InvoCare Limited
ABN 42 096 437 393

Appendix 4E - Preliminary Final Report
For the Year Ended 31 December 2012

Lodged with Australian Securities Exchange under Listing Rule 4.3A

Contents

InvoCare Limited

Appendix 4E

ABN 42 096 437 393

Results for announcement to the market

Consolidated Financial Results	Compared to actual for previous year ended 31 December 2011	Year Ended 31 December 2012 $'000
Total sales revenue	Up 14.8%	368,652
Total revenue from ordinary activities	Up 14.7%	375,504
Profit from ordinary activities after tax attributable to members	Up 64.7%	44,479
Net profit attributable to members	Up 64.7%	44,479
Operating earnings after tax (see note 1)	Up 16.7%	42,479

Dividends	**Amount per security**	**Franked Amount per security**
Interim dividend per ordinary share in respect of 31 December 2012 paid on 5 October 2012	15.0 cents	15.0 cents
Final dividend per ordinary share in respect of 31 December 2012 financial year	19.0 cents	19.0 cents
The **record date** for determining entitlements to the final dividend and for DRP election is:		**15 March 2013**
The final dividend is **payable** on:		**5 April 2013**

Note 1: This is non-IFRS financial information and is reconciled to statutory profit on page 2.

Dividends and Distributions

The total interim and final fully franked ordinary dividends in respect of the financial year ended 31 December 2012 amount to 34.0 cents per share, which is an increase of 14.3% from the ordinary dividends for the 2011 financial year.

In 2012 fully franked dividends amounting to $0.1 million were paid to outside equity interests (2011: $0.1 million).

Dividend Reinvestment Plan in Operation

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

In the operation of the DRP, InvoCare may, in its discretion, either issue new shares or cause existing shares to be acquired in the market for transfer to shareholders, or a combination of both options. For the final 2012 ordinary dividend, it is intended that the required shares will be purchased on market. Any shortfall in DRP take-up will not be underwritten nor will shares be issued with a discount to the market price. The market price will be calculated 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 record date, 15 March 2013. The ex-dividend date to be entitled to the final dividend is 18 March 2013.

In order to participate in the DRP, the Company's share registry must receive the election notice by the record date.

Brief Explanation

Refer to the section headed "Commentary on the Results" for an explanation of the results.

Attention is also drawn to the audited Financial Report, Investor Presentation and Media Release material released to the market with this Appendix 4E Preliminary Final Report.

InvoCare Limited

Appendix 4E

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Results for announcement to the market

Result highlights:	2012 $'000's	2011 $'000's	Change $'000's	Change %
Total sales to external customers	**368,652**	321,113	47,539	14.9%
Other revenue	6,852	6,383	469	7.3%
Operating expenses (i)	(282,478)	(245,694)	(36,784)	15.0%
Operating EBITDA (i)	**93,026**	**81,802**	11,224	13.7%
Operating Margin	*25.2%*	*25.5%*		*(0.3%)*
Depreciation and amortisation	(16,360)	(13,746)	(2,614)	19.0%
Finance costs	(16,262)	(15,092)	(1,170)	7.8%
Interest income	780	729	51	7.0%
Business acquisition costs	(731)	(1,309)	578	(44.2%)
Operating earnings before tax (i)	**60,453**	52,383	8,070	15.4%
Income tax on above operating earnings (i)	(17,974)	(15,977)	(1,997)	12.5%
Effective tax rate	*29.7%*	*30.5%*		*(0.8%)*
Operating earnings after tax (i)	**42,479**	36,406	6,073	16.7%
Operating earnings per share (i)	*38.8 cents*	*34.5 cents*	*4.3 cents*	*12.5%*
Net (loss) on undelivered prepaid contracts after tax (i)	(13)	(9,434)	9,421	(99.9%)
Asset sale gains after tax (i)	2,116	142	1,974	
Non-controlling interest	(103)	(103)	0	
Net profit after tax attributable to InvoCare shareholders	**44,479**	27,012	17,467	64.7%
Basic earnings per share	*40.6 cents*	*25.6 cents*	*15.0 cents*	*58.5%*
Dividends				
Interim ordinary dividend per share	15.00 cents	13.50 cents	1.50 cents	11.1%
Final ordinary dividend per share	19.00 cents	16.25 cents	2.75 cents	16.9%
Total ordinary dividend per share	34.00 cents	29.75 cents	4.25 cents	14.3%

(i) Non-IFRS financial information

Introduction

2012 was a year of consolidation and growth for InvoCare as the integration of the Bledisloe business across Australia and New Zealand was finalised. In addition InvoCare expanded into regional Victoria with the acquisition of the Tuckers Funeral & Bereavement Services (Tuckers) business in December 2012. Tuckers brings over 100 years of tradition in servicing the Geelong regional market and positions InvoCare as market leader in a new market segment.

Reported profit after tax and after non-controlling interests, which includes net gains and losses from undelivered prepaid contracts and asset sales, was $44.5 million compared to $27.0 million in the corresponding 2011 year.

Operating earnings after tax and before non-controlling interests[1] increased by 16.7% or $6.1 million to $42.5 million (2011: $36.4 million). Operating earnings per share increased 12.5% to 38.8 cents per share with the dilution effect due to the Bledisloe acquisition in 2011 being partly funded by issuing InvoCare shares.

Sales revenue increased 14.8% to $368.7 million, including a full year contribution of $69.3 million from Bledisloe (2011: $38.0 million) which was acquired on 15 June 2011. The Tuckers business which was acquired on 10 December 2012 contributed $0.4 million of sales revenue. Excluding the acquisitions, comparable business sales grew by 5.6% to $298.9 million. This growth was driven by market share improvements, increased numbers of deaths, annual price changes and higher funeral disbursement revenues.

Operating EBITDA[2] was up 13.7% to $93.0 million, including an estimated full year contribution of $13.0 million from Bledisloe and part year contribution of $0.1 million from Tuckers. Excluding these acquisitions, comparable business EBITDA grew by 6.2% to $80.0 million. Sales margins in comparable businesses grew despite increased investment in marketing to drive brand awareness and the annualised impact of new roles created to support the larger business and deliver growth objectives.

During the year the non-cash fair value movements (i.e. investment earnings) of $17.6 million in prepaid contract funds under management (2011: $2.1 million) matched the non-cash growth due to selling price increases of $17.6 million in the liability for future service delivery obligations (2011: $15.5 million). The improvement in the investment earnings reflected the full year impact of decisions taken in the second half of 2011 to change the asset allocations in the main prepaid fund.

A final, fully franked dividend of 19.0 cents per share will be paid on 5 April 2013. Total dividends for the year are 34.0 cents, being 4.2 cents or 14.3% higher than 2011, comparable to the 16.7% growth in operating earnings after tax. The full year dividend payout ratio of operating earnings after tax is 88% (2011: 89%).

[1] Operating earnings after tax and operating earnings per share are non-IFRS financial information. A reconciliation to IFRS financial information is set out in the results highlights on page 2.
[2] Operating EBITDA is non-IFRS financial information and its components are set out in the results highlights on page 2.

Sales, EBITDA and margins

The following table summarises the sales revenue, EBITDA and margins for InvoCare's operations.

	2012	2011	Change	
	$'million	$'million	$'million	%
Sales Revenue				
Australia	**288.3**	273.5	14.8	5.4%
Singapore	**10.6**	9.5	1.1	11.6%
Comparable businesses	**298.9**	283.0	15.9	5.6%
Bledisloe	**69.3**	38.1	31.3	
Tuckers	**0.4**		0.4	
Total Sales	**368.7**	321.0	47.7	14.9%
EBITDA				
Australia	**74.5**	70.3	4.2	5.9%
Singapore	**5.4**	4.9	0.5	10.5%
Comparable businesses	**80.0**	75.3	4.7	6.2%
Bledisloe	**13.0**	6.5	6.5	
Tuckers	**0.1**		0.1	
Total EBITDA	**93.0**	81.8	11.2	13.7%
% Margin on sales				
Comparable businesses				
Australia	**25.8%**	25.7%		0.1%
Singapore	**51.2%**	51.7%		(0.5%)
Comparable businesses	**26.8%**	26.6%		0.2%
Bledisloe	**18.8%**	17.2%		
Tuckers	**13.3%**			
Total % Margin on sales	**25.2%**	25.5%		(0.3%)

Note: The data in this table has been calculated in thousands and presented in millions and as a consequence some additions cannot be computed from the table as presented.

Sales

Some key components of the comparable sales increase were:

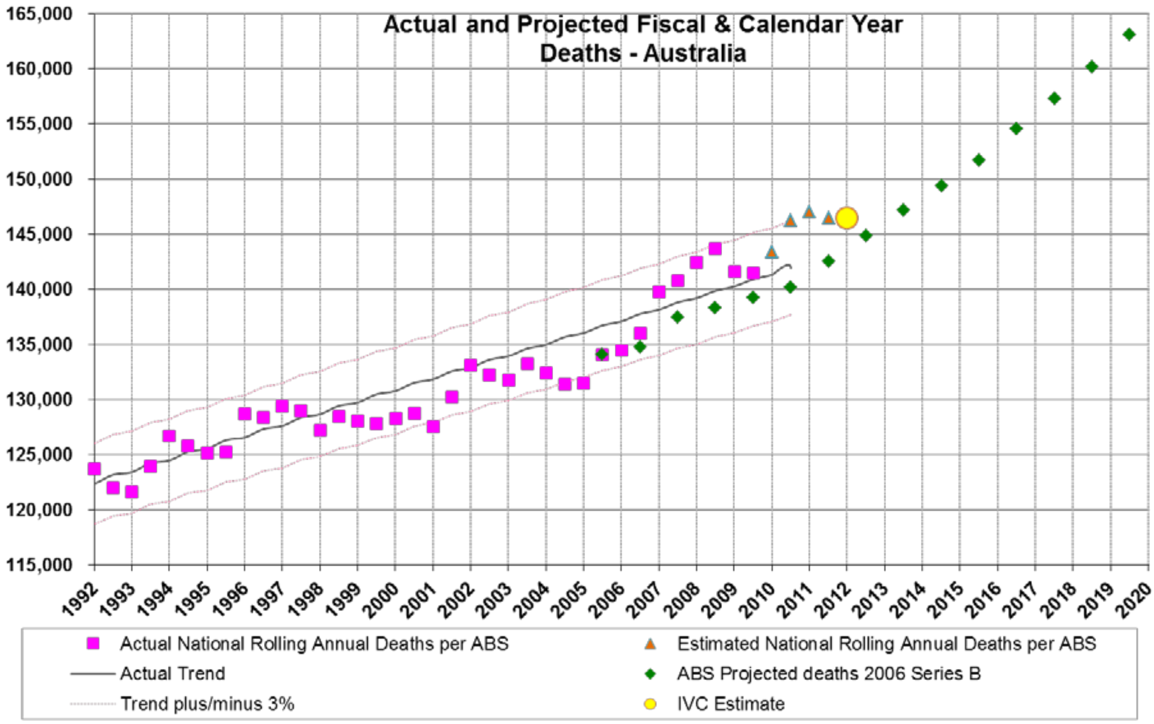
- Comparable Australian funeral sales increased by 6.3% or $13.2 million to $226.8 million (2011: $213.5 million).
  - Average revenue per funeral increased by 4.3%, following list price increases applied in late 2011. Excluding disbursements and prepaid fund impacts, the national average net sale per funeral was slightly lower than the price increases due to geographic mix. Queensland contributed more cases as a proportion of national volume than 2011, and Victoria less. Queensland has a lower than average sale value, and Victoria a higher one. Funeral disbursements increased by 3.7% or $2.1 million.
  - The number of funeral services performed increased by 1.5% from the previous year, reflecting a combination of market share growth and increased number of deaths over the year in InvoCare's markets.
  - The number of new prepaid funerals contracts sold increased by 0.2% on the previous year (2011: 8.6%) and exceeded the number of prepaid services performed by 17.7% (2011: 18.7%). Prepaid funerals performed in the year were 13.4% (2011: 13.5%) of comparable at need funerals.
- Australian comparable cemeteries and crematoria sales increased by 4.5% to $71.4 million (2011: $68.4 million). Memorial sales were much stronger in H2 compared to H1, especially with large contracts (greater than $15K) and the completion of a crypt construction which resulted in recognition of $0.6m in previously deferred revenue. This more than mitigated a small but ongoing trend towards lower memorialisation rates due to the increased proportion of no service, no attendance cremations. At need cremations and burial service numbers increased by 2.7% reflecting a mix of higher number of deaths and improved market share.
- In local Singapore currency, funeral sales increased by 11.3%. In Australian currency, sales were up 11.6% reflecting the strengthening of the Singapore currency over the period. Service volumes were flat but this was offset by average revenue per case which increased by 11.1% in local currency (11.4% in Australian currency). During late 2012 the Singapore sales also benefitted from expansion into lower margin retailing of funeral accessories.
- Intra-group elimination of cemeteries and crematoria sales to InvoCare owned funeral homes amounted to $9.9 million (2011: $8.4 million).

The Bledisloe and Tuckers acquisitions have assisted in growing InvoCare's funeral market share to an estimated annualised 36.1% of the markets in which it operates. Similar to funeral operations, the Bledisloe acquisition has also contributed to overall cremation and burial market share growth to an estimated annualised 49.3% of the relevant Australian markets.

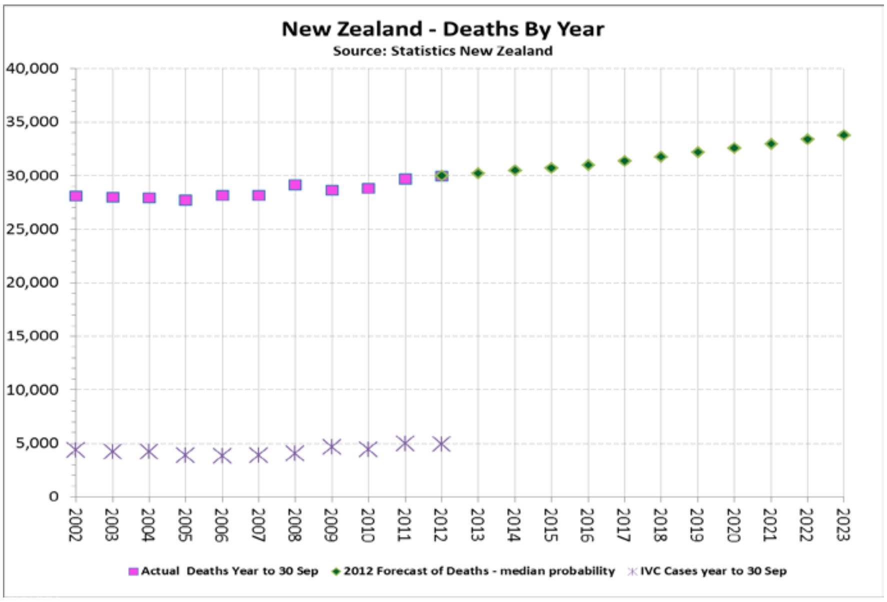
The Australian Bureau of Statistics ("ABS") publishes preliminary estimated quarterly death numbers by State approximately six months after the end of each quarter, using as a proxy death registration information it receives from the relevant State Governments' registries. Preliminary quarterly estimates can be an underestimate or an overestimate of the true numbers of deaths due to lags and accumulations in State registry processing. Approximately fifteen months after the end of a financial year ending 30 June, the ABS revises its preliminary quarterly estimates for that year and makes available more granular regional data for each state. It is not uncommon for the ABS to restate by reasonably significant numbers (eg. 3-4%) a previous quarterly estimate, generally by reallocating between quarters.

Accordingly, in the absence of timely and accurate ABS data, InvoCare uses its own estimates of deaths in its markets, derived from historic growth rates and by referencing other data such as advertised funerals and burial and cremation numbers through its own and competitor parks (if known).

The following graph of ABS actual, estimated and longer term forecasts suggests, consistent with InvoCare's experience in its markets, that the number of deaths appears to be reverting to the longer term trend after a short period of above average numbers. InvoCare is of the opinion that the ABS data for the year ended 31 December 2011 appeared high. Enquiries revealed that during this period the ABS changed its data collection process which may have skewed the results. Using their latest quarterly data, the ABS death numbers in the first half of 2012 now appear to be moving in line with InvoCare's full year 2012 forecast as represented by the yellow dot on the graph below.



The following graph of data sourced from the relevant national statistical agency shows the actual and projected numbers of deaths in New Zealand.



Bledisloe's Australian sales revenue was derived from its 25 funeral locations ($35.7 million) and from its 2 memorial parks in Queensland ($3.4 million). Funeral case averages for Bledisloe are slightly lower than InvoCare's comparable business which reflects the concentration of its case volume from Queensland (approximately 60%), the lowest case average state in Australia.

In New Zealand, Bledisloe operates 19 funeral locations. Sales revenue in local NZ currency was NZD38.6 million (AUD30.2 million). Unlike Australia, many of Bledisloe's NZ funeral homes also sell memorials, thus increasing the average revenue per case in that country. However, despite that additional revenue, in Australian dollar terms the average sales revenue per funeral is lower than both Bledisloe's and InvoCare's comparable Australian businesses.

Other revenue

Other revenue increased by 7.3% or $0.5 million to $6.9 million. On a comparable basis, the increase was 11.7% or $0.7 million to $6.5 million. This revenue includes administration fees upon initial sale of prepaid funeral contracts, trailing commissions on prepaid funds and apprenticeship scheme funding from the Federal Department of Education, Employment and Workplace Relations. The year on year reduction in the other revenue from the non comparable business was due to the reclassification of some Bledisloe income items to sales revenue in order to align reporting classifications with InvoCare.

Operating expenses and operating EBITDA

Operating expenses (excluding depreciation, amortisation, acquisition related and finance costs) increased $36.8 million or 15.0% to $282.5 million. On a comparable basis excluding the impact of the Bledisloe and Tuckers, the increase was 5.5% or $11.9 million.

Operating EBITDA[3] (i.e. earnings before interest, tax, depreciation, amortisation, acquisition related expenses and net gains or losses on undelivered prepaid contracts, asset sales and impairment) improved by $11.2 million or 13.7% to $93.0 million (2011: $81.8 million). On a

[3] Operating EBITDA is non-IFRS financial information and its components are set out in the results highlights on page 2.

comparable basis, Operating EBITDA improved by $4.7 million or 6.2% to $80.0 million (2011: $75.3 million).

Personnel costs were 30.1% of gross sales, which was in line with the previous year. Base labour rates have generally been contained to 3.5% increases which is consistent with the enterprise agreements in place for the majority of the workforce. Other impacts on labour included the annualised impact of new roles which were added in recognition of the expanded scale of InvoCare's operations following the Bledisloe aqusition and to manage its next phase of growth. The roles previously announced included two new Non- Executive Directors, Chief Operating Officer for Australia, Chief Information Officer and several new senior appointments in the operations, finance and digital business functions.

Overall margins on goods sold (eg. coffins, memorials) improved marginally during the year as the benefits from supplier negotiations post the Bledisloe acquisition began to flow through. These savings will help to narrow the margin gap between Bledisloe and the InvoCare comparative business.

Advertising and marketing expenditure increased $2.6 million to $12.7 million. Of this increase, Bledisloe spend was up $1.0 million to $2.4 million reflecting a full year spend in 2012. Comparable business spending was up by $1.6 million to $10.3 million. Main media advertising expenditure on press, television and radio in comparable operations increased by $1.9 million. This included increased activity across radio, television and the press to drive brand awareness and market share growth. A continued campaign to combat funeral insurance and new investment in Google Ad Words to support InvoCare's digital strategy were key elements of the 2012 advertising activity.

Despite increased investment in management and marketing expenditure, the comparable Australian operating EBITDA margin on sales grew to 25.8% in 2012 compared to 25.7% in 2011. The acquisitions operate on lower margins on sales. Bledisloe Australia improved its margin by 1.6% to 17.5% reflecting further synergy gains over the full year.

Singapore margins dropped by 0.5% to 51.2% in Australian currency and by 0.8% to 51.3% in local Singapore currency. The drop in margin was impacted by the expansion into the lower margin funeral accessories business in December 2012.

Depreciation and amortisation expenses

Depreciation and amortisation expenses increased by $2.6 million to $16.4 million. On a comparable basis, excluding the acquisitions, depreciation and amortisation expenses increased by $1.2 million to $13.4 million. The main increases in depreciation related to the purchase of new motor vehicles as part of the annual fleet replacement program. Building works including the opening of the Northern Suburbs condolence centre and spend associated with digital business initiatives also contributed to the increase.

Finance costs

Finance costs, including merchant fees, increased by $1.2 million to $16.3 million (2011: $15.1 million). The increase relates to the higher average net debt levels following the Bledisloe acquisition in June 2011.

Acquisition related costs

Acquisition related costs expensed in the year were $0.7 million (2011: $1.3 million). These costs cannot be capitalised under the business combination accounting standard. The costs were incurred in relation to the acquisitions of Tuckers in December 2012 and Resthaven Funerals, an Auckland New Zealand based funeral home acquired in February 2013. Acquisition costs include legal fees, stamp duty, valuation fees and other professional costs. Also included are costs associated with any other acquisition opportunities both past and presently under examination.

Undelivered prepaid contract gains

Undelivered prepaid contracts broke even in 2012 which was an improvement on the $13.5 million loss incurred in 2011 and the $0.6 million loss recorded in the first half of 2012. The net impact comprised a gain on funds under management of $17.6 million which was offset by an increase in the future liability due to price increases of $17.6 million. (See table (a) below).

The gain of $17.6 million on funds under management was up $15.6 million on the corresponding period in 2011. This improvement reflected a deliberate shift in the overall asset mix of investments from higher risk equities towards cash, fixed interest and direct property.

The prepaid contract liability increase of $17.6 million was up $2.1 million on the prior year. As reported at the half year, the impact of price rises on the liability is now brought to account progressively during the year rather than at the time of actual price rises as was the practice in prior years.

(a) Income statement impact of undelivered prepaid contracts

	2012 $'000	**2011 $'000**
Gain / (loss) on prepaid contract funds under management	**17,646**	2,067
Change in provision for prepaid contract liabilities	**(17,664)**	(15,544)
Net gain / (loss) on undelivered prepaid contracts	**(18)**	(13,477)

(b) Movements in prepaid contract funds under management

	2012 $'000	2011 $'000
Balance at the beginning of the year	**311,763**	273,544
Sale of new prepaid contracts	**30,414**	26,651
Initial recognition of contracts paid by instalment	**2,563**	1,681
Redemption of prepaid contract funds following service delivery	**(28,288)**	(26,360)
Increase due to business combinations net of assets held for sale	**16,807**	34,180
Increase in fair value of contract funds under management	**17,646**	2,067
Balance at the end of the year	**350,905**	311,763

(c) Movements in prepaid contract liabilities

	2012 $'000	2011 $'000
Balance at the beginning of the year	**317,598**	264,646
Sale of new prepaid contracts	**30,414**	26,651
Initial recognition of contracts paid by instalment	**2,563**	1,681
Decrease following delivery of services	**(30,346)**	(25,657)
Increase due to business combinations net of assets held for sale	**17,197**	34,733
Increase due to reassessment of delivery costs	**17,664**	15,544
Balance at the end of the year	**355,090**	317,598

Approximately 73% of InvoCare's prepaid funds under management are with the Over Fifty Guardian Friendly Society. This fund now holds approximately 70% of its assets in cash and term deposits compared to 83% at 31 December 2011. In addition to lower risk cash assets, the Over Fifty Guardian Fund has diversified into property assets as well as maintaining a smaller exposure to equities. In the medium term InvoCare expects more stable returns as the high yielding term deposits do not begin maturing until the end of 2013. The challenge will be to locate future investment opportunities to replicate these returns. Other non Guardian funds are invested primarily in capital guaranteed investment bonds or cash and fixed interest securities. The investment strategies of these funds cannot be influenced directly by InvoCare.

Approximate movements in the total asset mix of all funds under management over the last 12 months are illustrated in the following table:

	31 Dec 2012 %	30 June 2012 %	31 Dec 2011 %
Equities	8	6	8
Property	17	11	9
Cash and fixed interest	75	83	83

Asset sale gains and losses

Gains on sale of assets included proceeds on the sale of the St Kilda Le Pine property for $2.6m which delivered an after tax gain of $1.8m. Also included were net gains of $0.4m on the sale of used motor vehicles associated with the regular fleet rollover.

Income tax expense

Income tax expense on reported profit was $18.0 million (2011: $12.0 million), representing an effective rate of 28.8% (2011: 30.7%).

Income tax expense on operating earnings[4] increased by $2.0 million to $18.0 million (2011: $16.0 million) and the effective rate was 29.7% (2011: 30.5%).

The main contributors to the effective rates being different to Australia's corporate 30% tax rate include the combined impacts of:

- 17% tax is payable on Singapore profits
- 28% tax is payable on New Zealand profits
- Non tax deductibility of business acquisition costs
- Carried forward capital losses offsetting capital gains

[4] Operating earnings is non-IFRS financial information and its components are set out in the results highlights on page 2.

Bledisloe acquisition

To assist in interpreting the ongoing impact of the Bledisloe acquisition, the following table summarises the combined income statement of the comparable and Bledisloe businesses for the year ended 31 December 2012. With the Bledisloe integration now complete, the ability to accurately split out and track Bledisloe's EBITDA separately has become a much more difficult task. Accordingly the Bledisloe business will not be separately reported from 2013 onwards.

Result highlights:	Group (Excluding Bledisloe)	Growth on PCP	Bledisloe	**Total Group**	Growth on PCP
Total sales to external customers	$299.3m	*5.8%*	$69.3m	**$368.7m**	*14.9%*
Operating EBITDA (i)	$80.0m	*6.3%*	$13.0m	**$93.0m**	*13.7%*
Operating Margin	*26.7%*	*0.1%*	*18.8%*	*25.2%*	*(0.3%)*
Operating earnings before tax (i)	$55.3m	*7.3%*	$5.1m	**$60.5m**	*15.4%*
Income tax on above operating earnings (i)	($16.4m)	*(1.9%)*	($1.6m)	**($18.0m)**	*(12.5%)*
Effective tax rate	*29.7%*	*(2.8%)*	*30.5%*	*29.7%*	*(0.8%)*
Operating earnings after tax (i)	$38.9m	*11.7%*	$3.6m	**$42.5m**	*16.7%*
Operating earnings per share (i)	*35.5 cents*	*7.5%*	*3.3 cents*	*38.8 cents*	*12.3%*
Net profit after tax attributable to InvoCare shareholders	$41.6m	48.8%	$2.9m	**$44.5m**	*64.7%*
Basic earnings per share	*38.0 cents*	*43.2%*	*2.7 cents*	***40.6 cents***	*58.5%*

(i) Non-IFRS financial information

Note: The data in this table has been calculated in thousands and presented in millions and as a consequence some additions cannot be computed from the table as presented.

The Bledisloe business is now contributing 19% of sales and an estimated 14% of EBITDA for the InvoCare Group. The EBITDA in 2012 of $13.0m includes approximately $3.0m in delivered synergies with an estimated annualised impact of $3.5m.

Cash flow highlights

	2012 $'m	2011 $'m
Net cash provided by operating activities	53.2	44.0
Asset and business sale proceeds	3.3	7.9
Asset purchases	(18.4)	(16.7)
Business acquisition	(9.3)	(44.5)
Net cash used in investing activities	(24.4)	(53.3)
Dividends paid	(34.4)	(25.4)
Deferred Employee Share Plan purchases	(1.2)	(1.2)
Net increase in borrowings	7.1	25.4
Proceeds from share issue	-	11.2
Other movements	(0.1)	(0.1)
Net cash from / (used) in financing activities	(28.6)	9.9
Net increase / (decrease) in cash during year	0.2	0.6
Cash at start of year	5.9	5.1
Exchange rate effects	-	0.2
Cash at end of year	6.1	5.9

Operating cash flows were $9.2 million higher than the corresponding year which was driven by the higher EBITDA generated by the comparable business and the contribution from a full year of Bledisloe. Year on year cash conversion improved 3% to 95% as shown in the table below. Despite this improvement the conversion rate remains below the desired trend of 98% - 100%. The conversion rate was impacted by seasonal working capital movements and an increase in inventories associated with memorial construction which included a crypt complex at Forest Lawn. The conversion rate is expected to return to trend in 2013.

	2012 $'m	2011 $'m
Operating EBITDA	93.0	81.8
Cash provided by operating activities	53.2	44.0
Add finance costs	15.6	14.4
Add Income tax paid	19.9	17.1
Less interest received	(0.2)	(0.1)
Ungeared, tax free operating cash flow	88.5	75.4
Proportion of operating EBITDA converted to cash	95%	92%

Capital expenditure related to:

	2012 $'m	2011 $'m
Refurbishments and facility upgrades	6.1	7.2
Motor vehicles	6.0	5.0
Digital business roll out	2.2	2.2
Other assets	4.1	2.3
Total capital expenditure	18.4	16.7

During the year, business acquisition payments amounting to $9.3 million were made primarily in relation to the purchase of the Tuckers funeral business in Geelong. This was funded in part by the increase in borrowings of $7.1m. In the previous year, the business acquisition payments related to the Bledisloe transaction.

Total dividend payments of $34.4m were paid during the year. This included the 2011 full year final dividend of 16.25 cents per share, totalling $17.9 million in April 2012 (April 2011: 15.25 cents per share, $15.6 million). This amount included $1.9m (April 2011: $1.5m) reinvested under the Dividend Reinvestment Plan ("DRP").

The 2012 interim dividend of 15.0 cents per share, totalling $16.5 million, was paid in October 2012 (October 2011: 13.5 cents per share, $14.6 million). This amount included $3.9 million (October 2011: $3.3 million) reinvested by shareholders under the DRP. Note that the 2011 interim dividend DRP was underwritten to preserve capital and to ensure that the interim dividend was cash neutral.

Shares amounting to $1.2 million (2011: $1.2 million) were acquired during the year by the InvoCare Deferred Employee Share Plan Trust in connection with long term, share-based incentives for senior management. Further details about employee incentive plans may be found in the Remuneration Report which is included in the Group's 2012 Financial Report.

Capital management

At 31 December 2012, gross borrowings from the group's total $255 million debt facilities were $224 million, compared to $225 million at 30 June 2012 and $215 million at 31 December 2011.

The current drawings comprise AUD182 million, SGD27 million and NZD27 million. The foreign currency drawings naturally hedge InvoCare's investments in its foreign Singapore and New Zealand markets. The three, four and five year term multi-currency revolver facilities were established in September 2010 and are provided in equal proportions by Australia and New Zealand Banking Group Limited, National Australia Bank and Commonwealth Bank, and in the case of NZD, by their respective New Zealand subsidiaries or branch.

During December 2012 the first three year tranche of the multi-currency facility was rolled over early for a further 45 month term. The facility was originally due to be rolled over in September 2013 but was brought forward to maintain the non-current status of the debt at balance date. Depending on the leverage ratios, the margins negotiated were up 20 to 30 basis points above the previous tranche and the term and expiry date have been aligned with the original schedule.

Financial covenant ratios on these facilities are a Leverage Ratio (being Net Debt to EBITDA adjusted for acquisitions) which must be no greater than 3.5 and an Interest Cover Ratio (being EBITDA to net interest) which must be greater than 3.0. Both these ratios were comfortably met at 31 December 2012, being 2.4 and 6.3 respectively.

At balance date, 91% of debt principal was covered by floating to fixed interest rate swaps and the effective overall average variable interest rate was 6.7% inclusive of swaps, fees and margins.

Headroom on the debt facilities of $31 million and cash of $6 million, provided $37 million in available funds at 31 December 2012. This amount together with operating cash flows will provide further capacity to fund near term growth opportunities.

Outlook

Case volumes in the first six weeks of 2013 have been flat year on year. This trend seems to be industry wide and appears to be driven by the number of deaths as opposed to market share.

Consistent with past practice, funeral prices were increased as planned in late 2012 and cemetery and crematoria prices are scheduled to be increased during the first quarter of 2013. As always indicated to the market, InvoCare's sales revenue is significantly affected by changes in the numbers of deaths and, as such, the early weeks of 2013 cannot and should not be used as an indicator of future 2013 results.

The integrated Bledisloe business realised synergies of $3.0 million in 2012 with an annualised impact of $3.5 million. Estimated annualised EBITDA for 2012 was $13.5 million.

Returns on prepaid funeral funds under management are expected to improve in 2013. This follows a tactical tilt away from equities into more stable cash and direct property assets by the main prepaid fund which holds 73% of prepaid contract funds. As much of the asset base is held in high yielding fixed interest term deposits, the earnings are expected to remain relatively stable over 2013. Longer term challenges will be to find investments offering comparable returns as these deposits begin to roll over from late 2013.

Recent acquisitions provide further opportunities for InvoCare to grow. Tuckers in Geelong has provided InvoCare with access to a whole new region whilst Resthaven in Auckland will help InvoCare build a larger footprint in the largest market in New Zealand. Collectively these two businesses are expected to generate approximately $8.3 million in sales and $1.6 million in EBITDA during 2013.

Plans are currently in place to open four new sites across Sydney, Adelaide, Brisbane and New Zealand. Other expansion activities continue in Australia and abroad. In addition InvoCare continues to be in discussion with a number of potential vendors. The timing and size of any successful acquisition is uncertain, but InvoCare is confident of future acquisitions in Australia and abroad. Although regulatory competition barriers may be encountered in some Australian markets, as experienced with the Bledisloe acquisition, InvoCare is exploring opportunities in various markets, including some regional areas where it is currently unrepresented. The Tuckers acquisition is an example of the possible opportunities in those regional markets.

The group's capital expenditure in 2013 is expected to be approximately $24 million. The main investments are focused on continuously improving service standards and offerings. This includes new condolence and chapel facilities in Sydney, upgrading shared service operations in Sydney and Brisbane, refurbishment of funeral homes to provide a more contemporary feel and the continued rollout of digital technology across major facilities. Plans are also in place to commence upgrading the company's ageing ERP system in 2013.

Offsetting the capital expenditure is the settlement of the Brunswick property sale in Melbourne. The proceeds of $4.7 million are expected to deliver a $1.8 million pre tax gain upon settlement in quarter 2 2013.

There has been no change to InvoCare's capital management plans. Sufficient funds are expected to be available from debt facilities and free cash flows for capital expenditure and smaller "bolt on" acquisitions. If a more substantial opportunity arises, alternative funding sources, such as an equity raising, would be considered. It remains the policy of the Board to distribute at least 75% of operating earnings after tax[5] as dividends, as well as increase the quantum of those dividends year on year.

[5] Operating EBITDA is non-IFRS financial information and its components are set out in the results highlights on page 2.

In January 2013, InvoCare invested $5.0 million in the HeavenAddress business. This investment will be used to finance the next phase of development which is aimed at making HeavenAddress.com a global memorials website. Already the site attracts approximately one third of all funeral internet traffic in Australia, New Zealand and Singapore. This is a great opportunity to expose InvoCare brands as well as developing on line funeral and memorial communities where families, friends and communities can share experiences.

InvoCare has had yet another successful year with the completion of the integration of Bledisloe, improvement in returns on funds under management and continued growth in the core business through the pillars of higher number of deaths, selling price increase, prepaid contracts, growing share in existing markets, business acquisitions and opening new locations.

Net Tangible Asset Backing per Share

	2012 $'000	2011 $'000
Net assets	**151,891**	**142,617**
Add deferred tax liabilities	**28,502**	**28,415**
Less intangible assets	**(137,484)**	**(130,791)**
Net tangible assets	**42,909**	**40,241**
Number of shares outstanding	**110,030,298**	**110,030,298**
Net tangible assets per share	**$0.39**	**$0.37**

Acquired or Disposed of Controlled entities

On 10 December 2012, InvoCare Australia Pty Limited completed the acquisition of 100% of Tuckers Funeral & Bereavement Services Pty Ltd, Geelong Mortuary Transfer Services Pty Ltd and property assets from a party related to the vendors.

There were no disposals of controlled entities during the financial year ended 31 December 2012.

Associates and Joint Ventures

At 31 December 2012, InvoCare had an equity interest of 28% in HeavenAddress Pte Ltd.

Compliance Statement

This report is based on the audited Financial Report for the year ended 31 December 2012. It is lodged with the ASX under Listing Rule 4.3A.