



InvoCare Limited

Interim financial report

For the half-year ended 30 June 2011

Contents

	Page
Directors' report	1
Auditor's independence declaration	3
Interim financial report	
Consolidated statement of comprehensive income	4
Consolidated statement of financial position	6
Consolidated statement of changes in equity	7
Consolidated statement of cash flows	8
Notes to the consolidated financial statements	9
Directors' declaration	15
Independent auditor's review report to the members	16

InvoCare Limited

Directors' report

Your directors present their report on the consolidated entity consisting of InvoCare Limited and the entities it controlled at the end of, or during, the half-year ended 30 June 2011.

Directors

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

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

Review of operations

The Group's operating profit after tax was \$15,384,000 for the half-year ended 30 June 2011 (2010: \$14,637,000). The consolidated after tax profit of the Group attributable to shareholders was \$14,464,000 (2010: \$6,571,000).

The results highlights are set out in the following table, which also reconciles operating profit after tax to net profit after tax:

	Half-year 2011 \$'000	Half-year 2010 \$'000	Change	
			\$'000	%
Total sales to external customers	140,458	127,416	13,042	10.2%
Other revenue	2,758	2,631	127	4.8%
Operating expenses	(108,068)	(97,639)	(10,429)	-10.7%
Operating EBITDA ⁽ⁱ⁾	35,148	32,408	2,740	8.5%
<i>Operating Margin</i>	25.0%	25.4%		-0.4%
Depreciation and amortisation	(5,950)	(5,431)	(519)	9.6%
Finance costs ⁽ⁱⁱ⁾	(6,320)	(5,534)	(786)	14.2%
Interest income	381	318	63	19.8%
Business acquisition costs	(985)	(853)	(132)	15.5%
Operating profit before tax	22,274	20,908	1,366	6.5%
Income tax expense	(6,890)	(6,271)	(619)	9.9%
<i>Effective tax rate</i>	30.9%	30.0%		0.9%
Operating profit after tax	15,384	14,637	747	5.1%
Operating earnings per share	15.0 cents	14.4 cents	0.6 cents	4.2%
Net loss on undelivered prepaid contracts after tax	(891)	(9,517)	8,626	
Investment allowance tax benefit	-	313	(313)	
Non-cash swap movements after tax	-	394	(394)	
Asset sale gains after tax	24	797	(773)	
Non-controlling interest	(53)	(53)	-	
Net profit after tax attributable to InvoCare shareholders	14,464	6,571	7,893	120.1%
Basic earnings per share	14.1 cents	6.5 cents	7.6 cents	116.9%
Dividends				
Interim ordinary dividend per share	13.5 cents	13.0 cents	0.5 cents	3.8%

(i) Operating EBITDA excludes net gains or losses on undelivered prepaid contracts and acquisition related expenses.

(ii) Finance costs exclude non-cash fair value movements on financial instruments (eg. interest rate swaps).

InvoCare Limited

Directors' report

Sales to customers increased 10.2% to \$140,458,000, including contributions of \$5,795,000 million from new business acquisitions. WN Bull Funerals was acquired on 15 June 2010 and a major growth milestone was achieved on 15 June 2011 with the successful completion of the Bledisloe acquisition, first announced in November 2010. Excluding the acquisitions, comparable business sales grew by 5.8% to \$134,663,000. This growth was driven by market share improvements, increased numbers of deaths and annual price changes.

Operating EBITDA was up 8.5% to \$35,148,000, including contributions of \$1,042,000 from new business acquisitions. Excluding acquisitions, comparable business EBITDA grew by 5.2% to \$34,106,000.

With the change in accounting policy for prepaid contracts funds and associated service delivery obligations introduced last year, fair value movements in prepaid contract funds under management introduce volatility to reported profits but have not impacted InvoCare's underlying business operations or cash flows.

Dividend

The directors have determined a fully franked interim dividend of 13.5 cents per share (2010: 13.0 cents per share fully franked) which will be paid on 7 October 2011.

The Dividend Reinvestment Plan ("DRP") will apply, with shares to be issued at a 2.0% discount to the weighted average market price of the Company's shares traded during the first ten (10) trading days after (but not including) the record date of 16 September 2011. Any DRP take up shortfall will be underwritten.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 3.

Rounding of amounts

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

Signed in accordance with a resolution of the directors.



Ian Ferrier
Director



Andrew Smith
Director

Sydney
18 August 2011



Auditor's Independence Declaration

As lead auditor for the review of InvoCare Limited for the half-year ended 30 June 2011, I declare that, to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

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

A handwritten signature in black ink, appearing to read 'J Feely', with a long horizontal stroke extending to the right.

John Feely
Partner
PricewaterhouseCoopers

Sydney
18 August 2011

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InvoCare Limited

Consolidated statement of comprehensive income

For the half-year ended 30 June 2011

	Notes	Half-year	
		2011 \$'000	2010 \$'000
Revenue from continuing operations		143,216	130,047
Finished goods, consumables and funeral disbursements		(40,894)	(36,244)
Employee benefits expense		(35,512)	(32,900)
Employee related and on-cost expenses		(8,309)	(7,064)
Advertising and public relations expenses		(4,915)	(3,824)
Occupancy and facilities expenses		(9,480)	(8,789)
Motor vehicle expenses		(2,733)	(2,403)
Other expenses		(6,225)	(6,415)
Operating earnings before interest, tax, depreciation and amortisation		35,148	32,408
Depreciation, amortisation and impairment expense		(5,950)	(5,431)
Finance costs		(6,320)	(4,971)
Interest Income		381	318
Net gain / (loss) on undelivered prepaid contracts	3	(1,273)	(13,596)
Acquisition related expenses		(985)	(853)
Net gain/(loss) on disposal of non-current assets		34	713
Profit before income tax		21,035	8,588
Income tax expense		(6,518)	(1,964)
Profit from continuing activities		14,517	6,624
Profit for the half-year		14,517	6,624
Profit is attributable to:			
Equity holders of InvoCare Limited		14,464	6,571
Non-controlling interests		53	53
		14,517	6,624
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings per share (cents per share)	6	14.1	6.5
Diluted earnings per share (cents per share)	6	14.1	6.5

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

InvoCare Limited

Consolidated statement of comprehensive income continued

For the half-year ended 30 June 2011

	Notes	Half-year	
		2011 \$'000	2010 \$'000
Profit for the half-year		14,517	6,624
Other comprehensive income			
Changes in fair value of cash flow hedges, net of tax		(1,186)	511
Changes in foreign currency translation reserve, net of tax		75	310
Other comprehensive income for the half-year		(1,111)	821
Total comprehensive income for the half-year		13,406	7,445
Total comprehensive income for the half-year is attributable to:			
Equity holders of InvoCare Limited		13,353	7,392
Non-controlling interests		53	53
		13,406	7,445

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

InvoCare Limited

Consolidated statement of financial position

For the half-year ended 30 June 2011

		30 June 2011 \$'000	31 December 2010 \$'000
	Notes		
ASSETS			
Current assets			
Cash and cash equivalents		7,327	5,123
Trade and other receivables		30,184	22,635
Inventories		19,785	17,193
Prepaid contract funds under management	3	308,044	273,544
Deferred selling costs		601	587
Assets classified as held for sale		7,310	-
Total current assets		373,251	319,082
Non-current assets			
Trade and other receivables		14,766	13,178
Other financial assets		4	-
Property, plant and equipment		273,405	232,138
Intangible assets		134,665	62,197
Derivative financial instruments		-	643
Deferred selling costs		8,419	8,219
Total non-current assets		431,259	316,375
Total assets		804,510	635,457
LIABILITIES			
Current liabilities			
Trade and other payables		34,983	25,723
Borrowings		77	76
Derivative financial instruments		1,051	-
Current tax liabilities		5,688	6,522
Prepaid contract liabilities	3	300,982	264,646
Deferred revenue		3,140	3,038
Provisions for employee benefits		11,669	9,473
Total current liabilities		357,590	309,478
Non-current liabilities			
Trade and other payables		58	-
Borrowings		237,128	153,401
Deferred tax liabilities		31,078	32,679
Deferred revenue		43,322	41,115
Provisions for employee benefits		1,472	1,361
Total non-current liabilities		313,058	228,556
Total liabilities		670,648	538,034
Net assets		133,862	97,423
EQUITY			
Contributed equity	5	118,753	79,937
Reserves		881	2,088
Retained profits	7	13,104	14,259
Parent entity interest		132,738	96,284
Non-controlling interest		1,124	1,139
Total equity		133,862	97,423

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

InvoCare Limited

Consolidated statement of changes in equity

For the half-year ended 30 June 2011

	Attributable to owners of InvoCare Limited				Non controlling interest	Total Equity
	Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Total \$'000		
Balance at 1 January 2011	79,937	2,088	14,259	96,284	1,139	97,423
Total comprehensive income for the year	-	(1,111)	14,464	13,353	53	13,406
Transactions with owners in their capacity as owners:						
Contributions of equity net of transaction costs	37,935	-	-	37,935	-	37,935
Dividends paid	-	-	(15,619)	(15,619)	(68)	(15,687)
Dividend Reinvestment Plan issues	1,491	-	-	1,491	-	1,491
Deferred employee share plan shares vesting during the year	627	(627)	-	-	-	-
Acquisition of shares by the InvoCare Deferred Share Plan Trust	(1,237)	-	-	(1,237)	-	(1,237)
Employee shares – value of services	-	531	-	531	-	531
Balance at 30 June 2011	118,753	881	13,104	132,738	1,124	133,862
Balance at 1 January 2010	76,950	174	14,164	91,288	1,119	92,407
Total comprehensive income for the year	-	821	6,571	7,392	53	7,445
Transactions with owners in their capacity as owners:						
Dividends paid	-	-	(14,003)	(14,003)	(75)	(14,078)
Dividend Reinvestment Plan issues	1,423	-	-	1,423	-	1,423
Deferred employee share plan shares vesting during the year	519	(519)	-	-	-	-
Acquisition of shares by the InvoCare Deferred Share Plan Trust	(1,242)	-	-	(1,242)	-	(1,242)
Forfeit of shares on termination of employment	(20)	-	-	(20)	-	(20)
Employee shares – value of services	-	492	-	492	-	492
Balance at 30 June 2010	77,630	968	6,732	85,330	1,097	86,427

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

InvoCare Limited

Consolidated statement of cash flows

For the half-year ended 30 June 2011

	Half-year	
	2011 \$'000	2010 \$'000
Cash flows from operating activities		
Receipts from customers	154,479	136,933
Payments to suppliers	(121,326)	(109,631)
Other revenue	2,543	1,987
	35,696	29,289
Interest received	69	52
Finance costs	(6,021)	(5,411)
Income tax paid	(8,628)	(5,625)
Net cash inflow from operating activities	21,116	18,305
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	75	1,997
Payments for property, plant and equipment	(7,482)	(4,958)
Payments for purchase of subsidiaries and other businesses, net of cash acquired	(42,456)	(7,830)
Net cash (outflow) from investing activities	(49,863)	(10,791)
Cash flows from financing activities		
Payment for shares acquired by InvoCare Deferred Employee Share Plan Trust	(1,238)	(1,257)
Proceeds from borrowings	97,034	14,974
Repayment of borrowings	(50,886)	(10,000)
Payment of dividends – InvoCare Limited shareholders (net of Dividend Reinvestment Plan share issues \$1,491,000 (2010: \$1,423,000))	(14,128)	(12,579)
Dividends paid to non-controlling interests in subsidiaries	(68)	(75)
Repayment of finance lease	(39)	-
Net cash (outflow) from financing activities	30,675	(8,937)
Net increase (decrease) in cash and cash equivalents	1,928	(1,423)
Cash and cash equivalents at the beginning of the half-year	5,123	5,509
Effect of exchange rate changes on cash and cash equivalents	276	14
Cash and cash equivalents at the end of the half-year	7,327	4,100

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

InvoCare Limited

Notes to the consolidated financial statements

30 June 2011

1 Basis of preparation of the half-year report

This general purpose financial report for the interim half-year reporting period ended 30 June 2011 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual report for the year ended 31 December 2010 and any public announcements made by InvoCare Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

2 Segment information

The segment information regularly provided to the Chief Executive Officer for the reportable operating segments for the half-year ended 30 June 2011 is as follows:

	Australian Operations		Singapore Operations		New Zealand Operations		Consolidated	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Revenue from external customers	134,491	122,839	4,608	4,577	1,359	-	140,458	127,416
Other revenue (excluding interest income)	2,643	2,529	88	102	27	-	2,758	2,631
Operating expenses	(104,622)	(95,281)	(2,440)	(2,358)	(1,006)	-	(108,068)	(97,639)
Operating EBITDA	32,512	30,087	2,256	2,321	380	-	35,148	32,408
Depreciation and amortisation	(5,679)	(5,249)	(241)	(182)	(30)	-	(5,950)	(5,431)
Finance Costs	(5,970)	(5,287)	(306)	(247)	(44)	-	(6,320)	(5,534)
Interest Income	379	318	-	-	2	-	381	318
Business acquisition costs	(985)	(853)	-	-	-	-	(985)	(853)
Income tax expense	(6,500)	(6,007)	(292)	(264)	(98)	-	(6,890)	(6,271)
Operating profit after tax	13,757	13,009	1,417	1,628	210	-	15,384	14,637
After tax loss on prepaid contract movements	(891)	(9,517)	-	-	-	-	(891)	(9,517)
Investment allowance tax benefit	-	313	-	-	-	-	-	313
Non-cash swap movements after tax	-	394	-	-	-	-	-	394
Profit on sale of assets after tax	24	797	-	-	-	-	24	797
Non-controlling interest	(53)	(53)	-	-	-	-	(53)	(53)
Net profit after tax attributable to equity holders of InvoCare Limited	12,837	4,943	1,417	1,628	210	-	14,464	6,571
Total assets	724,133	586,517	27,458	30,083	52,919	-	804,510	616,600

InvoCare Limited

Notes to the consolidated financial statements continued

30 June 2011

Note 3: Prepaid contracts

(a) Impact on statement of comprehensive income

	2011 \$'000	2010 \$'000
Gain / (loss) on prepaid contract funds under management	21	(12,433)
Change in provision for prepaid contract liabilities	(1,294)	(1,163)
Net gain / (loss) on undelivered prepaid contracts	(1,273)	(13,596)

(b) Movements in prepaid contract funds under management

	2011 \$'000	2010 \$'000
Balance at the beginning of the year	273,544	264,589
Sale of new prepaid contracts	12,717	10,968
Initial recognition of contracts paid by instalment	859	540
Redemption of prepaid contract funds following service delivery	(12,636)	(10,478)
Increase due to business combinations net of assets held for sale	33,539	4,399
Increase in fair value of contract funds under management	21	(12,433)
Balance at the end of the half-year	308,044	257,585

(c) Movements in prepaid contract liabilities

	2011 \$'000	2010 \$'000
Balance at the beginning of the year	264,646	244,872
Sale of new prepaid contracts	12,717	10,968
Initial recognition of contracts paid by instalment	859	540
Decrease following delivery of services	(12,073)	(9,882)
Increase due to business combinations net of assets held for sale	33,539	4,399
Increase due to reassessment of delivery costs	1,294	1,163
Balance at the end of the half- year	300,982	252,060

(d) Other movements on the statement of comprehensive income

	2011 \$'000	2010 \$'000
Cash received/receivable for delivered prepaid contracts	11,608	10,435
Initial value of delivered prepaid contracts	(10,117)	(9,307)
Reversal of previously recognised price increases	(811)	(411)
Net cash impact	680	717
Amortisation of unfunded prepaid contracts	(117)	(121)
Total Impact	563	596

(e) Nature of contracts under management and liabilities

Prepaid contracts are tripartite agreements whereby InvoCare agrees to deliver a specified funeral service, cremation or burial at the time of need and the beneficiary invests the current price of the service to be delivered with a financial institution and conditionally assigns the benefit to InvoCare. InvoCare records the value of the invested funds as an asset and revalues the invested funds to fair value at the end of each reporting period. InvoCare also records a liability at the current selling price of the service to be delivered and adjusts this liability for the change in selling prices during the period.

The assignment of the benefit of the invested funds to InvoCare only becomes unconditional when InvoCare demonstrates that it has delivered the service specified. InvoCare receives the investment returns as well as the initial investment when the service has been delivered.

As required by law, the funds are controlled by trustees who are independent of InvoCare.

InvoCare Limited

Notes to the consolidated financial statements continued

30 June 2011

4 Dividends

	Half-year ended	
	2011 \$'000	2010 \$'000
Dividend paid during the half-year		
Final dividend in respect of the previous year of 15.25 cents (2010: 13.75 cents) per fully paid ordinary share, fully franked based on tax paid at 30%.	15,619	14,003
Dividends paid to non-controlling interest for 2010 of 8.45 cents per fully paid share fully franked based on tax paid at 30%.	68	75
Dividends not recognised at the end of the half-year		
In addition to the above dividends, since the end of the half-year the directors have recommended the payment of an interim dividend of 13.5 cents per fully paid ordinary share (2010: 13.0 cents), fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 7 October 2011 (2010: 8 October 2010), but not recognised as a liability at the end of the half-year, is	14,491	13,201
Franking credit balance		
The amount of franking credits available for subsequent financial years are:		
Franking account balance at the end of the reporting period	23,317	15,317
Franking credits that will arise from the payment of income tax payable at the end of the reporting period	4,620	3,556
Reduction in franking account resulting from the payment of the proposed interim dividend of 13.5 cents (2010: 13.0 cents)	(6,210)	(5,658)
	21,727	13,215

5 Movements in contributed equity

	2011 Shares	2010 Shares	2011 \$'000	2010 \$'000
Ordinary shares				
Dividend reinvestment plan issues	214,382	234,855	1,491	1,423
Shares issued as consideration in a business combination net of issue costs	5,277,227	-	37,935	-
	5,491,609	234,855	39,426	1,423
Treasury shares				
Movement of treasury shares during the half-year				
Shares vesting during the half-year	113,895	82,996	627	519
Shares forfeited during the half-year	-	3,579	-	20
Acquisition of shares by the InvoCare Deferred Share Plan Trust	(167,923)	(209,820)	(1,237)	(1,262)
	(54,028)	(123,245)	(610)	(723)

6 Earnings per share

	2011 Shares	2010 Shares
The Weighted average number of ordinary shares used as a denominator in calculating:		
Basic earnings per share	102,433,453	101,458,305
Diluted earnings per share	102,433,453	101,458,305

InvoCare Limited

Notes to the consolidated financial statements continued

30 June 2011

7 Retained profits

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

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

The following table shows the movements in the consolidated entity's retained earnings / (accumulated losses) since transition to AIFRS on 1 January 2004, set out in separate sub-account components relating to, firstly previously reported AGAAP retained earnings, secondly the AIFRS transitional adjustments to retained earnings and finally AIFRS determined profits. The amounts of retained earnings AIFRS transitional adjustments which have since reversed into profits amount to \$4,783,000. These are shown as transfers in the table below and comprise reversals of:

- non-current asset impairment losses of \$1,691,000 (net of tax);
- AASB 132 and AASB 139 financial instruments adjustments \$861,000 (net of tax); and
- temporary differences relating to the deferred tax liability established at transition to AIFRS \$3,953,000.

	Previously reported AGAAP earnings \$'000	Transitional AIFRS adjustments to retained earnings \$'000	Post AIFRS adoption reported earnings \$'000	Total \$'000
Balance of retained earnings/(accumulated losses) as at 1 January 2004	11,033	(47,084)	-	(36,051)
Profit after tax for the 2004 year	17,088	-	2,167	19,255
Dividends paid during 2004	(6,080)	-	-	(6,080)
Transitional AIFRS adjustment on 1 January 2005 relating to the adoption of AASB 132 and AASB 139	-	861	-	861
Profit after tax for the 2005 year	-	-	20,141	20,141
Dividends paid during 2005	(22,041)	-	(3,462)	(25,503)
Profit after tax for the 2006 year	-	-	24,047	24,047
Dividends paid during the 2006 year	-	-	(17,005)	(17,005)
Profit after tax for the 2007 year	-	-	27,554	27,554
Dividends paid during the 2007 year	-	-	(21,395)	(21,395)
Profit after tax for the 2008 year	-	-	28,026	28,026
Dividends paid during the 2008 year	-	-	(23,066)	(23,066)
Profit after tax for the 2009 year	-	-	48,140	48,140
Dividends paid during the 2009 year	-	-	(24,761)	(24,761)
Profit after tax for the 2010 year	-	-	27,366	27,366
Dividends paid during 2010	-	-	(27,270)	(27,270)
Profit after tax for the 2011 half-year	-	-	14,464	14,464
Dividends paid during the 2011 half-year	-	-	(15,619)	(15,619)
Transfer between sub-accounts	-	5,644	(5,644)	-
Balance of retained earnings/(accumulated losses) as at 30 June 2011	-	(40,579)	53,683	13,104

InvoCare Limited

Notes to the consolidated financial statements continued

30 June 2011

8 Business combinations

Bledisloe Group

On 15 June 2011, a subsidiary InvoCare Australia Pty Limited completed the acquisition of 100% of Bledisloe Group Holdings Pty Ltd, following the Australian Competition & Consumer Commission's ("ACCC") announcement that it did not propose to oppose the acquisition. The Bledisloe Group operates funeral businesses on the east coast of Australia and in New Zealand. Amongst its many highly respected funeral brands are Metropolitan Funerals in Brisbane, W D Rose in Melbourne; Turnbulls Family Funerals in Hobart and John Rhind Funeral Directors in Christchurch, New Zealand.

The Group provided the ACCC with enforceable undertakings in relation to the sale of the Gregory & Carr business in the northern suburbs of Sydney, the sale of Great Northern Garden of Remembrance in the north of Brisbane and an ownership statement for funeral operations in Brisbane. On 29 July, 2011 the sale of six Gregory & Carr locations, three of which were included in the undertakings, was completed. On 28 July, 2011 a conditional contract was exchanged for the sale of Great Northern Garden of Remembrance with completion anticipated in late August or early September 2011. The prime condition precedent to this sale agreement is the approval of the proposed purchaser by the ACCC. Total proceeds from these two divestitures, which are expected to equate to the acquisition value, total \$7,310,000 and have been disclosed in the accounts as Assets held for sale.

During the period since completion on 15 June, 2011 the Bledisloe Group has contributed \$3.5 million in revenues and generated an EBITDA of \$0.6 million. Integration of the businesses with other InvoCare businesses and shared service centres, along with the elimination of duplicated functions is underway. Had the Bledisloe Group been acquired on 1 January 2011 the InvoCare Group revenue would have been \$171.6 million and profit after tax \$14.6 million for the period to 30 June 2011 without making any adjustments to the Bledisloe result.

The initial accounting for the business combination has been determined provisionally as at the acquisition date. Due to the size of the acquisition and the date of completion being so close to the end of this reporting period, it has not been possible to accurately assess the fair values of the identifiable assets, liabilities or contingent liabilities at the acquisition date. Consequently, other than adopting InvoCare's policy in relation to the recognition of prepaid contract funds under management and associated liabilities, the Bledisloe Group book values have been used to provisionally calculate goodwill. The provisional values are set out below.

	Acquiree's carrying amount \$'000
Receivables	5,644
Inventories	1,395
Prepaid contract funds under management	37,393
Property, plant and equipment	41,799
Other financial assets	4
Goodwill	28,202
Trade and other payables	(7,763)
Bank overdraft	(187)
Income tax payable	(214)
Prepaid contract liabilities	(37,393)
Provisions	(2,401)
Long term borrowings	(37,758)
Deferred revenue	(588)
Deferred purchase consideration	(372)
Deferred tax liabilities	(133)
Net assets acquired	27,628

It is anticipated that when the valuation process is complete the fair value of property, plant and equipment (current book value \$41.8 million) and brand names (current book value Nil) will increase substantially with a consequent reduction in goodwill recognised. Under AASB 3: *Business Combinations*, InvoCare has twelve months from the date of acquisition to determine the fair values of the assets, liabilities and contingent liabilities acquired.

InvoCare Limited

Notes to the consolidated financial statements continued

30 June 2011

	\$'000
Purchase consideration	
Cash paid	40,040
Equity instruments issued	38,840
Total purchase consideration	78,880
Provisional fair value of assets, liabilities and contingent liabilities	27,628
Provisional value of additional goodwill acquired	51,252

A total of 5,277,227 ordinary shares were issued and these shares have been valued at \$7.36 each, being the closing share price on 14 June, 2011 which was the day before completion. These shares are subject to escrow restrictions for a period of twelve months from the date of completion.

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

Total incidental costs of \$1,235,000 have been incurred in the reporting period bringing the total cost of this acquisition to \$1,541,000. These costs have been expensed as incurred and reported as Acquisition related costs in the Statement of Comprehensive Income as required by AASB 3: *Business Combinations*.

W N Bull

W N Bull's funeral business was acquired effective 15 June, 2010. Included in the purchase consideration was contingent consideration of \$250,000 which could be earned if certain pre-determined hurdles were achieved by 15 June, 2011. The relevant hurdles were not achieved and the contingent consideration was written back as required by AASB 3: *Business Combinations* in the Statement of Comprehensive Income and netted against Acquisition related expenses.

9 Contingencies

	30 June 2011 \$'000	31 December 2010 \$'000
The parent entity and consolidated entity had contingent liabilities at 30 June 2011 in respect of bank guarantees given for leased premises of controlled entities to a maximum of:	1,411	639

10 Events occurring after balance date

Except for;

- the divestitures disclosed in Note 8: Business Combinations; and
- the increasingly volatile and uncertain equity markets has and will continue to impact the fair value of prepaid contract funds under management with every 1% movement in the all ordinaries index resulting in a \$1.1 million shift in the value of funds under management;

in the opinion of the directors there have been no significant events that affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity since 30 June 2011.

InvoCare Limited

Directors' declaration

30 June 2011

In the directors' opinion:

- (a) the financial statements and notes set out on pages 4 to 14 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporation Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the half-year ended on that date; and
- (b) there are reasonable grounds to believe that InvoCare Limited will be able to pay its debts as and when they become due and payable.

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



Ian Ferrier
Director

Sydney
18 August 2011



Andrew Smith
Director



Independent auditor's review report to the members of InvoCare Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of InvoCare Limited, which comprises the balance sheet as at 30 June 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for the InvoCare Limited Group (the consolidated entity). The consolidated entity comprises both InvoCare Limited (the company) and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of InvoCare Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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

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Matters relating to the electronic presentation of the reviewed financial report

This review report relates to the financial report of the company for the half-year ended 30 June 2011 included on InvoCare Limited's web site. The company's directors are responsible for the integrity of the InvoCare Limited web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on this web site.

Independence

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

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

The PricewaterhouseCoopers logo, written in a cursive script.

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'J Feely'.

John Feely
Partner

Sydney
18 August 2011