

Chairman's message

Ian Ferrier



In a year when economic conditions worsened and global financial markets experienced major upheaval, InvoCare once again demonstrated the robustness of its business model by reporting a profit after tax of \$28.0 million, being 1.7% or \$0.5 million higher than 2007.

InvoCare's dedicated employees continue to deliver outstanding service to their family and funeral director customers across Australia and in Singapore. Increased service volumes and strong average sale price growth contributed to the solid result. Market share gains were achieved through both acquisitions and opening new locations and the above trend number of deaths continued during the year.

The downturn in equity markets, however, did reduce the surplus contribution from redeemed prepaid funeral funds. Also, the prevailing economic conditions resulted in lower sales of discretionary preneed memorials by InvoCare's cemeteries and crematoria, especially in the second half of 2008. This was mitigated by construction and delivery of previously sold memorials enabling recognition of past deferred revenue.

The Board and management are closely monitoring and responding to the impacts of the economic climate caused by the global financial crisis. However, the funeral industry in general and InvoCare in particular are not as significantly affected as others. In InvoCare's case, it has strong cash flows and is in a healthy financial position, with debt facilities in place until January 2011. The Company will continue to influence, where possible, the investment strategies of prepaid funeral trusts to improve returns and is continuing its memorial construction activity to mitigate any ongoing memorial sale contract shortfalls.

INVOCARE'S ROBUST BUSINESS MODEL DELIVERS ANOTHER SOLID RESULT IN AN UNCERTAIN ENVIRONMENT.

Two funeral business acquisitions were completed in 2008, in Perth and Melbourne, taking to seven the number of acquisitions since December 2005. In addition to the 2008 acquisitions, InvoCare's penetration of the Australian funeral market was further assisted by opening nine new funeral homes in strategic locations, taking the number of funeral homes in Australia at the end of the year to 162.

Following the strong overall financial performance, the Board declared a fully franked final dividend of 13.0 cents per share. The total fully franked ordinary dividends for the year increased 4.4% to 23.5 cents per share. Total shareholder returns (price movement plus cash dividends) since the initial public offering in late 2003 amount to 230%. InvoCare's share price, although reduced during the equity market declines, has traded above the ASX 200 index, highlighting the Company's strength.

The appointment of Andrew Smith as Chief Executive Officer from 1 January 2009 is evidence of the Board's focus on management succession and engaging quality senior management. Andrew joined the Company in January 2006 and since becoming Chief Operating Officer in March 2007 has been driving the recent strategic and operational direction of InvoCare's business.

Richard Davis, the departing Chief Executive Officer, must be given credit for almost 20 years building and managing InvoCare to its present scale and success. The Board, staff and other stakeholders are sincerely indebted to Richard for his successful leadership and for providing a very solid foundation for InvoCare's future.

On behalf of the Board and all its shareholders, I commend management and employees across Australia and Singapore on the excellent results achieved and I thank them for all their hard efforts. Once again, their commitment, dedication and high service ethics have contributed to InvoCare's 2008 performance. The Board is confident that the Company is extremely well positioned to deliver sustainable growth into the future.

Ian Ferrier CHAIRMAN