InvoCare Limited
ABN 42 096 437 393

Appendix 4D – Half-year Report
For the Half-year Ended 30 June 2016

Lodged with Australian Securities Exchange under Listing Rule 4.2A

Results for announcement to the market

This appendix 4D is to be read in conjunction with the annual report for the year ended 31 December 2015 and any public announcements made by InvoCare Limited during the interim period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

	Compared to actual for previous half-year ended 30 June 2015	Half-year Ended 30 June 2016 $'000
Total sales revenue	Up 3.1%	214,509
Total revenue from ordinary activities	Up 3.5%	219,296
Operating earnings after tax (see note 1)	Up 13.2%	21,565
Profit from ordinary activities after tax attributable to members	Up 50.6%	27,804
Net profit after tax attributable to ordinary equity holders of InvoCare	Up 50.6%	27,804

Dividends	**Amount per security**	**Franked Amount per security**
Interim dividend per ordinary share in respect of 31 December 2016 financial year **payable** on 7 October 2016 The **record date** for determining entitlements to the interim dividend and for DRP is 15 September 2016 and the election date for the DRP is 16 September 2016	17.00 cents	17.00 cents

Note 1: This is non-IFRS financial information and is reconciled to statutory profit in the Interim Financial Report.

Dividends

The interim fully franked ordinary dividend in respect of the financial year ending 31 December 2016 amounts to 17.00 cents per share.

Dividend reinvestment plan in operation

The Company's Dividend Reinvestment Plan ("DRP") will apply to the above interim 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 2016 interim 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 DRP Election date, 16 September 2016. The ex-dividend date to be entitled to the final dividend is 14 September 2016.

In order to participate in the DRP, the Company's share registry must receive the election notice by the DRP Election date (that is, by 16 September 2016).

Brief explanation

Refer to the Interim Financial Report, the Investor Presentation and the Media Release released to the market with this Appendix 4D Half Year Report for detailed explanation and commentary on the results.

Other information

Net tangible asset backing per share

	30-Jun-2016 $'000	31-Dec-2015 $'000	30-Jun-2015 $'000
Net assets	**207,669**	203,438	180,782
Add deferred tax liabilities	**37,322**	36,420	31,139
Less intangible assets	**(153,350)**	(152,751)	(149,123)
Net tangible assets	**91,641**	87,107	62,798
Number of shares outstanding	**110,030,298**	110,030,298	110,030,298
Net tangible assets per share	**$0.83**	$0.79	$0.57

Acquisitions or Disposals of Controlled Entities or Businesses

There were no acquisitions or disposals of controlled entities or businesses during the half year ended 30 June 2016.

Associates and joint ventures

The Company has acquired no further interests in other related associates or joint venture entities.

InvoCare Limited and Controlled Entities

Interim financial report

For the half-year ended 30 June 2016

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2015 and any public announcements made by InvoCare Limited during the interim period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

InvoCare Limited and Controlled Entities

Directors' report

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 2016.

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:

Richard Fisher (Chairman)

Martin Earp (Chief Executive Officer)

Christine Clifton

Richard Davis

Joycelyn Morton

Gary Stead

Dividends

The directors have determined a fully franked interim dividend of 17.00 cents per share (2015: 15.75 cents per share fully franked) which will be paid on 7 October 2016.

The Dividend Reinvestment Plan ("DRP") will apply, with shares to be purchased on market and allocated at no discount from the undiscounted average of the daily volume weighted average sale price, rounded down to the nearest cent, of InvoCare shares sold in the ordinary course of trading on the ASX during the period of ten trading days after, but not including, the DRP election date of 16 September 2016. Any shortfall in the DRP take up will not be underwritten.

Operating and Financial Review

Result highlights:	2016 $'000	2015 $'000	Change $'000	
Total sales to external customers	**214,509**	208,117	6,392	3.1%
Other revenue (excluding interest income)	4,787	3,792	995	26.2%
Operating expenses (i)	(172,024)	(166,734)	(5,290)	3.2%
Operating EBITDA (i)	**47,272**	45,175	2,097	4.6%
Operating margin	*22.0%*	*21.7%*		*0.3%*
Depreciation and amortisation	(10,418)	(9,967)	(451)	4.5%
Finance costs	(6,966)	(7,388)	422	(5.7%)
Interest income	443	304	139	45.7%
Business acquisitions costs	(26)	(76)	50	(65.8%)
Operating earnings before tax (i)	**30,305**	28,048	2,257	8.0%
Income tax on operating earnings (i)	(8,740)	(9,005)	265	(2.9%)
Effective tax rate	*28.8%*	*32.1%*		*(3.3%)*
Operating earnings after tax (i)	**21,565**	19,043	2,522	13.2%
Operating earnings per share (i)	*19.7 cents*	*17.4 cents*	*2.3 cents*	*13.2%*
Net gain/(loss) on undelivered prepaid contracts after tax (i)	5,229	(876)	6,105	-
Asset sales gain after tax (i)	1,053	170	883	-
Impairment gain after tax (i)	-	169	(169)	-
Non-controlling interest	(43)	(49)	6	-
Net profit after tax attributable to ordinary equity holders of InvoCare Limited	**27,804**	18,457	9,347	50.6%
Basic earnings per share	25.4 cents	16.9 cents	8.5 cents	50.3%
Interim ordinary dividend per share	17.00 cents	15.75 cents	1.25 cents	7.9%

(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 previous table 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 this table has not been subject to any specific audit or review procedures by our auditor but has been extracted from the accompanying financial report.

Financial overview

During a period of lower than anticipated numbers of deaths in InvoCare's core markets, comparable business funeral case volumes declined by 2.2% on the prior comparative period ("PCP"). Through tight management of costs in this challenging environment, comparable Operating EBITDA increased by 4.0% or $1.9 million to $49.0 million on sales of $213.0 million, which were 2.6% or $5.4 million above PCP. EBITDA to sales margins improved 0.3% to 23.0%. The comparable business excludes the USA start-up operations which commenced in February 2015 and the memorial park businesses acquired in Christchurch New Zealand in July 2015.

The above results were achieved notwithstanding incurring $1.1 million redundancy costs associated with elimination of some roles based at the Corporate Office and investing $0.5 million in strategic value creating projects which commenced during the half year. The various projects will progress over the rest of 2016 and through to 2017. The focus will be to continue to improve operational efficiencies, to drive increased market share, to optimise the Group's network of brands, locations and product offerings and to yield better returns on invested capital.

After favourable movements in finance costs and income tax expense, comparable business operating earnings after tax increased by 12.0% or $2.5 million to $23.6 million.

For the total Group, sales were up 3.1% or $6.4 million to $214.5 million. Operating EBITDA was up by 4.6% or $2.1 million to $47.3 million, EBITDA to sales margins up by 0.3% to 22.0% and operating earnings after tax up by 13.2% or $2.5 million to $21.6 million.

Reported profit after both tax and outside equity interest was up 50.6% or $9.3 million on PCP to $27.8 million. For the comparable business, reported profit was up 45.8% or $9.4 million to $30.0 million. In addition to the operating earnings growth, reported profit benefited from non-cash after tax gains on undelivered prepaid contracts of $5.2 million compared to PCP loss of $0.9 million and after tax asset sale gains of $1.1 million compared to $0.2 million in PCP.

Sales, EBITDA, margins and major profit & loss line items

The following table summarises sales revenue, EBITDA and margins by country segments.

	2016	2015	Change	
	$'000	$'000	$'000	
Sales Revenue				
Australia	**184,581**	178,124	6,457	3.6%
New Zealand	**20,050**	21,326	(1,276)	(6.0%)
Singapore	**8,386**	8,169	217	2.7%
Comparable business	**213,017**	207,619	5,398	2.6%
USA & Acquisitions	**1,492**	498	994	199.6%
Total	**214,509**	208,117	6,392	3.1%
EBITDA				
Australia	**41,617**	40,029	1,588	4.0%
New Zealand	**3,464**	3,144	320	10.2%
Singapore	**3,899**	3,909	(10)	(0.3%)
Comparable business	**48,980**	47,082	1,898	4.0%
USA & Acquisitions	**(1,708)**	(1,907)	199	10.4%
Total	**47,272**	45,175	2,097	4.6%
Margin on sales				
Australia	**22.5%**	22.5%		-
New Zealand	**17.3%**	14.7%		2.6%
Singapore	**46.5%**	47.9%		(1.4%)
Comparable business	**23.0%**	22.7%		0.3%
USA & Acquisitions	**(114.5%)**	(382.9%)		-
Total	**22.0%**	21.7%		0.3%

The EBITDA performance by major income statement line item for the total business is presented in the next table.

	2016		2015		Change	
	$'000	% of Gross Sales	$'000	% of Gross Sales	$'000	
Total - all lines of business						
Sales Revenue	**214,509**	**100.0%**	**208,117**	**100.0%**	**6,392**	**3.1%**
Other revenue	4,787	2.2%	3,792	1.8%	995	26.2%
Expenses:						
Cost of goods sold	(60,011)	28.0%	(60,347)	29.0%	336	0.6%
Personnel	(75,263)	35.1%	(69,686)	33.5%	(5,577)	(8.0%)
Advertising and promotions	(8,731)	4.1%	(8,497)	4.1%	(234)	(2.8%)
Occupancy and facility expenses	(14,325)	6.7%	(14,236)	6.8%	(89)	(0.6%)
Motor vehicle expenses	(3,785)	1.8%	(4,158)	2.0%	373	9.0%
Other expenses	(9,909)	4.6%	(9,810)	4.7%	(99)	(1.0%)
Operating expenses	(172,024)	80.2%	(166,734)	80.1%	(5,290)	(3.2%)
Operating EBITDA	**47,272**	**22.0%**	**45,175**	**21.7%**	**2,097**	**4.6%**
Operating margin %	*22.0%*		*21.7%*			*0.3%*

The EBITDA performance by major income statement line item for the comparable business is presented in the next table.

	2016		2015		Change	
	$'000	% of Gross Sales	$'000	% of Gross Sales	$'000	
Total - all lines of business						
Sales Revenue	**213,017**	**100.0%**	**207,619**	**100.0%**	**5,398**	**2.6%**
Other revenue	4,712	2.2%	3,779	1.8%	933	24.7%
Expenses:						
Cost of goods sold	(60,065)	28.2%	(60,248)	29.0%	183	0.3%
Personnel	(73,777)	34.6%	(68,413)	33.0%	(5,364)	(7.8%)
Advertising and promotions	(7,640)	3.6%	(7,828)	3.8%	188	2.4%
Occupancy and facility expenses	(14,113)	6.6%	(14,163)	6.8%	50	0.4%
Motor vehicle expenses	(3,676)	1.7%	(4,114)	2.0%	438	10.6%
Other expenses	(9,478)	4.4%	(9,550)	4.6%	72	0.8%
Operating expenses	(168,749)	79.2%	(164,316)	79.1%	(4,433)	(2.7%)
Operating EBITDA	**48,980**	**23.0%**	**47,082**	**22.7%**	**1,898**	**4.0%**
Operating margin %	*23.0%*		*22.7%*			*0.3%*

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

Sales

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

- Australian funeral sales increased 0.6% or $0.8 million to $142.0 million (2015: $141.2 million).
  - Average revenue per funeral case, excluding disbursements and delivered prepaid impacts, increased 2.7% and contributed an estimated $2.9 million to sales and EBITDA growth. Normal price increases averaging 3.3% were applied in December 2015. There were shifts to brands and states with lower case averages which resulted in the overall increase in average revenue per funeral being lower than price increases. The trend to direct committals and single rather than double services reported in February 2016, which lowers case averages, was arrested during the half.
  - The number of funeral services performed was down 1.6% compared to the previous half. InvoCare's market intelligence indicates that a reduction in numbers of deaths was the main contributor. Although, overall market share is estimated to be relatively stable, some minor share losses were experienced in the half, but are expected to recover when numbers of deaths increase.
  - The numbers of new prepaid funeral contracts sold by the Australian business were up 7% on the previous year. The number of new contracts exceeded prepaid services performed by 21% (2015: 15%). Prepaid funerals performed in the year were 14.3% (2015: 13.9%) of at-need funerals.
- Australian cemeteries and crematoria sales were up 14.3% or $6.1 million to $48.6 million (2015: $42.5 million) driven by improved contract averages, larger number of higher value memorial contracts and increased deliveries of previously deferred memorials.
- Comparable New Zealand sales (in NZD) were down 3.4% or $0.8 million to $21.7 million (2015: $22.5 million). The decline in sales follows from a 4.1% decline in funeral services performed offset by case average increases of 3.5% as compared to the previous year. Similar to Australia, InvoCare's market intelligence indicates that across its overall markets the number of deaths has declined whilst market share has remained relatively stable. In AUD comparable New Zealand sales were down 6.0% to $20.0 million (2015: $21.3 million) which included un-favourable foreign exchange movements of $0.5 million.
- Singapore funeral sales (in SGD) decreased by 1.5% to $8.5 million (2015: $8.6 million). Number of funeral services performed declined by 8.0% partly offset by a 6.8% improvement in average revenue per case. There has been some market share erosion in Singapore with continuing strong competition in the country. In AUD Singapore sales increased 2.7% to $8.4 million (2015: $8.2 million) which included favourable foreign exchange movements of $0.3 million.
- The start-up operation in Southern California, USA, recorded sales revenue of USD0.7 million (AUD0.9 million). Over 350 funerals and in excess of 1,100 cremations were performed. Funeral case averages achieved were approximately USD950 and cremations approximately USD245. The funeral average was lower than had been targeted due to attracting low yielding cases and the absence of higher yielding burial cases. In response, the funeral operation has shifted focus to target higher case volumes of low cost cases, improve call conversions and reduce costs through targeted marketing and introducing technologies to track call conversions and arrange services requiring less personnel. The cremation operation has successfully secured additional customers and volumes are tracking above plan.
- The two cremation memorial parks in Christchurch (New Zealand) acquired in July 2015 contributed NZD1.0 million to sales in the first half of 2016, before the elimination on consolidation of sales of NZD0.4 million by the parks to Invocare owned funeral homes in Christchurch. Efforts to leverage Australian best practice to improve operational efficiencies and customer experience were commenced during the half.
- Intra-group elimination of cemeteries and crematoria sales to InvoCare owned funeral homes amounted to $6.8 million (2015: $5.7 million).

Other revenue

Other revenue was up 26.0% or $1.0m to $4.8 million (2015: $3.8m). Other revenue mainly comprises administration fees upon initial sale of prepaid funeral contracts and trailing commissions on prepaid funds. Also included in other revenue is a non-refundable fee of $0.6 million (2015: $0.1 million) received for an option granted to a prospective purchaser of a property owned by the Group.

Operating expenses and EBITDA

Comparable operating EBITDA (excluding InvoCare USA and New Zealand acquisitions) increased by $1.9 million or 4.0% to $49.0 million (2015: $47.1 million) with margins improving to 23.0% compared to 22.7% achieved in the previous half. Excluding the unusual items (ie. corporate office redundancy costs $1.1 million, project costs $0.5 million and movement in option fees $0.5 million), EBITDA increased by 6.3% or $3.0 million to $50.0 million and margins improved to 23.5% from 22.6%.

Total operating EBITDA for the group increased by 4.6% or $2.1 million to $47.3 million (2015: $45.2 million). This included losses from InvoCare USA of $1.9 million (USD $1.4 million) and $0.2 million EBITDA contribution by the acquired Christchurch memorial parks.

There was no significant impact of foreign exchange movements on EBITDA during the half- year.

Comparable operating expenses (excluding depreciation, amortisation, acquisition related, finance costs and share of associates net loss) increased $4.4 million or 2.7% to $168.7 million (2015: $164.3 million).

Cost of goods sold (excluding disbursements) as a percentage of sales remained unchanged at 15.5% compared to previous half-year. Cost of goods sold in the current period was impacted by increased, lower margin, memorial sales along with increased deliveries of previously deferred memorials which also attract a lower margin.

Personnel costs were up 8.0% in absolute terms driven by annual base salary increases and higher cemetery and crematoria sales resulting in higher sales incentives paid. Base labour rates have generally been contained to 3.5% increases consistent with the awards and enterprise agreements in place for the majority of the workforce. The total increase also reflected redundancy costs of $1.1 million as a result of some senior corporate office roles being eliminated following an organisational review and $0.3 million payroll costs relating to key initiative projects.

Advertising and marketing expenditure increased by $0.2 million or 2.8% to $8.7 million (2015: $8.5 million). The bulk of this increase was focused on driving brand exposure through main media including TV and radio.

Motor vehicle expenditure decreased by $0.4 million or 9.0% to $3.8 million (2015: $4.2 million) mainly as a result of lower case volume and fuel prices.

Australian operating EBITDA margin on sales remained unchanged at 22.5% in the half compared to the previous half. Impacting this were one-off redundancy costs and sales mix shift towards lower margin cemeteries and crematoria memorial sales in the current half.

New Zealand operating EBITDA margin on sales in local currency increased to 18.0% in the half compared to 14.6% achieved in the previous half. The sales revenue shortfall due to decreased case volume was mitigated by tight cost control.

Singapore operating EBITDA margin on sales in local currency decreased to 46.5% in the half compared to 47.9% achieved in the previous half.

Depreciation and amortisation expenses

Depreciation and amortisation expenses were up $0.4 million in 2016 to $10.4 million (2015: $10.0 million). This increase included $0.1 million associated with acquisitions.

Finance costs

Finance costs decreased by $0.4 million to $7.0 million (2015: $7.4 million). The decrease was impacted primarily by lower margins and declining interest rates which contributed to a lowering of the Group's effective interest rate.

Undelivered prepaid contract performance

Net gains on undelivered prepaid contracts were $7.5 million (2015: $1.3 million net loss). The current half-year gain comprised $14.5 million increase in the fair value of funds under management offset by $7.1 million growth in the future liability to deliver prepaid services.

The fair value uplift of $14.5 million in funds under management was $8.1 million higher than PCP due to returns on the main Guardian Fund being impacted by better returns on listed investments and on unlisted property investments.

During the half-year the preneed liability was increased to progressively recognise the impact of expected price increases. This resulted in liability growth of $7.1 million which was down on last year's $7.7 million.

Please refer the accompanying financial statements for detailed Consolidated Income Statement and Consolidated Balance Sheet impact of undelivered prepaid contract performance.

Approximately 80% of InvoCare's prepaid funds under management are with the Over Fifty Guardian Friendly Society. Asset allocations for this fund remained relatively steady over the half with strong returns delivered from direct property and hybrid investments. The trustees of the Guardian fund continued to evaluate asset allocation strategies that will deliver required returns with acceptable levels of risk and volatility. This may see a further shift in asset classes should the right opportunities be identified.

Movements in the total asset mix of all funds under management over the last 18 months are illustrated in the following table:

	June 2016 %	Dec 2015 %	June 2015 %	Dec 2014 %
Equities	**15**	17	12	10
Property	**27**	26	26	16
Cash and fixed interest	**58**	57	62	74

Asset sale gains

The net after tax impact of asset sales gains were up $0.9 million on PCP generated predominantly from the sale of building assets in relation to Group's previous corporate office in Sydney, Australia.

Impairment

Following a review of the carrying value of assets, no changes to impairment were deemed necessary (2015: $0.2 million after tax gain).

Income tax expense

Income tax expense on reported profit was $10.9 million (2015: $8.9 million), representing an effective rate of 28.2% (2015: 32.4%).

Income tax expense on operating earnings[1] decreased by $0.3 million to $8.7 million (2015: $9.0 million) and the effective rate was 28.8% (2015: 32.1%).

Contributing to the decrease in the effective tax rate for the current half were taxation outcomes on asset sale gains, New Zealand foreign exchange movements and prior period adjustments.

[1] Operating earnings is non-IFRS financial information

Cash flow highlights

	2016 $'000	2015 $'000
Net cash provided by operating activities	**22,518**	25,151
Asset sale proceeds	**3,684**	439
Asset purchases	**(15,355)**	(11,600)
Purchase of subsidiaries and businesses	**(1,213)**	(871)
Payments to funds for prepaid contract sales	**(18,496)**	(17,228)
Receipts from funds for prepaid contracts performed	**18,300**	17,810
Net cash used in investing activities	**(13,080)**	(11,450)
Dividends paid to InvoCare Limited shareholders	**(24,482)**	(22,827)
Dividends paid to non-controlling interests in subsidiaries	**(79)**	-
Net increase in borrowings	**18,970**	13,000
Net cash used in financing activities	**(5,591)**	(9,827)
Net increase in cash during year	**3,847**	3,874
Cash at start of year	**8,679**	10,488
Exchange rate effects	**24**	(6)
Cash at end of the half year	**12,550**	14,356

Cash flows provided by operating activities were down on the first half of last year by $2.6 million to $22.5 million. This was impacted by working capital movements and increased income tax payments. Purchase of businesses included $1.2 million deferred purchase consideration paid in relation to historical acquisitions.

The operating EBITDA conversion to cash ratio for the period was 95% which was down compared to the 104% achieved for first half 2015 as shown in the table below.

	2016 $'000	2015 $'000
Operating EBITDA	**47,272**	45,175
Cash provided by operating activities	**22,518**	25,151
Add finance costs	**6,814**	7,182
Add Income tax paid	**15,434**	14,864
Less interest received	**(15)**	(33)
Ungeared, tax free operating cash flow	**44,751**	47,164
Proportion of operating EBITDA converted to cash	**95%**	104%

The conversion ratio was impacted by working capital movements and sales mix shift towards cemetery and crematoria where the debts are often collected over a longer period of time.

Asset purchases included capital expenditure related to:

	2016 $'000	2015 $'000
Property, refurbishments and facility upgrades	**6,399**	3,519
Motor vehicles	**3,300**	3,680
Digital business	**3,494**	2,488
Other assets	**2,162**	1,913
Total capital expenditure	**15,355**	11,600

The increase in capital expenditure mainly related to fit out costs and installation of audio visual equipment in chapel facilities across Australia.

The 2015 final dividend of 22.25 cents per share, totalling $24.5 million, was paid in April 2016 (April 2015: 20.75 cents per share, $22.8 million). This included on market share purchases of $2.7million (2015: $4.1 million) in relation to the dividend reinvestment plan.

Capital management

At 30 June 2016, the Group had drawn down $252 million borrowings (from total $290 million debt facilities) compared to $242 million at 30 June 2015 and $232 million at 31 December 2015. Net debt at 30 June 2016 was $239 million which compared to the balance at 30 June 2015 of $228 million and 31 December 2015 of $223 million.

In December 2015, $85 million of facilities due to mature in September 2016 were refinanced, which will provide an estimated $0.4 million annualised interest saving, and an additional $35 million in commitment was obtained. As a result, the Group now has $290 million bi-lateral, multi-currency, revolver facilities which comprise five-year tranches of $170 million, maturing in September 2018, and five-year tranches of $120 million, maturing in December 2020.

The five-year tranches maturing in September 2018 are provided in equal $42.5 million proportions by Australia and New Zealand Banking Group Limited ("ANZ"), Commonwealth Banking Group Limited ("CBA"), Westpac Banking Corporation ("Westpac") and HSBC Bank Australia Limited ("HSBC") or their New Zealand affiliates. The five-year tranches maturing in December 2020 are provided by ANZ ($45 million), CBA ($45 million) and HSBC ($30 million).

The current facilities' drawings comprise AUD183.0 million, SGD27.0 million and NZD44.5 million. The foreign currency drawings naturally hedge investments in foreign Singapore and New Zealand markets.

Financial covenant ratios on the borrowing 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 continue to be comfortably met at 30 June 2016, being 2.2 and 8.9 respectively.

To maintain certainty over cash flows, the Group has policies limiting exposure to interest rate fluctuations. In accordance with the policy, at balance date, 58% of debt principal was covered by floating to fixed interest rate swaps.

The overall average effective interest rate is currently 5.0% (2015: 5.4%) inclusive of swaps, margins, commitment fees and establishment fees.

Headroom on the debt facilities of $38 million, and cash of $12 million, provide $50 million in available funds at 30 June 2016. This amount together with operating cash flows will provide further capacity to fund near-term growth opportunities.

Outlook

Total comparable sales revenue for July 2016 was down approximately 3.2% on PCP. There has been no significant change to the volume declines experienced in the first half, indicating the numbers of deaths remain below the longer term growth trend. Accordingly, InvoCare is not expecting to experience case volume growth in the second half. Various revenue generating and cost saving initiatives are being implemented to enable the Group to achieve full year EBITDA growth in percentage terms similar to the first half.

Work will continue during 2016 and 2017 on the key initiative projects and further guidance on the implications of these projects will be provided during 2017.

The Group's capital expenditure in 2016 is expected to be approximately $28 million. The main investments planned include the upgrading of funeral homes and cemeteries, continuing investment in chapel facilities, motor vehicles and digital technology.

Acquisitions will continue to be a driver of growth for InvoCare. A disciplined approach will be applied in making acquisitions which fit InvoCare's core strategy, but there is no certainty on the success or timing of any acquisitions.

At this stage there has been no change to InvoCare's capital management plans. Dividends are expected to continue to distribute at least 75% of operating earnings after tax and, for the full year, be at least equal to the 2015 full year dividends. Sufficient funds should be available from existing debt facilities and free cash flows for capital expenditure and smaller "bolt on" acquisitions in the shorter term. If a more substantial opportunity arises, alternative funding sources, such as an equity raising, would be considered.

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 12.

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 directors.

Richard Fisher
Director

Martin Earp
Director

Sydney
16 August 2016

Auditor's Independence Declaration

As lead auditor for the review of InvoCare Limited for the half-year ended 30 June 2016, 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.

Brett Entwistle
Partner
PricewaterhouseCoopers

Sydney
16 August 2016

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InvoCare Limited and Controlled Entities

Consolidated Income Statement

For the half-year ended 30 June 2016

	Notes	Half-Year 2016 $'000	Half-Year 2015 $'000
Revenue from continuing operations		**219,296**	211,909
Finished goods, consumables and funeral disbursements		**(60,011)**	(60,347)
Employee benefits expense		**(61,224)**	(56,599)
Employee related and on-cost expenses		**(14,039)**	(13,087)
Advertising and public relations expenses		**(8,731)**	(8,497)
Occupancy and facilities expenses		**(14,325)**	(14,236)
Motor vehicle expenses		**(3,785)**	(4,158)
Other expenses		**(9,909)**	(9,810)
		47,272	45,175
Depreciation and amortisation expense		**(10,418)**	(9,967)
Cemetery land impairment reversal		**-**	3,000
Financial assets impairment charge		**-**	(2,577)
Finance costs		**(6,966)**	(7,388)
Interest income		**443**	304
Net gain / (loss) on undelivered prepaid contracts	3	**7,470**	(1,251)
Acquisition related costs		**(26)**	(76)
Net gain on disposal of non-current assets		**990**	148
Profit before income tax		**38,765**	27,368
Income tax expense		**(10,918)**	(8,862)
Profit from continuing activities		**27,847**	18,506
Profit for the half-year		**27,847**	18,506
Profit is attributable to:			
Equity holders of InvoCare Limited		**27,804**	18,457
Non-controlling interests		**43**	49
		27,847	18,506

	Notes	2016	2015
Earnings per share for profit attributable to the ordinary equity holders of the Company			
Basic earnings per share (cents per share)	6	**25.4**	16.9
Diluted earnings per share (cents per share)	6	**25.4**	16.9

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 2016

	Notes	Half-Year 2016 $'000	Half-Year 2015 $'000
Profit for the half-year		**27,847**	18,506
Other comprehensive income			
Items that may be reclassified to profit or loss			
Changes in the fair value of cash flow hedges, net of tax		**(392)**	233
Changes in foreign currency translation reserve, net of tax		**714**	(2,685)
Other comprehensive income for the half-year, net of tax		**322**	(2,452)
Total comprehensive income for the half-year		**28,169**	16,054
Total comprehensive income for the half-year is attributable to:			
Equity holders of InvoCare Limited		**28,126**	16,005
Non-controlling interests		**43**	49
		28,169	16,054

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

InvoCare Limited and Controlled Entities

Consolidated Balance Sheet

For the half-year ended 30 June 2016

	Notes	June 2016 $'000	December 2015 $'000
ASSETS			
Current assets			
Cash and cash equivalents		**12,550**	8,679
Trade and other receivables		**41,445**	41,139
Inventories		**25,132**	24,451
Prepaid contract funds under management	3	**36,615**	35,066
Property held for sale		**2,702**	3,499
Deferred selling costs		**1,336**	1,299
Total current assets		**119,780**	114,133
Non-current assets			
Trade and other receivables		**26,332**	22,881
Other financial assets		**4**	4
Property, plant and equipment		**326,992**	322,248
Prepaid contract funds under management	3	**402,120**	387,218
Intangible assets		**153,350**	152,751
Deferred selling costs		**9,777**	9,374
Total non-current assets		**918,575**	894,476
Total assets		**1,038,355**	1,008,609
LIABILITIES			
Current liabilities			
Trade and other payables		**35,514**	39,313
Derivative financial instruments		**416**	1,130
Current tax liabilities		**4,554**	10,111
Prepaid contract liabilities	3	**35,774**	34,954
Deferred revenue		**8,900**	8,660
Provisions		**14,661**	14,318
Total current liabilities		**99,819**	108,486
Non-current liabilities			
Trade and other payables		**88**	174
Borrowings		**251,429**	230,772
Derivative financial instruments		**4,384**	3,062
Deferred tax liabilities		**37,322**	36,420
Prepaid contract liabilities	3	**382,107**	373,494
Deferred revenue		**53,292**	50,457
Provisions		**2,245**	2,306
Total non-current liabilities		**730,867**	696,685
Total liabilities		**830,686**	805,171
Net assets		**207,669**	203,438
EQUITY			
Contributed equity		**134,560**	133,694
Reserves		**5,608**	5,529
Retained profits		**66,376**	63,054
Parent entity interest		**206,544**	202,277
Non-controlling interests		**1,125**	1,161
Total equity		**207,669**	203,438

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 2016

	Notes	Attributable to Owners of InvoCare Limited					
		Contri-buted equity $'000	Reserves $'000	Retained earnings $'000	Total $'000	Non con-trolling interest $'000	Total equity $'000
Balance at 1 January 2016		**133,694**	**5,529**	**63,054**	**202,277**	**1,161**	**203,438**
Total comprehensive income for the half-year		**-**	**322**	**27,804**	**28,126**	**43**	**28,169**
Transactions with owners in their capacity as owners:							
Dividends paid	4	**-**	**-**	**(24,482)**	**(24,482)**	**(79)**	**(24,561)**
Deferred employee share plan shares vesting during the half year	5	**866**	**(866)**	**-**	**-**	**-**	**-**
Employee shares – value of services		**-**	**623**	**-**	**623**	**-**	**623**
Balance at 30 June 2016		**134,560**	**5,608**	**66,376**	**206,544**	**1,125**	**207,669**
Balance at 1 January 2015		131,682	6,756	48,367	186,805	1,154	187,959
Total comprehensive income for the half-year		-	(2,452)	18,457	16,005	49	16,054
Dividends paid	4	-	-	(22,827)	(22,827)	-	(22,827)
Deferred employee share plan shares vesting during the half year	5	1,676	(1,676)	-	-	-	-
Acquisition of shares by the InvoCare Deferred Share Plan Trust		-	(649)	-	(649)	-	(649)
Employee shares – value of services		-	245	-	245	-	245
Balance at 30 June 2015		133,358	2,224	43,997	179,579	1,203	180,782

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

InvoCare Limited and Controlled Entities

Consolidated Statement of Cash Flows

For the half-year ended 30 June 2016

	Notes	Half-Year 2016 $'000	Half-Year 2015 $'000
Cash flows from operating activities			
Receipts from customers (including GST)		**240,286**	235,649
Payments to suppliers and employees (including GST)		**(199,670)**	(191,621)
Other revenue		**4,135**	3,136
		44,751	47,164
Interest received		**15**	33
Finance costs		**(6,814)**	(7,182)
Income tax paid		**(15,434)**	(14,864)
Net cash inflow from operating activities		**22,518**	25,151
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**3,684**	439
Purchase of subsidiaries and other businesses including acquisition costs, net of cash acquired		**(1,213)**	(871)
Purchase of property, plant and equipment		**(15,355)**	(11,600)
Payments to funds for pre-paid contract sales	3	**(18,496)**	(17,228)
Receipts from funds for pre-paid contracts performed	3	**18,300**	17,810
Net cash outflow from investing activities		**(13,080)**	(11,450)
Cash flows from financing activities			
Proceeds from borrowings		**46,970**	24,000
Repayment of borrowings		**(28,000)**	(11,000)
Dividends paid to InvoCare Limited shareholders		**(24,482)**	(22,827)
Dividends paid to non-controlling interests in subsidiaries		**(79)**	-
Net cash outflow from financing activities		**(5,591)**	(9,827)
Net increase in cash and cash equivalents		**3,847**	3,874
Cash and cash equivalents at the beginning of the half-year		**8,679**	10,488
Effects of exchange rate changes on cash and cash equivalents		**24**	(6)
Cash and cash equivalents at the end of the half-year		**12,550**	14,356

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

1 Basis of preparation of the half-year report

This condensed consolidated interim financial report for the half-year reporting period ended 30 June 2016 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 2015 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*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

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.

(b) Segment information provided to the CEO

The segment information provided to the CEO for reportable segments to 30 June 2016 and 30 June 2015 is outlined below.

	Australian Operations	Singapore Operations	New Zealand Operations	Other Operations	Consolidated
	2016	2016	2016	2016	2016
	$'000	$'000	$'000	$'000	$'000
Revenue from external customers	184,443	8,386	20,606	1,074	214,509
Other revenue (excluding interest income)	4,310	294	105	78	4,787
Operating expenses	(147,137)	(4,781)	(17,005)	(3,101)	(172,024)
Operating EBITDA	41,616	3,899	3,706	(1,949)	47,272
Depreciation and amortisation	(8,860)	(273)	(1,186)	(99)	(10,418)
Finance costs	(5,452)	(347)	(1,167)	-	(6,966)
Interest income	430	-	12	1	443
Income tax expense	(10,240)	(519)	(150)	(9)	(10,918)
Total goodwill	85,780	14,592	46,099	1,677	148,148
Total assets	915,482	40,554	80,715	1,604	1,038,355
Total liabilities	749,715	30,045	50,437	489	830,686

	Australian Operations	Singapore Operations	New Zealand Operations	Other Operations	Consolidated
	2015	2015	2015	2015	2015
	$'000	$'000	$'000	$'000	$'000
Revenue from external customers	177,982	8,169	21,326	640	208,117
Other revenue (excluding interest income)	3,476	236	50	30	3,792
Operating expenses	(141,482)	(4,496)	(18,256)	(2,500)	(166,734)
Operating EBITDA	39,976	3,909	3,120	(1,830)	45,175
Depreciation and amortisation	(8,436)	(310)	(1,156)	(65)	(9,967)
Cemetery land impairment reversal	3,000	-	-	-	3,000
Financial assets impairment charge	(2,577)	-	-	-	(2,577)
Finance costs	(6,006)	(388)	(994)	-	(7,388)
Interest income	281	-	23	-	304
Income tax expense	(8,731)	(451)	342	(22)	(8,862)
Total goodwill	85,780	14,168	45,323	1,704	146,975
Total assets	886,448	38,181	80,286	3,694	1,008,609
Total liabilities	725,160	28,802	50,697	512	805,171

2 Segment Information continued

(b) Segment information provided to the Chief Executive Officer (“CEO”) continued

Operating EBITDA of $47,272,000 (2015: $45,175,000) is reconciled to profit before tax on the face of the consolidated income statement.

(c) Segment information - accounting policies

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

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. Group’s operations in Hong Kong and the USA have been aggregated under “Other Operations” in the tables above due to their relatively small size.

3 Prepaid contracts

(a) Impact on statement of comprehensive income

	2016 $’000	2015 $’000
Gain on prepaid contract funds under management	**14,538**	6,424
Change in provision for prepaid contract liabilities	**(7,068)**	(7,675)
Net gain / (loss) on undelivered prepaid contracts	**7,470**	(1,251)

(b) Movements in prepaid contract funds under management

	2016 $’000	2015 $’000
Balance at the beginning of the year	**422,284**	400,967
Sale of new prepaid contracts	**18,496**	17,228
Initial recognition of contracts paid by instalment	**1,717**	1,535
Redemption of prepaid contract funds following service delivery	**(18,300)**	(17,810)
Increase in fair value of contract funds under management	**14,538**	6,424
Balance at the end of the half-year	**438,735**	408,344

(c) Movements in prepaid contract liabilities

	2016 $’000	2015 $’000
Balance at the beginning of the year	**408,448**	393,841
Sale of new prepaid contracts	**18,496**	17,228
Initial recognition of contracts paid by instalment	**1,717**	1,535
Decrease following delivery of services	**(17,848)**	(17,376)
Increase due to re-evaluation of delivery obligation	**7,068**	7,675
Balance at the end of the half-year	**417,881**	402,903

(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.

(e) Nature of contracts under management and liabilities

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 for the change in selling prices during the period.

3 Prepaid contracts continued

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, 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 $6,930,000 (2015: $6,518,000). 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 $14,538,000 in prepaid contract funds under management (2015: $6,424,000) was higher than the non-cash growth due to selling price increases of $7,068,000 in the liability for future service delivery obligations (2015: $7,675,000).

4 Dividends

	Half-year ended	
	2016	2015
	$'000	$'000
Dividend paid during the half-year		
Final ordinary dividend in respect of the previous year of 22.25 cents (2015: 20.75 cents) per fully paid ordinary share, fully franked based on tax paid at 30%.	**24,482**	22,827
Dividends paid to members of InvoCare Limited	**24,482**	22,827
On 16 June 2016 dividend totalling 10.03 cents per fully paid share, fully franked based on tax paid at 30%, was paid to non-controlling interests (2015: Nil)	**79**	-
	24,561	22,827
Dividends not recognised at the end of the half-year		
In addition to the above dividends, since the end of the half-year the directors have recommended the payment of an interim dividend of 17.00 cents per fully paid ordinary share (2015: 15.75 cents), fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 7 October 2016 (2015: 9 October 2015), but not recognised as a liability at the end of the half-year, is:	**18,705**	17,330
Franking credit balance		
The amount of franking credits available for subsequent financial years are:		
Franking account balance at the end of the reporting period	**28,120**	**27,729**
Franking credits that will arise from the payment of income tax payable at the end of the reporting period	**14,395**	**1,349**
Reduction in franking account resulting from the payment of the proposed interim dividend of 17.00 cents (2015: 15.75 cents)	**(8,016)**	**(7,427)**
	34,499	**21,651**

5 Movements in contributed equity

There were no movements in ordinary shares in either half-year period.

	2016 Shares	2015 Shares	2016 $'000	2015 $'000
Treasury shares				
Movement of treasury shares during the half-year				
Shares vesting during the half-year	(81,640)	(190,059)	(866)	(1,676)
Total	(81,640)	(190,059)	(866)	(1,676)

6 Earnings per share – weighted average number of ordinary shares

	2016 Shares	2015 Shares
Weighted average number of ordinary shares used as a denominator in calculating:		
Basic earnings per share	**109,644,322**	109,480,363
Diluted earnings per share	**109,644,322**	109,480,363

7 Business combinations

Tuckers Funeral & Bereavement Services

On 10 December 2012, a subsidiary InvoCare Australia Pty Limited completed the acquisition of Tuckers Funeral & Bereavement Services Pty Ltd and Geelong Mortuary Transfer Services Pty Ltd together with the property assets owned by a party related to the vendors ("Tuckers"). Tuckers has been operating since 1883, and is recognised to be one of the largest regional funeral directors in Australia. The company operates in the state of Victoria and its main facilities are located in Geelong West, with additional chapels and offices located in Grovedale, Lara and Barrabool Hills.

Included in the purchase consideration was $2.1 million in future payments to be paid if predetermined revenue targets are achieved in each of the next three calendar years. The predetermined revenue target was achieved in 2015 and as a result a payment, representing the final instalment of future payments, of $900,000 was made during the half-year.

Harewood Memorial Gardens and Crematorium / Cremation Society of Canterbury

On 22 July 2015, a subsidiary, InvoCare New Zealand (formerly Bledisloe New Zealand Limited), completed the acquisition of the cemetery and cremation assets of Harewood Memorial Gardens and Crematorium Limited and Cremation Society of Canterbury Limited ("Harewood") which have operated crematoria in the Christchurch market for over 70 years.

Retention amount of $286,000, included in the purchase consideration, was paid in January 2016.

8 Contingencies

	June 2016 $'000	December 2015 $'000
The parent entity and consolidated entity had contingent liabilities at 30 June 2016 in respect of bank guarantees given for leased premises of controlled entities to a maximum of:	**2,265**	**2,287**

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.

As of 1 January 2013, the Group adopted AASB 13 *Fair Value Measurement* which requires the disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

(b) 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

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

	June 2016 $'000	December 2015 $'000
Level 1		
Prepaid contract funds under management	**438,735**	422,284
Level 2		
Derivative financial instruments	**(4,800)**	(4,192)
Level 3		
Contingent consideration	**(276)**	(1,457)

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 2015 Annual Financial Report.

10 Events occurring after balance date

No significant subsequent events, not otherwise disclosed, have occurred since 30 June 2016.

Directors' Declaration

For the half-year ended 30 June 2016

In the directors' opinion:

(a) the financial statements and notes set out on pages 13 to 22 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 2016 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.

Richard Fisher
Director

Martin Earp
Director

Sydney
16 August 2016

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 2016, 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 explanatory notes and the directors' declaration for InvoCare Group (the consolidated entity). The consolidated entity 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 consolidated entity's financial position as at 30 June 2016 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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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 consolidated entity's financial position as at 30 June 2016 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.*

PricewaterhouseCoopers

PricewaterhouseCoopers

Brett Entwistle
Partner

Sydney
16 August 2016

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