InvoCare Limited
ABN 42 096 437 393

Appendix 4D – Half-year Report
For the Half-year Ended 30 June 2015

Lodged with Australian Securities Exchange under Listing Rule 4.2A

Results for announcement to the market

	Compared to actual for previous half-year ended 30 June 2014	Half-year Ended 30 June 2015 $'000
Total sales revenue	Up 6.1%	208,117
Total revenue from ordinary activities	Up 6.2%	211,909
Operating earnings after tax (see note 1)	Down 2.1%	19,043
Profit from ordinary activities after tax attributable to members	Down 11.3%	18,457
Net profit after tax attributable to ordinary equity holders of InvoCare	Down 11.3%	18,457
Dividends	**Amount per security**	**Franked Amount per security**
Interim dividend per ordinary share in respect of 31 December 2015 financial year **payable** on 9 October 2015 The **record date** for determining entitlements to the interim dividend and for DRP is 17 September 2015 and the election date for the DRP is 18 September 2015	15.75 cents	15.75 cents

Note 1: This is non-IFRS financial information and is reconciled to statutory profit in the interim Financial Report.

Dividends

The interim fully franked ordinary dividend in respect of the financial year ending 31 December 2015 amounts to 15.75 cents per share, which is the same as the interim dividend paid for the 2014 financial year.

Dividend reinvestment plan in operation

The Company's Dividend Reinvestment Plan ("DRP") will apply to the above interim dividend. Eligible shareholders may elect to reinvest some or all their dividend in ordinary shares of the Company.

In the operation of the DRP, InvoCare may, in its discretion, either issue new shares or cause existing shares to be acquired on market for transfer to shareholders, or a combination of both options. For the 2015 interim dividend, it is intended that the required shares will be purchased on market. Any shortfall in DRP take-up will not be underwritten nor will shares be issued with a discount to the market price. The market price will be calculated from the undiscounted average of the daily volume weighted average sale price, rounded down to the nearest cent, of InvoCare shares sold in the ordinary course of trading on the ASX during the period of ten trading days after, but not including, the DRP election date of 18 September 2015. The ex-dividend date to be entitled to the interim dividend is 15 September 2015.

In order to participate in the DRP, the Company's share registry must receive the election notice by 18 September 2015.

Brief explanation

Refer to the Interim Financial Report, the Investor Presentation and the Media Release released to the market with this Appendix 4D Half Year Report for detailed explanation and commentary on the results.

Other information

Net tangible asset backing per share

	30-Jun-2015 $'000	31-Dec-2014 $'000	30-Jun-2014 $'000
Net assets	**180,782**	187,959	170,493
Add deferred tax liabilities	**31,139**	32,275	28,936
Less intangible assets	**149,123**	152,480	148,279
Net tangible assets	**62,798**	67,754	51,150
Number of shares outstanding	**110,030,298**	110,030,298	110,030,298
Net tangible assets per share	**$0.57**	$0.62	$0.46

Acquired or Disposal of Controlled Entities or Businesses

There were no acquisitions or disposals of controlled entities or businesses during the half year ended 30 June 2015.

Associates and joint ventures

The Company has acquired no further interests in other related associates or joint venture entities.

Compliance Statement

This report is based on the audited Financial Report for the half year ended 30 June 2015. It is lodged with the ASX under Listing Rule 4.2A.

InvoCare Limited

Interim financial report

For the half-year ended 30 June 2015

InvoCare Limited ABN 42 096 437 393
Interim financial report – 30 June 2015

Contents

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2014 and any public announcements made by InvoCare Limited during the interim period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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 2015.

Directors

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

Richard Fisher	Christine Clifton
Gary Stead	Richard Davis
Aliza Knox	Roger Penman

Andrew Smith served as Managing Director and Chief Executive Officer from 1 January 2015 until 30 April 2015. Martin Earp replaced Andrew Smith as Managing Director and Chief Executive Officer with effect from 1 May 2015.

Due to health reasons, Roger Penman was granted leave of absence from 1 January 2015.

Dividend

The directors have determined a fully franked interim dividend of 15.75 cents per share (2014: 15.75 cents per share fully franked) which will be paid on 9 October 2015.

The Dividend Reinvestment Plan ("DRP") will apply, with shares to be purchased on market and allocated at no discount from the undiscounted average of the daily volume weighted average sale price, rounded down to the nearest cent, of InvoCare shares sold in the ordinary course of trading on the ASX during the period of ten trading days after, but not including, the DRP election date of 18 September 2015. Any shortfall in the DRP take up will not be underwritten.

Results Highlights

Result highlights:	Comp 2015 $'000	Non Comp 2015 $'000	Total 2015 $'000	Total 2014 $'000	Comp Change $'000	Comp Change %	Total Change $'000	Total Change %
Total sales to external customers	**206,994**	**1,123**	**208,117**	196,060	**10,934**	5.6%	**12,057**	6.1%
Other revenue	3,779	13	3,792	3,470	309	8.9%	322	9.3%
Operating expenses (i)	(163,852)	(2,882)	(166,734)	(154,797)	(9,055)	5.8%	(11,937)	7.7%
Operating EBITDA (i)	**46,921**	**(1,746)**	**45,175**	44,733	**2,188**	4.9%	**442**	1.0%
Operating margin	*22.7%*	*-155.5%*	*21.7%*	*22.8%*		*(0.1%)*		*(1.1%)*
Depreciation and amortisation	(9,890)	(77)	(9,967)	(9,385)	(505)	5.4%	(582)	6.2%
Finance costs	(7,227)	(161)	(7,388)	(7,777)	550	(7.1%)	389	(5.0%)
Interest income	304	-	304	360	(56)	(15.6%)	(56)	(15.6%)
Business acquisitions costs	(55)	(21)	(76)	(309)	254	(82.2%)	233	(75.4%)
Share of loss of associates	-	-	-	(205)	205	(100.0%)	205	(100.0%)
Operating earnings before tax (i)	**30,053**	**(2,005)**	**28,048**	27,417	**2,636**	9.6%	**631**	2.3%
Income tax on operating earnings (i)	(9,005)	-	(9,005)	(7,974)	(1,031)	12.9%	(1,031)	12.9%
Effective tax rate	*30.0%*	*0.0%*	*32.1%*	*29.1%*		*0.9%*		*31.2%*
Operating earnings after tax (i)	**21,048**	**(2,005)**	**19,043**	19,443	**1,605**	8.3%	**(400)**	(2.1%)
Operating earnings per share (i)	*19.2 cents*	*(1.8 cents)*	*17.4 cents*	*17.8 cents*	*1.4 cents*	*7.9%*	*(0.4 cents)*	*(2.2%)*
Net gain/(loss) on undelivered prepaid contracts after tax (i)	(860)	(16)	(876)	1,437	(2,297)	-	(2,313)	-
Asset sales gain or (loss) after tax (i)	170	-	170	(33)	203	-	203	-
Net impairment gain after tax (i)	169	-	169	-	169	-	169	-
Non-controlling interest	(49)	-	(49)	(40)	(9)	-	(9)	-
Net profit after tax attributable to ordinary equity holders of InvoCare	**20,478**	**(2,020)**	**18,457**	20,807	**(329)**	(1.6%)	**(2,350)**	(11.3%)
Basic earnings per share	18.7 cents	(1.8 cents)	16.9 cents	19.0 cents	(0.3 cents)	(1.6%)	(2.1 cents)	(11.1%)
Interim ordinary dividend per share			15.75 cents	15.75 cents	0.00 cents	-	0.00 cents	-

(i) Non-IFRS financial information.

Note that the data in the table above has been calculated in thousands and as a consequence some additions cannot be computed from the tables as presented.

The table above summarises the key reconciling items between net profit after tax attributable to ordinary equity holders of InvoCare and operating EBITDA and operating earnings before and after tax. For comparison purposes, "Comp" business results include comparable ("same store") operations. This includes all acquisitions and new businesses which have been operating for an entire calendar year.

Financial overview

Comparable operating earnings after tax were up by 8.3% or $1.6 million to $21.0 million (2014: $19.4 million). This result was underpinned by strong performances from Australia and Singapore which recorded EBITDA growth (in local currencies) of 5.5% and 12.6% respectively.

Total operating earnings after tax, including $1.9 million start-up costs associated with InvoCare USA and contribution from an acquisition, were down 2.1% or $0.4 million to $19.0 million (2014: $19.4 million).

Total funeral case volumes were up 2.5% on prior comparative period ("PCP") on a comparable basis. InvoCare's market intelligence indicates that volume growth has come primarily from an increase in the numbers of deaths. Comparative market share has remained stable. With the addition of InvoCare USA and new acquisitions, total funeral case volumes were up 3.6% on PCP.

Comparable sales revenues were up 5.6% on PCP, supported by volume improvements and average funeral contract values which were up 3.4% on PCP. Total sales revenues were up 6.1% to $208.1 million (2014: $196.1 million).

Comparative EBITDA to sales margins were down 0.1% to 22.7% (2014: 22.8%). Group EBITDA margins after including InvoCare USA and contribution from an acquisition declined 1.1% to 21.7% (2014: 22.8%).

Reported profit after tax for the comparable business was down 1.6% to $20.5 million (2014: $20.8 million). The year on year decline was impacted by after tax losses from undelivered prepaid contracts of $0.9 million compared to the prior year gain of $1.4 million. Including InvoCare USA and new acquisitions, reported profit after tax was down 11.3% to $18.4 million.

Cash flows remained strong for the half with ungeared, tax free operating cash flow tracking at 104% of EBITDA (2014: 109%), underpinning the ability to maintain a fully franked interim dividend of 15.75 cents per share which remains unchanged from 2014.

Sales, EBITDA, margins and major profit & loss line items

The following table summarises sales revenue, EBITDA and margins by country segments.

	2015	2014	Change	
	$'000	$'000	$'000	%
Sales Revenue				
Australia	**177,499**	169,412	8,087	4.8%
New Zealand	**21,326**	19,954	1,372	6.9%
Singapore	**8,169**	6,695	1,474	22.0%
Comparable business	**206,994**	196,060	10,933	5.6%
Acquisitions & new business	**1,123**	-	1,123	
Total InvoCare	**208,117**	196,060	12,057	6.1%
EBITDA				
Australia	**39,868**	37,781	2,087	5.5%
New Zealand	**3,144**	3,773	(629)	(16.7%)
Singapore	**3,909**	3,178	730	23.0%
Comparable business	**46,921**	44,733	2,188	4.9%
Acquisitions & new business	**(1,746)**	-	(1,746)	
Total InvoCare	**45,175**	44,733	442	1.0%
Margin on sales				
Australia	**22.5%**	22.3%		0.2%
New Zealand	**14.7%**	18.9%		(4.2%)
Singapore	**47.9%**	47.5%		0.4%
Comparable business	**22.7%**	22.8%		(0.1%)
Acquisitions & new business	**(155.5%)**	0.0%		
Total InvoCare	**21.7%**	22.8%		(1.1%)

Note that the data in the table above has been calculated in thousands and as a consequence some additions cannot be computed from the tables as presented.

The EBITDA performance by major income statement line item for the total business is presented in the next table.

	2015 Actual $'000	% of Gross Sales	2014 Actual $'000	% of Gross Sales	Variance Act V LY $'000	%
Total - all lines of business						
Sales Revenue	**208,117**	**100.0%**	**196,060**	**100.0%**	**12,057**	**6.1%**
Other revenue	3,792	1.8%	3,470	1.8%	322	9.3%
Finished goods, consumables & funeral disbursements	(60,347)	29.0%	(57,182)	29.2%	(3,165)	(5.5%)
Personnel	(69,686)	33.5%	(63,635)	32.5%	(6,051)	(9.5%)
Advertising & public relations expenses	(8,497)	4.1%	(7,626)	3.9%	(871)	(11.4%)
Occupancy & facility expenses	(14,236)	6.8%	(13,114)	6.7%	(1,122)	(8.6%)
Motor vehicle expenses	(4,158)	2.0%	(4,107)	2.1%	(51)	(1.2%)
Other expenses	(9,810)	4.7%	(9,133)	4.7%	(677)	(7.4%)
Operating expenses	(166,734)	80.1%	(154,797)	79.0%	(11,937)	(7.7%)
Operating EBITDA	**45,175**	**21.7%**	**44,733**	**22.8%**	**442**	**1.0%**
Operating margin % on sales revenue	21.7%		22.8%			(1.1%)

Note that the data in the table above has been calculated in thousands and as a consequence some additions cannot be computed from the tables as presented.

The EBITDA performance by major income statement line item for the comparable business is presented in the next table.

	2015 Actual $'000	% of Gross Sales	2014 Actual $'000	% of Gross Sales	Variance Act V LY $'000	%
Total - all lines of business						
Sales Revenue	**206,994**	**100.0%**	**196,060**	**100.0%**	**10,934**	**5.6%**
Other revenue	3,779	1.8%	3,470	1.8%	309	8.9%
Finished goods, consumables & funeral disbursements	(60,029)	29.0%	(57,182)	29.2%	(2,847)	(5.0%)
Personnel	(68,217)	33.0%	(63,635)	32.5%	(4,582)	(7.2%)
Advertising & public relations expenses	(7,828)	3.8%	(7,626)	3.9%	(202)	(2.6%)
Occupancy & facility expenses	(14,152)	6.8%	(13,114)	6.7%	(1,038)	(7.9%)
Motor vehicle expenses	(4,089)	2.0%	(4,106)	2.1%	17	0.4%
Other expenses	(9,537)	4.6%	(9,133)	4.7%	(404)	(4.4%)
Operating expenses	(163,852)	79.2%	(154,798)	79.0%	(9,054)	(5.8%)
Operating EBITDA	**46,921**	**22.7%**	**44,733**	**22.8%**	**2,188**	**4.9%**
Operating margin % on sales revenue	22.7%		22.8%			(0.1%)

Note that the data in the table above has been calculated in thousands and as a consequence some additions cannot be computed from the tables as presented.

Commentary on the results is provided in the following sections of this report.

Number of funeral services and market share

The table below summarises trends in InvoCare's comparative funeral volumes over the last two and half years:

	2015 vs 2014	2014 vs 2013			2013 vs 2012
	Half 1	Full Year	Half 2	Half 1	Full Year
Australia	2.4%	2.9%	5.7%	(1.0%)	(2.8%)
New Zealand	3.0%	6.4%	10.6%	1.8%	(5.2%)
Singapore	4.8%	1.3%	1.3%	1.3%	(0.3%)
Total comparable business	2.5%	3.2%	6.1%	0.1%	(3.0%)
Total Group (incl. acqns)	3.6%	4.2%	6.8%	1.4%	(0.1%)

InvoCare's market intelligence indicates that comparative market share has remained relatively stable over the last 18 months although some minor movements have been detected from time to time. Growth in funeral case volumes has therefore been driven primarily by the number of deaths which historically can move within a 5.0% band from the longer term trend.

The volatility in death numbers can be illustrated in InvoCare's case volumes which after declining 3.0% in 2013 then recovered in 2014 by 3.2%. Most of the recovery in 2014 came in the second half which delivered growth of 6.1%.

The growth in the first half of 2015 of 2.5% was therefore off a low base before the volume recovery evident in the second half of 2014. Accordingly the strong growth recorded in the first half of 2015 is unlikely to be repeated in the second half, although it would appear the numbers of deaths have reverted to trend.

Including InvoCare USA and recent acquisitions, total funeral case volumes for the Group were up 3.6% compared to the 4.2% achieved in 2014.

Commentary on the period since 30 June 2015 is set out in the Outlook section.

Sales

Key components of sales movements by market segment are summarised below:

- Australian funeral sales increased 4.2% or $5.8 million to $141.2 million (2014: $135.5 million).
  - Average revenue per funeral case, excluding disbursements and delivered prepaid impacts, increased 2.2% and contributed an estimated $2.6 million to sales and EBITDA growth. This increase is attributable to both price and mix. The price component included normal price increases applied in December 2014. The overall increase in revenue per case was below the rate of annual price increase due to a shift in sales mix towards Simplicity and value branded services and stronger growth in states with lower case averages.
  - The number of funeral services performed for the comparable business was up 2.4% compared to the softer 2014 first half which had recorded a decline of 1.0%. The increase continued the recovery experienced in the second half of 2014 indicating volumes may have returned to longer term trends. Including acquisitions, total Australian case volumes were up 2.9%.
  - InvoCare estimates that the improvement in Australian case volumes has come mainly from the number of deaths with market share since December 2014 and on a twelve month rolling basis remaining flat but trending positively.
  - The numbers of new prepaid funeral contracts sold by the Australian business were up 3.4% on the previous year. The number of new contracts exceeded prepaid services performed by 13.8% (2014: 12.2%). Prepaid funerals performed in the year were 14.0% (2014: 14.1%) of at-need funerals.
- Australian cemeteries and crematoria sales were up 8.6% or $3.4 million to $42.5 million (2014: $39.2 million) driven by improved case volumes, contract averages and larger number of higher value memorial contracts.
- New Zealand sales (in NZD) were up 4.6% or $1.0 million to $22.5 million (2014: $21.5 million). This comprised increased case volumes which were up 3.0% on PCP and higher funeral case

averages which increased by 2.1% following planned price increases. In AUD New Zealand sales were up 6.9% to $21.3 million (2014: $20.0 million) which included favourable FX movements of $0.5 million.

- Singapore funeral sales (in SGD) increased by 11.7% to $8.6 million (2014: $7.7 million). Case volumes improved 4.8% on PCP and average contract values were up 7.1% due to improved package sales. In AUD Singapore sales increased 22.0% to $8.2 million (2014: $6.7 million) which included favourable FX movements of $0.7 million.
- Funeral operations for InvoCare USA commenced in the last week of February 2015. Total sales (in USD) amounted to $0.4 million including revenue from both the funeral and crematory operations.
- Intra-group elimination of cemeteries and crematoria sales to InvoCare owned funeral homes amounted to $5.6 million (2014: $5.2 million).

Other revenue

Other revenue was up 9.3% or $0.3m to $3.8 million (2014: $3.5m). Other revenue mainly comprises administration fees upon initial sale of prepaid funeral contracts and trailing commissions on prepaid funds.

Operating expenses and EBITDA

Comparable operating EBITDA (excluding InvoCare USA and acquisitions) increased by $2.2 million or 4.9% to $46.9 million (2014: $44.7 million) with margins declining slightly by 0.1% to 22.7%.

Total Operating EBITDA for the group increased by 1.0% or $0.4 million to $45.2 million (2014: $44.7 million). This included start-up losses from InvoCare USA of $1.9 million (USD $1.5 million) offset by $0.1 million contribution from Crawford & Sons which was acquired in December 2014.

Favourable FX movements benefited Operating EBITDA by $0.4 million, as the NZD and SGD strengthened against the AUD.

Comparable operating expenses (excluding depreciation, amortisation, acquisition related, finance costs and share of associates net loss) increased $9.0 million or 5.8% to $163.8 million (2014: $154.8 million).

Backing out foreign exchange movement impacts of $0.7 million (to reflect constant exchange rates), operating expenses increased by 5.4%.

Cost of goods sold (excluding disbursements) increased as a percentage of sales from 12.7% in 2014 to 13.1% in 2015. Contributing to this increase was first half shift in cemeteries and crematoria sales mix towards lower margin monumental sales.

Personnel costs were up 7.2% in absolute terms driven by annual base salaries increases and higher case volumes. Base labour rates have generally been contained to 3.5% increases consistent with the awards and enterprise agreements in place for the majority of the workforce. The total increase also reflected a return to more sustainable employee numbers in New Zealand compared to the tight cost controls which were in place during the first half of 2014.

Advertising and marketing expenditure increased by $0.2 million or 2.6% to $7.8 million (2014: $7.6 million). The bulk of this increase was focused on driving brand exposure through main media including TV, radio, press and outdoor advertising. This increase was off the high growth of 10.3% incurred in H1 2014 which was implemented to protect market share.

Other expenses were up by $0.4 million or 4.4% to $9.5 million (2014: $9.1 million). These included incremental, non-capital costs associated with the continued planning and design stages of new digital projects including website site design, ERP upgrade and cloud based CRM licences.

Comparable Australian operating EBITDA margin on sales increased to 22.5% against the 22.3% achieved in H1 2014. The improved margins reflect the impact of higher case volumes which were up 2.9% on PCP and improved case averages which offset increases in the relatively high fixed cost structure.

New Zealand comparative EBITDA margins in local currency declined from 18.9% of sales in H1 2014 to 14.7% in H1 2015. Improved case volumes (up 3.0%) and case averages (up 2.1%) were offset by higher operating expenses (up 12.0%). Operating expenses were impacted predominantly by higher labour and advertising expenses which had been geared up on the expectation that the strong recovery experienced in the number of deaths in the second half of 2014 would continue into the first half of 2015. Although strong, the first half volumes still fell below expectations. Singapore EBITDA to sales margins increased from 47.5% to 47.9% in local currency with strong growth in case volumes (up 4.8%) and case averages (up 7.1%).

Depreciation and amortisation expenses

Depreciation and amortisation expenses were up $0.6 million in 2015 to $10.0 million (2014: $9.4 million). This increase included $0.1 million associated with InvoCare USA and other acquisitions. The remainder of the increase was associated with the ongoing replacement of motor vehicles (including replacement of previously leased vehicles), leasehold and owned property refurbishments and capitalised digital project costs.

Finance costs

Finance costs decreased by $0.4 million to $7.4 million (2014: $7.8 million). The decrease was impacted primarily by the rollover of a fixed rate swap contract in September 2014 which contributed to a lowering of the group's effective interest rate.

Acquisition related costs

Acquisition related costs of $0.1 million were down $0.2 million on PCP (2014: $0.3 million) as the start-up costs associated with InvoCare USA incurred in H1 2014 were not repeated in 2015.

Undelivered prepaid contract performance

Net losses on undelivered prepaid contracts were $1.3 million, a decline of $3.3 million on the gain of $2.1 million achieved in 2014. The current half year loss comprised $6.4 million increase in the fair value of funds under management offset by $7.7 million growth in the future liability to deliver prepaid services (see table (a) below).

The fair value uplift of $6.4 million in funds under management was $3.6 million lower than PCP due to returns on the main Guardian Fund being impacted by a sudden decline in the value of listed security investments (shares, property trusts, hybrids) towards the latter end of the second quarter and an NTA adjustment on an unlisted property investment ($2.7 million).

During the half year the preneed liability was increased to progressively recognise the impact of expected price increases. This resulted in liability growth of $7.7 million which was down on last year's $7.9 million.

(a) Income statement impact of undelivered prepaid contracts

	2015 $'000	2014 $'000
Gain on prepaid contract funds under management	**6,424**	9,995
Change in provision for prepaid contract liabilities	**(7,675)**	(7,942)
Net gain/(loss) on undelivered prepaid contracts	**(1,251)**	2,053

(b) Movements in prepaid contract funds under management

	2015 $'000	2014 $'000
Balance at the beginning of the year	**400,967**	373,609
Sale of new prepaid contracts	**17,228**	16,017
Initial recognition of contracts paid by instalment	**1,535**	1,317
Redemption of prepaid contract funds following service delivery	**(17,810)**	(16,213)
Increase in fair value of contract funds under management	**6,424**	9,995
Balance at the end of the half-year	**408,344**	384,725

(c) Movements in prepaid contract liabilities

	2015 $'000	2014 $'000
Balance at the beginning of the year	**393,841**	376,525
Sale of new prepaid contracts	**17,228**	16,017
Initial recognition of contracts paid by instalment	**1,535**	1,317
Decrease following service delivery	**(17,376)**	(16,350)
Increase due to reassessment of delivery costs	**7,675**	7,942
Balance at the end of the half-year	**402,903**	385,451

Approximately 80% of InvoCare's prepaid funds under management are with the Over Fifty Guardian Friendly Society. Asset allocations for this fund shifted back towards property in the first half as cash available from expired term deposits and previous property sales were reinvested into property opportunities. Reasonable returns continue from property and remaining high yielding term deposits. The trustees of the Guardian fund continued to evaluate asset allocation strategies that will deliver required returns with acceptable levels of volatility. This may see a further shift towards equities (both local and international) should the right opportunities be identified.

Movements in the total asset mix of all funds under management over the last 18 months are illustrated in the following table:

	30 June 2015 %	31 Dec 2014 %	30 June 2014 %	31 Dec 2013 %
Equities	**12**	10	11	13
Property	**26**	16	22	23
Cash and fixed interest	**62**	74	67	64

Asset sale gains and losses

The net after tax impact of asset sales gains and losses were up $0.1 million on PCP generated predominantly from the disposal of fleet vehicles in the normal course of business.

Impairments

InvoCare is required to regularly review the carrying value of its assets. Due to continued improvement in financial performance during the period, the prior impairment on a certain cemetery asset was partially reversed resulting in an after tax gain of $2.1 million.

Offsetting the above impairment reversal was an impairment of $1.9 million (after tax) made against the Group's associate following a further reassessment of performance.

The above two items resulted in a net after tax impairment gain of $0.2 million (2014: $Nil).

Income tax expense

Income tax expense on reported profit was $8.9 million (2014: $8.7 million), representing an effective rate of 32.3% (2014: 29.4%).

Income tax expense on operating earnings[1] increased by $1.0 million to $9.0 million (2014: $8.0 million) and the effective rate was 32.1% (2014: 29.1%). The increase in the effective tax rate for the first half was impacted by InvoCare USA start-up losses which have not been tax effected.

The major difference between tax expense on reported profit and operating earnings was the tax effect on undelivered prepaid contracts, asset sales gains and net impairment gains.

[1] Operating earnings is non-IFRS financial information

Cash flow highlights

	2015 $'000	2014 $'000
Net cash provided by operating activities	**25,151**	29,002
Asset sale proceeds	**439**	243
Asset purchases	**(11,600)**	(13,507)
Purchase of subsidiaries and businesses	**(871)**	(1,558)
Payments to funds for pre-paid contract sales	**(17,228)**	(16,017)
Receipts from funds for pre-paid contracts performed	**17,810**	16,213
Net cash used in investing activities	**(11,450)**	(14,626)
Dividends paid	**(22,827)**	(21,455)
Deferred employee share plan purchases	**-**	(1,168)
Net increase in borrowings	**13,000**	14,265
Net cash used in financing activities	**(9,827)**	(8,358)
Net increase in cash during year	**3,874**	6,018
Cash at start of year	**10,488**	8,899
Exchange rate effects	**(6)**	11
Cash at end of the half year	**14,356**	14,928

As of 1 January 2015 the Group has adopted a change in the presentation of its Consolidated statement of cash flows whereby cash flows to and from independent prepaid funeral trust funds are classified as investing instead of operating activities. The changes were adopted to be consistent with the recognition of trust fund fair value movements in the Consolidated balance sheet and Consolidated income statement. Further commentary is based on the revised presentation format.

Cash flows provided by operating activities were down on the first half of last year by $3.9 million to $25.2 million. This was impacted by working capital movements and the $1.8 million start-up costs associated with InvoCare USA. Purchase of businesses included $0.8 million deferred purchase consideration paid in relation to historical acquisitions.

The operating EBITDA conversion to cash ratio for the period was 104% which was down compared to the 109% achieved for first half 2014 as shown in the table below.

	2015 $'000	2014 $'000
Operating EBITDA	**45,175**	44,733
Cash provided by operating activities	**25,151**	29,002
Add finance costs	**7,182**	7,468
Add Income tax paid	**14,864**	12,418
Less interest received	**(33)**	(60)
Ungeared, tax free operating cash flow	**47,164**	48,828
Proportion of operating EBITDA converted to cash	**104%**	109%

Asset purchases included capital expenditure related to:

	2015 $'000	2014 $'000
Property, refurbishments and facility upgrades	**3,519**	7,375
Motor vehicles	**3,680**	2,574
Digital business	**2,488**	1,789
Other assets	**1,913**	1,769
Total capital expenditure	**11,600**	13,507

The 2014 final dividend of 20.75 cents per share, totalling $22.8 million, was paid in April 2015 (April 2014: 19.5 cents per share, $21.5 million). This included on market share purchases of $4.1million (2014: $4.1 million) in relation to the dividend reinvestment plan.

No shares were required to be purchased during the current year (2014: $1.2 million) by the InvoCare Deferred Employee Share Plan Trust in connection with long term, share-based incentive scheme.

Capital management

At 30 June 2015, the Group had drawn down $242 million borrowings (from total $255 million debt facilities) compared to $230 million at 31 December 2014 and $239 million at 30 June 2014. Net debt at 30 June 2015 was $228 million which was up on the balance at 31 December 2014 of $220 million and down on 30 June 2014 of $223 million.

During the half there was no change to the $255 million bi-lateral, multi-currency, revolver facilities which comprise three year tranches of $85 million, maturing in September 2016, and five year tranches of $170 million, maturing in December 2018.

The three year tranches are provided in equal proportions by Australia and New Zealand Banking Group Limited ("ANZ") and Commonwealth Banking Group Limited ("CBA"). The five year tranches are provided in equal proportions by ANZ, CBA, Westpac Banking Corporation ("Westpac") and HSBC Bank Australia Limited ("HSBC") or their New Zealand affiliates.

The current facilities' drawings comprise AUD 177million, SGD 33million and NZD 37.5million. The foreign currency drawings naturally hedge investments in foreign Singapore and New Zealand markets.

Financial covenant ratios on the borrowing facilities are a Leverage Ratio (being Net Debt to EBITDA adjusted for acquisitions) which must be no greater than 3.5 and an Interest Cover Ratio (being EBITDA to net interest) which must be greater than 3.0. Both these ratios continue to be comfortably met at 30 June 2015, being 2.26 and 7.81 respectively.

At balance date, 72% of debt principal was covered by floating to fixed interest rate swaps. The overall average effective interest rate is currently 5.4% (2014: 5.7%), inclusive of fixed rates on hedged debt, floating rates on unhedged debt, margins (based on tranche tenor and leverage – currently averaging around 160bps), undrawn commitment fees and amortisation of establishment fees.

Headroom on the debt facilities of $13.0 million and cash of $14.0 million, provide $27.0 million in available funds at 30 June 2015. This amount together with operating cash flows will provide further capacity to fund near term growth opportunities.

Outlook

Total comparable sales revenue for July 2015 was up 5.9% on PCP.

After an apparent reversion to the longer term trend in numbers of deaths, second half growth in funeral case volumes is expected to be lower than both the first half and the strong 6.1% growth achieved in the second half of 2014.

InvoCare USA has been conducting funeral services since February 2015 and has seen continued growth in monthly case volumes delivering more than 100 funeral cases over this time. Focus has been on driving share growth through targeted marketing via contact and community networks and digital media. Initial case volume ramp up and case averages have tracked below plan, however this is expected to improve as brand awareness increases. The USA business incurred EBITDA losses of USD 1.5 million in the first half, which could grow to USD 3.0 million for the full year as expenditure on brand development is accelerated in the second half. This is in excess of the expected USD 2 million loss indicated in 2014, but appropriate as the company invests in market research and brand awareness.

Throughout the rest of the Group, and in particular in New Zealand after a relatively poor first half result, there is a significant focus on growing second half EBITDA to return an overall better full year outcome than the 1.0% growth achieved in the first half.

During July 2015 all remaining New Zealand regulatory hurdles were satisfied which allowed InvoCare to proceed with the acquisition of two memorial parks in Christchurch. Settlement of the acquisitions took place on 22 July 2015 and they are expected to contribute NZD 0.3m to EBITDA in the second half. The acquisition will enable the company to provide full service offerings as well as supplying land for future funeral expansion.

Net unrealised gains on prepaid funds under management in the second half are expected to recover some of the losses incurred in the first half. This assumes investment markets recover from recent declines and targeted returns are achieved from existing investment allocations and stable equity and property markets prevail.

The Group's capital expenditure in 2015 is expected to be approximately $24 million. The main investments planned include the upgrading of funeral homes, continuing investment in chapel facilities, motor vehicles and further investment in digital technology. InvoCare will continue its practice of reviewing the performance of its property assets and, if required, may dispose underperforming assets.

At this stage there has been no change to InvoCare's capital management plans. Dividends are expected to continue to distribute at least 75% of operating earnings after tax and, for the full year, be at least equal to the 2014 full year dividends. Sufficient funds should be available from existing debt facilities and free cash flows for capital expenditure and smaller "bolt on" acquisitions in the shorter term. If a more substantial opportunity arises, alternative funding sources, such as an equity raising, would be considered. Although maturing in September 2016, InvoCare plans to renew its $85 million bi-lateral debt facility in December 2015 in order to maintain non-current classification at year end. No other debt facilities are due to mature in 2015 or 2016.

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 operating EBITDA and operating earnings before and after tax information included in the Directors' Report has not been subject to any specific audit or review procedures by our auditor but has been extracted from the accompanying financial report.

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 11.

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.

Richard Fisher **Director**	Martin Earp **Director**

Sydney
18 August 2015

Auditor's Independence Declaration

As lead auditor for the review of InvoCare Limited for the half-year ended 30 June 2015, 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.

Brett Entwistle
Partner
PricewaterhouseCoopers

Sydney
18 August 2015

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

InvoCare Limited
Consolidated income statement
For the half-year ended 30 June 2015

	Notes	Half-year 2015 $'000	Half-year 2014 $'000
Revenue from continuing operations		**211,909**	199,530
Finished goods, consumables and funeral disbursements		**(60,347)**	(57,182)
Employee benefits expense		**(56,599)**	(51,857)
Employee related and on-cost expenses		**(13,087)**	(11,778)
Advertising and public relations expenses		**(8,497)**	(7,626)
Occupancy and facilities expenses		**(14,236)**	(13,114)
Motor vehicle expenses		**(4,158)**	(4,107)
Other expenses		**(9,810)**	(9,133)
		45,175	44,733
Depreciation and amortisation expenses		**(9,967)**	(9,385)
Cemetery land impairment reversal		**3,000**	-
Financial assets impairment charge		**(2,577)**	-
Finance costs		**(7,388)**	(7,777)
Interest income		**304**	360
Net gain/(loss) on undelivered prepaid contracts	3	**(1,251)**	2,053
Acquisition related costs		**(76)**	(309)
Share of net loss of associate		**-**	(205)
Net gain on disposal of non-current assets		**148**	46
Profit before income tax		**27,368**	29,516
Income tax expense		**(8,862)**	(8,669)
Profit from continuing activities		**18,506**	20,847
Profit for the half-year		**18,506**	20,847
Profit is attributable to:			
Equity holders of InvoCare Limited		**18,457**	20,807
Non-controlling interests		**49**	40
		18,506	20,847
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings per share (cents per share)	6	**16.9**	19.0
Diluted earnings per share (cents per share)	6	**16.9**	19.0

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 2015

		Half-year	
	Notes	**2015 $'000**	2014 $'000
Profit for the half-year		**18,506**	20,847
Other comprehensive income			
Items that may be reclassified to profit or loss			
Changes in the fair value of cash flow hedges, net of tax		**233**	120
Changes in foreign currency translation reserve, net of tax		**(2,685)**	825
Other comprehensive income for the half-year, net of tax		**(2,452)**	945
Total comprehensive income for the half-year		**16,054**	21,792
Total comprehensive income for the half-year is attributable to:			
Equity holders of InvoCare Limited		**16,005**	21,752
Non-controlling interests		**49**	40
		16,054	21,792

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 2015

	Notes	30 June 2015 $'000	31 December 2014 $'000
ASSETS			
Current assets			
Cash and cash equivalents		**14,356**	10,488
Trade and other receivables		**38,690**	39,237
Inventories		**22,928**	22,313
Prepaid contract funds under management	3	**33,738**	32,997
Property held for sale		**3,489**	2,702
Deferred selling costs		**1,234**	1,138
Total current assets		**114,435**	108,875
Non-current assets			
Trade and other receivables		**19,160**	16,381
Other financial assets		**61**	61
Property, plant and equipment		**310,602**	308,344
Prepaid contract funds under management	3	**374,606**	367,970
Intangible assets		**149,123**	152,480
Deferred selling costs		**9,065**	8,719
Equity accounted investments		**-**	2,423
Total non-current assets		**862,617**	856,378
Total assets		**977,052**	965,253
LIABILITIES			
Current liabilities			
Trade and other payables		**37,868**	37,091
Borrowings		**-**	2
Derivative financial instruments		**267**	622
Current tax liabilities		**4,319**	9,364
Prepaid contract liabilities	3	**34,602**	33,847
Deferred revenue		**8,228**	7,588
Provisions		**14,742**	13,726
Total current liabilities		**100,026**	102,240
Non-current liabilities			
Trade and other payables		**160**	260
Borrowings		**241,332**	229,350
Derivative financial instruments		**5,256**	5,284
Deferred tax liabilities		**31,139**	32,275
Prepaid contract liabilities	3	**368,301**	359,994
Deferred revenue		**48,081**	45,482
Provisions		**1,975**	2,409
Total non-current liabilities		**696,244**	675,054
Total liabilities		**796,270**	777,294
Net assets		**180,782**	187,959
EQUITY			
Contributed equity	5	**133,358**	131,682
Reserves		**2,224**	6,756
Retained profits		**43,997**	48,367
Parent entity interest		**179,579**	186,805
Non-controlling interests		**1,203**	1,154
Total equity		**180,782**	187,959

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 2015

	Attributable to owners of InvoCare Limited				Non-con-trolling interest	Total Equity
	Contri-buted equity $'000	Reserves $'000	Retained earnings $'000	Total $'000	$'000	$'000
Balance at 1 January 2015	**131,682**	**6,756**	**48,367**	**186,805**	**1,154**	**187,959**
Total comprehensive income for the half year	**-**	**(2,452)**	**18,457**	**16,005**	**49**	**16,054**
Transactions with owners in their capacity as owners:						
Dividends paid	**-**	**-**	**(22,827)**	**(22,827)**	**-**	**(22,827)**
Deferred employee share plan shares vesting during the year	**1,676**	**(1,676)**	**-**	**-**	**-**	**-**
Forfeit of deferred employee share plan shares	**-**	**(649)**	**-**	**(649)**	**-**	**(649)**
Employee shares – value of services	**-**	**245**	**-**	**245**	**-**	**245**
Balance at 30 June 2015	**133,358**	**2,224**	**43,997**	**179,579**	**1,203**	**180,782**
Balance at 1 January 2014	132,393	4,423	32,636	169,452	1,245	170,697
Total comprehensive income for the half year	-	945	20,807	21,752	40	21,792
Transactions with owners in their capacity as owners:						
Dividends paid	-	-	(21,455)	(21,455)	-	(21,455)
Deferred employee share plan shares vesting during the year	444	(444)	-	-	-	-
Acquisition of shares by the InvoCare Deferred Share Plan Trust	(1,168)	-	-	(1,168)	-	(1,168)
Employee shares – value of services	-	627	-	627	-	627
Balance at 30 June 2014	131,669	5,551	31,988	169,208	1,285	170,493

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 2015

	Half-year	
	2015 $'000	2014 $'000
Cash flows from operating activities		
Receipts from customers (including GST)	**235,649**	220,959
Payments to suppliers and employees (including GST)	**(191,621)**	(175,341)
Other revenue	**3,136**	3,210
	47,164	48,828
Interest received	**33**	60
Finance costs	**(7,182)**	(7,468)
Income tax paid	**(14,864)**	(12,418)
Net cash inflow from operating activities	**25,151**	29,002
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	**439**	243
Purchase of subsidiaries & other businesses including acquisition costs, net of cash acquired	**(871)**	(1,558)
Purchase of property, plant and equipment	**(11,600)**	(13,507)
Payments to funds for pre-paid contract sales	**(17,228)**	(16,017)
Receipts from funds for pre-paid contracts performed	**17,810**	16,213
Net cash outflow from investing activities	**(11,450)**	(14,626)
Cash flows from financing activities		
Payment for shares acquired by InvoCare Deferred Employee Share Plan Trust	**-**	(1,168)
Proceeds from borrowings	**24,000**	28,265
Repayment of borrowings	**(11,000)**	(14,000)
Dividends paid to InvoCare Limited shareholders	**(22,827)**	(21,455)
Net cash outflow from financing activities	**(9,827)**	(8,358)
Net increase in cash and cash equivalents	**3,874**	6,018
Cash and cash equivalents at the beginning of the half-year	**10,488**	8,899
Effects of exchange rate changes on cash and cash equivalents	**(6)**	11
Cash and cash equivalents at the end of the half-year	**14,356**	14,928

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

1 Basis of preparation of the half-year report

This condensed interim financial report for the half-year reporting period ended 30 June 2015 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 2014 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

(a) Description of segments

The operating segments should be based on the management reporting regularly reviewed by the CEO. This reporting is based on the operational location of the business because different economic and cultural factors impact the growth and profitability of the segments.

(b) Segment information provided to the Chief Executive Officer ("CEO")

The segment information provided to the CEO for reportable segments to 30 June 2015 and 30 June 2014 is outlined below.

	Australian Operations	Singapore Operations	New Zealand Operations	Other Operations	Consolidated
	2015 $'000	**2015 $'000**	**2015 $'000**	**2015 $'000**	**2015 $'000**
Revenue from external customers	**177,982**	**8,169**	**21,326**	**640**	**208,117**
Other revenue (excluding interest income)	**3,476**	**236**	**50**	**30**	**3,792**
Operating expenses	**(141,482)**	**(4,496)**	**(18,256)**	**(2,500)**	**(166,734)**
Operating EBITDA	**39,976**	**3,909**	**3,120**	**(1,830)**	**45,175**
Depreciation and amortisation	**(8,436)**	**(310)**	**(1,156)**	**(65)**	**(9,967)**
Cemetery land impairment reversal	**3,000**	**-**	**-**	**-**	**3,000**
Financial assets impairment charge	**(2,577)**	**-**	**-**	**-**	**(2,577)**
Finance costs	**(6,006)**	**(388)**	**(994)**	**-**	**(7,388)**
Interest income	**281**	**-**	**23**	**-**	**304**
Income tax expense	**(8,731)**	**(451)**	**342**	**(22)**	**(8,862)**
Total goodwill	**85,780**	**14,153**	**41,284**	**1,621**	**142,838**
Total assets	**866,740**	**43,430**	**65,059**	**1,823**	**977,052**
Total liabilities	**721,659**	**34,930**	**39,034**	**647**	**796,270**

	Australian Operations	Singapore Operations	New Zealand Operations	Other Operations	Consolidated
	2014 $'000	**2014 $'000**	**2014 $'000**	**2014 $'000**	**2014 $'000**
Revenue from external customers	169,335	6,695	19,954	76	196,060
Other revenue (excluding interest income)	3,211	171	61	27	3,470
Operating expenses	(134,744)	(3,687)	(16,243)	(123)	(154,797)
Operating EBITDA	37,802	3,179	3,772	(20)	44,733
Depreciation and amortisation	(8,114)	(283)	(988)	-	(9,385)
Finance costs	(6,549)	(305)	(921)	(2)	(7,777)
Interest income	348	-	12	-	360
Share of net loss of associate	(205)	-	-	-	(205)
Income tax expense	(7,935)	(393)	(338)	(3)	(8,669)
Total goodwill	85,781	13,495	44,596	1,518	145,390
Total assets	849,099	40,838	72,312	3,004	965,253
Total liabilities	701,434	32,993	42,810	57	777,294

2 Segment Information continued

(b) Segment information provided to the Chief Executive Officer ("CEO") continued

Operating EBITDA of $45,175,000 (2014: $44,733,000) is reconciled to profit before tax on the face of the Consolidated income statement.

(c) Segment information - accounting policies

The consolidated entity operates in one industry, being the funeral industry, with significant operations in Australia, New Zealand and Singapore and smaller operations in Hong Kong and the USA.

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. Segment assets include all assets used by a segment and consist primarily of operating cash, receivables, inventories, property, plant and equipment and goodwill and other intangible assets, net of related provisions. Segment liabilities consist primarily of trade and other creditors and employee benefits and, in the case of Singapore, include an allocation of the long-term borrowings raised in Australia to fund the investment in Singapore. New Zealand has long-term borrowings which are arranged in New Zealand but with the support of Australia.

3 Prepaid contracts

(a) Impact on statement of comprehensive income

	2015 $'000	2014 $'000
Gain on prepaid contract funds under management	**6,424**	9,995
Change in provision for prepaid contract liabilities	**(7,675)**	(7,942)
Net gain on undelivered prepaid contracts	**(1,251)**	2,053

(b) Movements in prepaid contract funds under management

	2015 $'000	2014 $'000
Balance at the beginning of the year	**400,967**	373,609
Sale of new prepaid contracts	**17,228**	16,017
Initial recognition of contracts paid by instalment	**1,535**	1,317
Redemption of prepaid contract funds following service delivery	**(17,810)**	(16,213)
Increase in fair value of contract funds under management	**6,424**	9,995
Balance at the end of the half-year	**408,344**	384,725

(c) Movements in prepaid contract liabilities

	2015 $'000	2014 $'000
Balance at the beginning of the year	**393,841**	376,525
Sale of new prepaid contracts	**17,228**	16,017
Initial recognition of contracts paid by instalment	**1,535**	1,317
Decrease following service delivery	**(17,376)**	(16,350)
Increase due to re-evaluation of delivery obligation	**7,675**	7,942
Balance at the end of the half-year	**402,903**	385,451

(d) 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.

3 Prepaid contracts continued

InvoCare permits, on request, contracts to be paid by instalments over periods not exceeding three years. In some instances these contracts are never fully paid. If, during the three-year period the contract becomes at-need, the family is given the option of either paying outstanding instalments and receiving the contracted services at the original fixed price or using the amount paid as a part payment of the at-need service. If the contract is not fully paid after three years InvoCare only permits the family to use the amounts paid as a partial payment of the at-need services. At the end of the half year the total balance of amounts received from instalment payments for incomplete contracts was $6,518,000 (2014: $6,489,000). These funds and the relevant liability are recognised when the contract has been fully paid.

During the half year the non-cash fair value movements (i.e. investment earnings) of $6.4 million in prepaid contract funds under management (2014: $10.0 million) was lower than the non-cash growth due to selling price increases of $7.6 million in the liability for future service delivery obligations (2014: $7.9 million).

4 Dividends

	Half-year ended	
	2015 $'000	2014 $'000
Dividend paid during the half-year		
Final dividend in respect of the previous year of 20.75 cents (2014: 19.5 cents) per fully paid ordinary share, fully franked based on tax paid at 30%.	**22,827**	21,455
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 15.75 cents per fully paid ordinary share (2014: 15.75 cents), fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 9 October 2015 (2014: 3 October 2014), but not recognised as a liability at the end of the half-year, is	**17,330**	17,330
Franking credit balance		
The amount of franking credits available for subsequent financial years are:		
Franking account balance at the end of the reporting period	**27,729**	**25,531**
Franking credits that will arise from the payment of income tax payable at the end of the reporting period	**1,349**	**4,662**
Reduction in franking account resulting from the payment of the proposed interim dividend of 15.75 cents (2014: 15.75 cents)	**(7,427)**	**(7,427)**
	21,651	**22,766**

5 Movements in contributed equity

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

	2015 Shares	2014 Shares	**2015 $'000**	2014 $'000
Treasury shares				
Movement of treasury shares during the half-year				
Shares vesting during the half-year	(190,059)	(71,735)	(1,676)	(444)
Acquisition of shares by the InvoCare Deferred Share Plan Trust	-	102,883	-	1,168
	(190,059)	31,148	(1,676)	724

6 Earnings per share

	2015 Shares	2014 Shares
Weighted average number of ordinary shares used as a denominator in calculating:		
Basic earnings per share	**109,480,363**	109,382,537
Diluted earnings per share	**109,480,363**	109,382,537

7 Business combinations

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. The predetermined revenue target was achieved in 2014 and as a result a payment of $700,000 was made during the half-year.

Resthaven Funeral Services

The funeral business assets of Resthaven Funeral Services were acquired in 2013.

Included in the purchase consideration was $324,000 in future payments to be paid if predetermined revenue targets are achieved in each of the next five calendar years. In early 2015 a payment totalling $95,000 of the $324,000 in future payments was made.

8 Contingencies

	30 June 2015 $'000	31 December 2014 $'000
The parent entity and consolidated entity had contingent liabilities at 30 June 2015 in respect of bank guarantees given for leased premises of controlled entities to a maximum of:	**992**	**1,088**

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 13 *Fair Value Measurement* which requires the disclosure of fair value measurements by level of the following fair value measurement hierarchy:
(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
(b) 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
(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

9 Fair value measurement continued

	30 June 2015 $'000	31 December 2014 $'000
Level 1		
Prepaid contract funds under management	**408,344**	400,967
Level 2		
Derivative financial instruments	**(5,523)**	(5,906)
Level 3		
Contingent consideration	**(1,124)**	(1,912)

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.

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 2014 Annual Financial Report.

The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) 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

Harewood Memorial Gardens and Crematorium / Cremation Society of Canterbury

(a) Summary of acquisition

On 22 July 2015, a subsidiary, Bledisloe New Zealand, completed the acquisition of the cemetory and cremation assets of Harewood Memorial Gardens and Crematorium Limited and Cremation Society of Canterbury Limited ("Harewood") which have operated crematoria in the Christchurch market for over 70 years.

The financial effects of this transaction have not been recognised at 30 June 2015. The operating results and the assets and liabilities acquired will be consolidated from 22 July 2015.

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

(b) Purchase consideration

	$'000
Purchase consideration	
Cash paid	6,144
Additional consideration to be paid	294
Total purchase consideration	6,438
Fair value of net identifiable assets acquired (refer (c) below):	5,301
Goodwill	1,137

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

10 Events occurring after balance date continued

(c) Assets acquired

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

	Fair Value $'000
Inventories	17
Land and buildings	5,377
Property, plant and equipment	267
Provisions	(78)
Deferred revenue	(88)
Deferred tax liabilities	(194)
Net identifiable assets acquired	5,301

If the acquisition had occurred on 1 January 2015, consolidated revenue for the half-year ended 30 June 2015 would have increased by approximately $900,000 and profit after tax by approximately $103,000.

Other than above, in the opinion of the Directors, since 30 June 2015 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.

11 Comparative financial information

Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year. Comparative information is reclassified where appropriate to enhance comparability and provide more appropriate information to users.

As of 1 January 2015 the Group has adopted a change in the presentation of its Consolidated statement of cash flows whereby cash flows to and from independent prepaid funeral trust funds are classified as investing instead of operating activities. The changes were adopted to be consistent with the recognition of trust fund fair value movements in the consolidated balance sheet and consolidated income statement.

As a result the 2014 comparative information in the Consolidated statement of cash flows has changed as follows:

- Receipts from customers (including GST) have decreased $196,000;
- Net cash flows from investing activities have increased by $196,000 comprising payments to funds for pre-paid contract sales $16,017,000 and receipts from funds for pre-paid contracts performed $16,213,000.

In the directors' opinion:

(a) the financial statements and notes set out on pages 12 to 22 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 2015 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.

Richard Fisher
Director

Martin Earp
Director

Sydney
18 August 2015

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 consolidated balance sheet as at 30 June 2015, and the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated 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 2015 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

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 2015 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

Brett Entwistle
Partner

Sydney
18 August 2015