



## **InvoCare Limited and Controlled Entities**

**ABN: 42 096 437 393**

**Interim financial report**

**For the half-year ended 30 June 2019**

# InvoCare Limited and Controlled Entities

## Directors' report

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Your directors present their report on the consolidated entity consisting of InvoCare Limited and the entities it controlled at the end of, or during, the half-year ended 30 June 2019.

### Directors

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

Bart Vogel (Chairman)  
Martin Earp (Chief Executive Officer)  
Richard Davis  
Robyn Stubbs  
Keith Skinner  
Jackie McArthur  
Megan Quinn

### Dividends

The directors have determined a fully franked interim dividend of 17.5 cents per share (2018: 17.5 cents per share fully franked) which will be paid on 4 October 2019.

For the 2019 interim dividend, it is intended that the required shares will be issued at a discount of 2% to the market price. Any shortfall in DRP take-up will not be underwritten. The market price will be calculated as the weighted average market price of trading in shares in the Company during the first ten (10) trading days after (but not including) the DRP Election date, 7 September 2019.

# InvoCare Limited and Controlled Entities

## Directors' report continued

### Operating and Financial Review

	2019 \$'000	2018 \$'000	Change \$'000	
<b>Result highlights: Half-Year</b>				
<b>Operating Sales Revenue <sup>(i)</sup></b>	<b>241,493</b>	225,675	15,818	7.0%
Other revenue <sup>(i)</sup>	1,836	977	859	87.9%
Operating expenses <sup>(i)</sup>	(180,497)	(172,923)	(7,574)	(4.4%)
<b>Operating EBITDA <sup>(i)</sup></b>	<b>62,832</b>	53,729	9,103	16.9%
Operating margin	26.0%	23.8%		2.2%
Depreciation and amortisation <sup>(i)</sup>	(18,592)	(11,760)	(6,832)	(58.1%)
Finance costs	(12,400)	(9,312)	(3,088)	(33.2%)
Interest income	756	641	115	17.9%
Business acquisitions costs	(606)	(1,345)	739	-
<b>Operating earnings before tax <sup>(i)</sup></b>	<b>31,990</b>	31,953	37	0.1%
Income tax on operating earnings <sup>(i)</sup>	(9,669)	(8,397)	(1,272)	(15.1%)
Effective tax rate	30.2%	26.3%		3.9%
<b>Operating earnings after tax <sup>(i)</sup></b>	<b>22,321</b>	23,556	(1,235)	(5.2%)
Operating earnings per share <sup>(i)</sup>	19.8 cents	21.6 cents	(1.8) cents	(8.3%)
Net gain/(loss) on prepaid contracts after tax <sup>(i)</sup>	17,434	(2,753)	20,187	733.3%
Asset sales gains/(Losses) after tax <sup>(i)</sup>	57	107	(50)	(46.7%)
Gain on disposal of a subsidiary after tax	1,330	-	1,330	-
Non-controlling interest	(59)	(60)	1	1.7%
<b>Net profit after tax attributable to ordinary equity holders of InvoCare</b>	<b>41,083</b>	20,850	20,233	97.0%
<b>Basic earnings per share</b>	<b>36.5 cents</b>	19.1 cents	17.4 cents	91.1%
<b>Diluted earnings per share</b>	<b>36.0 cents</b>	18.9 cents	17.1 cents	90.1%
<b>Interim ordinary dividend per share</b>	<b>17.5 cents</b>	17.5 cents	-	-

(i) Non-IFRS financial information

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

The Group presents its operating EBITDA, operating earnings and net gain on prepaid contracts by reclassifying all amounts related to the prepaid funeral business in a separate line item in the above table under net gain/(loss) on prepaid contracts after tax. This has resulted in normalisation adjustments to sales, other revenue and operating expenses to reflect the reclassification of the financial impact of the prepaid funeral business. The directors consider that the presentation of all activities related to funds under management as non-operating will provide a clearer and better reflection of the Group's operating performance and results.

Total revenue from continuing operations has been decreased by \$0.8 million (2018: decreased by \$0.4 million), operating expenses have been reduced by \$3.5 million (2018: decreased by \$3.9 million), net gain on prepaid contracts, net of tax, has been decreased by \$2.4 million (2018: decreased by \$3.1 million) and net cash inflow from operating activities increased by \$4.4 million (2018: increased by \$5.6 million) with a corresponding impact on net cash outflow from investing activities to adjust for the non-operating impact of prepaid funeral services.

There is no impact on net profit after tax and no impact on the presentation of items in the income statement represented by the Consolidated Income Statement on page 16.

# InvoCare Limited and Controlled Entities

## Directors' report continued

The changing accounting standards (AASB 15 and AASB 16) have impacted InvoCare more than many companies given the large pre-paid component of our business. This makes a simple comparison with previous years difficult and as such we have provided a set of "underlying" results that backs out the impact of these accounting standards. The table below depicts the Group's **underlying performance** without the impacts of accounting standard changes.

Whilst the new accounting standards have changed the reported results, they have had no cash impact and have not changed the way the Group operates.

### Underlying performance only

Result highlights: Half-Year	2019 \$'000	2018 \$'000	Change \$'000	Change \$'000
	Operating	Operating	Operating	Operating
<b>Underlying Revenue <sup>(i)</sup></b>	<b>236,369</b>	215,196	21,173	9.8%
Other revenue <sup>(i)</sup>	1,836	977	859	87.9%
Underlying expenses <sup>(i)</sup>	(185,869)	(169,964)	(15,905)	(9.4%)
<b>Underlying EBITDA <sup>(i)</sup></b>	<b>52,336</b>	46,209	6,127	13.3%
Operating margin	22.1%	21.5%		0.6%
Depreciation and amortisation <sup>(i)</sup>	(13,068)	(11,760)	(1,308)	(11.1%)
Finance costs	(9,065)	(7,503)	(1,562)	(20.8%)
Interest income	756	641	115	17.9%
Business acquisitions costs	(606)	(1,358)	752	55.4%
<b>Underlying earnings before tax <sup>(i)</sup></b>	<b>30,353</b>	26,229	4,124	15.7%
Income tax on operating earnings <sup>(i)</sup>	(9,121)	(6,684)	(2,437)	(36.5%)
Effective tax rate	30.0%	25.5%		4.6%
<b>Underlying earnings after tax <sup>(i)</sup></b>	<b>21,232</b>	19,545	1,687	8.6%
Underlying earnings per share <sup>(i)</sup>	18.8 cents	17.9 cents	0.9 cents	5.0%

(i) Non-IFRS financial information

The table above presents the Group underlying EBITDA, and operating earnings excluding the impact from accounting policy change from AASB15 Revenue from Contracts with Customers "Cemcrem unwind" and AASB16 Leases.

Total revenue from continuing operations has been decreased by \$5.1 million (2018: decreased by \$10.5 million), operating expenses have been increased by \$5.4 million (2018: decreased by \$3.0 million), depreciation and amortisation have been reduced by \$5.5 million (2018: Nil) and finance costs have been reduced by \$3.3 million (2018: \$1.8 million).

### Financial overview

The positive financial performance of the Company in H1 2019 has been driven by:

- **Case Volume** – H1 2019 has seen the beginning of a revision to the long-term growth trend with a year on year growth in the core markets of 1.4%. In addition, the Company has seen the benefit of the acquisitions made in 2018 and renovated locations coming back online flow through the business.
- **Market Share** – the Company has seen market share growth of 110bps driven by renovated sites coming back online and providing a more attractive product, the impact of acquisitions, improved marketing and increased level of customer service.
- **Case Average** – the combination of improved product and the introduction of increased service provision is assisting growth in case averages.
- **Operating Expenses** – the Company has continued to implement sensible cost control measures throughout H1 2019 and this is shown in the year on year growth. The focus on cost control and efficiency will continue in the second half of the year to mitigate possible fluctuations in the numbers of deaths throughout the winter period.

Over and above the traditional pillars of growth detailed above, the most promising part of H1 performance growth has been the impact that the new growth of Protect and Grow has played in driving results. In addition, it was recognised that the company would also have to grow into adjacent markets to deliver on our growth targets. The performance of the regional businesses acquired in 2018 and the introduction of the pet cremation business further demonstrates the commitment of the company to take the actions required to deliver sustainable double-digit EPS growth.

# InvoCare Limited and Controlled Entities

## Directors' report continued

### Financial overview (continued)

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Solid sales results combined with on-going cost management delivered improved bottom line financial performance.

Group operating EBITDA increased to \$62.8 million (2018: \$53.7 million). \$6.7 million of this increase arises from the impact of the change in accounting standard (AASB 16 *Leases*) in the current period, as the 2018 comparative operating expenses have not been restated. For the comparable business, that is, excluding acquisitions completed in 2018, operating EBITDA increased to \$60.3 million (2018: \$53.7 million). This was achieved in a period of trading disruptions as the Company continued its investment into contemporising and/or expanding its metro network across Australia.

Operating sales revenue was up 7.0% or \$15.8 million to \$241.5 million (2018: \$225.7 million). The increase reflects the first half contributions from the eleven acquisitions completed in the second half of 2018, expansion within the core network, favourable foreign exchange movements offset by the decrease from the realisation of deferred memorialisation sales in the cemeteries and crematoria business i.e. instalment contracts phasing.

Overall, numbers of deaths in the InvoCare Group's core markets increased by approximately 1.2% compared to the prior corresponding period (PCP) and by 1.9% in our core market in Australia. Our market share on a rolling 12-month basis has increased by 110bps following the expansion into the regional markets. It is estimated that circa 370 cases (6.4%) were gained on PCP for locations that were renovated in 2017/18 whilst circa 115 cases (or 11% of the volume for the locations under renovation) were lost in the period in our Australian business as the NBO was implemented. PCP volumes in locations identified for future NBO declined by 182 cases, reiterating the need for the Protect and Grow strategy to contemporise our network. A further 50 cases down on PCP due to closed sites as we continue to assess our surplus assets and optimise our network.

Comparable business costs decreased by 1.1% over the PCP. This was achieved primarily due to the reduction in occupancy and facility costs arising from the adoption of AASB16 and a delay of advertising and promotion spend, which is planned to occur in the second half of 2019.

As a percentage of sales, comparable EBITDA margins increased by 250bps to 26.3% (2018: 23.8%) reflecting the reduction in occupancy and facility costs arising from the adoption of AASB 16. When excluding the benefit of AASB 16, comparable EBITDA margins decreased 40bps to 23.4% (2018: 23.8%) reflecting the mix of product sold.

Statutory reported revenue was up 7.5% or \$17.0 million to \$244.2 million (2018: \$227.1 million).

Statutory reported profit after tax was up 96.7% or \$20.2 million to \$41.1 million (2018: \$20.9 million) which is driven primarily as a result of the appreciation in the value of equity investments held by the main Guardian Trust fund within the Over Fifty Guardian Friendly Society.

Ungeared, tax free operating cash flow excluding impacts from prepaid funeral business was 72% of EBITDA (2018: 81%), adversely impacted by the working capital movements. Operating cash flows improved in line with business performance, underpinning the ability to pay a fully franked interim dividend of 17.5 cents per share, which is the same as last year.

# InvoCare Limited and Controlled Entities

## Directors' report continued

The Operating EBITDA performance by major income statement line item for the Group is presented in the next table. It includes all recent accounting standard changes.

Half-Year	2019		2018		Change	
	\$'000	% of Gross Sales	\$'000	% of Gross Sales	\$'000	
<b>GROUP</b>						
<b>Operating Sales Revenue</b>	<b>241,493</b>	<b>100.0%</b>	<b>225,675</b>	<b>100.0%</b>	<b>15,818</b>	<b>7.0%</b>
Other revenue	1,836	0.8%	977	0.4%	859	87.9%
<u>Expenses:</u>						
Cost of goods sold	(64,035)	26.5%	(58,914)	26.1%	(5,121)	(8.7%)
Personnel	(82,171)	34.0%	(75,825)	33.6%	(6,346)	(8.4%)
Advertising and promotions	(6,291)	2.6%	(6,310)	2.8%	19	0.3%
Occupancy and facility expenses	(9,760)	4.0%	(15,290)	6.8%	5,530	36.2%
Motor vehicle expenses	(4,075)	1.7%	(3,805)	1.7%	(270)	(7.1%)
Other expenses	(14,165)	5.9%	(12,779)	5.7%	(1,386)	(10.8%)
Operating expenses	(180,497)	74.7%	(172,923)	76.6%	(7,574)	(4.4%)
<b>Operating EBITDA</b>	<b>62,832</b>	<b>26.0%</b>	<b>53,729</b>	<b>23.8%</b>	<b>9,103</b>	<b>16.9%</b>
<i>Operating margin %</i>	<i>26.0%</i>		<i>23.8%</i>			<i>2.2%</i>

The Operating EBITDA performance by major income statement line item for the **comparable business** is presented in the next table. It includes all recent accounting standard changes but excludes acquisitions made in 2018.

Half-Year	2019		2018		Change	
	\$'000	% of Gross Sales	\$'000	% of Gross Sales	\$'000	
<b>COMPARABLE Business</b>						
<b>Operating Sales Revenue</b>	<b>229,349</b>	<b>100.0%</b>	<b>225,346</b>	<b>100.0%</b>	<b>4,003</b>	<b>1.8%</b>
Other revenue	1,775	0.8%	977	0.4%	798	81.7%
<u>Expenses:</u>						
Cost of goods sold	(60,434)	26.4%	(58,796)	26.1%	(1,638)	(2.8%)
Personnel	(78,088)	34.0%	(75,721)	33.6%	(2,367)	(3.1%)
Advertising and promotions	(6,044)	2.6%	(6,293)	2.8%	249	4.0%
Occupancy and facility expenses	(8,811)	3.8%	(15,258)	6.8%	6,447	42.3%
Motor vehicle expenses	(3,862)	1.7%	(3,794)	1.7%	(68)	(1.8%)
Other expenses	(13,572)	5.9%	(12,764)	5.7%	(808)	(6.3%)
Operating expenses	(170,811)	74.5%	(172,626)	76.6%	1,815	1.1%
<b>Operating EBITDA</b>	<b>60,313</b>	<b>26.3%</b>	<b>53,697</b>	<b>23.8%</b>	<b>6,616</b>	<b>12.3%</b>
<i>Operating margin %</i>	<i>26.3%</i>		<i>23.8%</i>			<i>2.5%</i>

# InvoCare Limited and Controlled Entities

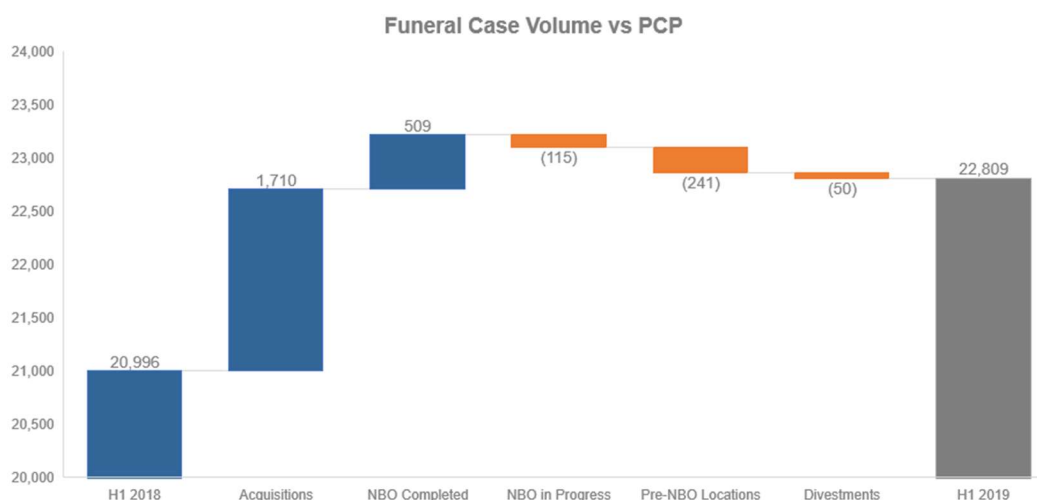
## Directors' report continued

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

### Sales

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

- **Australian funeral sales** increased 1.6% or \$2.4 million to \$147.9 million (2018: \$145.5 million).
  - Average revenue per funeral case, excluding disbursements and delivered prepaid impacts, increased 2.3% over the PCP resulting in an estimated \$2.6 million increase in sales. This increase stemmed from strong performance by all the brands across InvoCare's network.
  - The number of funeral services performed was in line with PCP, growing by a net 21 cases or 0.1% to 17,569 cases. 368 additional cases were generated in the Australian market in the period from NBO sites completed in 2017 and 2018, confirming our commitment to deliver contemporary, customer focused offerings and meeting market demand. PCP volumes were disrupted by 115 cases by 2019 NBO activity taking locations off line for refurbishment. PCP volumes in sites identified for future NBO declined by 182 cases, reiterating the need for the Protect and Grow strategy to modernise our portfolio of sites.
  - The number of new prepaid contracts sold continues to exceed prepaid services performed by 5% (2018: 12%). Prepaid funerals performed in the period were consistent at 14.4% (2018: 14.5%) of at-need funerals.



- **Australian cemeteries and crematoria underlying sales** were strong as the completion of two major crypt complexes allowed for deferred revenue to be recognised. The impact of the AASB 15 adjustment of \$5.1 million (2018: \$10.5 million) has reduced year on year. This has resulted in a decrease in operating sales on PCP of 4.2% or \$2.4 million to \$55.1 million (2018: \$57.6 million).
- **New Zealand sales** in AUD increased by 1.7% to \$22.5 million (2018: \$22.1 million) which included favourable foreign exchange movements of \$0.6 million. In NZD sales decreased by 1.0% or \$0.2 million to \$23.6 million (2018: \$23.8 million). Funeral case volumes were lower than the PCP by 2.1%, largely due to the continued contraction in the number of deaths in the market, as market share remained relatively stable. Case averages were down 1.2% as a result of a soft market.
- **Singapore funeral sales** (in SG\$) increased by 41.4% to \$9.5 million (2018: \$6.7 million) with the growth stemming from the successful recovery from the temporary closure of the parlours for major renovations which began in Q4 2017 and re-opened in late-Q2 2018. Funeral volumes increased by 141 cases, up 22.0%, with case averages exceeding expectation at 15.9% on PCP as a result of new premium product offering. In AU\$, Singapore sales were up 50.6% to \$9.9 million (2018: \$6.6 million) which included favourable foreign exchange movements of \$0.6 million.
- **Acquisitions in Australia and New Zealand** delivered sales of \$9.8 million (2018: \$0.2 million). Eleven funeral businesses were acquired during 2018 with a bias to the second half. The acquired businesses are performing in line with expectations.
- Intra-group elimination of cemeteries and crematoria sales to InvoCare owned funeral homes amounted to \$6.6 million (2018: \$7.0 million).



# InvoCare Limited and Controlled Entities

## Directors' report continued

### Other revenue

**Other revenue** increased \$0.8 million to \$1.8 million (2018: \$1.0 million). This increase is due to option fees received from the granting of options to the purchasers of two properties owned by the Group.

### Operating expenses

Comparable operating expenses decreased 1.1% or \$1.8 million to \$170.8 million (2018: \$172.6 million). Operating expenses benefited from \$6.6 million reduction in occupancy and facility costs arising from the adoption of the new accounting standard (AASB 16 *Leases*), which requires rental expense to be replaced with depreciation and interest costs. Excluding this impact, operating expenses increased 5.3% or \$8.9 million to \$177.4 million.

**Cost of goods sold** as a percentage of sales increased by 40bps or \$5.1 million, with comparable up 30bps to 26.3% compared to the PCP unfavourably impacted by product mix.

**Personnel costs** were up 8.4% or \$6.3 million, with comparable up 3.1% or \$2.4 million. The increase in comparable personnel costs over the PCP is in line with expectations. Base pay rate increases are 3%, consistent with the awards and enterprise agreements in place for the majority of the work force, partially offset by a reduction in fringe benefits tax expense.

**Advertising and promotions** for the Group were in line with PCP. The comparable business decreased its spend by \$0.3 million to \$6.0 million or 4.0% on the PCP (2018: \$6.3 million) resulting from the phasing of programmed activities.

**Occupancy and facilities expenses** decreased 36.2% or \$5.5 million to \$9.8 million (2018: \$15.3 million), with comparable down 42.3% or \$6.4 million (2018: \$15.3 million). The decrease largely relates to the adoption of AASB16 which requires rental expense to be replaced with additional depreciation and interest costs.

**Motor vehicle expenses** increased 7.1% or \$0.3 million to \$4.1 million (2018: \$3.8 million) impacted by the eleven acquisitions, with comparable in line with last year.

**Other expenses** increased 10.8% or \$1.4 million to \$14.2 million (2018: \$12.8 million), with comparable increasing by 6.3% or \$0.8 million to \$13.6 million (2018: \$12.8 million). The increase relates to new locations, to various information technology upgrades and software licences designed to drive long term operational efficiencies.

### Operating EBITDA<sup>1</sup>

Comparable operating EBITDA (excluding acquisitions) increased by \$6.6 million or 12.3% to \$60.3 million (2018: \$53.7 million) with margins improving to 26.3% compared to 23.8% achieved in the previous half.

Total operating EBITDA for the Group increased by 17.1% or \$9.2 million to \$62.9 million (2018: \$53.7 million). This included profits from the 2018 acquisitions of \$3.1 million.

The result benefitted from the \$6.6 million reduction in occupancy and facility expenses due to the adoption of AASB16.

Favourable foreign exchange movements impacted operating EBITDA by \$0.6 million (2018: Nil) mostly due to the strengthening of both the SGD and NZD against AUD over the period.

<sup>1</sup> Operating EBITDA is non-IFRS financial information

### Depreciation and amortisation expenses

Depreciation and amortisation expenses were up 58.1% or \$6.8 million to \$18.6 million (2018: \$11.8 million). The increase stems from the adoption of the new accounting standard (AASB 16 *Leases*), which has resulted in additional depreciation of \$5.5 million being recognised relating to the amortisation of the Right-of-Use asset, the impact of the 2018 acquisitions and higher capital expenditure in the last quarter of 2018 and the first half of 2019, following investment in our network under the Protect and Grow program.

### Finance costs

Finance costs increased 33.2% or \$3.1 million to \$12.4 million (2018: \$9.3 million). \$1.1 million (2018: \$1.8 million) relates to the accounting standard (AASB 15 *Revenue from Contracts with Customers*) requirement to recognise a financing expense on customer advances relating to the cemeteries and crematoria contracts. \$2.3 million (2018: Nil) relates to the new accounting standard (AASB 16 *Leases*) requirement to recognise a financing expense on the lease liability relating to future operating lease payments. The balance of \$9.0 million (2018: \$7.5 million) mostly relates to additional borrowings drawn from new facilities to fund the Protect and Grow plan.



# InvoCare Limited and Controlled Entities

## Directors' report continued

### Business acquisition costs

Acquisition costs were lower by \$0.7 million at \$0.6 million (2018: \$1.3 million) following less M&A activities compared to the PCP where four acquisitions were completed. One acquisition has since been completed after balance date.

### Prepaid contract performance

The fair value uplift of \$38.3 million in funds under management was \$28.6 million higher than last year (2018: \$9.7 million). 2019 higher returns on PCP mainly benefited from a strong equity performance in both domestic and international, along with improved return from domestic property investments.

Sales of new prepaid contracts continued to exceed the number of prepaid services performed by 5% (2018: 12%). Prepaid funerals performed in the year were 14% (2018: 15%) of at-need funerals. Please refer to the accompanying financial statements for detailed Consolidated Income Statement and Consolidated Balance Sheet impact of undelivered prepaid contract performance.

Approximately 88% of InvoCare's prepaid funds under management are with the Over Fifty Guardian Friendly Society. The investment committee of the Guardian fund continue to evaluate asset allocation strategies to deliver appropriate returns at acceptable levels of risk and volatility. This may result in a further shift in asset classes should the right opportunities be identified.

Asset allocations, which are closely reviewed, are set out below:

	June 2019 %	Dec 2018 %	June 2018 %
Equities	37	31	17
Property	25	25	30
Cash and fixed interest (includes hybrid securities)	38	44	53

### Asset sale gains

Minor loss on disposal of assets was recorded in 2019, compared to a minor gain in the PCP.

### Impairment

All cemetery and crematoria parks were reassessed during the half year period ended 30 June 2019 and no change to the impairment provision was deemed necessary (2018: nil).

The remediation of the residual land at Allambe Gardens Memorial Park has continued during the period. As construction work will continue until late 2019, the Group will reassess the recoverable amount of the park in the second half of 2019.

### Income tax expense

Income tax expense on reported profit was \$15.5 million (2018: \$7.2 million), representing an effective rate of 27.3% (2018: 25.7%). In the PCP, the effective rate was reduced by a prior period adjustment of \$1.2 million recognised as a capital loss on the sale of the US operations. Excluding this adjustment, the effective rate was 30%.

Income tax expense on operating earnings<sup>1</sup> increased by \$1.3 million to \$9.7 million (2018: \$8.4 million) and the effective rate was 30.2% (2018: 26.3%).

<sup>1</sup> Operating earnings is non-IFRS financial information

# InvoCare Limited and Controlled Entities

## Directors' report continued

### Cash flow highlights

The operating EBITDA conversion to cash ratio for the period was 72% as shown in the table below. The conversion ratio was adversely impacted by working capital movements in particular by the increased spend on the memorial inventory in line with customer preferences and adverse impact on cash collection during transition to a new ERP system. The sales of memorial inventory items are often realised over a number of years and generally it is more cost effective to construct them in bulk.

Half-Year	2019 \$'000	2018 \$'000
<b>Operating EBITDA<sup>1</sup></b>	<b>62,832</b>	53,729
<b>Statutory ungeared, tax free operating cash flow<sup>1</sup></b>	<b>40,805</b>	37,866
Add receipts from funds for pre-paid contracts performed <sup>1</sup>	<b>19,964</b>	21,862
Less receipts from pre-paid contract sales <sup>1</sup>	<b>(16,185)</b>	(17,712)
Less other cash flows related to the pre-paid fund funeral business <sup>1</sup>	<b>639</b>	1,426
<b>Ungeared, tax free operating cash flow<sup>1</sup></b>	<b>45,223</b>	43,442
Proportion of operating EBITDA converted to cash <sup>1</sup>	<b>72%</b>	81%

<sup>1</sup> Non-IFRS information

### Capital expenditure by strategy:

Half-Year	2019 \$'000	2018 \$'000
Business as usual	<b>8,548</b>	6,915
Protect and Grow plan	<b>21,520</b>	23,966
<b>Total capital expenditure (on a cash basis)</b>	<b>30,068</b>	30,881

The Group has renovated 96 locations representing 41% of the total portfolio to be renovated of which 13 was completed in this period with several others underway to be completed before end of year. 50% is expected to be completed by the end of 2019.

### Capital management

In March 2019, an Institutional Placement was strongly supported by existing and new institutional shareholders and raised approximately \$65 million through the issue of approximately 4.64 million new shares at a price of \$14.00 per new share, representing a 2.4% discount to the last close price of \$14.34 on Thursday, 7 March 2019. Net proceeds from the Institutional Placement will be applied to InvoCare's strategic growth objectives.

Following the completion of the placement a Share Purchase Plan ("SPP") was offered to all Australian and New Zealand shareholders. The SPP received strong support and was oversubscribed, with applications totalling approximately \$29.7 million received from 2,846 applicants.

Given the level of support, the Board scaled back applications to a maximum \$10,000 per application which resulted in a further increase in capital of \$22.8 million.

At 30 June 2019, the Group had drawn down \$352.1 million borrowings (from total \$450 million debt facilities) compared to \$331.4 million at 30 June 2018 and \$411.2 million at 31 December 2018. Net debt at 30 June 2019 was \$339.1 million which compared to the balance at 30 June 2018 of \$319.9 million and 31 December 2018 of \$393.5 million.

The reduction of \$80 million in debt drawn since 31 December 2018 is mostly due to the capital raising completed in March and April.

The current facilities' drawings comprise A\$243.5 million, SG\$35.0 million and NZ\$75.0 million. The foreign currency drawings naturally hedge investments in the Singapore and New Zealand markets.

Financial covenant ratios on the borrowing facilities are a Leverage Ratio (being Net Debt to operating EBITDA adjusted for acquisitions) which must be no greater than 3.5 and an Interest Cover Ratio (being operating EBITDA to net interest) which must be greater than 3.0. Both these ratios continue to be met at 30 June 2019, being 2.59:1 and 8.62:1 respectively.

To maintain certainty over cash flows, the Group has policies limiting exposure to interest rate fluctuations. In accordance with InvoCare's policy, at balance date 96% of Australia and New Zealand debt principal was

# InvoCare Limited and Controlled Entities

## Directors' report continued

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either at fixed interest rates or covered by floating to fixed interest rate swaps. Due to the level of stability of Singaporean interest rates and its quantum, Singapore debt is not covered by interest rate swaps.

The overall average effective interest rate is currently 3.8% (2018: 4.5%), inclusive of fixed rates on hedged debt, floating rates on unhedged debt, undrawn commitment fees and amortisation of establishment fees.

Headroom on the debt facilities of \$97.9 million and cash of \$13.0 million, provide \$110.9 million in available funds at 30 June 2019. This amount together with positive and operating cash flows will provide further capacity to fund near-term growth opportunities.

## Creating Shareholder Value

### Protect & Grow

InvoCare has previously announced to the market in 2017 that its main growth initiative to deliver a sustainable double digit EPS growth was in its transformative programme of work within its core business called Protect & Grow (P&G). The P&G strategy is a net \$200.0 million reinvestment into physical locations, operational efficiencies and people and culture. An update of the program is detailed below, but in summary there has been strong progress with regard to implementation across all three categories, and the company is pleased to report that the financial performance of the program continues to exceed our expectations.

#### *Network and Brand Optimisation*

2019 marked the second full year of P&G and to date the Company has renovated 96 locations at a cost of \$114.0 million. This represents 41% of the total portfolio to be renovated, and our expectation is to have completed circa 50% of the portfolio by the end of H2 2019.

The positive performance of the first cohort of 48 sites was reported to the market in February 2019. These locations now have a further six months of trading data and this provides us with a more robust data set from which to report on. The EBITDA uplift (against a BAU perspective) continues to be positive and exceed our expectations. The combination of continued strong performance and a longer operating period therefore provides increasing confidence that the growth component of the renovation program will deliver against our expectations in the longer term.

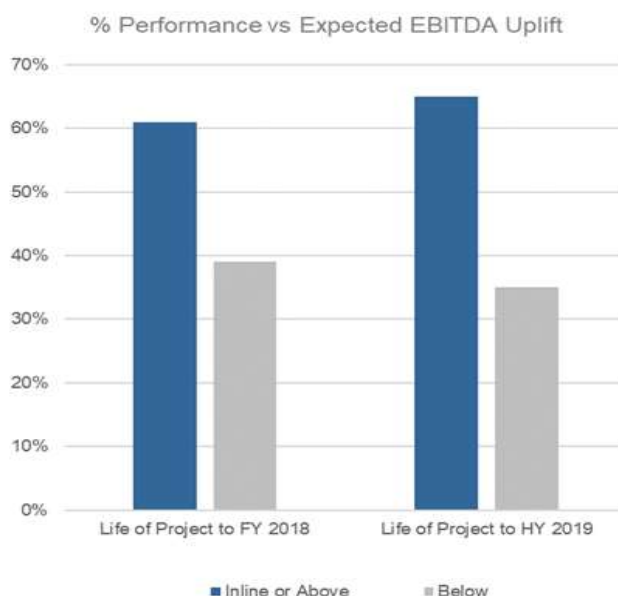
In February we summarised the key lessons learned from the initial work, and these lessons are updated below:

- Upgrading a traditional funeral home to a larger, modern, contemporary facility that offers an end to end solution delivers the biggest EBITDA uplift;
- Adding the national White Lady Funerals brand to these enhanced locations delivers significant benefit over and above the up-lift that would be achieved with a sole brand proposition;
- Customers who want a simple and affordable funeral still prefer a one-stop-shop, and where we have provided these facilities for our Simplicity brand we see strong demand;
- Our new growth shop fronts clearly demonstrate that the national brands have a shorter ramp up period than the local traditional brands. This demonstrates that our national brands are well known in markets where they are not currently active; and
- Projects with a trading history greater than a year are outperforming those still in ramp up. This is consistent with the assumption that people need to visit a renovated facility to fully understand the increased quality of location and service now being provided at our renovated locations.

In February we reported that of the 48 locations, 61% were performing in line or above expectations with 39% of locations were underperforming. We committed to circle back and apply the key lessons learned to the under-performing sites to improve overall performance. Whilst this work is ongoing it is pleasing to note that the number of sites that are either in-line or ahead of expectations has risen to 65%. It does however take time for the rectification work to catch up the initial under-performance and we expect this figure to continue to improve.

# InvoCare Limited and Controlled Entities

## Directors' report continued



### *People and Culture*

The company has continued to focus on people and culture during 2019 with the main focus being on ensuring that the wider operational team continue to be trained to deliver excellent customer service. This is a critical area as the business model relies heavily on repeat business and referrals. In addition, excellent customer service is a key component when people decide whether the service that they have received offers value for money.

We have continued to reward and recognise the operational team when they excel, and this is delivering excellent results. Our Net Promoter Score continues to improve and for H1 2019 the score of +80 represents a world class achievement. Our NPS score before we rolled out the P&G product was +65 for Australian funerals in Q4 2017.

Our aim is to ensure that every customer gets an excellent experience, and in pursuit of this goal we will continue to identify ways to improve our product offering and service levels. Part of this improvement process will be to roll out a bespoke training program for our local leaders in the field to allow them to further excel in managing our locations and meet customer needs.

### *Operational Efficiencies*

The collaboration between the ERP project team and operational team, along with the commitment and resilience of our field staff mean that by the end of H1 2019 circa 50% of the sites had been converted to the new system. The project should be implemented by the end of H2 2019. The benefits of this new technology are both operational (procurement, reduction in administration, scheduling, dynamic pricing) but also, and perhaps more importantly, is delivering vastly improved reporting capabilities.

The company has recently opened its first standalone dedicated operational shared service site in Malaga in Western Australia. The facility has been purpose built to meet the back of house operational needs of a large, modern funeral business and can cater for over 6,000 cases per annum from our WA locations, allowing for future growth. The rationale for this investment was to improve service levels to the customer, free up space for renovation at existing locations, deliver cost efficiencies and reduce injuries. Two smaller additional shared service sites in Canberra and Mackay are planned to go live in H2 2019.

# InvoCare Limited and Controlled Entities

## Directors' report continued

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### Regional Acquisitions

In 2018 the company announced that in parallel with its P&G strategy it would seek to expand its operational footprint from the traditional metropolitan markets and enter key strategic regional markets in Australia and New Zealand. The company identified five new regional markets that were of strategic importance given their strong demographic characteristics which will deliver greater than average growth in the key population demographic of people aged greater than 65 years. The move into this market was well received by potential vendors with the company completing 11 acquisitions in 2018. It is pleasing to report that the businesses that we acquired in 2018 are performing in-line with expectations, and we expect this performance to improve as we fully integrate these new operations into the InvoCare business.

Activity has continued in this market segment in H1 2019 and we recently announced the acquisition of Heritage Funerals in Toowoomba, QLD, which will add an additional 300 cases. This is an excellent business with a strong team and will support our existing funeral and cemetery and crematorium business in this regional market. The Company continues to have a strong and active pipeline of opportunities and expect further acquisitions and greenfield developments in these regional markets throughout H2 2019.

It should however be recognised that the level of sales activity was down across the market, and there was only one opportunity we were actively pursuing that was sold to a competitor. In this instance the competitor was willing to pay in excess of what we believed was a sensible commercial price for the opportunity. Pricing discipline is a key part of a successful development team, and the company is lucky that it has well established national brands that it can utilise as an alternative to acquisition when seeking to enter these strategic markets. These new green field locations will be supported on a hub-and-spoke basis from the more traditional brands that we have acquired in the regions.

### Pet Cremations

The Company identified the pet cremation sector as one worthy of investigation in 2016. After detailed desktop research we identified a pet cremation company that was a market leader in the US, and more importantly provided a high quality, customer focussed experience. We have been working with this provider to develop an Australian pet cremation business that will augment our core funeral and cemeteries & crematoria business. In 2018 we acquired an existing pet cremation business within Sydney, and in July 2019, the company launched its new brand (Patch & Purr) and opened its first new location in Wollongong.

The rationale for this investment is that the research clearly identified the Australian pet industry as one that is growing rapidly and the memorialisation of pets as an area of high growth. The Company's entry into the pet cremation sector is a natural expansion of our core business, and the focus is to provide a significantly higher level of service to both pet owners and veterinary clinics than is currently offered.

### Conclusion

Key developments over the last six months are:

- The number of deaths across Australia is beginning to revert back to historic norms
- The investment in the P&G strategy is delivering against expectations, especially case volume,
- The increase in case average demonstrates that people are willing to pay for higher quality product and services if they believe that they are getting value for money
- The increase in Net Promoter Score driven by the P&G strategy is a good indicator of long term success and demonstrate the importance of P&G
- The investment into the regional markets has contributed positively and establishes a presence in markets that will deliver above average growth in deaths over the next 20 years
- The equity raising conducted in February has allowed the company to strengthen its balance sheet whilst funding the future growth opportunities

As advised at the Annual General Meeting in May 2019, the importance of winter trading on full year results, and the difficulty associated with forecasting this critical period, means that we will not be providing full year guidance. The Company is however, able to advise that case volume performance in July 2019 was broadly in-line with expectations.

# InvoCare Limited and Controlled Entities

## Directors' report continued

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### Auditor's Independence Declaration

A copy of the Auditor's Independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 15.

### Rounding of amounts

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' Report and Financial Report. Amounts in the Directors' Report and Financial Report have been rounded off to the nearest thousand dollars (where rounding is applicable) in accordance with that instrument.

Signed in accordance with a resolution of the Board of Directors.



Bart Vogel  
**Director**



Martin Earp  
**Director**

Sydney  
15 August 2019



## Auditor's Independence Declaration

As lead auditor for the review of InvoCare Limited for the half-year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been:

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

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

A handwritten signature in black ink that reads 'Michelle Chiang'.

MW Chiang  
Partner  
PricewaterhouseCoopers

Sydney  
15 August 2019

**PricewaterhouseCoopers, ABN 52 780 433 757**

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# InvoCare Limited and Controlled Entities

## Consolidated Income Statement

For the half-year ended 30 June 2019

	Notes	Half-Year	
		2019 \$'000	2018 \$'000
Revenue from continuing operations	3	244,175	227,094
Finished goods, consumables and funeral disbursements		(64,035)	(58,913)
Employee benefits expense		(84,038)	(77,240)
Advertising and public relations expenses		(7,838)	(8,703)
Occupancy and facilities expenses		(9,760)	(15,290)
Motor vehicle expenses		(4,102)	(3,824)
Other expenses		(14,271)	(12,849)
		60,131	50,275
Depreciation and amortisation expense	11	(18,599)	(11,760)
Finance costs	11	(13,033)	(10,089)
Interest income		756	641
Net gain on undelivered prepaid contracts	4	28,287	298
Acquisition related costs		(606)	(1,345)
Net gain/(Loss) on disposal of non-current assets		(271)	135
<b>Profit before income tax</b>		<b>56,665</b>	<b>28,155</b>
Income tax expense		(15,523)	(7,245)
Profit from continuing activities		41,142	20,910
<b>Profit for the half-year</b>		<b>41,142</b>	<b>20,910</b>
Profit is attributable to:			
Equity holders of InvoCare Limited		41,083	20,850
Non-controlling interests		59	60
		41,142	20,910
<b>Earnings per share for profit attributable to the ordinary equity holders of the Company</b>			
Basic earnings per share (cents per share)	7	36.5	19.1
Diluted earnings per share (cents per share)	7	36.0	18.9

The above Consolidated Income Statement should be read in conjunction with the accompanying notes.

# InvoCare Limited and Controlled Entities

## Consolidated Statement of Comprehensive Income

For the half-year ended 30 June 2019

	Half-Year	
	2019	2018
Notes	\$'000	\$'000
<b>Profit for the half-year</b>	<b>41,142</b>	20,910
<b>Other comprehensive income</b>		
<i>Items that may be reclassified to profit or loss</i>		
Changes in the fair value of cash flow hedges, net of tax	(2,200)	341
Changes in foreign currency translation reserve, net of tax	336	(265)
<b>Other comprehensive income for the half-year, net of tax</b>	<b>(1,864)</b>	76
<b>Total comprehensive income for the half-year</b>	<b>39,278</b>	20,986
Total comprehensive income for the half-year is attributable to:		
Equity holders of InvoCare Limited	39,219	20,926
Non-controlling interests	59	60
	<b>39,278</b>	20,986

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

# InvoCare Limited and Controlled Entities

## Consolidated Balance Sheet

As at 30 June 2019

		June 2019	December 2018 Restated
	Notes	\$'000	\$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		12,086	14,776
Trade receivables		51,554	33,445
Other receivables		8,094	9,253
Inventories		48,052	45,754
Prepaid contract funds under management	4	53,036	45,986
Property held for sale		5,547	3,936
Deferred selling costs	3	3,126	3,101
<b>Total current assets</b>		<b>181,495</b>	<b>156,251</b>
<b>Non-current assets</b>			
Trade receivables		6,476	12,585
Other receivables		499	453
Other financial assets		4	4
Property, plant and equipment		436,861	425,578
Right of use asset	12	120,921	-
Prepaid contract funds under management	4	546,583	517,601
Intangible assets		204,389	204,799
Deferred selling costs	3	38,259	39,049
<b>Total non-current assets</b>		<b>1,353,992</b>	<b>1,200,069</b>
<b>Total assets</b>		<b>1,535,487</b>	<b>1,356,320</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		47,805	61,110
Lease liabilities	12	9,379	-
Derivative financial instruments		-	101
Current tax liabilities		2,067	1,486
Prepaid contract liabilities	4	45,825	41,428
Deferred revenue	3	24,053	23,345
Provisions		14,513	14,356
<b>Total current liabilities</b>		<b>143,642</b>	<b>141,826</b>
<b>Non-current liabilities</b>			
Borrowings		349,381	408,245
Lease liabilities	12	125,972	-
Derivative financial instruments		4,953	1,694
Deferred tax liabilities		22,596	24,314
Prepaid contract liabilities	4	473,808	468,616
Deferred revenue	3	119,130	115,409
Provisions		6,324	4,918
<b>Total non-current liabilities</b>		<b>1,102,164</b>	<b>1,023,196</b>
<b>Total liabilities</b>		<b>1,245,806</b>	<b>1,165,022</b>
<b>Net assets</b>		<b>289,680</b>	<b>191,297</b>
<b>EQUITY</b>			
Contributed equity		214,373	124,140
Reserves		8,250	7,778
Retained profits		65,879	58,138
Parent entity interest		288,502	190,056
Non-controlling interests		1,178	1,241
<b>Total equity</b>		<b>289,680</b>	<b>191,297</b>

The above Consolidated Balance Sheet should be read in conjunction with the accompanying notes.

# InvoCare Limited and Controlled Entities

## Consolidated Statement of Changes in Equity

For the half-year ended 30 June 2019

	Notes	Attributable to Owners of InvoCare Limited					Non controlling interest \$'000	Total equity \$'000
		Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Total \$'000			
<b>Balance at 1 January 2019</b>		<b>124,140</b>	<b>7,778</b>	<b>58,138 *</b>	<b>190,056</b>		<b>1,241</b>	<b>191,297</b>
Change in accounting policy	12	-	-	(11,842)	(11,842)		-	(11,842)
Restated total equity at the beginning of the financial year		<b>124,140</b>	<b>7,778</b>	<b>46,296</b>	<b>178,214</b>		<b>1,241</b>	<b>179,455</b>
Total comprehensive income for the half-year		-	(1,864)	41,083	39,219		59	39,278
<b>Transactions with owners in their capacity as owners:</b>								
Dividends paid	5	-	-	(17,456)	(17,456)		(122)	(17,578)
Reclassification of equity settled share based payments		-	2,528	-	2,528		-	2,528
Employee share plan shares vesting during the half year	6	240	(240)	-	-		-	-
Issue of ordinary shares as part of dividend reinvestment plan	6	4,044	-	(4,044)	-		-	-
Issue of ordinary shares	6	85,949	-	-	85,949		-	85,949
Employee shares – value of services		-	48	-	48		-	48
<b>Balance at 30 June 2019</b>		<b>214,373</b>	<b>8,250</b>	<b>65,879</b>	<b>288,502</b>		<b>1,178</b>	<b>289,680</b>
<b>Balance at 1 January 2018</b>		136,344	5,046	139,843	281,233		1,184	282,417
Change in accounting policy		-	-	(73,411)	(73,411)		-	(73,411)
Restated total equity at the beginning of the financial year		136,344	5,046	66,432 *	207,822		1,184	209,006
Total comprehensive income for the half-year		-	76	20,850	20,926		60	20,986
<b>Transactions with owners in their capacity as owners:</b>								
Dividends paid	5	-	-	(30,257)	(30,257)		-	(30,257)
Acquisition of shares by the InvoCare Deferred Share Plan Trust		(16,196)	-	-	(16,196)		-	(16,196)
Employee share plan shares vesting during the half year	6	674	(674)	-	-		-	-
Employee shares – value of services		-	132	-	132		-	132
<b>Balance at 30 June 2018</b>		<b>120,822</b>	<b>4,580</b>	<b>57,025</b>	<b>182,427</b>		<b>1,244</b>	<b>183,671</b>

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

\*Restated, refer to Note 12 for details regarding changes in accounting policies.

# InvoCare Limited and Controlled Entities

## Consolidated Statement of Cash Flows

For the half-year ended 30 June 2019

	Notes	Half-Year	
		2019	2018
		\$'000	\$'000
<b>Cash flows from operating activities</b>			
Receipts from customers (including GST)		250,671	237,920
Payments to suppliers and employees (including GST)		(212,167)	(202,964)
Other revenue		2,301	2,910
		40,805	37,866
Interest received		205	-
Finance costs		(8,072)	(6,375)
Income tax paid		(10,515)	(18,647)
<b>Net cash inflow from operating activities</b>		<b>22,423</b>	<b>12,844</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment		214	270
Purchase of subsidiaries and other businesses including acquisition costs, net of cash acquired		(1,563)	(17,781)
Proceeds from sale of subsidiaries and other businesses		944	-
Purchase of property, plant and equipment		(30,068)	(39,946)
Payments to funds for pre-paid contract sales	4	(16,185)	(17,712)
Receipts from funds for pre-paid contracts performed	4	19,964	21,862
<b>Net cash outflow from investing activities</b>		<b>(26,694)</b>	<b>(53,307)</b>
<b>Cash flows from financing activities</b>			
Payment for shares acquired by InvoCare Deferred Employee Share Plan Trust		-	(16,196)
Proceeds from borrowings		22,439	346,761
Repayment of borrowings		(82,500)	(264,117)
Principal elements of lease payments		(6,775)	-
Dividends paid to InvoCare Limited shareholders		(17,456)	(30,257)
Dividends paid to non-controlling interests in subsidiaries		(122)	-
Share capital issue		85,949	-
<b>Net cash inflow from financing activities</b>		<b>1,535</b>	<b>36,191</b>
Net decrease in cash and cash equivalents		(2,736)	(4,272)
Cash and cash equivalents at the beginning of the half-year		14,776	15,531
Effects of exchange rate changes on cash and cash equivalents		46	157
<b>Cash and cash equivalents at the end of the half-year</b>		<b>12,086</b>	<b>11,416</b>

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

# InvoCare Limited and Controlled Entities

## Notes to the consolidated financial statements

For the half-year ended 30 June 2019

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### 1 Basis of preparation of the half-year report

This condensed consolidated interim financial report for the half-year reporting period ended 30 June 2019 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the Annual Report for the year ended 31 December 2018 and any public announcements made by InvoCare Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Except as noted below, the accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

AASB 16 *Leases* became applicable from 1 January 2019 and the Group had to change its accounting policies and make adjustments to opening retained earnings at 1 January 2019 as a result.

The impact of the adoption of these standards and the new accounting policies are disclosed in note 12 Changes in accounting policies.

### 2 Segment Information

#### (a) Description of segments

The operating segments are based on the management reporting regularly reviewed by the Chief Executive Officer ("CEO"). This reporting is based on the operational location of the business because different economic and cultural factors impact the growth and profitability of the segments.

# InvoCare Limited and Controlled Entities

## Notes to the consolidated financial statements

For the half-year ended 30 June 2019

### 2 Segment Information continued

#### (b) Segment information provided to the CEO

The segment information provided to the CEO for reportable segments to 30 June 2019 and 30 June 2018 is outlined below.

	Australian Operations	Singapore Operations	New Zealand Operations	Other	Consolidated
Half-Year	2019	2019	2019	2019	2019
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from external customers	202,449	9,892	27,753	-	240,094
Other revenue (excluding interest income)	3,831	188	62	-	4,081
Operating expenses	(156,783)	(5,256)	(21,993)	(12)	(184,044)
	49,497	4,824	5,822	(12)	60,131
Revenue adjustment - prepaid redemptions *	1,399	-	-	-	1,399
Other revenue adjustment - prepaid redemptions *	(2,245)	-	-	-	(2,245)
Operating expenses adjustment - prepaid redemptions *	3,547	-	-	-	3,547
<b>Operating EBITDA</b>	<b>52,198</b>	<b>4,824</b>	<b>5,822</b>	<b>(12)</b>	<b>62,832</b>
Depreciation and amortisation	(15,192)	(731)	(2,676)	-	(18,599)
Finance costs	(10,442)	(660)	(1,931)	-	(13,033)
Interest income	623	121	12	-	756
Income tax expense	(14,985)	(486)	(52)	-	(15,523)
Total goodwill	110,870	15,426	71,563	-	197,859
Total assets	1,320,042	63,675	151,630	140	1,535,487
Total liabilities	1,100,741	40,698	104,328	39	1,245,806

	Australian Operations	Singapore Operations	New Zealand Operations	Other	Consolidated
Half-Year	2018	2018	2018	2018	2018
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from external customers	195,056	6,568	22,166	1	223,791
Other revenue (excluding interest income)	2,994	206	103	-	3,303
Operating expenses	(153,914)	(4,706)	(18,191)	(8)	(176,819)
	44,136	2,068	4,078	(7)	50,275
Revenue adjustment - prepaid redemptions *	1,870	-	15	-	1,885
Other revenue adjustment - prepaid redemptions *	(2,326)	-	-	-	(2,326)
Operating expenses adjustment - prepaid redemptions *	3,895	-	-	-	3,895
<b>Operating EBITDA</b>	<b>47,575</b>	<b>2,068</b>	<b>4,093</b>	<b>(7)</b>	<b>53,729</b>
Depreciation and amortisation	(10,124)	(216)	(1,420)	-	(11,760)
Finance costs	(8,293)	(488)	(1,309)	1	(10,089)
Interest income	645	-	(4)	-	641
Income tax expense	(6,900)	(126)	(210)	(9)	(7,245)
Total goodwill	110,813	15,192	71,536	-	197,541
Total assets	1,167,371	60,567	128,229	153	1,356,320
Total liabilities	1,044,608	40,300	80,075	39	1,165,022

(\*) Adjustment to reclassify the non-operating impacts of performing prepaid funeral, burial and cremation services to net gains on prepaid contracts.



# InvoCare Limited and Controlled Entities

## Notes to the consolidated financial statements

For the half-year ended 30 June 2019

### 2 Segment Information continued

#### (c) Segment information - accounting policies

Operating EBITDA is reconciled to profit before tax on the face of the Consolidated Income Statement.

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

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. Segment assets include all assets used by a segment and consist primarily of operating cash, receivables, inventories, property, plant and equipment and goodwill and other intangible assets, net of related provisions.

Segment liabilities consist primarily of trade and other creditors and employee benefits and, in the case of Singapore, include an allocation of the long-term borrowings raised in Australia to fund the investment in Singapore. New Zealand has long-term borrowings which are arranged in New Zealand but with the support of Australia. The Group's operation in Hong Kong has been included under "Other Operations" in the tables above due to its relatively small size.

### 3 Revenue

#### (a) Disaggregation of revenue from contracts with customers

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

	Australian Operations	Singapore Operations	New Zealand Operations	Consolidated
Half-year 2019	\$'000	\$'000	\$'000	\$'000
Funeral services	149,413	9,892	26,477	185,782
Cemetery and crematoria services	55,120	-	1,319	56,439
	204,533	9,892	27,796	242,221
Rent	202	24	8	234
Sundry revenue	1,545	164	11	1,720
<b>Total revenue from continuing operations</b>	<b>206,280</b>	<b>10,080</b>	<b>27,815</b>	<b>244,175</b>

	Australian Operations	Singapore Operations	New Zealand Operations	Consolidated
Half-year 2018	\$'000	\$'000	\$'000	\$'000
Funeral services	139,639	6,569	21,019	167,227
Cemetery and crematoria services	57,556	-	1,221	58,777
	197,195	6,569	22,240	226,004
Rent	177	26	10	213
Sundry revenue	663	179	35	877
<b>Total revenue from continuing operations</b>	<b>198,035</b>	<b>6,774</b>	<b>22,285</b>	<b>227,094</b>

# InvoCare Limited and Controlled Entities

## Notes to the consolidated financial statements

For the half-year ended 30 June 2019

### 3 Revenue continued

#### (b) Significant changes in assets and liabilities related to contracts with customers

The table below provides details of movement in deferred revenue and deferred selling costs. The Group has no contract assets arising out of its contracts with customers.

Half-year 30 June 2019	Deferred revenue	Deferred selling costs
	\$'000	\$'000
<b>Opening balance*</b>	<b>138,754</b>	<b>42,150</b>
<i>Changes during the year: Add / (less):</i>		
Revenue deferred: Cash received from customer instalment payments	7,994	-
<i>Revenue recognised related to transition adjustment and instalments received in the period:</i>		
Cemetery and crematorium memorial products	(5,124)	(682)
<i>Revenue deferred during the period:</i>		
Recognition of significant financing on customer advance payments: Cemetery and crematoria memorial products	1,067	-
Revenue deferred: Cemetery and crematorium memorial products	(1,068)	(76)
Revenue deferred: Administration fees prepaid funeral service contracts	907	(6)
Recognition of significant financing on customer advance payments: Administration fees prepaid funeral service contracts	633	-
Other movements	20	(1)
<b>Closing balance</b>	<b>143,183</b>	<b>41,385</b>

Full Year 31 December 2018	Deferred revenue	Deferred selling costs
	\$'000	\$'000
<b>Opening balance</b>	<b>129,454</b>	<b>43,877</b>
<i>Changes during the year: Add / (less):</i>		
Revenue deferred: Cash received from customer instalment payments	10,159	-
Revenue deferred: Cash received from customer instalment payments*	14,320	-
<i>Revenue recognised related to transition adjustment and instalments received in the period:</i>		
Cemetery and crematorium memorial products	(21,564)	(2,787)
<i>Revenue deferred during the period:</i>		
Recognition of significant financing on customer advance payments: Cemetery and crematoria memorial products	3,458	-
Revenue deferred: Cemetery and crematorium memorial products	-	586
Revenue deferred: Administration fees prepaid funeral service contracts	1,553	631
Recognition of significant financing on customer advance payments: Administration fees prepaid funeral service contracts	1,386	-
Other movements	(12)	(157)
<b>Closing balance*</b>	<b>138,754</b>	<b>42,150</b>

\* Restated, refer to Note 12 for details regarding changes in accounting policies.

# InvoCare Limited and Controlled Entities

## Notes to the consolidated financial statements

For the half-year ended 30 June 2019

### 4 Prepaid contracts

#### (a) Impact on statement of comprehensive income

Half-Year		2019 \$'000	2018 \$'000
	Notes		
Gain on prepaid contract funds under management		38,334	9,734
Interest expense prepaid contracts	11	(10,047)	(9,436)
Net gain on undelivered prepaid contracts		28,287	298

#### (b) Movements in prepaid contract funds under management

Half-Year		2019 \$'000	2018 \$'000
Balance at the beginning of the year		563,587	545,825
Sale of new prepaid contracts		16,185	17,712
Initial recognition of contracts paid by instalment		1,476	1,675
Redemption of prepaid contract funds following service delivery		(19,963)	(21,862)
Increase due to business combinations		-	1,492
Increase in fair value of contract funds under management		38,334	9,734
Balance at the end of the half-year		599,619	554,576
Current		53,036	47,022
Non-current		546,583	507,554

#### (c) Movements in prepaid contract liabilities

Half-Year		2019 \$'000	2018 \$'000
Balance at the beginning of the year		510,044	452,084
Increase due to transition to AASB15: Revenue from contracts with customers		-	28,590
Sale of new prepaid contracts		16,185	17,712
Initial recognition of contracts paid by instalment		1,476	1,675
Decrease following delivery of services		(18,119)	(19,924)
Increase due to business combinations		-	1,757
Interest expense prepaid contracts	11	10,047	9,436
Balance at the end of the half-year		519,633	491,330
Current		45,825	42,217
Non-current		473,808	449,113

# InvoCare Limited and Controlled Entities

## Notes to the consolidated financial statements

For the half-year ended 30 June 2019

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### 4 Prepaid contracts continued

#### (d) Classification of prepaid funds under management and liabilities

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

Prepaid contracts are tripartite agreements, whereby InvoCare agrees to deliver a specified funeral service, cremation or burial at the time of need and the beneficiary invests the current price of the service to be delivered with a financial institution and conditionally assigns the benefit to InvoCare.

InvoCare records the value of the invested funds as an asset and revalues the invested funds to fair value at the end of each reporting period. InvoCare also records a liability at the current selling price of the service to be delivered and adjusts this liability by recognising an interest expense on customer advance payments until the underlying service is delivered and revenue is recognised.

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

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

InvoCare permits, on request, contracts to be paid by instalments over periods not exceeding three years. In some instances these contracts are never fully paid. If, during the three-year period the contract becomes at-need, the family is given the option of either paying outstanding instalments and receiving the contracted services at the original fixed price or using the amount paid as a part payment of the at-need service. If the contract is not fully paid after three years InvoCare only permits the family to use the amounts paid as a partial payment of the at-need services. At the end of the half-year the total balance of amounts received from instalment payments for incomplete contracts was \$7.2 million (2018: \$7.5 million). These funds and the relevant liability are recognised when the contract has been fully paid.

During the half-year the non-cash fair value movements (i.e. investment earnings) of \$38.3 million in prepaid contract funds under management (2018: \$9.7 million) was higher than the non-cash growth due to interest expense increases of \$10.0 million in the liability for future service delivery obligations (2018: \$9.4 million).

# InvoCare Limited and Controlled Entities

## Notes to the consolidated financial statements

For the half-year ended 30 June 2019

### 5 Dividends

	Half-year ended	
	2019	2018
	\$'000	\$'000
<b>Dividend paid during the half-year</b>		
Final ordinary dividend in respect of the previous year of 19.50 cents (2018: 27.50 cents) per fully paid ordinary share, fully franked based on tax paid at 30%. \$17,456,000 in cash and \$4,044,000 in issue of new shares under dividend reinvestment plan	21,500	30,257
On 24 May 2019 dividend totalling 15.04 cents per fully paid share, fully franked based on tax paid at 30%, was paid to non-controlling interests (2018: 9.91 cents per share paid on 9 April 2018)	122	79
Dividends paid to members of InvoCare Limited	21,622	30,336
<b>Dividends not recognised at the end of the half-year</b>		
In addition to the above dividends, since the end of the half-year the directors have recommended the payment of an interim dividend of 17.5 cents per fully paid ordinary share (2018: 17.5 cents), fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 4 October 2019 (2018: 5 October 2018), but not recognised as a liability at the end of the half-year, is:	20,443	19,261
<b>Franking credit balance</b>		
The amount of franking credits available for subsequent financial years are:		
Franking account balance at the end of the reporting period	39,419	40,244
Franking credits that will arise from the payment of income tax payable at the end of the reporting period	1,382	920
Reduction in franking account resulting from the payment of the proposed interim dividend of 17.5 cents (2018: 17.5 cents)	(8,761)	(8,252)
	32,040	32,912

# InvoCare Limited and Controlled Entities

## Notes to the consolidated financial statements

For the half-year ended 30 June 2019

### 6 Movements in contributed equity

Half-Year	2019 Shares	2018 Shares	2019 \$'000	2018 \$'000
<b>Ordinary shares</b>				
<b>Movement of ordinary shares during the half-year</b>				
Issue of ordinary shares as part of dividend reinvestment plan	295,743	-	4,044	-
Ordinary shares issue	6,265,126	-	85,949	-
<b>Total</b>	<b>6,560,869</b>	<b>-</b>	<b>89,993</b>	<b>-</b>
Half-Year	2019 Shares	2018 Shares	2019 \$'000	2018 \$'000
<b>Treasury shares</b>				
<b>Movement of treasury shares during the half-year</b>				
Shares vesting during the half-year	(13,778)	(72,634)	(240)	(674)
Acquisition of shares by the InvoCare Employee Share Plan Trust	-	1,166,000	-	16,196
<b>Total</b>	<b>(13,778)</b>	<b>1,093,366</b>	<b>(240)</b>	<b>15,522</b>

The Dividend Reinvestment Plan under which 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. For the 2018 final dividend, 295,743 shares were issued at a price of \$13.66 per share reflecting a discount of 2% to the market price.

On 08 March 2019, the Group undertook a fully underwritten institutional placement and a follow-on Share Purchase Plan. A total of 6,265,126 shares were issued at a price of \$14.00 per share pursuant to this initiative.

### 7 Earnings per share – weighted average number of ordinary shares

Half-Year	2019 Shares	2018 Shares
Weighted average number of ordinary shares used as a denominator in calculating:		
Basic earnings per share	<b>112,645,933</b>	109,132,264
Diluted earnings per share	<b>114,179,809</b>	110,028,767

# InvoCare Limited and Controlled Entities

## Notes to the consolidated financial statements

For the half-year ended 30 June 2019

### 8 Contingencies

	June 2019 \$'000	December 2018 \$'000
The parent entity and consolidated entity had contingent liabilities at 30 June 2019 in respect of bank guarantees given for leased premises of controlled entities to a maximum of:	2,367	2,428

### 9 Fair value measurement

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

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

The Group applies AASB 13 *Fair Value Measurement* which requires the disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

	June 2019 \$'000	December 2018 \$'000
<b>Level 2</b>		
Prepaid contract funds under management	599,619	563,587
Derivative financial instruments	(4,953)	(1,795)
<b>Level 3</b>		
Contingent consideration	(196)	(99)

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

No financial instruments or derivatives are held for trading.

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

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

The carrying value less impairment provisions for trade receivables and payables is a reasonable approximation of their fair values due to the short-term nature of trade receivables. Non-current trade receivables are discounted to their fair value in accordance with the accounting policy outlined in Note 1(l) of the 2018 Annual Financial Report.



# InvoCare Limited and Controlled Entities

## Notes to the consolidated financial statements

For the half-year ended 30 June 2019

### 10 Events occurring after balance date

On 22 July 2019 the Group acquired business assets of Australian Heritage Funerals based in Toowoomba, Queensland for an aggregate purchase consideration of \$2,950,000. The business has been operating in the local community since 1998. Provisional accounting for this acquisition is yet to be completed as at the date of this report.

Other than above, no significant subsequent events, not otherwise disclosed, have occurred since 30 June 2019.

### 11 Finance cost and depreciation and amortisation expense

The table below provides further details on Finance costs and depreciation and amortisation expense as reported in the Consolidated Income Statement:

Half-Year		2019	2018
	Notes	\$'000	\$'000
Operational finance costs		9,064	7,503
Interest expense on advance payments		1,700	2,586
Interest expense on lease liabilities	12	2,269	-
<b>Total finance costs as reported on Consolidated Income Statement</b>		<b>13,033</b>	10,089
Interest expense on prepaid contracts	4	10,047	9,436

Half-Year		2019	2018
	Notes	\$'000	\$'000
Operational depreciation and amortisation costs		13,076	11,760
Amortisation of right of use assets	12	5,523	-
<b>Total depreciation and amortisation costs as reported on Consolidated Income Statement</b>		<b>18,599</b>	11,760

# InvoCare Limited and Controlled Entities

## Notes to the consolidated financial statements

For the half-year ended 30 June 2019

### 12 Changes in accounting policies

This note explains the impact of the adoption of AASB 16 *Leases* on the Group's financial statements and discloses the new accounting policies that have been applied from 1 January 2019 in note 12(b) below.

#### (a) Impact on the financial statements

The Group has adopted AASB 16 using the modified retrospectively approach from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

#### (b) Adjustments recognised on adoption of AASB 16

On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB117 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 3.4%.

Lease liabilities recognised in the statement of financial position at the date of initial application:

	2019 \$'000
Operating lease commitments disclosed as at 31 December 2018	55,532
Discounted using the lessee's incremental borrowing rate of at the date of initial application	46,983
(Less): short-term leases recognised on a straight-line basis as expense	-
(Less): low-value leases recognised on a straight-line basis as expense	1,691
Add/(less): adjustments as a result of a different treatment of extension and termination options*	86,955
<b>Lease liability recognised as at 1 January 2019</b>	<b>135,629</b>
Current lease liabilities	13,743
Non-current lease liabilities	121,886

\*Refer to note 12(c) (ii) - The Group has assessed it is reasonably certain that it will exercise its options to renew.

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

	30 June 2019 \$'000	1 January 2019 \$'000
Properties	120,423	121,641
Equipment	483	590
Motor vehicles	15	22
<b>Total right-of-use assets</b>	<b>120,921</b>	<b>122,253</b>

# InvoCare Limited and Controlled Entities

## Notes to the consolidated financial statements

For the half-year ended 30 June 2019

### 12 Changes in accounting policies continued

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- right-of-use assets – increase by \$122,253,000;
- deferred tax assets – increase by \$5,030,000;
- lease liabilities – increase by \$135,629,000;
- provision – increase by \$3,496,000

The net impact on retained earnings on 1 January 2019 was a decrease of \$11,842,000.

#### (i) Impact on segment disclosures and earnings

Adjustment to EBITDA, segment assets and segment liabilities for 30 June 2019 all increased as a result of the change in accounting policy. Lease liabilities are now included in segment liabilities.

The following segments were affected by the change in policy:

	Australian Operations	Singapore Operations	New Zealand Operations	Consolidated
Half-Year	2019 \$'000	2019 \$'000	2019 \$'000	2019 \$'000
<b>Adjustment to EBITDA</b>	<b>5,517</b>	<b>49</b>	<b>1,167</b>	<b>6,733</b>
Depreciation and amortisation	(4,593)	(47)	(883)	(5,523)
Finance costs	(1,803)	(3)	(463)	(2,269)
Income tax expense	211	-	50	261
<b>Earnings after Tax</b>	<b>(668)</b>	<b>(1)</b>	<b>(129)</b>	<b>(798)</b>
Total assets	98,450	37	22,434	120,921
Total liabilities	114,932	55	24,056	138,943

#### (ii) Practical expedients applied

In applying AASB 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

#### (c) The Group's leasing activities and how these are accounted for

(i) The Group leases various properties, cemeteries, equipment and cars. Rental contracts are typically made for fixed periods of 5 to 10 years, with some leases for periods of 30 years. The Group's leases may have extension options as described in (ii) below. 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, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease. There has been no change to the accounting for finance leases.

# InvoCare Limited and Controlled Entities

## Notes to the consolidated financial statements

For the half-year ended 30 June 2019

### 12 Changes in accounting policies continued

From 1 January 2019, leases are recognised as 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 lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee 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:*

- the 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; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets 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 IT equipment and small items of office equipment.

#### *(ii) Extension and termination options*

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.

#### *(iii) Critical judgements in 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.

# InvoCare Limited and Controlled Entities

## Notes to the consolidated financial statements

For the half-year ended 30 June 2019

### 12 Changes in accounting policies continued

#### (d) Changes in method of tax effect accounting for the adoption of AASB 15 Revenue from Contracts with Customers

The Group changed the method in which it determines the tax base of its deferred revenue balance for purposes of calculating deferred tax assets. This change impacted the recognition of deferred tax assets on the Group's transition adjustment to AASB 15 as of 1 January 2018 for the Cemetery and Crematorium memorial products revenue stream only.

(i): The Group considers the new method better attributes the tax impact of those transactions, where revenue was deferred on adoption of AASB 15, to the period when the revenue will be recognised. That is, a deferred tax asset has been recognised for the entire amount of revenue that has been taxed but will be recognised in the future for financial reporting purposes. The change of \$16.6 million has been accounted for retrospectively at the date of transition to AASB 15, being 1 January 2018.

(ii): Upon reviewing the implications of the above change in accounting method, the Group identified an understatement of deferred revenue and trade receivables as at 31 December 2018 of \$14.3 million. This understatement relates to cash received from memorial product customers where control of the interment right and associated memorial had not passed to the customer at 31 December 2018. As a result, the Group has corrected trade receivables and deferred revenue by \$14.3 million as at 31 December 2018.

There is no change to reported profit or cashflows for the year ended 31 December 2018 from these adjustments.

The line items impacted by the changes are:

	1 Jan 2018 As reported \$'000	Adj. (i) \$'000	1 Jan 2018 Restated \$'000	31 Dec 2018 As reported \$'000	Adj. (i) \$'000	Adj. (ii) \$'000	31 Dec 2018 Restated \$'000
<b>Assets</b>							
Trade receivables	18,866	-	18,866	31,709	-	14,320	46,029
<b>Liabilities</b>							
Deferred revenue	129,454	-	129,454	124,434	-	14,320	138,754
Deferred tax liability	40,577	(16,612)	23,965	40,926	(16,612)	-	24,314
<b>Equity</b>							
Retained earnings	49,820	16,612	66,432	41,526	16,612	-	58,138
<b>Consolidated Income Statement</b>							
Income tax expense	-	-	-	16,384	-	-	16,384
Profit for the year	-	-	-	41,360	-	-	41,360
Basic earnings per share (cents per share)	-	-	-	37.8	-	-	37.8
Diluted earnings per share (cents per share)	-	-	-	37.3	-	-	37.3

# InvoCare Limited and Controlled Entities

## Directors' Declaration

For the half-year ended 30 June 2019

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In the directors' opinion:

- (a) the financial statements and notes set out on pages 16 to 34 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, the *Corporation Regulations 2001* and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the half-year ended on that date; and
- (b) there are reasonable grounds to believe that InvoCare Limited will be able to pay its debts as and when they become due and payable.

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



Bart Vogel  
**Director**



Martin Earp  
**Director**

Sydney  
15 August 2019



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

### ***Report on the Half-Year Financial Report***

We have reviewed the accompanying half-year financial report of InvoCare Limited (the company), which comprises the consolidated balance sheet as at 30 June 2019, the consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected other explanatory notes and the directors' declaration for InvoCare Group. The Group comprises the company and the entities it controlled during that half-year.

### ***Directors' responsibility for the half-year financial report***

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

### ***Auditor's responsibility***

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of InvoCare Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

### ***Independence***

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

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**PricewaterhouseCoopers, ABN 52 780 433 757**

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### *Conclusion*

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

1. giving a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the half-year ended on that date;
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A stylized, handwritten signature of "PricewaterhouseCoopers" in black ink.

PricewaterhouseCoopers

A handwritten signature of "Michelle Chiang" in black ink.

MW Chiang  
Partner

Sydney  
15 August 2019