

InvoCare Limited

Interim report

for the half-year ended 30 June 2007

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InvoCare Limited

Directors' report

30 June 2007

Directors' report

Your directors present their report on the consolidated entity consisting of InvoCare Limited and the entities it's controlled at the end of, or during, the half-year ended 30 June 2007.

Directors

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

Ian Ferrier
Richard Davis
Christine Clifton
Richard Fisher
Roger Penman
Benjamin Chow (appointed 22 February 2007)
Michael Grehan (resigned 15 February 2007)

Review of operations

The Group's net profit after tax attributable to members for the half-year ended 30 June 2007 was \$11,492,000 (2006: \$9,110,000).

Revenue from continuing operations increased to \$90,442,000 (2006: \$78,297,000) due to a combination of increased numbers of deaths, average sale improvements, new locations and the contributions of the Singapore Casket Company (acquired October 2006), Drysdale Funerals (acquired July 2006) and Liberty Funerals (acquired March 2007) businesses. Operating margins were maintained in comparable businesses but increased overall primarily due to higher margins in Singapore.

Dividend

The directors declared a fully franked interim dividend of 10 cents per share (2006: 8.0 cents per share fully franked) which will be paid on 12 October 2007.

The dividend reinvestment plan ("DRP") will apply, with shares issued at no discount from the weighted average market price of the Company's shares traded during the first five trading days (but not including) the record date of 21 September 2007. 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 3.

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.

InvoCare Limited

Directors' report

30 June 2007

Signed in accordance with a resolution of the directors.



Ian Ferrier
Director

Sydney
23 August 2007



Richard Davis
Director

Auditor's Independence Declaration

As lead auditor for the review of InvoCare Limited for the half year ended 30 June 2007, 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
23 August 2007

InvoCare Limited
Consolidated income statement
For the half-year ended 30 June 2007

	Note	Half-year	
		2007	2006
		\$'000	\$'000
Revenue from continuing operations	2	90,442	78,297
Other income	2	198	114
Finished goods and consumables used		(13,375)	(10,805)
Employee benefits expense		(25,491)	(22,967)
Employee related and on-cost expenses		(7,160)	(6,187)
Depreciation and amortisation expense		(4,282)	(3,811)
Finance costs		(6,049)	(5,418)
Advertising and public relations expenses		(2,998)	(2,543)
Occupancy and facilities expenses		(6,468)	(5,702)
Motor vehicle expenses		(2,427)	(2,253)
Other expenses		(5,538)	(5,379)
Profit before income tax		16,852	13,346
Income tax expense		(5,327)	(4,194)
Profit after tax from continuing operations		11,525	9,152
Net profit for the half-year		11,525	9,152
Profit is attributable to:			
Equity holders of InvoCare Limited		11,492	9,110
Minority interests		33	42
		11,525	9,152
Earnings per share for profit attributable to the ordinary equity holders of the Company:		Cents	Cents
Basic earnings per share	5	11.6	9.4
Diluted earnings per share	5	11.6	9.3

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

InvoCare Limited
Consolidated balance sheet
As at 30 June 2007

	Note	30 June 2007 \$'000	31 December 2006 \$'000
ASSETS			
Current assets			
Cash and cash equivalents		5,850	5,717
Trade and other receivables		23,027	20,606
Inventories		12,725	12,743
Properties classified as held for sale	9	-	3,083
Deferred selling costs		530	528
Total current assets		<u>42,132</u>	<u>42,677</u>
Non-current assets			
Trade and other receivables		9,180	9,069
Property, plant and equipment		208,524	201,797
Derivative financial instruments		4,023	1,486
Intangible assets		50,634	47,288
Deferred selling costs		7,420	7,397
Total non-current assets		<u>279,781</u>	<u>267,037</u>
Total Assets		<u>321,913</u>	<u>309,714</u>
LIABILITIES			
Current liabilities			
Trade and other payables		22,400	21,013
Current tax liabilities		2,937	4,781
Deferred revenue		2,907	2,940
Provision for employee benefits		7,581	7,429
Total current liabilities		<u>35,825</u>	<u>36,163</u>
Non-current liabilities			
Trade and other payables		243	559
Long-term borrowings		160,498	152,084
Deferred tax liabilities		33,277	32,317
Deferred revenue		40,699	41,167
Provisions for employee benefits		786	1,064
Total non-current liabilities		<u>235,503</u>	<u>227,191</u>
Total liabilities		<u>271,328</u>	<u>263,354</u>
Net assets		<u>50,585</u>	<u>46,360</u>
EQUITY			
Contributed equity	4	68,040	64,473
Reserves		1,708	1,171
Retained profits/(Accumulated losses)	6	(20,246)	(20,334)
Parent entity interest		49,502	45,310
Minority interest		1,083	1,050
Total equity		<u>50,585</u>	<u>46,360</u>

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

InvoCare Limited

Consolidated statement of changes in equity

For the half-year ended 30 June 2007

	Half-year	
	2007	2006
	\$'000	\$'000
Total equity at the beginning of the half-year	46,360	27,461
Change in the fair value of cash flow hedges, net of tax	1,100	2,320
Exchange differences on translation of foreign operations	(486)	-
Net income recognised directly in equity	614	2,320
Profit for the half-year	11,525	9,152
Total recognised income and expense for the half-year	12,139	11,472
Transactions with equity holders in their capacity as equity holders:		
Shares issued upon exercise of options	210	318
Shares issued pursuant to dividend reinvestment plan	3,232	-
Employee shares and options – value of employee services	48	91
Dividends paid to members of InvoCare Limited	(11,404)	(9,207)
Dividends paid to minority interests in subsidiaries	-	(47)
	(7,914)	(8,845)
Total equity at the end of the half-year	50,585	30,088
Total recognised income and expense for the half-year is attributable to:		
Members of InvoCare Limited	12,106	11,430
Minority interest	33	42
	12,139	11,472

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

InvoCare Limited

Consolidated cash flow statement

For the half-year ended 30 June 2007

	Half-year	
	2007	2006
	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	96,410	85,390
Payments to suppliers (inclusive of goods and services tax)	<u>(71,062)</u>	<u>(59,548)</u>
	25,348	25,842
Interest received	129	453
Other revenue	1,302	1,532
Finance costs	(5,479)	(5,645)
Income tax paid	<u>(7,453)</u>	<u>(5,599)</u>
Net cash inflow (outflow) from operating activities	<u>13,847</u>	<u>16,583</u>
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	272	347
Payments for property, plant and equipment	(8,707)	(5,848)
Payments for purchase of subsidiaries, net of cash acquired	<u>(5,586)</u>	<u>-</u>
Net cash (outflow) inflow from investing activities	<u>(14,021)</u>	<u>(5,501)</u>
Cash flows from financing activities		
Proceeds from issue of ordinary shares	210	318
Proceeds from borrowings	12,362	14,000
Repayment of borrowings	(4,000)	(16,000)
Dividends paid to company's shareholders	(8,172)	(9,207)
Dividends paid to minority interests in subsidiaries	<u>-</u>	<u>(47)</u>
Net cash inflow (outflow) from financing activities	<u>400</u>	<u>(10,936)</u>
Net increase (decrease) in cash and cash equivalents	226	146
Cash and cash equivalents at the beginning of the half-year	5,717	4,000
Effect of exchange rate changes on cash and cash equivalents	<u>(93)</u>	<u>-</u>
Cash and cash equivalents at the end of the half-year	<u><u>5,850</u></u>	<u><u>4,146</u></u>

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

InvoCare Limited

Notes to the consolidated financial statements

30 June 2007

1 Basis of preparation of the half-year report

This general purpose financial report for the interim half-year reporting period ended 30 June 2007 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 2006 and any public announcements made by InvoCare Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporation 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 income statement were represented or reclassified to ensure comparability with the current reporting period.

2 Segment information

Primary reporting format – geographical segments

	Australian operations		Singapore operations		Consolidated	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Sales revenue						
Services revenue	40,875	36,407	1,610	-	42,485	36,407
Sale of goods	43,868	39,646	2,090	-	45,958	39,646
	84,743	76,053	3,700	-	88,443	76,053
Other revenue						
Rent	102	134	34	-	136	134
Administration fees	1,093	945	-	-	1,093	945
Interest income	306	453	-	-	306	453
Sundry income	464	712	-	-	464	712
	1,965	2,244	34	-	1,999	2,244
Revenue from continuing operations	86,708	78,297	3,734	-	90,442	78,297
Profit on disposal of assets	148	114	50	-	198	114
Total segment revenue and other income	86,856	78,411	3,784	-	90,640	78,411
Segment result	21,219	18,764	1,682	-	22,901	18,764
Unallocated finance costs					(6,049)	(5,418)
Profit before income tax					16,852	13,346

InvoCare Limited
Notes to the consolidated financial statements
30 June 2007

3 **Dividends**

Half-year ended
2007 2006
\$'000 \$'000

Dividend paid during the half-year

Final dividend in respect of the previous year of 11.5 cents (2006: 9.5 cents) per fully paid ordinary share, fully franked based on tax paid at 30%.

11,404 9,207

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 10 cents per fully paid ordinary share (2006: 8.0 cents), fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 12 October 2007 (2006: 12 October 2006), but not recognised as a liability at the end of the half year, is

9,979 7,788

4 **Contributed equity**

	2007	2006	2007	2006
	Shares	Shares	\$'000	\$'000
Balance of ordinary shares at the beginning of the half-year	99,025,548	96,915,931	64,473	55,729
Issues of ordinary shares during the half-year				
Exercise of options issued under the InvoCare Limited Employee Share Option Plan	196,085	379,438	210	318
Dividend reinvestment plan issues	569,410	-	3,232	-
Transfer from share-based payment reserve			125	172
Balance of ordinary shares at the end of the half-year	<u>99,791,043</u>	<u>97,295,369</u>	<u>68,040</u>	<u>56,219</u>

5 **Earnings per share**

	2007	2006
	Shares	Shares
The Weighted average number of ordinary shares used as a denominator in calculating:		
Basic earnings per share	99,396,698	96,967,495
Diluted earnings per share	99,491,659	97,703,542

InvoCare Limited

Notes to the consolidated financial statements

30 June 2007

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 \$2,298,000. 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); plus
- temporary differences relating to the deferred tax liability established at transition to AIFRS \$1,468,000; less
- AASB 132 and AASB 139 financial instruments adjustments \$861,000 (net of tax).

	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 half-year	-	-	11,492	11,492
Dividends paid during the 2007 half-year	-	-	(11,404)	(11,404)
Transfer between sub-accounts		2,298	(2,298)	-
Balance of retained earnings/(accumulated losses) as at 30 June 2007	-	(43,925)	23,679	(20,246)

InvoCare Limited

Notes to the consolidated financial statements

30 June 2007

7 Business combinations

Current period

Singapore Casket Company

In March 2007 additional purchase consideration of \$2,362,000 was paid to the vendors on the achievement of the financial targets included in the purchase agreement. The amount of the payment was \$160,000 less than estimated in December 2006 largely due to favourable exchange rate movements between the Australian and Singapore dollars.

Liberty Funerals

On 1 March 2007 the Group acquired 100% of the issued shares of Liberty Funerals Pty Limited which traded from two locations in Sydney, New South Wales.

The Liberty Funerals business contributed \$158,000 before interest, tax, depreciation and amortisation to the Group's 2007 results. The Liberty Funerals business has been integrated into the existing InvoCare business and it is not possible to reliably estimate the impact the acquisition would have had on the half-year results had it occurred at the beginning of 2007.

Details of net assets acquired and goodwill are as follows:

	\$'000
Purchase consideration	
Cash paid	3,808
Deferred purchase consideration	700
Direct costs relating to the acquisition	63
Total purchase consideration	4,571
Fair value of net identifiable assets acquired (refer below)	616
Goodwill and other intangible assets	3,955

The purchase price of the business of Liberty 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 Liberty Funerals with the rest of the group.

	\$'000
Outflow of cash to acquire subsidiary, net of cash acquired	
Cash consideration	3,871
Less: Cash balances acquired	648
Outflow of cash	3,223

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

	Acquiree's carrying amount \$'000	Fair Value \$'000
Cash	648	648
Trade and other receivables	101	101
Inventories	22	22
Property, plant and equipment	203	203
Trade payables	(266)	(266)
Provision for current income tax	(92)	(92)
Net identifiable assets acquired	616	616

InvoCare Limited

Notes to the consolidated financial statements

30 June 2007

7 Business combinations (continued)

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 acquisition date and the identification and valuation of any intangible assets (eg. brand names) was incomplete at the date of preparation of this report. Under AASB 3 Business Combinations any adjustments to those provisional values, including intangible assets, as a result of completing the initial accounting may be recognised within 12 months of the acquisition date.

Prior period

There were no business combinations in the first half of the prior year.

8 Contingencies

	30 June 2007 \$'000	31 December 2006 \$'000
The parent entity and consolidated entity had contingent liabilities at 30 June 2007 in respect of bank guarantees given for leased premises of controlled entities to a maximum of:	206	149

9 Properties classified as held for sale

After a detailed consideration of the business needs of the Group a property previously classified as held for sale has been transferred to non-current property, plant and equipment.

10 Events occurring after balance date

There have been no significant events or transactions that have arisen since the end of the financial period, which in the opinion of the directors, would affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity.

InvoCare Limited

Directors' declaration

30 June 2007

In the directors' opinion:

- (a) the financial statements and notes set out on pages 4 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 2007 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
23 August 2007



Richard Davis
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 balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, other 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 and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 2007 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.

For further explanation of a review, visit our website
<http://www.pwc.com/au/financialstatementaudit>.

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 2007 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 financial report identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. 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 2007 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
23 August 2007