ANNUAL REPORT 2015

InvoCare
Innovation Vocation Care

Contents

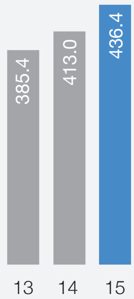
Our key objective is to provide families with the highest standard of caring and compassionate service. We want to ensure families can celebrate the lives of their loved ones, at the same time honouring their memory in a very considerate and personal way.

Our major focus in 2015 was the integration of our core values of Collaboration, Accountability, Responsiveness and Excellence into all our teams – across our global operations.

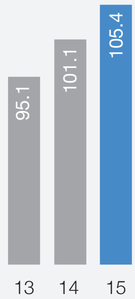
Performance highlights

The continued focus on key strategies in 2015 has seen an 4.3% increase in operating EBITDA, following an estimated increase in the number of deaths of 1% in InvoCare's key markets.

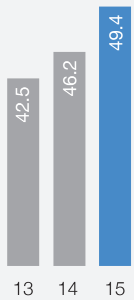
Revenue from external customers ($ million)



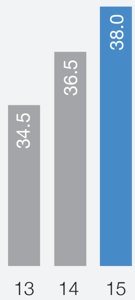
Operating EBITDA ($ million)



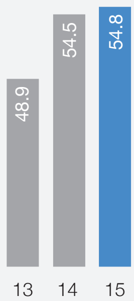
Operating earnings after tax ($ million)



Ordinary dividends per share (cents per share)



Profit after tax attributable to members ($ million)



The Jasmine Tea Flower
(Jasminum Grandiflorum)

The tea flower is significant to InvoCare's core values, and how they are infused across the entire business.

Chairman’s Message

Review Confirms Strategy

InvoCare has once again delivered a healthy financial result for 2015 derived from adherence to its proven business strategy.

The ongoing focus on the core strategic growth pillars embodied in InvoCare’s operational strategy enabled the company to continue to grow. The strategy was reviewed and reaffirmed by both the Board and management during 2015.

Operating earnings after tax grew by 6.9% to $49.4 million for the year with a very strong second half performance from the core business operations. Statutory profit after tax, which includes asset sale gains, impairment charges, and the non-cash impact of movements in prepaid contracts funds under management and associated liabilities, increased to $54.8 million.

In light of strong operating EBITDA to cash conversion ratio, the Board recommended a fully franked final dividend of 22.25 cents per share. Total dividends for the year amounted to 38 cents per share, an increase of 4.1% on 2014. The 2015 dividends represent a payout ratio of 85% 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 19% compound annual growth.

The financial results for 2015, building, as they do, on the results of previous years, confirm the integrity of the company’s existing strategy. Those results also give the company the confidence to continue exploring the possibility of acquisitions in its existing markets, albeit that those possibilities might be more constrained than in the past, and to identify opportunities for greenfield developments. Additionally, and importantly, the results give the company the assurance that, subject to appropriate disciplines, it has the capacity to pursue new core markets of the kind currently being investigated in the USA.

Of course, this activity is sustained by the company’s ongoing and core business. The engagement of Martin Earp as the company’s CEO has permitted it to review those activities with the benefit, so to speak, of a fresh pair of eyes. The strategic review which Martin led late in the course of the year identified ways in which those business activities might be conducted more profitably and the means by which the company might secure a greater return from its existing assets.

2015 saw a period of Board renewal with Roger Penman, who had been on the Board since 2005, standing down due to personal circumstances. Roger has been replaced by Joycelyn Morton, who joined the Board during the year, and was appointed as Chair of the Audit, Risk & Compliance Committee. Aliza Knox also resigned from the Board during the year as a result of competing commitments. On behalf of the Board and all shareholders I would like to thank both Roger and Aliza for their significant contributions to InvoCare.

On behalf of the Board and all shareholders, I would like to thank all of the management and staff of InvoCare for not only delivering significant financial results but for all of the other contributions which they made to the company during 2015. As I observed in last year’s annual report, the Board, during its visits to various operational locations, continues to be impressed by the professionalism, dedication and sense of vocation of InvoCare’s personnel.

I would also like to express the Board’s thanks to the company’s shareholders for their continued support. That support is important to the Board as it seeks to provide the company’s executive leadership with guidance and encouragement as they engage in, and go about, the delivery of both substantial financial results to shareholders and, equally importantly, care, understanding and support to the company’s customers.

Richard Fisher AM
Chairman

Operating Earnings

$49.4m

Operating earnings after tax grew by 6.9% to $49.4 million for the year.

Dividends

4.1%

Increase of total dividends for the year to 38 cents per share.

Cash conversion ratio

97%

Strong operating EBITDA to cash conversion ratio.

Five year Financials

$'000	2015	2014	2013	2012	2011
Revenue from external customers	436,371	413,011	385,352	368,652	321,113
Operating EBITDA	105,426	101,082	95,072	93,026	81,802
Operating EBITDA margin	24.2%	24.5%	24.7%	25.2%	25.5%
Operating earnings after tax*	49,366	46,191	42,498	42,479	36,406
Operating earnings per share (cents)	45.1	42.2	38.9	38.8	34.5
Profit after tax attributable to members	54,844	54,515	48,869	44,479	27,012
Earnings per share (cents)	50.1	49.8	44.7	40.6	25.6
Dividend paid in respect of the financial year (cents)	38.00	36.5	34.5	34.0	29.75
Ungeared, tax free operating cash flow	102,618	104,721	105,170	86,416	75,120
Proportion of EBITDA converted to cash	97%	106%	110%	95%	92%
Actual capital expenditure	22,035	26,665	19,264	18,412	16,723
Net debt	222,093	218,864	215,057	217,136	209,114
Operating EBITDA/Net interest (times)	8.8	8.0	6.8	6.7	6.7
Net debt/EBITDA (times)	2.1	2.2	2.3	2.3	2.5
Funeral homes (number)	231	234	237	232	226
Cemeteries and crematoria (number)	16	14	14	14	14
Employees (full-time equivalents)	1,557	1,532	1,470	1,470	1,430
Prepaid contract sales per 100 redemptions	115	108	115	116	122

* Operating earnings after tax excludes the net gain/(loss) on undelivered prepaid contracts, gain/(loss) on sale, disposal or impairment of non-current assets and non-controlling interests.

Chief Executive Officer's Review

Investing Today for Future Returns

The 2015 results once again demonstrate the fundamental strength of both the business model and the markets that we operate in. On a like-for-like basis the sales revenue increased by 5.0% and the EBITDA increased by 7.6%. This underlying performance has allowed investment into projects that will position InvoCare to deliver strong sustainable returns into the future.

Martin Earp
Chief Executive Officer

Summary of 2015

The overall performance of the business for 2015 met budgeted expectations and has been delivered despite a lower than expected number of deaths throughout the year.

The Australian business performed strongly in all divisions. Total comparable business sales for Australia ($373m) were up 4.8% on the previous year whilst the EBITDA ($92.3m) was up 7.7% for the same period. Margins increased to 24.7% (2014: 24.1%) which was driven by an increased focus on efficiency and cost control. The performance of the cemeteries and crematoria division was particularly pleasing with sales increasing by 9.1%, driven by a move to a more collaborative management approach within the team.

The strong performance of Australia was supported by Singapore which saw an increase in sales of 8.2% (S$17.0m). Case volume was up by 6% against an increase in the number of deaths of 1.8%, which increased market share to 10.3%.

Despite sales revenue being up 1.4% on the previous year the overall EBITDA for New Zealand comparable business declined by 2.6% (NZ$9.2m). This was due to increased costs in personnel and advertising that were built in on the assumption of a continuation of the strong growth that was achieved in 2014.

The USA delivered a negative EBITDA of US$2.9m which was US$0.9m greater than expected for the first 10 months of operation. However despite a difficult start the performance of the US business is beginning to generate momentum, and the current net outlay of circa US$4m remains within the investment parameters of the original decision.

Key Drivers of Growth

People – The fundamental driver of performance for InvoCare is our people. They provide the highest levels of customer service across all of our locations and it is their dedication to the families that we serve that sets InvoCare apart from other companies. In order to formalise the values that underpin the InvoCare culture, the company has been rolling out a program of promoting our core values through the CARE program (Collaboration, Accountability, Responsiveness and Excellence).

During the year the staff survey showed a very high level of engagement, loyalty and passion for both the industry and for InvoCare. The Group Executive team will be working with the broader team to further embed and reinforce the CARE values into everything we do at InvoCare.

Number of Deaths – The long term trend for all core markets remains strong with the continued increase in the number of deaths set to continue, with the growth in death numbers for Australia peaking at a growth rate of 2.8% in 2034.

Market Share – InvoCare's market intelligence indicated that the market share continues to remain strong in our key markets (Australia 34%, NZ 34%, and Singapore 10%). Market share increased slightly in Australia and Singapore with a small decline in New Zealand. It is however recognised that improved market share from existing assets is critical to the long term performance of the business and a range of initiatives are being rolled out in 2016 that will seek to address this issue. A key part of this change is to use data to inform decisions and digital channels to improve customer education on the key issues (including price) when planning and organising a funeral.

Funeral Case Average – Funeral case averages in the comparable business increased across all regions (in local currency). In Australia and New Zealand the case average increased by 2.7%. In Singapore they were again able to increase case average without increasing headline price by focusing on increasing the number and mix of services provided to our customers.

Operational Efficiency – A focus on cost helped InvoCare improve margins in Australia and this will continue into 2016 and beyond. New Zealand's margin was negatively impacted by increasing costs associated with personnel and advertising and there will be an increased focus on managing costs to better align with actual sales in 2016.

Acquisitions – There were two acquisitions that contributed to 2015 results. The first was a funeral business in Victoria (Charles Crawford and Sons) which whilst completed in December 2014 contributed to the increased performance in 2015. In New Zealand InvoCare has acquired two memorial parks in Christchurch (Harewood and Canterbury Crematoria) in July 2015. Acquisitions will continue to be an important driver of growth for InvoCare, with the main focus being on the markets of Melbourne, Adelaide, Auckland and Singapore.

Prepaid Funerals – The percentage by which new contracts exceeded redemptions improved to 15%, whilst the performance of undelivered prepaid funerals delivered a $7.5m net pre-tax gain.

New Markets – Since 2013 InvoCare has been seeking to take a long term approach to identifying and developing new geographic market that would provide significant opportunity for growth. The key focus for this over the last two years has been Southern California where the number of deaths is equivalent to InvoCare's Australian market. The company began operations in February 2015 and whilst the implementation of the new business model has been challenging, the performance of the USA business has been steadily improving with case volume growing throughout the year. By the end of December the business had performed over 350 funerals and in excess of 2,300 cremations. The challenge for 2016 will be to build on the positive momentum in case numbers and continue to refine and develop the business model.

Strategic Review

During 2015 I have been able to spend time getting to understand the business. I was fortunate enough to have a four week hand-over from Andrew Smith which allowed me to visit all of our key markets with Andrew and get his insights into the key strengths of the business. Following on from this I spent time with the Group Executive to clarify past objectives and strategies, as well as identifying the challenges that face the business. I was then able to work through these issues with the Board, and this has allowed for alignment between Management and the Board on the way forward.

This review concluded that no fundamental change in strategy is required, but there is potential to extract greater benefit from existing assets. Specifically the review identified:

- Business fundamentals of the core markets remain strong
- Greater potential for operational efficiencies
- Opportunity for market share improvements from existing assets
- Opportunity to deliver more efficient deployment of capital
- Acquisition opportunities still exist in core markets

Out of this review the company is investing in a number of projects to deliver shareholder value in both the short and longer term. The focus for these projects in 2016 is on capital allocation, increasing revenue from existing assets (market share and pricing), increased efficiencies (business systems, processes and organisational structure) and a network and brand optimisation review to ensure our product and locations remain relevant into the future.

Outlook

The fundamentals of the business remain strong and in the short term it should be expected that the business will continue to deliver the same level of growth in the key metrics that it has done traditionally. In the longer term the current investment into a series of projects should deliver additional value to shareholders over the coming years.

InvoCare continues to show support for important community occasions and causes, in every area of our operations. It is an important demonstration of our key corporate values.

2015 was no different. Of the countless opportunities taken by InvoCare staff to support those around them, here are a three leading examples:

Anzac Day

InvoCare's funeral brands in Australia and New Zealand, along with cemeteries and crematoria locations in New South Wales and Queensland, were profoundly moved by the 2015 Centenary of Anzac. This marked the 100 years since soldiers from Australia and New Zealand joined the First World War, through their beach landing at Suvla Bay, on Turkey's Gallipoli Peninsula.

Along with soldiers from the United Kingdom, India and Canada, the Anzac forces charged the beaches on 25 April 1915, into the face of well-established and well-supplied Turkish forces. The events of that day have become immortalised in Australian and New Zealand history, as well as in the national consciousness of the other participating countries.

InvoCare shared this important anniversary with our friends in the community, through activities such as creating eye-catching Anzac-themed displays at various locations, sponsoring Anzac-themed school essay competitions, donating flags to schools and community groups, taking horses to visit residents at nursing homes, hosting Anzac memorial services at aged care centres, and by creating and distributing commemorative booklets on the military traditions of Australia's Anzac forces.

InvoCare staff also took part in the traditional Anzac Day Dawn Services. InvoCare's support also included some very practical gestures, such as donating thousands of sprigs of rosemary and wreaths for remembrance services, and providing transport for veterans with mobility issues.

Winter Blanket Appeal

During winter 2015, a range of Contemporary funeral providers across Australia assisted some of the most disadvantaged in our community, and the organisations that support them, by holding a blanket and winter goods donation drive.

Leading community organisations such as The Salvation Army, Anglicare, and others were approached to receive the items, donated by generous members of the public. Adding to the success of the campaign was the commitment, from each Contemporary funeral home, to match every blanket donation with one of their own – doubling the warmth available to help those depending on assistance to get through the winter months. Donated blankets and other items found their way to vulnerable families, the homeless, as well as those affected by drug addiction and mental illness.

Awareness of the campaign was raised through a multi-channel approach, via press and radio advertising, newspaper editorials and general news, window displays, social media, as well as by promotion through our range of contacts in the community. The results of this campaign proved this was a cause that resonated well with the community and provided great assistance to the partnering community organisations, in their support for vulnerable people during the winter months.

The success of this campaign in 2015 means InvoCare Contemporary funeral brands will continue with this activity in the future.

Participating funeral brands and the charities they are supporting include:

Queensland
City Funerals – CASA (Community Accommodation and Support Agency)
Mackay Funerals – Mackay Drop In Centre
Drysdale Funerals – The Salvation Army
George Hartnett Funerals – The Salvation Army
Somerville Funerals – The Salvation Army

NSW
Guardian Funerals – The Salvation Army

VIC
WD Rose Funerals – Sacred Heart Mission St Kilda (Winter clothing only)

SA
Blackwell Funerals – St Vincent de Paul

WA
Chipper Funerals – Anglicare
Oakwood Funerals – Anglicare

Moving Memorial Services

Helping families who are experiencing grief is central to everything InvoCare does, yet the care and professional support provided by brands and locations doesn't end when the funeral is over.

Funeral brands and cemeteries and crematoria locations supported grieving families several times throughout the year, by holding moving and uplifting memorial services, as a reflection of our understanding towards, and care for, those affected by grief.

These memorial services took place at important family-focused times of year, such as Mother's Day, Father's Day and at Christmas. Services were also held to support those with loved ones taken by cancers of every kind, by heart disease, as well as those grieving the loss of a baby or infant.

Each service is conducted with gentleness and grace, and included such touches as the lighting of candles, the release of doves or butterflies, and multi-media presentations.

Left to right: Mike Miller Chief Operating Officer InvoCare USA, Phillip Friery Chief Financial Officer and Company Secretary, Graeme Rhind Chief Operating Officer InvoCare New Zealand, Greg Bisset Chief Operating Officer InvoCare Australia, Wee Leng Goh Chief Executive Officer Singapore, Martin Earp Chief Executive Officer, Shelley Tate Group Executive People and Culture, Lachlan Sheldon Group Executive Capital Management, Keiron Humbler Group Executive Business Operations, Fergus Kelly Chief Marketing Officer.

Management Team

Key to the success of InvoCare is its ability to deploy operational excellence and technical insights, as well as its ability to combine the two, for the benefit of the business, customers and its stakeholders.

From the management of locations, regions and states, to the specialist functions that give InvoCare its edge, a high performing team of managers is an indispensable asset to InvoCare's success.

Voices of Success

Over the past year, CEO Martin Earp has ensured that all of the geographical regions InvoCare operates in are represented at the highest level – with Mike Miller COO of InvoCare USA adding his experience in operations to the Group Executive team.

Further additions to the Group Executive team made during 2015 and early 2016 recognise the importance of the technical expertise InvoCare is able to draw upon. Fergus Kelly joined the Group Executive team as Chief Marketing Officer, Shelley Tate as Group Executive People and Culture, Lachlan Sheldon, previously Group Financial Controller to Group Executive Capital Management, and Keiron Humbler has been brought on board to lead a new Business Operation division that will drive effective, efficient work practices that are supported by the systems and processes needed for improving performance.

All of these appointments were carefully managed to ensure the highest standard of candidates was matched to InvoCare's current operational requirements and future vision.

The Group Executive team meets regularly to share information, assess opportunities, and to respond to the challenges of InvoCare's operating environments.

Financial Report

InvoCare Limited and Controlled Entities Annual Financial Report for the financial year ended 31 December 2015

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 16 February 2016. 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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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 2015. 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)
Christine Clifton
Richard Davis
Gary Stead

Martin Earp was appointed as a Director on 13 April 2015. He was appointed Managing Director and Chief Executive Officer from 1 May 2015 and continues in those roles at the date of this report. The Board did not renew Andrew Smith's contract as Managing Director and Chief Executive Officer which ended on 30 April 2015.

Joycelyn Morton was appointed as an independent Non-executive Director on 19 August 2015 and is a Director at the date of this report.

Aliza Knox resigned from the Board of the Company effective 31 August 2015 and Roger Penman resigned from the Board of the Company effective 15 December 2015.

Principal activities

The Group is the leading provider of services in the funeral industry in Australia, New Zealand and Singapore with smaller operations in Hong Kong and the USA. 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 $49,366,000 (2014: $46,191,000) as reconciled on page 11. The consolidated after tax profit of the Group attributable to shareholders was $54,844,000 (2014: $54,515,000). More detailed information is included in the operating and financial review set out in the report.

Dividends

The Directors have recommended a final, fully franked dividend of 22.25 cents per share payable on 8 April 2016. Total full year dividends are 38.00 cents, being 1.50 cents or 4.1% higher than 2014. The full year dividend payout ratio is 85% (2014: 87%) of operating earnings after tax.

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

	2015 $'000	2014 $'000
Interim ordinary dividend of 15.75 cents (2014: 15.75 cents) per fully paid share paid on 9 October 2015	**17,330**	17,330
Final ordinary dividend of 22.25 cents (2014: 20.75 cents) per fully paid share has been recommended by directors on 16 February 2016 to be paid on 8 April 2016	**24,482**	22,827
Total ordinary dividends of 38.0 cents (2014: 36.5 cents)	**41,812**	40,157

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

The Dividend Reinvestment Plan ("DRP") was available for the 2015 interim dividend and $14,855,000 (2014: $15,882,000) was paid in cash and $2,475,000 (2014: $1,448,000) through the issue of 226,049 (2014: 131,414) shares purchased on market at $10.95 (2014: $11.02) per share via the DRP. The shortfall in the DRP take-up was not underwritten in 2015 and shares were not issued at a discount. The DRP will apply to the final 2015 dividend which is not being underwritten and no discount to the market price will apply.

Operating and Financial Review

Result highlights:	2015 $'000	2014 $'000	Change $'000's	Change %
Total sales to external customers	**436,371**	413,011	23,360	5.7%
Other revenue	**9,570**	7,193	2,377	33.0%
Operating expenses (i)	**(340,515)**	(319,122)	(21,393)	6.7%
Operating EBITDA (i)	**105,426**	101,082	4,344	4.3%
Operating margin	**24.2%**	24.5%		(0.2%)
Depreciation and amortisation	**(20,180)**	(19,187)	(993)	5.2%
Finance costs	**(14,786)**	(15,483)	697	(4.5%)
Interest income	**722**	749	(27)	(3.6%)
Business acquisitions costs	**(70)**	(1,215)	1,145	(94.2%)
Share of loss of associates	**-**	(525)	525	(100.0%)
Operating earnings before tax (i)	**71,112**	65,421	5,691	8.7%
Income tax on operating earnings (i)	**(21,746)**	(19,230)	(2,516)	13.1%
Effective tax rate	**30.6%**	29.4%		1.2%
Operating earnings after tax (i)	**49,366**	46,191	3,175	6.9%
Operating earnings per share (i)	**45.1 cents**	42.2 cents	2.9 cents	6.9%
Net gain on undelivered prepaid contracts after tax (i)	**5,269**	7,641	(2,372)	
Asset sales gain or (loss) after tax (i)	**(6)**	375	(381)	
Impairment gain after tax (i)	**340**	420	(80)	
Non-controlling interest	**(125)**	(112)	(13)	
Net profit after tax attributable to ordinary equity holders of InvoCare	**54,844**	54,515	329	0.6%
Basic earnings per share	**50.1 cents**	49.8 cents	0.3 cents	0.6%
Interim ordinary dividend per share	**15.75 cents**	15.75 cents	0.00 cents	-
Final ordinary dividend per share	**22.25 cents**	20.75 cents	1.50 cents	7.2%
Total ordinary dividend per share	**38.00 cents**	36.50 cents	1.50 cents	4.1%

(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 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 above has not been subject to any specific audit or review procedures by our auditor but has been extracted from the accompanying financial report.

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;
  - 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.

Most pillars contributed positively to 2015 results as depicted in the following table. More detail is provided throughout this report, including in the Outlook section details of a review of the business fundamentals during 2015.

Favourable demographics	✓
Pricing/average contract values	✓
Market share improvements	✓
Prepaid contracts	✓
New locations	✓
Business acquisitions	✓
Operating leverage improvement (comparable business)	✓

Results overview

Comparable business operating earnings after tax for 2015 was up by 14.5% or $6.6 million to $53.3 million on 2014. The result was underpinned by strong performances in both Australia and Singapore.

Including the start-up in USA operations and new acquisitions in Australia and New Zealand, operating earnings after tax for the total Group was up by 6.9% or $2.0 million to $49.4 million (2014: $46.2 million).

Statutory reported profit after tax for the comparable business was up 7.2% or $3.9 million to $58.8 million (2014: $54.9 million). The total Group reported profit after tax was up 0.6% or $0.3 million to $54.8 million (2014: $54.5 million). Reported after tax profits were impacted by lower undelivered prepaid contract impacts and net impairment reversals than the previous year.

Total Group sales revenue was up 5.7% or $23.4 million to $436.4 million (2014: $413.0 million). The increase was due to a combination of higher numbers of deaths, market share growth, higher average contract values, increased memorialisation sales in the cemeteries and crematoria, contributions from new businesses and favourable currency movements.

Overall numbers of deaths in InvoCare's core markets increased by approximately 1% compared to 2014, confirming an apparent reversal to the longer term trend, and market share growth was achieved in most markets.

Comparable Group EBITDA was up $7.7 million or 7.6% to $108.8 million (2014: $101.0 million). The foreshadowed negative EBITDA for the start-up USA operation of USD2.9 million (or AUD3.8 million), offset by $0.5 million from acquisitions, resulted in total Group EBITDA increasing by 4.3% or $4.3 million to $105.4 million (2014: $101.1 million).

As a percentage of sales, comparable EBITDA margins improved from 24.5% in 2014 to 25.1% in 2015. Most of this improvement occurred in the second half where margins rose from 26.0% in 2014 to 27.4%. By comparison, first half margins had declined 0.1% from 22.8% in 2014 to 22.7%.

Cash flows remained strong for the year. Ungeared, tax free operating cash flow was 97% of EBITDA (2014: 106%), underpinning the ability to pay a fully franked final dividend of 22.25 cents per share, which is 1.50 cents up on last year. This is in addition to the 15.75 cent interim dividend paid in October, taking total dividends declared for the year to 38.0 cents (2014: 36.5 cents).

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

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

	1H15 $'000	1H14 $'000	Var %	2H15 $'000	2H14 $'000	Var %	FY15 $'000	FY14 $'000	Var %
Sales Revenue									
Australia	**177,499**	169,412	4.8%	**195,551**	186,719	4.7%	**373,050**	356,131	4.8%
New Zealand	**21,326**	19,954	6.9%	**22,665**	23,032	(1.6%)	**43,991**	42,986	2.3%
Singapore	**8,169**	6,694	22.0%	**8,356**	7,126	17.3%	**16,525**	13,820	19.6%
Comparable business	**206,994**	196,060	5.6%	**226,572**	216,877	4.5%	**433,566**	412,937	5.0%
USA & acquisitions	**1,123**	-	-	**1,682**	74	-	**2,805**	74	-
Total	**208,117**	196,060	6.1%	**228,254**	216,951	5.2%	**436,371**	413,011	5.7%
EBITDA									
Australia	**39,869**	37,781	5.5%	**52,405**	47,871	9.5%	**92,274**	85,652	7.7%
New Zealand	**3,144**	3,773	(16.7%)	**5,377**	4,915	9.4%	**8,521**	8,688	(1.9%)
Singapore	**3,909**	3,178	23.0%	**4,062**	3,529	15.1%	**7,971**	6,707	18.8%
Comparable business	**46,922**	44,732	4.9%	**61,844**	56,315	9.8%	**108,766**	101,047	7.6%
USA & acquisitions	**(1,747)**	-	-	**(1,593)**	35	-	**(3,340)**	35	-
Total	**45,175**	44,732	1.0%	**60,251**	56,350	6.9%	**105,426**	101,082	4.3%
Margin on sales									
Australia	**22.5%**	22.3%	0.2%	**26.8%**	25.6%	1.2%	**24.7%**	24.1%	0.6%
New Zealand	**14.7%**	18.9%	(4.2%)	**23.8%**	21.3%	2.5%	**19.4%**	20.2%	(0.8%)
Singapore	**47.9%**	47.5%	0.4%	**48.6%**	49.5%	(0.9%)	**48.2%**	48.5%	(0.3%)
Comparable business	**22.7%**	22.8%	(0.1%)	**27.3%**	26.0%	1.3%	**25.1%**	24.5%	0.6%
USA & acquisitions	**-**	-	-	**-**	-	-	**-**	-	-
Total	**21.7%**	22.8%	(1.1%)	**26.4%**	26.0%	0.4%	**24.2%**	24.5%	(0.3%)

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

	1 H15 $'000	1 H14 $'000	Var %	2 H15 $'000	2 H14 $'000	Var %	FY 15 $'000	FY 14 $'000	Var %
Total - all lines of business									
Sales Revenue	208,117	196,061	6.1%	228,254	216,950	5.2%	436,371	413,011	5.7%
Other revenue	3,792	3,470	9.3%	5,778	3,723	55.2%	9,570	7,193	33.0%
Expenses:									
Cost of goods sold	(60,347)	(57,182)	5.5%	(65,098)	(64,432)	1.0%	(125,445)	(121,614)	3.2%
Personnel	(69,685)	(63,636)	9.5%	(72,646)	(65,746)	10.5%	(142,331)	(129,382)	10.0%
Advertising & promotions	(8,497)	(7,627)	11.4%	(8,218)	(7,285)	12.8%	(16,715)	(14,912)	12.1%
Occupancy & facility expenses	(14,236)	(13,114)	8.6%	(13,919)	(14,035)	(0.8%)	(28,155)	(27,149)	3.7%
Motor vehicle expenses	(4,159)	(4,106)	1.3%	(4,665)	(4,713)	(1.0%)	(8,824)	(8,819)	0.1%
Other expenses	(9,810)	(9,133)	7.4%	(9,235)	(8,113)	13.8%	(19,045)	(17,246)	10.4%
Operating expenses	(166,734)	(154,798)	7.7%	(173,781)	(164,324)	5.8%	(340,515)	(319,122)	6.7%
Operating EBITDA	**45,175**	**44,733**	**1.0%**	**60,251**	**56,349**	**6.9%**	**105,426**	**101,082**	**4.3%**
Operating margin %	*21.7%*	*22.8%*	*(1.1%)*	*26.4%*	*26.0%*	*0.4%*	*24.2%*	*24.5%*	*(0.3%)*

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

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

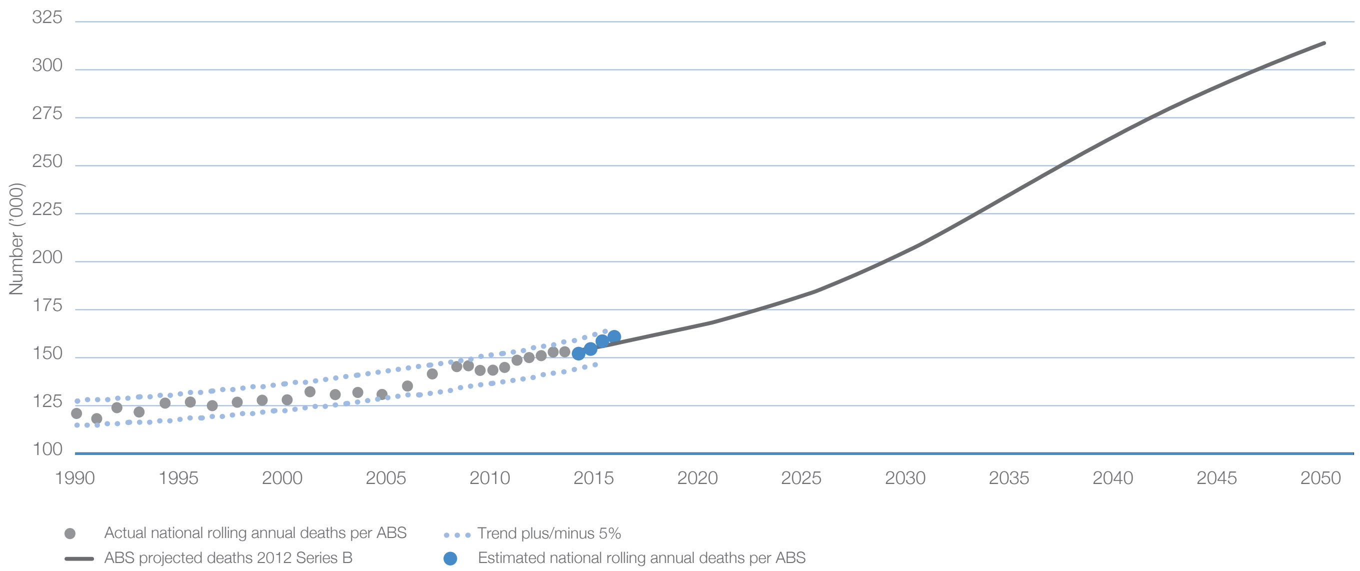
	1 H15 $'000	1 H14 $'000	Var %	2 H15 $'000	2 H14 $'000	Var %	FY 15 $'000	FY 14 $'000	Var %
Total - all lines of business									
Sales Revenue	206,994	196,060	5.6%	226,572	216,877	4.5%	433,566	412,937	5.0%
Other revenue	3,779	3,470	8.9%	5,721	3,723	53.7%	9,500	7,193	32.1%
Expenses:									
Cost of goods sold	(60,028)	(57,184)	5.0%	(65,012)	(64,409)	0.9%	(125,040)	(121,593)	2.8%
Personnel	(68,217)	(63,635)	7.2%	(71,216)	(65,732)	8.3%	(139,433)	(129,367)	7.8%
Advertising & promotions	(7,828)	(7,626)	2.6%	(7,122)	(7,285)	(2.2%)	(14,950)	(14,911)	0.3%
Occupancy & facility expenses	(14,152)	(13,114)	7.9%	(13,716)	(14,035)	(2.3%)	(27,868)	(27,149)	2.6%
Motor vehicle expenses	(4,089)	(4,106)	(0.4%)	(4,573)	(4,712)	(2.9%)	(8,662)	(8,818)	(1.8%)
Other expenses	(9,537)	(9,133)	4.4%	(8,810)	(8,112)	8.6%	(18,347)	(17,245)	6.4%
Operating expenses	(163,851)	(154,798)	5.8%	(170,449)	(164,285)	3.8%	(334,300)	(319,083)	4.8%
Operating EBITDA	**46,922**	**44,732**	**4.9%**	**61,844**	**56,315**	**9.8%**	**108,766**	**101,047**	**7.6%**
Operating margin %	*22.7%*	*22.8%*	*(0.1%)*	*27.4%*	*26.0%*	*1.4%*	*25.1%*	*24.5%*	*0.6%*

Number of deaths and cases

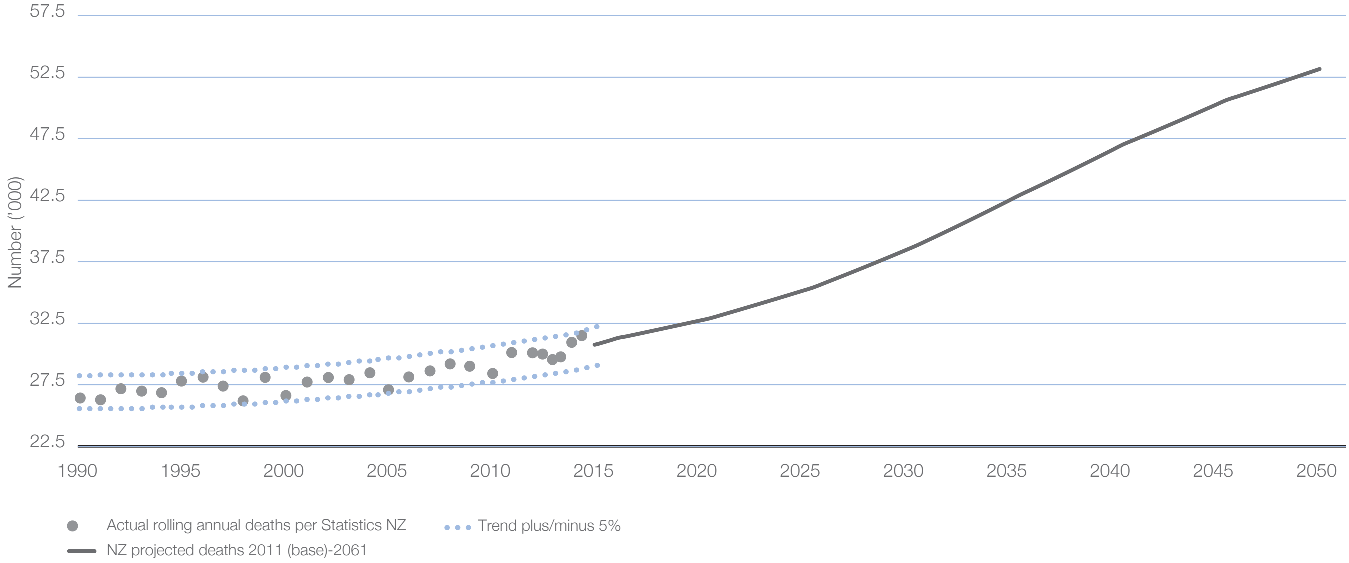
The number of deaths continues to be a very significant driver of InvoCare's performance. The ageing of the population in InvoCare's markets and the long-term trend of increasing numbers of deaths are major pillars of growth for the Group. However, short-term fluctuations in the numbers of deaths do occur such that in any year the number can be up to 5% 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.

Actual and projected calendar and fiscal year deaths – Australia



Actual and projected calendar and fiscal year deaths – New Zealand



The table below[1] illustrates the trends in InvoCare's funeral case volumes over the last 24 months, clearly demonstrating how the volumes have changed from period to period.

	2015 vs 2014			2014 vs 2013		
	Half 1	Half 2	Full Year	Half 1	Half 2	Full Year
Australia	**2.4%**	**0.9%**	**1.6%**	(0.1%)	5.7%	2.9%
New Zealand	**3.0%**	**(1.2%)**	**0.7%**	1.8%	10.6%	6.4%
Singapore	**4.8%**	**7.4%**	**6.0%**	1.3%	1.3%	1.3%
Total comparable business	**2.5%**	**0.8%**	**1.6%**	0.1%	6.1%	3.2%
Total Group (incl. USA & acquisitions)	**3.6%**	**2.2%**	**2.8%**	1.4%	6.8%	4.2%

Commentary on the period since 31 December 2015 is set out in the Outlook section on page 19.

1. Comparable businesses in the table comprise a different mix in 2015 from 2014. The 2014 percentages are as presented in the FY2014 results presentation.

Sales

Key components of the comparable sales movements are summarised below:

— Australian funeral sales increased 3.6% or $10.3 million to $296.2 million (2014: $285.9 million).

  — Average revenue per funeral contract, excluding disbursements and delivered prepaid impacts, increased 2.7% (2014: 3.4%) and contributed an estimated $6.0 million to sales growth. Contributing to the average revenue were the combined effects of price increases (averaging between 3% and 4%), customer demand for practical and affordable funeral offerings (with InvoCare's Simplicity Funerals successfully meeting that demand) and an emerging trend of more clients electing to have direct committals without requiring a traditional funeral service or to have single rather than double services (eg. church service followed by committal service at cemetery or crematorium).

  — The number of funeral services performed was up on the previous year by 1.6%. Most of this growth came in the first half with the number of services up 2.4% compared to a 0.9% increase in the second half. InvoCare's market intelligence indicates that across its overall markets the number of deaths increased by approximately 1% and that market share growth was achieved, with share gains in New South Wales and Queensland offset by some declines in other states.

  — The number of new prepaid funeral contracts sold for comparable Australian business increased by 4.2% on the previous year and exceeded the number of prepaid services performed by 14.8% (2014: 6.1%). Prepaid funerals performed in the year were 13.8% (2014: 14.6%) of comparable at need funerals.

— Australian cemeteries and crematoria sales were up 9.1% or $7.4 million to $88.7 million (2014: $81.3 million). Services performed increased by 1.2%, price increases were similar to the funeral business and memorialisation sales were strong. The net increase in the deferred revenue pool of unconstructed memorials was approximately $3.4 million (2014: $0.5 million) taking the pool to approximately $14.9 million (2014: $11.4 million) which will be constructed and included in sales revenue in future periods. New contracts added to the pool amounted to $7.8 million (2014: $5.9 million) and the amount constructed and included in sales was $4.3 million (2014: $4.9 million). In addition, deferred revenue includes $44.0 million (2014: $41.5 million) of pre-sold plaques, ash containers and other miscellaneous items deliverable and recognisable in sales revenue at the customer's future time of need.

— Comparable New Zealand sales (in NZD) were up 1.4% or $0.6 million to $47.4 million (2014: $46.8 million). Case volumes were up 0.7%, with market share losses experienced at the same time the numbers of deaths increased, and funeral case averages increased 2.7%. Case averages benefited from price increases (2-3%) at the beginning of each of January and July, but were impacted, like Australia, by customers seeking low priced offerings and wanting less service from funeral directors. In AUD New Zealand sales were up 2.3% to $44.0 million (2014: $43.0 million) which included favourable FX movements of $0.3 million.

— Singapore funeral sales (in SGD) increased by 8.2% to $17.0 million (2014: $15.8 million). Case volumes improved 6.0% and average contract values were up 2.0%. In AUD Singapore sales increased 19.9% to $16.5 million (2014: $13.8 million) which included favourable FX movements of $1.6 million.

— Intra-group elimination of cemeteries and crematoria sales to InvoCare owned funeral homes amounted to $12.1 million (2014: $11.1 million).

The start-up operation in Southern California, USA, recorded sales revenue of US$0.8 million (AU$1.1 million) in its first ten months of funeral operations. Over 350 funerals and in excess of 2,300 cremations were performed. Funeral case averages achieved were approximately US$1,200 and cremations approximately US$200. The funeral average was lower than had been targeted due to attracting low yielding cases and the absence of higher yielding burial cases. Further market research was conducted in the second half of 2015 resulting in refreshing websites and the promotional message in the lead up to the traditionally busier winter months.

Acquired businesses, being a funeral business near Melbourne (Australia) in December 2014 and two cremation memorial parks in Christchurch (New Zealand) in July 2015, contributed $2.1 million to sales in 2015, before the elimination on consolidation of sales of $0.5 million by the acquired Christchurch memorial parks to Invocare owned funeral homes in Christchurch.

Other revenue

Other revenue increased by $2.4 million to $9.6 million (2014: $7.2 million). Other revenue mainly comprises administration fees upon initial sale of prepaid funeral contracts and trailing commissions on prepaid funds, however, in 2015 insurance recoveries of $1.2 million were received for claims relating to the Christchurch earthquakes several years ago and an ACCC investigation in 2014.

Operating expenses and EBITDA

Operating expenses (excluding depreciation, amortisation, acquisition related and finance costs) for the comparable operations increased $14.8 million or 4.6% to $333.8 million. Tight cost management, particularly during the second half, resulted in the Operating EBITDA[1] to sales margin increasing to 25.1%, from 24.5% in 2014. The second half margin was 27.3%, compared to 26.0% in the second half of 2014.

Strong EBITDA and margin performances from the Australian and Singaporean businesses were offset by a disappointing result in New Zealand. In that country, cost growth has exceeded sales growth, the latter adversely impacted by lower than expected volume and case averages. Personnel costs and advertising had been increased after being constrained in 2014, in anticipation of higher sales in 2015. As mentioned later in the outlook section of this report, the New Zealand business will receive heightened management attention during 2016.

After including expenses of the USA start-up operation of $5.0 million and from new business acquisitions of $1.6 million, the total Group operating expenses increased by 6.7% or $21.4 million and margins declined by 0.3% to 24.2%. USA personnel costs were US$1.7 million and the most significant other cost was US$1.3 million spent on marketing and advertising, which included additional market research during the second half. The outlook section of this report provides commentary on the USA operation.

Favourable FX movements benefited Operating EBITDA[1] by $0.8 million, as the NZD and SGD strengthened against the AUD.

Depreciation and amortisation expenses

Depreciation and amortisation expenses were up $1.0 million in 2015 to $20.2 million (2014: $19.2 million). This increase included $0.2 million associated with the USA and other acquired businesses.

Finance costs

Finance costs declined by $0.7 million to $14.8 million (2014: $15.5 million). Lower margins and expiry of some higher fixed cost swaps were the main contributors to lower debt interest. More information about the Group's debt facilities is set out under the Capital Management section.

Acquisition related costs

Acquisition costs of $0.1 million were down $1.1 million on the prior year (2014: $1.2 million) which included start-up expenses of $0.8 million associated with the USA operation.

1 Operating EBITDA is non-IFRS financial information.

Share of associate

After writing down InvoCare's investment in on-line memorial associate to $nil, equity accounting of the associate's losses is no longer required. The share of losses in 2014 was $0.5 million. The associate, in which InvoCare has a 35% interest, continues to record losses during its start-up phase.

Undelivered prepaid contract gains

Net gains on undelivered prepaid contracts were $7.5 million, a reduction from net gains of $10.9 million in 2014. The current year gain comprised $19.8 million increase in the fair value of funds under management offset by $12.3 million growth in the future liability to deliver prepaid services (see table below).

	2015 $'000	2014 $'000
Gain on prepaid contract funds under management	**19,790**	24,832
Change in provision for prepaid contract liabilities	**(12,263)**	(13,917)
Net gain/(loss) on undelivered prepaid contracts	**7,527**	10,915

The fair value uplift of $19.8 million in funds under management was $5.0 million down on 2014, due mainly to a gain on sale of a property investment in late 2014 as well as quite volatile and poor investment markets, and represented an effective earnings rate of 4.8% (2014: 6.4%).

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 $12.3 million which was down on last year's $13.9 million when price rises were higher.

Prepaid funds under management recognised on InvoCare's balance sheet amounted to $422.3 million (2014: $401.0 million), with approximately 82% of these funds held by the Over Fifty Guardian Friendly Society. Asset allocations, which are being closely reviewed as equity markets remain volatile, are set out below:

	31 Dec 2015 %	30 June 2015 %	31 Dec 2014 %
Equities	**17**	12	10
Property	**26**	26	16
Cash and fixed interest	**57**	62	74

Asset sales

Minor after tax gains and losses on asset sales were recorded in both 2015 and 2014.

Impairments

A net after tax impairment gain of $0.3 million (2014: $0.4 million) was recorded, comprising the reversal of prior impairment write-downs of certain cemetery assets demonstrating continuing financial performance improvement ($3.8 million after tax) offset by the impairment write-down of the Group's investment in an associate ($2.6 million after tax) after considering the business performance to date, its future cash projections and the risks associated with a start-up operation.

Income tax expense

Income tax expense on reported profit was $26.7 million (2014: $22.6 million), representing an effective rate of 32.7% (2014: 29.3%).

Income tax expense on operating earnings[2] increased by $2.5 million to $21.7 million (2014: $19.2 million) and the effective rate was 30.6% (2014: 29.4%).

The increase in the effective rate is mainly due to the impact of USA losses which have not been tax effected and under provision in prior years.

2 Operating earnings is non-IFRS financial information.

Cash flow highlights

	2015 $'000	2014 $'000
Net cash provided by operating activities	**64,631**	69,690
Asset sale proceeds	**1,138**	1,003
Asset purchases	**(22,035)**	(26,665)
Purchase of subsidiaries and businesses	**(7,076)**	(6,738)
Payments to funds for pre-paid contract sales	**(35,338)**	(33,326)
Receipts from funds for pre-paid contracts performed	**37,022**	35,389
Net cash used in investing activities	**(26,289)**	(30,337)
Dividends paid to InvoCare shareholders	**(40,157)**	(38,784)
Deferred Employee Share Plan purchases	**-**	(1,168)
Net increase in borrowings	**70**	2,250
Other movements	**(118)**	(203)
Net cash used in financing activities	**(40,205)**	(37,905)
Net increase/(decrease) in cash during year	**(1,863)**	1,448
Cash at start of year	**10,488**	8,899
Exchange rate effects	**54**	141
Cash at end of the year	**8,679**	10,488

As of 1 January 2015 the Group has adopted a change in the presentation of its Consolidated statement of cash flows whereby cash flows to and from independent prepaid funeral trust funds are classified as investing instead of operating activities. The changes were adopted to be consistent with the recognition of trust fund fair value movements in the Consolidated balance sheet and Consolidated income statement. Further commentary is based on the revised presentation format.

Cash flows provided by operating activities were down on last year by $5.1 million to $64.6 million. Funding the USA start-up operation, higher income tax instalments and working capital movements all contributed to this movement.

The operating EBITDA conversion to cash ratio for the period was 97% which was down compared to the 104% achieved in 2014 as shown in the table below.

	2015 $'000	2014 $'000
Operating EBITDA	**105,426**	101,082
Cash provided by operating activities	**64,631**	69,690
Add finance costs	**14,380**	14,981
Add income tax paid	**23,690**	20,182
Less interest received	**(83)**	(132)
Ungeared, tax free operating cash flow	**102,618**	104,721
Proportion of operating EBITDA converted to cash	**97%**	104%

Capital expenditure related to:

	2015 $'000	2014 $'000
Property, refurbishments and facility upgrades	**6,446**	12,485
Motor vehicles	**7,320**	6,446
Digital business	**4,322**	4,731
Other assets	**3,947**	3,003
Total capital expenditure	**22,035**	26,665

Purchases of subsidiary businesses mainly comprise the two memorial parks in Christchurch, New Zealand acquired in July 2015.

Dividends paid in the year totalled $40.2 million (2014: $38.8 million), including $6.6 million (2014: $5.6 million) for the on-market purchase of shares for the dividend reinvestment plan.

There were no shares required to be purchased during the year (2014: $1.2 million) by the InvoCare Deferred Employee Share Plan Trust in connection with the long-term, share-based incentives scheme. Share grants in 2015 were made using unvested, forfeited shares from prior years' grants.

Capital management

At 31 December 2015, the Group had drawn down $232 million borrowings (from total $290 million debt facilities) compared to $242 million at 30 June 2015 and $230 million at 31 December 2014. Net debt at 31 December 2015 was $223 million which compared to the balance at 30 June 2015 of $228 million and 31 December 2014 of $220 million.

In December 2015, $85 million of facilities due to mature in September 2016 were refinanced, which will provide an estimated $0.4 million annualised interest saving, and an additional $35 million in commitment was obtained. As a result, the Group now has $290 million bi-lateral, multi-currency, revolver facilities which comprise five-year tranches of $170 million, maturing in September 2018, and five-year tranches of $120 million, maturing in December 2020.

The five-year tranches maturing in September 2018 are provided in equal $42.5 million proportions by Australia and New Zealand Banking Group Limited ("ANZ"), Commonwealth Banking Group Limited ("CBA"), Westpac Banking Corporation ("Westpac") and HSBC Bank Australia Limited ("HSBC") or their New Zealand affiliates. The five-year tranches maturing in December 2020 are provided by ANZ ($45 million), CBA ($45 million) and HSBC ($30 million).

The current facilities' drawings comprise AUD164.0 million, SGD27.0 million and NZD44.5 million. The foreign currency drawings naturally hedge investments in foreign Singapore and New Zealand markets.

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 2015, being 2.1 and 8.3 respectively.

To maintain certainty over cash flows, the Group has policies limiting exposure to interest rate fluctuations. In accordance with the policy, at balance date, 64% of debt principal was covered by floating to fixed interest rate swaps.

The overall average effective interest rate is currently 5.4% (2014: 5.7%), inclusive of fixed rates on hedged debt, floating rates on unhedged debt, margins (based on tranche tenor and leverage – currently averaging around 150bps), undrawn commitment fees and amortisation of establishment fees.

Headroom on the debt facilities of $58.2 million, and cash of $8.7 million, provide $66.9 million in available funds at 31 December 2015. This amount together with operating cash flows will provide further capacity to fund near-term growth opportunities.

Outlook

During 2015, the CEO, the executive management team and the Board reviewed the Group's past strategies and performance and identified the key challenges and initiatives moving forward.

The review concluded that no fundamental change in strategy is required, but there is potential to extract greater benefit from existing assets. In particular:

- The business fundamentals of the core markets remain strong;
- There is potential for greater operational efficiencies especially with regard to extracting operating synergies from acquisitions;
- There are on-going opportunities for market share improvements from existing assets;
- There is significant opportunity to deliver increased shareholder returns through more efficient deployment of capital (e.g. network layout); and
- The ability to secure new assets in core markets at the right price is becoming more difficult; however acquisition opportunity still exists in Melbourne, Adelaide, Auckland and Singapore and, in the longer term, new markets.

The key challenges identified include:

— The USA business plan is proving harder to implement than anticipated, so the business is being re-calibrated to better reflect current revenue and revised hurdles are being set for the USA management team to prove the concept and support continued investment;

— The competitive dynamics associated with the smaller regional/rural markets (especially New Zealand) continue to require significant management attention;

— Ensuring the physical asset facilities are attractive to customers to ensure continued acceptance of price increases and the retention and growth of market share; and

— Educating the market on the true value of a funeral service to mitigate a trend for customers to choose simpler service levels from funeral directors.

The key initiatives are summarised as follows:

— Greater focus on capital allocation involving each of acquisitions, re-investments, divestments and funds under management;

— Increasing revenue from existing assets through market share increases, improved product offerings and cross selling; and

— Increasing efficiency through standardising business systems and processes, network optimisation and centralised purchasing.

Projects that support these key initiatives have been budgeted for 2016 and key appointments have been made, funded in part by restructuring or eliminating some senior corporate office roles in early January 2016. Project benefits will begin to flow in H2 2016 with increasing impact in 2017 and beyond. InvoCare will continue following its proven historic strategies into 2016, whilst investing for the medium to longer term, to create additional shareholder value.

Total sales revenue for the month of January 2016 was down and is approximately 4% on January 2015, due mainly to lower case volumes in each country, believed to be death number rather than market share related. Consistent with past practice, funeral prices were increased as planned in late 2015 and cemetery and crematoria prices are scheduled to be increased during the first quarter of 2016. As consistently indicated to the market in past years, InvoCare's sales revenue is significantly affected by changes in the numbers of deaths and, as such, the early weeks of 2016 cannot and should not be used as an indicator of future 2016 results.

The Group's recurrent capital expenditure in 2016 is expected to be around the level of depreciation (ie. up to around $25 million). Before any major new capital investment over and above the recurrent capital expenditure is approved, it must be justified on the grounds it will drive market share and must exceed return hurdles. At balance date, there are two property sales proposed, one being two floors of the North Sydney corporate office for approximately $3 million due to settle on 31 May 2016 before a move into new leased premises, also in North Sydney, and the second being an underperforming funeral location in a Sydney suburb which is unlikely to be sold until 2017. It is anticipated a before tax gain on the sale of the North Sydney premises of approximately $1.0 million will be recorded in the first half of 2016. In moving to a fully leased corporate office from mid-2016, based on existing and new lease arrangements, it is expected that annualised rental costs for the office will reduce EBITDA by approximately $0.7 million. There are no major capital management changes expected during 2016. It remains the policy of the Board to distribute at least 75% of operating earnings after tax[3] as dividends, as well as increase the quantum of those dividends year on year, continuing the steady dividend returns investors have enjoyed since ASX listing in December 2003.

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.

There have been no claims during the year and the directors believe InvoCare has complied with all relevant environmental regulations and holds all relevant licences.

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

Left to right: Joycelyn Morton, Richard Davis, Richard Fisher, Martin Earp, Gary Stead, Tina Clifton

Information on directors

Mr Richard Fisher AM MEc LLB
Chairman of the Board
Chair of Nomination Committee
Member of People, Culture and Remuneration Committee
Age 66 years
Appointed October 2003

Richard Fisher is General Counsel to The University of Sydney and is an Adjunct Professor in its Faculty of Law. Richard is the immediate past Chairman of Partners at Blake Dawson (now Ashurst) and specialised in corporate law. He has been a director of InvoCare Limited since 24 October 2003. He is also a director of Sydney Water. Richard is formerly a part-time Commissioner at the Australian Law Reform Commission, an International Consultant for the Asian Development Bank and a Member of the Library Council of NSW. Richard holds a Master of Economics from the University of New England and a Bachelor of Laws from the University of Sydney.

Interest in shares: 17,389 ordinary shares in InvoCare Limited

Mr Martin Earp MSc, BSc (Hons), MBA
Chief Executive Officer
Age 47 years
Appointed April 2015

Martin Earp joined InvoCare on 30 March 2015, was appointed as a Director on 13 April 2015 and assumed the role of CEO and Managing Director on 1 May 2015.

Martin was most recently responsible for the strategic direction and leadership of Campus Living Villages. He has extensive experience in both providing leadership to operational businesses and working in project development teams. He has worked for Transfield Holdings for over twelve years in a number of operational roles including CEO of the Australian Biodiesel Group (ASX listed company), General Manager Airtrain (where he also served as a Director for eight years) and Business Development Manager for Airport Rail Link. Prior to this he spent almost 10 years with a London based consultancy advising on large infrastructure and investment deals.

Martin holds an MBA from the Australian Graduate School of Management and an MSc and BSc (Hons) in Traffic Engineering and Transport Planning.

Interest in shares: 17,410 ordinary shares in InvoCare Limited

Dr Christine (Tina) Clifton MB BS (Hons) BHA
Non-executive Director
Chair of People, Culture and Remuneration Committee
Member of Audit, Risk and Compliance Committee
Member of Nomination Committee
Age 60 years
Appointed October 2003

Tina Clifton is a registered medical practitioner. Tina has been a director of InvoCare Limited since October 2003. She has also been a Director of various public and private companies over the last 15 years. Prior to 2001, Tina held various positions in the public and private healthcare sectors including Chief Executive Officer of the Sisters of Charity Health Service in New South Wales and deputy Chief Executive Officer of the Northern Sydney Area Health Service. From 1980 to 1988 Tina was a general practitioner. Tina holds degrees in medicine and health administration and obtained a specialist qualification in medical administration.

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

Mr Richard Davis BEc

Non-executive Director
Member of People, Culture and Remuneration Committee
Member of Finance, Capital and Investment Committee
Member of Nomination Committee
Age 60 years
Appointed February 2012

Richard Davis was appointed a non-executive director of InvoCare Ltd 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 is currently serving as Chairman of Singapore Casket Company (Private) Limited. 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 non-executive director in May 2009 and chairman in May 2015)

Monash IVF Group Limited (appointed non-executive director and chairman in June 2014)

Interest in shares: 561,607 ordinary shares in InvoCare Limited

Mr Gary Stead BCom LLB MBA

Non-executive Director
Chair of Finance, Capital and Investment Committee
Member of Audit, Risk and Compliance Committee
Member of Nomination Committee
Age 58 years
Appointed September 2014

Gary Stead was appointed a non-executive director of InvoCare Limited on 1 September 2014. Gary is currently Managing Director of Highbridge Principal Strategies, LLC based in Sydney, Australia. Prior to his current role, Gary was the Managing Director and Co-Head of Olympus Capital Asia Credit and previously founder and Managing Director of Australia-focused structured credit fund, Shearwater Capital and Chief Executive of Fortress Investment Group Australia, where he established its Australian operations in 2004. Gary's prior experience included 13 years at Merrill Lynch, where he held various leadership positions, including Co-Head of Investment Banking in Japan, Vice Chairman of Investment Banking in Australia, and Head of Mergers and Acquisitions in Australia, Asia-Pacific and Japan, following earlier roles at both Schroders in Australia and Salomon Brothers in New York.

After starting his working career as a solicitor with degrees in law and commerce from the University of New South Wales, he subsequently completed an MBA at Wharton Graduate School of Business at the University of Pennsylvania before commencing a 30 year investment banking career.

Interest in shares: 6,500 ordinary shares in InvoCare Limited

Ms Joycelyn Morton BEc FCA FCPA FIPA FGIA FAICD

Non-executive Director
Chair of Audit, Risk and Compliance Committee
Member of Finance, Capital and Investment Committee
Member of Nomination Committee
Age 56 years
Appointed August 2015

Joycelyn Morton was appointed a director of InvoCare Limited on 19 August 2015. She has more than 36 years' experience in finance and taxation having begun her career with Coopers & Lybrand (now PwC), followed by senior management roles with Woolworths Limited and global leadership roles in Australia and internationally within the Shell Group of companies.

Joycelyn is also non-executive Chair of Thorn Group Limited (Director since 2011 and appointed Chair in 2014), non-executive director of Argo Investments Limited (since 2012), Argo Global Listed Infrastructure Limited (since 2015). Former non-executive director roles include Crane Group Limited, Count Financial Limited and Chair of Noni B Limited.

Joycelyn holds a Bachelor of Economics from the University of Sydney.

Other Public Company Directorships held in the last three years:

Thorn Group Limited (appointed non-executive director in October 2011)

Argo Investments Limited (appointed non-executive director in March 2012)

Interest in shares: 6,000 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 Australia and New Zealand.

Interest in shares: 64,411 ordinary shares in InvoCare Limited

Meetings of directors

Details of the meetings attended by each director during the year ended 31 December 2015 are set below.

	Board		Audit Committee		Risk Committee		Remuneration Committee		Nomination Committee	
	A	B	A	B	A	B	A	B	A	B
Non-executive Directors										
Richard Fisher	10	11	4	4	3*	-	2	2	3	3
Christine Clifton	10	11	2	4	4	4	1*	-	3	3
Richard Davis	11	11	4*	3	4	4	2	2	3	3
Gary Stead	10	11	4	4	3	4	2	2	3	3
Joycelyn Morton (appointed 19 Aug 2015)	4	4	1	1	2*	-	1	1	1	1
Aliza Knox (resigned 31 Aug 2015)	6	8	2*	-	2	2	-	-	1	3
Roger Penman (resigned 15 Dec 2015)	-	11	-	4	-	-	-	2	-	3
Executive Director										
Martin Earp (appointed 13 Apr 2015)	8	8	3*	-	3*	-	1*	-	-	-
Andrew Smith (resigned 30 Apr 2015)	3	3	1*	-	1*	-	1*	-	1*	-

A = number of meetings attended.

B = number of meetings held during the time the director held office or was a member of the committee during the year.

* = includes meetings attended as an invited guest of the committee where the director was not a member of the relevant committee.

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. Other senior management attend Board and Committee meetings by invitation.

As a consequence of Roger Penman's leave of absence (from 1 January 2015 until his resignation on 15 December 2015), from 22 January 2015 Gary Stead was appointed to the Remuneration Committee as its Chairman and Richard Davis was appointed to the Audit Committee as its Chairman until that role was assumed by Joycelyn Morton on 1 September 2015.

With effect from 1 January 2016, the Board Committee structure was changed. Details are set out in the Corporate Governance Statement on page 24.

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 March 2015. 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"); and
- Phillip Friery, Chief Financial Officer ("CFO").

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 Senior Executives (being the direct reports of the CEO including the Other KMPs), and other management. Delegations are set out in the Group's delegations policy and are reviewed regularly. Delegations, within defined authority limits, relate to various operational functions, including areas such as expenditure and commitments, employee matters (e.g. recruitment, termination, remuneration, discipline, training, development, health and safety), pricing, branding, investor and media communications. The Board ensures that the senior executives and the management team are appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess the performance of the CEO and the senior executives.

In deciding which functions and activities the Board reserves to itself, it is guided by the overarching principle that the Board is charged with strategic responsibility, along with a management oversight function, and that the executive management have an implementation function. In fulfilling these functions, the directors seek to enhance shareholder value and protect the interests of stakeholders.

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

Board and senior executive appointments

Prior to the appointment of a new director thorough background checks are undertaken to ensure that the individual has the appropriate background to become a director of the Company. Information about these checks is included in the Notice of Meeting when the director filling a casual vacancy stands for election. All Board members have formal letters of appointment which clearly articulate the roles, responsibilities, expectations and remuneration of directors.

The level of seniority of the role of senior executives 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.

Company Secretary

The Company Secretary works closely with the Chairman of the Board and various committees to ensure that all directors receive the information they require to fully discharge their duties which includes facilitating external advice to directors where appropriate. Some aspects of these functions are undertaken by other senior staff specialists where appropriate, and these interactions are free of executive management oversight to ensure that directors are fully informed.

Diversity

InvoCare currently serves a diverse range of communities across Australia, New Zealand, Singapore and the USA 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% (2014: 29%) of the Board, 25% (2014: 17%) of the group executive and 35% of Australian management. InvoCare's current focus is on specific actions that will achieve overall gender equality at the Australian management level by the end of 2020, that is, a minimum of 45% management roles will be held by either gender. The Australian entity is a relevant employer under the terms of the Workplace Gender Equality Act and the Board recently replaced its Diversity policy with an Inclusion policy which 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, which was completed late in 2015, 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.

The evaluation process provides the Board an opportunity to make an informed assessment of the skills of each individual director, reflect on how those skills are meeting the needs of the Company and consider Board succession planning.

This, combined with a strategic review of the Group's overall objectives, resulted in a decision to change the roles of various committees to better align the Board's agreed strategic intent with the activities of each committee. As a result an Audit, Risk & Compliance Committee was formed to undertake the functions of the previous Audit committee along with some activities of the previous Risk Committee. A People, Culture and Remuneration Committee was formed to undertake the role of the previous Remuneration Committee but also to absorb the people and culture functions previously performed by the Risk Committee. The review also resulted in formation of a new Finance, Capital and Investment Committee to provide greater focus to oversee the allocation and efficient use of capital, including decisions relating to business or asset investments, reinvestment or divestment. This Committee will also review the performance of prepaid funds under management. No changes were made to the responsibilities or activities of the Nomination Committee.

Senior executive evaluation

After the conclusion of each financial year the CEO evaluates and documents the performance of the other Senior Executives (including Other KMPs). The results of the achievement of targeted key performance indicators are reviewed by the People, Culture and Remuneration Committee. 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 Senior Executives' remuneration for the ensuing year.

The People, Culture and 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 and strategic plan 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 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 Senior Executives or managers 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 & Compliance	People, Culture & Remuneration	Finance, Capital & Investment	Nomination
Richard Fisher		✓		Chair
Tina Clifton	✓	Chair		✓
Richard Davis		✓	✓	✓
Joycelyn Morton	Chair		✓	✓
Gary Stead	✓		Chair	✓

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. The Committee is chaired by Richard Fisher.

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 CEO succession planning, Board succession planning and Board and Committees' performance appraisals.

In 2014, the Committee assisted the Board in making the decision not to renew the former CEO's contract at the end of its term on 30 April 2015. Martin Earp was appointed as CEO following an external search conducted with the Committee's oversight. Although the replacement CEO was appointed as recently as 1 May 2015, there is an ongoing focus on CEO succession.

In terms of Board succession planning and composition, there have been two new directors appointed in the last eighteen months. These appointments were made to provide additional expertise and/or replace the skills of departing directors. In addition, with Richard Fisher and Christine Clifton having served on the Board since October 2003, planning for their succession in the next few years is underway, although with the unexpected retirements of both Aliza Knox and Roger Penman during the year there has been a greater need for Board renewal than was planned.

InvoCare may utilise the professional advice of external consultants to find the best person for the position of director of the Company. These advisors seek applicants according to the Board's skills requirements. The Board also acknowledges the benefits of a diverse Board and requires the advisors to present candidates with equal numbers of suitably qualified men and women and with some diversity in cultural background and age. The Board then selects the most suitable candidate(s) for the consideration of the shareholders. The Board is looking to achieve an appropriate mix of skills and diversity amongst directors.

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

Corporate Governance Statement continued

Board skills matrix

When considering the appointment of a new director the Board through the Nomination Committee considers the desirable skills mix for the Board and focusses its search on potential candidates who complement the existing skill set of the Board. The current matrix is summarised in the following table:

Director/Skill Set	Business Management	Legal	Accounting/Finance	Funeral Industry	Health	International Business
Richard Fisher	✓	✓		✓		✓
Tina Clifton	✓			✓	✓	
Richard Davis	✓		✓	✓		✓
Joycelyn Morton	✓		✓			✓
Gary Stead	✓	✓	✓			✓
Martin Earp	✓		✓			✓

Board independence

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 21 of the Directors' Report.

Directors' access to independent professional advice and Company information

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

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

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

Prior to each Board meeting, the Board is provided with management reports and information in a form, timeframe and quality that enables them to discharge their duties. If a board member considers this information to be insufficient to support informed decision making, then they are entitled to request additional information prior to, or at, Board or Committee 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 – Act Ethically and Responsibly

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, work 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**

Principle 4 - Safeguard Integrity in Corporate Reporting

Audit, Risk & Compliance Committee

The Audit, Risk & Compliance 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, Risk & Compliance Committee.

The Audit, Risk & Compliance Committee comprises three independent non-executive directors and is chaired by Joycelyn Morton. Ms Morton is an FCPA, FCA and FGIA and brings a wealth of financial and taxation experience to the Committee. Other members are Christine Clifton and Gary Stead. The number of meetings held during the year and the individual attendances at those meetings is set out on page 23 of the Directors' Report.

The external auditor met with the Audit Committee during the year without management being present.

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

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 4.2 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.

Auditor attendance 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

Principle 5 - Make Timely and Balanced Disclosure

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

The Chairman, CEO, CFO or Company Secretary are responsible, as appropriate, for communication with shareholders and the Australian Securities Exchange ("ASX"). This includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX listing rules and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public. Continuous disclosure obligations are well understood and upheld by the Board and senior executives. Formal and informal discussion and consideration of these obligations occurs as and when the need arises. The Group's shareholder communication strategy is designed to ensure that all relevant information, especially market sensitive information, is made available to all shareholders and other stakeholders as soon as possible. InvoCare's website is structured to ensure information is easily located and logically grouped. Those shareholders who have made the appropriate election receive email notification of all announcements.

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

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 ASX. 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**

Additionally, all shareholders have the right to access details of the holdings, provide email address contacts and make certain elections via the Company's share registry Link Market Services Limited by accessing the web site **www.linkmarketservices.com.au**. Shareholders have the option of receiving all or a selection of communication electronically.

The Company encourages full participation of shareholders at the Annual General Meeting. The Chairman of the meeting encourages shareholders to ask reasonable questions at the Annual General Meeting. The Board makes itself available to all shareholders both before and after the Annual General Meeting.

The next Annual General Meeting is scheduled to be held at 11.00am on Friday, 20 May 2016 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.

Principle 7 – Recognise and Manage Risk

The Board, through the Audit, Risk & Compliance Committee, reviews and oversees the Group's risk management systems.

Audit, Risk & Compliance Committee

The Audit, Risk & Compliance 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 Committee does not have responsibility for strategic risk which is a Board responsibility. The Board has reviewed the Group's risk management framework during the year and confirmed that it remains sound.

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. The Group does not have any material exposure to economic, environmental and social sustainability risks.

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 Audit, Risk & Compliance 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 Senior Executives who are responsible for escalating these to the Audit, Risk & Compliance Committee and Board, where necessary, if the event occurs outside

Corporate Governance Statement continued

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.

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 Group Executive People and Culture. 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 Audit, Risk & Compliance 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 is 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.

Principle 8 – Remunerate Fairly and Responsibly

People, Culture and 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 People, Culture and 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 People, Culture and Remuneration Committee comprises three independent non-executive directors with Christine Clifton as Chair and Richard Fisher and Richard Davis as members. The number of meetings held during the year and the individual attendances at those meetings is set out on page 23 of the Directors' Report.

The People, Culture and 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 which begins on page 29 provides detailed information about the current remuneration practices and the levels of remuneration, including proposed changes to long term incentive arrangements.

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. The policy specifically bans the use of techniques or products to limit the economic risk associated with holding the Company's securities.

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**

The Directors' Report continues with the Remuneration Report.

Remuneration Report

The Remuneration Report summarises the key compensation policies and practices for the year ended 31 December 2015, 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 2015 Annual General Meeting

H. Details of remuneration

I. Service agreements

J. Details of share-based compensation

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

A. Directors and key management personnel

For the purposes of this report, the key management personnel ("KMP") 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

Richard Davis

Gary Stead

Joycelyn Morton (appointed 19 August 2015)

Aliza Knox (resigned 31 August 2015)

Roger Penman (leave of absence from 1 January 2015 and resigned 15 December 2015)

Other key management personnel

Martin Earp (appointed a Director on 13 April 2015, then as Managing Director and Chief Executive Officer on 1 May 2015)

Andrew Smith (Managing Director and Chief Executive Officer up to 30 April 2015)

Phillip Friery (Chief Financial Officer)

Greg Bisset (Chief Operating Officer Australia)

Wee Leng Goh (Chief Executive Officer Singapore)

Graeme Rhind (Chief Operating Officer New Zealand)

Soon after his appointment as Managing Director and Chief Executive Officer ("CEO") replacing Andrew Smith on 1 May 2015, Martin Earp formalised the establishment of a Group Executive Team comprising his direct reports. The Board has determined that not all members of the Group Executive Team are considered KMP, as they do not have responsibility for planning, directing and controlling a substantial part of the entities operations. InvoCare periodically makes changes to its Group Executive Team to reflect the evolving strategy and structure of the Company. The use of the term Senior Executives in this report means members of the Group Executive Team.

B. Remuneration Governance

The Board has an established Remuneration Committee (recently reconstituted as People, Culture and Remuneration Committee) which critically reviews the Group's remuneration policy and, under its charter, has the following primary functions:

— Recommend to the Board the culture that the Group seeks to aspire to and monitor performance against implementation plans;

— Consider and review (with input from external remuneration consultants as necessary) the remuneration and employment policies and procedures for the Group;

— Review and make recommendations to the Board regarding the remuneration and appointment of Senior Executives;

— Review and make recommendations to the Board regarding the policies for short term and long term incentives;

— Review employee engagement survey results and recommendations;

— Review the delivery and performance of learning and development programmes;

— Review findings of talent reviews including succession plans for Senior Executives;

— Review the annual Health, Safety and Environment Improvement Plan and performance;

— Review any statutory diversity reporting required to be made by the Group; and

— Review and, where required, make recommendations to the Board for approval of all reports on KMP remuneration required by law or regulation or which are proposed to be included in the annual report.

During 2015, the Remuneration Committee considered the emerging market remuneration practices and legislative developments in the context of evolving business strategy and feedback from key stakeholders including major investors.

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, including changes made to long term incentive remuneration and CEO termination arrangements.

C. Use of remuneration consultants

The Remuneration Committee conducted its remuneration review with assistance detailed below from independent remuneration consultants Aon Hewitt, a specialist consultancy and advisory business dedicated to all aspects of director and executive compensation and equity incentive strategies.

Aon Hewitt was appointed in August 2015 by the acting Chairman of the Remuneration Committee, to undertake a review of the Group's long term incentive arrangements and, subsequently, a remuneration benchmark assessment and analysis in respect of non-executive director and selected Senior Executives. As part of the review Aon Hewitt met with the CEO and the KMP and held discussions directly with some of the Company's largest shareholders and

Remuneration Report continued

other stakeholders. The work was undertaken over several months from October 2015 to February 2016 with reports provided to the Chairman of the Remuneration Committee. The information provided was used, in part, to assist the Board in determining changes to the long term incentive arrangements and changes to the non-executive director, CEO and other Senior Executives remuneration for the 2016 financial year. Aon Hewitt received a fee of $53,530 (excluding GST and out of pocket expenses) for this work.

Aon Hewitt did not make any "remuneration recommendations" as defined in the Corporations Act 2001 in the 2015 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 CEO's and Senior Executives' total remuneration is benchmarked to comparable positions in comparable size companies (taking into account sales revenue, market capitalisation and industry), with the value of the incentives included in total remuneration based on amounts that can be 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.

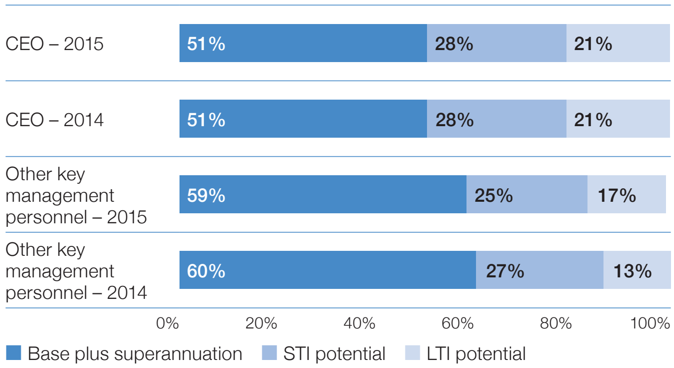
The compensation of the CEO and other Senior Executives is comprised of payments and/or allocations under the following categories:

— 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 KMP, as depicted in the following graph (and averaged for the other KMP), 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.



Commencing in 2016 for Senior Executives then more broadly from 2017, the Group intends transitioning to using a more contemporary Total Fixed Remuneration ("TFR") measure in place of the abovementioned "Base plus superannuation" in setting remuneration levels across the organisation. The key impact will be the inclusion of motor vehicle benefits in TFR, in addition to base salary and superannuation.

No director or other key management personnel has, at 31 December 2015 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. Under the terms of a proposed new LTI scheme to commence in 2016, options may be issued to Senior Executives.

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 Senior Executive's service agreements, except for the USA Chief Operating Officer and then subject to the achievement of agreed individual and business performance metrics.

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 employees 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 and up to a maximum of six months. Details for Senior Executive service agreements are set out on page 39 under the heading "I. Service Agreements".

Short-term incentives

STIs are awarded for achievement of pre-determined financial and non-financial objectives. For Senior Executives, the target criteria and possible bonus levels are defined each year by the Remuneration Committee and Board, in consultation with the CEO. For other executives, the Senior Executives determine the objectives and reward levels 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 for 2015 was up to a maximum of 56.3% of base salary plus superannuation for the CEO and from 25% up to a maximum of 49% for the other Senior Executives. The target criteria for Senior Executives are heavily weighted to overall financial performance, being 50% of the potential STI opportunity for the CEO and up to 47% for the other Senior Executives, but are also tailored to the relevant circumstances of each executive. The STI is capped at this target and does not provide for additional cash benefits if the individual or business targets are exceeded for the year. Instead, the Group seeks to reward executive's for sustained outperformance and this is reflected in the design and vesting arrangements in the LTI Plan, as well as an increased weighting to LTI incentive opportunities from 2016.

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

- Group, specific country or specific business EBITDA growth targets, with EBITDA being a key financial measure of the success of operations;
- Absolute case volume and Group, specific country or specific market share growth, which are cornerstones of the past and future growth of the business;
- 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 information technologies to enhance customer service and business efficiencies; and
- Continue to grow the prepaid funeral business, including returns from funds under management.

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 average revenue per case, sales of prepaid contracts, the management of labour costs, client survey results and debtors' days outstanding.

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, without payment for outperformance, 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, provides incentive for outperformance over the longer term, encourages executives to remain employed with the Group and ensures alignment with shareholder interests.

Commencing January 2016, the Group will seek to claw back all or part of an executive's STI that has already been paid to ensure the executive has not been inappropriately awarded in circumstances including:

- A material misstatement or omission in the Group's financial statements;
- If actions or inactions seriously damage the Group's reputation or put the Group at significant risk; and/or
- A material abnormal occurrence results in an unintended increase in the award.

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 ("Deferred Shares"), or, in the case of foreign managers who may not be able to participate in Australian share offers, share equivalents ("Deferred Rights"). No consideration is payable by the employee for the DESP offer, but they are subject to continuous service and, for senior management, performance conditions. Deferred Shares are purchased on-market and hence the DESP is operated on a completely non-dilutive basis. Share equivalents for offshore employees are settled in cash instead of equity.

During 2015 the Remuneration Committee reviewed the design and operation of the LTI arrangements. As a consequence, a new LTI plan is proposed to be made available from February 2016 to eligible participants. It will be referred to as the Performance Long Term Incentive Plan (PLTIP) and is aimed at attracting, rewarding and retaining high performing executives who contribute to the overall medium and long term success of InvoCare.

The main differences between the proposed PLTIP and the existing plan are that:

- participants will be restricted to the CEO, the other Senior Executives, operational General Managers and selected high performing or high potential senior managers by invitation and as approved by the Board;
- the awards are proposed to be in performance shares rights ("PSRs") or options;
- there will be a return on capital gateway before any awards meeting performance conditions will vest;
- no dividends will be paid on unvested awards; and
- there will be no voting rights.

Participants in the new PLTIP will no longer be eligible for grants under the existing DESP. This existing plan will be retained and continue for remaining participants and, at the CEO's discretion, future participants. Future awards under the DESP will vest subject to continuous service only and recognise the contribution of primarily middle level managers over time through the granting of modest amounts of equity.

Similar to share equivalents under the DESP, for offshore employees PSRs or options may be settled in cash instead of equity.

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.

Remuneration Report continued

A tiered arrangement by level will apply to offers under the proposed PLTIP:

- CEO – of the maximum LTI award, 75% will be in options and 25% in PSRs
- Other Participants – 50% in options and 50% in PSRs, or wholly in PSRs in certain circumstances with Board approval

The value of LTI award offered in 2015 was up to a maximum of 42% of base salary plus superannuation for the CEO and up to a maximum 36% for the other Senior Executives.

The number of PSRs will be calculated at the date of issue by dividing the value of LTI to be awarded in PSRs by the face value of an InvoCare share. The face value is proposed to be based on the 10 day VWAP for InvoCare shares around the date of grant.

The number of options will be calculated based upon the value of LTI to be awarded in options divided by the option valuation at the award date. This option value, or exercise price, will be determined by an independent actuary using a Black Scholes valuation methodology. The valuation for allocation will include dividends but will not incorporate any discount relating to the performance and tenure conditions.

Under the DESP, the number of Deferred Shares or Deferred Rights is calculated by dividing the value of the LTI award by the on-market acquisition cost of InvoCare shares.

Consistent with the existing DESP, vesting of the LTI awards under the PLTIP will be in three equal tranches in February of each of the second, third and fourth subsequent years after the year of offer. This is to allow for the impact that the number of deaths, which is outside the control of management, has on the Group's annual result, in particular given the fixed cost nature of the business. Vesting of the first LTI tranche two years out from the initial grant in part compensates for the fact STIs are capped without additional reward for short term outperformance. Over the longer term, sustained levels of short term outperformance should translate into higher LTI rewards.

Upon vesting of Deferred Shares under the DESP, the employee has the discretion to leave the Deferred Shares in trust, withdraw or sell any number of them. Upon vesting of Deferred Rights under the DESP, the employee will be paid in cash an amount equivalent to the number of vested Deferred Rights multiplied by the value of those rights derived by reference to the market value of InvoCare shares.

Upon vesting of PSRs under the proposed PLTIP, the employee will be provided with InvoCare shares, satisfied either by a new issue or by on-market purchase. In the case of vested options, the exercise period is proposed to continue from the date of vesting until 10 years from the commencement of the performance period of the award (eg for 2016 awards the end of option life will be February 2026).

In accordance with InvoCare's Share Trading Policy, senior managers are prohibited from trading the Company's shares other than during specified trading windows, or with approval in exceptional circumstances, and then only if not in possession of inside information. In addition, 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.

Consistent with DESP awards, performance conditions under the proposed PLTIP relate to compound growth per annum in normalised earnings per share over the vesting period. However, as mentioned earlier, a 'gateway' condition must be met before any PLTIP awards can vest. The gateway requires a minimum level of Return on Invested Capital ("ROIC"). This is a safety net to ensure that capital is being employed efficiently and earnings growth is translating to shareholder value. ROIC is defined as the annual operating earnings (excluding net finance costs and after deducting tax) divided by the average invested capital during the year (being the average of the beginning and end of year balances of total assets less surplus cash less non-interest bearing liabilities).

"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;
- to maintain consistency in accounting policies across the respective vesting periods for each grant; and
- for proposed PLTIP awards from February 2016:
    - to reflect constant currency; and
    - to remove impacts of non-cash movements in prepaid contracts and associated funds under management.

Specifically in the case of the CEO, CFO and Group Executive Capital Management, the abovementioned non-cash movements for Guardian Plan prepaid contracts and funds under management will be included in the EPS figure utilised in the proposed PLTIP.

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 and analysis by the Board. As part of its review of LTI arrangements during 2015, 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, together with the introduction of a ROIC gateway, more closely reflects management performance and success in incrementally creating value through good decision making and sustained and improving performance over time.

Subject also to the ROIC gateway condition, the EPS performance conditions applying for PLTIP awards in 2016 are 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%	86% plus 1.4% for each 0.1% EPS over 11%
10% or more but less than 11%	72% plus 1.4% for each 0.1% EPS over 10%
9% or more but less than 10%	58% plus 1.4% for each 0.1% EPS over 9%
8% or more but less than 9%	44% plus 1.4% for each 0.1% EPS over 8%
7% or more but less than 8%	30% plus 1.4% for each 0.1% EPS over 7%
Less than 7%	Nil

For DESP grants made in 2015, 2014, 2012 and 2011, the EPS performance vesting conditions are:

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

For DESP grants made in 2013, the EPS performance vesting conditions are:

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

If the compound EPS growth performance conditions are not met at the vesting date, the unvested LTI awards 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 awards at the fifth anniversary of the grant are forfeited.

To receive 100% of the LTI awards, 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.

In general, should a participant cease employment as a result of resignation or termination in circumstances the Board determines as related to their performance, all unvested equity awards held by the participant will lapse. In exceptional circumstances the Board has the discretion to determine the extent to which all or part of any unvested equity may vest and the specific performance testing to be applied.

In circumstances where a termination is for reasons including retirement, death, total and permanent disablement, and bona fide redundancy, unless it determines otherwise, the Board may allow all or part of the unvested equity awards to continue on foot and vest subject to the original terms and performance and service conditions set out in the letter of offer and plan rules at the time of award.

In the event of a change in control or other circumstances where the Board determines it is not practical or appropriate for the unvested equity to continue on foot, the Board has the discretion to determine the extent to which all or part of any unvested equity may vest and the specific performance testing to be applied.

If no determination is made by the Board, all equity awards held by the participant will lapse upon termination of employment.

The Board has the discretion to determine that any LTI benefit payable in the above termination circumstances can be settled in cash.

Remuneration Report continued

Following its 2015 review, the Remuneration Committee and Board have also introduced clawback and malus conditions for the both LTI and STI. The Board in its sole discretion may determine that all, or part, of any unvested LTI incentive award be forfeited in certain circumstances. These circumstances include, but are not limited to:

- A material misstatement or omission in the Group's financial statements;
- If actions or inactions seriously damage the Group's reputation or put the Group at significant risk; and/or
- A material abnormal occurrence results in an unintended increase in the award.

The following table summarises the performance to date for the grants made since 2010 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
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 – not satisfied, all tranches not vested February 2016 – not satisfied, all unvested shares forfeited
2012	7% to 10%	34.4 cents	February 2014 – 39% of the first 1/3rd tranche vested February 2015 – 100% vesting of second and unvested first tranches February 2016 – 91% vesting of third 1/3rd tranche vested February 2017 (if required)
2013	7% to 12%	38.7 cents	February 2015 – 100% of first 1/3rd tranche vested February 2016 – 54% of second 1/3rd tranche vested February 2017 – to be determined February 2018 (if required)
2014	7% to 10%	39.7 cents	February 2016 – 100% of first 1/3rd tranche vested February 2017 – to be determined February 2018 – to be determined February 2019 (if required)
2015	7% to 10%	49.1 cents	February 2017 – to be determined February 2018 – to be determined February 2019 – to be determined February 2020 (if required)
2016	7% to 12%	49.8 cents	February 2018 – to be determined February 2019 – to be determined February 2020 – to be determined February 2021 (if required)

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

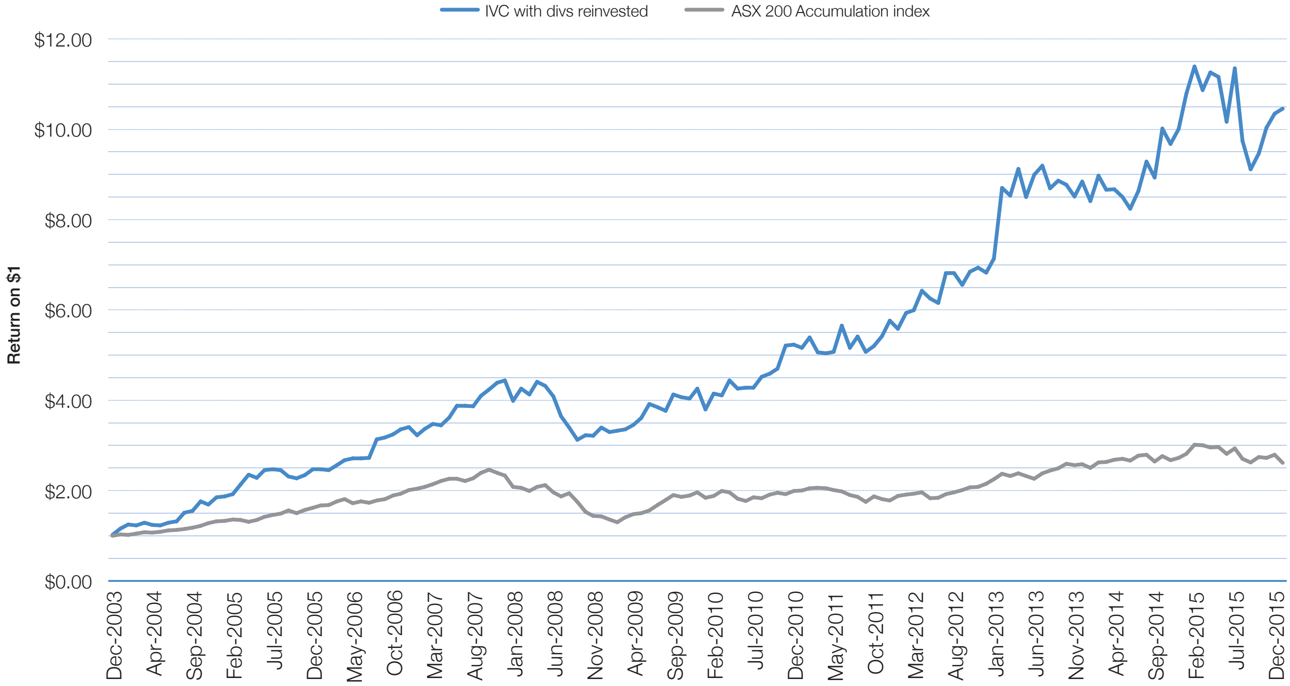
Further details of LTI awards are set out on page 41 under the heading "J. Share-based Compensation".

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 an annualised 21.3% return for shareholders between listing in December 2003 and the end of 2015. As depicted by the following graph, the growth of an investment of $1 in InvoCare at listing exceeds the ASX200 growth over that period.

Growth of $1 in IVC with all dividends reinvested vs ASX 200 accumulation index

Since IVC listing December 2003



Based upon achievements in 2015, the Remuneration Committee determined the CEO and Senior Executives achieved an average 81% of their target STI opportunity. 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 %
Martin Earp	92%	8%
Phillip Friery	83%	17%
Greg Bisset	88%	12%
Wee Leng Goh	98%	2%
Graeme Rhind	15%	85%
Average	**81%**	**19%**

Remuneration Report continued

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

- The successful CEO transition from Andrew Smith to Martin Earp and the establishment of a Group Executive Team, comprising executives with country or technical responsibilities, and the consequent review and formulation of strategies to continue the Group's strong financial performance;
- Financial performance was improved on the previous year, with achievement of Group, Australian and Singapore EBITDA targets, growth in overall market share in Australia and Singapore, healthy investment performance of prepaid funeral funds and lower debt financing costs;
- The integration of acquired businesses, including a funeral business in Australia and two crematorium operations in New Zealand, and the establishment of a greenfield operation in Southern California, albeit the performance of the NZ and USA operations has not yet met expectations; and
- The continued focus on cost management and the roll out of new technologies across the business.

In addition to STI, upon satisfying service and performance conditions, the Senior Executives also received the benefit of the vesting of LTI awards made in prior years. Further details are set out on page 41 under the heading "J. Share-based Compensation".

The table below shows measures of the Group's financial performance over the last five years, including those required by the *Corporations Act 2001*. However, these are not necessarily consistent with the measures used in determining the at-risk incentive components of Senior Executives' remuneration. As a consequence, there may not always be a direct correlation between the statutory key performance measures and the variable remuneration awarded.

	2015	2014	2013	2012	2011
Reported profit after tax	**$54.8m**	$54.5m	$48.9m	$44.5m	$27.0m
Basic earnings per share (cents)	**50.1¢**	49.8¢	44.7¢	40.6¢	25.6¢
Operating earnings after tax - note 1	**$49.4m**	$46.2m	$42.5m	$42.5m	$36.4m
Normal dividends	**$40.2m**	$40.1m	$37.9m	$37.4m	$32.5m
Normal dividends per share	**38.0¢**	36.5¢	34.5¢	34.0¢	29.75¢
Dividend payout of operating earnings	**85%**	95%	90%	88%	89%
Total return per share – note 2	**$0.28**	$1.41	$2.60	$1.39	$0.71
Total shareholder return – note 2	**2%**	13%	30%	18%	10%
Share price – 31 December	**$12.01**	$12.10	$11.04	$8.78	$7.70
Shares on issue	**110m**	110m	110m	110m	110m
Market capitalisation – note 3	**$1,321m**	$1,331m	$1,215m	$966m	$847m
Enterprise value – note 4	**$1,544m**	$1,550m	$1,430m	$1,183m	$1,055m

1. Operating earnings after tax is a financial measure which is not prescribed by Australian equivalents to International Financial Reporting Standards ("AIFRS") and represent the earnings under AIFRS adjusted for specific non-cash and significant items.
2. 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. During 2015, equity markets generally declined in value contributing to lower returns for InvoCare shareholders.
3. Market capitalisation at 31 December, being number of shares on issue multiplied by share price at that date.
4. Enterprise value is market capitalisation plus net debt.

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, Aon Hewitt.

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 $1,250,000, being the amount approved by shareholders at the Annual General Meeting held on 22 May 2015.

This remuneration is divided among the non-executive directors in such proportion as the Board determines. During the 2015 financial year, annual fees for non-executive directors were $231,000 for the Chairman of the Board and $126,000 for each of the other non-executive directors with an additional $10,500 for the Chairman of the Audit Committee.

Using market information from an external review of non-executive director compensation commissioned by the Board Remuneration Committee, the Board has determined 2016 fees will be increased to $264,000 for the Chairman and $132,000 for each of the other non-executive directors. The Chair of the Audit, Risk and Compliance Committee will be paid an additional annual fee of $11,000 for the additional work associated with the Committee. The aggregate of these fees is below the current pool limit.

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. With the exception of $8,624 (2014: $6,702) paid to Richard Davis, no fees for additional or special duties were paid to non-executive directors holding office during the years ended 31 December 2015 and 31 December 2014.

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 DESP or PLTIP on a fee sacrifice basis. No shares or options have been issued or allocated to non-executive directors under either 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 meeting this requirement.

Directors' equity holdings are set out under the heading "Information on directors" starting on page 21 of the Directors' Report and in Note 7: "Key Management Personnel Disclosures" on page 67 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 2015 Annual General Meeting

The Remuneration Report for the year ended 31 December 2014 received a vote of 78.4% in favour at the Annual General Meeting held on 22 May 2015.

A resolution initially included on the Agenda for the 2015 AGM in relation to the proposed retirement arrangements for the former CEO, Mr Andrew Smith, was withdrawn as a result of expressions of concern by various stakeholders and larger shareholders in the Company.

The Company has assessed this feedback and consequently made amendments to the LTI arrangements and the termination provisions in the contracts of Senior Executives. These are detailed in the description of the 2016 LTI plan under the headings "D. Executive remuneration policy and framework" and "I - Service Agreements". The Board is considering a possible termination benefit arrangement for the former CEO, which if approved by the Board, will be put to shareholders at the next AGM.

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 employee benefits			Post employment benefits	Other long-term benefits	Share-based ≠payments			
	Year	Cash salary or fee (note 1) $	Short-term cash bonus (note 2) $	Non-monetary benefits (note 3) $	Super-annuation (note 4) $	Long service leave (note 5) $	LTI shares at risk (note 6) $	LTI shares forfeited (note 7) $	Total Statutory Remuneration (note 8) $	Executives' Actual Remuneration (note 9) $
Non-executive directors										
Richard Fisher	**2015**	**210,959**	**-**	**-**	**20,041**	**-**	**-**	**-**	**231,000**	
(Chairman)	2014	201,143	-	-	18,857	-	-	-	220,000	
Christine Clifton	**2015**	**115,068**	**-**	**-**	**10,932**	**-**	**-**	**-**	**126,000**	
	2014	109,714	-	-	10,286	-	-	-	120,000	
Richard Davis	**2015**	**123,692**	**-**	**-**	**10,932**	**-**	**-**	**-**	**134,624**	
	2014	116,668	-	-	10,034	-	-	-	126,702	
Aliza Knox	**2015**	**84,000**	**-**	**-**	**-**	**-**	**-**	**-**	**84,000**	
(resigned 31 August 2015)	2014	120,000	-	-	-	-	-	-	120,000	
Joycelyn Morton	**2015**	**42,464**	**-**	**-**	**4,034**	**-**	**-**	**-**	**46,498**	
(appointed 19 August 2015)	2014	-	-	-	-	-	-	-	-	
Roger Penman	**2015**	**34,125**	**-**	**-**	**-**	**-**	**-**	**-**	**34,125**	
(resigned 15 December 2015)	2014	130,000	-	-	-	-	-	-	130,000	
Gary Stead	**2015**	**115,068**	**-**	**-**	**10,932**	**-**	**-**	**-**	**126,000**	
(appointed 01 September 2014)	2014	36,529	-	-	3,471	-	-	-	40,000	
Executive directors										
Martin Earp	**2015**	**572,739**	**295,326**	**26,531**	**22,730**	**9,256**	**81,115**	**-**	**1,007,696**	**920,067**
(appointed 30 March 2015)	2014	-	-	-	-	-	-	-	-	-
Andrew Smith (note 12)	**2015**	**231,756**	**44,072**	**12,409**	**8,667**	**4,419**	**259,556**	**-**	**560,880**	**1,612,326**
(contract ended 30 April 2015)	2014	719,049	330,012	35,359	23,162	38,427	680,089	(182,874)	1,643,224	1,250,340
Other key management personnel										
Phillip Friery	**2015**	**369,123**	**158,636**	**35,081**	**19,205**	**6,434**	**104,351**	**(128,636)**	**564,194**	**701,518**
	2014	372,526	145,164	33,118	19,199	6,234	99,952	(122,546)	553,647	668,302
Greg Bisset	**2015**	**361,581**	**168,612**	**27,393**	**30,003**	**20,476**	**136,291**	**(108,700)**	**635,655**	**779,967**
	2014	350,962	141,644	26,545	26,791	7,440	130,373	(84,117)	599,638	642,482
Andi Luiskandl	**2015**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
(Ceased to be a KMP on 1 January 2015)	2014	226,313	28,648	19,614	21,120	2,059	53,191	-	350,945	309,639
Wee Leng Goh (note 10)	**2015**	**259,579**	**56,343**	**5,753**	**14,481**	**-**	**68,358**	**(81,827)**	**322,687**	**416,251**
	2014	229,934	35,820	5,207	11,897	-	87,629	(41,712)	328,775	301,218
Graeme Rhind (note 11)	**2015**	**232,993**	**13,451**	**13,305**	**12,978**	**-**	**51,791**	**-**	**324,518**	**335,041**
	2014	199,319	88,542	12,266	8,806	-	59,029	-	367,962	321,117

Notes to Remuneration Table:

1. The total cost of fees and salary, including annual leave taken and provided 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 table on page 35.
3. The cost to the Company, including any fringe benefits tax, for the provision of fully maintained cars, 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. Except for Mr Smith (see note 12) 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, leave entitlements 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, including termination benefits. The approximate market values of previous grants which were forfeited during the year were $209,623 for Phillip Friery, $177,135 for Greg Bisset and $66,487 for Wee Leng Goh.
10. Wee Leng Goh, Chief Executive Officer of Singapore Casket Company, received total remuneration of SG$333,563 (2014:SG$375,852), which has been converted to Australian dollars at the average exchange rate for the year of 0.9676 (2014: 0.8750).
11. Graeme Rhind, Chief Operating Officer of New Zealand, received total remuneration of NZ$349,514 (2014:NZ$400,028), which has been converted to Australian dollars at the average exchange rate for the year of 0.9284 (2014: 0.9199).
12. In accordance with Australian Accounting Standards, the above table records the cash salary for time worked, payments for periods of annual leave taken, superannuation contributions, STI entitlement, non-monetary benefits and LTI expense all relating to Mr Andrew Smith's service up to 30 April 2015, the date his service contract expired. In the column headed "Executives' Actual Remuneration", the amount shown for Mr Smith includes the market value of vested LTI shares granted in prior years which met performance conditions and termination benefits provided effective 30 April 2015, being accrued but untaken leave entitlements of $177,363, and LTI shares to the value of $769,996 which automatically vested in accordance with the terms of his service contract. The amount shown in that column does not include provision of additional termination benefits, being the value of further unvested shares nor his 2015 STI entitlement, which require shareholder approval.

I. Service Agreements

Chief Executive Officer

Remuneration and other terms of employment for the CEO, Martin Earp, have been formalised in a service agreement, which may be updated from time to time. The service agreement specifies that employment commenced on 30 March 2015, the role of CEO was assumed on 1 May 2015 and, subject to agreement to extend the term, employments ends on 30 March 2018. The agreement provides for provision of salary, superannuation, short-term performance related cash bonuses, long-term performance related share-based bonuses and other benefits.

The total remuneration package is reviewed annually and the latest review effective from 1 January 2016 provides for Martin Earp's remuneration as follows:

— Total fixed remuneration (ie. annual base salary, superannuation and motor vehicle) of $855,000 ("TFR");

— short-term incentive bonus of up to $439,470, being 51.4% TFR; and

— LTI award under the proposed PLTIP to the value of $513,000, being 60.0% of TFR.

The STI opportunity will be subject to key performance conditions and weightings as follows:

EBITDA achievement (50% weighting) – with no STI earned until 90% of EBITDA budget is achieved at which level 25% of STI is payable, with pro-rata increases to 100% budget achievement;

Team building (10% weighting) – assessed by external consultant review of success;

Developing marketing and digital business (10% weighting); and

Delivery of agreed growth projects and development of implementation plans for future growth projects (30% weighting).

The Board intends seeking the approval of shareholders at the next AGM for the CEO's LTI awards.

The Remuneration Committee and Board have the discretion to provide additional performance incentives. Under the CEO 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.

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

Remuneration Report continued

Other Senior Executives

Remuneration and other terms of employment for each of the other Senior Executives are formalised in service agreements or letters of appointment as varied from time to time, including through annual review. Each contract is for an indefinite term.

The Senior Executive's total remuneration package is reviewed annually by the Remuneration Committee and Board and, from 2016, provides for remuneration to include:

- TFR;
- short-term incentive bonus averaging 42% of TFR with no retesting to recover any previous year shortfall; and
- LTI awards averaging 35% of TFR.

Termination Arrangements for Senior Executives

Up to six months' notice or payment in lieu of notice is generally required in the event of termination by the employer company. The company 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. Upon employment termination for any reason unvested LTI awards will be forfeited, unless the Board exercises its discretion to determine otherwise as set out under the sub-heading "Long term incentives" under the heading "D. Executive remuneration policy and framework". The Board proposes putting a resolution dealing with termination benefit arrangements to shareholders at the next AGM.

Except for the CEO who is not subject to any post-employment restraints, other Senior Executives are generally subject to post-employment restrictions for up to twelve months after employment termination without consideration paid for the restraint.

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 (note1)	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 (notes 4 & 5)	Value of forfeits (note 4)	Aggregate forfeited %
Andrew Smith	2011	2016	27,288	$201,163	27,288	27,288	100%	-	-	-	-
(note 5)	2012	2017	35,792	$284,325	31,115	35,792	100%	-	-	-	-
	2013	2018	27,799	$303,960	27,380	27,799	98%	-	419	$4,581	2%
	2014	2019	27,417	$311,559	-	27,417	0%	-	27,417	$311,559	100%
	2015	2020	22,677	$311,559	-	22,677	0%	-	22,677	$311,559	100%
Martin Earp	2015	2020	17,410	$239,200	-	-	-	$239,200	-	-	-
Phillip Friery	2011	2016	17,454	$128,667	-	17,454	0%	$128,667	17,454	$128,667	100%
	2012	2017	8,098	$64,334	4,340	5,398	67%	$21,450	-	-	-
	2013	2018	9,617	$105,140	3,206	3,206	33%	$70,090	-	-	-
	2014	2019	9,483	$107,768	-	-	-	$107,768	-	-	-
	2015	2020	8,079	$111,001	-	-	-	$111,001	-	-	-
Greg Bisset	2011	2016	14,749	$108,728	-	14,749	0%	$108,728	14,749	$108,728	100%
	2012	2017	16,088	$127,803	8,622	10,725	67%	$42,612	-	-	-
	2013	2018	12,212	$133,525	4,071	4,071	33%	$89,013	-	-	-
	2014	2019	12,044	$136,863	-	-	-	$136,863	-	-	-
	2015	2020	10,260	$140,969	-	-	-	$140,969	-	-	-
Wee Leng Goh	2011	2016	5,536	$40,800	-	5,536	0%	$85,522	5,536	$85,522	100%
	2012	2017	5,081	$39,432	2,815	3,387	67%	$20,344	-	-	-
	2013	2018	4,124	$45,075	1,374	1,374	33%	$33,025	-	-	-
	2014	2019	4,607	$52,336	-	-	-	$55,320	-	-	-
	2015	2020	4074	$55,977	-	-	-	$48,916	-	-	-
Graeme Rhind	2012	2017	4,536	$35,199	2,431	3,024	67%	$18,159	-	-	-
	2013	2018	3,464	$37,862	1,154	1,514	33%	$27,741	-	-	-
	2014	2019	4,011	$45,565	-	-	-	$48,353	-	-	-
	2015	2020	3,422	$47,018	-	-	-	$41,087	-	-	-

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 2015 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 2016, from the balance of unvested shares held in trust at the end of the year, shares from grants made in 2011 were forfeited due to EPS performance conditions unlikely to be achieved.
5. In the case of Andrew Smith, unvested shares at the date of his termination on 30 April 2015, including from the 2011 grant, either automatically vested upon termination in accordance with the terms of his service contract or will vest subject to shareholder approval (the latter have been displayed as forfeited in this table).

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 67.

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 2015:

	$
Australian Firm	
Assurance services	23,617
Taxation services	80,506
Other services	16,666
Non-Australian Firms	
Taxation services	48,391
Other services	485
Total	**169,665**

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 43.

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

Martin Earp
Director

Dated this 16th day of February 2016

Auditor's Independence Declaration

As lead auditor for the audit of InvoCare Limited for the year ended 31 December 2015, 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
16 February 2016

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Consolidated Income Statement

For the year ended 31 December 2015

	Notes	2015 $'000	2014 $'000
Revenue from continuing operations	4	**445,941**	420,204
Finished goods, consumables and funeral disbursements		**(125,445)**	(121,614)
Employee benefits expense		**(115,446)**	(105,258)
Employee related and on-cost expenses		**(26,885)**	(24,124)
Advertising and public relations expenses		**(16,715)**	(14,912)
Occupancy and facilities expenses		**(28,155)**	(27,149)
Motor vehicle expenses		**(8,824)**	(8,819)
Other expenses		**(19,045)**	(17,246)
		105,426	101,082
Depreciation and amortisation expenses	5	**(20,180)**	(19,187)
Cemetery land impairment reversal	5	**5,400**	2,600
Financial assets impairment charge	5	**(2,635)**	(2,000)
Finance costs	5	**(14,786)**	(15,483)
Interest income		**722**	749
Net gain/(loss) on undelivered prepaid contracts	15	**7,527**	10,915
Acquisition related costs		**(70)**	(1,215)
Share of net loss of associate		**-**	(525)
Net gain on disposal of non-current assets		**312**	334
Profit before income tax		**81,716**	77,270
Income tax expense	6	**(26,747)**	(22,643)
Profit from continuing activities		**54,969**	54,627
Profit for the year		**54,969**	54,627
Profit is attributable to:			
Equity holders of InvoCare Limited		**54,844**	54,515
Non-controlling interests		**125**	112
		54,969	54,627

Earnings per share for profit attributable to the ordinary equity holders of the Company			
Basic earnings per share (cents per share)	11	**50.1**	49.8
Diluted earnings per share (cents per share)	11	**50.1**	49.8

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 2015

	Notes	2015 $'000	2014 $'000
Profit for the year		**54,969**	54,627
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	**1,179**	(82)
Changes in foreign currency translation reserve, net of tax	26	**(551)**	1,537
Other comprehensive income for the year, net of tax		**628**	1,455
Total comprehensive income for the year		**55,597**	56,082
Total comprehensive income for the year is attributable to:			
Equity holders of InvoCare Limited		**55,472**	55,970
Non-controlling interests		**125**	112
		55,597	56,082

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

Consolidated Balance Sheet

As at 31 December 2015

	Notes	2015 $'000	2014 $'000
ASSETS			
Current assets			
Cash and cash equivalents	12	**8,679**	10,488
Trade and other receivables	13	**41,139**	39,237
Inventories	14	**24,451**	22,313
Prepaid contract funds under management	15	**35,066**	32,997
Property held for sale	18 (c)	**3,499**	2,702
Deferred selling costs		**1,299**	1,138
Total current assets		**114,133**	108,875
Non-current assets			
Trade and other receivables	13	**22,881**	16,381
Other financial assets		**4**	61
Property, plant and equipment	18	**322,248**	308,344
Prepaid contract funds under management	15	**387,218**	367,970
Intangible assets	19	**152,751**	152,480
Deferred selling costs		**9,374**	8,719
Equity accounted investments		**-**	2,423
Total non-current assets		**894,476**	856,378
Total assets		**1,008,609**	965,253
LIABILITIES			
Current liabilities			
Trade and other payables	21	**39,313**	37,091
Borrowings	22	**-**	2
Derivative financial instruments	20	**1,130**	622
Current tax liabilities		**10,111**	9,364
Prepaid contract liabilities	15	**34,954**	33,847
Deferred revenue		**8,660**	7,588
Provisions	23	**14,318**	13,726
Total current liabilities		**108,486**	102,240
Non-current liabilities			
Trade and other payables	21	**174**	260
Borrowings	22	**230,772**	229,350
Derivative financial instruments	20	**3,062**	5,284
Deferred tax liabilities	6 (d)	**36,420**	32,275
Prepaid contract liabilities	15	**373,494**	359,994
Deferred revenue		**50,457**	45,482
Provisions	23	**2,306**	2,409
Total non-current liabilities		**696,685**	675,054
Total liabilities		**805,171**	777,294
Net assets		**203,438**	187,959
EQUITY			
Contributed equity	25	**133,694**	131,682
Reserves	26	**5,529**	6,756
Retained profits	26	**63,054**	48,367
Parent entity interest		**202,277**	186,805
Non-controlling interests	27	**1,161**	1,154
Total equity		**203,438**	187,959

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 2015

		Attributable to Owners of InvoCare Limited					
	Notes	Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total	Non controlling interest $'000	Total equity $'000
Balance at 1 January 2015		**131,682**	**6,756**	**48,367**	**186,805**	**1,154**	**187,959**
Total comprehensive income for the year		**-**	**628**	**54,844**	**55,472**	**125**	**55,597**
Dividends paid	10	**-**	**-**	**(40,157)**	**(40,157)**	**(118)**	**(40,275)**
Deferred employee share plan shares vesting during the year	26	**1,684**	**(1,684)**	**-**	**-**	**-**	**-**
Transfer of shares from the deferred plan to the InvoCare Exempt Share Plan Trust	25	**328**	**-**	**-**	**328**	**-**	**328**
Employee shares – value of services	26	**-**	**(171)**	**-**	**(171)**	**-**	**(171)**
Balance at 31 December 2015		**133,694**	**5,529**	**63,054**	**202,277**	**1,161**	**203,438**
Balance at 1 January 2014		132,393	4,423	32,636	169,452	1,245	170,697
Total comprehensive income for the year		-	1,455	54,515	55,970	112	56,082
Transactions with owners in their capacity as owners:							
Dividends paid	10	-	-	(38,784)	(38,784)	(203)	(38,987)
Deferred employee share plan shares vesting during the year	26	457	(457)	-	-	-	-
Acquisition of shares by the InvoCare Deferred Share Plan Trust	25	(1,168)	-	-	(1,168)	-	(1,168)
Employee shares – value of services	26	-	1,335	-	1,335	-	1,335
Balance at 31 December 2014		131,682	6,756	48,367	186,805	1,154	187,959

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 2015

	Notes	2015 $'000	2014 $'000
Cash flows from operating activities			
Receipts from customers (including GST)		**489,769**	464,134
Payments to suppliers and employees (including GST)		**(395,007)**	(367,317)
Other revenue		**7,856**	7,904
		102,618	104,721
Interest received		**83**	132
Finance costs		**(14,380)**	(14,981)
Income tax paid		**(23,690)**	(20,182)
Net cash inflow from operating activities	31	**64,631**	69,690
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**1,138**	1,003
Purchase of subsidiaries and other businesses including acquisition costs, net of cash acquired		**(7,076)**	(6,738)
Purchase of property, plant and equipment		**(22,035)**	(26,665)
Payments to funds for pre-paid contract sales		**(35,338)**	(33,326)
Receipts from funds for pre-paid contracts performed		**37,022**	35,389
Net cash outflow from investing activities		**(26,289)**	(30,337)
Cash flows from financing activities			
Payment for shares acquired by InvoCare Deferred Employee Share Plan Trust		**-**	(1,168)
Proceeds from borrowings		**45,023**	42,250
Repayment of borrowings		**(44,953)**	(40,000)
Payment of dividends – InvoCare Limited shareholders		**(40,157)**	(38,784)
Dividends paid to non-controlling interests in subsidiaries		**(118)**	(203)
Net cash outflow from financing activities		**(40,205)**	(37,905)
Net increase in cash and cash equivalents		**(1,863)**	1,448
Cash and cash equivalents at the beginning of the year		**10,488**	8,899
Effects of exchange rate changes on cash and cash equivalents		**54**	141
Cash and cash equivalents at the end of the year	12	**8,679**	10,488

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

The consolidated financial statements and notes of InvoCare Limited also comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

(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 IFRS requires the use of certain critical accounting estimates. It also requires the exercise of 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.

As of 1 January 2015 the Group has adopted a change in the presentation of its consolidated statement of cash flows whereby cash flows to and from independent prepaid funeral trust funds are classified as investing instead of operating activities. The changes were adopted to be consistent with the recognition of trust fund fair value movements in the consolidated balance sheet and consolidated income statement.

As a result the 2014 comparative information in the consolidated statement of cash flows and reconciliation of cash flow from operations with profit from ordinary activities after income tax has changed as follows:

- receipts from customers (including GST) have decreased $2,063,000 and
- net cash flows from investing activities have increased by $2,063,000 comprising payments to funds for pre-paid contract sales $33,326,000 and receipts from funds for pre-paid contracts performed $35,389,000.

(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 2015 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 entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

The Group's share of its associates' post-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 in other comprehensive income.

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 recognised in other comprehensive income. 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 15 years.

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

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

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

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

Note 1: Summary of Significant Accounting Policies continued

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

(k) Cash and cash equivalents

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

(l) Receivables

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

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

The carrying amount of the asset is reduced through the use of a provision for doubtful receivables account and the amount of the loss is recognised in the statement of comprehensive income within "other expenses". When a trade receivable is 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.

Note 1: Summary of Significant Accounting Policies continued

(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.

Cemetery land is carried at cost less accumulated amortisation and impairment write-downs. The consolidated entity sells interment and inurnment rights 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.

(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:

Note 1: Summary of Significant Accounting Policies continued

(i) Cash flow hedges

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

Amounts accumulated in equity are recycled in the statement of comprehensive income within finance costs in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place).

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the 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 corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(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. Cash settled share based payments are valued at each reporting date using a Black Scholes valuation technique. Increases or decreases in value are recorded as part of employee benefits expense. 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.

Note 1: Summary of Significant Accounting Policies continued

(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 the 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 presented 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, are presented 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 2015 reporting periods. The Group's assessments of the impacts of these new standards and interpretations are set out below.

(i) AASB 15 Revenue from Contracts with Customers

AASB 15 Revenue from Contracts with Customers establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The standard is not applicable until 1 January 2018 but is available for early adoption. The new standard may have relevance to the Group's accounting practices surrounding the revenue recognition of some sale transactions in the Group's cemeteries and crematoria. The exact nature and quantum of any impacts remains as yet un-determined and is currently being assessed. The standard is not expected to have a significant impact on other aspects of the Group's revenue.

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 Audit, Risk and Compliance Committee, which operate under policies approved by the Board, is 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:

	2015 $'000	2014 $'000
Financial assets		
Cash and cash equivalents	8,679	10,488
Trade and other receivables *	55,759	47,183
Prepaid contract funds under management	422,284	400,967
Other financial assets	4	61
	486,726	458,699
Financial liabilities		
Trade and other payables	39,487	37,351
Borrowings	230,772	229,352
Derivative financial instruments	4,192	5,906
	274,451	272,609

* excluding prepayments and security deposits

(a) Market risk

(i) Cash flow and fair value 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. The broad policy of the Group to keep 75% of debt, measured by individual currency, on fixed interest rates over the next twelve months by entering into interest rate swap contracts. The policy, however, provides flexibility to reduce the level of coverage in low interest rate currency or when the interest rate outlook is relatively benign. 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 5.38% (2014: 5.80%) inclusive of swaps and margins but excluding establishment fees.

At balance date, interest rate swaps for 64% (2014: 76%) of borrowings were in place. Of these interest rate swaps 19% (2014: 15%) were denominated in New Zealand dollar fixed interest instruments, with the balance denominated in Australian dollars. As at 31 December 2015 the weighted average fixed interest rate payable on the interest rate swaps is 4.38% (2014: 4.43%) and the weighted average variable rate receivable as at 31 December 2015 is 2.44% (2014: 2.90%).

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

	31 December 2015		31 December 2014	
	Weighted average interest rate	Balance $'000	Weighted average interest rate	Balance $'000
Bank loans	5.38%	238,819	5.80%	232,658
Interest rate swaps (notional principal)	4.38%	148,124	4.43%	175,808
Net exposure to cash flow interest rate risk		90,695		56,850

Note 2: Financial Risk Management continued

(a) Market risk continued

(i) Cash flow and fair value 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:

	2015 $'000	2014 $'000
Less than one year	**60,000**	55,808
One to two years	**60,000**	60,000
Two to three years	**28,110**	60,000
Three to four years	**30,000**	28,675
Four to five years	**30,000**	-
	208,110	204,483

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 (2014: 100 basis points) and 50 basis points in Singapore (2014: 50 basis points) in the interest rate would result in additional interest expense after tax of $395,000 (2014: $449,000). A decrease of 100 basis points in Australian and New Zealand rates (2014: 100 basis points) and 50 basis points in Singapore (2014: 50 basis points) in the interest rate would result in an after tax gain of $395,000 (2014: $118,000). 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 judged to be effective at 31 December 2015 and the movements in the fair value of these instruments have been quarantined in equity. If interest rates decline by 100 basis points (2014: 100 basis points) a further $1,179,000 (2014: $1,417,000) 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 $1,179,000 (2014: $1,086,000) net of tax.

The overall impact on the Group has been summarised on page 61.

The Group's cash and cash equivalents held in Australia are interest bearing. At 31 December 2015 the weighted average interest rate was 0.67% (2014: 0.91%). If interest rates changed by 100 basis points (2014: 100 basis points) the Group's after tax result would increase or decrease by $44,000 (2014: $53,000).

(ii) Foreign exchange risk

The Group rarely undertakes significant 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, Singapore, the USA and north Asia. 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.

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

	2015 $'000		2014 $'000	
	New Zealand Dollars	Singapore Dollars	New Zealand Dollars	Singapore Dollars
Borrowings	**41,696**	**26,136**	35,844	30,454
Derivatives	**1,126**	**-**	429	-

The Group has no significant unhedged foreign exchange exposures at 31 December 2015. The Singapore dollar borrowing is undertaken in Australia and designated as the hedge of a net investment in a subsidiary. The New Zealand dollar borrowings are undertaken in New Zealand.

Note 2: Financial Risk Management continued

(a) Market risk continued

(iii) Price risk

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

Accordingly, the Group's future revenue and margins are sensitive to the price risk relating to the investment returns of these funds under management. These funds are invested in a range of asset classes with different price risk variables including cash, fixed interest, Australian and international equities, hybrids and direct and indirect property. Based on the asset allocation as at 31 December 2015 and 31 December 2014 the following changes in investment returns are reasonably probable.

	31 December 2015		31 December 2014	
	Increase	Decrease	Increase	Decrease
Asset class				
Equities (plus or minus 10%)	**7,179**	**(7,179)**	4,010	(4,010)
Property (plus or minus 3%)	**3,294**	**(3,294)**	1,925	(1,925)
Cash and fixed interest (no price risk)	**-**	**-**	-	-
	10,473	**(10,473)**	5,935	(5,935)

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 property, cash and fixed interest investments. When considering investment strategies the life cycle of the fund is considered so that funds which are closer to the end of their expected life take a more conservation investment stance than those funds continuing to receive new funds.

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

	2015 %	2014 %
Equities	**17**	10
Property	**26**	16
Cash and fixed interest	**57**	74

Approximately 82% 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.

(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.

Note 2: Financial Risk Management continued

(b) Credit risk continued

(i) Impaired receivables

The total amount of the provision for doubtful receivables was $2,268,000 (2014: $2,230,000). As at 31 December 2015, receivables with a nominal value of $3,050,000 (2014: $3,261,000) 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 2015, trade receivables of $8,745,000 (2014: $7,928,000) were past due but had not been referred to external debt collection agents and hence were considered not to be impaired. These relate to customers where there is no current evidence of an inability or unwillingness to settle the amount due but where payment has been delayed. The Group's own collection activity, which varies based on the nature and relative age of the debt, is routinely applied to all past due accounts. When these activities do not result in a successful outcome, the debt is referred to external debt collection agencies.

The ageing of receivables past due but not impaired follows:

	2015 $'000	2014 $'000
One to three months overdue	**4,365**	4,479
Over three months overdue	**4,381**	3,449

(iii) Other receivables

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

(iv) Interest rate risks

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

(c) Liquidity risk

Prudent liquidity management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the relatively stable nature of the Group's business, management aims to maintain a large portion of committed credit lines on a long-term basis.

Note 2: Financial Risk Management continued

(c) Liquidity risk continued

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:

	2015 $'000	2014 $'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	-	-
- unsecured loan facility expiring in two to five years	290,000	255,000
- working capital facility expiring within one year	9,685	6,910
	299,685	261,910
Used at balance date		
- unsecured loan facility	231,832	230,304
- working capital facility	2,416	1,156
	234,248	231,460
Unused at balance date		
- unsecured loan facility	58,168	24,696
- working capital facility	7,269	5,754
	65,437	30,450

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

31 December 2015	Less than one year $'000	Two to three years $'000	More than three years $'000	Total $'000
Trade and other payables	39,313	174	-	39,487
Borrowings	-	163,332	68,500	231,832
Derivatives	1,130	2,978	84	4,192

31 December 2014	Less than one year $'000	Two to three years $'000	More than three years $'000	Total $'000
Trade and other payables	37,091	178	82	37,351
Borrowings	-	70,304	160,000	230,304
Derivatives	622	4,864	420	5,906

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 $290 million, $120 million expiring in December 2020 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 2015. 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 2015, basic EPS was 50.1 cents (2014: 49.8 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 45.1 cents (2014: 42.2 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 19% (2014: 21%) 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 $7.25 or 725% (2014: $7.03 or 703%) up to 31 December 2015.
- 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 2015 dividends represents a payout ratio of 85% (2014: 87%) of operating earnings after tax.
- Monitoring participation in the Dividend Reinvestment Plan: Up to 20% 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 2015 the proportion of debt hedged was 64% (2014: 76%). The hedge contracts extend to the second half of 2020.
- Managing refinancing risk: The Groups borrowing facilities were renewed during 2015 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 they now expire in December 2018. The tranche expiring in September 2016 was re-negotiated during 2015 and now expires in December 2020.

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 2015	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	**8,679**	**(44)**	**-**	**44**	**-**	**-**	**-**	**-**	**2**
Accounts receivable	**55,759**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Prepaid contract funds under management	**422,284**	**(1,385)**	**-**	**1,385**	**-**	**-**	**-**	**-**	**-**
Other financial assets	**4**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Financial liabilities									
Trade and other payables	**39,487**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Borrowings	**230,772**	**(395)**	**-**	**395**	**-**	**(133)**	**1,444**	**109**	**(1,432)**
Derivatives	**4,192**	**-**	**1,179**	**-**	**(1,179)**	**-**	**(1,444)**	**-**	**1,432**
Total increase/(decrease)		**(1,824)**	**1,179**	**1,824**	**(1,179)**	**(133)**	**-**	**109**	**2**

		Interest rate risk				Foreign exchange risk			
		- 100 basis points		+ 100 basis points		- 10%		+ 10%	
31 December 2014	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	10,488	(53)	-	53	-	-	-	-	1
Accounts receivable	47,183	-	-	-	-	-	-	-	-
Prepaid contract funds under management	400,967	(1,738)	-	1,738	-	-	-	-	-
Other financial assets	61	-	-	-	-	-	-	-	-
Financial liabilities									
Trade and other payables	37,351	-	-	-	-	-	-	-	-
Borrowings	229,352	(118)	-	449	-	(108)	2,536	88	(2,344)
Derivatives	5,906	-	1,417	-	(1,086)	-	(2,536)	-	2,344
Total increase/(decrease)		(1,909)	1,417	2,240	(1,086)	(108)	-	88	1

(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.

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards as detailed below:

(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 $1,000 (2014: $7,000). Similarly, a 10% decrease in the discount rate results in an increase in contingent consideration of $1,000 (2014: $7,000).

Note 2: Financial Risk Management continued

(f) Fair value estimation continued

	2015 $'000	2014 $'000
Level 1		
Prepaid contract funds under management	**422,284**	400,967
Level 2		
Derivatives financial instruments	**(4,192)**	(5,906)
Level 3		
Contingent consideration	**(1,457)**	(1,912)

No financial instruments or derivatives are held for trading. The contingent consideration represents expected future payments for business acquisitions which are subject to performance hurdles. The carrying value is calculated by discounting the expected future payments to their present value using the current interest rate on the Group's borrowings.

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 2015 and 31 December 2014 is outlined below.

	Australian Operations	Singapore Operations	New Zealand Operations	Other Operations	Consolidated
	2015 $'000	2015 $'000	2015 $'000	2015 $'000	2015 $'000
Revenue from external customers	374,080	16,525	44,337	1,429	436,371
Other revenue (excluding interest income)	8,367	397	704	102	9,570
Operating expenses	(289,895)	(8,951)	(36,398)	(5,271)	(340,515)
Operating EBITDA	92,552	7,971	8,643	(3,740)	105,426
Depreciation and amortisation	(17,090)	(635)	(2,304)	(151)	(20,180)
Cemetery land impairment reversal	5,400	-	-	-	5,400
Financial assets impairment charge	(2,635)	-	-	-	(2,635)
Finance costs	(11,831)	(789)	(2,165)	(1)	(14,786)
Interest income	661	-	61	-	722
Income tax expense	(25,343)	(930)	(457)	(17)	(26,747)
Total goodwill	85,780	14,168	45,323	1,704	146,975
Total assets	886,448	38,181	80,286	3,694	1,008,609
Total liabilities	725,160	28,802	50,697	512	805,171

	Australian Operations 2014 $'000	Singapore Operations 2014 $'000	New Zealand Operations 2014 $'000	Other Operations 2014 $'000	Consolidated 2014 $'000
Revenue from external customers	356,056	13,820	42,986	149	413,011
Other revenue (excluding interest income)	6,704	307	138	44	7,193
Operating expenses	(277,023)	(7,420)	(34,437)	(242)	(319,122)
Operating EBITDA	85,737	6,707	8,687	(49)	101,082
Depreciation and amortisation	(16,560)	(576)	(2,027)	(24)	(19,187)
Cemetery land impairment reversal	2,600	-	-	-	2,600
Financial assets impairment charge	(2,000)	-	-	-	(2,000)
Finance costs	(12,916)	(634)	(1,933)	-	(15,483)
Interest income	701	-	48	-	749
Share of net loss of associate	(525)	-	-	-	(525)
Income tax expense	(20,887)	(793)	(961)	(2)	(22,643)
Total goodwill	85,781	13,495	44,596	1,518	145,390
Total assets	849,099	40,838	72,312	3,004	965,253
Total liabilities	701,434	32,993	42,810	57	777,294

Operating EBITDA of $105,426,000 (2014: $101,082,000) 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 significant operations in Australia, New Zealand and Singapore and smaller operations in Hong Kong and the USA.

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. Group's operations in Hong Kong and the USA have been aggregated under "Other Operations" in the tables above due to their relatively small size.

Note 4: Revenue from Continuing Operations

	2015 $'000	2014 $'000
Sales revenue		
Sale of goods	**178,707**	166,127
Services revenue	**257,664**	246,884
	436,371	413,011
Rent	**345**	270
Administration fees	**5,623**	5,245
Sundry revenue	**3,602**	1,678
	9,570	7,193
Total revenue from continuing operations	**445,941**	420,204

Note 5: Expenses

	2015 $'000	2014 $'000
Profit before income tax includes the following specific expenses:		
Depreciation		
Buildings	**4,382**	4,243
Property, plant and equipment	**13,394**	12,712
Total depreciation	**17,776**	16,955
Amortisation of non-current assets		
Cemetery land	**389**	344
Leasehold land and buildings	**176**	176
Leasehold improvements	**567**	443
Brand names	**1,272**	1,269
Total amortisation	**2,404**	2,232
Total depreciation and amortisation	**20,180**	19,187
Impairment of other assets		
Cemetery land impairment reversal	**(5,400)**	(2,500)
Leasehold land impairment reversal	**-**	(100)
Financial assets impairment charge	**2,635**	2,000
Total depreciation, amortisation and impairment	**17,415**	18,587
Finance costs		
Interest paid and payable	**12,739**	13,426
Other finance costs	**2,047**	2,057
Total financing costs	**14,786**	15,483
Impairment losses – financial assets		
Trade receivables	**923**	470
Rental expense		
Operating lease rental – minimum lease payments	**11,422**	11,116
Defined contribution superannuation expense	**8,396**	7,514

Note 6: Income Tax

(a) Income tax expense

	2015 $'000	2014 $'000
Current tax	**24,207**	19,993
Deferred tax	**1,406**	2,774
Under/(over) provided in prior years	**1,134**	(124)
Income tax expense attributable to continuing operations	**26,747**	22,643

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

	2015 $'000	2014 $'000
Prima facie tax at 30% (2014: 30%) on profit before tax	**24,515**	23,181
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	**(48)**	(164)
Impact of the eliminations of translation gains/(losses) on intercompany balances in foreign currencies	**(123)**	131
Impact of impairment of financial assets	**790**	-
Acquisition costs not deductible	**27**	282
Impact of share of the net loss of an associate	**-**	158
Revenue losses not recognised	**1,358**	168
Other items (net)	**308**	(61)
	26,827	23,695
Difference in overseas tax rates	**(1,214)**	(928)
Under/(over) provision in prior years	**1,134**	(124)
Income tax expense	**26,747**	22,643

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

	2015 $'000	2014 $'000
Cash flow hedges	**552**	48
Foreign currency translation reserve	**-**	359

Note 6: Income Tax continued

(d) Deferred tax (asset)/liability

	2015 $'000	2014 $'000
The deferred tax (asset)/liability balances comprised temporary differences attributable to:		
Amounts recognised in profit and loss:		
Cemetery land	**29,524**	27,014
Property, plant and equipment	**5,208**	5,509
Deferred selling costs	**3,202**	2,957
Prepayments and other	**960**	659
Brand names	**1,675**	2,046
Prepaid contracts	**1,621**	2,482
Provisions	**(2,892)**	(4,528)
Receivables	**(770)**	(1,575)
Accruals and other	**(898)**	(526)
Amounts recognised directly in equity:		
Cash flow hedge reserve	**(1,210)**	(1,763)
	36,420	32,275
The net movement in the deferred tax (asset)/liability is as follows:		
Balance at the beginning of the year	**32,275**	28,755
Net charge (credit) to income statement – current period	**1,406**	2,774
Net charge (credit) to income statement – prior periods	**602**	643
Amounts recognised due to business combinations net of businesses subsequently sold	**1,481**	101
Amounts recognised directly in equity	**552**	48
Effect of movements in exchange rates	**104**	(46)
Balance at the end of the year	**36,420**	32,275
Deferred tax liabilities/(assets) to be settled within 12 months	**(2,326)**	(4,404)
Deferred tax liabilities/(assets) to be settled after 12 months	**38,746**	36,679
	36,420	32,275

(e) Tax losses

The Group has unutilised Australian capital losses with a potential benefit of $120,000 (2014: $176,000) at a tax rate of 30% (2014: 30%). The Group has unutilised revenue losses with a potential benefit of $2,700,000 (2014: $168,000) in foreign jurisdictions.

Note 7: Key Management Personnel Disclosures

(a) Key management personnel compensation

	2015 $	2014 $
Short-term employee benefits	**3,610,058**	3,714,095
Post-employment benefits	**164,935**	153,623
Other long-term benefits	**40,585**	54,160
Share-based payments	**382,299**	679,014
	4,197,877	4,600,892

Detailed remuneration disclosures are provided in the Remuneration Report on pages 29 to 41.

(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 starting on pages 29 to 41.

The Company has not provided any options over unissued shares as remuneration during the 2015 or 2014 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				
Richard Fisher	11,956	-	5,433	17,389
Christine Clifton	112,961	-	-	112,961
Roger Penman (note 3)	16,947	-	(16,947)	-
Aliza Knox (note 3)	5,339	-	(5,339)	-
Richard Davis	581,607	-	(20,000)	561,607
Gary Stead	-	-	6,500	6,500
Joycelyn Morton	-	-	6,000	6,000
Executive Directors				
Martin Earp	-	17,410	-	17,410
Andrew Smith (note 3)	255,485	22,677	(278,162)	-
Other key management personnel				
Phillip Friery (note 1)	84,233	8,079	(27,901)	64,411
Greg Bisset (note 1)	83,019	10,260	(13,985)	79,294
Wee Leng Goh (note 2)	24,077	4,074	(9,640)	18,511
Graeme Rhind (note 2)	11,418	3,422	(2,399)	12,441

1. Upon final vesting test in February 2016, from the balance of shares held at the end of the year as shown in the above table, shares from grants made in 2011 were forfeited due to EPS performance conditions not being achieved. Phillip Friery forfeited 17,454 shares and Greg Bisset forfeited 14,749 shares.
2. These grants are share appreciation rights.
3. Andrew Smith resigned on 30 April 2015, Aliza Knox resigned on 31 August 2015 and Roger Penman resigned on 15 December 2015 and consequently the shares held at the date of resignation reported as an other movement.

Note 7: Key Management Personnel Disclosures continued

(c) Loans to key management personnel

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

(d) Other transactions with key management personnel

There were no transactions with key management personnel of the Group, including their personally related parties, during 2015 or 2014.

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 2007.

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

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:

	2015 $'000	2014 $'000
Long-term incentive bonus share expense	**261**	1,335

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 2010	25 February 2012	6.01	254	-	-	(254)	-
	25 February 2013	6.01	254	-	-	(254)	-
	25 February 2014	6.01	254	-	-	(254)	-
1 January 2011	25 February 2013	7.37	305	-	(67)	-	238
	25 February 2014	7.37	305	-	(67)	-	238
	25 February 2015	7.37	305	-	(67)	-	238
1 March 2011	25 February 2015	7.37	54	-	(54)	-	-
1 July 2011	25 February 2013	7.37	7	-	-	(7)	-
	25 February 2014	7.37	7	-	-	(7)	-
	25 February 2015	7.37	7	-	(7)	-	-
1 January 2012	25 February 2014	7.94	224	-	(224)	-	-
	25 February 2015	7.94	368	-	(368)	-	-
	25 February 2016	7.94	368	-	(95)	-	273
1 March 2012	25 February 2015	7.94	53	-	(53)	-	-
	25 February 2016	7.94	53	-	-	(6)	47
1 January 2013	25 February 2015	10.93	410	-	(410)	-	-
	25 February 2016	10.93	410	-	(98)	-	312
	25 February 2017	10.93	411	-	(94)	(5)	312
1 March 2013	25 February 2015	10.93	73	-	(73)	-	-
	25 February 2016	10.93	73	-	-	(9)	64
	25 February 2017	10.93	73	-	-	(9)	64
1 January 2014	25 February 2016	11.36	419	-	-	(103)	316
	25 February 2017	11.36	419	-	-	(103)	316
	25 February 2018	11.36	420	-	-	(104)	316
1 March 2014	25 February 2016	11.36	72	-	-	(7)	65
	25 February 2017	11.36	72	-	-	(7)	65
	25 February 2018	11.36	72	-	-	(7)	65
1 January 2015	21 February 2017	13.74	-	412	-	(104)	308
	21 February 2018	13.74	-	412	-	(104)	308
	21 February 2019	13.74	-	412	-	(104)	308
1 March 2015	21 February 2017	13.74	-	82	-	(9)	73
	21 February 2018	13.74	-	82	-	(9)	73
	21 February 2019	13.74	-	82	-	(9)	73
31 March 2015	21 February 2017	13.74	-	80	-	-	80
	21 February 2018	13.74	-	80	-	-	80
	21 February 2019	13.74	-	80	-	-	80
			5,743	1,722	(1,677)	(1,475)	4,298

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

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	Vested during the year $'000	Forfeited 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	22	-	-	(22)	-	-
	22 February 2013	6.01	22	-	-	(22)	-	-
	22 February 2014	6.01	22	-	-	(22)	-	-
24 February 2011	24 February 2013	7.37	22	-	-	(22)	-	-
	24 February 2014	7.37	22	-	-	(22)	-	-
	24 February 2015	7.37	22	-	-	(22)	-	-
1 January 2012	25 February 2014	7.76	24	-	(24)	-	-	-
	25 February 2015	7.76	38	-	(38)	-	-	-
	25 February 2016	7.76	38	-	-	-	7	45
21 February 2012	21 February 2014	7.76	10	-	(10)	-	-	-
	21 February 2015	7.76	21	-	(21)	-	-	-
	21 February 2016	7.76	21	-	-	-	5	26
1 March 2012	25 February 2015	7.76	6	-	(6)	-	-	-
	25 February 2016	7.76	6	-	-	-	-	6
1 January 2013	21 February 2015	10.93	28	-	(28)	-	-	-
	21 February 2016	10.93	28	-	-	-	5	33
	21 February 2017	10.93	28	-	-	-	5	33
21 February 2013	21 February 2015	10.93	17	-	(17)	-	-	-
	21 February 2016	10.93	17	-	-	-	3	20
	21 February 2017	10.93	17	-	-	-	3	20
1 March 2013	21 February 2015	10.93	7	-	(7)	-	-	-
	21 February 2016	10.93	7	-	-	-	-	7
	21 February 2017	10.93	7	-	-	-	-	7
1 January 2014	25 February 2016	11.36	32	-	-	-	-	32
	25 February 2017	11.36	32	-	-	-	-	32
	25 February 2018	11.36	32	-	-	-	-	32
25 February 2014	25 February 2016	11.36	18	-	-	-	2	20
	25 February 2017	11.36	18	-	-	-	2	20
	25 February 2018	11.36	18	-	-	-	2	20
1 March 2014	25 February 2016	11.36	7	-	-	-	-	7
	25 February 2017	11.36	7	-	-	-	-	7
	25 February 2018	11.36	7	-	-	-	-	7
1 January 2015	22 February 2017	13.74	-	38	-	-	(5)	33
	22 February 2018	13.74	-	38	-	-	(5)	33
	22 February 2019	13.74	-	38	-	-	(5)	33
22 February 2015	22 February 2017	13.74	-	19	-	-	(2)	17
	22 February 2018	13.74	-	19	-	-	(2)	17
	22 February 2019	13.74	-	19	-	-	(2)	17
1 March 2015	22 February 2017	13.74	-	2	-	-	(1)	1
	22 February 2018	13.74	-	2	-	-	(1)	1
	22 February 2019	13.74	-	2	-	-	(1)	1
			623	177	(151)	(132)	10	530

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

	2015 $	2014 $
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	**416,900**	310,630
PricewaterhouseCoopers – non-Australian firm		
Audit and review of financial reports	**-**	9,355
Non-PricewaterhouseCoopers – Singaporean firm		
Audit and review of financial reports	**31,460**	28,446
Total remuneration for audit services	**448,360**	348,431
(b) Non-audit services		
PricewaterhouseCoopers – Australian firm		
Assurance services	**23,617**	28,733
Taxation services	**80,506**	53,856
Other Services	**16,666**	38,696
PricewaterhouseCoopers – non-Australian firms		
Taxation services	**48,391**	32,321
Other services	**485**	2,857
Non-PricewaterhouseCoopers – Singaporean firm		
Other services	**13,157**	11,896
Total remuneration for non-audit services	**182,822**	168,359

For 2015, included in $416,900 for audit and review of financial reports is $46,000 in relation to the scope changes for the 2014 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

	2015 $'000	2014 $'000
Dividends paid		
Final ordinary dividend for the year ended 31 December 2014 of 20.75 cents (2013: 19.5 cents) per fully paid share paid on 2 April 2015 (2013: 4 April 2014), fully franked based on tax paid at 30% (2013: 30%)	**22,827**	21,455
Interim ordinary dividend for the year ended 31 December 2015 of 15.75 cents (2014: 15.75 cents) per share paid on 9 October 2015 (2014: 3 October 2014), fully franked based on tax paid at 30% (2014: 30%)	**17,330**	17,329
Dividends paid to members of InvoCare Limited	**40,157**	38,784
On 20 July 2015 (2014: 16 December 2014) dividend totalling 14.75 cents (2014: 25.29 cents) per fully paid share, fully franked based on tax paid at 30%, was paid to non-controlling interests.	**118**	203
	40,275	38,987
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 22.25 cents (2014: 20.75 cents) per fully paid ordinary share, fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend, expected to be paid on 8 April 2016 out of 2015 profits, but not recognised as a liability at year end is:	**24,482**	22,827
Franking credit balance		
The amounts of franking credits available for subsequent financial years are:		
Franking account balance at the end of the financial year	**28,120**	23,737
Franking credits that will arise from the payment of income tax payable at the end of the financial year	**8,563**	7,974
Reduction in franking account resulting from payment of proposed final dividend of 22.25 cents (2014: 20.75 cents)	**(10,492)**	(9,785)
	26,191	21,926

Note 11: Earnings per Share

	2015 $'000	2014 $'000
Reconciliation of Earnings to Profit and Loss		
Profit from ordinary activities after income tax	**54,969**	54,627
Less profit attributable to non-controlling interests	**(125)**	(112)
Profit used to calculate basic and diluted EPS	**54,844**	54,515

	2015 Number	2014 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	**109,533,561**	109,375,375
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	**109,533,561**	109,375,375

	2015 cents	2014 cents
Earnings per share for profit attributable to the ordinary equity holders of the Company		
Basic earnings per share (cents per share)	**50.1**	49.8
Diluted earnings per share (cents per share)	**50.1**	49.8

Note 12: Cash and Cash Equivalents

	2015 $'000	2014 $'000
Cash on hand	83	79
Cash at bank	8,596	10,409
	8,679	10,488
Cash at bank attracts floating interest rate of 0.75% (2014: 1.25%)		
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	8,679	10,488
Balances per the statement of cash flows	8,679	10,488

Note 13: Trade and Other Receivables

	2015 $'000	2014 $'000
Current		
Trade receivables	35,737	34,407
Provision for doubtful receivables	(2,265)	(2,214)
Prepayments	6,138	6,328
Other receivables	1,529	716
	41,139	39,237
Non-current		
Trade receivables	22,290	15,006
Provision for doubtful receivables	(4)	(16)
Security deposits	595	298
Other receivables	-	1,093
	22,881	16,381

(a) Impaired receivables

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

	2015 $'000	2014 $'000
As at 1 January	2,230	2,608
Provision for impairment recognised during the year	923	470
Receivables written off as uncollectible	(884)	(848)
As at 31 December	2,269	2,230

Note 14: Inventories

	2015 $'000	2014 $'000
Current		
Finished goods – at cost	22,487	21,522
Work in progress – at cost	1,964	791
	24,451	22,313

Note 15: Prepaid Contracts

(a) Income statement impact of undelivered prepaid contracts

	2015 $'000	2014 $'000
Gain on prepaid contract funds under management	**19,790**	24,832
Change in provision for prepaid contract liabilities	**(12,263)**	(13,917)
Net gain on undelivered prepaid contracts	**7,527**	10,915

(b) Movements in prepaid contract funds under management

	2015 $'000	2014 $'000
Balance at the beginning of the year	**400,967**	373,609
Sale of new prepaid contracts	**35,338**	33,326
Initial recognition of contracts paid by instalment	**3,211**	3,241
Redemption of prepaid contract funds following service delivery	**(37,022)**	(35,389)
Increase due to business combinations	**-**	1,348
Increase in fair value of contract funds under management	**19,790**	24,832
Balance at the end of the year	**422,284**	400,967

(c) Movements in prepaid contract liabilities

	2015 $'000	2014 $'000
Balance at the beginning of the year	**393,841**	376,525
Sale of new prepaid contracts	**35,338**	33,990
Initial recognition of contracts paid by instalment	**3,211**	3,241
Decrease following delivery of services	**(36,205)**	(35,180)
Increase due to business combinations	**-**	1,348
Increase due to re-evaluation of delivery obligation	**12,263**	13,917
Balance at the end of the year	**408,448**	393,841

(d) Classification of prepaid funds under management and liabilities

The current and non-current portions of the prepaid contract assets and liabilities are disclosed separately to more clearly reflect the expected pattern of usage associated with the timing of actual contract redemptions.

(e) 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 $6,797,000 (2014: $6,488,000). 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 $19.8 million in prepaid contract funds under management (2014: $24.8 million) was greater than the non-cash growth due to selling price increases of $12.3 million in the liability for future service delivery obligations (2014: $13.9 million).

Note 16: Interests in Other Entities: Subsidiaries

(a) Interests in subsidiaries

Set out below are the Group's principal trading subsidiaries at 31 December 2015. 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	2015 %	2014 %
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

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 InvoCare USA, Inc. 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 2016 Bledisloe New Zealand Limited will be renamed InvoCare New Zealand Limited and InvoCare New Zealand Limited will be renamed InvoCare Holdings NZ Limited.

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

One subsidiary, Macquarie Memorial Park Pty Limited, has non-controlling interests of 16.86% (2014: 16.86%). During the year dividends totalling $118,000 were paid to non-controlling interests (2014: $203,000).

Note 17: Interests in Other Entities: Associates

(a) Interests in associates

(i) Set out below is the associate of the Group at 31 December 2015. 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.

				% of ownership interest		Carrying Amount	
Name of entity	Country of incorporation	Nature of relationship	Measurement method	**2015 %**	2014 %	**2015 $'000**	2014 $'000
HeavenAddress Pte. Ltd	Singapore	Associate	Equity method	**34.59**	34.59	**-**	2,423

HeavenAddress Pte. Ltd offers online memorial services to allow families and communities to 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 2015 (2014: Nil).

(b) Impairment

During 2015 a review of the Group's investment in its associate was undertaken which resulted in an impairment write down of $2,577,000 (2014:$2,000,000). The decision to impair this investment was made after considering the business performance to date, its future cash projections and the risks associated with a start-up operation. The investment will continue to be monitored for performance improvements. As a result the recoverable amount of the Group's investment in its associate as at 31 December 2015 is now Nil (2014:$2,423,000).

The recoverable amount is based on value-in-use calculations whereby cash flow projections provided by the associate's management have been discounted to present value using selected discount rates. Cash projections which covered an initial three-year period have then been extrapolated using estimated growth rates of 3% for both revenues and expenses.

Sensitivities were conducted on a number of variables including revenue growth and discount rates. Given the start-up nature of the business, more weight was placed on the existing business than on future opportunities when developing growth scenarios. A pre-tax rate of 17.8% (2014: 17.8%) was used to discount the cash projections. This is higher than the 10.9% rate used for impairing existing business assets and reflects the greater risk associated with a start-up investment. From these scenarios Management has selected a mid-point which it believes is in a range of possible future outcomes. The Group will continue to monitor its investment in the associate for indicators of any future impairment reversals.

Note 18: Property, Plant and Equipment

	Cemetery land $'000	Freehold land $'000	Buildings $'000	Leasehold land and buildings $'000	Leasehold improvements $'000	Plant and equipment $'000	Total $'000
At 1 January 2015							
Cost	**107,979**	**83,959**	**132,262**	**4,534**	**6,622**	**118,779**	**454,135**
Accumulated depreciation/amortisation	**(7,010)**	**-**	**(49,921)**	**(2,821)**	**(2,820)**	**(73,443)**	**(136,015)**
Impairment write-downs	**(9,776)**	**-**	**-**	**-**	**-**	**-**	**(9,776)**
Net book amount	**91,193**	**83,959**	**82,341**	**1,713**	**3,802**	**45,336**	**308,344**
Year ended 31 December 2015							
Additions	**25**	**746**	**5,018**	**-**	**1,027**	**15,399**	**22,215**
Business combinations	**3,584**	**433**	**2,326**	**-**	**-**	**336**	**6,679**
Disposals	**-**	**(200)**	**(223)**	**-**	**(19)**	**(385)**	**(827)**
Depreciation/amortisation & impairment charge	**5,011**	**-**	**(4,382)**	**(176)**	**(567)**	**(13,394)**	**(13,508)**
Effect of movement in exchange rates	**-**	**226**	**(44)**	**(8)**	**(1)**	**(28)**	**145**
Transfers/reclassifications	**-**	**-**	**(800)**	**-**	**-**	**-**	**(800)**
Closing net book amount	**99,813**	**85,164**	**84,236**	**1,529**	**4,242**	**47,264**	**322,248**
At 31 December 2015							
Cost	**111,588**	**85,164**	**137,741**	**4,534**	**7,510**	**128,857**	**475,394**
Accumulated depreciation/amortisation	**(7,399)**	**-**	**(53,505)**	**(3,005)**	**(3,268)**	**(81,593)**	**(148,770)**
Impairment write-downs	**(4,376)**	**-**	**-**	**-**	**-**	**-**	**(4,376)**
Net book amount	**99,813**	**85,164**	**84,236**	**1,529**	**4,242**	**47,264**	**322,248**
At 1 January 2014							
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
Year ended 31 December 2014							
Additions	251	4,555	5,114	213	1,087	15,750	26,970
Business combinations	-	1,443	415	-	47	82	1,987
Disposals	-	-	(34)	(217)	(10)	(414)	(675)
Depreciation/amortisation & impairment charge	2,156	-	(4,243)	(176)	(443)	(12,712)	(15,418)
Effect of movement in exchange rates	-	854	477	-	35	264	1,630
Transfers/reclassifications	-	(1,578)	(1,609)	-	492	-	(2,695)
Closing net book amount	91,193	83,959	82,341	1,713	3,802	45,336	308,344
At 31 December 2014							
Cost	107,979	83,959	132,262	4,534	6,622	118,779	454,135
Accumulated depreciation/amortisation	(7,010)	-	(49,921)	(2,821)	(2,820)	(73,443)	(136,015)
Impairment write-downs	(9,776)	-	-	-	-	-	(9,776)
Net book amount	91,193	83,959	82,341	1,713	3,802	45,336	308,344

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:

	2015 $'000	2014 $'000
Freehold buildings	**2,008**	**1,115**
Leasehold improvements	**700**	**129**
Plant and equipment	**1,721**	**2,513**
Total assets in the course of construction	**4,429**	**3,757**

(b) Impairment

All impaired cemetery and crematorium sites were reassessed at 31 December 2015 using the same methodology as previously applied and a write back (i.e. reversal of previous impairment write downs) amounting to $5,400,000 was deemed necessary to the impairment provision.

The following table summarises the impairment losses/reversals along with the recoverable amount estimates for the individual sites:

	Impairment Loss/(Reversal)		Recoverable Amount Estimates	
Site Name	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Allambe Gardens Memorial Park, Queensland	**(3,000)**	(500)	**17,500**	15,000
Mt Thompson Memorial Gardens, Queensland	**(2,400)**	(2,000)	**15,300**	12,800
Leasehold Land, Australian Capital Territory	**-**	(100)	**-**	100
	(5,400)	(2,600)	**32,800**	27,900

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% (2014: 10.9%), reflecting the risk estimates for the business as a whole.

(c) Property held for sale

During the year a review of the Group's property requirements in New South Wales, Australia and the North Island of New Zealand identified parcels of land and buildings which were no longer strategically significant to the Group's long-term growth and being actively marketed. Accordingly they have been classified as held for sale.

This includes a property in North Sydney, New South Wales where Group's corporate office is located. The contract for sale of this property was signed in early 2016 and will be settled in the first half of 2016.

Note 19: Intangible Assets

	Goodwill $'000	Brand name $'000	Total $'000
At 1 January 2015			
Cost	**145,390**	**12,922**	**158,312**
Accumulated amortisation	**-**	**(5,832)**	**(5,832)**
Net book amount	**145,390**	**7,090**	**152,480**
Year ended 31 December 2015			
Acquisition of subsidiary/businesses	**1,536**	**-**	**1,536**
Effect of movement in exchange rates	**49**	**(42)**	**7**
Amortisation charge	**-**	**(1,272)**	**(1,272)**
Net book amount	**146,975**	**5,776**	**152,751**
At 31 December 2015			
Cost	**146,975**	**12,909**	**159,884**
Accumulated amortisation	**-**	**(7,133)**	**(7,133)**
Net book amount	**146,975**	**5,776**	**152,751**
At 1 January 2014			
Cost	140,710	12,674	153,384
Accumulated amortisation	-	(4,472)	(4,472)
Net book amount	140,710	8,202	148,912
Year ended 31 December 2014			
Acquisition of subsidiary/businesses	2,315	48	2,363
Effect of movement in exchange rates	2,365	109	2,474
Amortisation charge	-	(1,269)	(1,269)
Net book amount	145,390	7,090	152,480
At 31 December 2014			
Cost	145,390	12,922	158,312
Accumulated amortisation	-	(5,832)	(5,832)
Net book amount	145,390	7,090	152,480

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

(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% (2014: 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, Singapore and USA compared to the carrying value of goodwill.

Note 20: Derivative Financial Instruments

	2015 $'000	2014 $'000
Current liabilities		
Interest rate swap contracts – cash flow hedges	**1,130**	622
	1,130	622
Non-current liabilities		
Interest rate swap contracts – cash flow hedges	**3,062**	5,284
	3,062	5,284

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

Note 21: Trade and Other Payables

	2015 $'000	2014 $'000
Current		
Trade payables	**26,446**	25,560
Sundry payables and accrued expenses	**11,583**	9,879
Deferred cash settlement for business interests acquired	**1,284**	1,652
	39,313	37,091
Non-current		
Deferred cash settlement for business interests acquired	**174**	260
	174	260

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

	2015 $'000	2014 $'000
Short-term borrowings		
Lease liabilities	**-**	2
	-	2
Long-term borrowings		
Borrowings are represented by:		
Principal amount of bank loans - unsecured	**231,833**	230,304
Loan establishment costs	**(1,061)**	(954)
	230,772	229,350

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

Note 23: Provisions for Employee Benefits

	2015 $'000	2014 $'000
Current		
Employee benefits	**14,318**	13,726
Non-current		
Liability for long service leave	**2,306**	2,409

	2015 Number	2014 Number
(a) Employee numbers		
Number of full-time equivalent employees	**1,557**	1,532

(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 322 members at 31 December 2015 and the balance owing by employee plan members for the purchase price of shares was $159,812 (2014: $151,814).

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	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Trade and other payables	**39,313**	37,091	**39,313**	37,091
Short-term borrowings	**-**	2	**-**	2
Current tax liabilities	**10,111**	9,364	**10,111**	9,364
Prepaid contract liabilities	**34,954**	33,847	**34,954**	33,847
Deferred revenue	**8,660**	7,588	**8,660**	7,588
Employee benefits	**14,318**	13,726	**8,031**	6,996
	107,356	101,618	**101,069**	94,888

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

Note 25: Contributed Equity

	2015 $'000	2014 $'000
Fully paid ordinary shares	**133,694**	131,682

	2015 Number	2015 $'000	2014 Number	2014 $'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))	**(444,300)**	**(3,164)**	(661,978)	(5,176)
Total consolidated contributed equity	**109,585,998**	**133,694**	109,368,320	131,682

(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 2014	Balance	631,733	4,465
25 February 2014	Shares vested	(71,735)	(457)
03 March 2014 to 10 June 2014	Acquisition of shares by the Trust	102,883	1,168
01 August 2014 to 16 August 2014	Forfeit of shares on termination of employment	(5,219)	(52)
31 December 2014	Shares provisionally forfeited but not yet de-allocated by the Trustee	(126,777)	(763)
	Unallocated shares held by the Trustee	131,093	815
31 December 2014	Balance	661,978	5,176
25 February 2015	Shares vested	(133,614)	(988)
30 April 2015	Shares vested	(57,334)	(695)
30 April 2015	Forfeit of shares on termination of employment	(50,513)	(627)
22 May 2015 to 3 July 2015	Forfeit of shares on termination of employment	(4,006)	(41)
6 July 2015	Transfer of shares to members of the Exempt Employee Share Plan	(26,730)	(328)
6 August 2015 to 14 December 2015	Forfeit of shares on termination of employment	(1,681)	(20)
31 December 2015	Shares provisionally forfeited but not yet de-allocated by the Trustee	(76,996)	(737)
	Unallocated shares held by the Trustee	133,196	1,424
31 December 2015	Balance	444,300	3,164

(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

	2015 $'000	2014 $'000
(a) Reserves		
Share-based payments reserve	**2,165**	4,020
Hedging reserve – cash flow hedge reserve	**(2,892)**	(4,071)
Foreign currency translation reserve	**6,256**	6,807
	5,529	6,756
Movements:		
Share-based payments reserve		
Balance at the beginning of the year	**4,020**	3,142
Deferred employee share plan expense	**(171)**	1,335
Vesting of deferred employee share plan shares	**(1,684)**	(457)
Balance at the end of the year	**2,165**	4,020
Hedging reserve		
Balance at the beginning of the year	**(4,071)**	(3,989)
Revaluation to fair value – gross	**1,731**	(130)
Deferred tax	**(552)**	48
Balance at the end of the year	**(2,892)**	(4,071)
Foreign currency translation reserve		
Balance at the beginning of the year	**6,807**	5,270
Currency translation differences	**(551)**	1,537
Balance at the end of the year	**6,256**	6,807
(b) Retained profits		
Movements in retained profits were as follows:		
Balance at the beginning of the year	**48,367**	32,636
Net profit for the year	**54,844**	54,515
Dividends paid during the year	**(40,157)**	(38,784)
Balance at the end of the year	**63,054**	48,367

(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 Australian Deferred Employee Share Plan.

(ii) Hedging reserve – cash flow hedge reserve

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

(iii) Foreign currency translation reserve

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

Note 27: Non-Controlling Interests

	2015 $'000	2014 $'000
Reconciliation of non-controlling interests in controlled entities:		
Share capital	**800**	800
Retained earnings		
Balance at the beginning of the year	**255**	346
Add share of operating earnings	**125**	112
Less dividends paid	**(118)**	(203)
Closing balance of retained earnings	**262**	255
Reserves	**99**	99
Balance at the end of the year	**1,161**	1,154

Note 28: Capital and Leasing Commitments

	2015 $'000	2014 $'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	**11,828**	10,095
- between 12 months and five years	**30,530**	22,148
- greater than five years	**11,045**	12,447
	53,403	44,690

During the year the Group entered into a lease for premises at 181 Miller Street, North Sydney and subsequent to the execution of the lease Transport for NSW announced plans to acquire the building as part of the works for the Sydney Metro. It is expected that Transport for NSW will cause the lease to be rescinded as soon as practical and pay compensation in accordance with the normal legislative requirements. As the location had not been outfitted alternate premises were located and an additional lease executed prior to the end of the financial year. The commitments associated with this additional lease are included above.

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	**11,464**	**364**	**11,828**
Between 12 months and five years	**30,029**	**501**	**30,530**
Greater than five years	**11,045**	**-**	**11,045**
	52,538	**865**	**53,403**

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.

	2015 $'000	2014 $'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	**-**	2
- between 12 months and five years	**-**	-
	-	2
(c) Capital expenditure commitments		
Capital expenditure commitments contracted or conditionally contracted at the reporting date but not recognised as liabilities payable:		
Building purchase		-
Building extensions and refurbishments – within one year	**2,539**	1,099
Plant and equipment purchases – within one year	**5,345**	2,162
(d) Other expenditure commitments		
Documentary letters of credit outstanding at balance date payable:		
- within one year	**129**	68

Note 29: Business Combinations

Harewood Memorial Gardens and Crematorium/Cremation Society of Canterbury

(a) Summary of acquisition

On 22 July 2015, a subsidiary, Bledisloe New Zealand, completed the acquisition of the cemetery and cremation assets of Harewood Memorial Gardens and Crematorium Limited and Cremation Society of Canterbury Limited ("Harewood") which have operated crematoria in the Christchurch market for over 70 years.

Provisional accounting for this acquisition has been completed as at 31 December 2015.

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

(b) Purchase consideration

	$'000
Purchase consideration	
Cash paid	5,964
Retention amount to be paid	276
Total purchase consideration	6,240
Fair value of net identifiable assets acquired (refer (c) below):	4,704
Goodwill	1,536

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

Retention amount listed in the table above was paid in early 2016.

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	17
Land and buildings	6,018
Property, plant and equipment	320
Provisions	(71)
Deferred revenue	(98)
Deferred tax liabilities	(1,482)
Net identifiable assets acquired	4,704

If the acquisition had occurred on 1 January 2015, consolidated revenue for the year ended 31 December 2015 would have increased by approximately $900,000 and profit after tax by approximately $103,000.

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 $2,200,000 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 2014 and as a result $700,000 of the $2,200,000 in future payments was paid in 2015. The predetermined revenue target was also achieved in 2015 and as a result $900,000 of the $2,200,000 in future payments was paid in early 2016.

Resthaven Funeral Services

The funeral business assets of Resthaven Funeral Services were acquired in 2013.

Included in the purchase consideration was $324,000 in future payments to be paid if predetermined revenue targets are achieved in each of the next five calendar years. In early 2015 a payment relating to 2014 totalling $95,000 of the $324,000 in future payments was made.

Note 30: Contingent Liabilities and Contingent Assets

	2015 $'000	2014 $'000
The Group had contingent liabilities at 31 December 2015 in respect of bank guarantees given for leased premises of controlled entities to a maximum of:	**2,287**	1,088

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

	2015 $'000	2014 $'000
Reconciliation of cash flow from operations with profit from ordinary activities after income tax		
Profit from ordinary activities after income tax	**54,844**	54,515
Non-cash items in profit from ordinary activities		
Depreciation, amortisation and impairment	**22,815**	21,187
Reversal of impairment loss	**(5,400)**	(2,600)
Share-based payments expense	**779**	1,596
Loan establishment costs	**366**	366
Imputed interest from deferred purchase consideration	**56**	91
Net (gain)/loss on disposal of property, plant and equipment	**(312)**	(334)
Unrealised (gain)/loss on prepaid contracts	**(7,527)**	(10,915)
Other prepaid contract movements	**837**	186
Business acquisition costs classified in investing activities	**71**	1,215
Share of net loss of an associate	**-**	525
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries		
(Increase)/decrease in trade and other receivables	**(8,403)**	(2,954)
(Increase)/decrease in inventories	**(2,138)**	(676)
(Increase)/decrease in deferred selling expenses	**(816)**	(326)
Increase/(decrease) in trade and other payables	**2,136**	1,665
Increase/(decrease) in deferred revenue	**6,049**	2,615
Increase/(decrease) in income taxes payable	**748**	(583)
Increase/(decrease) in deferred taxes	**4,145**	3,520
Increase/(decrease) in provisions	**(3,619)**	597
	64,631	69,690

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 2015 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

	2015 $'000	2014 $'000
Consolidated income statement of the Closed Group		
Revenue from continuing operations	**358,727**	339,301
Finished goods and consumables used	**(97,652)**	(94,809)
Employee benefits expense	**(90,059)**	(84,014)
Employee related and on-cost expenses	**(22,218)**	(20,683)
Advertising and public relations expenses	**(11,629)**	(12,082)
Occupancy and facilities expenses	**(21,145)**	(20,648)
Motor vehicle expenses	**(7,307)**	(7,381)
Other expenses	**(14,550)**	(14,025)
	94,167	85,659
Depreciation, impairment and amortisation expenses	**(15,448)**	(14,956)
Reversal of impairment loss	**2,823**	600
Finance costs	**(12,543)**	(13,113)
Interest income	**649**	672
Net gain/(loss) on prepaid contracts	**7,527**	10,915
Acquisition costs	**9**	(482)
Inter-segment revenue	**2,341**	2,073
Share of net loss of associate	**-**	(525)
Net gain/(loss) on disposal of non-current assets	**507**	322
Profit before income tax	**80,032**	71,165
Income tax expense	**(22,548)**	(18,616)
Profit for the year	**57,484**	52,549
Changes in the fair value of cash flow hedges, net of tax	**1,662**	212
Changes in foreign currency translation reserve, net of tax	**(1,255)**	(227)
Other comprehensive income for the year, net of tax	**407**	(15)
Total comprehensive income for the year	**57,891**	52,534
Summary of movements in consolidated retained profits of the Closed Group		
Retained profits at the beginning of the financial year	**51,063**	37,298
Profit for the year	**57,484**	52,549
Dividends paid	**(40,157)**	(38,784)
Retained profits at the end of the financial year	**68,390**	51,063

Note 32: Deed of Cross Guarantee continued

(b) Balance sheet of the Closed Group

	2015 $'000	2014 $'000
Current assets		
Cash and cash equivalents	**559**	1,011
Trade and other receivables	**35,309**	33,082
Inventories	**21,997**	20,128
Prepaid contract funds under management	**35,066**	32,997
Property held for sale	**3,320**	2,519
Deferred selling costs	**1,299**	1,138
Total current assets	**97,550**	90,875
Non-current assets		
Trade and other receivables	**47,126**	44,578
Shares in subsidiaries	**136,425**	130,704
Property, plant and equipment	**252,774**	246,936
Prepaid contract funds under management	**387,218**	367,970
Intangible assets	**11,418**	11,688
Deferred selling costs	**8,857**	8,203
Equity accounted investments	**-**	2,423
Total non-current assets	**843,818**	812,502
Total assets	**941,368**	903,377
Current liabilities		
Trade and other payables	**32,594**	31,376
Derivative financial instruments	**1,130**	613
Current tax liabilities	**7,304**	7,051
Prepaid contract liabilities	**34,700**	33,554
Deferred revenue	**8,660**	7,588
Provisions for employee benefits	**13,061**	10,508
Total current liabilities	**97,449**	90,690
Non-current liabilities		
Long-term borrowings	**189,076**	193,500
Derivative financial instruments	**1,936**	4,864
Deferred tax liabilities	**31,313**	28,770
Prepaid contract liabilities	**373,494**	359,995
Deferred revenue	**47,559**	42,818
Provisions for employee benefits	**2,074**	2,165
Total non-current liabilities	**645,452**	632,112
Total liabilities	**742,901**	722,802
Net assets	**198,467**	180,575
Equity		
Contributed equity	**133,694**	131,682
Reserves	**(3,617)**	(2,170)
Retained profits/(Accumulated losses)	**68,390**	51,063
Total equity	**198,467**	180,575

Note 33: Events after the Balance Sheet Date

No significant subsequent events, not otherwise disclosed, have occurred since 31 December 2015.

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 material to the Group 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.

(d) Transactions with related parties

	2015 $	2014 $
Transactions with other related parties		
Contributions to superannuation funds on behalf of employees	**8,395,542**	7,513,557

(e) Guarantees and other matters

Under the terms of common terms deed executed on 20 December 2013 and amended on 22 December 2015, 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.

Note 35: Parent Entity Financial Information

(a) Summary financial information

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

	2015 $'000	2014 $'000
Balance sheet		
Current assets	**188**	75
Total assets	**381,571**	368,240
Current liabilities	**8,782**	8,254
Total liabilities	**173,044**	174,791
Shareholders' equity		
Contributed equity	**133,694**	131,682
Reserves		
Share-based payments	**2,165**	4,020
Hedging reserve – cash flow hedge reserve	**(2,171)**	(3,833)
Foreign currency translation reserve	**1,080**	837
Retained earnings	**73,759**	60,743
Total shareholders' equity	**208,527**	193,449
Profit for the year after tax	**53,174**	32,615
Total comprehensive income for the year	**53,224**	34,542

(b) Contingent liabilities of the parent entity

	2015 $'000	2014 $'000
The parent entity had contingent liabilities at 31 December 2015 in respect of bank guarantees given for leased premises of controlled entities to a maximum of:	**2,287**	1,088

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 31December 2015 (31 December 2014: Nil).

(d) Tax consolidation legislation

InvoCare Limited and its wholly-owned Australian controlled entities implemented the tax consolidation legislation from 1 January 2004.

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 $65,437,000 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 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 Notes 17 and 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 $44.0 million at 31 December 2015 (2014: $41.4 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 $2.9 million (decrease by $1.4 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 16 February 2016. 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 44 to 93 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 2015 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

Martin Earp
Director

Sydney
16 February 2016

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 consolidated balance sheet as at 31 December 2015, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated 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 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 Consolidated 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.*

PricewaterhouseCoopers, ABN 52 780 433 757
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
DX 77 Sydney, Australia
T +61 2 8266 0000, F +61 2 8266 9999, www.pwc.com.au

Independent Auditor's Report continued

to the members of InvoCare Limited

pwc

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 2015 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001;* and

(b) the financial report and notes also comply with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report included in pages 29 to 41 of the directors' report for the year ended 31 December 2015. 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 2015 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 2015 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
16 February 2016

Shareholder Information

Shares and options as at 21 March 2016

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

Distribution of shareholders as at 21 March 2016

	Number of shareholders	Number of shares	Percentage %
1 - 1,000	7,453	3,927,413	3.57%
1,001 - 5,000	8,279	19,986,686	18.16%
5,001 - 10,000	1,497	11,077,628	10.07%
10,001 - 100,000	694	14,665,261	13.33%
100,001 and over	37	60,373,310	54.87%
	17,960	110,030,298	100.00%

There were 213 holders of less than a marketable parcel of ordinary shares (being 40 based on a price of $12.56 on 21 March 2016) who hold a total of 2,124 ordinary shares.

Equity security holders

	Number of shares	Percentage %
Largest 20 holders of ordinary shares at 21 March 2016		
1. HSBC Custody Nominees (Australia) Limited	20,995,551	19.08%
2. J P Morgan Nominees Australia Limited	11,060,580	10.05%
3. National Nominees Limited	5,698,168	5.18%
4. Citicorp Nominees Pty Limited	4,969,276	4.52%
5. National Nominees Limited (Db A/C)	2,325,470	2.11%
6. Argo Investments Limited	2,082,191	1.89%
7. Milton Corporation Limited	1,950,914	1.77%
8. BKI Investment Company Limited	1,358,474	1.23%
9. BNP Paribas Nominees Pty Ltd (Drp)	1,354,765	1.23%
10. Australia Foundation Investment Company Limited	1,150,000	1.05%
11. Australian United Investment Company Limited	1,000,000	0.91%
12. AET SFS Pty Ltd (Invocare Share Plans)	777,698	0.71%
13. UBS Wealth Management Australia Nominees Pty Ltd	576,760	0.52%
14. Mr Richard Hugh Davis	541,607	0.49%
15. Questor Financial Services Limited (TPS RF A/C)	463,033	0.42%
16. Netwealth Investments Limited (Wrap Services A/C)	445,979	0.41%
17. Gwynvill Trading Pty Ltd	415,643	0.38%
18. HSBC Custody Nominees (Australia) Limited - A/C 3	393,362	0.36%
19. Mirrabooka Investments Limited	360,000	0.33%
20. Navigator Australia Ltd (MLC Investment Sett A/C)	335,112	0.33%
Total for top 20	58,254,583	52.94%

Substantial holders

	Number of shares held	Percentage %
Substantial holders in the Company as at 21 March 2016 are set out below:		
JCP Investment Partners Ltd	12,646,442	11.49%
Mondrian Investment Partners Limited	12,007,408	10.91%
National Australia Bank Limited Group	5,796,827	5.27%

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
Ballina
Bankstown
Blacktown
Bondi Junction
Burwood
Campbelltown
Casino
Chatswood
Cremorne
Frenchs Forest
Hurstville
Leppington
Lidcombe
Lismore
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

Liberty Funerals (est 1994)
Chatswood
Granville

Universal Chung Wah (est 1955)
Chatswood
Fairfield

W N Bull (est 1892)
Newtown
Parramatta

Australian Capital Territory

Tobin Brothers Funerals (est 1946)
Belconnen
Kingston
Tuggeranong

Western Australia

Purslowe Funerals (est 1907)
Mandurah
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

Queensland

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

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

Other Providers

Drysdale Funerals (est 1983)
Nambour
Tewantin

Somerville Funerals (est 1932)
Nerang
Southport

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

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

Other Providers

Mulqueen Funerals (est 1932)
Coburg

Southern Cross (est 1998)
Noble Park

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

Werribee Funerals
Werribee

Charles Crawford & Son
Melton

South Australia

Blackwell Funerals (est 1940)
Aberfoyle Park
Glenside
Paradise
Payneham
Prospect
Rosewater
Torrensville

Tasmania

Turnbull Family Funerals (est 1936)
North Hobart

New Zealand

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

Fraser Lawrence Memorials
Christchurch

New Zealand

North Island

Forrest Funeral Services (est 1978)
Browns Bay
Orewa

Fountain's Funeral Services (est 1956)
Papakura
Manurewa

Sibuns Funeral Directors (est 1913)
Remuera

H Morris Funerals (est 1933)
Northcote

Lychgate Funeral Home (est 1876)
Wellington
Johnsonville

Resthaven Funerals (est 2000)
Manurewa
Howick

Gee & Hickton (est 1946)
Lower Hutt
Upper Hutt
Akatarawa Crematorium

Wheeler's Guardian North City (est 1966)
Porirua

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

Simplicity Funerals (est 1979)+

New South Wales

Balgowlah
Bankstown
Bateau Bay
Chatswood
Erina
Hornsby
Liverpool
Mascot
Miranda
Newcastle*
Newtown
Penrith
Randwick
Ryde
Smithfield
South Sydney*
Toukley East
Tweed Heads
Woy Woy
Wyong

Australian Capital Territory

Canberra*

Queensland

Buranda
Cairns*
Ipswich
Kedron
Logan
Parkwood
Robina
Strathpine
Sunshine Coast*

Victoria

Bayswater
Carnegie
Frankston
Hume*
Pascoe Vale
Reservoir
Sunshine
Werribee

South Australia

Black Forest
Brahma Lodge
Enfield
Gawler
Morphett Vale
South Adelaide*
Victor Harbor

Tasmania

Hobart*

Western Australia

Joondalup
Kelmscott
Mandurah
Osborne Park
South Perth*
Spearwood

New Zealand

Grey Lynn
Nelson
New Lynn
Royal Oak
Sydenham
Wellington*

* Mobile Arranger + Incorporate Value Funerals

White Lady Funerals (est 1987)

New South Wales

Bankstown
Belmont
Bondi Junction
Bulli
Camden
Charlestown
Charmhaven
Eastwood
Five Dock
Frenchs Forest
Liverpool
Mayfield
Mosman
Narrabeen
Nelson Bay
Northern Rivers*
Pennant Hills
Penrith
Queanbeyan
Rockdale
Roseville
Sutherland
Toronto
Tweed Heads
Wyoming

Queensland

Ashmore
Cairns
Caloundra
Chelmer
Clayfield
Cleveland
Holland Park
Kelvin Grove
Miami
Morningside
Tanah Merah
Warana

Victoria

Burwood
Doncaster
Epping
Glen Huntly
Heathmont
Heidelberg
Mornington
North Essendon
Rosebud
South Melbourne

South Australia

Hillcrest
Glenside
Plympton

Tasmania

North Hobart

Australian Capital Territory

Belconnen
Kingston
Tuggeranong

Western Australia

Operating as Mareena Purslowe Funerals

Fremantle
Midland
Subiaco
Victoria Park
Wangara

Singapore

Singapore Casket Company (est 1920)

Lavender Street
Mount Vernon

Simplicity Casket Company (est 2009)

Sin Ming Drive

USA

Macera Crematory
San Diego

Cemeteries and Crematoria

New South Wales

Castlebrook Memorial Park (est 1973)	Rouse Hill
Forest Lawn Memorial Park (est 1962)	Leppington
Lake Macquarie Memorial Park (est 1994)	Ryhope
Lakeside Memorial Park (est 1964)	Dapto
Lung Po Shan Information Centre (est 2000)	Haymarket
Newcastle Memorial Park (est 1936)	Beresfield
Northern Suburbs Memorial Gardens and Crematorium (est 1933)	North Ryde
Pinegrove Memorial Park (est 1962)	Minchinbury
Po Fook Shan Information Centre (est 2002)	Cabramatta
Rookwood Memorial Gardens and Crematorium (est 1925)	Rookwood Necropolis
Tweed Heads Memorial Gardens (est 1971)	Tweed Heads

Queensland

Albany Creek Memorial Park (est 1964)	Bridgeman Downs
Allambe Gardens Memorial Park (est 1968)	Nerang
Great Southern Memorial Gardens (est 1997)	Carbrook
Mt Thompson Memorial Gardens (est 1934)	Holland Park
Toowoomba Garden of Remembrance (est 1966)	Toowoomba

New Zealand

Harewood Memorial Gardens & Crematorium (est 1963)	Christchurch
Woodlawn Memorial Gardens & Crematorium (est 1936)	Christchurch

Glossary

AASB	Australian Accounting Standards Board
ABS	Australian Bureau of Statistics
ACCC	Australian Competition & Consumer Commission
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 Principles and Recommendations	The eight essential corporate governance principles and best practice recommendations of the ASX Corporate Governance Council 3rd Edition 2014
Cemetery	A place for burials and memorialisation
CGU	A cash-generating unit which is the smallest identifiable group of assets that independently generates cash in flows
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
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)
Martin Earp (Managing Director and Chief Executive Officer)
Christine Clifton (Non-executive Director)
Richard Davis (Non-executive Director)
Joycelyn Morton (Non-executive Director)
Gary Stead (Non-executive Director)

Company Secretary
Phillip Friery

Registered Office
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Facsimile: 02 9978 5299
Website: www.invocare.com.au

Share Registry
Link Market Services Limited
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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
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Solicitors
Addisons Lawyers
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Auckland New Zealand

Bankers
Australia and New Zealand Banking Group Limited
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Sydney NSW 2000

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

Commonwealth Bank of Australia
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Sydney NSW 2000

HSBC Bank Australia Limited
580 George Street
Sydney NSW 2000

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Westpac Banking Corporation
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