship	Measurement method	% of ownership interest 2013 %	2012 %	Fair value 2013 $'000	2012 $'000
HeavenAddress Pte. Ltd	Singapore	Associate	Equity method	**34.59**	27.59	**5,005**	–

HeavenAddress Pte. Ltd offers online memorial services to allow families and communities celebrate the life of a loved one.

(ii) Commitments and contingent liabilities in respect of associates:

The Group has no commitments or contingent liabilities in respect of its associates at 31 December 2013 (2012: Nil).

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 2013							
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**
Year ended 31 December 2013							
Additions	**1,772**	**763**	**3,662**	**–**	**601**	**12,794**	**19,592**
Business combinations	**–**	**1,994**	**1,041**	**–**	**29**	**496**	**3,560**
Disposals	**(233)**	**(1,370)**	**(760)**	**–**	**(7)**	**(368)**	**(2,738)**
Depreciation/amortisation and impairment charge	**3,341**	**–**	**(4,022)**	**(486)**	**(352)**	**(11,786)**	**(13,305)**
Effect of movement in exchange rates	**–**	**2,408**	**979**	**–**	**13**	**1,062**	**4,462**
Transfers/reclassifications	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Closing net book amount	**88,786**	**78,685**	**82,221**	**1,893**	**2,594**	**42,366**	**296,545**
At 31 December 2013							
Cost	**107,727**	**78,685**	**128,958**	**4,534**	**5,148**	**109,302**	**434,354**
Accumulated depreciation/amortisation	**(6,665)**	**–**	**(46,737)**	**(2,641)**	**(2,554)**	**(66,936)**	**(125,533)**
Impairment write-downs	**(12,276)**	**–**	**–**	**–**	**–**	**–**	**(12,276)**
Net book amount	**88,786**	**78,685**	**82,221**	**1,893**	**2,594**	**42,366**	**296,545**
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

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:

	2013 $'000	2012 $'000
Freehold buildings	**937**	1,067
Leasehold improvements	**123**	9
Plant and equipment	**781**	577
Total assets in the course of construction	**1,841**	1,653

(b) Impairment

All impaired cemetery and crematorium sites were reassessed at 31 December 2013 using the same methodology as previously applied and a net write back (i.e. reversal of previous impairment write downs) amounting to $3,700,000 was deemed necessary to the impairment provision. The net amount is comprised of $4,900,000 in the reversal of previous impairments for two cemetery and crematorium sites in Queensland, along with $1,200,000 in write down for another cemetery and crematorium site in New South Wales.

During the year a review of the Group's property requirements in the Australian Capital Territory ("ACT") identified an undeveloped parcel of leasehold land was no longer strategically significant to the Group's long-term growth in the ACT. Accordingly, it was decided to impair the parcel of land, given that the costs to exit the site may exceed its carrying value.

The impairment losses recognised over the years 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% (2012: 10.9%), reflecting the risk estimates for the business as a whole.

Note 19: Intangible Assets

	Goodwill $'000	Brand name $'000	Total $'000
At 1 January 2013			
Cost	**129,429**	**11,179**	**140,608**
Accumulated amortisation	**–**	**(3,124)**	**(3,124)**
Net book amount	**129,429**	**8,055**	**137,484**
Year ended 31 December 2013			
Additions	**–**	**435**	**435**
Acquisition of subsidiary / businesses	**4,451**	**473**	**4,924**
Effect of movement in exchange rates	**6,940**	**410**	**7,350**
Impairment	**(110)**	**–**	**(110)**
Amortisation charge	**–**	**(1,171)**	**(1,171)**
Net book amount	**140,710**	**8,202**	**148,912**
At 31 December 2013			
Cost	**140,710**	**12,674**	**153,384**
Accumulated amortisation	**–**	**(4,472)**	**(4,472)**
Net book amount	**140,710**	**8,202**	**148,912**
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

(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 ("CGU"s) 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 approved financial estimates covering a five-year period. Cash flows beyond the five-year period have been extrapolated using estimated growth rates. The assessment also considered the reasonable possible long-term shift in key assumptions which will not cause further impairment.

During the year, Simplicity Casket Company undertook its own impairment calculations on the goodwill recorded in relation to Casket Company Embalming and Funeral Services and recognised an impairment loss of $110,000.

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

Budgeted cash flows have been based on past performance and 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% (2012: 10.9%), 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

	2013 $'000	2012 $'000
Current liabilities		
Interest rate swap contracts – cash flow hedges	**1,342**	1,353
	1,342	1,353
Non-current assets		
Interest rate swap contracts – cash flow hedges	**1**	–
	1	–
Non-current liabilities		
Interest rate swap contracts – cash flow hedges	**4,437**	8,032
	4,437	8,032

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

In September 2010, a controlled entity entered into a bank loan amounting to SG$27 million which was renewed in 2012. 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 2013 was $23.8 million (31 December 2012: $21.3 million). There was no ineffectiveness to be recorded from net investments in foreign entity hedges.

Note 21: Trade and Other Payables

	2013 $'000	2012 $'000
Current		
Trade payables	**24,926**	16,950
Sundry payables and accrued expenses	**8,324**	8,109
Deferred cash settlement for business interests acquired	**1,313**	–
	34,563	25,059
Non-current		
Deferred cash settlement for business interests acquired	**1,124**	2,163
	1,124	2,163

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

	2013 $'000	2012 $'000
Short-term borrowings		
Lease liabilities	**11**	17
	11	17
Long-term borrowings		
Borrowings are represented by:		
Principal amount of bank loans – unsecured	**225,228**	224,181
Lease liabilities	**2**	10
Loan establishment costs	**(1,274)**	(974)
	223,956	223,217

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

Note 23: Provisions for Employee Benefits

	2013 $'000	2012 $'000
Current		
Employee benefits	**12,732**	12,431
Non-current		
Liability for long service leave	**2,027**	1,735

	2013 Number	2012 Number
(a) Employee numbers		
Number of full-time equivalent employees	**1,470**	1,470

(b) Superannuation plan

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

(c) Exempt employee share plan

The Company's Exempt Employee Share Plan provides employee members the opportunity to acquire ordinary shares in InvoCare Limited to the tax exempt value of $1,000. There are 339 members at 31 December 2013 and the balance owing by employee plan members for the purchase price of shares was $161,962 (2012: $110,393).

Note 24: Current Liabilities expected to be settled within twelve months

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

	Total Current Liability		Expected to settle within twelve months	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Trade and other payables	**34,563**	25,059	**34,563**	25,059
Short-term borrowings	**11**	17	**11**	17
Current tax liabilities	**9,946**	5,216	**9,946**	5,216
Prepaid contract liabilities	**30,481**	28,455	**30,481**	28,455
Deferred revenue	**6,925**	6,748	**6,925**	6,748
Employee benefits	**12,732**	12,431	**6,604**	6,095
	94,658	77,926	**88,530**	71,590

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

Note 25: Contributed Equity

	2013 $'000	2012 $'000
Fully paid ordinary shares	**132,393**	132,687

	2013 Number	2013 $'000	2012 Number	2012 $'000
Ordinary shares				
Balance at the beginning of the financial year	**110,030,298**	**136,858**	110,030,298	136,858
Total contributed equity	**110,030,298**	**136,858**	110,030,298	136,858
Treasury shares (note 25 (b))	**(673,808)**	**(4,465)**	(634,252)	(4,171)
Total consolidated contributed equity	**109,356,490**	**132,393**	109,396,046	132,687

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 2012	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
	Forfeit of shares on termination of employment	(39,053)	(246)
25 February 2012	Shares forfeited due to failing vesting conditions	(1,556)	(10)
01 July 2012	Transfer of shares to members of the Exempt Employee Share Plan	(27,750)	(221)
14 December 2012	Shares granted but not yet allocated by the Trustee	17,815	141
31 December 2012	Shares provisionally forfeited but not yet de-allocated by the Trustee	(27,444)	(174)
	Unallocated shares held by the Trustee	45,976	252
31 December 2012	Balance	634,252	4,171
25 February 2013	Shares vested	(70,260)	(388)
28 February 2013 to 07 March 2013	Acquisition of shares by the Trust and the allocation of previously forfeited shares	77,003	842
	Forfeit of shares on termination of employment	(23,520)	(193)
01 July 2013	Transfer of shares to members of the Exempt Employee Share Plan	(13,927)	(160)
31 December 2013	Shares provisionally forfeited but not yet de-allocated by the Trustee	(36,740)	(179)
	Unallocated shares held by the Trustee	107,000	372
31 December 2013	Balance	673,808	4,465

(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

	2013 $'000	2012 $'000
(a) Reserves		
Share-based payments reserve	**3,142**	2,504
Hedging reserve – cash flow hedge reserve	**(3,989)**	(6,564)
Foreign currency translation reserve	**5,270**	940
	4,423	(3,120)
Movements:		
Share-based payments reserve		
Balance at the beginning of the year	**2,504**	2,166
Deferred employee share plan expense	**1,026**	705
Vesting of deferred employee share plan shares	**(388)**	(367)
Balance at the end of the year	**3,142**	2,504
Hedging reserve		
Balance at the beginning of the year	**(6,564)**	(4,822)
Revaluation to fair value – gross	**3,347**	(2,495)
Deferred tax	**(772)**	753
Balance at the end of the year	**(3,989)**	(6,564)
Foreign currency translation reserve		
Balance at the beginning of the year	**940**	(278)
Currency translation differences	**4,330**	1,218
Balance at the end of the year	**5,270**	940
(b) Retained profits		
Movements in retained profits were as follows:		
Balance at the beginning of the year	**21,173**	11,084
Net profit for the year	**48,869**	44,479
Dividends paid during the year	**(37,406)**	(34,390)
Balance at the end of the year	**32,636**	21,173

(c) Nature and purpose of reserves

(i) Share-based payments reserve

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

(ii) Hedging reserve – cash flow hedge reserve

The hedging reserve is used to record gains or losses on hedging instruments that are cash flow hedges which are recognised directly in equity. Amounts are recognised in profit and loss when the associated hedged transaction affects the profit and loss.

(iii) Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entities and from the hedging of the net investment in foreign operations are taken to the foreign currency translation reserve as set out in Notes 1(d) and (s). The reserve is recognised in the profit and loss when the net investment is sold.

Note 27: Non-controlling Interests

	2013 $'000	2012 $'000
Reconciliation of non-controlling interests in controlled entities:		
Share capital	**800**	800
Retained earnings		
Balance at the beginning of the year	**252**	232
Add share of operating earnings	**130**	103
Less dividends paid	**(36)**	(83)
Closing balance of retained earnings	**346**	252
Reserves	**99**	99
Balance at the end of the year	**1,245**	1,151

Note 28: Capital and Leasing Commitments

	2013 $'000	2012 $'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	**10,006**	9,553
– between 12 months and five years	**21,879**	20,555
– greater than five years	**14,814**	14,676
	46,699	44,784

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	9,370	636	10,006
Between 12 months and five years	21,097	782	21,879
Greater than five years	14,814	–	14,814
	45,281	1,418	46,699

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.

	2013 $'000	2012 $'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	**11**	17
– between 12 months and five years	**2**	10
	13	27
(c) Capital expenditure commitments		
Capital expenditure commitments contracted or conditionally contracted at the reporting date but not recognised as liabilities payable:		
Building purchase	**4,085**	–
Building extensions and refurbishments – within one year	**48**	218
Plant and equipment purchases – within one year	**1,398**	930
(d) Other expenditure commitments		
Documentary letters of credit outstanding at balance date payable:		
– within one year	**129**	84

Note 29: Business Combinations

H Morris Funerals

(a) Summary of acquisition

On 1 December 2013, a subsidiary, Bledisloe New Zealand Limited, completed the acquisition of the funeral business assets of H Morris Limited ("H Morris") which has operated in the Auckland market since 1933.

Provisional accounting for this acquisition has been completed as at 31 December 2013.

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

(b) Purchase consideration

	$'000
Purchase consideration	
Cash paid	4,724
Total purchase consideration	4,724
Fair value of net identifiable assets acquired (refer (c) below):	2,226
Goodwill	2,498

The goodwill recognised is attributable to the workforce and the 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
Inventories	49
Prepayments	10
Property, plant and equipment	2,193
Brand name	234
Deferred tax liabilities	(246)
Provisions	(14)
Net identifiable assets acquired	2,226

The acquired business contributed revenues of $138,000 and after tax profit of $18,000 to the Group for the period from 1 December 2013 to 31 December 2013. If the acquisition had occurred on 1 January 2013, consolidated revenue for the year ended 31 December 2013 would have increased by approximately $1,637,000 and profit after tax by approximately $244,000.

Resthaven Funeral Services

(a) Summary of acquisition

On 1 February 2013, a subsidiary, Bledisloe New Zealand Limited, completed the acquisition of the funeral business assets of Resthaven Funeral Services (2000) Limited ("Resthaven"). Resthaven has operated in the South Auckland market since 2000.

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

(b) Purchase consideration

	$'000
Purchase consideration	
Cash paid	1,296
Contingent consideration	274
Total purchase consideration	1,570
Fair value of net identifiable assets acquired (refer (c) below):	186
Goodwill	1,384

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

(c) Assets acquired

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

	Fair Value $'000
Inventories	19
Property, plant and equipment	57
Brand name	157
Deferred tax liabilities	(47)
Net identifiable assets acquired	186

Contingent consideration includes a total of $274,000 in future payments if predetermined revenue targets are achieved in each of the next five years.

The acquired business contributed revenues of $1,486,000 and after tax profit of $195,000 to the Group for the period from 1 February 2013 to 31 December 2013. If the acquisition had occurred on 1 January 2013, consolidated revenue for the year ended 31 December 2013 would have been approximately $1.6 million and profit after tax approximately $0.2 million.

Note 29: Business Combinations continued

Tilton, Opie & Pattinson Funeral Services and Fraser Lawrence Memorials

(a) Summary of acquisition

During the year, a subsidiary, Bledisloe New Zealand Limited, completed two smaller acquisitions detailed below.

The funeral business assets of Tilton, Opie & Pattinson Limited ("TOP"), which has operated in the Auckland market since 1950, were acquired on 26 July 2013.

The business assets of Fraser Lawrence Memorials Limited ("Fraser Lawrence"), which manufactures memorialisation products such as headstones in Christchurch, were acquired on 14 August 2013.

Provisional accounting for these small acquisitions has been completed as at 31 December 2013.

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

(b) Purchase consideration

	$'000
Purchase consideration	
Cash paid	1,757
Total purchase consideration	1,757
Fair value of net identifiable assets acquired (refer (c) below):	1,274
Goodwill	483

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

(c) Assets acquired

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

	Fair Value $'000
Inventories	25
Property, plant and equipment	1,310
Brand name	82
Deferred tax liabilities	(131)
Provisions	(12)
Net identifiable assets acquired	1,274

The acquired businesses contributed revenues of $435,000 and after tax loss of $5,000 to the Group for the period from 26 July 2013 to 31 December 2013. If the acquisitions had occurred on 1 January 2013, consolidated revenue for the year ended 31 December 2013 would have increased by approximately $1,649,000 and profit after tax by approximately $68,000.

Tuckers Funeral & Bereavement Services

Tuckers Funeral & Bereavement Services Pty Ltd and Geelong Mortuary Transfer Services Pty Ltd were acquired in December 2012.

Included in the purchase consideration was $2,100,000 in future payments to be paid if predetermined revenue targets are achieved in each of the next three calendar years. The predetermined revenue target was achieved in 2013 and as a result $600,000 of the $2,100,000 in future payments will be paid in early 2014.

Note 30: Contingent Liabilities and Contingent Assets

	2013 $'000	2012 $'000
The Group had contingent liabilities at 31 December 2013 in respect of bank guarantees given for leased premises of controlled entities to a maximum of:	**1,221**	1,269

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

	2013 $'000	2012 $'000
Reconciliation of cash flow from operations with profit from ordinary activities after income tax		
Profit from ordinary activities after income tax	**48,869**	44,479
Non-cash items in profit from ordinary activities		
Depreciation, amortisation and impairment	**19,487**	16,360
Reversal of impairment loss	**(4,900)**	–
Share-based payments expense	**1,148**	766
Loan establishment costs	**589**	398
Imputed interest from deferred purchase consideration	**113**	–
Net (gain)/loss on disposal of property, plant and equipment	**(2,972)**	(2,180)
Unrealised (gain)/loss on prepaid contracts	**(1,590)**	18
Other prepaid contract movements	**325**	(1,788)
Business acquisition costs classified in investing activities	**537**	731
Effect of movement in exchange rates	**–**	(150)
Share of net loss of an associate	**300**	–
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries		
(Increase)/decrease in trade and other receivables	**(3,204)**	(3,609)
(Increase)/decrease in inventories	**(275)**	(1,478)
(Increase)/decrease in deferred selling expenses	**(382)**	(275)
Increase/(decrease) in trade and other payables	**8,464**	158
Increase/(decrease) in deferred revenue	**3,009**	2,398
Increase/(decrease) in income taxes payable	**4,730**	(3,507)
Increase/(decrease) in deferred taxes	**253**	10
Increase/(decrease) in provisions	**(2,285)**	841
	72,216	53,172

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 2013 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

	2013 $'000	2012 $'000
Consolidated income statement of the Closed Group		
Revenue from continuing operations	**323,264**	322,405
Finished goods and consumables used	**(90,617)**	(89,599)
Employee benefits expense	**(78,668)**	(76,149)
Employee related and on-cost expenses	**(18,770)**	(17,743)
Advertising and public relations expenses	**(10,865)**	(10,891)
Occupancy and facilities expenses	**(20,309)**	(20,105)
Motor vehicle expenses	**(6,829)**	(6,914)
Other expenses	**(13,056)**	(15,327)
	84,150	85,677
Depreciation, impairment and amortisation expenses	**(15,644)**	(13,218)
Reversal of impairment loss	**4,900**	–
Finance costs	**(14,683)**	(14,859)
Interest income	**606**	704
Net gain/(loss) on prepaid contracts	**1,892**	(18)
Acquisition costs	**(273)**	(698)
Inter-segment revenue	**1,943**	–
Share of net loss of associate	**(300)**	–
Net gain/(loss) on disposal of non-current assets	**217**	2,206
Profit before income tax	**62,808**	59,794
Income tax expense	**(15,809)**	(14,584)
Profit for the year	**46,999**	45,210
Changes in the fair value of cash flow hedges, net of tax	**2,140**	(2,090)
Changes in foreign currency translation reserve, net of tax	**(3,207)**	(824)
Other comprehensive income for the year, net of tax	**(1,067)**	(2,914)
Total comprehensive income for the year	**45,932**	42,296
Summary of movements in consolidated retained profits of the Closed Group		
Retained profits at the beginning of the financial year	**27,705**	16,885
Profit for the year	**46,999**	45,210
Dividends paid	**(37,406)**	(34,390)
Retained profits at the end of the financial year	**37,298**	27,705

Note 32: Deed of Cross Guarantee continued

(b) Balance sheet of the Closed Group

	2013 $'000	2012 $'000
Current assets		
Cash and cash equivalents	**3,080**	1,139
Trade and other receivables	**31,996**	29,629
Inventories	**19,385**	19,565
Prepaid contract funds under management	**28,991**	43,630
Deferred selling costs	**1,039**	574
Total current assets	**84,491**	94,537
Non-current assets		
Trade and other receivables	**12,933**	14,835
Shares in subsidiaries	**185,477**	164,761
Property, plant and equipment	**238,607**	234,395
Prepaid contract funds under management	**328,435**	307,275
Intangible assets	**11,048**	47,682
Deferred selling costs	**7,972**	8,035
Equity accounted investments	**4,705**	–
Total non-current assets	**789,177**	776,983
Total assets	**873,668**	871,520
Current liabilities		
Trade and other payables	**28,046**	20,957
Derivative financial instruments	**1,342**	1,685
Current tax liabilities	**7,666**	3,404
Prepaid contract liabilities	**28,631**	43,326
Deferred revenue	**6,925**	2,983
Provisions for employee benefits	**11,883**	11,595
Total current liabilities	**84,493**	83,950
Non-current liabilities		
Trade and other payables	**29,118**	43,404
Long-term borrowings	**190,870**	201,796
Derivative financial instruments	**4,437**	5,798
Deferred tax liabilities	**24,443**	24,259
Prepaid contract liabilities	**331,041**	311,374
Deferred revenue	**40,915**	41,779
Provisions for employee benefits	**1,914**	1,703
Total non-current liabilities	**622,738**	630,113
Total liabilities	**707,231**	714,063
Net assets	**166,437**	157,457
Equity		
Contributed equity	**132,393**	132,687
Reserves	**(3,254)**	(2,935)
Retained profits/(Accumulated losses)	**37,298**	27,705
Total equity	**166,437**	157,457

Note 33: Events after the Balance Sheet Date

No significant subsequent events have occurred since 31 December 2013.

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.

	2013 $	2012 $
(d) Transactions with related parties		
Transactions with other related parties		
Contributions to superannuation funds on behalf of employees	**7,091,636**	6,468,550

(e) Guarantees and other matters

Under the terms of common terms deed executed on 20 December 2013, InvoCare Limited and its material 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 debt facilities provided under the terms of individual Facility Agreements. 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 Australian 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.

	2013 $'000	2012 $'000
Balance sheet		
Current assets	**25**	71
Total assets	**372,632**	379,771
Current liabilities	**9,529**	4,813
Total liabilities	**174,231**	190,665
Shareholders' equity		
Contributed equity	**132,393**	132,687
Reserves		
Share-based payments	**3,142**	2,504
Hedging reserve – cash flow hedge reserve	**(4,045)**	(6,093)
Retained earnings	**66,911**	60,008
Total shareholders' equity	**198,401**	189,106
Profit for the year after tax	**44,311**	41,087
Total comprehensive income for the year	**46,997**	39,612

(b) Contingent liabilities of the parent entity

	2013 $'000	2012 $'000
The parent entity had contingent liabilities at 31 December 2013 in respect of bank guarantees given for leased premises of controlled entities to a maximum of:	**1,221**	1,269

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 2013 (31 December 2012: 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 finance facilities, which at the reporting date amounted to $35,674,000 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 $39.2 million at 31 December 2013 (2012: $37.1 million).

The 15-year period is based on the actuarially assessed average period between a customer entering into a prepaid funeral plan and the contract becoming at-need. The actual history of a prepaid cemetery/crematorium contract may differ from the profile of a prepaid funeral plan; however, in the absence of more specific data being available, the funeral data has been applied.

The average 15-year period is an assumption only and therefore subject to uncertainty. It is possible that there will remain unperformed contracts at the end of the 15-year amortisation period, yet all revenue will have been recognised. Offsetting this is the likelihood that contracts performed during the 15-year period will have unrecognised revenue.

Actual redemptions information is being collated 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 years 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 20 February 2014. 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 51 to 101 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 2013 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.

Richard Fisher
Director

Andrew Smith
Director

Sydney
20 February 2014

Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INVOCARE LIMITED

Report on the financial report

We have audited the accompanying financial report of InvoCare Limited (the company), which comprises the balance sheet as at 31 December 2013, 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. Those 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.

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 2013 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.

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Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
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Report on the Remuneration Report

We have audited the remuneration report included in pages 37 to 49 of the directors' report for the year ended 31 December 2013. 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 2013 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 2013 included on InvoCare Limited's website. The company's directors are responsible for the integrity of the InvoCare Limited website. We have not been engaged to report on the integrity of this website. 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 website.

PricewaterhouseCoopers

PricewaterhouseCoopers

Brett Entwistle
Partner

Sydney
20 February 2014

Shareholder Information

Shares and options as at 27 March 2014

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

Distribution of shareholders as at 27 March 2014

	Number of shareholders	Number of shares	Percentage %
1 - 1,000	4,974	2,765,593	2.51%
1,001 - 5,000	6,651	16,596,592	15.08%
5,001 - 10,000	1,331	9,913,974	9.01%
10,001 - 100,000	684	14,408,100	13.10%
100,001 and over	38	66,346,039	60.30%
	13,678	110,030,298	100.00%

There were 180 holders of less than a marketable parcel of ordinary shares (being 46 based on a price of $10.66 on 27 March 2014) who hold a total of 2,269 ordinary shares.

Equity security holders

	Number of shares	Percentage %
Largest 20 holders of ordinary shares at 27 March 2014		
1. HSBC Custody Nominees (Australia) Limited	15,703,932	14.27%
2. National Nominees Limited	12,798,794	11.63%
3. J P Morgan Nominees Australia Limited	9,401,480	8.54%
4. Citicorp Nominees Pty Limited	7,050,076	6.41%
5. BNP Paribas Nominees Pty Ltd	3,033,164	2.76%
6. HSBC Custody Nominees (Australia) Limited (NT-Comnwlth Super Corp A/C)	2,671,198	2.43%
7. J P Morgan Nominees Australia Limited (Cash Income A/C)	1,928,260	1.75%
8. Milton Corporation Limited	1,836,903	1.67%
9. Argo Investments Limited	1,782,191	1.62%
10. Australia Foundation Investment Company Limited	1,279,043	1.16%
11. BKI Investment Company Limited	1,019,000	0.93%
12. IVC Employee Share Plan Managers Pty Ltd	1,004,453	0.91%
13. Mirrabooka Investments Limited	775,000	0.70%
14. UBS Wealth Management Australia Nominees Pty Ltd	757,545	0.69%
15. Mr Richard Hugh Davis	586,607	0.53%
16. UCA Growth Fund Limited	585,000	0.53%
17. Australian United Investment Company Limited	500,000	0.45%
18. Gwynvill Trading Pty Ltd	415,643	0.38%
19. AMP Life Limited	325,195	0.30%
20. Questor Financial Services Limited	307,517	0.28%
Total for top 20	63,761,001	57.95%

Substantial holders

	Number of shares held	Percentage %
Substantial holders in the Company as at 27 March 2014 are set out below:		
JCP Investment Partners Ltd	15,618,001	14.19%
National Australia Bank Limited Group	8,967,591	8.15%
Mondrian Investment Partners Limited	7,212,371	6.55%
Commonwealth Bank of Australia	5,564,456	5.06%

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
Frenchs Forest
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

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

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)
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)
Aberfoyle Park
Glenside
Paradise
Payneham
Prospect
Rosewater
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)

Harris Funerals (est 1933)
Northcote

Lychgate Funeral Home (est 1876)
Wellington
Johnsonville
Karori

Resthaven Funerals (est 2000)
Manurewa
Howick

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
Kaiapoi

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	Penrith	Buranda	Bayswater	Black Forest	Joondalup
Bankstown	Randwick	Ipswich	Carnegie	Brahma Lodge	Kelmscott
Bateau Bay	Ryde	Kedron	Frankston	Enfield	Osborne Park
Chatswood	Smithfield	Logan	Pascoe Vale	Gawler	Spearwood
Erina	Toukley East	Miami	Reservoir	Morphett Vale	Mandurah
Hornsby	Tweed Heads	Parkwood	Sunshine	Victor Harbor	**New Zealand**
Liverpool	Woy Woy	Strathpine	Werribee		Royal Oak
Mascot	Wyong	Sunshine Coast			New Lynn
Miranda					Grey Lynn
Newtown					Christchurch

White Lady Funerals (est 1987)

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

Singapore

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

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
WH&S	Work 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

Corporate Information

InvoCare Limited
ABN 42 096 437 393

Directors
Richard Fisher (Chairman)
Andrew Smith (Managing Director and Chief Executive Officer)
Christine Clifton (Non-executive Director)
Richard Davis (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 23 May 2014

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
242 Pitt Street
Sydney NSW 2000

ANZ Bank New Zealand Limited
ANZ Centre
23–29 Albert Street
Auckland New Zealand

Commonwealth Bank of Australia
201 Sussex Street
Sydney NSW 2000

HSBC Bank Australia Limited
580 George Street
Sydney NSW 2000

The Hongkong and Shanghai
Banking Corporation
1 Queen Street
Auckland New Zealand

Westpac Banking Corporation
275 Kent Street
Sydney NSW 2000

Westpac New Zealand Limited
16 Takutai Square
Auckland New Zealand

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Pages 1–16 are printed on Impress Silk.
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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