

Directors' Report

The Directors submit their report on the consolidated entity consisting of InvoCare Limited (the Company) and the entities it controlled for the year ended 31 December 2004. InvoCare Limited and its controlled entities together are referred to as InvoCare or the consolidated entity in this Financial 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

Michael Grehan

John Murphy (resigned 28 February 2005)

Christine Clifton

Richard Fisher

Roger Penman (appointed 1 January 2005)

PRINCIPAL ACTIVITIES

InvoCare is Australia's leading private provider of services to the funeral industry. 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 Company's affairs during the financial year.

REVIEW OF OPERATIONS

The key highlights for the year include:

- The consolidated net profit for the year after tax attributable to members of InvoCare Limited was \$17.1 million compared to the Prospectus forecast of \$12.5 million and \$11.6 million in 2003. This profit includes gain on sale of assets of \$1.7 million (before tax) compared to the Prospectus forecast of \$0.1 million and \$2.7 million in 2003. Refinancing costs during the year were \$Nil compared to \$2.1 million (before tax) in 2003.
- Revenues from operating activities were \$148.3 million, an increase of 5.7% over the previous year and 2.8% higher than the Prospectus forecast. The increases are attributable to a combination of a higher number of deaths, higher average prices and a small improvement in market share.
- Earnings per share (basic) were 18.1 cents per share (2003: 12.0 cents per share) compared to the Prospectus forecast of 13.3 cents per share. Details are set out in Note 30 of the financial statements.
- InvoCare has continued implementation of its new Guardian branding and marketing strategy in the Sydney market during 2004 to complement the strong branding position already in place of its national brands, White Lady and Simplicity.

- Marketing of prepaid funerals continued during the year and at December 2004 InvoCare had \$198.6 million (2003: \$169.5 million) of funds in trust for prepaid funerals and prepaid cemetery and crematoria services. This is an increase of 17.2% compared to December 2003. During 2004, 13% of funerals performed were previously prepaid with InvoCare.
- Significant progress was made in the development and implementation of new IT systems for the financial and operational aspects of the business. These are on track to be finalised in 2005, or in the case of prepaid funerals, in 2006.

DIVIDENDS

An interim fully franked dividend for the year ended 31 December 2004 of \$6,080,191 (6.4 cents per fully paid share) was paid on 12 October 2004.

Since the end of the financial year, the Directors have recommended on 12 April 2005 the payment of a final fully franked ordinary dividend of \$8,550,268 (9.0 cents per fully paid share) out of retained profits at 31 December 2004.

The total of the interim and final dividends relating to the year ended 31 December 2004 is consistent with the Directors' intention to maintain a dividend payout ratio of 75% of net profit after tax before goodwill amortisation, which is the maximum normally permitted under the terms of the Company's debt facility agreements.

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 results of those operations or InvoCare's state of affairs in future financial years.

FUTURE DEVELOPMENTS AND RESULTS

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 Environmental Risk Management Systems in place at its appropriate 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.

Directors' Report continued

Mr Ian Ferrier CA

Chairman of the Board
Chairman of Remuneration Committee
Member of Risk Committee

Ian Ferrier has held the position of Chairman of InvoCare Limited since 2001. Ian is a Senior Founding Partner of Ferrier Hodgson Accountants, Australia's largest firm of reconstruction accountants. Ian is Chairman of Port Douglas Reef Resorts and a Non-Executive Director of McGuigan Simeon Wines Limited, Macquarie Goodman Management Limited and Reckon Limited. As senior partner of Ferrier Hodgson, Ian has gained vast experience in numerous commercial fields. Ian is a Fellow of the Institute of Chartered Accountants in Australia and a Member of the Hong Kong Society of Accountants.

Mr Richard Davis BEc

Chief Executive Officer

Richard has held the position of Chief Executive Officer of InvoCare Limited since 1995. Richard is a Director of The Over 50s Guardian Friendly Society Limited. Richard was recruited to the position of Chief Financial Officer of Chase Corporation's funeral business in 1989 and stayed on in this position when the business was acquired by Industrial Equity Limited, following which he became Chief Executive Officer. 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 Michael Grehan BAcc, MBA

Chief Operating Officer

Michael Grehan has held the position of Chief Operating Officer of InvoCare Limited since March 2000 and was appointed as a Director of InvoCare Limited on 24 October 2003. Prior to joining InvoCare, Michael held senior management positions across a number of different industries. These included Managing Director of National Jet Systems, Group Financial Controller overseeing all financial and commercial activities of Qantas' subsidiary businesses, including Regional Airlines, Flight Catering, Resorts, Freight and Property, and a long-term secondment as General Manager Purchasing, Distribution with Carrier Air-conditioning. Prior to moving into management, Michael was a chartered accountant specialising in insolvency with KPMG, including two years spent in the United States with the firm. Michael holds a Bachelor of Business Accountancy and a Master of Business Administration from the Queensland University of Technology.



Mr Roger Penman BEc FCA FTIA
Non-Executive Director
Chairman of Audit Committee
(from 28 February 2005)
Member of Remuneration Committee
(from 28 February 2005)

Roger Penman was appointed as a Director of InvoCare Limited on 1 January 2005 and commenced his roles on the Audit Committee and Remuneration Committee on 28 February 2005. Roger has been a partner of WHK Greenwoods (part of the Investor Group Limited) since 1986. Previously he was a senior tax manager in the tax consulting division of Arthur Andersen for 11 years. 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.

Dr Christine (Tina) Clifton
MB BS (HONS), BHA, FRACMA
Non-Executive Director
Chairman of Risk Committee
Member of Audit Committee

Tina Clifton is a registered medical practitioner. Tina has been a Director of InvoCare Limited since 24 October 2003 and her other current directorships include HCF, Ambri Limited and IWPE Nominees Pty Limited. Tina was formerly a Director of the Garvan Institute of Medical Research, the Victor Chang Cardiac Research Institute and St Vincents Hospitals. Prior to 2001 Tina held various positions in the public and private healthcare sectors including Chief Executive Officer of the Sisters of Charity Health Service in New South Wales and deputy Chief Executive Officer of the Northern Sydney Area Health Service. From 1980 to 1988 Tina was a general practitioner. Tina holds degrees in medicine and health administration and specialist qualifications in medical administration.

Mr Richard Fisher MEd, LLB
Non-Executive Director
Member of Risk Committee
Member of Audit Committee

Richard Fisher is a partner at Blake Dawson Waldron specialising in corporate law, and also holds the position of Chairman of Partners. He has been a Director of InvoCare Limited since 24 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.



Directors' Report continued

MR JOHN MURPHY BComm, MComm, CA, FCPA
 Non-Executive Director
 Chairman of Audit Committee (until 28 February 2005)
 Member of Remuneration Committee (until 28 February 2005)

John Murphy resigned as a Director of InvoCare Limited on 28 February 2005, having been appointed in May 2001. John is Managing Director of Investec Wentworth Private Equity Pty Limited, a leading Australian private equity firm, and sits on the Board of each of the fund's seven investments. John is also a Director of Investec Bank (Australia) Limited, Southcorp Limited and the First Wine Fund Limited. Before founding the private equity business, five years ago, John spent 25 years with an international accounting firm including 14 years as a global partner. In that time John held a number of Australian and Asia Pacific management roles and has extensive experience in the areas of Corporate Recovery, Corporate Finance and Mergers and Acquisitions. John holds a Bachelor and Master of Commerce from the University of New South Wales. John is a member of the Institute of Chartered Accountants in Australia and a Fellow of CPA Australia.

COMPANY SECRETARY
MR KENNETH MEALEY BComm, CPA
 Chief Financial Officer

Kenneth Mealey has held the position of Company Secretary and Chief Financial Officer since joining the consolidated entity in 1994. Prior to joining the consolidated entity, Kenneth had considerable senior management and financial experience across several industries, including five years as Finance Director and Company Secretary of previously listed company Hunter Douglas Limited, two years as Technology Division Finance Director for Lend Lease Corporation and ten years as Director of Finance and Administration at Otis Elevator Company Pty Limited. Kenneth holds a Bachelor of Commerce from the University of New South Wales and is a member of CPA Australia.

MEETINGS OF DIRECTORS

During the year ended 31 December 2004, 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:

	Full Board Meetings		Audit		Meetings of Committees Remuneration		Risk	
	No. eligible to attend	No. attended	No. eligible to attend	No. attended	No. eligible to attend	No. attended	No. eligible to attend	No. attended
Ian Ferrier	14	12	–	–	6	6	4	4
Richard Davis	14	14	–	6*	–	6*	–	4*
John Murphy	14	13	6	6	6	6	–	1*
Michael Grehan	14	14	–	6*	–	–	–	4*
Christine Clifton	14	13	6	6	–	–	4	4
Richard Fisher	14	13	6	5	–	–	4	3

* Attended as an invited guest of the Committee

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, 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.

Christine Clifton (by rotation) and Roger Penman (appointed by the Directors on 1 January 2005) will retire as Directors at the Annual General Meeting and, being eligible, offer themselves for re-election.

DIRECTORS' AND EXECUTIVES' REMUNERATION, SHARES, OPTIONS AND OTHER TRANSACTIONS

Details relating to Directors' and executives' remuneration, shares, options and other transactions are set out in Note 33 of the financial statements.

INDEMNIFICATION AND INSURANCE OF DIRECTORS

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.

ROUNDING

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.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of InvoCare Limited support and have adhered to the principles of corporate governance. The Company's corporate governance statement is contained in the following section.

This report is made in accordance with a resolution of the Directors



Ian Ferrier
Director



Richard Davis
Director

Sydney
30 March, 2005