InvoCare

FY2022 Annual Report

Honouring life,
celebrating memories
for generations

About this report

InvoCare's 2022 Annual Report ('the report') is the primary statutory and regulatory reporting disclosure of InvoCare Limited and its subsidiary companies' operations, activities and financial performance. In this report references to 'InvoCare', 'the Company', 'the Group', 'we', 'us' and 'our' refer to InvoCare Limited (ABN 42 096 437 393), unless otherwise stated.

This report comprises information about our activities, strategy, our financial and non-financial performance, risk management, remuneration and our financial statements. The financial statements are structured to provide prominence to the disclosures that are considered most material and relevant to the user's understanding of the operations, results and financial position.

A disclosure is considered material if for example:

- The dollar amount is significant in size (quantitative factor)
- The Group's results cannot be understood without the specific disclosure (qualitative factor)
- It is critical to allow a user to understand the impact of significant changes in the Group's business during the period such as business acquisitions (qualitative factor)
- It relates to an aspect of the Group's operations that is important to its future performance

References in this report to a 'year' are to the financial year ended 31 December 2022 (previous corresponding period 31 December 2021) unless otherwise stated. All dollar figures are expressed in Australian Dollars (AUD) unless otherwise stated.

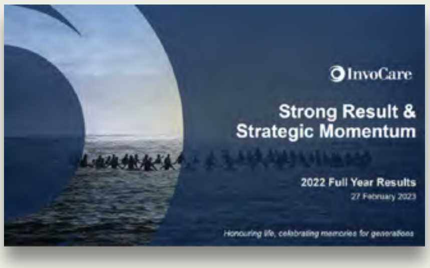
References to AASB refer to the Australian Accounting Standards Board and IFRS refers to International Financial Reporting Standards. There are references to IFRS and non-IFRS financial information in this report. Non-IFRS financial measures are those not defined or specified under any relevant accounting standard and may not be directly comparable with other companies' information. Non-IFRS financial measures are used to enhance the comparability of information between reporting periods and should be considered in addition to, and not a substitute for, IFRS financial information and measures.

InvoCare is committed to reducing the environmental footprint associated with the production of this annual report and printed copies are only posted to shareholders who have elected to receive a printed copy.

Corporate reporting suite

InvoCare's corporate reporting suite brings together the Group's financial, non-financial, risk and sustainability performance for the financial year ended 31 December 2022, including:

Investor Presentation



Sustainability Report

Our corporate reporting documentation is available for download on the InvoCare Investor Relations page: www.invocare.com.au/investor-relations

Cover image

A surfing paddle-out, a floating memorial held in the ocean. Photo credit, **Jay Headley**

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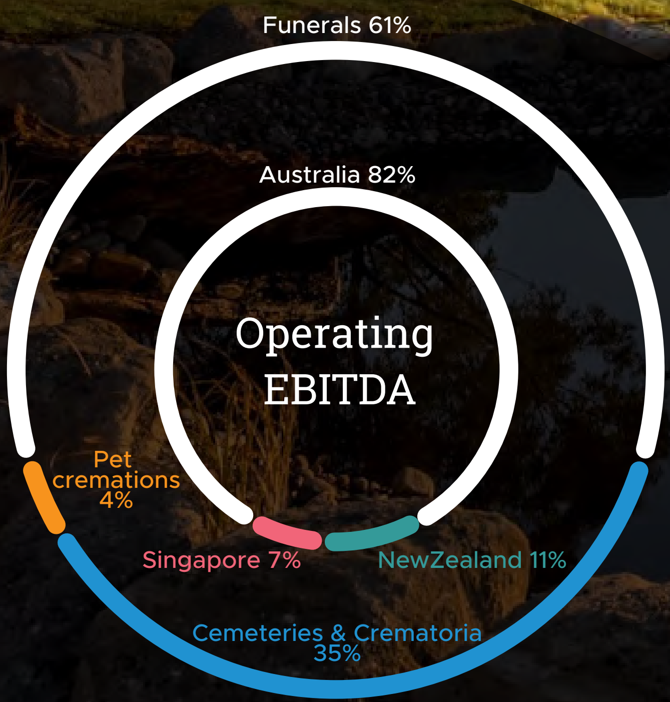
InvoCare Limited
ABN 42 096 437 393

InvoCare at a glance

49,211
Funeral cases

InvoCare is a leading provider of funerals, burials, and cremations in Australia, New Zealand, and Singapore and operates private memorial parks and crematoria in Australia and New Zealand. It is also a leading provider of pet cremation services in Australia.



25,922
Cremations and burials

99,612
Pet cremations

+82·9
Net Promoter Score

An exceptional result

c.2,000
Employees

324
Locations

2022 performance highlights

Served a record number of client families, supporting strong results

Customer and Team

NPS
+82·9
↑ 2·8 on PCP

LTIFR
7·6
↓ 41% on PCP

TRIFR
30·6
↓ 14% on PCP

Employee Engagement
64%
↑ 8 ppts on PCP

Operational Excellence

OPEX % Sales
52%
—

Debt Leverage ratio r12
1·3x
↑ 0·1x on PCP

Cashflow Conversion[3]
101%
↓ 7 ppts on PCP

Growth: Operational

Funeral Case Volumes
49,211
↑ 8% on PCP

Funeral Case Average[2]
$8,536
↑ 5% on PCP

Memorialisation Revenue
+4·3%
↑ On PCP sales

Pet Cremation Case Volumes
99,612
↑ 14% on PCP

Growth: Financial[1]

Operating Revenue
$588·5m
↑ 12% on PCP

Operating EBITDA
$136·1m
↑ 9% on PCP

Operating EBIT
$84·6m
↑ 9% on PCP

Operating EBIT Margin
14·4%
↓ 0·4 ppts on PCP

Sustainable Leadership

Sustainability reporting
'Comprehensive'
Assessed by ACSI

Operating EPS
35·1¢
↑ 11% on PCP

Full Year Dividends
24·5¢
↑ 17% on PCP

ROCE r12
11·6%
↑ 0·4 ppts on PCP

NB Definition of terms and measures used in this report included in the glossary on pages 140 - 141

1 For reconciliation of operating to statutory results see page 34

2 Group gross funeral case average, including disbursements

3 Normalised Cashflow Conversion after removing the impact of change in accounting policy for SaaS costs expensed as incurred

2022 sustainability highlights

InvoCare's Environmental, Social and Governance (ESG) are focused on three key themes: People, Place and Planet.

People

- Our customer experience reached **+82.9 Net Promoter Score** (NPS) in Australia and New Zealand.

  Recommendation Score from customers in Singapore was **99.3% positive**
- Focused attention to early intervention injury management principles and progression of the Safety Strategic plan resulted in a **42% decrease in LTIFR** and a **14% decrease in TRIFR**
- Our employee engagement for the **'Your Say' survey score** increased by a substantial 8% from the previous year
- Introduction of the **Health First initiative** and a refresh of our Employee Assistance Program, offering unlimited use of an extended network of **physical and psychological support** for our team members and their families

Place

- **95 defibrillators** were installed at 79 funeral homes and other large sites including Memorial Parks
- A comprehensive digital roadmap was established across the business and **cyber security tightened**
- Inclusive Funerals provided a **multilingual functionality**, launched for four key nationalities (Chinese, Vietnamese, Khmer and Laotian) on the Universal Chung Wah (UCW) Funeral Directors website, allowing users to view content in their first language
- Our commitment to community engagement continued to strengthen with the development of our new **Community Engagement framework** in 2022 which will be launched in early 2023

Planet

- Introduced **32 hybrid vehicles** to our fleet, replacing petrol and diesel vehicles
- In our pet cremations business we replaced seven cremators with more **energy efficient** models
- Construction of a **sustainable funeral home** in Coburg incorporating 10% improvement on thermal efficiency, rooftop solar, energy efficient lighting, 5-star rated plumbing fixtures, water efficient landscape design and below ground rainwater harvesting tanks servicing amenities
- **Supply Chain Code of Conduct** was established, increasing compliance monitoring. As part of our supplier auditing process, we mapped 1,000 of our largest direct suppliers to identify high-risk modern slavery suppliers

Chairman's message

Dear fellow shareholder

InvoCare is now two years into its reset strategy, and I am proud of the team's achievements in the face of continued operational challenges faced by the industry as a whole. Customer satisfaction, measured by NPS, has grown, employee engagement has improved, injuries to our people have nearly halved, and we have maintained our strategic momentum whilst also delivering solid earnings growth and return on capital employed. We attribute this to the quality of our teams and the advantages that our breadth of brands, market positions and diversity of operations brings.

FY22 financial results and capital management

InvoCare reported operating revenue of $588.5 million for the year, an increase of 12% on the prior corresponding period (PCP) and delivered continued growth in operating earnings, with operating earnings before interest and tax (EBIT) for the year ended 31 December 2022 (FY22) up 9% to $84.6 million.

Despite solid operational growth, global equity market volatility in the first half of the year has caused a net unrealised mark-to-market loss on the revaluation of pre-paid funds under management assets to be booked, driving a reported loss of $1.8 million for the year. This is a point in time revaluation of our pre-paid funds under management, which are independently managed. We note that there remains material headroom between the pre-paid funds under management assets and the associated pre-paid contract liabilities on the Group's balance sheet. The potential volatility in this twice-yearly accounting revaluation is the reason we exclude these outcomes from the Group's operating earnings measures. They also have no bearing on our ability to determine dividends to shareholders, which are based on a dividend payout ratio applied to operating earnings per share.

Continuing strategic momentum and strong recovery in key fundamentals have delivered growth in the Group's Operating earnings per share (EPS) to 35.1 cents, 11% above the PCP. This strong growth in earnings and above threshold cash conversion has enabled the Board to determine a final fully franked dividend of 11 cents per share, which brings the full year dividend to 24.5 cents per share, an increase of 17% in our distributions to shareholders on the PCP. The resulting dividend payout ratio of 70% reflects an appropriately prudent approach to capital management given the opportunities for investment in growth initiatives set out in our strategy.

> "In 2022, InvoCare continued to build on its market leading position in Australia, New Zealand and Singapore. Our ongoing investments in our people, facilities, systems and digital capabilities, as well as our health and safety and operating standards have delivered a stronger, more resilient, and more customer focused organisation."

Sustainability strategy – People, Place & Planet

Our commitments to our Environment, Social and Governance (ESG) goals and five-year strategic plan continued to deepen during 2022, cementing the foundations of our Sustainability Strategy.

For InvoCare, sustainability is a long-term commitment, and we want to understand the full scope of our impact to ensure our targets and goals for our core sustainability areas — People, Place and Planet — are measurable and realistic. This approach is all about driving genuine and lasting change across our operations. In 2022:

- We continued to update and enhance our health, safety and well-being practices with focused attention on early intervention injury management, the introduction of our Health First initiative and a refresh of our Employee Assistance Program
- Our commitment to community engagement continued to strengthen with work undertaken on our Community Engagement framework, which is being launched in early 2023
- We have deepened our understanding of the greenhouse gas footprint of our business, so we are in the best position to actively manage emissions reduction, with targets to be outlined in our Sustainability Report next year
- We have developed an approach to understand our modern slavery risks among our major suppliers and the third-party value chains in which they operate. We also developed our Supply Chain Code of Conduct and have started to monitor compliance

Our plans to deliver our Sustainability Strategy and achieve our 2025 ambitions are continuing to drive exceptional service for our client families and underpin the returns we generate for shareholders.

Acquisition offer

As advised to the ASX, on 7 March 2023, InvoCare received an unsolicited, preliminary, non-binding indicative offer from TPG Global LLC for the 100% acquisition of InvoCare by way of a scheme of arrangement. On 27 March 2023, after due consideration, the InvoCare Board unanimously concluded that the indicative offer does not provide compelling value for InvoCare shareholders.

The Board will continue to monitor the evolving position and will assess the merits of any offer according to what is in the best interests of shareholders and communicate its response in line with its continuous disclosure obligations. The Board recommends that InvoCare shareholders take no action in relation to the Indicative Proposal at this time.

InvoCare Board and governance

The Board composition remains the same as at the end of 2021 with no appointments or resignations to report during the year.

Our focus remains on ensuring InvoCare is a successful, sustainable, long term business

InvoCare is a strong and growing business, and we are confident that the investments made to date are setting the business up to take advantage of the recovery to normal operating conditions. With a growing and ageing population in all our markets, strategic assets as well as our exposure to the entire customer lifecycle from pre-need, to at-need and beyond, the Board and I are positive about the long-term fundamentals of our business and are confident that the Group is well placed to deliver near and long-term shareholder value.

I would like to take this opportunity to thank the InvoCare team, led by CEO Olivier Chretien, for the way they have navigated another year of challenging external conditions. On behalf of the Board, I would also like to thank our shareholders and our many customers and client families for their continued support. We served a record number of client families this year and the Board is confident that InvoCare has the right strategy in place to continue to do so into the future.

Yours sincerely,

Bart Vogel
Chairman

> …the Board and I are positive about the long-term fundamentals of our business and are confident that the Group is well placed to deliver near and long-term shareholder value.

Our purpose, vision, values and business

OUR PURPOSE

Honouring life, celebrating memories for generations

Our purpose is in 'honouring life, celebrating memories for generations', reflecting that, with our team, breadth of offerings, and strategic assets, InvoCare is uniquely positioned to service our customers' needs along their life journey.

OUR VISION

To be entrusted with all lives, as a respected pillar of our communities and a leader in our field

Garnering community trust in our brands, having offerings that cater to the diversity of our markets, our client families and their pets, and being a valued leader within the death care sector is fundamental to our long-term success and the creation of shareholder value.

OUR BUSINESSES

Pre-need
Planning

At-need
Funeral

Post-need
Memorialisation

Pet cremations

Support

OUR VALUES

Underpinning the achievement of our strategic objectives and the culture of InvoCare are our CARES values:

CARES

Collaboration

We respect one another and achieve more by working together

Accountability

We always act with integrity, through honesty, fairness and accountability

Responsiveness

We put our clients and communities first, by listening, anticipating, supporting and actioning to exceed their expectations

Excellence

We continuously improve the way we do business; through innovation, creativity and flexibility

Safety

We keep everyone safe, everywhere and everyday

Our strategy to 2025

In May 2021, InvoCare announced to shareholders a refreshed strategy under the guidance of a new CEO and management team to take it through to 2025. The strategy is designed to deliver on our purpose and vision whilst staying true to our core values.

The refreshed strategy recognised the need for an initial foundational reset (**'Raising the Bar'**) to enable the Group to extract greater value from its core businesses and to better leverage the investments made in the prior five years, and then, use this position for strong and sustainable growth. There are five pillars to the strategy whose objectives and ambitions for 2025 are outlined below:

Customer-led people empowered

Be customer-centric in everything we do

Operational excellence

Optimise our foundations to drive sustainable returns

Stronger core growth

Excel in servicing customer needs and grow share of market value

New growth platforms

Innovate and diversify to expand addressable market and meet future customer needs

Sustainable leadership

Lead company and industry to more sustainable outcomes

2025 ambitions

Trusted by client families and communities

Outstanding NPS

Great place to work

High engagement and retention

Recognised industry leader and partner of choice

Sustainability commitments

Creating value for all stakeholders

EPS growth and satisfactory ROCE

Phase 1: Raising the Bar

Our strategy to 2025
continued

Strong momentum in strategy execution continued during the year. The Group's immediate focus on 'Raising the Bar' involved working on the business foundations with a focus on simplification, standardisation and automation with the current year seeing this phase of the strategy substantially complete.

A description of our strategic priorities and some Group-level achievements in the year is included opposite. At a divisional level, detailed strategies are developed specific to the opportunities to improve each of our businesses within these five strategic pillars and these are discussed in further detail in the respective performance summaries starting on page 24.

Customer-led, people empowered

This first pillar is about being customer-centric in everything we do and empowering our frontline teams. By better engaging and empowering our people we can maintain our exceptional Net Promoter Score (NPS) and expand customer advocacy while building a great, safe, and inclusive place to work.

Our primary focus remained the care and service of our client families. This year we launched our "WeCARE" enhanced customer feedback platform; expanded our national call centre, enabling it to field 27% more calls than in the PCP; and launched WeCare First Contact to assist with our goal of ensuring no family goes unsupported. With a high proportion of sales driven through referrals, InvoCare prides itself on constantly working to raise the quality of its service standards, as reflected in our NPS increasing to +82.9 at the end of 2022, up 2.8 points on the PCP.

A second 'Your Say' employee engagement survey was conducted in the year, recording a pleasing increase in response rate to 76%. The survey format was consistent with that performed in 2021 allowing for a comparison of the employee experience and benchmarking against similar-sized organisations and industries. Pleasingly Group employee engagement increased 8 points to 64% and with over 3,000 comments, insights from the survey have been cascaded across the business, with our teams building targeted action plans to address the feedback provided.

Operational excellence

This pillar focuses on the Group's operating model, network performance, costs, and capital discipline. The Group has sought to rejuvenate its funeral facilities as part of a comprehensive facility upgrade program in recent years and now looks to expand and optimise its network plans ensuring it has the right location with the right offer to service its chosen markets. Increasingly, the Group will focus on the implementation of a more streamlined operating model to extract efficiencies and enhance customer service and reach.

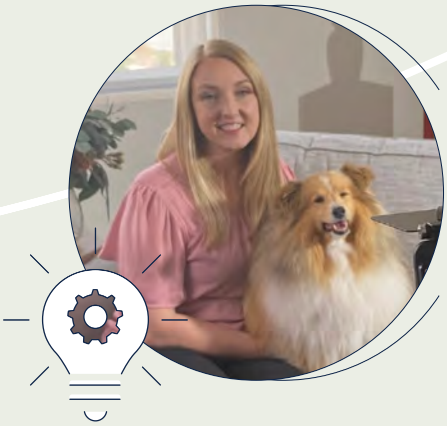
In 2022 we commenced the phased rollout of our new Cemeteries & Crematoria Enterprise Resource Planning (ERP) system with 13 out of 15 memorial parks transitioning onto the new system by the end of the year and the final two parks successfully transitioned in February 2023. We also implemented a new Group payroll system ahead of new workforce planning tools, continued to invest in new shared service centres with four delivered in the year and ongoing process standardisation and simplification continued. We also brought forward the operational integration of our three pet cremations businesses to better enable faster and more sustainable growth.

Stronger core growth

Each business focuses on securing its share of available value in its chosen markets by expanding the range of services offered to client families – rather than seeking to only grow market share in volume (i.e. cases) alone. This includes a renewed focus on pre-paid funerals to underwrite future long-term growth in the Funeral business.

In the second half of the year, we made a targeted investment in our funeral network in Victoria. Improvements were also made to our brand value propositions, pricing, and procurement strategy during the year. We trialled new memorialisation product ranges, upgraded key websites to improve traffic conversion, and initiated a program to optimise customer digital and phone channels. To support longer-term growth in our Cemeteries & Crematoria business, we progressed with 'Park as a Destination' master planning for several memorial parks.

Further details on what this particular strategic objective means for each of our businesses and key achievements are located further in this report.



New growth platforms and innovation

The fourth strategic pillar aims at expanding the Group's addressable market through adjacencies and harnessing the potential of innovation to drive new sources of growth and efficiency. This includes expanding the pet cremations business and positioning the Group to create value for customers along their life journey.

We expanded our digital self-serve capabilities as well as the breadth of activities of our Group Innovation Hub, including an investment in US-based Parting Stone Incorporated (solidified cremated remains). We increased the take up of Memories digital memorialisation across our network and rolled out carer grief support training with our not-for-profit partner Violet. Our businesses continued to expand key commercial agreements – including community agreements in our memorial parks and national vet network agreements. Finally, we commenced rebuilding a pipeline of potential merger and acquisition and partnership opportunities.

Sustainable leadership

Finally, the fifth pillar is InvoCare's commitment to sustainable industry leadership. The Group is enhancing its efforts on sustainability through its 'People, Place, Planet' sustainability strategy, with our 2021 Sustainability Report being assessed as 'Comprehensive' by the Australian Council of Superannuation Investors. Work is underway to establish greenhouse gas emissions and reduction opportunities. Further details on the Group's Sustainability Strategy to be provided in the Group's 2022 Sustainability Report.

In addition to our broader environmental and sustainability goals, this pillar also involves a leadership focus on safety and operational standards of care, and on diversity and talent development, as our people are fundamental to customer advocacy. InvoCare has an overarching Health and Safety Strategy, aimed at developing and delivering innovative, sustainable interventions that promote team member peak performance and reduce injury, illness and fatal risk. We have grown our Safety and Injury Management teams and introduced clearer targets and safety management plans. This continued investment and focus on safety saw the Group's LTIFR reduce by more than 40% and TRIFR reduce by 14% on the PCP.

Finally, we continued to grow our two key measures of long-term success, Operating EPS (up 11% to 35.1 cents) and ROCE (up 0.4 ppts to 11.6%).

Chief Executive Officer's message

Dear shareholders

I am pleased to report that in 2022 we have lifted our financial performance while at the same time continued to improve our service delivery to client families, our team engagement and safety outcomes, as well as the quality of our processes, systems and facilities.

Echoing Bart's message, I would like to thank all our employees in Australia, New Zealand and Singapore for their tireless service to our client families. I also wish to thank my Executive Leadership Team for their dedication and support navigating a year of record demand for our services, delivering solid earnings growth and importantly, positive strategic momentum.

The year started with an expectation of a "post COVID" normalisation; we instead faced a number of disruptions to our operations and operating margins, but nevertheless maintained our long-term focus, investing in our businesses and platforms to enable future growth.

Momentum in executing our strategy and Group performance

We are two years into our five-year strategy. Over the past 12 months we have made significant progress in the initial phase of our 5-year plan focused on 'raising the bar' operationally and in simplifying our business foundations, which is now largely complete. Operational efficiency programs will continue but the team's focus is increasingly shifting to profitable growth initiatives.

Importantly, we have continued to deliver on our key measures of success.

Customer satisfaction increased to a record NPS of +82.9, employee engagement lifted 8 points to 64%, and safety outcomes improved significantly with total recordable injury frequency rate (TRIFR) reducing 14% and lost time injury frequency rate (LTIFR) reducing 41% on the previous year.

We maintained a strong balance sheet, and pleasingly, delivered another year of growth in our key long-term financial measures of success, with Operating EPS up 11% to 35.1 cents and our enterprise return on capital employed (ROCE) up 0.4 points to 11.6%.

Many more client families needed us this year compared to the years before, with some very strong peaks in demand at specific times of the year. This has contributed to our businesses servicing a record number of funeral client families in the year at over 49,000; double digit growth in burial and cremations volumes in our memorial parks to over 25,000; and just under 100,000 pet cremations were performed. We also sold pre-paid funeral contracts to over 4,000 customers. As a result, Operating revenue increased 12% to $588.5 million for the year.

Faced with tight labour markets and health-related absenteeism particularly in the first half, the highly variable demand often outstripped labour supply, and we have not always been able to offer every family the funeral date of their choosing, or in some of our larger locations in Australia, had the capacity to respond to all demand while maintaining high service levels and safe, efficient practices.

Additionally, inclement weather on the east coast of Australia for most of the first half impacted our ability to construct memorials, conduct timely burials and efficiently maintain our parks.

These two factors, combined with elevated employee vacancy rates, meant more expensive labour resources (in the form of overtime, contractors and casuals) were used to service demand and undertake maintenance activities, which has impacted our cost of doing business and thus operating leverage in the Australian business this year.

Business highlights

Our funeral business in Australia served a record number of client families, with growth coming from all markets and both local and national brands. Demand for higher service funerals continued and the benefits of our diverse footprint, breadth of brands and increased product and service offerings has contributed to a 12% growth in Operating revenue and EBITDA on the PCP. The business delivered these results while providing excellent service to client families and improving training and safety outcomes for employees. We continued targeted network investment, including the acquisition of a funeral business in north-east Melbourne, the enhancement or establishment of a further seven locations as well as four shared service centres, and the successful transition of all historic acquisitions onto the one IT platform. Significantly, the business made great progress in its omnichannel strategy to deliver broader and better services to client families, introducing much enhanced functionalities and new services across our customer care centre, websites and new digital channels.

Sales momentum in the east coast-based Cemeteries and Crematoria business was disrupted in the first half with excess rainfall severely limiting memorialisation sales and increasing cost of doing business, but drier weather in the second half allowed for some catch up in sales and memorialisation construction.

On a pre-AASB 15 basis, Operating revenue and EBITDA increased 9% and 7% respectively on the PCP. The team continued to expand its community engagement and invested in cremator capacity, which is due for delivery in 2023. A number of park masterplans were developed to make them a 'destination' with expanded sources of revenues into the future. Importantly, the team implemented a new ERP system to deliver better functionality for our teams, client families and funeral partners, with all 15 parks migrated by February 2023.

Double digit growth in pet cremation volumes and continued growth in the number of vets serviced has contributed to a strong 19% growth in Operating revenue in our pet cremations business. We took the step to operationally integrate all brands into one national business to set it up for accelerated growth. This initially led to an increase in costs in the first half as we invested in capability to better manage the combined business, but importantly allowed us to implement a national service, product and pricing approach in the second half, that has driven benefits in case average, up 7% on the PCP, and the business is well set up for continued growth.

Pleasingly, we continued to see the trend in a return to full-service farewells in our two international markets part way through the year, following the lifting of gathering restrictions. This was particularly evident in Singapore, which experienced a 23% increase in funeral case average. Like Australia, New Zealand saw a lift in demand to record levels as the country experienced the impact of its loosening of restrictions and border controls and an increase in COVID infection rates. Both countries delivered double-digit growth in Operating revenue and the smaller size of the operations also meant they had a greater latent capacity to service additional volumes, delivering operating leverage above one time and improved margins. This resulted in strong Operating EBITDA growth in both businesses, with New Zealand up 30% and Singapore up 21% on the PCP.

Additionally, our support teams made outstanding progress on delivering better processes, systems and programs to support the development of a greater place to work for our teams, and to enable efficiency and growth strategies across our businesses, as well as community and sustainability initiatives.

I continue to be extremely proud of our teams and the important work they do for our communities. Without a doubt, they live our CARES values everyday through their professionalism, extraordinary resilience, and commitment to a single-minded service ethos always ensuring the best possible care to client families.

Outlook

This initial phase of our strategy was a necessary one to set the business up for long term success. I am confident that the investments made to reset our business foundations have positioned us strongly to take advantage of the recovery to normal operating conditions and the longer-term outlook of a growing and ageing population in all our markets.

We can turn our attention to leveraging our assets, our market-leading positions along the entire customer lifecycle and our balance sheet capacity to increasingly focus on profitable organic and acquisitive growth. I am confident in my team delivering on these objectives, to drive near and long-term shareholder value.

Finally, I too would like to thank all our client families and shareholders for their ongoing support.

Olivier Chretien
Managing Director & Chief Executive Officer

> ... we have lifted our financial performance while at the same time continued to improve our service delivery to client families, our team engagement and safety outcomes, as well as the quality of our processes, systems and facilities.

Executive Leadership Team

Olivier Chretien

Chief Executive Officer

Adrian Gratwicke

Chief Financial Officer

Lynne Gallucci

Executive General Manager – Australian Funerals

Penny Lovett

Executive General Manager – People and Culture

Steve Nobbs

Executive General Manager – Cemeteries & Crematoria

Grace Westdorp

Executive General Manager – Health, Safety & Sustainability

Tim Higgins

Executive General Manager – International, Strategy & Innovation

Fergus Kelly

Executive General Manager – Stakeholder Engagement

Victoria Doidge

Executive General Manager – Customer

Heidi Aldred

General Counsel / Company Secretary

SECTION 2

Operating and financial review

Financial review

To grow earnings per share and total shareholder returns, we seek to complement the operational execution of our strategy with financial discipline, strong portfolio management, balance sheet strength, and cash flow generation.

Set out below is a description of these areas and the financial tools we use to measure success:

- **Financial discipline** – Focus on cost control and efficiency to drive positive operating leverage
- **Portfolio management** – Act decisively on the allocation of capital and managing returns from investments
- **Balance sheet strength** – Maintain funding flexibility and disciplined capital management to support growth aspirations
- **Cash flow generation** – Pursue working capital efficiency and realisation of profits into cash to reinvest in the business

The Group's performance in these areas during the year is set out on the following pages. The prior corresponding period (PCP) is the year ended 31 December 2021.

Generating long-term shareholder returns

InvoCare seeks to deliver sustainable shareholder returns through earnings per share (EPS) and dividend growth which, if delivered, should support share price performance.

The Board determined a fully franked final dividend of 11.0 cents per share, increasing full-year dividends to 24.5 cents, representing a dividend payout ratio of 70% of Operating EPS, within the Group's preferred payout range.

	2022 cents	2021 cents	Movement %
Basic earnings per share (EPS)	(1.3)	56.1	(102.3)
Operating EPS	35.1	31.6	11.1
Interim dividend	13.5	9.5	42.1
Final dividend	11.0	11.5	(4.3)
Total dividend (full year)	24.5	21.0	16.7
Dividend payout ratio (%)	70%	66%	4 ppts

Profit performance for the year

Strong growth in funeral case volumes and burial and cremation volumes, growth in funeral case average, incremental growth in memorialisation sales in the Australian Cemeteries & Crematoria business, and control of costs have driven record operating earnings in the year. However, after accounting for a net loss on the unrealised 'mark-to-market' revaluation of pre-paid funeral funds under management (FUM), the Group delivered a reported net loss after tax attributable to shareholders of $1.8 million. Unlike the PCP, where equity markets generated a net revaluation gain, the volatility in global equity markets in 2022 has led to an unrealised revaluation loss of $55.6 million on these assets.

This volatility in accounting-driven mark-to-market revaluations of undelivered pre-paid funeral contracts is why InvoCare considers Operating earnings before interest, tax, depreciation, and amortisation (Operating EBITDA) and Operating earnings before interest and tax (Operating EBIT) as key performance measures.

Operating EBITDA, EBIT and net profit after income tax (NPAT) exclude the following items:

- The financial impacts of the pre-paid funerals business
- Other non-operating activities, including asset sale gains/losses, impairment gains/losses, accounting for SaaS arrangements expensed as incurred, and restructuring costs, as relevant
- Net finance costs associated with the pre-paid funerals business
- The income tax effect of the above items

A reconciliation of operating to statutory financial results is included on page 34.

Set out in the table below are the operating result and key performance metrics:

	2022 $'000	2021 $'000	Movement %
Revenue	588,535	527,096	11.7
Expenses	(452,420)	(401,619)	12.6
EBITDA	136,115	125,477	8.5
Depreciation and amortisation	(49,620)	(47,759)	3.9
Pre-paid technology expenses	(1,315)	(654)	101.1
Business acquisition costs	(1,005)	(743)	35.3
Net gain on lease modifications/terminations	446	1,517	(70.6)
EBIT	84,621	77,838	8.7
Net finance costs	(14,272)	(15,262)	(6.5)
Profit before income tax	70,349	62,576	12.4
Income tax expense	(20,103)	(17,320)	16.1
Non-controlling interests	(95)	(113)	(15.9)
Operating net profit after income tax attributable to equity holders of InvoCare Limited	50,151	45,143	11.1
Operating EPS (cents per share)	35.1	31.6	11.1
OPEX to sales %*	52%	52%	0 ppts
EBITDA margin (%)	23.1%	23.8%	(0.7 ppts)
EBIT margin (%)	14.4%	14.8%	(0.4 ppts)

* For calculating OPEX to sales %, OPEX represents operating expenses excluding finished goods, consumables, and funeral disbursements costs

The operating revenue result reflects growth in key value drivers with 7% growth in funeral case volume in Australia and 11% growth in New Zealand, 5% growth in Group funeral case average, 14% growth in pet cremation volumes to just under 100,000 and double-digit growth in cremation and burials at our memorial parks.

A timely, disciplined pricing strategy, strong sales volume, and cost control are reflected in a steady OPEX to sales percentage compared to the PCP. The $51 million (13%) increase in operating expenses includes an $18 million increase in 'finished goods, consumables, and funeral disbursements' reflecting increased sales activity, and the frictional cost of staff shortages with a $2 million increase in external mortuary ambulance costs, and $27.8 million growth in employee expenses. Annualisation of capability investments made in 2021, the impact of wage increases (including Enterprise Bargaining Agreements), additional staff onboarded to meet volume growth, and variable costs associated with increased sales activity, such as overtime, have all contributed to employee cost growth.

Depreciation and amortisation expense is $1.9 million higher than the PCP driven by the impact of capital investment in the current and prior years and a $1.6 million increase in AASB 16 related depreciation, primarily from the impact of increased motor vehicle leases including expansion of the pet cremation's fleet.

The $1 million decline in net finance costs reflects the annualised benefit of lower commitment fees payable on available debt facilities following the refinancing undertaken in September 2021. The new flexible revolving cash advance facility has also led to better management of debt draw downs and has allowed for more efficient management of interest paid. This is despite a nearly 2 percentage points (ppts) increase in the Group's weighted average cost of debt over the year given the increases in cash rate (and subsequent impact on BBSY). This cash rate increase has benefitted interest income earned, which has increased $0.6 million on the PCP.

The movement in operating income tax expense reflects improved operating profit performance, with the effective tax rate (ETR) on operating earnings marginally increasing by 1 ppt to 29%. The Group's ETR is a blended rate reflecting differing tax rates in Australia, New Zealand, and Singapore.

Portfolio management

Decisive action to invest, restructure or divest non-core operations while fulfilling the Group's investment and strategic priorities is vital to managing InvoCare's portfolio of operations.

Two acquisitions were made during the second half, the bolt-on acquisition of Victorian funeral business William Matthews Funerals for $2.6 million, and a strategic equity investment in Parting Stone Incorporated ($1.8 million). The Group disposed of land and buildings in one location in Victoria for proceeds of $1.8 million. This transaction also gave rise to a net gain on the disposal of non-current assets of $0.4 million, which has been recognised in Non-operating EBIT.

The decision was made at the end of 2021 to accelerate the operational integration of the pet cremations businesses acquired in H2 2020. To meet the heightened requirements for supporting a national pet cremations business, the leadership structure has been reviewed and some changes have been made to increase capability and skillset to sustainably support the division on a national basis over the long term. One-off costs associated with hiring that talent and accelerating the integration have been included within the $1.5 million of restructuring costs included within Non-operating EBIT.

Balance sheet

InvoCare continues to maintain a strong balance sheet with a disciplined focus on working capital management. The Group's capital employed excluding net debt items is comprised of the following.

Total capital employed at the reporting date

	2022 $'000	2021 $'000	Movement %
Trade and other receivables	87,877	80,630	9.0
Inventories	45,463	46,866	(3.0)
Trade and other payables	(80,528)	(69,226)	16.3
Net working capital	52,812	58,270	(9.4)
Property, plant and equipment	526,141	494,454	6.4
Intangibles	233,045	226,913	2.7
Pre-paid technology assets	15,709	8,601	82.6
Net pre-paid funds under management/contract liabilities	49,207	109,435	(55.0)
Deferred selling costs	34,927	35,755	(2.3)
Deferred contract assets	365	1,963	(81.4)
Net right of use asset and lease liabilities [a]	(10,246)	(12,646)	19.0
Deferred revenue	(120,295)	(127,959)	6.0
Net tax items	(38,502)	(47,095)	18.2
Other items [b]	(15,239)	(22,116)	31.1
Total capital employed	727,924	725,575	0.3
Net debt	(182,708)	(144,654)	(26.3)
Net assets	**545,216**	**580,921**	**(6.1)**
Average working capital % of sales [c]	9.4%	11.4%	(2 ppts)
ROCE % [d]	11.6%	11.2%	0.4 ppts

a Excludes certain finance leases which are considered 'debt-like' and included in the net debt balance

b Includes assets held for sale, other financial assets, derivative financial instruments, provisions for employee entitlements, and contingent consideration

c Represents the average working capital for the reporting period (average of opening and closing) divided by revenue for the same period

d ROCE = Operating EBIT rolling 12 months / (average Total equity + average Net debt)

Increased sales activities towards the end of the year have driven an increase in current and forward-aged debtors and trade and other payables and accruals. In addition, an increase in capital expenditure run rate, particularly due to the timing of progress payments for various network projects and cremator purchases, has also driven an increase in trade and other payables and contributed to a decrease in working capital relative to 31 December 2021. This decline in net working capital has also driven a 2.0 ppts improvement in average working capital % of sales on a rolling 12-month (r12) basis to 9.4%.

The increase in property, plant, and equipment, and intangible assets is primarily driven by capital expenditure additions in the year from ongoing investment in maintaining our facilities and key strategic platform and growth investments, including in the IT and digital space. $2.6 million of goodwill recognised on the Funerals Australia bolt-on acquisition is also a driver of the increase in intangible assets. This has been partially offset by the impact of depreciation and amortisation for the year.

Pre-paid technology assets were $15.7 million at year-end with the increase driven primarily by spend associated with the ERP system implementation for the Cemeteries & Crematoria business. These assets will be unwound through Operating EBIT throughout the period of the related software service.

The unfavourable mark-to-market revaluation of pre-paid funds under management (FUM) in the year is the largest movement in capital employed. Combined with the revaluation of pre-paid contract liabilities to take into account the future cost of delivering the service, this contributed to a $60.2 million decrease in net pre-paid FUM/contract liabilities. This impact is partially offset by a decrease in associated net deferred tax balances.

Deferred revenue has declined $7.7 million from December 2021 with drier conditions at the end of the year allowing for memorialisation construction in the Cemeteries & Crematoria business, although activity was constrained for much of the first half of the year due to the inclement weather.

The decrease in Other items is driven primarily by $6.3 million of payments of deferred acquisition consideration for businesses acquired in prior years. Other items also include a $1.8 million increase in other financial asset from the investment in Parting Stone Incorporated.

The Group achieved ROCE of 11.6%, a 0.4 ppts increase on the PCP. This reflects primarily the growth in Operating EBIT, up 8.7% to $84.6 million as the impact of the decrease in net pre-paid FUM/contract liabilities compared with capital investment increases in assets has held average capital employed relatively flat.

Net debt at the reporting date

	2022 $'000	2021 $'000	Movement %
Cash and cash equivalents	31,659	53,630	(41.0)
Borrowings	(200,596)	(188,843)	6.2
Finance lease liabilities	(13,771)	(9,441)	45.9
Net debt	(182,708)	(144,654)	26.3
Total shareholders' equity	545,216	580,921	(6.1)
Leverage ratio (times)	1.3	1.2	0.1
Interest cover ratio (times)	19.0	15.8	3.2

The Group ended the year with cash on hand of $31.7 million. See the cash flow section below for further analysis of the $21.9 million reduction compared to PCP. Of the $38.1 million increase in net debt from December 2021, $4.3 million is attributed to an increase in finance lease liabilities as the Group progressively replaces its vehicle fleet. The remaining movement is from the net of $35 million of drawdowns from the Syndicated Debt Facility during the year to fund capital investments and other IT and digital-related projects, $25.4 million of which was repaid by the end of the year as cash generation improved, particularly in New Zealand.

On 31 December 2022, the Group had access to $382.4 million of loan facilities, $202.1 million of which was drawn:

- A ten-year $100.0 million Note Purchase Agreement with MetLife, fully drawn and due for repayment in February 2028
- A three-year $275.0 million Syndicated Debt Facility Agreement supported by a panel of lenders providing available funds through a Multi-Currency Revolving Cash Advance facility due for repayment in August 2024. $102.1 million of this was drawn at the reporting date
- A one-year $7.4 million working capital overdraft facility provided by transactional banker, ANZ. $Nil drawn at the reporting date

The financial covenant ratios applicable to the debt facilities differ from the calculations included in the table above as they are calculated on an adjusted EBITDA basis (e.g. the inclusion of the proforma earnings contributions from acquisitions and to adjust for costs arising from restructuring initiatives). The covenant target ratios are as follows:

- Leverage ratio (being net debt to adjusted EBITDA) must be no greater than 3.5 times
- Interest cover ratio (being adjusted EBITDA to net interest adjusted to remove interest related to AASB 16 Leases) must be greater than 3.0 times

The above covenant ratios continued to be met as of 31 December 2022.

Cash flows

InvoCare aims to use the cash generated from operations to pay down borrowings, fund capital expenditure and acquisitions and distribute dividends to shareholders.

Abridged cash flow statement

	2022 $'000	2021 $'000	Movement %
Statutory EBITDA	132,748	124,974	6.2
SaaS arrangements expensed as incurred	(13,395)	(4,170)	221.2
Net change in working capital	(29,050)	(19,074)	(52.3)
Net finance costs paid	(14,288)	(14,219)	(0.5)
Tax paid	(6,317)	(9,771)	35.3
Operating cash flows	**69,698**	**77,740**	**(10.3)**
Acquisitions	(11,599)	(16,716)	30.6
Divestments/sale of assets	1,845	11,180	(83.5)
Capital expenditure	(63,348)	(62,703)	(1.0)
Net funds from pre-paid contracts	29,769	29,306	1.6
Investing cash flows	**(43,333)**	**(38,933)**	**(11.3)**
Dividends paid	(36,153)	(23,883)	(51.4)
Net draw down/(repayment) of borrowings	9,562	(59,680)	116.0
Net lease payments	(22,246)	(20,196)	(10.2)
Other	33	-	-
Financing cash flows	**(48,804)**	**(103,759)**	**(53.0)**
Change in cash held	(22,439)	(64,952)	(65.5)
Cash conversion %*	101%	108%	(7 ppts)
Free cash flows*	75,805	85,802	(11.7)

* Cash conversion % and Free cash flows are calculated as per the tables below.

Statutory EBITDA grew 6% but the strong end to the year has led to a $6.3 million increase in current and forward-aged debtors. When combined with a $9.2 million increase in Software-as-a-Service (SaaS) expenditure recorded within payments to suppliers (primarily from the implementation of Cemeteries & Crematoria's new ERP), this has driven a 10% decline in operating cash flows and cash conversion of 90%. Normalised cash conversion (calculated by adding back the impact of SaaS expenditure) remains strong at 101%.

Net investing cash outflows for the year of $43.3 million include a $6.3 million payment of deferred acquisition consideration of businesses acquired in H2 2020, a $2.6 million bolt-on Funerals Australia acquisition, and a $1.8 million investment in Parting Stone Incorporated. Cash capital expenditure of $63.3 million in the year has arisen mainly from Growth/Network projects (including various construction projects, cremator purchases, and digital project initiatives) and Platform investment-related projects (Shared Service Centre construction and qualifying ERP implementation and enhancement costs primarily). The remainder of the spending relates primarily to recurring maintenance CAPEX of the Group's facilities and other plant and equipment and IT hardware purchases.

The Group has access to a revolving syndicated debt facility to fund its operations and capital requirements. Net financing cash flows include the drawdown of $35 million of such debt facilities during the year with cash generated from operations used to repay $25.4 million by the end of the year, particularly in New Zealand. The dividends paid are the 2021 final dividend and the 2022 interim dividend.

Cash conversion % calculation

	2022 $'000	2021 $'000
Operating cash flows	69,698	77,740
Add back: Net finance costs paid	14,288	14,219
Add back: Tax paid	6,317	9,771
Add back: SaaS arrangements expensed as incurred	13,395	4,170
Net funds from pre-paid contracts	29,769	29,306
Ungeared, tax free operating cash flows	**133,467**	**135,206**
Statutory EBITDA	132,748	124,974
Cash conversion %	101%	108%

The cash conversion ratio calculation and the line items as shown in the table above are all non-IFRS information, however, all financial data is based on the information disclosed in the consolidated financial statements and notes to the financial statements and follows the recognition requirements of Australian Accounting Standards. Metric uses Statutory EBITDA as cashflows are on a total Group basis (i.e. not split between operating and non-operating). Reconciliation of operating to statutory earnings is included in the reconciliation on page 34.

Free cash flows calculation

	2022 $'000	2021 $'000
Operating cash flows	69,698	77,740
Net funds from pre-paid contracts	29,769	29,306
Interest paid	14,288	14,219
Cash CAPEX (recurring and platform only)	(37,950)	(35,463)
Free cash flows	75,805	85,802

Operating review: Funeral services – Australia

Our business

We are a leading provider of at-need funeral services in Australia and are privileged to deliver over 39,000 funerals annually for Australian families from our diverse footprint of over 235 locations including funeral homes, shop fronts, and shared service centre facilities in metropolitan capital cities and regional towns across the country.

Our three national brands (White Lady, Simplicity, and Value Cremations) and our portfolio of regional and local brands are well respected and valued for their long-standing local heritage and contribution to their community. The breadth of our brand portfolio is a key strength and competitive advantage allowing us to cater to all types of client families and customer preferences, including cultural and spiritual rites, direct cremations to high service funeral and memorial services.

Our team of over 1,000 put client families at the centre of everything they do, being there to support them at pivotal and testing times in their lives. They continue to achieve industry-leading Net Promoter Scores (NPS) with their compassion and expertise by, exceeding expectations, delivering outstanding service, and setting the highest standards in safety and transparent business practice.

Our ambition is to be the first-choice funeral service provider in Australia, renowned for our quality of service and choice of brands and people. We drive loyalty and advocacy from our client families and deliver this proposition through fit-for-purpose facilities and trusted team members.

NPS
+84·6
↑ 4·2 points

LTIFR
7·5
↓ 32·4%

Funeral case volumes
(number)
39,848
↑ 7·1%

Our performance

The benefits of our diverse footprint, breadth of brands, increased product and service offerings, and positive strategic momentum continue to drive growth in the earnings of the Australian funerals business. The business delivered record funeral case volumes and the case average grew 4%, both of which drove a 12% increase in operating revenue. Growth came from all markets particularly from the east coast and from key local brands, such as Le Pine in Victoria, George Hartnett Metropolitan in Queensland, and specific multi-cultural brands, as well as national brands such as Simplicity and White Lady Funerals.

The business has delivered record case volumes in the year, but labour constraints driven by team illness during COVID outbreaks, lack of access to experienced casual labour, and difficulty in hiring for vacant roles have meant the business has not been able to efficiently service all the volume available to it. The business has incurred additional costs to deliver funeral services to client families, such as

the use of a third-party mortuary ambulance (up $2.0 million for the year) and increased overtime and associated costs for staff.

Inflationary increases have been seen in some product lines, such as coffins, but the business has seen benefits from its revised pricing strategy taking a considered, quarterly approach to reviewing product and package pricing. This, combined with disciplined discretionary cost control, has meant that the top-line growth has been realised in earnings with Operating EBITDA up 12% to $90.1 million and positive operating leverage. It is noted that labour costs make up approximately 70% of the business' cost base and the business has not yet had the benefit of improved rostering and workforce planning tools to increase flexibility in its labour costs, a strategic initiative that is expected to be progressed over the next twelve months.

As noted in the prior year, the previous NBO program of property projects has been completed with capital investment now targeted based on the business's network optimisation plan to fill gaps and enhance key strategic locations. General refreshes of locations now form part of Funerals recurring maintenance CAPEX. The reduction in property-related projects is the key driver of the 21% decrease in capital expenditure in the year.

Key performance indicators	2022	2021	Movement
Funeral case average ($)	8,605	8,249	4.3%
Operating revenue ($'000)	347,229	311,016	11.6%
Operating EBITDA ($'000)	90,066	80,521	11.9%
EBITDA margin %	26%	26%	0 ppts
Operating leverage	1x	4.5x	(3.5x)
OPEX to sales %	41%	42%	(1 ppts)
Capital expenditure ($'000)	27,704	34,837	(20.5%)

Strategy

Strategic priorities	Key achievements	Focus for the coming year
Customer-led, people empowered	o Delivered improved customer experience, NPS improved by 4.2 points to +84.6 o Launched enhanced 'WeCARE' customer feedback tool o 64% Employee Engagement Score in most recent Your Say survey	o Maintain customer-centric focus o Talent acquisition and retention o Capability and leadership development
Operational excellence	o Successful integration of remaining ringfenced locations onto Compass ERP o 4 shared service sites upgraded o Automation of pre-paid funeral sales process	o Operational excellence project focusing on Automation, Cost to Serve, and development of a Target Operating Model o Coffin Range rationalisation and standardisation project o 3-5 shared service site projects to complete
Stronger core growth	o National Call Centre expanded o Strategic review of pre-paid funerals completed o Expanded product range, including on-line o 7 strategic locations enhanced, 2 established	o Omnichannel Customer Care, including Live Chat o Implement refreshed pre-paid funerals strategy o Product and service range expansion o Network optimisation strategy
New growth platforms and innovation	o Acquired William Matthew Funerals o Increased uptake of Memories digital memorials o Expanded self-serve customer service portal to 9 further brands	o M&A o Expand partnerships o Build a differentiated digital and e-commerce service offering
Sustainable leadership	o Reduction in LTIFR to 7.5 o Mortuary Care Standards training developed and launched o Energy-efficient building designs developed	o Fleet strategy review o Energy efficient retrofit project

Operating review: Cemeteries & Crematoria – Australia

Our business

The Australian Cemeteries & Crematoria business is a leading independent operator of cemeteries and crematoria, overseeing 15 cemeteries and memorial parks in New South Wales and Queensland spanning nearly 300 hectares of open space with long remaining useful lives and a network of over 20 cremators.

Our team of nearly 340 put client families at the centre of everything that they do, and we are honoured to support over 25,000 client families annually with their 'at need' and 'post-need' requirements with a wide range of memorial products and services. The business conducts over 3,000 burials and over 22,000 cremations annually with the parks and facilities also available for funerals, memorials, and community events.

We engage with all funeral directors, InvoCare, and independent alike, and client families from all community groups and religious backgrounds through our non-denominational memorial parks.

Our core focus is on ensuring we develop and maintain beautiful places for the committal and ongoing care of the deceased in their final resting place and for supporting the memorialisation needs of the communities in which they are located.

NPS
+70·6
↓ 3·6 points

LTIFR
7·9
↓ 52·1%

Cremations (number)
22,568
↑ 11·9%

Burials (number)
3,354
↑ 13·8%

Our performance

AASB 15 deferred revenue and cost unwinds contributed $17 million to total operating revenue and $13.5 million to total Operating EBITDA respectively (2021: $18.8 million and $14.2 million). This contribution continues to decline as instalment payers complete their payment plans. Arrangements are largely due to complete in FY2023.

The underlying Australian Cemeteries & Crematoria business has benefited from increased market volumes with double-digit growth in the number of burials and cremations conducted across the year contributing $5.6 million to the 8.7% increase in underlying operating revenue to $118.3 million (operating revenue excluding AASB 15 impact). Growth momentum in memorialisation revenue was stalled in the first half with inclement weather significantly reducing foot traffic to memorial parks and inhibiting the ability to construct inventory. More sustained periods of drier conditions in the second half saw construction restart and a return of client families back to the major metropolitan parks, helping to close out and stimulate deferred sales. Memorialisation sales ended the year up 4% on the PCP.

Associated sales incentives expense decline was more than offset by activity-related increases and elevated park maintenance costs resulting in a 1 ppt increase in OPEX to sales percentage excluding AASB 15 to 43% and thereby restricting growth in Operating EBITDA excluding AASB 15 to $50.3 million (up 6.6%).

A key Operational Excellence strategic initiative in the year has been the roll-out of a new Cemeteries & Crematoria ERP system, which had been implemented in 13 out of 15 memorial parks by the end of the year. Those costs of implementation that met the criteria for capitalisation are a key driver of the increase in capital expenditure on the PCP. In addition, the expansion of the Group's cremator network has also continued with progress payments for the delivery of 6 cremators due for delivery in 2023, and one cremator installed in Lake Macquarie Memorial Park in the year.

Key performance indicators	2022	2021	Movement
Operating revenue ($'000) *	118,340	108,841	8.7%
Operating EBITDA ($'000) *	50,288	47,190	6.6%
EBITDA margin % *	42%	43%	(1 ppts)
Operating leverage *	0.8x	1.4x	(0.6x)
OPEX to sales % *	43%	42%	1 ppts
Capital expenditure ($'000)	12,844	7,311	75.7%

* Excludes AASB 15

Strategy

Strategic priorities	Key achievements	Focus for the coming year
Customer-led, people empowered	• 60% Employee Engagement score in the most recent Your Say survey • Launched Funeral Director specific NPS survey	• Maintain customer-centric focus • Talent acquisition and retention • Capability and leadership development
Operational excellence	• Scoped and implemented new ERP in 13 out of 15 parks • Investments were made in 6 new cremators, 1 installed during the year	• ERP enhancements • Phased national cremator network expansion
Stronger core growth	• Design work commenced on major metropolitan parks	• Master plans for major metropolitan parks • Expansion of multicultural offering
New growth platforms and innovation	• Multi-year burial reservation agreements signed with local community groups	• Continued growth in community burial reservation agreements • Memorialisation services expansion
Sustainable leadership	• Increased safety focus resulting in a 52% decrease in LTIFR to 7.9 • Trial of robotic mowers undertaken • Ongoing feedback drafted and provided to CCNSW on their proposed Interment Industry Scheme	• Ongoing commitment to improving safety performance • Sustainability strategy • Investigation of alternative cremator fuel sources and partnership opportunities • Proactive stakeholder engagement

Our business

Established in 2019, Australia's only national pet cremations business operates from 16 locations across five states, providing over 99,000 private cremations annually and offering a wide range of memorial products.

Being the best in class operationally is a priority for the business. Working closely with veterinary clinics and client families, our growing team of nearly 200 uses state-of-the-art tracking technology to provide assurances to grieving families and veterinary clinics as to what stage of the cremation process their pet is in.

NPS	LTIFR	Cremations (number)	Pet case average
+81	15·9	99,612	$361
	↓ 38·4%	↑ 13·9%	↑ 6·5%

Our performance

The pet cremations business in Australia continued double-digit volume growth and alongside a consistent national service, product and pricing model has driven a 19% increase in operating revenue to $35.1 million.

At the end of 2021 it was decided to bring forward the national integration of the three main pet cremations businesses. This was executed in the first half and the business has experienced the impact of that integration in its cost base ahead of expected sales growth. Capability investment in national support roles and business development resources, an increase in travel costs and an increase in staffing levels and costs (FTE, temporary and overtime/fuel) to service the increased cremation volumes have driven increases in operating costs. This resulted in part from the much-delayed addition of capacity from new cremators ordered in early 2021, because of international supply chain challenges in transporting them from overseas (investments in more efficient cremators also a key driver of capital expenditure increase on the PCP). This increase in cost base ahead of revenue growth has led to a 3 ppts increase in OPEX to sales percentage and resulted in a lower level of growth in Operating EBITDA of 2% to $7.1 million for the year.

Key performance indicators	2022	2021	Movement
Operating revenue ($'000)	35,138	29,613	18.7%
Operating EBITDA ($'000)	7,104	6,973	1.9%
EBITDA margin %	20%	24%	(4 ppts)
Operating leverage	0.1x	(33.4x)	33.5x
OPEX to sales %	60%	57%	3 ppts
Capital expenditure ($'000)	6,567	2,127	208.7%

Strategy

Strategic priorities	Key achievements	Focus for the coming year
Customer-led, people empowered	o 59% Employee Engagement score in the most recent Your Say survey o Established a national leadership team o Launched Vet NPS survey	o Maintain customer-centric focus o Talent acquisition and retention o Capability and leadership development
Operational excellence	o Investments were made in 8 new modern, more efficient pet cremators with 3 installed	o Integration of IT and operating platforms nationally
Stronger core growth	o National veterinary supplier agreements	o Continued growth in veterinary supplier agreements
New growth platforms and innovation	o Expanded range of products and services	o Consolidate and scale pet cremations operations
Sustainable leadership	o Increased safety focus resulting in 38% decrease in LTIFR to 15.9	o Ongoing commitment to improving safety performance o Sustainability strategy o Review of alternative cremation methods and partnership opportunities

Operating review: International

Our business

InvoCare is a leading provider of funeral and related services in New Zealand and Singapore.

Through its 48 locations (including two memorial parks and crematoria) and 24 locally trusted brands, our dedicated team in New Zealand of over 200 proudly serves the funeral and memorialisation needs of nearly 7,000 client families across New Zealand annually.

Our Singapore operations are a leading provider of funeral services in the Singaporean market with two main locations including a six storey specially designed property with 13 newly renovated funeral parlours on Lavender St in the central region of Singapore. Our dedicated team of nearly 70 offers over 1,700 client families a wide variety of pre, at and post-need funeral services annually.

Our performance: New Zealand

NPS
+89
↑ 1·4 points

LTIFR
7·3
↓ 30·5%

Funeral case volumes (number)
7,628
↑ 11·2%

Like the Australian funeral services business, the New Zealand business has experienced recovery in case volume to record levels for the year and this growth was a key driver of the 17% increase in operating revenue on the PCP. Case average grew 10% (on a local currency basis) on the PCP with a return to higher service funerals when conditions allowed as restrictions were eased at the end of Q2, up until then indoor gatherings were restricted to less than 200.

Tight control of costs and the benefits from a revised pricing strategy, taking a disciplined, progressive approach to reviewing product and package pricing, has led to improved cost base efficiency metrics and margins and a strong operating leverage of 1.8 times, with Operating EBITDA increasing 30% to $14.4 million.

The increase in capital expenditure for the New Zealand business reflects investments in facilities including a property purchase in Hamilton and shared service centre project in Papakura as part of its network optimisation strategy.

Key performance indicators	2022	2021	Movement
Funeral case average ($)	7,503	7,003	7.1%
Operating revenue ($'000)	62,687	53,486	17.2%
Operating EBITDA ($'000)	14,440	11,098	30.1%
EBITDA margin %	23%	21%	2 ppts
Operating leverage	1.8x	9.1x	(7.3x)
OPEX to sales %	47%	50%	(3 ppts)
Capital expenditure ($'000)	8,118	5,241	54.9%

NB Figures included in the table above are the Australian dollar equivalents.

Our performance: Singapore

Customer recommendation
99·3%
↑ 1·3 ppts

Funeral case volumes (number)
1,735
↑ 0·3%

The easing of restrictions on gatherings in Singapore from May has allowed the business to deliver its full suite of offerings, and this is reflected in the 23% growth in funeral case average (up 17% on a local currency basis), with volumes in line with PCP. This has been a key driver for the 19% increase in operating revenue compared to the PCP. Combined with tight control of costs, which has driven improved margins, Operating EBITDA has grown 21% to $10 million.

Key performance indicators	2022	2021	Movement
Funeral case average ($)	11,482	9,332	23.0%
Operating revenue ($'000)	22,510	18,907	19.1%
Operating EBITDA ($'000)	10,045	8,338	20.5%
EBITDA margin %	45%	44%	1 ppts
Operating leverage	1.1x	(4.3x)	5.4x
OPEX to sales %	34%	35%	(1 ppts)
Capital expenditure ($'000)	190	378	(49.7%)

NB Figures included in the table above are the Australian dollar equivalents.

Strategy

Strategic priorities	Key achievements	Focus for the coming year
Customer-led, people empowered	o Lifted community engagement with outstanding NPS delivered in NZ of +89 and a customer recommendation score above 99% in Singapore o 70% Employee Engagement score in the most recent Your Say survey in NZ and 74% in Singapore	o Talent acquisition and retention o Capability and leadership development
Operational excellence	o Migration of ringfenced business in NZ to ERP completed o One shared service centre project completed in NZ	o Embed new ERP systems in NZ and Singapore o NZ fleet modernisation strategy
Stronger core growth	o Commenced major upgrade works across Auckland and Christchurch markets and acquired a new greenfield site in Hamilton o Expanded product and service range in Singapore	o Footprint expansion (greenfield and M&A)
New growth platforms and innovation	o Execution of Singapore police contract	o Digital and Multi-media
Sustainable leadership	o 31% reduction in LTIFR to 7.3 in NZ	o Ongoing commitment to improving safety performance o Sustainability strategy

Operating review: Other

Other businesses – Pre-paid funerals

Our business

Our pre-paid funerals (pre-need) business allows clients to pre-pay for selected future funeral services through our national network of funeral locations.

The benefit of InvoCare pre-paid funerals is that they allow clients to plan and pay in advance for tomorrow's funeral at today's prices with no additional fees when the pre-paid contract is redeemed. Contracts can be paid all at once or in instalments over 36 months and are redeemable at any of InvoCare's branded locations across Australia. Pre-paid funerals are generally also exempt from pension entitlement tests in Australia (although independent financial advice should be sought) and payments are held securely predominantly by The Over Fifty's Guardian Friendly Society. These funds are independently invested and managed over the life of the contract and funds are only released to the funeral home on redemption.

Pre-paid % of at need funerals
14·1%
↑ 0·2 ppts

Pre-paid contract volumes sold (number)
4,008
↓ 4·5%

Our performance

The key financial statement impact of this business on the Group profit and loss is the movements from the revaluation of pre-paid FUM and pre-paid contract liabilities, the results of which are captured as non-operating profit and loss items.

The impact of deteriorating domestic and international equity markets in the first half, and lack of recovery in the second half, has been reflected in the accounting loss on revaluation of pre-paid FUM values compared with a net gain recognised in the PCP.

The current model of our pre-paid funeral business relies heavily on our team's ability to speak directly to customers in locations such as aged care homes. With the COVID outbreaks severely limiting our ability to have these conversations, and turnover of pre-paid sales consultants, we have seen pre-paid contract sales volumes decline on the prior year and not keep pace with redemptions, which have increased 9% on the PCP. Contract volumes sold varied by state with marginal growth in NSW and 16% growth in Victoria on the PCP.

A strategic review of this business was undertaken in the year with internal best practices rolled out now across all zones and automation of pre-paid sales processes implemented. Capability investment was made in pre-paid sales consultants and a new General Manager of the business has been hired with the aim of developing an enhanced go-to-market strategy when they commence early in 2023, including the role of digital in capturing further sales opportunities.

Key performance indicators	2022	2021	Movement
Unrealised (loss)/gain on pre-paid contract funds under management ($'000)	(33,724)	64,697	(152.1%)
Changes in provision for pre-paid contract liabilities - significant financing ($'000)	(21,887)	(20,612)	(6.2%)

Other businesses – Support costs

Group support	IT support	Field support
$21·9m	$14·1m	$13·3m
↓5·6%	↑48%	↑27·8%

Supporting the business operations are key functions and capabilities that are recognised separately from the main business units.

Group Support Corporate are those corporate functions that support all operations, Australian and International, primarily Finance, People & Culture (HR), Legal & Compliance, listed company costs, and the offices of the CEO and CFO. Such costs decreased by $3.8 million in the year to $21.9 million driven primarily by the de-centralisation of such costs as ERP software licence costs and share-based incentive costs into the cost centre of the respective employee eligible for such payments, offset by increased costs from annualisation of capability investments made in the prior year.

The costs of the in-house IT support team and centralised technology costs such as the software licence fees for Microsoft and Oracle platforms are included in Group Support IT. Such costs have increased by $7.3 million in the year to $14.1 million due to general increases in software licence expense driven by the ERP rollout and increasing digital investments in the current and prior period and the annualised impact of capability investments in the IT team made in the prior year, including the appointment of a Chief Information Technology Officer (CITO).

Field Support comprises those functions that directly support Australian operations including marketing, field HR support, Safety & Sustainability, Procurement and Property & Facilities teams. Annualisation of capability investments, and investments in new capability to support strategy execution, including digital marketing, have driven a $2.9 million increase to $13.3 million.

Outlook

The Group has maintained momentum into 2023 with year-to-date performance in line with expectations. Mortality rates are expected to revert to long-term averages and the business is maintaining an ongoing operational excellence focus to offset continued pressures on the cost of doing business.

We remain confident in InvoCare's ability to navigate short-term uncertainties, such as fluctuating death rates, the economic environment, and the impact of extreme weather on our locations.

With a growing and ageing population, the long-term fundamentals of our business remain positive, and the Group is well placed to deliver near and long-term shareholder value. Now that we are well advanced on the reset of our business foundations, we can turn our attention to leveraging our market-leading positions and balance sheet capacity to increasingly focus on profitable organic and acquisitive growth.

Reconciliation of financial information

InvoCare's results are reported under Australian Accounting Standards. This report and associated market releases include certain non-IFRS measures including reference to Operating/Non-operating measures of profitability and associated performance measures that are used internally to assess the performance of the business.

InvoCare considers Operating EBITDA and Operating profit after income tax as key performance measures. These measures are considered to provide more useful indications of the Group's recurring earnings base. Accounting standards require net gains and losses from undelivered pre-paid contracts to be included in reported profit; these gains and losses are non-cash and do not impact on InvoCare's core business operations.

The table below presents a reconciliation of statutory results as disclosed in the consolidated statement of comprehensive income and operating results in Note 1 Operating segments.

	2022			2021		
	Operating results	Non-Operating results	Statutory results	Operating results	Non-Operating results	Statutory results
	$'000	$'000	$'000	$'000	$'000	$'000
Revenue	588,535	3,435	591,970	527,096	5,357	532,453
Expenses*	(452,420)	(6,802)	(459,222)	(401,619)	(5,860)	(407,479)
EBITDA	**136,115**	**(3,367)**	**132,748**	**125,477**	**(503)**	**124,974**
Depreciation and amortisation	(49,620)	(6)	(49,626)	(47,759)	(7)	(47,766)
SaaS arrangements	(1,315)	(13,395)	(14,710)	(654)	(4,594)	(5,248)
Business acquisition costs	(1,005)	-	(1,005)	(743)	-	(743)
Restructuring costs	-	(1,476)	(1,476)	-	-	-
Net gain/(loss) on pre-paid contracts	-	(55,611)	(55,611)	-	44,085	44,085
Net gain on lease modifications/terminations	446	-	446	1,517	-	1,517
Asset sales gain	-	533	533	-	6,530	6,530
Net impairment gain/(loss) on non-current assets	-	-	-	-	4,000	4,000
EBIT	**84,621**	**(73,322)**	**11,299**	**77,838**	**49,511**	**127,349**
Net finance costs	(14,272)	(1,157)	(15,429)	(15,262)	(1,225)	(16,487)
Income tax (expense)/benefit	(20,103)	22,519	2,416	(17,320)	(13,271)	(30,591)
Non-controlling interests	(95)	-	(95)	(113)	-	(113)
Net profit/(loss) after income tax attributable to equity holders of InvoCare Limited	**50,151**	**(51,960)**	**(1,809)**	**45,143**	**35,015**	**80,158**
EPS (cents per share)	35.1	(36.4)	(1.3)	31.6	24.5	56.1
OPEX to sales %	52%		52%	52%		52%
EBITDA margin (%)	23%		22%	24%		23%
EBIT margin (%)	14%		2%	15%		24%

* SaaS arrangements are regrouped from expenses before EBITDA as a separate line item in the table above in Non-operating results.

The table above summarises the key reconciling items between net profit after tax attributable to InvoCare's equity holders and Operating EBITDA and EBIT. The Operating EBITDA and EBIT information included in the table above has not been subject to any specific audit or review procedures by the auditor but has been extracted from the accompanying financial report.

As well as impairments, recognition of SaaS arrangements expensed as incurred, and gains or losses arising from disposals of assets, items included in the non-operating column also include the financial consequences of all activities related to the administration and financial impacts of the pre-paid funerals business. This has resulted in normalisation adjustments to revenue and operating expenses to reflect the exclusion of the financial impact of this business.

The Directors also consider that the presentation of all activities related to the mark-to-market fair value movements in the independently controlled funds under management and pre-paid contract liabilities is non-operating and therefore these are also excluded from Operating EBIT and Operating profit after income tax. This is considered to provide a better reflection of InvoCare's core business performance and results. It also removes volatility from the reported profit and loss that arises from the fair value activities required by accounting standards on these pre-paid funerals-related assets and liabilities.

SECTION 3

Governance and Directors' report

Board of Directors

Bart Vogel BCom (Hons), FCA, FAICD

Independent Non-Executive Chairman

Bart Vogel was appointed to the InvoCare Board of Directors on 1 October 2017, and as Chairman of the board from 1 October 2018.

Bart's career includes 20 years in the management consulting industry, as a partner with Deloitte Consulting, A.T. Kearney and Bain & Company, focused on the technology and services sectors. In his consulting roles, Bart has spent extensive time working in global markets with multinational corporates and government bodies. He also spent 13 years in senior executive roles at Asurion Australia, Spherion Limited and as the Asia Pacific leader of Lucent Technologies.

Bart is a director of listed companies, Infomedia Ltd (ASX: IFM) (serves as chairman) and Macquarie Telecom Limited (ASX: MAQ). He is also a director of BAI Communications and of the Children's Cancer Institute Australia and was a director of Salmat Limited (delisted on 3 September 2020).

Olivier Chretien MEng, MBA, GAICD

Managing Director and Chief Executive Officer

Olivier Chretien was appointed as Managing Director and Chief Executive Officer effective from 1 January 2021 and to the InvoCare Board of Directors on 4 January 2021.

Olivier was previously Group Chief Strategy Officer with Ramsay Health Care, where he was in charge of Group Strategy, M&A and Ventures, the Australian Pharmacy business, and a director of the European and Asian JV Boards.

Prior to this, Olivier spent 12 years with Wesfarmers. His last role was Managing Director, Business Development for the Group, where he was also a director of the retail divisional Boards (Coles, Bunnings, Kmart, Officeworks). He was previously the Managing Director of the Wesfarmers Industrial & Safety division for 7 years, with more than 4,000 employees and 250 locations across Australia, New Zealand, China, Indonesia and the United Kingdom.

Prior to Wesfarmers, he spent 9 years with Boston Consulting Group in France and Australia, consulting to clients in the healthcare and travel & tourism services industries. He started his career in engineering. Olivier holds an Executive MBA (AMP) from Harvard Business School (Boston USA), an MBA from INSEAD (France), and a Master of Engineering from Ecole Centrale de Paris (France).

Kim Anderson BA, PGDip

Independent Non-Executive Director

Kim Anderson was appointed to the InvoCare Board of Directors on 11 May 2021.

Kim is the Chair of the People, Culture & Remuneration Committee.

Kim has more than 30 years of experience as a chief executive officer and senior executive in a range of media companies including Southern Star Entertainment, PBL and Ninemsn and Reading Room Inc (bookstr.com) of which she was chief executive officer and founder.

Kim is a director of listed companies, Infomedia Ltd (ASX: IFM), carsales.com Limited (ASX: CAR) and SiteMinder Limited (ASX: SDR). She is also the director of the Sax Institute, a national leader in promoting the use of research evidence in health policy. She is a former Fellow of the University of Sydney Senate. Kim was formerly a director of Marley Spoon (ASX: MMM) and of WPP AUNZ Ltd until the completion of its takeover by WPP PLC in April 2021.

Richard Davis BEc

Independent Non-Executive Director

Richard Davis was appointed to the InvoCare Board of Directors on 21 February 2012.

Richard previously retired as InvoCare's Chief Executive Officer and Managing Director on 31 December 2008 after 20 years with InvoCare. For the majority of that time, he held the position of Chief Executive Officer and successfully initiated and managed the growth of the business through a number of ownership changes and over 20 acquisitions, including Singapore Casket Company (Private) Limited, the Company's first international acquisition.

Richard is the chairman of listed companies, Australian Vintage Limited (ASX: AVG) and Monash IVF Group Limited (ASX: MVF). Richard is also serving as chairman of Singapore Casket Company (Private) Limited.

Megan Quinn GAICD

Independent Non-Executive Director

Megan Quinn was appointed to the InvoCare Board of Directors on 1 October 2018.

Megan is internationally regarded as a disruption, transformation, marketing, retail and business expert and is invited to speak and consult on service, innovation, creativity, strategy, building a global brand, business excellence and customer experience for companies, conferences and media outlets around the world. Named a global game changer and one of Australia's most powerful women in retail, Megan was a co-founder of the world's premier online luxury fashion retailer, NET-A-PORTER. She is focused on generating resonance, trust and sustainable growth.

Megan is a director of listed companies, City Chic Collective Limited (ASX: CCX), Reece Limited (ASX: REH) and The Lottery Corporation Limited (ASX: TLC). Having previously served on the board and national committee of UNICEF Australia, she is a keen advocate for the Rights of the Child and is a passionate ambassador of Fitted For Work.

Board of Directors

Keith Skinner
BCom, FCA, GAICD

Independent Non-Executive Director

Keith Skinner was appointed to the InvoCare Board of Directors on 1 September 2018.

Keith is the Chair of Audit, Risk & Compliance Committee.

Keith has a strong record in business management, restructuring, finance, accounting, risk and governance. He commenced his career as an auditor with Deloitte Australia in 1974, later moving to the firm's Restructuring Services division, and was appointed a partner in 1986. He was a leading practitioner for company turnarounds for over a decade, before becoming chief operating officer of Deloitte Australia in 2001. Keith was also a member of the Deloitte Global Board from 2013 - 2015.

Since retirement from Deloitte in 2015, Keith has been a director of a number of public and private organisations. Currently he is a director of Emeco Holdings Limited (ASX: EHL). He has been a board member for the North Sydney Local Health Board and the not for profit organisation Lysicrates Foundation. He has also been Independent Chair of the Audit and Risk Committee of the Australian Digital and Health Agency and has consulted to a number of organisations on strategy execution, restructuring and operational improvement.

Kee Wong BEng (Hons), MBA, GradDipComp (Distinction), FAICD

Independent Non-Executive Director

Kee Wong was appointed to the InvoCare Board of Directors on 1 November 2021.

Kee is an entrepreneur with a background and qualifications in Engineering, Information technology and Business. He has started several businesses and was the founder and managing director of e-Centric Innovations, a management and technology consulting company that provides strategic advice and systems integration services in e-business and IT for large enterprises and government in Australia, New Zealand, the United States and South East Asia. Kee has made investments across a number of industries which include technology, services, retail, food and beverage, trading and property. Prior to his career as an entrepreneur Kee's career included experience in IT and management consulting and he was a senior executive at IBM running part of its e-business group in the Asia Pacific region, including Australia and New Zealand.

Kee is director of listed company, carsales.com Limited (ASX: CAR). He is director of the Australian Energy Market Operator, the Institute of Company Directors and Breakthrough Victoria Pty Ltd. Amongst previous board positions, he was chairman of the Australian Information Industry Association (AIIA), a deputy chairman of Asialink and a director of LaunchVic. Kee is Adjunct Professor of Engineering and IT at La Trobe University. He was awarded a Fellow of Monash University in 2010 and Distinguished Alumni in 2014.

Company Secretary

Heidi Aldred
BEc, LLB

Company Secretary

Heidi Aldred was appointed as Company Secretary on 15 March 2019. Heidi, a qualified lawyer, has over 20 years' experience in secretarial and general counsel roles in a wide variety of areas with both listed and unlisted companies. Her early career included working with legal firms Arnold Bloch Leibler and Allens.

Directors' report

Your directors present their report, together with the consolidated financial report of InvoCare Limited (the Company) and its subsidiaries (together referred to as InvoCare or the Group) for the financial year ended 31 December 2022, along with the independent auditor's report.

Company overview and principal activities

InvoCare Limited (listed on the Australian Securities Exchange, ASX: IVC), headquartered in Sydney, is a leading provider of funeral services in Australia, New Zealand and Singapore, and operates private memorial parks and crematoria in Australia and New Zealand. It is also a leading provider of pet cremation services in Australia.

Operating and financial review

Details of operating and financial review, which can be found on pages 17 to 34 of this 2022 Annual Report, forms part of the Directors' report for the financial year ended 31 December 2022.

Directors

The directors of InvoCare Limited at any time during or since the end of the financial year are as follows. Directors were in office for the entire period until otherwise stated:

Name	Role
Bart Vogel	Chairman
Olivier Chretien	Chief Executive Officer and Managing Director
Kim Anderson	Independent Non-Executive Director
Richard Davis	Independent Non-Executive Director
Megan Quinn	Independent Non-Executive Director
Keith Skinner	Independent Non-Executive Director
Kee Wong	Independent Non-Executive Director

Directorship of other listed companies

Directorship of other listed companies held by the directors in the three years preceding the end of the financial year are as follows.

Name	Company	Period of directorship
Bart Vogel	Macquarie Telecom Ltd	Since 2014
	Infomedia Ltd	Since 2015
Olivier Chretien	None	
Kim Anderson	carsales.com Ltd	Since 2010
	Marley Spoon AG	From 2018 to 2022
	Infomedia Ltd	Since 2020
	WPP AUNZ Ltd	From 2010 to 2021
	SiteMinder Limited	Since 2022
Richard Davis	Australian Vintage Ltd	Since 2009
	Monash IVF Group Ltd	Since 2014
Megan Quinn	City Chic Collective Ltd (formerly known as Specialty Fashion Group Ltd)	Since 2012
	Reece Ltd	Since 2017
	The Lottery Corporation Ltd	Since 2022
Keith Skinner	Emeco Holdings Ltd	Since 2017
Kee Wong	carsales.com Ltd	Since 2018

Particulars of the Directors' qualification and experience are set out under Board of Directors on pages 36 to 38.

Governance and Directors' report

Meetings of Directors

The number of meetings of the Company's Board of Directors (the Board) and each Board committee held during the financial year ended 31 December 2022, and the number of meetings attended by each director were as follows.

	Board		Audit, Risk & Compliance Committee		People, Culture & Remuneration Committee	
Name	Held	Attended	Held	Attended	Held	Attended
Bart Vogel	14	14	-	-	7	7
Olivier Chretien	14	14	-	-	-	-
Kim Anderson	14	14	-	-	7	7
Richard Davis	14	14	4	4	-	-
Megan Quinn	14	13	-	-	7	7
Keith Skinner	14	14	4	4	-	-
Kee Wong	14	14	4	4	-	-

In addition to the formal meetings of directors there were numerous informal meetings of the Non-Executive Directors during the year. Those meetings were concerned, for the most part, with succession planning, environmental, social and governance and customer strategy and site visits.

The composition of the Board and Board Committees is a minimum of three directors. Board Committees consist entirely of independent Non-Executive Directors.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of InvoCare during the financial year.

Dividends

Details of dividends paid or determined by the Company during the financial year ended 31 December 2022 are set out in Note 4.

Subsequent events

Other than the Board determined a final dividend of 11.0 cents per share, fully franked, there have been no other matter or circumstance arising since 31 December 2022 that has significantly affected affect InvoCare’s operations, results or state of affairs, or may do so in future financial years.

Indemnification and insurance of officers

To the extent permitted by law, InvoCare has indemnified the directors and executives of InvoCare for liability, damages and expenses incurred, in their capacity as a director or an executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, InvoCare paid a premium in respect of an insurance policy to insure directors and officers of the company against a liability to the extent permitted by the Corporations Act 2001. The insurance policy specifically prohibits disclosure of the nature and liability covered and the amount of the premium paid.

Environmental regulation and performance

InvoCare is committed to the protection of the environment, the health and safety of its employees, customers and the general public, as well as compliance with all applicable environmental laws, rules and regulations in the jurisdictions in which InvoCare operates its business. The Group is subject to environmental regulation in respect of its operations, including some regulations covering the disposal of mortuary and pathological waste and the storage of hazardous materials. InvoCare has appropriate risk management systems in place at its locations.

There have been no claims during the year and the directors believe InvoCare has complied with all relevant environmental regulations and holds all relevant licences.

Corporate governance

InvoCare and the Board of Directors are committed to achieving and demonstrating the highest standards of corporate governance. The Board adopts a continuance improvement approach and regularly reviews corporate governance and reporting practices. For 2022, InvoCare’s Corporate Governance Statement will be published at the time of publication of the 2022 Annual Report.

The 2022 InvoCare Corporate Governance Statement is available on the InvoCare website at:
www.invocare.com.au/investor-relations/corporate-governance

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in Note 26 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor’s behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Directors are of the opinion that the services as disclosed in Note 26 to the financial statements do not compromise the external auditor’s independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor’s own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company jointly sharing economic risks and rewards

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 immediately after the Directors’ report.

Rounding of amounts

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors’ Reports) Instrument 2016/191, 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 instrument.

This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the Directors on 27 February 2023.

Bart Vogel
Chairman

Deloitte.

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Australia

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27 February 2023

The Board of Directors
InvoCare Limited
Level 5, 40 Mount Street
North Sydney NSW 2060

Dear Board Members

Auditor's Independence Declaration to InvoCare Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of InvoCare Limited.

As lead audit partner for the audit of the financial statements of InvoCare Limited for the year ended 31 December 2022, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Sandeep Chadha

Sandeep Chadha
Partner
Chartered Accountants

Risks and uncertainties

Key business risks

Risk culture

Risk culture and risk management practices are critical enablers to InvoCare's sustainable, long term value creation and protection.

Underpinning our risk culture is the adoption of the 3 lines model. This model articulates organisation-wide accountability, and responsibilities in relation to the management and mitigation of our risks.

Our Business – 1st Line

Generate risk exposures and is accountable for:

- Identifying, assessing and managing risks on an ongoing basis
- Taking risks that fall within InvoCare's risk appetite
- Maintenance and operation of the internal controls framework to mitigate key risks

Risk & Compliance – 2nd Line

Where relevant, support the business in their risk management activities and is accountable for:

- Providing independent oversight, challenge and reporting on the adequacy and effectiveness of the way the business manages risk
- Setting policies related to their remit, monitoring application of policies and advising the business on risk mitigations

Internal Audit – 3rd Line

Referred to as Business Assurance, this is an independent assurance function accountable for:

- Providing objective assurance over the effectiveness of internal control systems and risk management processes
- The internal audit plan, which is driven from the risk management framework and aligned to auditable elements of InvoCare's principal risks

Our approach to risk management

Our risk management practices continually evolve as we identify, assess, mitigate, and monitor both financial and non-financial risks that may impact our ability to achieve our strategic objectives.

Our Risk Management Framework (RMF) is key to ensuring a consistent approach when managing risk, and is made up of systems, policies, procedures, and processes within the group that manage our key risks.

When considering our risks, we assess the likelihood and impact of a risk materialising and how this would impact our strategic plan or our economics. Our risks are identified and assessed through workshops with each of our business units annually, enabling our management team the autonomy and authority to respond in an agile and informed manner within the risk appetite set by the Board.

This approach allows the Board to fulfil its governance responsibilities by making a balanced assessment of the operation of our risk management processes.

Risk appetite

The risk appetite is set by the Board, outlining tolerances it is willing to accept when achieving our strategic objectives. The risk appetite is reviewed annually by the Board to ensure it reflects any new emerging risks and, allows for increase or decrease in tolerances in pursuit of InvoCare's strategic objectives.

Key risks

The table below highlights the key risks facing InvoCare, how they are mitigated at a high level and their alignment to our five strategic pillars.

Our key risks are set out following our annual review process.

Strategic pillar
Customer-led, people empowered
Operational excellence
Stronger core growth
New growth platforms and innovation
Sustainable leadership

Risk description		Mitigants
Safety	Inadequately protecting the well-being and safety of our people, customers, vendors, and visitors. Ongoing COVID-related health and safety risks result in additional steps to keep our staff, visitors, and client families safe, and the increased costs of operating, including the risk of workforce unavailability from requirements to isolate and/or recover from illness.	o Leadership commitment to a continual focus on safety o Risk-based safety programs incorporating governance, operational excellence, physical and psychological health o Investment in equipment and design standards to mitigate risk o Monthly reporting and proactive Safety Calendar activities o Expanded Employee Assistance Program (EAP) covering health, well-being, and personal safety for our people and their families o COVID-19 Taskforce continues to respond to evolving circumstances
People	Talent gaps through insufficient and/or ineffective recruitment, training, and retention programs and practices.	o Ongoing implementation of leadership development strategies, including ‘Evolve’ and ‘Aspire’ programs o External review of talent acquisition operating model to ensure current and future state readiness o Upgraded systems; Remuneration, Recruitment & Talent Acquisition o Annual talent and succession planning for senior and critical roles o Appropriate incentives and career development opportunities o Refreshed enterprise Remuneration Framework o Appointment of new EAP provider
Business continuity	Pandemic, epidemic, natural disasters, technology outages, and the impact this may have on InvoCare’s ability to deliver our full breadth of services and meet our strategic objectives. This can include a spike in deaths to unserviceable levels, impacts to the workforce, mortuary capacity, inability to work in certain locations, health and wellbeing of our staff, inability to travel, government-imposed restrictions on funeral service attendance, social distancing and isolation rules.	o Infectious disease procedures in place o Establishment of a COVID-19 Taskforce o Disaster recovery plan (DRP) in place to manage IT risks o Executive accountability to ensure adequate plans are in place o Business Continuity plans are routinely refined and amended and external experts appointed to support them o Investment in remote working and deployment of enhanced AV streaming capabilities
Technology	Cyber-attacks or IT system failure causes operational disruption, personal and sensitive data loss, financial loss, and reputation damage.	o IT strategy in place including IT Architecture Roadmap o Significant step up in IT security & risk including fit-for-purpose security capability, controls, processes and technology o Strategic partnerships with key cybersecurity vendors and service providers o Independent cyber maturity assessment review conducted, and prioritised actions identified o Annual review of cyber insurance policy o Specific training to improve internal understanding and communication of cyber risks

Risk description		Mitigants
Regulatory	Changes in regulation that may impact InvoCare's economics or the risk that regulatory compliance obligations are not known, recorded or monitored, which could result in financial penalties/fines, reputation damage, or business disruption.	o Ongoing consumer law training for our people o Management and oversight of our regulatory obligations with compliance mitigants in place o Where appropriate, specialist external legal advisers engaged to support o Continued investment in the management of compliance, including digital solutions and an ERM system o Ongoing monitoring of regulatory change and utilising the digital platform to assess impacts
Financial	InvoCare's ability to meet its financial obligations and the risk that capital/ funding constraints impact the ability to capitalise on opportunities.	o Short, medium, and long-term tenor financing in place o Syndicated lender group providing diversity in funding sources o Maintain strong relationships with banking partners and investors o Monthly reporting of financial metrics to the Board and Executive Leadership Team o Business unit performance reviews and monitoring against budget and forecasts o Monitoring of debt covenants, monthly cashflow statements and weekly cash forecasts
Market, strategic and competition	Market disruption by existing or new competitors and the risk that InvoCare responds at a slower pace to changing customer preferences/ needs or technology advancements, impacting market share and case average.	o Routine market analysis of consumer preferences and competitor activity and environment o Diverse brand portfolio o Strong balance sheet and financial capacity to respond to challenges o Establishment of an Innovation Hub o A robust annual strategic planning process
Operational	Unauthorised access to those in our care and their valuables. Additionally, failing to retain historical records and respond to customer feedback.	o Appointment of a National Accreditation Manager to embed the National Accreditation Program of our funeral business, addressing the management of those in our care o Enhanced security at our facilities, including CCTV and restricted user access o Customer feedback management tool (WeCARE) with reporting o Ongoing training of our people to ensure they are aware of how we manage customer feedback o A centralised approach to the storage of historical unclaimed cremated remains

Market disruption by emerging risks

InvoCare continues to monitor emerging risks through our risk management processes and procedures. The key areas where additional risk is appearing, all of which are extensions of risks already identified in our risk taxonomy, are as follows:

Risk description		Mitigants
Proposed Interment Industry Scheme	Cemeteries and Crematoria NSW (CCNSW) have proposed to regulate the operations of funeral services providers in the State of NSW by way of an Interment Industry Scheme. Concerns have been raised as to the unintended consequences of the scheme, including a broad approach to addressing perpetual care. CCNSW has decided to postpone some elements of the scheme for further review in late 2023 due to complexities and will seek further consultation with the Industry Consultation Group (ICG).	o Proactive engagement with CCNSW and InvoCare has issued a formal submission to the draft regulation o Members of InvoCare's senior management are members of the CCNSW ICG. All proposed changes are tabled with the ICG to ensure industry feedback is addressed before implementation/ legislation eventuates
Climate change and human rights	More frequent and severe weather events and longer-term shifts in climate patterns could result in InvoCare's memorial parks being impaired or our locations being damaged, resulting in a potential loss of revenue. InvoCare's financial performance and reputation could also be impacted by insufficient climate commitments, insufficient financing of new opportunities in renewable energies and potentially partnering with organisations that damage the environment or violate human rights.	o A sustainability strategic plan utilising the three themes – People, Place, Planet, progressed initiatives in line with business strategic objectives and ambitions o Greenhouse Gas baseline 2021 footprint o Decarbonisation roadmap and target setting in progress o Modern Slavery Statement completed annually, requirements of our vendors and education of our teams undertaken
Consumer behaviour and market segmentation	A change in consumer behaviour has seen accelerated adoption of digital channels, including self-serve and eCommerce; and telehealth-style virtual customer service following the COVID-19 pandemic. Competitors in our category are leveraging this behaviour.	o Strategic investment in our digital platforms to ensure customers have easier access to relevant information o Development of digital self-serve and launch of a customer services portal o Investment in eCommerce capabilities and expansion of our National Customer Care team capabilities

Message from the Chair of the People, Culture & Remuneration Committee

On behalf of the Board, I am pleased to present the Remuneration Report for the year ended 31 December 2022 (FY22).

FY22 has been another disruptive year as the business and our people respond to the ongoing impacts of the pandemic, severe weather events and a challenging economic environment. Unprecedented levels of 'excess deaths' above historical averages challenged our team's capacity to meet demand in some locations during peak months, while maintaining high service levels, safe and efficient practice. High employment rates and time to fill roles means we have had to ask more of our people and despite these challenges, our people at all levels have continued to maintain a clear focus on supporting our client families, employees and communities. Their passion, dedication and resilience are to be commended.

The People, Culture & Remuneration (PCR) Committee has oversight of InvoCare's people strategy, culture and key people and culture practices. InvoCare's remuneration framework is an integral component of our people strategy and values. This report highlights the link between remuneration and corporate performance and provides detailed information on the remuneration for Key Management Personnel (KMP).

Company performance

Continuing from the previous year, the team has produced another solid result for shareholders with operating revenue growth of 12%, operating EBITDA growth of 9%, operating EPS growth of 11% and ROCE growth of 0.4 points.

Remuneration outcomes

The Board's approach to remuneration ensures alignment to both shareholder outcomes and strategic objectives and the Board may exercise discretion in relation to remuneration outcomes.

The FY22 remuneration outcomes for KMP are included in the report. The Company's performance has resulted in:

- FY22 Short term incentive (STI): STI performed well against a scorecard comprised of both financial and non-financial objectives with the total average outcome for the KMP being 97% of target STI
- Long term incentive (LTI): the 2019 and 2020 LTI grants were tested with the audited financial results of FY22. The 2019 grant failed to vest and no discretion was applied. For the 2020 LTI grant, only the ROIC component vested at 33.7%. However, the Board elected to use discretion in relation to the impact of the capital raising which occurred during 2020 after the 2020 grant was made resulting in 100% vesting overall for the ROIC component. Due to their limited tenure neither KMP participated in the 2019 grant and only the CFO participated on a pro rata basis in the 2020 grant

Executive remuneration framework review

During FY22, the Board reviewed the appropriateness of the remuneration framework and incentive structures and identified opportunities to simplify and better align them with the Group's new 5-year strategy.

Core elements of the current remuneration framework and incentive structures for FY22 remain the same as previous years however as part of the Board's review of the executive remuneration framework, external benchmarking was undertaken, based on the ASX 300 companies of similar size and revenue.

Minor changes have occurred in the STI below Executive KMP level to simplify and reduce the number.

In addition, the Company has undertaken an extensive benchmarking program across all levels of the Company to ensue employees' remuneration aligns with market practice, is fair, consistent and transparent.

People and culture highlights

Our vision and values continue to guide our decision making and actions. The Group has taken a holistic approach to talent attraction and retention with improvements to our employee value proposition. This has included:

- Renewal of our purpose, vision and values
- Launch of 'We Care' development program to strengthen our frontline team's capability to service the needs of client families
- Commencement of the development of frontline capability programs to enable our people to develop the capabilities to support our strategic business priorities
- Introduction of an externally benchmarked employee engagement survey to seek feedback and identify areas for ongoing improvement. This survey revealed a pleasing eight percentage point improvement in employee engagement this year
- Continuing to create a safer working environment and investing in improvements to our workplace practices to continue to reduce injuries to our people
- Introduction of a new health and wellbeing program for all InvoCare employees to provide support to our people to manage their personal wellbeing
- Investment in new capabilities to enable the delivery of our strategic priorities
- Introduction of new internal communication initiatives to improve our approach to updating and informing our people and improving employee engagement

Looking ahead

The Board will continue to review and make improvements to the remuneration framework to ensure executive remuneration outcomes are aligned and balanced with the strategy and sustainable shareholder outcomes.

We welcome your feedback on our FY22 Remuneration Report.

Kim Anderson

> "We appreciate the exceptional effort made by our employees during a very difficult year. Their response embodies InvoCare's values and purpose and our commitment to the client families and communities we serve"

Contents

1. Key Management Personnel

The Key Management Personnel (KMP) are those persons who have the authority and responsibility for planning, directing and controlling the activities of the Group or a major operation within the Group as shown in the tables below.

Independent Non-Executive Directors (NED)

Name	Role	Date of appointment
Bart Vogel	Chairman of the Board	1 October 2017
Kim Anderson	Non-Executive director	11 May 2021
Richard Davis	Non-Executive director	21 February 2012
Megan Quinn	Non-Executive director	1 October 2018
Keith Skinner	Non-Executive director	1 September 2018
Kee Wong	Non-Executive director	1 November 2021

Executive Key Management Personnel (Executive KMP)

Name	Role	Date of appointment
Olivier Chretien	Chief Executive Officer and Managing Director (CEO)	1 January 2021
Adrian Gratwicke	Chief Financial Officer (CFO)	3 August 2020

The Board has determined that Executive KMP are those listed in the above table, as they have responsibility for planning, directing and controlling a substantial part of the operations of InvoCare, as reflected in InvoCare's Delegation of Authority Policy.

Changes to KMP

There have been no changes to KMP during FY22.

Remuneration report - audited

continued

2. Remuneration framework

2.I. Remuneration principles aligned to our strategic priorities

The remuneration framework is designed to support InvoCare's strategic priorities. A clear set of principles that guide the remuneration design and outcomes with delivery of the Group's strategy, rewarding long term sustainable success aligned with shareholders' interest, and encouraging behaviours reflective of InvoCare's values.

a. Strategic priorities

Purpose	Honouring life, celebrating memories for generations.				
Vision	To be entrusted with all lives, as a respected pillar of the communities and a leader in the field				
Strategy	Customer-led people empowered	Operational excellence	Stronger core growth	New growth platforms and innovation	Sustainable leadership

b. Remuneration principles

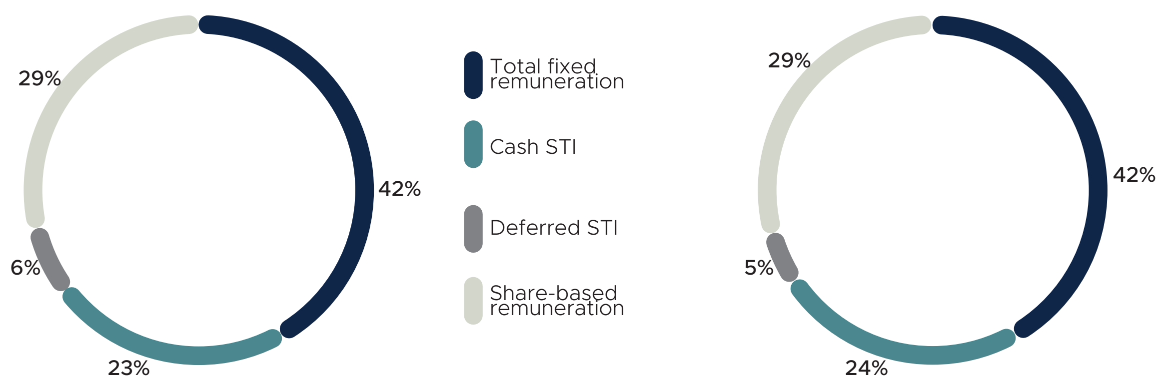
Principles	Balance short term and long-term performance to drive value creation and sustainable outcomes	Measure performance at a level aligned with driving accountability for the delivery of strategic business objectives	Fair and market competitive to attract, retain and motivate talent	Rewards aligned with the consistent demonstration and promotion of InvoCare's values	Simple and transparent

2.II. Executive remuneration structure

InvoCare's executive remuneration framework and the remuneration mix for the Executive KMP, is detailed below, highlighting that the mix is weighted to variable, performance-based remuneration (58%) for on target performance

CEO – Target pay mix

CFO - Target pay mix



The details of the current structure are summarised below:

Total fixed remuneration (TFR)

TFR	TFR is inclusive of base salary, superannuation and any other salary sacrificed benefits including fringe benefits tax if applicable e.g., motor vehicle. TFR is targeted at the median of the market for expected performance with the opportunity to earn above median remuneration for exceptional performance. TFR is benchmarked to be competitive to attract and retain experienced individuals to drive delivery of InvoCare's strategy. Changes to TFR are linked to a combination of rewarding high performance, and the capacity to pay.

Short term incentive (STI)

STI	STI is awarded for achievement of pre-determined financial and non-financial objectives. This variable element of remuneration constitutes part of a market competitive total remuneration package and aims to provide an incentive to deliver on annual business plans that will lead to sustainable returns for shareholders. The STI plan has been developed to reinforce InvoCare's values and behaviours, while supporting a commercial mindset and alignment to business objectives. The STI is measured over a one-year performance period and paid in cash with a potential portion subject to deferral paid in the form of restricted shares (held in trust for 12 months). The STI deferral component aids in Executive KMP retention and aligns with market best practice. The target STI award offered in 2022 was 70% of TFR for the CEO and the CFO. The STI deferral quantum applies to outcomes that are greater than $150,000 with a minimum deferral of $12,500.
Performance period	The Group's financial year is from 1 January to 31 December.
Award opportunity	In 2022 the target STI as a percentage of TFR was 70% for the CEO and CFO.
Key performance indicators (KPIs)	STI outcomes are directly linked to both individual and Group performance against KPIs that contribute to long term strategic outcomes. The Board has focused the Executive KMP on the following performance measures that are weighted 50% to financial and 50% to non-financial outcomes, noting that the Strategic/personal project objectives may be financial in nature: o Financial - Operating EBITDA performance o Customers o People o Safety o Strategic/personal project objectives For further details of 2022 STI outcome refer to Section 3.V below.
Relationship between performance scales and outcome	**EBITDA measures** / **Threshold** / **Target** / **Stretch** Percentage of target measure achieved: 90% / 100% / >100% Percentage of target opportunity payable: 0% / 100% / Up to 150% The amount payable is calculated in a straight line between threshold and target; and target and stretch.
Overachievement of KPIs	An overachievement (stretch) payment is available on the financial KPIs of the STI and is capped at 150% of target STI opportunity where 150% of the EBITDA target has been met. This payment requires the Group to achieve the EBITDA target.
Non-financial components	Non-financial components are capped at 100% payment.

EBITDA measures	Threshold	Target	Stretch
Percentage of target measure achieved	90%	100%	>100%
Percentage of target opportunity payable	0%	100%	Up to 150%

Deferred STI	25% of any STI award that exceeds $150,000 will be deferred (subject to a minimum deferral of $12,500) which aligns with shareholder interests and has an element of retention. Awards were provided in the form of restricted shares held in trust for 12 months for grants up to and including FY21. From FY22 awards will be provided in the form of rights. The number of awards to be granted will be calculated by dividing the deferred STI amount by the volume weighted average price (VWAP) related to shares traded in the 10 days after the announcement of the financial year results.
STI payment	Cash STI is payable in the first quarter of each year after the announcement to the ASX of InvoCare's annual financial results for the previous year ended 31 December. For deferred STI, the awards will be allocated in the first trading window following the release of the financial results of each year.
Disqualification provisions	All financial performance data relating to the plan is subject to external audit. Potential participants may be disqualified from all or part of the plan if their annual performance is determined to be below the "meets" rating category in the performance management procedures. Should a dispute arise regarding a potential disqualification, eligibility will be at the discretion of the CEO, or, in the case of the CEO, the Board. InvoCare reserves the right to suspend or alter STI payments to any participant due to any action which has caused the Group loss or reputational damage. This includes any deferred STI in the event of fraud, malfeasance, dismissal for cause, or other misconduct.
Board discretion	Board discretion (either negative or positive) may be applied to STI outcomes for the Executive KMP and ELT. The guiding principle will be to ensure fairness in assessing STI outcomes and alignment with shareholder interests. No discretion has been applied during FY22.
Cessation of employment	In the event of cessation of employment due to resignation or dismissal for cause, all entitlements in relation to STI are forfeited. Participants must be employed and not have resigned when payment is made. The Board has discretion to determine alternative treatment for Executive KMP.

Long term incentive (LTI)

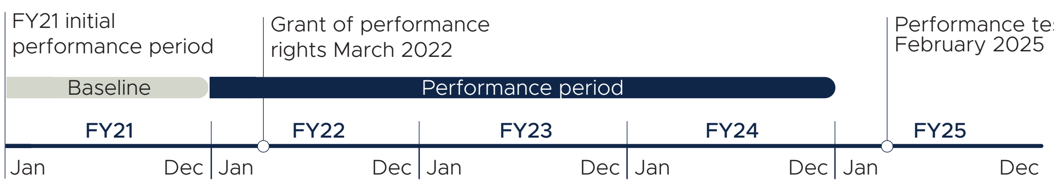
LTI

InvoCare's remuneration structure aims to align long term incentives for Executive KMPs and other senior executives with sustainable outcomes for shareholders to ensure participants are rewarded in line with economic value created.

LTI awards are currently granted in the form of performance rights that vest after 3 years, subject to meeting minimum performance requirements. This encourages Executive KMP and other participants to consider long-term outcomes of decisions and assists to retain participants.

Executive KMP participated in the 2021 and 2022 grants of the LTI plan and the CFO participated in the 2020 grants on a pro rata basis.

The following provides a detailed timeline of the 2022 LTI grant throughout its vesting lifecycle. Further details comparing the features of 2022 and 2021 and prior terms and conditions of the LTI plan are provided in the table below.



Purpose of the LTI plan	The LTI Plan aims to attract, retain and reward high performing executives who contribute to the overall medium- and long-term success of InvoCare and sustainable returns for shareholders.
Participation	Participation is limited to Executive KMP and selected senior executive leadership positions by invitation and as approved by the Board.
Size of LTI award grant	The 2022 LTI target opportunity was 70% of TFR for the Executive KMP ensuring significant alignment with shareholder outcomes.
Grant calculation	The number of performance rights granted will be calculated by dividing the LTI dollar value by the VWAP related to shares traded in the 10 days after the announcement of the financial year results.
Plan features	Performance rights were granted.

Performance hurdles	The performance hurdles for the 2022 LTI plan were:
	- Continued employment condition
	- Two financial performance hurdles:
	  - 50% weighting on CAGR in EPS
	  - 50% weighting on average ROCE
	
	Detailed definitions of CAGR, EPS and ROCE can be found in the glossary (pages 140 and 141).

Performance and vesting periods	Performance is measured over three years. Performance rights are tested at the end of this three-year period to determine the extent the performance rights vest. There is no restriction period. It also includes malus provisions in the event of governance concerns and Board discretion to be applied if performance is impacted by events outside management's control.
Performance conditions	50% on EPS - 10% to 15% CAGR in EPS results in 30% to 100% of LTI vesting in straight line 50% on ROCE - 11% to 13% average ROCE over the three-year period results in 30% to 100% of LTI vesting in straight line
Why were these measures chosen?	CAGR of 2021 EPS. CAGR of EPS was selected as the most suitable and reliable measure of organisational performance, based on independent advice and analysis by the Board. ROCE was selected in line with the new 5-year strategic plan as it is a more relevant measure of effective capital deployment at the enterprise level.
Dividend or voting rights	There are no voting rights attached to the performance rights awarded. In accordance with the plan rules, the performance rights are entitled to dividends, if determined by the InvoCare Board, during the performance period in the form of additional rights. The number of additional rights granted are calculated by the number of rights times the dividend paid per share divided by the dividend reinvestment plan VWAP price. These additional rights granted will only vest to the extent the original grant vests.
Cessation of employment	For LTI to vest, the participants must be employed at the date of vesting unless determined to be a good leaver. If the Board determines that a participant is a good leaver, the Board may at its discretion allow unvested LTI grants to continue to remain on foot and vest subject to the original terms and conditions attached to the relevant grants, regardless of whether the participant remains employed by InvoCare at the relevant vesting date. Otherwise, all unvested LTI equity held by the participant will lapse upon termination of employment. The Board has the discretion to determine that any LTI benefit payable in the above termination circumstances can be settled in cash.
Change in control	In the event of a change in control or other circumstances where the Board determines it is not practical or appropriate for the unvested LTI to continue on foot, the Board has the discretion to determine the extent to which all or part of any unvested LTI may vest and the specific performance tests to be applied.
Clawback policy	Payments or vesting related to performance conditions associated with an LTI are subject to a clawback policy. The Group will seek to clawback all or part of a participant's incentives that have already been paid to ensure the participant has not been inappropriately rewarded in circumstances including: - A material misstatement or omission in the Group's financial statements - Actions or inactions seriously damaging the Group's reputation or putting the Group at significant risk; and/or - A material abnormal occurrence resulting in an unintended increase in the award
Board discretion	Board discretion (either negative or positive) may be applied to LTI outcomes for the Executive KMP and other participants. The guiding principle will be to ensure fairness in assessing LTI vesting outcomes and alignment with shareholder interests. Any Board discretion applied will be disclosed at the latest when vesting occurs.
InvoCare Securities Trading Policy	In accordance with InvoCare's Securities Trading Policy, senior managers are prohibited from trading in the Company's shares other than during specified trading windows, or with approval in exceptional circumstances, provided they do not possess inside information. In addition, senior managers are not permitted to enter into transactions with their shareholding in the Company which operate to limit the economic risk of their shareholding (e.g., margin loans, hedging or cap and collar arrangements), including limiting the economic risk of holdings of unvested entitlements associated with LTI securities.

2.III. Remuneration governance framework

Board of Directors

Ensuring the Group's remuneration framework is aligned with the Group's purpose, core values, strategic objectives and risk appetite.

Approving Non-Executive Directors and Executive KMP remuneration.

Monitoring Executive KMP and the ELT performance and implementation of the Group's objectives against measurable and qualitative indicators.

Ensuring succession, leadership and development plans are in place for the ELT.

Ensuring the culture of the Company reflects the values and purpose of the Company as outlined in the strategic plan and vision for the Company.

People, Culture & Remuneration Committee

Approving the Group's overall remuneration policy and process.

Reporting to the Board on corporate culture within the Group and making recommendations to the Board regarding corporate governance policies to support a strong corporate culture.

Reviewing and recommending to the Board arrangements for the Executive KMP and the ELT in relation to their terms of employment, remuneration and incentives (including performance targets).

Reviewing and recommending to the Board the remuneration arrangements for the Chair and Non-Executive Directors of the Board.

For further details, the PCR Committee Charter is available on InvoCare's website.

Management

Implementing remuneration policies and practices.

Providing information relevant to remuneration decisions to assist the PCR Committee to review and make recommendations to the Board with respect to remuneration arrangements.

Providing information to the PCR Committee in relation to the design and implementation of the remuneration strategy and structure.

Ensuring that diversity and equality are reflected in the remuneration of all employees.

Independent remuneration advisors

From time to time, the PCR Committee engages external remuneration consultants to provide independent benchmarking data and information on best practice aligned with community expectations.

During 2022, the PCR Committee commissioned an external consultancy group to assist in the review of InvoCare's remuneration practices. No remuneration recommendations as defined by the Corporations Act 2001 were provided by the external consultancy group.

3. Executive KMP remuneration

The table below provides a snapshot of the remuneration outcomes for the Executive KMP for FY22.

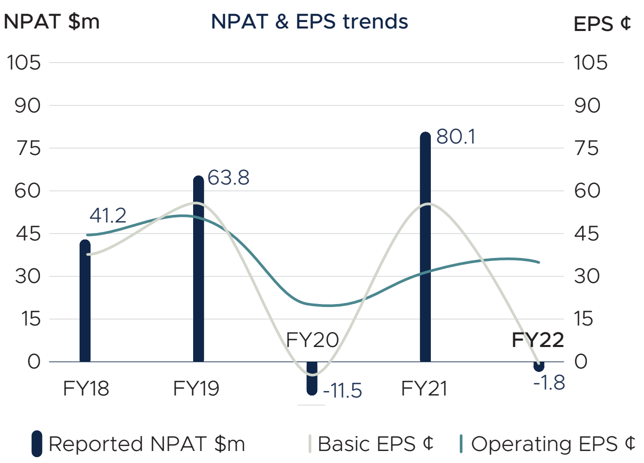
TFR	STI outcome	LTI outcome
The CEO received a 7.3% increase to TFR effective 1 January 2022. The CFO did not receive an increase in 2022 but had received a 7.4% increase to TFR effective 1 July 2021.	The average STI outcome for the 2022 year for Executive KMP was 97% based on their balanced scorecard. For further details of 2022 STI outcome, refer to Section 3.V.	The CEO did not participate in LTI grants that were tested based on the financial results of FY22. The CFO participated in the 2020 grants that vested at 50% and the remainder will lapse.

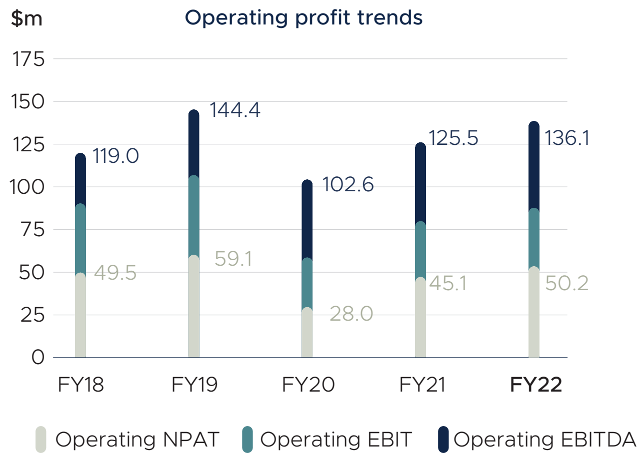
3.I. InvoCare's performance and remuneration outcomes

a. Group financial performance

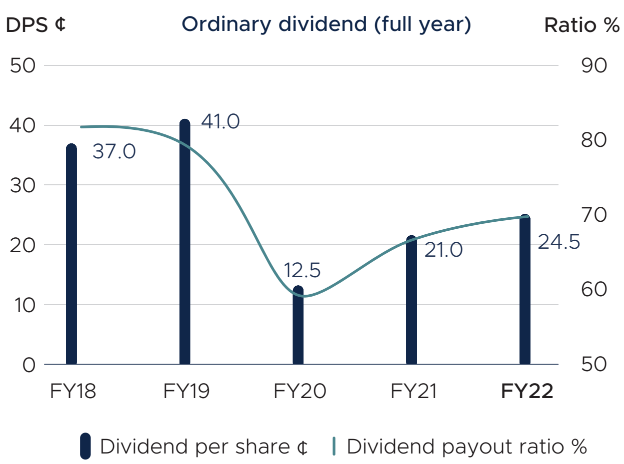
One of the key principles of the Company's remuneration framework is to align Executive KMP remuneration outcomes with Company performance. This section provides a summary of the Company's five year financial performance outcomes and the link to remuneration outcomes over this period.

Remuneration performance measures





Other performance metrics



Governance and Directors' report

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continued

Five year incentive outcomes

	2022	2021	2020	2019	2018
Payout % of STI to CEO	96%	93%	27%	62%	32%
Average payout % of STI to other Executive KMP	98%	93%	27%	57%	35%
LTI vesting outcome (% of maximum)	N/A*	N/A	66%	-	33%

* The CFO held 17,107 performance rights granted in 2020 on a prorated basis that were tested based on the audited financial results of FY22. 50% vested and the remaining 50% will lapse.

b. 2022 STI outcome

The table below sets out the targets and outcomes for the Executive KMP for the financial year. For details of achievements and dollar value of STI awarded for FY22, refer to Section 3.V.

Key performance indicators	2022 performance targets	Weight	2022 performance outcome
Financial	Group EBITDA	50%	Substantially met
Customer	Net promoter score (NPS)	10%	Met
People	Employee engagement score	10%	Met
Safety	Total recordable injury frequency rate (TRIFR)	10%	Met
Personal	Strategic/personal project objectives	20%	Substantially met
Total		100%	

c. 2022 LTI outcome

The CFO held 17,107 performance rights related to the 2020 LTI grant that were tested based on the audited financial results of FY22. 50% vested and the remaining 50% will lapse.

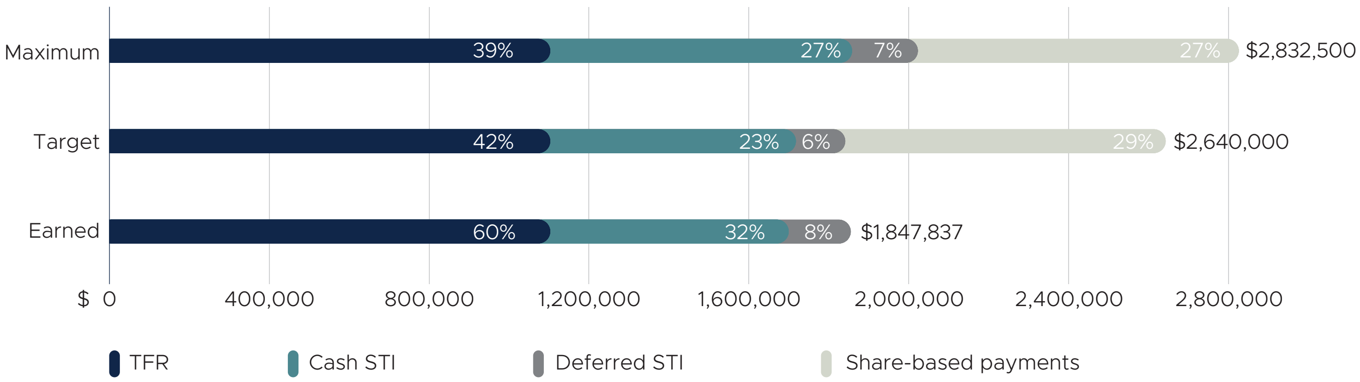
3.II. CEO 2022 remuneration details

The remuneration mix of the CEO places a considerable portion of his remuneration at risk to align with both the Group's performance and shareholder outcomes. The maximum, at target and actual remuneration outcomes for the CEO for the full year are summarised in the graph below.

Maximum remuneration represents total potential remuneration of TFR, STI and LTI. For STI, the amount includes the 150% achievement for financial targets as prescribed by the STI performance targets conditions.

Target remuneration represents total potential remuneration including TFR, STI (achieved at 100% for both financial and non-financial targets reflecting both cash and deferred components) and LTI awarded at 100% in accordance with performance and employment conditions).

2022 CEO maximum, target and earned



2022 CEO remuneration breakdown

InvoCare uses external independent consultants to provide market data and benchmarking information, not advice, to the Board for Executive KMP so the Board can determine an appropriate remuneration mix.

TFR	TFR of $1,100,000 per annum. The CEO's TFR was increased by 7.3% effective 1 January 2022. The CEO's remuneration is benchmarked to similar sized roles in the ASX300 as well as relativity to the previous CEO's remuneration mix and also considers the CEO's level of remuneration in his previous role, prior to joining InvoCare. EY have been engaged to provide market data in 2023.
STI	Target STI of $770,000 (70% of TFR). The STI was based on the following performance measures: o Financials o Customer o People o Safety o Strategic/personal project objectives For further detail on STI outcomes refer to Section 3.V below.
LTI	Target LTI of $770,000 (70% of TFR).
Sign-on incentive	$400,000 in the form of 34,782 share rights granted under the InvoCare Employee Share Plan (ESP), subject to a continuous employment condition of two years which vested on 1 January 2023).

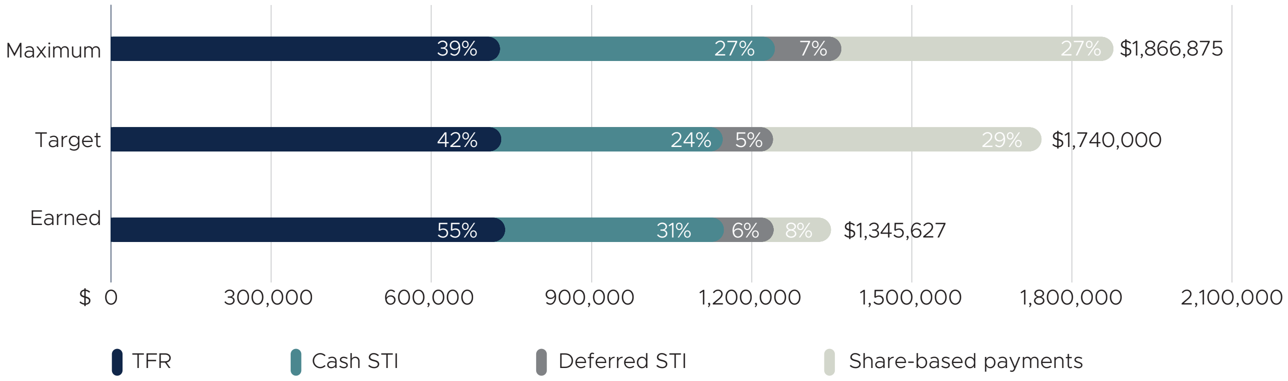
3.III. CFO 2022 remuneration details

The remuneration mix of the CFO places a considerable portion of his remuneration at risk to align with both the Group's performance and shareholder outcomes. The maximum, at target and actual remuneration outcomes for the CFO for the full year are summarised in the graph below.

Maximum remuneration represents total potential remuneration of TFR, STI and LTI. For STI, the amount includes the 150% achievement for financial targets as prescribed by the STI performance targets conditions.

Target remuneration represents total potential remuneration including TFR, STI (achieved at 100% for both financial and non-financial targets reflecting both cash and restricted shares components) and LTI awarded at 100% in accordance with performance and employment conditions)

2022 CFO maximum, target and earned



2022 CFO remuneration breakdown

TFR	TFR of $725,000 per annum. The CFO did not receive a TFR increase in FY22 but received a 7.4% increase to TFR effective 1 July 2021. The CFO's role is broader than a Finance function and reflects accountability for several functions across, Finance, Procurement, Information Technology and Enterprise Program Management.
STI	Target STI of $507,500 (70% of TFR). The STI was based on the following performance measures: o Financials o Customer o People o Safety o Strategic/personal project objectives For further detail on STI outcomes refer to Section 3.V below.
LTI	Target LTI of $507,500 (70% of TFR).

3.IV. Reported remuneration outcomes – Executive KMP – actual basis

This section provides details of the cash and value of other benefits received/earned by Executive KMP. This is a voluntary disclosure to provide shareholders with increased clarity and transparency in relation to Executive KMP remuneration.

Actual remuneration in the table below represents the pre-tax amounts earned by each Executive KMP in 2022 and 2021. This consists of cash salary, non-monetary benefits, cash STI, and deferred STI earned for the relevant financial year (to be granted in the form of restricted shares or rights in the following financial year) and vested share-based payments exercised or exercisable. Refer to footnotes below for further details on how these amounts were determined.

In assessing the financial results for 2022 STI outcomes, the Board did not make any adjustments, that is, neither negative nor positive discretion was applied.

Executive KMP remuneration details – earned (pre-tax)

Executive KMP		Cash salary - includes non-monetary benefits[a]	Super-annuation[a]	Cash STI[b]	Deferred STI[b]	Share-based payments vested and exercised[c]	Total earned
		$	$	$	$	$	$
Olivier Chretien, appointed 1 January 2021	2022	**1,079,692**	**26,250**	**593,921**	**147,974**	**-**	**1,847,837**
	2021	1,003,985	25,000	537,795	129,265	-	1,696,045
Adrian Gratwicke, appointed 3 August 2020	2022	**706,546**	**27,500**	**411,845**	**87,281**	**112,500**	**1,345,672**
	2021	684,338	24,597	391,367	80,456	113,300	1,294,058

a Cash salary, cash dividends on restricted shares granted as sign-on incentive and FY21 deferred STI, non-monetary benefits and superannuation represents actual amounts received during the financial year. Cash salary excludes the movement of annual leave accruals.

b STI awarded based on the amount payable is a mix of cash and deferred STI to be granted in the form of share-based payments.

For both FY21 and FY22, 25% of the STI awarded that exceeds $150,000 is subject to deferral and has been paid in the form of restricted shares/rights. Deferred STI will be granted in the financial year following the STI performance year and will be vested in 12 months subject to a continuous employment condition.

The 2021 deferred STI was granted on 1 January 2022 and vested on 1 January 2023.

The 2022 deferred STI will be granted in the financial year ending 31 December 2023.

The value of Deferred STI in the table above is presented on an earned basis for the relevant financial year.

c Adrian Gratwicke received a portion of the sign-on incentive grant as InvoCare's shares during FY22 in accordance with the vesting rules of this grant. The value of the 10,000 shares received noted in the table above was based on the 12-month VWAP of InvoCare shares for the financial year ended 31 December 2022 times the number of vested and exercised sign-on incentive shares. The 12-month VWAP was $11.25.

3.V. STI outcomes – Executive KMP

The table below provides details of each Executive KMP's STI measures, the level of achievement and the financial outcome for the financial year ended 31 December 2022

Executive KMP	Target STI potential[a]	Performance target overall achievement	Actual STI awarded as a % of target STI potential	Actual STI awarded			STI forfeited as a % of target STI potential
				Cash	Deferred STI[b]	Total	
	$	%	%	$	$	$	%
Olivier Chretien	770,000	96	96	593,921	147,974	741,895	4
Adrian Gratwicke	507,500	98	98	411,845	87,281	499,126	2

a Target STI potential and actual STI awarded is based on the total fixed remuneration as at 31 December 2022.

b The 2022 deferred STI awarded will be granted as rights in the financial year ending 31 December 2023.

Governance and Directors' report

3.VI. Reported remuneration – Executive KMP – statutory basis

The table below discloses the remuneration for Executive KMP calculated in accordance with statutory requirements and Australian accounting standards. Refer to table notes for the relevant statutory and accounting requirements.

		Short-term employee benefits			Post-employment benefits		Long-term benefits	Share-based payments	
Executive KMP		Cash salary[a]	Short term incentive-cash[b]	Non-monetary benefits[c]	Super-annuation[d]	Termina-tion payments	Long service leave accruals[e]	Shares, share rights and perform-ance rights[f]	Total
		$	$	$	$	$	$	$	$
Olivier Chretien, appointed 1 January 2021	2022	1,113,159	593,921	4,497	26,250	-	8,870	751,187	2,497,884
	2021	1,058,415	537,795	3,985	25,000	-	5,556	464,363	2,095,114
Adrian Gratwicke, appointed 3 August 2020	2022	702,580	411,845	4,497	27,500	-	6,592	516,405	1,669,419
	2021	675,563	391,367	3,985	24,597	-	5,062	350,017	1,450,591

The remuneration mix for the Executive KMP based on the remuneration details in the table above are:

- Olivier Chretien: 46% fixed and 54% at-risk (2021: 52% fixed and 48% at-risk)
- Adrian Gratwicke: 44% fixed and 56% at-risk (2021: 49% fixed and 51% at-risk)

a The total cost of cash salary, cash dividends on restricted shares granted as sign-on incentive and deferred STI and leave accruals. Leave accruals include annual leave taken and the increase or decrease in the annual leave provision applicable as determined in accordance with the Accounting Standard, AASB 119 Employee Benefits.

b The amount to be settled in cash relating to performance of the Group and the individual for the financial year from 1 January to 31 December. The proportions of STI awarded and forfeited are set out in Section 3.V above of this Remuneration Report.

The 2022 deferred STI awarded, as disclosed in Section 3.V above, will be granted in the next financial year, so no value was included in the total remuneration in the table above.

c Non-monetary benefits represent the costs to the Group, including any fringe benefits tax, for the provision of car parking and other items.

d Superannuation contributions are paid in line with legislative requirements.

e Long service leave accruals are determined in accordance with Accounting Standard, AASB 119 Employee Benefits.

f The share-based payments value in the table represents the amount of sign-on incentive (in the form of shares or share rights), deferred STI and LTI (in the form of unvested performance rights) grants made in the current and past financial years. They are accounted for in accordance with AASB 2 Share-based Payments. Subject to meeting the vesting conditions of the grants, the shares, share rights or performance rights will vest, or be forfeited, in future financial years. Section 3.VII below provides the further information and breakdown of share-based payments.

3.VII. Breakdown of share-based payments – Executive KMP

Executive KMP		Deferred STI in the form of shares[a]	Sign-on incentive in the form of shares	Sign-on incentive in the form of share rights	LTI in the form of performance rights	Total share-based payments
		$	$	$	$	$
Olivier Chretien, appointed 1 January 2021[b]	2022	117,218	-	189,775	444,194	751,187
	2021	-	-	212,652	251,711	464,363
Adrian Gratwicke, appointed 3 August 2020[c]	2022	82,271	63,399	-	370,735	516,405
	2021	-	143,509	-	206,508	350,017

a The 2022 deferred STI awarded, as disclosed in Section 3.V above, will be granted in the financial year ending 31 December 2023 and there is a 12 month deferral period, vesting on 1 January 2024, so no value was recognised for FY22.

The value in the table represents the 2021 deferred STI awarded and granted in the form of restricted shares during 2022. The restricted shares vested on 1 January 2023.

b Olivier Chretien received a sign-on incentive grant in the form of share rights that vested on 1 January 2023.

c Adrian Gratwicke received a sign-on incentive grant in the form of shares held in trust. One third each of the total number of shares granted will vest on 1 July 2021, 2022 and 2023 respectively provided that Mr Gratwicke meets the continuous employment condition at each vesting date.

a. 2020 sign-on incentive grant under the Deferred Employee Share Plan

As part of his appointment as CFO during August 2020, Adrian Gratwicke received a one-off sign-on incentive in the form of 30,000 InvoCare's shares, which will be held in trust within the InvoCare Deferred Employee Share Plan (DESP). The shares will vest in three equal tranches on 1 July 2021, 1 July 2022 and 1 July 2023, respectively, provided that he is still employed by InvoCare at those dates and the applicable vesting conditions are met as described in the DESP rules. The table below provides details of the grant date fair value and maximum value for the sign-on incentive granted.

Grant date fair value and maximum value for sign-on incentive

Executive KMP	Grant date	Grant date fair value per sign-on incentive	Number of shares granted	Vesting period	Maximum value to be recognised from grant date
		$			$
Adrian Gratwicke	15/06/2020	11.10	30,000	15 June 2020 to 1 July 2023	333,000

b. 2021 sign-on incentive grant under the Employee Share Plan

As part of his appointment as CEO, Olivier Chretien received a one-off sign-on incentive of $400,000 in the form of 34,782 share rights through the InvoCare Employee Share Plan (ESP), which was approved at the 2020 Annual General Meeting. The number of share rights are calculated by the value of the sign-on incentive divided by the value of a 'Share' determined by the VWAP of InvoCare shares traded in the last 10 trading days immediately before Mr Chretien's commencement date as CEO on 1 January 2021, being $11.50. The share rights vested on 1 January 2023, two years after Mr Chretien's appointment date of 1 January 2021. The table below provides details of the grant date fair value and maximum value for the sign-on incentive granted.

Grant date fair value and maximum value for sign-on incentive

Executive KMP	Grant date	Grant date fair value per sign-on incentive	Number of shares granted	Vesting period	Maximum value to be recognised from grant date
		$			$
Olivier Chretien	18/11/2020	11.57	34,782	18 November 2020 to 1 January 2023	402,428

c. Deferred STI grant under the Employee Share Plan

Based on the 2021 STI outcome, a portion of the STI is required to be deferred. The deferred amount of STI is calculated based on 25% of the STI awarded that exceeds $150,000. For the FY21 deferred STI, it has been granted in the form of restricted shares held in trust. The restricted shares will vest in 12 months on 1 January 2023 subject to a continuous employment condition.

The table below provides the grant date fair value and the maximum potential value of deferred STI at grant date for the Executive KMP. If the Executive KMP does not meet the continuous employment conditions, the maximum value of the deferred STI will be nil.

Grant date fair value and maximum value for Deferred STI grants

Executive KMP	Grant date	Grant date fair value per LTI	Number of LTI granted	Performance period	Maximum value to be recognised from grant date
		$			$
Olivier Chretien	23/12/2022	10.97	10,700	1 January 2022 to 1 January 2023	117,379
Adrian Gratwicke	2/05/2022	12.37	6,660	1 January 2022 to 1 January 2023	82,384

d. LTI plan

The Executive KMP were granted LTI in the form of performance rights under the LTI Plan (LTI).

The key terms and conditions of the LTI granted are disclosed in Note 22 Share-based remuneration Section B and C.

The table below summarises the performance to date for the LTI grants under the LTI since 2020 which impact remuneration in the current or a future financial year.

The 2020 performance rights granted are tested based on the audited financial results of FY22 and vested at 50% with the remainder of the grant lapsed.

The 2021 and 2022 performance rights granted were not due for testing during FY22.

Grant year/ Performance test date	Performance hurdles[a]	EPS baseline for CAGR measure	Threshold	Maximum	Vesting outcome
2020/ February 2023	Normalised EPS	46.9 cents	6% CAGR	10% CAGR	0%
	ROIC		10% three year average ROIC	12% three year average ROIC	100%[b]
2021/ February 2024	EPS	24.0 cents	10% CAGR	15% CAGR	N/A
	ROCE		10% three year average ROCE	12% three year average ROCE	
2022/ February 2025	EPS	31.6 cents	10% CAGR	15% CAGR	N/A
	ROCE		11% three year average ROCE	13% three year average ROCE	

a The performance targets are three-year compound annual growth rate (CAGR) in normalised EPS/EPS growth and average return on invested capital (ROIC)/return on capital employed (ROCE) from 1 January of grant year.

b The result includes the exercise of Board discretion in relation to the impact of the capital raising which occurred during 2020 after the 2020 grant was made, otherwise 33.7% would have vested.

e. Grant date fair value and maximum value for LTI grants

The table below provides the grant date fair value and the maximum potential value of all outstanding LTI grants at grant date for the Executive KMP. If the performance conditions are not met, the minimum value of the LTI will be nil.

Fair value and maximum value for LTI grants

Executive KMP	Grant date	Grant date fair value per LTI[a] $	Number of LTI granted	Performance period	Maximum value to be recognised from grant date $
Olivier Chretien	18/11/2020	11.57	63,777	1 January 2021 to 31 December 2023	737,900
	01/01/2022	10.90	63,741	1 January 2022 to 31 December 2024	694,777
Adrian Gratwicke	15/06/2020	9.70	17,107	15 June 2020 to 3 August 2023[b]	165,938
	01/01/2021	11.57	42,000	1 January 2021 to 31 December 2023	485,940
	01/01/2022	12.37	42,011	1 January 2022 to 31 December 2024	519,676

a The grant date fair value of the performance rights granted under LTI was determined using Black-Scholes valuation methodology.

b The performance hurdles for the 2020 grant to Adrian Gratwicke are based on the 3-years financial outcomes from 1 January 2020 to 31 December 2023 in line with the plan rules. The performance period for this grant is from 15 June 2020 (i.e. the signing date of the employment condition which is deemed to be the commencement date of performance period as per AASB 2).

f. Movement in share-based payments granted

The table below provides the movement of all share-based payments granted to the Executive KMP.

Grant	Executive KMP	Balance at 1 January 2022	Granted during 2022	Grant - dividend entitlements during 2022*	Vested and exercised during 2022	Lapsed during 2022	Balance at 31 December 2022
		Number	Number	Number	Number	Number	Number
Sign-on incentive - shares granted under DESP	Adrian Gratwicke	20,000	-	-	(10,000)	-	10,000
Sign-on incentive - share rights granted under ESP	Olivier Chretien	34,782	-	-	-	-	34,782
Performance rights granted under LTIP	Olivier Chretien	64,281	63,741	2,302	-	-	130,324
	Adrian Gratwicke	59,681	42,011	1,912	-	-	103,604
Deferred STI - shares granted under ESP	Olivier Chretien	-	10,700	-	-	-	10,700
	Adrian Gratwicke	-	6,660	-	-	-	6,660

* In accordance with the LTIP plan rules, performance rights are entitled to dividends, if determined and paid by InvoCare Board, during the performance period. Additional performance rights will be granted to the participants of the LTIP at the dividend payment date. The number of performance rights granted are calculated by the number of performance rights times the dividend paid per share divided by the dividend reinvestment plan VWAP price. These additional performance rights granted as dividend entitlements rights will only vest as additional shares on date of vesting and to the extent the original grant of performance rights vests.

3.VIII. Loans to Executive KMP

There were no loans at the beginning or at the end of the financial year ended 31 December 2022 to the Executive KMP. No loans were made available to the Executive KMP during 2022.

3. IX. Executive KMP service agreement terms

The key employment terms are summarised below.

Executive KMP	Term of agreement	Notice period (by company or by employee)	Post-employment restraints	Termination benefits
Olivier Chretien	No expiry date	Six months	12 months	If there are any termination entitlements to be paid, they will be limited by the current Corporations Act 2001 (Cth) or the ASX Listing Rules or both.
Adrian Gratwicke	No expiry date	Six months	12 months	If there are any termination entitlements to be paid, they will be limited by the current Corporations Act 2001 (Cth) or the ASX Listing Rules or both.

4. Non-Executive Director remuneration

The following table outlines the Non-Executive Directors (NEDs) fee policy and changes introduced for 2022.

Maximum aggregate fees approved by shareholders	Non-Executive Directors' base fee for services as Directors is determined within an aggregate Directors' fee pool cap, which is periodically approved by shareholders. At the date of this report, the pool cap is $1,250,000, being the amount approved by shareholders at the AGM held on 22 May 2015.
Contracts	Upon appointment to the Board, NEDs receive a letter of appointment which summarises the Board policies and terms, including remuneration, relevant to the office of Director.
Non-Executive Director fee reviews	The Board reviews NED fees annually, taking into account the size and scope of InvoCare's activities and general industry practice. This ensures the Group can attract and retain suitably skilled, experienced and committed individuals to serve on the Board and remunerate them appropriately for their time and expertise, and for their responsibilities and liabilities as public company Directors. NEDs are entitled to be reimbursed for all reasonable costs and expenses incurred by them in performing their duties. **NED fee changes FY22** There were no changes to the Board base fees in 2022. **NED fee changes FY23** The Board base fees were last increased in 2020 and the Committee fees were last increased in 2018. Given the lapse in time the Board feels it reasonable and have agreed to the following increases effective 1 January 2023 which remains within the pool cap of $1,250,000. Board Chairman: $290,000 (1.5%) Base fees: $146,000 (2.2%) Committee Chairman: $15,000 (29.8%) The table following details the 2022 base and committee fees. The aggregation of Board and committee fees for 2022 remain below the pool cap of $1,250,000.
Additional or special duties	NED's base fees exclude any remuneration determined by the Directors where a Director performs additional or special duties for the Company. If a NED performs additional or special duties for the Company, they may be remunerated as determined by the Board and that remuneration can be in addition to the limit mentioned above. There have been no additional payments made to directors in 2022.
Superannuation	The fees set out in the table below include superannuation contributions in accordance with relevant statutory requirements.
Equity participation	NEDs may receive options as part of their remuneration, subject only to shareholder approval. No options are held by any NED at the date of this report. NEDs of InvoCare Limited are encouraged to acquire a minimum equity interest in the Company equivalent in value to 50% of their annual Director's fee applying at the time of their appointment as a director of the Company, and NEDs are allowed up to three years to accumulate the required shareholding. NEDs equity holdings are set out in Section 5.
Post employment benefits	NEDs are not entitled to any compensation on cessation of appointment.

Non-Executive Director fees (inclusive of superannuation)

Board/Committee	Role	From 1 January 2022 Per role $	From 1 January 2022 Total $	From 1 January 2023 Per role $	From 1 January 2023 Total $
Board base fee	Chairman	285,691	285,691	290,000	290,000
	Non-Executive Directors	142,840	714,200	146,000	730,000
Audit, Risk & Compliance Committee	Chairman	11,560	11,560	15,000	15,000
People, Culture & Remuneration Committee	Chairman	11,560	11,560	15,000	15,000
Total			**1,023,011**		**1,050,000**

Reported remuneration – Non-Executive Directors – statutory basis

The table below discloses the remuneration for the Non-Executive Directors calculated in accordance with statutory requirements and Australian accounting Standards.

For any Directors appointed during the financial year, their remuneration has been pro-rated from the date of appointment to the end of the financial year. For any Directors who resigned or retired during the financial year, their remuneration has been pro-rated to the date of resignation or retirement.

Total Non-Executive Directors remuneration

		Short-term employee benefits: Board and committee fees $	Post-employment benefits: Superannuation $	Total $
Bart Vogel	2022	**261,261**	**24,430**	**285,691**
	2021	263,060	22,631	285,691
Kim Anderson Appointed 11 May 2021	2022	**140,046**	**14,354**	**154,400**
	2021	90,325	8,932	99,257
Richard Davis	2022	**129,561**	**13,279**	**142,840**
	2021	132,790	12,940	145,730
Megan Quinn	2022	**129,561**	**13,279**	**142,840**
	2021	130,151	12,689	142,840
Keith Skinner	2022	**140,046**	**14,354**	**154,400**
	2021	140,684	13,716	154,400
Kee Wong Appointed 1 November 2021	2022	**129,561**	**13,279**	**142,840**
	2021	21,642	2,164	23,806

5. Additional information

The table below summarises the movement in holdings of InvoCare ordinary shares during the year and the balance at the end of the financial year, both in total and held indirectly by related parties of the KMP.

Movement of shareholding interests of Directors in accordance with section 205G of the Corporations Act 2001 and the other Executive KMP

		Balance as at 1 January 2022	Grant as compensation	Exercise of vested share-based payments during 2022	Net other changes during 2022	Total shares held directly and indirectly as at 31 December 2022*
		Number	Number	Number	Number	Number
Non-Executive Directors	Bart Vogel	19,343	-	-	-	19,343
	Kim Anderson	10,079	-	-	5,295	15,374
	Richard Davis	120,000	-	-	-	120,000
	Megan Quinn	-	-	-	-	-
	Keith Skinner	3,968	-	-	4,000	7,968
	Kee Wong	-	-	-	6,300	6,300
Executive KMP	Olivier Chretien	15,850	10,700	-	-	26,550
	Adrian Gratwicke	9,996	6,660	10,000	(5)	26,651

* Shares held indirectly are included in the column headed Total shares held at 31 December 2022. Total shares are held directly by the KMP and indirectly by the KMP's related parties, inclusive of domestic partner, dependents and entities controlled, jointly controlled or significantly influenced by the KMP.

SECTION 4

Consolidated financial statements

Consolidated financial statements

This is the financial report of InvoCare Limited (the Company) and its subsidiaries (together referred to as InvoCare or the Group).

InvoCare Limited (ABN 42 096 437 393) is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 5, 40 Mount Street
North Sydney NSW 2060

A description of the nature of the Group's operations and its principal activities is included in the Directors' Report.

The financial report was authorised for issue by the Directors on 27 February 2023. The Directors have the power to amend and reissue the financial report.

About this report

This financial report's disclosures are split into five distinct groups to enable better understanding of how the Group has performed. Accounting policies and critical accounting judgements applied in the preparation of the financial statements are shown together with the related accounting balance and where the financial statement matter is disclosed.

Consolidated statement of comprehensive income

For the year ended 31 December 2022

	Notes	2022 $'000	2021 $'000
Revenue from continuing operations	2	**591,970**	532,453
Finished goods, consumables and funeral disbursements		**(148,953)**	(130,385)
Employee benefits expense		**(224,101)**	(196,064)
Advertising and public relations expenses		**(16,878)**	(17,095)
Occupancy and facilities expenses		**(25,643)**	(23,983)
Motor vehicle expenses		**(6,902)**	(6,302)
Technology expenses	5	**(31,786)**	(18,925)
Other expenses		**(19,669)**	(19,973)
Depreciation and amortisation expenses	5	**(49,626)**	(47,766)
Impairment reversal on cemetery land	5	**-**	4,000
Finance costs	5	**(17,018)**	(17,474)
Interest income		**1,589**	987
Net (loss)/gain on undelivered pre-paid contracts	9	**(55,611)**	44,085
Acquisition related costs		**(1,005)**	(743)
Restructuring costs		**(1,476)**	-
Net gain on lease modifications/terminations	5	**446**	1,517
Net gain on disposal of non-current assets		**533**	6,530
(Loss)/profit before income tax		**(4,130)**	110,862
Income tax benefit/(expense)	6	**2,416**	(30,591)
Net (loss)/profit after income tax from continuing activities		**(1,714)**	80,271
Net (loss)/profit after income tax for the year		**(1,714)**	80,271
Other comprehensive (loss)/income			
Items that may be reclassified to profit or loss			
Changes in the fair value of cash flow hedges, net of tax		**(8)**	763
Changes in foreign currency translation reserve, net of tax		**(2,594)**	(2,082)
Other comprehensive (loss)/income for the year, net of tax		**(2,602)**	(1,319)
Total comprehensive (loss)/income for the year, net of tax		**(4,316)**	78,952
(Loss)/profit is attributable to:			
Equity holders of InvoCare Limited		**(1,809)**	80,158
Non-controlling interests		**95**	113
		(1,714)	80,271
Total comprehensive (loss)/income for the year is attributable to:			
Equity holders of InvoCare Limited		**(4,411)**	78,839
Non-controlling interests		**95**	113
		(4,316)	78,952

		2022 cents	2021 cents
Earnings per share for (loss)/profit attributable to the ordinary equity holders of InvoCare Limited			
Basic earnings per share	3	**(1.3)**	56.1
Diluted earnings per share	3	**(1.3)**	56.0

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

Consolidated balance sheet

As at 31 December 2022

	Notes	2022 $'000	2021 $'000
Assets			
Current assets			
Cash and cash equivalents	7	**31,659**	53,630
Trade receivables	8	**49,290**	42,451
Other receivables		**17,537**	14,703
Inventories		**45,463**	46,866
Pre-paid contract funds under management	9	**48,985**	52,959
Assets held for sale		**-**	89
Pre-paid technology assets	13	**2,278**	582
Deferred selling costs	10	**4,945**	6,244
Deferred contract assets		**204**	1,811
Total current assets		**200,361**	219,335
Non-current assets			
Trade receivables	8	**20,410**	23,849
Other receivables		**640**	578
Other financial assets	21	**5,918**	4,072
Property, plant and equipment	11	**526,141**	494,454
Right of use assets	11	**158,447**	153,315
Pre-paid contract funds under management	9	**548,702**	596,916
Intangibles	12	**233,045**	226,913
Pre-paid technology assets	13	**13,431**	8,019
Deferred selling costs	10	**29,982**	29,511
Deferred contract assets		**161**	152
Total non-current assets		**1,536,877**	1,537,779
Total assets		**1,737,238**	1,757,114
Liabilities			
Current liabilities			
Trade and other payables		**80,528**	69,226
Contingent considerations		**-**	6,282
Lease liabilities	11	**21,475**	20,671
Derivative financial instruments		**-**	76
Current tax liabilities		**11,933**	5,739
Pre-paid contract liabilities	9	**45,174**	44,437
Deferred revenue	10	**26,216**	34,076
Provision for employee entitlements		**17,943**	17,133
Total current liabilities		**203,269**	197,640
Non-current liabilities			
Borrowings	14	**200,596**	188,843
Lease liabilities	11	**160,989**	154,731
Deferred tax liabilities	6	**26,569**	42,307
Pre-paid contract liabilities	9	**503,306**	496,003
Deferred revenue	10	**94,079**	93,883
Provision for employee entitlements		**3,214**	2,786
Total non-current liabilities		**988,753**	978,553
Total liabilities		**1,192,022**	1,176,193
Net assets		**545,216**	580,921
Equity			
Contributed equity	15	**498,786**	497,780
Reserves		**12,021**	10,865
Retained profits		**33,032**	70,857
Parent entity interests		**543,839**	579,502
Non-controlling interests		**1,377**	1,419
Total equity		**545,216**	580,921

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

Consolidated statement of changes in equity

For the year ended 31 December 2022

	Attributable to equity holders of InvoCare Limited						
2022	**Contri-buted equity $'000**	**Share-based payment reserve $'000**	**Hedging reserve $'000**	**Foreign currency translation reserve $'000**	**Retained profits $'000**	**Non-controlling interests $'000**	**Total equity $'000**
Balance at 1 January 2022	**497,780**	**5,503**	**8**	**5,354**	**70,857**	**1,419**	**580,921**
Total comprehensive (loss)/income for the year	**-**	**-**	**(8)**	**(2,594)**	**(1,809)**	**95**	**(4,316)**
Transactions with owners in their capacity as owners:							
Dividends paid (Note 4)	**-**	**-**	**-**	**-**	**(36,016)**	**(137)**	**(36,153)**
Employee share plan shares exercised during the year	**739**	**(706)**	**-**	**-**	**-**	**-**	**33**
Transfer of shares from treasury shares for grant of shares through the InvoCare Exempt Share Plan Trust	**267**	**-**	**-**	**-**	**-**	**-**	**267**
Employee shares – value of services	**-**	**4,464**	**-**	**-**	**-**	**-**	**4,464**
Balance at 31 December 2022	**498,786**	**9,261**	**-**	**2,760**	**33,032**	**1,377**	**545,216**
2021							
Balance at 1 January 2021	497,005	3,296	(755)	7,436	14,465	1,423	522,870
Total comprehensive income/(loss) for the year	-	-	763	(2,082)	80,158	113	78,952
Transactions with owners in their capacity as owners:							
Dividends paid (Note 4)	-	-	-	-	(23,766)	(117)	(23,883)
Employee share plan shares exercised during the year	468	(468)	-	-	-	-	-
Transfer of shares from treasury shares for grant of shares through the InvoCare Exempt Share Plan Trust	307	-	-	-	-	-	307
Employee shares – value of services	-	2,675	-	-	-	-	2,675
Balance at 31 December 2021	497,780	5,503	8	5,354	70,857	1,419	580,921

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

Consolidated statement of cash flows

For the year ended 31 December 2022

	2022 $'000	2021 $'000
Cash flows from operating activities		
Receipts from customers (including GST)	**608,443**	534,372
Payments to suppliers and employees (including GST)	**(525,376)**	(440,669)
Other revenue	**7,236**	8,027
	90,303	101,730
Interest received	**775**	302
Finance costs	**(15,063)**	(14,521)
Income tax paid	**(6,317)**	(9,771)
Net cash flows from operating activities	**69,698**	77,740
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	**1,845**	10,788
Purchase of subsidiaries and other businesses including acquisition costs, net of cash acquired	**(9,753)**	(12,648)
Proceeds from sale of subsidiaries and other businesses, net of restructuring costs	**-**	392
Purchase of property, plant and equipment, intangibles and pre-paid technology assets	**(63,348)**	(62,703)
Purchase of other financial assets	**(1,846)**	(4,068)
Payments to funds under management for pre-paid contract sales	**(19,268)**	(26,599)
Receipts from funds under management for pre-paid contracts service delivered	**49,037**	55,905
Net cash flows from investing activities	**(43,333)**	(38,933)
Cash flows from financing activities		
Proceeds from share option vested and exercised	**33**	-
Proceeds from borrowings	**35,000**	-
Repayment of borrowings	**(25,438)**	(59,680)
Principal elements of lease payments	**(22,246)**	(20,196)
Dividends paid to InvoCare Limited equity holders	**(36,016)**	(23,766)
Dividends paid to non-controlling interests in subsidiaries	**(137)**	(117)
Net cash flows from financing activities	**(48,804)**	(103,759)
Net decrease in cash and cash equivalents	**(22,439)**	(64,952)
Cash and cash equivalents at the beginning of the year	**53,630**	118,781
Effects of exchange rate changes on cash and cash equivalents	**468**	(199)
Cash and cash equivalents at the end of the year	**31,659**	53,630

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

Basis of preparation

This consolidated financial report is a general purpose financial report which:

- Has been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards (AASBs) and Interpretations adopted by the Australian Accounting Standards Board, as appropriate for for-profit oriented entities and the Australian Securities Exchange (ASX) Listing Rules
- Complies with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board
- Is presented in Australian dollars ($) which is the functional currency of InvoCare
- Is prepared under the historical cost basis except for the following assets and liabilities, which are stated at their fair value: derivative financial instruments; fair value through profit or loss funds under management; and liabilities for cash settled share-based compensation plans. Recognised assets and liabilities that are hedged are stated at fair value in respect of the risk that is hedged. Refer to the specific accounting policies within the notes to the financial statements for the basis of valuation of assets and liabilities measured at fair value

Significant accounting policies have been:

- Included in the relevant notes to which the policies relate, while other significant accounting policies are discussed in Note 27 Other accounting policies
- Consistently applied to all financial years presented in the consolidated financial statements and by all entities in the Group, except as explained in Note 27 Other accounting policies – New and revised accounting standards and interpretations not yet mandatory or early adopted

Critical accounting estimates and judgements

The preparation of a financial report that complies with AASBs requires management to make judgements, estimates and assumptions.

This can affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to estimates are recognised prospectively.

The significant accounting policies highlight information about accounting judgements in applying accounting policies that have the most significant effects on reported amounts and further information about estimated uncertainties that have a significant risk of resulting in material adjustments within the next financial year.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed within the notes following the financial information of those transactions or activities. The key ones are:

- Note 2 Revenue – recognition of deferred revenue on pre-paid funerals, plaque, memorials and miscellaneous merchandise sales on pre-paid cemeteries and crematorium and significant financing
- Note 9 Pre-paid contracts – fair value measurements on pre-paid funds under management
- Note 11 Non-current operating assets – estimated impairment of non-financial assets and the determination of the lease term
- Note 12 Intangibles – assumptions used in the impairment testing on intangibles
- Note 13 Pre-paid technology assets – determination whether configuration and customisation services are distinct from the SaaS access

The COVID-19 pandemic (COVID) has not significantly increased the estimation uncertainty in the preparation of the consolidated financial statements. A thorough consideration of potential COVID impacts on carrying values of assets and liabilities, contracts and potential liabilities has been made, with no material impact to the financial statements, except as recognised in these consolidated financial statements.

Going concern

The consolidated financial report is prepared on a going concern basis. As at 31 December 2022, the Group has a net current liabilities of $2,908,000 (2021: net current assets of $21,695,000). The net current liabilities are mainly due to the fluctuation in working capital this year.

Current and non-current split

The Group presents assets and liabilities in the consolidated balance sheet as current or non-current:

- Current assets include assets held primarily for trading purposes, cash and cash equivalents, and assets expected to be realised in, or intended for sale or use in, the course of the Group's operating cycle (that is 12 months). All other assets are classified as non-current.
- Current liabilities include liabilities held primarily for trading purposes, liabilities expected to be settled in the course of the Group's operating cycle and those liabilities due within one year from the reporting date. All other liabilities are classified as non-current where the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Comparatives

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

Rounding

The Group is of the kind referred to in the ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by the Australian Securities & Investments Commission. In accordance with that instrument, amounts in the financial report have been rounded to the nearest thousand dollars, unless otherwise indicated.

Non-IFRS information

Some of the financial data in the notes to the financial statements as listed below are not disclosures in accordance with the current AASBs' requirements:

- Note 1 Operating segments
- Operating EBITDA and EBIT in key performance metrics section
- Voluntary tax transparency code disclosure in Note 6 Income tax
- Cash conversion ratio in Note 7 Cash flow information

However, all financial data is based on the information disclosed in the audited financial statements and notes to the financial statements of InvoCare and follow the recognition requirement of AASBs.

Key performance metrics

Operating earnings before interest, tax, depreciation and amortisation (Operating EBITDA) is a key measure used to assess the Group's performance. This section of the Financial Report focuses on disclosure that enhances a user's understanding of Operating EBITDA.

Operating segment provides a breakdown of revenue and profit by the operational activity. The key line items of the consolidated statement of comprehensive income along with their components provide detail behind the reported balances. Group performance will also impact the earnings per ordinary share capital and dividend payout.

Finally, the cash flows reflect the core results of the Group's capital management strategy and therefore the disclosure on these items has been included in this section.

Note 1. Operating segments

A. Identification of reportable segments

The Group is organised into the following reportable segments (same as prior reporting periods):

- Australia – Funeral services
- Australia – Cemeteries & Crematoria
- Australia – Pet cremations
- New Zealand
- Singapore
- Other/unallocated

These reportable segments are based on the recent changes in internal reports that are reviewed and used by the Chief Executive Officer & Managing Director (who is identified as the Chief Operating Decision Maker (CODM)) in assessing performance and in determining the allocation of resources.

The reportable segments are identified by management based on the products sold or services provided in Australia and other countries where their products and services are mainly related to the provision of Funeral services. Discrete financial information about each of these operating segments is reported to CODM and the Board of Directors regularly.

The CODM reviews Group and segment performance using, among other key financial and non-financial measures, Operating EBITDA (for each reportable segment) and Operating EBIT (only on consolidated group).

The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

Key performance metrics

B. Reportable segments information

	Australia						
2022	**Funeral services $'000**	**Cemeteries & Crematoria $'000**	**Pet cremations $'000**	**New Zealand $'000**	**Singapore $'000**	**Other/ unallocated $'000**	**Total $'000**
Segment revenue[a]	**347,229**	**135,294**	**35,138**	**62,687**	**22,510**	**(10,888)**	**591,970**
Segment expenses[b]	**(257,163)**	**(71,521)**	**(28,034)**	**(48,247)**	**(12,465)**	**(41,792)**	**(459,222)**
Segment EBITDA	**90,066**	**63,773**	**7,104**	**14,440**	**10,045**	**(52,680)**	**132,748**
Depreciation and amortisation	**(28,913)**	**(6,095)**	**(2,439)**	**(5,632)**	**(1,480)**	**(5,067)**	**(49,626)**
Net gain on lease modifications/terminations	**448**	**-**	**-**	**(2)**	**-**	**-**	**446**
Acquisition related costs							**(1,005)**
Restructuring costs							**(1,476)**
Net loss on pre-paid contracts							**(55,611)**
SaaS arrangements							**(14,710)**
Asset sales gain							**533**
EBIT							**11,299**
Net finance costs							**(15,429)**
Income tax benefit							**2,416**
Non-controlling interests							**(95)**
Net loss after income tax							**(1,809)**
2021							
Segment revenue[a]	311,016	127,602	29,613	53,486	18,907	(8,171)	532,453
Segment expenses[b]	(230,495)	(66,191)	(22,640)	(42,388)	(10,569)	(35,196)	(407,479)
Segment EBITDA	80,521	61,411	6,973	11,098	8,338	(43,367)	124,974
Depreciation and amortisation	(26,353)	(5,741)	(1,884)	(5,730)	(1,224)	(6,834)	(47,766)
Net gain on lease modifications/terminations	236	-	-	(22)	-	1,303	1,517
Acquisition related costs							(743)
Net gain on pre-paid contracts							44,085
SaaS arrangements							(5,248)
Net impairment reversal of non-current assets							4,000
Asset sales gain							6,530
EBIT							127,349
Net finance costs							(16,487)
Income tax expense							(30,591)
Non-controlling interests							(113)
Net profit after income tax							80,158

a *Other/unallocated balance includes Non-operating activities revenue and intersegment eliminations.*

b *Segment expenses excludes SaaS arrangements*

The table below provided the reconciliation of the reportable segments' operating EBITDA to the segment EBITDA as disclosed in the tables above.

	2022 $'000	**2021 $'000**
Operating activities:		
Australia - Funeral services	**90,066**	80,521
Australia - Cemeteries & Crematoria	**63,773**	61,411
Australia - Pet cremations	**7,104**	6,973
New Zealand	**14,440**	11,098
Singapore	**10,045**	8,338
Support costs	**(49,313)**	(42,864)
Operating EBITDA	**136,115**	125,477
Non-operating activities - EBITDA	**(3,367)**	(503)
Segment EBITDA	**132,748**	124,974

C. Accounting policy for segment reporting

Operating EBITDA is reconciled to profit after tax as disclosed on the consolidated statement of comprehensive income.

Note 2. Revenue

A. Disaggregation of revenue

The tables below provide detailed disaggregation of revenue derived by the Group.

2022	Australia $'000	Singapore $'000	New Zealand $'000	Total $'000
Funeral services	334,741	22,403	59,507	416,651
Cemeteries & Crematoria	134,270	-	2,871	137,141
Pet cremations	35,141	-	-	35,141
	504,152	22,403	62,378	588,933
Rent	261	24	129	414
Sundry revenue	2,360	83	180	2,623
Total revenue from continuing operations	**506,773**	**22,510**	**62,687**	**591,970**

2021				
Funeral services	301,401	18,555	50,277	370,233
Cemeteries & Crematoria	127,060	-	2,408	129,468
Pet cremations	29,658	-	-	29,658
	458,119	18,555	52,685	529,359
Rent	248	146	158	552
Sundry revenue	1,693	206	643	2,542
Total revenue from continuing operations	460,060	18,907	53,486	532,453

B. Critical accounting judgements, estimates and assumptions

I. Significant financing

The Group receives payment from customers for pre-paid funerals, burial and cremation services prior to the transfer of the promised goods or services to the customer. As the period between receipt of the consideration and transfer of the goods or services can exceed one year, the Group adjusts deferred revenue using a discount rate. The Group determines the discount rate that best reflects the at-need funerals price the customers would have paid (that is the cash selling price as if the customer had paid the consideration at the time when the services are performed or the goods delivered).

II. Timing of recognition of deferred plaque and miscellaneous merchandise revenue

Pre-paid cemetery/crematorium plaque and miscellaneous merchandise sales are currently brought to account over an assumed 15 year period. Unredeemed merchandise sales (included within deferred revenue on the balance sheet) total $56,704,000 at 31 December 2022 (2021: $56,403,000).

The 15 year period is based on a periodically updated actuarial assessment of the average period between a customer entering into a pre-paid funeral plan (included within pre-paid contract liabilities on the balance sheet) and the contract becoming at-need. The actual history of a pre-paid cemetery/crematorium contract may differ from the profile of a pre-paid funeral plan; however, in the absence of more specific data being available, the funeral data has been applied.

The average 15 year period is an assumption only and therefore subject to uncertainty. It is possible that there will remain unperformed contracts at the end of the 15 year amortisation period, yet all revenue will have been recognised. Offsetting this is the likelihood that contracts performed during the 15 year period will have unrecognised revenue.

Actual redemptions information has been collated for a sample of sites in order to determine a more accurate historical pattern of cemetery/crematorium pre-paid sale redemptions. The information collated suggests there is no material misstatement of revenue using the assumed 15 years period. The impact of recognising revenue over five years less (or five years more) than 15 years would be to increase annual revenue by approximately $3,718,000 (2021: $3,314,000) or decrease by $1,859,000 (2021: $1,657,000).

Key performance metrics

C. Accounting policy – revenue recognition

The Group derives its revenue from the transfer of goods and services on delivery of the underlying good or service.

The Group predominately generates revenue through the following streams:

I. Funeral services, including pre-paid funerals, burial and crematorium services
II. Cemetery and crematorium memorial products ('memorial products')

Each of the above goods and services delivered or to be delivered to the customers are considered separate performance obligations even though for some situations they may be governed by a single legal contract with the customer.

Refer to Note 9 Pre-paid contracts and Note 10 Deferred revenue and selling costs for further explanation of how pre-paid funerals, burial and crematorium services contracts impact revenue recognition of InvoCare.

Revenue recognition for each of the above revenue streams are as follows:

I. Funeral services, including pre-paid funerals, burial and crematorium services

The Group's performance obligations under funeral services contracts are:

- **At-need funeral services** – Revenue is recognised when the funeral, burial, cremation and other services are performed or the goods supplied.
- **Pre-paid (Pre-need) funerals services** – The Group enters into pre-paid contracts to provide funerals, burial and cremation services or other services in the future. For these contracts, the period between payment by the customer and transfer of the promised goods or services to the customer can exceed one year.

  Revenue relating to unperformed pre-paid funeral services contracts are deferred (included within pre-paid contract liabilities on the balance sheet).

  The funds received are placed in trust and are not recognised as revenue until the service is performed. As a result, the Group adjusts the deferred revenue and pre-paid contract liabilities using a discount rate that results in revenue being recognised that approximates the cash selling price the customer would have paid if the consideration was paid at the same time as the services are provided.

  On delivery of a pre-paid funeral service contract, the Group recognises the financing component as a component of revenue.

II. Cemetery and crematorium memorial products ('memorial products')

Revenue relating to undelivered memorials and merchandise are deferred (included within deferred revenue on the balance sheet) until delivered or made ready for use.

The Group's deliverables under memorial contracts are:

- **Interment right** – An interment right is the right to be committed in a designated space in a cemetery. The specific site is allocated at the time of signing the contract. Revenue is recognised when control of the interment right and associated memorial passes to the customer.

  Pre-2018 memorial product contracts
  For memorial product contracts entered into with customers prior to 1 January 2018, the customer gains control of the interment right on full and final settlement.

  Post-2018 memorial product contracts
  For contracts entered into from 1 January 2018, the customer gains control of the interment right at contract inception, thereby allowing revenue to be recognised on delivery.

- **Headstone/monument/gardens** – In a memorial products contract, a customer purchases a memorial, such as headstone/heritage garden/monument, to be installed on the interment site. The memorial may be on site at the time of purchase or may be delivered at a future time. Typically, there is a considerable time lag between a contract being signed and the delivery of the memorial. These items are tracked on a contract by contract basis and recognised as revenue upon delivery of products.
- **Plaques (and other associated smaller merchandise)** – These products are delivered to the customer on an 'at-need' basis (generally when the beneficiary has passed away). The revenue recognised for plaques and other associated smaller merchandise such as ash containers, vases and photos, where actual deliveries are not individually tracked, are managed on a portfolio basis given the small value of the individual items. The revenue is recognised over a 15 year period on a straight line basis. The 15 year period represents an actuarial estimate of when the contracts will be delivered.

Billing and collection of memorial products contracts can be immediate and in full upon contract signing. However, most memorial products contracts are paid via instalments over a period of up to five years (although the payment periods do vary). The interment right, memorial products and plaques are each considered to be distinct performance obligations under AASB 15 Revenue from Contracts with Customers (AASB 15) as a customer can use the site without a memorial and there is not a transformative or integrated relationship between the products. The transfer of control of these distinct performance obligations determines when revenue should be recognised.

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, allowances, duties and taxes paid.

Minor items such as plaques, ash containers and vases where actual deliveries are not individually tracked are released to revenue over 15 years.

Note 3. Earnings per share

A. Reported period value

	2022 cents	2021 cents
Basic earnings per share	**(1.3)**	56.1
Diluted earnings per share	**(1.3)**	56.0
Operating earnings per share	**35.1**	31.6

InvoCare determines the dividends to be paid for any financial periods from Operating earnings after tax. Operating earnings is derived from basic earnings after excluding the impact of significant items such as material impairments, asset sales gains/losses and costs of restructuring operations. Operating earnings also exclude the impact of accounting for the Group's funds under management and pre-paid funerals business which requires net gains and losses from undelivered pre-paid contracts to be included in reported profit. This is a financial measure which is not prescribed by Australian Accounting Standards and represents the earnings prepared under Australian Accounting Standards adjusted for specific items as per the table below from the statement of comprehensive income.

B. Reconciliation of earnings used in calculating earnings per share

	2022 $'000	2021 $'000
Net (loss)/profit after income tax	**(1,714)**	80,271
Less: Non-controlling interests	**(95)**	(113)
Net (loss)/profit after income tax attributable to InvoCare Limited's equity holders for calculating statutory basic and diluted earnings per share	**(1,809)**	80,158
Net (loss)/profit after income tax attributable to InvoCare Limited's equity holders for calculating statutory basic earnings per share	**(1,809)**	80,158
Add/(less): Non-operating activities results		
Non-operating EBITDA	**3,367**	503
Net loss/(gain) on pre-paid contracts before income tax	**55,611**	(44,085)
Depreciation and amortisation	**6**	7
SaaS arrangements	**13,395**	4,594
Restructuring costs	**1,476**	-
Impairment gain on non-current assets	**-**	(4,000)
Asset sales gain before income tax	**(533)**	(6,530)
Net finance costs	**1,157**	1,225
Loss/(profit) before income tax on non-operating activities	**74,479**	(48,286)
Income tax (benefit)/expense on non-operating activities	**(22,519)**	13,271
Net loss/(profit) after income tax on non-operating activities	**51,960**	(35,015)
Operating earnings after income tax for calculating operating earnings per share	**50,151**	45,143

C. Weighted average number of shares used in calculating basic and diluted earnings per share

	2022 Number '000	2021 Number '000
Weighted average number of shares used in calculating basic and operating earnings per share	**143,014**	142,946
Adjustments for calculation of diluted earnings per share:		
Share options and rights*	**-**	251
Weighted average number of shares used in calculating diluted earnings per share	**143,014**	143,197

* *For the year ended 31 December 2022, the potential ordinary shares issued under the Long-Term Incentive Plan of the Group were excluded from the calculation because they are anti-dilutive.*

D. Accounting policy for earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the equity holders of InvoCare Limited by the weighted average number of ordinary shares outstanding during the financial year, adjusted for any bonus elements in ordinary shares issued during the financial year and excluding treasury shares.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued at no consideration received in relation to dilutive potential ordinary shares.

Key performance metrics

Note 4. Dividends

A. Dividends paid

2022	Cents per share	Total amount $'000	Tax rate for franking credit %	Percentage franked %
Dividends on InvoCare Limited's ordinary shares				
2022 interim dividend	**13.5**	**19,450**	**30**	**100**
2021 final dividend	**11.5**	**16,566**	**30**	**100**
		36,016		
2021				
2021 interim dividend	9.5	13,684	30	100
2020 final dividend	7.0	10,082	30	100
		23,766		

B. Dividends determined and not recognised at year end

On 27 February 2023, the Directors determined a final dividend of 11.0 cents per share, fully franked, to be paid on 6 April 2023. As this occurred after the reporting date, the dividends determined have not been recognised in these financial statements and will be recognised in future financial statements.

The Company has a Dividend Reinvestment Plan (DRP) that allows equity holders to elect to receive their dividend entitlement in the form of the Company's ordinary shares. The price of DRP shares is the average market price, less a discount if any (determined by the directors) calculated over the pricing period (which is at least five trading days) as determined by the directors for each dividend payment date.

The Company's DRP operates by acquiring shares on market. Election notices for participation in the DRP in relation to this final dividend must be received by 6 March 2023.

C. Franking credits

	2022 $'000	2021 $'000
As at 31 December	**34,567**	32,588

Franking credits available for subsequent financial years include:

- Franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date
- Any franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- Franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date

D. Accounting policy for dividends

Dividends are recognised when determined during the financial year.

Note 5. Significant profit and loss items

The table below provides further details on significant profit and loss items as reported in the consolidated statement of comprehensive income.

	2022 $'000	2021 $'000
A. Finance costs		
Interest paid and payable	**7,929**	7,588
Interest expense: customer advance payments	**1,473**	2,096
Interest expense on lease liabilities	**6,029**	5,718
Other finance costs	**1,587**	2,072
	17,018	17,474
Interest expense on pre-paid contracts	**21,887**	20,612
B. Depreciation, amortisation and impairment of non-current assets		
Buildings	**6,319**	5,957
Property, plant and equipment	**17,496**	16,123
Right of use assets	**18,977**	17,331
Total depreciation	**42,792**	39,411
Cemetery land	**393**	390
Leasehold land and buildings	**141**	141
Leasehold improvements	**3,797**	4,503
Brand names	**887**	1,197
Capitalised software	**1,616**	2,124
Amortisation of non-current assets	**6,834**	8,355
Total depreciation and amortisation	**49,626**	47,766
Impairment of non-current assets		
Cemetery land impairment reversal	**-**	(4,000)
Impairment gain on non-current assets	**-**	(4,000)
Total depreciation, amortisation and impairment	**49,626**	43,766
C. Impairment loss – financial assets		
Trade receivables	**734**	1,599
D. Leases expense		
Expense relating to short term leases	**19**	484
Expense relating to leases of low value assets not included in short term leases	**830**	730
	849	1,214
E. Lease modifications and terminations impact		
Net gain on lease modifications/terminations	**446**	1,517
Additional accelerated depreciation expense	**-**	(1,079)
Net gain on lease modifications/terminations	**446**	438
F. Employee benefits expense		
Defined contribution superannuation expense	**14,276**	12,194
Share-based payments expense	**4,662**	2,894
G. SaaS arrangements		
SaaS arrangements expensed as incurred	**13,395**	4,170
Pre-paid technology expenses	**1,315**	654
Accelerated unwind of pre-paid technology assets	**-**	424
Total SaaS arrangements	**14,710**	5,248
Other technology expenses	**17,076**	13,677
Technology expenses	**31,786**	18,925

H. Accounting policies

The accounting policies on the above specified expenses are located in the notes where the assets or liabilities are disclosed other than defined contribution superannuation expense disclosed below.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Key performance metrics

Note 6. Income tax

	2022 $'000	2021 $'000
A. Income tax expense		
Current tax	**17,539**	18,155
Deferred tax	**(19,790)**	14,331
Over provision in prior years	**(165)**	(1,895)
Income tax (benefit)/expense	**(2,416)**	30,591
B. Reconciliation of income tax expense to prima facie tax payable		
(Loss)/profit before income tax	**(4,130)**	110,862
Prima facie tax at 30% (2021: 30%) on (loss)/profit before income tax	**(1,239)**	33,259
Tax effect of amounts which are not deductible/(taxable) in calculation of taxable income:		
Effect of foreign tax rate differences	**(1,199)**	(931)
Acquisition related costs	**119**	250
Capital gains not subject to tax as offset against capital losses	**(157)**	(1,604)
Non-deductible interest expense	**218**	175
Other items (net)	**7**	1,337
	(2,251)	32,486
Over provision in prior years	**(165)**	(1,895)
Income tax (benefit)/expense attributable to continuing operations	**(2,416)**	30,591
C. Tax expense relating to items of other comprehensive income		
Cash flow hedges	**21**	311
D. Deferred tax liability		
The deferred tax liability balances comprised temporary differences attributable to:		
Amounts recognised in profit and loss:		
Cemetery land	**32,197**	32,180
Property, plant and equipment	**6,075**	5,774
Deferred selling costs	**10,592**	10,727
Prepayments and other	**130**	410
Pre-paid technology assets	**(1,705)**	2,708
Brand names	**1,270**	1,534
Capitalised software	**(485)**	(6,726)
Pre-paid contracts	**14,757**	32,828
Provisions	**(7,172)**	(6,877)
Receivables	**(1,698)**	(2,125)
Accruals and other	**(8,702)**	(7,797)
Deferred revenue	**(8,900)**	(13,769)
Leased assets	**(9,790)**	(6,539)
Amounts recognised directly in equity:		
Cash flow hedge reserve	**-**	(21)
	26,569	42,307
The net movement in the deferred tax liability is as follows:		
Balance at the beginning of the year	**42,307**	28,832
Net (credit)/charge to statement of comprehensive income – current period	**(19,790)**	14,331
Net credit to statement of comprehensive income – prior periods	**3,982**	(2,505)
Amounts recognised directly in equity	**21**	311
Effect of movements in exchange rates	**49**	1,338
Balance at the end of the year	**26,569**	42,307

E. Tax losses

The Australian Group has nil capital losses (2021: nil) available to offset against capital gains in future years.

The New Zealand Group has $435,000 carried forward tax losses (2021: nil) related to the tax return for the year ended 31 December 2020 (lodged in 2022). These losses will be utilised in the tax return for the year ended 31 December 2021 (due for lodgement 31 March 2023). Accordingly, a deferred tax asset of $122,000 has been recognised.

F. Voluntary tax transparency code disclosure

The Tax Transparency Code (TTC) is a set of principles and minimum standards to guide medium and large businesses on public disclosure of tax information. The TTC was developed by the Board of Taxation and endorsed by the Government in the Federal Budget 2016–17.

Adoption of the TTC is voluntary and intended to complement Australia's existing tax transparency measures. The TTC is designed to encourage greater transparency within the corporate sector, particularly by multinationals, and to enhance the community's understanding of the corporate sector's compliance with Australian's tax laws.

Companies (including entities treated as companies for Australian tax purposes) that are medium or large businesses are encouraged to adopt the TTC. InvoCare is a signatory to the TTC (first report published for the financial year ended 31 December 2019) and for the purpose of TTC, InvoCare is currently classified as a medium business.

Income tax benefit on reported loss of the Group was $2,416,000 (2021: income tax expense of $30,591,000 on reported profit), representing an effective rate of 54.5% (2021: 29.3%). The current year Group effective tax rate reflects an effective tax rate on operating profit of 28.8% and effective tax rate on non-operating loss of 30.2%. An analysis of tax paid, based on tax residency status, for Australia and the Group in total, and a summary of the operating and non-operating analysis, is set out below.

	Australia		**Group**	
	2022 $'000	**2021 $'000**	**2022 $'000**	**2021 $'000**
(Loss)/profit before income tax	**(7,714)**	108,050	**(4,130)**	110,862
Tax at nominal rate in relevant country	**(2,314)**	32,415	**(2,438)**	32,328
Increase/(decrease) due to non-temporary differences				
Non-deductible acquisition related costs	**119**	241	**119**	250
Capital gains offset against capital losses or not subject to tax	**(158)**	(1,620)	**(157)**	(1,604)
Foreign exempt dividends	**(2,672)**	(1,168)	**-**	-
Non-deductible interest expense	**-**	-	**218**	175
Other items	**(135)**	898	**7**	1,337
Current year income tax (benefit)/expense[c]	**(5,160)**	30,766	**(2,251)**	32,486
Effective tax rate[a,c]	**66.9%**	28.5%	**54.5%**	29.3%
Prior period tax adjustments	**66**	(2,029)	**(165)**	(1,895)
Income tax (benefit)/expense	**(5,094)**	28,737	**(2,416)**	30,591
Increase/(decrease) due to temporary differences				
Unrealised pre-paid contract funds under management gains and losses	**18,068**	(11,282)	**18,068**	(11,282)
Impairment of cemetery land	**-**	(1,200)	**-**	(1,200)
Technology expenses capitalised for tax	**4,413**	196	**4,413**	196
Property, plant and equipment temporary differences	**(4,338)**	(1,834)	**(4,238)**	(2,273)
Deferred revenue subject to tax in prior years	**(3,972)**	(4,591)	**(3,972)**	(4,591)
Deferred selling expenses	**228**	460	**228**	460
Provisions	**292**	165	**306**	232
Accruals	**912**	2,832	**957**	2,861
Share based payments	**1,313**	761	**1,344**	761
Leased assets timing differences	**1,987**	273	**2,078**	372
Other items	**487**	(1,295)	**606**	(60)
Current income tax paid or payable	**14,230**	15,251	**17,539**	17,962
Current income tax paid rate[b,c]	**(184.5%)**	14.1%	**(424.8%)**	15.0%

a *Calculated as the current year income tax (benefit)/expense divided by the (loss)/profit before income tax, subject to footnote c below*

b *Calculated as the current income tax paid or payable divided by the (loss)/profit before income tax, subject to footnote c below*

c *2022 Australian and Group current income tax paid rate and effective tax rate disclosed above are explained below by distinguishing between operating and non-operating, as the combination of operating profit and non-operating loss results in an abnormal rate*

Key performance metrics

Australia	Operating $'000	2022 Non-operating $'000	Total Australia $'000
Profit/(loss) before income tax	64,972	(72,686)	(7,714)
Tax at nominal rate	19,492	(21,806)	(2,314)
Non-temporary differences	(2,639)	(207)	(2,846)
Current year income tax expense	16,853	(22,013)	(5,160)
Effective tax rate	25.9%	30.3%	66.9%
Temporary differences	(2,706)	22,091	19,385
Current income tax paid or payable	14,147	78	14,225
Current income tax paid rate	21.8%	(0.1%)	(184.5%)

Group	Operating $'000	2022 Non-operating $'000	Total Group $'000
Profit/(loss) before income tax	70,349	(74,479)	(4,130)
Tax at nominal rate in relevant country	21,105	(22,344)	(1,239)
Non-temporary differences	(837)	(175)	(1,012)
Current year income tax expense	20,268	(22,519)	(2,251)
Effective tax rate	28.8%	30.2%	54.5%
Temporary differences	(2,284)	22,074	19,790
Current income tax paid or payable	17,984	(445)	17,539
Current income tax paid rate	25.6%	0.6%	(424.8%)

Governance of tax planning for the Group has been delegated by the Board to the Audit, Risk & Compliance Committee (Committee), which pursues a non-aggressive tax planning strategy which is principled, transparent and sustainable in the long term. It oversees the Group's tax affairs in a pro-active manner that seeks to maximise shareholder value, while operating in accordance with the law, and not participating in any aggressive tax planning activities. The Committee receives a regular report on the Group's tax compliance. Tax planning initiatives are not implemented until they receive approval from the Committee. Tax risks and opportunities are rated according to their potential impact which determines whether management or the Committee has the delegated authority to resolve the matter.

During 2022, $448,000 of capital gains were realised on the termination of leases.

The Group has a limited number of international related party arrangements in place. They are:

- An Australian subsidiary receives dividends from Singapore Casket Company, which is resident in Singapore
- The New Zealand group is charged management fees, based on time spent, for management, administration, accounting and other services provided by the Australian operation
- Loans from the Australian group to subsidiaries outside Australia are made occasionally under documented loan agreements. A loan of NZ$4,500,000 was made by InvoCare Limited to InvoCare Holdings New Zealand Limited on 20 October 2022
- On 21 July 2022, the Group invested in $1,447,000 in Parting Stone Australia Pty Limited (Parting Stone), a joint venture arrangement together with a US based partner (noting InvoCare does not control Parting Stone)

In addition to income tax paid, the Australian group paid the following types of taxes and fees during 2022:

- Payroll tax of $8,401,000 (2021: $7,297,000)
- Fringe benefits tax of $1,610,000 (2021: $1,480,000)
- Land tax on owned buildings of $5,228,000 (2021: $5,159,000), to various state governments
- Council and water rates paid to various authorities of $3,325,000 (2021: $3,228,000)

G. Accounting policy for income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously. Deferred tax balances are presented as non-current assets/liabilities on the balance sheet.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised in equity.

Key performance metrics

Note 7. Cash flow information

A. Reconciliation of cash flows from operations with net profit after income tax

	2022 $'000	2021 $'000
Net (loss)/profit from ordinary activities after income tax	**(1,809)**	80,158
Adjustments for non-cash items in (loss)/profit from ordinary activities		
Depreciation and amortisation	**49,626**	47,766
Pre-paid technology expenses	**1,315**	654
Accelerated unwind of pre-paid technology assets	**-**	424
Impairment reversal on cemetery land	**-**	(4,000)
Share-based payments expense	**4,662**	2,894
Loan establishment costs	**1,085**	964
Net gain on disposal of property, plant and equipment	**(533)**	(6,808)
Unrealised loss/(gain) on pre-paid contracts	**55,611**	(44,085)
Other pre-paid contract movements	**17,891**	20,809
Interest expense: customer advance payments	**1,473**	2,096
Other non-cash deferred revenue/deferred selling costs movements	**(27,433)**	(30,057)
Foreign exchange gain	**(1,074)**	(1,069)
Loss on disposal of business	**-**	278
Non-cash interest expense on interest rate swaps	**219**	839
Non-cash interest income	**(815)**	(685)
Gain on lease modifications/terminations	**(446)**	(1,517)
Business acquisition costs classified in investing activities	**1,005**	743
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries		
(Increase)/decrease in trade and other receivables	**(6,299)**	1,001
(Increase)/decrease in inventories	**1,297**	(2,773)
(Increase)/decrease in deferred contract assets	**1,598**	2,104
(Increase)/decrease in deferred selling expenses	**828**	1,956
Increase/(decrease) in trade and other payables	**(11,745)**	(2,379)
Increase/(decrease) in deferred revenue	**(7,664)**	(9,759)
Increase/(decrease) in income taxes payable	**5,243**	3,866
Increase/(decrease) in deferred taxes	**(15,738)**	13,476
Increase/(decrease) in provisions	**1,401**	844
Net cash flows from operating activities	**69,698**	77,740

B. Non-cash investing and financing activities

Non-cash investing and financing activities for the current and prior financial years are:

- Dividends satisfied by the issue of shares under the dividend reinvestment plan of $Nil as shares are bought on market
- Performance rights and shares issued to employees under the Employee Share Trusts Plan and employee share scheme for no cash consideration.

C. Net debt reconciliation

The tables set out below provide an analysis of net debt and the movements in net debt for the current and last financial year.

2022	**Cash and cash equivalents $'000**	**Borrowings $'000**	**Lease liabilities $'000**	**Net debts $'000**
Net debt as at 1 January 2022	**53,630**	**(188,843)**	**(175,402)**	**(310,615)**
Cash flows	**(22,439)**	**(9,562)**	**22,246**	**(9,755)**
Additions through business combinations	**-**	**-**	**(2,045)**	**(2,045)**
Additions/variations	**-**	**-**	**(22,891)**	**(22,891)**
Surrender/terminations	**-**	**-**	**2,106**	**2,106**
Interest expense on lease liabilities	**-**	**-**	**(6,029)**	**(6,029)**
Foreign exchange adjustments	**468**	**(2,191)**	**(449)**	**(2,172)**
Net debt as at 31 December 2022	**31,659**	**(200,596)**	**(182,464)**	**(351,401)**

2021				
Net debt as at 1 January 2021	118,781	(246,039)	(165,924)	(293,182)
Cash flows	(64,952)	59,680	20,196	14,924
Additions through business combinations	-	-	(237)	(237)
Additions/variations	-	-	(30,218)	(30,218)
Surrender/terminations	-	-	7,197	7,197
Interest expense on lease liabilities	-	-	(5,718)	(5,718)
Foreign exchange adjustments	(199)	(2,484)	(698)	(3,381)
Net debt as at 31 December 2021	53,630	(188,843)	(175,402)	(310,615)

D. Cash conversion ratio

The cash conversion ratio is one of the key cash performance metrics of the Group, refer to the table below for detail calculation.

	2022 $'000	2021 $'000
Operating cash flows	**69,698**	77,740
Add back: Net finance costs paid	**14,288**	14,219
Add back: Tax paid	**6,317**	9,771
Add back: SaaS arrangements expensed as incurred	**13,395**	4,170
Net funds from pre-paid contracts	**29,769**	29,306
Ungeared, tax free operating cash flows	**133,467**	135,206
Statutory EBITDA	**132,748**	124,974
Cash conversion %	**101%**	108%

The conversion ratio calculation and the line items as shown in the table above are all non-IFRS information. However, all financial data is based on the information disclosed in the audited financial statements and notes to the financial statements of InvoCare and follow the recognition requirements of Australian Accounting Standards.

E. Cash and cash equivalents

	2022 $'000	2021 $'000
Cash on hand	**88**	99
Cash at bank	**31,571**	53,531
	31,659	53,630

Cash at bank is non-interest bearing as at 31 December 2021 and 2022. Therefore, the weighted average interest rate for cash at bank is rounded to zero for both 2021 and 2022.

Significant assets and liabilities

This section contains the key assets and liabilities in relation to the three main streams of businesses, being funeral business (at-need and pre-need) and the cemeteries and crematoria business. These assets and liabilities are disclosed in:

Note 8. Trade receivables	Note 11. Non-current operating assets
Note 9. Pre-paid contracts	Note 12. Intangibles
Note 10. Deferred revenue and selling costs	Note 13. Pre-paid technology assets

Note 8. Trade receivables

	2022 $'000	2021 $'000
Current		
Trade receivables	**55,999**	49,565
Less: loss allowance	**(6,709)**	(7,114)
	49,290	42,451
Non-current		
Trade receivables	**20,410**	23,849
Less: loss allowance	**-**	-
	20,410	23,849

A. Loss allowance

The ageing of the impaired trade receivables provided for above are as follows:

	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
	2022 %	2021 %	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Forward aged (12 - 60 months contracts)	**-**	-	**48,211**	38,887	**-**	-
Current	**0.2**	0.2	**11,667**	14,738	**23**	29
Over 30 days past due	**1.5**	1.5	**2,719**	3,978	**41**	60
Over 60 days past due	**10.5**	10.5	**1,736**	2,194	**182**	230
Over 90 days past due	**53.5**	49.9	**12,076**	13,617	**6,463**	6,795
			76,409	73,414	**6,709**	7,114

The movements of loss allowance of trade receivables are as follows:

	2022 $'000	2021 $'000
As at 1 January	**7,114**	6,473
Loss allowance recognised during the year	**841**	1,289
Receivables written off as uncollectable	**(1,246)**	(648)
As at 31 December	**6,709**	7,114

B. Accounting policies

I. Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are initially recognised at the amount of consideration that is unconditional. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Trade receivables are usually due for settlement no more than 30 days from the date of recognition, except where extended payment terms (up to a maximum of 60 months) have been made available on cemetery and crematorium memorial contracts for sale of interment rights and associated memorials and other merchandise.

Receivables arising from cemetery and crematorium memorial contracts, which are initially expected to be collected over a period exceeding twelve months, are recognised as non-current receivables and measured as the net present value of estimated future cash receipts, discounted at an imputed effective interest rate. Upon initial recognition of the contract receivables, any undelivered portion of the contracts is included in deferred revenue until delivery.

II. Loss allowance on trade receivables

The Group has applied the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

When a trade receivable is uncollectible, it is written off against the loss allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against sundry revenue in the consolidated statement of comprehensive income.

Note 9. Pre-paid contracts

This note provides details on the movements for the pre-paid contract funds under management and liabilities arising from the sales of pre-paid funeral services for the year ended 31 December 2022 with the comparative information for the year ended 31 December 2021.

From 1 January 2023, AASB 17 Insurance Contracts is applicable to the Group's pre-paid contracts and will impact their recognition and measurement, refer to Note 27 Other accounting policies, for further details.

What happens when a pre-paid contract is signed

A pre-paid contract is a three-way agreement whereby the Group agrees to deliver to a customer a specified funeral service at a future date, usually greater than one year but which could be more than 20 years after the signing of the pre-paid contract.

Pre-paid contracts are either paid in full or via instalments for a period as specified in the contract. The cash received (funds) from the customer is then passed to independently managed trusts to be invested. The Group is the ultimate beneficiary to the invested funds of the pre-paid contracts, that is, the total future value of the invested funds (including the investment returns, either gains or losses), but only receives those funds once the Group has demonstrated it has performed the funeral services.

Part of the initial pre-paid contract relates to an administration fee (usually 10% of the contract value). The administration fee is unable to be recognised as revenue at the date of signing the contract as not all of the conditions of the contract have been performed or delivered at that point. Therefore, the administration fee is deferred and recognised as a liability on the balance sheet (disclosed in Note 10 Section A Deferred revenue). Similarly, any commission paid to pre-paid funeral salespersons is also deferred as a deferred selling cost as an asset on the balance sheet (disclosed in Note 10 Section B Deferred selling costs).

Sale of new pre-paid contracts (listed in the movement table in Section B and C below) represents cash received from customers for new pre-paid contracts sold during the period. The sale of new pre-paid contracts increases both the pre-paid contract funds under management and pre-paid contract liabilities and represents the value of the remaining 90% of the pre-paid contracts after the deferral of the 10% administration fee as deferred revenue.

What happens during the periods when pre-paid contracts remain undelivered

Australian Accounting Standards require InvoCare to update the carrying value of the pre-paid contract funds under management and pre-paid contract liabilities, including the need to account for the time value of money.

InvoCare uses asset statement reports issued by the trusts to revalue the pre-paid contract funds under management to reflect the current fair value of the invested funds. Such an adjustment may give rise to unrealised gains or losses on these assets. Due to the volatility of such movements, and because these unrealised movements are 'non-cash revaluations', the unrealised gains or losses are excluded from the Group's Operating earnings and disclosed within Non-operating earnings.

By entering a pre-paid contract, the customer is benefiting from the ability to lock in the price of their future funeral service at today's price. The Group receives payment from customers for pre-paid contracts prior to the transfer of the promised goods or services to the customer. As the period between receipt of the consideration and the transfer of the goods or services can exceed one year, the Group adjusts deferred revenue and pre-paid contract liabilities using a discount rate. The Group determines the discount rate that best reflects the current price the customers would have paid (that is the cash selling price as if the customer had paid the consideration at the time when the services are performed or the goods delivered).

These adjustments to increase deferred revenue and pre-paid contract liabilities are recognised as finance costs. These financing components are included in the following two items in Note 5 Section A Finance costs:

- Interest expense pre-paid contracts – this finance cost is recognised as an increase in pre-paid contract liabilities - Increase due to significant financing as set out in Section C below
- Interest expense: customer advance payments – this finance cost is reflected as an increase in administration fee in the deferred revenue – Recognition of financing costs on customer advance payments as set out in Note 10 Section A Deferred revenue under Funeral services movement for the period

Significant assets and liabilities

What happens when a pre-paid contract is delivered

When the funeral service is delivered, the corresponding amount of deferred revenue relating to the administration fee is released to the statement of comprehensive income, disclosed as Non-operating revenue.

Operating revenue – funeral services is recognised in the statement of comprehensive income with the corresponding pre-paid contract liabilities reduced accordingly (being the initial contract value plus the increases in the liability relating to the financing components recognised since contract inception).

Once the services have been delivered, the fair value of the pre-paid contract is redeemed from the trusts and the Group receives the cash. The Group's right to redeem the invested funds only becomes unconditional when the Group demonstrates it has delivered the services specified in the pre-paid contract with the customer.

The following diagram details the key activities throughout the life cycle of a pre-paid contract and how these activities are recognised within the pre-paid contract funds under management, pre-paid contract liabilities and deferred revenue for administration fees (disclosed in Note 10 Section A Deferred revenue).

Life cycle of a pre-paid funeral contract

Activities/ Financial impact	Customer payments - Cash received	Financial impact at reporting dates before service delivery		Funeral service delivered	Pre-paid FUM redemptions - cash received
		Finance costs	Revaluation of FUM*		
Balance sheet impact					
Admin fees (10%) (Note 10)	↑ Deferred revenue (Note 10)	↑ Deferred revenue (Note 10)	N/A	↓ Deferred revenue (Note 10)	N/A
Funds for pre-paid funeral services (90%)	↑ Pre-paid FUM ↑ Pre-paid contract liabilities	↑ Pre-paid contract liabilities	↑/↓ Pre-paid FUM	N/A	↓ Pre-paid FUM ↓ Pre-paid contract liabilities
Profit and loss impact					
Admin fees (10%)	N/A	Finance costs - Admin fee	N/A	Non-operating revenue - Admin fee	N/A
Funds for pre-paid funeral services (90%)	N/A	Finance costs - Customers advance payments	Unrealised gain/loss on pre-paid FUM	N/A	Non-operating revenue - Net gain/loss on pre-paid FUM redemptions
Revenue - At-need funeral services	N/A	N/A	N/A	Operating revenue - Funeral services	N/A
Cash flows impact					
Admin fees (10%)	↑ InvoCare bank account	N/A	N/A	N/A	N/A
Funds for pre-paid funeral services (90%)	↑ Trust funds bank account	N/A	N/A	N/A	↓ Trust funds bank account ↑ InvoCare bank account

* *FUM = Funds under management*

A. Statement of comprehensive income impact of undelivered pre-paid contracts

	2022 $'000	2021 $'000
Unrealised (loss)/gain on pre-paid contract funds under management	**(33,724)**	64,697
Change in pre-paid contract liabilities due to significant financing	**(21,887)**	(20,612)
Net (loss)/gain on undelivered pre-paid contracts	**(55,611)**	44,085

B. Movements in pre-paid contract funds under management

	2022 $'000	2021 $'000
Balance as at 1 January	**649,875**	613,131
Sale of new pre-paid contracts	**19,268**	25,715
Initial recognition of contracts pre-paid by instalment	**7,649**	2,734
Redemption of pre-paid contract funds following service delivery	**(49,037)**	(56,402)
Movement due to business combinations	**3,656**	-
(Decrease)/increase in fair value of pre-paid contract funds under management	**(33,724)**	64,697
Balance at reporting date	**597,687**	649,875
Current	**48,985**	52,959
Non-current	**548,702**	596,916
Balance at reporting date	**597,687**	649,875

C. Movements in pre-paid contract liabilities

	2022 $'000	2021 $'000
Balance as at 1 January	**540,440**	541,309
Sale of new pre-paid contracts	**19,268**	25,715
Initial recognition of contracts pre-paid by instalment	**7,649**	2,734
Decrease following delivery of services	**(44,420)**	(49,930)
Movement due to business combinations	**3,656**	-
Increase due to significant financing	**21,887**	20,612
Balance at reporting date	**548,480**	540,440
Current	**45,174**	44,437
Non-current	**503,306**	496,003
Balance at reporting date	**548,480**	540,440

D. Classification of pre-paid funds under management and liabilities

The current and non-current portions of the pre-paid contract assets and liabilities are disclosed separately to more clearly reflect the expected pattern of usage associated with the timing of actual contract redemptions.

E. Critical accounting judgements, estimates and assumptions

I. Fair value measurements – Pre-paid contract funds under management

The fair values of the pre-paid contract funds under management are recognised and measured based on inputs that require judgements and estimates. To provide an indication about the reliability of the inputs used in determining fair value of the pre-paid contract funds under management, the Group has used Level 2 inputs as prescribed under the accounting standards. Level 2 input for fair value is described as observable inputs either directly (as prices) or indirectly (derived from prices) for the asset or liability, other than the unadjusted quoted prices in active markets.

II. Current and non-current split

The Group determines the classification of current and non-current portions of pre-paid contract asset and liabilities based on the pattern of usage (based on an independent actuarial review) associated with the timing of actual contract redemptions. This pattern of usage is based on historical data, which is reviewed annually and has remained consistent over the past five years.

F. Accounting policies for pre-paid contracts

The Group 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. The Group initially recognises a liability equal to the value of the undelivered service associated with pre-paid contracts and adjusts the deferred revenue using a discount rate that results in revenue being recognised that approximates the cash selling price the customer would have paid if the consideration is paid at the same time as the services are provided.

When the service is delivered, the liability is derecognised and included in revenue.

G. AASB 17 Insurance Contracts applicable to pre-paid contracts

From 1 January 2023, AASB 17 Insurance Contracts is applicable to the Group's pre-paid contracts and will impact their recognition and measurement, refer to Note 27 Other accounting policies, for further details.

Significant assets and liabilities

Note 10. Deferred revenue and selling costs

This note provides details on the movements for the deferred revenue and deferred selling costs arising from the sales of pre-paid funeral, cremation and burial contracts and undelivered memorials and merchandise for the year ended 31 December 2022 with the comparative information for the year ended 31 December 2021.

The movements are disclosed according to the activities performed to align with the disclosure in Note 2 Revenue.

From 1 January 2023, AASB 17 Insurance Contracts is applicable to the Group's pre-paid contracts and will impact the recognition and measurement of deferred revenue and deferred selling costs related to Funeral services, refer to Note 27 Other accounting policies, for further details.

A. Deferred revenue

I. Cemeteries & Crematoria

For the Cemeteries & Crematoria business, deferred revenue represents the undelivered contractual obligations relating to burial, cremation and memorial services/merchandise products.

The transfer of control of these distinct performance obligations determines when revenue should be recognised.

Billing and collection of the pre-paid contracts can be immediate and in full upon contract signing. However, most pre-paid contracts are paid via instalments over a period of up to five years (although the payment periods do vary).

The following diagram details the key activities throughout the life cycle of a pre-paid Cemeteries & Crematoria contract and how these activities are recognised within deferred revenue.

Life cycle of a pre-paid Cemeteries & Crematoria contract

			Repeated activities until services/goods delivered		
Activities/ Financial impact	Customer payments - by instalments	Finance costs*	Customer payments - by instalments	Finance costs*	Services/goods delivered
Balance sheet impact					
Cemeteries & Crematoria services/goods	↑ Deferred revenue	↑ Deferred revenue	↑ Deferred revenue	↑ Deferred revenue	↓ Deferred revenue
Profit and loss impact					
Cemeteries & Crematoria services/goods	N/A	Finance costs - Customers advance payments	N/A	Finance costs - Customers advance payments	Operating revenue - Cemeteries & Crematoria
Cash flows impact					
Cemeteries & Crematoria services/goods	↑ InvoCare bank account	N/A	↑ InvoCare bank account	N/A	N/A

* *This represents the Australian Accounting Standards requirement to account for the time value of money.*

II. Funeral services – Pre-paid funeral contracts

For the Funeral services business, detailed descriptions of what happens during the life cycle of a pre-paid funeral contract are provided in Note 9 Pre-paid contracts above. The movement table below provides the financial impact of the administration fee of the pre-paid funeral contracts for the year ended 31 December 2022 with the comparative information for the year ended 31 December 2021.

III. Deferred revenue movement

	2022			2021		
	Cemeteries & Crematoria $'000	Funeral services $'000	Total $'000	Cemeteries & Crematoria $'000	Funeral services $'000	Total $'000
Balance as at 1 January	**89,328**	**38,631**	**127,959**	100,276	37,442	137,718
Add/(less): Changes during the period						
Cash received from customer instalment payments	**2,240**	**-**	**2,240**	5,560	-	5,560
Revenue recognised on service delivery during the period	**(17,132)**	**(3,076)**	**(20,208)**	(21,436)	(3,277)	(24,713)
Revenue deferred during the period:						
Revenue deferred	**5,325**	**3,506**	**8,831**	4,057	3,241	7,298
Recognition of financing costs on customer advance payments	**316**	**1,157**	**1,473**	871	1,225	2,096
Balance at reporting date	**80,077**	**40,218**	**120,295**	89,328	38,631	127,959
Current	**22,766**	**3,450**	**26,216**	30,763	3,313	34,076
Non-current	**57,311**	**36,768**	**94,079**	58,565	35,318	93,883
Balance at reporting date	**80,077**	**40,218**	**120,295**	89,328	38,631	127,959

B. Deferred selling costs

Deferred selling costs in relation to both Cemeteries & Crematoria and Funeral services businesses represent selling commissions and directly related fulfillment costs which are deferred and recognised as cost of sales in line with the release of the related deferred revenue of those businesses (that is, upon delivery/performance of the underlying services/goods).

The movement table below provides the financial impact of selling costs arising from the sales of pre-paid funeral, cremation and burial contracts and undelivered memorials and merchandise for the year ended 31 December 2022 with the comparative information for the year ended 31 December 2021.

	2022			2021		
	Cemeteries & Crematoria $'000	Funeral services $'000	Total $'000	Cemeteries & Crematoria $'000	Funeral services $'000	Total $'000
Balance as at 1 January	**15,509**	**20,246**	**35,755**	17,179	20,533	37,712
Add/(less): Changes during the period						
Selling costs recognised in profit and loss related to service delivery during the period	**(1,872)**	**(38)**	**(1,910)**	(2,435)	(287)	(2,722)
Selling costs deferred on sales during the period	**1,082**	**-**	**1,082**	765	-	765
Balance at reporting date	**14,719**	**20,208**	**34,927**	15,509	20,246	35,755
Current	**3,274**	**1,671**	**4,945**	4,571	1,673	6,244
Non-current	**11,445**	**18,537**	**29,982**	10,938	18,573	29,511
Balance at reporting date	**14,719**	**20,208**	**34,927**	15,509	20,246	35,755

C. Accounting policies

I. Deferred revenue

Revenue relating to undelivered memorials and merchandise are deferred until delivered or made ready for use.

II. Deferred selling costs

Direct selling costs applicable to deferred revenue on undelivered memorials and merchandise are deferred until the revenue is recognised. Direct selling costs applicable to sale of pre-paid funeral, cremation, and burial contracts are deferred until the underlying service is delivered.

III. Current and non-current split

The Group determines the classification of current and non-current portions of deferred revenue and deferred selling costs based on the pattern of usage associated with the estimated timing of delivery of the related products (memorialisation and funeral services). This pattern of usage is based on historical data, forecast cash receipts from instalment payers and construction schedules, which is reviewed annually.

D. AASB 17 Insurance Contracts applicable to deferred revenue and deferred selling costs related to the funeral services

From 1 January 2023, AASB 17 Insurance Contracts is applicable to the Group's pre-paid contracts and will impact their recognition and measurement, refer to Note 27 Other accounting policies, for further details.

Significant assets and liabilities

Note 11. Non-current operating assets

This note includes the information for the following two categories of non-current operating assets:

- Property, plant and equipment
- Right of use assets and the related lease liabilities

A. Property, plant and equipment

2022	Cemetery land $'000	Freehold land $'000	Buildings $'000	Leasehold land and buildings $'000	Leasehold Improve-ments $'000	Plant and equip-ment $'000	Total $'000
Composition as at 31 December 2022							
Cost	**122,726**	**104,923**	**285,376**	**4,534**	**45,428**	**204,734**	**767,721**
Accumulated depreciation/amortisation	**(10,351)**	**-**	**(87,545)**	**(4,113)**	**(14,904)**	**(119,368)**	**(236,281)**
Accumulated impairment	**(5,299)**	**-**	**-**	**-**	**-**	**-**	**(5,299)**
Net book value	**107,076**	**104,923**	**197,831**	**421**	**30,524**	**85,366**	**526,141**
Movement for the year ended 31 December 2022							
Opening net book value	**107,497**	**102,082**	**185,043**	**562**	**29,403**	**69,867**	**494,454**
Additions	**-**	**1,647**	**19,959**	**-**	**5,413**	**32,940**	**59,959**
Additions through business combinations	**-**	**-**	**-**	**-**	**-**	**77**	**77**
Disposals	**-**	**(73)**	**-**	**-**	**(447)**	**(557)**	**(1,077)**
Depreciation/amortisation charge	**(393)**	**-**	**(6,319)**	**(141)**	**(3,797)**	**(17,496)**	**(28,146)**
Effect of movement in exchange rates	**(28)**	**1,205**	**(839)**	**-**	**(41)**	**577**	**874**
Transfers to/(from) held for sale	**-**	**62**	**(13)**	**-**	**(7)**	**(42)**	**-**
Closing net book value	**107,076**	**104,923**	**197,831**	**421**	**30,524**	**85,366**	**526,141**
2021							
Composition as at 31 December 2021							
Cost	122,754	102,082	265,366	4,534	40,736	175,480	710,952
Accumulated depreciation/amortisation	(9,958)	-	(80,323)	(3,972)	(11,333)	(105,613)	(211,199)
Accumulated impairment	(5,299)	-	-	-	-	-	(5,299)
Net book value	107,497	102,082	185,043	562	29,403	69,867	494,454
Movement for the year ended 31 December 2021							
Opening net book value	103,712	100,478	172,959	703	24,386	62,039	464,277
Additions	196	560	22,312	-	6,694	24,005	53,767
Additions through business combinations	-	-	-	-	-	102	102
Disposals	(34)	(1,152)	(1,985)	-	(422)	(917)	(4,510)
Depreciation/amortisation charge	(390)	-	(5,957)	(141)	(4,503)	(16,123)	(27,114)
Impairment reversal	4,000	-	-	-	-	-	4,000
Effect of movement in exchange rates	13	706	(227)	-	5	735	1,232
Transfers to held for sale	-	1,490	(2,059)	-	3,243	26	2,700
Closing net book value	107,497	102,082	185,043	562	29,403	69,867	494,454

Significant assets and liabilities

I. Assets in the course of construction

The carrying amounts of assets disclosed above include the following expenditure recognised in relation to property, plant and equipment which is in the course of construction.

	2022 $'000	2021 $'000
Freehold buildings	**8,354**	7,754
Leasehold improvements	**189**	548
Plant and equipment	**3,241**	2,049
Total assets in the course of construction	**11,784**	10,351

II. Impairment

All cemetery and crematorium sites were assessed during the year using consistently applied methodology and no changes to the impairment provision were deemed necessary except as noted below.

The recoverable amount of cash-generating units is based on value-in-use calculations. These calculations use cash flow projections based on financial estimates approved by management based on past performance and future expectations. The cash flows cover an initial five-year period and are then extrapolated beyond five years using estimated growth rates of 2.5% (2021: 2.5%) in revenue and 2.0% (2021: 2.0%) in expenses which are not inconsistent with historical trends and forecasts included in reports prepared by market analysts. A sensitivity analysis has been conducted on the impaired sites by moving the underlying assumptions both up and down 10%, considered to be within the reasonably possible range of long-term outcomes. This analysis demonstrates that changing the assumptions is unlikely to result in a material change in the currently recognised impairment losses. The pre-tax discount rate used was 12.3% (2021: 9.2%), reflecting the risk estimates for the business as a whole.

III. Asset held for sale

Asset held for sale represents property identified as surplus to the Group's requirements.

B. Right of use assets and lease liabilities

The Group leases various properties, cemeteries, equipment and motor vehicles. Rental contracts are typically made for fixed periods of five to ten years, with some leases for periods of 30 years.

Extension and termination options are included in a number of property leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, and leased assets may not be used as security for borrowing purposes.

This section provides information for leases where the Group is a lessee. The consolidated balance sheet shows the following types of assets and liabilities related to leases:

- Right of use assets
- Lease liabilities

I. Right of use assets

2022	Properties $'000	Equipment $'000	Motor vehicles $'000	Total $'000
Composition as at 31 December 2022				
Cost	182,274	2,587	21,748	206,609
Accumulated depreciation	(41,043)	(636)	(6,483)	(48,162)
Net book value	141,231	1,951	15,265	158,447
Movement for the year ended 31 December 2022				
Opening net book value	141,556	313	11,446	153,315
Additions	12,372	1,966	8,682	23,020
Additions through business combinations	2,045	-	-	2,045
Lease modifications/terminations	(704)	(285)	(127)	(1,116)
Depreciation	(14,198)	(43)	(4,736)	(18,977)
Effect of movement in exchange rates	160	-	-	160
Closing net book value	141,231	1,951	15,265	158,447

Consolidated financial statements

Significant assets and liabilities

2021	Properties $'000	Equipment $'000	Motor vehicles $'000	Total $'000
Composition as at 31 December 2021				
Cost	172,530	621	18,456	191,607
Accumulated depreciation	(30,974)	(308)	(7,010)	(38,292)
Net book value	141,556	313	11,446	153,315
Movement for the year ended 31 December 2021				
Opening net book value	133,179	356	10,833	144,368
Additions	23,680	-	4,249	27,929
Additions through business combinations	237	-	-	237
Lease modifications/terminations	(2,435)	-	-	(2,435)
Depreciation	(13,652)	(43)	(3,636)	(17,331)
Effect of movement in exchange rates	547	-	-	547
Closing net book value	141,556	313	11,446	153,315

II. Lease liabilities on related right of use assets

	2022 $'000	2021 $'000
Current	**21,475**	20,671
Non-current	**160,989**	154,731
Balance as at 31 December	**182,464**	175,402

C. Critical accounting judgements, estimates and assumptions

I. Estimated impairment of non-financial assets

The Group annually considers if events or changes in circumstances indicate that the carrying value of non-financial assets may not be recoverable. Similarly, at each reporting date, the non-financial assets that suffered a previous impairment are reviewed for possible reversals of the impairment. The recoverable amounts are determined based on value-in-use calculations which require the use of assumptions. Refer to section A.II above for details of these assumptions and the potential impact to changes to the assumptions.

II. Determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The Group has assessed it is reasonably certain that it will exercise its option to renew all leases.

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the Group.

D. Accounting policies

I. Property, plant and equipment

Property, plant and equipment are carried at historical cost less depreciation or amortisation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Repairs, maintenance, and minor renewals are charged to the statement of comprehensive income during the financial period in which they are incurred.

Cemetery land is carried at cost less accumulated depreciation and impairment write-downs. The Group sells interment and inurnment rights while retaining title to the property. Cemetery land is amortised, as the right to each plot or space is sold, to write off the net cost of the land over the period in which it is utilised and an economic benefit has been received. Other freehold land is not depreciated or amortised.

Depreciation of other assets is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

- Buildings: 40 years
- Plant and equipment: 3-10 years

The cost of improvements to or on leasehold properties is amortised over the unexpired period of the lease or the estimated useful life of the improvement to the Group, whichever is shorter. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. Gains and losses are included in the statement of comprehensive income.

II. Right of use assets and lease liabilities

InvoCare recognises a right of use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right of use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable
- Amounts expected to be payable by the Group under residual value guarantees
- Exercise price of a purchase option if the Group is reasonably certain to exercise that option
- Payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the Group’s incremental borrowing rate is used, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right of use assets are measured at cost comprising the following:

- Amount of the initial measurement of lease liability
- Any lease payments made at or before the commencement date less any lease incentives received
- Any initial direct costs
- Restoration costs

Payments associated with short term leases and leases of low-value assets (less than $10,000) are recognised on a straight-line basis as an expense in profit or loss. Short term leases are leases with a lease term of 12 months or less. Low-value assets comprise information technology equipment and small items of office equipment.

Significant assets and liabilities

Note 12. Intangibles

2022	Goodwill $'000	Brand name $'000	Capitalised software $'000	Total $'000
Composition as at 31 December 2022				
Cost	**260,557**	**19,947**	**27,078**	**307,582**
Accumulated amortisation	**-**	**(15,580)**	**(15,756)**	**(31,336)**
Impairment	**(43,201)**	**-**	**-**	**(43,201)**
Net book value	**217,356**	**4,367**	**11,322**	**233,045**
Movement for the year ended 31 December 2022				
Opening net book value	**213,868**	**5,232**	**7,813**	**226,913**
Additions	**-**	**23**	**5,125**	**5,148**
Additions through business combinations	**2,554**	**-**	**-**	**2,554**
Amortisation charge	**-**	**(887)**	**(1,616)**	**(2,503)**
Effect of movement in exchange rates	**934**	**(1)**	**-**	**933**
Closing net book value	**217,356**	**4,367**	**11,322**	**233,045**
2021				
Composition as at 31 December 2021				
Cost	257,386	19,847	21,277	298,510
Accumulated amortisation	-	(14,615)	(13,464)	(28,079)
Impairment	(43,518)	-	-	(43,518)
Net book value	213,868	5,232	7,813	226,913
Movement for the year ended 31 December 2021				
Opening net book value	212,706	6,399	6,281	225,386
Additions	-	30	3,656	3,686
Additions through business combinations	324	-	-	324
Finalisation of prior period acquisitions	289	-	-	289
Amortisation charge	-	(1,197)	(2,124)	(3,321)
Effect of movement in exchange rates	549	-	-	549
Closing net book value	213,868	5,232	7,813	226,913

A. Impairment test

Impairment tests are performed annually, or more frequently if events or circumstances indicate that the carrying amount may not be recoverable.

The goodwill allocated to the Group's three Australian-based operations (Funeral services, Cemeteries & Crematoria and Pet cremations) was apportioned in 2021 based on the relative values of the recoverable amounts of each CGU in that year.

New Zealand and Singapore operations are separate CGUs and the associated goodwill arising from their acquisition has been allocated to the individual New Zealand or Singapore CGU.

As a result, the lowest level within the Group at which goodwill is monitored for management purposes comprises both the lines of business within Australia and for the international operations, the CGUs within a country of operation. The recoverable amounts of the Funeral services, Cemetery & Crematoria, Pet cremations, New Zealand and Singapore CGUs are based on value-in-use calculations. These calculations use cash flow projections based on approved financial estimates covering a five year period. Cash flows beyond the five year period have been extrapolated using estimated growth rates. The assessment also considered the reasonable possible long term shift in key assumptions which may potentially cause an impairment to arise.

	2022 $'000	2021 $'000
Funeral services	**102,808**	100,273
Cemeteries & Crematoria	**24,729**	24,729
Pet cremations	**46,914**	46,896
Singapore operations	**16,080**	14,936
New Zealand operations	**26,825**	27,034
Total goodwill	**217,356**	213,868

I. Goodwill

a. Key assumptions used for value-in-use calculations

Budgeted cash flows have been based on past performance and expectations for the future. The growth rates of 2.5% (2021: 2.5%) in revenue, 2.0% (2021: 2.0%) in expense and 1.0% (2021: 1.0%) in volume growth projections are not inconsistent with historical trends and forecasts included in reports prepared by market analysts. In the calculation of the terminal value, the long term annual growth rate of the real gross domestic product (GDP) of the country is used as a basis for the terminal growth rate. For goodwill, these assumptions are based on the CGU to which the goodwill is attributed.

The pre-tax discount rate used for assessing the carrying value of goodwill in each CGU was as follows:

	2022 %	2021 %
Funeral services	**12.3**	9.2
Cemeteries & Crematoria	**12.3**	9.2
Pet cremations	**12.3**	9.2
Singapore operations	**12.3**	9.2
New Zealand operations	**13.1**	10.0

These discount rates reflect the risk estimates for each business as a whole.

Sensitivity analysis indicates significant headroom exists in the value-in-use calculations for Australian based operations, the New Zealand and Singapore CGUs compared to the carrying value of goodwill. There is no reasonable possible long term shift in key assumptions considered likely which will cause impairment of any of these CGUs.

B. Critical accounting judgements, estimates and assumptions

I. Key assumptions applied in determining recoverable amount

The Group annually considers if events or changes in circumstances indicate that the carrying value of goodwill or cash-generating units may not be recoverable. Similarly, at each reporting date, cash-generating units that suffered a previous impairment are reviewed for possible reversals of the impairment. The recoverable amounts are determined based on value-in-use calculations which require the use of assumptions. Refer to section A. above for details of these assumptions and the potential impact to changes to the assumptions.

II. Capitalisation of configuration and customisation costs in SaaS arrangements

In implementing SaaS arrangements, the Group has developed software code that either enhances, modifies or creates additional capability to the existing owned software. This software is used to connect with the SaaS arrangement cloud-based application.

Judgement has been applied in determining whether the changes to the owned software meet the definition of and recognition criteria for an intangible asset in accordance with AASB 138 Intangible Assets.

During the financial year, the Group recognised $4,712,000 (2021: $3,189,000) as intangible assets in respect of customisation and configuration costs incurred in implementing SaaS arrangements.

C. Accounting policies

I. Goodwill

Goodwill arises on the acquisition of business/subsidiary and is allocated to the cash-generating units that are expected to benefit from the synergies of the combination. Goodwill acquired in business combinations is not amortised. Instead, goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed if the related assets subsequently increases in value.

II. Trademarks and brand names

Trademarks and brand names recognised through business acquisitions have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight line method to allocate the cost of trademarks and brand names over their estimated useful lives of ten years.

III. Capitalised software

Capitalised software is carried at historical cost less accumulated amortisation and impairment write-downs. Historical cost includes expenditure that is directly attributable to the acquisition of the software. Amortisation is calculated using the straight line method to allocate the cost of software over its estimated useful life of ten years.

IV. Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or half yearly only if events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to depreciation or amortisation are reviewed for impairment indicators every six months. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Significant assets and liabilities

Note 13. Pre-paid technology assets

	2022 $'000	2021 $'000
Balance at 31 December		
Current	**2,278**	582
Non-current	**13,431**	8,019
Balance at 31 December	**15,709**	8,601
Movement for the year		
Opening balance at 1 January	**8,601**	5,292
Additions	**8,423**	4,387
Less: Amounts recognised within the consolidated statement of comprehensive income		
Pre-paid technology expenses	**(1,315)**	(654)
Accelerated unwind	**-**	(424)
Closing balance at 31 December	**15,709**	8,601

A. Critical accounting judgements, estimates and assumptions

Determination whether configuration and customisation services are distinct from the SaaS access

Costs incurred to configure or customise the cloud provider's application software are recognised as operating expenses when the services are received. In a contract where the cloud provider provides both the SaaS configuration and customisation, and the SaaS access over the contract term, judgement has been applied to determine whether these services are distinct from each other or not, and therefore, whether the configuration and customisation costs incurred are expensed as the software is configured or customised (i.e. upfront), or over the SaaS contract term.

Specifically, where the configuration and customisation activities significantly modify or customise the cloud software, these activities will not be distinct from the access to the cloud software over the contract term. Judgement has been applied in determining whether the degree of customisation and modification of the cloud-based software that would be deemed significant.

During the financial year, the Group recognised $8,423,000 (2021: $3,963,000 (net of accelerated unwind of pre-paid technology assets of $424,000)) as prepayments in respect of configuration and customisation activities undertaken in implementing SaaS arrangements which are considered not to be distinct from the access to the SaaS application software over the contract term.

B. Accounting policies

Software-as-a-Service (SaaS) arrangements

SaaS arrangements are service contracts providing the Group with the right to access the cloudprovider's application software over the contract period. As such the Group does not receive a software intangible asset at the contract commencement date. A right to receive future access to the supplier's software does not, at the contract commencement date, give the customer the power to obtain the future economic benefits flowing from the software itself and to restrict others' access to those benefits.

The following outlines the accounting treatment of costs incurred in relation to SaaS arrangements:

Recognise as an operating expense over the term of the service contract (pre-paid technology expenses), which is typically three to ten years	• Fee for use of application software • Customisation costs
Recognise as an operating expense as the service is received (SaaS arrangement expensed as incurred)	• Configuration costs • Setting up of standard functionality of the system • Data conversion and migration costs • Testing costs • Training costs

Costs incurred for the development of software code that enhances or modifies, or creates additional capability to, existing on-premise systems and meets the definition of and recognition criteria for an intangible asset are recognised as capitalised software assets. Refer to Note 12 for an outline of accounting for intangible assets.

The Group's activities expose it to a variety of financial risks. The Group's overall financial risk management strategy focuses on the unpredictability of financial markets and seeks to minimise adverse effects on the Group's financial performance. This section contains disclosures of financial risks the Group is exposed to and how the Group manages those risks.

The capital management, impact of contingencies, commitments, and events subsequent to reporting period are also considered in this section.

Note 14. Financial risk management

The Group operates in different jurisdictions and markets. Strategic risk management is carried out by the Board of Directors. The Audit, Risk & Compliance Committee, which operates under policies approved by the Board, is responsible for operational and financial risk management. These policies provide written principles for overall risk management, as well as policies covering specific areas such as interest rate risk and currency risk.

The table below summarises the key risks identified, exposures, and management of exposures.

Risk identified	Definition	Exposures	Management of exposures
Market risk – interest rate	The risk that the value of a financial asset or liability or cash flow associated with the financial asset or liability will fluctuate due to changes in market interest rates	• Financial assets: mainly cash at bank • Financial liabilities: mainly borrowings, pre-paid contract liabilities, lease liabilities • Further information for interest rate risk exposure and hedging effectiveness is provided in section A below	• Fixed interest rate borrowings • Speculative trading is not permitted
Market risk – foreign currency	The risk in local currency terms that the value of a financial commitment or a recognised asset or liability, will fluctuate due to changes in foreign currency exchange rates	• Foreign currency earnings • Net investments in foreign operations • Foreign currency borrowings • Further information on foreign currency risk exposures is provided in section B below	• Physical financial instruments, including natural hedges from matching foreign assets and liabilities • Speculative trading is not permitted
Market risk – price	The risk that the investment returns of funds under management on pre-paid contracts impact future income	• Investment returns of the funds under management of pre-paid contracts • Majority of the funds under management is placed with the Over Fifty Guardian Friendly Society (OFGFS) • Further information on pricing risk exposures is provided in section C below	• Maintain Board representation in OFGFS • Monitor the investment strategy of OFGFS and the investment assets mix
Credit risk	The risk that a counterparty will not be able to meet its obligations in respect of a financial instrument, resulting in a financial loss to the Group	• Recoverability of receivables • Recoverability of other financial assets and cash deposits • Further information on credit risk exposures is detailed in section D below	• The Group's policy is to only deal with banks and financial institutions with minimum 'A' independent credit rating • Operations of the Group results in no concentration of customers in any particular region or sector • Enhanced alternative payment methods for customers in regional areas

Capital and risks

Risk identified	Definition	Exposures	Management of exposures
Liquidity risk	The risk of having insufficient funds to settle financial liabilities as and when they fall due	• Insufficient levels of committed credit facilities • Settlement of financial liabilities • Further information on liquidity risk exposures is detailed in section E below	• Maintaining sufficient levels of cash and committed credit facilities to meet financial commitments and working capital requirements • Timely review and renewal of credit facilities

The Group holds the following financial assets and liabilities.

	2022 $'000	2021 $'000
Financial assets		
Cash and cash equivalents	**31,659**	53,630
Trade receivables	**69,700**	66,300
Pre-paid contract funds under management	**597,687**	649,875
Other financial assets	**5,918**	4,072
	704,964	773,877
Financial liabilities		
Trade and other payables	**80,528**	69,226
Contingent considerations	**-**	6,282
Borrowings	**200,596**	188,843
Lease liabilities	**182,464**	175,402
Derivative financial instruments	**-**	76
	463,588	439,829

A. Interest rate risk exposure (cash flow and fair value)

The Group's main interest rate risk arises from long term bank borrowings. Bank borrowings are typically at variable interest rates determined by a margin over the reference rate based on the Group's leverage ratio. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Group's policy is to limit its exposure to adverse fluctuations in interest rates, which could erode the Group's profitability and adversely affect shareholder value. The Group reviews interest rate risk exposure on an ongoing basis (at least once each quarter) or whenever a major change in borrowing levels is anticipated. The review includes a reference to ongoing cash flow forecasts and considers future mergers, acquisitions, divestments, capital management and capital expenditure as appropriate. Recommendations in relation to interest rate hedging are provided to the Chief Financial Officer for approval, as required. When applicable, the Group manages interest rate exposure generally by entering into interest rate swap contracts under which it receives interest at variable rates and pays interest at fixed rates.

In addition to swaps, the Group has also entered into a note purchase agreement in February 2018 that is denominated in Australian dollars at a fixed interest rate. This assists in minimising the Group's overall interest rate risk by fixing the interest rate for core level of debt.

The interest rate swaps position and the coverage on outstanding bank borrowings as at end of the financial years are set out in the table below. All interest rate swaps were matured during the financial year ended 31 December 2022.

	2022 %	2021 %
Bank borrowings[a]		
Effective average interest rate as at 31 December	**5**	3
Interest rate swaps position as at 31 December		
Weighted average fixed interest rate payable	**N/A**	2.27
Weighted average variable interest rate receivable	**N/A**	0.61
Interest rate swaps coverage on outstanding bank borrowings		
Australia	**Nil**	Nil
New Zealand	**Nil**	33
Singapore[b]	**Nil**	Nil
Combined Australia and New Zealand	**Nil**	15

a *The effective average interest rate includes swaps and margins but excluding establishment fees.*

b *Due to the relative stability of Singapore interest rates, Singapore denominated debt has been allowed to stay at floating rates.*

Hedging for interest rate risk exposure

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

Where applicable, the Group enters into interest rate swaps that have similar critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount. The Group does not hedge 100% of its loans; therefore the hedged item is identified as a proportion of the outstanding loans up to the notional amount of the swaps. As all critical terms were matched during the year, the economic relationship was 100% effective.

Hedge ineffectiveness for interest rate swaps is assessed by performing a qualitative assessment of effectiveness. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the Group uses the hypothetical derivative method to assess effectiveness.

Hedge ineffectiveness may occur due to:

- The credit value/debit value adjustments on the interest rate swaps which is not matched by the loans
- Differences in critical terms between the interest rate swaps and loans

The following variable rate bank borrowings and interest rate swap contracts are outstanding at the reporting date.

	2022		2021	
	Weighted average interest rate %	**Balance $'000**	**Weighted average interest rate %**	**Balance $'000**
Variable borrowings	**4.97**	**102,150**	1.76	91,412
Interest rate swaps (notional principal)	**-**	**-**	2.27	(14,114)
Net exposure to cash flow interest rate risk		**102,150**		77,298

The notional principal amounts and swap liability periods of expiry of the interest rate swap contracts are as follows.

	Nominal value		Swap liability	
	2022 $'000	**2021 $'000**	**2022 $'000**	**2021 $'000**
Less than one year	**-**	14,114	**-**	76

All interest rate swap contracts have been closed off as of 31 December 2022. As a consequence, the Group is exposed to interest rate risks on that portion of total borrowings not swapped to fixed rates and to potential movements in the margin due to changes in the Group's leverage ratio.

Where possible, borrowings are made in the same country as the operation being funded to provide a natural hedge against currency volatility. Where this is not possible, other techniques, such as foreign currency bank accounts, are used to mitigate the profit and loss volatility due to currency movements.

The overall impact and sensitivities of the interest bearing assets and liabilities and related derivatives of the Group has been summarised in section G Summarised sensitivity analysis in this note.

Capital and risks

B. Foreign currency risk exposure

The Group rarely undertakes significant commercial transactions in currencies other than in the functional currency of the operating subsidiaries in New Zealand and Singapore.

Foreign currency risks arise from recognised assets and liabilities that are denominated in a currency other than the Group's functional currency, the Australian dollar. The major foreign currency risk relates to the investments in subsidiaries in New Zealand and Singapore. This exposes the Group to foreign currency risk on the assets and liabilities.

Borrowings have been made by the Group in New Zealand and Singapore dollars to provide a natural hedge against the risk of changes in exchange rates in New Zealand and Singapore. The borrowings are therefore a hedge of the net investment in the foreign subsidiaries.

The Group has no significant unhedged foreign exchange exposures at 31 December 2022. Therefore, there was no ineffectiveness to be recorded from net investments in foreign entity hedges.

The Group's exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollars, was as follows.

	New Zealand dollars		Singapore dollars	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Borrowings	**20,800**	46,000	**27,500**	30,000
Derivatives	**-**	81	**-**	-

C. Price risk exposure

The Group is the ultimate beneficiary of pre-paid contract funds under management (Invested Funds) invested in various pre-paid contract trusts, as described in Note 9. There are a several trusts in existence with various investment profiles.

Accordingly, the Group's future income is sensitive to the price risk relating to the investment returns of these funds under management.

These funds are invested in a range of asset classes with different price risk variables including cash, fixed interest, Australian and international equities, hybrids and direct and indirect property. The return on these funds (net of the increase in the liability to deliver the future services) are recognised as net gain/loss on undelivered pre-paid contracts in the statement of comprehensive income.

Refer to Note 9 Pre-paid contracts for the profit and loss impact of the pre-paid funds under management and the pre-paid contract liabilities for the year ended 31 December 2022.

More than 90% of the funds are managed by the Over Fifty Guardian Friendly Society (OFGFS) which is controlled by a five-member independent Board with two InvoCare representatives. Non OFGFS funds are primarily invested in capital guaranteed funeral bonds managed by a range of APRA regulated institutions.

The OFGFS Board has appointed an Investment Committee (GIC) which is responsible for the management of the Invested Funds in accordance with an approved Investment Policy Statement (IPS). The IPS provides guidance on the ongoing prudent and efficient management of the investment arrangements. The principal objective of the Invested Funds is to maximise returns without exceeding risk levels specified in the Investment Guidelines. By pursuing these objectives, the Invested Funds are expected to provide a long-term rate of return sufficient to meet the original plus subsequent increases in retail prices of delivering the promised funeral services after considering all Invested Funds expenses and tax.

The GIC regularly sets a target asset allocation to ensure investment activity sits within the stated risk profile and to also ensure that other limits specified in the IPS are being met. External consultants are engaged to review the risk and return forecasts on a regular basis and recommend amendments to the target asset allocation if required.

Normally funds are invested for extended periods, with the median life of a pre-paid funeral contract being circa nine years. Liquidity risk is considered low as the value of the pre-paid contract funds under management exceeding the pre-paid contract liabilities at year end. The fund can therefore take a long-term view on its investment horizon and absorb short term fluctuations in returns caused by market volatility.

The asset allocation at reporting date of pre-paid contract funds under management is as follows.

	2022 %	2021 %
Equities	**33**	43
Property	**26**	26
Cash and fixed interest (includes hybrid securities)	**41**	31

Other than disclosed above, the Group does not hold any investments in equities or commodities and is therefore not subject to price risk.

Based on the asset allocation as at 31 December 2022 and 31 December 2021 the following changes in investment returns are reasonably probable.

	2022		2021	
	Increase $'000	Decrease $'000	Increase $'000	Decrease $'000
Asset class				
Equities (plus or minus 10%)	**16,529**	**(16,529)**	24,093	(24,093)
Property (plus or minus 3%)	**4,008**	**(4,008)**	4,367	(4,367)
Cash and fixed interest (no price risk)	**-**	**-**	-	-
	20,537	**(20,537)**	28,460	(28,460)

D. Credit risk exposure

Credit risk is managed on a Group basis. Credit risk arises from cash and deposits with banks and financial institutions, derivative financial instruments, as well as credit exposures to customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of A are accepted.

Credit risks in relation to customers are highly dispersed and without concentration on any particular region or sector. The trade receivables are non-interesting bearing. Funeral homes attempt to collect deposits at the time the service is commissioned both as a sign of good faith and in order to cover out-of-pocket expenses. Cemetery and crematorium and pet cremation products are generally not delivered prior to the receipt of all or substantially all of the amounts due.

The Group applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of rolling 24 months before the financial year end 31 December 2022. Refer to Note 8 for details of loss allowance and movement for the financial year.

The Group's own collection activity, which varies based on the nature and relative age of the debt, is routinely applied to all past due accounts. When these activities do not result in a successful recovery of the debt, it is referred to external debt collection agencies.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators include amongst others, the failure of the debtor to engage in a repayment plan with the Group. Once all attempts to recover the debt have been exhausted, then a debt is considered to be in default and written off. Subsequent recoveries of amounts previously written off are credited against sundry revenue in the consolidated statement of comprehensive income.

Capital and risks

E. Liquidity risk exposure

Prudent liquidity management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the relatively stable nature of the Group's business, management aims to maintain a large portion of committed credit lines on a long term basis.

As at 31 December 2022, the Group had access to $382,440,000 of loan facilities as follows:

- $100,000,000 Note Purchase Agreement with MetLife, fully drawn at 31 December 2022 and due for repayment in February 2028
- $275,000,000 Amended Syndicated Debt Facility Agreement supported by ANZ, Westpac, Mizuho and SMBC providing available funds through a Multi-Currency Revolving Cash Advance facility, with a tenor of three years to the end of August 2024
- $7,440,000 working capital overdraft facility provided by ANZ

The $275,000,000 debt facility is currently drawn as follows: A$52,500,000, NZ$20,800,000 and SG$27,500,000.

The financial covenant ratios included on the debt facilities are calculated on an adjusted Operating EBITDA basis (primarily to include the proforma earnings contributions from acquisitions and to adjust for costs arising from restructuring and other initiatives). The covenant target ratios are as follows:

- Leverage ratio (being net debt to adjusted Operating EBITDA) must be no greater than 3.5 times
- Interest cover ratio (being adjusted Operating EBITDA to net interest adjusted to remove interest related to AASB 16 Leases) must be greater than 3.0 times

The above ratios continued to be met as of 31 December 2022.

As at 31 December 2022, the details of the facilities available, drawn down, unused by facility are disclosed in the table below.

	2022 $'000	2021 $'000
Total facilities available		
Working capital facility - expiring within one year	**7,440**	7,440
Unsecured loan facility - expiring in one to two years	**275,000**	-
Unsecured loan facility - expiring in two to five years	**100,000**	375,000
	382,440	382,440
Drawn down at reporting date		
Working capital facility - expiring within one year	**-**	-
Unsecured loan facility - expiring in one to two years	**102,150**	-
Unsecured loan facility - expiring in two to five years	**100,000**	191,412
	202,150	191,412
Unused at reporting date		
Working capital facility - expiring within one year	**7,440**	7,440
Unsecured loan facility - expiring in one to two years	**172,850**	-
Unsecured loan facility - expiring in two to five years	**-**	183,588
	180,290	191,028
Long-term borrowings outstanding at reporting date		
Unsecured loan facility	**202,150**	191,412
Less: Loan establishment costs	**(1,554)**	(2,569)
	200,596	188,843

The table below analyses the Group's financial liabilities into the relevant maturity groupings based on their contractual terms as at the reporting date. Trade and other payables, lease liabilities and borrowings are non derivative liabilities.

2022	Less than one year $'000	One to two years $'000	Two to three years $'000	More than three years $'000	Total $'000
Trade and other payables	**80,528**	**-**	**-**	**-**	**80,528**
Lease liabilities	**21,895**	**-**	**40,967**	**171,365**	**234,227**
Borrowings	**-**	**102,150**	**-**	**100,000**	**202,150**
2021					
Trade and other payables	69,226	-	-	-	69,226
Contingent considerations	6,282	-	-	-	6,282
Lease liabilities	20,855	-	36,454	167,000	224,309
Borrowings	-	-	91,412	100,000	191,412
Derivatives	76	-	-	-	76

F. Fair value measurement

The Group's financial assets and liabilities are measured at fair value at the end of each reporting period. They are measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: Unobservable inputs for the asset or liability

The following table gives information about how the fair value of financial assets and liabilities are determined, including the valuation technique and inputs used. For the Group's financial assets and liabilities not measured at fair value, their carrying amount provides a reasonable approximation of their fair values.

Financial assets or liabilities	Fair value hierarchy	Valuation technique	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Pre-paid contract funds under management	Level 2	The fair value is calculated based on the number of units multiplied by the unit price of the funds which administers the invested funds. The unit price of the funds is based on the fair value of the underlying investments, which include equities, cash, fixed interest deposits and property.	Not applicable	Not applicable

There were no transfers between levels during the reporting period.

Capital and risks

G. Summarised sensitivity analysis

The following table summarises the sensitivity of the Group's financial assets and financial liabilities to interest rate risk and foreign exchange risk net of applicable income tax.

		Interest rate risk				Foreign exchange risk			
		-100 basis point		+100 basis point		-10%		+10%	
2022	**Carrying value $'000**	**Profit/ (loss) $'000**	**Equity $'000**	**Profit/ (loss) $'000**	**Equity $'000**	**Profit/ (loss) $'000**	**Equity $'000**	**Profit/ (loss) $'000**	**Equity $'000**
Financial assets									
Cash and cash equivalents	31,659	(208)	-	208	-	-	-	-	-
Trade receivables	69,700	-	-	-	-	-	-	-	-
Pre-paid contract funds under management	597,687	2,105	-	(2,105)	-	-	-	-	-
Other financial assets	5,918	-	-	-	-	-	-	-	-
Financial liabilities									
Trade and other payables	(80,528)	-	-	-	-	-	-	-	-
Lease liabilities	(182,464)	-	-	-	-	-	-	-	-
Borrowings	(200,596)	(1,405)	-	1,405	-	(202)	-	165	-
Total increase/ (decrease)		492	-	(492)	-	(202)	-	165	-
2021									
Financial assets									
Cash and cash equivalents	53,630	(375)	-	375	-	-	-	-	-
Trade receivables	66,300	-	-	-	-	-	-	-	-
Pre-paid contract funds under management	649,875	(4,529)	-	4,529	-	-	-	-	-
Other financial assets	4,072	-	-	-	-	-	-	-	-
Financial liabilities									
Trade and other payables	(69,226)	-	-	-	-	-	-	-	-
Contingent considerations	(6,282)	-	-	-	-	-	-	-	-
Lease liabilities	(175,402)	-	-	-	-	-	-	-	-
Borrowings	(188,843)	(1,241)	-	1,241	-	(120)	22	98	(131)
Derivatives	(76)	-	102	-	(102)	-	(22)	-	131
Total increase/ (decrease)		(6,145)	102	6,145	(102)	(120)	-	98	-

Note 15. Contributed equity

	2022 Number 000	2021 Number 000	2022 $'000	2021 $'000
Ordinary shares - fully paid	**144,061**	144,061	**511,293**	511,293
Treasury shares - fully paid	**(1,007)**	(1,086)	**(12,507)**	(13,513)
	143,054	142,975	**498,786**	497,780

A. Ordinary shares

	2022 Number 000	2021 Number 000	2022 $'000	2021 $'000
Movement during the year				
Balance at 1 January and reporting date	**144,061**	144,061	**511,293**	511,293

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Since 2006, the Company activated its Dividend Reinvestment Plan (DRP) under which equity holders of ordinary shares may elect to have all or part of their dividend entitlements satisfied in ordinary shares rather than by being paid in cash. The ordinary shares to be transferred to the DRP participants would either be by acquiring shares on market or issuing new shares as determined by the Board of Directors for each dividend payable.

B. Treasury shares

	2022 Number 000	2021 Number 000	2022 $'000	2021 $'000
Movement during the year				
Balance as at 1 January	**(1,086)**	(1,175)	**(13,513)**	(14,288)
Vested share rights/options exercised	**53**	61	**739**	468
Transfer to Exempted Employee Share Plan's participants	**26**	28	**267**	307
Balance at reporting date	**(1,007)**	(1,086)	**(12,507)**	(13,513)

Treasury shares are shares in InvoCare Limited that are held by the InvoCare Deferred Employee Share Plan Trust and Employee Share Plan Trust for the purpose of issuing shares under the InvoCare Deferred Employee Share Plan and InvoCare Employee Share Plan, as set out in Note 22.

Capital and risks

C. Capital management

The Group's capital management objectives and strategies seek to maximise total shareholder returns, while maintaining a capital structure with acceptable debt and financial risk.

The capital management goals can be broadly described as:

- Manage the amount of equity and the expectation of returns – including dividend distribution policy, dividend reinvestment and share buy-back policies
- Maintain debt and gearing that is prudent, cost effective, supports operational needs and provides flexibility for growth and development
- Avoid excessive exposure to interest rate fluctuations and debt refinancing risk
- Balance asset maintenance with growth focused investment

The goals are actively managed by the use of quantifiable measures. These measures and relevant comments are as follows:

- Maximising shareholder returns: Earnings per share (EPS) is a key measure and for 2022, basic EPS was (1.3) cents (2021: 56.1 cents). Operating EPS, which excludes restructuring costs, gains and losses on the disposal or impairment of non-current assets and on undelivered pre-paid contracts, non-controlling interests, disposal of subsidiaries and SaaS arrangements expensed as incurred, was 35.1 cents (2021: 31.6 cents). Importantly, senior management of the Group have long-term incentives linked to EPS growth, thus aligning employee and shareholder interests. The Group's aim is to deliver stable, predictable, growing returns to shareholders represented by compound annual growth in Operating EPS in the low to mid-teens through the cycle.
- Maintaining a minimum ordinary dividend payout ratio of between 60% to 80% of operating earnings after tax. The aggregate of the interim and final 2022 dividends represents a payout ratio of 70% (2021: 66%) of operating earnings after tax.
- Confirming compliance with the debt covenant ratios, as defined in the facility agreements, through bi-annual calculations. The Group has complied with its banking covenants as follows:
    - Leverage ratio (being net debt to adjusted Operating EBITDA) must be no greater than 3.5 times
    - Interest cover ratio (being adjusted Operating EBITDA to net interest adjusted to remove interest related to AASB 16 Leases) must be greater than 3.0 times
- Maintaining an optimal leverage ratio: The optimal capital structure, which has the lowest cost of capital, is indicatively at a leverage ratio (i.e. Net debt/Adjusted operating EBITDA) of no higher than a range between 2.0 times and 2.5 times through the cycle with an interest cover ratio of greater than 4.0 times. A liquidity buffer of at least $10 million should be maintained. Where the capacity exists, debt financing will be used for small acquisitions and capital expenditure. In the absence of opportunities to invest in growing the business, the Group will consider applying excess debt capacity to make returns to shareholders.
- Managing refinancing risk: Spreading the tenor of the debt available to the Group minimises its exposure to the risks that all the debt will become due at a single point of time.
- When allocating capital to drive strategic outcomes, those investment opportunities will be assessed in line with portfolio management criteria depending on the type of opportunity and will be aimed at delivering an enterprise Return on Capital Employed of greater than 12% by 2025.
- Recurring maintenance CAPEX will approximate depreciation & amortisation (excluding the AASB 16 impact of leases), this in turn will sustain our asset base for the long term.

D. Accounting policy for ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Note 16. Contingencies

There were no unrecognised contingent assets as at 31 December 2022 and 31 December 2021.

The Group had the following guarantees which are determined to be contingent liabilities at 31 December 2022:

- Bank guarantees given for leased premises of subsidiaries to a maximum of $3,517,000 (2021: $3,289,000)
- Deed of cross guarantee entered into by a number of the Group's entities.

Refer to Note 24 for further details of bank guarantees entered into by the parent entity.

Note 17. Commitments

As at reporting date, the Group has the following capital and other commitments which are not recognised as liabilities.

	2022 $'000	2021 $'000
A. Capital commitments		
Contracted and conditionally contracted - within one year		
Building extensions and refurbishments	**2,950**	2,780
Plant and equipment purchases	**4,296**	5,053
B. Other commitments		
Documentary letters of credit - within one year	**154**	169

C. Lease commitments

The Group leases premises, motor vehicles and sundry office equipment under leases with terms generally from one to five years. The Rookwood Crematorium lease expires in 2025. The Great Southern Garden of Remembrance lease expires in 2047 with an option to renew for a further 50 years.

From 1 January 2019, the Group has recognised right of use assets for these leases, except for short term and low value leases, see Note 11 Section B Right of use assets for further information.

Contracted leases committed at reporting date but not recognised as liabilities or payable are provided in the table below.

	2022 $'000	2021 $'000
Within one year	**-**	669

Note 18. Events after reporting period

Other than the dividend determined as disclosed in Note 4, no other matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Business portfolios

This section provides information on how the Group structure affects the financial position and performance of the Group as a whole. The disclosures detail the types of entities and transactions included in the consolidation and those excluded.

Note 19. Business combinations

A. Acquisition for the year ended 31 December 2022

During the year ended 31 December 2022, the Group acquired the business assets of William Matthews Funerals, a funeral services provider in Victoria. A summary of the purchase consideration, goodwill and identifiable assets and liabilities acquired for the acquisition is as follows:

- Total consideration, only paid in cash: $2,625,000, with net cash outflow: $2,575,000
- Fair value of assets and liabilities acquired:
  - Inventories: $106,000
  - Property, plant and equipment: $77,000
  - Right of use assets: $2,045,000
  - Pre-paid contracts funds under management: $3,656,000
  - Lease liabilities: $(2,045,000)
  - Pre-paid contract liabilities: $(3,656,000)
  - Provision for employee entitlements: $(165,000)
  - Other assets: $3,000
- Goodwill: $2,554,000

The accounting for this acquisition is provisional as at 31 December 2022.

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

If new information obtained within one year from the acquisition date about facts and circumstances that existed at the acquisition date identifies adjustments to the above amounts, then the acquisition accounting will be revised.

Revenue and profit after tax for the period from the acquisition date are $530,000 and $261,000, respectively.

If the acquisition had occurred on 1 January 2022, consolidated revenue and profit after tax for the year ended 31 December 2022 would have increased by approximately $2,344,000 and $326,000, respectively.

Acquisition related costs incurred during the year ended 31 December 2022 are $1,005,000.

B. Acquisition for the year ended 31 December 2021

The accounting for the one acquisition, settled during the prior year ended 31 December 2021, has been finalised during 2022. There have been no material changes to the financial information disclosed for that acquisition. Refer to 2021 Annual Report for further details of that acquisition.

C. Contingent considerations

During the financial year ended 31 December 2022, the Group settled all contingent considerations outstanding as at 31 December 2021 totalling $6,282,000 without any adjustment (refer to 2021 Annual Report for further details of prior year's movements).

D. Accounting policies for business combination

The purchase method of accounting is used to account for all acquisitions of assets (including business combinations) regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised directly in the statement of comprehensive income, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of acquisition. Any variations in the initial estimates of deferred consideration and the final amount payable are remeasured through the statement of comprehensive income.

The present value of contingent consideration is classified as a financial liability and is subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

The acquisition-related costs are recorded in the statement of comprehensive income.

Note 20. Interests in subsidiaries

A. Interests in subsidiaries

Set out below are the Group's principal trading subsidiaries at 31 December 2022. Unless otherwise stated, the subsidiaries as listed below have share capital consisting solely of ordinary shares, which are held directly by the Group, and the proportion of ownership interests held equals to the voting rights held by the Group. The country of incorporation or registration is also their principal place of business. The principal activities of all these subsidiaries are funeral services provider and pet cremations.

Name of subsidiaries	Country of incorporation	Ownership interest held by the Group 2022 %	2021 %
InvoCare Australia Pty Limited	Australia	**100**	100
Bledisloe Australia Pty Limited	Australia	**100**	100
InvoCare PetCare Pty Limited	Australia	**100**	100
Family Pet Care Pty Limited	Australia	**100**	100
InvoCare New Zealand Limited	New Zealand	**100**	100
Singapore Casket Company (Private) Limited	Singapore	**100**	100

Shares in subsidiaries are carried at cost and relate to InvoCare Limited's ownership interest in InvoCare Australia Pty Limited, InvoCare PetCare Pty Limited, Family Pet Care Pty Limited, InvoCare (Singapore) Pty Limited, InvoCare New Zealand Limited. All shares held are ordinary shares.

InvoCare Australia Pty Limited, InvoCare PetCare Pty Limited, Family Pet Care Pty Limited, InvoCare (Singapore) Pty Limited and Bledisloe Australia Pty Ltd have been granted relief from the necessity to prepare financial reports in accordance with ASIC Corporations Instrument 2016/785 issued by the Australian Securities & Investments Commission. For further information refer to Note 25.

B. Significant restrictions

Other than those imposed by the legislative provisions in the respective country of incorporation, for the subsidiaries listed above, the Group has no significant restriction on its ability to access or use assets and settle liabilities.

C. Subsidiaries with non-controlling interests (NCI)

One subsidiary, Macquarie Memorial Park Pty Limited, has non-controlling interests of 16.86% (2021: 16.86%). During the year dividends totaling $137,000 were paid to non-controlling interests (2021: $117,000).

D. Employee share trust

The Group has formed a trust to administer the InvoCare Exempt Employee Share Plan and the Employee Share Plan.

Business portfolios

E. Accounting policies

I. Subsidiaries

Subsidiaries are all entities (including employee share trust) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

II. Consolidation of subsidiaries

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to Note 19 Section D).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of non-wholly owned subsidiaries are shown separately in the consolidated statement of comprehensive income and balance sheet, respectively.

III. Employee share trust

The employee share trusts are consolidated, as the substance of the relationship is that the trusts are controlled by the Group. Shares held by the InvoCare Employee Share Plan Trust are disclosed as treasury shares and deducted from contributed equity.

IV. Foreign currency translation on subsidiaries

The results and financial positions of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- Income and expenses for each statement of comprehensive income are translated at average exchange rates
- All resulting exchange differences are recognised in other comprehensive income

On consolidation, exchange differences arising from the translation of any net investment in foreign subsidiaries, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences will be recognised in the statement of comprehensive income, as part of the gain or loss on sale where applicable.

Goodwill and fair value adjustments arising on the acquisition of a foreign subsidiary are treated as assets and liabilities of the foreign subsidiaries and translated at the closing rate.

Note 21. Other financial assets

	2022 $'000	2021 $'000
Balance at 1 January	**4,072**	4
Additions	**1,846**	4,068
Balance at 31 December	**5,918**	4,072

A. Other financial assets

Other financial assets consist mainly the Group's investment in Memories Group Limited (Memories), a provider of secure digital memorialisation services. The Group's investment represents 9.6% of Memories total equity.

On 21 July 2022, the Group invested in $1,447,000 in Parting Stone Australia Pty Limited (Parting Stone), an arrangement together with a US based partner. In October 2022, the Group invested an additional $399,000 as working capital. Parting Stone provides services to turn cremated remains into memorialisation products. This new investment is classified as a financial asset.

B. Accounting policy

Other financial assets are measured at fair value through profit and loss, less any impairment.

This section provides information on other disclosures which are required by various accounting standards and reporting requirements. They include:

Note 22. Share-based remuneration	Note 25. Deed of cross guarantee
Note 23. Related party transactions	Note 26. Remuneration of auditors
Note 24. Parent entity information	Note 27. Other accounting policies

Note 22. Share-based remuneration

The ultimate objective of share-based remuneration is to align the participants with delivery of shareholder value. Long term incentives, with appropriate performance hurdles, align participants to the long-term strategies, goals and objectives of the Group, and provide greater incentive for senior employees to have broader involvement and participation in the Group beyond their immediate role. Equity participation also assists the Group to attract and retain skilled and experienced senior employees.

The obligations under share-based payment arrangements are settled by either issuing new ordinary shares in the Company or acquiring ordinary shares of the Company on market. Overseas participants receive cash equivalent to the value of the equity awarded that vests.

Trading in InvoCare's ordinary shares awarded under the share-based remuneration arrangements is governed by InvoCare's Securities Trading Policy. The policy restricts employees from trading in InvoCare's shares when they are in a position to be aware, or are aware, of price sensitive information. The policy also implements blackout periods which prohibit trading in InvoCare's shares in the lead up to the Group's half year and annual result announcements and annual general meeting, unless Board express approval is obtained.

The share-based remuneration arrangements are governed by the terms of the Company's Employee Share Plan Rules.

Four plans are currently in operation under the Company's Employee Share Plan Rules. They include:

- A plan which is available to eligible employees who meet the employment conditions:
  - Exempt Employee Share Plan (EESP) – in the form of shares to the maximum value of $1,000 instead of cash salary
- Three plans which are only available to nominated employees:
  - Long-term Incentive Plan (LTIP) – in the forms of options and/or performance rights which will vest if the performance and employment conditions are both met
  - Deferred Employee Share Plan (DESP) – in the form of shares or share appreciation rights (SARs) for overseas employees which will vest when employment condition is met. From 2022 no further grants under this plan occurred.
  - Service Based Equity Plan (SEP) – in the form of rights which will vest if the employment condition is met

A. Exempt Employee Share Plan

Australian based permanent employees with more than six months service and a salary less than $180,000 per annum and casual staff with more than two years service routinely working at least 40% of a full time equivalent are annually offered the opportunity to acquire $1,000 worth of InvoCare Limited shares through a salary sacrifice arrangement as permitted by Australian Taxation Legislation. During 2022, 268 employees accepted the offer and at 31 December 2022 a further $141,000 was remaining to be collected via payroll deductions.

Other statutory disclosures

B. Long-term Incentive Plan

LTIP was introduced during 2016. The plan permits settlement in either equity or cash, at the Board's discretion. The plan provides options and/or performance rights to senior management team and a selected group of critical roles within the Group, so employees are incentivised to maximise shareholder value in the longer term.

Key terms and conditions of the LTIP						
Grant year	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
Base year (financial year ended 31 December)	2016	2017	2018	2019	2020	2021
Form of grant[a]						
Performance rights	Yes	Yes	Yes	Yes	Yes	Yes
Options	Yes	Yes	Yes	Yes	N/A	N/A
Form of settlement when exercising vested LTI[b]						
Australian participants	Shares	Shares	Shares	Shares	Shares	Shares
Overseas	Cash	Cash	Cash	Cash	Cash	Cash
Grant date fair value						
Rights – grant date value	$14.06	$13.91	$12.96	$9.70	$11.57	$12.37
Options – grant date value	$2.93	$2.78	$2.51	$2.14	N/A	N/A
Dividend entitlement[c]						
Performance rights	No	No	No	Yes	Yes	Yes
Performance hurdle(s) and vesting scale						
CAGR in EPS target[d]						
Maximum (100% vesting)	12%	12%	12%	10%	15%	15%
Minimum (30% vesting)	7%	8%	8%	6%	10%	10%
Average ROIC target[e,f]						
Maximum (100% vesting)	N/A	N/A	N/A	12%	N/A	N/A
Minimum (30% vesting)	N/A	N/A	N/A	10%	N/A	N/A
Average ROCE target[g]						
Maximum (100% vesting)	N/A	N/A	N/A	NA	12%	13%
Minimum (30% vesting)	N/A	N/A	N/A	NA	10%	11%
Number of tranches for the grant						
Performance rights/options	3	2	2	1	1	1
Performance testing time for each tranche (T)						
Feb-19	T1					
Feb-20	T2 + PY residue					
Feb-21	T3 + PY residue	T1				
Feb-22	Final re-testing All residue	T2 + PY residue	T1			
Feb-23			T2 + PY residue			
Feb-23				Only one testing		
Feb-24					Only one testing	
Feb-25						Only one testing

a *Both options and performance rights are granted for nil consideration, they are not entitled to voting rights during the vesting period*

b *For each vested option and performance rights, upon exercise:*

- *For Australian participants, each option (after paying the options exercise price) and performance right entitle the participant to subscribe for one InvoCare ordinary share*
- *For overseas participants, each option (after paying the options exercise price) and performance right entitle the participant to receive cash equivalent value of one InvoCare ordinary share at the market value at date of exercise of the options and performance rights*

c *For those performance rights entitled to dividends, if determined and paid by InvoCare Board, during the performance period. Additional performance rights will be granted to the participants of LTIP at the dividend payment date. The number of performance rights granted are calculated by the number of share rights or performance rights times the dividend paid per share divided by the dividend reinvestment plan VWAP price. These additional performance rights granted – dividend entitlement will only be payable as additional shares on date of vesting of the originally granted performance rights*

d *Normalised EPS means constant currency EPS adjusted to exclude the after tax impacts of funds under management movements, the gain or loss on the sale, disposal or impairment of non-current assets, non-cash movements in derivative financial instruments reported in profit before tax and impacts of changed accounting policies because of changes of accounting standards from the base year. For 2020 grant onwards, EPS is calculated based on operating earnings (normalised for non-operating items)*

e *For 2017 to 2019 grant, vesting of these grants is conditional on meeting a minimum level of ROIC as specified in the invitation, being no LTI vesting will occur if the ROIC for the year does not exceed the weighted average cost of capital (WACC) in that year. For the vesting test on the second anniversary (i.e. re-testing), the average of years one and two ROIC and WACC are to be used*

f *ROIC means return on invested capital and is calculated by dividing the operating earnings by the average invested capital*

g *ROCE means return on capital employed and is calculated by dividing the operating earnings before interest and tax by the average capital employed*

h *Upon termination of employment, all unvested options and performance rights will be forfeited unless Board approval is granted for the "Good Leaver"*

i *Clawback and malus: the Board, at its sole discretion, may determine that all or part of any vested and unvested options or performance rights may be forfeited in certain circumstances*

The fair value of the options and performance rights at grant date is estimated using Black-Scholes Pricing model. The model takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield, the risk-free interest rate for the term of the option.

The following information related to the options and performance rights issued under the LTIP.

Grant date	Expiry date	Fair value at grant date	Balance at the start of the year Number	Granted Number	Grant - dividend entitlements Number	Vested Number	Lapsed Number	Balance at the end of the year Number
Options								
1/01/2016	1/01/2026	$2.40	274,170	-	-	(2,738)	-	271,432
1/01/2017	1/01/2027	$2.93	258,779	-	-	-	(258,779)	-
22/02/2017	22/02/2027	$2.93	16,221	-	-	-	(16,221)	-
1/01/2018	1/01/2028	$2.78	609,410	-	-	-	(609,410)	-
1/01/2019	1/01/2029	$2.51	764,490	-	-	-	(11,952)	752,538
1/03/2020	1/03/2028	$0.58	497,758	-	-	-	(14,600)	483,158
			2,420,828	-	-	(2,738)	(910,962)	1,507,128
Performance rights								
1/01/2017	1/01/2027	$14.06	29,581	-	-	-	(29,581)	-
22/02/2017	22/02/2027	$14.06	3,380	-	-	-	(3,380)	-
1/01/2018	1/01/2028	$13.91	56,181	-	-	-	(56,181)	-
1/01/2019	1/01/2029	$12.96	64,789	-	-	-	(2,074)	62,715
1/03/2020	1/03/2035	$9.70	99,366	-	2,241	-	(2,317)	99,290
3/08/2020	1/08/2035	$9.70	17,349	-	396	-	-	17,745
1/01/2021	1/01/2036	$11.57	280,954	-	6,421	-	-	287,375
1/01/2022	1/01/2037	$12.37	-	63,741	833	-	-	64,574
1/01/2022	1/01/2037	$10.90	-	222,657	2,832	-	(4,939)	220,550
25/07/2022	25/07/2037	$9.85	-	4,205	54	-	-	4,259
1/08/2022	1/08/2037	$9.85	-	8,534	111	-	-	8,645
			551,600	299,137	12,888	-	(98,472)	765,153

The value of the options and performance rights exercised is based on the VWAP for the year ended 31 December 2022 and was $11.25 (2021: $11.33).

Other statutory disclosures

C. Deferred Employee Share Plan

This plan introduced in 2007 is settled by the transfer of InvoCare ordinary shares to participants upon vesting. This plan is for recognising, rewarding and retaining InvoCare's key talent in critical roles in middle management level. Therefore, from 2016 onwards, this plan has only one vesting condition, being ongoing employment condition met at vesting dates. Eligible employees participate in this plan based on nomination only.

The required ordinary shares can be purchased on market and held by the Employee Share Plan Trust or issue of new shares. This plan if in operation, grants normally occur in March following the previous full year results announcement. For new grants, the number of shares to be allocated to eligible employees is based on the volume weighted average price (VWAP) of InvoCare ordinary shares traded during the first 10 days of the trading window that immediately follows the announcement of the previous full year results.

The key terms and conditions of this plan:

- In the form of shares to be granted as approved by the Board
- Shares are granted for nil consideration
- The vesting condition is to meet ongoing employment condition
- From 2022 no further grants under this plan occurred
- Each grant of shares is divided in three equal tranches
- From 2021, the waiting period is shortened by 12 months for ongoing employment condition, the vesting date of the three tranches are:
    - Tranche 1 – completion of 12 months employment from grant date
    - Tranche 2 – completion of 24 months employment from grant date
    - Tranche 3 – completion of 36 months employment from grant date
- Prior 2021, the waiting period for ongoing employment condition, the vesting date of the three tranches are:
    - Tranche 1 – completion of 24 months employment from grant date
    - Tranche 2 – completion of 36 months employment from grant date
    - Tranche 3 – completion of 48 months employment from grant date
- Entitle to receive any dividends that may become payable on the shares during the vesting period
- Entitle to voting rights of the shares during the vesting period
- Upon vesting:
    - For Australian participants, vested shares will be transferred to the vested shares account of the participants
    - For overseas participants, each share entitles the participant to receive cash equivalent value of one InvoCare ordinary share at the market value at date of vesting
- Upon termination of employment, all unvested shares will be forfeited

D. Service Based Equity Plan

The Service Based Equity Plan (SEP) introduced in 2020. SEP is for recognising, rewarding and retaining InvoCare's key talent in critical roles in middle management level. This plan has only one vesting condition, being ongoing employment condition met at vesting dates. Eligible employees participate in this plan based on nomination only.

The key terms and conditions of this plan:

- In the form of rights to be granted as approved by the Board
- Rights are granted for nil consideration
- The vesting condition is to meet ongoing employment condition
- For 2022 grant onwards, the rights will vest in 2 years from grant date
- For 2020 grant, the rights are divided into six equal tranches and vest every 6 months from 1 March 2021 onwards
- These rights are entitled to dividends, if determined and paid by InvoCare Board, during the performance period. Additional rights will be granted to the participants of SBP at the dividend payment date. The number of rights granted are calculated by the number of share rights or performance rights times the dividend paid per share divided by the dividend reinvestment plan VWAP price. These additional rights granted – dividend entitlement will only be payable as additional shares on date of vesting of the originally granted rights
- For each vested right, upon exercise:
    - For Australian participants, each right entitles the participant to subscribe for one InvoCare ordinary share
    - For overseas participants, each right entitles the participant to receive cash equivalent value of one InvoCare ordinary share at the market value at date of exercise
- Upon termination of employment, all unvested rights and any cumulated dividend (in the form of rights) will be forfeited

The following information relates to the rights issued under the SEP and shares held in the share plan trust under DESP.

Grant date	Expiry date	Fair value at grant date	Balance at the start of the year Number	Granted Number	Grant - dividend entitlements Number	Vested Number	Lapsed Number	Balance at the end of the year Number
Rights - ongoing employment condition only								
1/09/2020	1/09/2035	$9.70	113,421	-	2,291	(16,043)	(17,077)	82,592
19/10/2020	1/09/2035	$10.50	14,198	-	324	-	-	14,522
1/01/2021	31/12/2035	$11.57	34,782	-	-	-	-	34,782
3/05/2021	3/05/2036	$11.57	2,015	-	20	(2,035)	-	-
1/09/2022	3/05/2036	$10.12	-	86,107	-	-	(1,403)	84,704
			164,416	86,107	2,635	(18,078)	(18,480)	216,600
Shares - ongoing employment condition only								
1/03/2018	1/03/2028	$13.91	3,509	-	-	(3,509)	-	-
1/03/2019	21/02/2029	$14.46	18,330	-	-	(9,158)	(1,021)	8,151
1/03/2020	1/03/2035	$10.70	1,758	-	-	(586)	(586)	586
15/06/2020	1/07/2035	$11.10	20,000	-	-	(10,000)	-	10,000
1/03/2021	1/03/2031	$10.70	12,000	-	-	(4,000)	-	8,000
1/09/2021	1/09/2036	$11.10	34,421	-	-	(9,356)	(7,092)	17,973
1/01/2022	1/01/2037	$12.37	-	10,700	-		-	10,700
1/01/2022	1/01/2037	$10.97	-	6,660	-	-	-	6,660
			90,018	17,360	-	(36,609)	(8,699)	62,070

The value of the options and performance rights exercised is based on the VWAP for the year ended 31 December 2022 and was $11.25 (2021: $11.33).

Note 23. Related party transactions

A. Key management personnel compensation

	2022 $	2021 $
Short-term employee benefits	**3,760,535**	2,671,110
Post-employment benefits	**146,725**	49,597
Other long-term benefits	**15,462**	10,618
Share based payments	**1,267,592**	814,380
	5,190,314	3,545,705

B. Parent entity

The ultimate parent entity within and for the Group is InvoCare Limited.

C. Transactions with subsidiaries

All transactions that have occurred among the subsidiaries within the Group have been eliminated for consolidation purposes.

D. Transactions with other related parties

The contributions to superannuation funds on behalf of employees are disclosed in Note 5 Section F.

Other statutory disclosures

Note 24. Parent entity information

A. Summary financial information

The financial information provided in the table below is only for InvoCare Limited, the parent entity of the Group.

	2022 $'000	2021 $'000
Statement of comprehensive income		
Profit after income tax	**34,398**	56,023
Total comprehensive income	**34,398**	56,382
Balance sheet		
Current assets	**-**	85
Total assets	**922,006**	897,139
Current liabilities	**10,586**	4,854
Total liabilities	**180,956**	160,574
Equity		
Contributed equity	**498,786**	497,780
Share-based payments reserve	**9,261**	5,503
Foreign currency reserve	**1,080**	1,080
Retained profits	**231,923**	232,202
Total equity	**741,050**	736,565

B. Guarantees entered into by the parent entity

The parent entity provided the following guarantees during the year ended 31 December 2022 and 31 December 2021:

- Bank guarantees given for leased premises of subsidiaries to a maximum of $3,517,000 (2021: $3,289,000)
- Under the terms of a General Security Trust Deed executed on 16 February 2018 the parent entity, InvoCare Limited, and its material wholly-owned subsidiaries (the Guarantors) have individually guaranteed to the financiers the due and punctual payment in full of any liabilities or obligations provided under the terms of the Syndicated Facility Agreement and the Note Purchase Agreement both dated 16 February 2018. The Guarantors have also indemnified the financiers against any loss or damage suffered by the financiers arising from any failure by a borrower or any Guarantor to satisfy the obligations.

C. Contingent liabilities

Other than the guarantees as disclosed in section B above, there were no unrecognised contingent liabilities as at 31 December 2022 and 31 December 2021.

D. Capital commitment – property, plant and equipment

The parent entity has no capital commitments for the acquisition of property, plant or equipment at 31 December 2022 and 31 December 2021.

E. Tax consolidation group

InvoCare Limited (the head entity) and its wholly-owned Australian subsidiaries implemented the tax consolidation legislation from 1 January 2004.

On adoption of the tax consolidation legislation, the entities in the tax consolidated group entered into a tax sharing and funding agreement which, in the opinion of the directors, limits the joint and several liability of the wholly-owned subsidiaries in the case of a default by the head entity.

This agreement was updated on 5 June 2007 and provides that the wholly-owned subsidiaries will continue to fully compensate InvoCare Limited for any current tax payable assumed and be compensated by InvoCare Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to InvoCare Limited under the tax consolidation legislation.

The amounts receivable or payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. InvoCare Australia Pty Limited, as permitted by the tax funding agreement, acts on behalf of InvoCare Limited for the purpose of meeting its obligations to make tax payments, or receive refunds, and reimburses, or is compensated by, that entity through the intercompany loan account for amounts of tax paid, or received, except for the tax allocated to that entity.

F. Accounting policy applicable to parent entity

The accounting policies of the parent entity are consistent with those of the Group, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment

Note 25. Deed of cross guarantee

InvoCare Limited, InvoCare Australia Pty Limited and InvoCare (Singapore) Pty Limited entered into a Deed of Cross Guarantee on 11 December 2006 under which each company guarantees the debts of the others. Effective from 15 June 2011, Bledone Pty Ltd and Bledisloe Australia Pty Ltd became parties to this Deed of Cross Guarantee. Effective from 19 February 2021, InvoCare PetCare Pty Limited and Family Pet Care Pty Limited became parties to this Deed of Cross Guarantee. By entering into the deed, the wholly-owned subsidiaries have been relieved from the requirement to prepare a Financial Report and Directors' Report under ASIC Corporations Instrument 2016/785 issued by the Australian Securities & Investments Commission.

The above companies represent a "Closed Group" for the purposes of the ASIC Corporations Instrument, and as there are no other parties to the Deed of Cross Guarantee that are controlled by InvoCare Limited, they also represent the "Extended Closed Group".

Set out below is a consolidated statement of comprehensive income, summary of movements in consolidated retained profits and consolidated balance sheet for the year ended 31 December 2022 of the Closed Group.

	2022 $'000	2021 $'000
A. Consolidated statement of comprehensive income of the Closed Group		
Revenue from continuing operations	**483,621**	433,530
Finished goods, consumables and funeral disbursements	**(120,995)**	(105,646)
Employee benefits expense	**(191,910)**	(162,424)
Advertising and public relations expenses	**(10,930)**	(11,228)
Occupancy and facilities expenses	**(21,328)**	(19,968)
Motor vehicle expenses	**(5,467)**	(4,970)
Technology	**(30,410)**	(17,827)
Other expenses	**(16,802)**	(15,736)
Depreciation and amortisation expenses	**(39,747)**	(38,114)
Reversal of impairment of cemetery land	**-**	4,000
Finance costs	**(11,931)**	(12,557)
Interest income	**1,271**	746
Acquisition related costs	**(1,004)**	(743)
Restructuring costs	**(1,476)**	-
Net (loss)/gain on undelivered pre-paid contracts	**(55,611)**	44,085
Net gain on lease modifications/terminations	**448**	1,517
Net gain on disposal of non-current assets	**484**	6,852
(Loss)/profit before income tax	**(21,787)**	101,517
Income tax benefit/(expense)	**9,277**	(26,842)
Net (loss)/profit after income tax for the year	**(12,510)**	74,675
Total comprehensive (loss)/income for the year, net of tax	**(12,510)**	74,675
B. Summary of movements in consolidated retained profits of the Closed Group		
Retained profits as at 1 January	**210,627**	159,835
(Loss)/profit after income tax for the year	**(12,510)**	74,675
Dividends paid	**(36,060)**	(23,883)
Retained profits as at 31 December	**162,057**	210,627

Other statutory disclosures

	2022 $'000	2021 $'000
C. Consolidated balance sheet of the Closed Group		
Current assets		
Cash and cash equivalents	**24,784**	36,484
Trade receivables	**15,128**	16,378
Other receivables	**-**	1,093
Inventories	**40,492**	42,289
Pre-paid technology assets	**2,278**	582
Pre-paid contract funds under management	**48,985**	52,959
Asset held for sale	**-**	89
Deferred selling costs	**3,274**	4,571
Deferred contract assets	**204**	1,811
Total current assets	**135,145**	156,256
Non-current assets		
Trade and other receivables	**252,365**	246,155
Shares in subsidiaries	**147,957**	147,957
Other financial assets	**5,918**	4,072
Property, plant and equipment	**436,559**	411,059
Right of use asset	**123,933**	118,187
Pre-paid contract funds under management	**548,702**	596,916
Pre-paid technology assets	**13,202**	8,019
Intangible assets	**112,453**	106,599
Deferred selling costs	**10,812**	10,313
Deferred contract assets	**161**	152
Total non-current assets	**1,652,062**	1,649,429
Total assets	**1,787,207**	1,805,685
Current liabilities		
Trade and other payables	**85,972**	59,503
Contingent consideration	**-**	6,187
Lease liabilities	**18,458**	17,944
Current tax liabilities	**8,900**	3,949
Pre-paid contract liabilities	**45,072**	44,315
Deferred revenue	**15,086**	30,758
Provision for employee benefits	**16,657**	15,895
Total current liabilities	**190,145**	178,551
Non-current liabilities		
Borrowings	**200,596**	188,843
Lease liabilities	**137,051**	130,278
Deferred tax liabilities	**26,324**	44,837
Pre-paid contract liabilities	**503,306**	496,003
Deferred revenue	**61,021**	54,754
Provision for employee entitlements	**2,771**	2,561
Total non-current liabilities	**931,069**	917,276
Total liabilities	**1,121,214**	1,095,827
Net assets	**665,993**	709,858
Equity		
Contributed equity	**498,786**	497,780
Reserves	**5,150**	1,451
Retained profits	**162,057**	210,627
Total equity	**665,993**	709,858

Note 26. Remuneration of auditors

During the year the following fees were paid or payable for services provided by Deloitte Touche Tohmatsu, the auditor of the parent entity, InvoCare Limited, its related practices and non-related audit firms.

	2022 $	2021 $
A. Audit services		
Deloitte Touche Tohmatsu - Australian firm		
Audit and review of financial reports	**660,000**	550,000
Non-Deloitte Touche Tohmatsu - Singaporean firm		
Audit and review of financial reports	**28,767**	29,569
Total remuneration for audit services	**688,767**	579,569
B. Non-audit services		
Deloitte Touche Tohmatsu - Australian firm		
Assurance services	**31,250**	26,741
Taxation services	**68,411**	55,000
Other services	**342,360**	246,486
Total remuneration for non-audit services	**442,021**	328,227
C. Non-audit services prior to appointment as auditors		
Deloitte Touche Tohmatsu - Australian firm		
Taxation services	**-**	113,566
Other services	**-**	121,149
Total remuneration for non-audit services	**-**	234,715

It is the Company's policy to employ Deloitte Touche Tohmatsu on assignments additional to their statutory audit duties where Deloitte Touche Tohmatsu's expertise and experience with the Group are important and auditor independence is not compromised. These assignments are principally tax advice and advisory services, or where Deloitte Touche Tohmatsu is awarded assignments on a competitive basis. It is the Company's policy to seek competitive tenders for any major consulting projects.

Other statutory disclosures

Note 27. Other accounting policies

A. New or amended accounting standards and interpretations adopted

There are no Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, that have been early adopted by the Group for the annual reporting period ended 31 December 2022.

New Accounting Standards and Interpretations not yet mandatory or early adopted

There are no new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

AASB 17 Insurance Contracts

As disclosed within the Group's Half Year Financial Report, the Group has been analysing and assessing if its pre-paid contracts meet the definition of insurance contracts. Having sought and received independent professional advice, the Group has assessed that pre-paid contracts meet the definition of insurance contracts under the criteria detailed within AASB 17 Insurance Contracts.

AASB 17 applies to such contracts, regardless of the nature of the core business of the issuer. The standard identifies insurance contracts as those contracts under which **the entity accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder**. Relevantly, the Standard states it applies to the Group's pre-paid funeral service products.

Why does AASB 17 apply to pre-paid contracts?

Unlike funeral insurance (a product the Group does not sell), by entering a pre-paid contract a customer (or beneficiary) is benefiting from the ability to lock in the delivery of their chosen future funeral service at today's price. The Group receives payment from customers for pre-paid contracts prior to the transfer of the promised goods or services to the customer. The beneficiary of a pre-paid contract is certain to use the service, however the timing of redemption, being the beneficiary's death is uncertain. Due to the potentially significant period between sale and redemption, the Group is accepting the risk associated with the uncertainty over the future cost to service the contract (i.e., increases in the cost of employee salaries and other goods to be supplied as part of the pre-arranged funeral service), as well as the timing of when the service will be provided. It is the significant risk of future cost increases that results in the Group's pre-paid contracts meeting the definition of insurance contracts under AASB 17.

AASB 17 applies to annual reporting periods beginning on or after 1 January 2023. The first applicable reporting period for the Group is for the year ending 31 December 2023, with restatement of comparative financial statement balances for the year ended 31 December 2022 and opening balances at 1 January 2022. The Group has not early adopted AASB 17.

What are the key requirements of AASB 17?

Prior to 1 January 2023, the Group applied the requirements of AASB 15 Revenue from Contracts with Customers to recognise and measure its pre-paid contracts. The insurance contract accounting standard AASB 1038 applies specifically to insurance entities and has not been applicable to InvoCare.

Under AASB 15, funeral service revenue relating to pre-paid contracts represented the corresponding amount of deferred revenue relating to the administration fee and the reduction of the corresponding pre-paid contract liability (being the initial contract value plus the increases in the liability relating to the financing components recognised since contract inception). As detailed within Notes 9 and 10, the Group currently recognises the initial value of pre-paid contracts within two liabilities on the balance sheet, deferred revenue for the 10% administration fee and within pre-paid contract liabilities representing the value of the remaining 90% of the pre-paid contract. Similarly, any commission paid to pre-paid funeral salespersons is also deferred as a deferred selling cost as an asset on the balance sheet (disclosed in Note 10 Section B Deferred selling costs).

The adoption of AASB 17 will change the Group's consolidated financial statements compared with existing reporting requirements, introducing substantial changes in recognition, measurement, and disclosure of the Group's pre-paid contracts.

Ultimately AASB 17 is not expected to change the underlying economics or cash flows of the Group's business. However, one of the key changes is the deferred future profit, which under AASB 17 is referred to as Contractual Service Margin (CSM), and the timing of the release thereof for profit (or loss) recognition. Instead of the current accounting treatment of recognising profit (or loss) on a pre-paid contract when a funeral service is delivered, under AASB 17 the release of a portion of the CSM will be recognised within the insurance result each period (i.e. earlier).

Measurement models

- For the measurement of insurance liabilities, AASB 17 introduces the general measurement model, also known as the building block approach. The insurance liability arising from pre-paid contracts represents two elements, the Liability for Remaining Coverage (LRC) and the Liability for Incurred Claims (LIC)
- The LRC is measured as the sum of:
  - fulfilment cash flows – representing the Group's assessment of the future cost to provide future funeral services at initial recognition of the contract and subsequently at the balance date, comprising estimates of expected cash flows, discounting, and an explicit risk adjustment for non-financial risk; and
  - the CSM – representing the unearned profit from in-force contracts that the Group will recognise as part of insurance revenue in profit or loss as it provides funeral services over the coverage period. The CSM is earned based on a pattern of coverage units, reflecting the quantity of funeral services provided (i.e. for future redemptions)
- The LIC represents current estimates of amounts that the Group expects to collect from pre-paid contracts and to pay for redeemed pre-paid contracts, including an adjustment for the timing and risk of those amounts (i.e. past/current redemptions)
- Under AASB 17 the expected emergence of fulfilment cash flows (the costs of performing pre-paid funerals), releases from risk adjustment and a component of the CSM reflecting the pre-paid funeral services provided will be recognised as insurance revenue in the insurance service result in the statement of comprehensive income
- AASB 17 is expected to have a significant impact on the work required to measure insurance liabilities related to pre-paid contracts under the general measurement model including actuarial modelling of cash flow projections, involving input of assumptions and modelling of movements in the CSM

Level of aggregation

- Under AASB 17, contracts are aggregated into portfolios which comprise contracts subject to similar risks and managed together. Within the portfolios contracts are organised by annual cohort and further subdivided into specified measurement groups based on their profitability. For pre-paid contracts, a cohort is expected to represent the contracts sold in each year

Risk adjustment

- Under AASB 17, the measurement of insurance contract liabilities will include a risk adjustment for non-financial risk to reflect the compensation that the Group requires for bearing the uncertainty relating to the amount and timing of future cash flows to perform a pre-paid contract. The Standard does not prescribe techniques for estimating the risk adjustment but does offer guidance. The technique used, and the corresponding confidence level associated with the methodology selected, will need to be disclosed. The Group proposes to adopt a scorecard approach, under the Value at Risk (VaR) / confidence level approach, for the calculation of the risk adjustment for the pre-paid funeral contracts within the scope of AASB 17
- A scorecard approach uses a set of pre-specified criteria, for which the Group will assign a score, based on its level of compliance with the criteria. The risk adjustment was not required to be applied to either the Funeral services deferred revenue or pre-paid contract liabilities under AASB 15
- The finalisation of the methodology for determining the risk adjustment, and the corresponding confidence level, is ongoing and subject to further refinement and review. In addition, the Group continues to give due consideration to evolving industry interpretation

Discount rates

- AASB 17 requires that the estimates of expected cash flows that are used to measure either the liability for remaining coverage, or incurred claims are to be discounted to reflect the time value of money and the financial risks related to those cash flows. This aligns with the requirements under AASB 15 to recognise a finance cost associated with significant financing, where the Funeral services deferred revenue and pre-paid contract liabilities were adjusted (i.e. increased) using a discount rate that best reflected the current price the customers would have paid (that is the cash selling price as if the customer had paid the consideration at the time when the services are performed or the goods delivered). In addition, AASB 17 also requires the discount rate to reflect the liquidity characteristics of the underlying insurance contracts. The standard does not prescribe a methodology to determine either the discount rate or illiquidity premium. The methodology and impact of reflecting illiquidity within discount rates is currently being determined

What financial statement line items will change?

- The accounting requirements of AASB 17 will be applied to the Group's pre-paid contract liabilities, associated deferred revenue and deferred selling costs arising from pre-paid contracts. The Group will cease to account for these assets and liabilities under AASB 15
- Retrospective adjustments will be made at 1 January 2022 with any difference in measurement of the insurance liabilities compared to the previous assets and liabilities recognised when the Group applied AASB 15 will be recognised as an adjustment to opening retained earnings at 1 January 2022. The 2022 comparative amounts will be restated to AASB 17 amounts
- AASB 17 does not apply to the Group's pre-paid contracts funds under management (being the cash received (funds) from the customer/beneficiary passed to independently managed trusts to be invested), therefore there will be no change in accounting or disclosure for this asset

Other statutory disclosures

Presentation and disclosure changes

The Group continues to assess the financial and disclosure impacts of applying AASB 17. The relevant key areas of consideration are set out below:

How pre-paid contracts results will be derived?

Insurance revenue (incl. deferred acquisition costs) – Insurance service expenses = Insurance service result + Net investment return from pre-paid contracts funds under management – Net insurance finance expenses = Pre-paid contracts net result before income tax – Income tax = Results from insurance contracts (i.e. pre-paid funeral contracts)

- In the statement of comprehensive income, AASB 17 will require the presentation of the insurance revenue and insurance service expenses. For the Group, the element of funeral services revenue that related to pre-paid contracts will be reclassified to a new revenue stream, 'Insurance revenue'. A new expense category called 'Insurance service expenses' will largely reflect the combination of costs to service pre-paid funerals (i.e. equivalent to a claims expense), amortisation of employee benefit expenses incurred in selling pre-paid contracts and marketing expenses. Additionally, all changes in value because of either the effect of or change in the time value of money or financial risk, will no longer form part of 'Finance costs – customer advanced payments' but will be recognised separately as either insurance finance income or expenses
- On the balance sheet, because all cash flows resulting from the rights and obligations under insurance contracts must be taken into account under AASB 17, the previous disclosure of pre-paid contract liabilities within Pre-paid contracts will cease. The recognition, measurement and disclosures of pre-paid contracts funds under management (i.e. the 'asset') will remain unchanged. Deferred revenue and deferred selling costs related to Funeral services will no longer be presented within these balances. Alternatively, the standard requires these associated balances to be combined into single line items for portfolios of insurance that are either in an asset or liability position with separate disclosure as insurance liabilities, relating to the liability for remaining coverage (LRC) and liability for incurred claims (LIC)
- In order to reconcile the movement in these insurance contract liabilities, detailed disclosures will present the changes to each of the individual measurement components. The notes covering the risks and judgements arising from insurance contracts are expected to be significantly more detailed
- AASB 17 contains an option regarding recognition of a component of insurance finance income or expenses either in profit or loss or other comprehensive income. The Group currently does not intend to apply the latter option and expects to recognise all elements of insurance finance income or expenses in profit or loss. This aligns to the current approach under AASB 15 and would continue to ensure the most effective matching with valuation changes in the funds under management investment portfolio, which is measured at fair value through profit or loss

Transition

- On transition, where the Group assesses it is impracticable to apply the full retrospective approach, where eligible, it expects to apply the modified retrospective approach to all insurance contracts. An assessment is being performed on the aged pre-paid contracts to identify gaps in data, most notably the cost estimates to service the contracts in the years they were initially entered into. Key estimates and judgements applied in determining the estimated costs to service the insurance contracts will be disclosed within the Group's Half Year Financial Report for 30 June 2023
- If the Group is unable to apply the modified retrospective approach to any of its insurance contracts due to data unavailability it will be required to apply the fair value approach to measure these contracts at transition. The fair value approach determines the CSM (or loss component) of the LRC, being the difference between the fair value of a group of pre-paid funeral contracts (i.e., the price a market participant would agree to take on the liability for pre-paid contracts at the transition date under current market conditions) and the net discounted risk adjusted fulfilment cash flows measured at that date

Implementation

The Group has committed resources and effort into the implementation of AASB 17. A Group-wide program of work remains ongoing, comprising a multi-disciplinary team aided by independent expert advisers. The implementation of the standard involves changes and enhancements in technology, systems, and processes, particularly across IT, finance and actuarial. The program is responsible for setting Group-wide accounting policies and developing application methodologies, establishing appropriate processes and controls, sourcing required data and implementing actuarial and finance system changes.

The requirements of AASB 17 are complex and the Group's expectations noted above are subject to change as it continues to assess the impact of the standard and interpretation developments. However, ultimately AASB 17 is not expected to change the underlying economics or cash flows of the Group's business but has the potential to impact timing of profit recognition.

Alongside the qualitative effects outlined above, the Group continues to assess the quantitative impact of the application of AASB 17, with the opening balances as at 1 January 2022 currently being measured in accordance with the standard. Although the Group's AASB 17 implementation project has made significant progress, with certain material judgements still being under consideration and certain interpretations remain pending, at this time it is not practicable to reliably quantify the effects on the Group's consolidated financial statements.

The Group will provide quantitative disclosure impacts of the adoption of AASB 17, including the impacts on comparatives for the year ended 31 December 2022, in its Half Year Financial Report for the period ending 30 June 2023.

B. Other accounting policies applicable

I. Foreign currency translation

a. Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Australian dollars, which is InvoCare Limited's functional and presentation currency.

b. Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

II. Inventories

Inventories comprising of funeral merchandise and memorialisation property items in the Cemeteries & Crematoria and Pet cremations business, primarily held for the purpose of trading, are sold, consumed or realised as part of the normal operating cycle even when they are not expected to be realised within twelve months, and are classified as current.

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where appropriate, a proportion of variable and fixed overhead. Costs are assigned to individual items of inventory predominantly on the basis of weighted average cost. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

III. Deferred contract assets

Deferred contract assets represent items to be delivered related to the pre-2018 memorial product contracts. These contract assets will be unwind to cost of goods sold as the performance obligations of these contracts are met.

IV. Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year which had not been settled at balance date. The amounts are unsecured and are usually paid within 60 days of recognition.

V. Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest rate method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

VI. Derivative financial instruments

The Group uses derivative financial instruments, interest rate swaps, to hedge its risks associated with exchange and interest rate fluctuations. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- Hedges of the risks associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges)
- Hedges of a net investment in a foreign operation

The Group documents at inception the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment of whether the derivatives that are used in hedging transactions have been, and will continue to be, highly effective in offsetting changes in fair values or cash flows or hedged items.

The fair value of interest rate swap contracts is calculated as the present value of the estimated future cash flows. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than twelve months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than twelve months.

Hedges that meet the criteria for hedge accounting are accounted for as follows.

Other statutory disclosures

a. Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the statement of comprehensive income within finance costs.

Amounts accumulated in equity are recycled in the statement of comprehensive income within finance costs in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place).

When a hedging instrument expires, is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the statement of comprehensive income.

When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the statement of comprehensive income.

b. Hedges of a net investment

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a similar way to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised directly in equity while any gains or losses relating to the ineffective portion are recognised in the statement of comprehensive income. On disposal of the foreign operation, the cumulative value of any such gains or losses recognised directly in equity is transferred to the statement of comprehensive income.

VII. Employee benefits

a. Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12-months of the reporting date are recognised in other payables and provision for employee benefits in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled, including appropriate on-costs.

b. Long service leave

The liability for long service leave is recognised in the provision for employee benefits and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date, including appropriate on-costs. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

c. Bonus plans

The Group recognises a liability in other payables and an expense for bonus plans when there is no realistic alternative but to settle the liability and at least one of the following conditions is met:

- There are formal terms in the plan for determining the amount of the benefit
- The amounts to be paid are determined before the time of completion of the financial report
- Past practices give clear evidence of a constructive obligation

SECTION 5

Signed reports

Directors' declaration

In the directors' opinion:

- The financial statements and Notes 1 to 27 are in accordance with the Corporations Act 2001, including:
  - complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements
  - giving a true and fair view of the Company's and the Group's financial position as at 31 December 2022 and of their performance for the financial year ended on that date
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable
- at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in Note 25 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in Note 25

Basis of preparation on page 71 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the Corporations Act 2001.

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

Bart Vogel
Chairman

Sydney

27 February 2023

Deloitte.

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Independent Auditor’s Report to the members of InvoCare Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of InvoCare Limited (the “Company”), and its subsidiaries (the “Group”) which comprises the consolidated balance sheet as at 31 December 2022, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors’ declaration.

In our opinion, the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Group’s financial position as at 31 December 2022 and of its financial performance for the year then ended; and
- complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board’s APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor’s report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Deloitte.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th>Key Audit Matter</th><th>How the scope of our audit responded to the Key Audit Matter</th></tr>
<tr><td>
<u>Accounting for pre-paid funeral contracts</u>
As disclosed in note 9, the Group enters into pre-paid funeral contracts whereby it agrees to deliver a specified funeral, cremation or burial service at the time of need. The beneficiary (“customer”) invests the current price of the service to be delivered with a financial institution and conditionally assigns the benefit to the Group. For each pre-paid funeral contract, the Group records an asset for the value of the funds invested (pre-paid contract funds under management) and a liability to deliver the services (pre-paid contract liabilities).

As at 31 December 2022, the Group had recorded $597.7 million of pre-paid contract funds under management and $548.5 million of pre-paid contract liabilities.

As disclosed in note 9 and note 28.A, the Group has determined AASB 17 Insurance Contracts is applicable to the Group’s pre-paid funeral contracts and will impact their recognition and measurement from 1 January 2023.

We have considered pre-paid funeral contracts to be a key audit matter due to the:
- materiality of the asset and liability balances;
- historical fluctuations noted in the mark-to-market adjustment of the pre-paid funeral contract funds under management;
- redemptions at the time of need requiring appropriate release of deferred revenue to the Statement of Comprehensive Income;
- judgement involved in determining the classification of the asset and liability balances as current and non-current; and
- judgement involved in determining the discount rate in relation to the financing component on the pre-paid contract liabilities.
</td><td>
For the pre-paid funeral contract funds under management, our procedures included, but were not limited to:
- agreeing a sample of balances recorded by the Group to statements and confirmations received from the independent custodians;
- testing the valuation of the invested funds under management by comparing a sample of underlying investments to relevant unit prices using market pricing data and custodian confirmations;
- evaluating the competence, capability and objectivity of the independent custodians in regard to their valuation of the underlying investments; and
- reconciling the opening balance of the pre-paid contract funds under management to the closing balance in order to recalculate movements for new prepaid funeral contracts entered into, redemptions at the time of need and the mark-to market adjustment for the year.

For both the pre-paid funeral contract funds under management and the pre-paid contract liabilities, our procedures included, but were not limited to:
- understanding management’s processes and controls in respect of pre-paid funeral contracts;
- agreeing the date and value of a sample of contracts entered into during the year to the customer contract;
- assessing for a sample of redeemed contracts (recognised revenue) whether the Group’s performance obligation under the pre-paid funeral contracts had been satisfied in accordance with AASB 15 Revenue from Contracts with Customers. This included comparing the relevant original contracts to service delivery documents and investment returns to the amounts received back from the financial institution, as well as confirming the appropriate release of the redeemed contracts’
</td></tr>
</table>

	revenue into the Statement of Comprehensive Income; - evaluating the appropriateness of the discount rate used by management for the financing component in relation to the pre-paid contract liabilities; and - evaluating the reasonableness of the disclosures as per note 9 and note 28.A against the requirements of Australian Accounting Standards, in particular assessing the current and non-current classification in line with the allocation as determined by management's actuarial expert.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2022, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 46 to 64 of the Directors' Report for the year ended 31 December 2022.

In our opinion, the Remuneration Report of InvoCare Limited, for the year ended 31 December 2022 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

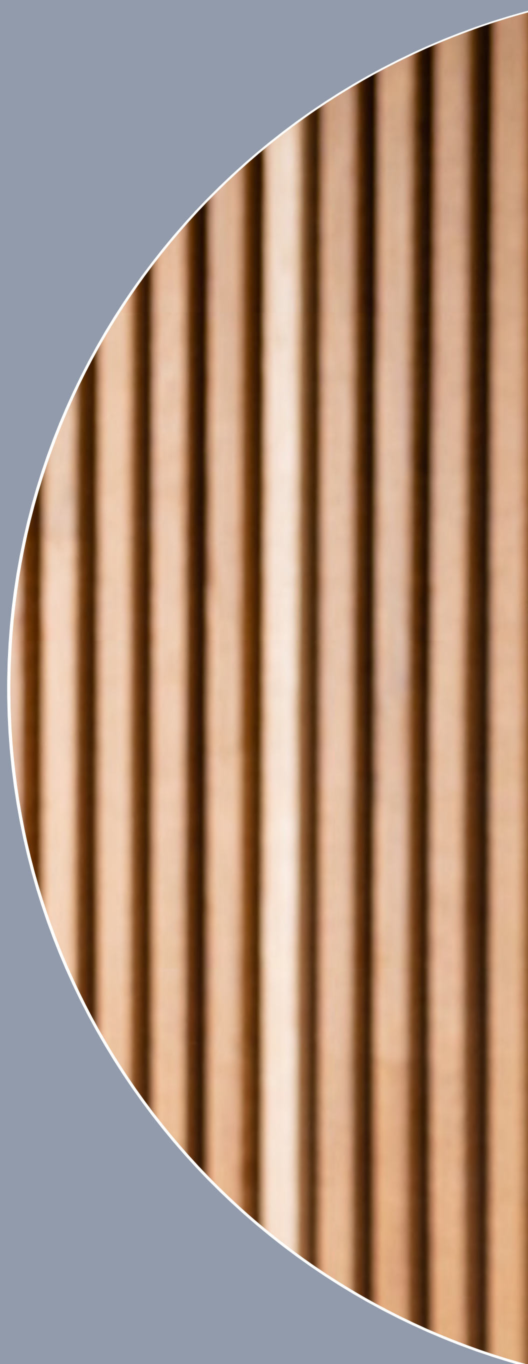
The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Sandeep Chadha
Partner
Chartered Accountants

Sydney, 27 February 2023



SECTION 6

Shareholder and other information

Five year financial history

	2022	2021	2020	2019	2018
Operating revenue ($'000)	588,535	527,096	476,249	499,665	480,198
Operating EBITDA ($'000)	136,115	125,477	102,565	144,433	118,998
Operating EBITDA margin (%)	23%	24%	22%	29%	25%
Operating earnings after tax attributable to equity holders ($'000)	50,151	45,143	27,994	59,066	49,496
Operating earnings per share (cents)	35.1	31.6	20.9	51.7	45.2
(Loss)/profit after tax attributable to equity holders ($'000)	(1,809)	80,158	(11,541)	63,752	41,224
Basic earnings per share (cents)	(1.3)	56.1	(8.6)	55.8	37.8
Total dividend (full year) (cents)	24.5	21.0	12.5	41.0	37.0
Ungeared, tax free operating cash flow* ($'000)	133,467	135,206	107,895	116,370	96,663
Cash conversion %*	101%	108%	111%	84%	91%
Actual capital expenditure ($'000)	63,348	62,703	60,952	65,289	84,120
Net debt ($'000)	182,708	144,654	137,468	349,968	393,469
Interest cover* (times)	19.0	15.8	8.3	10.1	9.6
Leverage ratio* (times)	1.3	1.2	1.3	2.4	3.3
Funeral homes (number)	278	278	277	280	255
Memorial parks (number)	17	17	17	17	16
Pet cremation sites (number)	16	16	13	N/A	N/A

* Definition of these measures is included in the Glossary on pages 140 and 141.

Shareholders information

The following information is presented in complance with ASX Lsiting Rules 4.10 (as relevant).

1. Corporate Governance Statement

The 2022 Corporate Governance Statement can be found on the Company's website at:
www.invocare.com.au/investor-relations/corporate-governance

2. Securities on issue

Shares and options as at 24 March 2022	Number
Ordinary shares on issue	144,060,733
Unquoted options on issue	1,507,128

3. Voting rights

For fully paid ordinary shares – On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll shall have one vote for each share represented.

For unquoted options – No voting rights apply unless and until the unquoted options are converted into fully paid ordinary shares.

4. Distribution of quoted ordinary shares and small holdings as at 24 March 2022

Range	Fully paid ordinary shares	%	Number of holders
100,001 and over	88,403,367	61.37	40
10,001 to 100,000	15,839,473	10.99	792
5,001 to 10,000	11,763,000	8.17	1,654
1,001 to 5,000	22,970,584	15.94	9,751
1 to 1,000	5,084,309	3.53	11,324
Total	**144,060,733**	**100.00**	**23,561**
Unmarketable parcels	11,108	0.01	680

Shareholders information

continued

5. Top 20 registered shareholders as at 24 March 2022

Name	Number of shares	Percentage %
J P Morgan Nominees Australia Pty Limited	22,710,651	15.76
Blue Eternal Holdings Pte Ltd	14,381,667	9.98
HSBC Custody Nominees (Australia) Limited	12,664,739	8.79
BNP Paribas Noms Pty Ltd <DRP>	10,465,324	7.26
Citicorp Nominees Pty Limited	9,466,276	6.57
Argo Investments Limited	2,493,277	1.73
National Nominees Limited	2,234,741	1.55
Washington H Soul Pattinson and Company Limited	2,069,283	1.44
BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd <DRP A/C>	1,727,745	1.20
BNP Paribas Nominees Pty Ltd <Agency Lending Collateral >	1,114,000	0.77
Netwealth Investments Limited <Wrap Services A/C>	1,014,322	0.70
IOOF Investment Services Limited <IPS Superfund A/C>	939,470	0.65
Solium Nominees (Aus) Pty Ltd <Unallocated A/C>	906,975	0.63
Netwealth Investments Limited <Super Services A/C>	532,950	0.37
Navigator Australia Ltd <MLC Investment Sett A/C>	444,447	0.31
BNP Paribas Noms (NZ) Ltd <DRP>	435,715	0.30
Nulis Nominees (Australia) Limited <Navigator Mast Plan Sett A/C>	431,410	0.30
Broadgate Investments Pty Ltd	415,643	0.29
Solium Nominees (Australia) Pty Ltd <VSA A/C>	388,895	0.27
Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	338,241	0.23
Total for Top 20	**85,175,771**	**59.10**

6. Substantial shareholders as at 24 March 2022

The share balances in this table are extracted from substantial shareholder notices received by the Company.

Shareholders	Number of shares	Voting power	Date of last notice
Kuang Ming Investments Pte. Limited	8,729,098	6.06%	2 June 2021
Blue Eternal Holdings Pte Ltd and TPG *	27,623,729	19.98%	8 March 2023
UBS Group AG and its related bodies corporate	16,171,722	11.23%	10 March 2023
State Street Corporation and subsidiaries	7,375,894	5.12%	22 March 2023

* Blue Eternal and TPG have an interest in 19.983% of the InvoCare shares on issue through a combination of physical ownership and derivates.

Glossary

Term	Description
Average capital employed	Average of opening and closing capital employed
Average working capital % of sales	Average of opening and closing working capital divided by Operating revenue for 12 months
CAPEX	Capital expenditure
Capital employed	As used in ROCE % calculation. Calculated as Total equity + Net debt
Cash conversion %	Ungeared, tax-free operating cash flows divided by Statutory EBITDA
COVID	COVID-19 pandemic
Dividend payout ratio	Dividend per share divided by Operating EPS
EBITDA margin	Operating EBITDA divided by Operating revenue
EPS	Earnings per share, calculated as Reported profit/(loss) divided by the weighted average number of shares
ERP	Enterprise Resource Planning, e.g. the main Oracle general ledger financial system used by the business
Free cash flow	Operating cash flow + net funds from pre-paid contracts + interest paid less cash CAPEX (recurring and platform only)
Funeral case average	Calculated as funeral gross revenue divided by funeral case volume
Funeral case volume	Number of funeral services undertaken
FUM	Funds under management in the pre-paid funerals business
Interest cover ratio	Calculated as Operating EBITDA divided by Net finance costs excluding AASB 16 interest, merchant fees and interest on customer advance payments. Interest cover calculation used for bank covenant testing purposes uses an Adjusted EBITDA measure (primarily adjusted to include proforma earnings from acquisitions and costs arising from restructuring initiatives)
Investment CAPEX	CAPEX undertaken to expand existing operations or further growth prospects including platform investments (IT and Shared Service Centre projects)
Leverage ratio	Calculated for disclosure purposes as Net debt divided by Operating EBITDA. Leverage calculation used for bank covenant testing purposes uses an Adjusted EBITDA measure (primarily adjusted to include proforma earnings from acquisitions and costs arising from restructuring initiatives). r12 measure uses rolling 12-month Operating EBITDA
LTIFR	Lost time injury frequency rate
Maintenance CAPEX	Recurring annual CAPEX required to maintain facilities
Memorialisation revenue	Revenue earned from the sale of memorials, plaques, burial plots etc. in the Cemeteries & Crematoria business

Term	Description
MTM	Mark-to-market
NBO	Network & Brand Optimisation program of projects as part of Protect & Grow Strategy
Net debt	Cash and cash equivalents + Borrowings + Finance leases
NPS	Net Promoter Score, calculated based on customer feedback with Group score representative of Australia and New Zealand only
Operating EBITDA	Operating earnings before interest, tax, depreciation & amortisation and business acquisition costs and SaaS arrangements
Operating EBIT	Operating earnings before interest and tax
Operating EPS	Operating net profit after tax divided by the Weighted average number of shares
Operating leverage	This means the percentage growth in Operating EBITDA divided by the percentage growth in Operating revenue
Operating NPAT	Reported profit excluding non-operating items and associated tax
Operating revenue	Revenue for the Group excluding revenue earned from pre-paid funerals business
OPEX to sales %	Operating expenses divided by Operating revenue
PCP	Prior corresponding period
Pet case average	Pet cremations revenue (excluding vet rebates) divided by Pet cremation volume
Pet cremation volumes	The number of pet cremations conducted
Reported profit/(loss)	Net profit/(loss) attributed to shareholders of InvoCare Limited
ROCE	Return on capital employed
ROCE %	Calculated as Operating EBIT divided by Average capital employed. r12 measure uses rolling 12-month Operating EBIT
SaaS	Software-as-a-Service
TRIFR	Total recordable injury frequency rate
Ungeared, tax-free cash flows	Calculated as operating cash flow excluding net finance costs paid, tax paid and SaaS arrangements expensed as incurred adjusted by net funds from pre-paid contracts (Payments to funds under management for pre-paid contract sales and receipts from funds under management for pre-paid contracts performed) sourced from investing cash flows and other cash flows related to pre-paid contracts
Working capital	Inventories + Trade and other receivables + Trade and other payables

Corporate directory

InvoCare Limited	ABN	42 096 437 393
	ASX code	IVC
Directors	Bart Vogel	Chairman
	Olivier Chretien	Managing Director and Chief Executive Officer
	Kim Anderson	Non-Executive Director
	Richard Davis	Non-Executive Director
	Megan Quinn	Non-Executive Director
	Keith Skinner	Non-Executive Director
	Kee Wong	Non-Executive Director
Company Secretary	Heidi Aldred	
Registered office	Level 5, 40 Mount Street North Sydney NSW 2060 02 9978 5200 02 9978 5299 www.invocare.com.au	
Share registry	Link Market Services Limited Level 12, 680 George Street Sydney NSW 2000 Toll free: 1300 854 911 02 9287 0303 www.linkmarketservices.com.au/services/registry.html	
Stock exchange listing	InvoCare Limited is a company limited by shares that is incorporated and domiciled in Australia. InvoCare Limited's shares are listed on the Australian Securities Exchange only.	
Auditors	Deloitte Touche Tohmatsu Grosvenor Place 225 George Street Sydney NSW 2000	

InvoCare

invocare.com.au