



Annual Report
2018

Our Mission

“

We're here to support our clients, their families and friends, at a pivotal time in their lives. We do this by being compassionate, exceeding expectations and delivering outstanding service.

”

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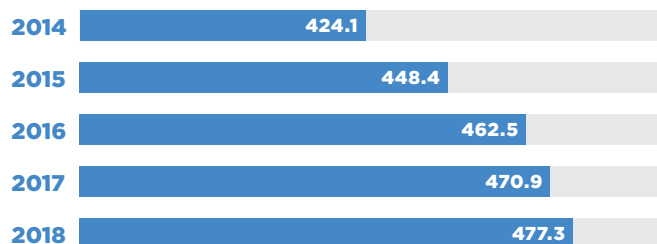
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Performance highlights

Investment in growth initiatives progressed during a period of soft market conditions

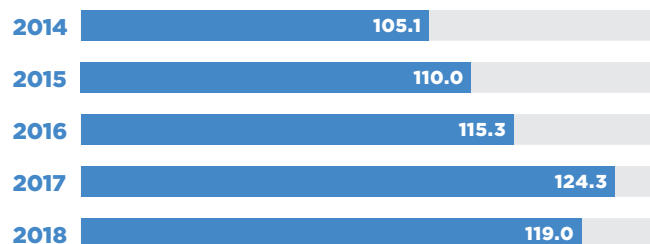
Operating sales revenue

(\$ million)



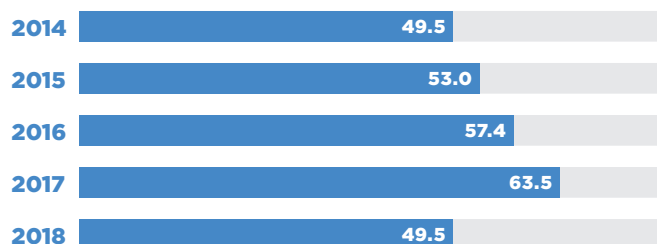
Operating EBITDA

(\$ million)



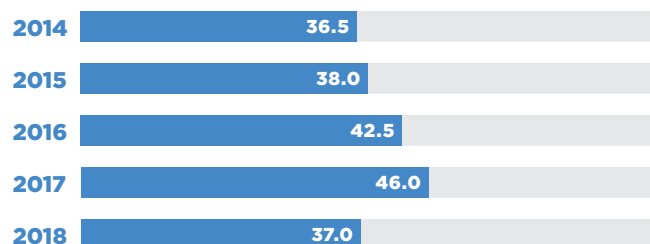
Operating earnings after tax

(\$ million)



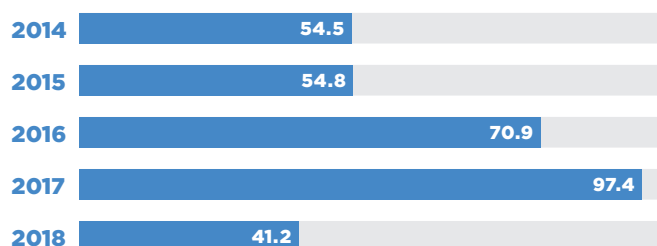
Ordinary dividends per share

(cents per share)



Profit after tax attributable to members

(\$ million)



Committed to growth strategies



Bart Vogel

In 2018, it was pleasing InvoCare was able to show significant progress in implementing both of its growth strategies (Protect & Grow and Regional Acquisitions) despite the soft market conditions that impacted the operational performance of the business. Our commitment to both strategies is driven by the knowledge that the customer is changing. It is essential for InvoCare, as the market leader, to provide leadership in meeting the future needs of our customers if we are to deliver strong sustainable double-digit EPS growth for our shareholders.

Whilst we mitigated the impact of lower demand through cost control we made a deliberate decision to continue with implementing our growth strategies given their importance. What is pleasing is both strategies are exceeding expectations.

Update on growth strategies

As part of Protect & Grow, InvoCare is spending a net \$200 million across three core streams – Network and Brand Optimisation (NBO), People and Culture and Operational Efficiencies. InvoCare also invested \$70.6 million in the last year to acquire 11 businesses to both in-fill our core markets (Adelaide and Auckland) and extend our market coverage into new, primarily regional areas.

NBO - The renovation program within NBO continued through the year, despite the soft winter trading conditions. The team completed a further 55 sites in 2018, taking the total number of locations renovated at the end of 2018 to 35% of the planned program. Overall, the performance of the renovated sites is exceeding our expectations with regard to EBITDA uplift against a business as usual scenario. In addition, we continue to learn valuable lessons that we are integrating into both the existing and future renovations.

People and Culture - As a people-led business, our values and culture are critical to customer service and our differentiation in the market. In 2018, a new culture program was rolled out for all employees and new customer service standards were implemented. It is pleasing that efforts to create a customer-focussed, collaborative environment with strong local leaders is resulting in improved Net Promoter Scores (NPS) year on year. Our business is driven by reputation and referrals and improving this metric is a key determinant of longer term success.

Operational Efficiencies - The ongoing focus on improving business processes and physical infrastructure is driven as much by a desire to improve service to our customers and improve safety for our staff, as it is to drive operational efficiency. The Human Capital Management and Payroll component of the new Oracle business system were launched in April, with the pilot for the full ERP system launched in December and planned rollout across the business in Q2 2019. The upgrade of WAN, WiFi and a new telephony system were also completed. In addition, the first three sites for the operational shared services centres have been secured, designed and will be implemented this year.

Regional Acquisitions - In 2018, InvoCare acquired 11 funeral businesses. The rationale for these investments has been driven by the detailed demographic and market analysis undertaken through our Protect & Grow program. This work identified a shift in the demographic profile in metropolitan areas where people are taking either a 'sea' or 'tree' change in retirement. Securing high quality businesses in high growth markets demonstrates InvoCare's commitment to creating long term value.

Equity raising for future growth

In March 2019, InvoCare announced an \$85m fundraising (Institutional Placement and Share Purchase Plan). This decision was taken after meeting with many of our shareholders post the full year results where there was a clear preference for InvoCare to continue with the strong momentum that had been generated by both growth strategies in 2018. InvoCare was conscious of the need to balance surety of securing capital at a minimal discount and introducing high quality new investors with ensuring that existing investors were not unduly diluted. The Share Purchase Plan was also structured to ensure high participation of retail investors.

2018 Dividend

As a reflection of the challenging market conditions in 2018, a prudent approach to capital management has been taken by the Board with regard to the final dividend. The full year payout ratio, at 82%, remains consistent with our policy and the final dividend of 19.5 cents provided for a full year dividend of 37.0 cents.

Board renewal

In 2018, three new directors were appointed to the Board as part of the planned Board renewal. We were pleased to welcome Mr Keith Skinner from 1 September 2018 and effective from 1 October 2018, Ms Jackie McArthur and Ms Megan Quinn as non-executive directors of the InvoCare Board.

The depth and diversity of our new Board members is critical as InvoCare addresses the opportunity of the changing customer landscape and the wider community expectations of governance and sustainability.

During the year Joycelyn Morton and Gary Stead resigned from the Board and we thank them for their contribution to InvoCare. We had previously announced Joycelyn's retirement and I would like to take the opportunity to thank Gary for the significant role he also played on the InvoCare Board since 2014 and the contributions he made in InvoCare's growth as Chair of the Finance, Capital & Investment Committee.

I would also like to express my personal thanks to Richard Fisher who retired as Chairman on 30 September 2018. Richard joined the Board 16 years ago and has made a significant contribution in this time and left a lasting legacy. During his time as a Director, and then as Chairman, he has played a critical role in guiding the InvoCare growth strategies which have led to Board and Leadership renewal programs and the implementation of the Protect & Grow plan to transform InvoCare. He has provided me with his full support and guidance during my transition to the role as Chairman and I ask that you join me in thanking him for the strategic direction he has provided InvoCare and wish him and his family all the best.

On behalf of the InvoCare Board and all shareholders, I extend my appreciation to the dedicated employees of InvoCare and the critical role you play in supporting our client families at their time of greatest need. I would also like to thank our shareholders for your continued support as we invest to build our business for the future.

Bart Vogel
Chairman



Unique water feature at George Hartnett Metropolitan Funerals and White Lady Funerals, Kelvin Grove QLD

Business fundamentals remain strong despite soft market



Martin Earp

2018 was a mixed year with good progress made on the transformation projects of Protect & Grow and Regional Acquisitions, however the operational results were impacted by the lower number of deaths that occurred in the market place. The volatility in the number of deaths from year to year is not unusual, but a mild winter and a benign flu season combined to see a decline in the number of deaths in 2018 that was towards the upper end of historic precedent.

Operating EBITDA results decreased 4.3% (\$119.0 million) over the previous corresponding period (PCP). Operating earnings after tax decreased by 22.1% on the PCP, reflecting increased depreciation and interest stemming from Protect & Grow and acquisition investments. Net profit after tax was down 57.7% on the PCP to \$41.2 million, primarily from the impact of the mark to market valuation of prepaid contracts in 2017, which included a significant gain due to property revaluations.

At the start of 2018 we understood that the impact of closing many of our locations for renovation would impact the performance of the business and had guided the market to expect a low single digit growth in EBITDA for the year. Soft winter trading further impacted the performance of the business and we provided further financial guidance to the market in October 2018. In February 2019, we confirmed that the full year results were in line with this revised guidance.

Five-year financials

\$'000	2018	2017	2016	2015	2014
Operating sales revenue	477,337	470,852	462,476	448,359	424,087
Operating EBITDA	118,998	124,316	115,344	110,089	105,170
Operating EBITDA margin	24.9%	26.4%	24.9%	24.6%	24.8%
Operating earnings after tax	49,496	63,526	57,417	52,999	49,466
Operating earnings per share (cents)	45.4	57.9	52.4	48.4	45.2
Profit after tax attributable to members	41,224	97,439	70,949	54,844	54,515
Earnings per share (cents)	37.8	88.8	64.7	50.1	49.8
Dividend paid in respect of the financial year (cents)	37.00	46.00	42.50	38.00	36.50
Ungeared, tax free operating cash flow	104,222	116,891	105,007	99,545	101,512
Proportion of EBITDA converted to cash	88%	94%	91%	90%	97%
Actual capital expenditure	84,120	47,471	30,321	22,035	26,665
Net Debt	393,469	227,547	222,927	222,093	218,862
Operating EBITDA / Net interest (times)	9.6	13.8	11.0	9.2	8.3
Net debt / EBITDA (times)	3.3	1.8	1.9	2.0	2.1
Funeral homes (number)	255	228	233	231	234
Cemeteries and crematoria (number)	16	16	16	16	14
Employees (full time equivalents)	1,793	1,644	1,566	1,557	1,532
Prepaid contract sales per 100 redemptions	104	111	142	115	108

Operating earnings after tax excludes the net gain/(loss) on prepaid contracts, costs associated with the administration of prepaid contracts, commissions received, gain/(loss) on sale, disposal or impairment of non-current assets and non-controlling interests.

OPERATING EARNINGS AFTER TAX

-22.1% ▼

Operating earnings after tax decreased to \$49.5 million

DIVIDENDS

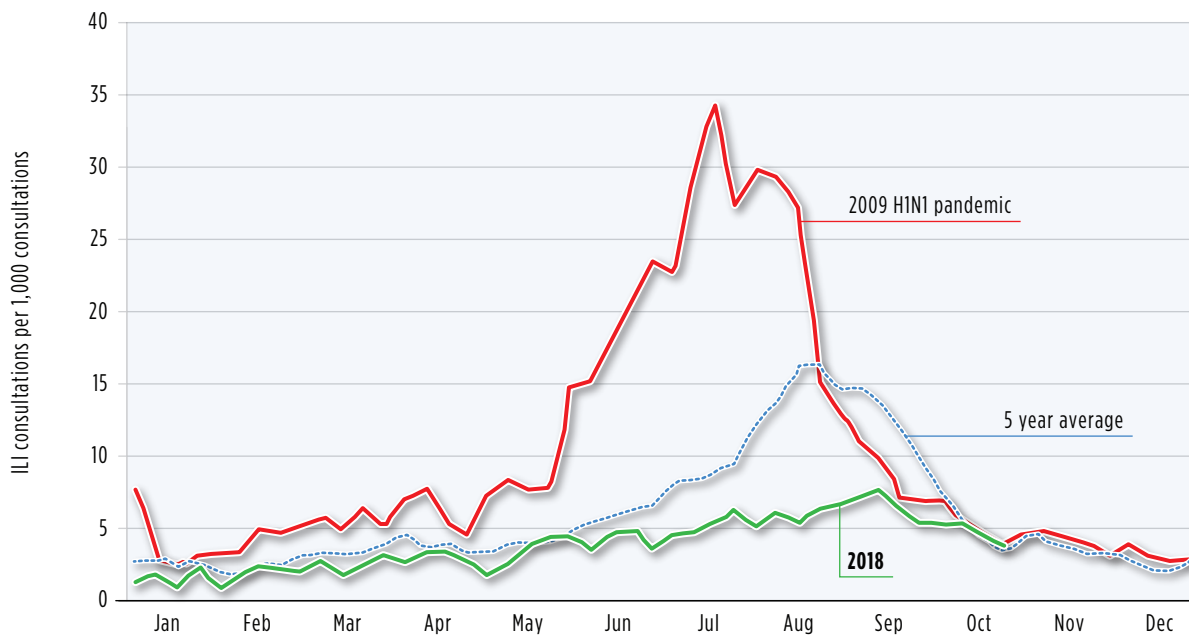
-19.6% ▼

Dividends for the year decreased to 37 cents per share

CASH CONVERSION RATIO

88%

Consistently strong cash conversion ratio with 88% of operating EBITDA converted to cash



SOURCE: Source: Department of Health: 2018 Influenza Season on Australia Information Brief

Pillars of Growth

The success of InvoCare over many years has been built on a number of influential factors and I have summarised these below:

- **Deaths** – the number of deaths for the InvoCare group decreased by 2.3% in 2018, and as previously indicated this is at the higher end of decline previously experienced.
- **Market Share** – the competitive response with the traditional brands, in conjunction with the acquisitions saw a market share increase of 40bps. Whilst the renovation program of works was an overall drag on market share it is expected that this will be a net benefit in 2019.
- **Funeral Case Average** – funeral case averages decreased by 0.3% driven by the competitive pricing we deployed for the traditional brands. The decision was taken to accept a decline in case averages rather than case volumes, given the impact on case volume modelled for 2018 by renovated locations.
- **Operational Efficiencies** – the above factors led to pressure on total sales which, in turn, put pressure on our operating margin which was down 150bps, despite controlling costs.

- **NPS** – our net promoter score (NPS) increased to +79. This increase is driven by the Protect & Grow program and reflects our customers' responses to the improvements in our facilities, our brand standards and our service.
- **Prepaid Funerals** – total funds under management increased by 3.2% to \$563.6 million.

Australia

In Australia, Cemetery & Crematoria sales were up \$12.3 million as a result of the realisation of deferred memorial sales, required under the new accounting standards. Funeral sales were down, impacted by the decline in the number of deaths and the temporary closure of locations for refurbishment. The reduced volumes also impacted case average revenue per funeral case.

New Zealand

New Zealand volumes declined in line with the market for that business. The team experienced a challenging year, but the acquisitions of three high quality funeral brands during the year have set New Zealand up for improved performance in 2019.

Singapore

Singapore's overall performance saw a decline in volumes and overall EBITDA, attributable to the main site being closed for over four months this year and the ramp-up associated with re-opening. Pleasingly, the second half performance for Singapore was very strong and this positive trend has continued in early 2019.

Outlook and Summary

The expectation is for the number of deaths to return to long term trend and improved trading in the Australian funeral business in Q4 2018 and early 2019 is pointing towards the market normalising. A further update and outlook for 2019 will be provided at the Annual General Meeting in May.

Whilst it is never easy to implement transformational change, especially in a year with lower year on year demand, InvoCare remains confident that the investment in its growth strategies will deliver sustainable double digit operating EBITDA and EPS growth in the medium to longer term.

I have been very proud of the attitude of all of our staff in responding positively to the changes that are occurring within the business, and for the ongoing support of the Board, our shareholders and our customers as we transform our business to meet the future needs of our customers.

Martin Earp
Chief Executive Officer
& Managing Director

Investing for growth

In 2018, InvoCare continued to build the business for long term sustainable growth through both the Protect & Grow and Regional Acquisition strategies. These growth initiatives are ensuring InvoCare is building on its core business and meeting the changing needs of customers for a contemporary funeral service, through investing in locations, brands, systems and people to deliver the highest level of customer service.

Transforming our locations

InvoCare is transforming locations based on detailed customer research which has shown families are looking for a contemporary funeral service in a modern environment.

Customers are increasingly looking for support to have a funeral that allows for a respectful memorial service, as well as a location that allows for a celebration of the life of a loved one. This shift in attitude, and the extensive customer research undertaken, are the guiding principles behind the design of new and renovated locations.

Families are looking for facilities that are welcoming, bright and modern – somewhere to mourn, but also share treasured memories and remember people at their best. They want facilities which provide a sense of calm and meet their needs to celebrate a loved one's life. They are looking for funeral homes that have beautiful arrangement rooms, chapels equipped with state-of-the-art audio visual equipment, a garden area to reflect, a lounge to 'celebrate the life' of a loved one, as well as ample parking and of course high quality customer service.

As part of Protect & Grow (NBO), InvoCare is proud to have renovated 55 locations in 2018, taking the number of locations renovated to 83. These locations include state-of-the-art facilities and beautifully appointed spaces equipped to meet a range of needs for families and services of all sizes.

Through NBO, detailed demographic analysis has been undertaken of all regions to show the right number (and brand) of shop fronts to support nearby funeral homes.

As InvoCare progresses through the NBO renovations and transformations, the early results are exceeding expectations both in terms of financial return, but also more importantly, they are exceeding customer expectations. Feedback from families has been overwhelmingly positive, as has the impact on employee engagement.

A significant part of ensuring the success of the location is having the right local leader and engagement in the local community. The combined approach of location, leader and community engagement under-pins strong performance.

In 2019, InvoCare will be focussed on completing the first phase of NBO and reviewing the progress of this to ensure any learnings are incorporated in future renovations with the majority of the rollout due to be completed in 2020.

Acquiring new regional businesses

The analysis that underpinned the Protect & Grow strategy was successfully utilised to identify regions where InvoCare could grow outside its existing core markets. The NBO analysis identified a shift in the demographic profile in regional areas where people are taking either a 'sea' or 'tree' change in retirement.

A decision to enter these regional markets meant that in 2018, InvoCare had the

opportunity to invest \$70.6 million to acquire 11 businesses in Australia and New Zealand, adding over 3,500 funeral cases, 1,200 cremation cases and around \$26 million in revenue per annum.

The acquisitions represent an exciting opportunity for InvoCare to build on the reputation of the funeral homes acquired and expand in new markets through existing brands. They were each selected based on

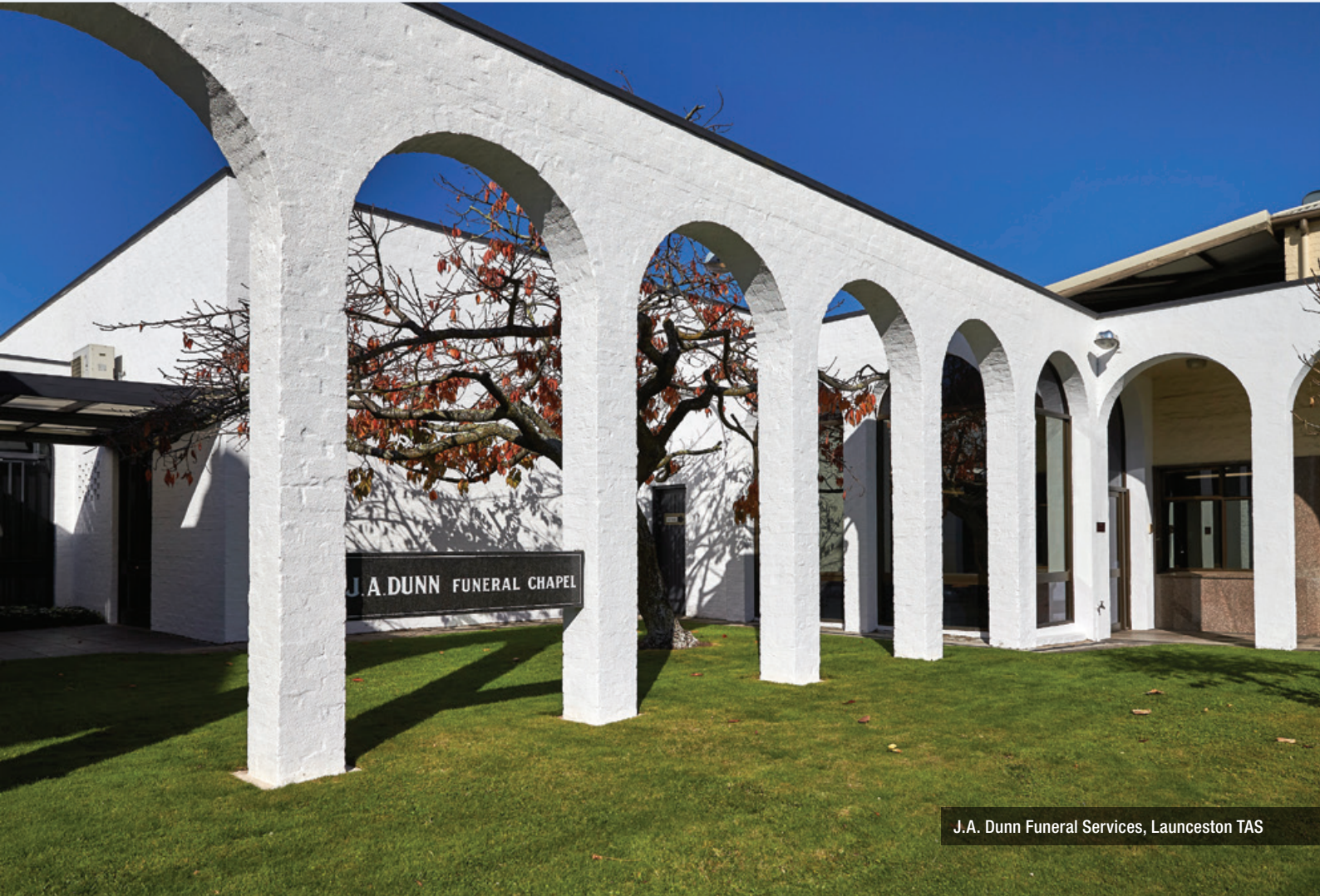
their location, the strength of the business and a focus on people providing unrivalled service to families in the local community.

InvoCare will continue to seek acquisition opportunities in regional communities and through a disciplined approach, determine if future growth in each region is via acquisition or leveraging existing national or local brands.





Chapel at George Hartnett Metropolitan Funerals and White Lady Funerals, Kelvin Grove QLD



J.A. Dunn Funeral Services, Launceston TAS



Drysdale Funerals and White Lady Funerals, Nambour QLD



Simplicity Funerals, Salisbury SA



The team at George Hartnett Metropolitan Funerals and White Lady Funerals, Kelvin Grove QLD



Turnbull Funerals and White Lady Funerals, Hobart TAS



Tilton Opie & Pattinson Funeral Directors, Royal Oak New Zealand



Singapore Casket, Singapore

A sustainable future

Sustainability

At InvoCare, we are conscious that our business should aspire to operate in a sustainable manner. The Board strongly believes in integrating environmentally conscious practices, and aims to continually adapt to ensure material risks are addressed and properly managed. We understand the niche nature of our business and the various environmental, social and governance (ESG) factors associated with our operations and we look to create long term value for all our stakeholders beyond pure financial returns. This means working together to bring meaningful, positive changes to the communities and environment around us. We ensure all aspects of the organisation are monitored and maintained to be able to provide a high quality service.

ENVIRONMENTAL

Health and Safety

A priority for 2018 was to further lift the profile of our health, safety and the environmental practices through proactive leadership, accountability and visibility.

InvoCare has increased resources in this area over the last two years and the Health and Safety team provide a broad range of experience, working diligently to improve our safety culture, set strategic objectives, monitor compliance and reduce risk across the business. We constantly review our health and safety processes, supporting our people to focus on delivering excellent service to our clients and provide strong and effective leadership in the pursuit of safe, healthy and environmentally responsible workplaces.

InvoCare recognises its employees face challenging emotional issues as they deal with grieving families. To assist and support individuals, a confidential employee assistance program is provided by an external company, available free of charge to our employees and their families, for those who wish to use it.

Environment

InvoCare is committed to reducing its carbon footprint wherever possible¹. The last assessment of total emissions was completed in 2014, showing that InvoCare's total emission on a world-wide basis was less than 18,000 tonnes of CO₂.

InvoCare operates over 300 hectares of cemetery land which provides an offset to its other emissions through natural processes. Management intends to set clearer targets and objectives towards the reduction of emission intensity.

Our fleet is an area of our operations where we continually look to reduce our carbon footprint. In 2018, we made concrete developments and changes to minimise our emissions.

Our Fleet

187	hybrid electric vehicles
30	LPG vehicles
10	new diesel operations van with Euro 6 standards - NOx emission minimised from 0.18kg/km to 0.008kg/km
45%	of the passenger fleet operates on lower emission fuel types

2018 ESG highlights:

Health and Safety	<ul style="list-style-type: none"> increased resources targeting risks at work (both physical and mental)
Environment	<ul style="list-style-type: none"> priority given to reducing vehicle emissions since 2017
Procurement	<ul style="list-style-type: none"> ensuring our suppliers utilise, where possible, sustainable products
Community	<ul style="list-style-type: none"> ongoing work in the local community by our local leaders
People, Culture and Values	<ul style="list-style-type: none"> rollout of the first year of the One InvoCare culture plan
Risk	<ul style="list-style-type: none"> development of risk appetite to augment risk register
Diversity	<ul style="list-style-type: none"> improvement in proportion of female representation at Board and Management
Cyber Security	<ul style="list-style-type: none"> upgrade to firewall and testing regime

¹ There are no obligations imposed on InvoCare under the Australian *National Greenhouse and Energy Reporting Act 2007 (Cth)*, which requires reporting when total emissions exceed 50,000 tonnes of CO₂ in total or 25,000 tonnes at a single location.



Allambe Memorial Park (Artists' Impression)

Case Study:

In 2018, development commenced at Allambe Memorial Park that included a lake and garden wetlands, to create a new area for memorials. The Allambe development project delivers tangible environmentally sustainable benefits to both the park and the surrounding area, specifically to the regeneration of an overgrown wetland into a pristine, self-sustaining wetland-lake ecosystem. The new area will have water reuse opportunities, ensuring water run-off quality and will make use of an area that was prone to flooding in previous years. This development will also bring back wildlife and native vegetation to the area. InvoCare strongly believes in maintaining and preserving our natural environment and will continue to monitor any significant impacts on biodiversity as a result of this development. Embedded in our Company values is to provide for our client families and to the local community; this development will provide a new memorial space for the Gold Coast community for the next 20 to 30 years.

Procurement

InvoCare integrates social and environmentally sustainable sourcing practices throughout the business. In terms of our suppliers, we monitor our supply chain for any significant actual or potential negative impacts and due diligence is undertaken with any new supplier. Other than speciality coffin brands (less than 2%), our coffins are sourced from Australian companies who, in the majority, are using wood from sustainably managed forests and meets:

- AS/NZS 1859.2:2004 Standard;
- Is independently tested and accredited by the Engineered Wood Products Association of Australia (EWPA); and
- Has achieved AS 4707:2006 Chain-of-Custody certification to the Australian Forestry Standard (AFS / 01-31-145).

Our suppliers also use products that are from certified members of the Programme for the Endorsement of Forest Certification (PEFC) and New Zealand's Forest Stewardship Council Chain of Custody and Controlled Wood.

SOCIAL

Community

The InvoCare brands are deeply embedded in local communities and our employees play a key role in supporting community events and initiatives. Many of our funeral homes, cemeteries and crematoria arrange free memorial services at important times of the year – such as at Christmas or on Mother's and Father's Day, to provide extra support and as a general community service. They also support events of religious or cultural significance including Lunar New Year, Waitangi Day, Easter, Ching Ming, Anzac Day, All Souls' Day, Chung Yeung and Remembrance Day.

Locally, teams connect with the community through sponsorship, support and donations and through coordinating a range of events and seminars.





Case Study:

In 2018, White Lady Funerals and Mareena Purslowe Funerals continued a strong partnership with Share the Dignity, offering all locations as a drop-off point for donations during the Dignity Drives to support homeless women and teenage girls in April and October. Again, for the Winter Warmers Appeal, all the traditional funeral brands in Australia collected much needed items for thousands of homeless people across Australia.

People, Culture and Values

We recognise that a strong and positive culture does not happen by accident and, as such, created a Culture Planning Team. This team of 15 people were selected from all regions, all levels of seniority and diverse technical areas of our business. Over the course of 2018, they developed a detailed plan for transforming our culture, guided by an external consultant (Walking the Talk).



Share the Dignity partnership supporting homeless women

During 2018 the first stage of this plan was delivered and is supporting the ongoing development and strength of our culture and values. The plan has been summarised as:



A critical part of this plan is that we recognise that culture is driven by both reward and recognition and we have put much more emphasis on recognition. The One InvoCare Awards (both quarterly at state level and annually at a national level) publically recognise those people who have particularly excelled during the course of the year. The Awards focus on those people who are champions of our CARE Values; Collaboration, Accountability, Responsiveness and Excellence – day in, day out throughout the year. Each year the finalists from teams across Australia and New Zealand are brought together for the Awards Ceremony, providing an opportunity to celebrate and be recognised for their achievements in living our values.

The Board monitors the health of the Company’s culture and utilises this feedback to inform change. We are pleased that the survey results from participants in our One InvoCare Culture sessions conducted late in 2018 showed that 85% of respondents viewed the culture we are striving to achieve as supportive of building a strong and sustainable organisation. A further 83% would recommend InvoCare as an employer. For 2019, we are conducting our biennial employee satisfaction survey to determine whether we, as an employer, are meeting the needs of our workers.

The quality of our people is our greatest competitive advantage, therefore providing them with the skills to deliver excellent customer service and a positive employee

experience is paramount to our success. In 2018, we have focused on the development and expansion of our training and upskilling program for our people. In 2019 we will be rolling out recruitment and selection training for all hiring managers where we will focus on equipping them with the necessary skills for day-to-day recruitment, on-boarding, performance management and provide them with skills to assist with eliminating bias in decision making and be able to have productive conversations about career progression. We ensured that throughout the process we promoted an objective, consistent and fair employee experience.

We also committed to providing job-specific training in customer service through our other training programs:

Training	Objectives and Outcomes
Customer Service Masterclass Program	<ul style="list-style-type: none"> • 11 training modules – face-to-face and through e-learning. • Over 1,400 attendees.
Leadership Capability Framework	<ul style="list-style-type: none"> • Development of leadership capabilities and selection of all future leaders.
First bespoke Leadership Development Program	<ul style="list-style-type: none"> • Launching in 2019. • Focusing on developing Regional and Area Managers.

GOVERNANCE

Risk

The Board has overall responsibility and accountability for the management of risk within the business, whereas the management pursues the identification, assessment, control and monitoring of its material risks to prevent or mitigate impacts to the business in line with our risk appetite. During 2018, we reviewed and refined our Risk Management Framework, with specific importance given to the Risk Appetite Statement. This was to ensure continued improvement and effectiveness of strong governance, sustainable financial performance and a healthy and safe workplace for all.

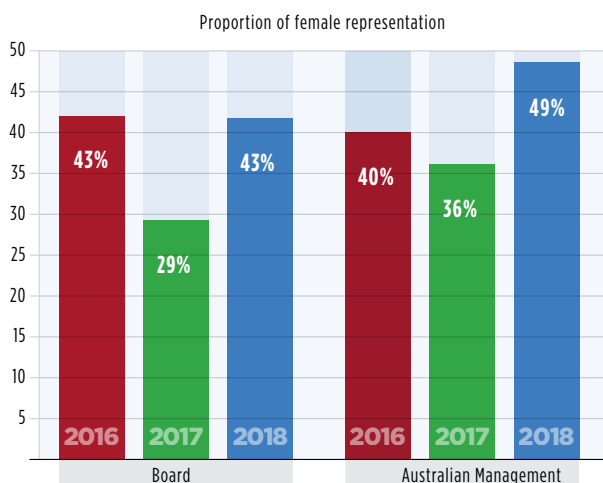
The Board governs risks across a number of categories and our appetite to each is determined within the context of our industry sector – funeral services. These risk categories include:

- Our Reputation
- Legal Compliance
- Health and Safety
- Fraud and Corruption
- Customer Service
- People and Culture
- Environment
- Our Competitive Environment
- Non-Regulatory Standards
- Commercial and Operational Decision Making
- Acquisitions
- Innovation and Transformation

The identification, assessment and control of risks within each category is conducted in consultation with executives and senior leaders throughout the business, as well as external consultants as appropriate. The Audit, Risk & Compliance Committee reviews and approves the risk register for adoption by the Board and further governance oversight is provided through internal audit functions to assist in ensuring that controls are implemented, understood and are effective.

Diversity

At InvoCare, we promote and celebrate diversity in every form. The nature of InvoCare's business means that our employees come into daily contact with families from every walk of life and facet of society, so a focus on inclusion makes a direct contribution to the business'

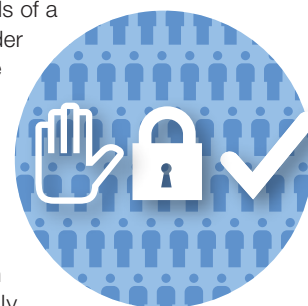


ongoing success, as well as being aligned to our communities and stakeholder expectations. InvoCare is committed to creating a diverse work environment, with a focus on creating an inclusive organisational culture where all individuals feel respected and valued.

During 2018 there was significant Board renewal providing the opportunity to increase diversity across a number of areas including gender, age, skills, background and experience. As a result of these changes 50% of our non-executive directors are female and 43% of the whole Board. We are proud that in 2018 we have achieved our goal of a minimum 45% of management roles to be held by females by 2020.

Cyber Security & Technology

InvoCare maintains the personal details of a significant number of individuals in order to provide services now, and in the future. In order to address the cyber threat landscape and be available to our clients, we have upgraded our technological systems, with the rollout of the Mitel phone system, which ensures our client families always have someone to reach when they need it the most. Additionally, Business Information Systems are used by InvoCare's employees and client families to provide them access to any necessary information. 2018 enhancements and developments include:



- Transitioning to a new Optic Fibre Network protected by a Palo Alto Firewall which includes an Intrusion Detection & Prevention System and is enhanced by security on the cooperate network.
- Penetration testing conducted by an independent external firm, which rated InvoCare's network infrastructure as "well secured". This testing is conducted at a random time each year by an independent firm.

InvoCare's cyber security governance, management and operational practices are designed to protect its business and provide assurance in response to the changing threat landscape. In addition to continually improving its cyber security position by implementing new security systems, InvoCare is focussed on increasing its cyber security readiness by raising awareness with its workforce as an additional line of defence.

Next steps

We are reviewing our policies and procedures in relation to sustainability. The Board has set an objective to provide our first Sustainability Report in FY2019, to address our performance in relation to the material ESG impacts associated with our operations, in accordance with one of the accepted sustainability reporting frameworks.

Leadership team

The InvoCare senior leadership team are focussed on transforming the InvoCare business to ensure that the company is equipped to meet the challenges of delivering double digit EPS growth in a changing market. This is being achieved through ensuring the right leaders and entrepreneurial ethos is in place across the business.

In 2018, the business gained momentum through the Protect & Grow strategy with the senior leadership team working with local leaders to transform locations, systems and processes and culture.

Through building a culture of collaboration, the transformation of the business is having a positive impact on employee engagement and the customer experience with the Net Promoter Score (NPS) increasing to a world-class level of +79.

The senior leadership team is committed to delivering the growth strategies and ensuring the business is ready to meet the changing needs of the consumer and deliver the right outcomes for client families, employees and all stakeholders.

InvoCare Senior Leadership Team



Martin Earp
Chief Executive Officer
& Managing Director



Josée Lemoine
Chief Financial Officer



Damien MacRae
Chief Operating Officer
Australia & New Zealand



Fergus Kelly
Chief Marketing Officer



Steve Nobbs
Group Executive
Commercial Director



Amanda Tober
Group Executive
People & Culture



Lachlan Sheldon
Group Executive
Mergers & Acquisitions



Keiron Humbler
Group Executive
Business Operations



Graeme Rhind
Chairman
New Zealand



Wee Leng Goh
Chief Executive Officer
Singapore

Annual Financial Report

InvoCare Limited and Controlled Entities Annual Financial Report for the financial year ended 31 December 2018

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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 2, 40 Miller Street
North Sydney NSW 2060**

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

The financial report was authorised for issue by the directors on 22 February 2019. 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

Directors' Report

The directors submit their report on the consolidated entity comprising InvoCare Limited (the "Company") and the entities it controlled at 31 December 2018. 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 financial year and until the date of this report:

Bart Vogel (Chairman)

Martin Earp

Richard Davis

Robyn Stubbs

Keith Skinner (appointed 1 September 2018)

Jackie McArthur (appointed 1 October 2018)

Megan Quinn (appointed 1 October 2018)

Jocelyn Morton, Richard Fisher and Gary Stead resigned as independent non-executive directors effective 18 May 2018, 30 September 2018 and 31 December 2018.

Principal activities

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

Significant changes in the state of affairs

There have been no significant changes in the state of the Group's affairs during the financial year.

Operating results

The operating earnings after tax for the year were \$49,496,000 (2017: \$63,526,000) as reconciled on page 17. The consolidated after tax profit of the Group attributable to shareholders was \$41,224,000 (2017: \$97,439,000). More detailed information is included in the operating and financial review set out in this report.

Dividends

The directors have recommended a final, fully franked dividend of 19.50 cents per share payable on 12 April 2019. Total full year dividends are 37.00 cents, being 9.00 cents or 19.6% lower than 2017. The full year dividend payout ratio is 82% (2017: 80%) of operating earnings after tax.

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

	2018 \$'000	2017 \$'000
Interim ordinary dividend of 17.50 cents (2017: 18.50 cents) per fully paid share paid on 5 October 2018	19,255	20,356
Final ordinary dividend of 19.50 cents (2017: 27.50 cents) per fully paid share has been recommended by directors on 22 February 2019 to be paid on 12 April 2019	21,499	30,258
Total ordinary dividends of 37.00 cents (2017: 46.00 cents)	40,754	50,614

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

For the 2018 interim dividend, 226,057 shares were issued at a price of \$12.08 per share reflecting a discount of 2% to the market price and \$16,524,000 was paid in cash. The DRP will apply to the final 2018 dividend and shares will be issued at a discount of 2% to the market price.

Operating and Financial Review

	2018	2017	Change	
Result highlights:	\$'000	\$'000	\$'000's	%
Operating sales revenue ⁽ⁱ⁾	477,337	470,852	6,485	1.4%
Other revenue ⁽ⁱ⁾	2,861	3,027	(166)	(5.5%)
Operating expenses ⁽ⁱ⁾	(361,200)	(349,563)	(11,637)	(3.3%)
Operating EBITDA ⁽ⁱ⁾	118,998	124,316	(5,318)	(4.3%)
Operating margin	24.9%	26.4%		(1.5%)
Depreciation and amortisation ⁽ⁱ⁾	(26,030)	(21,256)	(4,774)	(22.5%)
Finance costs	(19,650)	(12,417)	(7,233)	(58.3%)
Interest income	1,354	1,005	349	34.7%
Business acquisitions costs	(3,602)	(392)	(3,210)	-
Operating earnings before tax ⁽ⁱ⁾	71,070	91,256	(20,186)	(22.1%)
Income tax on operating earnings ⁽ⁱ⁾	(21,574)	(27,730)	6,156	22.2%
Effective tax rate	30.4%	30.4%		(0.0%)
Operating earnings after tax ⁽ⁱ⁾	49,496	63,526	(14,030)	(22.1%)
Net gain on prepaid contracts after tax ⁽ⁱ⁾	(8,366)	40,006	(48,372)	
Asset sales gains/(losses) after tax ⁽ⁱ⁾	230	2,287	(2,057)	
Impairment loss and restructuring cost ⁽ⁱ⁾	-	(8,257)	8,257	
Non-controlling interest	(136)	(123)	(13)	(10.6%)
Net profit after tax attributable to ordinary equity holders of InvoCare	41,224	97,439	(56,215)	(57.7%)
Operating earnings per share ⁽ⁱ⁾	45.4 cents	57.9 cents	-12.5 cents	(21.6%)
Basic earnings per share	37.8 cents	88.8 cents	-51.0 cents	(57.4%)
Diluted earnings per share	37.3 cents	88.0 cents	-50.7 cents	(57.6%)
Interim ordinary dividend per share	17.5 cents	18.5 cents	-1.0 cents	(5.4%)
Final ordinary dividend per share	19.5 cents	27.5 cents	-8.0 cents	(29.1%)
Total ordinary dividend per share	37.0 cents	46.0 cents	-9.0 cents	(19.6%)

(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.

The Group presents its operating EBITDA, operating earnings and net gain on prepaid contracts by reclassifying all amounts related to the administration and financial impacts of the prepaid funeral business in a separate line item in the above table under net gain on prepaid contracts after tax. This has resulted in normalisation adjustments to sales, other revenue and operating expenses to reflect the exclusion of the financial impact of the prepaid funeral business. The directors consider that the presentation of all activities related to funds under management as non-operating will provide a clearer and better reflection of the Group's operating performance and results.

Total revenue from continuing operations has been decreased by \$0.6 million (2017: increase \$13.9 million), operating expenses have been reduced by \$7.9 million (2017: increased by \$3.5 million), net loss on prepaid contracts, net of tax, has been increased by \$4.9 million (2017: net gain increased by \$3.1 million) and Net cash inflow from operating activities increased by \$13.9 million (2017: decreased by \$2.5 million) with a corresponding impact on Net cash outflow from investing activities to adjust for the non-operating impact of prepaid funeral services.

There is no impact on net profit after tax and no impact on the presentation of items in the income statement presented by the Consolidated Income Statement on page 55.

Business model

InvoCare's business model has traditionally been based upon acquisitions of existing funeral businesses in the major capitals of Australia and above average sales increases which along with minimising overhead would drive high single digit EPS growth. This was a successful strategy for InvoCare and delivered an average annual total shareholder return of 16% since listing in 2003.

The changing needs and demographic profile of the customer provides great opportunity for InvoCare to gain market share by proactively meeting the customer needs. The company concluded that future growth could be delivered by extracting greater benefit from existing assets by increasing market share, tapping into operational efficiencies, more efficient capital allocation and expansion into new markets through acquisition.

After further research and planning the company launched its Protect & Grow growth strategy in February 2017. The strategy had three distinct parts, which are listed below:

- NBO (refresh locations / enhance service offering / organic growth / consolidate)
- People and Culture (One Team, Net Promoter Score "NPS", Local Leaders)
- Operational Efficiencies (dedicated shared service centers / new ERP)

The implementation of the Protect & Grow plan would allow market share to be increased within the existing catchment areas by providing improved facilities within our existing locations. New greenfield sites to both in-fill and stretch existing markets will further increase case numbers. It was expected that market share would increase from circa 33% to 40% across a ten-year period. Augmenting market share growth would be an increased focus on providing additional services to customers which would help deliver a case average increase of 3-4%.

In addition to improving the quality of locations InvoCare is investing in its people and culture. The aim is to empower entrepreneurial local leaders to work collaboratively with the wider team to increase the quality of customer service which drives growth through referrals and repeat usage. The effectiveness of this work would be measured using NPS.

The final part of the Protect & Grow strategy is focused on working more effectively and this is driven by the introduction of a new ERP system (Oracle Cloud) that will improve the way we work by reviewing all working practices and standardising them across Australia and New Zealand. Investment in dedicated operational shared service centers will allow for additional operational efficiencies to be captured in the medium to longer term.

In February 2018 InvoCare indicated that the financial results would be impacted by the loss of cases due to locations being temporarily closed for renovation and the impact of both increased debt costs and depreciation associated with the capital invested on Protect & Grow projects. It was expected that EBITDA would be flat and EPS would decline by low single digits on the Previous Corresponding Period (PCP).

As detailed in the next section, the soft market in 2018 negatively impacted sales revenue, but the results of the Protect & Grow program are encouraging. In May 2018 InvoCare reported the strong performance of the pilot sites (pre-Protect & Grow locations) and in August 2018 InvoCare reported that the financial performance of the first cohort of renovated sites (EBITDA uplift against a do-nothing scenario) were performing ahead of expectation and the recent results for Protect & Grow continue to remain positive.

Financial overview

The key strategic initiatives for growth (Protect & Grow and Regional Acquisitions) both performed well in 2018 and positioned the Group for strong sustainable growth. The expansion into growing regional markets exceeded expectations as did the performance of the renovated locations once the softer market conditions are taken into account. However, the combination of the softer market and the number of sites closed for renovation combined to make 2018 a difficult trading year.

Group operating EBITDA decreased to \$119.0 million (2017: \$124.3 million) consistent with the outlook provided in October. For the comparable business, that is, excluding acquisitions completed in the current year and the divestment of USA operations in the prior period, operating EBITDA decreased to \$116.6 million (2017: \$124.6 million). This was achieved in a period of soft market and trading disruptions as the Company invested into contemporising and/or expanding its metro network across Australia, New Zealand and Singapore.

Operating sales revenue was up 1.4% or \$6.4 million to \$477.3 million (2017: \$470.9 million). The increase reflects eleven successful acquisitions, expansion within the core network, favourable foreign exchange movements and the realisation of deferred memorialisation sales in the cemeteries and crematoria business.

Overall, numbers of deaths in InvoCare's core markets decreased by approximately 2.3% compared to 2017 and 3.1% in our core market in Australia. Our market share has grown 40bps following the expansion into the regional markets. With continued focus on customer service, the Company was able to slow down its comparative market share decline to an estimated 60bps (2017: 90bps) despite the implementation of the NBO project which necessitated having locations off-line for refurbishment. It is estimated that over 900 cases were lost in the year in our Australian and Singaporean businesses as the NBO was implemented and, when excluding these impacts, our market share has stabilised year on year. Initial results of the first phase of NBO locations are positive with actual EBITDA uplift over a baseline scenario ahead of forecasts.

Comparable business costs increased by 1.6% and down 0.8% when excluding the additional operating costs of \$2.8 million for the 20 greenfield NBO locations. This was achieved primarily by containing cost of goods sold and lower bonus payments being paid for 2018 performance.

As a percentage of sales, comparable EBITDA margins declined by 150bps to 24.9% (2017: 26.4%) reflecting market and network disruption impacts on sales coupled with increased personnel and facilities costs to support the establishment of new trading locations under the NBO program. Comparable EBITDA margins improved between the first half of 2018 to the second half from 23.8% to 26.0% respectively.

Statutory reported revenue was up 3.2% or \$14.8 million to \$480.8 million (2017: \$465.9 million).

Statutory reported profit after tax was down 57.6% or \$56.2 million to \$41.4 million (2017: \$97.6 million) which is driven primarily as a result of the appreciation in the value of property investments in 2017 along with the sale of a commercial property by the main Guardian Trust fund within the Over Fifty Guardian Friendly Society.

Operating cash flows were impacted by market conditions. Ungearred, tax free operating cash flow excluding impacts from prepaid funeral business was 88% of EBITDA (2017: 94%), underpinning the ability to pay a fully franked final dividend of 19.50 cents per share, which is 8 cents lower than last year. This is in addition to the 17.50 cent interim dividend paid in October 2018, taking total dividends declared for the year to 37.00 cents (2017: 46.00 cents).

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

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

	1H18 \$'000	1H17 \$'000	Var %	2H18 \$'000	2H17 \$'000	Var %	FY18 \$'000	FY17 \$'000	Var %
Operating Sales Revenue									
Australia	196,676	193,176	1.8%	208,944	214,756	(2.7%)	405,620	407,932	(0.6%)
New Zealand	22,100	22,497	(1.8%)	23,188	23,872	(2.9%)	45,288	46,369	(2.3%)
Singapore	6,569	8,429	(22.1%)	9,890	7,232	36.8%	16,459	15,661	5.1%
Comparable business	225,345	224,102	0.6%	242,022	245,860	(1.6%)	467,367	469,962	(0.6%)
USA & Acquisitions	329	689	(52.2%)	9,641	200	4,720.5%	9,970	889	
Total	225,674	224,791	0.4%	251,663	246,060	2.3%	477,337	470,851	1.4%
Operating EBITDA									
Australia	47,544	46,057	3.2%	53,656	61,711	(13.1%)	101,200	107,768	(6.1%)
New Zealand	4,082	4,558	(10.4%)	4,557	5,518	(17.4%)	8,639	10,076	(14.3%)
Singapore	2,070	4,040	(48.8%)	4,656	2,753	69.1%	6,726	6,793	(1.0%)
Comparable business	53,696	54,655	(1.8%)	62,869	69,982	(10.2%)	116,565	124,637	(6.5%)
USA & Acquisitions	32	(763)	104.2%	2,401	442	443.2%	2,433	(321)	857.9%
Total	53,728	53,892	(0.3%)	65,270	70,424	(7.3%)	118,998	124,316	(4.3%)
Margin on sales									
Australia	24.2%	23.8%	0.3%	25.7%	28.7%	(3.1%)	24.9%	26.4%	(1.5%)
New Zealand	18.5%	20.3%	(1.8%)	19.7%	23.1%	(3.5%)	19.1%	21.7%	(2.7%)
Singapore	31.5%	47.9%	(16.4%)	47.1%	38.1%	9.0%	40.9%	43.4%	(2.5%)
Comparable business	23.8%	24.4%	(0.6%)	26.0%	28.5%	(2.5%)	24.9%	26.5%	(1.6%)
USA & Acquisitions	9.7%	-		24.9%	-		24.4%	-	
Total	23.8%	24.0%	(0.2%)	25.9%	28.6%	(2.7%)	24.9%	26.4%	(1.5%)

Operating EBITDA by segment
(AUD Millions)



Directors' Report [CONTINUED]

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

	1 H18 \$'000	1 H17 \$'000	Var %	2 H18 \$'000	2 H17 \$'000	Var %	FY 18 \$'000	FY 17 \$'000	Var %
Total – all lines of business									
Operating Sales Revenue	225,675	224,791	0.4%	251,662	246,061	2.3%	477,337	470,852	1.4%
Other revenue	976	1,586	(38.5%)	1,885	1,441	30.8%	2,861	3,027	(5.5%)
Expenses:									
Cost of goods sold	(58,913)	(59,970)	1.8%	(65,479)	(64,434)	(1.6%)	(124,392)	(124,404)	0.0%
Personnel	(75,826)	(74,991)	(1.1%)	(82,183)	(75,257)	(9.2%)	(158,009)	(150,248)	(5.2%)
Advertising & promotions	(6,310)	(7,843)	19.5%	(6,157)	(7,555)	18.5%	(12,467)	(15,398)	19.0%
Occupancy & facility expenses	(15,290)	(14,404)	(6.2%)	(15,968)	(13,997)	(14.1%)	(31,258)	(28,401)	(10.1%)
Motor vehicle expenses	(3,805)	(3,685)	(3.3%)	(4,764)	(4,404)	(8.2%)	(8,569)	(8,089)	(5.9%)
Other expenses	(12,779)	(11,592)	(10.2%)	(13,726)	(11,431)	(20.1%)	(26,505)	(23,023)	(15.1%)
Operating expenses	(172,923)	(172,485)	(0.3%)	(188,277)	(177,078)	(6.3%)	(361,200)	(349,563)	(3.3%)
Operating EBITDA	53,728	53,892	(0.3%)	65,270	70,424	(7.3%)	118,998	124,316	(4.3%)
<i>Operating margin %</i>	<i>23.8%</i>	<i>24.0%</i>	<i>(0.2%)</i>	<i>25.9%</i>	<i>28.6%</i>	<i>(2.7%)</i>	<i>24.9%</i>	<i>26.4%</i>	<i>(1.5%)</i>

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

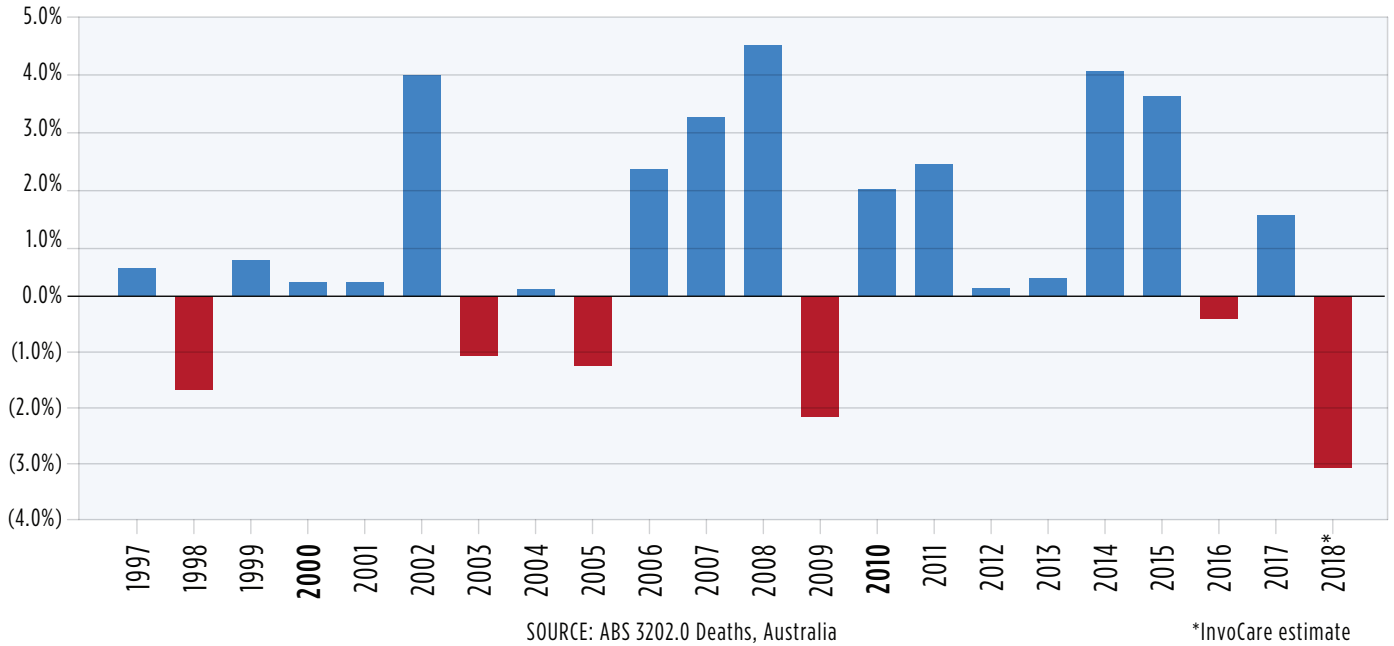
	1 H18 \$'000	1 H17 \$'000	Var %	2 H18 \$'000	2 H17 \$'000	Var %	FY 18 \$'000	FY 17 \$'000	Var %
Total – all lines of business									
Operating Sales Revenue	225,346	224,102	0.6%	242,021	245,861	(1.6%)	467,367	469,963	(0.6%)
Other revenue	977	1,372	(28.8%)	1,837	1,428	28.6%	2,814	2,800	0.5%
Expenses:									
Cost of goods sold	(58,796)	(59,887)	1.8%	(62,684)	(64,413)	2.7%	(121,480)	(124,300)	2.3%
Personnel	(75,721)	(73,972)	(2.4%)	(79,200)	(75,591)	(4.8%)	(154,921)	(149,563)	(3.6%)
Advertising & promotions	(6,293)	(7,729)	18.6%	(5,914)	(7,555)	21.7%	(12,207)	(15,284)	20.1%
Occupancy & facility expenses	(15,258)	(14,306)	(6.7%)	(15,307)	(13,988)	(9.4%)	(30,565)	(28,294)	(8.0%)
Motor vehicle expenses	(3,794)	(3,636)	(4.3%)	(4,575)	(4,388)	(4.3%)	(8,369)	(8,024)	(4.3%)
Other expenses	(12,764)	(11,289)	(13.1%)	(13,309)	(11,371)	(17.0%)	(26,073)	(22,660)	(15.1%)
Operating expenses	(172,626)	(170,819)	(1.1%)	(180,989)	(177,306)	(2.1%)	(353,615)	(348,125)	(1.6%)
Operating EBITDA	53,697	54,655	(1.8%)	62,869	69,983	(10.2%)	116,566	124,638	(6.5%)
<i>Operating margin %</i>	<i>23.8%</i>	<i>24.4%</i>	<i>(0.6%)</i>	<i>26.0%</i>	<i>28.5%</i>	<i>(2.5%)</i>	<i>24.9%</i>	<i>26.5%</i>	<i>(1.6%)</i>

Number of deaths and cases

The number of deaths continues to be a 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% change on the prior year, as shown in the following graphs based on the historical number of deaths as reported by the Australian Bureau of Statistics.

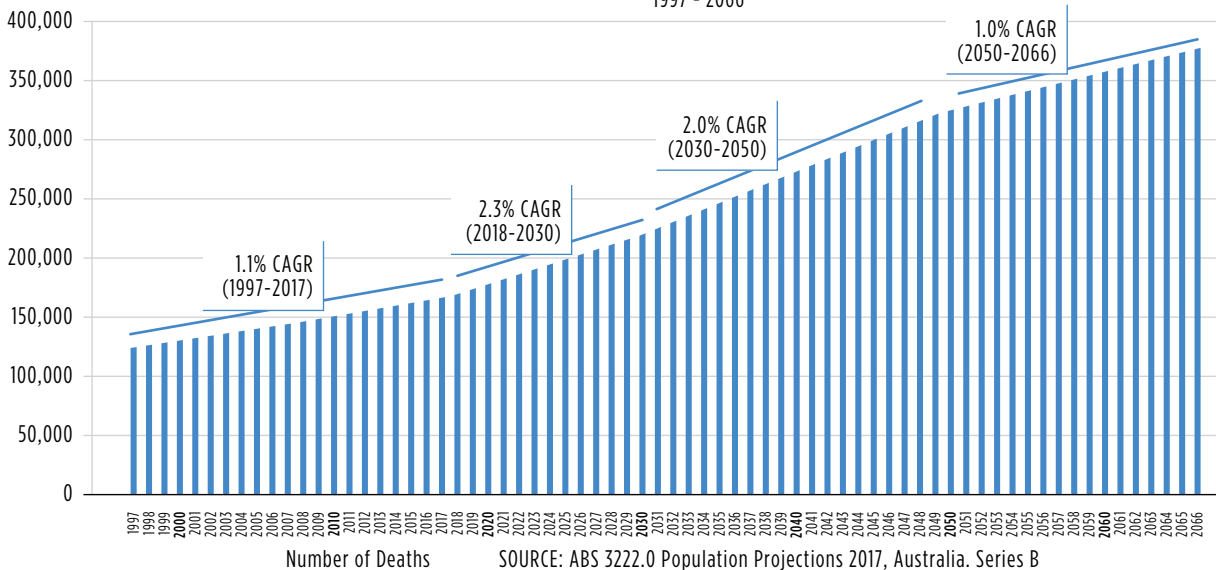
Official data on the number of deaths for 2018 is published after a 9-month lag however, based on interim state and industry data, InvoCare estimates that the number of deaths in the Australian markets it operates in, has declined by 3.1% in 2018.

Historical annual growth in the number of deaths - Australia



The following graph incorporates the most recent long-term death projections as released in November 2018 by the Australian Bureau of Statistics. This indicates an acceleration in the annual growth rate in the number of deaths from 1.1% over 1997-2017 more than doubling to an annual rate of 2.3% until 2030, 2.0% from 2031-2050 before reverting to levels similar to the historical growth trend.

Historical and projected annual death volumes - Australia
1997 - 2066

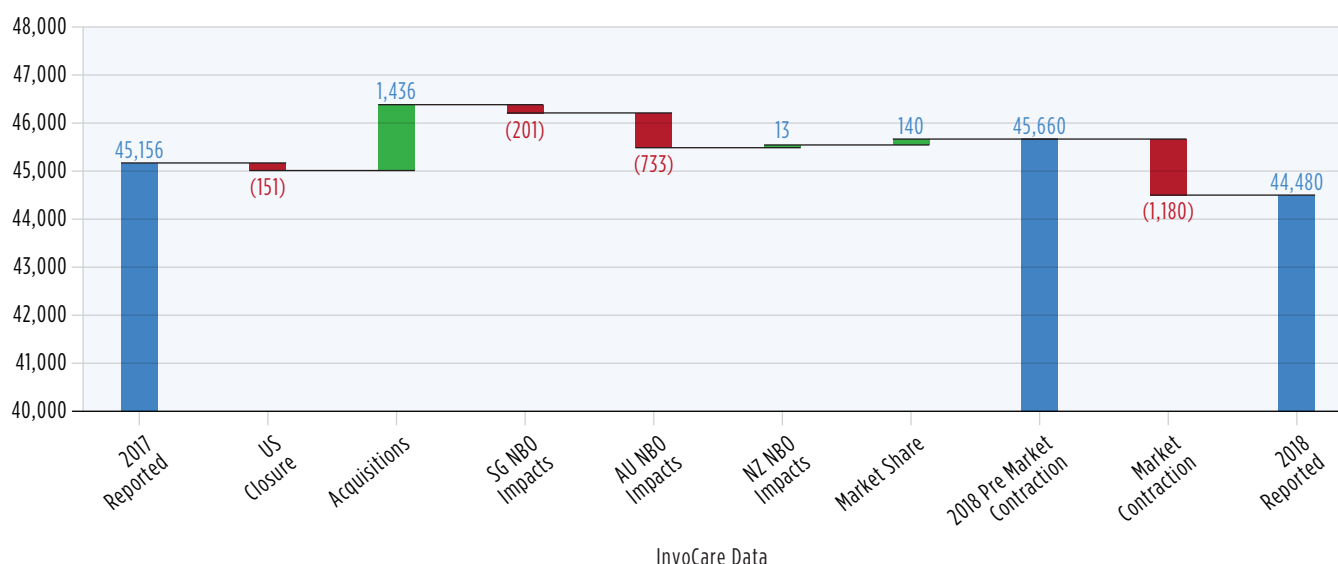


Sales

Key components of the comparable sales movements are summarised below:

- **Australian comparable funeral sales** decreased 4.7% or \$14.8 million to \$300.1 million (2017: \$314.8 million).
 - The Company reported to the ASX in October 2018 that a mild winter and benign flu season would result in lower deaths and lead to lower volumes and ability to achieve average price year on year increases.
 - Average revenue per funeral contract, excluding disbursements and delivered prepaid impacts, increased in the second half and stabilised. The year on year flattened pricing reflects the strong competition from smaller operators in contracting market conditions and greater volume of value cremations in isolated markets.
 - Underlying volume grew by 169 cases or 0.5% to 35,886 cases when taking into account NBO impacted locations (733 cases) and our share of the decline in the number of deaths (1,163 cases or 3.1%). Loss in market share is limited to our traditional brands which is where the NBO is focused, to ensure our products and services meet the customer's desire for a more contemporary offering. The need to respond to this change has been clearly communicated and is the rationale for the Protect & Grow plan.
 - Prepaid funerals performed in the period were consistent at 15.0% (2017: 15.0%) of at-need funerals.

Funeral Case Volumes vs PCP



- **Australian cemeteries and crematoria sales** recorded an increase of 11.6% or \$12.3 million to \$118.5 million (2017: \$106.2 million) which included the unwinding of the AASB15 transitional adjustment of \$21.6 million. Operational cemeteries and crematoria sales were also impacted by lower numbers of deaths and a one-off project of \$3.0 million in the PCP.
- **New Zealand comparable sales** (in NZD) were down by 2.3% or \$1.1 million to \$48.9 million (2017: \$50.1 million). Funeral case volumes were marginally lower by 1.8%, largely due a contraction in the number of deaths in the market and it is expected that for the full year a minor loss of market share will be recorded (when official 2018 data is published in 2019). Funeral case averages decreased 2.3% as a result of competition in a soft market. In AUD, New Zealand sales were down by 2.5% to \$45.3 million (2017: \$46.4 million) which included un-favourable FX movements of \$0.1 million.
- **Singapore funeral sales** (in SGD) bounced back in the second half to \$16.5 million (2017: \$16.6 million) following a \$2.2 million shortfall in H1 stemming from the temporary closure of the parlours as major renovations which began in early Q4 2017 were completed and the parlours re-opened in mid Q2 2018. Operations resumed to full trading following 7 months of refurbishment activity with case volumes growing by 4.4% when considering the loss of volume, due to the extended disruption, estimated at circa 200 cases in H1 2018 alone. Case averages increased 8.6% on the prior year following improved quality of location and products. In AUD, Singapore sales increased 5.1% to \$16.5 million (2017: \$15.2 million) which included favourable FX movements of \$0.8 million.
- **Acquisitions in Australia and New Zealand** delivered sales of \$10.0 million (2017 USA: \$0.9 million). Eleven funeral businesses were acquired during the year with a bias to the second half.
- Intra-group elimination of cemeteries and crematoria sales to InvoCare owned funeral homes amounted to \$14.0 million (2017: \$13.9 million).

Other revenue

Other revenue decreased by \$0.2 million or 5.5% to \$2.9 million (2017: \$3.0 million) largely as a result of lower rebate income received from newspapers, following a reduction in the number of customers choosing to place death notices.

Key components of the comparable expenses movements below:

Operating expenses

Operating expenses increased \$5.5 million or 1.6% to \$353.6 million (2017: \$348.1 million). Operating expenses include \$5.7 million relating to costs arising from the unwinding of the AASB15 transitional adjustment in the cemeteries and crematoria business and \$2.8 million from the 20 greenfield funeral locations. Excluding these, operating expenses decreased 0.9% or \$3.0 million to \$345.1 million (2017: \$348.1 million).

Cost of goods sold includes an additional \$2.9 million arising from the unwinding of the AASB15 transitional adjustment in the cemeteries and crematoria business. As a percentage of sales and excluding the AASB 15 impact, cost of goods sold as a percentage of sales increased by 20bps to 26.6% compared to the PCP (2017: 26.4%).

Personnel costs were up 3.6% or \$5.4 million to \$154.9 million (2017: \$149.6m) and includes \$2.8 million relating to the unwinding of the AASB15 transitional commission adjustment in the cemeteries and crematoria business and \$1.2 million for the 20 greenfield funeral locations. Excluding these impacts, the increase in personnel costs over the PCP was 0.9% or \$1.4 million. Base pay rate increases are circa 3%, consistent with the awards and enterprise agreements in place for the majority of the work force, partially offset by a reduction in fringe benefits tax expense and the reassessment of short and long-term incentives.

Advertising and promotions expenditures for the comparable business decreased by \$3.1 million, down 20.1% to \$12.2 million (2017: \$15.3 million). This reflects the allocation of the advertising relating to prepaid contracts to non-operating of \$4.6 million. The net increase of \$1.5 million stems from the investment in locations coming back online following renovation activities and an increase in local area marketing to combat the competitive market.

Occupancy and facility expenses increased by \$2.3 million to \$30.6 million (2017: \$28.3 million). The increase largely relates to rental expense associated with the 20 greenfield locations opened to date under the Protect & Grow plan.

Motor vehicle expenses were up \$0.4 million or 4.3% to \$8.4 million (2017: \$8.0 million) largely as a result of higher fuel prices and repair and maintenance costs.

Other group expenses increased by \$4.4 million or 15.1% to \$26.1 million (2017: \$22.7 million). The increase relates to new locations and to the training/travel activity associated with various information technology upgrades designed to drive long term operational efficiencies.

Operating EBITDA¹

Operating EBITDA for the Group decreased \$5.3 million or 4.3% to \$119.0 million (2017: \$124.3 million). This decline followed a reduced number of deaths in the Australian and New Zealand markets - predominantly in the second half of 2018 resulting in lower comparative operating sales. The result benefited from acquisitions, the unwinding of the AASB 15 transitional adjustment of \$15.9 million for the cemeteries and crematoria business and the reallocation of advertising and promotions related to prepaid to non-operating. Operating EBITDA to sales margins slightly declined in Australia and New Zealand arising from increased personnel costs and facilities expenditures related to the establishment of greenfield locations whereas the Singapore business recorded a decline, again due to the closure of its parlours and high proportion of fixed costs.

Favourable foreign exchange movements impacted operating EBITDA by \$0.3 million mostly due to the strengthening of the SGD against AUD over the period.

Depreciation and amortisation expenses

Depreciation and amortisation expenses of \$26.0 million increased by \$4.8 million or 22.5% (2017: \$21.3 million) following investment in our network under the Protect & Grow program throughout the financial year and assets acquired through acquisitions.

Finance costs

Finance costs increased by \$7.2 million or 58.3% to \$19.7 million (2017: \$12.4 million). \$3.5 million relates to the AASB 15 requirement to recognise a financing expense on customer advances for the cemeteries and crematoria contracts. The balance of \$3.7 million mostly relates to additional borrowings drawn from new facilities to fund the Protect & Grow plan and the 11 acquisitions.

Business acquisition related costs

Acquisition costs were up \$3.2 million to \$3.6 million (2017: \$0.4 million) following increased acquisition activities which resulted in 11 acquisitions completed for a total purchase consideration of \$70.6 million.

Share of associate

After writing down InvoCare's investment in an on-line memorial associate to \$nil, equity accounting of the associates losses is no longer required. The associate, in which InvoCare has a 35% interest, continues to record losses.

¹ Operating EBITDA is non-IFRS financial information.

Prepaid contract performance

Despite the positive performance of the funds under management, the net return on prepaid contracts has been adversely impacted by the change in accounting standards as a result of adopting AASB 15: *Revenue from Contracts with Customers* and the reallocation of advertising expenditure relating to prepaid contracts of \$4.6 million.

The fair value uplift of \$13.6 million in funds under management was \$59.9 million lower than last year (2017: \$73.5 million). 2017 benefited from a strong appreciation in value of the property investments portfolio held by the main Guardian Fund along with a material gain made on the sale of a commercial property. Returns on funds under management were higher than those generated by comparable investment funds in the market during 2018, but lower than normalised historical levels.

The transition to the new accounting standard AASB 15 resulted in an increase to the prepaid contract liability of \$28.6 million at 1 January 2018. The liability was further increased during the year by \$18.6 million to recognise an interest expense on customer advance payments. The recognition of this interest expense replaces the previous accounting treatment of recognising an increase in the future liability to deliver prepaid services, which in 2017 amounted to \$10.2 million.

These factors contributed to the overall net losses on prepaid contracts being \$5.0 million (2017: gains \$63.3 million).

The sale of new prepaid funeral contracts is correlated to the number of at need funerals. In a year where deaths declined, the sales of new prepaid contracts decreased by 11.0%. Sales of new prepaid contracts continued to exceed the number of prepaid services performed by 4.0% (2017: 11.0%). Prepaid funerals performed in the year were 15.0% (2017: 15.0%) of comparable at need funerals.

Please refer the accompanying financial statements for detailed Consolidated Income Statement and Consolidated Balance Sheet impact of prepaid contract performance.

Approximately 88% of InvoCare's prepaid funds under management are with the Over Fifty Guardian Friendly Society. Asset allocations for this fund remained relatively steady over the year. The trustees of the Guardian Fund continue to evaluate asset allocation strategies that will deliver required returns with acceptable levels of risk and volatility. This may see a further shift in asset classes should the right opportunities be identified.

Asset allocations, which are closely reviewed, are set out below:

	31 Dec 2018 %	30 June 2018 %	31 Dec 2017 %
Equities	31	17	20
Property	25	30	16
Cash and fixed interest (includes hybrid securities)	44	53	64

Asset sales

Minor asset sale gains were recorded during the year.

Impairments

All cemetery and crematoria parks and the Group's investment in its associate were reassessed during 2018 and no change to the impairment provision was deemed necessary (2017: net impairment loss of \$10.9 million, consisting of a \$12.0 million write down for Allambe Gardens Memorial Park, offset by \$1.1 million reversal of a previous impairment write down for Mt Thompson Memorial Gardens).

The remediation of the residual land at Allambe Gardens Memorial Park has commenced during the year. The investment case was approved in March 2018 and construction work commenced in July 2018. As construction work will continue until late 2019, the Group will reassess the recoverable amount of the park in the second half of 2019.

Income tax expense

Income tax expense on reported profit was \$17.6 million (2017: \$43.4 million), representing an effective rate of 30.4% (2017: 30.6%). An analysis of tax paid, based on tax residency status, for Australia and the Group is set out below.

	Australia		Group	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Profit before tax	51,319	123,601	57,744	140,923
Tax at nominal rate in relevant country	15,396	37,080	16,575	41,557
Increase / (decrease) due to non-temporary differences				
Non-deductible loss on sale of subsidiaries	-	2,983	-	323
Non-deductible acquisition costs	499	-	602	-
Other items	79	198	140	246
Increase / (decrease) due to temporary differences				
Unrealised prepaid contract funds under management gains and losses	2,923	(17,614)	2,923	(17,614)
Impairment of cemetery land	-	3,270	-	3,270
Other items	(1,949)	1,114	(1,335)	1,471
Current income tax paid or payable	16,948	27,031	18,905	29,253
Current income tax paid¹	33.0%	21.9%	32.7%	20.8%
Current income tax expense	15,973	41,756	17,570	43,361
Effective tax rate	31.1%	33.8%	30.4%	30.6%
Prior period tax adjustments	(1,171)	95	(1,186)	64

Governance of tax planning for the Group has been delegated by the Board to the Audit, Risk & Compliance Committee who seek to pursue a tax planning strategy which is principled, transparent and sustainable in the long term. It oversees the Group's tax affairs in a pro-active manner that seeks to maximise shareholder value, while operating in accordance with the law, and not participating in any aggressive tax planning activities. The committee receives a regular report on the Group's tax compliance. Tax planning initiatives are not implemented until they receive approval from the Audit, Risk & Compliance Committee. Tax risks and opportunities are rated according to their potential impact which determines whether management or the Audit, Risk & Compliance Committee has the delegated authority to resolve the matter.

During the year, a capital loss was recognised on the sale of the US operation which partially offset a gain on the sale of land and buildings in the actual tax return. This resulted in a large favourable adjustment to the prior period tax expense.

The Group has a limited number of international related party arrangements in place. An Australian subsidiary receives dividends from Singapore Casket Company, which is resident in Singapore, and the New Zealand group is charged management fees, based on time spent, for management, administration, accounting and other services provided by the Australian operation. Loans from the Australian Group to offshore subsidiaries are made occasionally under documented loan agreements.

In addition to income tax paid, the Australian group pays payroll tax, \$6.6 million in 2018 (2017: \$6.2 million), fringe benefits tax, \$2.1 million in 2018 (2017: \$2.5 million) and land tax on owned buildings, \$4.4 million in 2018 (2017: \$4.1 million), to various state governments. Council and water rates paid to various authorities totalled \$2.0 million in 2018 (2017: \$1.6 million).

¹ Calculated as the total amount of income tax paid divided by the Profit before Tax.

Cash flow highlights

The operating EBITDA conversion to cash ratio for the period was 88% (2017: 94%), as shown in the table below. Conversion in 2018 was impacted by working capital movements especially the increased spend on inventory in the cemeteries and crematoria business.

	2018 \$'000	2017 \$'000
Operating EBITDA excluding pre-paid business¹	118,998	124,316
Statutory ungeared, tax free operating cash flow¹	90,296	114,411
Add receipts from funds for pre-paid contracts performed ¹	46,006	43,290
Less receipts from pre-paid contract sales ¹	(34,639)	(38,758)
Less other cash flows related to the pre-paid fund funeral business ¹	2,559	(2,052)
Ungeared, tax free operating cash flow excluding pre-paid business¹	104,222	116,891
Proportion of operating EBITDA converted to cash ¹	88%	94%

Capital expenditure by strategy is:

	2018 \$'000	2017 \$'000
Business as usual	27,059	18,321
Protect & Grow plan	57,061	29,150
Total capital expenditure (on a cash basis)	84,120	47,471

Increased capital expenditure mainly relates to investment under the Group's Protect & Grow strategic initiative. The Network & Brand optimisation ("NBO") resulted in 83 sites being refreshed or enhanced with improvements commenced on a further 55 sites during the year (refreshing of funeral homes, chapel facilities and fit outs of new shopfronts). In addition, investment in business systems and operational practices has continued as part of the Operational Efficiencies work stream.

Capital management

In February 2018 the Group entered into new financing arrangements:

- A Syndicated Facility Agreement supported by ANZ, Westpac, HSBC, Mizuho and SMBC providing \$150 million for five years on a fully drawn basis and \$200 million three-year revolving facility. Both facilities are multi-currency allowing drawings in Australian, New Zealand and Singaporean dollars.
- A Note Purchase Agreement with MetLife for \$100 million for ten years at a fixed rate and drawn in Australian dollars to eliminate currency risks.

At 31 December 2018, the Group had drawn down \$411.2 million borrowings (from total \$450 million debt facilities) compared to \$331.4 million at 30 June 2018 and \$243.1 million at 31 December 2017. Net debt at 31 December 2018 was \$393.5 million which compared to the balance at 30 June 2018 of \$319.9 million and 31 December 2017 of \$228.5 million.

The increase of \$182.7 million in debt drawn during the year can be attributed to the Protect & Grow investment and business acquisitions.

The current bank facilities' drawings comprise A\$203.5 million, SG\$35.0 million and NZ\$75.0 million. The foreign currency drawings naturally hedge investments in the Singapore and New Zealand markets.

Financial covenant ratios on the borrowing facilities are a Leverage Ratio (being Net Debt to bank adjusted operating EBITDA) which must be no greater than 3.5 and an Interest Cover Ratio (being operating EBITDA to net interest) which must be greater than 3.0. Both these ratios continue to be met at 31 December 2018, being 2.99:1 and 8.96:1 respectively.

To maintain certainty over cash flows, the Group has policies limiting exposure to interest rate fluctuations. In accordance with InvoCare's policy, at balance date 75% of Australia and New Zealand debt principal was held at fixed rates through the use of either floating to fixed interest rate swaps or fixed rate debt. Due to the level of stability of Singaporean interest rates and its quantum, Singapore debt is not covered by interest rate swaps.

The overall average effective interest rate is currently 4.32% (2017: 3.98%), inclusive of fixed rates on hedged debt, floating rates on unhedged debt, undrawn commitment fees and amortisation of establishment fees.

Headroom on the debt facilities of \$38 million, and cash of \$15 million, provide \$53 million in available funds at 31 December 2018. This amount together with positive operating cash flows will provide further capacity to fund near-term growth opportunities.

¹ Non-IFRS information.

New accounting standards and interpretations

A new accounting standard AASB16: Leases has been published that is not mandatory for 31 December 2018 reporting periods. Refer to note 1 (aa) in the accompanying financial report for the impact of this standard and the impact on the Consolidated Balance Sheet of transition to AASB 16: *Leases*.

Progress on Protect & Grow 2020 2020 Plan: Protect & Grow

It is pleasing to report that the roll out of Protect & Grow is progressing well, and the EBITDA up-lift against a do-nothing scenario is exceeding expectations.

InvoCare also invested \$70 million in the last year to acquire 11 businesses to both in-fill our core markets (Adelaide and Auckland) and extend our market coverage into new, primarily regional areas.

Both Protect & Grow and the regional acquisition strategy will underpin future growth and ensure the Group is able to deliver sustainable double digit growth in EPS in both the short and longer term. Both of these growth initiatives build on our core businesses and continue to rely on leveraging our unique collection of physical assets (both funeral and memorial parks), our brands, our systems and our people to deliver the highest level of service to customers in their time of need.

Network and Brand Optimisation

In 2018, InvoCare renovated a further 55 locations taking the total number of locations renovated to 83 which represents 35% of the network. Some planned sites for 2018 were held back due to a combination of implementing the lessons learned from early NBO projects, prudent capital management in light of the difficult winter trading and successful regional acquisitions negating the need for new growth sites.

2019 will allow InvoCare to complete the first phase of NBO with a further 19 locations being completed in H1. This will take the total number of completed locations to 102, representing 43% of locations planned for renovation.

The balance of the year will be spent on assessing the performance of this first cohort of renovated sites and ensuring that the lessons learned flow through into the next stage of work. The aim is still to ensure that the majority of sites are completed by 2020, with work completed in this area by 2021.

As of the end of the year 49 sites (including Singapore) will have been operating for more than six months, and the average number of operational months per location is circa 11 months. This means that we are now building up a more complete picture of the performance of the renovated sites.

The positive performance that was reported in August 2018 is continuing as of the end of 2018.

NBO Locations	Over Performance	In-line Performance	Under-Performance
By Location	24%	37%	39%
By EBITDA uplift	19%	57%	24%

The key learnings to date from the NBO program are:

- The larger capex investments are delivering the greatest uplift in performance (Dandenong / Singapore) and are engines of growth
- Enhance projects require a “full” transformation to deliver the full service facility that is demanded by customers
- Opportunities to leverage our premium national brand, White Lady Funerals, through co-locating within traditional enhanced locations are both material and unique to InvoCare
- Growth shopfronts have exceeded expectations in both national brands (Simplicity Funerals and White Lady Funerals)
- Traditional shopfronts require full service funeral home to hub into and do not work well when isolated
- Renovated facilities have a beneficial impact on both the morale and performance of staff

These key lessons will be incorporated into the roll out of phase two. This should allow for improved value for money with regard to capex and improved performance of the investments.

People & Culture

Given that InvoCare's success is reliant on its people to deliver the highest level of customer service, the importance of pro-actively managing our culture has been an integral part of the Protect & Grow strategy. 2018 saw good progress of the implementation of this critical component of the strategy and it is pleasing to note that in addition to the positive EBITDA shown above we have seen our NPS increase in Australian funerals from 65 to 80 and from 65 to 69 in the Australian Cemeteries and Crematoria division.

The One InvoCare Culture program was rolled out across the business and all employees had the opportunity to participate in sessions which shared how the One InvoCare behaviours align to the internal CARE values and how important it is to support each other to create the best possible experience for client families.

InvoCare also continued to expand the Customer Service Masterclass program and launched a mandatory e-learning program for all employees on the Customer Experience journey for the funeral brand segments. As InvoCare transforms the business through Protect & Grow, it is essential that all employees are in a position to guide customers, family and friends to the right brand or product to best deliver on their needs. The People & Culture stream has continued to maintain a strong focus on the local leadership. Training programs to ensure the business has strong local leaders to deliver the right outcomes and demonstrate appropriate behaviours will continue to be rolled out in 2019.

An employee survey on the progress achieved with the One InvoCare Culture program showed that 85% of respondents see the culture InvoCare is striving to achieve is in support of building a strong and sustainable organisation. It also showed a further 83% of respondents would also recommend InvoCare as an employer. We see these non-financial measures as a strong indication to future success and will continue to invest in developing and nurturing our strong service orientated culture.

Operational Efficiencies

The Human Capital Management and Payroll modules of the new Oracle business system were launched in April, with the pilot for the full ERP system launched in December. The rollout for the ERP system across the business is planned for Q2 2019. The successful roll out of the ERP system will allow InvoCare to focus on delivering material improvements in productivity and improving the customer experience.

To ensure the business is ready for the new Oracle system, the upgrade of WAN, WiFi and a new telephony system have also been completed and are providing benefits for customers and employees.

In 2018, the locations for the first three stand-alone operational share service centres were secured and construction commenced. It is anticipated the build of these fit-for-purpose sites will complete in H1 2019. This will significantly improve levels of service for the customer and improved operational efficiencies.

Regional Acquisitions

Over the past year InvoCare has had the opportunity to acquire some strong regional business and has invested \$70 million to date in acquisitions.

The rationale for these investments has been driven by the detailed demographic and market analysis undertaken through Protect & Grow (NBO). This work identified a shift in the demographic profile in regional areas where people are taking either a 'sea' or 'tree' change in retirement.

InvoCare successfully acquired 11 businesses in Australia and New Zealand. InvoCare will continue to seek acquisition opportunities in these communities, and a disciplined approach will be maintained to balance the benefit of an acquisition against establishing a green field presence either by extending the reach of a local traditional brand or by utilising one or both of its national brands (Simplicity Funerals and or White Lady Funerals).

Outlook

- The expectation for 2019 is for the number of deaths to increase and return in line with the positive longer term trend
- Improved trading in the Australian funeral business in Q4 2018 and January 2019 is pointing towards the market normalising
- InvoCare will provide a trading update and outlook for 2019 at the AGM in May
- InvoCare is well positioned to meet the challenge of changing customer preferences through its investment in the Protect & Grow and regional acquisition strategies
- InvoCare remains confident that this investment will deliver sustainable double digit operating EPS growth in the medium to longer term.

Significant events after the balance date




Other than this, 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.

Information on Directors

Director	Experience and background
 <p>Mr Bart Vogel <i>BCom (Honours) FCA FAICD</i> Chairman of the Board Member of Audit, Risk & Compliance Committee Member of People, Culture & Remuneration Committee Member of Nomination Committee <i>Age 61 years</i> <i>Appointed October 2017</i></p>	<p>Bart Vogel was appointed as a non-executive director of InvoCare Limited on 22 September 2017 effective from 1 October 2017, and as Chairman of the board from 1 October 2018.</p> <p>Bart's career includes 20 years in the management consulting industry, as a partner with Deloitte Consulting, A.T. Kearney and Bain & Company, focussed on the technology and services sectors. In his consulting roles, Bart has spent extensive time working in global markets with multinational corporates and government bodies. He also spent 13 years in senior executive roles at Asurion Australia, Spherion Limited and as the Asia Pacific leader of Lucent Technologies.</p> <p>Bart is currently a non-executive director of listed companies Infomedia Limited. (where he serves as Chairman), Salmat Limited and Macquarie Telecom Limited. In addition to his listed company directorships, Bart is a director of BAI Communications and of the Childrens Cancer Institute Australia. He holds a Bachelor of Commerce (Honours), is a Fellow of the Institute of Chartered Accountants and a Fellow of the Australian Institute of Company Directors.</p> <p>Other Public Company Directorships held in the last three years: Salmat Limited (appointed non-executive director in May 2017) Infomedia Limited (appointed non-executive director in August 2015 and Chairman in August 2016) Macquarie Telecom Group Limited (appointed non-executive director in July 2014) Sedgman Limited (January 2015 to November 2015)</p> <p>Interest in shares: 15,000 ordinary shares in InvoCare Limited.</p>
 <p>Mr Martin Earp <i>BSc (Hons), MSc, MBA</i> Chief Executive Officer & Managing Director <i>Age 50 years</i> <i>Appointed April 2015</i></p>	<p>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.</p> <p>Prior to joining InvoCare Martin was the CEO of Campus Living Villages and was responsible for the strategic direction and operational leadership of the company. He 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 worked for a London based transport consultancy advising on large infrastructure and investment deals.</p> <p>Martin holds an MBA from the Australian Graduate School of Management, a Masters in Traffic Engineering and a degree in Transportation Management and Planning.</p> <p>Other Public Company Directorships held in the last three years: Nil</p> <p>Interest in shares: 57,107 ordinary shares in InvoCare Limited, 497,579 options in InvoCare Limited.</p>
 <p>Mr Richard Davis <i>BEC</i> Non-executive Director Chair of Investment Committee Member of People, Culture & Remuneration Committee Member of Nomination Committee <i>Age 63 years</i> <i>Appointed February 2012</i></p>	<p>Richard Davis was appointed a non-executive director of InvoCare Limited on 21 February 2012. Richard previously retired as InvoCare's Chief Executive Officer and Managing Director on 31 December 2008 after 20 years with InvoCare. For the majority of that time, he held the position of Chief Executive Officer and successfully initiated and managed the growth of the business through a number of ownership changes and over 20 acquisitions, including Singapore Casket Company (Private) Limited, the Company's first international acquisition.</p> <p>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.</p> <p>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)</p> <p>Interest in shares: 260,000 ordinary shares in InvoCare Limited.</p>

Director	Experience and background
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Ms Robyn Stubbs
BBus MSc GAICD

- Non-executive Director
- Chair of People, Culture & Remuneration Committee
- Member of Investment Committee
- Member of Nomination Committee

Age 55 years
Appointed January 2017

Robyn Stubbs was appointed a non-executive director of InvoCare Limited on 1 January 2017. She has more than 25 years' experience in senior marketing, sales, leasing and broader management roles with large and complex organisations, including Stockland, Ten Network, Fairfax Media, Lend Lease and Unilever.

Robyn is a non-executive director of the responsible entity for ASX listed Aventus Retail Property Fund and is a Board Member of Lifeline Northern Beaches Incorporated.

Robyn holds a Bachelor of Business from the University of Technology Sydney, an MSc in coaching psychology from the University of Sydney and is a graduate of The Australian Institute of Company Directors.

Other Public Company Directorships held in the last three years:

Aventus Group comprising Aventus Holdings Limited and Aventus Capital Limited as responsible entity of the Aventus Retail Property Fund (appointed non-executive director from 16 October 2015)

Interest in shares: 7,905 ordinary shares in InvoCare Limited.



Mr Keith Skinner
B.Com, FCA, FAICD

- Non-executive Director
- Chair of Audit, Risk & Compliance Committee
- Member of Investment Committee
- Member of Nomination Committee

Age 65 years
Appointed September 2018

Keith Skinner was appointed as an independent non-executive director of InvoCare Limited on 1 September 2018.

Keith has a strong record in business management, restructuring, finance, accounting, risk and governance. He commenced his career as an auditor with Deloitte Australia in 1974, later moving to the firm's Restructuring Services division, and was appointed a partner in 1986. He was a leading practitioner for company turnarounds for over a decade, before becoming Chief Operating Officer of Deloitte Australia in 2001.

Since retirement in 2015, he has been a director of a number of public and private organisations (including Emeco Limited, North Sydney Local Health Board, Australian Digital and Health Agency (where he serves as an independent chair of the Audit and Risk committee) and not for profit organisation Lysicrates Foundation) and has consulted to a number of organisations on strategy execution, restructuring and operational improvement. He holds a Bachelor of Commerce from the University of New South Wales and is a Fellow of Chartered Accountants Australia and New Zealand and a Fellow of the Australian Institute of Company Directors.

Other Public Company Directorships held in the last three years:

Emeco Group (appointed non-executive director in April 2017)

Interest in shares: Nil.

Director

Experience and background



Ms Megan Quinn GAICD

Non-executive Director

Member of Audit, Risk & Compliance Committee

Member of People, Culture & Remuneration Committee

Member of Nomination Committee

Age 54 years

Appointed October 2018

Ms Megan Quinn was appointed as an independent non-executive director of InvoCare Limited with effect from 1 October 2018.

Megan is internationally regarded as a transformation, marketing, retail and business expert and is invited to speak and consult on service, innovation, creativity, strategy, building a global brand, business excellence and customer experience for companies, conferences and media outlets around the world. Named a global game changer and one of Australia's most powerful women in retail, Megan was a co-founder of the world's premier online luxury fashion retailer, NET-A-PORTER.

She is a Graduate of the Australian Institute of Company Directors. Megan is a non-executive director of Reece Group (ASX:REH) and City Chic Collective (ASX:CCX) and has recently stepped down from the Board and National Committee of UNICEF Australia and is a passionate ambassador of Fitted For Work.

Other Public Company Directorships held in the last three years:

Reece Limited (appointed non-executive director in August 2017)

Speciality Fashion Group Limited (appointed non-executive director in October 2012 – October 2018)

City Chic Collective Limited (appointed non-executive director October 2018)

Zip Money (appointed non-executive director August 2016 - November 2017)

Interest in shares: Nil.



Ms Jackie McArthur B.Eng. MAICD

Non-executive Director

Member of Audit, Risk & Compliance Committee

Member of Investment Committee

Member of Nomination Committee

Age 48 years

Appointed October 2018

Ms Jackie McArthur was appointed as an independent non-executive director of InvoCare Limited with effect from 1 October 2018.

Jackie has over 20 years' experience at board and executive levels in strategic planning processes, organisational design, operations, franchising systems, retail, supply chain, logistics, transport, food processing and manufacturing, emerging brand issues and crisis management, risk management, corporate social responsibility and compliance issues, as well as governance at a global level, across Australia, Asia and globally.

Most recently she was Managing Director, Australia and New Zealand, of Martin-Brower ANZ, the exclusive distributor to McDonald's restaurants across Australia and New Zealand. Previously, for more than thirteen years, she held various senior executive positions with McDonalds, both in Australia and overseas, including Vice President of Supply Chain for Asia, Pacific, Middle East and Africa and in McDonalds Australia, as Senior Vice President Chief Restaurant Support Officer and Vice President Supply Chain Director.

Jackie was the 2016 Telstra NSW Business Woman of the Year and overall 2016 Telstra Business Women's Awards - Corporate and Private National Winner. She has completed the INSEAD International Executive Program, has a Bachelor of Engineering from the University of Sydney and is a member of the Australian Institute of Company Directors. Jackie is also a non-executive director of ASX listed Blackmores Limited, Inghams Group Limited and Tassal Group Limited.

Other Public Company Directorships held in the last three years:

Blackmores Limited (appointed non-executive director in April 2018)

Inghams Group Limited (appointed non-executive director in September 2017)

Tassal Group Limited (appointed non-executive director in November 2018)

Interest in shares: Nil.

Company Secretary

Experience and background



Mr Phillip Friery BBus CA

Phillip was appointed Company Secretary in January 2007 and Chief Financial Officer in March 2007. He retired as Chief Financial Officer effective 8 September 2016 but remains as Company Secretary. Prior to joining the Group in 1994 as Accounting Manager, Phillip spent approximately 19 years with Coopers & Lybrand (now PwC) in external audit, technical advisory and financial management consulting roles. He holds a Bachelor of Business from the New South Wales Institute of Technology (now University of Technology Sydney).

Interest in shares: 23,705 ordinary shares in InvoCare Limited, 33,441 options in InvoCare Limited.

Chief Financial Officer
Experience and background


Ms Josée Lemoine
BCom/FCPA

Josée was appointed Chief Financial Officer on 8 September 2016. Josée has had a finance career spanning several blue chip companies across multiple industries and geographies, with a clear focus on driving businesses to deliver commercial outcomes.

Prior to joining InvoCare, Josée was the Finance Director – Innovation & Business Performance at Telstra where she led the Finance transformation program as part of her broader portfolio. Furthermore, Josée has held senior leadership roles at Rio Tinto Alcan, Fairfax, Boral and Arnott's. She started her career at KPMG where she worked in Canada, New Zealand and Hungary.

Josée holds a Bachelor of Commerce from the Hautes Etudes Commerciales (HEC) at the University of Montréal and is a Fellow member of CPA Australia.

Interest in shares: 9,432 ordinary shares in InvoCare Limited, 110,361 options in InvoCare Limited.

Meetings of directors

Details of the meetings attended by each director during the year ended 31 December 2018 are set below.

	Full Board		Audit, Risk & Compliance Committee		Finance, Capital & Investment Committee		People, Culture & Remuneration Committee		Nomination Committee	
	A	B	A	B	A	B	A	B	A	B
Non-executive Directors										
Bart Vogel	16	16	4*	3	8*	7	3*	2	3	3
Keith Skinner	5	5	1	1	1	1	0	0	0	0
Richard Davis	16	16	4*	2	8*	7	5	5	3	3
Robyn Stubbs	16	16	4*	0	8	8	5	5	3	3
Megan Quinn	5	5	1*	0	1*	0	2	2	0	0
Jackie McArthur	5	5	1	1	1	1	1*	0	0	0
Richard Fisher	10	11	3*	0	5*	0	3	3	3	3
Joycelyn Morton	8	8	2	2	4	4	0	0	2	2
Gary Stead	16	16	4	4	8	8	0	0	3	3
Executive Director										
Martin Earp	16	16	4*	0	7*	0	5*	0	0	0

A = number of meetings attended.

B = number of meetings held during the time the director held office.

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

In addition to the formal meetings of directors there were numerous informal meetings of the non-executive directors during the year. Those meetings were concerned, for the most part, with Chairman succession planning, the appointment of new directors and addressing opportunities identified during the independent review by Boardroom Partners.

Joycelyn Morton, Richard Fisher and Gary Stead resigned as independent non-executive directors effective 18 May 2018, 30 September 2018 and 31 December 2018.

Keith Skinner was appointed as director effective 1 September 2018. Megan Quinn and Jackie McArthur were appointed as directors effective 1 October 2018.

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.

Corporate Governance Statement

The Directors' Report continues with the 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 2016. The Other Key Management Personnel ("Other KMP") comprise:

- **Damien MacRae**,
Chief Operating Officer Australia / New Zealand ("COO");
- **Goh Wee Leng**,
Chief Executive Officer of Singapore Casket Company ("CEO Singapore");
- **Josée Lemoine**,
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 KMP), and other management. Delegations are set out in the Group's delegations policy and are reviewed regularly. Delegations, within defined authority limits, relate to various operational functions, including areas such as expenditure and commitments, employee matters (e.g. recruitment, termination, remuneration, discipline, training, development, health and safety), pricing, branding, investor and media communications. The Board ensures that the senior executives and the management team are appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess the performance of the CEO and the senior executives.

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

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 or senior executive, thorough background checks are undertaken to ensure that the individual has the appropriate background to hold their position with the Company. For directors, information about these checks is included in the Notice of Meeting when the individual stands for election. For senior executives, information about the checks is held by the People & Culture team. All Board members have formal letters of appointment which clearly articulate the roles, responsibilities, expectations and remuneration of directors. All senior executives have agreed formal contracts stipulating the terms of their employment including duties, obligations and conditions.

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 supported 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 released its Inclusion Policy during February of 2016 and reviewed this policy in July 2017, which is available on its website: www.invocare.com.au. The Inclusion Policy provides a framework that reinforces the Company's long held commitment to diversity, with a focus on creating an inclusive organisational culture where all individuals feel respected and valued for their uniqueness. The nature of InvoCare's businesses means that its employees come into daily contact with families from every walk of life and facet of society so a focus on inclusion makes a direct contribution to the business' ongoing success, as well as being in line with community and stakeholder expectations. From a gender perspective, women currently comprise 43% (2017: 29%) of the Board, 38% (2017: 43%) of the group executive and 49% (2017: 36%) 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.

Directors' performance evaluation

After many years of established practice of regular internal reviews, in late 2017 the Board engaged an independent specialist consultancy, Boardroom Partners, to review the performance of the Board, its committees and its directors. The review confirmed the Board, its committees and directors were functioning effectively and identified some opportunities for consideration by the directors, both as a group and individually. The Board addressed these during 2018, including:

- ensured adequate focus on strategy and successful roll out of new initiatives;
- balanced governance and performance responsibilities through agenda re-organisation, re-alignment of some Committee and Board responsibilities and streamlining meeting papers;
- thorough review of the Board's skill and experience mix and its fit for the future which resulted in various changes to the composition of the Board and its Committees; and
- changes to boardroom dynamics introduced by the new Chairman in consultation with each director and the full Board to encourage team development, the best possible contribution from all directors and effective working as a Board and with management.

It is intended the next evaluation of the performance of the Board, its Committees and directors following the changes made will occur in late 2019.

Senior executive evaluation

After the conclusion of each financial year the CEO evaluates and documents the performance of each member of the Group Executive (senior executives including Other KMP). The results of the achievement of targeted key performance indicators are reviewed by the People, Culture & Remuneration Committee along with market remuneration data for each role type. The Committee and the Board also review and determine each senior executive's key performance indicators and remuneration for the ensuing year.

The People, Culture & Remuneration Committee evaluate 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, the Board monitors the key performance indicators and strategic plan for the Group, at least quarterly, which provides the opportunity to more regularly evaluate the performance of senior executives outside the annual review process.

Principle 2 – Structure the Board to Add Value

Board composition

The Board currently comprises seven directors, being six non-executive independent 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	Investment	Nomination
Bart Vogel	✓	✓		Chair
Richard Davis		✓	Chair	✓
Robyn Stubbs		Chair	✓	✓
Keith Skinner	Chair		✓	✓
Jackie McArthur	✓		✓	✓
Megan Quinn	✓	✓		✓

Nomination Committee

The Nomination Committee critically reviews on an annual basis the corporate governance procedure of the Group and the composition and effectiveness of the Board. The Committee currently consists of the six independent non-executive directors of the Board. The Committee is chaired by Bart Vogel.

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 terms of Board succession planning and composition, three new directors were appointed in 2018, being Jackie McArthur, Megan Quinn and Keith Skinner. These appointments were made to provide additional expertise and / or replace the skills of departing directors. Richard Fisher, having previously made his intentions clear, resigned as a director on 30 September 2018. Richard was replaced by Bart Vogel who joined the Board on 1 October 2017 and became Chair on 1 October 2018. During 2018, having observed market practices and trends, the Board amended the Charter to reflect that the independence of any Director serving for nine or more years will be assessed having regard to the Board's needs.

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

Board skills matrix

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.

Each Director brings a range of personal and professional experiences and expertise to the Board. The Board seeks to achieve an appropriate mix of skills, tenures and diversity, including a deep understanding of the industry in which it operates, as well as corporate management and operational, financial and safety matters. Directors devote significant time and resources to the discharge of their duties.

The current matrix of skills, experience and diversity of the Board is shown below.

Human resources		100%
Technology	71%	
International business		100%
Remuneration		100%
Mergers & acquisitions	71%	
Workplace, health & safety	71%	
Governance		100%
Risk management		100%
Finance & accounting		100%
Executive leadership		100%

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 considering 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 29 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 about 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 and employees, 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 aids the Board in fulfilling its corporate governance, risk management and oversight responsibilities in relation to the Group's financial reporting, capital management, treasury, tax, internal control structure, IT and cyber security 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 four independent non-executive directors and is chaired by Keith Skinner. Keith is an FCA who brings a wealth of financial management experience to the Committee. Other members are Bart Vogel, Jackie McArthur and Megan Quinn. The number of meetings held during the year and the individual attendances at those meetings is set out in the Information on directors section of the Directors' Report on page 29.

The external auditors met with the Audit, Risk & Compliance Committee during the year without management being present prior to the release of the full-year and half-year results. The head of internal audit meets with the Chair of the Audit, Risk & Compliance Committee privately at least once per annum and on an ad hoc basis when necessary.

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 10.00am on Tuesday, 14 May 2019 at the offices of PricewaterhouseCoopers, One International Towers, Watermans Quay, Barangaroo.

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 also has oversight responsibility for the management of treasury and capital management related risks, including those associated with capital and debt structuring, interest rates and foreign currency. The Committee does not have responsibility for strategy, 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 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 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 workplace health and safety issues. These are managed by the Group Executive Business Operations and reported to the Committee and/or the Board. In this context, the Committee monitors complaints handling and, along with the People, Culture & Remuneration Committee and the full Board, has a strong focus on ensuring suitable work practices and employee learning and development programmes are developed and delivered.

Treasury and capital management related risks and reporting are managed by the Chief Financial Officer. The Committee is provided with regular reports to assist its oversight responsibilities.

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

Investment Committee

The Investment Committee (renamed on 1 January 2019 from the Finance, Capital & Investment Committee) aids the Board in the management of risks associated with the deployment and investment of capital. In this context the Committee approves and monitors the allocation of and returns from invested capital, including substantial capital expenditure projects, business acquisitions or divestments, and the returns from prepaid funeral funds.

The Investment Committee comprises four independent non-executive directors and is chaired by Richard Davis. Richard brings a wealth of funeral industry, as well as broad business investment, knowledge and experience to the Committee. Other members are Robyn Stubbs, Keith Skinner and Jackie McArthur. The number of meetings held during the year and the individual attendances at those meetings is set out in the Information on directors section of the Directors' Report on page 32. During the year the Committee was heavily involved with the details of the 2020 Plan: Protect & Grow with significant time spent assessing and approving the detailed network and brand optimisation project. It also critically reviewed and assessed numerous business acquisition opportunities presented by management and approved approximately \$70 million of acquisition investments during 2018.

Internal control

The Group maintains a register of delegated authorities, which is 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.

Principle 8 – Remunerate Fairly and Responsibly

People, Culture & Remuneration Committee

InvoCare's remuneration policy ensures that remuneration packages properly reflect employees' duties and responsibilities, and that remuneration is competitive in attracting, retaining and motivating people of appropriate calibre. The People, Culture & Remuneration Committee reviews and makes recommendations to the Board on senior executive remuneration and appointment and on overall Group remuneration and benefits policies.

The People, Culture & Remuneration Committee comprise four independent non-executive directors with Robyn Stubbs as Chair and Bart Vogel, Richard Davis and Megan Quinn as members. The number of meetings held during the year and the individual attendances at those meetings is set out in the Information on Directors section of the Directors' Report on page 32.

The People, Culture & 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 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 employees, and do not receive retirement benefits, bonus payments or incentive shares.

Senior executive remuneration and other terms of employment are reviewed annually by the Committee, having regard to individual and Group 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, long-term incentives and fringe benefits. The Remuneration Report which begins on page 39 provides detailed information about the current remuneration practices and the levels of remuneration, including recent 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 managers and other senior employees, such as finance team members, who have access to information that is not generally available. In addition, it applies to all 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 can approve trading outside the policy prescriptions.

The share trading policy is available on the Company's website:

www.invocare.com.au

The Remuneration Report

To our valued shareholders,

On behalf of the Board, I present InvoCare's Remuneration Report for 2018

As the recently appointed Chair of the People, Culture & Remuneration Committee I am pleased to present the 2018 Remuneration Report. This report has been approved by the Board and is intended to be transparent and easily understood whilst complying with our statutory reporting obligations. I hope you find this informative and helpful.

Remuneration outcomes reflect performance

Since listing in December 2003 InvoCare has delivered an annualised Total Shareholder Return (TSR) of 16.1%. By continuing to focus on the key pillars of growth, InvoCare has been able to deliver superior and sustainable returns to shareholders over the longer term.

Whilst 2018 was a challenging year for InvoCare and for you, our shareholders, the fundamentals of the business remain strong. A decrease in the number of deaths coupled with a renovation program, which saw a number of our large sites closed for extended periods, resulted in a year on year decline in the performance of our Australian business. Whilst this is clearly disappointing, the focus for the directors is to make decisions that create long-term and sustainable returns for shareholders, and we remain confident that our Protect & Grow strategy will enable us to deliver that.

In line with the remuneration framework, the overall business performance has significantly impacted the remuneration awarded to the entire Group Executive Team in 2018. There are no salary increases for our Australian based Key Management Personnel (KMP) in 2019, however our Singapore leader received an increase of 5%. The long-term incentives (LTI) for all 2018 participants did not meet the vesting hurdles.

In regard to short-term incentive (STI) payments, financial key performance indicators (KPI's) make up the majority of the STI. Three out of the four KMP (including the CEO) did not meet any of the financial KPI's, resulting in a zero payment. The STI payments for non-financial KPI's for KMPs in 2018 ranged between 20%-55%, reflecting the "at risk" nature of our incentive arrangements.

We believe the remuneration outcomes for 2018 demonstrate there is close alignment of shareholders' interests and executive incentive rewards.

In line with our philosophy of transparency for our shareholders InvoCare chooses to disclose its key remuneration targets for the coming year for the CEO, set out in section H.

Moreover, the Board acknowledges it is important to align the interests of the directors, executives and shareholders in light of the challenging trading conditions experienced in 2018. There will be no increase to Non-executive Director fees in 2019 and the fee pool remains unchanged since 2015.

Increasing shareholder alignment

Following the recent commissioning of a comprehensive independent report on market practices among peer companies for STI plans, the Board has taken the view that a deferred component of the InvoCare's STI will be introduced in 2020. The 2020 implementation will allow the Board the required time to determine the design of the deferred component, ensuring implementation is managed appropriately. This also allows for full consultation in line with our desire to both align with shareholders' interests and retain and support our Group Executive Team.

I look forward to presenting the outcomes of that review to you in the 2019 report.

We remain confident our approach to remuneration is reflective of company performance and contemporary market practice and in line with our business strategy.



Robyn Stubbs

Chairman, People, Culture & Remuneration Committee

The Remuneration Report

The Board presents the 2018 Remuneration Report for InvoCare in accordance with the *Corporations Act 2001* and its regulations. This report outlines the key remuneration policies and practices for the year ended 31 December 2018. It highlights the link between remuneration and corporate performance and provides detailed information on the remuneration for key management personnel.

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

Section	What it covers
A	Remuneration strategy
B	Key management personnel
C	Remuneration governance
D	Details of remuneration
E	Remuneration structure
F	Short-term incentives
G	Long-term incentives
H	CEO employment terms
I	Non-executive director remuneration

A. Remuneration strategy

Principle and 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, 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.

B. Key management personnel

Principle and policy

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:

Executive Key management personnel		
Name	Position	Date of Appointment
Martin Earp	Managing Director and Chief Executive Officer	Effective 1 May 2015
Damien MacRae	Chief Operating Officer, Australia and New Zealand	Effective 5 February 2018
Josée Lemoine	Chief Financial Officer	Effective 8 September 2016
Goh Wee Leng	Chief Executive Officer, Singapore	Effective 21 January 2008

Non-executive directors		
Name	Position	Date of Appointment
Bart Vogel	Chairman, Non-executive Director	Effective 1 October 2018 ¹
Richard Davis	Non-executive Director	Effective 21 December 2012
Robyn Stubbs	Non-executive Director	Effective 1 January 2017
Keith Skinner	Non-executive Director	Effective 1 September 2018
Megan Quinn	Non-executive Director	Effective 1 October 2018
Jackie McArthur	Non-executive Director	Effective 1 October 2018

¹ Prior to commencing in the Chairman's role Bart Vogel has been a non-executive director since September 2017.

Former non-executive directors

Name	Position	Effective date of resignation
Jocelyn Morton	Non-executive Director	Ceased 18 May 2018
Richard Fisher	Chairman, Non-executive Director	Ceased 30 September 2018
Gary Stead	Non-executive Director	Ceased 31 December 2018

Management of the group is delegated to the Group Executive Team (“GET”) comprising Martin Earp’s direct reports. The Board has determined that not all members of the GET are considered executive KMP, as they do not have responsibility for planning, directing and controlling a substantial part of the operations of InvoCare. Periodically changes are made to the GET to reflect the evolving strategy and structure of the Group.

C. Remuneration governance

InvoCare’s remuneration governance framework follows:

IVC Board of Directors

- Ensuring the Group’s remuneration framework is aligned with the Group’s purpose, core values, strategic objectives and risk appetite.
- Monitoring senior executives’ performance and implementation of the Group’s objectives against measurable and qualitative indicators.

People, Culture & Remuneration Committee¹

- Approving the Group’s overall remuneration policy and process.
- Reviewing and recommending to the Board arrangements for the Chief Executive Officer (“CEO”) and the senior executives in relation to their terms of employment, remuneration and participation in the Group’s incentive programs (including performance targets).
- Reviewing and recommending to the Board the remuneration arrangements for the Chair and non-executive directors of the Board, including fees, travel and other benefits.

Management

- Implementation of Remuneration policies and practices.
- Provide information relevant to remuneration decisions and makes recommendations to the People, Culture & Remuneration (PCR) Committee with respect to remuneration arrangements.
- Makes recommendations to the PCR Committee in relation to the design and implementation of the Reward strategy and structure.

Use of remuneration advisors

From time to time, the People, Culture & Remuneration Committee engages external remuneration consultants to provide independent benchmarking data and information on best practice and community expectations. This ensures we continually review, assess and adapt our remuneration governance functions to assist the board and the committee in making informed decisions.

During this report period, the People, Culture & Remuneration Committee commissioned an external consultancy group to provide benchmarking data from peer companies of a similar size and operational scope on executive remuneration, benchmarking for non-executive director fees and market trends for peer companies, and market trends in peer companies around STI practices. No remuneration recommendations as defined by the *Corporations Act 2001* were provided by the external consultancy group.

Share Trading Policy

In accordance with InvoCare’s Share Trading Policy, senior managers are prohibited from trading in the Company’s shares other than during specified trading windows, or with approval in exceptional circumstances, provided they do not possess inside information. In addition, senior managers are not permitted to enter into transactions with their shareholding in the Company which operate to limit the economic risk of their shareholding (e.g. margin loans, hedging or cap and collar arrangements), include limiting the economic risk of holdings of unvested entitlements associated with LTI securities.

¹ The full charter for the People, Culture & Remuneration Committee is displayed on the InvoCare website.

Loans

During the year ended 31 December 2018 no director or other KMP had any loans to or from the Group.

D. Details of remuneration

Details of the remuneration of the Directors and the key management personnel of the Group are set out in the following table:

	Year	Short-term employee benefits				Post employment benefits	Other long-term benefits	Share-based payments		Total Statutory Remuneration	Executives' Actual Remuneration
		Cash, Salary or Fee	Short term cash bonus	Non monetary benefits	Other	Super annuation	Long Service leave	LTI shares at risk	LTI shares forfeited		
		Note 1	Note 2	Note 3	Note 4	Note 5	Note 6	Note 7	Note 8	Note 9	Note 10
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Non-executive directors											
Richard Fisher	2018	201,865	-	-	-	17,950	-	-	-	219,815	
Chairman [retired 30 September 2018]	2017	247,123	-	-	-	23,477	-	-	-	270,600	
Bart Vogel	2018	159,260	-	-	-	14,044	-	-	-	173,304	
Chairman [appointed 1 October 2018] ¹	2017	30,890	-	-	-	2,935	-	-	-	33,825	
Richard Davis	2018	126,648	-	-	-	11,983	-	-	-	138,631	
	2017	123,562	-	-	-	11,738	-	-	-	135,300	
Gary Stead	2018	126,648	-	-	-	11,983	-	-	-	138,631	
[resigned 31 December 2018]	2017	123,562	-	-	-	11,738	-	-	-	135,300	
Robyn Stubbs	2018	126,648	-	-	-	11,983	-	-	-	138,631	
	2017	123,562	-	-	-	11,738	-	-	-	135,300	
Keith Skinner	2018	45,735	-	-	-	4,345	-	-	-	50,080	
[appointed 1 September 2018]	2017	-	-	-	-	-	-	-	-	-	
Jackie McArthur	2018	31,662	-	-	-	3,008	-	-	-	34,670	
[appointed 1 October 2018]	2017	-	-	-	-	-	-	-	-	-	
Megan Quinn	2018	31,662	-	-	-	3,008	-	-	-	34,670	
[appointed 1 October 2018]	2017	-	-	-	-	-	-	-	-	-	
Joycelyn Morton	2018	68,693	-	-	-	6,358	-	-	-	75,051	
[retired 31 May 2018]	2017	133,858	-	-	-	12,717	-	-	-	146,575	
Christine Clifton	2018	-	-	-	-	-	-	-	-	-	
[resigned 28 February 2017]	2017	20,594	-	-	-	1,956	-	-	-	22,550	
Executive directors											
Martin Earp	2018	761,054	147,177	72,397	-	22,886	14,159	81,215	-	1,098,888	1,256,856
	2017	775,734	308,898	66,185	-	29,351	27,196	632,813	-	1,840,177	1,264,453
Other key management personnel											
Josée Lemoine	2018	444,180	37,069	-	-	20,290	7,539	90,566	-	599,644	525,146
	2017	426,832	119,700	-	-	19,832	8,819	115,851	-	691,034	566,364
Damien MacRae	2018	502,359	82,170	-	-	21,570	7,926	68,779	-	682,803	606,099
[appointed 5 February 2018]	2017	-	-	-	-	-	-	-	-	-	-
Greg Bisset	2018	-	-	-	-	-	-	-	-	-	-
[resigned 30 September 2017]	2017	278,291	80,218	82,407	121,990	22,500	-	147,121	-	732,527	629,406
Goh Wee Leng (note 11)	2018	311,264	55,716	8,314	-	17,194	-	(58,385)	-	334,103	451,580
	2017	266,025	76,293	7,755	-	16,380	-	123,359	-	489,812	437,743
Graeme Rhind (note 12)	2018	-	-	-	-	-	-	-	-	-	-
	2017	215,155	-	22,976	-	13,205	-	67,372	-	318,708	313,939

¹ Prior to commencing in the Chairman's role Bart Vogel has been a non-executive director since September 2017

Notes to Remuneration table:

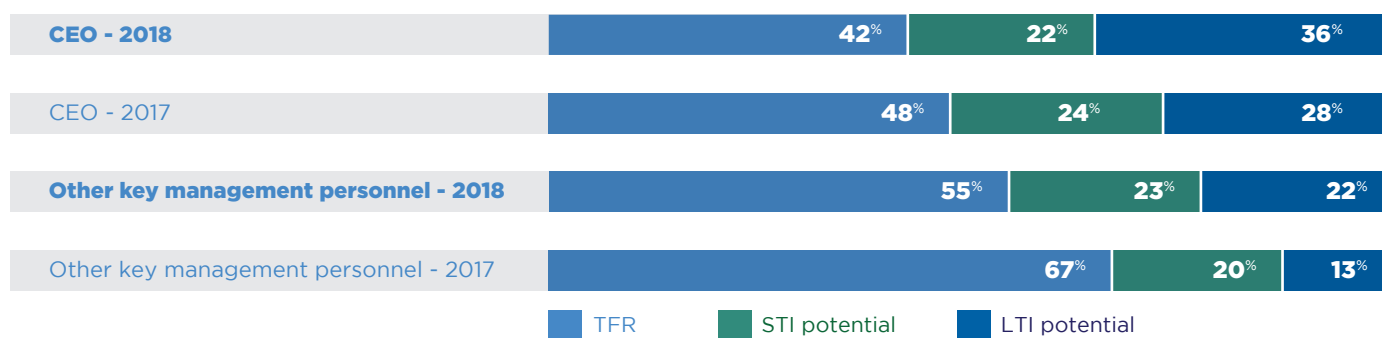
1	The total cost of fees and salary, including annual leave taken and the increase or decrease in the annual leave provision applicable to that individual.
2	The amount to be settled in cash relating to performance of the Group and the individual for the financial year from 1 January to 31 December. The proportions of STI bonuses awarded and forfeited are set out in section F of this Remuneration Report.
3	The cost to the Company, including any fringe benefits tax, for the provision of fully maintained cars, and other items.
4	Other benefits include termination benefits paid to Mr Bisset in 2017.
5	Contributions to superannuation.
6	Long service leave accruals in accordance with relevant Australian Accounting Standards.
7	The amount amortised as an expense in the financial year in accordance with Australian Accounting Standards which require the value of long-term share-based incentive grants to be amortised as an expense over the relevant future vesting periods. The amounts shown relate to unvested share and rights grants made in the current and past financial years. Subject to meeting the vesting conditions of the grants, the shares or rights will vest, or be forfeited, in future financial years.
8	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.
9	Total statutory remuneration is calculated and disclosed in accordance with the Corporations Act and Australian Accounting Standards.
10	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.
11	Goh Wee Leng, Chief Executive Officer of Singapore Casket Company, received total remuneration of SG\$336,944 (2017: SG\$518,563), which has been converted to Australian dollars at the average exchange rate for the year of 1.0085 (2017: 1.0587).
12	Graeme Rhind, is no longer considered a key management personnel as he does not hold the authority and responsibility for planning, directing and controlling major activities of InvoCare during the financial period and up to the date of this report. Graeme is engaged in an advisory role in the capacity of Director for the Group's New Zealand subsidiaries. He received total remuneration in 2017 of NZ\$343,982, which was converted to Australian dollars at the average exchange rate for 2017 of 1.0793.

E. Remuneration structure

Remuneration framework			
Component	Objective	Link to performance	Changes in 2018
Total Fixed Remuneration (TFR)	TFR (base salary plus fixed cost benefits) is targeted at the median of the market for expected performance with the opportunity to earn above median remuneration for exceptional performance.	TFR is benchmarked to be competitive in order to attract and retain experienced individuals to drive our strategy. Changes to TFR are linked to a combination of rewarding high performance, and our capacity to pay.	The CEO TFR increased by 2.44% in line with market position, with other KMP increasing by 3.01% overall.
Short-term Incentive (STI)	STI is awarded for achievement of pre-determined financial and non-financial objectives. This element of remuneration constitutes part of a market competitive total remuneration package and aims to provide an incentive for eligible roles to deliver annual business plans that will lead to sustainable superior returns for shareholders.	The following factors are among those considered by the People, Culture & Remuneration Committee in making its assessment on the achievement of the STI opportunity: <ul style="list-style-type: none"> • Financial performance • Our Customers • Our People • Our Safety • Key Projects STI's are measured over a one year performance period and paid in cash.	<ul style="list-style-type: none"> • A minimum financial component weighting of 50%. • The introduction of an overachievement potential on financial components, if InvoCare exceeds its Operating EBITDA target overall.

Long-term Incentive (LTI)	<p>The LTI plan is aimed at attracting, rewarding and retaining high performance executives who contribute to the overall medium and long-term success of InvoCare.</p>	<p>InvoCare utilises incentives to align the long-term interests of executives with those of investors and to ensure that the participants are rewarded in line with the economic value created.</p> <ul style="list-style-type: none"> • CEO – of the maximum LTI award, 75% is in options and 25% in performance rights ('PRs'); • KMP – 75% in options and 25% in PRs; and <p>The value of LTI awards offered in 2018 were up to a maximum of 85% of TFR for the CEO and up to a maximum 45% for other KMP.</p>	<ul style="list-style-type: none"> • The vesting period will be four years with 50% able to be earned after three years. • The Normalised Earnings Per Share (EPS) growth rate target increased to 8% per annum. At 8% EPS 30% vests. This increased on a pro-rata basis up to 100% vesting at a normalised EPS growth of 12% or more. <p>The non-cash movements for Guardian Plan prepaid contracts and funds under management will now be excluded from normalised EPS utilised in calculating vesting for the CEO, CFO and Group Executive Capital Management.</p>
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The target remuneration mix for the CEO and other executive KMP's, depicted in the following graph (and averaged for the other KMP), is set to place a considerable portion of remuneration at risk in order to align remuneration with both Group performance and the individual's personal influence and contribution to the Group performance.



Remuneration and other terms of employment for each of KMP are formalised in service agreements or letters of appointment as varied from time to time.

F. Short-term incentives (STI)

Purpose	<p>STI was awarded for achievement of pre-determined financial and non-financial objectives. This element of remuneration constitutes part of a market competitive total remuneration opportunity and aims to provide an incentive for senior executives to deliver annual business plans that will lead to sustainable superior returns for shareholders. Target based STIs are intended to modulate the cost to the Group of employing senior executives, so that risk is shared with the senior executives themselves and the cost to the Company is reduced in periods of poor performance.</p> <p>The incentive plan has been developed to reinforce InvoCare's values and behaviours, while supporting a commercial mindset and alignment to business objectives.</p>
Measurement Period	The Group's financial year.
Award Opportunities	In 2018 target STI as a percentage of TFR was 51.4% for the CEO and from 35% - 45% for the executive KMPs.

Key Performance Indicators (KPIs) Weighting and Performance Goals	<p>2018 invitations to participate in the STI were based on a number of KPIs set for each senior executive. STI outcomes are directly linked to both individual performance against KPIs and on the performance of the Group (and the respective region for Executives with regional responsibility). The Board has focussed the executives on five main areas, which align our Protect & Grow strategy;</p> <ul style="list-style-type: none"> • Financial performance • Our Customers • Our People • Our Safety • Key Projects
Award Determination and Payment	Incentives 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 People, Culture & Remuneration Committee considers that STI is awarded for achievement of key performance criteria for a particular financial year. STI attainment is determined on a consistent accounting standard basis.
Disqualification	<p>All financial performance data relating to the plan is subject to external audit.</p> <p>Potential participants may be disqualified from all or part of the plan if their annual performance is determined to be below the “on track” rating category in our performance management practices. Should a dispute arise regarding a potential disqualification, eligibility will be at the discretion of the CEO, and/or the Board.</p> <p>InvoCare reserves the right to suspend or alter payments to any participant in the plan due to any action which has caused the Group loss or reputational damage.</p>
Cessation of Employment During a Measurement Period	In the event of cessation of employment due to resignation or dismissal for cause, all entitlements in relation to the Measurement Period are forfeited. Where an executive’s employment is terminated by the Company for any reason other than cause, the relevant executive may receive a pro-rated portion of their STI opportunity based on the portion of the performance year served and the incentive paid or payable in respect of the immediately preceding financial year.

Summary of 2018 STI Performance				
Component	2018 Objectives	CEO - weight	Other KMP - weight	FY18 Performance
Financial Performance	Operating EBITDA	50%	30% - 50%	Target was not met
	Case volume and Average (Singapore)		0% - 60%	Target was partially met
Our Customer	Country / Region Market Share Growth year on year	10%	0% - 10%	Target was not met
Our People	Culture - As part of our Protect & Grow strategy we are strengthening our culture to support business transformation	20%	0% - 20%	Target was partially met
Our Safety	Lead and lag indicators	10%	0% - 10%	Target was partially met
Key Projects	For 2018 key projects were aligned to our continued focus on the Protect & Grow strategy.	10%	10% - 40%	Target was partially met

Financial targets are set with reference to the annual budget for the financial year. Participation percentages vary for the KMP depending on their role and scope of responsibility.

Based upon achievements in 2018, the People, Culture & Remuneration Committee determined the CEO and executive KMP forfeited an average of 65%, achieving an average of 35% of their target STI opportunity. The percentage and dollar value of the available STI cash bonus that was payable for the financial year and the percentage and dollar value that was forfeited because the person or the Group did not meet the service and performance criteria is set out below:

Name	CASH STI BONUS 2018				ACHIEVEMENT 2018				
	Payable Incentive %	Payable Incentive \$	Forfeited %	Forfeited \$	Financial Performance	Our Customers	Our People	Our Safety	Key Projects
Martin Earp	32%	\$147,177	68%	\$310,036	0%	0%	20%	5%	7%
Damien MacRae	33%	\$82,170	67%	\$165,330	0%	0%	20%	5%	8%
Josée Lemoine	20%	\$37,069	80%	\$146,531	0%	0%	0%	5%	15%
Goh Wee Leng	55%	SGD\$56,190	45%	\$45,974	15%	-	-	-	40%

Relationship between remuneration and InvoCare's performance

The overall level of KMP 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 16.1% return for shareholders between listing in December 2003 and the end of 2018.

Relationship between STI % payout versus Operating earnings after tax

The below table, reflects the relationship between financial performance (EPS) over the last five years versus percentage of STI payment for CEO and average percentage of STI payout for KMP.

	2018	2017	2016	2015	2014
Reported profit after tax (\$m)	\$41.2m	\$97.4m	\$70.9m	\$54.8m	\$54.5m
Basic earnings per share (cents)	37.8c	88.8c	64.7c	50.1c	49.8c
Operating earnings per share (cents)	45.4c	57.9c	52.4c	48.4c	45.2c
Operating earnings after tax (\$m) (note 1)	\$49.5m	\$63.5m	\$57.4m	\$53.0m	\$49.5m
Normal dividends (\$m)	\$40.7m	\$50.6m	\$46.8m	\$41.8m	\$40.2m
Normal dividends per share (cents)	37.0c	46.0c	42.5c	38.0c	36.5c
Dividend payout of operating earnings (%)	82%	80%	82%	79%	81%
Total return per share (\$) (note 2)	\$(5.35)	\$2.67	\$2.25	\$0.28	\$1.41
Total shareholder return (%) (note 2)	(33)%	19%	19%	2%	13%
Share price – 31 December (\$)	\$10.30	\$16.10	\$13.87	\$12.01	\$12.10
% of Cash STI bonus paid to CEO	32%	69%	92%	92%	79%
Average % of cash STI bonus paid to KMP	35%	68%	80%	81%	77%

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. A reconciliation is set out on page 17.

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.

3 2018 includes the impact of changes in revenue recognition due to the application of AASB 15 Revenue from contracts with customers.

G. Long-term incentives (LTI)

Purpose	The LTI Plan is aimed at attracting, rewarding and retaining high performing executives who contribute to the overall medium and long term success of InvoCare.
Performance Period and Vesting Details	<p>From 2018, vesting of the Performance Rights and Options will be tested on the third and fourth anniversary of their grant and if, after the third anniversary, not all Performance Rights and Options have vested they will again be tested on the fourth anniversary. Unvested awards at the fourth anniversary of the grant are automatically forfeited.</p> <p>This is to allow for the impact that the number of deaths has on the Group's annual result, which is outside the control of management. Given the fixed cost nature of the business. This can have a major impact on EPS.</p> <p>For 2016 and 2017 vesting of the Performance Rights and Options will be tested on the second, third and fourth anniversary of their Grant and if, after the fourth anniversary, not all Performance Rights and Options have vested they will again be tested on the fifth anniversary.</p> <p>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 year. Unvested awards at the fifth anniversary of the grant are automatically forfeited.</p> <p>If the relevant targets are achieved the Performance Rights and Options will vest and in the case of vested Performance Rights, 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 from the date of grant until 10th anniversary of the grant (e.g. for 2018 awards the end of option life will be February 2028).</p>
Plan Features	<ul style="list-style-type: none"> • Participation is limited to KMP, GET and selected high performing or high potential senior managers by invitation and as approved by the Board. • The awards are PRs or options. • There is a return on capital gateway before any awards meeting performance conditions will vest. • No dividends will be paid on unvested awards. There will be no voting rights. <p>For offshore employees participating in the LTI, any vested awards are settled in cash instead of equity.</p>
Grant Determination	<p>The number of PRs is calculated at the date of issue by dividing the value of LTI to be awarded in PRs by the face value of an InvoCare share. The face value is based on the 10-day VWAP for InvoCare shares starting from the first day of the trading window immediately following the announcement of the full-year result.</p> <p>The number of options is calculated based upon the value of LTI to be awarded in options divided by the option valuation at the award date. This option value is determined using a Black-Scholes valuation methodology. The valuation for allocation excludes dividends and does not incorporate any discount relating to the performance and tenure conditions.</p> <p>The compound growth per annum in normalised EPS is determined over the vesting period. However, a 'gateway' condition must be met before any LTI awards can vest. The gateway requires a minimum level of Return on Invested Capital (ROIC) greater than the Weighted Average Cost of Capital (WACC) (refer to EPS performance conditions summarised below for details of the ROIC gateway and stretch targets). 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).</p> <p>"Normalised earnings" means reported profit as adjusted:</p> <ul style="list-style-type: none"> • 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 LTI awards from February 2018: <ul style="list-style-type: none"> - to reflect constant currency; and - to remove impacts of prepaid contracts and associated funds under management. <p>Compound growth per annum of normalised EPS share was selected as the most suitable and reliable measure of organisational performance, based on independent advice and analysis by the Board. The reasons for this conclusion include:</p> <ul style="list-style-type: none"> • InvoCare is a unique and relatively stable business; • 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; • notwithstanding this transformational year and equity market volatility, EPS remains the preferred metric to Total Shareholder Return ('TSR'), which the Board continues to monitor.

Cessation of Employment During a Measurement Period	<p>In order for the PRs and Options to vest, the employee must be employed at the date of vesting unless the termination of employment has been determined to be a good leaver.</p> <p>For good leavers, providing a participant has at least three years employment with InvoCare and has not engaged in Proscribed Conduct (meaning serious and wilful misconduct, wilful disobedience, gross negligence or incompetence, disqualification under Corporations Law or serious breaches of contract of employment), the Board may at its discretion allow unvested awards to continue on foot and vest subject to the original terms and performance conditions attaching to the relevant grants, regardless of whether or not the participant is employed by InvoCare at the relevant vesting time.</p> <p>If no determination is made by the Board, all equity awards held by the participant will lapse upon termination of employment.</p> <p>The Board has the discretion to determine that any LTI benefit payable in the above termination circumstances can be settled in cash.</p>
Change of Control	<p>In the event of a change in control or other circumstances where the Board determines it is not practical or appropriate for the unvested awards 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.</p>
Clawbacks	<p>Payments or vesting related to performance conditions associated LTI are subject to a clawback policy. The Group will seek to clawback all or part of an executive's incentives that has already been paid to ensure the executive has not been inappropriately awarded in circumstances including:</p> <ul style="list-style-type: none"> • 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.

EPS performance conditions - LTI

Subject to the ROIC gateway condition, the EPS performance conditions applying for LTI awards in 2018 are as follows:

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%	82.5% plus 1.75% for each 0.1% EPS over 11%
10% or more but less than 11%	65% plus 1.75% for each 0.1% EPS over 10%
9% or more but less than 10%	47.5% plus 1.75% for each 0.1% EPS over 9%
8% or more but less than 9%	30% plus 1.75% for each 0.1% EPS over 8%
Less than 8%	Nil

For LTI awards in 2016 and 2017, the EPS performance 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%	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

Deferred Employee Share Plan (DESP)

The DESP is aimed at retaining, rewarding high performing individuals and potential leaders (excluding employees included in the PLTIP), whilst aligning their interests with shareholders.

The total DESP plan grant for 2018 was \$281,750.

The People, Culture & Remuneration Committee approves a defined pool of shares for the DESP scheme which will be continually reviewed to maximise the engagement of identified future talent. Under the DESP, a share-based compensation scheme, the CEO may offer identified talent, incentive shares (Deferred Shares). In deciding whether to invite an individual employee to participate in the DESP, the following factors are considered: market benchmarks, skill and experience, expected and actual performance in alignment with talent reviews and succession plans. Eligibility to participate in the scheme is regularly reviewed.

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 so the DESP is operated on a non-dilutive basis. Share equivalents for offshore employees are settled in cash.

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 on the 10-day VWAP at the date of the grant if sufficient shares are available in the trust, they are used to satisfy the grant.

EPS performance conditions - DESP

For DESP grants made in 2015 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

Performance to date of LTI grants

The following table summarises the performance to date for the grants made since 2015 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
2015	7% to 10%	49.1 cents	February 2017 – 100% of first 1/3rd tranche vested February 2018 – 100% of second 1/3rd tranche vested February 2019 – not satisfied, retest in 2020 February 2020 (if required)
2016	7% to 12%	49.8 cents	February 2018 – 85% of first 1/3rd tranche vested for grants excluding funds under management and 100% of first 1/3rd tranche vested for grants including funds under management February 2019 – not satisfied, retest in 2020 February 2020 – to be determined February 2021 (if required)
2017	7% to 12%	61.6 cents	February 2019 – not satisfied, retest in 2020 February 2020 – to be determined February 2021 – to be determined February 2022 (if required)
2018	8% to 12%	59.1 cents	February 2021 – to be determined February 2022 – to be determined

Share-based compensation

Details of the LTI share and LTI share rights grants and vesting for the Chief Executive Officer and other KMP are set out below:

	Year of grant	Final year vesting may occur (note 1)	Number of shares or rights granted	Value at grant date (note 2)	Number vested during year	Total number vested	Vested %	Maximum value yet to vest (note 3)
Martin Earp	2015	2020	17,410	\$239,200	5,803	11,606	67%	78,936
	2016	2021	10,617	\$128,250	3,539	3,539	33%	85,928
	2017	2022	9,258	\$130,174	-	-	-	130,174
	2018	2022	13,589	\$189,023	-	-	-	189,023
Josée Lemoine	2016	2021	2,931	\$35,410	977	977	33%	23,724
	2017	2022	3,201	\$45,000	-	-	-	45,000
	2018	2022	3,300	\$45,900	-	-	-	45,900
Damien MacRae	2018	2022	4,448	\$61,875	-	-	-	61,875
Goh Wee Leng	2014	2019	4,607	\$52,336	1,698	4,607	100%	-
	2015	2020	4,074	\$55,977	1,358	2,716	67%	18,472
	2016	2021	4,155	\$49,259	1,172	1,172	28%	35,466
	2017	2022	3,380	\$47,523	-	-	-	47,523
	2018	2022	3,704	\$51,523	-	-	-	51,523

Details of the LTI options grants, vesting and forfeits for the CEO and other KMP are set out below.

	Year of grant	Final year vesting may occur (note 1)	Number of options granted	Value at grant date (note 2)	Number vested during year	Total number vested	Vested %	Maximum value yet to vest (note 3)
Martin Earp	2016	2021	160,313	\$384,750	53,438	53,438	33%	257,783
	2017	2022	133,284	\$390,521	-	-	-	390,521
	2018	2022	203,982	\$567,069	-	-	-	567,069
Josée Lemoine	2016	2021	14,754	\$35,410	4,918	4,918	33%	23,725
	2017	2022	46,075	\$135,000	-	-	-	135,000
	2018	2022	49,532	\$137,699	-	-	-	137,699
Damien MacRae	2018	2022	66,772	\$185,625	-	-	-	185,625
Goh Wee Leng	2016	2021	20,946	\$49,259	5,907	5,907	28%	35,466
	2017	2022	16,221	\$47,523	-	-	-	47,523
	2018	2022	18,545	\$51,555	-	-	-	51,555

The number of ordinary shares in the Company, or share appreciation rights or options, held during the year by each key management personnel are summarised in Note 8 on page 83.

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 2016 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 2016 and the overseas based Goh Wee Leng, 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 2016 and for the overseas based Goh Wee Leng 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.

H. CEO employment terms

The total remuneration package is reviewed annually and the key terms are summarised below:

Commencement date	Fixed term employment contract effective 1 April 2018	
Contract duration	Three Years	
Notice Periods	Notice By CEO	6 months
	Notice by InvoCare	6 months
Post-Employment Restraints	12 months non-compete	

The CEO 2019 STI opportunity will be subject to key performance conditions and weightings as follows:

2019 Objective	Weighting
Financial Performance	60%
Our Customers	10%
Our People	10%
Our Safety	10%
Key Delivery of Projects	10%

If the CEO meets the KPIs, then the Employee's STI Entitlement is 51.4% of his TFR.

The Board intends seeking the approval of shareholders at the next Annual General Meeting (AGM) for the CEO's remuneration arrangements. The People, Culture & Remuneration Committee and Board have the discretion to provide additional performance incentives.

Former Chief Executive

At the AGM held on 20 May 2016, shareholders approved the cash settlement of LTI shares subject to the satisfaction of the original vesting conditions. The relevant tests have been applied to the unvested grants totalling 7,559 and no units will vest on 23 February 2019. These units have one further vesting test period available on the 23 February 2020.

I. Non-executive director remuneration

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.

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 AGM held on 22 May 2015.

During the 2018 financial year, annual fees for non-executive directors were \$277,370 for the Chair of the Board and \$138,680 for each member of the other non-executive directors with an additional \$11,560 for the Chair of the Audit, Risk & Compliance Committee.

To ensure shareholder interests are aligned to directors interests, the non-executive director fees will remain unchanged for 2019. The aggregate of these fees is below the current pool limit.

The remuneration of the non-executive directors is determined by the Board.

The base fees exclude any remuneration determined by the directors where a director performs additional or special duties for the Company. If a non-executive director performs additional or special duties for the Company, they may be remunerated as determined by the non-executive directors and that remuneration can be in addition to the limit mentioned above.

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

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 of InvoCare Limited are 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 non-executive directors be allowed up to three years to accumulate the required shareholding. At the date of this report, with the exception of Keith Skinner, Jackie McArthur and Megan Quinn who were appointed in September and October 2018, all non-executive directors have equity interests in the Company meeting this requirement.

Non-executive directors' equity holdings are set out under the heading "Information on directors" starting on page 29 of the Directors' Report.

Retiring allowances

No retiring allowances are paid to non-executive directors.

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 2018:

	\$
Australian Firm	
Assurance services	25,500
Taxation services	125,229
Other services	67,692
Non-Australian Firm	
Taxation services	131,847
Other services	2,858
Total	353,126

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 53.

Rounding of amounts

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, 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 instrument.

Signed in accordance with a resolution of the Board of Directors.



Bart Vogel
Director



Martin Earp
Director

Dated this 22 February 2019



Auditor's Independence Declaration

As lead auditor for the audit of InvoCare Limited for the year ended 31 December 2018, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of InvoCare Limited and the entities it controlled during the period.

A handwritten signature in black ink that reads 'Michelle Chiang'.

MW Chiang
Partner
PricewaterhouseCoopers

Sydney
22 February 2019

PricewaterhouseCoopers, ABN 52 780 433 757

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Consolidated Income Statement

For the year ended 31 December 2018

	Notes	2018 \$'000	2017 \$'000
Revenue from continuing operations	5	480,797	465,963
Finished goods, consumables and funeral disbursements		(124,392)	(124,404)
Employee benefits expense		(161,079)	(153,784)
Advertising and public relations expenses		(17,055)	(15,604)
Occupancy and facilities expenses		(31,258)	(28,421)
Motor vehicle expenses		(8,620)	(8,295)
Other expenses		(26,663)	(15,544)
		111,730	119,911
Depreciation and amortisation expenses	6	(26,039)	(21,260)
Cemetery land impairment charge	6	-	(12,000)
Cemetery land impairment reversal	6	-	1,100
Restructuring costs		-	(627)
Gain / (loss) on disposal of a subsidiary		-	(1,063)
Finance costs	6	(21,036)	(12,417)
Interest income		1,354	1,005
Net loss / (gain) on undelivered prepaid contracts	16	(4,992)	63,316
Acquisition related costs		(3,602)	(392)
Net gain on disposal of non-current assets		329	3,350
Profit before income tax		57,744	140,923
Income tax expense	7	(16,384)	(43,361)
Profit from continuing activities		41,360	97,562
Profit for the year		41,360	97,562
Profit is attributable to:			
Equity holders of InvoCare Limited		41,224	97,439
Non-controlling interests		136	123
		41,360	97,562
Earnings per share for profit attributable to the ordinary equity holders of the Company			
Basic earnings per share (cents per share)	12	37.8	88.8
Diluted earnings per share (cents per share)	12	37.3	88.0

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 2018

	Notes	2018 \$'000	2017 \$'000
Profit for the year		41,360	97,562
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Changes in the fair value of cash flow hedges, net of tax	27	162	489
Changes in foreign currency translation reserve, net of tax	27	3,363	(1,977)
Other comprehensive income for the year, net of tax		3,525	(1,488)
Total comprehensive income for the year		44,885	96,074
Total comprehensive income for the year is attributable to:			
Equity holders of InvoCare Limited		44,749	95,951
Non-controlling interests		136	123
		44,885	96,074

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

Consolidated Balance Sheet

For the year ended 31 December 2018

	Notes	2018 \$'000	2017 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	13	14,776	15,531
Trade receivables	14	19,125	43,288
Other receivables	14	9,253	6,029
Inventories	15	45,754	29,133
Prepaid contract funds under management	16	45,986	46,247
Assets held for sale	19	3,936	460
Deferred selling costs	5	3,101	1,725
Total current assets		141,931	142,413
Non-current assets			
Trade receivables	14	12,584	30,459
Other receivables	14	453	492
Other financial assets		4	4
Property, plant and equipment	19	425,578	354,725
Prepaid contract funds under management	16	517,601	499,578
Intangible assets	20	204,799	147,188
Deferred selling costs	5	39,049	9,702
Total non-current assets		1,200,068	1,042,148
Total assets		1,341,999	1,184,561
LIABILITIES			
Current liabilities			
Trade and other payables	22	61,110	53,936
Derivative financial instruments	21	101	507
Current tax liabilities		1,486	12,037
Prepaid contract liabilities	16	41,428	38,949
Deferred revenue	5	21,341	11,500
Provisions	24	14,356	15,170
Total current liabilities		139,822	132,099
Non-current liabilities			
Borrowings	23	408,245	243,078
Derivative financial instruments	21	1,694	1,490
Deferred tax liabilities	7(d)	40,926	55,427
Prepaid contract liabilities	16	468,616	413,135
Deferred revenue	5	103,093	53,334
Provisions	24	4,918	3,581
Total non-current liabilities		1,027,492	770,045
Total liabilities		1,167,314	902,144
Net assets		174,685	282,417
EQUITY			
Contributed equity	26	124,140	136,344
Reserves	27	7,778	5,046
Retained profits	27	41,526	139,843
Parent entity interest		173,444	281,233
Non-controlling interests	28	1,241	1,184
Total equity		174,685	282,417

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 2018

	Notes	Attributable to Owners of InvoCare Limited				Non controlling interests \$'000	Total equity \$'000
		Contri- buted equity \$'000	Reserves \$'000	Retained profits \$'000	Total \$'000		
Balance at 1 January 2018		136,344	5,046	139,843	281,233	1,184	282,417
Change in accounting policy	2	-	-	(90,023)	(90,023)	-	(90,023)
Restated total equity at the beginning of the financial year		136,344	5,046	49,820	191,210	1,184	192,394
Total comprehensive income for the year		-	3,525	41,224	44,749	136	44,885
Transactions with owners in their capacity as owners:							
Dividends paid	11	-	-	(46,787)	(46,787)	(79)	(46,866)
Employee share plan shares vesting during the year		951	(711)	-	240	-	240
Issue of ordinary shares as part of dividend reinvestment plan	26	2,731	-	(2,731)	-	-	-
Acquisition of shares by the InvoCare Deferred Share Plan Trust	26	(16,196)	-	-	(16,196)	-	(16,196)
Transfer of shares from the deferred plan to the InvoCare Exempt Share Plan Trust	26	310	-	-	310	-	310
Employee shares – value of services	27	-	(82)	-	(82)	-	(82)
Balance at 31 December 2018		124,140	7,778	41,526	173,444	1,241	174,685
Balance at 1 January 2017		134,914	7,344	90,815	233,073	1,137	234,210
Total comprehensive income for the year		-	(1,488)	97,439	95,951	123	96,074
Transactions with owners in their capacity as owners:							
Dividends paid	11	-	-	(48,411)	(48,411)	(76)	(48,487)
Deferred employee share plan shares vesting during the year	27	1,043	(1,043)	-	-	-	-
Transfer of shares from the deferred plan to the InvoCare Exempt Share Plan Trust	26	387	-	-	387	-	387
Employee shares – value of services	27	-	233	-	233	-	233
Balance at 31 December 2017		136,344	5,046	139,843	281,233	1,184	282,417

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 2018

	Notes	2018 \$'000	2017 \$'000
Cash flows from operating activities			
Receipts from customers (including GST)		495,284	509,255
Payments to suppliers and employees (including GST)		(412,358)	(402,834)
Other revenue		7,370	7,990
		90,296	114,411
Interest received		64	7
Finance costs		(14,501)	(11,905)
Income tax paid		(27,551)	(26,933)
Net cash inflow from operating activities	32	48,308	75,580
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		1,196	7,713
Purchase of subsidiaries and other businesses including acquisition costs, net of cash acquired	30	(73,000)	(393)
Proceeds from sale of subsidiaries and other businesses, net of restructuring costs		-	1,644
Purchase of property, plant and equipment		(84,120)	(47,471)
Payments to funds for pre-paid contract sales	16	(34,639)	(38,758)
Receipts from funds for pre-paid contracts performed	16	46,006	43,290
Net cash outflow from investing activities		(144,557)	(33,975)
Cash flows from financing activities			
Payment for shares acquired by InvoCare Deferred Employee Share Plan trust		(16,196)	-
Proceeds from borrowings		444,752	51,733
Repayment of borrowings		(286,509)	(40,780)
Payment of dividends – InvoCare Limited shareholders		(46,787)	(48,411)
Dividends paid to non-controlling interests in subsidiaries		(79)	(76)
Net cash inflow/(outflow) from financing activities		95,181	(37,534)
Net (decrease)/increase in cash and cash equivalents		(1,068)	4,071
Cash and cash equivalents at the beginning of the year		15,531	11,528
Effects of exchange rate changes on cash and cash equivalents		313	(68)
Cash and cash equivalents at the end of the year	13	14,776	15,531

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

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 38.

(iv) Comparatives

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

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of InvoCare Limited ("Company" or "parent entity") as at 31 December 2018 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. These trusts are consolidated, as the substance of the relationship is that the trust is controlled by the Group. Shares held by the InvoCare Deferred Employee Share Plan Trust are disclosed as treasury shares and deducted from contributed equity.

(iii) Associates

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

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

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

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

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (Chief Executive Officer). 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

Note 1: Summary of Significant Accounting Policies (continued)

(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

Accounting policies applied from 1 January 2018

From 1 January 2018, the Group has applied AASB 15 prospectively. As a result, the accounting policies for the Group's revenue from contracts with customers are explained in further detail in Note 2.

The Group derives revenue from the transfer of goods and services on delivery of the underlying good or service.

Prepaid funeral, burial and cremation services

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).

Financing components

The Group has contracts where the period between payment by the customer and transfer of the promised goods or services to the customer exceeds one year. As a result, the Group adjusts the deferred revenue and prepaid contract liabilities using a discount rate that results in revenue being recognised that approximates the cash selling price the customer would have paid if the consideration was paid at the same time as the services were provided.

Cemetery & Crematorium memorial products ("memorial products")

These contracts include multiple deliverables. The revenue recognition for each of these deliverables is explained in Note 2(b)(ii).

Revenue is recognised when control of the interment right and associated memorial passes to the customer.

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.

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.

Pre-2018 memorial product contracts

For memorial product contracts entered into with customers prior to 1 January 2018, the customer gains control of the interment right on full and final settlement.

Post-2018 memorial product contracts

For contracts entered into from 1 January 2018, the customer gains control of the interment right at contract inception, thereby allowing revenue to be recognised on delivery.

Interest income

Interest income is recognised using the effective interest method.

Dividends

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

Accounting policies applied until 31 December 2017

As the Group chose not to restate comparatives upon adopting AASB 15, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

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

Direct selling costs applicable to deferred revenue on undelivered memorials and merchandise are deferred until the revenue is recognised. Direct selling costs applicable to sale of prepaid funeral, cremation and burial contracts are deferred until the underlying service is delivered.

(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 notional 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

Note 1: Summary of Significant Accounting Policies (continued)

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

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

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

(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

Accounting policies applied from 1 January 2018

From 1 January 2018, the Group has applied AASB 9 prospectively. As a result, the accounting policies for the Group's trade receivables are explained in further detail in Note 2.

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are initially recognised at the amount of consideration that is unconditional. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

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

Receivables arising from cemetery or crematorium contracts, which are initially expected to be collected over a period exceeding twelve months, are recognised as non-current receivables and measured as the net present value of estimated future cash receipts, discounted at an imputed effective interest rate. Upon initial recognition of the contract receivables, any undelivered portion of the contracts is included in deferred revenue until delivery.

Details about the Group's impairment policies and the calculation of the loss allowance are provided in Note 2.

Accounting policies applied until 31 December 2017

The only impact on the Group's accounting for trade receivables, related to the impairment policy and the calculation of the provision for doubtful debts. The comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

Note 1: Summary of Significant Accounting Policies (continued)

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 14.

(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.

Inventories comprising of funeral merchandise and memorialisation property items in the Cemeteries and Crematoria business, primarily held for the purpose of trading, are sold, consumed or realised as part of the normal operating cycle even when they are not expected to be realised within twelve months, and are classified as current.

(n) Prepaid contracts

Accounting policies applied from 1 January 2018

From 1 January 2018, the Group has applied AASB 15 prospectively. As a result, the Group has changed its accounting policy for 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 equal to the value of the undelivered service associated with prepaid contracts and adjusts the deferred revenue using a discount rate that results in revenue being recognised that approximates the cash selling price the customer would have paid if the consideration was paid at the same time as the services were provided.

When the service is delivered, the liability is derecognised and included in revenue.

Accounting policies applied until 31 December 2017

As the Group chose not to restate comparatives upon adopting AASB 15, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

The main difference in accounting treatment was in relation to the recognition of the liability related to the service to be delivered.

Previously, the Group initially recognised a liability at the current selling price of the service to be delivered and increased 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 was delivered, the liability was derecognised. The initially recorded liability amount was included in revenue and the price increases recognised since initial recognition were recorded as a reduction in the cost of service delivery.

(o) Property, plant and equipment

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

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

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 20).

(ii) Trademarks and brand names

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

(q) Trade and other payables

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

(r) Borrowings

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

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

Refer to Notes 3 and 23 for further information on borrowings.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

Note 1: Summary of Significant Accounting Policies (continued)

(s) Derivative financial instruments

The Group uses derivative financial instruments such as reserve 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 re-measured 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 21. Movements in the hedging reserve in shareholders' equity are shown in Note 27. 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 criteria for hedge accounting are accounted for as follows:

(i) Cash flow hedges

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

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

When a hedging instrument expires, 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.

(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) 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 9.

The cost of equity-settled transactions with employees are 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).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

Note 1: Summary of Significant Accounting Policies (continued)

At each balance sheet date, the Group revises its estimate of the number of awards that are expected to vest. The employee benefit expense recognised each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in the statement of comprehensive income with a corresponding adjustment to equity.

(u) Contributed equity

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

(v) Dividends

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

(w) Earnings per share

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

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

(x) Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of the amount of the GST, except where the amount of the GST incurred is not recoverable from the taxing authority. In these circumstances, the GST is recognised as part of the cost of acquisition of 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 36 has been prepared on the same basis as the consolidated financial statements, except investments in subsidiaries and associates which are accounted for at cost in the financial statements of InvoCare Limited. Dividends received from associates are recognised as a reduction in the carrying value of the investment in associates.

(z) Rounding of amounts

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, 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 instrument.

(aa) New accounting standards and interpretations

A new accounting standard AASB16: *Leases* has been published that is not mandatory for 31 December 2018 reporting periods. The Group's assessment of the impact of this new standard is set out below.

AASB 16: Leases

AASB 16 was issued in February 2016. It will result in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The Group has set up a project team which has reviewed all the Group's leasing arrangements over the last year in light of the new lease accounting rules in AASB 16. The standard will affect primarily the accounting for the Group's operating leases.

As at the reporting date, the Group has non-cancellable operating lease commitments of \$55,532,000, see Note 29. Of these commitments, approximately \$1,800,000 relates to low value leases which will be recognised on a straight-line basis as an expense in profit or loss.

For the remaining lease commitments, the Group expects to recognise right-of-use assets of between \$125,000,000 to \$130,000,000 on 1 January 2019, lease related liabilities of between \$140,000,000 to \$145,000,000 and deferred tax assets of approximately \$5,000,000. Overall net assets will be approximately \$10,000,000 to \$15,000,000 lower, and net current assets will be \$9,000,000 lower due to the presentation of a portion of the liability as a current liability.

The Group expects that net profit after tax will decrease by approximately \$1,100,000 for 2019 as a result of adopting the new rules. Operating EBITDA used to measure segment results is expected to increase by approximately \$15,000,000, as the operating lease payments were included in EBITDA, but the amortisation of the right-of-use assets and interest on the lease liability are excluded from EBITDA.

Operating cash flows will increase and financing cash flows decrease by approximately \$14,000,000 as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

Note 2: Changes in Accounting Policies

This note outlines the impact of the adoption of AASB 15: *Revenue from Contracts with Customers* and AASB 9: *Financial Instruments* on the Group's Consolidated Financial Statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

(a) Impact on the financial statements

The Group adopted the new standards using the modified retrospective approach which means the cumulative impact of the adoption was recognised in retained earnings as of 1 January 2018 and, as explained in notes 2(b) and 2(c) below, comparative information was not required to be restated.

The following tables show the final adjustments recognised for each individual line item. Some adjustments have been updated from the estimates disclosed in the Group's 2017 Annual Report. Line items that were not affected by the changes have not been included. The adjustments are explained in more detail below.

	31 December 2017 As originally presented \$'000	AASB 15 \$'000	1 January 2018 Restated \$'000
Consolidated Balance Sheet			
ASSETS			
Current assets			
Trade receivables	43,288	(33,400)	9,888
Inventory	29,133	11,260	40,393
Deferred selling costs	1,725	4,400	6,125
Other current assets	68,267	-	68,267
Total current assets	142,413	(17,740)	124,673
Non-current assets			
Trade and other receivables	30,951	(21,973)	8,978
Deferred selling costs	9,702	28,050	37,752
Other non-current assets	1,001,495	-	1,001,495
Total non-current assets	1,042,148	6,077	1,048,225
Total assets	1,184,561	(11,663)	1,172,898
LIABILITIES			
Current liabilities			
Deferred revenue	11,500	4,800	16,300
Prepaid contract liabilities	38,949	-	38,949
Other current liabilities	81,650	-	81,650
Total current liabilities	132,099	4,800	136,899
Non-current liabilities			
Deferred tax liabilities	55,427	(14,850)	40,577
Deferred revenue	53,334	59,820	113,154
Prepaid contract liabilities	413,135	28,590	441,725
Other non-current liabilities	248,149	-	248,149
Total non-current liabilities	770,045	73,560	843,605
Total liabilities	902,144	78,360	980,504
Net assets	282,417	(90,023)	192,394
EQUITY			
Contributed equity	136,344	-	136,344
Reserves	5,046	-	5,046
Retained earnings	139,843	(90,023)	49,820
Parent entity interest	281,233	(90,023)	191,210
Non-controlling interest	1,184	-	1,184
Total equity	282,417	(90,023)	192,394

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

Note 2: Changes in Accounting Policies (continued)
(b) AASB 15: Revenue from Contracts with Customers - Impact of adoption & changes to accounting policies

In accordance with the transition provisions in AASB 15: *Revenue from Contracts with Customers*, the Group has adopted the new rules prospectively from 1 January 2018 and was not required to restate comparatives for the 2017 financial year. The new rules have resulted in changes in accounting policies and the following adjustments were made to the amounts recognised in the balance sheet and retained earnings at the date of initial application on 1 January 2018:

(Table 1)

	AASB 118 carrying amount 31 December 2017	Transition adjustments				Subtotal	AASB 15 carrying amount 1 January 2018
		Prepaid funeral service contracts (i)	Cemetery & Crematorium memorial products (ii)	Significant financing on customer advance payments (iii)	\$'000		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Balance Sheet							
Assets							
Trade receivables	74,239	-	(55,373)	-	(55,373)	18,866	
Inventories	29,133	-	11,260	-	11,260	40,393	
Deferred selling costs	11,427	20,100	12,350	-	32,450	43,877	
Liabilities							
Deferred revenue	64,834	30,200	26,810	7,610	64,620	129,454	
Prepaid contract liabilities	452,084	-	-	28,590	28,590	480,674	
Deferred tax liabilities	55,427	(3,030)	(960)	(10,860)	(14,850)	40,577	
Equity							
Retained earnings	139,843	(7,070)	(57,613)	(25,340)	(90,023)	49,820	

Note: Current and non-current amounts have been aggregated

At 31 December 2018, the application of the new standard resulted in the following financial impacts on the consolidated balance sheet since transition:

(Table 2)

	1 January 2018	Amounts recognised in period to 31 December 2018				31 December 2018
		Prepaid funeral service contracts (i)(a)	Cemetery & Crematorium memorial products (ii)(a)	Significant financing on customer advance payments (iii)(a)	Other movements (iv)	
	\$'000	\$'000	\$'000	\$'000	\$'000	
Balance Sheet						
Assets						
Trade receivables	18,866	-	-	-	12,843	31,709
Inventories	40,393	-	(2,907)	-	8,268	45,754
Deferred selling costs	43,877	631	(2,787)	-	429	42,150
Liabilities						
Deferred revenue	129,454	2,939	(18,106)	-	10,147	124,434
Prepaid contract liabilities	480,674	-	-	8,796	20,574	510,044
Deferred tax liabilities	40,577	(692)	3,724	(2,639)	(43)	40,926
Equity						
Retained earnings	49,820	(1,616)	8,688	(6,157)	(9,209)	41,526

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

Note 2: Changes in Accounting Policies (continued)

For the year ended 31 December 2018, the application of the new standard resulted in the following financial impacts in the consolidated income statement:

(Table 3)

AASB 15 Impacts on Consolidated Income Statement	Prepaid funeral service contracts (i)(a) \$'000	Cemetery & Crematorium memorial products (ii)(a) \$'000	Significant financing on customer advance payments (iii)(a) \$'000	31 December 2018 \$'000
Revenue (decrease) / increase	(1,553)	21,564	9,777	29,788
Finished goods, consumables and funeral disbursements (increase) / decrease	-	(2,907)	-	(2,907)
Employee benefits expense (increase) / decrease	631	(2,787)	-	(2,156)
<i>Operating EBITDA</i>		15,870		
Net gain / (loss) from undelivered prepaid contracts	-	-	(18,573)	(18,573)
Finance costs (increase) / decrease	(1,386)	(3,458)	-	(4,844)
Profit / (loss) before tax	(2,308)	12,412	(8,796)	1,308
Income tax (expense) / benefit	692	(3,724)	2,639	(393)
Profit / (loss) after tax	(1,616)	8,688	(6,157)	915

(i) Accounting for prepaid funeral service contracts
Impact of adoption of AASB15

Under the new standard, the upfront administration fee received on sale of a new prepaid contract, will be deferred along with the related selling costs until delivery of the underlying service. The administration fee recognised as revenue in prior periods will now be recognised on delivery of the underlying service.

As reflected in Table 1, to reflect this change in policy, the Group has deferred \$30.2 million of revenue in relation to administration fees and \$20.1 million of related selling costs where the underlying service has not been delivered at 31 December 2017. Deferred tax liabilities have been reduced by \$3.0 million and a net adjustment to retained earnings of \$7.1 million.

(i)(a) Application of the new standard since transition

The amounts shown in Tables 2 and 3 reflect the impact on the consolidated balance sheet and consolidated income statement of the net deferral of revenue and selling costs associated with the sale and redemption of prepaid contracts, finance costs recognised on the customer advances and related income tax benefit arising on the resulting net loss for the period to 31 December 2018.

(ii) Accounting for Cemetery & Crematorium memorial products ('memorial products')
Accounting policy from 1 January 2018:

The Group's deliverables under memorial contracts are:

- **Interment right** – An interment right is the right to be committed in a designated space in a cemetery in perpetuity. The specific site is allocated at the time of signing the contract. Upon receipt of the final payment, a certificate of exclusive right of interment was issued to the customer for contracts signed prior to 1 January 2018.
- **Headstone/monument/gardens** – In a memorial products contract, a customer purchases a memorial, such as headstone/heritage garden/monument, to be installed on the interment site. The memorial may be on site at the time of purchase or may be delivered at a future time. Typically, there is a considerable time lag between a contract being signed and the delivery of the memorial. These items are tracked on a contract by contract basis and recognised as revenue upon delivery.
- **Plaques** (and other associated smaller merchandise) – These products are delivered to the customer on an 'at-need' basis (generally when the beneficiary has passed away). The revenue recognised for plaques and other associated smaller merchandise such as ash containers, vases and photos, where actual deliveries are not individually tracked, are managed on a portfolio basis given the small value of the individual items. The revenue is recognised over a 15-year period on a straight-line basis. The 15-year period represents an actuarial estimate of when the contracts will be delivered.

Billing and collection of memorial products contracts can be immediate and in full upon contract signing. However, most memorial products contracts are paid via instalments over a period of up to 5 years (although the payment periods do vary).

Revenue is recognised when control of the interment right and associated memorial passes to the customer. For memorial product contracts entered into with customers prior to 1 January 2018, the customer gains control of the interment right on full and final settlement. For contracts entered into from 1 January 2018, the customer gains control of the interment right at contract inception, thereby allowing revenue to be recognised on delivery.

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.

Revenues relating to undelivered memorials and merchandise are deferred until delivered or made ready for use.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

Note 2: Changes in Accounting Policies (continued)

Impact of adoption of AASB 15

Under AASB 15 the main impact on the Group's revenue recognition practice arises from the change from a 'risk and rewards' model under AASB 118 to a 'control' based model under AASB 15. The interment right, memorial products and plaques are each considered to be distinct performance obligations under AASB 15 as a customer can use the site without a memorial and there is not a transformative or integrated relationship between the products. The transfer of control of these distinct performance obligations determines when revenue should be recognised.

Based on the assessment of the impacts of AASB 15, the Group reviewed all open prepaid memorial products contracts as at 31 December 2017.

Based on the previous contract payment terms, the total contracted revenue of \$82.2 million previously recognised under AASB 118 will be recognised as revenue over the next five years under AASB 15 as customers finish their instalment plans. This amount includes deferred revenue representing \$26.8 million of cash already received and the collection of future instalment payments of \$55.4 million, which had outstanding balances at 31 December 2017.

Related selling costs and inventory items were increased by \$12.3 million and \$11.3 million, respectively, as control of the interment right and associated memorial had not passed to these customers under these contracts. In addition, deferred tax liabilities were decreased by \$1.0 million and a net adjustment to retained earnings of \$57.6 million was recognised.

The recognised adjustment to retained earnings is lower than the amount estimated and disclosed in Note 1(aa) of the 2017 Annual Financial Report by \$35.7 million. This is due to the reduction in the deferred revenue to \$26.8 million to reflect the cash already received from customers for which services are yet to be performed, with a corresponding increase in the deferred tax liability of \$16.6 million.

(ii)(a) Application of the new standard since transition

The amounts shown in Tables 2 and 3 reflect the impact on the consolidated balance sheet and consolidated income statement of the recognition of revenue, selling costs and cost of sales associated with contracts signed prior to 1 January 2018 where customers have made full payment and gained control of the interment right. In addition, the finance costs relate to the financing component on customer advances for twelve months and the income tax expense arises from the net profit for the year to 31 December 2018.

(iii) Accounting for significant financing on customer advance payments

Accounting policy from 1 January 2018:

Prepaid funeral, burial and cremation services

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.

Financing components

The Group has contracts where the period between payment by the customer and transfer of the promised goods or services to the customer exceeds one year. As a result, the Group adjusts the deferred revenue and prepaid contract liabilities using a discount rate that results in revenue being recognised that approximates the cash selling price the customer would have paid if the consideration was paid at the same time as the services were provided.

Significant estimates and judgements

Significant financing component

The Group has contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a result, the Group adjusts the deferred revenue using a discount rate that results in revenue being recognised that approximates the cash selling price as if the customer had paid the consideration at the same time the services are provided.

Impact of adoption of AASB 15

Under AASB 15 the initial recognition of the financing component is recognised as an element of deferred revenue and prepaid contract liabilities.

On delivery of a prepaid funeral service contract, under AASB 118, the Group previously recognised an expense reduction for the impact of price rises recognised after initial recognition. Under AASB 15, this practice has ceased and the Group recognises the financing component as a component of revenue.

Based on the assessment of the impacts of AASB 15, the Group reviewed all customer advance payments related to open prepaid funeral service and memorial products contracts as at 31 December 2017. This resulted in \$7.6 million of revenue being deferred (relating to the financing component) and \$28.6 million of financing component relating to prepaid contract liabilities. In addition, deferred tax liabilities were decreased by \$10.9 million and a net adjustment to retained earnings of \$25.3 million was recognised.

(iii)(a) Application of the new standard since transition

The amounts shown in Tables 2 and 3 reflect the impact on the consolidated balance sheet and consolidated income statement of the recognition of revenue related to the redemption of prepaid contracts in the period, offset by the finance costs relating to the financing component on un-performed prepaid contracts and related income tax benefit arising on the resulting net loss for the period to 31 December 2018.

(iv) Other movements

These relate to movements on balance sheet items unrelated to the impact of adoption of AASB 15 or AASB 9 and reflect the movements on balance sheet line items associated with normal trading activities.

(c) AASB 9: Financial Instruments - Impact of adoption and changes to accounting policies

AASB 9 replaces the provisions of AASB 139 that related to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of AASB 9: Financial Instruments from 1 January 2018 resulted in changes in accounting policies but there were no adjustments to the amounts recognised in the financial statements. The new accounting policies are set out below.

(i) Financial assets

Accounting policy from 1 January 2018:

Classification

From 1 January 2018, the Group holds two types of financial assets which it classifies in the following measurement categories:

- those to be measured subsequently at Fair Value through Profit or Loss (FVPL) (i.e. Prepaid contracts under management),
- those to be measured at amortised cost, and
- the Group does not have any financial assets that would be measured at Fair Value through Other Comprehensive Income (FVOCI) held for trading.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

Note 2: Changes in Accounting Policies (continued)

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in the consolidated income statement.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt instruments as at amortised cost.

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/ (losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated income statement.

Impairment

From 1 January 2018, the Group assesses, on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Impact of adoption of AASB 9**Impairment of financial assets**

The Group's trade receivables for sale of funeral services and cemetery and crematorium memorial products are the only type of financial asset that are subject to the revised AASB 9 impairment methodology. There is no material impact of the change in impairment methodology on the Group's retained earnings and equity.

While cash and cash equivalents are also subject to the impairment requirements of AASB 9, there was no impairment loss identified.

Trade receivables

The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 24 months before 31 December 2018 or 1 January 2018 respectively and the corresponding historical credit losses experienced within this period. The loss allowance as at 31 December 2018 and 1 January 2018 (on adoption of AASB 9) was determined as follows for trade receivables:

31 December 2018	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Expected loss rate	0.2%	1%	8%	36%	
Gross carrying amount (\$'000)	22,042	3,251	1,602	7,823	34,718
Loss allowance (\$'000)	44	26	122	2,818	3,010

1 January 2018	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Expected loss rate	0.2%	1%	8%	48%	
Gross carrying amount (\$'000)	12,814	2,392	1,178	5,074	21,458
Loss allowance (\$'000)	24	35	100	2,432	2,592

When a trade receivable is uncollectible, it is written off against the provision account for trade receivables. Subsequent recoveries of amounts previously written off are credited against sundry revenue in the consolidated income statement.

(ii) Derivative financial instruments**Impact from the adoption of AASB 9**

The interest rate swaps in place as at 31 December 2017 qualified as cash flow hedges under AASB 9. The Group's risk management strategies and hedge documentation are aligned with the requirements of AASB 9 and these relationships are therefore treated as continuing hedges.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

Note 3: 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 & Compliance Committee, which operates under policies approved by the Board, is responsible for operational and financial risk management. These policies provide written principles for overall risk management, as well as policies covering specific areas such as interest rate risk and currency risk.

The Group holds the following financial assets and liabilities:

	2018 \$'000	2017 \$'000
Financial assets		
Cash and cash equivalents	14,776	15,531
Trade and other receivables ¹	31,709	73,747
Prepaid contract funds under management	563,587	545,825
Other financial assets	4	4
	610,076	635,107
Financial liabilities		
Trade and other payables	61,110	53,936
Borrowings	408,245	243,078
Derivative financial instruments	1,795	1,997
	471,150	299,011

(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 bank 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 Group's policy is 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 4.17% (2017: 3.98%) inclusive of swaps and margins but excluding establishment fees.

In addition to bank borrowings, the Group entered into a note purchase agreement during the period which is denominated in Australia dollars at fixed interest rates. This Financing facility does not result in any interest rate risk.

At balance date, interest rate swaps for 59% (2017: 72%) of Australia debt and 87% (2017: 86%) of New Zealand debt were in place. If the fixed rate note is included 73% (2017: 72%) is fixed. Due to the relative stability of Singapore interest rates, Singapore denominated debt has been allowed to stay at floating rates. On a combined basis 75% (2017: 75%) of Australia and New Zealand debt is at fixed rates. As at 31 December 2018 the weighted average fixed interest rate payable on the interest rate swaps is 2.47% (2017: 2.89%) and the weighted average variable rate receivable as at 31 December 2018 is 2.05% (2017: 1.82%).

Hedge ineffectiveness

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

The Group enters into interest rate swaps that have similar critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount. The Group does not hedge 100% of its loans; therefore the hedged item is identified as a proportion of the outstanding loans up to the notional amount of the swaps. As all critical terms matched during the year, the economic relationship was 100% effective.

Hedge ineffectiveness for interest rate swaps is assessed by performing a qualitative assessment of effectiveness. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the Group uses the hypothetical derivative method to assess effectiveness.

¹ excluding prepayments and security deposits

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

Note 3: Financial Risk Management (continued)
(a) Market risk (continued)
(i) Cash flow and fair value interest rate risk (continued)

Hedge ineffectiveness may occur due to:

- the credit value/debit value adjustments on the interest rate swaps which is not matched by the loans, and
- differences in critical terms between the interest rate swaps and loans.

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

	31 December 2018		31 December 2017	
	Weighted average interest rate	Balance \$'000	Weighted average interest rate	Balance \$'000
Variable borrowings	4.17%	311,230	3.98%	243,984
Interest rate swaps (notional principal)	2.47%	(181,793)	2.89%	(160,905)
Net exposure to cash flow interest rate risk		129,437		83,079

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

	2018		2017	
	\$'000	\$'000	\$'000	\$'000
	Nominal Value		Swap Liability	
Less than one year	30,000	27,270	101	507
One to two years	74,260	30,000	906	1,078
Two to three years	53,767	73,635	663	412
Three to four years	23,766	30,000	125	-
Four to five years	-	-	-	-
	181,793	160,905	1,795	1,997

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 (2017: 100 basis points) and 50 basis points in Singapore (2017: 50 basis points) in the interest rate would result in additional interest expense after tax of \$773,000 (2017: \$476,000). A decrease of 100 basis points in Australian and New Zealand rates (2017: 100 basis points) and 50 basis points in Singapore (2017: 50 basis points) in the interest rate would result in an after tax gain of \$773,000 (2017: \$476,000). 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 9: *Financial Instruments*.

The interest rate swap contracts were all judged to be effective at 31 December 2018 and the movements in the fair value of these instruments have been quarantined in equity. If interest rates decline by 100 basis points (2017: 100 basis points) a further \$1,273,000 (2017: \$1,140,000) 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 \$1,273,000 (2017: \$1,140,000) net of tax.

The overall impact on the Group has been summarised on page 77.

The Group's cash and cash equivalents held in Australia are interest bearing. At 31 December 2018 the weighted average interest rate was 0.00% (2017: 0.00%). If interest rates changed by 100 basis points (2017: 100 basis points) the Group's after tax result would increase or decrease by \$71,000 (2017: \$78,000).

(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 and Singapore. This exposes the Group to foreign currency risk on the assets and liabilities. Borrowings have been made by the New Zealand subsidiary and by the Group in Singapore dollars to provide a natural hedge against the risk of changes in exchange rates in Singapore. The borrowings in Singapore dollars are therefore a hedge of a net investment in a foreign subsidiary. There was no ineffectiveness to be recorded from net investments in foreign entity hedges.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

Note 3: Financial Risk Management (continued)
(a) Market risk (continued)
(ii) Foreign exchange risk (continued)

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

	2018		2017	
	\$'000		\$'000	
	New Zealand Dollars	Singapore Dollars	New Zealand Dollars	Singapore Dollars
Borrowings	71,300	36,322	47,775	30,209
Derivatives	478	-	731	-

The Group has no significant unhedged foreign exchange exposures at 31 December 2018. 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.

(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 income is 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 2018 and 31 December 2017 the following changes in investment returns are reasonably probable.

Asset class	31 December 2018		31 December 2017	
	Increase	Decrease	Increase	Decrease
Equities (plus or minus 10%)	17,702	(17,702)	10,916	(10,916)
Property (plus or minus 3%)	4,278	(4,278)	2,620	(2,620)
Cash and fixed interest (no price risk)	-	-	-	-
	21,980	(21,980)	13,536	(13,536)

The return on these funds (net of the increase in the liability to deliver the future services) are recognised in the income statement.

87% of the invested funds are managed by the Over Fifty Guardian Friendly Society ("OFGFS") which is controlled by a six-member independent Board with two InvoCare representatives. Non OFGFS funds primarily invested in capital guaranteed funeral bonds managed by a range of APRA regulated institutions.

The OFGFS Board has appointed an Investment Committee ("GIC") which is responsible for the management of the funds in accordance with an approved Investment Policy Statement ("IPS"). The IPS provides guidance on the ongoing prudent and efficient management of the investment arrangements. The principle objective of the fund is to maximise returns without exceeding risk levels specified in the Investment Guidelines. By pursuing these objectives, the Fund is expected to provide a long-term rate of return sufficient to meet the original plus subsequent increases in retail prices of delivering the promised funeral services after considering all Fund expenses and tax.

The GIC regularly sets a target asset allocation to ensure investment activity sits within the stated risk profile and to also ensure that other limits specified in the IPS are being met. External consultants are engaged to review the risk and return forecasts on a regular basis and recommend amendments to the target asset allocation if required.

Normally funds are invested for extended periods, with the median life of a prepaid funeral contract being circa nine years. Liquidity risk is considered low with the flow of funds from the sale of new contracts generally exceeding redemptions in any one year. The fund can therefore take a long-term view on its investment horizon and absorb short term fluctuations in returns caused by market volatility.

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

	2018	2017
	%	%
Equities	31	20
Property	25	16
Cash and fixed interest (includes hybrid securities)	44	64

Approximately 87% 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

Note 3: Financial Risk Management (continued)**(b) Credit risk**

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of AA- are accepted.

Credit risks in relation to customers are highly dispersed and without concentration on any particular region or sector. Funeral homes attempt to collect deposits at the time the service is commissioned both as a sign of good faith and in order to cover out-of-pocket expenses. Cemetery and crematorium products are generally not delivered prior to the receipt of all or substantially all of the amounts due.

(i) Impaired receivables

The total amount of the loss allowance for doubtful receivables was \$3,010,000 (2017: \$2,592,000). As at 31 December 2018, receivables with a nominal value of \$5,213,000 (2017: \$4,132,000) had been specifically identified internally or referred to the Group's independent debt collection agent and hence were considered to be impaired. Refer to Note 2 for details of how the amount of the loss allowance for doubtful receivables was calculated and the amount of trade receivables written off in the year.

The movement in the loss allowance for impaired receivables is set out in Note 14 - Trade and Other Receivables.

(ii) Receivables past due but not impaired

As of 31 December 2018, trade receivables of \$7,465,000 (2017: \$10,714,000) were past due but not 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. As such these amounts are not considered to be in default. 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 recovery of the debt, it is referred to external debt collection agencies. Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery, include, amongst others, the failure of the debtor to engage in a repayment plan with the Group. Once all attempts to recover the debt have been exhausted, then a debt is considered to be in default and written off.

The ageing of receivables past due but not impaired is as follows:

	2018 \$'000	2017 \$'000
One to three months overdue	4,854	5,224
Over three months overdue	2,611	5,490
	7,465	10,714

(iii) Other receivables

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

(iv) Interest rate risks

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

Note 3: Financial Risk Management (continued)
(c) Liquidity risk

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

The Group's borrowings are secured by the assets and undertakings of the Group 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:

	2018 \$'000	2017 \$'000
Finance facilities available		
Unrestricted access was available at balance date to the following lines of credit:		
Total facilities		
- unsecured loan facility expiring in two to five years	450,000	390,000
- working capital facility expiring within one year	9,624	9,559
	459,624	399,559
Used at balance date		
- unsecured loan facility	411,230	243,984
- working capital facility	2,495	1,741
	413,725	245,725
Unused at balance date		
- unsecured loan facility	38,770	146,016
- working capital facility	7,129	7,818
	45,899	153,834

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.

	Less than one year \$'000	Two to three years \$'000	More than three years \$'000	Total \$'000
31 December 2018				
Trade and other payables	61,110	-	-	61,110
Borrowings	-	159,767	251,463	411,230
Derivatives	101	1,569	125	1,795
	Less than one year \$'000	Two to three years \$'000	More than three years \$'000	Total \$'000
31 December 2017				
Trade and other payables	53,936	-	-	53,936
Borrowings	-	150,000	93,984	243,984
Derivatives	507	1,078	412	1,997

In February 2018 the Group entered into new financing arrangements:

- A Syndicated Facility Agreement supported by ANZ, Westpac, HSBC, Mizuho and SMBC providing \$150.0 million for five years on a fully drawn basis and \$200.0 million three-year revolving facility. Both facilities are multi-currency allowing drawings in Australian, New Zealand and Singaporean dollars.
- A Note Purchase Agreement with Metlife for \$100.0 million for ten years at a fixed rate and drawn in Australian dollars to eliminate currency risks.

At 31 December 2018, the Group had drawn down \$411.2 million borrowings (from total \$450.0 million debt facilities) compared to \$243.9 million at 31 December 2017.

The facilities agreements' covenant ratios are calculated on a rolling 12-month basis and have been met at 31 December 2018. The ratio of Net Debt to bank adjusted operating EBITDA must be no greater than 3.5 and the ratio of EBITDA to net interest must be greater than 3.0.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

Note 3: 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 2018, basic EPS was 37.8 cents (2017: 88.8 cents). Operating EPS, which excludes restructuring costs, gains and losses on the disposal or impairment of non-current assets and on undelivered prepaid contracts and non-controlling interests and disposal of subsidiaries, was 45.4 cents (2017: 57.9 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 15% 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.
- 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 2018 dividends represents a payout ratio of 82% (2017: 80%) of operating earnings after tax.

- 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 no higher than a range between 3:1 and 3.5:1 but preferably lower than 3:1 with an interest cover ratio of greater than 4:1. A liquidity buffer of at least \$25 million should be maintained. 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 in Australia and New Zealand.
- Managing refinancing risk: By spreading the tenure of the debt available to the Group minimises its exposure to the risks that all the debt will become due at a single point of time.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

Note 3: 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.

	Carrying Amount \$'000	Interest rate risk		Foreign Exchange risk		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
		- 100 basis points	+ 100 basis points	-10%	+10%				
31 December 2018									
Financial assets									
Cash and cash equivalents	14,776	(71)	-	71	-	-	-	-	-
Trade receivables	31,709	-	-	-	-	-	-	-	-
Prepaid contract funds under management	563,587	(951)	-	951	-	-	-	-	-
Other financial assets	4	-	-	-	-	-	-	-	-
Financial liabilities									
Trade and other payables	(61,110)	-	-	-	-	-	-	-	-
Borrowings	(408,245)	(773)	-	773	-	(317)	2,542	259	(2,426)
Derivatives	(1,795)	-	1,273	-	(1,273)	-	(2,542)	-	2,426
Total increase / (decrease)		(1,795)	1,273	1,795	(1,273)	(317)	-	259	-

	Carrying Amount \$'000	Interest rate risk		Foreign Exchange risk		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
		- 100 basis points	+ 100 basis points	-10%	+10%				
31 December 2017									
Financial assets									
Cash and cash equivalents	15,531	(78)	-	78	-	-	-	-	-
Trade receivables	73,747	-	-	-	-	-	-	-	-
Prepaid contract funds under management	545,825	(5,145)	-	5,145	-	-	-	-	-
Other financial assets	4	-	-	-	-	-	-	-	-
Financial liabilities									
Trade and other payables	(53,936)	-	-	-	-	-	-	-	-
Borrowings	(243,078)	(476)	-	476	-	(254)	2,462	208	(2,352)
Derivatives	(1,997)	-	1,140	-	(1,140)	-	(2,462)	-	2,352
Total increase / (decrease)		(5,699)	1,140	5,699	(1,140)	(254)	-	208	-

(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:

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

Note 3: Financial Risk Management (continued)

	2018 \$'000	2017 \$'000
Level 2		
Prepaid contract funds under management	563,587	545,825
Derivatives financial instruments	(1,795)	(1,997)
Level 3		
Contingent consideration	(99)	(182)

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(i).

Note 4: 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 2018 and 31 December 2017 is outlined below.

	Australian Operations	Singapore Operations	New Zealand Operations	Other Operations	Consolidated
	2018 \$'000	2018 \$'000	2018 \$'000	2018 \$'000	2018 \$'000
Revenue from external customers	406,931	16,459	49,642	-	473,032
Other revenue (excluding interest income)	7,058	425	282	-	7,765
Operating expenses	(318,621)	(10,158)	(40,247)	(41)	(369,067)
	95,368	6,726	9,677	(41)	111,730
Revenue adjustment - prepaid redemptions*	4,304	-	-	-	4,304
Other revenue adjustment - prepaid redemptions*	(4,903)	-	-	-	(4,903)
Operating expenses adjustment - prepaid redemptions*	7,867	-	-	-	7,867
Operating EBITDA	102,636	6,726	9,677	(41)	118,998
Depreciation and amortisation	(21,904)	(944)	(3,191)	-	(26,039)
Finance costs	(17,469)	(1,061)	(2,507)	1	(21,036)
Interest income	1,258	96	-	-	1,354
Income tax expense	(15,121)	(646)	(618)	1	(16,384)
Total goodwill	110,813	15,192	71,536	-	197,541
Total assets	1,153,050	60,567	128,229	153	1,341,999
Total liabilities	1,046,900	40,300	80,075	39	1,167,314

* Adjustment to reclassify the non-operating impacts of performing prepaid funeral, burial and cremation services to net gains on prepaid contracts.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

Note 4: Segment Information (continued)

	Australian Operations	Singapore Operations	New Zealand Operations	Other Operations	Consolidated
	2017 \$'000	2017 \$'000	2017 \$'000	2017 \$'000	2017 \$'000
Revenue from external customers	393,996	15,661	46,369	889	456,915
Other revenue (excluding interest income)	8,244	325	252	227	9,048
Operating expenses	(298,859)	(9,194)	(36,545)	(1,454)	(346,052)
	103,381	6,792	10,076	(338)	119,911
Revenue adjustment - prepaid redemptions*	13,905	-	-	-	13,905
Other revenue adjustment - prepaid redemptions*	(6,000)	-	-	-	(6,000)
Operating expenses adjustment - prepaid redemptions*	(3,500)	-	-	-	(3,500)
Operating EBITDA	107,786	6,792	10,076	(338)	124,316
Depreciation and amortisation	(18,170)	(286)	(2,665)	(139)	(21,260)
Cemetery land impairment reversal	1,100	-	-	-	1,100
Intangible assets impairment charge	(12,000)	-	-	-	(12,000)
Finance costs	(8,969)	(736)	(2,715)	3	(12,417)
Interest income	996	-	9	-	1,005
Income tax expense	(41,756)	(702)	(890)	(13)	(43,361)
Total goodwill	85,779	14,036	43,873	-	143,688
Total assets	1,044,356	50,521	89,510	174	1,184,561
Total liabilities	813,292	32,927	55,891	34	902,144

(c) Segment information - accounting policies

Operating EBITDA is reconciled to profit before tax on the face of the Consolidated Income Statement.

The consolidated entity operates in one industry, being the funeral industry, with significant operations in Australia, New Zealand and Singapore. Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. Segment assets include all assets used by a segment and consist primarily of operating cash, receivables, inventories, property, plant and equipment and goodwill and other intangible assets, net of related provisions. Segment liabilities consist primarily of trade and other creditors and employee benefits and, in the case of Singapore, include an allocation of the long-term borrowings raised in Australia to fund the investment in Singapore. New Zealand has long-term borrowings which are arranged in New Zealand but with the support of Australia. The Group's operation in Hong Kong has been included under "Other Operations" in the tables above due to its relatively small size.

* Adjustment to reclassify the non-operating impacts of performing prepaid funeral, burial and cremation services to net gains on prepaid contracts.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

Note 5: Revenue from Continuing Operations
a. Disaggregation of revenue from contracts with customers

The tables below provide detailed disaggregation of revenue derived by the Group

	Australian Operations	Singapore Operations	New Zealand Operations	Other Operations	Consolidated
2018	\$'000	\$'000	\$'000	\$'000	\$'000
Funeral services	292,979	16,459	47,234	-	356,672
Cemetery and crematoria services	118,503	-	2,528	-	121,031
	411,482	16,459	49,762	-	477,703
Rent	369	47	21	-	437
Sundry revenue	2,122	378	157	-	2,657
Total revenue from continuing operations	413,973	16,884	49,940	-	480,797

	Australian Operations	Singapore Operations	New Zealand Operations	Other Operations	Consolidated
2017	\$'000	\$'000	\$'000	\$'000	\$'000
Funeral services	293,980	15,661	44,149	170	353,960
Cemetery and crematoria services	106,188	-	2,380	724	109,292
	400,168	15,661	46,529	894	463,252
Rent	309	33	16	23	381
Sundry revenue	1,701	292	137	200	2,330
Total revenue from continuing operations	402,178	15,986	46,682	1,117	465,963

b. Significant changes in assets and liabilities related to contracts with customers

 The table below provides details of movement in deferred revenue and deferred selling costs. The Group has no contracts assets arising out of its contracts with customers. In line with Group's decision to adopt AASB 15: *Revenue from Contracts with Customers* on a modified retrospective basis prior year comparatives have not been restated.

2018	Deferred revenue	Deferred selling costs
	\$'000	\$'000
Opening balance	129,454	43,877
<i>Changes during the year: Add / (less):</i>		
Revenue deferred: Cash received from customer instalment payments	10,159	-
<i>Revenue recognised related to transition adjustment and instalments received in the period:</i>		
Cemetery and crematorium memorial products	(21,564)	(2,787)
<i>Revenue deferred during the period:</i>		
Recognition of significant financing on customer advance payments:		
Cemetery and crematoria memorial products	3,458	-
Revenue deferred: Cemetery and crematorium memorial products	-	586
Revenue deferred: Administration fees prepaid funeral service contracts	1,553	631
Recognition of significant financing on customer advance payments:		
Administration fees prepaid funeral service contracts	1,386	-
Other movements	(12)	(157)
Closing balance	124,434	42,150

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

Note 5: Revenue from Continuing Operations (continued)
c. Impact of adopting AASB 15: Revenue from Contracts with Customers

The Group adopted AASB 15: *Revenue from Contracts with Customers*, (AASB 15), effective 1 January 2018. The table below provides reconciliation between the Group's revenue as reported under AASB 15 and previous revenue standard AASB 118: *Revenue* (AASB 118).

	2018 \$'000
Revenue from continuing operations as reported under AASB15	480,797
Add/(Less):	
Revenue recognised from AASB 15 transition adjustment: cemetery and crematoria services	(21,564)
Revenue recognised from AASB 15 transition adjustment: funeral services	(9,777)
Revenue recognised from AASB 15 transition adjustment: administration fees pre-paid funeral contracts	1,553
Revenue from continuing operations as restated under AASB118	451,009

Note 6: Expenses

	2018 \$'000	2017 \$'000
Profit before income tax includes the following specific expenses:		
Depreciation		
Buildings	5,731	4,552
Property, plant and equipment	17,267	14,325
Total depreciation	22,998	18,877
Amortisation of non-current assets		
Cemetery land	387	436
Leasehold land and buildings	176	176
Leasehold improvements	1,349	760
Brand names	1,129	1,011
Total amortisation	3,041	2,383
Total depreciation and amortisation	26,039	21,260
Impairment of other assets		
Cemetery land impairment reversal	-	(1,100)
Cemetery land impairment charge	-	12,000
Total depreciation, amortisation and impairment	26,039	32,160
Finance costs		
Interest paid and payable	13,735	10,036
Other finance costs	2,457	2,381
Interest expense: customer advance payments	4,844	-
Total financing costs	21,036	12,417
Interest expense on prepaid contracts	18,573	-
Impairment losses – financial assets		
Trade receivables	844	589
Rental expense		
Operating lease rental – minimum lease payments	12,841	11,011
Defined contribution superannuation expense	10,631	9,449

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

Note 7: Income Tax

(a) Income tax expense

	2018 \$'000	2017 \$'000
Current tax	18,905	29,253
Deferred tax	(1,335)	14,044
Under / (over) provided in prior years	(1,186)	64
Income tax expense attributable to continuing operations	16,384	43,361

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

	2018 \$'000	2017 \$'000
Prima facie tax at 30% (2017: 30%) on profit before tax	17,323	42,277
Tax effect of amounts which are not deductible/(taxable) in calculation of taxable income		
Impact of sale of subsidiaries	-	323
Acquisition costs	602	-
Revenue losses not recognised	-	117
Other items (net)	393	1,480
	18,318	44,197
Difference in overseas tax rates	(748)	(900)
Under / (over) provision in prior years	(1,186)	64
Income tax expense	16,384	43,361

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

	2018 \$'000	2017 \$'000
Cash flow hedges	62	200

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

Note 7: Income Tax (continued)**(d) Deferred tax liability**

	2018 \$'000	2017 \$'000
The deferred tax liability balances comprised temporary differences attributable to:		
Amounts recognised in profit and loss:		
Cemetery land	26,714	25,979
Property, plant and equipment	7,179	4,993
Deferred selling costs	12,645	3,428
Prepayments and other	310	43
Brand names	2,104	1,033
Prepaid contracts	6,159	28,425
Provisions	(5,109)	(5,126)
Receivables	(1,291)	(1,212)
Accruals and other	(1,780)	(1,552)
Deferred revenue	(5,476)	-
Amounts recognised directly in equity:		
Cash flow hedge reserve	(529)	(584)
	40,926	55,427
The net movement in the deferred tax liability is as follows:		
Balance at the beginning of the year	55,427	41,062
Net charge to income statement – current period	(1,335)	14,044
Net charge (credit) to income statement – prior periods	1,376	409
Amounts recognised directly in equity	(62)	(200)
Amounts recognised directly in equity – transition to AASB 15	(14,850)	-
Effect of movements in exchange rates	370	112
Balance at the end of the year	40,926	55,427
Deferred tax (assets) to be settled within 12 months	(2,662)	(1,808)
Deferred tax liabilities to be settled after 12 months	43,588	57,235
	40,926	55,427

(e) Tax losses

The Australian Group has unrecognised capital losses of \$590,000 (gross) available to offset capital gains in future years.

Note 8: Key Management Personnel Disclosures**(a) Key management personnel compensation**

	2018 \$	2017 \$
Short-term employee benefits	3,340,522	3,529,619
Termination benefits	-	121,990
Post-employment benefits	166,601	177,568
Other long-term benefits	29,624	36,015
Share-based payments	182,175	1,086,516
	3,718,922	4,951,708

Detailed remuneration disclosures are provided in the Remuneration Report on pages 39 to 52.

(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 39 to 52.

For details of the share options issued please refer to Note 9: Share based payments.

(ii) Holdings of shares and share appreciation rights

The number of ordinary shares in the Company, or share appreciation rights in the case of 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 Trust, 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 Performance Long-term Incentive Plan ("PLTIP"), the details of which are outlined in Note 9.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

Note 8: Key Management Personnel Disclosures (continued)
(b) Equity instrument disclosures relating to key management personnel (continued)
(ii) Holdings of shares and share appreciation rights (continued)

	Balance at start of the year	Granted during year as compensation	Other changes during year	Balance at end of the year
Non-executive Directors				
Bart Vogel	-	-	15,000	15,000
Richard Davis	436,607	-	(176,607)	260,000
Keith Skinner	-	-	-	-
Robyn Stubbs	1,500	-	6,405	7,905
Jackie McArthur	-	-	-	-
Megan Quinn	-	-	-	-
Executive Directors				
Martin Earp	41,618	13,589	1,900	57,107
Other key management personnel				
Josée Lemoine	6,132	3,300	-	9,432
Damien MacRae	-	4,448	-	4,448
Goh Wee Leng	13,368	3,704	(5,647)	11,425

(iii) Share options

The number of share options in the Company held during the financial year by key management personnel of the Group are set out below:

	Balance at start of the year	Granted during year as compensation	Other changes during year	Balance at end of the year
Executive Directors				
Martin Earp	293,597	203,982	-	497,579
Other key management personnel				
Josée Lemoine	60,829	49,532	-	110,361
Damien MacRae	-	66,772	-	66,772
Goh Wee Leng	37,167	18,545	-	55,712

(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 other transactions with key management personnel of the Group, including their personally related parties, during 2018 or 2017.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

Note 9: Share-based Payments

The Group provides benefits to employees (including key management personnel) through share-based incentives. Four plans are currently in operation.

(a) Performance Long-term Incentive Plan ("PLTIP")

This plan provides share rights and options to senior staff and is heavily weighted towards options so employees are incentivised to maximise shareholder value in the longer term. The plan was introduced during 2016 and is described more fully in the Remuneration Report. For senior staff it replaces the schemes previously used and more fully described below. The plan permits settlement in either equity or cash, at the Board's discretion. The fair value of the instruments in the plan was determined at 31 December 2017 and 31 December 2018 based on the following inputs:

	Options	Rights
Share price at Grant Date	\$14.06	\$14.06
Share Price at 31 December 2017	\$16.10	\$16.10
Exercise Price	\$14.06	-
Annualised Risk Free Rate	2.59%	-
Volatility	25.00%	-
Compound Dividend Yield	3.00%	-
Fair Value at 31 December 2017	\$3.84	\$15.08
	Options	Rights
Share price at Grant Date	\$13.91	\$13.91
Share Price at 31 December 2018	\$10.30	\$10.30
Exercise Price	\$13.91	-
Annualised Risk Free Rate	2.31%	-
Volatility	25.00%	-
Compound Dividend Yield	4.00%	-
Fair Value at 31 December 2018	\$0.73	\$9.18

The determination of fair value does not include an adjustment for performance or service conditions.

(b) Deferred Employee Share Plan ("DESP")

This plan introduced in 2007 is settled by the transfer of equity instruments to participants upon vesting. The required ordinary shares are purchased on market held by the Deferred Employee Share Plan Trust. In the event that the Trust has sufficient ordinary shares, due to forfeits, new grants are valued at the VWAP of ordinary shares traded during the first 10-days of the Trading Window that immediately follows the announcement of the full-year results for the full year.

(c) Share Appreciation Rights ("SARs")

For overseas based employees, where settlement in equity can present challenges, cash settled SARs are offered. The fair value of these rights is determined on the same basis as the PLTIP Rights using a Black-Scholes valuation adjusted for the dividend rights which attached.

(d) Exempt Employee Share Plan ("EESP")

Australian based permanent employees with more than six-months service and a salary less than \$180,000 per annum and casual staff with more than two years service routinely working at least 40% of a full time equivalent are annually offered the opportunity to acquire \$1,000 worth of InvoCare Limited shares via a salary sacrifice arrangement as permitted by Australian Taxation Legislation. During 2018, 310 employees accepted the offer and at 31 December 2018 a further \$180,000 was remaining to be collected via payroll deductions.

(e) Expense

	2018	2017
	\$'000	\$'000
Long-term incentive bonus expense	(19)	2,051

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

Note 9: Share-based Payments (continued)
(f) Awards Outstanding as at 31 December 2017 and 31 December 2018:

	PLTIP Options	PLTIP Rights	DESP	SARs
Outstanding at January 2017	577,412	93,458	202,032	29,734
Granted during the year	441,292	49,097	20,318	331
Vested during the year	-	-	(88,264)	(15,520)
Forfeited during the year	(94,794)	(18,941)	(27,436)	-
Balance as at 31 December 2017	923,910	123,614	106,650	14,545
Granted during the year	623,231	58,943	20,361	335
Vested during the year	(150,047)	(22,926)	(55,498)	(9,470)
Vested but not exercised	150,047	-	-	-
Forfeited during the year	-	-	(32,990)	-
Balance as at 31 December 2018	1,547,141	159,631	38,523	5,410

Note 10: Remuneration of Auditors

	2018 \$	2017 \$
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	416,000	405,900
PricewaterhouseCoopers – non-Australian firm		
Audit and review of financial reports	25,735	31,420
Non-PricewaterhouseCoopers – Singaporean firm		
Audit and review of financial reports	29,940	27,677
Total remuneration for audit services	471,675	464,997
(b) Non-audit services		
PricewaterhouseCoopers – Australian firm		
Assurance services	25,500	27,250
Taxation services	125,229	48,000
Other Services	67,692	173,820
PricewaterhouseCoopers – non-Australian firms		
Taxation services	131,847	57,760
Other services	2,858	3,489
Non-PricewaterhouseCoopers – Singaporean firm		
Other services	14,210	13,136
Total remuneration for non-audit services	367,336	323,455

It is the Company's policy to employ PricewaterhouseCoopers on assignments additional to their statutory audit duties where PricewaterhouseCoopers' expertise and experience with the Group 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

Note 11: Dividends

	2018 \$'000	2017 \$'000
Dividends paid		
Final ordinary dividend for the year ended 31 December 2017 of 27.50 cents (2016: 25.50 cents) per fully paid share paid on 6 April 2018 (2016: 7 April 2017), fully franked based on tax paid at 30% (2016: 30%)	30,257	28,058
Interim ordinary dividend for the year ended 31 December 2018 of 17.50 cents (2017: 18.50 cents) per share paid on 5 October 2018 (2017: 6 October 2017), fully franked based on tax paid at 30% (2017: 30%). \$16,530,000 in cash and \$2,731,000 in issue of new shares under dividend reinvestment plan.	19,261	20,353
Dividends paid to members of InvoCare Limited	49,518	48,411
On 9 April 2018 dividend totalling 9.91 cents per fully paid share, fully franked based on tax paid at 30%, was paid to non-controlling interests (2017: 9.57 cents per share paid on 21 December 2017)	79	76
	49,597	48,487
Dividends not recognised at year end		
In addition to the above dividends, since the year end, the directors recommended the payment of a final dividend to InvoCare Limited shareholders of 19.50 cents (2017: 27.50 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 12 April 2019 out of 2018 profits, but not recognised as a liability at year end is:	21,499	30,257
Franking credit balance		
The amounts of franking credits available for subsequent financial years are:		
Franking account balance at the end of the financial year	39,842	35,985
Franking credits that will arise from the payment of income tax payable at the end of the financial year	435	10,713
Reduction in franking account resulting from payment of proposed final dividend of 19.50 cents (2017: 27.50 cents)	(9,214)	(12,968)
	31,063	33,730

Note 12: Earnings per Share

	2018 \$'000	2017 \$'000
Reconciliation of Earnings to Profit and Loss		
Profit from ordinary activities after income tax	41,360	97,562
Profit used to calculate basic and diluted EPS	(136)	(123)
	41,224	97,439
	2018 Number	2017 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	108,981,717	109,784,439
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	110,519,216	110,701,058
	2018 Cents	2017 Cents
Earnings per share for profit attributable to the ordinary equity holders of the Company		
Basic earnings per share (cents per share)	37.8	88.8
Diluted earnings per share (cents per share)	37.3	88.0

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

Note 13: Cash and Cash Equivalents

	2018 \$'000	2017 \$'000
Cash on hand	126	81
Cash at bank	14,650	15,450
	14,776	15,531

Note 14: Trade and Other Receivables

	2018 \$'000	2017 \$'000
Current		
Trade receivables	22,129	45,875
Trade receivables - loss allowance	(3,004)	(2,587)
	19,125	43,288
Prepayments	7,738	4,731
Other receivables	1,515	1,298
	9,253	6,029
	28,378	49,317
Non-current		
Trade receivables	12,590	30,464
Trade receivables - loss allowance	(6)	(5)
Security deposits	453	492
	13,037	30,951

(a) Impaired receivables

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

	2018 \$'000	2017 \$'000
As at 1 January	2,592	2,281
Provision for impairment recognised during the year	844	589
Receivables written off as uncollectible	(426)	(278)
As at 31 December	3,010	2,592

Note 15: Inventories

	2018 \$'000	2017 \$'000
Current		
Finished goods – at cost	42,326	27,353
Work in progress – at cost	3,428	1,780
	45,754	29,133

Note 16: Prepaid Contracts
(a) Income statement impact of undelivered prepaid contracts

	2018 \$'000	2017 \$'000
Gain on prepaid contract funds under management	13,581	73,503
Change in provision for prepaid contract liabilities	(18,573)	(10,187)
Net (loss) / gain on undelivered prepaid contracts	(4,992)	63,316

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Note 16: Prepaid Contracts (continued)**(b) Movements in prepaid contract funds under management**

	2018 \$'000	2017 \$'000
Balance at the beginning of the year	545,825	473,056
Sale of new prepaid contracts	34,639	38,758
Initial recognition of contracts paid by instalment	3,757	3,798
Redemption of prepaid contract funds following service delivery	(46,007)	(43,290)
Increase due to business combinations	11,792	-
Increase in fair value of contract funds under management	13,581	73,503
Balance at the end of the year	563,587	545,825

(c) Movements in prepaid contract liabilities

	2018 \$'000	2017 \$'000
Balance at the beginning of the year	452,084	438,028
Increase due to transition to AASB15: <i>Revenue from Contracts with Customers</i>	28,590	-
Sale of new prepaid contracts	34,639	38,758
Initial recognition of contracts paid by instalment	3,757	3,798
Decrease following delivery of services	(41,334)	(38,687)
Increase due to business combinations	13,735	-
Increase due to re-evaluation of delivery obligation	-	10,187
Increase due to significant financing	18,573	-
Balance at the end of the year	510,044	452,084

(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. Prior to 1 January 2018, 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.

Effective 1 January 2018, following adoption of AASB 15: *Revenue from Contracts with Customers*, the liability is adjusted by recognising an interest expense on customer advance payments until the underlying service is delivered and revenue is recognised. Refer to Note 2 Changes in accounting policies for the detailed explanation of changes due to transition to AASB 15.

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, most of 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 \$7.0 million (2017: \$7.4 million). 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 \$13.8 million in prepaid contract funds under management (2017: \$73.5 million) was less than the non-cash growth due to interest expense increases of \$18.6 million in the liability for future service delivery obligations (2017: \$10.2 million).

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Note 17: Interests in Other Entities: Subsidiaries
(a) Interests in subsidiaries

Set out below are the Group's principal trading subsidiaries at 31 December 2018. 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.

Name of entity	Country of incorporation	Principle activities	Ownership interest held by the Group	
			2018 %	2017 %
InvoCare Australia Pty Limited	Australia	Funeral services provider	100	100
Bledisloe Australia Pty Ltd	Australia	Funeral services provider	100	100
InvoCare New Zealand Limited	New Zealand	Funeral services provider	100	100
William Morrison Funeral Director 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 and InvoCare Hong Kong Limited. 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 ASIC Corporations Instrument 2016/785 issued by the Australian Securities and Investments Commission. For further information refer to Note 33.

(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% (2017: 16.86%). During the year dividends totalling \$79,000 were paid to non-controlling interests (2017: \$76,000).

Note 18: Interests in Other Entities: Associates
(a) Interests in associates

(i) Set out below is the associate of the Group at 31 December 2018. The entity listed below has share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also its principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held. The interest held in this entity is not material to the Group.

Name of entity	Country of incorporation	Nature of Relationship	Measurement Method	% of ownership interest		Carrying Amount	
				2018 %	2017 %	2018 %	2017 %
HeavenAddress Pte. Ltd	Singapore	Associate	Equity method	34.59	34.59	-	-

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 2018 (2017: Nil).

(b) Impairment

As at 31 December 2015 the recoverable amount of the Group's investment in its associate was nil as a result of impairment write downs in 2015 and 2014. 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. A review of the associate's performance in 2018 was carried out and no reversal of previous impairment write down was deemed necessary.

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% (2017: 17.8%) was used to discount the cash projections. This is higher than the 10.9% rate used for valuing existing business assets and reflects the greater risk associated with a start-up investment. From these scenarios, a mid-point was selected which 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.

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For the year ended 31 December 2018

Note 19: Property, Plant and Equipment

	Cemetery land \$'000	Freehold land \$'000	Buildings \$'000	Leasehold land and buildings \$'000	Leasehold improve- ments \$'000	Plant and equipment \$'000	Total \$'000
At 1 January 2018							
Cost	112,578	92,778	157,853	4,534	15,471	154,881	538,095
Accumulated depreciation / amortisation	(8,373)	-	(59,736)	(3,345)	(4,266)	(92,374)	(168,094)
Impairment write-downs	(15,276)	-	-	-	-	-	(15,276)
Net book amount	88,929	92,778	98,117	1,189	11,205	62,507	354,725
Year ended 31 December 2018							
Additions	3,685	837	32,096	-	4,264	37,180	78,062
Business combinations	-	8,882	6,461	-	124	2,735	18,202
Disposals	-	(359)	(78)	-	(6)	(540)	(983)
Depreciation / amortisation & impairment charge	(387)	-	(5,731)	(176)	(1,349)	(17,267)	(24,910)
Effect of movement in exchange rates	159	2,019	1,243	1	51	484	3,957
Transfers to held for sale	-	(2,193)	(1,282)	-	-	-	(3,475)
Closing net book amount	92,386	101,964	130,826	1,014	14,289	85,099	425,578
At 31 December 2018							
Cost	116,426	101,964	195,085	4,534	20,029	188,712	626,750
Accumulated depreciation / amortisation	(8,764)	-	(64,259)	(3,520)	(5,740)	(103,613)	(185,896)
Impairment write-downs	(15,276)	-	-	-	-	-	(15,276)
Net book amount	92,386	101,964	130,826	1,014	14,289	85,099	425,578
At 1 January 2017							
Cost	112,234	85,422	142,479	4,534	8,859	143,712	497,240
Accumulated depreciation / amortisation	(7,939)	-	(57,752)	(3,191)	(3,610)	(88,364)	(160,856)
Impairment write-downs	(4,376)	-	-	-	-	-	(4,376)
Net book amount	99,919	85,422	84,727	1,343	5,249	55,348	332,008
Year ended 31 December 2017							
Additions	543	9,055	18,911	-	7,208	23,094	58,811
Disposals	-	(576)	(252)	-	(388)	(1,258)	(2,474)
Depreciation / amortisation & impairment charge	(11,336)	-	(4,552)	(176)	(760)	(14,325)	(31,149)
Effect of movement in exchange rates	(197)	(663)	(717)	22	(104)	(352)	(2,011)
Transfers to held for sale	-	(460)	-	-	-	-	(460)
Closing net book amount	88,929	92,778	98,117	1,189	11,205	62,507	354,725
At 31 December 2017							
Cost	112,578	92,778	157,853	4,534	15,471	154,881	538,095
Accumulated depreciation / amortisation	(8,373)	-	(59,736)	(3,345)	(4,266)	(92,374)	(168,094)
Impairment write-downs	(15,276)	-	-	-	-	-	(15,276)
Net book amount	88,929	92,778	98,117	1,189	11,205	62,507	354,725

(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:

	2018 \$'000	2017 \$'000
Freehold buildings	11,744	6,083
Leasehold improvements	1,177	1,238
Plant and equipment	14,318	7,708
Cemetery land	3,519	-
Total assets in the course of construction	30,758	15,029

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For the year ended 31 December 2018

Note 19: Property, Plant and Equipment (continued)

(b) Impairment

All cemetery and crematorium sites were reassessed at 31 December 2018 using the previously applied methodology and no changes to the impairment provision were deemed necessary.

The remediation of the residual land at Allambe Gardens Memorial Park has commenced during the year. The investment case was approved in March 2018 and construction work commenced in July 2018. As construction work will continue until late 2019, the Group will reassess the recoverable amount of the park in the second half of 2019.

The following table summarises the impairment losses/reversals along with the recoverable amount estimates for the individual sites for 2018 and 2017:

Site Name	Impairment Loss/(Reversal)		Recoverable Amount Estimates	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Allambe Gardens Memorial Park, Queensland	-	12,000	12,600	5,500
Mt Thompson Memorial Gardens, Queensland	-	(1,100)	21,100	16,400
Tweed Heads Memorial Gardens, New South Wales	-	-	3,000	2,100
	-	10,900	36,700	24,000

The impairment losses recognised over the years may be reversed in future years. The Group has no impairment provisions for 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%, considered to be within the reasonably possible range of long-term outcomes. This analysis demonstrates that changing the assumptions is unlikely to result in a material change in the currently recognised impairment losses. The pre-tax discount rate used was 10.9% (2017: 10.9%), reflecting the risk estimates for the business as a whole.

(c) Asset held for sale

Asset held for sale represents property identified as surplus to the Group's requirement pursuant to the Network & Brand Optimisation review carried out as part of the Protect & Grow programme.

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Note 20: Tangible Assets

	Goodwill \$'000	Brand name \$'000	Total \$'000
At 1 January 2018			
Cost	143,688	12,733	156,421
Accumulated amortisation	-	(9,233)	(9,233)
Net book amount	143,688	3,500	147,188
Year ended 31 December 2018			
Acquisition of subsidiary / businesses	49,884	4,761	54,645
Effect of movement in exchange rates	3,969	126	4,095
Amortisation charge	-	(1,129)	(1,129)
Net book amount	197,541	7,258	204,799
At 31 December 2018			
Cost	197,541	17,844	215,385
Accumulated amortisation	-	(10,586)	(10,586)
Net book amount	197,541	7,258	204,799
At 1 January 2017			
Cost	147,872	12,991	160,863
Accumulated amortisation	-	(8,368)	(8,368)
Net book amount	147,872	4,623	152,495
Year ended 31 December 2017			
Disposal of subsidiary / businesses	(1,562)	(21)	(1,583)
Effect of movement in exchange rates	(2,622)	(91)	(2,713)
Amortisation charge	-	(1,011)	(1,011)
Net book amount	143,688	3,500	147,188
At 31 December 2017			
Cost	143,688	12,733	156,421
Accumulated amortisation	-	(9,233)	(9,233)
Net book amount	143,688	3,500	147,188

(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 2018, and resulting post-acquisition business integration activities and operational changes over many years. New Zealand and Singapore operations are separate CGUs and the associated goodwill arising from their acquisition have been allocated to the individual New Zealand or Singapore CGU. As a result, the lowest level within the Group at which goodwill is monitored for management purposes comprises the grouping of all CGUs within a country of operation. The recoverable amounts of the total of Australian, New Zealand and Singapore 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% (2017: 10.9%), reflecting the risk estimates for the business as a whole. Sensitivity analysis indicates significant headroom exists in the value-in-use calculations for Australia, New Zealand and Singapore compared to the carrying value of goodwill.

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Note 21: Derivative Financial Instruments

	2018 \$'000	2017 \$'000
Current liabilities		
Interest rate swap contracts – cash flow hedges	101	507
	101	507
Non-current liabilities		
Interest rate swap contracts – cash flow hedges	1,694	1,490
	1,694	1,490

Full details of the derivatives being used by the Group and the risks and ageing of the existing derivatives are set out in Note 3 – Financial risk management.

Note 22: Trade and Other Payables

	2018 \$'000	2017 \$'000
Current		
Trade payables	45,870	41,898
Sundry payables and accrued expenses	14,145	11,856
Deferred cash settlement for business interests acquired	1,095	182
	61,110	53,936

Full details of the risks and currency exposure of trade and other payables are set out in Note 3 – Financial Risk Management.

Note 23: Borrowings

	2018 \$'000	2017 \$'000
Long-term borrowings		
Borrowings are represented by:		
Principal amount of bank loans - unsecured	411,230	243,984
Loan establishment costs	(2,985)	(906)
	408,245	243,078

Full details of the risks, ageing and available facilities are set out in Note 3 – Financial Risk Management.

Note 24: Provisions for Employee Benefits

	2018 \$'000	2017 \$'000
Current		
Employee benefits	14,356	15,170
Non-current		
Liability for long service leave	4,918	3,581

	2018 Number	2017 Number
(a) Employee numbers		
Number of full-time equivalent employees	1,793	1,644

(b) Superannuation plan

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

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Note 25: 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	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Trade and other payables	61,110	53,936	61,110	53,936
Current tax liabilities	1,486	12,037	1,486	12,037
Prepaid contract liabilities	41,428	38,949	41,428	38,949
Deferred revenue	21,341	11,500	21,341	11,500
Employee benefits	14,356	15,170	9,691	9,514
	139,721	131,592	135,056	125,936

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

Note 26: Contributed Equity

	2018 \$'000	2017 \$'000
Fully paid ordinary shares	124,140	136,344

	2018 Number	2018 \$'000	2017 Number	2017 \$'000
Ordinary shares				
Balance at the beginning of the financial year	110,030,298	136,858	110,030,298	136,858
Issue of ordinary shares as part of dividend reinvestment plan	226,057	2,731	-	-
Total contributed equity	110,256,355	139,589	110,030,298	136,858
Treasury shares (note 26 (b))	(1,261,388)	(15,449)	(192,428)	(514)
Total consolidated contributed equity	108,994,967	124,140	109,837,870	136,344

(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.

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Note 26: Contributed Equity (continued)
(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 9.

Date	Details	Number of shares	\$'000
1 January 2017	Balance	307,326	1,944
21 February 2017	Shares vested	(63,364)	(760)
23 February 2017	Shares vested	(24,900)	(283)
16 August 2017	Transfer of shares to members of the EESP	(26,634)	(387)
31 December 2017	Balance	192,428	514
21 February 2018	Shares vested	(32,624)	(451)
22 February 2018	Shares vested	(22,874)	(260)
22 February 2018	Shares vested	(19,842)	(240)
28 February 2018	Acquisition of shares by InvoCare Deferred Share Plan	1,166,000	16,196
22 March 2018	Trust		
24 August 2018	Transfer of shares to members of the EESP	(21,700)	(310)
31 December 2018	Balance	1,261,388	15,449

(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 27: Reserves and Retained Profits

	2018 \$'000	2017 \$'000
(a) Reserves		
Share-based payments reserve	246	1,039
Hedging reserve – cash flow hedge reserve	(1,193)	(1,355)
Foreign currency translation reserve	8,725	5,362
	7,778	5,046
Movements:		
Share-based payments reserve		
Balance at the beginning of the year	1,039	1,849
Deferred employee share plan expense	(82)	233
Vesting of deferred employee share plan shares	(711)	(1,043)
Balance at the end of the year	246	1,039
Hedging reserve		
Balance at the beginning of the year	(1,355)	(1,844)
Revaluation to fair value – gross	224	689
Deferred tax	(62)	(200)
Balance at the end of the year	(1,193)	(1,355)
Foreign currency translation reserve		
Balance at the beginning of the year	5,362	7,339
Currency translation differences	3,363	(1,977)
Balance at the end of the year	8,725	5,362
(b) Retained profits		
Movements in retained profits were as follows:		
Balance at the beginning of the year	139,843	90,815
Net profit for the year	41,224	97,439
Dividends paid during the year	(49,518)	(48,411)
Restatement on adoption of AASB 15: <i>Revenue from Contracts with Customers</i>	(90,023)	-
Balance at the end of the year	41,526	139,843

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Note 27: Reserves and Retained Profits (continued)
(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 28: Non-Controlling Interests

	2018 \$'000	2017 \$'000
Reconciliation of non-controlling interests in controlled entities:		
Share capital	800	800
Retained earnings		
Balance at the beginning of the year	285	238
Add share of operating earnings	136	123
Less dividends paid	(79)	(76)
Closing balance of retained earnings	342	285
Reserves	99	99
Balance at the end of the year	1,241	1,184

Note 29: Capital and Leasing Commitments

	2018 \$'000	2017 \$'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	14,946	11,791
- between 12 months and five years	37,989	27,988
- greater than five years	2,597	6,468
	55,532	46,247

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	14,089	857	14,946
Between 12 months and five years	36,255	1,734	37,989
Greater than five years	2,597	-	2,597
	52,941	2,591	55,532

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.

Notes to the Consolidated Financial Statements

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Note 29: Capital and Leasing Commitments (continued)

	2018 \$'000	2017 \$'000
(b) Capital expenditure commitments		
Capital expenditure commitments contracted or conditionally contracted at the reporting date but not recognised as liabilities payable:		
- Building purchase – within one year	14,321	14,155
- Building extensions and refurbishments – within one year	-	1,289
- Plant and equipment purchases – within one year	2,580	5,141
(c) Other expenditure commitments		
Documentary letters of credit outstanding at balance date payable:		
- within one year	67	39

Note 30: Business Combinations**(a) Summary of acquisitions**

During the year, the Group acquired eleven businesses. A summary of the purchase consideration, goodwill and assets and liabilities acquired for all the acquisitions in aggregate is presented below. Acquisitions of significance have been disclosed individually in the notes following.

(b) Total purchase consideration

	2018 \$'000	2017 \$'000
Outflow of cash to acquire subsidiary / businesses, net of cash acquired		
Cash consideration	69,588	-
Deferred consideration	1,000	-
Total purchase consideration	70,588	-

(c) Assets acquired

The following table summarises the aggregated fair value of assets and liabilities acquired as part of the eleven acquisitions.

	2018 \$'000
Cash	199
Inventories	389
Other current assets	318
Land and buildings	15,343
Plant and equipment	2,859
Prepaid contract funds under management	11,792
Brand names	4,761
Prepaid contract liabilities	(13,735)
Other liabilities	(517)
Deferred tax liabilities	(705)
Total net identifiable assets acquired	20,704
Goodwill	49,884

(d) Total purchase consideration – cash outflow

	2018 \$'000	2017 \$'000
Outflow of cash to acquire subsidiary / businesses, net of cash acquired		
Cash consideration	69,588	-
Less: Cash Balances acquired	(199)	-
Add: Acquisition related costs	3,611	392
Net outflow of cash – investing activities	73,000	392

There were no acquisitions in the year ended 31 December 2017.

Acquisition-related costs

Acquisition-related costs totalling \$3,611,000 (as shown on the Consolidated Income Statement) are not able to be allocated to individual transactions as they include the costs of operating a Mergers and Acquisitions team in addition to costs arising directly attributable to the acquisitions.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

Note 30: Business Combinations (continued)
Hope and Sons and Whitestone Funerals
(e) Summary of acquisition

On 22 June 2018, a subsidiary, InvoCare New Zealand, completed the acquisition of the business assets of Hope and Sons and Whitestone Funerals based in the South Island of New Zealand. The businesses have been operating in their local community for more than 130 years.

The accounting for this acquisition is provisional as at 31 December 2018.

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

(f) Purchase consideration

	\$'000
Purchase consideration	
Total cash paid	14,526
Fair value of net identifiable assets acquired (refer (g) below):	4,378
Goodwill	10,149

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

(g) Assets acquired

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

	Fair Value \$'000
Inventories	72
Other current assets	6
Land and buildings	2,752
Plant and equipment	897
Brand names	1,189
Other liabilities	(285)
Deferred tax liabilities	(253)
Net identifiable assets acquired	4,378

The acquired business contributed revenues of \$2,763,495 and net profit of \$537,888 to the Group for the period to 31 December 2018.

If the acquisition had occurred on 1 January 2018, consolidated revenue for the year ended 31 December 2018 would have increased by approximately \$4,737,000 and profit after tax by approximately \$664,000.

Archer & Sons Funeral homes
(h) Summary of acquisition

On 20 July 2018, a subsidiary, InvoCare Australia Pty Ltd, completed the acquisition of the business assets of Archer & Sons Funeral Homes based in the South West region of Western Australia. The business has been operating in the local community for almost 30 years.

The accounting for this acquisition is provisional as at 31 December 2018.

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

(i) Purchase consideration

	\$'000
Purchase consideration	
Total cash paid	7,304
Deferred consideration	1,000
Total purchase consideration	8,304
Fair value of net identifiable assets acquired (refer (j) below):	1,789
Goodwill	6,515

The deferred consideration was subsequently paid on 23 January 2019.

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

(j) Assets acquired

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

	Fair Value \$'000
Inventories	28
Land and buildings	1,550
Plant and equipment	551
Prepaid contract assets	4,014
Brand names	412
Deferred tax assets	133
Prepaid contract liabilities	(4,871)
Other liabilities	(28)
Net identifiable assets acquired	1,789

The acquired business contributed revenues of \$1,113,163 and net profit of \$287,169 to the Group for the period to 31 December 2018.

If the acquisition had occurred on 1 January 2018, consolidated revenue for the year ended 31 December 2018 would have increased by approximately \$2,226,000 and profit after tax by approximately \$402,000.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

Note 30: Business Combinations (continued)
Lester & Son
(k) Summary of acquisition

On 23 July 2018, a subsidiary, InvoCare Australia Pty Ltd, completed the acquisition of the business assets of Lester & Sons based in Albury and Wodonga in New South Wales and Victoria. The business has been operating in the local community for more than 110 years.

The accounting for this acquisition is provisional as at 31 December 2018.

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

(l) Purchase consideration

	\$'000
Purchase consideration	
Total cash paid	11,569
Fair value of net identifiable assets acquired (refer (m) below):	5,839
Goodwill	5,730

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

(m) Assets acquired

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

	Fair Value \$'000
Inventories	37
Land and buildings	5,000
Plant and equipment	247
Prepaid contract assets	62
Brand names	827
Prepaid contract liabilities	(72)
Other liabilities	(35)
Deferred tax liabilities	(227)
Net identifiable assets acquired	5,839

The acquired business contributed revenues of \$1,434,662 and net profit of \$329,819 to the Group for the period to 31 December 2018.

If the acquisition had occurred on 1 January 2018, consolidated revenue for the year ended 31 December 2018 would have increased by approximately \$2,869,000 and profit after tax by approximately \$462,000.

Grafton & District Funerals and Clarence Valley Funerals
(n) Summary of acquisition

On 21 August 2018, a subsidiary, InvoCare Australia Pty Ltd, completed the acquisition of the business assets of Grafton and District Funerals and Clarence Valley Funerals, collectively known as Grafton & District Funerals, based in Grafton, New South Wales. The businesses have been operating in their local community for more than 35 years.

The accounting for this acquisition is provisional as at 31 December 2018.

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

(o) Purchase consideration

	\$'000
Purchase consideration	
Total cash paid	4,706
Fair value of net identifiable assets acquired (refer (p) below):	1,219
Goodwill	3,487

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

(p) Assets acquired

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

	Fair Value \$'000
Inventories	40
Land and buildings	1,140
Plant and equipment	38
Prepaid contract assets	1,855
Brand names	275
Prepaid contract liabilities	(2,063)
Deferred tax liabilities	(20)
Other liabilities	(46)
Net identifiable assets acquired	1,219

The acquired business contributed revenues of \$756,740 and net profit of \$237,141 to the Group for the period to 31 December 2018.

If the acquisition had occurred on 1 January 2018, consolidated revenue for the year ended 31 December 2018 would have increased by approximately \$1,816,000 and profit after tax by approximately \$398,000.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

Note 30: Business Combinations (continued)
William Morrison Funeral Director Limited
(q) Summary of acquisition

On 16 August 2018, a subsidiary, InvoCare New Zealand Limited, completed the acquisition of 100% of the share capital of William Morrison Funeral Director Limited, The Morrison Crematorium Limited, and Morrison Funeral Planning Limited based in Auckland, New Zealand. The business has been operating in their local community for more than 96 years.

The accounting for this acquisition is provisional as at 31 December 2018.

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

(r) Purchase consideration

	\$'000
Purchase consideration	
Total cash paid	16,579
Fair value of net identifiable assets acquired (refer (s) below):	1,877
Goodwill	14,702

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

(s) Assets acquired

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

	Fair Value \$'000
Cash	199
Inventories	89
Plant and equipment	358
Other current assets	291
Brand names	1,385
Other current liabilities	(48)
Deferred tax liabilities	(397)
Net identifiable assets acquired	1,877

The acquired business contributed revenues of \$1,606,051 and net profit of \$351,231 to the Group for the period to 31 December 2018.

If the acquisition had occurred on 1 January 2018, consolidated revenue for the year ended 31 December 2018 would have increased by approximately \$3,855,000 and profit after tax by approximately \$607,000.

Hastings District Funeral & Cremation Service
(t) Summary of acquisition

On 30 September 2018, a subsidiary, InvoCare Australia Pty Ltd, completed the acquisition of the business assets of Hastings District Funeral & Cremation Service based in Port Macquarie, New South Wales. The business was established in 1930.

The accounting for this acquisition is provisional as at 31 December 2018.

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

(u) Purchase consideration

	\$'000
Purchase consideration	
Total cash paid	8,400
Fair value of net identifiable assets acquired (refer (v) below):	2,384
Goodwill	6,016

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

(v) Assets acquired

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

	Fair Value \$'000
Inventories	37
Land and buildings	2,020
Plant and equipment	384
Prepaid contract assets	3,379
Brand names	402
Deferred tax assets	12
Prepaid contract liabilities	(3,821)
Other current liabilities	(29)
Net identifiable assets acquired	2,384

The acquired business contributed revenues of \$621,052 and net profit of \$274,946 to the Group for the period to 31 December 2018.

If the acquisition had occurred on 1 January 2018, consolidated revenue for the year ended 31 December 2018 would have increased by approximately \$1,863,000 and profit after tax by approximately \$577,000.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

Note 30: Business Combinations (continued)

JA Dunn Funerals, Southern Highlands Funerals, English Rose Funerals, Harrison Funerals and Eternal Pets

(w) Summary of acquisition

A subsidiary, InvoCare Australia Pty Ltd, completed the acquisition of the business assets of the following businesses during the year:

Business acquired	Location	Date acquired
J A Dunn Funerals	Launceston, Tasmania	3 March 2018
Southern Highlands Funerals	Moss Vale, New South Wales	7 June 2018
English Rose Funerals	Adelaide, South Australia	10 July 2018
Harrisons Funerals	Ballarat, Victoria	30 September 2018
Eternal Pets	Richmond, New South Wales	15 November 2018

All of the acquired businesses have been operating in their local communities for a considerable number of years.

The accounting for these acquisitions is provisional as at 31 December 2018.

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

(x) Purchase consideration

	\$'000
Purchase consideration	
Total Cash paid	6,504
Fair value of net identifiable assets acquired (refer (y) below):	3,217
Goodwill	3,287

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

(y) Assets acquired

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

	Fair Value \$'000
Inventories	86
Other current assets	21
Land and buildings	2,881
Plant and equipment	383
Prepaid contract assets	2,481
Brand name	271
Deferred tax assets	47
Prepaid contract liabilities	(2,908)
Other liabilities	(45)
Net identifiable assets acquired	3,217

The acquired businesses contributed revenues totalling \$1,718,994 and net profit totalling \$225,779 to the Group for the period to 31 December 2018.

If the acquisitions had occurred on 1 January 2018, consolidated revenue for the year ended 31 December 2018 would have increased by approximately \$3,405,000 and profit after tax by approximately \$521,000.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

Note 31: Contingent Liabilities and Contingent Assets

	2018 \$'000	2017 \$'000
The Group had contingent liabilities at 31 December in respect of bank guarantees given for leased premises of controlled entities to a maximum of:	2,428	1,702

For information about the deed of cross guarantee given by InvoCare Limited, InvoCare Australia Pty Limited, InvoCare (Singapore) Pty Limited, Bledone Pty Ltd and Bledisloe Australia Pty Ltd, refer to Note 33.

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

Note 32: Cash Flow Information
(a) Reconciliation of cash flow from operations with profit from ordinary activities after income tax

	2018 \$'000	2017 \$'000
Profit from ordinary activities after income tax	41,224	97,439
Non-cash items in profit from ordinary activities		
Depreciation, amortisation and impairment	26,039	21,260
Reversal of impairment loss	-	(1,100)
Cemetery land impairment charge	-	12,000
Share-based payments expense	(19)	2,051
Loan establishment costs	962	404
Imputed interest from deferred purchase consideration	-	5
Net (gain) / loss on disposal of property, plant and equipment	(329)	(3,350)
Unrealised loss / (gain) on prepaid contracts	4,992	(63,316)
Other prepaid contract movements	14,449	4,610
Interest expense: customer advance payments	4,844	-
Other non-cash deferred revenue / deferred selling costs movements	(24,049)	-
Business acquisition costs classified in investing activities	3,611	392
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries		
(Increase) / decrease in trade and other receivables	(15,910)	(7,800)
(Increase) / decrease in inventories	(4,954)	(3,395)
(Increase) / decrease in deferred selling expenses	1,727	(301)
Increase / (decrease) in trade and other payables	11,293	(3,372)
Increase / (decrease) in deferred revenue	(5,015)	2,375
Increase / (decrease) in income taxes payable	(10,551)	2,102
Increase / (decrease) in deferred taxes	(493)	14,365
Increase / (decrease) in provisions	487	1,211
	48,308	75,580

(b) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	Cash and cash equivalents \$'000	Borrowings \$'000	Total \$'000
2018			
Net debt as at 1 January 2018	15,531	(243,078)	(227,547)
Cash flows	(1,068)	(158,243)	(159,311)
Foreign exchange adjustments	313	(6,924)	(6,611)
Net debt as at 31 December 2018	14,776	(408,245)	(393,469)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

Note 32: Cash Flow Information (continued)

	Cash and cash equivalents \$'000	Borrowings \$'000	Total \$'000
2017			
Net debt as at 1 January 2017	11,528	(234,455)	(222,927)
Cash flows	4,071	(10,953)	(6,882)
Foreign exchange adjustments	(68)	2,330	2,262
Net debt as at 31 December 2017	15,531	(243,078)	(227,547)

Note 33: 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 ASIC Corporations Instrument 2016/785 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 2018 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

	2018 \$'000	2017 \$'000
Consolidated income statement of the Closed Group		
Revenue from continuing operations	387,932	373,621
Finished goods and consumables used	(97,826)	(97,826)
Employee benefits expense	(104,624)	(98,011)
Employee related and on-cost expenses	(27,447)	(26,223)
Advertising and public relations expenses	(9,180)	(12,619)
Occupancy and facilities expenses	(24,213)	(21,612)
Motor vehicle expenses	(7,242)	(7,101)
Other expenses	(21,650)	(10,928)
	95,750	99,301
Depreciation, impairment and amortisation expenses	(20,310)	(16,705)
Reversal of impairment loss	-	(19,767)
Finance costs	(13,651)	(9,277)
Interest income	1,258	996
Net (loss) / gain on prepaid contracts	(4,992)	63,316
Acquisition costs	(2,942)	(391)
Inter-segment revenue	2,789	1,731
Net gain / (loss) on disposal of non-current assets	260	3,283
Profit before income tax	58,162	122,487
Income tax expense	(14,000)	(39,087)
Profit for the year	44,162	83,400
Changes in the fair value of cash flow hedges, net of tax	(36)	270
Changes in foreign currency translation reserve, net of tax	(2,856)	(247)
Other comprehensive income for the year, net of tax	(2,892)	23
Total comprehensive income for the year	41,270	83,423
Summary of movements in consolidated retained profits of the Closed Group		
Retained profits at the beginning of the financial year	130,408	95,419
Profit for the year	44,162	83,400
Dividends paid	(46,781)	(48,411)
Retained profits at the end of the financial year	127,789	130,408

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

Note 33: Deed of Cross Guarantee (continued)**(b) Balance sheet of the Closed Group**

	2018 \$'000	2017 \$'000
Current assets		
Cash and cash equivalents	6,937	5,867
Trade and other receivables	46,639	42,540
Inventories	41,889	25,773
Prepaid contract funds under management	45,986	46,247
Asset held for sale	3,324	460
Deferred selling costs	3,102	1,725
Total current assets	147,877	122,612
Non-current assets		
Trade and other receivables	13,697	52,649
Shares in subsidiaries	233,139	132,337
Property, plant and equipment	329,322	274,869
Prepaid contract funds under management	517,601	499,578
Intangible assets	34,648	7,623
Deferred selling costs	17,849	9,172
Total non-current assets	1,146,256	976,228
Total assets	1,294,133	1,098,840
Current liabilities		
Trade and other payables	50,641	45,707
Derivative financial instruments	101	-
Current tax liabilities	318	10,597
Prepaid contract liabilities	41,242	38,749
Deferred revenue	21,336	11,500
Provisions for employee benefits	13,192	14,042
Total current liabilities	126,830	120,595
Non-current liabilities		
Long-term borrowings	337,084	195,303
Derivative financial instruments	1,216	1,265
Deferred tax liabilities	39,790	51,386
Prepaid contract liabilities	468,616	413,135
Deferred revenue	70,888	50,397
Provisions for employee benefits	4,837	3,380
Total non-current liabilities	922,431	714,866
Total liabilities	1,049,261	835,461
Net assets	244,872	263,379
Equity		
Contributed equity	124,140	136,344
Reserves	(7,058)	(3,373)
Retained profits	127,790	130,408
Total equity	244,872	263,379

Note 34: Events after the Balance Sheet Date

No significant subsequent events, not otherwise disclosed, have occurred since 31 December 2018.

Note 35: 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 17.

(c) Directors and key management personnel

Disclosures relating to directors and key management personnel are set out in Note 8.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

Note 35: Related Party Transactions (continued)
(d) Transactions with related parties

	2018 \$	2017 \$
Transactions with other related parties		
Contributions to superannuation funds on behalf of employees	10,630,958	9,448,677

e) Guarantees and other matters

Under the terms of a General Security Trust Deed executed on 16 February 2018 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 provided under the terms of the Syndicated Facility Agreement and the Note Purchase Agreement both dated 16 February 2018. 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 36: Parent Entity Financial Information
(a) Summary financial information

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

	2018 \$'000	2017 \$'000
Balance sheet		
Total assets	578,858	459,202
Current liabilities	1,338	11,144
Total liabilities	302,733	176,946
<i>Shareholders' equity</i>		
Contributed equity	124,140	136,344
Reserves		
Share-based payments	246	1,039
Hedging reserve – cash flow hedge reserve	(921)	(885)
Foreign currency translation reserve	1,080	1,080
Retained earnings	151,580	144,678
Total shareholders' equity	276,125	282,256
Profit for the year after tax	56,414	90,686
Total comprehensive income for the year	52,647	90,146

(b) Contingent liabilities of the parent entity

	2018 \$'000	2017 \$'000
The parent entity had contingent liabilities at 31 December in respect of bank guarantees given for leased premises of controlled entities to a maximum of:	2,428	1,702

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

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

The parent entity has no contractual commitments for the acquisition of property, plant or equipment at 31 December 2018 (31 December 2017: 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

Note 36: Parent Entity Financial Information (continued)

(d) Tax consolidation legislation (continued)

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 37: 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 \$45,899,000 as outlined in Note 3(c), or by on-demand repayment of intercompany advances.

Note 38: 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 20 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 18 and 19 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 \$50.7 million at 31 December 2018 (2017: \$48.9 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 \$3.6 million (decrease by \$1.8 million).

(iv) Revenue recognition - Significant financing component

As outlined in Note 2(b) (iii), the Group receives payment from customers for prepaid funeral, burial and cremation services prior to the transfer of the promised goods or services to the customer. As the period between receipt of the consideration and transfer of the goods or services can exceed one year, the Group adjusts deferred revenue using a discount rate that results in revenue being recognised that approximates the cash selling price as if the customer had paid the consideration at the same time the services are performed or the goods delivered.

(v) Classification of prepaid contract assets and liabilities

As disclosed in Note 16, the current and non-current portions of the prepaid contract assets and liabilities are disclosed separately. The Group has assessed the obligation associated with the prepaid contracts remains outstanding until such time as an event occurs that will require settlement.

The Group determines the classification of current and non-current portions of prepaid contract asset and liabilities based on the pattern of usage associated with the timing of actual contract redemptions. This pattern of usage is based on historical data, is reviewed on annually and has remained consistent over the past 5-years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

Note 39: 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 2, 40 Miller Street

North Sydney NSW 2060

Note 40: Authorisation of the Financial Report

This financial report was authorised for issue by the directors on 22 February 2019. The Company has the power to amend and reissue this report.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

In the directors' opinion:

- (a) the financial statements and notes set out on pages 54 to 108 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 2018 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 33 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 33.

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.



Bart Vogel
Chairman



Martin Earp
Director

Sydney
22 February 2019



Independent auditor's report

To the members of InvoCare Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of InvoCare Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

1. giving a true and fair view of the Group's financial position as at 31 December 2018 and of its financial performance for the year then ended
2. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated balance sheet as at 31 December 2018
- the consolidated income statement for the year then ended
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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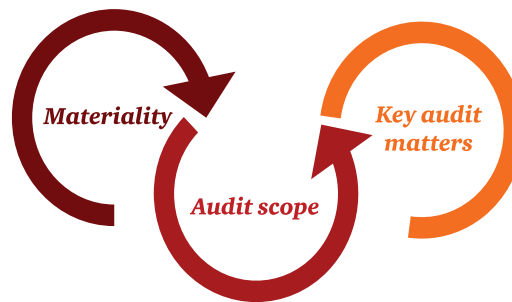
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Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.



Materiality	Audit scope	Key audit matters
<ul style="list-style-type: none"> For the purpose of our audit we used overall Group materiality of \$5.1 million, which represents approximately 5% of the Group's average profit before tax of the past three years. We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole. We chose Group profit before tax because, in our view, it is the benchmark against which the performance of the Group is most commonly measured. Due to fluctuations in profit and loss from year to year, we chose a three year average. We selected 5% which is within the range of acceptable quantitative profit related materiality thresholds used for publicly listed entities. 	<ul style="list-style-type: none"> Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. The Group has operations within Australia, New Zealand, Singapore and Hong Kong, with the accounting functions led from the Group corporate head office in Sydney, Australia. We conducted audits of the financial information of the Australian and New Zealand operations given their financial significance to the Group. As shown in note 4 of the financial report, the Australian and New Zealand operations account for 96% of revenue and 94% of Operating EBITDA of the Group The scale of operations in other territories is, in our view, insignificant to the overall results of the Group, and as such, we performed specific risk-focused audit procedures over those operations. 	<ul style="list-style-type: none"> Amongst other relevant topics, we communicated the following key audit matters to the Audit, Risk & Compliance Committee: <ul style="list-style-type: none"> ➤ estimated recoverable amount of goodwill for the Australian and New Zealand operations ➤ accounting for prepaid funeral contracts ➤ accounting for business combinations These are further described in the <i>Key audit matters</i> section of our report.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

Key audit matter

How our audit addressed the key audit matter

Estimated recoverable amount of goodwill for the Australian and New Zealand operations

Refer to note 1(j) note 1(p) and note 20.

Goodwill of \$197.5 million is recorded on the consolidated balance sheet.

The goodwill primarily relates to the Australian (\$110.8 million) and New Zealand (\$71.5 million) operations.

Under Australian Accounting Standards, the Group is required to test goodwill and indefinite lived intangible assets annually for impairment, irrespective of whether there are indicators of impairment. This assessment is inherently complex and judgemental as the Group is required to:

- forecast the operational cash flows of the cash generating units of the Group
- determine discount rates and terminal value growth rates

which are used in the discounted cash flow models used to assess impairment (the models).

We considered this a key audit matter because significant judgement is required by the Group in estimating the recoverable amount of goodwill relating to the Australian and New Zealand operations.

We focused our efforts on developing an understanding and testing the overall calculation and methodology of the Group's impairment assessment, including identification of the cash generating units of the Group for the purposes of impairment testing, and the attribution of net assets, revenues and costs to those cash generating units.

In obtaining audit evidence, our procedures included, amongst others:

- comparing the cash flow forecasts to the Group's approved long term plan
- assessing the Group's historical ability to forecast future cash flows by comparing budgets with reported actual results for the past year
- testing the mathematical calculations within the models
- comparing the terminal value growth rates and discount rates applied in the models to external information sources
- performing sensitivity analysis, including the assessment of management's sensitivity analyses, over the discount rates and terminal value growth rates used in the models
- evaluating the related financial statement disclosures for consistency with Australian Accounting Standards requirements.

Key audit matter	How our audit addressed the key audit matter
<p>Accounting for prepaid funeral contracts Refer to note 1(n) and note 16.</p> <p>The Group enters into prepaid funeral contracts whereby they agree to deliver a specified funeral, cremation or burial service at the time of need. The beneficiary invests the current price of the service to be delivered with a financial institution and conditionally assigns the benefit to the Group. For each prepaid funeral contract, the Group records an asset for the value of the funds invested (funds under management) and a liability to deliver the services.</p> <p>As at 31 December 2018, the Group had recorded \$563.6 million of funds under management and \$510.0 million of contract liabilities.</p> <p>We considered prepaid funeral contracts to be a key audit matter due to the:</p> <ul style="list-style-type: none"> • size of the asset and liability balances • significant financing component within the contracts, as a result of significant time difference that may arise between receipt of cash from customers and the subsequent recognition of revenue on the delivery of services (redemption date). 	<p>For the asset value invested, we performed the following procedures amongst others:</p> <ul style="list-style-type: none"> • agreed the balances recorded by the Group to statements and confirmation balances received from independent custodians. <p>For the liability recognised, we performed the following procedures amongst others:</p> <ul style="list-style-type: none"> • tested the mathematical accuracy of the significant financing component within the prepaid funeral contracts • compared the date and value of a sample of new contracts to that recorded by the Group • selected a sample of redeemed contracts (recognised revenue) to assess whether the Group's performance obligation under the prepaid funeral contracts had been satisfied. This included comparing the relevant original contracts to service delivery documents.
<p>Accounting for business combinations Refer to note 1(i) and note 30.</p> <p>During the year ended 31 December 2018 the Group completed 11 acquisitions for a total consideration of \$70.6 million. We considered the accounting for the acquisitions to be a key audit matter due to the:</p> <ul style="list-style-type: none"> • the financial significance of the purchase considerations • the judgement applied by the Group in allocating the total consideration to the underlying assets and liabilities of the acquisitions on the basis of their relative fair values at the date of purchase. 	<p>For the individually material acquisitions, we performed the following procedures amongst others:</p> <ul style="list-style-type: none"> • inspected the executed purchase contracts between the relevant parties to assess whether the basis and composition of the purchase consideration in the executed contracts were consistent with the Group's accounting for the acquisitions • assessed the competence and capability of management's experts who assisted the Group in estimating fair values of material brand names, land and buildings • read due diligence reports prepared by the Group and associated analysis to consider if relevant assets and liabilities were identified, valued and recognised in accordance with Australian Accounting Standards • considered the adequacy of the business combination disclosures against the requirements of Australian Accounting Standards.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 31 December 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 39 to 52 of the directors' report for the year ended 31 December 2018.

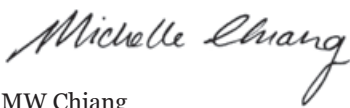
In our opinion, the remuneration report of InvoCare Limited for the year ended 31 December 2018 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.



PricewaterhouseCoopers



MW Chiang

Partner

Sydney

22 February 2019

Shareholder Information

Shares and options as at 15 March 2019

	Number
Shares on issue	114,899,213
Options on issue	1,286,042

Distribution of shareholders as at 15 March 2019	Number of shareholders	Number of shares	Percentage %
1 - 1,000	11,762	5,550,577	4.83%
1,001 - 5,000	10,407	24,317,328	21.16%
5,001 - 10,000	1,618	11,727,077	10.21%
10,001 - 100,000	735	15,945,120	13.88%
100,001 and over	44	57,359,111	49.92%
	24,566	114,899,213	100.00%

There were 386 holders of less than a marketable parcel of ordinary shares (being 36 based on a price of \$13.76 on 15 March 2019) who hold a total of 5,567 ordinary shares.

Equity security holders

	Number of shares	Percentage %
Largest 20 holders of ordinary shares at 15 March 2019		
1. HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	18,744,830	16.31%
2. J P MORGAN NOMINEES AUSTRALIA LIMITED	8,930,288	7.77%
3. CITICORP NOMINEES PTY LIMITED	5,812,456	5.06%
4. NATIONAL NOMINEES LIMITED	3,138,573	2.73%
5. ARGO INVESTMENTS LIMITED	2,315,252	2.02%
6. MILTON CORPORATION LIMITED	1,950,914	1.70%
7. BKI INVESTMENT COMPANY LIMITED	1,638,974	1.43%
8. INVO CARE EMPLOYEE SHARE PLAN ACCOUNT	1,604,392	1.40%
9. AUSTRALIA FOUNDATION INVESTMENT COMPANY LIMITED	1,325,000	1.15%
10. AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED	1,200,000	1.04%
11. IOOF INVESTMENT MANAGEMENT LIMITED (IPS SUPER A/C)	927,367	0.81%
12. CITICORP NOMINEES PTY LIMITED (COLONIAL FIRST STATE INV A/C)	859,257	0.75%
13. NETWEALTH INVESTMENTS LIMITED (WRAP SERVICES A/C)	726,894	0.63%
14. BNP PARIBAS NOMINEES PTY LTD (HUB24 CUSTODIAL SERV LTD DRP)	629,459	0.55%
15. WARBONT NOMINEES PTY LTD	548,473	0.48%
16. CS THIRD NOMINEES PTY LIMITED	530,609	0.46%
17. SCJ PTY LTD	500,000	0.44%
18. BNP PARIBAS NOMINEES PTY LTD (AGENCY LENDING COLLATERAL)	467,000	0.41%
19. BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD DRP	434,228	0.38%
20. GWYNVILL TRADING PTY LTD	415,643	0.36%
Total for top 20	52,699,609	45.87%

Substantial holders

	Number of shares	Percentage %
Substantial holders in the Company as at 15 March 2019 are set out below:		
Mondrian Investment Partners Limited	6,661,305	5.80%

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.

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
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
Non-operating earnings before tax	Earnings from the net gain/(loss) on prepaid contracts, asset sales gains/ (losses), commissions received, less costs associated with the administration prepaid contracts, share of profits attributable to non-controlling interests and any other unusual items as disclosed in the relevant reconciliations.
Operating Earnings	Earnings before the net/gain(loss) on prepaid contracts, asset sales gains/ (losses), commissions received, costs associated with the administration of prepaid contracts, share of profits attributable to non-controlling interests and any other unusual items as disclosed in the relevant reconciliations.
Operating sales revenue	Sales revenue from external customers adjusted to remove the impact of prepaid contract redemptions.
PCP	Prior comparative period.
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
VWAP	Volume Weighted Average Price a trading benchmark used to determine the face value of an InvoCare share. VWAP is calculated by adding up the dollars traded for every transaction (price multiplied by number of shares traded) and then dividing by the total shares traded for the day.

Location Information

Contemporary – Australia and New Zealand					
New South Wales	Queensland	Victoria	South Australia	Tasmania	
<p>Guardian Funeral Providers</p> <p>Guardian Funerals</p> <p>Ballina Bankstown Blacktown Burwood Campbelltown Casino Cremorne Hurstville Leppington Lidcombe Lismore Merrylands Minchinbury North Ryde Parramatta Rockdale</p> <p>Hansen & Cole Funerals (est 1936)</p> <p>Bulli Kembla Grange Wollongong</p> <p>J W Chandler Funerals (est 1885)</p> <p>Richmond Windsor</p> <p>Boland Funerals (est 1962)</p> <p>Maroubra</p> <p>Tobin Brothers Funerals (est 1946)</p> <p>Queanbeyan</p> <hr/> <p>Western Australia</p> <hr/> <p>Purslowe & Chipper Funerals (est 1907)</p> <p>Dianella Ellenbrook Fremantle Mandurah Midland Myaree North Perth Rockingham Subiaco Victoria Park Wangara</p> <p>Other Providers</p> <p>Archer & Sons Funeral Homes (est 1989)</p> <p>Bunbury Manjimup</p> <p>Oakwood Funerals (est 1999)</p> <p>Booragoon</p> <p>Christian Funerals (est 1978)</p> <p>Maylands</p>	<p>Other Providers</p> <p>Allan Drew Funerals (est 1985)</p> <p>Castle Hill Rouse Hill</p> <p>Ann Wilson Funerals (est 1995)</p> <p>Dee Why Mona Vale</p> <p>Clarence Valley Funerals (est 1983)</p> <p>South Grafton</p> <p>David Lloyd Funerals (est 1885)</p> <p>Adamstown Belmont Beresfield Toronto</p> <p>Grafton & District Funerals (est 1983)</p> <p>Grafton</p> <p>Hasting District Funeral & Cremation Service (est 1930)</p> <p>Laurieton Port Macquarie Wauhope</p> <p>Lester & Son Funeral Directors (est 1907)</p> <p>Albury</p> <p>Liberty Funerals (est 1994)</p> <p>Granville</p> <p>Southern Highlands Funerals (est 1948)</p> <p>Moss Vale</p> <p>Universal Chung Wah (est 1955)</p> <p>Fairfield</p> <p>WN Bull (est 1892)</p> <p>Chatswood Miranda Newtown Parramatta</p> <hr/> <p>Australian Capital Territory</p> <hr/> <p>Tobin Brothers Funerals (est 1946)</p> <p>Belconnen Kingston Tuggeranong</p>	<p>George Hartnett Metropolitan Funerals</p> <p>Albany Creek Arana Hills Bribie Island Cleveland Holland Park Kevin Grove North Lakes Regents Park Sandgate Taringa Mt Gravatt</p> <p>George Hartnett Funerals (est 1947)</p> <p>Redcliffe Wynnum</p> <p>Metropolitan Funerals (est 1941)</p> <p>Aspley Redcliffe Wynnum</p> <p>Other Providers</p> <p>Drysdale Funerals (est 1983)</p> <p>Maroochydore Nambour Tewantin</p> <p>Somerville Funerals (est 1932)</p> <p>Nerang</p> <p>Somerville Funerals incorporating Metropolitan Funerals</p> <p>Southport</p> <p>City Funeral Services (est 1959)</p> <p>Mackay</p> <p>Gatton Funerals (est 1983)</p> <p>Gatton</p> <p>Hiram Philp Funerals (est 1903)</p> <p>Toowoomba</p> <p>Mackay Funerals (est 1884)</p> <p>Mackay</p> <p>Burkin Svendsens Funerals (est 1884)</p> <p>Cairns</p>	<p>Le Pine including Le Pine Heritage (est 1891)</p> <p>Box Hill Camberwell Croydon Dandenong Eltham Ferntree Gully Footscray West Glen Waverley Greensborough Hastings Healesville Ivanhoe Kew East Lilydale Mordialloc Oakleigh Pakenham</p> <p>Le Pine Asian Funerals</p> <p>Glen Waverley West Footscray</p> <p>W D Rose (est 1884)</p> <p>Brighton Burwood Cheltenham</p> <p>Joseph Allison (est 1853)</p> <p>Brunswick Essendon</p> <p>Other Providers</p> <p>Charles Crawford & Son</p> <p>Melton</p> <p>Harrison Funerals (est 2005)</p> <p>Ballarat</p> <p>Lester & Son Funeral Directors (est 1907)</p> <p>Wodonga</p> <p>Mulqueen Funerals (est 1932)</p> <p>Coburg</p> <p>Southern Cross (est 1998)</p> <p>Frankstown</p> <p>Tuckers Funeral & Bereavement Service (est 1883)</p> <p>Geelong West Grovedale Highton Lara Moolap Torquay</p> <p>Werribee Funerals</p> <p>Werribee</p>	<p>Blackwell Funerals (est 1940)</p> <p>Aberfoyle Park Glenside Payneham Prospect Torrensville Somerton Park</p> <p>Other Providers</p> <p>English Rose Funerals (est 1988)</p> <p>Old Noarlunga</p> <hr/> <p>New Zealand</p> <hr/> <p>South Island</p> <p>Academy Funeral Services (est 1982)</p> <p>Christchurch</p> <p>Hope and Sons Funeral Directors (est 1887)</p> <p>Corstorphine Palmerston Mosgiel South Dunedin</p> <p>John Rhind Funeral Directors (est 1881)</p> <p>Christchurch Kaiapoi</p> <p>Geoffrey T Sowman (est 1869)</p> <p>Blenheim</p> <p>Sowman Memorials</p> <p>Blenheim</p> <p>Whitestone Funerals (est 1880)</p> <p>Oamaru</p> <p>North Island</p> <p>Tilton, Opie & Pattinson Funeral Directors (est 1930)</p> <p>New Lynn Royal Oak</p> <p>Morrison Funeral Directors (est 1921)</p> <p>Glen Innes Henderson</p> <p>Forrest Funeral Services (est 1978)</p> <p>Browns Bay Orewa</p>	<p>Turnbull Family Funerals (est 1936)</p> <p>North Hobart</p> <p>J.A. Dunn Funeral Directors (est 1883)</p> <p>Launceston</p> <hr/> <p>North Island [continued]</p> <p>Fountain's Funeral Services (est 1956)</p> <p>Manurewa Papakura</p> <p>Sibuns Funeral Directors (est 1913)</p> <p>Remuera</p> <p>H Morris Funerals (est 1933)</p> <p>Northcote</p> <p>Lychgate Funeral Home (est 1876)</p> <p>Johnsonville Karori Wellington</p> <p>Resthaven Funerals (est 2000)</p> <p>Howick Manurewa</p> <p>Gee & Hickton (est 1946)</p> <p>Lower Hutt Upper Hutt Porirua Akatara Crematorium</p> <p>James R Hill (est 1965)</p> <p>Hamilton</p> <p>Pellows Funeral Directors (est 1963)</p> <p>Hamilton</p> <p>Elliotts Funeral Services (est 1967)</p> <p>Kati Kati Mt Maunganui Tauranga</p> <p>Beth Shan Funeral Directors (est 1977)</p> <p>Hastings Napier</p> <p>Cleggs Funeral Services (est 1919)</p> <p>Hawera</p> <p>Vospers (est 1933)</p> <p>New Plymouth</p> <p>Wairarapa Funeral Services (est 1938)</p> <p>Masterton</p>

Simplicity Funerals (est 1979)

New South Wales		Queensland	Victoria	South Australia	Western Australia
Balgowlah Bankstown Bateau Bay Erina Hornsby Liverpool Miranda Newcastle* Newtown Penrith Randwick Roseville Chase	Ryde Smithfield Toukley East Tweed Heads Wollongong* Woy Woy Wyong	Beenleigh Burleigh Heads Buranda Ipswich Kallangur Kedron Logan Parkwood Robina Sunshine Coast*	Bayswater Carnegie Frankston Pascoe Vale Reservoir Sunshine Werribee	Black Forest Enfield Morphett Vale Salisbury Rosewater Victor Harbor	Joondalup Kelmescott Mandurah Osborne Park Mobile Southern Region*
ACT				Tasmania	New Zealand
Canberra*				Hobart* Glenorchy	Christchurch Nelson

* Mobile Arranger

White Lady Funerals (est 1987)

New South Wales		Queensland	Victoria	South Australia	Western Australia
Ballina Bankstown Belmont Bondi Junction Bulli Camden Charlestown Charmhaven Eastwood Five Dock Liverpool Mayfield Mosman	Narrabeen Pennant Hills Penrith Queanbeyan Rockdale Roseville Salamander Bay Sutherland Toronto Tweed Heads Wyoming	Ashmore Burdpengary Cairns Caloundra Chelmer Clayfield Kelvin Grove Miami Morningside Nambour Southport Tanah Merah Tewantin Victoria Point Warana Wynnum	Armadale Burwood Dandenong Doncaster Epping Glen Huntly Heathmont Heidelberg Mornington Niddrie Rosebud South Melbourne	Glenside Hillcrest Plympton Semaphore	Operating as Mareena Purslowe Funerals Fremantle Midland Mandurah North Perth Subiaco Victoria Park Wangara
				Tasmania	
				North Hobart	
				Australian Capital Territory	
				Belconnen Kingston Tuggeranong	

Singapore

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

Cemeteries and Crematoria

New South Wales		Queensland	
Castlebrook Memorial Park (est 1973)	Rouse Hill	Albany Creek Memorial Park (est 1964)	Bridgeman Downs
Forest Lawn Memorial Park (est 1962)	Leppington	Allambe Memorial Park & Crematorium (est 1968)	Nerang
Lake Macquarie Memorial Park (est 1994)	Ryhope	Great Southern Memorial Gardens & Crematorium (est 1997)	Carbrook
Lakeside Memorial Park (est 1964)	Dapto	Mt Thompson Memorial Gardens & Crematorium (est 1934)	Holland Park
Lung Po Shan Information Centre (est 2000)	Haymarket	Toowoomba Garden of Remembrance & Crematorium (est 1966)	Toowoomba
Newcastle Memorial Park (est 1936)	Beresfield		
Northern Suburbs Memorial Gardens and Crematorium (est 1933)	North Ryde		
Pinegrove Memorial Park (est 1962)	Minchinbury		
Po Fook Shan Information Centre (est 2002)	Cabramatta		
Rookwood Memorial Gardens and Crematorium (est 1925)	Rookwood Necropolis		
Tweed Heads Memorial Gardens & Crematorium (est 1971)	Tweed Heads		
		New Zealand	
		Harewood Memorial Gardens & Crematorium (est 1963)	Christchurch
		Woodlawn Memorial Gardens & Crematorium (est 1936)	Christchurch

Corporate Information

InvoCare Limited

ABN 42 096 437 393

Directors

Bart Vogel
(Chairman)

Martin Earp
*(Managing Director
and Chief Executive Officer)*

Richard Davis
(Non-executive Director)

Jackie McArthur
(Non-executive Director)

Megan Quinn
(Non-executive Director)

Robyn Stubbs
(Non-executive Director)

Keith Skinner
(Non-executive Director)

Company Secretary

Heidi Aldred

Registered Office

Level 2, 40 Miller Street
North Sydney NSW 2060

Telephone: 02 9978 5200

Facsimile: 02 9978 5299

Website: www.invocare.com.au

Share Registry

Link Market Services Limited

Level 12, 680 George Street
Sydney NSW 2000

Toll free: 1300 854 911

Facsimile: 02 9287 0303

Stock Exchange Listing

InvoCare Limited is a company limited by shares that is incorporated and domiciled in Australia.

InvoCare Limited's shares are listed on the Australian Securities Exchange only. ASX code is IVC.

Auditors

PricewaterhouseCoopers

One International Towers Sydney
Watermans Quay, Barangaroo
Sydney NSW 2000

Solicitors

Addisons Lawyers

Level 12
60 Carrington Street
Sydney NSW 2000

Anthony Harper Lawyers

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Auckland New Zealand

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Australia and New Zealand

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Sydney NSW 2000

ANZ Bank New Zealand Limited

ANZ Centre
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Auckland New Zealand

HSBC Bank Australia Limited

Tower 1 - International Towers Sydney
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Sydney NSW 2000

The Hongkong and Shanghai

Banking Corporation

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Auckland New Zealand

MetLife Investment Advisors, LLC

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Mizuho Bank, Ltd.

60 Margaret Street
Sydney NSW 2000

Sumitomo Mitsui Banking Corporation

2 Chifley Square
Sydney NSW 2000

Westpac Banking Corporation

275 Kent Street
Sydney NSW 2000

Westpac New Zealand Limited

16 Takutai Square
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