



InvoCare Limited

Interim financial report

For the half-year ended 30 June 2013

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InvoCare Limited

Directors' report

Your directors present their report on the consolidated entity consisting of InvoCare Limited and the entities it controlled at the end of, or during, the half-year ended 30 June 2013.

Directors

The persons who were directors of InvoCare Limited during the entire half-year period are as below. Except for Benjamin Chow who resigned on 16 August 2013, these directors were in office until the date of this report.

Ian Ferrier	Andrew Smith
Richard Fisher	Roger Penman
Christine Clifton	Richard Davis
Aliza Knox	Benjamin Chow (resigned 16 August 2013)

Review of operations

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

	Half-year 2013 \$'000	Half-year 2012 \$'000	Change	
			\$'000	%
Total sales to external customers	183,641	174,811	8,830	5.1%
Other revenue	3,437	3,354	83	2.5%
Operating expenses ⁽ⁱ⁾	(145,787)	(135,539)	(10,248)	7.6%
Operating EBITDA ⁽ⁱ⁾	41,291	42,626	(1,335)	-3.1%
<i>Operating Margin</i>	22.5%	24.4%		-1.9%
Depreciation and amortisation	(8,654)	(7,987)	(667)	8.4%
Finance costs	(8,350)	(8,092)	(258)	3.2%
Interest income	328	443	(115)	-26.0%
Business acquisition costs	(221)	20	(241)	1,205%
Share of net loss of associate	(50)	-	(50)	-
Operating earnings before tax ⁽ⁱ⁾	24,344	27,010	(2,666)	-9.9%
Income tax expense ⁽ⁱ⁾	(7,112)	(8,060)	948	-11.8%
<i>Effective tax rate ⁽ⁱ⁾</i>	29.2%	29.8%		-0.6%
Operating earnings after tax ⁽ⁱ⁾	17,232	18,950	(1,718)	-9.1%
Operating earnings after tax per share ⁽ⁱ⁾	15.8 cents	17.3 cents	-1.5cents	-8.6%
Net gain/(loss) on undelivered prepaid contracts after tax ⁽ⁱ⁾	840	(423)	1,263	298.6%
Asset sale gains after tax ⁽ⁱ⁾	1,344	1,842	(498)	-27.0%
Reversal of impairment loss after tax ⁽ⁱ⁾	2,100	-	2,100	-
Non-controlling interest	(62)	(55)	(7)	12.7%
Net profit after tax attributable to InvoCare shareholders	21,454	20,314	1,140	5.6%
Basic earnings per share	19.6 cents	18.6 cents	1.0cents	5.4%
Dividends				
Interim ordinary dividend per share	15.0 cents	15.0 cents	-	-

(i) Non-IFRS financial information.

InvoCare's reported statutory profit after tax was up by 5.6% or \$1.1 million to \$21.5 million (2012: \$20.3 million). However, the first half operating result was disappointing with operating earnings after tax¹ down by 9.1% or \$1.7 million to \$17.2 million (2012: \$19.0 million).

The Company's emphasis is on improving its operating earnings in the second half. A portion of the first half decline, estimated at \$0.6 million after tax, was due to lower numbers of deaths. However, the major cause of the decline from last year was increased costs, primarily from an investment in personnel

¹ Operating earnings after tax and operating earnings per share are non-IFRS financial information.

InvoCare Limited

Directors' report

for innovation and future growth. Salaries and wages expenses in the comparable business, excluding acquisitions, were \$3.4 million after tax higher than last year. The Company was unable to react quickly enough to reduce costs when an unexpected sudden decline in funeral case volumes occurred in the month of June.

The reported statutory profit on the other hand benefited from the reversal of a previous cemetery asset impairment (\$2.1 million after tax, 2012: \$Nil), asset sale gains (\$1.4 million after tax; 2012: \$1.8 million) and an improvement in undelivered prepaid contract results (net gain of \$0.8 million after tax; 2012 net loss \$0.4 million). The main prepaid funeral fund incurred a \$1.2 million after tax fair value write-down for acquisition costs relating to a property investment it made in the last week of June 2013. The Company had anticipated this write-down in its funds under management and was expecting this would be more than offset by a gain on sale settlement by 30 June 2013 of a surplus Victorian funeral home (\$1.8 million after tax). Unfortunately the settlement of the funeral home sale was delayed until 29 July 2013 and could not be recognised in the half year accounts.

The Company is pleased with the improved operating cash flows for the six months which has underpinned the ability to pay a fully franked interim dividend of 15.0 cents per share in line with last year.

Non IFRS financial information

Operating EBITDA and operating earnings are financial measures which are not prescribed by Australian equivalents to International Financial Reporting Standards ("AIFRS") and represent the earnings under AIFRS adjusted for specific non-cash items and significant items. The table above summarises the key reconciling items between net profit after tax attributable to InvoCare shareholders and operating EBITDA and operating earnings before and after tax. The operating EBITDA and operating earnings before and after tax information included in the table above has not been subject to any specific audit or review procedures by our auditor but has been extracted from the accompanying financial report.

Dividend

The directors have determined a fully franked interim dividend of 15.0 cents per share (2012: 15.0 cents per share fully franked) which will be paid on 4 October 2013.

The Dividend Reinvestment Plan ("DRP") will apply, with shares to be purchased on market and allocated at no discount from the weighted average market price of the Company's shares traded during the first ten (10) trading days after (but not including) the record date of 13 September 2013. Any shortfall in the DRP take up will not be underwritten.

Auditor's independence declaration

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

Rounding of amounts

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

Signed in accordance with a resolution of the directors.



Ian Ferrier
Director



Andrew Smith
Director

Sydney
20 August 2013



Auditor's Independence Declaration

As lead auditor for the review of InvoCare Limited for the half-year ended 30 June 2013, 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 blue ink, appearing to read 'B Entwistle', written over a light blue grid background.

Brett Entwistle
Partner
PricewaterhouseCoopers

Sydney
20 August 2013

InvoCare Limited
Consolidated income statement
For the half-year ended 30 June 2013

	Notes	Half-year	
		2013 \$'000	2012 \$'000
Revenue from continuing operations		187,078	178,165
Finished goods, consumables and funeral disbursements		(53,930)	(50,431)
Employee benefits expense		(48,935)	(44,526)
Employee related and on-cost expenses		(11,049)	(9,444)
Advertising and public relations expenses		(6,795)	(6,326)
Occupancy and facilities expenses		(12,694)	(12,009)
Motor vehicle expenses		(3,991)	(3,819)
Other expenses		(8,393)	(8,984)
		41,291	42,626
Depreciation and amortisation expenses		(8,654)	(7,987)
Reversal of impairment loss		3,000	-
Finance costs		(8,350)	(8,092)
Interest income		328	443
Net gain/(loss) on undelivered prepaid contracts	3	1,200	(605)
Acquisition related costs		(221)	20
Share of net loss of associate		(50)	-
Net gain on disposal of non-current assets		1,378	1,784
Profit before income tax		29,922	28,189
Income tax expense		(8,406)	(7,820)
Profit from continuing activities		21,516	20,369
Profit for the half-year		21,516	20,369
Profit is attributable to:			
Equity holders of InvoCare Limited		21,454	20,314
Non-controlling interests		62	55
		21,516	20,369
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings per share (cents per share)	6	19.6	18.6
Diluted earnings per share (cents per share)	6	19.6	18.6

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

InvoCare Limited

Consolidated statement of comprehensive income

For the half-year ended 30 June 2013

	Notes	Half-year	
		2013 \$'000	2012 \$'000
Profit for the half-year		21,516	20,369
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Changes in the fair value of cash flow hedges, net of tax		1,338	(1,740)
Changes in foreign currency translation reserve, net of tax		1,451	829
Other comprehensive income for the half-year, net of tax		2,789	(911)
Total comprehensive income for the half-year		24,305	19,458
Total comprehensive income for the half-year is attributable to:			
Equity holders of InvoCare Limited		24,243	19,403
Non-controlling interests		62	55
		24,305	19,458

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

InvoCare Limited
Consolidated balance sheet
As at 30 June 2013

	Notes	30 June 2013 \$'000	31 December 2012 \$'000
ASSETS			
Current assets			
Cash and cash equivalents		6,647	6,081
Trade and other receivables		34,602	34,540
Inventories		21,282	21,362
Prepaid contract funds under management	3	29,285	28,370
Property held for sale		2,631	2,631
Deferred selling costs		1,215	1,150
Total current assets		95,662	94,134
Non-current assets			
Trade and other receivables		14,857	14,920
Other financial assets		65	104
Property, plant and equipment		290,367	284,974
Prepaid contract funds under management	3	331,544	322,535
Intangible assets		141,772	137,484
Deferred selling costs		8,244	7,999
Equity accounted investments		4,955	-
Total non-current assets		791,804	768,016
Total assets		887,466	862,150
LIABILITIES			
Current liabilities			
Trade and other payables		29,271	25,059
Borrowings		16	17
Derivative financial instruments		470	1,353
Current tax liabilities		6,148	5,216
Prepaid contract liabilities	3	29,292	28,455
Deferred revenue		7,196	6,748
Provisions		13,054	12,431
Total current liabilities		85,447	79,279
Non-current liabilities			
Trade and other payables		1,720	2,163
Borrowings		229,803	223,217
Derivative financial instruments		7,047	8,032
Deferred tax liabilities		29,269	28,502
Prepaid contract liabilities	3	334,517	326,635
Deferred revenue		42,510	40,696
Provisions		1,908	1,735
Total non-current liabilities		646,774	630,980
Total liabilities		732,221	710,259
Net assets		155,245	151,891
EQUITY			
Contributed equity	5	132,476	132,687
Reserves		(169)	(3,120)
Retained profits		21,725	21,173
Parent entity interest		154,032	150,740
Non-controlling interests		1,213	1,151
Total equity		155,245	151,891

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

InvoCare Limited

Consolidated statement of changes in equity

For the half-year ended 30 June 2013

	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 2013	132,687	(3,120)	21,173	150,740	1,151	151,891
Total comprehensive income for the half year	-	2,789	21,454	24,243	62	24,305
Transactions with owners in their capacity as owners:						
Dividends paid	-	-	(20,902)	(20,902)	-	(20,902)
Deferred employee share plan shares vesting during the year	466	(466)	-	-	-	-
Acquisition of shares by the InvoCare Deferred Share Plan Trust	(843)	-	-	(843)	-	(843)
Transfer to InvoCare Exempt Share Plan Trust	166	-	-	166	-	166
Employee shares – value of services	-	628	-	628	-	628
Balance at 30 June 2013	132,476	(169)	21,725	154,032	1,213	155,245
Balance at 1 January 2012	133,336	(2,934)	11,084	141,486	1,131	142,617
Total comprehensive income for the half year	-	(911)	20,314	19,403	55	19,458
Transactions with owners in their capacity as owners:						
Dividends paid	-	-	(17,881)	(17,881)	-	(17,881)
Deferred employee share plan shares vesting during the year	377	(377)	-	-	-	-
Acquisition of shares by the InvoCare Deferred Share Plan Trust	(1,265)	-	-	(1,265)	-	(1,265)
Transfer to InvoCare Exempt Share Plan Trust	239	-	-	239	-	239
Employee shares – value of services	-	434	-	434	-	434
Balance at 30 June 2012	132,687	(3,788)	13,517	142,416	1,186	143,602

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 2013

	Half-year	
	2013 \$'000	2012 \$'000
Cash flows from operating activities		
Receipts from customers (including GST)	209,091	182,390
Payments to suppliers and employees (including GST)	(163,567)	(143,346)
Other revenue	3,007	3,354
	48,531	42,398
Interest received	42	147
Finance costs	(8,112)	(7,891)
Income tax paid	(7,571)	(11,374)
Net cash inflow from operating activities	32,890	23,280
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	1,687	2,894
Purchase of property, plant and equipment	(8,508)	(8,337)
Purchase of interest in associates	(5,005)	-
Purchase of subsidiaries & other businesses including acquisition costs, net of cash acquired	(1,641)	-
Net cash used in investing activities	(13,467)	(5,443)
Cash flows from financing activities		
Payment for shares acquired by InvoCare Deferred Employee Share Plan Trust	(843)	(1,265)
Proceeds from borrowings	20,827	16,459
Repayment of borrowings	(18,000)	(7,500)
Payment of dividends – InvoCare Limited shareholders	(20,902)	(17,881)
Net cash outflow from financing activities	(18,918)	(10,187)
Net increase in cash and cash equivalents	505	7,650
Cash and cash equivalents at the beginning of the half-year	6,081	5,872
Effects of exchange rate changes on cash and cash equivalents	61	31
Cash and cash equivalents at the end of the half-year	6,647	13,553

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 2013

1 Basis of preparation of the half-year report

This condensed interim financial report for the half-year reporting period ended 30 June 2013 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 2012 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*.

Except as disclosed in the notes to the Financial Report the accounting policies adopted are consistent with those of the previous financial year and corresponding interim 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 2013 is as follows:

	Australian Operations		Singapore Operations		New Zealand Operations		Consolidated	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Revenue from external customers	161,773	155,248	6,539	5,367	15,329	14,196	183,641	174,811
Other revenue (excluding interest income)	3,243	3,245	130	87	64	22	3,437	3,354
Operating expenses	(129,137)	(121,612)	(3,569)	(2,669)	(13,081)	(11,258)	(145,787)	(135,539)
Operating EBITDA	35,879	36,881	3,100	2,785	2,312	2,960	41,291	42,626
Depreciation and amortisation	(7,599)	(7,040)	(276)	(241)	(779)	(706)	(8,654)	(7,987)
Finance costs	(7,231)	(7,123)	(385)	(287)	(734)	(682)	(8,350)	(8,092)
Interest income	313	378	-	-	15	65	328	443
Business acquisition costs	(127)	22	-	-	(94)	(2)	(221)	20
Share of net loss of associate	(50)	-	-	-	-	-	(50)	-
Inter-segment revenue/(expense)	630	630	-	-	(630)	(630)	-	-
Operating earnings before tax	21,815	23,748	2,439	2,257	90	1,005	24,344	27,010
Income tax expense	(6,601)	(7,285)	(326)	(314)	(185)	(461)	(7,112)	(8,060)
Operating earnings/(loss) after tax	15,214	16,463	2,113	1,943	(95)	544	17,232	18,950
After tax gain/(loss) on prepaid contract movements	840	(423)	-	-	-	-	840	(423)
Profit/(loss) on sale of assets after tax	1,346	1,865	-	4	(2)	(27)	1,344	1,842
Reversal of impairment loss after tax	2,100	-	-	-	-	-	2,100	-
Non-controlling interest	(62)	(55)	-	-	-	-	(62)	(55)
Net profit/(loss) after tax attributable to equity holders of InvoCare Limited	19,438	17,850	2,113	1,947	(97)	517	21,454	20,314
Total assets	796,619	785,280	38,164	29,134	52,683	47,736	887,466	862,150
Total goodwill	84,925	84,840	12,579	11,618	36,455	32,971	133,959	129,429
Total liabilities	671,564	659,819	30,787	23,504	29,870	26,936	732,221	710,259

InvoCare Limited

Notes to the consolidated financial statements continued

30 June 2013

3 Prepaid contracts

(a) Impact on statement of comprehensive income

	2013 \$'000	2012 \$'000
Gain on prepaid contract funds under management	8,806	8,208
Change in provision for prepaid contract liabilities	(7,606)	(8,813)
Net gain/(loss) on undelivered prepaid contracts	1,200	(605)

(b) Movements in prepaid contract funds under management

	2013 \$'000	2012 \$'000
Balance at the beginning of the year	350,905	311,763
Sale of new prepaid contracts	16,079	14,125
Initial recognition of contracts paid by instalment	1,361	1,114
Redemption of prepaid contract funds following service delivery	(16,322)	(12,484)
Increase in fair value of contract funds under management	8,806	8,208
Balance at the end of the half-year	360,829	322,726

(c) Movements in prepaid contract liabilities

	2013 \$'000	2012 \$'000
Balance at the beginning of the year	355,090	317,598
Sale of new prepaid contracts	16,079	14,125
Initial recognition of contracts paid by instalment	1,361	1,114
Decrease following delivery of services in current year	(16,327)	(13,343)
Increase due to re-evaluation of delivery obligation	7,606	8,813
Balance at the end of the half-year	363,809	328,307

(d) Classification of prepaid funds under management and liabilities

At 30 June 2013 a change in accounting policy has been adopted so that the current and non-current portions of the prepaid contract assets and liabilities are now disclosed separately. The purpose of this change was to more clearly reflect the pattern of usage associated with the timing of actual contract redemptions. The impact of these changes on the balance sheet is summarised in the tables below. The change does not affect income statement.

Prepaid contract funds under management

	30 June 2013 \$'000	31 December 2012 \$'000 Restated	31 December 2012 \$'000 Reported
Current	29,285	28,370	350,905
Non-Current	331,544	322,535	
Total prepaid contract funds under management	360,829	350,905	350,905

Prepaid contract liabilities

	30 June 2013 \$'000	31 December 2012 \$'000 Restated	31 December 2012 \$'000 Reported
Current	29,292	28,455	355,090
Non-Current	334,517	326,635	
Total prepaid contract liabilities	363,809	355,090	355,090

InvoCare Limited

Notes to the consolidated financial statements continued

30 June 2013

3 Prepaid contracts (continued)

(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 actual and /or expected changes 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.

4 Dividends

	Half-year ended	
	2013 \$'000	2012 \$'000
Dividend paid during the half-year		
Final dividend in respect of the previous year of 19.00 cents (2012: 16.25 cents) per fully paid ordinary share, fully franked based on tax paid at 30%.	20,902	17,881
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 15.0 cents per fully paid ordinary share (2012: 15.0 cents), fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 4 October 2013 (2012: 5 October 2012), but not recognised as a liability at the end of the half-year, is	16,504	16,504
Franking credit balance		
The amount of franking credits available for subsequent financial years are:		
Franking account balance at the end of the reporting period	24,771	26,157
Franking credits that will arise from the payment of income tax payable at the end of the reporting period	4,573	3,061
Reduction in franking account resulting from the payment of the proposed interim dividend of 15.0 cents (2012: 15.0 cents)	(7,073)	(7,073)
	22,271	22,145

InvoCare Limited

Notes to the consolidated financial statements continued

30 June 2013

5 Movements in contributed equity

There were no movements in ordinary shares in either half- year period.

	2013 Shares	2012 Shares	2013 \$'000	2012 \$'000
Treasury shares				
Movement of treasury shares during the half-year				
Shares vesting during the half-year	(70,258)	(58,583)	(466)	(377)
Transfer to InvoCare Exempt Share Plan Trust	(13,939)	(27,750)	(166)	(239)
Acquisition of shares by the InvoCare Deferred Share Plan Trust	77,003	154,543	843	1,265
	(7,194)	68,210	211	649

6 Earnings per share

	2013 Shares	2012 Shares
The Weighted average number of ordinary shares used as a denominator in calculating:		
Basic earnings per share	109,389,875	109,448,454
Diluted earnings per share	109,389,875	109,448,454

7 Business combinations

Resthaven Funeral Services

(a) Summary of acquisition:

On 1 February 2013, a subsidiary Bledisloe New Zealand Limited completed the acquisition of the business assets of Resthaven Funeral Services (2000) Limited ("Resthaven"). Resthaven operates in the south Auckland market and has been in operation since 2000. It operates from locations at Manurewa and Howick.

Provisional accounting for this acquisition has been completed as at 30 June 2013.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

(b) Purchase consideration :

	\$'000
Purchase consideration	
Cash paid	1,296
Contingent consideration	274
Total purchase consideration	1,570
Fair value of net identifiable assets acquired (refer (c) below):	178
Goodwill	1,392

The goodwill recognised is attributable to the workforce and the profitability of the acquired business. It will not be deductible for tax purposes.

(c) Assets acquired

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair Value \$'000
Inventories	19
Property, plant and equipment	57
Brand name	157
Deferred tax liabilities	(47)
Provisions	(8)
Net identifiable assets acquired	178

InvoCare Limited

Notes to the consolidated financial statements continued

30 June 2013

7 Business combinations (continued)

Resthaven Funeral Services (continued)

(c) Assets acquired (continued)

Contingent consideration includes a total of \$274,000 in future payments if predetermined revenue targets are achieved in each of the next five years.

If the acquisition had occurred on 1 January 2013, consolidated revenue for the half year ended 30 June 2013 would have increased by approximately \$108,000 and profit after tax by approximately \$10,000.

Tuckers Funeral & Bereavement Services

On 10 December 2012, a subsidiary InvoCare Australia Pty Limited completed the acquisition of Tuckers Funeral & Bereavement Services Pty Ltd and Geelong Mortuary Transfer Services Pty Ltd together with the property assets owned by a party related to the vendors ("Tuckers"). Tuckers has been operating since 1883, and is recognised to be one of the largest regional funeral directors in Australia. The company operates in the state of Victoria and its main facilities are located in Geelong West, with additional chapels and offices located in Grovedale, Lara and Barrabool Hills.

Included in the purchase consideration was \$2.1 million in future payments to be paid if predetermined revenue targets are achieved in each of the next three calendar years along with a working capital adjustment determined after the delivery of final completion accounts. During the half year a payment of \$132,000 relating to the working capital adjustment was made.

8 Contingencies

	30 June 2013 \$'000	31 December 2012 \$'000
The parent entity and consolidated entity had contingent liabilities at 30 June 2013 in respect of bank guarantees given for leased premises of controlled entities to a maximum of:	1,148	1,269

9 Fair value measurement

The Group measures and recognises the following financial assets and liabilities at fair value on a recurring basis:

- Prepaid contract funds under management;
- Derivative financial instruments; and
- Contingent consideration.

As of 1 January 2013, the Group adopted AASB 113 *Fair Value Measurement* which requires the disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

	30 June 2013 \$'000	31 December 2012 \$'000
Level 1		
Prepaid contract funds under management	360,829	350,905
Level 2		
Derivatives financial instruments	(7,517)	(9,385)
Level 3		
Contingent consideration	(2,356)	(2,163)

There were no transfers between levels during the reporting period. The Group's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period.

No financial instruments or derivatives are held for trading.

InvoCare Limited

Notes to the consolidated financial statements continued

30 June 2013

9 Fair value measurement (continued)

The carrying value less impairment provisions for trade receivables and payables is a reasonable approximation of their fair values due to the short-term nature of trade receivables. Non-current trade receivables are discounted to their fair value in accordance with the accounting policy outlined in Note 1(l) of the 2012 Annual Financial Report.

The fair value of financial instruments that are not traded in an active market (for example, over the counter derivations) is determined using valuation techniques. The valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.

The fair value of contingent consideration is calculated as the present value of the expected cash flows using a discount rate that reflects the incremental costs of borrowing used to fund the acquisition.

10 Events occurring after balance date

Subsequent to the end of the period, a controlled entity, Bledisloe New Zealand Limited acquired the business assets, predominantly land and buildings, of several small funeral businesses for \$2.3 million. InvoCare Australia sold a property that was surplus to requirements in Melbourne, Victoria on 29 July 2013. Other than these transactions, 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 2013.

InvoCare Limited

Directors' declaration

30 June 2013

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 2013 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



Andrew Smith
Director

Sydney
20 August 2013



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 2013, and the income statement, 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 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 internal 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 a 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 2013 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. 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.

Independence

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

PricewaterhouseCoopers, ABN 52 780 433 757

Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, Sydney NSW 1171
T +61 2 8266 0000, F +61 2 8266 9999

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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 2013 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*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Brett Entwistle

Brett Entwistle
Partner

Sydney
20 August 2013