

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 2005. 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
 Christine Clifton
 Richard Fisher
 Roger Penman (appointed 1 January 2005)
 John Murphy (resigned 28 February 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.

Operating Results

The consolidated profit of the consolidated entity after providing income tax and eliminating minority interest was \$20,141,000.

Dividends

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

	2005 \$'000	2004 \$'000
Interim ordinary dividend of 7.0 cents (2004: 6.4 cents) per fully paid share paid on 12 October 2005	6,785	6,080
Special dividend of 10.5 cents (2004: nil) paid on 24 June 2005	10,168	–
Final ordinary dividend of 9.5 cents (2004: 9.0 cents) per fully paid share declared by directors on 10 March 2006 to be paid on 12 April 2006	9,207	8,550
Total dividends of 27.0 cents (2004: 15.4 cents)	26,160	14,630

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

Review of Operations

Results highlights:

	2005 \$'000	2004 \$'000	Change	
			\$'000	%
Sales revenue:				
Funerals	97,614	97,050	564	0.6
Cemeteries and Crematoria	50,586	51,242	(656)	(1.3)
Total sales revenue	148,200	148,292	(92)	(0.1)
Operating EBITDA (excluding net gains on asset sales)	45,369	43,902	1,467	3.3
Operating Margin	30.6%	29.6%		3.3
Net profit after tax attributable to InvoCare Limited shareholders	20,141	19,255	886	4.6
EPS				
Basic earnings per share	21.0 cents	20.4 cents	0.6 cents	2.9

Sales revenues in 2005 were in line with 2004, despite an estimated 4-5% decline in the overall number of deaths in the markets in which InvoCare operates. Strong average sales prices achieved in both funerals operations and cemeteries and crematoria operations mitigated the combined impacts of increased competition, especially in the Sydney cremations market, and a small decline in market share caused in part by the sale or closure of several non-strategic funeral homes.

Operating EBITDA (excluding gains on asset sales) and operating margins both improved by 3.3% as a result of a favourable revenue mix and effective cost control.

Proceeds from the sale of non-current assets amounted to \$3.0 million (2004: \$3.7 million), generating a before tax gain on disposal of \$2.0 million (2004: \$2.0 million). The non-strategic properties sold were the result of management's ongoing asset performance assessment.

Finance costs increased by 7.7% to \$12.8 million and included a non-cash \$2.0 million expense, required by AIFRS, to write off the balance of establishment costs relating to former borrowing facilities. These borrowings were replaced in December 2005 by an unsecured, non-amortising \$165.0 million facility which was drawn to \$140.0 million at the end of 2005.

Profit after tax attributable to InvoCare shareholders increased 4.6% on the previous year.

Operating cash flows remained strong and increased by \$2.7 million (or 11.8%) to \$25.6 million for the year. Asset sale proceeds of \$3.0 million, \$2.2 million received upon exercise of employee share options and additional borrowings of \$8.5 million partly funded ordinary and special dividends to shareholders of \$25.5 million, capital expenditure of \$6.9 million and the acquisition for \$3.4 million of the Ann Wilson Funerals business in late December 2005.

Consistent with the improved result, the directors have declared a final fully franked dividend of 9.5 cents per share which, together with the interim fully franked dividend of 7.0 cents per share paid in October 2005, will make the total ordinary dividends in respect of 2005 16.5 cents per share. This is 7.1% higher than the ordinary dividends in the previous year. In addition, in June 2005, the Company paid a fully franked special dividend of 10.5 cents.

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 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.

Board of Directors



Mr Ian Ferrier CA
Chairman of the Board
Chairman of Remuneration Committee
Chairman of Nomination Committee
(from 29 March 2006)
Member of Risk Committee

Ian has been Chairman of InvoCare Limited since 2001. He was the founder of Ferrier Hodgson and now is a consultant to the firm. He is a Fellow of The Institute of Chartered Accountants in Australia. Ian has had over 40 years of experience in company corporate recovery and turnaround practice. He is also a director of a number of private and public companies. Ian is currently Chairman of InvoCare Limited, Port Douglas Reef Resorts Limited and Australian Oil Company Limited and a director of McGuigan Simeon Wines Limited, Macquarie Goodman Management Limited and Reckon Group Limited. He has significant experience in turnaround management, property and development, tourism, manufacturing, retail, hospitality and hotels, infrastructure and aviation and service industries.

Mr Richard Davis BEc
Chief Executive Officer

Richard has been 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.

From left to right top:
Ian Ferrier, Richard Davis
and Michael Grehan.

From left to right bottom:
Roger Penman,
Christine Clifton and
Richard Fisher.

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 Corporation (Australia). 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.

Dr Christine (Tina) Clifton MB BS (Hons) BHA FRACMA Non-Executive Director Chairman of Risk Committee, Member of Audit Committee, Member of Nomination Committee (from 29 March 2006)

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 Vincent's 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 Roger Penman BEc FCA FTIA

Non-Executive Director
Chairman of Audit Committee
(from 28 February 2005)
Member of Remuneration Committee
(from 28 February 2005)
Member of Nomination Committee
(from 29 March 2006)

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 WHK Group Limited) since 1986. He is a Fellow of the Institute of Chartered Accountants and the Taxation Institute of Australia with over 30 years tax consulting and general business experience. Roger has extensive experience with mergers, acquisitions, complex taxation and other tax issues. He is also a specialist adviser to many professional practices on tax, accounting and general business matters.

Mr Richard Fisher MEc LLB Non-Executive Director Member of Risk Committee, Member of Audit Committee Member of Nomination Committee (from 29 March 2006)

Richard Fisher is a partner and immediate past Chairman of Partners at Blake Dawson Waldron specialising in corporate law. 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.

Mr John Murphy resigned as a director of InvoCare Limited on 28 February 2005, having been appointed in May 2001.

Company Secretary

Mr Kenneth Mealey BComm CPA

Kenneth Mealey has been Company Secretary 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 10 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.

Retirement, election and continuation in office of directors

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

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

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

Corporate Governance

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

Meetings of directors

During the year ended 31 December 2005, the number of meetings of the Board of Directors and of each Board Committee and the number of meetings attended by each of the directors are as follows:

	Board		Audit Committee		Remuneration Committee		Risk Committee	
	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	14	–	2*	3	3	4	4
Richard Davis	14	14	–	6*	–	–	–	4*
Michael Grehan	14	13	–	5*	–	–	–	3*
Roger Penman	14	14	4	6*	2	3*	–	–
Christine Clifton	14	14	6	6	–	3*	4	4
Richard Fisher	14	13	6	5	–	3*	4	4
John Murphy	2	1	2	1	1	1	–	–

* Includes meetings attended as an invited guest of the Committee where not eligible to attend.

Corporate governance

InvoCare Limited (the Company) and the Board of Directors (the Board) are committed to achieving and demonstrating the highest standards of corporate governance.

This statement outlines the main corporate governance practices in place throughout the financial year, which comply with the ASX Corporate Governance Council's principles and recommendations, unless otherwise stated.

For further information on the corporate governance policies adopted by InvoCare Limited, refer to website: www.invocare.com.au

Unless disclosed below, all the Corporate Governance Council's principles and recommendations were in place for the financial year ended 31 December 2005.

Principle 1 – Lay solid foundations for management and oversight

Whilst the Board Charter was not formally adopted until March 2006, the Board has been applying the principles of the Board Charter concepts during the reporting period as previously outlined in the Company's corporate governance practices as set out in the 2004 Annual Report.

The Board of InvoCare Limited is responsible for guiding and monitoring the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

The Board seeks to identify the expectations of the shareholders, as well as other regulatory and ethical expectations and obligations. In addition, the Board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks.

The responsibility for the operation and administration of the Company, including day to day management of InvoCare's affairs and the implementation of the corporate strategy and policy initiatives, is delegated by the Board to the Chief Executive Officer (the CEO) and the Senior Executives. Delegations are set out in InvoCare's delegations policy and are reviewed regularly. The Board ensures that this team is appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess the performance of the CEO and the Senior Executives.

The Board is responsible for ensuring that management's objectives and activities are aligned with the expectations and risks identified by the Board. The Board has a number of mechanisms in place to ensure this is achieved including:

- Board approval of a strategic plan designed to enhance shareholder value, meet stakeholders' needs and manage business risk;

- on-going development of the strategic plan and approving initiatives and strategies designed to ensure the continued growth and success of the Company; and
- implementation of budgets by management and monitoring progress against budget – via the establishment and reporting of both financial and non-financial key performance indicators.

Other functions reserved to the Board include:

- approval of the annual and half-yearly financial reports;
- approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures;
- ensuring that the Company operates ethically and responsibly and in compliance with internal codes of conduct and legal and regulatory requirements;
- enhancing and protecting the reputation of InvoCare;
- establishing and determining the powers and functions of the committees of the Board;
- ensuring a high standard of corporate governance practice;
- ensuring that any significant risks are identified, assessed, appropriately managed and monitored;
- ratifying the appointment and/or removal and performance assessment of the CEO;
- ratifying the appointment and/or removal and contributing to the performance assessment of the members of the executive management team including the Chief Operating Officer (COO), Chief Financial Officer (CFO) and the Company Secretary; and
- reporting to shareholders.

In fulfilling these functions, the directors seek to enhance shareholder value and protect the interests of stakeholders.

Principle 2 – Structure the Board to add value

Board Composition

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

The majority of the Board must be independent directors, one of whom is the Chairman, and the Chairman and CEO must be separate persons. A director is deemed to be 'independent' if they are independent of management and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgment.

Specifically, an independent director is a Non-Executive Director and:

- (i) is not a substantial shareholder of the Company (as defined by the Corporations Act 2001) or an officer or otherwise associated directly with a substantial shareholder of the Company;
- (ii) has not been employed in an executive capacity by the Company or another group member within the last three years;
- (iii) has not been a principal of a material professional adviser or material consultant to the Company or another group member or an employee materially associated with the service provided, within the last three years;
- (iv) is not a material supplier or customer of the Company or other group member or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- (v) has no material contractual relationship with the Company or another group member other than as a director of the Company;
- (vi) has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company; and
- (vii) is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company.

Directors considered by the Board to be independent are Ian Ferrier, Christine Clifton, Roger Penman and Richard Fisher. Where the independence status of a director changes, the Company will provide immediate notification of such change to the market. The Board has assessed the independence of Non-Executive Directors in light of their interests and relationships and considers them all to be independent.

The Nomination Committee is responsible for the selection of new directors. The Board regularly reviews its composition to ensure that the Board continues to have the mix of skills and experience necessary for the conduct of the Company's activities. The directors believe the skill base of the current directors is appropriate and adequate for the Company at its present size and stage of development. The Board will continue to monitor the need for additional skills on the Board and make

further appointments as appropriate. The Chairman is elected by the full Board.

The skills, experience and expertise relevant to the position of each director and their term of office are detailed in the Directors' Report.

Board of Directors Quorum

A Board of Directors quorum is two directors, both of whom must be independent directors.

Meetings

The Board holds at least eight meetings each year. Additional meetings may be held as deemed necessary to address significant matters as they arise. At least two of the meetings include visits to operations and meeting employees.

The number of Board meetings and committee meetings and the number of meetings attended by each director are disclosed in the Company's Directors' Report under the heading 'Meetings of Directors'.

The Chairman and the CEO meet regularly to discuss key issues and performance trends of InvoCare. Other directors maintain contact with relevant Senior Executives through dealings on Committees.

On regular occasions the directors receive a detailed operating review from the CEO regardless of whether or not a Board meeting is being held.

The Non-Executive Directors meet at least twice during the year, in scheduled sessions without the presence of management, to discuss the operation of the Board and a range of other matters. Relevant matters arising from these meetings are shared with the full Board.

The Chairman is responsible for leading the Board, ensuring that Board activities are organised and efficiently conducted and for ensuring directors are properly briefed for meetings. The CEO is responsible for implementing InvoCare's strategies and policies. The Board charter specifies that these are separate roles to be undertaken by separate people.

Potential conflicts of interest by directors will be reported to the Board and, if necessary, directors will be excluded from discussion of the relevant matter and will not vote on that matter.

Directors' Access to Independent Professional Advice and Company Information

To assist in the effective discharge of their duties, directors may, in consultation with the Chairman, seek independent legal or financial advice on their duties and responsibilities at the expense of the Company and, in due course, make all Board members aware of both instructions to advisers and the advice obtained.

All directors have the right of access to all relevant Company information and to seek information from the Company Secretary and senior executives. They also have a right to other records of the Company subject to these not being sought for personal purposes.

All directors and former directors are entitled to inspect and copy the books of the Company for the purposes of legal proceedings including situations where the director is a party to proceedings, where the director proposes in good faith to bring proceedings and where a director has reason to believe proceedings will be brought against him or her. In the case of former directors, this right of access continues for a period of seven years after the person ceases to be a director.

Prior to each board meeting, the Board is provided with management reports and information in a form, timeframe and quality that enables them to discharge their duties. If they consider this information to be insufficient to support informed decision-making, then they are entitled to request additional information prior to or at Board meetings.

Delegation of Authority to Management

The Board delegates authority to management in relation to various operational functions. These authorities relate to expenditure, disciplinary action, remuneration changes, recruitment of new staff, termination of staff, release of intellectual property, pricing, and commitment to promotional and advertising expenditure programs.

The following rules take precedence over specific delegations:

- there has to be a budget for the expenditure;
- items not in the budget that are considered material must have been subsequently approved by the Board, or it must be within the overall budget limit and be approved by either the CEO or the CFO;
- an executive can never approve his/her own expenditure item. Items must be approved by the executive deemed to be on the next level above the relevant executive; and
- authorities cannot be sub-delegated without prior authority from the next level up.

Board Committees

Whilst at all times the Board retains full responsibility for guiding and monitoring the Company, in discharging its stewardship it makes use of committees. Specialist committees are able to focus on a particular responsibility and provide informed feedback to the Board.

The Board has four formally constituted Committees:

- the Audit Committee – refer Principle 4;
- the Risk Committee – refer Principle 7;
- the Remuneration Committee – refer Principle 9; and
- the Nomination Committee.

Each is comprised entirely of Non-Executive Directors. The Committee structure and membership are reviewed regularly.

Each of these Committees has developed its own written charter setting out its role and responsibilities, composition, structure, membership requirements and the manner in which the Committee is to operate. All of these charters will be reviewed regularly.

The minutes of all Board Committee meetings are tabled and any recommendations considered at the next scheduled Board meeting.

Additional requirements for specific reporting by the Committees to the Board are addressed in the charter of the individual Committees.

Nomination Committee

During 2005, in view of its size and functionality, the Board did not establish a Nomination Committee. The Board was in a position to perform the functions typically carried out by a Nomination Committee.

In March 2006, the Board established a Nomination Committee. The Nomination Committee will critically review on a regular basis the corporate governance procedures of the Company and the composition and effectiveness of the Board. The CEO attends the meeting by invitation.

In addition to its role in proposing candidates for director appointment for consideration by the Board, the Nomination Committee will review fees payable to Non-Executive Directors and will review and advise the Board in relation to CEO succession planning.

The Nomination Committee's charter is available on the Company's website.

Responsibilities

The main responsibilities of the Committee are:

- assessing the necessary and desirable competencies of Board members – including an evaluation of the range of skills, expertise and experience on the Board before identifying and recommending a candidate for appointment who will best increase the effectiveness of the Board;
- reviewing Board and CEO succession plans – ensuring that plans are in place to maintain an appropriate balance of skills, experience and expertise on the Board and with the CEO;
- evaluating the Board and committees' performances – including both a review of the size and composition of the Board and committees and also the effectiveness of the Board and committees to ensure that the Board is making decisions expediently, with the benefit of a variety of perspectives and skills;
- considering the appointment and removal of directors – if a need for a new Board member is identified, selecting a new director who can contribute additional skills and experience, particularly having regard to the Company's size and its various businesses. The Board looks for candidates with a proven ability to make a contribution to a Board's strategy, policies, stewardship and effectiveness. The Board may seek assistance from external independent consultants when considering the appointment of directors; and
- ensuring that an effective induction process is in place.

The names of candidates submitted for election to shareholders are accompanied by key supporting information including biographical details, qualifications and competencies, directorships and other relevant business relationships including any relationships which might involve or be perceived to involve the Company, the term of office currently served by directors subject to re-election, and other particulars required by law.

A director is engaged by way of Letter of Appointment, which specifies the key terms of the relationship including the term of appointment, remuneration, trading and notification policy as regards company shares, disclosure of directors' interests and matters that affect independence, general duties, responsibilities and obligations. It includes details of access to independent professional advice, as well as indemnity and insurance arrangements.

The Chairman annually assesses the performance of individual directors and meets privately with each director to discuss this assessment. The Nomination Committee also coordinates the Board's annual review of the Chairman. Directors conform to the Board's agreed performance criteria for directors.

Membership

The Nomination Committee members comprise the Non-Executive Directors, all of whom must be independent directors. The CEO attends by invitation.

Members of the Nomination Committee are currently Ian Ferrier, Roger Penman, Christine Clifton and Richard Fisher. Richard Davis attends by invitation.

Chairman

The Nomination Committee Chairman is the Board of Directors Chairman, currently Ian Ferrier.

Quorum

The quorum for Nomination Committee meetings is two members, both of whom must be independent, Non-Executive Directors.

Meetings

The Nomination Committee meets at least once each year and more regularly as required.

Directors' Induction

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

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

Directors' Continuing Education

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

A summary of the Nomination Committee's charter is available on the Company's website.

Principle 3 – Promote ethical and responsible decision-making

Code of Conduct

The Board, in recognition of the importance of ethical and responsible decision-making has adopted a Code of Conduct for all employees and directors which outlines the standards of ethical behaviour and is essential to maintain the trust of all stakeholders and the wider community.

The Code requires high standards of personal integrity, objectivity and honesty in all dealings. The Code also requires a respect for the privacy of customers and others and compliance with the law and InvoCare policies. This Code is provided to all directors and employees as part of their induction process.

The Code is subject to ongoing review and assessment to ensure it continues to be relevant to contemporary conditions and is available on the Company's website.

All directors, executive officers and employees are responsible for taking appropriate action in proven cases of illegal behaviour outside the spirit of this Code in the workplace.

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

Ensuring Integrity

InvoCare is committed to maintaining its reputation for dealing with clients with integrity and honesty. The Company will view seriously any employee deliberately or recklessly breaching consumer protection laws. Offenders may be liable for dismissal or even legal proceedings.

InvoCare staff must immediately report to their manager any possible fraudulent activity including theft of company property, breach of any legal, regulatory or organisational requirement, or inappropriate practices or behaviour which affects InvoCare and its clients.

InvoCare staff must not engage in unconscionable conduct, i.e. they must not take advantage of a client family and must ensure client families understand the information provided. (In many cases, InvoCare asks its client families to acknowledge in writing that this is done.)

InvoCare staff must not use aggressive means or undue harassment in regard to the supply of goods or services to a client family, or payment for goods or services.

InvoCare staff must provide services with care and skill to the level that should be reasonably expected by client families to achieve the desired result.

InvoCare staff should not use "bait" advertising, i.e. advertising of goods or services if availability of these goods or services may not meet likely demand.

InvoCare staff must not accept payment if they do not intend to supply goods or services, or have reasonable grounds for believing they will not be able to supply these.

InvoCare staff must state full prices, even when discussing partial payment or a deposit, for goods or services.

Conflict of Interest Policy Statement

It is generally accepted as good business practice that employees/contractors disclose in detail any outside activities or interest which potentially may conflict or appears to conflict with InvoCare's best interest. Accordingly, it is the policy of InvoCare to require such disclosures.

While it is not possible to describe, or even anticipate all the circumstances and situations that might involve or even appear to involve conflict of interest, the following examples of some such activities are given for illustration. However, it should be understood that these examples are not intended to be an exhaustive list.

Conflict of Interest. Employees shall not without prior management approval, be connected directly or indirectly with any business as owner, partner, officer, director, participant, licensee, consultant or shareholder; or as a recipient of wages, salary bonus fees, commissions; as a supplier of equipment facilities or services to InvoCare; or which is in direct or indirect competition with; or which is a customer of InvoCare. Employees shall not deal directly or indirectly through ownership or lease of property, real estate or facilities in which InvoCare has an active or potential interest.

Gifts and Benefits. Employees shall not seek or accept gifts, payments, fees, services, privileges, vacations or pleasure trips without a business purpose, loans (other than conventional loans from lending institutions), or other favours from any person or business organisations that does or seeks to do business with, or is a competitor of InvoCare. No employee shall accept anything of value in exchange for referral of third parties to any such person or business organisation. The foregoing does not prohibit an employee from accepting a gift of nominal value made in the course of a normal business relationship.

Selling Products. Employees shall not speculate or commercially deal in products (first quality, used, obsolete or scrap) sold by InvoCare or in any used property (machinery, equipment, facilities, furniture and fixtures, flower stands, etc) of InvoCare.

Dealing in InvoCare Limited Shares. Insider trading in InvoCare Limited shares is illegal and can result in substantial penalties, including jail terms. Such illegal conduct will lead to disciplinary action

and may lead to termination of employment. Employees must adhere to the InvoCare share trading policy, details of which are set out below under the heading Share Trading Policy.

Confidentiality

Information concerning InvoCare and its clients is confidential and must not be released without authorisation from a manager. Information gained through dealings with clients should only be used in the course of employment.

Privacy Act Obligations

Employees must comply with the Privacy Act. Employees have an obligation and personal responsibility to respect clients', and all individuals' rights to privacy. This means doing everything in their power to ensure the security of any personal information handled in the course of employment.

Protecting Confidential Information

Commercially sensitive documents, records and files should be stored securely and not left where visible. Confidential information should not be left on computer screens and computer access passwords must not be shared with others.

Computer systems should be secured and used for business purposes only. This ensures the long term integrity of the systems and confidentiality of business, customer and employee data. Employees must not misuse email or internet systems and should refer to the Email, Intranet and Internet Usage policy in the Corporate Policies and Procedures manual.

Communication with the Media

Media or public comment on InvoCare must be authorised by Executive Management or the Communications Manager.

InvoCare staff should be familiar with the Corporate Policies and Procedures relating to media, enquiries and visits.

Confidentiality after Ceasing Employment

When signed, InvoCare's Code of Conduct legally obliges staff to keep any information acquired during employment confidential, even after employment ceases. Staff cannot pass on information about InvoCare's business, customers, suppliers or staff.

Employees

Employees must maintain a strong focus on a safe working environment and support training and further education. Employees must be familiar with the company's Occupational Health and Safety Risk Injury Management System Manual to understand responsibilities, reporting procedures, safety guidelines and all other policies and procedures to ensure safety of all persons in the workplace.

InvoCare is an equal opportunity employer and supports anti discrimination. Employees must not engage in conduct which is discriminatory or constitutes harassment.

Drugs and Alcohol

The use of drugs and alcohol may impair an employee's capacity to perform their job safely, efficiently and with respect for work colleagues and clients.

No employees are to work whilst under the influence of alcohol or drugs. Employees found to be under the influence of drugs or alcohol, or in possession of illegal drugs whilst at work will be subject to disciplinary action and in some cases, their employment may be terminated. Employees who from time to time require prescription medication that affects or has the potential to affect their ability to carry out their duties in a safe manner are required to report the taking of any such medication to their Manager.

Responsibilities

It is the responsibility of all directors and employees to ensure that they work in a manner consistent with this Code.

Share Trading Policy

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

This policy applies to the following ("Senior Personnel"):

- Directors,
- Chief Executive Officer,
- Chief Financial Officer,
- Chief Operating Officer,
- Company Secretary,
- National Managers,
- General Managers,
- Communication Manager,
- all financial management employees, and
- any other employee who has access to Non-Public Price Sensitive Information (see below).

This policy also applies to related parties of Senior Personnel such as spouses (including de-factos), children under 18, family companies of which the Senior Personnel is a director and family trusts in which the Senior Personnel has a beneficial interest or makes the investment decisions.

Background

Generally, the insider trading provisions of the Corporations Act prohibit a person who possesses Non-Public Price Sensitive Information from

applying for, acquiring, or disposing of, securities, or procuring another person to do the same (“Deal” or “Dealing”).

“Non-Public Price Sensitive Information” means information that is not generally available, but if it were generally available, a reasonable person would expect it to have a material effect on the price or value of a company’s securities.

A person who breaches the insider trading provisions may face severe penalties, including imprisonment.

The policy

Senior Personnel must not, at any time, Deal in InvoCare securities if in possession of Non-Public Price Sensitive Information. Further, Senior Personnel must only communicate that information to other persons on a “need to know” basis.

Senior Personnel who are personally satisfied that they are not in possession of Non-Public Price Sensitive Information may Deal in InvoCare securities during designated “Senior Personnel Trading Periods”. Unless notified otherwise, the “Senior Personnel Trading Periods” are:

- 30 days following the day after the release of InvoCare’s interim results;
- 30 days following the day after the release of InvoCare’s final results; and
- 30 days following the day after InvoCare’s Annual General Meeting.

Outside of the Senior Personnel Trading Periods, Senior Personnel who are personally satisfied that they are not in possession of Non-Public Price Sensitive Information may only Deal in InvoCare securities with the prior consent of the Chairman of the Board.

Under the ASX Listing Rules, InvoCare must notify the ASX within five days of any Dealing in its securities by directors. Further, under the Corporations Act, directors themselves must notify the ASX within 14 days. Notice given by InvoCare satisfies the director’s personal obligations under the Corporations Act. Accordingly, any director who wishes to Deal in InvoCare securities, either during the Senior Personnel Trading Periods, or outside of the Senior Personnel Trading Periods but with the Chairman’s prior consent, must notify the company secretary prior to undertaking such Dealing.

Following a Deal by Senior Personnel, details of that Deal must be provided to the Company Secretary within five days and also in accordance with the Corporations Act.

It is inappropriate for Senior Personnel to procure others to trade in InvoCare securities when they are precluded from trading.

Exceptions to the policy

The Chairman has the discretion to grant an exemption to Dealing by a related party where it can be demonstrated the related party Deals

independently in shares or securities on a bona fide basis.

In exceptional cases of financial hardship, the Chairman has discretion to approve Dealing in InvoCare securities that would otherwise be prohibited by the share trading policy. However, the Chairman has no discretion to approve Dealing by Senior Personnel who possess Non-Public Price Sensitive Information.

Principle 4 – Safeguard integrity in financial reporting

Audit Committee

The Audit Committee provides assistance to the Board in fulfilling its corporate governance and oversight responsibilities in relation to the Company’s financial reporting, internal control structure, risk management systems, and the internal and external audit functions.

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

The chief executive officer, chief financial officer and the chief operating officer declared in writing to the Board that the financial records of the Company for the financial year have been properly maintained, the Company’s financial reports for the year ended 31 December 2005 comply with accounting standards and present a true and fair view of the Company’s financial condition and operational results.

Convergence with Australian equivalents to International Financial Reporting Standards (AIFRS) was a key financial reporting project for the financial year ended 31 December 2005. The consolidated entity now fully complies with the reporting requirements of AIFRS. The impact of transition to AIFRS on the financial report for the year ended 31 December 2005 is included in Note 2.

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

Responsibilities

The main responsibilities of the Audit Committee are to:

- review, assess and approve the Annual Report, the half-year Financial Report and all other financial information published by InvoCare or released to the market;
- review and monitor InvoCare’s compliance with law and ASX Listing Rules;
- assist the Board in reviewing the effectiveness of InvoCare’s internal control environment covering:

- reliability of financial reporting, and
- compliance with applicable laws and regulations;
- determine the scope of the internal audit function and ensure that its resources are adequate and used effectively, and assess its performance, including independence;
- recommend to the Board the appointment, removal and remuneration of the external auditor, and review the terms of its engagement, the scope and quality of the audit and assess performance;
- consider the independence and competence of the external auditor on an ongoing basis;
- review and approve the level of non-audit services provided by the external auditor and ensure it does not adversely impact on auditor independence;
- review and monitor related party transactions and assess their propriety; and
- report to the Board on matters relevant to the Committee's role and responsibilities.

In fulfilling its responsibilities, the Audit Committee:

- receives regular reports from management and the external auditor;
- meets with the external auditor at least twice a year or more frequently if necessary;
- requires the CEO, COO and CFO to state in writing to the Board that InvoCare's Financial Reports present a true and fair view, in all material respects, of InvoCare's financial condition, operational results and are in accordance with relevant accounting standards;
- reviews any significant disagreements between the auditor and management, irrespective of whether they have been resolved;
- meets separately with the external auditor at least twice a year without the presence of management; and
- provides the internal and external auditors with clear lines of direct communication at any time to either the Chairman of the Audit Committee or the Chairman of the Board.

The Audit Committee has authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party.

Membership

The Audit Committee comprises three independent Non-Executive Directors. The Audit Committee members are all required to be financially literate or become financially literate within a reasonable period of time after appointment. At least one must have specific experience in financial or accounting matters and at least one must have an understanding of the Company's industry.

Currently, members of the Audit Committee are Roger Penman, Christine Clifton and Richard Fisher. The other directors, CFO and Company Secretary attend by invitation.

Chairman

The Audit Committee Chairman is appointed by the Board from the independent, Non-Executive Committee members.

The Audit Committee is currently chaired by Roger Penman.

Quorum

The Audit Committee quorum is two members, both of whom must be an independent, Non-Executive Director.

Audit Committee Meetings

The Audit Committee meets at least four times each year and more regularly as required.

Auditor Selection, Appointment and Lead Partner Rotation

The policy of InvoCare and the Audit Committee is to appoint an external auditor which clearly demonstrates quality and independence. The performance of the external auditor is reviewed and assessed annually.

PricewaterhouseCoopers was appointed as the external auditor in 1994. It is PricewaterhouseCoopers' policy to rotate audit engagement partners on listed companies at least every seven years, and in accordance with that policy a new audit engagement partner was introduced for the year ended 31 December 2000. This policy will be amended to a five year rotation to comply with the requirements of CLERP 9.

An analysis of fees paid to the external auditor, including a break-down of fees for non-audit services, is provided in the Financial Statements of the Company's Annual Report. It is the policy of the external auditor to provide an annual declaration of its independence to the Audit Committee.

Should a change in auditor be considered necessary a formal tendering process will be undertaken. The Audit Committee will identify the attributes required of an auditor and will ensure the selection process is sufficiently robust so as to ensure selection of an appropriate auditor.

The Audit Committee shall ensure that prospective auditors have been provided with a sufficiently detailed understanding of the company, its operations, its key personnel and any other information including group structures and financial statements that will have a direct bearing on each firm's ability to develop an appropriate proposal and fee estimate.

The Audit Committee shall consider the appointment in conjunction with the Board and senior management.

In selecting an external auditor, particular consideration shall be given to determining whether

the fee quoted is sufficient for the work required, that the work is to be undertaken by people with an appropriate level of seniority, skill and knowledge and whether the work proposed is sufficient to meet the company's needs and expectations.

The Audit Committee shall annually discuss with the auditor the provisions the audit firm has in place for rotation of the lead engagement partner and the independent review partner and the overall succession plan in place regarding all professional staff assigned to the company's audit.

The Audit Committee shall satisfy itself on a regular, and at a minimum, on an annual basis, that the audit firm's procedures regarding succession planning and lead engagement partner rotation are appropriate and will ensure an on-going efficient and effective audit.

A summary of the Audit Committee's charter is available on the Company's website.

Principle 5 – Make timely and balanced disclosure

The continuous disclosure requirements of the ASX are contained in Chapter Three of the Listing Rules and have been adopted by the Company.

The Company has established policies and procedures on information disclosure to ensure all investors have equal and timely access to material information concerning the Company and to enable a normal investor to make an informed assessment of the Company's activities and trading results.

The Company Secretary is responsible for:

- making sure that the Company complies with the continuous disclosure requirements under the ASX Listing Rules;
- overseeing and co-ordinating disclosure of information to the ASX, analysts, brokers, shareholders, the media and the public; and
- educating directors and staff on the Company's disclosure policies and procedures and raising awareness of the principles underlying continuous disclosure.

Market sensitive and material information is publicly released through the Stock Exchange before disclosing it to analysts or others outside the Company. Further dissemination to investors is also managed through the stock exchange. Information is posted on the Company's website immediately after the stock exchange confirms an announcement has been made, with the aim of making the information accessible to the widest audience.

Where uncertainty arises as to the meeting of continuous disclosure obligations, the Company Secretary may seek external legal advice. The Board monitors the implementation and effectiveness of the continuous disclosure procedures and promotes the understanding of compliance.

The Company's designated media and analyst communications contacts are the Chairman, Chief Executive Officer, Chief Financial Officer and Company Secretary.

Principle 6 – Respect the rights of shareholders

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

The Chairman, Chief Executive Officer, Chief Financial Officer or Company Secretary have been nominated as responsible for communications with shareholders and the ASX as set out in Principle 5. This includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX listing rules and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

Information is communicated to shareholders as follows:

- The Notice of Annual General Meeting is distributed to all shareholders, while the Annual Report and half-yearly results are distributed to all shareholders who have requested a hard copy. The Annual Report includes relevant information about the operations and financial performance of the Company during the year, changes in the state of affairs of the Company and details of future developments in addition to other disclosures required by the Corporations Act 2001 and the Australian Stock Exchange Listing Rules.
- The Notice of Annual General Meeting and Annual Report along with Investor Presentations and Press releases can be found on the Company's website www.invoCare.com.au.
- Announcements (which include media releases) are made to the Australian Stock Exchange in respect of half-yearly and annual results and on other occasions under the continuous disclosure requirements when the Company becomes aware of information that might materially affect the price of its shares. There is a link from the company website to the Australian Stock Exchange through which shareholders can access these announcements.

Where information or presentation material has been prepared for external promotional and communication purposes, especially for analysts, institutional and media markets, such material will be released to the Australian Stock Exchange and included on the Company's website so as to avoid premature disclosure and/or the emergence of a false market.

The Board encourages full participation of shareholders at the Annual General Meeting. It is Company policy for the external auditor to be requested to attend the Annual General Meeting and be available to answer shareholder questions

about the conduct of the audit and the preparation and content of the auditor's report. The Chairman of the meeting is to allow a reasonable opportunity for shareholders to ask questions of the auditor regarding the audit and auditor's report.

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

The Company disclosed its formal shareholder communication strategy on its website in March 2006.

Principle 7 – Recognise and manage risk

Risk Committee

The Risk Committee determines the Company's "risk profile" and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control.

The Risk Committee does not have responsibility in relation to strategic or financial (including information technology) risk management, which is the focus of InvoCare's Audit Committee.

The Risk Committee operates in accordance with a charter which is reviewed regularly. The charter is available on the Company's website.

Responsibilities

The main responsibilities of the Committee are:

- to establish a sound system of risk oversight and management and internal control under which InvoCare can identify, assess, monitor and manage risk;
- to inform the Board of material changes to the risk profile of InvoCare and maintain appropriate risk management practices and systems throughout the operations of InvoCare; and
- the management of operational and compliance risks, including but not limited to:
 - InvoCare's insurance program
 - environmental policy and issues
 - occupational health and safety
 - disaster recovery strategy
 - litigation against InvoCare
 - industry related regulatory compliance
 - compliance with the policy framework in place from time to time
 - internal controls over operational risks, and
 - InvoCare's overall operational risk management program.

Membership

The Risk Committee comprises three Non-Executive Directors, all of whom must be independent directors. The Risk Committee

members are all required to possess sufficient technical expertise and industry knowledge to fulfil the functions of the Committee.

The Risk Committee members are Christine Clifton, Richard Fisher and Ian Ferrier.

Chairman

The Risk Committee Chairman, currently Christine Clifton, is appointed by the Board from the independent, Non-Executive Committee members.

Quorum

A quorum for Risk Committee meetings is two members.

Meetings

The Committee meets at least twice each year and more regularly as required.

Principle 8 – Encourage enhanced performance

The Board undertakes an annual performance review of the full Board and of the Chairman. The Chairman performs individual appraisals of each director.

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

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

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

The last full Board and individual performance evaluation reviews were conducted in August 2004. Partial performance evaluation reviews were performed in 2005 and complete performance evaluation reviews will be undertaken during 2006, following the formation of the Nominee Committee in March 2006.

Senior executive evaluations are performed by the Chief Executive Officer and the results reviewed annually with the Remuneration Committee with specific focus on performance against key performance indicators. Also at this time key performance indicators for the ensuing year are established. The Remuneration Committee also reviews remuneration recommendations proposed by the Chief Executive Officer for making recommendations to the Board.

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

Principle 9 – Remunerate fairly and responsibly

Remuneration Committee

InvoCare's remuneration policy ensures that remuneration packages properly reflect the person's duties and responsibilities, and that remuneration is competitive in attracting, retaining and motivating people of the highest quality. This policy was disclosed on the Company's website in March 2006.

The Remuneration Committee reviews and makes recommendations to the Board (and in some instances only the Non-Executive Directors of the Board) on director and senior executive remuneration and overall staff remuneration and incentive policies.

The Remuneration Committee operates in accordance with a charter which is reviewed regularly. The charter is available on the Company's website.

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

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

Non-Executive Directors are remunerated by way of directors fees and in certain circumstances superannuation. They do not participate in schemes designed for the remuneration of executives, and do not receive retirement benefits, bonus payments or incentive shares.

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

Responsibilities

The Committee is responsible for:

- reviewing and approving any long term incentive plans for the Company;
- reviewing any transactions between InvoCare and the directors, or any interest associated

with the directors, to ensure the structure and the terms of the transaction are in compliance with the Corporations Act 2001 and are appropriately disclosed;

- reviewing the disclosure of directors and senior executive remuneration in the financial statements; and
- management succession planning, including the implementation of appropriate Executive development programs and ensuring adequate arrangements are in place, so that appropriate candidates are recruited for later promotion to senior positions.

No individual is able to become directly involved or participate in the decision involving their own remuneration.

Membership

The committee is comprised of two Non-Executive Directors, both of whom must be an independent director. The other directors, CFO and Company Secretary attend by invitation.

The Remuneration Committee currently comprises the Chairman of the Board, Ian Ferrier, and one other Non-Executive Director, currently Roger Penman.

Chairman

The Remuneration Committee Chairman is appointed by the Board from the independent, Non-Executive Committee members.

Quorum

The Remuneration Committee quorum comprises two members, both of whom must be an independent Non-Executive Director.

Meetings

Meetings are held at least twice a year and more regularly as required.

Principle 10 – Recognise the legitimate interests of stakeholders

The Board and management of InvoCare Limited are committed to the Code of Conduct which is based on the Company's core values of ethical conduct, fairness and honesty along with legal and fiduciary obligations to all legitimate stakeholders including shareholders, customers, employees and the broader community.

The Company has well established policies and procedures which seek to promote a culture of compliance with legislation affecting its operations and ethical standards throughout the Company.

The Company's Code of Conduct is set out in detail in Principle 3 and is also on the Company's website.

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

Remuneration report

The remuneration report summarises the key compensation policies for the year ended 31 December 2005, highlights the link between remuneration and corporate performance and provides detailed information on the compensation for directors and other key management personnel. The remuneration report is set out under the following main headings:

- A Principles used to determine the nature and amount of remuneration**
- B Details of remuneration**
- C Service agreements**
- D Share-based compensation, and**
- E Additional information.**

The information provided under sections A to D includes remuneration disclosures required under Accounting Standard AASB 124 Related Party Disclosures. These disclosures have been transferred from the Notes to the Financial Statements pursuant to ASIC Class Order 06/50 and have been audited. The information in section E is additional disclosure required by the Corporations Act 2001 and the Corporations Regulations 2001 which have not been audited.

A. Principles used to determine the nature and amount of remuneration

Non-Executive Directors

Policy

The Board's primary focus is on the long term strategic direction and overall performance of the Company. Accordingly, Non-Executive Director remuneration is not targeted to short term results. Fees paid to Non-Executive Directors are determined with the assistance of independent external advisers.

The remuneration policy is designed:

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

Fee pool and other fees

Non-Executive Directors' base fees for services as directors are determined within an aggregate directors' fee pool limit, which is periodically approved by shareholders. At the date of this report the pool limit is \$400,000, being the amount approved by shareholders at the Annual General Meeting held on 31 May 2004.

This remuneration is to be divided among the Non-Executive Directors in such proportion as the Board determines. During the 2005 financial year, annual fees for Non-Executive Directors were \$100,000 for the Chairman of the Board and \$65,000 for each of the other three Non-Executive Directors who held office for the full year. In addition, Mr Murphy was remunerated a total amount of \$9,167 for the two months until his resignation on 28 February 2005. For the 2006 financial year, based upon an external review of Non-Executive Director compensation which was commissioned by the Board Remuneration Committee, the fees are \$110,000 for the Chairman and \$68,000 for each of the other three Non-Executive Directors.

The base fees exclude any remuneration determined by the directors where a director performs additional or special duties for the Company. If a director performs additional or special duties for the Company they may be remunerated as determined by the directors and that remuneration can be in addition to the limit mentioned above. No fees for additional or special duties were paid to Non-Executive Directors during the years ended 31 December 2005 and 31 December 2004.

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

Equity participation

Non-Executive Directors may receive options as part of their remuneration, subject only to shareholder approval. No options are held by any Non-Executive Director at the date of this report.

Retiring allowances

No retiring allowances are paid to Non-Executive Directors.

Superannuation

Where relevant, total fees paid to Non-Executive Directors are inclusive of any superannuation guarantee charge and, at the discretion of each Non-Executive Director, may be paid into superannuation funds.

Executive Directors and Management

Policy

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

InvoCare's remuneration policy is that:

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

Approval

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

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

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

Remuneration structure

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

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

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

Short term employee benefits

Short term employee benefits comprise:

- Cash salary – Executives are offered market competitive base cash salary. The cash salary is reviewed on a regular basis against market data for comparable positions provided by independent remuneration consultants and selected survey data. Adjustments to base salary are made based on increases in role scope or responsibility, pay position relative to market and relative performance in the role.
- Short term bonuses – short term incentives ("STI") are awarded for achievement of pre-determined financial and non-financial objectives. For key management personnel, the target criteria and possible bonus levels are defined each year by the Non-Executive Directors and the Remuneration Committee. For other executives, the key management personnel determine the objectives and reward levels within the constraints of a Board approved budget.

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

The target criteria for key management personnel are more heavily weighted to overall Group financial performance (eg. EBITDA). Thus the variable reward is only available when value has been created for shareholders and when profit is consistent with the business plan.

The maximum target STI opportunity varies for each executive, but is generally no higher than 50% of base cash salary, except for certain sales related staff where a greater portion of their compensation is at risk being more weighted to achievement of sales targets.

The bonuses are generally payable in the first quarter of each year based on performance for the previous year ended 31 December.

- Non-monetary benefits include provision of fully maintained cars and car parking spaces.
- Other incidental benefits include:
 - Payment of death and total and permanent disablement and salary continuance insurance premiums for senior executive staff; and
 - Modest discounts for funerals of immediate family members.

Post employment benefits

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

Long term employee benefits incentives

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

The equity compensation provided to selected executives was initiated prior to the Initial Public Offering of InvoCare and was provided in the form of share options. Details are set out below under "Share-based compensation – options".

InvoCare's long term incentive practices are being reviewed in detail and proposed changes will strengthen the link between long term performance of the Group and employee reward.

All employees are entitled to statutory long service leave.

Termination benefits

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

B. Details of remuneration

The key management personnel for the years ended 31 December 2005 and 31 December 2004 are the Executive Directors and Non-Executive Directors identified in the Directors' Report on page 24 and the following executives, who are also included in the category of the five highest paid executives:

Kenneth Mealey – Chief Financial Officer and Company Secretary (appointed 6 September 1994)

Phillip Friery – Group Finance Manager (appointed 12 December 1994)

Since the end of the financial year and before the financial report was approved for issue, Andrew Smith was appointed Chief Financial Officer with effect from 16 January 2006. Kenneth Mealey continues as Company Secretary.

Other executives who are also included in the category of the five highest paid executives but who are not considered key management personnel (as the term is defined in the relevant legislative instrument governing remuneration disclosures in this report) are:

Armen Mikaelian – General Manager, Cemeteries and Crematoria

John Fowler – General Manager, Funerals Vic

Damian Hiser – General Manager, Funerals NSW

Armen Mikaelian was promoted to the above position on 1 January 2005, having been with InvoCare since 1990 in various capacities. This new role merged the previous Cemeteries and Crematoria roles of National Operations Manager (formerly held by Jacobus Adrichem who retired on 15 March 2005 after over 40 years in the industry) and National Sales Manager (which had been held by Armen Mikaelian).

John Fowler has held general manager positions with InvoCare since May 1995, having been employed in the industry for over 30 years and by InvoCare since 1994 when it acquired the Le Pine funeral businesses in Victoria.

Damian Hiser joined InvoCare in the above position on 13 December 2004. Prior to joining InvoCare, Damian held senior management positions within the healthcare industry.

All key management personnel (other than Non-Executive Directors), other executives and staff are employed by InvoCare Australia Pty Limited, a wholly owned controlled entity of InvoCare Limited.

Details of the remuneration of the directors of InvoCare Limited, other key management personnel of the consolidated entity and other executives in the category of the five highest paid executives but who are not other key management personnel of the Group are set out in the following tables.

The cash bonuses are dependent on the satisfaction of the performance conditions as set out in the information on short term employment benefits set out above. All other elements of remuneration are not directly related to performance.

2005	Short-term employee benefits			Post-employment benefits	Termination benefits	Share-based payments	Total \$
	Cash salary or fees \$	Short-term cash bonus \$	Non-monetary benefits \$	Super-annuation \$	Long service leave \$	Options \$	
Non-Executive Directors							
Ian Ferrier (Chairman)	91,743	–	–	8,257	–	–	100,000
Richard Fisher	–	–	–	65,000	–	–	65,000
Christine Clifton	59,633	–	–	5,367	–	–	65,000
Roger Penman	65,000	–	–	–	–	–	65,000
John Murphy	9,167	–	–	–	–	–	9,167
Executive Directors							
Richard Davis	400,000	100,000	11,706	36,000	–	–	547,706
Michael Grehan	300,000	70,000	7,795	27,000	–	209,114	613,909
Other key management personnel							
Kenneth Mealey	220,000	50,000	15,871	19,800	–	80,993	386,664
Phillip Friery	180,000	50,000	17,242	16,200	–	26,916	290,358
Totals for each component	1,325,543	270,000	52,614	177,624	–	317,023	2,142,804
Totals by category		1,648,157		177,624	–	317,023	2,142,804
Other Executives in the category of five highest paid executives but who are not other key management personnel							
Armen Mikaelian	170,000	94,905	15,749	23,841	–	24,339	328,834
John Fowler	148,500	20,000	13,918	13,174	–	22,605	218,197
Damian Hiser	150,000	20,000	2,353	13,500	–	–	185,853

2004	Short-term employee benefits			Post-employment benefits	Termination benefits	Share-based payments	Total \$
	Cash salary or fees \$	Short-term cash bonus \$	Non-monetary benefits \$	Super-annuation \$	Long service leave \$	Options \$	
Non-Executive Directors							
Ian Ferrier (Chairman)	95,872	–	–	4,128	–	–	100,000
Richard Fisher	–	–	–	55,000	–	–	55,000
Christine Clifton	50,459	–	–	4,541	–	–	55,000
John Murphy	55,000	–	–	–	–	–	55,000
Executive Directors							
Richard Davis	400,000	200,000	28,896	36,000	–	721,652	1,386,548
Michael Grehan	300,000	150,000	8,997	27,676	–	580,831	1,067,504
Other key management personnel							
Kenneth Mealey	200,000	80,000	25,940	18,000	–	299,793	623,733
Phillip Friery	150,000	60,000	34,017	13,500	–	66,178	323,695
Totals for each component	1,251,331	490,000	97,850	158,845	–	1,668,454	3,666,480
Totals by category		1,839,181		158,845	–	1,668,454	3,666,480
Other Executives in the category of five highest paid executives but who are not other key management personnel							
Armen Mikaelian	168,294	110,775	19,516	30,367	–	37,144	366,096
Jacobus Adrichem	151,000	22,650	7,934	14,634	–	52,933	249,151
John Fowler	140,000	16,800	27,355	13,404	–	74,011	271,570
Colin Purslowe	148,000	–	41,892	19,598	41,343	74,011	324,844

Colin Purslowe, who previously held the position of General Manager Funerals WA, is included in the above table for the 2004 comparative year in order that the remuneration of the five most highly remunerated executives in the 2004 year is disclosed.

In accordance with AASB1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards, only the fair value of options issued after 7 November 2002 has been recognised in the income statement and the balance sheet, whilst the amounts disclosed above relate to all options granted to key management personnel.

C. Service agreements

Remuneration and other terms of employment for the Chief Executive Officer, Richard Davis, were formalised in a service agreement dated 8 May 2001 with an initial term of two years, renewable each year for a further twelve months at the discretion of the Board of Directors. The agreement provides for the provision of salary, short term performance related cash bonuses, superannuation and other benefits. The Remuneration Committee reviews the base salary and short term incentives annually. Termination may be effected with either six month's notice or by payment of six month's remuneration. In the event of termination, the agreement provides normal commercial restraint conditions for a period of twelve months after termination. The agreement also provided for long term performance incentives by the grant of options over unissued shares in InvoCare Limited on 8 May 2004. Details of the share options are set out in Section D Share-based compensation.

Remuneration and other terms of employment for each of the other key management personnel and other senior executives are formalised in letters of appointment as varied from time to time, including through annual review of the base salary and short term incentives. Each contract is for an indefinite term. One month's notice or payment in lieu of notice is required in the event of resignation. Termination benefits are limited to statutory leave entitlements. The key management personnel and certain other senior executives also participate in the Company's Employee Share Option Plan and options were granted to them in September 2003. Details of these options are set in Section D Share-based compensation.

D. Share-based compensation

Options

The terms and conditions of each grant of options affecting remuneration in this or future reporting periods are as follows:

Grant date	Expiry date	Exercise price	Value per option at grant date	Date exercisable
22 September 2003	1 May 2006	\$0.50	\$1.32	1/3 on 22 September 2003, 1/3 on 1 May 2004, 1/3 on 1 May 2005
22 September 2003	1 May 2007	\$0.59	\$1.18	1/3 on 1 May 2004, 1/3 on 1 May 2005, 1/3 on 1 May 2006
22 September 2003	1 May 2008	\$1.07	\$0.69	1/3 on 1 May 2005, 1/3 on 1 May 2006, 1/3 on 1 May 2007

The above options were granted to certain senior executives of the consolidated entity for no consideration under the Employee Share Option Plan, which was established prior to the Initial Public Offering of InvoCare Limited.

The option grants made were at the discretion of, and determined by, the directors of the Company at that time. Except for the Chief Executive Officer and the Non-Executive Directors, the key management personnel and selected other executives were granted options under the plan.

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

The options granted carry no dividend or voting rights. When exercised, each option is convertible into one fully paid ordinary share of the Company. No amounts are unpaid on any shares issued on the exercise of options.

Options were granted for no consideration in the previous financial year (on 8 May 2004) to Richard Davis, Director and Chief Executive Officer, under a Service Agreement dated 8 May 2001. These options vested upon issue. The exercise price was \$1.51 per option and each option had a fair value at the grant date of \$0.73. Each option entitled Mr Davis to acquire one fully paid ordinary share of the Company.

On 8 May 2001 under a letter dated 1 May 2001, Ian Ferrier, the Chairman of the Board of Directors, was granted 302,401 options for no consideration. These options vested on 8 May 2002 and were exercised during 2004 at an exercise price of \$0.50.

Details of options over unissued ordinary shares in InvoCare Limited provided as remuneration to each director, other key management personnel of the consolidated entity and other executives in the category of the five highest paid executives but who are not other key management personnel of the Group are set out below.

2005

	Balance at start of year	Vested start at of year	Granted during year	Vested during year	Total exercised during year	Balance at end of year	Vested and exercisable at end of year
Directors							
Richard Davis	988,565	988,565	–	–	988,565	–	–
Michael Grehan	827,624	–	–	407,445	407,445	420,179	–
Other key management personnel							
Kenneth Mealey	318,317	–	–	203,723	203,723	114,594	–
Phillip Friery	114,595	–	–	50,930	50,930	63,665	–
Other Executives in the category of five highest paid executives but who are not other key management personnel							
Armen Mikaelian	122,233	–	–	40,744	40,744	81,489	–
John Fowler	89,130	–	–	50,930	50,930	38,200	–
Damian Hiser	–	–	–	–	–	–	–

Damian Hiser has not been granted any options under the Employee Share option Plan.

2004

	Balance at start of year	Vested start at of year	Granted during year	Vested during year	Total exercised during year	Balance at end of year	Vested and exercisable at end of year
Directors							
Ian Ferrier	302,401	302,401	–	–	302,401	–	–
Richard Davis	–	–	988,565	988,565	–	988,565	988,565
Michael Grehan	1,222,336	127,326	–	267,386	394,712	827,624	–
Other key management personnel							
Kenneth Mealey	483,868	26	–	165,525	165,551	318,317	–
Phillip Friery	140,092	32	–	25,465	25,497	114,595	–
Other Executives in the category of five highest paid executives but who are not other key management personnel							
Armen Mikaelian	122,233	–	–	–	–	122,233	–
John Fowler	152,792	25,465	–	38,197	63,662	89,130	–
Jacobus Adrichem	81,494	5	–	30,558	30,563	50,931	–
Colin Purslowe	152,792	25,465	–	38,197	63,662	89,130	–

The amounts disclosed for remuneration relating to options is the assessed fair value at grant date allocated equally over the period from grant date to vesting date. Fair values at grant date have been independently determined using a binomial option pricing model that takes into account the exercise price, the expected life of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price on grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the expected life of the option.

The key inputs to the model for the options granted under the Employee Share Option Plan on 22 September 2003 were:

- Exercise prices: as set out above
- Grant date: 22 September 2003
- Expiry dates: as set out above
- Price at grant date: \$1.88 has been assessed as a representative market value, being the closing price on the first day of trading (4 December 2003), because at the time of the grant the Company's shares were not listed and the All Ordinaries Index was nearly the same on both dates.

- Price volatility: 18%
- Dividend yield: 6.8%
- Risk free interest rate: 5.3%

The key inputs to the model for the options granted to the Chief Executive Officer on 8 May 2004 were:

- Exercise price: \$1.51
- Grant date: 8 May 2004
- Expiry date: 8 May 2009
- Price at grant date: \$2.24
- Price volatility: 16%
- Dividend yield: 5.5%
- Risk free interest rate: 5.3%

Shares provided on exercise of remuneration options

Details of ordinary shares in the Company provided as a result of the exercise of remuneration options to, and the amounts paid per ordinary share by, each director of InvoCare Limited, other key management personnel and other executives in the category of the five highest paid executives but who are not other key management personnel of the Group are set out below.

	Amount paid per share		Number of ordinary shares issued on exercise of options during the year	
	2005	2004	2005	2004
Directors				
Ian Ferrier	–	\$0.50	–	302,401
Richard Davis	\$1.51	–	988,565	–
Michael Grehan	\$0.50	\$0.50	127,327	254,653
Michael Grehan	\$0.59	\$0.59	140,059	140,059
Michael Grehan	\$1.07	–	140,059	–
Other key management personnel				
Kenneth Mealey	\$0.50	\$0.50	127,327	127,353
Kenneth Mealey	\$0.59	\$0.59	38,198	38,198
Kenneth Mealey	\$1.07	–	38,198	–
Phillip Friery	\$0.50	\$0.50	12,733	12,765
Phillip Friery	\$0.59	\$0.59	12,732	12,732
Phillip Friery	\$1.07	–	25,465	–
Other Executives in the category of five highest paid executives but who are not other key management personnel				
Armen Mikaelian	\$1.07	–	40,744	–
John Fowler	\$0.50	\$0.50	25,466	50,930
John Fowler	\$0.59	\$0.59	12,732	12,732
John Fowler	\$1.07	–	12,732	–
Damian Hiser	–	–	–	–
Jacobus Adrichem	\$0.50	\$0.50	25,466	25,470
Jacobus Adrichem	\$0.59	\$0.59	5,093	5,093
Jacobus Adrichem	\$1.07	–	5,093	–
Colin Purslowe	\$0.50	\$0.50	25,466	50,930
Colin Purslowe	\$0.59	\$0.59	12,732	12,732
Colin Purslowe	\$1.07	–	12,732	–

Damian Hiser has not been granted any options under the Employee Share Option Plan. No amounts are unpaid on any shares issued on the exercise of options.

The numbers of ordinary shares in the Company held during the year by each director of InvoCare Limited, other key management personnel and other executives in the category of the five highest paid executives but who are not other key management personnel of the Group are set out below.

	Balance at start of year	Received during year on exercise of options	Other changes during year	Balance at end of year
Non-Executive Directors				
Ian Ferrier	152,401	–	–	152,401
Richard Fisher	5,000	–	–	5,000
Christine Clifton	100,000	–	–	100,000
Roger Penman	–	–	–	–
Executive Directors				
Richard Davis	611,168	988,565	–	1,599,733
Michael Grehan	394,712	407,445	–	802,157
Other key management personnel				
Kenneth Mealey	100,000	203,723	–	303,723
Phillip Friery	10,747	50,930	(20,000)	41,677
Other Executives in the category of five highest paid executives but who are not other key management personnel				
Armen Mikaelian	–	40,744	(10,744)	30,000
John Fowler	63,662	50,930	–	114,592
Damian Hiser	–	–	–	–

E. Additional information (unaudited)

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

The overall level of executive reward takes into account the performance of the Group over a number of years, with greater emphasis given to the current and prior year. Since listing in December 2003, the first two years' results of the Company and returns to shareholders are summarised below. The remuneration of executive key management personnel has not grown to the same extent as shareholder wealth.

	2005	2004
Earnings per share	21.0	20.4
Dividends paid in year (cents per share):		
– Interim for current year	7.0	6.4
– Final for previous year	9.0	–
– Special	10.5	–
– Total dividends paid in the year	26.5	6.4
Share price – 1 January	\$3.35	\$2.14
Share price – 31 December	\$4.19	\$3.35
Total shareholder return (price movement plus cash dividends)	\$1.11	\$1.27
TSR as percentage of opening share price	33%	59%

Cash bonuses

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

	Payable %	Forfeited %
Richard Davis	50	50
Michael Grehan	47	53
Kenneth Mealey	50	50
Phillip Friery	56	44
Armen Mikaelian	90	10
John Fowler	44	56
Damian Hiser	33	67

The lower than anticipated number of deaths in 2005 resulted in the Group not achieving business plan profit targets and consequently individual performance targets of the key management personnel which related to profitability were similarly not achieved.

Share-based compensation – Options

Further details relating to options are set out below:

Loans to directors and executives

There are no loans to directors and executives.

Share options granted to directors and the most highly remunerated officers

There were no options over unissued ordinary shares of InvoCare Limited granted during or since the end of the financial year.

Share-based compensation – Options

	A	B	C	D	E
	Remuneration consisting of options %	Value at grant date \$	Value at exercise date \$	Value at lapse date \$	Total of columns B to D \$
Richard Davis	0	–	2,580,155	–	2,580,155
Michael Grehan	34.1	–	1,382,512	–	1,382,512
Kenneth Mealey	20.9	–	712,267	–	712,267
Phillip Friery	9.3	–	168,706	–	168,706
Armen Mikaelian	7.4	–	124,677	–	124,677
John Fowler	10.4	–	171,889	–	171,889
Damian Hiser	0	–	–	–	–

A = The percentage of the value of remuneration consisting of options, based on the value at grant date set out in column B.

B = The value at grant date calculated in accordance with AASB 2 Share-based Payment of options granted during the year as part of remuneration.

C = The value at exercise date of options that were granted as part of remuneration and were exercised during the year.

D = The value at lapse date of options that were granted as part of remuneration and that lapsed during the year.

Shares under option

Unissued ordinary shares of InvoCare Limited under option at the date of this report are as follows:

Date options granted	Expiry date	Issue price of shares	Number under option
22 September 2003	1 May 2007	\$0.59	234,287
22 September 2003	1 May 2008	\$1.07	626,450
			860,737

No option holder has any right under the options to participate in any other share issue of the Company or any other entity.

Shares issued on the exercise of options

The following ordinary shares of the Company were issued during the year ended 31 December 2005 on the exercise of options granted under the Employee Share Option Plan or the service agreement of the Chief Executive Officer. No further shares have been issued since that date. No amounts are unpaid on any of the shares.

Date options granted	Issue price of shares	Number of shares issued
22 September 2003	\$0.50	356,518
22 September 2003	\$0.59	234,278
22 September 2003	\$1.07	333,592
8 May 2004	\$1.51	988,565
		1,912,953

The rest of this page does not form part of the Remuneration Report.

Indemnifying Officers or Auditor

During the financial year, InvoCare paid a premium to insure directors and officers of the consolidated entity. The insurance policy specifically prohibits disclosure of the nature and liability covered and the amount of the premium paid.

Proceedings On Behalf Of Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

Non-Audit Services

The directors are satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

The following fees for non-audit services were paid/payable to the external auditors during the year ended 31 December 2005.

	\$
Taxation services	153,530
Advisory Services	54,609
Legal services (PricewaterhouseCoopers Legal)	404,786
Total	612,925

Legal fees related to advice in respect of the employee related and other commercial matters required in the ordinary course of business.

Auditor's Independence Declaration

The copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 50.

Rounding of Amounts

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

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



Ian Ferrier
Director



Richard Davis
Director

Dated this 31st day of March 2006.