



# **InvoCare Limited**

**Interim report**

**For the half-year ended 30 June 2009**

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# InvoCare Limited

## Directors' report

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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 2009.

### 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 2009 was \$14,301,000 (2008: \$12,289,000).

Revenue from continuing operations increased to \$126,256,000 (2008: \$115,045,000) due to solid performances from the operations in both Australia and Singapore. The Australian death rate remained above the long term trend.

### Dividend

The directors declared a fully franked interim dividend of 11.5 cents per share (2008: 10.5 cents per share fully franked) which will be paid on 9 October 2009.

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 after (but not including) the record date of 18 September 2009. 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  
20 August 2009

## Auditor's Independence Declaration

As lead auditor for the review of InvoCare Limited for the half-year ended 30 June 2009, 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  
20 August 2009

# InvoCare Limited

## Consolidated statement of comprehensive income

For the half-year ended 30 June 2009

	Notes	Half-year	
		2009 \$'000	2008 \$'000
Revenue from continuing operations		126,256	115,045
Finished goods, consumables and funeral disbursements		(36,922)	(33,167)
Employee benefits expense		(31,653)	(29,094)
Employee related and on-cost expenses		(6,779)	(6,144)
Advertising and public relations expenses		(3,798)	(3,765)
Depreciation, amortisation and impairment expense		(5,341)	(4,558)
Occupancy and facilities expenses		(8,101)	(7,088)
Finance costs		(4,277)	(5,495)
Motor vehicle expenses		(2,632)	(2,600)
Other expenses		(6,774)	(5,710)
Net gain/(loss) on disposal of non-current assets		(205)	7
<b>Profit before income tax</b>		<b>19,774</b>	17,431
Income tax expense		(5,434)	(5,105)
Profit from continuing activities		14,340	12,326
<b>Profit for the half-year</b>		<b>14,340</b>	12,326
<b>Other comprehensive income</b>			
Changes in fair value of cash flow hedges, net of tax		1,077	335
Changes in foreign currency translation reserve, net of tax		(1,413)	(238)
<b>Other comprehensive income for the half-year</b>		<b>(336)</b>	97
<b>Total comprehensive income for the half-year</b>		<b>14,004</b>	12,423
Profit is attributable to:			
Equity holders of InvoCare Limited		14,301	12,289
Minority interests		39	37
		14,340	12,326
Total comprehensive income for the half-year is attributable to:			
Equity holders of InvoCare Limited		13,965	12,386
Minority interests		39	37
		14,004	12,423
<b>Earnings per share for profit attributable to the ordinary equity holders of the Company:</b>			
Basic earnings per share (cents per share)	5	14.2	12.3
Diluted earnings per share (cents per share)	5	14.2	12.3

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 2009

	Notes	30 June 2009 \$'000	31 December 2008 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		5,709	6,414
Trade and other receivables		20,581	18,410
Inventories		13,937	13,691
Deferred selling costs		547	544
<b>Total current assets</b>		<b>40,774</b>	39,059
<b>Non-current assets</b>			
Trade and other receivables		9,881	9,488
Property, plant and equipment		222,414	222,229
Intangible assets		59,435	61,991
Deferred selling costs		7,661	7,613
<b>Total non-current assets</b>		<b>299,391</b>	301,321
<b>Total Assets</b>		<b>340,165</b>	340,380
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		24,219	21,017
Current tax liabilities		2,435	4,696
Deferred revenue		2,853	2,885
Provision for employee benefits		8,472	8,538
<b>Total current liabilities</b>		<b>37,979</b>	37,136
<b>Non-current liabilities</b>			
Trade and other payables		609	577
Long-term borrowings		159,706	158,655
Derivative financial instruments		5,653	12,500
Deferred tax liabilities		28,886	26,855
Deferred revenue		39,944	40,389
Provisions for employee benefits		1,295	1,289
<b>Total non-current liabilities</b>		<b>236,093</b>	240,265
<b>Total liabilities</b>		<b>274,072</b>	277,401
<b>Net assets</b>		<b>66,093</b>	62,979
<b>EQUITY</b>			
Contributed equity	4	73,998	71,806
Reserves		(963)	(649)
Retained profits/(Accumulated losses)	6	(8,018)	(9,215)
Parent entity interest		65,017	61,942
Minority interest		1,076	1,037
<b>Total equity</b>		<b>66,093</b>	62,979

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 2009

	Attributable to owners of InvoCare Limited				Non controlling interest \$'000	Total equity \$'000
	Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Total		
<b>Balance at 1 January 2009</b>	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
<b>Transactions with owners in their capacity as owners:</b>						
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
<b>Balance at 30 June 2009</b>	73,998	(963)	(8,018)	65,017	1,076	66,093
<b>Balance at 1 January 2008</b>	70,125	3,504	(14,175)	59,454	1,025	60,479
Total comprehensive income for the half-year	-	97	12,289	12,386	37	12,423
<b>Transactions with owners in their capacity as owners:</b>						
Dividends paid	-	-	(12,536)	(12,536)	(42)	(12,578)
Deferred employee share plan shares vesting during the half-year	41	(41)	-	-	-	-
Acquisition of shares by the InvoCare Deferred Share Plan Trust	(35)	-	-	(35)	-	(35)
Employee shares – value of services	-	69	-	69	-	69
<b>Balance at 30 June 2008</b>	70,131	3,629	(14,422)	59,338	1,020	60,358

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 2009

	Half-year	
	2009 \$'000	2008 \$'000
<b>Cash flows from operating activities</b>		
Receipts from customers	134,634	122,789
Payments to suppliers	(108,137)	(100,560)
Other revenue	1,589	1,612
	<b>28,086</b>	23,841
Interest received	51	112
Finance costs	(5,555)	(5,541)
Income tax paid	(7,238)	(6,710)
<b>Net cash inflow from operating activities</b>	<b>15,344</b>	11,702
<b>Cash flows from investing activities</b>		
Proceeds from sale of property, plant and equipment	97	383
Payments for property, plant and equipment	(5,584)	(6,195)
Payments for purchase of subsidiaries and other businesses, net of cash acquired	-	(4,093)
<b>Net cash (outflow) inflow from investing activities</b>	<b>(5,487)</b>	(9,905)
<b>Cash flows from financing activities</b>		
Payment for shares acquired by InvoCare Deferred Employee Share Plan Trust	(948)	(35)
Proceeds from borrowings	11,000	10,000
Repayment of borrowings	(10,000)	(3,000)
Payment of dividends – InvoCare Limited shareholders (net of Dividend Reinvestment Plan share issues \$2,840,000 (2008: Nil))	(10,264)	(12,536)
Dividends paid to minority interests in subsidiaries	-	(41)
<b>Net cash (outflow) from financing activities</b>	<b>(10,212)</b>	(5,612)
Net increase (decrease) in cash and cash equivalents	(355)	(3,815)
Cash and cash equivalents at the beginning of the half-year	6,414	8,981
Effect of exchange rate changes on cash and cash equivalents	(350)	(39)
<b>Cash and cash equivalents at the end of the half-year</b>	<b>5,709</b>	5,127

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 2009

### 1 Basis of preparation of the half-year report

This general purpose financial report for the interim half-year reporting period ended 30 June 2009 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 2008 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 income statement 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 2009 is as follows:

	Australian Operations		Singapore Operations		Consolidated	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Sales revenue</b>						
Funerals						
Comparable	90,009	83,611	4,766	3,870	94,775	87,481
Acquired businesses	1,288	-	-	-	1,288	-
<b>Total funerals</b>	<b>91,297</b>	83,611	<b>4,766</b>	3,870	<b>96,063</b>	87,481
Cemeteries and crematoria	30,539	28,158	-	-	30,539	28,158
Elimination of intra-group sales	(3,149)	(2,968)	-	-	(3,149)	(2,968)
<b>Revenue from external customers</b>	<b>118,687</b>	108,801	<b>4,766</b>	3,870	<b>123,453</b>	112,671
Other revenue (excluding interest income)	2,424	2,021	87	33	2,511	2,054
Operating expenses	(94,354)	(85,555)	(2,305)	(2,012)	(96,659)	(87,568)
<b>Normalised operating EBITDA</b>	<b>26,757</b>	25,267	<b>2,548</b>	1,891	<b>29,305</b>	27,157
Depreciation and amortisation	(5,024)	(4,266)	(317)	(292)	(5,341)	(4,558)
Finance costs	(4,277)	(5,330)	-	(165)	(4,277)	(5,495)
Interest income	292	320	-	-	292	320
Income tax expense	(5,034)	(4,813)	(386)	(291)	(5,420)	(5,103)
<b>Normalised profit after tax</b>	<b>12,714</b>	11,178	<b>1,845</b>	1,143	<b>14,559</b>	12,321
Profit/(loss) on sale of assets	(226)	2	7	3	(219)	5
Minority interest	(39)	(37)	-	-	(39)	(37)
<b>Net profit after tax attributable to equity holders of InvoCare Limited</b>	<b>12,449</b>	11,143	<b>1,852</b>	1,146	<b>14,301</b>	12,289
Acquisition of property, plant and equipment and intangibles	5,380	6,435	204	(6)	5,584	6,429
<b>Total assets</b>	<b>312,048</b>	307,774	<b>28,117</b>	25,878	<b>340,165</b>	333,652

The comparative numbers for 2008 have been restated by moving amounts previously included as acquired business to comparable as more than eighteen months history for these businesses is now available.

In March 2008 the final payments were made in relation to the acquisition of the Singapore operations which resulted in a downward adjustment to goodwill.

# InvoCare Limited

## Notes to the consolidated financial statements

30 June 2009

### 3 Dividends

	Half-year ended	
	2009 \$'000	2008 \$'000
<b>Dividend paid during the half-year</b>		
Final dividend in respect of the previous year of 13 cents (2008: 12.5 cents) per fully paid ordinary share, fully franked based on tax paid at 30%.	13,104	12,536
Dividends paid to minority interest for 2008 of 5.3 cents per fully paid share fully franked based on tax paid at 30%.	-	41
<b>Dividends not recognised at the end of the half-year</b>		
In addition to the above dividends, since the end of the half-year the directors have recommended the payment of an interim dividend of 11.5 cents per fully paid ordinary share (2008: 10.5 cents), fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 9 October 2009 (2008: 10 October 2008), but not recognised as a liability at the end of the half year, is	11,657	10,530
<b>Franking credit balance</b>		
The amount of franking credits available for subsequent financial years are:		
Franking account balance at the end of the reporting period	17,928	15,590
Franking credits that will arise from the payment of income tax payable at the end of the reporting period	1,701	2,716
Reduction in franking account resulting from the payment of the proposed interim dividend of 11.5 cents (2008: 10.5 cents)	(4,996)	(4,513)
	<b>14,633</b>	<b>13,793</b>

### 4 Movements in contributed equity

	2009 Shares	2008 Shares	2009 \$'000	2008 \$'000
<b>Ordinary shares</b>				
Dividend reinvestment plan issues	566,824	-	2,840	-
	566,824	-	2,840	-
<b>Treasury shares</b>				
Movement of treasury shares during the half-year				
Shares vesting during the half-year	46,052	6,700	285	41
Shares forfeited during the half-year	5,001	1,311	15	-
Acquisition of shares by the InvoCare Deferred Share Plan Trust	(199,935)	(7,822)	(948)	(35)
	(148,882)	189	(648)	6

# InvoCare Limited

## Notes to the consolidated financial statements

30 June 2009

### 5 Earnings per share

	2009 Shares	2008 Shares
The Weighted average number of ordinary shares used as a denominator in calculating:		
Basic earnings per share	100,967,684	100,157,121
Diluted earnings per share	100,967,684	100,287,325

### 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 \$3,655,000. 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 \$2,825,000.

	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 half-year	-	-	14,301	14,301
Dividends paid during the 2009 half-year	-	-	(13,104)	(13,104)
Transfer between sub-accounts	-	3,655	(3,655)	-
Balance of retained earnings/(accumulated losses) as at 30 June 2009	-	(42,568)	34,550	(8,018)

# InvoCare Limited

## Notes to the consolidated financial statements

30 June 2009

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### 7 Business combinations

#### Christian Funerals

Effective from 1 August 2008 InvoCare acquired the operations of Christian Funerals which operates from a single location in Perth, Western Australia. During the first half of 2009 Christian Funerals contributed revenues of \$1.0 million and an EBITDA of \$0.2 million. The initial purchase price was \$1.4 million.

Subsequent to the end of the half-year period a further payment of \$100,000 being the first of three potential additional payments was made on the achievement of the benchmarks included in the acquisition agreement.

#### Southern Cross Funerals

On 15 October 2008 InvoCare acquired the business assets of Southern Cross Funerals which operates from a single location in the south east of Melbourne. During the first half of 2009 Southern Cross Funerals contributed revenues of \$0.2 million and an EBITDA of \$0.1 million.

### 8 Contingencies

	<b>30 June 2009 \$'000</b>	31 December 2008 \$'000
The parent entity and consolidated entity had contingent liabilities at 30 June 2009 in respect of bank guarantees given for leased premises of controlled entities to a maximum of:	<b>450</b>	438

### 9 Events occurring after balance date

Since 30 June 2009, InvoCare has acquired a small business in Singapore trading as Casket Company Embalming and Funeral Services for a purchase price of approximately \$0.3 million. This single location funeral business complements InvoCare's existing Singapore operations, but is not expected to make a significant incremental increase in the Group's results. In the opinion of the directors there have been no other significant events that affect 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 2009

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In the directors' opinion:

- (a) the financial statements and notes set out on pages 3 to 10 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 2009 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  
20 August 2009



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 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows 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 2009 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 2009 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 2009 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*

PricewaterhouseCoopers



J Feely  
Partner

Sydney  
20 August 2009