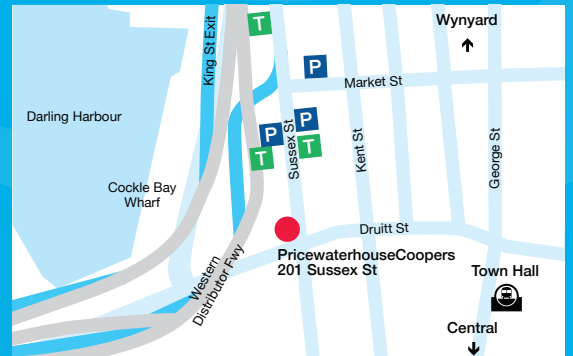


## Notice of Annual General Meeting 2015

To be held at PricewaterhouseCoopers,  
201 Sussex Street, Sydney, New South Wales

Friday 20 May 2016 at 11.00am

The entry to PricewaterhouseCoopers is located on the corner of Sussex and DrUITT Streets. Please proceed up the escalator and head towards the coffee stand which is immediately in front of the escalator. The PricewaterhouseCoopers' Concierge is located diagonally opposite the coffee stand through the double glass doors.



## Chairman's Message

# Review Confirms Strategy

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InvoCare has once again delivered a healthy financial result for 2015 derived from adherence to its proven business strategy.

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The ongoing focus on the core strategic growth pillars embodied in InvoCare's operational strategy enabled the company to continue to grow. The strategy was reviewed and reaffirmed by both the Board and management during 2015.

Operating earnings after tax grew by 6.9% to \$49.4 million for the year with a very strong second half performance from the core business operations. Statutory profit after tax, which includes asset sale gains, impairment charges, and the non-cash impact of movements in prepaid contracts funds under management and associated liabilities, increased to \$54.8 million.

The financial results for 2015, building, as they do, on the results of previous years, confirm the integrity of the Company's existing strategy. Those results also give the company the confidence to continue exploring the possibility of acquisitions in its existing markets, albeit that those possibilities might be more constrained than in the past, and to identify opportunities for greenfield developments. Additionally, and importantly, the results give the company the assurance that, subject to appropriate disciplines, it has the capacity to pursue new core markets of the kind currently being investigated in the USA.

Of course, this activity is sustained by the company's ongoing and core business. The engagement of Martin Earp as the Company's CEO has permitted it to review those activities with the benefit, so to speak, of a fresh pair of eyes. The strategic review which Martin led late in the course of 2015 has identified ways in which those business activities might be conducted more profitably and the means by which the company might secure a greater return from its existing assets.

2015 saw a period of Board renewal with Roger Penman who had been on the Board since 2005 standing down due to personal circumstances. Roger has been replaced by Joycelyn Morton, who joined the Board during the year, as Chair of the Audit, Risk & Compliance Committee. Aliza Knox also resigned from the Board during the year and has not been replaced. On behalf of the Board and all shareholders I would like to thank both Roger and Aliza for the extensive contributions to InvoCare.

All the management and staff of InvoCare deserve a special thank you for delivering solid financial results during 2015. The Board, during its visits to various operational locations, continues to be impressed by the professionalism, dedication and sense of vocation of InvoCare's personnel.

I look forward to InvoCare's continued successful growth and the ongoing success of its core business operations in Australia, New Zealand and Singapore as well as the growth of its recently established US operations as this market is entered for the first time.

I personally encourage all shareholders to attend the Annual General Meeting to hear more about the 2015 results, receive an update on 2016 trading to date and hear about strategies for the future. Everyone who attends will have the opportunity to raise issues of interest or concern.

A handwritten signature in black ink, appearing to read 'Richard Fisher'.

Richard Fisher AM  
Chairman

### Operating Earnings

# \$49.4m

Operating earnings after tax grew by 6.9% to \$49.4 million for the year.

### Dividends

# 4.1%

Increase of total dividends for the year to 38 cents per share.

### Cash conversion ratio

# 97%

Strong operating EBITDA to cash conversion ratio.

## Five year Financials

\$'000	2015	2014	2013	2012	2011
Revenue from external customers	436,371	413,011	385,352	368,652	321,113
Operating EBITDA	105,426	101,082	95,072	93,026	81,802
Operating EBITDA margin	24.2%	24.5%	24.7%	25.2%	25.5%
Operating earnings after tax*	49,366	46,191	42,498	42,479	36,406
Operating earnings per share (cents)	45.1	42.2	38.9	38.8	34.5
Profit after tax attributable to members	54,844	54,515	48,869	44,479	27,012
Earnings per share (cents)	50.1	49.8	44.7	40.6	25.6
Dividend paid in respect of the financial year (cents)	38.00	36.5	34.5	34.0	29.75
Ungeared, tax free operating cash flow	102,618	104,721	105,170	86,416	75,120
Proportion of EBITDA converted to cash	97%	106%	110%	95%	92%
Actual capital expenditure	22,035	26,665	19,264	18,412	16,723
Net debt	222,093	218,864	215,057	217,136	209,114
Operating EBITDA/Net interest (times)	8.8	8.0	6.8	6.7	6.7
Net debt/EBITDA (times)	2.1	2.2	2.3	2.3	2.5
Funeral homes (number)	231	234	237	232	226
Cemeteries and crematoria (number)	16	14	14	14	14
Employees (full-time equivalents)	1,557	1,532	1,470	1,470	1,430
Prepaid contract sales per 100 redemptions	115	108	115	116	122

\* Operating earnings after tax excludes the net gain/(loss) on undelivered prepaid contracts, gain/(loss) on sale, disposal or impairment of non-current assets and non-controlling interests.

# InvoCare Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of members of InvoCare Limited (Company) will be held at the offices of PricewaterhouseCoopers, 201 Sussex Street, Sydney, New South Wales on Friday 20 May 2016 at 11.00am.

## Ordinary business

### Item A – Financial reports

To receive and consider the Financial Report, Directors' Report and Independent Audit Report of the Company and its controlled entities for the year ended 31 December 2015.

### Item B – Adoption of remuneration report

To consider and, if thought fit, to pass the following ordinary resolution:

#### Resolution 1

"That the Remuneration Report (which forms part of the Directors' Report) for the year ended 31 December 2015 be adopted."

Note: The vote on this resolution is advisory only and does not bind the directors or the Company.

### Item C – Election of directors

To consider and, if thought fit, to pass the following ordinary resolutions:

#### Resolution 2

"That Richard Fisher, who retires by rotation in accordance with the Company's Constitution, be re-elected as a director of the Company."

#### Resolution 3

"That Joycelyn Morton, being a Director appointed by the Board since the last Annual General Meeting, and who retires in accordance with the Company's Constitution, be elected as a director of the Company."

### Item D – Approval of the grant of performance rights and options to Martin Earp for the 2016 financial year

To consider and, if thought fit, to pass the following ordinary resolution:

#### Resolution 4

"That approval be given, for the purposes of Rule 10.14 of the ASX Listing Rules, and for all other purposes, for the Company to grant to Mr Martin Earp, currently the Chief Executive Officer and Managing Director of the Company (**Mr Earp**), Performance Rights and Options to a value of \$513,000 for the 2016 financial year in accordance with the rules of the Performance Long Term Incentive Plan and as set out in the Explanatory Notes accompanying this Notice of Annual General Meeting."

### Item E – Approval of termination benefits to Andrew Smith

To consider and, if thought fit, to pass the following ordinary resolutions:

#### Resolution 5

"That approval be given, for the purposes of Sections 200B and 200E of the Corporations Act and for all other purposes, for the Company to pay and provide to Mr Andrew Smith, the Company's former Managing Director and Chief Executive Officer (**Mr Smith**), in connection with his cessation of employment with the Company, termination benefits being a short term incentive cash payment of \$44,072, as described in the Explanatory Notes accompanying this Notice of Annual General Meeting."

#### Resolution 6

"That approval be given, for the purposes of Sections 200B and 200E of the Corporations Act and for all other purposes, for the Company to pay to Mr Smith, in connection with his cessation of employment with the Company, termination benefits being cash in lieu of long term incentive shares as calculated and described in the Explanatory Notes accompanying this Notice of Annual General Meeting."

## Explanatory Notes

### Item A – Financial reports

The Corporations Act requires the Financial Report (which includes the financial statements and Directors' Declaration), the Directors' Report and the Independent Audit Report of the Company to be laid before the Annual General Meeting.

There is no requirement either in the Corporations Act or in the Company's Constitution for shareholders to approve the Financial Report, the Directors' Report or the Independent Audit Report. Shareholders will be given a reasonable opportunity at the meeting to ask questions and make comments on these reports.

### Item B – Adoption of remuneration report

#### Resolution 1 – Adoption of remuneration report

In accordance with Section 250R(2) of the Corporations Act, the Remuneration Report is put to shareholders for adoption. The Remuneration Report is set out on pages 29 to 41 inclusive of the 2015 Annual Report and is available on the Company's website at [www.invocare.com.au](http://www.invocare.com.au).

The vote on this resolution is advisory only and does not bind the directors or the Company. Shareholders will be given a reasonable opportunity at the meeting to ask questions and make comments on the Remuneration Report.

## Voting Exclusion Statement

In accordance with the Corporations Act, a vote on Resolution 1 must not be cast (in any capacity) by or on behalf of any member of the key management personnel of the Company, details of whose remuneration are included in the Remuneration Report, or a closely related party of such a member.

However, such a person described above may cast a vote on Resolution 1 if:

- a. the person does so as a proxy appointed by writing that specifies how the proxy is to vote on Resolution 1; or
- b. the person is the Chairman of the Meeting and the appointment of the Chairman as proxy:
  - i. does not specify the way the proxy is to vote on the resolution; and
  - ii. expressly authorises the Chairman to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the key management personnel of the Company.

### Item C – Election of directors

#### Resolution 2 – Re-election of Richard Fisher

Richard Fisher retires by rotation in accordance with the Company's Constitution and, being eligible, offers himself for re-election.

#### Qualifications of Richard Fisher AM MEd LLB

Richard Fisher has been a director of InvoCare Limited since 24 October 2003. He was appointed Chairman of the Board on 22 October 2013. He is currently also Chairman of the Nomination Committee and a member of the People, Culture & Remuneration Committee.

Richard is General Counsel to The University of Sydney and is an Adjunct Professor in its Faculty of Law. Richard is the immediate past Chairman of Partners at Blake Dawson (now Ashurst) and specialised in corporate law. He is also a director of Sydney Water. Richard is formerly a part-time Commissioner at the Australian Law Reform Commission, an International Consultant for the Asian Development Bank and a Member of the Library Council of NSW. Richard holds a Master of Economics from the University of New England and a Bachelor of Laws from the University of Sydney.

#### Independent director

The Board considers Richard Fisher to be an independent director.

### *Recommendation*

The Board has benefited from Richard Fisher's chairmanship during a period of Board renewal, a change in the Chief Executive Officer and a review of strategy for the ongoing growth of the Company.

The directors (with Richard Fisher abstaining) recommend the shareholders vote in favour of Resolution 2.

### **Resolution 3 – Election of Joycelyn Morton**

Joycelyn Morton being a Director appointed by the Board since the last Annual General Meeting retires in accordance with the Company's Constitution and, being eligible, offers herself for election.

#### *Qualifications of Joycelyn Morton BEc FCA FCPA FIPA FGIA FAICD*

Joycelyn Morton was appointed a director of InvoCare Limited on 19 August 2015. She is Chair of the Audit, Risk & Compliance Committee and is a member of the Finance, Capital & Investment Committee and a member of the Nomination Committee.

Joycelyn has more than 36 years' experience in finance and taxation having begun her career with Coopers & Lybrand (now PwC), followed by senior management roles with Woolworths Limited and global leadership roles in Australia and internationally within the Shell Group of companies.

Joycelyn is also non-executive Chair of Thorn Group Limited (Director since 2011 and appointed Chair in 2014), non-executive director of Argo Investments Limited (since 2012), Argo Global Listed Infrastructure Limited (since 2015). Former non-executive director roles include Crane Group Limited, Count Financial Limited and Chair of Noni B Limited.

Joycelyn holds a Bachelor of Economics from the University of Sydney.

#### *Material adverse information*

The Board did not identify any material adverse information about Joycelyn Morton when it performed background and other checks prior to her appointment.

#### *Independent director*

The Board considers Joycelyn Morton to be an independent director.

### *Recommendation*

The Board particularly relies on Joycelyn's skills and experience in relation to audit, accounting, reporting and taxation matters and benefits from her extensive general business and public company directorship knowledge and experience during Board and Committee deliberations.

The directors (with Joycelyn Morton abstaining) recommend the shareholders vote in favour of Resolution 3.

### **Item D – Approval of the grant of performance rights and options to Martin Earp for the 2016 financial year**

#### **Resolution 4 - Approval of the grant of Performance Rights and Options to Martin Earp for the 2016 financial year**

Resolution 4 seeks approval, for the purposes of Rule 10.14 of the ASX Listing Rules,

and for all other purposes, of the grant of Performance Rights and Options in the 2016 financial year to the Chief Executive Officer and Managing Director, Mr Martin Earp, under the terms of the Performance LTI Plan.

#### *Background*

Mr Earp was appointed as Chief Executive Officer and Managing Director of the Company on 1 May 2015. As announced to the market on 17 December 2014, Mr Earp was appointed to succeed Mr Smith.

Mr Earp is a participant in the current InvoCare Deferred Employee Share Plan (DESP) in respect of the provision of long term incentives for the period to 31 December 2015. As set out in the Directors' Remuneration Report, for 2016 and onwards, the Company has established a Performance LTI Plan.

Under the Performance LTI Plan, only employees of the Company and its related bodies corporate will be eligible to participate. No directors, other than Mr Earp, are eligible to participate in the Performance LTI Plan.

The Board and its People, Culture & Remuneration Committee have set Mr Earp's remuneration package for the 2016 financial year with the objectives of:

- aligning Mr Earp's interests with the interests of shareholders;
- ensuring that Mr Earp's remuneration is competitive and aligned with market remuneration; and
- encouraging the achievement of performance goals and continued growth of InvoCare's business and shareholder value.

Mr Earp's 2016 remuneration package includes the grant of Performance Rights and Options under the Performance LTI Plan.

#### *Reason for seeking shareholder approval*

Under ASX Listing Rule 10.14, shareholder approval is required in order for a director to be issued securities under an employee incentive scheme. Accordingly, approval is sought for the grant of the Performance Rights and Options to Mr Earp. If approval is given for the issue of securities under ASX Listing Rule 10.14, approval is not required under ASX Listing Rule 7.1.

#### *Key features of the grant*

A brief overview of the details of the proposed grants is set out below. Further details of Mr Earp's remuneration package and a summary of the operation of the Performance LTI Plan are set out in the Remuneration Report on pages 29 to 41 of the Annual Report.

#### *a. Amount of grant*

In accordance with Mr Earp's service agreement (**ME Service Agreement**) and the remuneration package approved by the Board of the Company for the 2016 financial year, Mr Earp is entitled to the grant of securities under the Performance LTI Plan equal to 60% (being \$513,000) of his total fixed remuneration which is \$855,000, including salary, superannuation and car. The 2016 grant is made up of 25% Performance Rights (total value \$128,250) and 75% Options (total value \$384,750).

The number of Performance Rights and Options issued (and therefore the maximum number which may be issued) will be determined by dividing the entitlement by the value of an option or right. Each Performance Right and each Option provides an entitlement to one InvoCare Limited share, subject to achievement of performance hurdles. No consideration will be payable for the Options or Performance Rights however, an exercise price will be payable for the exercise of any Options.

For the purpose of calculating the number of Performance Rights to be issued, the value of a Performance Right is \$12.08, determined by the VWAP of InvoCare shares traded in the first 10 business days of the trading window immediately following the release of InvoCare's full year results on 16 February 2016.

For the purpose of calculating the number of Options to be issued, the value of an Option will be determined by an independent actuary using a Black Scholes valuation methodology.

The valuation of Options and Performance Rights will not allow for any discount relating to the performance conditions.

Participants in the Performance LTI Plan are expected to be awarded Performance Rights and Options each February. They are valued (to determine the number to be issued) at the time of the grant, in the case of Performance Rights based on the trading window following the annual release by InvoCare of its results, and in the case of Options based on a Black Scholes methodology. Even though Mr Earp's Performance Rights and Options will not be issued until shareholder approval is granted in May, in order to ensure his alignment with other participants in the plan, the Performance Rights and Options issued to him are valued and will vest as if they were issued at the same time as other participants in the plan.

#### *b. Vesting performance hurdles*

The Performance Rights and Options will vest subject to achieving a minimum:

- Return on Invested Capital (ROIC) gateway target which must exceed the weighted average cost of capital (WACC), and
- Compound annual earnings per share (EPS) growth performance hurdles of at least 7%. Straight-line vesting will apply for performance between 7% (30% vesting) and 12% (100% vesting). Testing of one third tranches will occur in February of each of 2018, 2019, 2020 and, if required, 2021, following release of InvoCare's financial results for the preceding financial year.

Any Performance Rights and Options which do not vest by the fifth year after the grant in 2021 will lapse.

c. *Vesting of Performance Rights and Options*

Upon vesting of Performance Rights, Mr Earp will be allocated one InvoCare share for each right, with the shares being either issued or purchased on market. No amount is payable by Mr Earp for the grant, nor upon the vesting, of Performance Rights.

Upon vesting of Options, Mr Earp may by payment of the exercise price for each Option at any time up until February 2026, be allocated one InvoCare share for each Option exercised, with the shares being either issued or purchased on market. No amount is payable by Mr Earp for the grant of Options. The exercise price will be \$12.08, being the value of an InvoCare share determined in the same manner and at the same time as the value of a Performance Right described above.

Options will therefore only deliver a benefit to Mr Earp when the market price of InvoCare shares at exercise is higher than the exercise price of \$12.08.

d. *Restrictions on share trading*

Any shares allocated following satisfaction of the performance hurdles and, in the case of Options, by payment of the exercise price, will not be subject to any trading restrictions other than those imposed by InvoCare's Share Trading Policy.

e. *Cessation of employment*

If Mr Earp ceases employment with the Company prior to satisfaction of the performance hurdles applicable to the Performance Rights and Options, then any entitlement he may have to the rights and options will depend on the circumstances of the cessation. In accordance with the ME Service Agreement and the rules of the Performance LTI Plan, all unvested Performance Rights and Options will lapse in the event of resignation before the end of the term of the ME Service Agreement or in the event of termination by the Company for cause. In circumstances where a termination is for reasons including retirement, death, total and permanent disablement, bona fide redundancy or the contract term is not extended by the Board despite Mr Earp being willing to extend the term, unless it determines otherwise, the Board will allow unvested equity awards to continue on foot and vest subject to the original terms and performance conditions for the grant.

f. *Other information required under ASX Listing Rules*

No other directors of the Company, or any of their associates, have received any securities under the Performance LTI Plan. No non-executive directors of the Company, or any of their associates, are entitled to participate in the Performance LTI Plan. Martin Earp is the only executive director.

No loan will be provided to Mr Earp in connection with the grants or the exercise of vested Options.

If shareholder approval is obtained, the Performance Rights and Options will be granted to Mr Earp shortly, and in any event no later than twelve months, after the Annual General Meeting.

The details of any securities issued under the Performance LTI Plan will be published in an annual report of the Company relating to a period in which securities have been issued, and a statement that approval for the issue of securities was obtained under Rule 10.14 of the ASX Listing Rules.

Any additional directors (or their associates) who become entitled to participate in the Performance LTI Plan after the resolution was approved and who were not named in the notice of meeting will not participate until approval is obtained under Rule 10.14 of the ASX Listing Rules.

*Recommendation*

Mr Earp declares his personal interest in the grant of Performance Rights and Options under the Performance LTI Plan.

The directors (with Mr Earp abstaining) recommend that the shareholders vote in favour of this resolution.

*Voting exclusion statement*

The Company will disregard any votes cast on this resolution by Mr Earp or any associate of Mr Earp.

However, the Company need not disregard a vote, if:

- a. it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- b. it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

The Company will also apply these voting exclusions, on an equivalent basis, to persons appointed as attorney by a shareholder to attend and vote at the Annual General Meeting under a power of attorney.

**Item E – Approval of termination benefits to Andrew Smith**

**Resolution 5 and Resolution 6 - Approval of Termination Benefits for Mr Andrew Smith**

Resolutions 5 and 6 seek approval, for the purposes of the termination benefit provisions in Division 2 of Part 2D.2 of the Corporations Act (**Termination Benefits Provisions**) and all other purposes, for the payment and provision by the Company to Mr Smith of certain benefits in connection with his cessation of employment with the Company on 30 April 2015 which was announced to the ASX on 17 December 2014.

*Background*

A resolution seeking approval of Mr Smith's Termination Benefits consistent with the Company's contractual commitments under Mr Smith's service agreement (**AS Service Agreement**) was included in the Notice of Annual General Meeting for 2015 (**2015 Notice of Meeting**) but was withdrawn.

The resolution was withdrawn, with Mr Smith's consent, because concerns were expressed by various stakeholders and shareholders in the Company about aspects of the proposed retirement arrangements, in particular the automatic vesting of unvested LTI shares.

The directors believe that, given Mr Smith's significant contribution to the Company, arrangements should be made for the recognition of that contribution by way of an appropriate reward of termination benefits. Accordingly, the Company has liaised with various stakeholders and shareholder groups and has formulated an alternative termination benefit arrangement.

In summary, it is proposed that in addition to the payment of the pro-rata 2015 STI, the unvested entitlement to 50,513 LTI shares will continue on foot, as if he was still an employee. That entitlement will be tested annually over the next four or five years against the performance hurdles applying to each grant as previously agreed with Mr Smith and an allocation, if earned, will be made at that time. The vested entitlement would be settled in cash based on the number of shares vested multiplied by the closing market price of InvoCare shares on each of the testing dates. Any unvested entitlements at the end of the performance testing periods will be forfeited.

Further information and details of the modified arrangement proposed for shareholder approval are set out below.

*Andrew Smith's employment*

As explained in the notice of meeting last year, Mr Smith joined InvoCare as its Chief Financial Officer on 16 January 2006, was appointed Chief Operating Officer on 28 March 2007 and served as Managing Director and Chief Executive Officer of the Company for more than six years from 1 January 2009.

During the period of Mr Smith's employment with the Company:

- a. the Company more than doubled in size, assisted by a successful greenfield expansion programme and the completion of many acquisitions, including, importantly, Bledisloe in 2011, which was the second largest operator in Australia and market leader in New Zealand; and
- b. the market capitalisation of the Company increased from approximately \$400 million in January 2006 to approximately \$520 million at the time of his appointment as CEO in January 2009 and to approximately \$1.4 billion at the time he left the Company.

Mr Smith's leadership, drive and strategic vision over that period were instrumental in building the Company and in delivering exceptional growth in shareholder value. Mr Smith worked collaboratively with the Board and his successor Mr Earp to ensure a smooth transition in the best interests of the Company.

### Termination benefit details

The 2015 Notice of Meeting explained that the Company is required, in accordance with the terms of the AS Service Agreement, subject to compliance with relevant law, to pay the following amounts, or provide the following benefits, to Mr Smith on the expiry of his service agreement on 30 April 2015:

- a. a cash payment for any accrued but unpaid fixed remuneration, including superannuation, in respect of his employment by the Company up until 30 April 2015;
- b. a cash payment for accrued but untaken annual leave entitlements up to 30 April 2015, estimated at the time to be \$61,831 (the actual amount has now been determined to be \$61,990);
- c. a cash payment for accrued but untaken long service leave entitlements up to 30 April 2015, estimated at the time to be \$115,368 (the actual amount has now been determined to be \$115,373);
- d. a cash payment of a pro rata amount of his short term incentive award bonus for the year ending 31 December 2015, the maximum amount of which was expected to be \$139,836, with the actual amount determined based upon achievements against defined performance targets (**2015 STI**); and
- e. allow the early vesting of Mr Smith's unvested long term incentive shares (**Unvested LTI Shares**) that have previously been granted to him under the AS Service Agreement and in accordance with InvoCare's Deferred Employee Share Plan.

As at the date of the 2015 Notice of Meeting the facts and circumstances to determine the actual 2015 STI entitlement were not known. The shareholders were therefore going to be asked to approve a 2015 STI payment up to a maximum amount of \$139,836, being 56.31% of Mr Smith's base salary plus superannuation for the four months to 30 April 2015. This is the same percentage as his STI opportunity in 2014. Further, Mr Smith's annual base salary and superannuation in 2015 was unchanged from 2014.

The amount of Mr Smith's entitlement under the 2015 STI is now known and, based upon the actual achievements against Board determined criteria, would be a payment of \$44,072. The criteria for the 2015 STI were aligned with InvoCare's strategic and business objectives and included achievement for the four months to 30 April 2015 of Group EBITDA budget, targeted case volume and EBITDA for the newly established operations in Southern California, Group market share budget and digital business strategy.

As a result of the operation of, or the application of certain exemptions from the Termination Benefit Provisions, upon cessation of Mr Smith's employment, the Company:

- a. made a payment of \$61,990 for accrued and untaken annual leave;
- b. made a payment of \$115,373 for accrued but untaken long service leave; and

- c. from a total of 107,847 Unvested LTI Shares, permitted the immediate vesting of 57,334 shares, being the maximum number of the Unvested LTI Shares that provided a termination benefit not exceeding \$770,000, being Mr Smith's average annual base salary over three years rounded down to the nearest \$10,000 (**Base Cap Amount**).

The resolution which was withdrawn from last year's Annual General Meeting was seeking shareholder approval for the provision and payment to Mr Smith of termination benefits exceeding the Base Cap Amount, being:

- a. the payment of Mr Smith's entitlements under the 2015 STI; and
- b. the early vesting of the balance of Unvested LTI Shares.

Last year, that resolution was withdrawn and benefits were paid which in aggregate did not exceed the Base Cap Amount. Approval is now sought to pay or provide Mr Smith with a benefit in respect of his Unvested LTI Shares. The benefit will accrue if, and only if, the conditions (which would have applied to the vesting of those shares had Mr Smith been a continuing employee of the Company) are satisfied.

Approval is now sought in **Resolution 5** for a payment to Mr Smith of the actual 2015 STI, being \$44,072 as described above.

Approval is now also sought in **Resolution 6** to deal with Mr Smith's current entitlement of 50,513 shares as if he was still an employee. That entitlement will be tested annually against the performance hurdles applying to each grant as previously agreed with Mr Smith and an allocation, if earned, will be made over the next four or five years. The operation of that arrangement, based on actual testing as at February 2016 and assuming annual testing beyond 2016 gives rise to full vesting, would result in 9,363 shares vesting in 2016, 16,893 in 2017, 16,698 in 2018 and 7,559 in 2019. The vested entitlement would be settled in cash based on the number of shares vested multiplied by the closing market price of InvoCare shares on each of the testing dates. Any unvested entitlements at the end of the performance testing periods will be forfeited.

Set out below are details of Mr Smith's Unvested LTI Shares as at the cessation of his employment on 30 April 2015, showing the number of shares granted, vested in the normal course and vested early up to the Base Cap Amount.

Grant Year	Cost of each share granted	Number Granted	Number Vested in the normal course	Number Vested early up to the Base Cap Amount	Number Unvested LTI Shares
2011	\$7.37	27,288	-	27,288	-
2012	\$7.94	35,792	23,860	11,932	-
2013	\$10.93	27,799	9,266	18,114	419
2014	\$11.36	27,417	-	-	27,417
2015	\$13.74	22,677	-	-	22,677
		140,973	33,126	57,334	50,513

The applicable performance hurdles to achieve vesting of these Unvested LTI Shares have been disclosed in Remuneration Reports in the relevant Annual Reports.

### Reason for seeking shareholder approval

The Termination Benefits Provisions effectively limit the benefits which the Company and its subsidiaries can give to certain current or former directors or other key management personnel, including Mr Smith, in connection with their retirement from that office or position, unless shareholder approval is obtained for the giving of the benefit or an exemption applies. The Corporations Act prohibits the Company from providing benefits exceeding the Base Cap Amount without shareholder approval and Mr Smith cannot receive the benefits in breach of the Corporations Act.

In view of the contribution made by Mr Smith to the successful growth of the Company and the creation of shareholder value the Board believes it is appropriate to seek, and recommend, shareholder approval of the provision of certain termination related benefits to Mr Smith as set out in resolution 5 and resolution 6.

Resolutions 5 and 6 are presented for voting separately due to the possible preference of some shareholders to vote for one resolution and not the other. The directors recommend that shareholders vote in favour of both resolutions.

### If Resolution 5 is not passed

The Company will not make the 2015 STI payment.

### If Resolution 6 is passed

If Resolution 6 is passed, then the balance of the Unvested LTI Shares will vest to the extent of and upon the achievement from time to time of the InvoCare group defined performance targets which would have applied had Mr Smith still been employed by InvoCare. There are at present 50,513 Unvested LTI Shares. Mr Smith's entitlement to any Unvested LTI Shares which do not vest at the end of the relevant performance testing periods will lapse.

### If Resolution 6 is not passed

The Company will not allow the Unvested LTI Shares to vest and Mr Smith's entitlements will lapse.

### Impact on financial statements

Even though a portion of the benefit of vesting of Mr Smith's Unvested LTI Shares and the 2015 STI are subject to shareholder approval, consequent upon the making of the decision and announcement that Mr Smith's contract would not be renewed, the Company recognised and expensed in the 2014 calendar year financial statements an amount of \$858,000 for the termination benefits, inclusive of on-costs.

For the early vesting of all Unvested LTI Shares, an amount of \$704,000 was recognised as an expense in the 2014 calendar year financial statements, being the accounting value of Mr Smith's Unvested LTI Shares that would have been expensed in subsequent financial years had his contract

been extended. In the case of the 2015 STI, an amount of \$154,000 was recognised. Under the relevant accounting standards, the accounting value of the Unvested LTI Shares expensed is based on the original cost to the Company of purchasing the Unvested LTI Shares when granted.

If the proposed benefits under resolution 5 and resolution 6 are approved by shareholders, the payment or provision of Mr Smith's termination benefits is not expected to materially impact the Company's 2016 or future years' financial results. There will be relatively small profit and loss impacts for:

- a. the reversal of portion of the 2015 STI not earned (ie. \$95,764 before on-costs); and/or
- b. in the case of forfeited Unvested LTI Shares not meeting the performance hurdles over time, the amount of the original cost of those forfeited shares will be taken back to profit; and/or
- c. in the case of future vesting of Unvested LTI Shares upon meeting the performance hurdles, the difference between the original cost of shares granted and the amount of the cash settlement based on share prices at the time of testing will be taken to profit or loss.

If the proposed benefits under resolution 5 and resolution 6 are not approved by shareholders there will be reversal in 2016 of the amounts expensed in 2014 relating to the termination benefits not approved by shareholders (ie. \$858,000).

#### *Recommendation*

The Board recommends that shareholders vote in favour of both Resolutions 5 and 6.

#### *Voting Exclusion Statement*

The Company will disregard any votes cast on Resolutions 5 or 6 by or on behalf of Mr Smith or any associate of Mr Smith.

However, the Company need not disregard a vote if:

- a. it is cast by a person as a proxy, the proxy form directs how the vote is to be cast and the vote is cast in accordance with those directions; or
- b. it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

#### **Other business**

To transact any other business which may be lawfully brought forward in accordance with the Company's Constitution and the Corporations Act.

By order of the Board  
**Phillip Friery**  
**Company Secretary**

13 April 2016

## **Voting notes**

### **How to vote**

Shareholders may vote by:

- a. attending the meeting and voting either in person or by attorney or, in the case of corporate shareholders, by corporate representative; or
- b. by appointing a proxy to attend and vote on their behalf, using the enclosed proxy form.

### **Voting in person (or by attorney)**

Shareholders and their attorneys who plan to attend the meeting are asked to arrive at the venue 60 minutes prior to the time designated for the meeting, if possible, so that their shareholding may be checked against the share register and attendances noted. It would also be appreciated if shareholders could bring with them their proxy form which contains a bar code to facilitate entry to the meeting hall. Attorneys should also bring with them original or certified copies of the power of attorney under which they have been authorised to attend and vote at the meeting.

In order to vote in person at the meeting, a person who is a shareholder may appoint an individual to act as his/her representative. The appointment must comply with the requirements of Section 250D of the *Corporations Act*. The representative should bring to the meeting evidence of his/her appointment, including any authority under which it is signed.

### **Voting by proxy**

1. A member who is entitled to vote at the meeting may appoint:
  - a. one proxy if the member is only entitled to one vote; or
  - b. two proxies if the member is entitled to more than one vote.
2. Where the member appoints two proxies, the appointment may specify the proportion or number of votes that each proxy may exercise. If the appointment does not specify a proportion or number, each proxy may exercise one half of the votes, in which case any fraction of votes will be discarded.
3. A proxy need not be a member of the Company.
4. If you require an additional proxy form, please contact the InvoCare Share Registry on 1300 854 911, which will supply it on request.
5. The proxy form and the power of attorney or other authority (if any) under which it is signed (or a certified copy) must be received by InvoCare's Share Registry, Link Market Services Limited, **no later than Wednesday, 18 May at 11.00am (that is, at least 48 hours before the meeting). Proxies received after this time will not be accepted.** Instructions for completing the proxy form are outlined on the form, which may be returned by:

- a. posting it in the reply paid envelope provided;
  - b. posting it to InvoCare Limited C/- Link Market Services Limited, Locked Bag A14, Sydney South NSW 1235;
  - c. hand delivering it to Link Market Services Limited, 1A Homebush Bay Drive, Rhodes NSW 2138 or Level 12, 680 George Street, Sydney NSW 2000;
  - d. faxing it to Link Market Services Limited on fax number (02) 9287 0309;
  - e. lodging it online at **www.linkmarketservices.com.au** in accordance with the instructions provided on the website. You will need your Holder Identification Number (HIN) or Security Reference Number (SRN) to lodge your proxy form online;
  - f. posting it to InvoCare's registered office, Level 4, 153 Walker Street, North Sydney NSW 2060; or
  - g. faxing it to InvoCare's registered office on fax number (02) 9332 6571.
6. Proxies given by corporate shareholders must be executed in accordance with their Constitutions, or signed by a duly authorised attorney.
  7. A proxy may decide whether to vote on any motion except where the proxy is required by law or the Constitution to vote, or abstain from voting, in their capacity as a proxy. If a proxy is directed how to vote on an item of business, the proxy may vote on that item only in accordance with that direction. If a proxy is not directed how to vote on an item of business, a proxy may vote how he or she thinks fit.
  8. The Constitution provides that where the appointment of a proxy has not identified the person who may exercise it, the appointment will be deemed to be given in favour of the Chairman of the meeting to which it relates or to such other person as the Board determines.
  9. If a shareholder appoints the Chairman of the meeting as the shareholder's proxy and does not specify how the Chairman is to vote on an item of business, the Chairman will vote, as a proxy for that shareholder, in favour of the item on a poll.

### **Shareholders who are entitled to vote**

The Company has determined, in accordance with regulation 7.11.37 of the Corporations Regulations 2001 (Cth), that Shares quoted on ASX at 7pm on Wednesday 18 May 2016 are taken, for the purposes of the Annual General Meeting, to be held by the persons who held them at that time. Accordingly, those persons are entitled to vote (if not excluded) at the meeting.