

The directors submit their report on the consolidated entity consisting of InvoCare Limited (the "Company") and the entities it controlled for the year ended 31 December 2008. InvoCare Limited and its controlled entities together are referred to as "InvoCare", the "Group" or the "consolidated entity" in this Directors' Report.

Directors

Unless indicated otherwise, the following persons were directors of InvoCare Limited during the whole of the financial year and until the date of this report:

Ian Ferrier
 Richard Davis (resigned 31 December 2008)
 Andrew Smith (appointed 1 January 2009)
 Christine Clifton
 Roger Penman
 Benjamin Chow
 Richard Fisher

Dividends

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

	2008 \$'000	2007 \$'000
Interim ordinary dividend of 10.5 cents (2007: 10.0 cents) per fully paid share paid on 10 October 2008	10,530	9,991
Final ordinary dividend of 13.0 cents (2007: 12.5 cents) per fully paid share declared by directors on 19 February 2009 to be paid on 9 April 2009	13,104	12,536
Total ordinary dividends of 23.5 cents (2007: 22.5 cents)	23,634	22,527

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

The Dividend Reinvestment Plan (DRP), first activated for the 2006 interim dividend, was available for the 2008 interim dividend and \$7,846,540 (2007: \$7,535,955) was paid in cash and \$2,683,636 (2007: \$2,454,864) through the issue of 512,114 (2007: 379,139) shares at \$5.24 (2007: \$6.47) per share via the DRP. The shortfall in the DRP take-up was not underwritten nor were DRP shares issued at a discount to the market price for dividends paid in 2008 and 2007.

The Dividend Reinvestment Plan will apply to the final 2008 dividend which is not being underwritten and no discount to the market price will apply.

Review of operations

Results highlights:

	2008 \$'000	2007 \$'000	Change	
			\$'000	%
Sales revenue				
Funerals				
Comparable Australian	174,178	163,373	10,805	6.6%
Comparable Singapore	8,373	7,383	990	13.4%
Acquired Australian business	9,767	2,479	7,288	294.0%
Total funerals	192,318	173,235	19,083	11.0%
Cemeteries and crematoria	58,453	57,295	1,158	2.0%
Elimination of intra-group sales	(6,556)	(6,612)	56	-0.8%
Total sales to external customers	244,215	223,918	20,297	9.1%
Operating EBITDA (excluding net asset sale gains and net impairment of non-current assets)	61,875	58,935	2,940	5.0%
Operating margin	25.3%	26.3%		-1.0%
Net profit after tax attributable to InvoCare Limited shareholders	28,026	27,554	472	1.7%
EPS				
Basic earnings per share	28.0 cents	27.6 cents	0.4 cents	1.4%

Sales revenue grew 9.1% or \$20.3 million to \$244.2 million, driven by volume and price. Service volumes were higher, with the number of Australian deaths remaining above the long-term growth trend, and acquired businesses and new locations contributing to increased market share. The continued downturn in equity markets reduced the surplus contribution from redeemed prepaid funeral funds by \$2.6 million which negatively impacted sales and operating margins.

The number of deaths in the Australian funeral markets in which InvoCare operates increased by an estimated 2.1% in 2008, compared to the 4.4% estimated for the year to 31 December 2007. Whilst the increase is lower than the previous year, the estimated number of deaths was above the trend of approximately 1% increase per year over the last 20 years. The average selling price per funeral service in comparable Australian funeral homes increased by 4.6%, a reduction from the previous year's 5.3% increase due to the mix of where the deaths occurred.

Australian funeral business acquisitions since 1 January 2007, being Liberty Funerals (Sydney NSW, March 2007), Chippers (WA, December 2007), Christian Funerals (Perth WA, August 2008) and Southern Cross Funerals (Melbourne VIC, October 2008) contributed \$7.3 million to the growth in funeral sales revenue. All acquisitions are performing well and meeting expectations.

Nine new funeral home locations were opened in 2008, taking the total number of InvoCare funeral home locations across Australia to 162. The new location strategy continues to improve the penetration of InvoCare's key brands in existing and new markets.

InvoCare's overall share of the Australian funeral markets in which it operates has increased by an estimated 1.7% since 31 December 2007, due primarily to the impact of new acquisitions, in particular Chippers and Christian Funerals in Western Australia. Excluding the acquisitions, InvoCare estimates its share of comparable markets increased by 0.4%.

Cemeteries and crematoria sales revenue was adversely impacted by reduced memorial contract numbers and average prices, particularly in the second half of the year as economic conditions worsened, and by a small market share loss in the Sydney region, due to Rookwood Crematorium operating at less than full capacity following a fire in July 2008. These impacts were mitigated by increased numbers and average prices of burials and cremations and stepped up memorial construction activity to deliver previously deferred memorial revenue.

Operating costs generally increased slightly more than the growth in revenues.

Operating EBITDA (i.e. earnings before interest, tax, depreciation, amortisation and net gains or losses on asset sales and impairment) improved by \$2.9 million or 5.0% to \$61.9 million. Excluding the impact of the prepaid surplus from both years, Operating EBITDA would have improved by \$5.6 million or 10.0%.

Comparable (i.e. excluding new acquisitions) Operating EBITDA increased by \$1.3 million or 2.3% to \$59.8 million. Excluding the prepaid surplus, Operating EBITDA would have improved by \$4.0 million or 7.2%.

Operating cash flows were \$2.1 million lower than the corresponding year, primarily due to the decline in prepaid surplus. Consistent with previous years there was strong conversion of Operating EBITDA to cash.

Following the good result, a fully franked final dividend of 13.0 cents per share (2007: 12.5 cents per share) has been declared, taking the total ordinary dividends for 2008 to 23.5 cents, a 4.4% increase on 2007 (22.5 cents). The dividend payout ratio for the year was 84.3% (2007: 81.8%).

Significant events after the balance date

There have been no significant events occurring after balance date which have significantly affected or may significantly affect either InvoCare's operations or the results of those operations or InvoCare's state of affairs in future financial years.

Future developments and results

InvoCare continues to pursue growth through acquisitions, new locations, investing in existing locations, ongoing operational improvements and favourable demographic changes.

The Group's performance is significantly dependent upon the number of deaths increasing in line with actuarial trend predictions in the markets in which InvoCare operates. In addition, results are impacted when monies are received from off balance sheet trusts upon delivery of prepaid services, in particular where the values of the assets in those trusts fluctuate depending on the asset allocations and investment earnings. Although there is a long-term investment strategy bias to equities, in the current global financial crisis the short-term bias strongly favours cash and fixed interest securities.

With the prevailing economic climate, plans for continued capital expenditure and the potential opportunities for further business acquisitions, no major capital management initiatives are planned for 2009. InvoCare is well positioned with its total \$180 million existing bi-lateral, unsecured bank borrowing facilities in place until January 2011. Drawings on these facilities at the end of 2008 were \$158.9 million, leaving \$21.1 million headroom, and banking covenants were comfortably satisfied. Capital management is a constant focus and preparations for debt refinancing have commenced with negotiations expected in late 2009 or early 2010.

Further information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

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

Details of the directors' qualifications and experience are set out on the following pages.

Board of Directors

Mr Ian Ferrier AM FCA

Chairman of the Board

Chairman of Remuneration Committee

Chairman of Nomination Committee

Member of Risk Committee

Ian has held the position of Chairman of InvoCare Limited since 2001. He is a Fellow of The Institute of Chartered Accountants in Australia. Ian has had over 45 years of experience in company corporate recovery and turnaround practice. He is also a director of a number of private and public companies. Ian is currently Chairman of InvoCare Limited, Goodman Limited and Australian Vintage Limited and a director of Energy One Limited and Reckon Group Limited. He has significant experience in turnaround management, property and development, tourism, manufacturing, retail, hospitality and hotels, infrastructure and aviation and service industries.

Other Public Company Directorships held in the last three years

Australian Oil Company Limited (appointed May, 2005: retired December, 2008)

Australian Vintage Limited (appointed November, 1991)

Energy One Limited (appointed November, 1996)

Goodman Group (appointed September, 2003)

Reckon Limited (appointed August, 2004)

Mr Richard Davis BEc

Chief Executive Officer (until 31 December 2008)

Richard has worked in the funeral industry since 1989, initially as Chief Financial Officer and then Chief Executive Officer of businesses which are now part of the InvoCare Group. He held the position of Chief Executive Officer of InvoCare Limited from 1995 to 31 December 2008 when he resigned as director and Chief Executive Officer. For the immediate future and to provide transitional assistance, he has retained directorships on a number of InvoCare controlled subsidiaries including Singapore Casket Company (Private) Limited. Richard resigned as a director of Over Fifty Guardian Friendly Society Limited on 24 March 2009. 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.

Mr Andrew Smith BCom MBA CA

Chief Executive Officer (from 1 January 2009)

Andrew joined InvoCare in January 2006 as Chief Financial Officer and was promoted to Chief Operating Officer in March 2007.

On 1 January 2009, Andrew was promoted to Chief Executive Officer and Managing Director. Prior to joining InvoCare Andrew held the position of Chief Financial Officer with Brazin Limited and previously Orotongroup Limited. Andrew was also Financial Controller for Sales & Marketing at a major international fast moving consumer goods company, an Internal Audit Manager for a global insurance company and an Audit Senior at KPMG.

Andrew was appointed as a director of Over Fifty Guardian Friendly Society Limited on 24 March 2009. He holds a Bachelor of Commerce from the University of Queensland, a Master of Business Administration from the University of New England and is a member of the Institute of Chartered Accountants in Australia.

Dr Christine (Tina) Clifton MB BS (Hons) BHA

Non-executive Director

Chairman of Risk Committee

Member of Audit Committee

Member of Nomination Committee

Tina Clifton is a registered medical practitioner. Tina has been a director of InvoCare Limited since October 2003 and her other current directorships include The Hospitals Contribution Fund of Australia Limited (HCF) and Healthcare Australia. She is also a Councillor of the University of New South Wales. Prior to 2001, Tina held various positions in the public and private healthcare sectors including Chief Executive Officer of the Sisters of Charity Health Service in New South Wales and deputy Chief Executive Officer of the Northern Sydney Area Health Service. From 1980 to 1988 Tina was a general practitioner. Tina holds degrees in medicine and health administration and obtained a specialist qualification in medical administration.

Other Public Company Directorships held in the last three years

Diversa Limited (formerly Ambri Limited) (appointed August, 2001: resigned December, 2006)



Top to bottom, left to right: Ian Ferrier, Richard Davis, Andrew Smith, Tina Clifton, Roger Penman, Benjamin Chow and Richard Fisher.

Mr Roger Penman BEc FCA FTIA
Non-executive Director
Chairman of Audit Committee
Member of Remuneration Committee
Member of Nomination Committee

Roger Penman was appointed as a director of InvoCare Limited in January 2005 and commenced his roles on the Audit Committee and Remuneration Committee in February 2005. Roger has been a Principal of WHK Horwath Sydney since 1986. He is a Fellow of the Institute of Chartered Accountants and the Taxation Institute of Australia with over 30 years tax consulting and general business experience. Roger has extensive experience with mergers, acquisitions, complex taxation and other tax issues. He is also a specialist adviser to many professional practices on tax, accounting and general business matters.

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

Benjamin Chow was appointed as a director of InvoCare Limited in February 2007 and became a member of the Risk Committee and the Nomination Committee at the same time. Benjamin has worked continuously in the land development industry both in Australia and South East Asia since 1968, having emigrated to Australia in 1962. He chaired the Council for Multicultural Australia which assists the Australian Government implement its multicultural policies. He has previously served as President of Australian Chinese Community Association of NSW, President of Chinese Australian Forum of NSW and Vice-President of the Ethnic Communities Council of NSW. He is a member of the Council of National Museum of Australia, a member of the Bond University Council, President of Sydney University Nerve Research Foundation, a Trustee of Australian Chinese Charity Foundation and a Director of Chain Reaction Foundation Ltd.

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

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

Company Secretary

Mr Phillip Friery BBus CA

Phillip Friery was appointed Company Secretary in January 2007 and Chief Financial Officer in March 2007. He joined the consolidated entity in 1994 as Accounting Manager initially responsible for financial reporting and taxation, and over subsequent years assumed responsibility for information systems, treasury, management accounting, internal audit and capital management. Prior to joining the consolidated entity, Phillip spent approximately 19 years with Coopers & Lybrand (before its merger with Price Waterhouse) in external audit, technical advisory and financial management consulting roles. Phillip joined the board of Over Fifty Guardian Friendly Society Limited on 24 March 2009. He holds a Bachelor of Business from the New South Wales Institute of Technology (now University of Technology Sydney) and is a member of the Institute of Chartered Accountants in Australia.

Meetings of directors

Details of the meetings attended by each director during the year ended 31 December 2008 are set out in the Corporate Governance Statement on page 36.

Retirement, election and continuation in office of directors

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

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

Ian Ferrier and Richard Fisher will retire by rotation as directors at the Annual General Meeting and, being eligible, offer themselves for re-election.

Corporate governance

The Directors' Report continues on this page with the start of the Corporate Governance Statement.

Corporate Governance Statement

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

This statement outlines the main corporate governance practices in place throughout the financial year, which comply with the ASX Corporate Governance Council's principles and recommendations as issued in August 2007, unless otherwise stated. Effective from the end of the financial year, Richard Davis ceased to be Chief Executive Officer and was replaced by Andrew Smith who was Chief Operating Officer for the duration of the financial year. As at the date of this report the position of Chief Operating Officer is vacant with the role currently being shared among a number of senior executives.

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 Chief Executive Officer (the "CEO") and senior executives, being the Chief Operating Officer (the "COO") and the Chief Financial Officer (the "CFO"), 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, etc), pricing, branding, investor and media communications. The Board ensures that the senior executives and the management team are appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess the performance of the CEO and the senior executives.

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

All Board members have formal letters of appointment which clearly articulate the roles, responsibilities, expectations and remuneration of directors.

All employees, including the CEO and senior executives, have formal job descriptions. The level of seniority of the role determines whether a formally drafted contract of employment or a less complex letter of appointment is used to confirm employment. Regardless of type all employment agreements clearly articulate duties and responsibilities but also rights and expectations. Standard letters of appointment were last reviewed and updated in 2007 and used for all appointments since that time.

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

Senior executive evaluation

After the conclusion of each financial year the CEO evaluates and documents the performance of his direct reports, being the COO and CFO. The results of this evaluation are reviewed by the Remuneration Committee with specific focus on achievements against targeted key performance indicators. Also at this time, key performance indicator targets for the ensuing year are established. The Remuneration Committee and the Board also review and determine the COO and CFO remuneration for the ensuing year.

The Remuneration Committee evaluates the performance of the CEO against annual key performance indicators and reports to the Board its recommendations on performance appraisal and remuneration.

In addition to a review of monthly financial results, at least quarterly the Board monitors the key performance indicators for the Group which provides the opportunity to more regularly evaluate the performance of senior executives outside the annual review process.

When appointed, all new senior executives receive an induction appropriate to their experience, which is designed to ensure they can quickly and effectively participate in decision making. The programme is also designed to ensure that the executive gains a good working knowledge of both the industry and the Group covering the financial position, strategies and operations. This induction programme also focuses on the internal policies and procedures with a particular emphasis on the respective roles of the Board and its committees and those functions delegated to management.

PRINCIPLE 2 - STRUCTURE THE BOARD TO ADD VALUE

Board composition

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

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

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

The skills, experience and expertise relevant to the position of each director and their term of office are set out starting on page 32 of the Directors' Report.

Corporate Governance Statement continued

Meetings of directors

During the year ended 31 December 2008, the number of meetings of the Board of Directors and of each Board Committee and the number of meetings attended by each of the directors are as follows:

	Board		Audit Committee		Remuneration Committee		Risk Committee		Nomination Committee	
	A	B	A	B	A	B	A	B	A	B
Independent										
Ian Ferrier	9	9	2*	–	7	7	4	4	1	1
		Chair				Chair		Member		Chair
Christine Clifton	9	9	5	5	5*	–	4	4	1	1
				Member				Chair		Member
Roger Penman	9	9	5	5	7	7	2*	–	1	1
				Chair		Member				Member
Benjamin Chow	9	9	3*	–	5*	–	4	4	1	1
								Member		Member
Richard Fisher	9	9	5	5	5*	–	4	4	1	1
				Member				Member		Member
Executive										
Richard Davis	9	9	5*	–	3*	–	4*	–	1*	–

A = number of meetings attended.

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

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

The quorum for the Board and Board Committees is two, both of whom must be independent directors. Board Committees consist entirely of independent non-executive directors. The CEO may attend all Board Committee meetings by invitation and the COO and CFO attend Board and Committee meetings by invitation.

Nomination committee

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

The Committee currently consists of the five independent non-executive directors of the Board whose skills and experience cover finance and accounting, taxation, law, medicine and health administration, property development and community service with an emphasis on multiculturalism. The Committee is chaired by Ian Ferrier. The Committee believes that the Board has a healthy mix of skills to ensure the ongoing development and growth of the Group.

In addition to its role in proposing candidates for director appointment for consideration by the Board, the Nomination Committee reviews and advises the Board in relation to Chief Executive Officer and Board succession planning and advises on Board and Committees' performance.

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

Directors' performance evaluation

The Board, through its Nomination Committee, undertakes an annual performance review of the full Board, its Committees and of the Chairman. The Chairman performs individual appraisals of each director.

The evaluation process involves an assessment of Board and Committee performance by each director completing a confidential questionnaire. The questionnaire covers such matters as the role of the Board, the composition and structure of the Board and Committees, operation of the Board, Group behaviours and protocols and performance of the Board and Committees, and invites comments from each director.

The results of the questionnaire are aggregated and discussed by the Board as a basis for collegiate consideration of Board performance and opportunities for enhancement.

The individual appraisals between each director and the Chairman provide an opportunity for consideration of individual contributions, development plans and issues specific to the director.

Performance evaluation reviews were undertaken during 2008.

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 it considers this information to be insufficient to support informed decision making, then they are entitled to request additional information prior to or at Board meetings.

Directors' induction

When appointed to the Board, all new directors receive an induction appropriate to their experience, which is designed to quickly allow them to participate fully and productively in Board decision making.

The induction programme covers the Group's structure and goals, financial, strategic, operational and risk management positions, the rights and duties of a director and the role and operation of the Board Committees. The Nomination Committee is responsible for reviewing the effectiveness of the director induction programme. New directors are given an orientation regarding the business including corporate governance policies, all other corporate policies and procedures, Committee structures and responsibilities and reporting procedures.

Directors' continuing education

Directors are expected to undertake continuing education both as regards the normal discharge of their formal director duties, as well as ongoing developments within the Group and its operating environment. Directors typically attend courses and seminars relevant to the effective discharge of their duties.

PRINCIPLE 3 – PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

Code of conduct

The Board, in recognition of the importance of ethical and responsible decision making, has adopted a Code of Conduct for all employees and directors which outlines the standards of ethical behaviour and is essential to maintain the trust of all stakeholders and the wider community. This code also mandates the avoidance of conflicts of interest and requires high standards of personal integrity, objectivity and honesty in the dealings of all directors, executives and staff, providing detailed guidelines to ensure the highest standards are maintained.

InvoCare recognises that its clients may be vulnerable due to a recent bereavement and it requires all employees to be aware of their ethical and legal responsibilities. Accordingly, InvoCare requires all employees to behave according to this code, to maintain its reputation as a good corporate citizen.

Such behaviours extend to areas such as confidentiality, Privacy Act obligations, communications with the media, occupational health and safety and drugs and alcohol.

This code is provided to all directors and employees as part of their induction process. It is subject to ongoing review and assessment to ensure it continues to be relevant to contemporary conditions.

The code is available on the Company's website:
www.invocare.com.au

Share trading policy

The Company's share trading policy is designed to minimise the risk that InvoCare, its directors and its employees will breach the insider trading provisions of the Corporations Act or compromise confidence in InvoCare's practices in relation to securities trading. The policy prohibits directors and employees from trading in InvoCare securities when they are in possession of information not generally available to the investment community, and otherwise confines the opportunity for directors and employees to trade in InvoCare securities to certain limited periods.

This policy applies to all senior staff particularly those, such as finance team members, who have access to information which is not generally available. In addition, it applies to all the associates of these individuals. The policy prohibits trading in the Company's shares except within narrow and specific windows when the Group believes the market is fully informed. There are limited procedural exceptions to the policy and in certain circumstances the Chairman has the ability to approve trading outside the policy prescriptions.

The share trading policy is available on the Company's website:
www.invocare.com.au

PRINCIPLE 4 – SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Audit committee

The Audit Committee provides assistance to the Board in fulfilling its corporate governance, risk management and oversight responsibilities in relation to the Group's financial reporting, internal control structure, information management systems, interest rate and foreign currency risks and the internal and external audit functions.

It is the responsibility of the Committee to maintain free and open communication between the Committee, the external auditor, the internal auditor and management of the Group. Both the internal and external auditors have a direct line of communication to the Chairman of the Audit Committee.

The Audit Committee comprises three independent non-executive directors and is currently chaired by Roger Penman. Mr Penman is an FCA and brings a wealth of financial and taxation experience to the Committee. Other members are Christine Clifton and Richard Fisher.

The external auditor met with the Audit Committee and the Board of Directors twice during the year without management being present.

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

Corporate Governance Statement continued

PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE

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

The Chairman, CEO, CFO or Company Secretary are responsible, as appropriate, for communication with shareholders and Australian Securities Exchange (ASX). This includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX listing rules and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public. Continuous disclosure obligations are well understood and upheld by the Board and senior executives. Formal and informal discussion and consideration of these obligations occur as and when the need arises.

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

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

PRINCIPLE 6 – RESPECT THE RIGHTS OF SHAREHOLDERS

The Board of Directors aims to ensure that the shareholders are informed of all major developments affecting the Group's state of affairs.

The Company uses its website to complement the official release of material information to the market. Shareholders may elect to receive email alerts when Company announcements are made. Notice of Annual General Meeting, half year and annual results announcements and financial reports, investor presentations, press releases and other ASX announcements can be found on the Company's website: www.invocare.com.au

The Board encourages full participation of shareholders at the Annual General Meeting. The Company's external auditor attends the Annual General Meeting and is available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report. The Chairman of the meeting encourages shareholders to ask reasonable questions of the auditor regarding the audit and auditor's report. Questions for the auditor can be submitted prior to the Annual General Meeting by contacting the Company's registered office.

The next Annual General Meeting is scheduled to be held at 11.00am on Friday, 22 May 2009 at the Radisson Plaza Hotel, 27 O'Connell Street, Sydney.

Shareholders are also able to direct any questions relating to the Company's securities to the share registry, Link Market Services Limited.

The Shareholder Communication Strategy is available on the Company's website: www.invocare.com.au

PRINCIPLE 7 – RECOGNISE AND MANAGE RISK

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

Risk committee

The Risk Committee determines the Group's risk profile and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control. The Risk Committee does not have responsibility for strategic or financial (including information technology) risk management, which is the focus of InvoCare's Audit Committee.

The Company's approach to managing risk draws from the Australian/New Zealand Standard, and the Committee of Sponsoring Organisations of the Treadway Commission's integrated framework for Enterprise Risk Management.

Each senior executive, with input and assistance from their direct reports, identifies key risks for their areas of responsibility and function which are in turn aggregated into an overall corporate risk register. Detailed work on this task is delegated to the Group Internal Audit Manager. Each risk is assessed and assigned an inherent risk rating. After considering the impact of management controls, a residual risk rating is determined for each risk. The risk register is continuously reviewed and maintained as new identified risks or incidents occur, or mitigating controls change which warrant a reassessment of risk ratings.

Extracts of the risk register focusing on the risks with high and very high residual ratings are provided to the Risk Committee at each of its meetings, together with specific commentary or information on significant changes to the risks or the ratings. Specific major risks or incidents are reported as and when they occur with the CEO and COO responsible for escalating these to the Risk Committee and Board, where necessary, if the event occurs outside the regular cycle of Committee meetings. The Committee is informed of the effectiveness of actions to mitigate the impact of risk events. By way of example, during 2008 a fire occurred at the Group's Rookwood Crematorium following which the Risk Committee obtained management's assessment of fire risks and controls at all the Group's crematoria. In addition, the Committee considers developments or improvements in risk management and controls, including the adequacy of insurance programmes. In particular, the Committee reviews and monitors the Group's rolling three-year risk management plan which includes targets, timelines and status for the management of risks.

Separate records and registers are maintained for other more common or recurring risks; for example, arising from customer complaints and occupational health and safety issues. These are managed and reported to the Committee by relevant in-house specialists, including the Group Internal Audit Manager. In this context, the Committee monitors complaints handling and also has a strong focus on ensuring suitable work practices and employee learning and development programmes are developed and delivered.

The Group is finalising a Greenhouse Emissions Plan for Board review which will include any risks and opportunities associated with climate change and identify emission reduction targets. In the interim, the Company has taken steps to reduce or minimise carbon emissions; for example, by progressively replacing its older less fuel efficient cremators. Based on measures of carbon emissions in 2007, as a base year, InvoCare is well below the threshold reporting levels under the *National Greenhouse and Energy Reporting Act 2007* which is effective from 1 July 2008.

The Risk Committee comprises four independent non-executive directors and is currently chaired by Christine Clifton. The other members are Ian Ferrier, Richard Fisher and Benjamin Chow.

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

Internal control

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

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

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

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

Assurance

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

PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY

Remuneration committee

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

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

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

The Remuneration Committee comprises two independent non-executive directors, Ian Ferrier who chairs the committee and Roger Penman.

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

Remuneration structure

Remuneration for senior executives typically comprises a package of fixed and performance-based components. The Committee may, from time to time, seek advice from special remuneration consulting groups so as to ensure that the Board remains informed of market trends and practices.

Non-executive directors are remunerated by way of directors' fees, which may be sacrificed by payment into superannuation plans or by allocation of ordinary shares. They do not participate in schemes designed for the remuneration of executives, and do not receive retirement benefits, bonus payments or incentive shares.

Executive remuneration and other terms of employment are reviewed annually by the Committee having regard to personal and corporate performance, contribution to long-term growth, relevant comparative information and independent expert advice. As well as a base salary, remuneration packages include superannuation, performance-related bonuses, access by invitation to the Deferred Employee Share Plan and fringe benefits.

The Remuneration Report is set out on pages 40 to 46.

The Directors' Report continues on the next page with the start of the Remuneration Report

Remuneration Report

The Remuneration Report summarises the key compensation policies for the year ended 31 December 2008, highlights the link between remuneration and corporate performance and provides detailed information on the compensation for directors and other key management personnel.

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

- A. Principles Used to Determine the Nature and Amount of Remuneration
- B. Details of Remuneration
- C. Service Agreements
- D. Share-based Compensation
- E. Additional Information.

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

A. PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION

Non-executive directors

Policy

The Board's primary focus is on the long-term strategic direction and overall performance of the Group. Accordingly, non-executive director remuneration is not targeted to short-term results. Fees paid to non-executive directors are determined with the assistance of independent external advisers.

The remuneration policy is designed to:

- attract and retain competent and suitably qualified non-executive directors;
- motivate non-executive directors to achieve InvoCare's long-term strategic objectives; and
- align the interests of non-executive directors with the long-term interests of shareholders.

Fee pool and other fees

Non-executive directors' base fees for services as directors are determined within an aggregate directors' fee pool limit, which is periodically approved by shareholders. At the date of this report, the pool limit is \$575,000, being the amount approved by shareholders at the Annual General Meeting held on 23 May 2008.

This remuneration is to be divided among the non-executive directors in such proportion as the Board determines. During the 2008 financial year, annual fees for non-executive directors were \$150,000 for the Chairman of the Board and \$87,500 for each of the other four non-executive directors. For the 2009 financial year, based upon an external review of non-executive director compensation which was commissioned by the Board Remuneration Committee, the fees are \$157,500, for the Chairman and \$91,875 for each of the other four non-executive directors.

The base fees exclude any remuneration determined by the directors where a director performs additional or special duties for the Company. If a director performs additional or special duties for the Company, they may be remunerated as determined by the directors and that remuneration can be in addition to the limit mentioned above. No fees for additional or special duties were paid to non-executive directors during the years ended 31 December 2008 and 31 December 2007.

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

Equity participation

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

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

During 2008, the Board resolved that with effect from 1 January 2009, non-executive directors of InvoCare Limited be required to acquire a minimum equity interest in the Company equivalent in value to 50% of their annual director's fee applying at the time of their appointment as a director of the Company and that directors be allowed up to three years to accumulate the required shareholding. Since the end of the year Benjamin Chow, the only non-executive director not holding shares at 31 December 2008, acquired a parcel of 10,000 shares. Accordingly, at the date of this report all non-executive directors have an equity interest in the Company.

Retiring allowances

No retiring allowances are paid to non-executive directors.

Superannuation

Where relevant, fees paid to non-executive directors are inclusive of any superannuation guarantee charge and, at the discretion of each non-executive director, may be paid into superannuation funds.

Executive directors and management

Policy

The guiding principle underlying InvoCare's executive remuneration philosophy is to ensure rewards are fair and reasonable, having regard to both internal and external relativities, and appropriately balanced between fixed and variable components and that all variable components are commensurate with performance and results delivered.

InvoCare's remuneration policy is that:

- for each role, the balance between fixed and variable components should reflect market conditions;
- individual objectives should reflect the need for sustainable outcomes;
- all variable pay should be tightly linked to measurable personal and business group performance; and
- total compensation should be market competitive.

Effective from the end of the financial year, Richard Davis ceased to be Chief Executive Officer and was replaced by Andrew Smith who was Chief Operating Officer for the duration of the financial year.

As at the date of this report the position of Chief Operating Officer is vacant with the role currently being shared among a number of senior executives. Despite this current situation, the executive directors and management remuneration principles and processes outlined in this report were applied during the financial year and are expected to generally apply in 2009, albeit the role of Chief Operating Officer may be shared during the remainder of 2009.

Approval

The Board Remuneration Committee makes recommendations to the Board of Directors in relation to the remuneration of the Chief Executive Officer (CEO).

The CEO recommends, and the Remuneration Committee reviews for the approval of the Board of Directors, remuneration of all other key management personnel within a defined budget, approved by the Board of Directors.

The key management personnel determine the remuneration of other senior management, within a defined budget approved by the Board of Directors.

Remuneration structure

InvoCare's compensation structure aims to provide a balance of fixed and variable remuneration components. Variable components are tied to the performance of the Group and the individual and are entirely at risk.

The compensation of the Chief Executive Officer and other key management personnel and other staff members is comprised of payments and/or allocations under the following categories:

- short-term employee benefits which include cash salary (fixed), short-term cash bonuses (variable), annual leave (fixed), non-monetary benefits (fixed) and other incidental benefits (fixed);
- post employment benefits comprising superannuation contributions (fixed);
- long-term employee benefits including incentives (variable) and long service leave (fixed); and
- termination benefits as defined in individual employment contracts and as required by law (fixed).

Short-term employee benefits

Short-term employee benefits comprise:

Cash salary – executives are offered a market competitive base cash salary. The cash salary is reviewed on a regular basis against market data for comparable positions provided by independent remuneration consultants and selected survey data. Adjustments to base salary are made based on increases in role scope or responsibility, pay position relative to market and relative performance in the role.

Short-term bonuses – short-term incentives (STI) are awarded for achievement of pre-determined financial and non-financial objectives. For key management personnel, the target criteria and possible bonus levels are defined each year by the non-executive directors and the Remuneration Committee. For other executives, the key management personnel determine the objectives and reward levels within the constraints of a Board approved budget.

- Each executive has a target STI opportunity depending on the accountabilities of the role and impact on performance. For example, amongst the range of mainly quantitative financial performance measures are EBITDA targets, income accretion targets, operating cost control targets, debt cost reduction targets, qualitative measures of customer satisfaction, debtor days outstanding targets and other

key strategic non-financial measures linked to drivers of performance in future reporting periods.

- The target criteria for key management personnel are more heavily weighted to overall Group financial performance (e.g. EBITDA). Thus, the variable reward is only available when value has been created for shareholders and when profit is consistent with the business plan.
- The base target STI opportunity varies for each executive, but is generally no higher than 50% of base cash salary, except for certain sales related staff where a greater portion of their compensation is at risk, being more weighted to achievement of sales targets.
- The bonuses are generally payable in the first quarter of each year, based on performance for the previous year ended 31 December.

Non-monetary benefits – include provision of fully maintained cars and car parking spaces.

Other incidental benefits:

- payment of death and total and permanent disablement and salary continuance insurance premiums for senior executive staff; and
- nominal discounts for funerals of immediate family members.

Post employment benefits

InvoCare provides retirement and superannuation benefits for its employees, including senior executives, through the InvoCare Australia Pty Limited Superannuation Fund or a complying superannuation plan at the choice of the employee. The InvoCare Australia Pty Limited Superannuation Fund provides accumulation benefits based on employer and employee contributions and plan earnings.

Long-term employee benefits

InvoCare's long-term incentive policy aims to create a balance between corporate performance and retention of key executives.

Prior to the Initial Public Offering of InvoCare, equity compensation in the form of share options had been provided to selected executives. No further options have been issued. Details are set out on page 45 under "Share-based Compensation – Options".

During 2007, a share-based compensation scheme, the InvoCare Deferred Employee Share Plan, was introduced under which the Board may offer selected senior executives and other managers incentive shares ("LTI shares") for no consideration but subject to performance and/or continuous service conditions. If employment is terminated, for any reason, prior to the vesting date, or if the performance and service conditions are not met, any unvested LTI shares will be forfeited.

For the offers made in 2007 and 2008, all LTI shares will vest in three equal tranches in February of each of the second, third and fourth subsequent years. The LTI shares are held in trust until vesting and the employees will be entitled to any dividends paid in respect of unforfeited shares. Upon vesting, the employee has the discretion to leave the shares in the plan, withdraw or sell any number of them.

Performance conditions apply to senior managers who have an important strategic role impacting InvoCare's financial performance and relate to compound normalised earnings per share growth. Normalised means adjusted to remove the impacts of any gains or losses arising from the sale, disposal or impairment of non-current assets. LTI shares will vest in accordance with the following table:

Remuneration Report continued

Normalised earnings per share (EPS) compound growth per annum from 1 January in the year of offer	Proportion of each one third tranche of LTI shares that will vest
12% or more	100%
11% or more but less than 12%	80% plus 2% for each 0.1% growth in EPS over 11%
10% or more but less than 11%	65% plus 1.5% for each 0.1% growth in EPS over 10%
9% or more but less than 10%	55% plus 1% for each 0.1% growth in EPS over 9%
8% or more but less than 9%	50% plus 0.5% for each 0.1% growth in EPS over 8%
Less than 8%	Nil

In February 2009, the Board has made further offers to selected senior executives and other managers. The 2009 LTI shares will vest in three equal tranches in February of each of 2011, 2012 and 2013 subject to normalised compound EPS growth from 1 January 2009 as set out below:

Normalised earnings per share 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

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

- broker analysis and forecasts for InvoCare;
- historic and forecast EPS growth in the ASX/S&P 200; and
- InvoCare's own earnings forecasts.

If the EPS performance conditions are not met at the vesting date, the LTI shares remain available until February in the fifth year after grant and may vest based on the compound growth from the date of grant to 31 December of the previous year.

To receive 100% of the LTI shares, the senior executive or manager must remain employed for four years after grant date, and if subject to performance conditions, InvoCare's compound EPS growth must equal or exceed the maximum target growth percentage.

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

Further details of LTI shares are set out on page 44 under "Share-based Compensation – Shares".

All employees are entitled to statutory long service leave.

Termination benefits

Termination benefits are provided in the respective individual contracts of employment, details of which for key management personnel are set out in Section C Service Agreements.

B. DETAILS OF REMUNERATION

Details of the remuneration of the directors, the key management personnel of the Group and specified executives are set out in the following tables.

The key management personnel of the Group are the non-executive directors of InvoCare Limited (see pages 32 to 33), the

CEO (Richard Davis for 2008, Andrew Smith from 1 January 2009), the COO (Andrew Smith for 2008, a shared role from 1 January 2009 to the present time) and the CFO (Phillip Friery).

Other executives who are also included in the category of the five highest paid executives but who are not considered key management personnel are:

- Armen Mikaelian – General Manager, Cemeteries and Crematoria;
- John Fowler – General Manager Victoria, Funerals Division;
- Greg Bisset – General Manager NSW, Funeral Division; and
- Wee Leng Goh – Chief Executive Officer, Singapore Casket Company.

Armen Mikaelian was promoted to the above position on 1 January 2005, having been with InvoCare since 1990 in various capacities.

John Fowler has held general manager positions with InvoCare since May 1995, having been employed in the industry for over 33 years and by InvoCare since 1994 when it acquired the Le Pine funeral businesses in Victoria.

Greg Bisset joined the Group on 15 January 2008, after holding general management and other senior retail positions in South Africa, the Middle East and Australia. On 1 March 2009, Greg was promoted to National Funerals General Manager.

Wee Leng Goh joined the Group on 2 January 2008, after holding senior management positions in insurance and direct marketing industries.

All key management personnel (other than non-executive directors), other Australian executives and staff are employed by InvoCare Australia Pty Limited, a wholly-owned controlled entity of InvoCare Limited. Singapore executives and staff are employed by Singapore Casket Company (Private) Limited, whose ultimate parent entity is InvoCare Limited.

Remuneration details are as follows.

2008	Short-term employee benefits			Post employment benefits	Termination benefits \$	Share-based payments		Total \$
	Cash salary or fee \$	Short-term cash bonus \$	Non-monetary benefits \$	Super-annuation \$		Shares \$		
Non-executive directors								
Ian Ferrier	137,615	–	–	12,385	–	–	–	150,000
Christine Clifton	80,275	–	–	7,225	–	–	–	87,500
Roger Penman	87,500	–	–	–	–	–	–	87,500
Benjamin Chow	80,275	–	–	7,225	–	–	–	87,500
Richard Fisher	80,275	–	–	7,225	–	–	–	87,500
Executive directors								
Richard Davis ⁴	475,001	128,250	14,317	46,350	477,884	–	–	1,141,802
Andrew Smith	372,800	188,326	23,822	33,552	–	116,026	–	734,526
Other key management personnel								
Phillip Friery	300,000	82,620	16,318	27,000	–	69,915	–	495,853
Totals for each component	1,613,741	399,196	54,457	140,962	477,884	185,941	–	2,872,181
Totals by category		2,067,394		140,962	477,884	185,941		2,872,181
Other executives in the category of the five highest paid executives but who are not key management personnel								
Armen Mikaelian	163,462	172,123	15,127	33,653	–	50,936	–	435,301
John Fowler	203,491	25,000	50,570	18,314	–	35,993	–	333,368
Wee Leng Goh	198,655	45,149	18,367	6,005	–	–	–	268,176
Greg Bisset	147,661	46,328	12,150	13,290	–	25,433	–	244,862
2007								
2007	Short-term employee benefits			Post employment benefits	Termination benefits \$	Share-based payments		Total \$
	Cash salary or fee \$	Short-term cash bonus \$	Non-monetary benefits \$	Super-annuation \$		Options ¹ \$	Shares \$	
Non-executive directors								
Ian Ferrier	–	–	–	145,000	–	–	–	145,000
Christine Clifton	71,560	–	–	6,440	–	–	–	78,000
Roger Penman	78,000	–	–	–	–	–	–	78,000
Benjamin Chow	61,123	–	–	5,501	–	–	–	66,624
Richard Fisher	71,560	–	–	6,440	–	–	–	78,000
Executive directors								
Richard Davis	440,000	432,221	14,090	39,600	–	–	–	925,911
Michael Grehan ²	40,028	–	42,096	30,602	389,192	8,224	–	510,142
Other key management personnel								
Andrew Smith	355,045	174,150	22,864	31,953	–	–	85,732	669,744
Phillip Friery	250,000	147,500	17,515	22,500	–	1,495	33,911	472,921
Totals for each component	1,367,316	753,871	96,565	288,036	389,192	9,719	119,643	3,024,342
Totals by category		2,217,752		288,036	389,192	129,362		3,024,342
Other executives in the category of the five highest paid executives but who are not key management personnel								
Armen Mikaelian	170,000	186,430	11,484	31,078	–	2,392	25,433	426,817
John Fowler	139,828	70,000	46,155	45,320	–	748	17,140	319,191
Damian Hiser ³	153,128	–	20,287	12,620	–	–	–	186,035

1. In accordance with Australian equivalents to International Financial Reporting Standards, only the fair value of options issued after 7 November 2002 has been recognised in the income statement and the balance sheet, whilst the amounts disclosed above relate to all options granted to key management personnel.

2. Michael Grehan resigned as a Director and Chief Operating Officer on 15 February 2007.

3. Damian Hiser resigned effective 27 September 2007 and the information disclosed above relates to the period from 1 January 2007 to 27 September 2007.

4. Richard Davis received only statutory leave entitlements upon cessation of employment.

Remuneration Report continued

C. SERVICE AGREEMENTS

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.

The Remuneration Committee reviews the CEO base salary and bonus incentives annually.

The remuneration and other terms of employment for the previous Chief Executive Officer, Richard Davis, who resigned effective 31 December 2008, were formalised in a service agreement dated 8 May 2001 with an initial term of two years, renewable each year for a further 12 months at the discretion of the Board of Directors. The agreement provided for the provision of salary, short-term performance related cash bonuses, superannuation and other benefits. Mr Davis received only statutory leave entitlements upon his cessation of employment but has agreed to remain a consultant to the Group until 30 June 2009.

Remuneration and other terms of employment from 1 January 2009 for the new Chief Executive Officer, Andrew Smith, were formalised in a service agreement executed on 17 December 2008 which replaces agreements executed in March 2007 (upon promotion to Chief Operating Officer) and December 2005 (for employment commencing January 2006 as Chief Financial Officer). The agreements provide for provision of salary, short-term performance related cash bonuses, long-term performance related share-based bonuses, superannuation and other benefits. The current term of employment is for three years and four months commencing on 1 January 2009 with a starting base salary of \$458,716, short-term incentive bonus up to 45% of base salary and superannuation (\$225,000 in the first year) and LTI shares of up to 35% of base salary and superannuation (\$175,000 in the first year). The LTI shares are subject to the same performance conditions as set out in Section A above for senior InvoCare management. The performance conditions for the 2008 LTI share-based bonus under the previous March 2007 service agreement (\$135,450) were not achieved but under the terms of the latest agreement this bonus may still be payable subject to the achievement in subsequent years of compound annual profit growth of 7.5% or more. Except in the case of misconduct, termination may generally be effected, by either party, with either six months' notice or by payment of six months' remuneration. Details of the share-based remuneration are set out in Section D Share-based Compensation.

Remuneration and other terms of employment for each of the other key management personnel and other senior managers are formalised in service agreements or letters of appointment as varied from time to time, including through annual review of the base salary, short and long -term incentives. Each contract is for an indefinite term. Up to six months' notice or payment in lieu of notice is generally required in the event of resignation. Termination benefits are limited to statutory leave entitlements, unless determined otherwise by the Remuneration Committee. During 2007 and 2008, the other key management personnel and certain other senior managers participated in the InvoCare Deferred Employee Share Plan. Details of this plan are set out in Section D Share-based Compensation. The other key management personnel and certain other senior executives also participated in the Company's Employee Share Option Plan and options were granted to them in September 2003. Since that date, no further options have been granted. Details of these options are set out in Section D Share-based Compensation.

D. SHARE-BASED COMPENSATION

Shares

Under service agreements, Andrew Smith may receive long-term incentive bonus remuneration in the form of ordinary shares in InvoCare Limited. The maximum annual bonus is up to 35% of his combined base salary and superannuation and is linked to the profit performance of InvoCare. Shares to the value of the bonus will be purchased on behalf of the employee and one third will vest on subsequent anniversaries of their purchase. The employee will be entitled to any dividends paid in respect of the shares. Any unvested shares granted before appointment as Chief Executive Officer on 1 January 2009 will be forfeited upon termination of employment for any reason. Unvested LTI shares granted after 1 January 2009 will be forfeited if Mr Smith terminates his employment or if the Company terminates his employment for reasons including serious misconduct, otherwise unvested shares will automatically vest upon termination. Mr Smith's long-term incentive bonus is determined by the Remuneration Committee.

Key management personnel and other executives in the category of the five highest paid executives but who are not other key management personnel received shares under the terms of the InvoCare Deferred Employee Share Plan. The shares were purchased on market and granted for no consideration. Details of the grants are set out below.

	Grant value \$		Expensed \$	
	2008	2007	2008	2007
Executive directors				
Andrew Smith ¹	–	129,000	116,026	85,732
Other key management personnel				
Phillip Friery	100,000	100,000	67,915	33,911
Other executives in the category of the five highest paid executives but who are not other key management personnel				
Armen Mikaelian	75,000	75,000	50,936	25,433
John Fowler	55,000	51,000	35,993	17,295
Greg Bisset	75,000	–	25,433	–

1. Under the terms of Mr Smith's service agreement the LTI share offer performance hurdle for 2008 was not achieved but shares to the value of \$135,450 will be granted if compound annual profit growth of 7.5% or more is achieved in a subsequent year.

The numbers of ordinary shares in the Company held during the year by each director of InvoCare Limited and other key management personnel are summarised in Note 6 on page 69.

Options

Options were granted to certain senior executives of the consolidated entity for no consideration under the Employee Share Option Plan, which was established prior to the Initial Public Offering of InvoCare Limited. The option grants made were at the discretion of, and determined by, the directors of the Company at that time.

There have been no options granted under the plan since 22 September 2003.

E. ADDITIONAL INFORMATION

Principles used to determine the nature and amount of remuneration: relationship between remuneration and Company performance

The overall level of executive reward takes into account the performance of the Group over a number of years, with greater emphasis given to the current and prior year. The results of the Company and returns to shareholders over the last five years are summarised below.

	2008	2007	2006	2005	2004
Earnings per share	28.0	27.6	24.7	21.0	20.4
Dividends paid in year (cents per share):					
Interim for current year	10.5	10.0	8.0	7.0	6.4
Final for previous year	12.5	11.5	9.5	9.0	–
Special	–	–	–	10.5	–
Total dividends paid in the year	23.0	21.5	17.5	26.5	6.4
Share price – 1 January	\$7.01	\$5.57	\$4.19	\$3.35	\$2.14
Share price – 31 December	\$5.15	\$7.01	\$5.57	\$4.19	\$3.35
Total shareholder return (price movement plus cash dividends)	(\$1.63)	\$1.66	\$1.56	\$1.11	\$1.27
Total shareholder return as percentage of opening share price	(23%)	30%	37%	33%	59%

Under the InvoCare Deferred Employee Share Plan, the LTI share remuneration is linked to the compound annual growth in normalised earnings per share over the vesting periods. The following table summarises the performance to date for the grants made in 2007 and 2008:

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
2007	8 to 12%	22.2 cents	February 2009 – satisfied and 1/3rd fully vested February 2010 February 2011 February 2012 (if required)
2008	8 to 12%	27.2 cents	February 2010 February 2011 February 2012 February 2013 (if required)

The first one-third tranche of the 2007 share grant fully vested in February 2009 based upon achievement of more than 12% annual compound growth in normalised EPS to 31 December 2008. For the next one-third tranche of the 2007 grant to fully vest in February 2010, normalised EPS for 2009 must exceed 28.5 cents. For the first one-third tranche of the 2008 grants to fully vest in February 2010 normalised EPS for 2009 must exceed 36.3 cents.

Remuneration Report continued

Cash and share-based bonuses

For each cash bonus and share-based bonus included in the above remuneration tables, the percentage of the available bonus that was payable for the financial year and the percentage that was forfeited because the person or the consolidated entity did not meet the service and performance criteria is set out below. No part of the cash bonuses is payable in future years.

Name	Cash bonus		Share-based bonus					Financial years in which shares may vest (Note 3) \$
	Payable %	Forfeited %	Grant year	Vested %	Forfeited %	Minimum yet to vest (Note 2) \$	Maximum yet to vest \$	
Richard Davis	25	75	N/A	N/A	N/A	N/A	N/A	N/A
Andrew Smith	84	16	2006	33	–	Nil	82,543	2009 2010
			2007	–	–	Nil	129,000	2009 2010 2011
Phillip Friery	54	46	2007	–	–	Nil	100,000	2009 2010 2011
			2008	–	–	Nil	100,000	2010 2011 2012
Armen Mikaelian	99	1	2007	–	–	Nil	75,000	2009 2010 2011
			2008	–	–	Nil	75,000	2010 2011 2012
John Fowler	54	46	2007	–	–	Nil	51,000	2009 2010 2011
			2008	–	–	Nil	55,000	2010 2011 2012
Wee Leng Goh	100	0	N/A	N/A	N/A	N/A	N/A	N/A
Greg Bisset	100	0	2008	–	–	Nil	75,000	2010 2011 2012

1. N/A = Not applicable

2. Performance conditions must be met before vesting and, if not, the minimum that will vest could be nil.

3. Under the terms of the grants, an additional year beyond the last shown may be allowed for vesting if the performance hurdles have not been achieved.

Loans to directors and executives

There are no loans to directors and executives.

Share options granted to directors and the most highly remunerated officers

There were no options over unissued ordinary shares of InvoCare Limited at 31 December 2008 nor were any options granted during or since the end of the financial year.

The Directors' Report concludes on the following page.

Directors' Report continued

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.

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 2008:

	\$
Assurance services	15,450
Taxation services	79,815
Advisory services	12,730
Total	107,995

Auditor's independence declaration

The copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 48.

Rounding of amounts

The Company is of a kind referred to in Class Order 98/0100 issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' Report and financial report. Amounts in the Directors' Report and financial report have been rounded off to the nearest thousand dollars (where rounding is applicable) in accordance with that Class Order.

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



Ian Ferrier
Director



Andrew Smith
Director

Dated this 27th day of March 2009.

Auditor's Independence Declaration



PricewaterhouseCoopers
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As lead auditor for the audit of InvoCare Limited for the year ended 31 December 2008,
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 blue ink, appearing to read 'John Feely'.

John Feely
Partner

PricewaterhouseCoopers

Sydney
27 March 2009