InvoCare

2020 Annual Report

Resilient operating result in a challenging year

> "We're here to support our clients, their families and friends, at a pivotal time in their lives. We do this by being compassionate, exceeding expectations and delivering outstanding service."

About this report

InvoCare's 2020 Annual Report is our primary statutory and regulatory reporting disclosure. It 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 relevant to the user's understanding of the operations, results and financial position.

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 2020, including:

Investor Presentation

Scan QR code on your smart device to download from the ASX

Sustainability Report

Scan QR code on your smart device to download from InvoCare website

Our corporate reporting documents are available for download on the InvoCare Investor Relations page:

www.invocare.com.au/investor-relations/

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InvoCare Limited

ABN 42 096 437 393

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Performance highlights

Remained focused on our mission and values of care and service

Financial [a] summary

Operating revenue [b]

$476.2m

↓ 4.7%

Operating EBITDA

$102.6m

↓ 29%

Reported loss

($9.2m)

↓ 114%

Operating EPS

20.4¢

↓ 61%

Operating EBITDA business lines

Funeral services

$80.1m

↓ 26%

Memorial Parks

$57.6m

↓ 8.7%

Pet cremations

$0.5m

↑ 141%

Operational and sustainability metrics

Funeral case volumes

44,784

↓ 3.0%

Funeral case average [c]

$7,858

↓ 4.5%

Memorialisation revenue

+4.4%

↑ on PCP

NPS

+79

↑ 0.5

LTIFR

12.5

↓ 1.6

Capital management

Cash flow conversion

107%

↑ 25 ppts

Leverage ratio

1.3x

↓ 1.1x

ROCE

8.6%

↓ 8.5 ppts

Full year dividend

12.5¢

↓ 70%

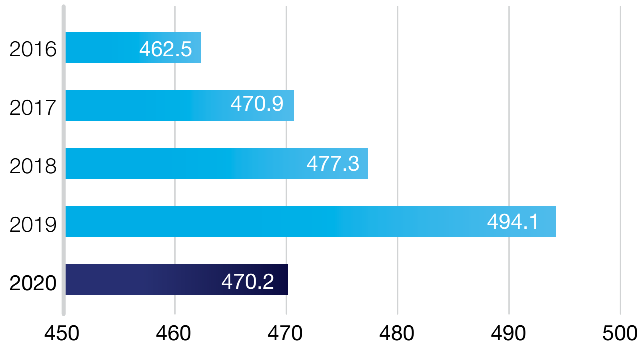
N.B Variations noted above are versus the prior corresponding period

a *For reconciliation of operating to statutory results, refer to page 33*

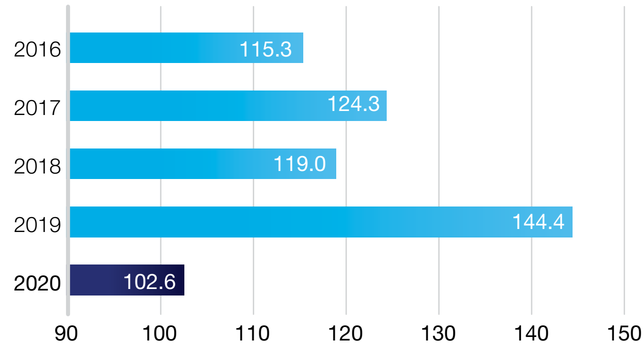
b *Includes operating sales revenue and other revenue*

c *Gross funeral case average, including disbursements*

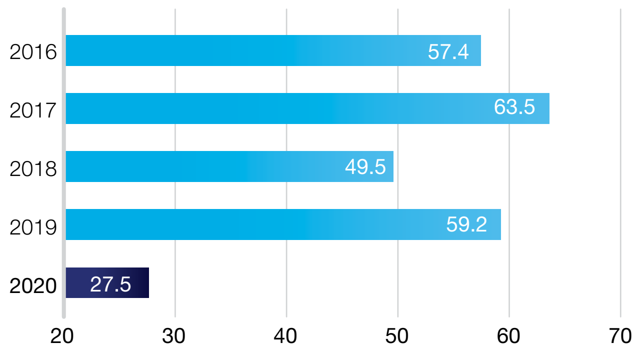
Operating sales revenue
$m



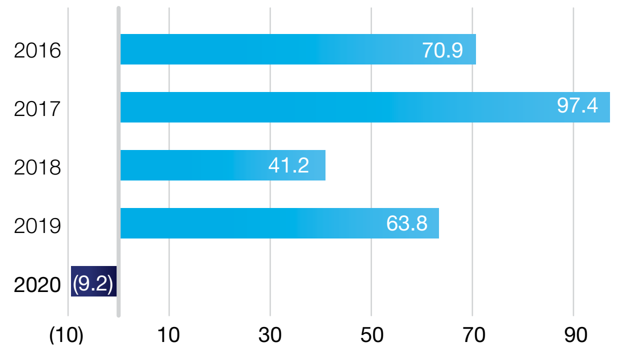
Operating EBITDA
$m



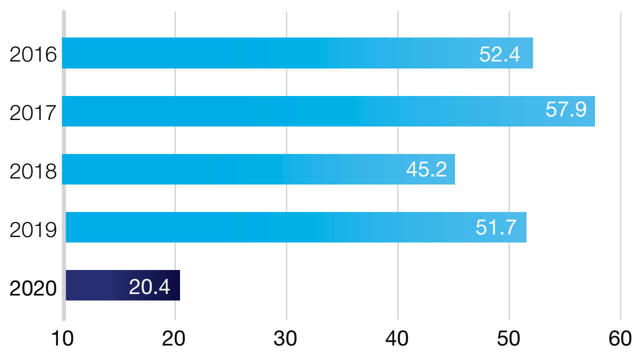
Operating earnings after tax
$m



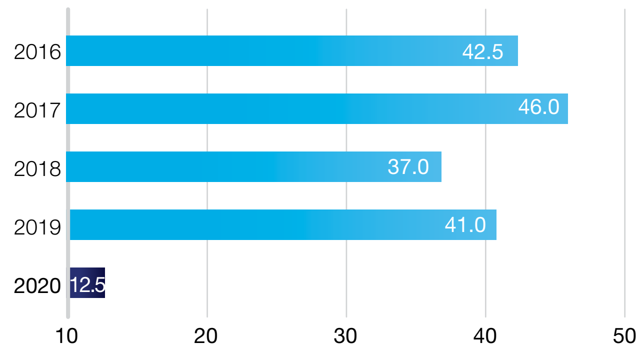
(Loss)/profit after tax attributable to members $m



Operating earnings per share
¢ per share



Ordinary dividend (full year)
¢ per share



Chairman's message

Dear Shareholder,

On behalf of the Board, we would like to thank you for your support in what has been a year of unprecedented disruption.

The Board would also like to extend their thanks and gratitude to our employees. In 2020, our teams across our Funeral Services, Memorial Parks and Pet Cremations businesses, as well as our support office teams, stepped up to the significant challenge of the COVID-19 pandemic (COVID-19). They have committed to our purpose, serving families when they need us most, focusing on high standards of safety and service. They showed resilience, agility, and a readiness to do things differently to support families across Australia, New Zealand and Singapore.

In 2020, our client families showed their satisfaction with these efforts with a very strong Net Promoter Score of +79, an exceptional result in difficult circumstances. We are proud and so grateful for everything our teams have achieved in such a demanding year.

2020 financial results

InvoCare reported statutory revenue of $477.7 million for the year, a decrease of 4.5% on the prior corresponding period (PCP). COVID-19 and the associated government restrictions had a significant impact on both InvoCare's ability to deliver full-service funeral arrangements and on the mortality rate in the countries in which it operates.

The statutory net loss after tax attributed to shareholders was $9.2 million for the year. As disclosed to the market on 17 February 2021, this 2020 full year result includes the impact of net $26.5 million (pre-tax) of significant operating and non-operating items.

The Group delivered an operating earnings per share (EPS) of 20.4 cents, 61% below the PCP, driven by the decline in operating earnings in the year and the dilutive impact of the increased number of shares on issue following the successful equity raising completed in April and May 2020.

> “the Board remains confident about the long-term potential of the business, with future growth supported by both population growth and ageing trends in its markets”

Impact of COVID-19

The last year has clearly been challenging across the world and the ongoing impact of COVID-19 is the backdrop to our financial performance. While the strategies employed by various governments in our part of the world to control the spread of COVID-19 have been successful, they have led to softer market conditions in the Funeral Services sector in particular.

In 2020 our people were truly able to live our mission to support families at the most pivotal time of their lives. They have done so by being compassionate, exceeding expectations and delivering outstanding service and by setting the highest standards in safety and business practice. They were able to support families through situations where they either couldn't hold a funeral or were not able to attend in person because of government restrictions.

We implemented a detailed and comprehensive COVID-19 response plan. This involved additional measures in each business to protect the health and safety of our teams and customers, while supporting government efforts to limit the spread of the virus. These important measures resulted in additional costs. I should note that our businesses in Australia did not benefit from JobKeeper assistance. There was also a measured approach to cost control in order to maintain uncompromised service levels and this was a deliberate decision of the Board and Management given the important role our teams play in the community and in helping our client families farewell their loved ones.

The impacts from COVID-19 have mostly been experienced in our core Funeral Services businesses where restrictions on gathering limits impacted our ability to provide our full range of services. Rules differed between geographies and states and changed multiple times over the year.

A common trend seen across all markets has been an increase in direct cremations during the height of lockdowns as family and friends were unable to attend a ceremony in person. However, we have observed how important the 'gathering' element of a funeral arrangement to celebrate a loved one's life was to client families. Even though the rise in digital solutions assisted families during lockdown, we have seen a progressive return to traditional arrangements when restrictions have lifted. Additionally, the breadth of our brand portfolio, particularly in Australia, has helped the business manage the shift to direct cremation and back to traditional services. Either way, digital solutions will continue to be needed and we have ensured our funeral homes and memorial park chapels have the appropriate technology.

Embracing sustainability

As Australia, Singapore and New Zealand's leading operator in the funeral, cemetery and crematoria sector, InvoCare has a responsibility to both our shareholders and the communities we serve to lead the way in defining standards of excellence in the sustainability of our industry's environmental, social and governance (ESG) practices.

2020 was the second year in our initial three-year plan, with a focus on developing the operational and reporting model ideal for our core sectors, and building on established and globally recognised frameworks such as the GRI Index. Further information is provided in our separate Sustainability Report issued on 31 March 2021, which is available on our website.

Despite the disrupted year hampering our ability to pursue some of their intended sustainability initiatives, the team's response has been to increase the focus on areas such as the health and safety of our employees and client families and expanding digital accessibility to funeral events, which required the accelerated deployment of digital capabilities at our funeral and memorial park locations.

Leadership changes

The InvoCare Board established and executed a leadership transition plan during the year. Adrian Gratwicke was appointed as InvoCare's new Chief Financial Officer (CFO) from 3 August 2020. Adrian is an experienced public company CFO, having worked across a broad range of sectors stretching into Oil & Gas, Mining, FMCG and Agriservices.

Additionally, as announced on 19 November 2020, Olivier Chretien joined the Company on 1 January 2021 as InvoCare's new Managing Director and Chief Executive Officer (CEO). Olivier has a proven record of value creation, strategic design and execution, and he has pleasingly hit the ground running. Along with his refreshed Executive Leadership Team (see page 12), he has been working on the details of the InvoCare strategy for the next five years.

Chairman's message
continued

Remuneration activities

Robyn Stubbs resigned as an independent Non-Executive Director effective 1 February 2021. Robyn has been a valued member of the Board since her appointment in 2017, especially in her role as Chair of the People, Culture & Remuneration Committee (Committee). On behalf of the Board we thank her for her commitment and contributions to the business.

Our 2020 Remuneration Report is contained in this Annual Report. Led by Robyn, the main activities of the Committee during the year were highly influenced by COVID-19, which provided a back drop for its assessments of both the STI and LTI outcomes for the year but also in assessments of base salary and director fees. Key remuneration outcomes in the year included:

- The financial performance in 2020 did not meet the agreed financial targets, and as a result the full financial portion (50%) of STI has been forfeited by the Executive Key Management Personnel (KMP). The average STI outcome for 2020 for Executive KMP was 27% based on their balanced scorecard
- The Return on Invested Capital (ROIC) gateway was not met for the 2017 and 2018 LTI grants that were tested in the year. None of these awards therefore vested in 2020 in accordance with the plan rules
- From 1 August to 30 November 2020, the Non-Executive Directors took a 25% base fee reduction (COVID-19 related)

The Committee also undertook a review of the LTI arrangements in place and a new LTI plan was introduced during the year for the 2020 grant with a particular focus on its ability to attract and retain senior management to ensure they are focused on delivering sustainable long term growth. Key features of the 2020 LTI plan include:

- Introduction of two performance hurdle measures weighted 50% on compound annual growth of EPS and 50% on average ROIC over the three-year performance period with no ROIC gateway and the testing point for vesting being at the end of this performance period only
- Participants are able to choose a mix of options and performance rights based on their personal risk profile
- Vested options or performance rights are subject to a further 12- month restriction period
- The performance rights are entitled to dividends, if determined, paid in the form of shares but no voting rights attach to the options or performance rights awarded

Capital management

In response to the uncertain impact of COVID-19 and to ensure the continued positive momentum of growth initiatives through an environment of temporary restrictions on the funeral industry, InvoCare successfully completed a $274 million capital raise in April and May 2020 via an institutional placement and share purchase plan.

We are delighted with the strong support shown by participants in the raise, which positioned the Group to maintain momentum to deliver long-term value for its shareholders and I thank our shareholders on behalf of the Board for their continued support.

The net proceeds of the capital raise have been used to reduce net debt, increase liquidity, and provide balance sheet flexibility for acquisitions and ongoing capital investment. Management also successfully re-negotiated an extension of the undrawn $200 million debt tranche due to mature in February 2021. This funding line, along with the additional capital is expected to provide InvoCare with increased flexibility to further strengthen its balance sheet, accelerate the roll out of Enhance and Growth projects in the NBO program, and in taking advantage of new growth opportunities that may arise.

Notwithstanding the earnings reduction, the Group was able to maintain strong cash conversion and that in turn has enabled the Board to determine a final fully franked dividend of 7 cents per share, which brings the full year dividend to 12.5 cents per share. The reduction in dividend payout ratio to 61% reflects an appropriately prudent approach to capital management given ongoing short-term outlook uncertainty and another year of heightened capital spend as the Group seeks to complement its commitment to the NBO program of works with other growth initiatives.

Outlook

Short-term market conditions are still being impacted by COVID-19 restrictions and the timing and extent of the unwind of related impacts remains hard to predict. Notwithstanding this, the Board remains confident about the long-term potential of the business, with future growth supported by both population growth and ageing trends in its markets. The refreshed Executive Leadership Team and the appointment of Olivier as CEO sets the Company up for its next phase in meeting the evolving needs of client families.

Bart Vogel Chairman

"The Board would also like to extend their thanks and gratitude to our employees... They have committed to our purpose, serving families when they need us most, focusing on high standards of safety and service. They showed resilience, agility, and a readiness to do things differently to support families"

Five year financials

$'000	2020	2019	2018	2017	2016
Operating sales revenue[a]	470,232	494,112	477,337	470,852	462,476
Operating EBITDA	102,565	144,433	118,998	124,316	115,344
Operating EBITDA margin	22%	29%	25%	26%	25%
Operating earnings after tax[b]	27,478	59,202	49,496	63,526	57,417
Operating earnings per share (cents)	20.4	51.7	45.2	57.9	52.4
(Loss)/profit after tax attributable to members	(9,242)	63,752	41,224	97,439	70,949
Earnings per share (cents)	(6.9)	55.8	37.8	88.8	64.7
Dividend paid in respect of the financial year (cents)	12.5	41.0	37.0	46.0	42.5
Ungeared, tax free operating cash flow	109,324	118,776	104,222	116,891	105,007
Proportion of EBITDA converted to cash	107%	82%	88%	94%	91%
Actual capital expenditure	68,136	65,289	84,120	47,471	30,321
Net debt	137,468	349,968	393,469	227,547	222,927
Operating EBITDA/Net interest (times)	8.3	10.1	9.6	13.8	11.0
Net debt/EBITDA (times)	1.3	2.4	3.3	1.8	1.9
Funeral homes (number)	278	280	255	228	233
Memorial Parks (number)	17	17	16	16	16

a *Operating sales revenue excludes other revenue including rent and sundry revenue*

b *Operating earnings after tax excludes the net gain/(loss) on pre-paid contracts, costs associated with the administration of pre-paid contracts, commissions received, gain/(loss) on sale, disposal or impairment of non-current assets and non-controlling interests*

Le Pine Funerals / White Lady Funerals, Kew Victoria

Chief Executive Officer's message

Dear Shareholder,

I have only been here a short time but from the site visits I've done and employees I have met with, I am impressed and proud of their professionalism, flexibility, and work ethic. Echoing the Chairman's message, I would like to thank all our employees in Australia, New Zealand and Singapore for their tireless efforts this last year to support each other and our client families to ensure they were provided with the best care and service at all times, notwithstanding the very difficult conditions they faced.

During the past year, we completed 63 NBO projects across Australia and New Zealand. We also welcomed to our Group the team of Galaxy Funerals in NSW and two well-established Pet Cremations businesses in Australia, Family Pet Care and Pets in Peace, providing strong platforms for growth.

We delivered full year operating revenue of $476.2 million and an operating EBITDA of $109.6 million after excluding the impact of some significant items captured in our results, which was in line with market expectations. This is pleasing in what was a very difficult year where all our businesses faced significant operating constraints, changes in consumer behaviours and demand, as well as increased price competition, especially at the height of the lockdowns. But that was the past and we need to focus on the future.

We are still living with a level of uncertainty and ever-changing restrictions across our three countries. This simply means that we need to continue to adapt and be nimble. I am delighted to have joined a team who is extremely passionate about what they do every day. With drive, expertise and commitment, there is so much more we can do for our client families in the year ahead.

Refreshed Executive Leadership Team

We recently announced a leadership restructure of the business where I confirmed several recent executive promotions and made additions and changes to accountabilities to align with our strategic focus areas and my strong commitment to diversity.

This new 'leaner', flat structure will enable me as CEO to have direct oversight of our operations and I am pleased to have the leadership accountabilities in place to deliver on our strategic plan for the next five years. In addition, my Executive Leadership Team and I are committed to doing all we can to ensure that over the coming years we build an even safer, inclusive and rewarding place to work, so that all our employees can be proud to work here.

InvoCare 2025

As the Chairman touched on, my team and I are in the process of evaluating some elements of our five-year strategic plan.

The guiding principle for this next stage of our strategy is to leverage our core assets and recent investments in our properties (the NBO program) and IT systems, and to optimise their potential to meet the evolving needs of our client families through an expanding value proposition.

Our key focus will be on enhancing the experience we provide to both our client families and teams to position our business for success today and for sustainable growth in the future. Our purpose is to honour life and celebrate memories for generations. This means considering our lifetime customer journey, where we can really leverage our pre, at and post-need offerings, through our Pre-paid Funerals, Funeral Services, Memorial Parks and Crematoria, as well as Pet Cremations services.

We will also focus on expanding our service offering for targeted customer segments – rather than taking a generic approach to market share in case volume. This will require a progressive shift in our business focus with a greater emphasis on innovation, flexibility, and diversity.

First and foremost – we are a service business, so the core foundation of the strategy will be a relentless focus on our client families and our teams to meet and exceed customer needs. This includes a focus on our service excellence and customer metrics, and ensuring we provide a safe, inclusive, and rewarding workplace.

To succeed, we need to simplify our approach. We need to put our attention on what matters by empowering our local leaders and supporting our frontline teams to do the best they can. My commitment as CEO is that we will remain focused on achieving better experiences for our teams and client families.

We have already initiated a review of our operating model and will look for opportunities to variabilise more of our cost base over the long term. Some areas of focus here will include our funeral network performance and strategy; the value propositions of our leading brands; our capital deployment; as well as more efficient support services.

Leveraging stronger foundations, we can then really grow our market share in value – several avenues for growth exist across pre, at and post-need including expanding our provision of value-add services to customers. We will also continue to seek to expand our addressable market. This includes further growth in our Pet Cremation business, expanding digital channels and being a partner of choice. Work is also underway to assess and prioritise other growth opportunities.

Last but not least, I believe we can and have a duty to extend our industry leadership across a number of dimensions – our commitment to service excellence; our safety standards and performance; developing talent; our sustainability commitments; digital, data and innovation investments; as well as our community support and a more proactive stakeholder engagement, including with our industry associations.

Outlook

I am energised by the quality of our teams, services, brands and assets across Australia, New Zealand and Singapore. In the years ahead, I really look forward to providing an increased quality of care and excellence in service to our client families and communities; a safe, inclusive and rewarding workplace to our employees; industry stewardship, notably through our commitments to sustainability, innovation and proactive stakeholder engagement; and delivering value to our shareholders through a relentless commitment to profitable growth and satisfactory returns on capital employed.

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

Olivier Chretien Managing Director & Chief Executive Officer

"...we will also focus on expanding our service offering for targeted customer segments... this will require a progressive shift in our business focus with a greater emphasis on innovation, flexibility, and diversity"

Beth Shan Funerals, Taradale New Zealand

Executive Leadership Team

Chief Executive Officer

Olivier Chretien

Chief Financial Officer

Adrian Gratwicke

Executive General Manager – Australian Funerals

Lynne Gallucci

Executive General Manager – Cemeteries & Crematoria

Steve Nobbs

Executive General Manager – Customer

Victoria Doidge

Executive General Manager – Stakeholder Engagement

Fergus Kelly

Executive General Manager – Health, Safety and Sustainability

Grace Westdorp

Executive General Manager – Human Resources

Amanda Tober

Company Secretary

Heidi Aldred

2020 Sustainability highlights

Health & Safety

InvoCare was very pleased to have remained operational throughout the 2020 COVID-19 lockdowns without any recorded cases of workplace-acquired infections.

Heightened awareness of safety, backed by increased resources around safety risk evaluation and best practices were realised through online safety training and incentive initiatives. These initiatives contributed to a 11.6% reduction in Lost Time Injury Frequency Rates (LTIFR) from 2019 to 2020, which was ahead of our proposed target (10.0%).

Digital accessibility

Another key achievement in 2020 was to provide our client families and others much greater online access to our employees, product and service information and live events.

Accelerated due to COVID-19 lockdowns, digital platform innovations were a key outcome of the increased focus on positive customer engagement. More accessible and transparent information was provided which contributed to positive Net Promoter Score outcomes.

Modern slavery statement

A significant milestone at the end of the 2020 year was the development of our Modern Slavery Statement, which sets out our process to identify, prevent, mitigate and address modern slavery risks in our supply chain.

The Statement reflects our commitment to understanding and addressing the social and ethical challenges associated with our business and to promoting high standards of ethics and integrity.

Local empowerment and rewards

A significant component of 2020's COVID-19 driven cost control was to substantially reduce the level of centrally located operational management, delegating more authority and responsibility to local leaders and teams.

The quarterly Net Promoter Score incentives for our customer-facing employees were deferred during 2020. However in recognition of the critical roles they had in maintaining excellent client service and satisfaction, an end of year incentive was paid in December 2020.

Building on the success of the ongoing Aspire Leadership program, these initiatives have supported the maintenance of very high Net Promoter Score levels (+79) despite the frustrations and uncertainties associated with COVID-19 lockdown regulations.

Gender-balanced senior leadership team

At the end of 2020 our Executive Leadership Team, including the CEO, was equally gender balanced with four females and four males. Normally reported without the CEO (who is counted with the Board) this is a significant improvement on last year.

Diversity and inclusion leadership

In 2020, InvoCare was included as one of only nine Australian listed corporations in the world's top 100 companies by the Refinitiv Diversity and Inclusion Index.

As one of the top 100 international organisations from over 9,000 assessed globally, that places InvoCare in the top 1% of the world's listed organisations on Diversity and Inclusion.

Download the full 2020 Sustainability Report

Scan this QR code on your smart device to access the full report

Managing the impact of COVID-19

The Company's response to the COVID-19 pandemic revolved around four key principles:

- **Safety**
  of our staff, suppliers and client families
- **Retention of key talent**
  measured approach to cost control, retaining frontline field staff expertise to ensure uninterrupted support to client families
- **Maintain customer service standards**
  innovative and digitally focused solutions allowed families to continue to arrange a service which honoured their loved ones
- **Strong balance sheet**
  capital raise and extension of debt maturity allowed the Group to deleverage the balance sheet and maintain the momentum of its growth initiatives.

The operation and financial performance of all InvoCare business units was substantially impacted by the COVID-19 pandemic, due both to a decline in the number of deaths in the communities we serve, and to the restrictions placed on our ability to host funeral gatherings.

Preliminary indications of partial data from the ABS for doctor certified deaths in Australia covering the 52 weeks ending 31 December 2020 are that social isolation, social distancing, face masks and hygiene awareness has contributed to the number of deaths reducing by around 2.3% relative to the comparable period in 2019. In New Zealand, full-year data shows that the number of deaths has declined by 4.8% year on year.

The decline in the number of deaths is reflected in both funeral and cremation case volumes, which were down 3% and 3.8% respectively. During the winter flu season, which is normally the busiest time of the year (Q2/3), the Group's funeral case volumes were down by 6%.

The nature and impact of government restrictions varied from time to time and place to place, as circumstances changed. The overall result was a substantial shift towards simpler funeral ceremonies and an increase in cremations and direct cremations in all three countries.

The financial impact on our funeral businesses was relatively greater in Singapore, where full-service offerings on farewells which normally last from three to seven days were severely affected by prolonged government restrictions and ongoing bans on catered indoor wakes and gatherings. New Zealand, where traditionally most people are embalmed, was also badly impacted. In Australia, we were able to leverage our Simplicity and Value Cremations brands to meet the market demand for affordable arrangements that combined a memorial event with a cremation, reducing the relative severity of the financial impact.

Social distancing measures also impacted on the performance of our Memorial Parks business, albeit to a lesser extent. Chapels had reduced capacities due to the two and four-square metre rules restricting our full range of services. Offsetting an initial reduction in revenue during March and April due to reduced attendance at our parks, we have seen strong revenue performance from the Memorial Parks business in the second half of the year, particularly in memorialisation sales. Also, digital investment was accelerated to ensure our parks had the appropriate AV technology to be able to conduct live streamed funeral services.

With the easing of COVID-19 related restrictions all markets have seen a return to more typical patterns of demand for face-to-face services and larger funeral gatherings.

Operating expenses for the Group included $1.9 million of incremental costs associated with live streaming, cleaning, and personal protection equipment (PPE). The ability to travel remains volatile and specific safety measures remain necessary. In addition, the funeral services industry in Australia was not considered to be an 'essential service' and therefore the business did not receive any Australian government cost relief to cover the cost of PPE and it did not qualify for JobKeeper. Wage subsidies were received in the New Zealand and Singaporean businesses contributing $2.3 million to other income in the year.

On the positive side, InvoCare was able to sustain its very high NPS (+79) over the course of the year, in part due to our ability to provide online video access to funeral ceremonies, which was offered to clients free of charge. We were also able to manage the relatively high risks of COVID-19 infections associated with serving many families affected by the disease, with no recorded cases of work-related infections amongst staff or customers throughout the year.

The majority of our staff voluntarily chose to take one day a week leave for several weeks during the first wave of lockdowns in April and May, a testament to the One Team culture embedded within the business. The Non-Executive Directors also chose to reduce their fees by 25% for a period of four months this financial year.

The extraordinary challenges and stresses placed on our staff by the need to manage COVID-19 restrictions and remain operational despite risks of exposure to the disease have been acknowledged and addressed via a heightened focus on mental wellbeing and social support. An important challenge for the coming year will be to mitigate the cumulative effects of these human impacts while ensuring that we sustain high levels of service quality and continue to reduce voluntary turnover rates.

Photographs courtesy of Billy Foster Photography

Our community

The Queen of Nurses
Louise Thomson, 1960 – 2021

Our ladies were honoured to farewell an incredible woman, Louise Thomson, who dedicated her life to bettering the nursing community. Working in consultation with her husband Steve Thomson, White Lady Funerals in Melbourne ensured that Louise was farewelled in the grandeur befitting her larger-than-life personality and her long and accomplished career.

Louise, or Louy as she was affectionately known, left an enduring mark on our communities through her work to empower women to progress their careers or enrich their personal lives. She was farewelled in style in a sea of her favourite colours – hot pink and red – with eight adorned horses leading the procession and guard of honour.

The Queen of Queensland
Mabel Crosby, 1909 – 2021

The team at George Hartnett Metropolitan Funerals were honoured to host a celebration of the life of Mabel Crosby, Australia's oldest resident, who passed following a brief illness at the age of 111.

Mabel's own desire was for a simple service with just one hymn and a single red rose for her coffin, requesting that people should honour her passing with **donations to Vision Australia rather than flowers**.

Farewelled by her three surviving children, 10 grandchildren, 20 great grandchildren and 9 great, great grandchildren, Mabel's long life was a testament to the tough and pioneering spirit that has been so important to the development of Australia as we know it today.

LifeArt Australasia

LifeArt predesigned or customised coffins

Making it personal
Life Art

An area of focus is to increase the variety of ways in which customers might choose to memorialise a life; **Life Art** is a business that offers personalised artwork on coffins that reflect the special character or passion of the loved one whose life is being celebrated.

Making it personal
Luteru Reupena

A personal passion for honouring the end of life is part of the vocation that calls people of all ages and cultures to work in our industry. From a Samoan heritage and trained as a carpenter, Luteru first learned his carving skills working with a professional Samoan carver to carving the lecterns, pulpits and icons for his church.

In 2017, more than a decade after Luteru chose to become a mortician, his skills were called upon to carve the coffin of a fellow church member. Since then, Luteru has accepted many requests for personalised carvings of coffins and grave markers.

“Combining the roles of contemporary funeral professional, traditional cultural craftsman and dedicated local community member, Luteru epitomises the personal passion that we share for celebrating the end of life.”

Directors' Report

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 2020, along with the independent audit report.

The flow of the information in the Directors' report is outlined in the table below.

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Information is only being included in the 2020 Annual Report to the extent it has been considered material and relevant to the understanding of the financial performance and financial position of the Group.

A disclosure is considered material and relevant if, for example:

- The dollar amount is significant in size (quantitative factor)
- The dollar amount is significant by nature (qualitative 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

Directors' Report

Operating and financial review

Company overview and principal activities

InvoCare Limited (listed on the Australian Securities Exchange, ASX:IVC), headquartered in Sydney, is a leading provider of at-need and pre-need funeral services in Australia, New Zealand and Singapore operating a portfolio of national and local brands in its network of over 278 locations. It also owns and operates 17 private memorial parks providing burial, memorialisation and cremation services respectively. Following acquisitions in 2020, InvoCare is now also a leading provider of Pet Cremation services in Australia.

Review of financial performance

To grow earnings per share and total shareholder returns, we seek to complement 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
- Balance sheet strength – Maintain funding flexibility and disciplined capital management to support growth aspirations
- Portfolio management – Acting decisively on the allocation of capital and managing returns from investments
- 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 financial year ended 31 December 2020 (2020) is set out on the following pages. The prior corresponding period (PCP) is the year ended 31 December 2019.

Generating long term shareholder returns

InvoCare seeks to optimise shareholder's 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 7.0 cents per share for 2020, taking the full year ordinary dividend to 12.5 cents per share (fully franked), representing a dividend payout ratio of 61% of Operating EPS.

The final dividend is payable on 22 April 2021 to shareholders who were on the Company's register as at 4 March 2021, the record date for the final dividend. The Dividend Reinvestment Plan continues to operate in respect of the final dividend.

	2020 cents	**2019** cents	**Movement** %
Basic earnings per share (EPS)	**(6.9)**	55.8	(112)
Operating EPS	**20.4**	51.7	(61)
Final dividend	**7.0**	23.5	(70)
Total dividend for the financial year	**12.5**	41.0	(70)
Dividend payout ratio (%)	**61%**	79%	(18 ppts)

Profit performance

The year ended 31 December 2020 has been a year of unprecedented disruption. Whilst the success that countries like Australia, New Zealand and Singapore have had in controlling COVID-19 has kept their populations safe, the travel restrictions and social distancing initiatives combined with government imposed funeral attendee limits, have led to a softening of the funeral services sector.

The Group delivered Operating net profit after tax of $27.3 million for the year, a 54% decline on the PCP driven both by a decrease in funeral case volume and case average in Australia, New Zealand and Singapore and an $18.5 million increase in operating costs. The latter includes $5.3 million of significant items arising from reviews of carrying values undertaken at the year-end of aged debtors and slow moving inventory and $1.7 million of costs associated with the change in senior leadership that was announced in the second half. It also reflects increased costs of working such as COVID-19 driven PPE and live streaming costs and EBA award increases to wages that were unavoidable.

Reported loss for the year attributable to shareholders of $9.2 million reflects the impact of $25.5 million of impairments recognised with respect to the Group's goodwill arising from its New Zealand operations and of capitalised IT development costs relating to certain modules of the Oracle Enterprise Resource Planning (ERP) system rolled out in the PCP. The impairment of goodwill related to the New Zealand operations (which represents less than 10% of Group Operating EBITDA) reflects the disruption caused by COVID-19 and the subsequent restrictions imposed by the New Zealand government that hampered the Group's ability to operate as planned. New Zealand's financial performance was significantly impacted as a consequence and this has been reflected in long term financial projections used to support carrying value testing. The $6.2 million partial impairment of certain modules of the Oracle ERP system reflects significant remediation in 2020 and the replacement of certain functionality that has rendered some elements of the IT platform obsolete.

Partially offsetting the impact of these impairments, an assessment of carrying values of our memorial parks and crematoria during the year has identified an impairment reversal of $6 million with respect to Allambe Memorial Park following remediation works undertaken over the last two years enabling a gradual return to successful sales performance.

Also reflected in the reported loss for the year is a $16.6 million loss arising from the mark-to-market accounting for pre-paid funeral contracts with a $3.7 million gain on the revaluation of pre-paid funds under management (FUM) offset by a $20.3 million increase in the associated provision for pre-paid contract liabilities. It should be noted that the provision for pre-paid contract liabilities has increased in line with expected change in costs to fulfil the contracts. The corresponding value of the (independently controlled) funds under management reflects the gradual recovery in equities and asset values over the year from the significant equity market volatility experienced in the first half of 2020. This net movement compares unfavourably to the PCP where a large $45.6 million net gain on the revaluation of pre-paid FUM assets was recognised driven by strong returns from the equities market and property investment revaluations. Importantly, the headroom between pre-paid contract FUM assets and pre-paid contract liabilities remains healthy at $71.8 million at 31 December 2020.

Operating results for 2020

InvoCare considers Operating earnings before interest, tax, depreciation and amortisation and business acquisition costs (Operating EBITDA) and Operating earnings before interest and tax (Operating EBIT) as key performance measures.

Operating EBITDA, EBIT and net profit after tax exclude the following items:

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

A reconciliation of operating to statutory financial results is included on page 33.

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

	2020 $'000	2019 $'000	Movement %
Revenue	476,249	499,665	(4.7)
Expenses	(373,684)	(355,232)	(5.2)
EBITDA	102,565	144,433	(29)
Depreciation and amortisation	(44,280)	(36,973)	(20)
Business acquisition costs	(1,918)	(2,021)	5.1
EBIT	56,367	105,439	(47)
Net finance costs	(20,484)	(23,213)	12
Profit before income tax	35,883	82,226	(56)
Income tax expense	(8,405)	(23,024)	63
Non-controlling interest	(167)	(136)	(23)
Operating net profit after income tax	27,311	59,066	(54)
OPEX to sales %*	53%	46%	(7.1 ppts)
EBITDA margin (%)	22%	29%	(7.4 ppts)
EBIT margin (%)	12%	21%	(9.3 ppts)
Operating EPS (cents per share)	20.4	51.7	(61)

* *OPEX excludes finished goods, consumables and funeral disbursements.*

Despite such a challenging year, the resilient nature of the funeral services industry is reflected in the operating revenue results, with a stronger Q4 in funeral case volume and case averages stemming the full year operating revenue decline to 4.7%.

A high proportion of our sales are driven through referrals and therefore maintaining the quality of our service standards is critical. It was a deliberate management decision to maintain full service levels at a time of heightened anxiety amongst our client families. With employee costs a large proportion of OPEX this meant that fluctuations in revenue had a consequential impact on Operating EBITDA, which reduced 29% on the PCP and is reflected in the 7.1 ppts increase in OPEX to sales % metric to 54%.

Cost savings achieved in employee expenses from leave initiatives, reduction in temporary labour and restructuring activities undertaken in response to COVID-19 have been offset by a number of additional expenses including contractual wage increases of c.3%, $5.3 million of costs arising from the increases in provisions for aged debtors and slow moving inventory and $1.7 million of costs associated with the change in senior leadership announced in the second half.

Depreciation and amortisation expense increased $7.3 million or 20% on the PCP driven by increased depreciation of leasehold improvements arising from completed Network and Brand Optimisation (NBO) projects and amortisation of captialised IT costs relating to the implementation of the Oracle ERP system. The impairment of the latter as previously disclosed, has been recognised within non-operating expenses.

Net finance costs have declined $2.7 million reflecting the benefit of repaying $111.8 million of borrowings following the successful capital raising in April and May 2020.

Operating revenue by region

	2020 $'000	2019 $'000	Movement %
By regions			
Australia	404,855	421,863	(4.0)
New Zealand	51,990	56,579	(8.1)
Singapore	19,404	21,223	(8.6)
Total	476,249	499,665	(4.7)

Operating EBITDA and EBIT by region

	Operating EBITDA			Operating EBIT		
	2020 $'000	2019 $'000	Movement %	2020 $'000	2019 $'000	Movement %
By regions						
Australia	**84,395**	121,627	(31)	**44,746**	88,868	(50)
New Zealand	**8,778**	12,889	(32)	**3,416**	7,855	(57)
Singapore	**9,392**	9,917	(5.3)	**8,205**	8,716	(5.9)
Total	**102,565**	144,433	(29)	**56,367**	105,439	(47)

Operating results by revenue type

2020	Funeral services $'000	Memorial Parks $'000	Pet cremations $'000	Support office $'000	Total $'000
Case volumes (number)	**44,784**				**44,784**
Revenue	**349,297**	**122,310**	**4,642**	**-**	**476,249**
EBITDA	**80,035**	**57,632**	**502**	**(35,604)**	**102,565**
EBITDA margin (%)	**23%**	**47%**	**11%**	**-**	**22%**
EBIT	**49,673**	**51,661**	**(301)**	**(44,666)**	**56,367**
2019					
Case volumes (number)	46,171				46,171
Revenue	377,525	121,324	816	-	499,665
EBITDA	107,853	63,150	(1,239)	(25,331)	144,433
EBITDA margin (%)	29%	52%	(152%)	-	29%
EBIT	81,813	57,275	(1,580)	(32,069)	105,439

Australia

Funeral services

The Australian funeral services business experienced challenging market conditions, notably in Q2 and Q3. It finished the year with a 7.2% decrease in revenue overall attributed primarily to a 4.5% reduction in funeral case average and to a lesser extent a reduction in volume, which had recovered in most states by the end of the year and grew 3% on the PCP in Q4.

Despite decreases in revenue earned from professional service fees and items such as catering and transport services, which were unable to be provided in a lot of instances in line with social restriction requirements, the business also observed changes in category spend by client families, with the inability to hold in-person farewells driving an increase in coffin and floral arrangement spend, particularly at the height of lock downs.

The trend observed in the first half of an increase in demand for simpler funerals and direct cremations continued into Q3 as travel restrictions and attendee limits hampered the ability for client families to conduct full service farewells, but, as restrictions eased demand for full service offerings has slowly recovered.

The business was also able to respond to this change in market demand notably with our Simplicity brand, which offers client families an arrangement that combines a memorial event and cremation at an affordable price. In addition, despite a weaker April and May, packages put together in our White Lady and traditional brand locations meant we could still provide client families with higher service arrangements that were meaningful farewells but just of a smaller size. Live streaming was also provided to client families at no additional charge. This continuation of high-quality service has been reflected in the business' NPS score of +79 for the year.

Overall funeral case volume in Australia declined 2.5% compared to the PCP with a strong second half in both New South Wales and West Australian businesses partially offsetting declines experienced in Victoria and Queensland. Victoria notably was hard hit by lockdowns in Q3 compared to other states.

As noted previously, the focus on maintaining client service throughout the pandemic and the fixed cost nature of the funeral services business has meant that the revenue decline has been transmitted directly to Operating EBITDA, which has decreased by 27%, and EBITDA margin has dropped 5.5 ppts. Despite actions taken during the year to reorganise the business on a regional basis and to remove layers of middle management that resulted in second half employee cost savings, increased marketing costs in the first half to protect volumes in a market where we couldn't offer our usual product and services, the increase in facilities costs arising from NBO locations, the impact of incremental COVID-19 driven costs and the increase to provisions for aged debtors noted previously, have driven a 5.8% increase in operating expenses for the year.

Pre-paid funerals

The recognition of a reported loss for the year partly reflects the impact of non-cash movements in our pre-paid funerals business' funds under management (FUM). Reported profit of $63.8 million in the PCP included a net $45.6 million mark-to-market (MTM) gain on the revaluation of undelivered pre-paid FUM and contract liabilities. Market volatility (particularly in equity markets) in 2020 arising from COVID-19 uncertainty has held asset valuations relatively flat, resulting in a net $17 million MTM loss for 2020 (which reflects a material improvement on the $39.5 million half year net loss recorded at 30 June 2020). It is primarily for this reason that the Company has historically distinguished its results on an operating versus non-operating basis to exclude the impact of such material, non-cash movements. Importantly, FUM asset headroom (defined as pre-paid contract assets less liabilities) at 31 December 2020 remains strong at approximately $72 million.

Memorial Parks

COVID-19 led to reduced patronage at the parks with the cancellation of many community events, particularly in the first half of the reporting period. Despite this, the Memorial Parks business recorded strong growth in memorialisation sales in the second half of the year, notably from sales from deepening relationships with local religious communities at some of our largest parks. This growth, together with a favourable release of revenue deferred on transition to AASB 15 Revenue from Contracts with Customers as instalment payers completed their plans, drove an overall increase in revenue of 1% against the PCP.

Operating EBITDA was down 8.7% on the PCP as operating costs increased with the shift to live streaming of memorial services, increased cleaning to protect client families and employees, and increased grounds maintenance costs. An additional provision for slow moving inventory of $2.5 million has also been recognised following a review of slow-moving inventory items. The provision mainly relates to single-site niche walls and specific memorial developments that have not achieved expected sales since construction.

Pet cremations

The pet cremations business in Australia continued to grow and was largely untouched by COVID-19. The greenfield development on the existing NSW Lakeside Memorial Park continued to ramp up and the second greenfield development on the NSW Central Coast had reached practical completion in June.

In November, the Group acquired two pet cremations businesses, Family Pet Care and Pets in Peace, representing a strategic expansion of the Group's existing pet cremations business. Both of these businesses contributed only one month of trading results in the year.

New Zealand

Total revenue for the New Zealand business declined 8.1% on the PCP driven primarily from a 6.7% decline in case average and to a lesser extent volume decline.

The restrictions placed on funeral services in New Zealand were more extreme than in Australia with no funerals or tangihanga permitted in late March into April (direct cremation or burials only). This led to a 25% decline in Q2 funeral case averages alone in this business.

Similar trends to Australia were observed in revenue drivers of case average decline with a reduction in professional service fees the main contributor but reduced catering services have had a greater impact on case average than in Australia, as attendee limits reduced demand for this service significantly.

Despite restrictions on the level of service that was able to be provided to client families, the hard work and dedication of our employees to support our client families through these difficult periods was reflected in growth in the business' NPS score by 2 ppts to +86.

Overall, the New Zealand funeral case volume declined 4.9% compared to the PCP driven primarily by a weaker Q2 and Q3 with the country experiencing a benign winter flu season (like Australia), but volumes have slowly recovered over Q4.

The New Zealand funeral services market remains fragmented across regional areas and competition, particularly on price, has been increasing along with an observed increase in client family preference for simpler funerals and cremations for their loved ones. COVID-19 has accelerated this change, with government restrictions on the number of funeral attendees and economic pressure on household incomes. This trend has a greater impact in New Zealand, where traditionally most people are embalmed, and the business does not currently have the breadth of brand portfolio in every local market to the extent we do in Australia, to quickly meet such changes in consumer demand. As a result, a review of the assumptions used in the long-term modelling to support the carrying value of the New Zealand group of cash generating units (CGUs) was made at the balance date and an impairment of $19.3 million of the goodwill allocated to this group of CGUs was recognised.

Singapore

Total revenue for the Singaporean business declined 8.6% with the funerals market negatively impacted by prolonged funeral attendance restrictions, a ban on catering and a general economic downturn in the country all of which has heightened price competition and reduced discretionary spend attached to higher service offerings. Declines in revenue have been driven both by funeral case average and volume declines.

Funeral case average has declined 6.5% for the year with an increase in consumer preference for direct cremations as higher service, catered wakes and gatherings not permitted by government authorities. Similarly, funeral case volume has declined 5.3% on the PCP with an increase in competition observed in the market due to the low barriers of entry to the lower service, and direct cremation.

Disciplined cost control in the Singaporean business has held OPEX as a % of sales to 32% and improved EBITDA margin 3 ppts to 51% in the year despite a decline in Operating EBITDA to $9.4 million.

Support office

InvoCare's support office includes the centralised costs of Procurement as well as Information and Technology (IT), Finance, Marketing, Safety, Sustainability, Human Resources and the costs associated with the CEO, Company Secretary and Board. The increase in support office costs is attributed to a step up in IT related software license costs incurred by the Group following system investments in the current and prior year and $1.7 million of one-off transition costs incurred as a result of the appointment of new executive leadership during the year.

Portfolio management

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

Acquisitions

In July, the Group acquired Galaxy Funerals for $5.9 million, $5.3 million of which is deferred as it is contingent on achieving earnings targets over the next two years. Galaxy Funerals is a Sydney based funeral business with two locations that specialise in serving the Asian community. The acquisition represents an investment in the strategic priority of growing presence in the inclusive funerals market.

In November, the Group acquired two pet cremation businesses as noted previously for $49.8 million, $11.9 million of which was deferred and is contingent on achieving earnings targets over the next two years. These acquisitions represent a strategic expansion of the Group's existing pet cremation businesses in NSW, positioning the Company to be Australia's leading provider of pet cremation services in a growing industry.

Disposals

As part of the NBO project, sites that have been identified as non-core are sold to realise their value. During the year the Group disposed of six locations, four in Australia and two in New Zealand for combined proceeds of $11.9 million giving rise to a gain on disposal recognised through non-operating profit of $7.4 million.

Balance sheet

InvoCare successfully deleveraged its balance sheet during the year via a successful $274 million institutional placement and share purchase plan and 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 as at 31 December

	2020 $'000	2019 $'000	Movement %
Trade and other receivables	**82,582**	82,794	(0.3)
Inventories	**44,117**	45,117	(2.2)
Trade and other payables	**(60,514)**	(60,810)	0.5
Net working capital	**66,185**	67,101	(1.4)
Property, plant and equipment	**464,277**	426,955	8.7
Intangibles	**243,515**	210,724	16
Net pre-paid funds under management/contract liabilities	**71,822**	94,006	24
Deferred selling costs	**37,712**	39,928	5.5
Deferred contract assets	**4,066**	6,449	37
Net right of use asset and lease liabilities [a]	**(11,346)**	(6,561)	(73)
Deferred revenue	**(137,718)**	(139,300)	1.1
Net tax items	**(34,513)**	(35,639)	3.2
Other items [b]	**(34,632)**	(16,716)	(107)
Total capital employed	**669,368**	646,947	3.5
Net debt	**(137,468)**	(349,968)	61
Net assets	**531,900**	296,979	79
Average working capital % of sales [c]	**14%**	10%	4.0 ppts
ROCE % [d]	**8.6%**	17%	(8.5 ppts)

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

b *Includes assets held for sale, other financial assets, derivative financial instruments, provisions for employee entitlements and deferred 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/(Average total equity + Average net debt).*

Disciplined working capital management and the $5.3 million impact from the review of trade receivable and inventory carrying values at year end held working capital relatively steady on the PCP. Despite this, average working capital as a % of sales has increased 4 ppts in the year as the nature of inventory balances (primarily memorialisation items like crypts) do not fluctuate materially in response to revenue.

Total capital employed has increased by 3.5% reflecting the continued capital investment in property, plant and equipment arising primarily from the NBO program, an increase in intangibles arising from the acquisitions and continued capitalisation of IT development costs.

ROCE has deteriorated, reducing 8.5 ppts to 8.6%. This reflects reduced Operating EBIT in the year (as explained above) and an enlarged capital base driven by the equity raise. The $274 million of funds raised from the institutional placement and share purchase plan in April/May has been used to continue the roll out of NBO, shared service centres and IT projects and fund the acquisitions conducted during the year.

Included in the increase of property, plant and equipment is $39.5 million associated with the continuation of the NBO project as well as IT development costs. It was also impacted by the $6 million increase in the value of cemetery land reflecting a reversal of a portion of the previous impairment at Allambe Memorial Park (refer to Note 11 Non-current operating assets).

The net $32.8 million increase in intangible assets is net of the $52 million impact of acquisitions in the year and the $25.5 million impairment of the goodwill relating to the New Zealand business and of capitalised IT development costs previously referred to in this report (refer to Note 12 Intangibles).

The decrease in net pre-paid funds under management/contract liabilities of $22.2 million is driven by higher redemptions following service delivery and an increase in the provision for pre-paid contract liabilities of $20.3 million (2019: $20.3 million) reflecting the financing charge recognised on the liability. The 2019 net pre-paid funds under management of $94 million reflected a net $45.6 million gain on the revaluation of these balance sheet items. Equity market volatility, particularly in the first half due to uncertainties regarding COVID-19, have stabilised in the second half resulting in a significantly lower gain of $3.7 million from the mark-to-market revaluation of these independently controlled funds at 31 December 2020. Notwithstanding this impact in 2020, significant headroom between the asset and liability remains healthy at $71.8 million at 31 December 2020.

Net debt as at 31 December

	2020 $'000	2019 $'000	Movement %
Cash and cash equivalents	**118,781**	19,560	507
Borrowings	**(246,039)**	(357,189)	31
Net right of use asset and lease liabilities	**(10,210)**	(12,339)	17
Net debt	**(137,468)**	(349,968)	61
Total shareholders' equity	**531,900**	296,979	79
Gearing ratio (spot) %	**21%**	54%	(34 ppts)
Leverage ratio (times)	**1.3**	2.4	1.1
Interest cover ratio (times)	**8.3**	10.1	1.8

After accounting for borrowings, capitalised loan establishment costs, finance leases and a cash position of $118.8 million the Group's net debt as at 31 December 2020 was $137.5 million, a 61% decrease on the PCP.

InvoCare successfully deleveraged its balance sheet during the year and undertook two key initiatives:

- Conducted a well-supported institutional placement and share purchase plan that raised $274 million of capital in April/May with a small discount to prevailing share price ($270.9 million net of raise costs)
- On 19 June 2020, the Group successfully renegotiated its three year $200 million revolving debt facility, extending its maturity to February 2023, as it was due to expire in February 2021. This facility remains undrawn

Both these measures provide the Group with balance sheet flexibility to support the business during the period of economic uncertainty and to fund growth initiatives, and also allowed repayment of $111 million of borrowings during the year.

The Group has access to $452.5 million of loan facilities at 31 December 2020 as follows:

- 10 year $100 million Note Purchase Agreement with Metlife, fully drawn at 31 December 2020 and due for repayment in February 2028
- 5 year Syndicated Facility Agreement supported by ANZ, HSBC, Westpac, Mizuho and SMBC providing $152.5 million (fully drawn) and $200 million (undrawn) due for repayment in February 2023. The facilities are multi-currency with NZ$50 million drawn with respect to New Zealand and SG$35 million drawn with respect to Singapore

The foreign currency drawings naturally hedge InvoCare's investments in the Singapore and New Zealand markets.

The financial covenant ratios included on the debt facilities differ from the calculations included in the table above as they 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 initiatives). The covenant target ratios are as follows:

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

The above ratios continued to be met as at 31 December 2020, being 1.3x and 8.3x, respectively (2019: 2.4x and 10.1x, respectively).

To maintain certainty over cash flows, the Group also has financial risk management policies limiting exposure to interest rate fluctuations. In accordance with InvoCare's policy, at 31 December 2020, 58% (2019: 94%) of the debt principal was at fixed interest rates through using either floating to fixed interest rate swaps or fixed rate debt (notably the $100 million Note Purchase Agreement).

Due to the level of stability of Singaporean interest rates and its quantum, Singapore dollar debt is not covered by interest rate swaps. Additionally, due to low volatility of interest rates the Group's policy has been amended and no new interest rate swaps will be taken out whilst low interest rates continue. Existing swaps in place will be allowed to expire.

While there is the ability to pay down an additional, material amount of debt, the fixed term nature of these drawn facilities means that repayment would result in retirement of such debt. A review will be undertaken in the first half of 2021 to determine an appropriate structure and tenure of the Group's debt facilities.

Cash flow

InvoCare aims to use cash generated from operations to pay down borrowings, fund capital expenditure and bolt-on acquisitions and return dividends to shareholders.

Abridged cash flow for the year ended 31 December

	2020 $'000	2019 $'000	Movement %
Operating EBITDA	**102,565**	144,433	(29)
Net change in working capital	**(7,527)**	(43,929)	(83)
Net finance costs paid	**(17,046)**	(20,803)	18
Tax paid	**(14,424)**	(20,631)	30
Operating cash flows	**63,568**	59,070	7.6
Acquisitions	**(40,581)**	(15,187)	(167)
Divestments/sale of assets	**11,908**	6,550	82
Capital expenditure	**(68,136)**	(65,289)	(4.4)
Net funds from pre-paid contracts	**12,857**	15,866	(19)
Investing cash flows	**(83,952)**	(58,060)	(45)
Dividends paid	**(29,514)**	(32,863)	10
Equity raise (net of raise costs)	**270,875**	85,787	216
Net draw down/repayment of borrowings	**(106,761)**	(53,103)	(101)
Net lease payments	**(11,599)**	3,625	420
Other	**(3,184)**	258	(1,334)
Financing cash flows	**119,817**	3,704	(3,135)
Change in cash held	**99,433**	4,714	2,009
Cash conversion %[a]	**107%**	82%	25 ppts
Cash realisation %[b]	**89%**	62%	27 ppts

a *Cash conversion % calculated as per table below.*

b *Cash realisation % means Operating cash flows as a % of operating profit after income tax for the period adjusted to remove depreciation and amortisation expense.*

The Group ended the period with cash on hand of $118.8 million and improved its cash conversion to 107% (2019: 82%).

Despite a reduction in business activity during the year, a disciplined focus on current year cash collections and a reduction in tax and finance costs paid has led to growth in operating cash flows of 7.6%. This has also led to improved cash conversion and realisation ratios as more earnings were converted into cash.

Investing cash flows for the year of $84 million includes $38.5 million for the purchase of the two pet cremation businesses and the Galaxy Funerals business (excluding the amounts deferred as previously noted) and proceeds of $11.9 million from the disposal of certain properties as part of our ongoing portfolio management activities.

Capital expenditure (CAPEX) of $68.1 million in the year included $39.5 million of NBO related expenditure and $16.2 million of IT related projects. The remainder relates primarily to annual maintenance CAPEX of the Group's facilities.

Net financing cash flows includes the impact of the $270.9 million capital raise net of raise costs, the subsequent $111.8 million repayment of debt and $3.1 million of payments made to exit related interest rate swaps early following repayment of a debt as noted previously. In addition, the deferred 2019 final dividend was paid in October 2020.

Cash conversion % calculation

	2020 $'000	2019 $'000
Operating cash flows	**63,568**	59,070
Add back: Net finance costs paid	**17,046**	20,803
Add back: Tax paid	**14,424**	20,631
Net funds from pre-paid contracts	**12,857**	15,866
Other cash flows related to pre-paid contracts	**1,429**	2,406
Ungeared, tax free operating cash flows	**109,324**	118,776
Operating EBITDA	**102,565**	144,433
Cash conversion %	**107%**	82%

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 and follow the recognition requirements of Australian Accounting Standards.

InvoCare business strategy update

In 2016 the InvoCare Board recognised that acquisitions alone could not continue to drive EPS growth at the same level as historically achieved. Regulatory limits on further acquisitions in Australian metropolitan markets imposed by the ACCC and the growing demand for personalised funeral celebrations in modern, non-religious surroundings led to a shift in focus to updating existing facilities, products and service capabilities to meet contemporary expectations.

During 2016 and 2017, comprehensive plans were developed for a major transformation of the Group's physical network to ensure that the Group's facilities and product offerings were appropriate to drive organic growth into the future. The rollout of this Protect & Grow strategy was started in 2017, with a focus on reversing market share decline, increasing revenue by providing increased product offerings to meet the changing needs of client families and creating opportunities to drive operational efficiencies. The rollout of this strategy continued in 2020.

Network and brand optimisation (NBO)

A core focus of the Protect & Grow strategy has been the NBO program which is transforming InvoCare's unrenovated, out-of-date and underperforming funeral homes into modern, contemporary locations with new capabilities that allow for additional service levels that are in-tune with client families' needs and preferences. The following tables provide a summary of the completed projects since the commencement of the project in 2017 and the projects planned for completion in 2021.

Year completed/due	2017	2018	2019	2020	Total	2021 estimate
Refresh	26	32	15	54	127	
Enhance	-	7	2	7	16	
Growth	4	16	4	2	26	
Total	30	55	21	63	169	40-50*
CAPEX ($m)	(21.0)	(39.2)	(26.5)	(39.5)	(126.2)	
Acquired properties ($m)	(8.3)	(1.2)	-	-	(9.5)	
Sites sold (Number)	2	1	3	6	12	~2
Proceeds ($m)	6.1	0.7	3.1	12.0	21.9	

* *Number of projects is approximate and subject to change*

The total amount of capital deployed for NBO sites is $126.2 million by the end of the four years to date. Offsetting this is $21.9 million of proceeds from the sale of identified non-core sites as a result of this program.

As part of the Group's response to COVID-19 earlier in the year, CAPEX was delayed or deferred until such time as the full impact on the business was known. Despite a resumption of NBO activity in the second half, some projects have been delayed and are due to be completed in early 2021. Notwithstanding the COVID-19 driven delay, a total of 63 projects were completed during the year. A further 40-50 sites are planned for works in 2021, subject to business case and DA approval.

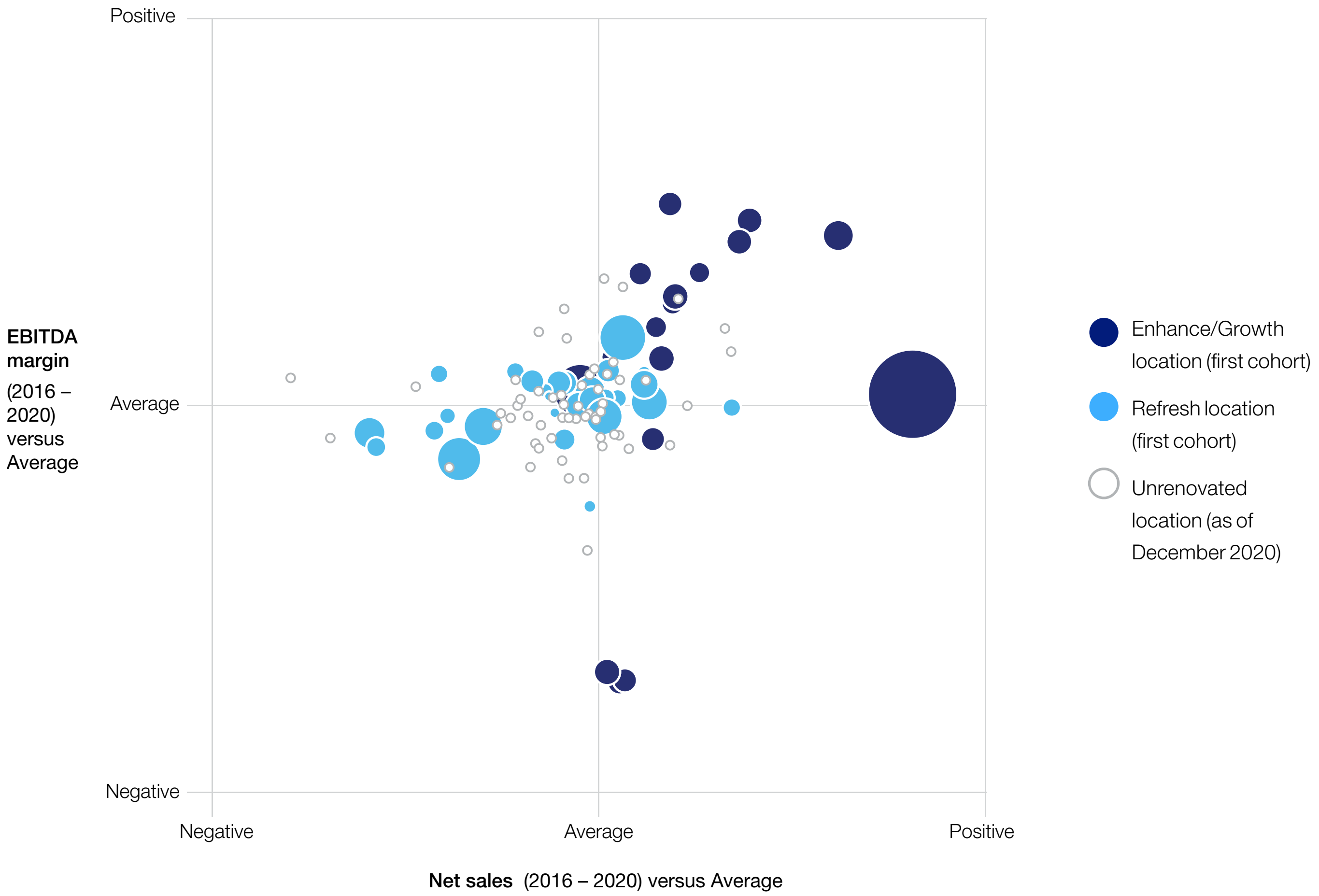
It should be noted that there are around 50 to 60 locations remaining that do not form part of the NBO program of works. These are locations that either do not require renovation or are intended to be sold. Additionally, future Refresh renovation type activity will form part of the annual maintenance CAPEX budgets of the network from 2021.

Work will continue Enhance and Grow projects, to be categorised as Growth CAPEX and subject to disciplined capital approval processes.

As noted at half year, the restrictions and social distancing have had a greater impact on the renovated locations than the unrenovated locations due to the low attendance at funerals negatively impacting the locations that are able to provide a wider range of services. Therefore, when assessing performance of NBO locations, 2020 provides an abnormal trading year for comparison. It also makes it difficult to ascertain the drag on earnings that may have come from closed sites due to renovation and construction.

The first cohort of 48 sites that were completed between June 2017 and July 2018 have now had two years of post completion trading for comparability purposes. Projects completed post that date have the abnormal 2020 trading conditions to cycle in their post completion returns assessments.

When comparing the growth in net sales of this cohort and growth in EBITDA margin (both pre NBO to now), those sites that were Enhance or Growth locations continue to outperform other locations both in volumes and sales. This is shown in the graph below.



How to read the above graph:

- Locations plotted include unrenovated sites (as of December 2020) and the 48 Refresh and Enhance/Grow NBO sites that were completed in the first cohort (2017 to July 2018)
- Bubble size reflects NBO CAPEX spend per location
- Average is the average of all funerals locations in Australia and New Zealand including those that have been renovated after July 2018 and those identified as not requiring NBO investment
- The horizontal axis is the growth in revenue (excluding disbursements) for a location relative to the average
- The vertical axis is the change in EBITDA margin of that location over the same period relative to the average
- The closer a bubble appears towards the top right of the chart, the better it has performed relative to the average for the same period.

Operational efficiencies

As noted at half year, the roll out of the Oracle ERP system for the funeral services businesses in Australia and New Zealand is now complete (except for acquisitions and the Memorial Parks business, which is a focus in 2021). Initial implementation issues are being addressed and the current year remediation activities undertaken is what has driven the $6.2 million of impairment of capitalised IT development costs.

In addition, four shared service centre projects were completed in the year with a further six to eight planned for 2021. A summary of the amount spent on IT investment and shared service centre projects from 2017 to 2020 is included in the table below.

CAPEX spend	2017	2018	2019	2020	Total	2021 estimate
Information technology ($m)	(6.7)	(12.4)	(7.6)	(8.6)	(35.3)	
Shared service centres ($m)	-	(2.2)	(7.9)	(1.2)	(11.3)	6-8 sites*

* *Number of projects is approximate and subject to change*

People & Culture

InvoCare is acutely aware of the additional pressures our employees faced throughout the COVID-19 crisis. Working with grieving families is highly emotional and demanding. In a COVID-19 impacted world, our team have strived to meet and exceed government guidelines to ensure the safety of themselves and their client families and friends. Those guidelines impact many aspects of the way funerals are planned and managed including restrictions on the attendance at funerals.

NPS is a our key measure of customer satisfaction and the fact that the Group overall (excluding Singapore, which is not measured by this metric) has been able to maintain or grow their NPS scores during the year is a testament to the quality of the service that our employees provide. The NPS result of +79 in 2020 also compares favourably to the NPS achieved at the beginning of the Protect & Grow strategy in 2017 of +74, a 5 point increase over the three years. This reflects the investment in leadership and management training alongside the Group's cultural and community engagement initiatives and the positive impact these are having on both employee and client family experiences.

Ensuring the health and safety of our employees and client families is our highest priority. At the onset of the COVID-19 pandemic, InvoCare created a COVID-19 Taskforce focused on creating safe work practices, including infection control procedures, adequate personal protective equipment (PPE) availability and usage, cleaning guidelines, supporting remote working practices and general principles of COVID-19 safety.

Lost time injury frequency rate (LTIFR) is a key metric to measure the safety performance of the Group. The LTIFR in 2020 was 12.5, which reflects a 1.6 ppts improvement since the renewed strategic focus began in 2017. The recent appointment of a new EGM of Health, Safety and Sustainability in early 2021 reflects the continued focus on safety in our organisation.

Additionally, InvoCare took a proactive approach to the implementation of a paid pandemic leave policy in March 2020. We have also worked hard to support the new ways of working that have come with COVID-19, not only how we engage with each other, but also how we engage with our client families. In response, the Learning & Development team have delivered many training initiatives to employees via virtual platforms this year in order to upskill their capabilities in this changing environment.

The focus in 2019 shifted towards training our field team to become strong local leaders with a focus on providing the leadership required to elicit high levels of discretionary effort which is essential to delivering the highest levels of customer service. While this training has been put on hold in 2020 due to budgetary and travel constraints imposed by COVID-19, it is our intention to resume this program in 2021 as high performing, empowered local leaders are an essential part of our service proposition.

2021 outlook

InvoCare remains cautious in its outlook with short term market conditions still being impacted by COVID-19 restrictions and the timing and extent of the unwind of related impacts remains hard to predict.

The Group remains nevertheless confident about the long term potential of this business with future growth underpinned by population and ageing trends in its markets, and management have initiated an operating model and cost efficiency review to further strengthen the business foundations. With an experienced team, strong national and local brands, a modernised asset base and leading market position, the Company's management see many opportunities to leverage and optimise the foundations of the business to meet the evolving needs of client families and communities with an expanding value proposition. The Company will also look to extend its industry leadership through increased focus on talent, safety, sustainability, innovation, and proactive stakeholder management.

Risks

The Company has in place an Enterprise Risk Management Framework. As part of the framework the Group maintains an extensive risk register. The most significant risk for annual financial performance is the number of deaths occurring in the markets in which we operate.

The key areas of identified risks are summarised below.

Risk	Description	Risk management mitigation
Number of deaths	• Change in mortality rates • Relocation of population to areas outside InvoCare business operating regions	• BDM data monitoring and analysis • Workforce flexibility • Geographic footprint • Service offerings • Data analytics
Strategic risk	• The risk that the Company's strategies and growth initiatives are not successfully executed or integrated or deliver the expected returns	• Experienced executive team • Board and CEO sign-off of individual business cases with process in place to monitor performance post execution
Competitive risk	• Risk from existing and new market entrants • Competitors may offer/develop superior products/services	• Focus on client satisfaction via continuous improvements in delivery of customer required products and services • Leveraging existing brands in local markets with strategies to expand market share locally • Delivery of superior products/services to exceed customer expectations and competitors' products/services offerings in same operating regions • Focus on local community engagement and relationship to maintain or improve competitive advantage
Loss of key brand reputation/customer relationships	• Failure to maintain brand reputation in market • Failure to react to changes in customers' needs/trends • Products and/or services do not keep pace with developments in market needs or technological advancements • Customers/media complaints	• Continued investment in customer research to sustain market leading position • Customer feedback surveys and complaints monitoring • Net promoter score reporting or tracking • Close monitoring of market developments • NBO renovations and transformations of locations and facilities to exceed customer expectations
Regulatory risk	• Environmental regulations risks • Perpetual care • Australian Competition and Customer Act 2010 (Consumer Act) and other related legislations	• Sustainability plan and commitments • Consumer Act training for employees • Aligned accountabilities at executive level
Safety risk	• Occupational, health and safety risks	• Behavioural-based safety programmes • Lost Time Injury Frequency Rate metrics reported monthly by business
People risk	• Loss of key executives • Loss of key individuals in operating businesses with consequential material business interruption	• Appropriate incentives and career development opportunities for key executives and senior management • Identification and management of high potential employees

Risk	Description	Risk management mitigation
Information technology (IT) risk – cyber risk, privacy and data sovereignty	• Risk of targeted cyber-attack against Company assets • Unauthorised access to or loss of customer data including personally identifiable data • Risk of data loss/fraud, system breakdown • ERP implementation risk	• Cyber-security training • Dedicated internal resources to monitor and address cyber and information risks • Monitoring and prevention of unauthorised access to IT assets • Code of Conduct is set up and relevant employee training is conducted • Disaster Recovery Plan • Penetration Testing
Reliance on single point of failure in supply chain	• Unable to supply products to deliver services for families	• Dedicated internal resources to monitor supply agreement contracts • Commercial tendering processes to identify alternative suppliers • Inventory management
Working capital	• The risk that the Company cannot meet its financial obligations	• Six monthly reporting to funding providers on covenant compliance • Quarterly reforecasting and annual budget requiring Board sign off • Regular monitoring and reporting on debtors
Investment risk – pre-paid funeral contracts	• Potential escalation in service/ product costs • Volatility of investment returns on pre-paid funds under management fluctuation	• Control our cost of service at below 4% inflation factor applied to liability revaluation annually • Maintain Board representation in the Over Fifty Guardian Friendly Society, the main investment portfolio for over 85% of the pre-paid funeral contracts • Ensure the pre-paid funeral contracts are invested in diversified asset classes to maximise returns without exceeding risk levels as specified in accordance with the Fund investment policy and guidelines
Investment risk – acquisitions	• Deficiencies in due diligence • Potentially unknown or contingent liabilities • Reliance on previous owners performing satisfactorily • No guarantee of continued successful performance of acquired businesses	• Balance sheet management • Investment Committee scrutinises investment proposals and provides recommendations to the Board on acquisition decisions • Post-acquisition reviews conducted to ensure performance in line with expectation
Financing risk	• Insufficient funding to capitalise on opportunities	• Monthly reporting of financial metrics to the Board and Executive Leadership Team • Business unit performance reviews and monitoring against budget and forecasts • Monitoring of debt covenants and monthly cashflow statements
Lease arrangements	• The risk that existing lease agreements are not renewed or not renewed at satisfactory levels	• Monthly reporting to executive on leases due for renewal • Legal review for all lease contracts
A crisis occurs threatening the Company, our stakeholders or the general public	• A pandemic • Natural disaster occurs such as fire, floods impacting significant operations • IT system breakdown	• Pandemic and Epidemic Diseases Plan in place • Infectious Disease procedure in place • Emergency Management Plans, developed locally with clear escalation guidelines to Corporate Emergency Management Plan (EMP) • Disaster Recovery Plan (DRP) in place to manage IT risks • Above plans linked to Business Continuity Plan (BCP) with identified processes, roles and responsibilities to mitigate disruption to the business and community

Reconciliation of financial information

The Company results are reported under Australian Accounting Standards (AASB). 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.

The Company 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 and exclude the impact of significant items such as material impairments, asset sales gains/losses and costs of restructuring operations. Operating measures 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. These gains and losses are non-cash and do not impact on the Company's 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.

	2020			2019		
Year ended 31 December	**Operating results** $'000	**Non-operating results** $'000	**Statutory results** $'000	**Operating results** $'000	**Non-operating results** $'000	**Statutory results** $'000
Revenue	476,249	1,403	477,652	499,665	683	500,348
Expenses	(373,684)	(6,350)	(380,034)	(355,232)	(8,026)	(363,258)
EBITDA	102,565	(4,947)	97,618	144,433	(7,343)	137,090
Depreciation and amortisation	(44,280)	(12)	(44,292)	(36,973)	(13)	(36,986)
Business acquisition costs	(1,918)	-	(1,918)	(2,021)	-	(2,021)
Net gain/(loss) on pre-paid contracts	-	(16,618)	(16,618)	-	45,550	45,550
Asset sales gain/(loss)	-	7,383	7,383	-	2,404	2,404
Impairment loss on intangibles	-	(19,500)	(19,500)	-	(24,404)	(24,404)
EBIT	56,367	(33,694)	22,673	105,439	16,194	121,633
Net finance costs	(20,484)	(3,386)	(23,870)	(23,213)	(1,247)	(24,460)
Tax	(8,405)	527	(7,878)	(23,024)	(10,261)	(33,285)
Non-controlling interest	(167)	-	(167)	(136)	-	(136)
Net profit/(loss) after income tax attributable to equity holders of InvoCare Limited	27,311	(36,553)	(9,242)	59,066	4,686	63,752
EPS (cents per share)	20.4	(27.3)	(6.9)	51.7	4.1	55.8
OPEX to sales %	53%		54%	46%		48%
EBITDA margin (%)	22%		20%	29%		27%
EBIT margin (%)	12%		4.7%	21%		24%

The table above summarises the key reconciling items between net profit after tax attributable to the Company'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 and gains or losses arising from disposals of assets, items included in the non-operating column 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 the 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 as non-operating in nature and therefore these are also excluded from Operating EBIT and Operating profit after income tax. This is considered to provide a better reflection of the Company'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 business related assets and liabilities.

Glossary for operating and financial review

Term	Description
AV	Audio visual equipment including technology to facilitate live streaming of funeral services
Average capital employed	Average of opening and closing capital employed
Average working capital	Average of opening and closing working capital
Average working capital % of sales	Average working capital divided by Operating Revenue for a 12 month period
B2B/B2C	Business to business/Business to consumer
CAGR	Compound annual growth rate
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 Operating EBITDA
Cash realisation %	Calculated as Operating cash flow/ (Operating NPAT + Depreciation and amortisation expense)
COVID-19	COVID-19 pandemic
Dividend payout ratio	Dividend per share/Operating EPS
EBITDA margin	Operating EBITDA/ Operating revenue
EGM	Executive General Manager
EPS	Earnings per share, calculated as Reported profit/(loss)/ weighted average number of shares
ERP	Enterprise Resource Planning, the main Oracle general ledger financial system used by the business
Funeral case average	Calculated as funeral gross revenue (including disbursements)/funeral case volume
Funeral case volume	Number of funeral services undertaken
FUM	Funds under management in the pre-paid funerals business
Gearing ratio	Calculated as Net debt / (Net debt + Total shareholder's equity)
Growth CAPEX	CAPEX undertaken to expand existing operations or further growth prospects

Term	Description
Interest cover ratio	Calculated as Operating EBITDA/Net finance costs. 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) and adjusted net finance costs to exclude interest arising from AASB 16 lease accounting
Leverage ratio	Calculated for disclosure purposes as Net debt/ 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)
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 Memorial Parks business
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 earnings after tax	Reported profit excluding non-operating items and associated tax
Operating EBITDA	Operating earnings before business acquisition costs, interest, tax, depreciation and amortisation
Operating EBIT	Operating earnings before interest and tax
Operating EPS	Operating net profit after tax/weighted average number of shares
Operating leverage	Means the percentage growth in Operating EBITDA divided by the percentage growth in Operating revenue
Operating revenue	Revenue for the Group excluding revenue earned from pre-paid funerals business
OPEX % sales	Operating expenses / Operating revenue

Term	Description
PCP	Prior corresponding period
PPE	Personal protective equipment
Pet case average	Pet cremation revenue/pet cremation volume
Pet cremation volumes	The number of pets cremated
Reported profit/(loss)	Net profit/(loss) attributed to shareholders of InvoCare Limited
ROCE %	Calculated as Operating EBIT/Average capital employed
Ungeared, tax free cash flows	Calculated as operating cash flow excluding net finance costs paid and tax paid 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
WFH	Work from home
Working capital	Inventories + Trade and other receivables + Trade and other payables

Remuneration report – audited

The Board presents the 2020 Remuneration Report for InvoCare in accordance with the Corporations Act 2001 and its regulations. This report outlines the key remuneration policies and practices for the year ended 31 December 2020. It highlights the link between remuneration and corporate performance and provides detailed information on the remuneration for Key Management Personnel (KMP).

The Remuneration Report is set out under the following main headings:

PAGE	SECTION	WHAT IT COVERS
36	A	Who is covered by the report – Key Management Personnel
37	B	Remuneration snapshot 2020
39	C	2020: How did we perform?
41	D	Remuneration governance and framework
47	E	Executive KMP remuneration
57	F	Non-Executive Director remuneration
59	G	Additional information

A. Who is covered by the report – Key Management Personnel

For the purposes of this report, 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 listed in Tables 1 and 2 below.

Table 1 – Independent Non-Executive Directors (NED)

Name	Role	Date appointed	Date resigned
Bart Vogel	Chairman of the Board	1 October 2017	N/A
Richard Davis	Non-Executive Director	21 February 2012	N/A
Jackie McArthur	Non-Executive Director	1 October 2018	N/A
Megan Quinn	Non-Executive Director	1 October 2018	N/A
Keith Skinner	Non-Executive Director	1 September 2018	N/A
Robyn Stubbs	Non-Executive Director	1 January 2017	1 February 2021

Table 2 - Executive Key Management Personnel (Executive KMP)

Name	Role	Date appointed as KMP	Date ceasing as KMP
Martin Earp	Managing Director and Chief Executive Officer (MD and CEO)	1 May 2015	31 December 2020
Damien MacRae	Deputy Chief Executive Officer (Deputy CEO)	5 February 2018	31 December 2020
Adrian Gratwicke	Chief Financial Officer (CFO)	3 August 2020	N/A
Josée Lemoine	Former CFO	8 September 2016	3 August 2020

Management of the Group is delegated to the Executive Leadership Team (ELT) comprising Martin Earp's direct reports. The Board has determined that not all members of the ELT are considered Executive KMP other than those listed in Table 2 above, as they do not have responsibility for planning, directing and controlling a substantial part of the operations of the Company. Periodically, changes are made to the ELT to reflect the evolving strategy and structure of the Group.

Changes to Executive KMP

During 2020, the Company had the following Executive KMP changes:

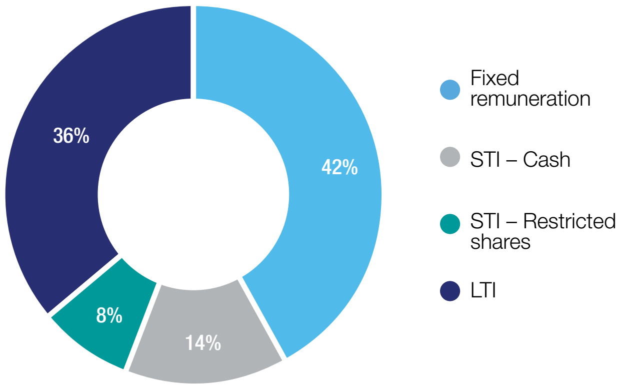
- **Martin Earp** – Mr Earp determined not to seek re-appointment upon conclusion of his six year contract on 31 March 2021. On 19 November 2020, the Company announced the appointment of Olivier Chretien, as the new Managing Director and Chief Executive Officer (MD and CEO) effective 1 January 2021. Mr Earp stepped down to support Mr Chretien's transition into his role from 1 January 2021. Therefore, Mr Earp ceased as Executive KMP from 31 December 2020.
- **Damien MacRae** – In support of succession planning for the CEO, Mr MacRae was appointed to the role of Deputy CEO on 1 July 2020, previously from the role of Chief Operations Officer (COO). Following the appointment of Mr Chretien, the role of Deputy CEO ceased from 1 January 2021. Therefore, Mr MacRae ceased as Executive KMP from 31 December 2020.
- **Josée Lemoine** – Ms Lemoine resigned from her position of Chief Financial Officer and stepped down to assist with the transition of her responsibilities to Mr Gratwicke from 3 August 2020. Ms Lemoine ceased as Executive KMP from 3 August 2020.

B. Remuneration snapshot 2020

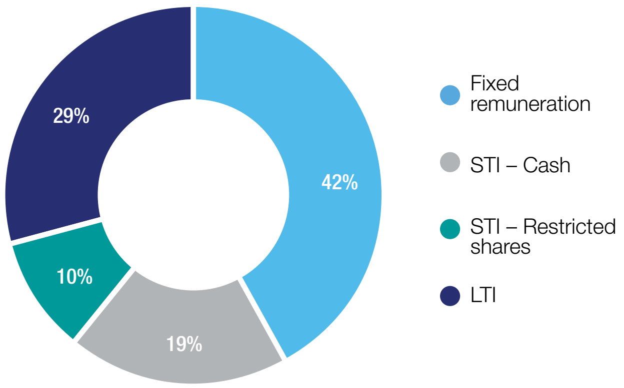
Total fixed remuneration (TFR)	STI outcome	LTI outcome	NED remuneration
The CEO and the COO received a 3% increase to TFR effective 1 January 2020	The average STI outcome for the 2020 year for Executive KMP was 27% based on their balanced scorecard	2015 – 100% vested 2016 – 100% vested 2017 – 0% vested 2018 – 0% vested	The NEDs received a 3% increase to the Board base fee effective 1 January 2020 From 1 August to 30 November 2020, the NEDs took a 25% Board base fee reduction (COVID-19 related)

I. 2020 Target pay mix

CEO – Target pay mix



Other Executive KMP – Target pay mix



II. 2020 Remuneration outcome vs financial performance

Element	Purpose	Link to performance	2020 changes and outcome
FIXED REMUNERATION			
Total fixed remuneration (TFR)	TFR (base salary plus fixed cost benefits) 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 the Company's strategy. Changes to TFR are linked to a combination of rewarding high performance, and the capacity to pay.	There was a 3% TFR increase to the CEO and COO (effective 1 January). Promotion of the COO to Deputy CEO (Effective 1 July) resulted in a 22.7% increase to TFR. For further details, see Section E. II.
AT RISK REMUNERATION			
Short term incentive (STI)	STI is awarded for achievement of pre-determined financial and non-financial objectives. This element of remuneration constitutes part of a market competitive total remuneration package and aims to provide an incentive for eligible roles to deliver annual business plans that will lead to sustainable superior returns for shareholders. STI for Executive KMP is delivered through cash with a potential portion that can be deferred to be settled in the form of restricted shares. A deferral STI was introduced to the Executive KMP and ELT with the purpose to aid retention and align to market practices.	The following factors are among those considered by the People, Culture & Remuneration Committee (PCR Committee) in making its assessment on the achievement of the STI opportunity: • Financial performance • Our customers • Our people • Our safety 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. The shares will be held in trust for 12 months. Refer to Section D. IV. Remuneration framework for further information.	Promotion of the COO to Deputy CEO (effective 1 July) resulted in an increased STI from 45% to 70% of TFR. For further details see Section E. III. For 2020 Executive KMP outcome was 27% of target. There were no deferrals for 2020 as total STI payments did not exceed the threshold of $150,000. For further details of 2020 STI outcome refer to Table 6 in Section E.III.
Long term incentive (LTI)	The LTI plan is aimed at attracting, rewarding and retaining high performing Executive KMP, ELT and other nominated participants who contribute to the overall medium and long term success of the Company.	The Company utilises incentives to align the long-term interests of Executive KMP with those of equity holders and to ensure that the participants are rewarded in line with the economic value created. LTI granted are in the form of a combination of options and performance rights. Participants can choose the mix of vehicles that has most appeal to them. The value of LTI awards offered in 2020 was up to a maximum of 85% of TFR for the CEO and up to a maximum of 70% for other Executive KMP.	Promotion of the COO to Deputy CEO (effective 1 July) resulted in an increased target LTI from 45% to 70% of TFR. A new LTI plan was introduced for 2020. For further details of the changes introduced refer to Section D. IV. Introduction of two performance hurdles – earnings per share (EPS) with a weighting reduced to 50% of the LTI and the introduction of return on invested capital (ROIC) as a measure rather than a gate with a weighting of 50% of the LTI. For further details on LTI vesting outcome for 2020 refer to 2020 LTI outcome below and Table 10 in Section E.VI.c.

a. 2020 STI outcome

In the second half of 2020 the PCR Committee reviewed the impact that COVID-19 was having on both the short term and long term incentives. This required careful and diligent consideration to ensure the plans continued to engage and drive performance. As such, the decision was made to adjust our financial focus for the remainder of 2020 and set separate financial STI targets for the second half of the year.

All non-financial components of the STI remained unchanged, and therefore applied across the full year.

Despite this, business performance in 2020 did not meet agreed financial targets and as a result, the full financial portion of STI has been forfeited by the Executive KMP.

In the table below, financial targets are set with reference to the annual budget for the financial year. Refer to Table 6 in Section E.III for details of STI outcome for each Executive KMP.

Component	2020 performance targets	Weight	2020 performance outcome
Financial performance	Group EBIT	50%	Target was not met
Our customer	Net Promoter Score (NPS)	10%	Target was partially met
	Market share growth – year on year	10%	Target was not met
Our people	Employee turnover < 12 month tenure	10%	Target was not met
Our safety	Lost time injury frequency rate (LTIFR)	20%	Target was met

b. 2020 LTI outcome

Grant year	Performance measure	Result	Proportion of award vested
2015	7-10% CAGR in EPS	10.3%	100%[a]
2016	7-12% CAGR in EPS	12.3%	100%[a]
2017	7-12% CAGR in EPS	ROIC gateway not met	0%[b]
2018	8-12% CAGR in EPS	ROIC gateway not met	0%[b]

a *CAGR is above the top end of performance measure from the grant year to the 2019 annual financial results. The vesting tests took place after the ASX announcement of the 2019 annual results.*

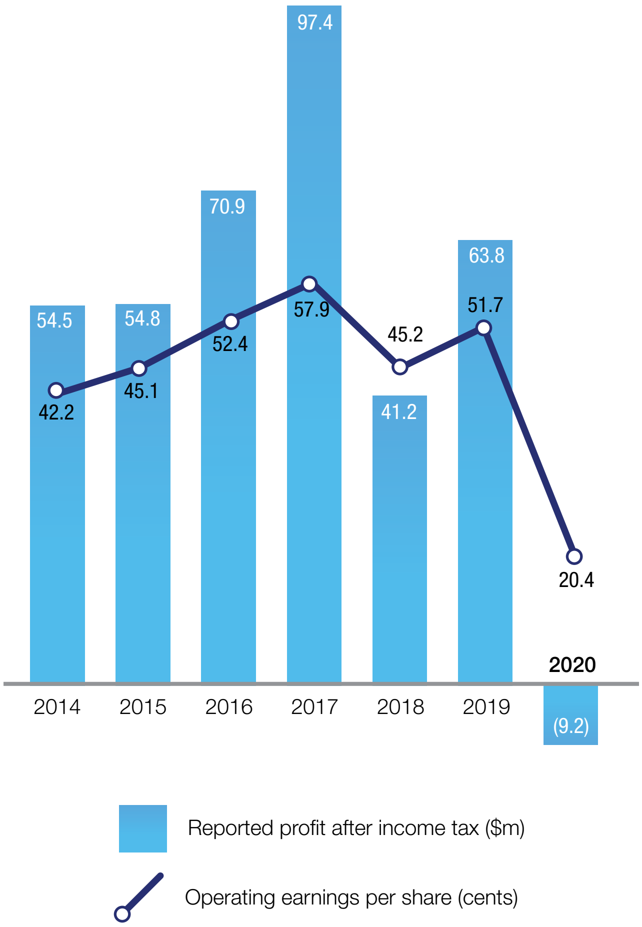
b *Based on the plan rules, no grants can be vested if return on invested capital (ROIC) for the year does not exceed the weighted average cost of capital in the year of testing.*

C. 2020: How did we perform?

In what has been a year of unprecedented disruption, the Company has reported a net loss after income tax attributed to equity holders of $9,242,000 for 2020. COVID-19 and the associated government restrictions had a significant impact on both the Company's ability to deliver full-service funeral arrangements and on the mortality rate in the countries in which its businesses operate.

The Group delivered an Operating EPS of 20.4 cents, 61% below the prior year, driven by the decline in operating earnings in the year and the dilutive impact of the increased number of shares on issue following the equity raising completed in April 2020.

Further details of the analysis of our financial performance for 2020 are provided in the Operating and financial review section.



Relationship between remuneration and the Company's performance

The overall level of Executive KMP reward considers the performance of the Group over several years, with at risk remuneration linked to that performance. The remuneration approach, elements and mix have delivered an annualised 15% shareholders' return (being the sum of cash dividends and share price growth) between listing in December 2003 and the end of 2020.

Table 3 outlines the Group's performance delivered over the last five years. It provides details of the key financial performance indicators which are used to determine the STI and LTI outcome over the last five years. This table also shows the STI payout percentage to the CEO and the average payout percentage to the other Executive KMP.

Table 3 – Key financial performance indicators

	2020	2019	2018	2017	2016
Net (loss)/profit after income tax attributable to equity holders of InvoCare Limited ($'000)	**(9,242)**	63,752	41,224	97,439	70,949
Operating EBITDA ($'000)	**102,565**	144,433	118,998	124,316	115,344
Operating EBIT* ($'000)	**56,367**	105,439	89,366	N/A	N/A
Operating net profit after income tax ($'000)	**27,478**	59,202	49,496	63,526	57,417
Basic EPS (cents)	**(6.9)**	55.8	37.8	88.8	64.7
Operating EPS (cents)	**20.4**	51.7	45.2	57.9	52.4
Full year dividend per share (cents)	**12.5**	41.0	37.0	46.0	42.5
Share price at 31 December ($)	**11.45**	13.19	10.30	16.10	13.87
Payout % of Cash STI to CEO	**27%**	62%	32%	69%	91%
Average payout % Cash STI to other Executive KMP	**27%**	57%	35%	67%	80%

* *Operating EBIT was a financial performance indicator only reported from 2018 onwards, no comparatives are provided for the financial years prior to 2018.*

D. Remuneration governance and framework

I. Guiding remuneration principles

The guiding remuneration principle underlying the executive remuneration philosophy is to ensure the Company rewards and recognises the delivery of the Group's strategy, promoting long term sustainable success, aligning management and stakeholder interests and encouraging behaviours reflective of the One InvoCare culture. The Company's remuneration policy follows six guiding principles:

1. Key performance indicators should balance the near-term focus on current year results to drive value creation and the need for sustainable outcomes
2. Performance for incentive plan purposes is measured at the level which best aligns with driving accountability for the delivery of the business objectives
3. All variable pay should align reward with the stakeholders and encourage a long-term view
4. It should enable the Company to compete effectively to attract and retain talent
5. Reward must be aligned with, and promote the achievement of the Company's purpose and consistently demonstrate and promote its Values
6. The KMP and ELT total remuneration is benchmarked to comparable positions in comparably sized companies (taking into account sales revenue, market capitalisation and industry), with the value of the incentives included in total remuneration based on amounts that can be achieved when overall Group performance targets are met

II. The Company's remuneration governance framework

Board of Directors	People, Culture & Remuneration Committee*	Management
Ensuring the Group's remuneration framework is aligned with the Group's purpose, core values, strategic objectives and risk appetite.	Approving the Group's overall remuneration policy and process.	Implementing of remuneration policies and practices.
Determining Non-Executive Directors and Executive KMP remuneration.	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.	Providing information relevant to remuneration decisions and making recommendations to the PCR Committee with respect to remuneration arrangements.
Monitoring Executive KMP and the ELT performance and implementation of the Group's objectives against measurable and qualitative indicators.	Reviewing and recommending to the Chair arrangements for the Executive KMP and the ELT in relation to their terms of employment, remuneration and participation in the Group's incentive programs (including performance targets).	Making recommendations to the PCR Committee in relation to the design and implementation of the remuneration strategy and structure.
	Reviewing and recommending to the Board the remuneration arrangements for the Chair and Non-Executive Directors of the Board, including fees, travel and other benefits.	

* *The full charter for the PCR Committee is displayed on the Company's website*

III. Use of remuneration advisors

From time to time, the PCR Committee engages external remuneration consultants to provide independent benchmarking data and information on best practice and community expectations. This ensures the Company continually reviews, assesses and adapts the remuneration governance functions to assist the Board and the PCR Committee in making informed decisions.

During 2020, the PCR Committee commissioned an external consultancy group to provide the following information:

- Executive remuneration alternatives in response to COVID-19
- Further work on the new LTI plan

No remuneration recommendations as defined by the Corporations Act 2001 were provided by the external consultancy group.

IV. Remuneration framework

TOTAL FIXED REMUNERATION	
What is total fixed remuneration (TFR)?	Base salary, superannuation and any other benefits e.g. motor vehicle.
How is TFR determined?	TFR (base salary plus fixed cost benefits) 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 the Company's strategy. Changes to TFR are linked to a combination of rewarding high performance, and market equity.
SHORT TERM INCENTIVE	
What is the purpose of the short term incentive (STI) plan?	STI aims to provide an incentive for the Executive KMP and the ELT to deliver annual business plans that will lead to sustainable superior returns for shareholders. Target based STIs are intended to modulate the cost to the Group of employing senior executives, so that risk is shared with the senior executives themselves and the cost to the Company is reduced in periods of poor performance. This year we have introduced a deferral to the Executive KMP and ELT STI plan with the purpose to aid retention and align to market practices. The STI plan has been developed to reinforce the Company's values and behaviours, while supporting a commercial mindset and alignment to business objectives.
What is the performance period?	The Group's financial year from 1 January to 31 December.
What is the award opportunity?	In 2020 target STI as a percentage of TFR was 51.4% for the CEO and 70% for the other Executive KMP.
What key performance indicators (KPIs) are measured for STI to be paid?	STI outcome is directly linked to both individual and Group performance against KPIs. The Board has focused the Executive KMP on four main areas: • Financial performance • Our customers • Our people • Our safety STI attainment is determined excluding the impact of changes in accounting standards. For further details of 2020 STI outcomes refer to Table 6 in Section E.III.

What is the relationship between performance scales and outcomes?

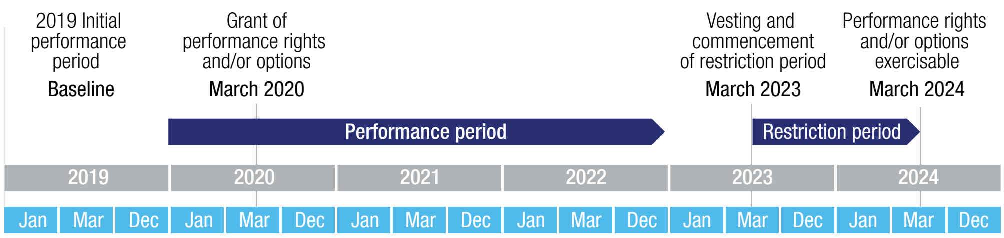
Performance scales	STI outcome
Below threshold	0% paid
Between threshold and target – for the financial components, threshold is 95%.	50% earned on achievement of threshold level performance, increasing on a straight-line basis to 100% for target level performance.
Target	100% paid
Maximum – for financial components only	100% earned at target level performance, increasing on a straight-line basis to 150% earned on achievement of maximum level performance.

Is over achievement applicable for all the components of the STI?	No. Over achievement is only available on the financial components of the STI and this is capped at 150%.
Is there a gate to over achievement?	Yes. Access to over achievement for all financial components is dependent on the Group achieving EBITDA target.
Are non-financial components capped?	Yes. Non-financial components are capped at 100% payment.

What are the plan features of the deferral?	50% of any STI award that exceeds $150,000 will be subject to deferral and will be paid in the form of restricted shares. The shares will be held in trust for 12 months.
What is the deferral period?	There is a one-year deferral period from grant.
How is the number of shares determined?	The number of shares to be granted will be calculated by dividing the deferred STI amount by the volume weighted average price (VWAP) of shares transacted for the first ten days of the trading window immediately after the announcement of the Company's ASX annual financial results for the STI performance year.
Will participants have access to dividends during the deferral period?	Yes. The restricted shares held in trust are entitled to dividends.
Is there Board discretion on the payment vehicle used?	Yes. The deferred STI will be paid in InvoCare shares, but the Board retains the discretion to deliver the deferred STI in cash.
When is STI paid?	Cash STI is payable in the first quarter of each year after the announcement of the Company's ASX annual financial results for the previous year ended 31 December. For deferred STI, restricted shares will be allocated in the first quarter of each year after the VWAP price is available for the previous year ended 31 December.
Are there any 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 "on track" rating category in the performance management practices. Should a dispute arise regarding a potential disqualification, eligibility will be at the discretion of the CEO, or the Board for the CEO. The Company 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 deferral STI (in the form of restricted shares) in the event of fraud, malfeasance, dismissal for cause, or other misconduct.
How is STI treated on cessation of employment?	In the event of cessation of employment due to resignation or dismissal for cause, all entitlements in relation to the performance period are forfeited. Where an Executive KMP's employment is terminated by the Company for any reason other than cause, the relevant executive may receive a pro-rated portion of their STI opportunity based on the portion of the performance year served and the STI paid or payable in respect of the immediately preceding financial year. Deferred STI will not vest if the individual resigns or is terminated for cause during the deferral period. The Board retains the discretion to allow deferred STI to remain on foot and vested in the normal course for approved good leavers. A good leaver will generally be determined by the Board (or its delegate) at the time of cessation of employment having regard for the facts and circumstances prevailing at that time.

LONG TERM INCENTIVE

The Company's long term incentive (LTI) plan seeks to closely align the interests of the senior executive participants with those of investors to ensure participants are rewarded in line with economic value created. The following graphic provides a detailed timeline of the key activities of the new 2020 LTI throughout its lifecycle. Further details comparing the features of 2020 and 2019 and prior terms and conditions of the LTI plan are provided in the question and answer table below.



What is the purpose of the long term incentive (LTI) plan?	The LTI plan is aimed at attracting, retaining and rewarding high performing executives who contribute to the overall medium and long-term success of the Company.

Who participates in the LTI plan?	Participation is limited to Executive KMP and selected senior management positions by invitation and as approved by the Board.	
What size of award is granted?	The 2020 LTI target opportunity was 85% of TFR for the CEO and 70% for the other Executive KMP.	
How are the grants calculated?	The number of options is calculated based upon the value of LTI to be awarded in options divided by the option valuation at the award date. The option value is determined using a Black-Scholes valuation methodology. The valuation for allocation excludes dividends and does not incorporate any discount relating to the performance and tenure conditions. The number of performance rights is calculated at the date of issue by dividing the value of LTI to be awarded in the form of performance rights by the face value of an InvoCare share. The face value is based on the ten-day VWAP for InvoCare shares starting from the first day of the trading window immediately following the announcement of the annual financial result.	
CHANGES TO THE LTI PLAN	**2019**	**2020**
Plan features	The LTI awards are in the form of options and performance rights subject to vesting conditions. The ratio of options and performance rights are at 75% and 25% for participants.	Participants are able to choose a mix of options and performance rights but are limited to the following combinations: • 100% of either options or performance rights • 50% each of options and performance rights • 25% of one, and 75% of the other

What are the performance hurdles?	The performance hurdles for the 2016-2019 LTI plans:
	• Continued employment condition and
	• Compound annual growth (CAGR) in normalised EPS over the vesting period
	
	EPS is calculated based on "normalised earnings" meaning reported profit as adjusted:
	• To remove the impacts of any gains or losses arising from the sale, disposal or impairment of non-current assets
	• To maintain consistency in accounting policies across the respective vesting periods for each grant
	• For LTI awards from February 2018:
	  – To reflect constant currency
	  – To remove impacts of pre-paid contracts and associated funds under management
		The performance hurdles for the 2020 LTI plan:
		• Continued employment condition and
		• Two performance hurdles:
		  – 50% weighting on EPS
		  – 50% weighting on ROIC
		
		EPS is calculated based on the Operating EPS adjusted to reflect constant currency.
		
		ROIC in each year is calculated based on Operating EBIT divided by the average invested capital.

Is there a gateway before any LTI awards can vest?	A 'gateway' condition must be met before any LTI awards can vest. The gateway requires a minimum level of return on invested capital (ROIC) greater than the weight average cost of capital (WACC).	Removal of gateway. ROIC is a performance hurdle in addition to CAGR in EPS.
What are the performance and vesting periods?	Performance is measured over four years: • Tranche One – 50% vest in year three • Tranche Two – 50% vest in year four Vesting of the options and performance rights are tested on the third and fourth anniversary of their grant. Unvested awards at the fourth anniversary of the grant are automatically forfeited.	Performance is measured over three years. Vesting of the options and performance rights are tested at the end of this three year period, subject to a further 12 months restriction period. It also permits for malus in the event of governance concerns with Board discretion to be applied if performance is impacted by events outside management's control.

Do we allow for re-testing?	If performance measures are not met on the third anniversary they are again tested on the fourth anniversary.	Re-testing has been removed.
What are the performance conditions?	Subject to the ROIC gateway condition, the EPS performance conditions applying for LTI awards are as follows: For 2018 and 2019: • 8% to 12% CAGR in EPS results in 30% to 100% of LTI vested For 2016 and 2017: • 7% to 12% CAGR in EPS results in 30% to 100% of LTI vested	50% on EPS • 6% to 10% CAGR in EPS results in 30% to 100% of LTI vested 50% on ROIC • 10% to 12% average ROIC over the three-year period results in 30% to 100% of LTI vested
Are there dividends or voting rights?	There are no dividends or voting rights attached to the options and performance rights awarded. It is only if the options and performance rights vested and exercised that there will be any entitlement.	There are no voting rights attached to the options and performance rights awarded. Performance rights are entitled to dividends, if determined. Dividends will only be paid, in the form of shares, if the performance rights vested and exercised.
Why were these measures chosen?	CAGR of normalised EPS was selected as the most suitable and reliable measure of organisational performance, based on independent advice and analysis by the Board. The reasons for this conclusion include: • The Company is a unique and relatively stable business • EPS growth is aligned with the Company's strategic objectives and is intended to underwrite appropriate dividend returns to shareholders ROIC was selected as the second performance measure as it is intended to ensure effective capital deployment and maintenance of balance sheet strength.	
What happens on ceasing employment?	For the options and performance rights to vest, the employee must be employed at the date of vesting unless the termination of employment has been determined to be a good leaver. For good leavers, providing a participant has at least three years' employment with the Company and has not engaged in proscribed conduct (meaning serious and wilful misconduct, wilful disobedience, gross negligence or incompetence, disqualification under the Corporations Act or serious breaches of contract of employment), the Board may at its discretion allow unvested LTI grants to continue to be on foot and vest subject to the original terms and performance conditions attached to the relevant grants, regardless of whether or not the participant is employed by the Company at the relevant vesting time. If no determination is made by the Board, all unvested LTI 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.	
What happens if a change of control occurs?	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 testing to be applied.	
Is there a clawback policy included?	Payments or vesting related to performance conditions associated with an LTI are subject to a clawback policy. The Group will seek to recover all or part of an executive's incentives that have already been paid to ensure the executive has not been inappropriately awarded 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	

When would Board discretion be considered?	Board discretion may be applied to either operating earnings or capital employed in the calculation of EPS or ROIC. The guiding principle will be to ensure fairness in assessing LTI vesting outcome and alignment with shareholder interests. Any Board discretion applied will be disclosed at the latest when vesting occurs.
InvoCare Share Trading Policy	In accordance with InvoCare's Share 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.

Directors' Report

Remuneration report – audited
Executive KMP remuneration

E. Executive KMP remuneration

I. CEO 2020 remuneration details

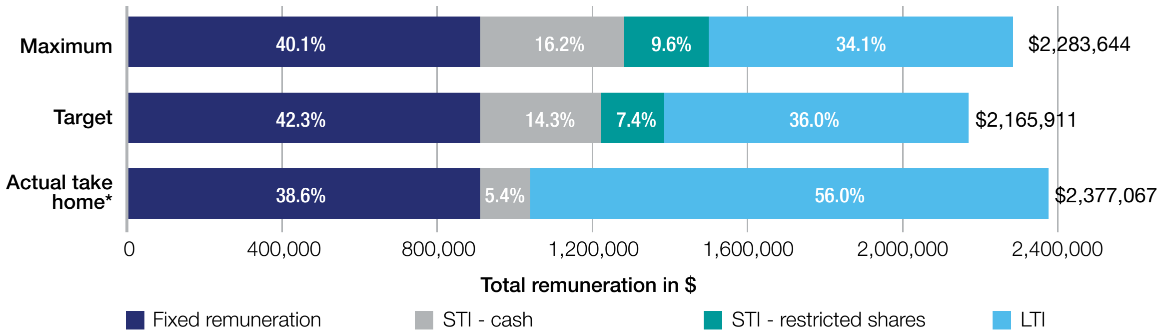
a. What was target and actual remuneration in 2020?

The target remuneration for the CEO is set to place a considerable portion of remuneration at risk to align remuneration with both the Group's performance and the individual's personal influence and contribution to the Group's performance. The total maximum, target and actual remuneration 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 of TFR, STI (achieved at 100% for both financial and non-financial targets and reflected through cash and restricted shares) and LTI awarded (at 100% subject to performance and employment conditions to be met).

2020 CEO maximum, target and actual take home



* *Inclusive of LTI award in 2020 related to 2015 and 2016 grants vested when performance hurdles were tested post 2019 annual results announcement. Refer to Table 5 below for further detail.*

b. 2020 CEO remuneration breakdown

Total fixed remuneration (TFR)	TFR of $916,206 per annum.
Short term incentive (STI)	Target STI of $470,930 (51.4% of TFR). The balanced scorecard was based on the following: • Financials 50% • Our customer 20% • Our people 10% • Our safety 20% The CEO received 27% of target STI for 2020. 100% of this was received in cash. For further detail on 2020 STI outcome refer to Table 6 below.
Long term incentive (LTI)	Target LTI of $778,775 (85% of TFR). Of the maximum LTI award, 75% is in options and 25% in performance rights. For all the grants which were up for performance hurdle testing during 2020, 2015 Tranche Three, 2016 Tranches Two and Three were 100% vested and 2017 grant hurdles were not met. For further details on LTI vesting outcomes for 2020 refer to Table 10 in Section E.VI.c below.

II. Executive KMP remuneration details – actual received

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

Actual pay in Table 5 below represents the pre-tax take home amounts by each Executive KMP for the financial years ended 31 December 2020 and 2019. This consists of cash salary, non-monetary benefits, STI paid in cash and vested LTI exercised or exercisable. Refer to table notes below for further details on how these amounts were determined.

Director's discretion was considered in the determination of both the 2020 STI and 2020 LTI awards. For the Executive KMP who were in their roles for the full financial year, the 2020 LTI calculations of EPS and ROIC will be adjusted to take account of the impairment of the NZ business and Compass ERP system.

Table 5 - Executive KMP remuneration details – actual pre-tax received

		Short-term employee benefits			Post-employment benefits		Long-term benefits	Share based payments	Total
		Cash salary [1] $	Short term incentive-cash [2,a] $	Non-monetary benefits [1] $	Super-annuation [1] $	Termination payments $	Long service leave accruals $	Shares, options and performance rights [3] $	$
Martin Earp	2020	818,809	126,880	77,075	25,000	-	-	1,329,303	2,377,067
	2019	794,270	283,776	77,127	25,000	-	-	-	1,180,173
Damien MacRae, Deputy CEO commenced 1 July 2020 (formerly COO) [b]	2020	595,750	104,571	4,678	25,000	-	-	-	729,999
	2019	525,000	127,653	4,730	25,000	-	-	-	682,383
Adrian Gratwicke, appointed 3 August 2020 [c]	2020	272,211	63,652	1,949	10,847	-	-	-	348,659
Former Executive KMP ceased during the financial year									
Josée Lemoine, resigned and ceased as Executive KMP effective 3 August 2020	2020	290,148	50,000	3,119	15,925	-	-	130,869	490,061
	2019	430,008	120,251	4,730	25,000	-	-	-	579,989

Footnotes to Table 5

a *Based on performance in 2020, the PCR Committee determined the Executive KMP forfeited an average of 73%, achieving an average of 27% of their target STI opportunity. Refer to Table 6 below for further details.*

b *Damien MacRae was promoted to Deputy CEO on 1 July 2020. His remuneration package was increased accordingly to reflect the increased scope of the role and external market positioning.*

c *Adrian Gratwicke commenced in the role of CFO on 3 August 2020. His remuneration package was commensurate with his skills and extensive experience combined with the external market positioning.*

Table notes to Table 5

1 *Cash salary, non monetary benefits and superannuation represents actual amounts received during the financial year. Cash salary excludes the movement of annual leave accruals.*

2 *STI awarded based on 2020 and 2019 achievement of performance targets and payable in cash.*

For 2020, 50% of the STI awarded that exceeded $150,000 would be subject to deferral and paid in the form of restricted shares. The shares would be held in trust for 12 months. Therefore, any deferred portion of the 2020 STI is not included as take home pay for 2020.

3 *For 2020, LTI awarded related to 2015 and 2016 grants vested when performance hurdles were tested post 2019 annual results announcement. The vested and exercised/exercisable performance rights and options were converted or convertible to InvoCare shares during 2020. The value in Table 5 above represents the variable weighted average price (VWAP) of InvoCare shares for the financial year ended 31 December 2020 times the number of vested and exercised/exercisable performance rights and options. The VWAP over the period was $11.10.*

For 2019, no LTI vested when performance hurdles were tested post 2018 annual results announcement.

III. Executive KMP 2020 STI outcomes

Table 6 below provided details of each Executive KMP's balance scorecard and the achievements and the financial outcomes during the financial year ended 31 December 2020.

Table 6 – Executive KMP 2020 STI outcomes

Executive KMP	Performance target	Achievement %	Target STI potential $	Actual STI awarded as a % of target STI potential %	Actual STI awarded $	STI forfeited as a % of target STI potential %
Martin Earp	Financial	-	470,930	27	126,880	73
	Customer	35				
	People	-				
	Safety	100				
Damien MacRae[a]	Financial	-	388,125	27	104,571	73
	Customer	35				
	People	-				
	Safety	100				
Adrian Gratwicke[b]	Financial	-	236,250	27	63,652	73
	Customer	35				
	People	-				
	Safety	100				

Footnotes to Table 6

a *Damien MacRae was promoted to Deputy CEO on 1 July 2020. His target STI potential reflects 45% of current TFR from the 1 January to 30 June 2020 and 70% of current TFR from 1 July to 31 December 2020, or 57.5% of TFR for the financial year ended 31 December 2020.*

b *Adrian Gratwicke's target STI potential reflects 70% of TFR which was pro-rated to six months in 2020.*

Directors' Report

Remuneration report – audited

Executive KMP remuneration *continued*

IV. Executive KMP remuneration details – statutory basis

Table 7 below discloses the remuneration for Executive KMP calculated in accordance with statutory requirements and Accounting Standards. Refer to table notes underneath Table 7 for the relevant statutory and accounting requirements.

Table 7 – Total Executive KMP remuneration – statutory basis

		Short-term employee benefits			Post-employment benefits		Long-term benefits	Share based payments	Total
		Cash salary[1] $	Short term incentive-cash[2] $	Non-monetary benefits[3] $	Super-annuation[4] $	Termination payments $	Long service leave accruals[5] $	Shares, options and perform-ance rights[6] $	$
Martin Earp[a]	2020	875,719	126,880	77,075	25,000	-	(62,453)	101,709	1,143,930
	2019	842,702	283,776	77,127	25,000	-	13,097	(232,563)	1,009,139
Damien MacRae, Deputy CEO commenced 1 July 2020 (formerly COO)[a]	2020	568,607	104,571	4,678	25,000	428,909	(16,675)	80,951	1,196,041
	2019	527,017	127,653	4,730	25,000	-	8,749	(68,779)	624,370
Adrian Gratwicke, appointed 3 August 2020[a]	2020	297,365	63,652	1,949	10,847	-	1,499	137,018	512,330
Former Executive KMP ceased during the financial year									
Josée Lemoine, resigned and ceased as Executive KMP effective 3 August 2020[a,b]	2020	308,888	50,000	3,119	15,925	-	(24,301)	812	354,443
	2019	431,676	120,251	4,730	25,000	-	7,262	(154,260)	434,659

Footnotes to Table 7

a *The remuneration mix for the Executive KMP based on the remuneration details in Table 7 above are:*

- *Martin Earp: 80% fixed and 20% at-risk (2019: 96% fixed and 4% at-risk)*
- *Damien MacRae: 84% fixed and 16% at-risk (2019: 91% fixed and 9% at-risk)*
- *Adrian Gratwicke: 61% fixed and 39% at-risk*
- *Josée Lemoine: 86% fixed and 14% at-risk (2019: 100% fixed and 0% at-risk)*

2019 remuneration mix had a higher fixed remuneration compared to 2020. This was impacted by the negative value of share based payments value in 2019. The share based payments value in 2019 was lower than 2020 due to the performance hurdle forecast being partially met at a lower rate in 2019 for all options and performance rights whilst in 2018 it was forecast to be met at a higher rate.

b *Josée Lemoine resigned during 2020. No STI was awarded, however, in recognition of Ms Lemoine's contribution to the Company during her service and transition support to the incoming CFO, a special bonus of $50,000 was paid to her for her assistance in completion of all handover duties as agreed.*

Ms Lemoine's unvested performance rights and options granted under the 2017, 2018 and 2019 LTI plans will remain on foot and will be subject to the relevant performance hurdles before any vesting occurs. No performance rights or options under the 2020 LTI plan were granted to Ms Lemoine.

No termination benefits have been provided to Ms Lemoine on cessation of her employment.

Table notes to Table 7

1 *The total cost of cash salary and leave accruals, including 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.*

2 *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 bonuses awarded and forfeited are set out in Table 6 in Section E.III of this Remuneration Report.*

3 *Non-monetary benefits represent the costs to the Group, including any fringe benefits tax, for the provision of fully maintained cars, free car parking and other items.*

4 *Superannuation contributions are paid in line with legislative requirements.*

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

6 *The share based payments value in Table 7 above represents the amount of sign-on incentive, deferred STI and LTI (in the form of unvested shares, options and 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, options or performance rights will vest, or be forfeited, in future financial years. Table 8 below provides the breakdown of share based payments.*

Table 8 – Breakdown of share based payments

		Deferred STI in the form of shares $	Sign-on incentive in the form of shares $	LTI in the form of shares $	LTI in the form of options $	LTI in the form of performance rights $	Total share based payments $
Martin Earp	2020	-	-	2,275	54,631	44,803	101,709
	2019	-	-	236,939	(384,191)	(85,311)	(232,563)
Damien MacRae, Deputy CEO commenced 1 July 2020 (formerly COO)	2020	-	-	-	-	80,951	80,951
	2019	-	-	-	(51,584)	(17,195)	(68,779)
Adrian Gratwicke, appointed 3 August 2020 [a,b]	2020	-	108,008	-	-	29,010	137,018
Former Executive KMP ceased during the financial year							
Josée Lemoine, resigned and ceased as Executive KMP effective 3 August 2020 [b]	2020	-	-	-	406	406	812
	2019	-	-	-	(126,305)	(27,955)	(154,260)

Footnotes to Table 8

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

b *The share based payments for both Adrian Gratwicke and Josée Lemoine are only recognised for the period from the date commenced as or up to the date ceasing as Executive KMP.*

V. Executive KMP employment terms

The total remuneration package is reviewed annually and the key terms are summarised below.

Role	Term of agreement	Notice period (by company or by employee)	Post employment restraints	Termination benefits
Martin Earp	1 April 2018 – 31 March 2021	Six months	12 months	No redundancy payment entitlements. 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.
Damien MacRae	No expiry date	Six months	12 months	Any payment required under the Fair Work Act 2009 (Cth)
Adrian Gratwicke	No expiry date	Six months	12 months	Any payment required under the Fair Work Act 2009 (Cth)

VI. Share based payments

a. 2020 Deferred Employee Share Plan's grant

As part of the CFO appointment during 2020, Adrian Gratwicke received a one-off sign-on incentive in the form of 30,000 InvoCare 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. Table 9 below provides details of the fair value and maximum value for the sign-on incentive granted.

Table 9 – Fair value and maximum value for sign-on incentive

Grant	Executive KMP	Grant date	Fair value per sign-on incentive $	Number of shares granted	Performance period	Maximum value to be recognised from grant date $
Shares granted under DESP	Adrian Gratwicke	15/06/2020	11.1	30,000	15 June 2020 to 1 July 2023	333,000

b. LTI plan

The Executive KMP were granted LTI in the form of a combination of options and performance rights (under the Performance Long-term Incentive Plan (LTIP)) and shares (under the Deferred Employee Share Plan (DESP), which was replaced by the Performance Long-term Incentive Plan from 2016 onwards).

The key terms and conditions of the LTI granted are disclosed in Note 20 Share-based remuneration Section B and C.

Refer to Section E.VI.c below for the performance to date of all LTI grants impacting the value of Executive KMP remuneration.

c. Performance to date of LTI grants

i. Performance Long-term Incentive Plan's grants

Table 10 below summarises the performance to date for the LTI grants under the LTIP since 2016 which impact remuneration in the current or a future financial year.

Table 10 – Performance of outstanding LTI granted under LTIP

Grant	Tranche	Performance hurdles [a]	First testing / vesting date	Performance target at grant date	Retesting of unvested rights	Vesting outcome %
2016 grant – three equal tranches	**Tranche One**	30% vesting at 7% CAGR 100% vesting at 12% CAGR Pro-rata vesting in between 7% and 12% 0% vesting if less than 7% CAGR	February 2018	49.7 cents [b]	No retesting is required	100
	Tranche Two		February 2019		First test in 2019	0
					Retest in 2020	100
	Tranche Three		February 2020		First test in 2020	100
2017 grant – three equal tranches	**Tranche One**	30% vesting at 7% CAGR 100% vesting at 12% CAGR Pro-rata vesting in between 7% and 12% 0% vesting if less than 7% CAGR	February 2019	65.4 cents [b]	First test in 2019	0
					Retest in 2020	0
					Retest in 2021	0
	Tranche Two		February 2020		First test in 2020	0
					Retest in 2021	0
	Tranche Three		February 2021		First test in 2021	0
2018 grant – two equal tranches	**Tranche One**	30% vesting at 8% CAGR 100% vesting at 12% CAGR Pro-rata vesting in between 8% and 12% 0% vesting if less than 8% CAGR	February 2021	57.8 cents [c]	First test in 2021	0
	Tranche Two		February 2022		N/A	N/A
2019 grant – two equal tranches	**Tranche One**	30% vesting at 8% CAGR 100% vesting at 12% CAGR Pro-rata vesting in between 8% and 12% 0% vesting if less than 8% CAGR	February 2022	35.9 cents [c]	N/A	N/A
	Tranche Two		February 2023		N/A	N/A
2020 grant – one tranche, two performance hurdles	**50% of 2020 grant**	30% vesting at 6% CAGR 100% vesting at 10% CAGR Pro-rata vesting in between 6% and 10% 0% vesting if less than 6% CAGR	March 2023	46.9 cents [c]	N/A	N/A
	50% of 2020 grant	30% vesting at 10% ROIC 100% vesting at 12% ROIC Pro-rata vesting in between 10% and 12% ROIC 0% vesting if less than 10% ROIC	March 2023		N/A	N/A

Footnotes to Table 10

a *The performance targets are annual compound normalised EPS growth (CAGR) and/or return on invested capital (ROIC) from 1 January of grant year.*

b *Including financial performance on funds under management on pre-paid contracts.*

c *Excluding financial performance on funds under management on pre-paid contracts.*

d. Fair value and maximum value for LTI grants

Table 11 provides the 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.

Table 11 – Fair value and maximum value for LTI grants

Grant	Executive KMP	Grant date	Fair value per LTI $	Number of LTI granted	Performance period	Maximum value to be recognised from grant date $
Shares granted under DESP	Martin Earp	31/03/2015	13.74	17,410	1 January 2015 to 31 December 2019	239,200
Options granted under LTIP [a]	Martin Earp	01/01/2016	2.40	160,313	1 January 2016 to 31 December 2020	384,750
		01/01/2017	2.93	133,284	1 January 2017 to 31 December 2021	390,521
		01/01/2018	2.78	203,982	1 January 2018 to 31 December 2022	567,069
		01/01/2019	2.51	225,923	1 January 2019 to 31 December 2023	567,067
		01/01/2020	0.58	272,934	1 January 2020 to 31 December 2022	158,302
	Damien MacRae	01/01/2018	2.78	66,772	1 January 2018 to 31 December 2022	185,625
		01/01/2019	2.51	73,954	1 January 2019 to 31 December 2023	185,625
	Former Executive KMP ceased during the financial year					
	Josée Lemoine [c]	01/01/2016	2.40	14,754	1 January 2016 to 31 December 2020	35,410
		01/01/2017	2.93	46,075	1 January 2017 to 31 December 2021	135,000
		01/01/2018	2.78	49,532	1 January 2018 to 31 December 2022	137,699
		01/01/2019	2.51	54,860	1 January 2019 to 31 December 2023	137,699
Performance rights granted under LTIP [b]	Martin Earp	01/01/2016	12.08	10,617	1 January 2016 to 31 December 2020	128,250
		01/01/2017	14.06	9,258	1 January 2017 to 31 December 2021	130,174
		01/01/2018	13.91	13,589	1 January 2018 to 31 December 2022	189,023
		01/01/2019	12.96	13,072	1 January 2019 to 31 December 2023	169,413
		01/01/2020	9.70	14,098	1 January 2020 to 31 December 2022	136,751
	Damien MacRae	01/01/2018	13.91	4,448	1 January 2018 to 31 December 2022	61,875
		01/01/2019	12.96	4,279	1 January 2019 to 31 December 2023	55,456
		01/01/2020	9.70	26,336	1 January 2020 to 31 December 2022	255,459
	Adrian Gratwicke [d]	15/06/2020	9.70	17,107	15 June 2020 to 3 August 2023	165,938
	Former Executive KMP ceased during the financial year					
	Josée Lemoine [c]	01/01/2016	12.08	2,931	1 January 2016 to 31 December 2020	35,410
		01/01/2017	14.06	3,201	1 January 2017 to 31 December 2021	45,000
		01/01/2018	13.91	3,300	1 January 2018 to 31 December 2022	45,900
		01/01/2019	12.96	3,174	1 January 2019 to 31 December 2023	41,135

Footnotes to Table 11

a *The grant date fair value of the options granted under LTIP was determined using Black-Scholes valuation methodology.*

b *The grant date fair value of the performance rights granted for 2016 to 2018 under LTIP equalled the ten-day VWAP starting from the first day of the trading window immediately following the announcement of the full year result. From 2019 grants onwards, the grant date fair value of the performance rights granted under LTIP was determined using Black-Scholes valuation methodology.*

c *No LTI was granted to Josée Lemoine for the financial year ended 31 December 2020.*

d *The performance period for the 2020 grant to Adrian Gratwicke 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) instead of 3 August 2020. The performance targets are the same as the 2020 grant for other Executive KMP, ie 50% CAGR on EPS and 50% on ROIC from 1 January 2020.*

e. Movements in LTI grants

Table 12 provides the movement of all outstanding LTI grants for the Executive KMP during 2020.

Table 12 – Movement of LTI grants

Grant	Executive KMP	Number of LTI held at 1 January 2020	Number of LTI granted during 2020	Number of LTI vested and exercised during 2020	Number of LTI lapsed during 2020	Number of LTI held at 31 December 2020
Shares granted under DESP	Martin Earp	5,804	-	(5,804)	-	-
	Adrian Gratwicke	-	30,000	-	-	30,000
Options granted under LTIP	Martin Earp [a]	723,502	272,934	-	-	996,436
	Damien MacRae	140,726	-	-	-	140,726
	Former Executive KMP ceased during the financial year					
	Josée Lemoine [b]	165,221	-	-	-	165,221
Performance rights granted under LTIP	Martin Earp	42,997	14,098	(7,078)	-	50,017
	Damien MacRae	8,727	26,336	-	-	35,063
	Adrian Gratwicke	-	17,107	-	-	17,107
	Former Executive KMP ceased during the financial year					
	Josée Lemoine	11,629	-	(1,954)	-	9,675

Footnotes to Table 12

a *At 1 January 2020 and 31 December 2020, Martin Earp held 53,438 and 160,313 vested and exercisable options, respectively.*

b *At 1 January 2020 and 31 December 2020, Josée Lemoine held 4,918 and 14,754 vested and exercisable options, respectively.*

VII. Loans to Executive KMP

There were no loans at the beginning or at the end of the financial year ended 31 December 2020 to the Executive KMP. No loans were made available to the Executive KMP during 2020.

VIII. The year ahead – What can we expect in 2021?

a. STI 2021

The Executive KMP 2021 STI opportunity will be subject to key performance conditions and weightings as listed in Table 13.

Table 13 – 2021 STI performance targets

Component	2021 performance targets	CEO – weight	CFO – weight	Why this was chosen?
Financial performance	Group EBITDA	30%	30%	The Company's key performance metric
	Group case volume	10%	10%	Case volume is an indicator of revenue growth
	Personal financial objective	10%	10%	Alignment of KMP's STI reward with key objectives for the year
Our customer	Net Promoter Score	10%	10%	Customer feedback and satisfaction remains core to the service offering
Our people	Employee turnover < 12 months tenure	10%	10%	People are the Company's greatest asset. This encourages greater involvement and consideration around all recruitment activity in the regions
Our safety	LTIFR	15%	15%	The Company continues to reinforce its commitment to a strong safety culture in the workplace. The safety components reflect both a lead and a lag measure.
	Workplace inspections	5%	5%	
Personal	Project objective	10%	10%	Alignment of KMP's STI reward with key objectives for the year

b. 2021 Executive KMP changes announced

i. Olivier Chretien – Managing Director and Chief Executive Officer, effective 1 January 2021

Mr Olivier Chretien has been appointed to the position of Chief Executive Officer effective 1 January 2021, and Managing Director effective 4 January 2021.

Total fixed remuneration (TFR)	TFR of $1,025,000 per annum.
Short term incentive (STI)	Target STI of $717,500 (70% of TFR). The STI is based on Mr Chretien's achievement of key performance indicators prescribed by InvoCare for the relevant financial year. If Mr Chretien's STI award exceeds $150,000, 50% of the value that exceeds this amount will be deferred and paid into the Company's shares held in trust. There is a one year deferral period from grant. The Board retains a discretion to deliver deferred STI in cash.
Long term incentive (LTI)	Target LTI of $717,500 (70% of TFR). Mr Chretien will be eligible to participate in the Company's Long Term Incentive Plan, under which he may be granted performance rights and/or options (subject to shareholders' approval). For the financial year ending 31 December 2021, the maximum value of Mr Chretien's LTI will be $717,500. Vesting of the LTI is subject to performance and continuous employment conditions.

Sign-on incentive: Mr Chretien will receive a one-off sign-on incentive to the value of $400,000, in the form of InvoCare shares (subject to shareholders' approval). The shares will be allocated and held in trust and pursuant to the terms of the InvoCare Deferred Employee Share Plan (DESP). The shares will vest two years after Mr Chretien's appointment date provided that he is still employed by InvoCare at that date and the applicable vesting conditions as described in the DESP rules and accompanying offer letter have been satisfied.

ii Martin Earp – Former Chief Executive Officer ceasing 31 March 2021

The following provides an overview of final payments upon conclusion of Mr Earp's six year contract in 2021:

- Fixed remuneration until 31 March 2021
- Payment for completion of agreed handover arrangements
- Grant of 2021 LTI pro-rated for the period ended 31 March 2021
- Unused accrued annual leave entitlements until 31 March 2021

iii. Damien MacRae – Former Deputy Chief Executive Officer ceasing 5 February 2021

The following provides an overview of final payments upon redundancy of Mr MacRae. They included all items in accordance to the statutory requirements for his redundancy:

- Fixed remuneration until 5 February 2021
- Remaining contractual notice period from 6 February to 30 June 2021
- Redundancy payments in accordance with statutory requirements
- Unused accrued annual leave entitlements until 5 February 2021

Remuneration report – audited

Non-Executive Director remuneration

F. Non-Executive Director remuneration

I. Fee structure and policy

The following table outlines the Non-Executive Directors (NEDs) fee policy and any changes introduced for 2021.

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, all NEDs receive a letter of appointment which summarises the Board policies and terms, including compensation, relevant to the office of Director.
Non-Executive Director fee reviews	The Board reviews NED fees on an annual basis in line with general industry practice. This ensures fees are appropriately positioned in the market to attract and retain high calibre individuals. NEDs are entitled to be reimbursed for all reasonable costs and expenses incurred by them in performing their duties. NED fee changes 2020 To maintain market equity, the Board determined an increase of 3% to the base fee from 1 January 2020 to the Chairman and the NED roles. No change to the Chair of the Audit, Risk & Committee fee was made in 2020. Following the half year financial results with the impact of COVID-19, it was agreed that NEDs would take a 25% reduction to their fees for four months from 1 August to 30 November 2020. This reflects the continued alignment with all our stakeholders. NED fee changes 2021 There are no changes to the Board base fees in 2021. In recognition of the additional workloads for Chairs of committees and alignment, the decision was made to extend the current Chair fee of $11,560 for the Audit, Risk & Compliance Committee to the Chairs of both the Investment Committee and the People, Culture & Remuneration Committee. Refer to Table 14 for details of 2020 fees including reduced NED fees from 1 August to 30 November 2020 as well as 2021 fees. The aggregation of all Board and committee fees for 2020 and 2021, respectively, remains below the current pool limit.
Additional or special duties	The 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. Whilst all Directors have contributed actively to the board and special projects beyond the board room during the year, these contributions have been made as directors and as such have not resulted in any additional payments.
Superannuation	The fees set out above 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 Table 16 in Section G.
Post employment benefits	NEDs are not entitled to any compensation on cessation of employment.

Remuneration report – audited

Non-Executive Director remuneration *continued*

Table 14 – Non-Executive Director fees (inclusive of superannuation)

Board/Committee	Role	2020 Per role $	2020 Total* $	From 1 January 2021 Per role $	From 1 January 2021 Total $
Board base fee	Chairman	285,691	261,883	285,691	285,691
	Non-Executive Directors	142,840	654,683	142,840	714,200
Audit, Risk & Compliance Committee	Chairman	11,560	10,597	11,560	11,560
Investment Committee	Chairman	-	-	11,560	11,560
People, Culture & Remuneration Committee	Chairman	-	-	11,560	11,560
Total			**927,163**		**1,034,571**

* *Following the half year financial results with the impact of COVID-19 the NEDs took a 25% reduction to their fees for four months from 1 August to 30 November. Therefore, the total annual Board base fee in 2020 column was less than the annual amount per role.*

II. Non-Executive Director's remuneration details

Table 15 provides the remuneration details for the Non-Executive Directors on the Company's Board. 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. During the financial year ended 31 December 2020, the Non-Executive Directors took a reduced Board base fee received during the period from 1 August to 30 November 2020. Therefore, total remuneration for the financial year ended 31 December 2020 was lower than that for the prior financial year.

Table 15 – Total Non-Executive Director's remuneration

		Short-term employee benefits	Post-employment benefits	Total
		Board and committee fees $	Superannuation $	$
Bart Vogel	**2020**	**240,535**	**21,348**	**261,883**
	2019	253,306	24,064	277,370
Richard Davis	**2020**	**119,577**	**11,420**	**130,997**
	2019	126,648	12,032	138,680
Jackie McArthur	**2020**	**119,577**	**11,420**	**130,997**
	2019	126,648	12,032	138,680
Megan Quinn	**2020**	**119,577**	**11,420**	**130,997**
	2019	126,648	12,032	138,680
Keith Skinner	**2020**	**129,254**	**12,279**	**141,533**
	2019	137,205	13,035	150,240
Robyn Stubbs	**2020**	**119,577**	**11,420**	**130,997**
	2019	126,648	12,032	138,680

G. Additional information

Table 16 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.

Table 16 – 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 2020 Number	Grant as compensation Number	Exercise of LTI vested during 2020 Number	Net other changes during 2020 Number	Total shares held directly and indirectly as at 31 December 2020 [a] Number
Non-Executive Directors	Bart Vogel	16,129	-	-	3,214	19,343
	Richard Davis	200,000	-	-	(40,000)	160,000
	Jackie McArthur	4,000	-	-	480	4,480
	Megan Quinn	-	-	-	-	-
	Keith Skinner	1,084	-	-	2,884	3,968
	Robyn Stubbs	7,905	-	-	-	7,905
Executive KMP	Martin Earp	22,671	-	12,882	(17,119)	18,434
	Damien MacRae	1,000	-	-	3,884	4,884
	Adrian Gratwicke [b]	-	-	-	-	-
	Former Executive KMP ceased during the financial year					
	Josée Lemoine	977	-	1,954	-	2,931

Footnotes to Table 16

a *Shares held indirectly are included in the column headed Total shares held at 31 December 2020. Total shares are held directly by the KMP and indirectly by the KMP's related parties, inclusive of domestic partner, dependants and entities controlled, jointly controlled or significantly influenced by the KMP.*

b *Adrian Gratwicke commenced as Executive KMP from 3 August 2020 and therefore there were no shares held as at 1 January 2020.*

This concludes the Remuneration Report which has been audited.

Directors' Report
Other statutory matters

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	Date of appointment/resignation
Bart Vogel	Chairman	
Martin Earp	Chief Executive Officer and Managing Director	Resigned 4 January 2021
Richard Davis	Independent Non-Executive Director	
Jackie McArthur	Independent Non-Executive Director	
Megan Quinn	Independent Non-Executive Director	
Keith Skinner	Independent Non-Executive Director	
Robyn Stubbs	Independent Non-Executive Director	Resigned 1 February 2021
Directors appointed subsequent to balance sheet date		
Olivier Chretien	Chief Executive Officer and Managing Director	Appointed 4 January 2021

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 Limited	Since 2014
	Infomedia Ltd	Since 2015
	Salmat Limited	From May 2017 to November 2019
Martin Earp	None	
Richard Davis	Australian Vintage Ltd	Since 2009
	Monash IVF Group Limited	Since 2014
Jackie McArthur	Inghams Group Limited	Since 2017
	Tassal Group Limited	Since 2018
	Blackmores Limited	From April 2018 to August 2019
	Qube Holdings Limited	Since 2020
Megan Quinn	City Chic Collective Limited (formerly known as Specialty Fashion Group Limited)	Since 2012
	Reece Limited	Since 2017
Keith Skinner	Emeco Holdings Limited	Since 2017
Robyn Stubbs	Aventus Group – Aventus Retail Property Fund and its subsidiaries	Since 2015
	Brickworks Limited	Since 2020
Directors appointed subsequent to balance sheet date		
Olivier Chretien	None	

Directors' profiles

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 serves on the Audit, Risk & Compliance Committee, People, Culture & Remuneration Committee and Nomination Committee.

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 (serves as Chairman) and Macquarie Telecom Limited. 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).

Richard Davis BEc

Independent Non-Executive Director

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

Richard is the Chair of Investment Committee and serves on the People, Culture & Remuneration Committee and Nomination Committee.

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 Australian Vintage Limited and Monash IVF Group Limited. Richard is also serving as Chairman of Singapore Casket Company (Private) Limited.

Jackie McArthur BEng MAICD

Independent Non-Executive Director

Jackie McArthur was appointed to the InvoCare Board of Directors on 1 October 2018.

Jackie serves on the Audit, Risk & Compliance Committee, Investment Committee and Nomination Committee.

Jackie has over 20 years experience at board and executive levels in strategic planning processes, organisational design, operations, franchising systems, retail, supply chain, logistics, transport, food processing and manufacturing, emerging brand issues and crisis management, risk management, corporate social responsibility and compliance issues, as well as governance at a global level, across Australia, Asia and globally.

Most recently she was managing director, Australia and New Zealand, of Martin-Brower ANZ, the exclusive distributor to McDonald's restaurants across Australia and New Zealand. Previously, for more than 13 years, she held various senior executive positions with McDonalds, both in Australia and overseas, including vice president of supply chain for Asia Pacific, Middle East and Africa and, in McDonalds Australia, as senior vice president chief restaurant support officer and vice president supply chain director.

Jackie is a Director of listed companies Inghams Group Limited, Tassal Group Limited and Qube Holdings Limited.

Jackie was the 2016 Telstra NSW Business Woman of the Year and overall 2016 Telstra Business Women's Awards - Corporate and Private National Winner. She has completed the INSEAD International Executive Program.

Megan Quinn GAICD

Independent Non-Executive Director

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

Megan serves on the Audit, Risk & Compliance Committee, People, Culture & Remuneration Committee and Nomination Committee.

Megan is internationally regarded as a 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.

Megan is a Director of listed companies City Chic Collective Limited and Reece Limited. Having previously served on the Board and national committee of UNICEF Australia, she is an advocate for the Rights of the Child,and is a passionate ambassador of Fitted For Work.

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 and serves on the Investment Committee and Nomination 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.

Since retirement in 2015, Keith has been a Director of a number of public and private organisations including Emeco Holdings Limited, North Sydney Local Health Board and 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.

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. Mr Chretien was appointed to the InvoCare Board of Directors on 4 January 2021.

Olivier was recently 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 retail divisional Boards for Coles, Bunnings, Kmart and Officeworks. He was previously the Managing Director of the Wesfarmers Industrial & Safety division for seven 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 nine years with Boston Consulting Group in France and Australia, consulting to clients in the pharmaceuticals and travel and 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).

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 2020, and the number of meetings attended by each director were as follows.

	Board		Audit, Risk & Compliance Committee		Investment Committee		People, Culture & Remuneration Committee		Nomination Committee	
Name	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**
Bart Vogel	19	19	4	4	-	-	5	5	8	8
Martin Earp	19	19	-	-	-	-	-	-	-	-
Richard Davis	19	19	-	-	5	5	5	5	8	8
Jackie McArthur	19	19	4	4	5	5	-	-	8	8
Megan Quinn	19	19	4	4	-	-	5	5	8	8
Keith Skinner	19	19	4	4	5	5	-	-	8	8
Robyn Stubbs	19	19	-	-	5	5	5	5	8	8

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.

Company secretary

Heidi Aldred BEcon, LLB

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 Linklaters (formerly Arthur Robinson & Hedderwicks).

Significant changes in the state of affairs

The significant changes in the state of affairs during the financial year were as follows:

- During April 2020, the Company undertook a fully underwritten institutional placement and a Share Purchase Plan which raised a total of $270,862,000 in capital net of costs. Part of the capital raised was used to reduce borrowings, continue growth projects and increase liquidity during the COVID-19 pandemic
- During the financial year, the Group acquired the following business assets and companies. Further details of these acquisitions are provided in Note 18 Business combinations:
  - The business assets of Galaxy Funerals based in Sydney, New South Wales. Galaxy Funerals is a specialist business providing funeral care to the Chinese community, with religious and non-religious backgrounds
  - Family Pet Care Pty Limited which is the provider of pet cremation services and has a presence in Western Australia, South Australia, Victoria and Southern New South Wales
  - The pet cremation business assets of Pets in Peace which is based in Queensland

Other than the matters as stated above, there were no other significant changes in the state of affairs of the Company during the financial year.

Dividends

Details of dividends paid or determined by the Company during the financial year ended 31 December 2020 are set out in Note 4.

Subsequent events

Refer to Note 17 for details of a property sale in January 2021. Other than this transaction and the Board's determination of a final dividend of 7.0 cents per share, fully franked, there have been no other matter or circumstance arising since 31 December 2020 that has significantly affected the Company'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, the Company has indemnified the directors and executives of the Company 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, the Company 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

The Company is committed to the protection of the environment, the health and safety of its employees, customers and the general public, as well as compliance with all applicable environmental laws, rules and regulations in the jurisdictions in which the Company operates. 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. The Company has appropriate risk management systems in place at its locations.

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

Corporate governance

The Company 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 2020, InvoCare's Corporate Governance Statement reports against the 4th Edition ASX Principles and will be published at the time of publication of the 2020 Annual Report.

The 2020 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 25 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 25 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 or 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 reports 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 24 February 2021.

Bart Vogel Chairman
Sydney

Auditor's Independence Declaration

As lead auditor for the audit of InvoCare Limited for the year ended 31 December 2020, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

Michelle Chiang

MW Chiang
Partner
PricewaterhouseCoopers

Sydney
24 February 2021

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Financial Report

Financial Report

Introduction

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 2, 40 Miller 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 24 February 2021. 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.

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Financial Report

Consolidated financial statements

Consolidated statement of comprehensive income

For the year ended 31 December 2020	Notes	2020 $'000	2019 $'000
Revenue from continuing operations	2	477,652	500,348
Finished goods, consumables and funeral disbursements		(120,514)	(125,066)
Employee benefits expense		(174,764)	(166,204)
Advertising and public relations expenses		(17,725)	(16,810)
Occupancy and facilities expenses		(22,533)	(20,937)
Motor vehicle expenses		(9,473)	(8,480)
Technology expenses		(12,736)	(10,795)
Other expenses		(22,289)	(14,966)
		97,618	137,090
Depreciation and amortisation expenses		(44,292)	(36,986)
Impairment loss on intangibles	12	(25,500)	(24,404)
Impairment reversal on cemetery land	11	6,000	-
Gain on disposal of an associate		-	52
Finance costs		(24,929)	(25,671)
Interest income		1,059	1,211
Net (loss)/gain on undelivered pre-paid contracts	10	(16,618)	45,550
Acquisition related costs	18	(1,918)	(2,021)
Net gain on disposal of non-current assets		7,383	2,352
(Loss)/profit before income tax		(1,197)	97,173
Income tax expense	6	(7,878)	(33,285)
Net (loss)/profit after income tax from continuing activities		(9,075)	63,888
Net (loss)/profit after income tax for the year		(9,075)	63,888
Other comprehensive income			
Items that may be reclassified to profit or loss			
Changes in the fair value of cash flow hedges, net of tax		(320)	(1,661)
Total realised loss on early settlement of interest rate swaps reclassified to profit or loss		2,419	-
Net changes to cash flow hedges, net of tax		2,099	(1,661)
Changes in foreign currency translation reserve, net of tax		(1,091)	(198)
Other comprehensive income/(loss) for the year, net of tax		1,008	(1,859)
Total comprehensive (loss)/income for the year, net of tax		(8,067)	62,029
(Loss)/profit is attributable to:			
Equity holders of InvoCare Limited		(9,242)	63,752
Non-controlling interests		167	136
		(9,075)	63,888
Total comprehensive (loss)/income for the year is attributable to:			
Equity holders of InvoCare Limited		(8,234)	61,893
Non-controlling interests		167	136
		(8,067)	62,029

	Notes	2020 cents	2019 cents
Earnings per share for (loss)/profit attributable to the ordinary equity holders of InvoCare Limited			
Basic earnings per share	3	(6.9)	55.8
Diluted earnings per share	3	(6.9)	54.9

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

Consolidated financial statements

Consolidated balance sheet

As at 31 December 2020			Notes	2020 $'000	2019 $'000
Assets	Current assets	Cash and cash equivalents	7	118,781	19,560
		Trade receivables	8	38,757	40,679
		Other receivables		13,710	9,983
		Inventories		44,117	45,117
		Pre-paid contract funds under management	10	50,268	57,552
		Assets held for sale		2,788	5,842
		Deferred selling costs	9	3,644	4,480
		Deferred contract assets		1,541	2,409
		Total current assets		273,606	185,622
	Non-current assets	Trade receivables	8	29,445	31,477
		Other receivables		670	655
		Other financial assets		4	4
		Property, plant and equipment	11	464,277	426,955
		Right of use asset	11	144,368	144,001
		Pre-paid contract funds under management	10	562,863	561,837
		Intangibles	12	243,515	210,724
		Deferred selling costs	9	34,068	35,448
		Deferred contract assets		2,525	4,040
		Total non-current assets		1,481,735	1,415,141
		Total assets		1,755,341	1,600,763
Liabilities	Current liabilities	Trade and other payables		60,514	60,810
		Contingent considerations	18	9,265	94
		Lease liabilities	11	19,465	12,934
		Derivative financial instruments		600	735
		Current tax liabilities		1,874	813
		Pre-paid contract liabilities	10	44,685	48,885
		Deferred revenue	9	28,632	34,913
		Provision for employee entitlements		16,613	14,864
		Total current liabilities		181,648	174,048
	Non-current liabilities	Contingent considerations	18	7,909	800
		Borrowings	13	246,039	357,189
		Lease liabilities	11	146,459	149,967
		Derivative financial instruments		548	3,422
		Deferred tax liabilities	6	32,639	34,826
		Pre-paid contract liabilities	10	496,624	476,498
		Deferred revenue	9	109,086	104,387
		Provision for employee entitlements		2,489	2,647
		Total non-current liabilities		1,041,793	1,129,736
		Total liabilities		1,223,441	1,303,784
		Net assets		531,900	296,979
Equity		Contributed equity		497,005	219,826
		Reserves		9,977	7,728
		Retained profits		23,495	68,169
		Parent entity interests		530,477	295,723
		Non-controlling interests		1,423	1,256
		Total equity		531,900	296,979

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

Consolidated financial statements

Consolidated statement of changes in equity

For the year ended 31 December 2020

	Attributable to equity holders of InvoCare Limited						
2020	**Contributed 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 2020	219,826	2,055	(2,854)	8,527	68,169	1,256	296,979
Total comprehensive income/(loss) for the year	-	-	2,099	(1,091)	(9,242)	167	(8,067)
Transactions with owners in their capacity as owners:							
Dividends paid (Note 4)	-	-	-	-	(29,514)	-	(29,514)
Employee share plan shares vested during the year	48	(16)	-	-	-	-	32
Issue of ordinary shares as part of dividend reinvestment plan (Note 4)	5,918	-	-	-	(5,918)	-	-
Issue of ordinary shares, net of transaction costs	270,862	-	-	-	-	-	270,862
Transfer of shares from the deferred plan to the InvoCare Exempt Share Plan Trust	351	-	-	-	-	-	351
Employee shares – value of services	-	1,257	-	-	-	-	1,257
Balance at 31 December 2020	497,005	3,296	(755)	7,436	23,495	1,423	531,900
2019							
Balance at 1 January 2019	124,140	246	(1,193)	8,725	58,138	1,241	191,297
Change in accounting policy	-	-	-	-	(11,842)	-	(11,842)
Restated balance at the beginning of the year	124,140	246	(1,193)	8,725	46,296	1,241	179,455
Total comprehensive income for the year	-	-	(1,661)	(198)	63,752	136	62,029
Transactions with owners in their capacity as owners:							
Dividends paid (Note 4)	-	-	-	-	(32,742)	(121)	(32,863)
Reclassification of equity settled share based payments	-	2,353	-	-	-	-	2,353
Employee share plan shares vested during the year	450	(192)	-	-	-	-	258
Issue of ordinary shares as part of dividend reinvestment plan (Note 4)	9,137	-	-	-	(9,137)	-	-
Issue of ordinary shares, net of transaction costs	85,787	-	-	-	-	-	85,787
Employee shares – value of services	312	(352)	-	-	-	-	(40)
Balance at 31 December 2019	219,826	2,055	(2,854)	8,527	68,169	1,256	296,979

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

Financial Report

Consolidated financial statements

Consolidated statement of cash flows

For the year ended 31 December 2020		Notes	2020 $'000	2019 $'000
Cash flows from operating activities	Receipts from customers (including GST)		505,716	488,008
	Payments to suppliers and employees (including GST)		(421,870)	(393,541)
	Other revenue		11,192	6,037
			95,038	100,504
	Interest received		373	388
	Finance costs		(17,419)	(21,191)
	Income tax paid		(14,424)	(20,631)
	Net cash flows from operating activities		63,568	59,070
Cash flows from investing activities	Proceeds from sale of property, plant and equipment		11,908	5,565
	Purchase of subsidiaries and other businesses including acquisition costs, net of cash acquired		(40,581)	(15,187)
	Proceeds from sale of subsidiaries and other businesses, net of restructuring costs		-	985
	Purchase of property, plant and equipment and intangibles		(68,136)	(65,289)
	Payments to funds under management for pre-paid contract sales		(32,169)	(24,976)
	Receipts from funds under management for pre-paid contracts performed		45,026	40,842
	Net cash flows from investing activities		(83,952)	(58,060)
Cash flows from financing activities	Share capital issue, net of transaction costs		270,875	85,787
	(Payments)/proceeds from share option vested and exercised		(69)	258
	Proceeds from borrowings		5,000	47,397
	Repayment of borrowings		(111,761)	(100,500)
	Payment for early settlement of interest rate swaps		(3,115)	-
	Proceeds from lease arrangements		-	13,598
	Principal elements of lease payments		(11,599)	(9,973)
	Dividends paid to InvoCare Limited equity holders		(29,514)	(32,742)
	Dividends paid to non-controlling interests in subsidiaries		-	(121)
	Net cash flows from financing activities		119,817	3,704
	Net increase in cash and cash equivalents		99,433	4,714
	Cash and cash equivalents at the beginning of the year		19,560	14,776
	Effects of exchange rate changes on cash and cash equivalents		(212)	70
	Cash and cash equivalents at the end of the year	7	118,781	19,560

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

Financial Report

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 26 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 26 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 made 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 COVID-19 pandemic has not significantly increased the estimation uncertainty in the preparation of the consolidated financial statements. A thorough consideration of potential COVID-19 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.

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.

The following balance sheet and cash flow items are reclassified during the current year:

- Deferred contract assets separated from inventories and presented on the face of the consolidated balance sheet
- Capitalised software reclassified from property, plant and equipment to intangibles
- Deferred considerations separated from trade and other payables and presented on the face of the consolidated balance sheet
- Interest paid on lease liabilities reclassified to finance costs on the face of consolidated statement of cash flows

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:

- EBITDA (earnings before interest, tax, depreciation and amortisation) and EBIT (earnings before interest and tax) in 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.

Notes to the consolidated financial statements

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 three reportable segments:

- Australia
- Singapore
- New Zealand

These reportable segments are based on the 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. There is no aggregation of reportable segments.

The reportable segments are identified by management based on the countries in which the product is sold or service is provided. Discrete financial information about each of these operating segments is reported to the CODM and the Board of Directors regularly.

The CODM reviews operating earnings before interest, tax, depreciation and amortisation (Operating EBITDA) and operating earnings before interest and tax (Operating EBIT).

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

B. Reportable segments information

2020	Australia $'000	Singapore $'000	New Zealand $'000	Other $'000	Total $'000
Revenue from external customers	397,756	18,593	50,174	-	466,523
Other revenue (excluding interest income)	8,501	812	1,816	-	11,129
Operating expenses	(326,809)	(10,013)	(43,212)	-	(380,034)
	79,448	9,392	8,778	-	97,618
Adjustment to revenue - pre-paid redemptions*	3,709	-	-	-	3,709
Adjustment to other revenue - pre-paid redemptions*	(5,113)	-	-	-	(5,113)
Adjustment to operating expenses - pre-paid redemptions*	6,351	-	-	-	6,351
Operating EBITDA	84,395	9,392	8,778	-	102,565
Depreciation and amortisation	(37,731)	(1,187)	(5,362)	-	(44,280)
Business acquisition costs	(1,918)	-	-	-	(1,918)
Operating EBIT	44,746	8,205	3,416	-	56,367
Finance costs	(18,445)	(1)	(3,097)	-	(21,543)
Interest income	1,040	-	19	-	1,059
Non-operating activities (including pre-paid contracts funds under management)	(18,040)	(19)	479	-	(17,580)
Impairment loss on intangibles	(6,176)	-	(19,324)	-	(25,500)
Impairment reversal	6,000	-	-	-	6,000
Income tax expense	(6,490)	(1,352)	(36)	-	(7,878)
Non-controlling interest	(167)	-	-	-	(167)
Net profit/(loss) after income tax	2,468	6,833	(18,543)	-	(9,242)
Total goodwill	171,284	14,365	27,057	-	212,706
Total assets	1,595,502	46,754	113,085	-	1,755,341
Total liabilities	1,135,264	3,866	84,311	-	1,223,441

* *Adjustment to reclassify the non-operating impacts of performing pre-paid funerals, burial and cremation services to net gain/loss on pre-paid contracts.*

2019	Australia $'000	Singapore $'000	New Zealand $'000	Other $'000	Total $'000
Revenue from external customers	413,403	20,823	56,033	-	490,259
Other revenue (excluding interest income)	9,176	400	513	-	10,089
Operating expenses	(308,253)	(11,306)	(43,657)	(42)	(363,258)
	114,326	9,917	12,889	(42)	137,090
Adjustment to revenue - pre-paid redemptions*	3,855	-	-	-	3,855
Adjustment to other revenue - pre-paid redemptions*	(4,538)	-	-	-	(4,538)
Adjustment to operating expenses - pre-paid redemptions*	8,026	-	-	-	8,026
Operating EBITDA	121,669	9,917	12,889	(42)	144,433
Depreciation and amortisation	(30,775)	(1,201)	(4,997)	-	(36,973)
Business acquisition costs	(1,984)	-	(37)	-	(2,021)
Operating EBIT	88,910	8,716	7,855	(42)	105,439
Finance costs	(19,561)	(1,309)	(3,552)	(2)	(24,424)
Interest income	1,301	(43)	(47)	-	1,211
Non-operating activities (including pre-paid contracts funds under management)	40,739	(20)	(1,368)	-	39,351
Impairment loss on intangibles	-	-	(24,404)	-	(24,404)
Income tax expense	(31,638)	(1,126)	(521)	-	(33,285)
Non-controlling interest	(136)	-	-	-	(136)
Net profit/(loss) after income tax	79,615	6,218	(22,037)	(44)	63,752
Total goodwill	119,573	15,514	47,382	-	182,469
Total assets	1,427,388	47,131	126,105	139	1,600,763
Total liabilities	1,156,812	41,774	105,131	67	1,303,784

* *Adjustment to reclassify the non-operating impacts of performing pre-paid funerals, burial and cremation services to net gain/loss on pre-paid contracts.*

C. Accounting policy for segment reporting

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

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

Note 2. Revenue

A. Disaggregation of revenue from contracts with customers

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

2020	Australia $'000	Singapore $'000	New Zealand $'000	Total $'000
Funeral services	278,699	18,593	48,004	345,296
Memorial Parks	119,463	-	2,212	121,675
Pet cremations	4,646	-	-	4,646
	402,808	18,593	50,216	471,617
Rent	411	29	121	561
Sundry revenue	3,039	782	1,653	5,474
Total revenue from continuing operations	406,258	19,404	51,990	477,652
2019				
Funeral services	298,868	20,823	53,576	373,267
Memorial Parks	117,973	-	2,528	120,501
Pet cremations	816	-	-	816
	417,657	20,823	56,104	494,584
Rent	307	65	13	385
Sundry revenue	4,616	335	428	5,379
Total revenue from continuing operations	422,580	21,223	56,545	500,348

InvoCare's New Zealand and Singapore businesses were eligible for government subsidies. The government subsidies were recognised as sundry revenue during the financial year ended 31 December 2020.

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 $57,663,000 at 31 December 2020 (2019: $58,617,000).

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 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 $3,500,000 (2019: $3,300,000) or decrease by $1,700,000 (2019: $1,700,000).

C. Accounting policy for 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.

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

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')

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.

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

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

	2020 cents	2019 cents
Basic earnings per share	(6.9)	55.8
Diluted earnings per share	(6.9)	54.9
Operating earnings per share	20.4	51.7

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 earnings generated from all non-operating activities and the financial impacts of pre-paid contracts. This is a financial measure which is not prescribed by Australian Accounting Standards (AASBs) and represents the earnings under AASBs 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

	2020 $'000	2019 $'000
Net (loss)/profit after income tax	(9,075)	63,888
Less: Non-controlling interests	(167)	(136)
Net (loss)/profit after income tax attributable to InvoCare Limited's equity holders for calculating statutory basic and diluted earnings per share	(9,242)	63,752
Less: Non-operating items		
Non-operating EBITDA	4,947	7,343
Net loss/(gain) on pre-paid contracts before income tax	16,618	(45,550)
Depreciation and amortisation	12	13
Net impairment loss on non-current assets	19,500	24,404
Asset sales gain before income tax	(7,383)	(2,404)
Net finance costs	3,386	1,247
Income tax on non-operating items	(527)	10,261
Operating earnings after income tax for calculating operating earnings per share	27,311	59,066

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

	2020 Number '000	2019 Number '000
Weighted average number of shares used in calculating basic earnings per share	133,927	114,189
Adjustments for calculation of diluted earnings per share:		
Share options and rights *	-	1,994
Weighted average number of shares used in calculating diluted earnings per share	133,927	116,183

* *For the year ended 31 December 2020, the potential ordinary shares issued under the Performance 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.

Note 4. Dividends

A. Dividends paid

2020	Cents per share	Total amount $'000	Tax rate for franking credit %	Percentage franked %
Dividends on InvoCare Limited's ordinary shares				
2020 interim dividend	5.5	7,894	30	100
2019 final dividend	23.5	27,538	30	100
		35,432		

2019				
2019 interim dividend	17.5	20,428	30	100
2018 final dividend	19.5	21,451	30	100
		41,879		

B. Dividends determined and not recognised at year end

On 24 February 2021, the Directors determined a final dividend of 7.0 cents per share, fully franked, to be paid on 22 April 2021. 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 at no discount. Election notices for participation in the DRP in relation to this final dividend must be received by 5 March 2021.

C. Franking credits

	2020 $'000	2019 $'000
Franking credits available for subsequent financial years based on a tax rate of 30%	35,133	39,256

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 declared during the financial year.

Note 5. Expenses

Profit before income tax includes the following specific expenses:

A. Finance costs

	2020 $'000	2019 $'000
Interest paid and payable	11,122	14,882
Interest expense on customer advance payments	3,232	4,114
Interest expense on lease liabilities	5,297	4,760
Other finance costs	3,156	1,915
Realised loss on early settlement of interest rate swaps	2,122	-
	24,929	25,671
Interest expense on pre-paid contracts	20,277	20,331

B. Depreciation, amortisation and impairment of non-current assets

	2020 $'000	2019 $'000
Buildings	5,927	4,646
Property, plant and equipment	13,723	14,474
Right of use assets	16,384	11,406
Total depreciation	36,034	30,526
Cemetery land	445	384
Leasehold land and buildings	141	170
Leasehold improvements	2,642	1,962
Capitalised software	3,574	2,508
Brand names	1,457	1,436
Amortisation of non-current assets	8,259	6,460
Total depreciation and amortisation	44,293	36,986
Impairment loss on intangibles	25,500	24,404
Impairment reversal of cemetery land	(6,000)	-
Impairment of non-current assets	19,500	24,404
Total depreciation, amortisation and impairment	63,793	61,390

C. Impairment loss – financial assets

	2020 $'000	2019 $'000
Trade receivables	3,598	1,016

D. Leases expense

	2020 $'000	2019 $'000
Expense relating to short term leases	936	569
Expense relating to leases of low value assets not included in short term leases	905	145
	1,841	714

E. Employee benefits expense

	2020 $'000	2019 $'000
Defined contribution superannuation expense	10,993	10,750
Share-based payments expense	1,192	(206)

F. 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.

Note 6. Income tax

A. Income tax expense

	2020 $'000	2019 $'000
Current tax	7,232	19,816
Deferred tax	(614)	14,326
Under/(over) provided in prior years	1,260	(857)
Income tax expense	7,878	33,285

B. Reconciliation of income tax expense to prima facie tax payable

	2020 $'000	2019 $'000
(Loss)/profit before income tax	(1,197)	97,713
Prima facie tax at 30% (2019: 30%) on (loss)/profit before income tax	(359)	29,152
Tax effect of amounts which are not deductible/(taxable) in calculation of taxable income:		
Effect of foreign tax rate differences	(296)	(685)
Acquisition costs	465	203
Capital gains not subject to tax as offset against capital losses	(405)	(1,284)
Impairment loss on intangibles	5,850	6,833
Non-deductible interest expense	232	-
Effect of interest rate swap settlement	1,005	-
Other items (net)	126	(77)
	6,618	34,142
Under/(over) provision in prior years	1,260	(857)
Income tax expense attributable to continuing operations	7,878	33,285

C. Tax expense relating to items of other comprehensive income

	2020 $'000	2019 $'000
Cash flow hedges	880	-

D. Deferred tax liability

	2020 $'000	2019 $'000
The deferred tax liability balances comprised temporary differences attributable to:		
Amounts recognised in profit and loss:		
Cemetery land	30,750	26,626
Property, plant and equipment	2,410	9,013
Deferred selling costs	11,938	12,115
Prepayments and other	485	(947)
Brand names	2,408	1,900
Pre-paid contracts	21,777	28,202
Provisions	(6,480)	(5,444)
Receivables	(1,923)	(618)
Accruals and other	(2,483)	(2,044)
Deferred revenue	(19,318)	(26,302)
Leased assets	(6,593)	(5,628)
Capital losses recognised	-	(826)
Amounts recognised directly in equity:		
Cash flow hedge reserve	(332)	(1,221)
	32,639	34,826

The net movement in the deferred tax liability is as follows:

	2020 $'000	2019 $'000
Balance at the beginning of the year	34,826	24,314
Net (credit)/charge to statement of comprehensive income – current period	(614)	14,326
Net credit to statement of comprehensive income – prior periods	(1,939)	(727)
Amounts recognised directly in equity	880	692
Amounts recognised directly in equity – transition to AASB 16	-	(5,030)
Additions from business combinations	544	-
Effect of movements in exchange rates	(1,058)	1,251
Balance at the end of the year	32,639	34,826

E. Tax losses

The Australian Group has nil capital losses (2019: $2,750,000 gross) available to offset against capital gains in future years. The capital losses carried forward at 31 December 2019, for which a deferred tax asset was recognised, were fully utilised against capital gains made during 2020. Accordingly no deferred tax asset is recognised at 31 December 2020 in respect of tax losses.

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. For the purpose of TTC, InvoCare is classified as a medium business and elected to adopt TTC.

Income tax expense on reported profit was $6,618,000 (2019: $34,142,000), representing an effective rate of 28.0% (2019: 35.1%). An analysis of tax paid, based on tax residency status, for Australia and the Group is set out below.

	Australia		Group	
	2020 $'000	**2019** $'000	**2020** $'000	**2019** $'000
Profit/(loss) before income tax	**19,924**	113,501	**(1,197)**	97,173
Tax at nominal rate in relevant country	**5,977**	34,050	**(1,000)**	28,467
Increase/(decrease) due to non-temporary differences				
Non-deductible acquisition costs	**465**	170	**465**	203
Capital gains offset against capital losses or not subject to tax	**(517)**	(946)	**(405)**	(1,284)
Impairment loss on goodwill	**-**	-	**5,411**	6,833
Foreign exempt dividends	**(2,478)**	(1,026)	**-**	-
Non-deductible interest expense	**-**	-	**232**	-
Other items	**165**	68	**194**	26
Increase/(decrease) due to temporary differences				
Unrealised pre-paid contract funds under management gains and losses	**6,655**	(12,128)	**6,655**	(12,128)
Impairment of capitalised software	**1,853**	-	**1,853**	-
Impairment of cemetery land	**(1,800)**	-	**(1,800)**	-
Property, plant and equipment temporary differences	**(3,422)**	(2,017)	**(3,529)**	(1,834)
Other items	**(1,118)**	(785)	**(844)**	(467)
Current income tax paid or payable	**5,780**	17,386	**7,232**	19,816
Current income tax paid rate *	**29.0%**	15.3%	**25.8%**	20.4%
Current year income tax expense	**5,060**	32,017	**6,618**	34,142
Effective tax rate	**25.4%**	28.2%	**28.0%**	35.1%
Prior period tax adjustments	**1,427**	(771)	**1,260**	(857)

* *Calculated as the total amount of income tax paid divided by the profit before income tax.*

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 2020, capital gains were realised on the sale of land and buildings. These capital gains were partially offset against capital losses ($2,750,000 gross) carried forward from the year ended 31 December 2019.

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$25,000,000 was made by InvoCare Limited to InvoCare Holdings New Zealand Limited on 30 April 2020

In addition to income tax paid, the Australian group paid the following types of taxes and fees during 2020:

- Payroll tax of $6,779,000 (2019: $6,608,000)
- Fringe benefits tax of $1,791,000 (2019: $1,663,000)
- Land tax on owned buildings of $5,360,000 (2019: $5,246,000), to various state governments
- Council and water rates paid to various authorities of $3,330,000 (2019: $3,162,000)

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; 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.

Note 7. Cash flow information

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

	2020 $'000	2019 $'000
Net (loss)/profit from ordinary activities after income tax	(9,242)	63,752
Adjustments for non-cash items in (loss)/profit from ordinary activities		
Depreciation and amortisation	44,292	36,986
Impairment loss on intangibles	25,500	24,404
Impairment reversal on cemetery land	(6,000)	-
Share-based payments expense	1,192	(206)
Loan establishment costs	890	679
Net gain on disposal of property, plant and equipment	(7,383)	(2,352)
Unrealised loss/(gain) on pre-paid contracts	16,618	(45,550)
Other pre-paid contract movements	15,749	13,909
Interest expense: customer advance payments	3,232	4,114
Other non-cash deferred revenue/deferred selling costs movements	(26,003)	(19,251)
Business acquisition costs classified in investing activities	1,918	2,021
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries		
(Increase)/decrease in trade and other receivables	(1,117)	(20,210)
(Increase)/decrease in inventories	(11)	(7,544)
(Increase)/decrease in deferred contract assets	2,383	1,905
(Increase)/decrease in deferred selling expenses	2,217	2,222
Increase/(decrease) in trade and other payables	(896)	(6,075)
Increase/(decrease) in deferred revenue	(1,583)	538
Increase/(decrease) in income taxes payable	1,061	(673)
Increase/(decrease) in deferred taxes	(1,642)	8,847
Increase/(decrease) in provisions	2,393	1,554
Net cash flows from operating activities	63,568	59,070

B. Non-cash investing and financing activities

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

- Acquisition of right of use assets through the changes in accounting treatments in accordance with AASB 16 Leases (refer to Note 11.B for further details)
- Dividends satisfied by the issue of shares under the dividend reinvestment plan of $5,918,000 (2019: $9,137,000)
- 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.

2020	Cash and cash equiv-alents $'000	Borrow-ings $'000	Lease liabilities $'000	Net debts $'000
Net debt as at 1 January 2020	19,560	(357,189)	(162,901)	(500,530)
Cash flows	99,433	106,761	11,599	217,793
Additions/variations	-	-	(9,631)	(9,631)
Interest expense on lease liabilities	-	-	(5,297)	(5,297)
Foreign exchange adjustments	(212)	4,389	306	4,483
Net debt as at 31 December 2020	118,781	(246,039)	(165,924)	(293,182)
2019				
Net debt as at 1 January 2019	14,776	(408,245)	-	(393,469)
Recognised due to adoption of AASB16	-	-	(135,629)	(135,629)
Cash flows	4,714	53,103	14,733	72,550
Additions/variations	-	-	(37,245)	(37,245)
Interest expense on lease liabilities	-	-	(4,760)	(4,760)
Foreign exchange adjustments	70	(2,047)	-	(1,977)
Net debt as at 31 December 2019	19,560	(357,189)	(162,901)	(500,530)

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.

The conversion ratio calculation and the line items as shown in the table below 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. Although the adoption of AASB 15 and AASB 16 have significant financial impacts on the Group, they have had no cash impact.

	2020 $'000	2019 $'000
Operating cash flows	63,568	59,070
Add back: Net finance costs paid	17,046	20,803
Add back: Tax paid	14,424	20,631
Net funds from pre-paid contracts	12,857	15,866
Other cash flows related to pre-paid contracts	1,429	2,406
Ungeared, tax free operating cash flows	109,324	118,776
Operating EBITDA	102,565	144,433
Cash conversion %	107%	82%

E. Cash and cash equivalents

	2020 $'000	2019 $'000
Cash on hand	126	119
Cash at bank	118,655	19,441
	118,781	19,560

Cash at bank is non-interest bearing as at 31 December 2019 and 2020. Therefore, the weighted average interest rate for cash at bank is rounded to zero for both 2019 and 2020.

Notes to the consolidated financial statements

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 cemetery and crematoria business. These assets and liabilities include:

- Trade and receivables, deferred selling costs and revenue
- Pre-paid contracts from the pre-need funeral business
- Non-current operating assets, being the land for cemetery, crematoria, plant and equipment for supporting the operations and right of use assets
- Intangibles recognised for acquired businesses

Note 8. Trade receivables

	2020 $'000	2019 $'000
Current		
Trade receivables	45,230	44,351
Less: loss allowance	(6,473)	(3,672)
	38,757	40,679
Non-current		
Trade receivables	29,445	31,480
Less: loss allowance	-	(3)
	29,445	31,477

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	
	2020 %	2019 %	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Forward aged (12 - 60 months contracts)	-	-	36,482	32,811	-	-
Current	0.2	0.2	13,718	20,047	27	40
Over 30 days past due	1.5	1.0	5,765	4,556	86	46
Over 60 days past due	10.5	8.0	3,535	2,177	371	174
Over 90 days past due	39.4	21.0	15,175	16,240	5,989	3,415
			74,675	75,831	6,473	3,675

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

	2020 $'000	2019 $'000
As at 1 January	3,675	3,010
Loss allowance recognised during the year	3,667	1,057
Receivables written off as uncollectable	(869)	(392)
As at 31 December	6,473	3,675

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.

The occurrence of the pandemic has changed the risk characteristics of the Group's trade receivables. During the year, the Group experienced an increase in the number and amount of uncollectible trade receivables, due to both the age of the balances and certain customers' financial circumstance. At 31 December 2020, the Group's loss allowance on trade receivables has been increased with all of the increase related to the Australian and New Zealand Funerals businesses. The increase in provision reflects the Group's assessment of the potential impact of customers' inability to repay debts due to financial hardship caused by the pandemic. The Group has implemented a range of initiatives to mitigate any further deterioration in the risk characteristics of its trade receivables, including requiring the payment of up-front deposits and the introduction of key performance metrics focused on collecting outstanding trade receivables. These initiatives have resulted in the increase in the cash conversion ratio in 2020, however as collection of older trade receivables remains challenging, an increased provision was recognised.

Note 9. Deferred selling costs and revenue

This note provided details on the movements for the deferred selling costs and revenue arising from the sales of pre-paid funeral, cremation and burial contracts and undelivered memorials and merchandise for the current and prior financial year.

2020	**Deferred selling costs** $'000	**Deferred revenue** $'000
Balance as at 1 January 2020	39,928	139,300
Add/(less): Changes during the year		
Revenue deferred: Cash received from customer instalment payments	-	9,938
Revenue recognised related to transition adjustment and instalments received during the year:		
Cemetery and crematorium memorial products	(2,605)	(20,256)
Revenue deferred during the year:		
Recognition of significant financing on customer advance payments: Cemetery and crematoria memorial products	-	1,955
Revenue deferred: Cemetery and crematorium memorial products	520	4,720
Revenue deferred: Administration fees pre-paid funeral service contracts	(131)	371
Recognition of significant financing on customer advance payments: Administration fees pre-paid funeral service contracts	-	1,277
Other movements	-	413
Balance as at 31 December 2020	37,712	137,718
Current	3,644	28,632
Non-current	34,068	109,086
Balance as at 31 December 2020	37,712	137,718

2019	Deferred selling costs $'000	Deferred revenue $'000
Balance as at 1 January 2020	42,150	138,754
Add/(less): Changes during the year		
Revenue deferred: Cash received from customer instalment payments	-	11,953
Revenue recognised related to transition adjustment and instalments received during the year:		
Cemetery and crematorium memorial products	(2,036)	(16,332)
Revenue deferred during the year:		
Recognition of significant financing on customer advance payments: Cemetery and crematoria memorial products	-	2,867
Revenue deferred on cemetery and crematorium memorial products	(209)	(1,002)
Revenue deferred on administration fees pre-paid funeral service contracts	23	1,614
Recognition of significant financing on customer advance payments: Administration fees pre-paid funeral service contracts	-	1,247
Other movements	-	199
Balance as at 31 December 2019	39,928	139,300
Current	4,480	34,913
Non-current	35,448	104,387
Balance as at 31 December 2019	39,928	139,300

Accounting policies

A. 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.

B. Deferred revenue

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

Note 10. Pre-paid contracts

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

	2020 $'000	2019 $'000
Gain on pre-paid contract funds under management	**3,659**	65,881
Change in provision for pre-paid contract liabilities	**(20,277)**	(20,331)
Net (loss)/gain on undelivered pre-paid contracts	**(16,618)**	45,550

B. Movements in pre-paid contract funds under management

	2020 $'000	2019 $'000
Balance as at 1 January	**619,389**	563,587
Sale of new pre-paid contracts	**32,169**	24,976
Initial recognition of contracts paid by instalment	**3,908**	2,494
Redemption of pre-paid contract funds following service delivery	**(45,026)**	(40,842)
Increase/(adjustment) due to business combinations	**(968)**	3,293
Increase in fair value of contract funds under management	**3,659**	65,881
Balance as at 31 December	**613,131**	619,389
Current	**50,268**	57,552
Non-current	**562,863**	561,837
Balance as at 31 December	**613,131**	619,389

C. Movements in pre-paid contract liabilities

	2020 $'000	2019 $'000
Balance as at 1 January	525,383	510,044
Sale of new pre-paid contracts	32,169	24,976
Initial recognition of contracts paid by instalment	3,908	2,494
Decrease following delivery of services	(39,460)	(35,800)
Increase/(adjustment) due to business combinations	(968)	3,338
Increase due to significant financing	20,277	20,331
Balance as at 31 December	541,309	525,383
Current	44,685	48,885
Non current	496,624	476,498
Balance as at 31 December	541,309	525,383

D. Nature of contracts under management and liabilities

Pre-paid contracts are tripartite agreements, currently entered into and performed in Australia, whereby InvoCare agrees to deliver a specified funeral service, cremation or burial at the time of need and the beneficiary invests the current price of the service to be delivered with a financial institution and conditionally assigns the benefit to InvoCare.

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

InvoCare permits, on request, contracts to be paid by instalments over periods not exceeding three years. In some instances these contracts are never fully paid. If, during the three year period the contract becomes at-need, the family is given the option of either paying outstanding instalments and receiving the contracted services at the original fixed price or using the amount paid as a part payment of the at-need service. If the contract is not fully paid after three years InvoCare only permits the family to use the amounts paid as a partial payment of the at-need services. At the end of the year, the total balance of amounts received from instalment payments for incomplete contracts was $6,519,397 (2019: $6,863,000).

During the year, the non-cash fair value movements (i.e. investment earnings) of $3,659,000 in pre-paid contract funds under management (2019: $65,881,000) was less than the non-cash growth due to interest expense increases of $20,277,000 in the liability for future service delivery obligations (2019: $20,331,000) due to lower returns on equities and property revaluations.

E. 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.

F. 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.

G. Accounting policies for pre-paid contracts

The Group records the value of the invested funds as an asset and revalue 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.

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 liability

A. Property, plant and equipment

2020	Cemetery land $'000	Freehold land $'000	Buildings $'000	Leasehold land and buildings $'000	Leasehold Improvements $'000	Plant and equipment $'000	Total $'000
Composition as at 31 December 2020							
Cost	122,579	100,478	246,480	4,534	33,574	160,000	667,645
Accumulated depreciation/amortisation	(9,568)	-	(73,521)	(3,832)	(9,188)	(97,960)	(194,069)
Accumulated impairment	(9,299)	-	-	-	-	-	(9,299)
Net book value	103,712	100,478	172,959	702	24,386	62,040	464,277
Movement for the year ended 31 December 2020							
Opening net book value	97,094	102,503	148,459	843	20,187	57,868	426,954
Additions	1,146	515	32,478	-	6,310	15,939	56,388
Additions through business combinations	-	-	-	-	668	1,697	2,365
Disposals	-	(2,670)	(2,090)	-	(102)	408	(4,454)
Depreciation/amortisation charge	(445)	-	(5,927)	(141)	(2,642)	(13,723)	(22,878)
Impairment reversal	6,000	-	-	-	-	-	6,000
Effect of movement in exchange rates	(83)	(1,671)	(1,177)	-	(35)	(149)	(3,115)
Transfers from held for sale	-	1,801	1,216	-	-	-	3,017
Closing net book value	103,712	100,478	172,959	702	24,386	62,040	464,277

2019	Cemetery land $'000	Freehold land $'000	Buildings $'000	Leasehold land and buildings $'000	Leasehold Improvements $'000	Plant and equipment $'000	Total $'000
Composition as at 31 December 2019							
Cost	121,519	102,503	216,309	4,534	27,166	142,229	614,260
Accumulated depreciation/amortisation	(9,126)	-	(67,850)	(3,691)	(6,979)	(84,361)	(172,007)
Accumulated impairment	(15,299)	-	-	-	-	-	(15,299)
Net book value	97,094	102,503	148,459	843	20,187	57,868	426,954
Movement for the year ended 31 December 2019							
Opening net book value	92,386	101,965	130,825	1,013	14,289	66,723	407,201
Additions	2,037	-	21,899	-	7,180	21,044	52,160
Business combinations	3,000	1,390	2,229	-	-	209	6,828
Disposals	-	(625)	(820)	-	(56)	(15,997)	(17,498)
Depreciation/amortisation charge	(384)	-	(4,646)	(170)	(1,962)	(14,474)	(21,636)
Effect of movement in exchange rates	30	504	334	-	11	137	1,016
Transfers to held for sale	25	(731)	(1,362)	-	725	226	(1,117)
Closing net book value	97,094	102,503	148,459	843	20,187	57,868	426,954

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.

	2020 $'000	2019 $'000
Cemetery land improvements	31	5,571
Freehold buildings	6,945	22,262
Leasehold improvements	574	2,164
Plant and equipment	5,141	19,716
Total assets in the course of construction	12,691	49,713

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.

In 2017, the Allambe Gardens Memorial Park was impaired due to a reassessment of the land available for memorialisation plots. In 2018, remediation of the residual land at the Memorial Park commenced. The remediation of the residual land was completed in January 2020, with sales of burial sites in the new Lakeside development commencing in 2020. Once all phases of the monumental developments are complete, the Lakeside development will ultimately result in over 3,000 burial spaces, increasing the lifespan of the park by a further 40 years. As a result, a reversal of $6,000,000 of the previous impairment has been recognised at 31 December 2020 (2019: Nil).

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% (2019: 3%) in revenue and 2% (2019: 3%) 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 9.2% (2019: 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 requirement pursuant to the Network & Brand Optimisation review carried out as part of the Protect & Grow Plan.

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 5 to 10 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

Notes to the consolidated financial statements
Significant assets and liabilities *continued*

I. Right of use assets

2020	Properties $'000	Equipment $'000	Motor vehicles $'000	Total $'000
Composition as at 31 December 2020				
Cost	156,103	721	14,480	171,304
Accumulated depreciation	(22,924)	(365)	(3,647)	(26,936)
Net book value	133,179	356	10,833	144,368
Movement for the year ended 31 December 2020				
Opening net book value	129,359	425	14,217	144,001
Additions	9,309	27	130	9,466
Additions through business combinations	6,978	-	-	6,978
Depreciation	(12,774)	(96)	(3,514)	(16,384)
Effect of movement in exchange rates	307	-	-	307
Closing net book value	133,179	356	10,833	144,368
2019				
Composition as at 31 December 2019				
Cost	140,536	694	14,350	155,580
Accumulated depreciation	(11,177)	(269)	(133)	(11,579)
Net book value	129,359	425	14,217	144,001
Movement for the year ended 31 December 2019				
Opening net book value	121,641	590	22	122,253
Additions	18,895	104	14,328	33,327
Depreciation	(11,012)	(262)	(132)	(11,406)
Effect of movement in exchange rates	(165)	(7)	(1)	(173)
Closing net book value	129,359	425	14,217	144,001

II. Lease liabilities on related right of use assets

	2020 $'000	2019 $'000
Current	19,465	12,934
Non-current	146,459	149,967
Balance as at 31 December	165,924	162,901

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 Note 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.

Note 12. Intangibles

2020	Goodwill $'000	Brand name $'000	Capitalised software $'000	Total $'000
Composition as at 31 December 2020				
Cost	256,066	19,748	45,351	321,165
Accumulated amortisation	-	(13,349)	(14,765)	(28,114)
Impairment	(43,360)	-	(6,176)	(49,536)
Net book value	212,706	6,399	24,410	243,515
Movement for the year ended 31 December 2020				
Opening net book value	182,469	6,465	21,790	210,724
Additions	-	-	12,011	12,011
Additions through business combinations	51,676	1,491	366	53,533
Amortisation charge	-	(1,457)	(3,574)	(5,031)
Impairment loss	(19,324)	-	(6,176)	(25,500)
Effect of movement in exchange rates	(2,115)	(100)	(7)	(2,222)
Closing net book value	212,706	6,399	24,410	243,515

2019				
Composition as at 31 December 2019				
Cost	206,949	18,549	32,897	258,395
Accumulated amortisation	-	(12,084)	(11,107)	(23,191)
Impairment	(24,480)	-	-	(24,480)
Net book value	182,469	6,465	21,790	210,724
Movement for the year ended 31 December 2019				
Opening net book value	197,541	7,258	18,377	223,176
Additions	-	-	5,921	5,921
Additions through business combinations	7,210	629	-	7,839
Finalisation of prior period acquisitions	1,550	-	-	1,550
Disposals	(275)	(9)	-	(284)
Amortisation charge	-	(1,436)	(2,508)	(3,944)
Impairment loss	(24,404)	-	-	(24,404)
Effect of movement in exchange rates	847	23	-	870
Closing net book value	182,469	6,465	21,790	210,724

A. Impairment test for goodwill

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

For the Group's Australian-based operations, goodwill cannot be allocated on a non-arbitrary basis to individual cash generating unit (CGU) due to the significant history of numerous acquisitions, especially during the years 1993 to 1999, 2018 to 2020, and resulting post-acquisition business integration activities and operational changes over many years. New Zealand and Singapore operations are separate CGU and the associated goodwill arising from their acquisition have 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 the grouping of all CGUs within a country of operation. The recoverable amounts of the total of Australia, 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.

B. Goodwill

I. Impairment of New Zealand CGU

Recoverable amount testing for the period ended 31 December 2020 has identified the New Zealand CGU as being impaired.

As at 31 December 2020, an impairment charge of $19,324,000 of goodwill has been applied as the carrying amount of goodwill, property, plant & equipment, right of use assets and brand names exceeded its recoverable amount within the New Zealand business CGU. The disruption caused by COVID-19 and the subsequent restrictions imposed by the New Zealand government have hampered the Group's ability to operate to planned expectations previously used to assess the recoverable amount of this business. While some progress had been made to improve the business, the reassessment of recoverable value has resulted in a further impairment charge of $19,324,000 of goodwill for the year ended 31 December 2020.

New Zealand is a very traditional market that is fragmenting on price as customer demand has shifted to lower value packages rather than larger traditional funeral services. This change in consumer behaviour was previously experienced in Australia prompting the NBO strategy and it was mitigated by the Group's ability to leverage brands such as Simplicity and Value Cremations. The pandemic has accelerated the change in New Zealand, as restrictions on the number of funeral attendees and economic pressure on household incomes has contributed to customers choosing a simpler funeral service for their loved ones. The Simplicity brand provides some mitigation to the impact of this change on customer preference. Notwithstanding the impairment, the Group remains confident that the quality of our frontline team in New Zealand will continue to provide excellent service to our client families.

The remaining goodwill acquired through business combinations or territory acquisitions has been allocated to a reportable segment for impairment testing (refer Note 1).

II. Sensitivity – New Zealand CGU

Each of the sensitivities below assumes that a specific assumption moves in isolation, while other assumptions are held constant. A change in one of the key assumptions could be accompanied by a change in another assumption, which may increase or decrease the net impact. A reasonable possible shift in these key assumptions would result in the following outcomes:

- Terminal growth rate decreased by 0.5%: $4,800,000 (2019: $6,007,000) additional impairment
- Post-tax weighted average cost of capital increase by 0.3%: $3,789,000 (2019: $4,713,000) additional impairment

C. 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% (2019: 3%) in revenue, 2% (2019: 3%) in expense and 1% (2019: 1%) 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:

	2020 %	2019 %
Australian operations	9.2	9.2
Singapore operations	9.2	9.2
New Zealand operations	10.0	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 Australia 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 either of these two CGUs.

D. Capitalised software

I. Impairment of Oracle cloud ERP (Compass)

The Group has been on a three year enterprise resource planning (ERP) and digital transformation journey, with the journey set to continue with a second phase of enhancements and transitioning the Memorial Parks business onto the Oracle cloud ERP platform (referred to as Compass), including providing a digital interface for our customers and suppliers. The Group remains committed to Compass. There have been some challenges through the journey with some lessons learnt from the early phases of the implementation. The Group has continued to enhance and update functionality of Compass in 2020. These enhancements have resulted in the replacement of certain functionality and significant improvements in certain modules to ensure the asset is operating as intended. A detailed analysis of the modules, integrations and functionality of Compass has identified some modules as having indicators of impairment at 31 December 2020. As a result, an impairment charge of $6,176,000 of capitalised software has been recognised.

E. Critical accounting judgements, estimates and assumptions

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 C. above for details of these assumptions and the potential impact to changes to the assumptions.

F. Accounting policies

I. Goodwill

Goodwill arises on acquisition of business/subsidiary. 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. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Notes to the consolidated financial statements

Capital and risks

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 13. 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 • Derivative financial instruments, mainly interest rate swaps • Managing to the hedge limits in respect of the policies as approved by the Board • 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 independent credit ratings • Operations of the Group results in no concentration of customers in any particular region or sector enhanced • Enhanced alternative payment methods for customers in regional areas
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.

	2020 $'000	2019 $'000
Financial assets		
Cash and cash equivalents	118,781	19,560
Trade receivables	68,202	72,149
Pre-paid contract funds under management	613,131	619,389
Other financial assets	4	4
	800,118	711,102
Financial liabilities		
Trade and other payables	60,514	60,810
Contingent considerations	17,174	894
Borrowings	246,039	357,189
Lease Liabilities	165,923	162,901
Derivative financial instruments	1,148	4,157
	490,798	585,951

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

The Group's main interest rate risk arises from long term borrowings. All bank borrowings are initially 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 keep 75% of debt, measured by individual currency, on fixed interest rates over the next 12 months by entering into interest rate swap contracts. The policy, however, provides flexibility to reduce the level of coverage in low interest rate currency or when the interest rate outlook is relatively benign. The Group has entered into interest rate swap contracts under which it receives interest at variable rates and pays interest at fixed rates.

In addition to bank borrowings, the Group 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.

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.

	2020 %	2019 %
Bank borrowings [a]		
Effective average interest rate as at 31 December	3	4
Interest rate swaps position as at 31 December		
Weighted average fixed interest rate payable	2.49	2.34
Weighted average variable interest rate receivable	0.12	1.03
Interest rate swaps coverage on outstanding bank borrowings		
Australia	39	93
New Zealand	40	87
Singapore [b]	Nil	Nil
Combined Australia and New Zealand	30	91

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.

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 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.

	2020		2019	
	Weighted average interest rate %	Balance $'000	Weighted average interest rate %	Balance $'000
Variable borrowings	2.71	114,308	3.94	259,600
Interest rate swaps (notional principal)	2.49	(44,723)	2.34	(202,400)
Net exposure to cash flow interest rate risk		69,585		57,200

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

	Nominal value		Swap liability	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Less than one year	30,681	74,400	600	984
One to two years	14,042	54,000	548	1,340
Two to three years	-	49,000	-	1,143
Three to four years	-	25,000	-	690
	44,723	202,400	1,148	4,157

These contracts require settlement of net interest receivable or payable each 90 days. The settlement dates coincide with the dates on which interest is payable on the underlying debt.

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.

Due to the use of floating to fixed interest rate swaps, the Group has fixed interest commitments and the changes in the fair value of the future cash flows of these derivatives are recognised in equity to the extent that the derivative remains effective in accordance with AASB 9 Financial Instruments.

The interest rate swap contracts were all judged to be effective at 31 December 2020 and the movements in the fair value of these instruments have been quarantined in equity.

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.

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

The Group has no significant unhedged foreign exchange exposures at 31 December 2020. 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	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Borrowings	50,000	72,000	35,000	37,100
Derivatives	678	1,334	-	-

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 10.D. There are a significant number of 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 in the statement of comprehensive income.

88% 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 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 principle 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 with the flow of funds from the sale of new contracts exceeding redemptions in most years. 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 year end of pre-paid contract funds under management is as follows.

	2020 %	2019 %
Equities	40	43
Property	28	27
Cash and fixed interest (includes hybrid securities)	32	30

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 2020 and 31 December 2019 the following changes in investment returns are reasonably probable.

	2020		2019	
	Increase $'000	Decrease $'000	Increase $'000	Decrease $'000
Asset class				
Equities (plus or minus 10%)	20,819	(20,819)	26,875	(26,875)
Property (plus or minus 3%)	4,305	(4,305)	4,993	(4,993)
Cash and fixed interest (no price risk)	-	-	-	-
	25,124	(25,124)	31,868	(31,868)

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 AA- 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-interest 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 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 2020. 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 which include amongst others, is 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 income statement.

E. Liquidity risk exposure

Prudent liquidity management implies maintaining sufficient cash and marketable securities, 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.

On 19 June 2020, InvoCare completed the extension to February 2023 of its $200,000,000 three-year revolving debt facility, which was due to expire in February 2021.

This $200,000,000 debt facility is currently undrawn.

During April and May 2020, the Group completed an Institutional Placement and a Share Purchase Plan and raised a total of $274,034,000, gross of transaction costs. The net proceeds of the capital raised are to be utilised to reduce net debt, increase liquidity and balance sheet flexibility to support the business during the current uncertain environment and to fund growth initiatives.

With the reduction in net debt post capital raised, the covenant ratios of the Group continued to be met as per the facilities agreements as at 31 December 2020.

The facilities agreements covenants ratios are calculated on a rolling 12-month basis and are:

- Net debt to bank adjusted operating EBITDA must be no greater than 3.5 times
- EBITDA to net interest must be great than 3.0 times

As at 31 December 2020, the details of the facilities available, drawn down, unused by facilities are disclosed in the table below.

	2020 $'000	2019 $'000
Total facilities available		
Working capital facility – expiring within one year	7,440	9,638
Unsecured loan facility – expiring in two to five years	448,702	450,000
	456,142	459,638
Drawn down as at 31 December		
Working capital facility – expiring within one year	-	3,297
Unsecured loan facility * – expiring in two to five years	248,717	359,600
	248,717	362,897
Unused as at 31 December		
Working capital facility – expiring within one year	7,440	6,341
Unsecured loan facility * – expiring in two to five years	199,985	90,400
	207,425	96,741

* *As at 31 December, the balance of the long-term borrowings – unsecured loan facility outstanding after loan establishment costs is as set out in the table below.*

	2020 $'000	2019 $'000
Long-term borrowings outstanding as at 31 December		
Unsecured loan facility – expiring in two to five years	248,717	359,600
Less: Loan establishment costs	(2,678)	(2,411)
	246,039	357,189

In order to comply with the Group's Treasury Policy, the repayment of the $200,000,000 tranche resulted in the early settlement of several interest rate swaps to ensure the Group remained within its policy bands and was not 'over hedged'. The early settlement of the interest rate swaps resulted in a loss of $2,122,000 recognised through profit and loss during the half year ended 31 December 2020. Refer to Note 5.A.

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.

2020	Less than one year $'000	Two to three years $'000	More than three years $'000	Total $'000
Trade and other payables	60,514	-	-	60,514
Contingent considerations	9,265	7,909	-	17,174
Lease liabilities	19,465	36,486	109,973	165,924
Borrowings	-	146,039	100,000	246,039
Derivatives	600	548	-	1,148
2019				
Trade and other payables	60,810	-	-	60,810
Contingent considerations	500	394	-	894
Lease liabilities	12,934	28,639	121,328	162,901
Borrowings	-	257,189	100,000	357,189
Derivatives	984	2,483	690	4,157

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
Derivative financial instruments	Level 2	The fair value is calculated as the present value of the estimated future cash flows based on observable yield curves	Not applicable	Not applicable
Contingent consideration	Level 3	The fair value is calculated based on the contracted terms of performance measures, eg revenue, EBITDA or net profit	Forecast performance measures per the contracts	The estimated fair value would increase/decrease if the forecast performance measures per the contracts were higher/lower. Refer to Note 18. C for further details

There were no transfers between levels during the reporting period.

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%	
2020	**Carrying amount** $'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	118,781	(831)	-	831	-	-	-	-	-
Trade receivables	68,202	-	-	-	-	-	-	-	-
Pre-paid contract funds under management	613,131	(188)	-	188	-	-	-	-	-
Other financial assets	4	-	-	-	-	-	-	-	-
Financial liabilities									
Trade and other payables	(60,514)	-	-	-	-	-	-	-	-
Contingent considerations	(17,175)	-	-	-	-	-	-	-	-
Lease liabilities	(165,924)	-	-	-	-	-	-	-	-
Borrowings	(246,039)	(888)	-	888	-	(179)	(520)	147	(1,114)
Derivatives	(1,148)	-	626	-	(626)	-	520	-	1,114
Total increase/ (decrease)		(1,907)	626	1,907	(626)	(179)	-	147	-

2019									
Financial assets									
Cash and cash equivalents	19,560	(137)	-	137	-	-	-	-	-
Trade receivables	72,149	-	-	-	-	-	-	-	-
Pre-paid contract funds under management	619,389	(4,567)	-	4,567	-	-	-	-	-
Other financial assets	4	-	-	-	-	-	-	-	-
Financial liabilities									
Trade and other payables	(60,810)	-	-	-	-	-	-	-	-
Contingent considerations	(894)	-	-	-	-	-	-	-	-
Lease liabilities	(162,901)	-	-	-	-	-	-	-	-
Borrowings	(357,189)	(400)	-	400	-	(325)	(637)	266	(5,178)
Derivatives	(4,157)	-	1,424	-	(1,424)	-	637	-	5,178
Total increase/ (decrease)	-	(5,104)	1,424	5,104	(1,424)	(325)	-	266	-

Note 14. Contributed equity

	2020 Number '000	2019 Number '000	2020 $'000	2019 $'000
Ordinary shares – fully paid	**144,061**	117,185	**511,293**	234,513
Treasury shares – fully paid	**(1,175)**	(1,225)	**(14,288)**	(14,687)
	142,886	115,960	**497,005**	219,826

A. Ordinary shares

	2020 Number '000	2019 Number '000	2020 $'000	2019 $'000
Movement during the financial year				
Balance as at 1 January	**117,185**	110,256	**234,513**	139,589
Shares issued for Dividend Reinvestment Plan*	**527**	664	**5,918**	9,137
Shares issued for Institutional Placement and Share Purchase Plan	**26,349**	6,265	**270,862**	85,787
Balance as at reporting date	**144,061**	117,185	**511,293**	234,513

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 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.*

B. Treasury shares

	2020 Number '000	2019 Number '000	2020 $'000	2019 $'000
Movement during the financial year				
Balance as at 1 January	**(1,225)**	(1,261)	**(14,687)**	(15,449)
Disposal of shares – vested share rights/options	**19**	12	**48**	450
Disposal of shares – transfer to EESP's members	**31**	24	**351**	312
Balance as at reporting date	**(1,175)**	(1,225)	**(14,288)**	(14,687)

Treasury shares are shares in InvoCare Limited that are held by the InvoCare Deferred Employee Share Plan Trust for the purpose of issuing shares under the InvoCare Deferred Employee Share Plan, as set out in Note 20.

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

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 2020, basic EPS was (6.9 cents) (2019: 55.8 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 and non-controlling interests and disposal of subsidiaries, was 20.4 cents (2019: 51.7 cents). Importantly, senior management of the Group have long-term incentives linked to EPS growth, thus aligning employee and shareholder interests. Total compound annual shareholder return, being the sum of cash dividends and share price growth, has exceeded 15% per annum since the Company listed in December 2003, except for 2008 when global equity market values declined, although InvoCare's share price did not fall as significantly as the rest of the market
- Maintaining a minimum ordinary dividend payout ratio of between 60% to 80% of operating earnings after tax. For each of the years since listing, the Group has distributed ordinary dividends in excess of this payout ratio. The aggregate of the interim and final 2020 dividends represents a payout ratio of 61% (2019: 79%) 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:
  - Interest cover (EBITDA/Net interest expense) must be greater than 3.0 times
  - Leverage ratio (Net debt/Adjusted operating EBITDA) must not be greater than 3.5 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 3.0 times and 3.5 times but preferably lower than 3.0 times with an interest cover ratio of greater than 4.0 times. A liquidity buffer of at least $25 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
- Maintaining floating to fixed base interest rate swaps for at least 75% of debt principal in Australia and New Zealand
- Managing refinancing risk: By 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

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 15. Contingencies

There were no unrecognised contingent assets as at 31 December 2020 and 31 December 2019.

The Group had the following guarantee that are determined as contingent liabilities at 31 December 2020:

- Bank guarantees given for leased premises of subsidiaries to a maximum of $2,870,000 (2019: $3,261,000)
- Deed of cross guarantee by a number of the entities within the Group. Refer to Note 22 for further details of the bank guarantee

Note 16. Commitments

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

A. Capital commitments

	2020 $'000	2019 $'000
Contracted and conditionally contracted - within one year		
Building extensions and refurbishments	301	4,969
Leasehold improvements	1,112	70
Plant and equipment purchases	511	434

B. Other commitments

	2020 $'000	2019 $'000
Within one year		
Documentary letters of credit	104	35

C. Operating lease commitments

The Group leases premises, motor vehicles and sundry office equipment under non-cancellable operating 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. B. Right of use assets for further information.

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

	2020 $'000	2019 $'000
Within one year	669	1,723
One to five years	137	711
	806	2,434

Note 17. Events after reporting period

On 27 January 2021, a property classified as held for sale at 31 December 2020 was sold for $7.4 million resulting in a gain of $6.3 million.

Other than the above transaction and the dividend determined as disclosed in Note 4, no other matter or circumstance has arisen since 31 December 2020 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.

Notes to the consolidated financial statements
Business portfolio

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 18. Business combinations

A. Acquisitions for the year ended 31 December 2020

I. Summary of acquisitions

During the year ended 31 December 2020, the Group acquired three businesses. A summary of the purchase consideration, goodwill and identifiable assets and liabilities acquired for all the acquisitions are presented below.

The accounting for these acquisitions is provisional as at 31 December 2020.

Subsidiaries/businesses acquired are:

- Galaxy Funerals
- Family Pet Care Pty Limited
- Pets in Peace

The purchase consideration, fair value of identifiable net assets acquired, and goodwill are disclosed below.

a. Total purchase consideration paid/payable

2020	Galaxy Funerals $'000	Family Pet Care Pty Limited $'000	Pets in Peace $'000	Total $'000
Cash consideration	591	32,806	5,130	38,527
Contingent consideration	5,333	8,465	2,982	16,780
Deferred consideration	-	438	-	438
Total purchase consideration	5,924	41,709	8,112	55,745

b. Identifiable assets and liabilities acquired

2020	Galaxy Funerals $'000	Family Pet Care Pty Limited $'000	Pets in Peace $'000	Total $'000
Cash and cash equivalents	-	364	-	364
Inventories	-	1,010	-	1,010
Other current assets	-	1,320	10	1,330
Property, plant and equipment	59	1,695	611	2,365
Right of use assets	431	4,539	2,008	6,978
Identifiable intangibles	-	1,857	-	1,857
Lease liabilities	(431)	(4,470)	(2,301)	(7,202)
Borrowings	-	(17)	-	(17)
Other liabilities	(18)	(1,876)	(178)	(2,072)
Deferred tax liability	-	(544)	-	(544)
Total net identifiable assets acquired	41	3,878	150	4,069
Goodwill	5,883	37,831	7,962	51,676

The goodwill recognised is attributable to the location, workforce and the profitability of the acquired businesses. 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.

c. Financial performance of acquired businesses

2020	Galaxy Funerals $'000	Family Pet Care Pty Limited $'000	Pets in Peace $'000	Total $'000
Revenue	1,670	2,360	420	4,450
Net profit after income tax	484	238	213	935

If all the acquisitions had occurred on 1 January 2020, consolidated revenue and profit after tax for the year ended 31 December 2020 would have increased by approximately $25,065,000 and $3,495,000, respectively.

d. Total purchase consideration – cash flows

2020	Galaxy Funerals $'000	Family Pet Care Pty Limited $'000	Pets in Peace $'000	Total $'000
Outflow of cash to acquire subsidiary/businesses, net of cash acquired				
Cash consideration	591	32,806	5,130	38,527
Less: Cash balances acquired	-	(364)	-	(364)
Add: Acquisition related costs *				1,918
Add: Payment of deferred consideration (Broulee Memorial Gardens)				500
Net cash outflows – investing activities				40,581

* *Acquisition-related costs totalling $1,918,000 (as shown on the consolidated statement of comprehensive income) are not able to be allocated to individual transactions as they include the costs of operating a Mergers and Acquisitions team in addition to costs arising directly attributable to the acquisitions.*

B. Acquisitions for the year ended 31 December 2019

For all three acquisitions settled during the prior year ended 31 December 2019, the accounting for all of them has been finalised during 2020. There have been no material changes to the financial information disclosed for each acquisition. Refer to 2019 Annual Report for further details of those acquisitions.

C. Fair value measurement – contingent consideration

For some of the businesses acquired, consideration paid/payable consists contingent component (classified as contingent consideration as shown on face of the consolidated balance sheet) pending for the achievement of the agreed financial performance of the acquired businesses. The contingent consideration are measured and disclosed at fair value. This section provided details on how fair value is determined, including the valuation technique (only Level 3: Unobservable inputs for the contingent consideration) and inputs used and the movement for the financial period.

Level 3	2020 $'000	2019 $'000
Contingent consideration – current	9,265	94
Contingent consideration – non-current	7,909	800
	17,174	894

I. Valuation techniques for fair value measurements categorised within level 3

The contingent consideration arose on the business combination (refer to earlier sections within this note). The fair value was determined using an independent expert and is estimated based on a multiple of forecast earnings before interest, tax, depreciation and amortisation (EBITDA) of the acquired business over a two year period. Any settlement of contingent consideration will be in the form of cash. Any variation at the time of settlement will be recognised as income or expense in profit or loss.

II. Critical accounting judgements, estimates and assumptions – fair value of contingent consideration

The Group's contingent consideration liability is measured at fair value at the end of each reporting period. The information provided below is about how the fair value of this financial liability is determined, including the valuation technique and inputs used.

- Fair value hierarchy: level 3
- Valuation technique: the fair value is calculated based on a multiple of forecast EBITDA of the business over a two year period
- Significant unobservable inputs: forecast EBITDA of the business and the discount rate
- Relationship of unobservable inputs to fair value: the estimated fair value would increase/decrease if the forecast EBITDA or discount rate were higher/lower

III. Level 3 – Contingent consideration

Movements in level 3 – contingent consideration during the current and previous financial year are set out below.

	2020 $'000	2019 $'000
Balance at 1 January	894	1,394
Contingent consideration relating to business combinations	16,780	500
Payments during the financial year	(500)	(1,000)
Balance at 31 December	17,174	894

The carrying value of contingent consideration might be impacted by the changes in discount rate or the forecast EBITDA of the businesses acquired during the financial year. The impact to the carrying value for the following unobservable inputs are as follows:

- Profitability adjustments to EBITDA: a 5% decrease in the profitability per year over the two year period would decrease the contingent consideration by $839,000

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 19. Interests in subsidiaries

A. Interests in subsidiaries

Set out below are the Group's principal trading subsidiaries at 31 December 2020. 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.

		Ownership interest held	
Name of subsidiaries	**Country of incorporation**	**2020 %**	**2019 %**
InvoCare Australia Pty Limited	Australia	100	100
Bledisloe Australia Pty Limited	Australia	100	100
InvoCare PetCare Limited	Australia	100	-
Family Pet Care Pty Limited	Australia	100	-
InvoCare New Zealand Limited	New Zealand	100	100
William Morrison Funeral Director*	New Zealand	-	100
Singapore Casket Company (Private) Limited	Singapore	100	100

* *On 31 December 2020, William Morrison Funeral Director was amalgamated into InvoCare New Zealand Limited.*

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 and InvoCare Hong Kong 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 23.

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

One subsidiary, Macquarie Memorial Park Pty Limited, has non-controlling interests of 16.86% (2019: 16.86%). During the year dividends totalling $Nil were paid to non-controlling interests (2019: $121,000).

D. Employee share trust

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

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 18.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 Deferred 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.

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

Note 20. 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 longer 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 the Company's ordinary shares awarded under the share-based remuneration arrangements is governed by the Company's Share Trading Policy. The policy restricts employees from trading in the Company'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 the Company's shares in the lead up to the Group's half year and annual result announcements, unless Board express approval is obtained.

The arrangements are governed by the terms of the Company's three Plan Rules.

Four plans are currently in operation. 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 performance rights or cash equivalent, they 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
  - Service Based Equity Plan (SEP) – in the form of rights or cash equivalent, they 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 2020, 351 employees accepted the offer and at 31 December 2020 a further $185,000 was remaining to be collected via payroll deductions.

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 performance rights to senior management team, so employees are incentivised to maximise shareholder value in the longer term.

The key terms and conditions of this plan:

- In the form of options and performance rights to be granted as approved by the Board
- Both options and performance rights are granted for nil consideration
- Allocation between options and performance rights is:
  - Set by the Board for senior management team in the ratio of 75%:25% for options and performance rights, respectively
  - For other participants in the ratio of 50%:50% based on the contractual arrangement or election
  - From 2020 grant onwards, the ratio between options and performance rights are based on election by all participants
- Upon vesting:
  - For Australian participants, each option (after paying the options price) and performance right entitle the participant to subscribe for one InvoCare ordinary share
  - For overseas participants, each option (after paying the options price) and performance right entitle the participant to receive cash equivalent value of one InvoCare ordinary share at the market value at date of vesting
- Performance testing timing:
  - For 2016 and 2017 grants, each grant is divided in three equal tranches and the first testing date of the three tranches are in the second, third and fourth year anniversary following the grant year with last retesting in the fifth year anniversary
  - For 2018 and 2019 grants, each grant is divided in two equal tranches and the first testing date of the two tranches are in the third and fourth year anniversary following the grant year
  - For grants from 2020 onwards, the grant has only one test in the third year anniversary following the grant year
- Performance hurdle(s):
  - For 2016 to 2019 grants: only compound annual growth (EPS CAGR) target: Normalised EPS [b] growth above the base year. Vesting of options and performance rights is conditional on meeting a minimum level of return on invested capital (ROIC [a])
  - For grants from 2020 onwards: 50% grant on EPS CAGR target and 50% grant on ROIC target
- Vesting scale:
  - For 2016 and 2017 grants, only EPS CAGR target: Below 7% EPS CAGR: Nil; At 7%: 30%; Between 7% and 12%: straight line pro-rata vesting between 30%-100%; At or above 12%: 100%
  - For 2018 and 2019 grants, only EPS CAGR target: Below 8% EPS CAGR: Nil; At 8%: 30%; Between 8% and 12%: straight line pro-rata vesting between 30%-100%; At or above 12%: 100%
  - For grants from 2020 two performance target (50% EPS CAGR and 50% ROIC): Below 6% EPS CAGR: Nil; At 6% EPS CAGR: 30%; Between 6% and 10% EPS CAGR: straight line pro-rata vesting between 30%-100%; At or above 10% EPS CAGR: 100%; Below 10% ROIC: Nil; At 10% ROIC: 30%; Between 10% and 12% ROIC: straight line pro-rata vesting between 30%-100%; At or above 12% ROIC: 100%
- Dividend entitlement:
  - For 2016 to 2019 grants: Not entitled to any dividends
  - For grants from 2020 onwards: performance rights entitled to dividends in the form of DRP and only become vested and exercisable into InvoCare shares should performance hurdles of performance rights vest at the performance testing time
- Not entitled to voting rights during the vesting period
- Upon termination of employment, all unvested options and performance rights will be forfeited
- 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

a *ROIC means return on invested capital and is calculated by dividing the operating earnings by the average invested capital*

b *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)*

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 and 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	Vested Number	Lapsed Number	Balance at the end of the year Number
Options							
1/01/2016	1/01/2026	$2.40	363,842	-	(2,591)	-	361,251
22/02/2016	22/02/2026	$2.40	20,946	-	-	-	20,946
1/01/2017	1/01/2027	$2.93	384,779	-	-	-	384,779
22/02/2017	22/02/2027	$2.93	16,221	-	-	-	16,221
1/01/2018	1/01/2028	$2.78	605,974	-	-	-	605,974
1/01/2019	1/01/2029	$2.51	795,028	-	-	(15,936)	779,092
1/03/2020	1/03/2028	$0.58	-	513,820	-	-	513,820
			2,186,790	513,820	(2,591)	(15,936)	2,682,083
Performance rights							
1/01/2016	1/01/2026	$12.08	34,904	-	(11,946)	-	22,958
22/02/2016	22/02/2026	$12.08	2,983	-	(213)	-	2,770
1/01/2017	1/01/2027	$14.06	37,321	-	-	-	37,321
22/02/2017	22/02/2027	$14.06	3,380	-	-	-	3,380
1/01/2018	1/01/2028	$13.91	55,494	-	-	-	55,494
1/01/2019	1/01/2029	$12.96	70,089	-	-	(2,766)	67,323
1/03/2020	1/03/2035	$9.70	-	105,068	-	-	105,068
3/08/2020	1/08/2035	$9.70	-	17,107	-	-	17,107
			204,171	122,175	(12,159)	(2,766)	311,421

The value of the options and performance rights exercised is based on the VWAP for the year ended 31 December 2020 and was $11.10 (2019: $14.08).

C. Deferred Employee Share Plan

This plan, introduced in 2007, is settled by the transfer of InvoCare ordinary shares to participants upon vesting. The plan is used to recognise, reward and retain key talent in critical roles at the middle management level. Eligible employees participate in the plan based on nomination only.

Prior to 2015, the senior management who participated in this plan were required to meet both performance and employment conditions in order for the shares to vest. The last Tranche, being Tranche 3 of the 2015 grant fully vested as a result of performance testing performed at the end of February 2020. Unvested grants from 2016 onwards remain in place with employment conditions only for vesting.

Due to the impact of COVID-19, the Board determined there would be no grants under the DESP for 2020 other than the commitments due to employment contractual requirements.

The key terms and conditions of this plan include:

- Granted in the form of shares as approved by the Board
- Shares are granted for nil consideration
- To vest, the participant must meet ongoing employment conditions
- Each grant of shares is divided into three equal tranches
- The vesting date of the three tranches are:
  - Tranche 1 – completion of 36 months employment from grant date
  - Tranche 2 – completion of 48 months employment from grant date
  - Tranche 3 – completion of 60 months employment from grant date
- Entitled to receive any dividends that may become payable on the shares during the vesting period
- Entitled to voting rights of the shares during the vesting period
- Upon termination of employment, all unvested shares will be forfeited

D. Service Based Equity Plan

The Service Based Equity Plan (SEP) introduced in 2020 is settled by the transfer of InvoCare ordinary shares to participants upon vesting. The plan is used to recognise, reward and retain key talent in critical roles at the middle management level. Eligible employees participate in the plan based on nomination only.

The key terms and conditions of this plan include:

- Granted in the form of rights as approved by the Board
- Rights are granted for nil consideration
- To vest, the participant must meet ongoing employment conditions
- Each grant of rights is divided into six equal tranches
- The vesting date of the six tranches are every six months from the grant date
- Entitled to receive any dividends that may become payable during the vesting period and are payable as additional shares only on date of vesting
- Dividend entitlement will be calculated and converted into the equivalent number of rights based on the Dividend Reinvestment Plan rules
- Upon vesting:
  - 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 vesting
- Upon termination of employment, all unvested rights and any cumulative 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	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	-	135,948	-	-	135,948
19/10/2020	1/09/2035	$10.50	-	14,000	-	-	14,000
			-	149,948	-	-	149,948
Shares - ongoing employment condition only							
1/03/2015	1/03/2020	$13.74	117	-	(117)	-	-
1/03/2016	1/03/2031	$12.08	3,367	-	(3,367)	-	-
1/03/2017	1/03/2032	$14.06	7,665	-	(3,888)	(115)	3,662
1/03/2018	1/03/2028	$13.91	13,136	-	(4,277)	(574)	8,285
1/03/2019	21/02/2029	$14.46	29,617	-	-	(553)	29,064
1/03/2020	1/03/2035	$10.70	-	1,758	-	-	1,758
15/06/2020	1/07/2035	$11.10	-	30,000	-	-	30,000
			53,902	31,758	(11,649)	(1,242)	72,769
Shares - performance and ongoing employment conditions							
1/01/2015	1/01/2030	$13.74	10,866	-	(10,864)	(2)	-
22/02/2015	22/02/2025	$13.74	1,358	-	(1,358)	-	-
31/03/2015	31/03/2030	$13.74	5,804	-	(5,804)	-	-
23/08/2018	23/08/2028	$13.74	1,354	-	(1,354)	-	-
			19,382	-	(19,380)	(2)	-

The value of the options and performance rights exercised is based on the VWAP for the year ended 31 December 2020 and was $11.10 (2019: $14.08).

Note 21. Related party transactions

A. Key management personnel compensation

	2020 $	2019 $
Short-term employee benefits	**3,330,600**	3,316,765
Post-employment benefits	**156,079**	160,227
Other long-term benefits	**(101,930)**	29,108
Termination benefits	**428,909**	-
Share based payments	**320,490**	(455,602)
	4,134,148	3,050,498

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.E.

Note 22. 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.

	2020 $'000	2019 $'000
Statement of comprehensive income		
Profit after income tax	59,662	66,079
Total comprehensive income	61,279	65,024
Balance sheet		
Current assets	44,936	2,015
Total assets	866,746	653,989
Current liabilities	1,582	2,353
Total liabilities	165,779	256,760
Equity		
Contributed equity	497,005	219,826
Share-based payments reserve	3,296	2,055
Cash flow hedges reserve	(359)	(1,976)
Foreign currency reserve	1,080	1,080
Retained profits	199,945	176,244
Total equity	700,967	397,229

B. Guarantees entered into by the parent entity

The parent entity provided the following guarantees during the year ended 31 December 2020 and 31 December 2019:

- Bank guarantees given for leased premises of subsidiaries to a maximum of $2,870,000 (2019: $3,261,000)
- 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 2020 and 31 December 2019.

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 2020 and 31 December 2019.

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 23. 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 2020 of the Closed Group.

A. Consolidated statement of comprehensive income of the Closed Group

	2020 $'000	2019 $'000
Revenue from continuing operations	**387,544**	400,261
Finished goods, consumables and funeral disbursements	**(96,351)**	(95,930)
Employee benefits expense	**(143,212)**	(132,503)
Advertising and public relations expenses	**(11,921)**	(9,106)
Occupancy and facilities expenses	**(18,985)**	(14,741)
Motor vehicle expenses	**(8,125)**	(7,066)
Technology	**(10,951)**	(10,795)
Other expenses	**(18,811)**	(11,087)
	79,188	119,033
Depreciation, impairment and amortisation expenses	**(34,630)**	(29,176)
Impairment of loss on intangibles	**(6,175)**	-
Impairment reversal of cemetery land	**6,000**	-
Finance costs	**(38,573)**	(17,959)
Interest income	**1,539**	1,092
Net gain on undelivered pre-paid contracts	**2,691**	45,550
Acquisition related costs	**(1,918)**	(1,984)
Inter-segment revenue	**1,317**	1,810
Net gain on disposal of non-current assets	**7,520**	2,189
Profit before income tax	**16,959**	120,555
Income tax expense	**(7,296)**	(29,827)
Net profit after income tax for the year	**9,663**	90,728

Other comprehensive income
Items that may be reclassified to profit and loss

	2020 $'000	2019 $'000
Changes in fair value of cash flow hedges, net of tax	**(1,240)**	(1,055)
Total realised loss on early settlement of interest rate swaps reclassified to profit or loss	**1,611**	(1,055)
Net changes to cash flow hedges, net of tax	**371**	(1,055)
Changes in foreign currency translation reserve, net of tax	**(1,595)**	(1,248)
Other comprehensive income for the year, net of tax	**(1,224)**	(2,303)
Total comprehensive income for the year, net of tax	**8,439**	88,425

B. Summary of movements in consolidated retained profits of the Closed Group

	2020 $'000	2019 $'000
Retained profits as at 1 January	193,201	144,401
Profit after income tax for the year	9,663	90,728
Dividends paid	(35,432)	(41,928)
Retained profits as at 31 December	167,432	193,201

C. Consolidated balance sheet of the Closed Group

	2020 $'000	2019 $'000
Current assets		
Cash and cash equivalents	107,219	7,920
Trade receivables	15,894	35,172
Other receivables	15,041	7,576
Inventories	40,000	40,688
Pre-paid contract funds under management	50,268	57,551
Asset held for sale	2,333	3,981
Deferred selling costs	3,644	4,481
Deferred contract assets	1,541	2,409
Total current assets	235,940	159,778
Non-current assets		
Trade and other receivables	64,042	62,132
Shares in subsidiaries	246,778	246,778
Property, plant and equipment	423,397	353,630
Right of use asset	118,667	121,784
Pre-paid contract funds under management	562,863	561,837
Intangible assets	95,357	43,682
Deferred selling costs	13,151	14,201
Deferred contract assets	2,525	4,040
Total non-current assets	1,526,780	1,408,084
Total assets	1,762,720	1,567,862
Current liabilities		
Trade and other payables	51,482	52,865
Contingent consideration	9,171	-
Lease liabilities	16,786	11,418
Derivative financial instruments	512	735
Pre-paid contract liabilities	44,532	48,715
Deferred revenue	28,627	34,909
Provision for employee benefits	15,463	13,626
Total current liabilities	166,573	162,268
Non-current liabilities		
Contingent consideration	7,909	800
Borrowings	199,285	295,228
Lease liabilities	121,252	114,632
Derivative financial instruments	-	2,088
Deferred tax liabilities	35,951	35,766
Pre-paid contract liabilities	496,624	476,498
Deferred revenue	69,391	69,579
Provision for employee entitlements	2,444	5,528
Total non-current liabilities	932,856	1,000,119
Total liabilities	1,099,429	1,162,387
Net assets	663,291	405,475
Equity		
Contributed equity	497,005	219,826
Reserves	(1,146)	(7,552)
Retained profits	167,432	193,201
Total equity	663,291	405,475

Note 24. Economic dependence

The parent entity depends on dividend and interest income from, and management fees charged to, its subsidiaries to source the payment of future dividends and fund its operating costs and debt service obligations as borrower under the bank loan facility agreements. The parent entity's financial position is sound. Adequate cash resources are available to enable it to meet its obligations as and when they fall due, through either drawing on unused finance facilities, which at the reporting date amounted to $207,425,000 as outlined in Note 13.E., or by on-demand repayment of intercompany advances.

Note 25. Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, InvoCare Limited, its related practices and non-related audit firms.

A. Audit services

	2020 $	2019 $
PricewaterhouseCoopers – Australian firm		
Audit and review of financial reports	525,121	450,621
PricewaterhouseCoopers – non-Australian firm		
Audit and review of financial reports	22,443	24,788
Non-PricewaterhouseCoopers – Singaporean firm		
Audit and review of financial reports	32,152	32,743
Total remuneration for audit services	579,716	508,152

B. Non-audit services

	2020 $	2019 $
PricewaterhouseCoopers – Australian firm		
Assurance services	22,400	29,050
Taxation services	11,500	58,500
Other Services	-	7,250
PricewaterhouseCoopers – non-Australian firm		
Taxation services	49,033	35,687
Other services	1,633	-
Non-PricewaterhouseCoopers – Singaporean firm		
Other services	11,476	12,389
Total remuneration for non-audit services	96,042	142,876

It is the Company's policy to employ PricewaterhouseCoopers on assignments additional to their statutory audit duties where PricewaterhouseCoopers' 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 PricewaterhouseCoopers is awarded assignments on a competitive basis. It is the Company's policy to seek competitive tenders for any major consulting projects.

Note 26. Other accounting policies

A. New or amended accounting standards and interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are mandatory for the current reporting period.

- Conceptual Framework for Financial Reporting and AASB 2019-1 Amendments to Australian Accounting Standards–References to the Conceptual Framework

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 income statement, 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 and crematoria and pets 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:

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 income statement. On disposal of the foreign operation, the cumulative value of any such gains or losses recognised directly in equity is transferred to the income statement.

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

VIII. New Accounting Standards and Interpretations not yet mandatory or early 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 2020.

Financial Report

Directors' declaration

In the Directors' opinion:

- The financial statements and Notes 1 to 26 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 2020 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 23 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 23

Basis of preparation on page 73 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 24 February 2021

Independent auditor's report

To the members of InvoCare Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of InvoCare Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2020 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated balance sheet as at 31 December 2020
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

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Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.

Materiality

- For the purpose of our audit we used overall Group materiality of $3.3 million, which represents approximately 5% of the Group's average profit before tax of the past three years adjusted for impairment.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose Group profit before tax because, in our view, it is the benchmark against which the performance of the Group is most commonly measured. Due to fluctuations in profit and loss from year to year, we chose a three year average. Impairment is adjusted as it is an infrequently occurring item impacting the consolidated statement of comprehensive income.
- We selected 5% which is within the range of acceptable quantitative profit related materiality thresholds.

Audit scope

- Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- The Group comprises businesses operating predominately in Australia, New Zealand and Singapore with the most financially significant operations being Australia.
- We focused our audit on the financial information of the Australian operations given their financial significance to the Group.
- We performed specific risk-focused audit procedures over the Singapore and New Zealand operations.

Key audit matters

- Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Committee:
  - Estimated recoverable amount of goodwill for the New Zealand operations
  - Accounting for pre-paid funeral contracts
- These are further described in the *Key audit matters* section of our report.

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 for the current period. The key audit 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. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

Key audit matter	***How our audit addressed the key audit matter***
Estimated recoverable amount of goodwill for the New Zealand operations *Refer to note 12* Under Australian Accounting Standards, the Group is required to test goodwill annually for impairment, irrespective of whether there are indications of impairment. This assessment is inherently complex and judgemental as the Group is required to: • forecast the operational cash flows of the cash generating units of the Group • determine discount rates and terminal growth rates which are used in the discounted cash flow model used to assess impairment (the model). The Group recognised a $19.3 million goodwill impairment charge relating to New Zealand operations in the year ended 31 December 2020. We considered this a key audit matter because significant judgement is required by the Group in estimating the recoverable amount of goodwill relating to the New Zealand operations.	We focused our efforts on developing an understanding and testing the overall calculation and methodology of the Group's impairment assessment. In obtaining sufficient audit evidence, our procedures included, amongst others: • assessing whether the cash generating units (CGUs) to which goodwill is allocated are consistent with our knowledge and understanding of New Zealand operations and internal reporting • developing an understanding of how the Group identified the relevant methods, assumptions or sources of data, and the need for changes in them, that are appropriate for determining the recoverable amount in the context of the Australian Accounting Standards • evaluating whether judgements made in selecting the method, significant assumptions and data for determining the estimate give rise to indicators of possible bias by the Group • comparing the cash flow forecasts to the Group's most up-to-date budgets • assessing the Group's historical ability to forecast future cash flows by comparing budgets with reported actual results for the past year • testing the mathematical calculations within the model • comparing the terminal growth rate applied in the model to external information sources • evaluating the reasonableness of the disclosures against the requirements of Australian Accounting Standards. PwC valuations experts assisted us in performing these procedures where appropriate.

Key audit matter	*How our audit addressed the key audit matter*
Accounting for pre-paid funeral contracts *Refer to note 10* 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 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 (funds under management) and a liability to deliver the services. As at 31 December 2020, the Group had recorded \$613.1 million of funds under management and \$541.3 million of contract liabilities. We considered pre-paid funeral contracts to be a key audit matter due to the: • size of the asset and liability balances • significant financing component within the contracts, as a result of significant time differences that may arise between receipt of cash from customers and the subsequent recognition of revenue on the delivery of services (redemption date).	For the asset value invested, we performed the following procedures amongst others: • agreeing a sample of balances recorded by the Group to statements and confirmations received from 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. For the liability recognised, we performed the following procedures amongst others: • comparing the date and value of a sample of contracts to that recorded by the Group • assessing the reasonableness of the significant financing component recognised during the year by comparing the amount to our own calculations • selecting a sample of redeemed contracts (recognised revenue) to assess whether the Group's performance obligation under the pre-paid funeral contracts had been satisfied. This included comparing the relevant original contracts to service delivery documents and investment returns • evaluating the reasonableness of the disclosures against the requirements of Australian Accounting Standards.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 31 December 2020, but does not include the financial report and our auditor's report thereon. Prior to the date of this auditor's report, the other information we obtained included the director's report. We expect the remaining other information to be made available to us after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express an opinion or 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 on the other information that we obtained prior to the date of this auditor's report, 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.

When we read the other information not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action to take.

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 ability of the Group 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 the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 36 to 59 of the directors' report for the year ended 31 December 2020.

In our opinion, the remuneration report of InvoCare Limited for the year ended 31 December 2020 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.

PricewaterhouseCoopers

PricewaterhouseCoopers

Michelle Chiang

MW Chiang
Partner

Sydney
24 February 2021

Other Information

Shareholder Information

As at 24 March 2021

The following information is presented in compliance with ASX Listing Rules 4.10 (as relevant). The information is current as at 24 March 2021.

1. Corporate Governance Statement

The 2020 Corporate Governance Statement can be found on the Company's website at www.invocare.com.au/investor-relations/.

2. Securities on issue

Shares and options as at 24 March 2021	Number
Ordinary shares on issue	144,060,733
Unquoted options on issue	2,682,083

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 to fully paid ordinary shares.

4. Distribution of quoted ordinary shares and small holdings

Range	Fully paid ordinary shares	%	Number of holders
100,001 and over	73,905,231	51.30	48
10,001 to 100,000	19,841,791	13.77	957
5,001 to 10,000	14,732,703	10.23	2,063
1,001 to 5,000	29,172,320	20.25	12,347
1 to 1,000	6,408,688	4.45	13,883
Total	**144,060,733**	**100.00**	**29,298**
Unmarketable parcels	**15,451**		**732**

5. Top 20 registered shareholders

Name	Number of shares	Percentage %
HSBC Custody Nominees (Australia) Limited	18,193,048	12.63
J P Morgan Nominees Australia Pty Limited	15,222,974	10.57
BNP Paribas Noms Pty Ltd <DRP>	7,009,124	4.87
Citicorp Nominees Pty Limited	5,895,094	4.09
Australian Foundation Investment Company Limited	3,512,442	2.44
Argo Investments Limited	2,743,277	1.90
National Nominees Limited	2,081,872	1.45
Milton Corporation Limited	2,050,914	1.42
BKI Investment Company Limited	1,638,974	1.14
Netwealth Investments Limited <Wrap Services A/C>	1,165,234	0.81
Australian Executor Trustees Limited <IPS Super A/C>	1,091,141	0.76
Solium Nominees (Australia) Pty Ltd <ESP Unallocated A/C>	1,051,113	0.73
BNP Paribas Nominees Pty Ltd HUB24 Custodial Serv Ltd <DRP A/C>	1,021,855	0.71
Mirrabooka Investments Limited	1,020,000	0.71
Australian United Investment Company Limited	784,193	0.54
BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	625,458	0.43
Djerriwarrh Investments Limited	616,000	0.43
Australian United Investment Company Limited	507,136	0.35
UBS Nominees Pty Ltd	500,333	0.35
Navigator Australia Ltd <MLC Investment Sett A/C>	489,913	0.34
Total for top 20	**67,220,095**	**46.67**

6. Substantial shareholders

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
Vanguard Group (The Vanguard Group, Inc. and its controlled entities)	7,194,935	5.01%	10 July 2020

Glossary

Term	Description
AASB	Australian Accounting Standards Board
ABS	Australian Bureau of Statistics
ACCC	Australian Competition & Consumer Commission
ASX	Australian Securities Exchange which is the operating brand of ASX Limited
ASX Corporate Governance Principles and Recommendations	The eight Corporate Governance Principles and best practice recommendations of the ASX Corporate Governance Council 4th Edition 2019
Cemetery	A place for burials and memorialisation
CGU	A cash generating unit which is the smallest identifiable group of assets that independently generates cash inflows
Constitution	The Constitution of the Company
Crematorium	A place for cremations and memorialisation
Crypts	Above ground burial facilities
DRP	Dividend Reinvestment Plan
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
Funeral arrangement	The process in which the funeral service is planned and necessary documentation prepared
Funeral home	The InvoCare location where a funeral can be arranged and where some services can be conducted
Memorial or Memorialisation	The physical marker or tribute to the life of the deceased
Memorial park	An InvoCare location offering cremation, burial and memorialisation services
Non-operating earnings before tax	Earnings from the net gain/(loss) on pre-paid contracts, asset sales gains/(losses), commissions received, less costs associated with the administration pre-paid contracts, share of profits attributable to non-controlling interests and any other unusual items as disclosed in the relevant reconciliations.
Volume	A term that refers to the number of funeral services, burials and cremations performed/undertaken
VWAP	Volume Weighted Average Price a trading benchmark used to determine the face value of an InvoCare share. VWAP is calculated by adding up the dollars traded for every transaction (price multiplied by number of shares traded) and then dividing by the total shares traded for the day

In addition to the above terms and description, refer to the Glossary on page 34 to 35 in the Operating and financial review section for other terms used in that section.

Corporate Directory

InvoCare Limited	ABN 42 096 437 393	
Directors	**Bart Vogel**	Chairman
	Olivier Chretien	Managing Director and Chief Executive Officer
	Richard Davis	Non-Executive Director
	Jackie McArthur	Non-Executive Director
	Megan Quinn	Non-Executive Director
	Keith Skinner	Non-Executive Director
Company Secretary	**Heidi Aldred**	

Registered Office

Level 2, 40 Miller Street
North Sydney NSW 2060

Telephone: 02 9978 5200
Facsimile: 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
Facsimile: 02 9287 0303

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.

ASX code is IVC.

Auditors

PricewaterhouseCoopers
One International Towers Sydney
Watermans Quay, Barangaroo
Sydney NSW 2000

Solicitors

Addisons Lawyers
Level 12, 60 Carrington Street
Sydney NSW 2000

Anthony Harper Lawyers
Level 6, Chorus House
66 Wyndham Street
Auckland New Zealand

Financiers

Australia and New Zealand Banking Group Limited
242 Pitt Street
Sydney NSW 2000

ANZ Bank New Zealand Limited
ANZ Centre
23–29 Albert Street
Auckland New Zealand

HSBC Bank Australia Limited
Tower 1 - International Towers Sydney
100 Barangaroo Avenue
Sydney NSW 2000

The Hongkong and Shanghai Banking Corporation
1 Queen Street
Auckland New Zealand

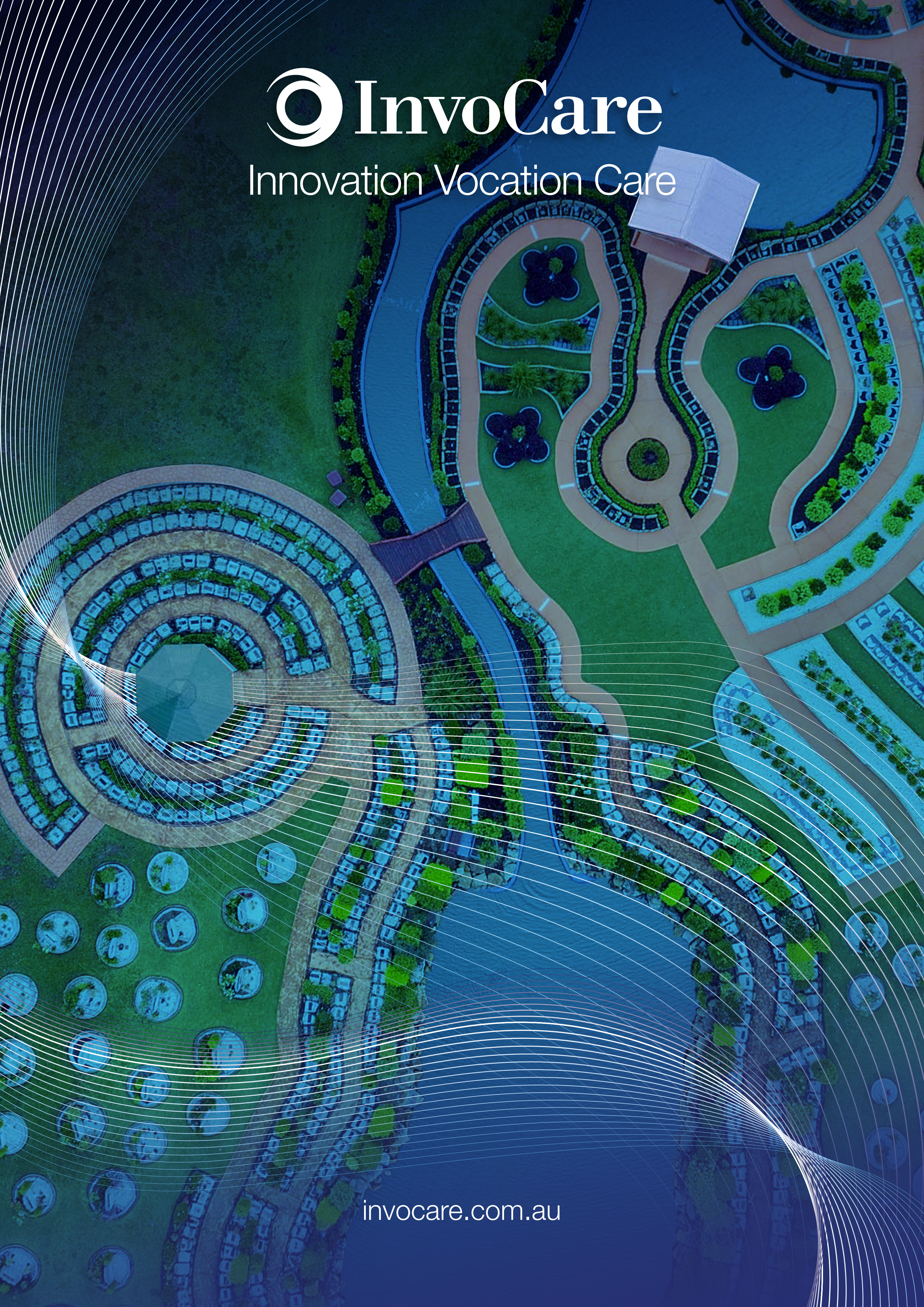
MetLife Investment Advisors, LLC
One MetLife Way
Whippany, New Jersey
USA 07981

Mizuho Bank, Ltd.
60 Margaret Street
Sydney NSW 2000

Sumitomo Mitsui Banking Corporation
2 Chifley Square
Sydney NSW 2000

Westpac Banking Corporation
275 Kent Street
Sydney NSW 2000

Westpac New Zealand Limited
16 Takutai Square
Auckland New Zealand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