



InvoCare Limited

Interim report

For the half-year ended 30 June 2010

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InvoCare Limited

Directors' report

Your directors present their report on the consolidated entity consisting of InvoCare Limited and the entities it controlled at the end of, or during, the half-year ended 30 June 2010.

Directors

The persons who were directors of InvoCare Limited during the half-year and until the date of this report are as below. The directors were in office for the entire period.

Ian Ferrier
Andrew Smith
Christine Clifton
Roger Penman
Benjamin Chow
Richard Fisher

Review of operations

The Group's net profit after tax attributable to members for the half-year ended 30 June 2010 was \$16,590,000 (2009: \$14,301,000).

Revenue from continuing operations increased to \$131,613,000 (2009: \$126,256,000). A lower number of deaths adversely impacted sales. However, higher average funeral prices more than offset volume declines, resulting in funeral sales increasing by \$2,345,000. In addition, despite the lower volumes, solid memorial sales and higher contract averages resulted in cemeteries and crematoria sales increasing by \$3,004,000. Operating margins improved with effective cost control as well as the benefit from the higher margin cemeteries and crematoria sales.

Dividend

The directors have determined a fully franked interim dividend of 13.0 cents per share (2009: 11.5 cents per share fully franked) which will be paid on 8 October 2010.

The Dividend Reinvestment Plan ("DRP") will apply, with shares to be purchased on market and allocated at no discount from the weighted average market price of the Company's shares traded during the first ten (10) trading days after (but not including) the record date of 17 September 2010. Any DRP take up shortfall will not be underwritten.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 2.


Rounding of amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

Signed in accordance with a resolution of the directors.



Ian Ferrier
Director



Andrew Smith
Director

Sydney
19 August 2010

Auditor's Independence Declaration

As lead auditor for the review of InvoCare Limited for the half-year ended 30 June 2010, 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 review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

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



John Feely
Partner
PricewaterhouseCoopers

Sydney
19 August 2010

InvoCare Limited

Consolidated statement of comprehensive income

For the half-year ended 30 June 2010

	Notes	Half-year	
		2010 \$'000	2009 \$'000
Revenue from continuing operations		131,613	126,256
Finished goods, consumables and funeral disbursements		(36,244)	(36,922)
Employee benefits expense		(32,900)	(31,653)
Employee related and on-cost expenses		(7,064)	(6,779)
Advertising and public relations expenses		(3,824)	(3,798)
Depreciation, amortisation and impairment expense		(5,431)	(5,341)
Occupancy and facilities expenses		(8,789)	(8,101)
Finance costs		(4,971)	(4,277)
Motor vehicle expenses		(2,403)	(2,632)
Other expenses		(7,109)	(6,774)
Acquisition related expenses		(691)	-
Net gain/(loss) on disposal of non-current assets		713	(205)
Profit before income tax		22,900	19,774
Income tax expense		(6,257)	(5,434)
Profit from continuing activities		16,643	14,340
Profit for the half-year		16,643	14,340
Profit is attributable to:			
Equity holders of InvoCare Limited		16,590	14,301
Minority interests		53	39
		16,643	14,340
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings per share (cents per share)	5	16.4	14.2
Diluted earnings per share (cents per share)	5	16.4	14.2

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

InvoCare Limited

Consolidated statement of comprehensive income continued

For the half-year ended 30 June 2010

	Notes	Half-year	
		2010 \$'000	2009 \$'000
Profit for the half-year		16,643	14,340
Other comprehensive income			
Changes in fair value of cash flow hedges, net of tax		511	1,077
Changes in foreign currency translation reserve, net of tax		310	(1,413)
Other comprehensive income for the half-year		821	(336)
Total comprehensive income for the half-year		17,464	14,004
Total comprehensive income for the half-year is attributable to:			
Equity holders of InvoCare Limited		17,411	13,965
Minority interests		53	39
		17,464	14,004

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

InvoCare Limited

Consolidated statement of financial position

As at 30 June 2010

	Notes	30 June 2010 \$'000	31 December 2009 \$'000
ASSETS			
Current assets			
Cash and cash equivalents		4,100	5,509
Trade and other receivables		24,226	19,588
Inventories		16,064	15,354
Deferred selling costs		583	570
Total current assets		44,973	41,021
Non-current assets			
Trade and other receivables		12,281	10,191
Property, plant and equipment		230,066	223,447
Intangible assets		63,538	58,486
Derivative financial instruments		-	765
Deferred selling costs		8,157	7,985
Total non-current assets		314,042	300,874
Total Assets		359,015	341,895
LIABILITIES			
Current liabilities			
Trade and other payables		25,618	21,292
Borrowings		78	-
Derivative financial instruments		1,086	1,996
Current tax liabilities		4,343	3,311
Deferred revenue		2,997	2,941
Provisions for employee benefits		9,154	8,727
Total current liabilities		43,276	38,267
Non-current liabilities			
Trade and other payables		346	334
Borrowings		160,739	153,759
Deferred tax liabilities		29,786	29,574
Deferred revenue		41,964	41,188
Provisions for employee benefits		1,400	1,308
Total non-current liabilities		234,235	226,163
Total liabilities		277,511	264,430
Net assets		81,504	77,465
EQUITY			
Contributed equity	4	77,630	76,950
Reserves		968	174
Retained profits/(Accumulated losses)	6	1,809	(778)
Parent entity interest		80,407	76,346
Minority interest		1,097	1,119
Total equity		81,504	77,465

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

InvoCare Limited

Consolidated statement of changes in equity

For the half-year ended 30 June 2010

	Attributable to owners of InvoCare Limited				Non controlling interest \$'000	Total equity \$'000
	Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Total		
Balance at 1 January 2010	76,950	174	(778)	76,346	1,119	77,465
Total comprehensive income for the half-year	-	821	16,590	17,411	53	17,464
Transactions with owners in their capacity as owners:						
Dividends paid	-	-	(14,003)	(14,003)	(75)	(14,078)
Dividend Reinvestment Plan issues	1,423	-	-	1,423	-	1,423
Deferred employee share plan shares vesting during the half-year	519	(519)	-	-	-	-
Acquisition of shares by the InvoCare Deferred Share Plan Trust	(1,242)	-	-	(1,242)	-	(1,242)
Forfeit of shares on termination of employment	(20)	-	-	(20)	-	(20)
Employee shares – value of services	-	492	-	492	-	492
Balance at 30 June 2010	77,630	968	1,809	80,407	1,097	81,504
Balance at 1 January 2009	71,806	(649)	(9,215)	61,942	1,037	62,979
Total comprehensive income for the half-year	-	(336)	14,301	13,965	39	14,004
Transactions with owners in their capacity as owners:						
Dividends paid	-	-	(13,104)	(13,104)	-	(13,104)
Dividend Reinvestment Plan issues	2,840	-	-	2,840	-	2,840
Deferred employee share plan shares vesting during the half-year	285	(285)	-	-	-	-
Acquisition of shares by the InvoCare Deferred Share Plan Trust	(933)	-	-	(933)	-	(933)
Employee shares – value of services	-	307	-	307	-	307
Balance at 30 June 2009	73,998	(963)	(8,018)	65,017	1,076	66,093

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

InvoCare Limited

Consolidated statement of cash flows

For the half-year ended 30 June 2010

	Half-year	
	2010 \$'000	2009 \$'000
Cash flows from operating activities		
Receipts from customers	136,933	134,634
Payments to suppliers	(109,631)	(108,137)
Other revenue	1,987	1,589
	29,289	28,086
Interest received	52	51
Finance costs	(5,411)	(5,555)
Income tax paid	(5,625)	(7,238)
Net cash inflow from operating activities	18,305	15,344
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	1,997	97
Payments for property, plant and equipment	(4,958)	(5,584)
Payments for purchase of subsidiaries and other businesses, net of cash acquired	(7,830)	-
Net cash (outflow) from investing activities	(10,791)	(5,487)
Cash flows from financing activities		
Payment for shares acquired by InvoCare Deferred Employee Share Plan Trust	(1,257)	(948)
Proceeds from borrowings	14,974	11,000
Repayment of borrowings	(10,000)	(10,000)
Payment of dividends – InvoCare Limited shareholders (net of Dividend Reinvestment Plan share issues \$1,423,000 (2009: \$2,840,000))	(12,579)	(10,264)
Dividends paid to minority interests in subsidiaries	(75)	-
Net cash (outflow) from financing activities	(8,937)	(10,212)
Net increase (decrease) in cash and cash equivalents	(1,423)	(355)
Cash and cash equivalents at the beginning of the half-year	5,509	6,414
Effect of exchange rate changes on cash and cash equivalents	14	(350)
Cash and cash equivalents at the end of the half-year	4,100	5,709

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

InvoCare Limited

Notes to the consolidated financial statements

30 June 2010

1 Basis of preparation of the half-year report

This general purpose financial report for the interim half-year reporting period ended 30 June 2010 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual report for the year ended 31 December 2009 and any public announcements made by InvoCare Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period. A number of comparative amounts on the statement of comprehensive income were represented or reclassified to ensure comparability with the current reporting period.

2 Segment information

The segment information regularly provided to the Chief Executive Officer for the reportable operating segments for the half-year ended 30 June 2010 is as follows:

	Australian Operations		Singapore Operations		Consolidated	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Sales revenue						
Funerals						
Comparable	93,641	91,297	4,577	4,766	98,218	96,063
Acquired businesses	191	-	-	-	191	-
Total funerals	93,832	91,297	4,577	4,766	98,409	96,063
Cemeteries and crematoria	33,542	30,539	-	-	33,542	30,539
Elimination of intra-group sales	(3,286)	(3,149)	-	-	(3,286)	(3,149)
Revenue from external customers	124,088	118,687	4,577	4,766	128,665	123,453
Other revenue (excluding interest income)	2,529	2,424	102	87	2,631	2,511
Operating expenses	(95,976)	(94,354)	(2,358)	(2,305)	(98,334)	(96,659)
Normalised operating EBITDA	30,641	26,757	2,321	2,548	32,962	29,305
Depreciation and amortisation	(5,249)	(5,024)	(182)	(317)	(5,431)	(5,341)
Finance costs	(4,724)	(4,277)	(247)	-	(4,971)	(4,277)
Interest income	318	292	-	-	318	292
Income tax expense	(6,769)	(5,034)	(264)	(386)	(7,033)	(5,420)
Normalised profit after tax	14,217	12,714	1,628	1,845	15,845	14,559
Profit/(loss) on sale of assets	798	(226)	-	7	798	(219)
Minority interest	(53)	(39)	-	-	(53)	(39)
Net profit after tax attributable to equity holders of InvoCare Limited	14,962	12,449	1,628	1,852	16,590	14,301
Acquisition of property, plant and equipment and intangibles	9,467	5,380	38	204	9,505	5,584
Total assets	328,932	312,048	30,083	28,117	359,015	340,165

The 2009 sales revenue has been restated by moving amounts previously included as acquired business to comparable as more than eighteen months history for these businesses is now available.

InvoCare Limited

Notes to the consolidated financial statements

30 June 2010

3 Dividends

	Half-year ended	
	2010 \$'000	2009 \$'000
Dividend paid during the half-year		
Final dividend in respect of the previous year of 13.75 cents (2009: 13 cents) per fully paid ordinary share, fully franked based on tax paid at 30%.	14,003	13,104
Dividends paid to minority interest for 2009 of 9.4 cents per fully paid share fully franked based on tax paid at 30%.	75	-
Dividends not recognised at the end of the half-year		
In addition to the above dividends, since the end of the half-year the directors have recommended the payment of an interim dividend of 13.0 cents per fully paid ordinary share (2009: 11.5 cents), fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 8 October 2010 (2009: 9 October 2009), but not recognised as a liability at the end of the half year, is	13,201	11,657
Franking credit balance		
The amount of franking credits available for subsequent financial years are:		
Franking account balance at the end of the reporting period	15,317	17,928
Franking credits that will arise from the payment of income tax payable at the end of the reporting period	3,556	1,701
Reduction in franking account resulting from the payment of the proposed interim dividend of 13.0 cents (2009: 11.5 cents)	(5,658)	(4,996)
	13,215	14,633

4 Movements in contributed equity

	2010 Shares	2009 Shares	2010 \$'000	2009 \$'000
Ordinary shares				
Dividend reinvestment plan issues	234,855	566,824	1,423	2,840
	234,855	566,824	1,423	2,840
Treasury shares				
Movement of treasury shares during the half-year				
Shares vesting during the half-year	82,996	46,052	519	285
Shares forfeited during the half-year	3,579	5,001	20	15
Acquisition of shares by the InvoCare Deferred Share Plan Trust	(209,820)	(199,935)	(1,242)	(948)
	(123,245)	(148,882)	(703)	(648)

InvoCare Limited

Notes to the consolidated financial statements

30 June 2010

5 Earnings per share

	2010 Shares	2009 Shares
The Weighted average number of ordinary shares used as a denominator in calculating:		
Basic earnings per share	101,458,305	100,967,684
Diluted earnings per share	101,458,305	100,967,684

6 Retained profits

The transition to AIFRS resulted in \$47,084,000 being charged against retained earnings of the consolidated entity at 1 January 2004. These adjustments primarily related to the recognition of deferred tax liabilities and impairment losses on cemetery and crematorium land and gave rise to consolidated net accumulated losses. There is a possibility the deferred tax liability may be reversed in a future reporting period if a change to AIFRS currently under consideration by the standard setting authorities is adopted.

The AIFRS transitional adjustments will not materially adversely impact or restrict the Group's current and future profitability, cash flows or dividend capability. Since making the transition to AIFRS, the Group has distributed all available previous AGAAP profits as dividends and continues to distribute dividends from AIFRS reported profits.

The following table shows the movements in the consolidated entity's retained earnings / (accumulated losses) since transition to AIFRS on 1 January 2004, set out in separate sub-account components relating to, firstly previously reported AGAAP retained earnings, secondly the AIFRS transitional adjustments to retained earnings and finally AIFRS determined profits. The amounts of retained earnings AIFRS transitional adjustments which have since reversed into profits amount to \$4,730,000. These are shown as transfers in the table below and comprise reversals of:

- non-current asset impairment losses of \$1,691,000 (net of tax);
- AASB 132 and AASB 139 financial instruments adjustments \$861,000 (net of tax); and
- temporary differences relating to the deferred tax liability established at transition to AIFRS \$3,900,000.

	Previously reported AGAAP earnings \$'000	Transitional AIFRS adjustments to retained earnings \$'000	Post AIFRS adoption reported earnings \$'000	Total \$'000
Balance of retained earnings/(accumulated losses) as at 1 January 2004	11,033	(47,084)	-	(36,051)
Profit after tax for the 2004 year	17,088	-	2,167	19,255
Dividends paid during 2004	(6,080)	-	-	(6,080)
Transitional AIFRS adjustment on 1 January 2005 relating to the adoption of AASB 132 and AASB 139	-	861	-	861
Profit after tax for the 2005 year	-	-	20,141	20,141
Dividends paid during 2005	(22,041)	-	(3,462)	(25,503)
Profit after tax for the 2006 year	-	-	24,047	24,047
Dividends paid during the 2006 year	-	-	(17,004)	(17,004)
Profit after tax for the 2007 year	-	-	27,554	27,554
Dividends paid during the 2007 year	-	-	(21,395)	(21,395)
Profit after tax for the 2008 year	-	-	28,026	28,026
Dividends paid during the 2008 year	-	-	(23,066)	(23,066)
Profit after tax for the 2009 year	-	-	33,198	33,198
Dividends paid during the 2009 year	-	-	(24,761)	(24,761)
Profit after tax for the 2010 half-year	-	-	16,590	16,590
Dividends paid during the 2010 half-year	-	-	(14,003)	(14,003)
Transfer between sub-accounts	-	4,730	(4,730)	-
Balance of retained earnings/(accumulated losses) as at 30 June 2010	-	(41,493)	43,302	1,809

InvoCare Limited

Notes to the consolidated financial statements

30 June 2010

7 Business combinations

During 2010, the Group acquired the funeral business of W N Bull Funerals, which operates three locations in Sydney. Further details of this acquisition are set out below.

W N Bull Funerals

(a) Summary of the W N Bull Funerals acquisition

On 15 June 2010, a subsidiary InvoCare Australia Pty Limited, acquired W N Bull Funerals' business assets and two properties. The business operates from a main location in Newtown with subsidiary operations in Parramatta and North Sydney in Sydney, New South Wales.

During 2010 W N Bull Funerals contributed revenues of \$0.2 million and made a minor contribution to EBITDA. Further integration of the business with other InvoCare businesses in the Sydney region is underway.

Details of the fair value of the assets and liabilities acquired and goodwill are as follows:

	\$'000
Purchase consideration:	
Cash paid	7,830
Contingent consideration	2,323
Total purchase consideration	10,153
Fair value of net identifiable assets acquired (refer below):	6,275
Goodwill	3,878

Contingent consideration will be payable in cash in the future in respect of the business assets based on the achievement of pre-determined volume targets for the first twelve months and upon the exercise of a put and call option over the business premises in North Sydney. The contingent consideration has been included in the calculation of the goodwill arising on the acquisition.

The purchase price of the business of W N Bull Funerals was determined using expected future maintainable earnings. This has resulted in the recognition of goodwill which relates to synergies expected to be achieved as a result of combining W N Bull Funerals with the rest of the Group.

Total costs of \$691,000 consisting largely of NSW Stamp Duty have been incurred and expensed in the Statement of Comprehensive Income as required by AASB 3: *Business Combinations*.

(b) W N Bull Funerals assets and liabilities acquired

The assets and liabilities arising from the acquisition are as follows:

	Acquiree's carrying amount \$'000	Fair Value \$'000
Inventories	108	108
Property, plant and equipment	6,349	6,349
Intangible assets: Brand name	-	657
Provisions	(145)	(188)
Deferred tax liabilities	-	(651)
Net identifiable assets acquired	6,312	6,275

The initial accounting for the business combination has been determined provisionally as at the acquisition date. The fair values assigned to the identifiable assets, liabilities or contingent liabilities may require adjustment as at the acquisition date. Under AASB 3: *Business Combinations* any adjustments to those provisional values as a result of completing the initial accounting may be recognised within twelve months of the acquisition date.

InvoCare Limited

Notes to the consolidated financial statements

30 June 2010

8 Contingencies

	30 June 2010 \$'000	31 December 2009 \$'000
The parent entity and consolidated entity had contingent liabilities at 30 June 2010 in respect of bank guarantees given for leased premises of controlled entities to a maximum of:	690	450

9 Events occurring after balance date

In the opinion of the directors there have been no significant events that affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity since 30 June 2010.

InvoCare Limited

Directors' declaration

30 June 2010

In the directors' opinion:


- (a) the financial statements and notes set out on pages 3 to 12 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporation Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the half-year ended on that date; and
- (b) there are reasonable grounds to believe that InvoCare Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.



Ian Ferrier
Director

Sydney
19 August 2010



Andrew Smith
Director

Independent Auditor's Review Report to the members of InvoCare Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of InvoCare Limited, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for the InvoCare Limited Group (the consolidated entity). The consolidated entity comprises both InvoCare Limited (the company) and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of InvoCare Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by directors or management.

Matters relating to the electronic presentation of the reviewed financial report

This review report relates to the financial report of InvoCare Limited (the Company) for the half-year ended 30 June 2010 included on InvoCare Limited's web site. The company's directors are responsible for the integrity of the InvoCare Limited web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on this web site.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of InvoCare Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting and Corporations Regulations 2001*.



PricewaterhouseCoopers



JW Feely
Partner

Sydney
19 August 2010