InvoCare

INVOCARE LIMITED AND SUBSIDIARIES

Appendix 4E (rule 4.3A)

PRELIMINARY FINAL REPORT

For the year ended 31 December 2021

Results for announcement to the market

(All comparisons to the year ended 31 December 2020)

	2021 $'000	Up/(down) $'000	Movement %
Revenue from continuing operations	532,453	54,801	11.5
Operating earnings after income tax attributable to ordinary equity holders of InvoCare Limited*	45,143	17,147	61.2
Net profit from ordinary activities after income tax attributable to ordinary equity holders of InvoCare Limited	80,158	91,700	794.5
Net profit after income tax attributable to ordinary equity holders of InvoCare Limited	80,158	91,700	794.5

* *This is non-IFRS financial information and is reconciled to statutory profit in the Financial Report (Refer to Directors' report in the Annual Financial Report attached).*

Dividend information

	Amount per share cents	Franked amount per share cents	Franking credit %
2021 Interim dividend	9.5	9.5	100
2021 Final dividend	11.5	11.5	100

2021 Final dividend dates

Record date	4 March 2022
Payment date	8 April 2022

The Company's Dividend Reinvestment Plan (DRP) will operate with [no discount]. Shares will be [acquired on market] and transferred to participants in accordance with the DRP Rules. The last time for the receipt of an election notice to participate in the DRP is 5:00pm on 7 March 2022.

Eligible shareholders may lodge their DRP elections electronically by logging onto InvoCare's share registry, Link Market Services, via their website at https://investorcentre.linkmarketservices.com.au and clicking on the link to Investor Login. Further information about the DRP may be found at https://www.invocare.com.au/investor-relations/for-shareholders/

Net tangible assets

	2021 $	Restated* 2020 $
Net tangible asset per ordinary share	2.75	2.27

* *The Group has changed its accounting policy for software-as-a-service arrangements (SaaS arrangements). Refer to Note 12B of the attached Annual Financial Report for further details.*

Net tangible assets include the net impact of the right of use assets and the corresponding lease liabilities accounted for under the accounting standard requirements of AASB16 Leases.

Other information

Additional Appendix 4E disclosure requirements can be found in the Annual Financial Report of InvoCare Limited for the year ended 31 December 2021.

This report is based on the consolidated financial statements which have been audited by Deloitte Touche Tohmatsu.

INVOCARE LIMITED AND SUBSIDIARIES

ABN: 42 096 437 393

ANNUAL FINANCIAL REPORT

For the year ended 31 December 2021

Directors' report

Your directors present their report, together with the consolidated financial report of InvoCare Limited (the Company) and its subsidiaries (together referred to as InvoCare or the Group) for the financial year ended 31 December 2021, along with the independent audit report.

Company overview and principal activities

InvoCare Limited (listed on the Australian Securities Exchange, ASX:IVC), headquartered in Sydney, is a leading provider of funeral services in Australia, New Zealand and Singapore, and operates private memorial parks and crematoria in Australia and New Zealand. It is also a leading provider of pet cremation services in Australia.

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

Information is only being included in the 2021 Annual Financial Report to the extent it has been considered material and relevant to the understanding of the financial performance and financial position of the Group.

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

- the dollar amount is significant in size (quantitative factor)
- the dollar amount is significant by nature (qualitative factor)
- the Group's results cannot be understood without the specific disclosure (qualitative factor)
- it is critical to allow a user to understand the impact of significant changes in the group's business during the period such as business acquisitions (qualitative factor)
- it relates to an aspect of the Group's operations that is important to its future performance

InvoCare at a glance

InvoCare is a leading provider of funerals, burials and cremations in Australia, New Zealand, and Singapore and operates private memorial parks and crematoria in Australia and New Zealand. It is also a leading provider of pet cremation services in Australia.

46K
Funerals cases
- 37K Australia
- 7K New Zealand
- 2K Singapore

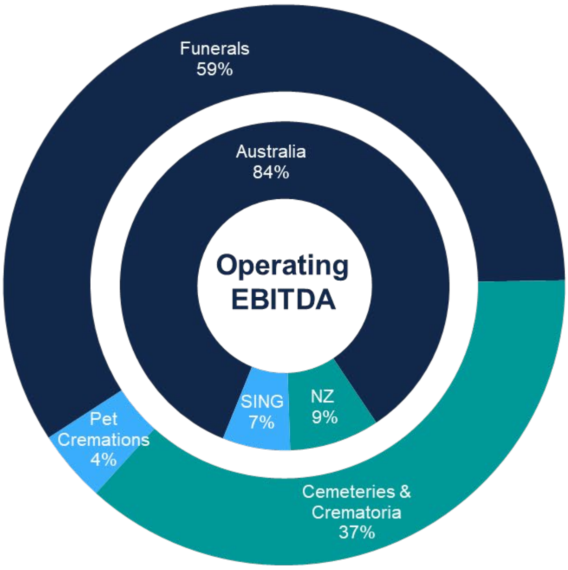
23K
Cremations & burials

87K
Pet cremations

+80.1
NPS, an exceptional result

c.1,900
Full Time Equivalent (FTE)
Employees

336
Locations
- 285 Australia
- 48 New Zealand
- 3 Singapore



Offering products and services along the **customer's lifetime journey**

Pre Need | At Need | Post Need

Our purpose, vision and values

Our purpose is in 'honouring life, celebrating memories for generations', which reflects that, with our team, breadth of offering and strategic assets, InvoCare is uniquely positioned to service our customers' needs along their lifetime journey.

Our vision is: 'To be entrusted with all lives, as a respected pillar of our communities and a leader in our field'.

Garnering community trust in our brands, having offerings that cater to the diversity of our markets and being a valued leader within the death care sector is fundamental to our long-term success and the creation of shareholder value.

Underpinning the achievement of our strategic objectives and the culture of InvoCare are our CARES values:

- **Collaboration:** We respect one another and achieve more by working together
- **Accountability**: We always act with integrity, through honesty, fairness and accountability
- **Responsiveness**: We put our clients and community first, by listening, anticipating, supporting and actioning, to exceed their expectations
- **Excellence**: We continuously improve the way we do business through innovation, creativity and flexibility
- **Safety**: We keep everyone safe, everywhere and every day

Our strategic ambition for 2025

In May 2021, InvoCare announced to shareholders its reset strategy to 2025, which is designed to deliver on our purpose and vision.

In resetting the strategy, an opportunity was identified to first, extract greater value from the business that InvoCare has today and leverage the investments made in the past five years, and then, use this as a strong and sustainable foundation for growth. There are five pillars to the strategy, the objectives, and ambitions for 2025 are outlined below:

Raising the bar

	Customer Led People Empowered	Operational Excellence	Stronger core growth	New growth platforms	Sustainable Leadership
Objectives	Be customer-centric in everything we do	Optimise our foundations to drive sustainable returns	Excel in servicing customer needs and grow share of market value	Innovate & diversify to expand addressable market & meet future customer needs	Lead company & industry to more sustainable outcomes

2025 Ambitions	Trusted by Client Families & Communities	Great place to work	Recognised industry leader & partner of choice	Creating value for all Stakeholders
	Outstanding NPS	*High engagement & retention*	*Sustainability commitments*	*EPS growth & satisfactory ROCE*

Despite the disruption caused by COVID-19 pandemic (COVID), the Group is making excellent progress in executing on this strategy, with the past year focused on building stronger foundations for the future.

A description of these strategic priorities and some Group-level achievements in the year are included below. At a divisional level, detailed strategies are developed specific to the opportunities to improve each of our individual businesses within these five strategic pillars and these are discussed in further detail in the respective performance summaries starting on page 14.

Customer led, people empowered

This first pillar is about being customer-centric in everything that we do and empowering our frontline teams. By better engaging and empowering our people we can maintain our exceptional Net Promoter Score (NPS) and expand customer advocacy, while building a great, safe, and inclusive place to work.

With a high proportion of sales driven through referrals, InvoCare prides itself on constantly working to raise the quality of its service standards, as reflected in the NPS, which is +80.1 at the end of 2021, exceeding the target set for the year.

InvoCare's 'Your Say' employee engagement survey was conducted in the first half of 2021. The new-look survey received over 7,000 comments, provided baseline data about the employee experience and enabled benchmarking against similar-sized organisations and industries. Insights from the survey have been cascaded across the business, with teams building action plans in support of the feedback provided.

One of our first actions in response to feedback was the announcement of a new paid parental leave scheme for Australian and New Zealand employees supporting both primary and secondary carers, another component in our emerging diversity, equity and inclusion strategy.

Operational excellence

This pillar considers the Group's operating model, network performance, costs and capital discipline. The Group has focused on rejuvenating its funeral facilities as part of the network and brand optimisation (NBO) facilities upgrade program in recent years, a program that is due for completion in the next 12 months and which will then transition to longer term network project plans. The Group will now focus on execution of a more streamlined operating model to extract efficiencies. The Group has also started developing its use of information technology (IT) to enhance our customer service offerings via digital platforms.

The Group undertook a debt refinancing, which completed in September 2021. This is a key step to ensuring the Group has access to a flexible funding arrangement that will support the execution of the five-year strategy. Its nature as a revolving cash advance facility is also intended to bring further discipline to the Group's cash management activities and minimise finance costs.

Stronger core growth

Each business will be focusing on its share of value by expanding the range of services offered to client families – rather than focusing on market share in volume (i.e. cases) alone. This includes a renewed focus on pre-paid funerals to underwrite future long-term growth in the Funeral business.

Further details on what this strategic objective means for each of our businesses and key achievements are located further in this report.

New growth platforms and innovation

The fourth strategic pillar aims at expanding the Group's addressable market through adjacencies and harnessing the potential of innovation to drive new sources of growth and efficiency. This includes expanding the pet cremations business and positioning the Group to create value for customers along their lifetime journey.

The Group has established an Innovation Hub to develop, support and nurture an innovation culture. The hub is a platform for InvoCare to connect with start-ups, researchers, not-for-profits and other partners to bring innovation to the sector. Through the hub, we have already made an investment in Memories Group Limited (Memories), an innovative digital legacy platform, and partnered with The Violet Initiative, an organisation that has the aim of helping carers talk about and prepare for the death of a loved one.

Sustainable leadership

Finally, the fifth pillar is InvoCare's commitment to sustainable industry leadership. The Group is redoubling its efforts on sustainability, which, in addition to broader environmental and sustainability goals, involves a clear focus on safety and operational standards of care. Furthermore, our people are fundamental to customer advocacy and the Group continues its focus on diversity and talent development.

InvoCare now has an overarching Health and Safety Strategy, aimed at developing and delivering innovative, sustainable interventions that promote team member peak performance and reduce injury, illness and fatal risk. Since growing our Safety and Injury Management teams, and introducing clearer targets and safety management plans, we have made great progress in reducing our Lost Time Injury Frequency Rate (LTIFR) by 22% in a year to 9.8.

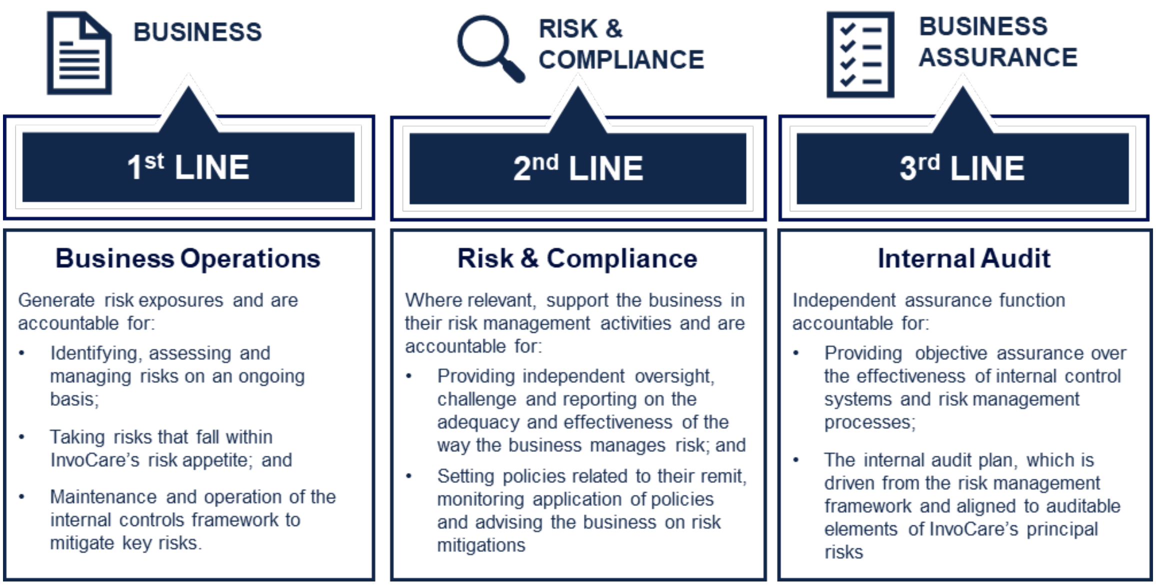
InvoCare's inaugural materiality assessment this year identified the environmental, social and governance (ESG) issues relevant to our operations, gave us an understanding of what matters to our stakeholders, and laid the foundations of our new organisation-wide Sustainability Strategy that fits within this fifth pillar, 'Sustainable leadership'. This assessment process has reframed our ESG focus into three themes, *'People, Place and Planet'*. As the Sustainability Strategy is multi-year, some of our activities and evaluation processes under each theme are still in development. Further detail is to be provided in the Group's 2021 Sustainability Report.

Risks and uncertainties

Risk culture and risk management practices is a critical enabler to InvoCare's sustainable, long term value creation and protection.

Risk culture

Underpinning our risk culture is the adoption of the '3 lines of accountability' model. This model clearly articulates organisation-wide roles and responsibilities in relation to the management of risk.



Our approach to risk management

Our risk management approach continually evolves as we identify, assess, mitigate, and monitor both financial and non-financial risks that may impact our ability to achieve our strategic objectives.

Our focus on risk management is anchored to ISO31000 principles to ensure robust foundations support our processes and procedures and in so doing this allows the Board to fulfil its governance responsibilities by making a balanced assessment of the operation of the risk management process. Risks are identified and assessed through workshops with senior leaders of the business on a cyclical basis and monitored constantly. Mitigating actions and controls are designed to limit the impact or likelihood of key risks occurring.

Risk appetite

Risk appetite is the level of risk the Group is willing to take to achieve its strategic objectives and is set by the Board. Risk appetite is reviewed at least annually to ensure it reflects the risks the Board is willing to accept in pursuit of InvoCare's strategic objectives.

The Board looks at the Group's appetite to risk across the following risk classes.

- Market/Strategic
- Financing
- Operations
- Information Technology
- Sourcing
- Safety
- People
- Business Disruption
- Regulatory Compliance
- Culture & Conduct
- Fraud
- Funds under Management
- Change Management

Those risk classes that contain risks assessed as High or Extreme are included in the following tables.

Key risks

The table below highlights the most significant key risks facing InvoCare and their alignment to our five strategic pillars. Also included in the table below are the high-level mitigation activities we have in place.

COVID has created unprecedented challenges for our businesses, further highlighting the importance of having an effective understanding of, and ability to respond quickly to, changing and emerging risks. Throughout the pandemic we have continued to provide our services, despite ever-changing operating environments. However, COVID remains a risk for InvoCare and we continue to respond to the emerging health and safety threats the pandemic presents and the impact it may have on our execution of strategy.

During 2021 we continued with our COVID health and safety protocols, which allowed us to continue operating and ensured the safety of our people, client families, suppliers, and contractors. We have also observed some changes in client family behaviours during the pandemic, with digital playing a greater role in the funeral planning and service. Foot traffic through our parks has also been directly impacted by lockdowns. The reset strategic priorities we announced in May 2021 address these and other shifting dynamics in the market (both positive and negative).

In assessing which risks should be classified as key, we assess the probability of the risk materialising and the financial or strategic impact of the risk. Where risks link to the five strategic pillars, this is set out in the following table:

Customer Led People Empowered	Operational Excellence	Stronger core growth	New growth platforms	Sustainable Leadership

Risk description	Risk management/mitigation
Safety The risk of not adequately protecting the wellbeing and safety of our staff, customers, vendors and visitors. Increased COVID related health and safety risks result in additional steps to keep our staff, visitors, and client families safe, and the increased costs of operating, including rise in absenteeism from requirements to isolate and/or recovery from illness.	• Appointment of Executive General Manager Health, Safety & Sustainability role to the Executive Leadership Team • 'Safety' added to the InvoCare CARES values to elevate prominence and importance • Risk-based safety programmes; workplace inspections • Safety metrics reported monthly by business • COVID-19 Taskforce in place • Implementation of real-time safety incidents and reporting platform
People The risk of having impactful talent gaps through insufficient and/or ineffective recruitment, training and retention programs and practices. Resulting in resourcing gaps, and/or capability gaps, which negatively impact the businesses ability to operate and protect vital industry knowledge and intellectual property.	• Ongoing implementation of leadership development strategies, including 'Evolve' and 'Aspire' programs • Appointment of business unit dedicated talent acquisition business partners • External review of talent acquisition operating model to ensure current and future state readiness • Bi-annual talent management and succession planning for key executive roles and/or critical roles • Appropriate incentives and career development opportunities • Development of Employment brand and Employee Value Proposition

Risk description	Risk management/mitigation
Business continuity The risk that a pandemic/epidemic impacts InvoCare's strategic objectives or ability to deliver the full breadth of its services (including spike in deaths to unserviceable levels, impacts to workforce, mortuary capacity, inability to work in certain locations, health and wellbeing of our staff, inability to travel, government-imposed restrictions on funeral service attendance, social distancing and isolation rules).	• Infectious disease procedure in place • Disaster recovery plan (DRP) in place to manage IT risks • Business Continuity plans routinely refined and amended • Establishment of a COVID-19 Taskforce • Investment in remote working and deployment of enhanced AV streaming capabilities
Information technology The risk that cyber-attack or IT system failure causes operational disruption, personal and sensitive data loss, financial loss and reputation damage.	• IT strategy in place including IT Architecture Roadmap • Significant step up in IT security & risk including fit-for-purpose security capability, controls, processes and technology and enhanced capability and resources • Investment in PC refresh program • Independent cyber maturity assessment review conducted, and prioritised actions identified • Cyber insurance policy • Specific training to improve internal understanding and communication of cyber risks • Proactive monitoring for breaches
Regulatory compliance The risk that changes in regulation impact InvoCare's economics (including increased compliance costs, price pressure). The risk that regulatory compliance obligations are not known, recorded or monitored which could result in financial penalties/fines, reputation damage or business disruption.	• Appointment of Executive General Manager Stakeholder Management role to the Executive Leadership Team • Consumer Act training for employees • Group Legal & Compliance team in place, who oversee business compliance • Where appropriate, specialist external legal advisers engaged to support • Continued investment in the management of compliance, including digital solutions and an ERM system
Financial The risk that InvoCare cannot meet its financial obligations and the risk that capital/funding constraints impact the ability to capitalise on opportunities.	• Short, medium and long term tenor financing in place • Syndicated lender group providing diversity • Maintain strong relationships with banking partners and investors • Monthly reporting of financial metrics to the Board and Executive Leadership Team • Business unit performance reviews and monitoring against budget and forecasts • Monitoring of debt covenants and monthly cashflow statements and weekly cash forecasts
Market, strategic & competition The risk of market disruption by existing or new competitor impacting market share, case average, resource migration and increase labour costs. The risk that InvoCare responds at a slower pace to changing customer preferences/needs, and/or technology advancements than our competitors impacting case averages and market share.	• Routine market analysis of consumer preferences and competitor activity and environment. • Diverse brand portfolio • Robust balance sheet and financial capacity to respond to challenges • Establishment of an innovation hub • Robust annual strategic planning process

Risk description	Risk management/mitigation
Operational The risk of unauthorised access to the deceased or cremated remains. The risk that cremated remains, deceased valuables or pre-paid paper records are destroyed or lost. The risk that customer complaints are not addressed adequately.	• Adopting a national, centralised approach to the storage of historical unclaimed and long term cremated remains • Appointment of National Accreditation Manager - Funerals • National Funeral Home Accreditation Program that encompasses deceased identification and receipting of client valuables • Activation of paper records digitisation strategy • Relaunch of the customer feedback platform with improved functionality including severity ratings and escalation • Customer Feedback training developed and rolled out (annually) to front line team members

Market disruption by emerging risks

InvoCare continues to monitor for emerging risks through our risk management processes and procedures. The key areas where additional risk is appearing, all of which are extensions of risks already identified in our risk taxonomy, are as follows:

Risk description	Risk management/mitigation
Proposed Interment Industry Scheme Cemeteries and Crematoria NSW (CCNSW) have proposed to regulate the operations of funeral services providers in the State of NSW by way of an Interment Industry Scheme. Concerns have been raised as to the unintended consequences of the scheme, including a prospective approach to addressing perpetual care obligations, and the potential negative impact on consumers.	• Appointment of Executive General Manager Stakeholder Management role to Executive Leadership Team • Proactive engagement with CCNSW and InvoCare has issued a formal submission to the draft regulation • Members of InvoCare's senior management are members of the CCNSW Industry Consultation Group (ICG). All proposed changes are tabled with the ICG to ensure industry feedback is addressed before implementation/ legislation eventuates
Climate change Like all businesses, InvoCare faces climate change risks. We have committed to identifying, assessing and formalising plans to address a pathway forward and these are outlined in our 2021 Sustainability Report.	• Appointment of Executive General Manager Health, Safety & Sustainability role to Executive Leadership Team • Sustainability Materiality Assessment review undertaken • Developed a Sustainability Strategy utilising the three themes – People, Place, Planet

Financial review

To grow earnings per share and total shareholder returns, we seek to complement operational execution of our strategy with financial discipline, strong portfolio management, balance sheet strength and cash flow generation. Set out below is a description of these areas and the financial tools we use to measure success:

- Financial discipline – Focus on cost control and efficiency to drive positive operating leverage
- Portfolio management – Act decisively on the allocation of capital and managing returns from investments
- Balance sheet strength – Maintain funding flexibility and disciplined capital management to support growth aspirations
- Cash flow generation – Pursue working capital efficiency and realisation of profits into cash to reinvest in the business

The Group's performance in these areas during the year is set out on the following pages. The prior corresponding period (PCP) is the year ended 31 December 2020.

Impact of IFRIC guidance on accounting for software-as-a-service contracts (SaaS)

Following clarifying guidance issued by the IFRS Interpretations Committee (IFRIC) in April 2021, the Group has adopted a change in its accounting policy in relation to the treatment of configuration and customisation costs incurred in implementing SaaS arrangements.

This change in accounting policy is to be applied retrospectively resulting in the need to restate the comparative financial statements for the year ended 31 December 2020. The impact of the change in accounting is therefore reflected in the restated financial results for the year ended 31 December 2020 presented on relevant pages of this report.

Further details on the impact of the change in accounting policy are included in Note 12 of the financial statements.

Generating long term shareholder returns

InvoCare seeks to deliver sustainable shareholder returns through earnings per share (EPS) and dividend growth which, if delivered, should support share price performance.

The Board determined a fully franked final dividend of 11.5 cents per share, increasing full year dividends to 21.0 cents, representing a dividend payout ratio of 66% of Operating EPS, within the Group's preferred payout range.

	2021 cents	**Restated 2020 cents**	**Movement %**
Basic earnings per share (EPS)	**56.1**	(8.6)	752.3
Operating EPS	**31.6**	20.9	51.2
Interim dividend	**9.5**	5.5	72.7
Final dividend	**11.5**	7.0	64.3
Total dividend (full year)	**21.0**	12.5	68.0
Dividend payout ratio (%)	**66%**	60%	6 ppts

Profit performance for the year

The Group delivered Operating net profit after tax of $45.1 million in the year ended 31 December 2021 (FY21), a 61% improvement on the PCP driven by an increase in funeral case average in Australia and New Zealand, continued growth in memorialisation sales in the Group's Cemeteries & Crematoria business, a strong contribution from the pet cremations businesses acquired in the second half of 2020 and disciplined cost control.

This strong recovery in profits came despite COVID disruptions experienced in the second half of 2021. Until June, Australia and New Zealand had controlled community transmission of COVID, allowing for an easing in government-imposed restrictions on funeral attendee limits and travel in most markets. The emergence of the Delta strain in June and the Omicron strain in December resulted in the reinstatement of these restrictions causing tougher operating conditions for some of our businesses in that period.

Reported profit for the year attributable to shareholders of $80.2 million reflects the strong recovery in operating earnings as well as the benefit of a net $44.1 million gain arising from the mark-to-market accounting for pre-paid funeral contracts with a $64.7 million unrealised gain on the revaluation of pre-paid funds under management (FUM) offset by a $20.6 million increase in the associated provision for pre-paid contract liabilities. It should be noted that the provision for pre-paid contract liabilities has increased in line with the estimated change in costs to fulfil the contracts. Further details are provided in the Pre-paid funerals section later in this report.

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

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

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

A reconciliation of operating to statutory financial results is included on page 21.

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

	2021 $'000	Restated 2020 $'000	Movement %
Revenue	**527,096**	476,249	10.7
Expenses	**(401,619)**	(373,684)	(7.5)
EBITDA	**125,477**	102,565	22.3
Depreciation and amortisation	**(47,759)**	(42,553)	(12.2)
Pre-paid technology expenses	**(654)**	(750)	12.8
Business acquisition costs	**(743)**	(1,918)	61.3
Net gain on lease modifications/terminations	**1,517**	-	-
EBIT	**77,838**	57,344	35.7
Net finance costs	**(15,262)**	(20,484)	25.5
Profit before income tax	**62,576**	36,860	69.8
Income tax expense	**(17,320)**	(8,699)	(99.1)
Non-controlling interests	**(113)**	(167)	32.3
Operating net profit after income tax attributable to equity holders of InvoCare Limited	**45,143**	27,994	61.3
Operating EPS (cents per share)	**31.6**	20.9	51.2
OPEX to sales %*	**52%**	53%	(1 ppts)
EBITDA margin (%)	**24%**	22%	2 ppts
EBIT margin (%)	**15%**	12%	3 ppts

* *For calculating OPEX to sales %, OPEX represents operating expenses excluding finished goods, consumables and funeral disbursements costs*

The operating revenue result reflects recovery in key value drivers with a return to pre-COVID funeral case average (when conditions allowed) in Australia and New Zealand, 2.2% growth in funeral case volumes, and continued growth in memorialisation sales in the Group's Cemeteries & Crematoria businesses. In addition, acquisitions executed in second half (H2) of 2020 contributed $26.7 million to the increase, with the acquired pet cremations businesses delivering over 78,000 private cremations in the year, exceeding expectations.

Cost control and a focus on operating expenses (OPEX) to sales % has continued in the year, as reflected in some of the improved profit metrics. $19.3 million of the $27.9 million increase in operating expenses is driven by the inclusion of the H2 2020 acquisitions. The underlying $8.6 million increase in operating expenses includes increases in 'finished goods, consumables and funeral disbursements' reflecting increased sales activity and growth in employee expenses. The strong financial performance has driven higher sales incentives in the Cemeteries & Crematoria business and an increase in accruals for both short-term and long-term incentives for employees compared to the PCP. The Group has also experienced wage inflation and undertaken capability investments in our field support (safety, marketing and HR in particular) and IT teams to reflect the strategic focus of the business. Offsetting this, cost savings have been achieved in advertising, and other expenses, including professional fees.

Depreciation and amortisation expense increased $5.2 million or 12% on the PCP driven by the impact of capital investment in the current and prior year and a one-off $1.1milion adjustment arising from the acceleration of depreciation on leasehold improvement assets following the relocation of the North Sydney Support Office as reported in the half year ended 30 June 2021 (HY21).

Net finance costs have declined reflecting primarily the benefit of lower borrowings in the year and an improved leverage ratio reducing the interest rate margin charged by our banks. The decrease also reflects the cycling of a $2.1 million charge in the PCP for the early exit of an interest rate hedge and the benefit from a $1.1 million foreign exchange rate gain on the retranslation of New Zealand dollar denominated debt which is drawn down in Australia post the debt refinancing arrangement.

The movement in income tax expense reflects improved profit performance but also the corresponding movement in deferred tax liabilities associated with the net revaluation gain on pre-paid FUM.

Portfolio management

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

Acquisitions were limited to the Pet Cremation business during the year with the acquisition of the business assets of a small pet cremation business in metro Sydney in H1 and, more materially, the business assets of Pets at Peace Central West New South Wales in H2, both made with the aim of continuing to expand the national footprint of the Pet Cremation business.

In H2 the Group invested in and signed a commercial partnership with an Australian digital memorialisation start-up, Memories. Our $4.1 million investment, for a 9.6% stake recognised our strategic contribution and the potential of the commercial partnership.

The Group disposed of four locations, three in Australia and one in New Zealand for combined proceeds of $10.8 million giving rise to a net gain on disposal of non-current assets recognised through non-operating profit of $6.5 million. These disposals are a consequence of the Network Optimisation review conducted in the year.

Balance sheet

InvoCare continues to maintain a strong balance sheet with a disciplined focus on working capital management. The Group's capital employed excluding net debt items is comprised of the following.

Total capital employed at reporting date

	2021 $'000	Restated 2020 $'000	Movement %
Trade and other receivables	**80,630**	78,177	3.1
Inventories	**46,866**	44,117	6.2
Trade and other payables	**(69,226)**	(60,514)	(14.4)
Net working capital	**58,270**	61,780	(5.7)
Property, plant and equipment	**494,454**	464,277	6.5
Intangibles	**226,913**	225,386	0.7
Net pre-paid funds under management/contract liabilities	**109,435**	71,822	52.4
Deferred selling costs	**35,755**	37,712	(5.2)
Deferred contract assets	**1,963**	4,066	(51.7)
Net right of use asset and lease liabilities[a]	**(12,646)**	(11,346)	(11.5)
Deferred revenue	**(127,959)**	(137,718)	7.1
Net tax items	**(47,095)**	(26,301)	79.1
Other items[b]	**(13,515)**	(29,340)	53.9
Total capital employed	**725,575**	660,338	9.9
Net debt	**(144,654)**	(137,468)	(5.2)
Net assets	**580,921**	522,870	11.1
Average working capital % of sales[c]	**11.4%**	13.5%	(2.1 ppts)
ROCE %[d]	**11.2%**	8.8%	2.4 ppts

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

b *Includes assets held for sale, other financial assets, derivative financial instruments, pre-paid technology assets, provisions for employee entitlements and contingent consideration*

c *Represents the average working capital for the reporting period (average of opening and closing) divided by revenue for the same period*

d *ROCE = Operating EBIT / (average Total equity + average Net debt)*

A strong sales result in the fourth quarter and disciplined working capital management has driven an improvement in working capital relative to 31 December 2020. This and the improved sales performance have also driven a 2.1 ppts improvement in average working capital % of sales to 11.4%.

The business has continued to invest capital in property, plant and equipment arising primarily from the Network Optimisation program, and increases in intangibles arising from the continued capitalisation of IFRIC compliant software development costs, driving an increase in both compared to December 2020, net of depreciation and amortisation.

As disclosed in Note 12, the change in accounting policy gives rise to the recognition of a new class of asset with $8.6 million recognised as pre-paid technology assets at the end of the year, which will be unwound through Operating EBIT over the period of the software service.

The favourable mark-to-market revaluation of pre-paid FUM in the year is the largest movement in capital employed, driving the increase in net pre-paid FUM/contract liabilities. It is also the main driver of a $20.8 million increase in net deferred tax balances (from an increase in deferred tax liabilities associated with the pre-paid FUM balances).

Despite a 10% increase in total capital employed, the Group's ROCE has improved, increasing 2.4 ppts to 11.2% compared to the restated year ended 31 December 2020. This reflects the strong growth in Operating EBIT, up 36% to $77.8 million.

Net debt at reporting date

	2021 $'000	2020 $'000	Movement %
Cash and cash equivalents	**53,630**	118,781	(54.8)
Borrowings	**(188,843)**	(246,039)	23.2
Finance lease liabilities	**(9,441)**	(10,210)	7.5
Net debt	**(144,654)**	(137,468)	(5.2)
Total shareholders' equity	**580,921**	522,870	11.1
Leverage ratio (times)	**1.2**	1.3	0.1
Interest cover ratio (times)	**15.8**	8.3	7.5

Strong growth in earnings and subsequent cash generation was used to pay down debt but funding the capital investments of the Group including the $4.1 million investment in Memories has driven a 5.2% increase in net debt as at 31 December 2021 to $144.7 million. Despite this, the growth in earnings has driven a further improvement in the Group's debt metrics.

As part of the reset of the Group's strategy to 2025, a review of the Group's financing structure and tenor of the Group's debt facilities was undertaken. On 27 August 2021, InvoCare successfully amended and extended its Syndicated Debt Facility. Under the amendment, agreed with syndicated lenders, InvoCare:

- Repaid the fully drawn A$67.5 million, NZ$50.0 million and S$35.0 million Facility A Term Loans on 23 September 2021 and this term facility was subsequently cancelled
- Increased the limit of its Facility B, Multi-Currency Revolving Cash Advance facility from A$200.0 million to A$275.0 million
- Extended the tenor of Facility B to the end of August 2024 (the facility was previously due to expire in February 2023)
- A simplified and more favourable common pricing grid was agreed with syndicate lenders.

At 31 December 2021, the Group had access to $382.4 million of loan facilities as follows:

- A ten-year $100.0 million Note Purchase Agreement with Metlife, fully drawn and due for repayment in February 2028
- A three-year $275.0 million Syndicated Debt Facility Agreement supported by a panel of lenders providing available funds through a Multi-Currency Revolving Cash Advance facility due for repayment in August 2024. $91.4 million of this was drawn at reporting date
- A one-year $7.4 million working capital overdraft facility provided by transactional banker, ANZ. $Nil drawn at reporting date

The financial covenant ratios applicable to the debt facilities differ from the calculations included in the table above as they are calculated on an adjusted Operating EBITDA basis (primarily to include the proforma earnings contributions from acquisitions and to adjust for costs arising from restructuring initiatives). The covenant target ratios are as follows:

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

The above ratios continued to be met as of 31 December 2021.

Cash flows

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

Abridged cash flow statement

	2021 $'000	Restated 2020 $'000	Movement %
Operating EBITDA	**125,477**	102,565	22.3
Net change in working capital	**(23,747)**	(14,711)	(61.4)
Net finance costs paid	**(14,219)**	(17,046)	16.6
Tax paid	**(9,771)**	(14,424)	32.3
Operating cash flows	**77,740**	56,384	37.9
Acquisitions	**(16,716)**	(40,581)	58.8
Divestments/sale of assets	**11,180**	11,908	(6.1)
Capital expenditure	**(62,703)**	(60,952)	(2.9)
Net funds from pre-paid contracts	**29,306**	12,857	127.9
Investing cash flows	**(38,933)**	(76,768)	49.3
Dividends paid	**(23,766)**	(29,514)	19.5
Equity raise (net of issue costs)	**-**	270,875	(100.0)
Net draw down/repayment of borrowings	**(59,680)**	(106,761)	44.1
Net lease payments	**(20,196)**	(11,599)	(74.1)
Other	**(117)**	(3,184)	96.3
Financing cash flows	**(103,759)**	119,817	(186.6)
Change in cash held	**(64,952)**	99,433	(165.3)
Cash conversion %*	**105%**	100%	5 ppts
Free cash flows*	**54,167**	54,490	(0.6)

* *Cash conversion % and Free cash flows are calculated as per tables below.*

The Group ended the period with cash on hand of $53.6 million. Stronger sales in the year, disciplined focus on cash collections and a reduction in finance costs paid has led to growth in operating cash flows of 38%. This has also led to improved cash conversion as more earnings were converted into cash.

Net investing cash outflows for the year of $38.9 million includes proceeds of $10.8 million from the disposal of certain properties as part of our ongoing portfolio management activities, $4.1 million investment in Memories made as part of the New Growth Platform strategic pillar and $12.6 million primarily related to the payment of deferred acquisition considerations following strong year 1 financial performance of businesses acquired in H2 2020.

Capital expenditure (CAPEX) of $62.7 million included $30.9 million of facilities related investment expenditure involving the delivery of 40 projects and $8.0 million of IT and digital related projects. The remainder relates primarily to annual maintenance CAPEX of the Group's facilities and other plant and equipment purchases.

Net financing cash flows includes the impact of the $59.7 million repayment of debt facilities following the debt refinancing, $23.8 million from the payment of the 2020 final dividend and 2021 interim dividend collectively and $20.2 million from the payment of principal elements of the Group's leased assets, being property, equipment and motor vehicles.

Cash conversion % calculation

	2021 $'000	Restated 2020 $'000
Operating cash flows	**77,740**	56,384
Add back: Net finance costs paid	**14,219**	17,046
Add back: Tax paid	**9,771**	14,424
Net funds from pre-paid contracts	**29,306**	12,857
Other cash flows related to pre-paid contracts	**877**	1,429
Ungeared, tax free operating cash flows	**131,913**	102,140
Operating EBITDA	**125,477**	102,565
Cash conversion %	**105%**	100%

The cash conversion ratio calculation and the line items as shown in the table above are all non-IFRS information, however, all financial data is based on the information disclosed in the consolidated financial statements and notes to the financial statements and follows the recognition requirements of Australian Accounting Standards.

Free cash flows calculation

	2021 $'000	Restated 2020 $'000
Operating cash flows	**77,740**	56,384
Interest paid	**14,521**	17,419
CAPEX - maintenance	**(23,823)**	(14,398)
CAPEX - investment - platform	**(14,271)**	(4,915)
Free cash flows	**54,167**	54,490

Operating review

Funeral services – Australia

Our business

We are a leading provider of at need funeral services in Australia and are privileged to deliver over 37,000 funerals annually for Australian families from our diverse footprint of over 235 locations including funeral homes, shop fronts and shared service centre facilities in metropolitan capital cities and regional towns across the country.

Our three national brands (White Lady, Simplicity and Value Cremations) and our 60+ regional and local brands are well respected and valued for their long-standing local heritage and contribution to their community. The breadth of our brand portfolio is a key strength and competitive advantage allowing us to cater for all types of client families and customer preferences from simple, direct cremations to high service funeral and memorial services.

Our team of over 1,000 put client families at the centre of everything that they do, being there to support them at pivotal and testing times in their lives. They have achieved industry leading net promoter scores (NPS) through their compassion, exceeding expectations, delivering outstanding service and by setting the highest standards in safety and transparent business practice.

Our ambition is to be the first-choice funeral service provider in Australia, renowned for our quality of service and choice of brands and people. We drive loyalty and advocacy from our client families and must deliver this proposition through fit-for-purpose facilities and trusted team members.

Our performance

Key performance indicators	2021	2020	Movement
NPS	**+80.4**	+79	1.4 points
LTIFR	**11.1**	14.3	(22.4%)
Funeral case volumes (Number)	**37,193**	36,464	2.0%
Funeral case average ($)	**8,249**	7,882	4.7%
Operating revenue ($'000)	**311,016**	292,282	6.4%
Operating EBITDA ($'000)	**80,521**	62,512	28.8%
EBITDA margin %	**26%**	21%	5 ppts
Operating leverage	**4.5x**	(3.8x)	8.3x
OPEX to sales %	**42%**	47%	(5 ppts)
Capital expenditure ($'000)	**34,702**	42,325	(18.0%)

The benefits of our diverse footprint, breadth of brands and positive strategic momentum established in the year were evident in the strong recovery in earnings of the Australian funerals business with a return to pre-COVID funeral case average despite various disruptions across the states of Australia at varying times of the year. Operating revenue has grown in all markets with a 4.7% increase in funeral case average, and 2% growth in funeral case volumes, in particular from Queensland and Victoria.

As restrictions on funeral attendees were eased, the 'gathering' element of funerals has regained its importance with increased spend on higher service funerals and memorials, sales growth driven by our key local and higher service brands such as White Lady Funerals. Simplicity branded locations have also seen strong growth, a brand which has benefitted from several digital strategic initiatives this year and a refresh of its visual brand identity.

A strong focus on controlling costs has meant that this top line growth has been realised in earnings with a 5 ppts improvement in OPEX to sales % to 42%, Operating EBITDA up 29% to $80.5 million and a return to positive operating leverage.

Strategy

Strategic priorities	Key achievements	Focus for coming year
Customer led, people empowered	• Delivered improved customer experience, NPS +1.4 pts to 80.4 • Your Say action plan in place • Four EBA's negotiated • >15,000 hours of learning & development • Evolve Leadership program launched	• Maintain customer-centric focus • Talent acquisition & retention • Your Say action plan execution • Capability and leadership development
Operational excellence	• Delivered four shared service centres • Go-live of ERP platform enhancement project (Compass 2.0), to improve functionality for funeral arrangers • Completed Phase 1 of Network Optimisation review	• Workforce planning implementation • Further ERP enhancements for co-ordination activities • 3 - 8 shared service centre projects for completion, subject to DA approvals and no construction delays
Stronger core growth	• Delivered 31 network projects • Brand value proposition refresh for Value Cremations and Simplicity brands • Launched Phase 1 of Inclusive Funerals program	• Transition to long term network plan to prioritise future investment and fill remaining gaps in clusters and regions • Improve customer relationship management and lead capture • Product and service range expansion • Strategic review of Pre-paid funerals
New growth platforms & innovation	• Go-live of Customer Services Portal to provide self-serve services • Investment in Memories and established commercial partnership	• Further roll out of digital planning tools to improve customer experience across our brands • Embed Memories product • Expand partnerships
Sustainable leadership	• 22% reduction in LTIFR to 11.1 • Solar panel installation program commenced	• Ongoing commitment to improve safety performance • Sustainability strategy • Fleet strategy

Cemeteries & Crematoria – Australia

Our business

The Australian Cemeteries & Crematoria business is a leading independent operator of cemeteries and crematoria, overseeing 15 cemeteries and memorial parks in New South Wales and Queensland spanning nearly 300 hectares of open space with long remaining useful lives and a network of over 20 cremators.

Our team of nearly 300 put client families at the centre of everything that they do, and we are honoured to support over 23,000 client families annually with their 'at need' and 'post need' requirements with a wide range of memorial products and services**.** The business conducts nearly 3,000 burials and over 20,000 cremations annually with the parks and facilities also available for funerals, memorials, and community events.

We engage with all funeral directors, InvoCare and independent alike and client families from all community groups and religious backgrounds through our non-denominational memorial parks.

Our core focus is on ensuring we develop and maintain beautiful places for the committal and ongoing care of the deceased in their final resting place and for the communities in which they are located.

Our performance

Key performance indicators	2021	2020	Movement
NPS	**+74.2**	+72.3	1.9 points
LTIFR	**14.6**	9.2	58.7%
Burials (Number)	**2,948**	2,685	9.8%
Cremations (Number)	**20,171**	20,342	(0.8%)
Operating revenue ($'000)	**127,602**	119,988	6.3%
Operating EBITDA ($'000)	**61,411**	56,996	7.7%
EBITDA margin %	**48%**	48%	0 ppts
Operating leverage	**1.2x**	(8.2x)	9.4x
OPEX to sales %	**38%**	35%	3 ppts
Capital expenditure ($'000)	**7,446**	3,171	134.8%

The Australian Cemeteries & Crematoria business continues to deliver strong growth in memorialisation sales, up 9.7% on the PCP. Despite a strong first half, growth momentum was stalled in the third quarter with the lockdowns in New South Wales as several of our key parks were in local government areas (LGAs) of concern, significantly reducing foot traffic. The easing of COVID restrictions saw a return of client families back to the major metropolitan parks, helping to stimulate and close out deferred sales. The return to more traditional service levels has also seen a 10% increase in burials in the year, while cremations remained relatively stable. This sales growth combined with the growth in memorialisation drove an overall increase in Operating revenue of 6.3% (or $7.6 million) against the PCP.

Associated sales incentives expense growth and an increased focus on safety and compliance as well as park grounds maintenance have tempered the impact of top line growth, resulting in 3 ppts increase in OPEX to sales % to 38% and only 7.7% growth in Operating EBITDA to $61.4 million.

AASB 15 deferred revenue and cost unwinds contributed $18.8 million to Operating revenue and $14.2 million to Operating EBITDA respectively (FY20: $20.3 million and $15.3 million).

Strategy

Strategic priorities	Key achievements	Focus for coming year
Customer led, people empowered	• Delivered improved customer experience, NPS +2 ppts to record 74 • Your Say action plan in place • Completed restructure of parks leadership team	• Maintain customer-centric focus • Talent acquisition & retention • Your Say action plan execution • Capability and leadership development
Operational excellence	• Cremator training/certification program developed and launched • Completed review of ERP options	• Implement new ERP • National cremator network expansion
Stronger core growth	• Design work commenced on major metropolitan parks	• Master plans for major metropolitan parks • Expansion of multicultural offering
New growth platforms & innovation	• Multi-year burial reservation agreements signed with local community groups.	• Continued growth in community burial reservation agreements • Memorialisation services expansion
Sustainable leadership	• Increased safety focus but disappointing 59% increase in LTIFR to 14.6 • Electric vehicle trial underway, with 20 added to the fleet • Feedback drafted and provided to CCNSW on their proposed Interment Industry Scheme	• Ongoing commitment to improve safety performance • Sustainability strategy • Investigation of alternative cremator fuel sources • Proactive stakeholder engagement

Pet cremations

Our business

Established in 2019, Australia's only national pet cremations business operates from 16 locations across five states, providing over 87,000 private cremations annually and offers a wide range of memorial products.

Being the best in class operationally is a priority for the business. Working closely with veterinary clinics and client families, our growing team of over 170 uses state-of-the-art tracking technology to provide assurances to grieving families and veterinary clinics as to what stage of the cremation process their pet is in.

Our performance

Key performance indicators	2021	2020	Movement
Pet cremations volume (Number)	**87,440**	14,562	500.5%
Pet case average ($)	**338**	316	7.0%
Operating revenue ($'000)	**29,613**	4,642	537.9%
Operating EBITDA ($'000)	**6,973**	502	1,289.0%
EBITDA margin %	**24%**	11%	13 ppts
Operating leverage	**2.4x**	(0.3x)	2.7x
OPEX to sales %	**57%**	69%	(12 ppts)
Capital expenditure ($'000)	**2,127**	1,119	90.1%

The pet cremations business in Australia continued to grow with strong contribution from the two acquired businesses driving the significant increase in Operating revenue and Operating EBITDA.

Strategy

Strategic priorities	Key achievements	Focus for coming years
Customer led, people empowered	• Established national business unit with National Leader • Your Say action plan in place	• Maintain customer-centric focus • Talent acquisition & retention • Your Say action plan execution • Capability and leadership development
Operational excellence	• Investments were made in two new pet cremators	• Integration of IT and operating platforms nationally
Stronger core growth	• National veterinary supplier agreements	• Continued growth in veterinary supplier agreements
New growth platforms & innovation	• NSW e-commerce site launched • 2 bolt-on acquisitions	• Expand range of products & services and e-commerce capabilities • Consolidate and scale pet cremations operations
Sustainable leadership	• Safety plans established	• Ongoing commitment to improve safety performance • Sustainability strategy • Review of alternative to cremation methods

International

Our business

InvoCare is a leading provider of funeral and related services in New Zealand and Singapore.

Through its 48 locations (including two memorial parks and crematoria) and 24 locally trusted brands, our dedicated team of over 200 proudly serves the funeral and memorialisation needs of nearly 7,000 client families across New Zealand annually.

Our Singapore operations are a leading provider of funeral services in the Singaporean market with two main locations including a six-storey specially designed property with 13 newly renovated funeral parlours on Lavender St in the central region of Singapore. Our dedicated team of nearly 70 offer over 1,700 client families a wide variety of pre, at and post need funeral services annually.

Our performance

New Zealand

Key performance indicators	2021	2020	Movement
NPS	**+87.6**	+86.3	1.3 points
LTIFR	**10.5**	17.1	(38.6%)
Funeral case volumes (Number)	**6,859**	6,776	1.2%
Funeral case average ($)	**7,003**	6,775	3.4%
Operating revenue ($'000)	**53,486**	51,990	2.9%
Operating EBITDA ($'000)	**11,098**	8,778	26.4%
EBITDA margin %	**21%**	17%	4 ppts
Operating leverage	**9.2x**	(3.9x)	13.1x
OPEX to sales %	**50%**	52%	(2 ppts)
Capital expenditure ($'000)	**5,241**	4,765	10.0%

Like the Australian funeral services business, the New Zealand business has experienced recovery in case average to pre-COVID levels when conditions allowed, and this growth was a key driver of the 2.9% increase in Operating revenue on the PCP. The improved case average, from a return to higher service funerals when conditions allowed, and growth in catering revenue was tempered in the second half of 2021 with New Zealand split across alert levels with varying restrictions. Auckland, our largest market, was heavily impacted, with four weeks of no funerals, then capped at 10 people gatherings. All New Zealand has now moved to the COVID Protection Framework, also known as the traffic light system, from the beginning of December.

A tight control of costs has led to improved cost base efficiency metrics and margins and a return to positive operating leverage, with Operating EBITDA increasing 26% to $11.1 million.

Singapore

Key performance indicators	2021	2020	Movement
Funeral case volumes (Number)	**1,729**	1,544	12.0%
Funeral case average ($)	**10,732**	12,042	(10.9%)
Operating revenue ($'000)	**18,907**	19,404	(2.6%)
Operating EBITDA ($'000)	**8,338**	9,392	(11.2%)
EBITDA margin %	**44%**	48%	(4 ppts)
Operating leverage	**(4.4x)**	(0.6x)	(3.8x)
OPEX to sales %	**35%**	31%	4 ppts
Capital expenditure ($'000)	**378**	317	19.2%

The contribution of Singapore earnings in Australian dollars to the Group in FY21 has been impacted by the depreciation of the Singapore dollar below AUD$1 equivalent for most of the period.

On a local currency basis, Operating revenue for the Singaporean business increased 4.6% to S$19.1 million (declined 2.6% on an Australian dollar basis). Whilst the Singaporean funerals market continues to be negatively impacted by prolonged funeral attendance restrictions as Singapore experiences another wave of COVID infections, the introduction of packages for client families has proved successful.

The Singapore police contract won at the beginning of the second half of 2021 has also been successfully implemented, contributing 110 cases in the second half. This uptick in volume as well as increase in direct cremations, a number of which were COVID deaths, are at a lower case average and higher cost to serve, which continues to dampen Singapore funeral case average, down 4% on 2020 (on a local currency basis) and has driven the decline in Operating EBITDA as the business ramped up workforce capacity to manage the increased case volumes.

Strategy

Strategic priorities	Key achievements	Focus for coming years
Customer led, people empowered	• Lifted community engagement with outstanding NPS delivered in NZ of +86 • Your Say action plans in place	• Maintain customer-centric focus • Talent acquisition & retention • Your Say action plan execution • Capability and leadership development
Operational excellence	• Migration of ringfenced business in NZ to common ERP completed	• NZ ERP enhancements to be implemented
Stronger core growth	• 5 NBO projects delivered in NZ • Expanded spa and floral service offerings deployed in Singapore	• Transition to long term network plan to prioritise future investment and fill remaining gaps in clusters • Product and service range expansion
New growth platforms & innovation	• Successful tender of Singapore police contract • Signed Memories Reseller agreement inclusive of NZ and Singapore territories	• Execution of Singapore Police contract • Roll out of digital planning tools to improve customer experience across our brands in NZ • Expand exposure to larger metropolitan markets in NZ
Sustainable leadership	• 39% reduction in LTIFR to 10.5 in NZ	• Ongoing commitment to improve safety performance • Sustainability strategy

Other businesses

Pre-paid funerals

Our pre-paid funerals (pre-need) business allows clients to pre-pay for selected future funeral services through our national network of funeral locations.

The benefit of InvoCare pre-paid funerals are that they allow clients to plan and pay in advance for tomorrow's funeral at today's prices with no additional fees when the pre-paid contract is redeemed. Contracts can be paid all at once or in instalments over 36 months and are redeemable at any of InvoCare's branded locations across Australia. Prepaid funerals are generally also exempt from pension entitlement tests in Australia (although independent financial advice should be sought) and payments are held securely predominantly by The Over Fifty's Guardian Friendly Society. These funds are independently invested and managed over the life of the contract and funds are only released to the funeral home on redemption.

Key performance indicators	2021	2020	Movement
Pre-paid % of at need funerals	**13.9%**	14.2%	(0.3 ppts)
Unrealised gain on pre-paid contract funds under management	**64,697**	3,659	1,668.2%
Changes pre-paid contract liabilities due to significant financing	**(20,612)**	(20,277)	(1.7%)
Pre-paid contract volumes sold (Number)	**4,195**	4,215	(0.5%)

The key financial statement impact of this business on the Group profit and loss is the movements from the revaluation of pre-paid FUM and pre-paid contract liabilities, the results of which are captured as non-operating profit and loss items.

Continuing the trend from half year, prepaid funds under management values have continued to grow over the second half with strong equity and property value returns resulting in a net $44.1 million accounting gain for the year compared with the COVID impacted net $16.6 million accounting loss recognised in the prior year.

The current model of our prepaid funeral business relies heavily on our team's ability to speak directly to customers in locations such as aged care homes. With COVID lockdowns in the second half and the recent Omicron outbreak severely limiting our ability to have these conversations, we have seen prepaid contract sales volumes hold relatively flat on the prior year and not keep pace with redemptions. This highlights the need to accelerate our strategic review of the business, including the role of digital in capturing further sales opportunities.

Support costs

Supporting the business operations are key functions and capabilities that are recognised separately from the main business units.

Group Support Corporate are those corporate functions that support all operations, Australian and International, primarily Finance, Group Human Resources (HR), Legal & Compliance, listed company costs and the offices of the CEO and CFO. Such costs increased by $1.2 million in the year to $23.0 million driven by capability investments made in stakeholder engagement, Enterprise Project Management and compliance to support strategy execution and an increase in the cost of incentives (short and long term) reflecting improved financial performance of the Group compared to the PCP. These increases have been partially offset by savings in Senior Management transition costs incurred in the PCP following the change in CEO and CFO.

The costs of the in-house IT support team and centralised technology costs such as the software licence fees for Microsoft and Oracle platforms are included in Group Support IT. Such costs increased by $3.4 million in the year to $10.6 million due to the impact of capability investments in the IT team, including the appointment of a Chief Information Technology Officer (CITO) and general increase in software licence expense driven by the ERP roll out and increasing digital investments in the current and prior year.

Field Support are those functions that directly support the Australian operations including marketing, field HR support, Safety & Sustainability, Procurement and Property & Facilities teams. Capability investment in field safety and HR support teams and in marketing, has driven a $2.8 million increase in such costs in the year.

Outlook

The impact that COVID continues to have on our workforce, supply chain, operations, and client families is difficult to predict and presents an ongoing risk through 2022.

Notwithstanding these short-term headwinds, the Group remains confident about the near and long-term potential of the business. Population and ageing trends in our markets support future growth, with mortality rates tracking back to long term trends in Australia and New Zealand after COVID-attributed reductions in the prior year; pet ownership is growing in Australia; and the foundational strategic initiatives achieved in the first year of our 5-year strategy have created positive momentum.

Reconciliation of financial information

InvoCare's results are reported under Australian Accounting Standards. This report and associated market releases include certain non-IFRS measures including reference to Operating/Non-operating measures of profitability and associated performance measures that are used internally to assess the performance of the business.

InvoCare considers Operating EBITDA and Operating profit after income tax as key performance measures. These measures are considered to provide more useful indications of the Group's recurring earnings base. Accounting standards require net gains and losses from undelivered pre-paid contracts to be included in reported profit; these gains and losses are non-cash and do not impact on InvoCare's core business operations.

The table below presents a reconciliation of statutory results as disclosed in the consolidated statement of comprehensive income and operating results in Note 1 Operating segments.

	2021			Restated 2020		
	Operating results $'000	**Non-operating results $'000**	**Statutory results $'000**	**Operating results $'000**	**Non-operating results $'000**	**Statutory results $'000**
Revenue	**527,096**	**5,357**	**532,453**	476,249	1,403	477,652
Expenses*	**(401,619)**	**(5,860)**	**(407,479)**	(373,684)	(6,350)	(380,034)
EBITDA	**125,477**	**(503)**	**124,974**	102,565	(4,947)	97,618
Depreciation and amortisation	**(47,759)**	**(7)**	**(47,766)**	(42,553)	(12)	(42,565)
SaaS arrangements	**(654)**	**(4,594)**	**(5,248)**	(750)	(10,376)	(11,126)
Business acquisition costs	**(743)**	**-**	**(743)**	(1,918)	-	(1,918)
Net gain/(loss) on pre-paid contracts	**-**	**44,085**	**44,085**	-	(16,618)	(16,618)
Net gain on lease modifications/terminations	**1,517**	**-**	**1,517**	-	-	-
Asset sales gain	**-**	**6,530**	**6,530**	-	7,383	7,383
Net impairment gain/(loss) on non-current assets	**-**	**4,000**	**4,000**	-	(13,324)	(13,324)
EBIT	**77,838**	**49,511**	**127,349**	57,344	(37,894)	19,450
Net finance costs	**(15,262)**	**(1,225)**	**(16,487)**	(20,484)	(3,386)	(23,870)
Income tax (expense)/benefit	**(17,320)**	**(13,271)**	**(30,591)**	(8,699)	1,744	(6,955)
Non-controlling interests	**(113)**	**-**	**(113)**	(167)	-	(167)
Net profit/(loss) after income tax attributable to equity holders of InvoCare Limited	**45,143**	**35,015**	**80,158**	27,994	(39,536)	(11,542)
EPS (cents per share)	**31.6**	**24.5**	**56.1**	20.9	(29.5)	(8.6)
OPEX to sales %	**52%**		**52%**	53%		54%
EBITDA margin (%)	**24%**		**23%**	22%		20%
EBIT margin (%)	**15%**		**24%**	12%		4%

* *SaaS arrangements is regrouped from expenses before EBITDA as a separate line item in the table above in Non-operating results.*

The table above summarises the key reconciling items between net profit after tax attributable to InvoCare's equity holders and Operating EBITDA and EBIT. The Operating EBITDA and EBIT information included in the table above has not been subject to any specific audit or review procedures by the auditor but has been extracted from the accompanying financial report.

As well as impairments, recognition of SaaS arrangement expensed as incurred, and gains or losses arising from disposals of assets, items included in the non-operating column also include the financial consequences of all activities related to the administration and financial impacts of the pre-paid funerals business. This has resulted in normalisation adjustments to revenue and operating expenses to reflect the exclusion of the financial impact of this business.

The Directors also consider that the presentation of all activities related to the mark-to-market fair value movements in the independently controlled funds under management and pre-paid contract liabilities as non-operating in nature and therefore these are also excluded from Operating EBIT and Operating profit after income tax. This is considered to provide a better reflection of InvoCare's core business performance and results. It also removes volatility from the reported profit and loss that arises from the fair value activities required by accounting standards on these pre-paid funerals related assets and liabilities.

Glossary

Term	Description
AFSL	Australian Financial Services Licence
Average capital employed	Average of opening and closing capital employed
Average working capital % of sales	Average of opening and closing working capital divided by Operating revenue for a 12 month period
CAPEX	Capital expenditure
Capital employed	As used in ROCE % calculation. Calculated as Total equity + Net debt
Cash conversion %	Ungeared, tax free operating cash flows divided by Operating EBITDA
COVID	COVID-19 pandemic
Dividend payout ratio	Dividend per share divided by Operating EPS
EBITDA margin	Operating EBITDA divided by Operating revenue
EPS	Earnings per share, calculated as Reported profit/(loss) divided by weighted average number of shares
ERP	Enterprise Resource Planning, e.g. the main Oracle general ledger financial system used by the business
Free cash flow	Operating cash flow + interest paid less CAPEX - maintenance less CAPEX – investment – platform
Funeral case average	Calculated as funeral gross revenue divided by funeral case volume
Funeral case volume	Number of funeral services undertaken
FUM	Funds under management in the pre-paid funerals business
IFRIC	International Financial Reporting Interpretations Committee
Interest cover ratio	Calculated as Operating EBITDA divided by Net finance costs excluding AASB 16 interest, merchant fees and interest on customer advance payments. Interest cover calculation used for bank covenant testing purposes uses an Adjusted EBITDA measure (primarily adjusted to include proforma earnings from acquisitions and costs arising from restructuring initiatives)
Investment CAPEX	CAPEX undertaken to expand existing operations or further growth prospects, includes platform investments (IT and Shared Service Centre projects)
Leverage ratio	Calculated for disclosure purposes as Net debt divided by Operating EBITDA. Leverage calculation used for bank covenant testing purposes uses an Adjusted EBITDA measure (primarily adjusted to include proforma earnings from acquisitions and costs arising from restructuring initiatives). r12 measure uses rolling 12-month Operating EBITDA
LGA	Local government area
LTIFR	Lost time injury frequency rate
Maintenance CAPEX	Recurring annual CAPEX required to maintain facilities
Memorialisation revenue	Revenue earned from the sale of memorials, plaques, burial plots etc. in the Cemeteries & Crematoria business
MTM	Mark-to-market
NBO	Network & Brand Optimisation program of projects as part of Protect & Grow Strategy
Net debt	Cash and cash equivalents + Borrowings + Finance leases
NPS	Net Promoter Score, calculated based on customer feedback with Group score representative of Australia and New Zealand only
Operating EBITDA	Operating earnings before interest, tax, depreciation & amortisation and business acquisition costs and SaaS arrangements
Operating EBIT	Operating earnings before interest and tax
Operating EPS	Operating net profit after tax divided by Weighted average number of shares
Operating leverage	Means the percentage growth in Operating EBITDA divided by the percentage growth in Operating revenue
Operating NPAT	Reported profit excluding non-operating items and associated tax

Term	Description
Operating revenue	Revenue for the Group excluding revenue earned from pre-paid funerals business
OPEX % Sales	Operating expenses divided by Operating revenue
PCP	Prior corresponding period
Pet case average	Pet cremations revenue divided by Pet cremation volume
Pet cremation volumes	The number of pet cremations conducted
Reported profit/(loss)	Net profit/(loss) attributed to shareholders of InvoCare Limited
ROCE	Return on capital employed
ROCE %	Calculated as Operating EBIT divided by Average capital employed
SaaS	Software-as-a-Service
TRIFR	Total recordable injury frequency rate
Ungeared, tax free cash flows	Calculated as operating cash flow excluding net finance costs paid and tax paid adjusted by net funds from pre-paid contracts (Payments to funds under management for pre-paid contract sales and receipts from funds under management for pre-paid contracts performed) sourced from investing cash flows and other cash flows related to pre-paid contracts
Working capital	Inventories + Trade and other receivables + Trade and other payables

Message from the Chair of the People, Culture & Remuneration Committee

On behalf of the Board, I am pleased to present the Remuneration Report for FY21.

FY21 has been a year of transition, with the appointment of our new CEO Olivier Chretien, creating opportunity for change. The passion, dedication and resilience of our people responding to the ongoing impacts of COVID is greatly appreciated. They have continued to maintain a clear focus on supporting our client families, employees and communities in a challenging environment.

The People, Culture & Remuneration (PCR) Committee has oversight of InvoCare's people strategy, culture and key human resources practices. InvoCare's remuneration framework is an integral component of our people strategy and values. This report highlights the link between remuneration and corporate performance and provides detailed information on the remuneration for Key Management Personnel (KMP).

Executive remuneration framework review

During FY21, the Board reviewed the appropriateness of the remuneration framework and incentive structures and identified opportunities to simplify and better align them with the Group's new 5-year strategy.

Core elements of the current remuneration framework and incentive structures for FY21 and FY22 remain the same as previous years.

In order to better align with the 5-year strategy, the Board approved several amendments to the Long Term Incentive (LTI) plan design. This included moving from measuring return on invested capital (ROIC) to return on capital employed (ROCE) which is a more relevant operating measure. That portion of the equity grant awarded in the form of options, was removed and replaced with performance rights, to simplify the plan. The 12-month holding period (additional to and post the three-year vesting period) was also removed. It was considered that the clawback policy outlined in the LTI plan rules is sufficient to allow recovery of any vested equity in relevant circumstances.

The Short Term Incentive (STI) plan has also been amended to create better alignment with comparable market practices for ASX listed companies, with the 12-month deferral quantum being decreased from 50% to 25%.The minimum threshold of $150,000 has been maintained and the minimum deferral amount has been set at $12,500.

In assessing the results for FY21 STI outcomes, the Board did not make any adjustments, that is, no negative or positive discretion was applied.

People and culture highlights

Throughout the pandemic, our vision and values have guided our decision making and actions. The Company has taken a holistic approach to talent attraction and retention with core improvements to our employee value proposition. This has included:

- Supporting our people through COVID with wellbeing initiatives
- Commencing a review in FY22 of key talent retention and attraction practices, including the use of equity plans, and employee benefits and recognition programs, to remain competitive and increase our attractiveness as an employer
- Launching our new Frontline Management development program (Evolve) to strengthen our frontline managers capabilities to support the execution of our strategic business priorities, and offer our people career pathways, retaining industry expertise
- Conducting an externally benchmarked annual employee engagement survey to seek feedback and identify areas for improvement. The importance of engaging our people and developing the talent required to deliver on our strategic priorities is reflected in an employee engagement measure being included as part of our key performance indicators (KPIs) in FY22
- Introducing a paid parental leave policy to retain our talent and improve return from parental leave
- Creating a safer working environment and investing in improvements in our workplace practices, to reduce injuries to our people

More detail on our people strategy and its support of the Group's performance can be found in InvoCare's Sustainability Report.

Looking ahead

The Board will continue to review and make improvements to the remuneration framework to ensure executive remuneration outcomes are aligned and balanced with the strategy and shareholder outcomes.

We welcome your feedback on our FY21 Remuneration Report.

Kim Anderson, Chair of the People, Culture & Remuneration Committee

"We appreciate the exceptional effort made by our employees during a very difficult year. Their response embodies InvoCare's values, purpose and the client families and communities we serve."

Contents

1. Key Management Personnel

The Key Management Personnel (KMP) are those persons who have the authority and responsibility for planning, directing and controlling the activities of the Group or a major operation within the Group as shown in the tables below.

Independent Non-Executive Directors (NED)

Name	Role	Date of appointment
Bart Vogel	Chairman of the Board	1 October 2017
Kim Anderson	Non-executive director	11 May 2021
Richard Davis	Non-executive director	21 February 2012
Megan Quinn	Non-executive director	1 October 2018
Keith Skinner	Non-executive director	1 September 2018
Kee Wong	Non-executive director	1 November 2021

Executive Key Management Personnel (Executive KMP)

Name	Role	Date of appointment
Olivier Chretien	Chief Executive Officer (CEO)	1 January 2021
Adrian Gratwicke	Chief Financial Officer (CFO)	3 August 2020

The Board has determined that Executive KMP are those listed in the above table, as they have responsibility for planning, directing and controlling a substantial part of the operations of InvoCare, as reflected in InvoCare's Delegation of Authority Policy.

Changes to KMP

During FY21, InvoCare had the following KMP changes:

- Olivier Chretien - appointed to the position of Chief Executive Officer effective 1 January 2021 and Managing Director effective 4 January 2021
- Martin Earp – resigned as Managing Director effective 4 January 2021 and ceased as an Executive KMP effective 31 December 2020 (as disclosed in the 2020 Remuneration Report)
- Robyn Stubbs – resigned as Non-Executive Director effective 1 February 2021
- Kim Anderson – appointed as new Non-Executive Director effective 11 May 2021
- Jackie McArthur – retired as Non-Executive Director effective 28 May 2021
- Kee Wong – appointed as new Non-Executive Director effective 1 November 2021

2. Remuneration framework

I. Remuneration principles aligned to our strategic priorities

The remuneration framework is designed to support InvoCare's strategic priorities. A clear set of principles that guide the remuneration design and outcomes with delivery of the Group's strategy, rewarding long term sustainable success aligned with shareholders' interest, and encouraging behaviours reflective of InvoCare's values.

a. Strategic priorities

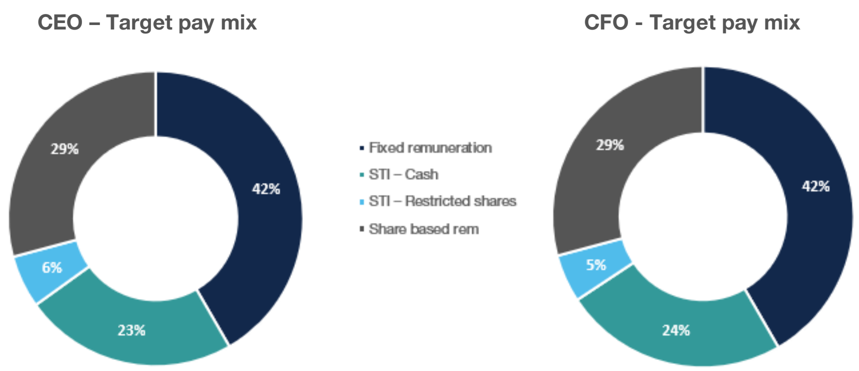
Purpose	Honouring life, celebrating memories for generations.				
Vision	To be entrusted with all lives, as a respected pillar of the communities and a leader in the field				
Strategy	Customer led; people empowered	Operational excellence	Stronger core growth	New growth platforms and innovation	Sustainable leadership

b. Remuneration principles

Balance short-term and long-term performance to drive value creation and sustainable outcomes	Measure performance at a level aligned with driving accountability for the delivery of business objectives	Rewards the achievement of short-term and long-term goals aligned with sustainable shareholder outcomes	Fair and market competitive to attract, retain and motivate talent	Rewards aligned with the consistent demonstration and promotion of InvoCare's values	Simple and transparent

II. Executive remuneration structure

InvoCare's executive remuneration framework and the operation of each element, as it applies to the Executive KMP, is detailed below.



Total fixed remuneration (TFR)	
TFR	TFR is guaranteed base salary inclusive of superannuation and any other salary sacrificed benefits including fringe benefits tax if applicable e.g. motor vehicle. TFR is targeted at the median of the market for expected performance with the opportunity to earn above median remuneration for exceptional performance. TFR is benchmarked to be competitive to attract and retain experienced individuals to drive InvoCare's strategy. Changes to TFR are linked to a combination of rewarding high performance, and the capacity to pay.

Short term incentive (STI)	
STI	STI is awarded for achievement of pre-determined financial and non-financial objectives. This variable element of remuneration constitutes part of a market competitive total remuneration package and aims to provide an incentive to deliver on annual business plans that will lead to sustainable returns for shareholders. The STI plan has been developed to reinforce InvoCare's values and behaviours, while supporting a commercial mindset and alignment to business objectives. The STI is measured over a one-year performance period and paid in cash with a potential portion subject to deferral paid in the form of restricted shares (held in trust for 12 months). The STI deferral component aids in KMP retention and aligns with market best practice. The target STI award offered in 2021 was 70% of TFR for the CEO and the CFO. The Board approved amendments to the 2021 STI plan deferral component to ensure alignment with comparable market capped sized companies. The STI deferral quantum applies to outcomes that are greater than $150,000 with a minimum deferral of $12,500. The deferral amount has been decreased from 50% to 25%.
Performance period	The Group's financial year is from 1 January to 31 December.
Award opportunity	In 2021 the target STI as a percentage of TFR was 70% for the CEO and CFO.
Key performance indicators (KPIs)	STI outcomes are directly linked to both individual and Group performance against KPIs. The Board has focused the Executive KMP on the following performance measures: • Financial performance • Customers • People • Safety • Personal project objective For further details of 2021 STI outcome refer to Section V below.
Relationship between performance scales and outcome	See table below
Overachievement of KPIs	An overachievement payment is available on the financial KPIs of the STI and is capped at 150%.
Is there a gate to overachievement?	Access to overachievement for all financial components is dependent on the Group achieving the EBITDA target.
Are non-financial components capped?	Non-financial components are capped at 100% payment.
What are the plan features of the deferral?	25% of any STI award that exceeds $150,000 will be deferred (subject to a minimum deferral of $12,500) and will be paid in the form of restricted shares. The shares will be held in trust for 12 months.
STI deferral	There is a one-year deferral period from grant. The number of shares to be granted will be calculated by dividing the deferred STI amount by the volume weighted average price (VWAP) transacted for the first 10 days of the trading window immediately after the announcement of InvoCare's ASX annual financial results for the STI performance year.
STI payment	Cash STI is payable in the first quarter of each year after the announcement of InvoCare's ASX annual financial results for the previous year ended 31 December. For deferred STI, restricted shares will be allocated in the first trading window following the release of the financial results of each year after the VWAP price is determined as described in STI deferral item above.

Relationship between performance scales and outcome:

Performance scales	STI outcome
Below threshold	0% paid
Between threshold and target: • For the Group EBITDA, threshold is 90% of target	0% (EBITDA) - 50% (other KPIs) earned on achievement of threshold increasing on a straight-line basis to 100% for target level performance
Target	100% paid
Maximum – for financial components only	100% earned at target level performance, increasing on a straight-line basis to 150% earned on achievement of maximum level performance.

Disqualification provisions	All financial performance data relating to the plan is subject to external audit. Potential participants may be disqualified from all or part of the plan if their annual performance is determined to be below the "on track" rating category in the performance management practices. Should a dispute arise regarding a potential disqualification, eligibility will be at the discretion of the CEO, or the Board for the CEO. InvoCare reserves the right to suspend or alter STI payments to any participant due to any action which has caused the Group loss or reputational damage. This includes any deferral STI (in the form of restricted shares) in the event of fraud, malfeasance, dismissal for cause, or other misconduct.
Board discretion	Board discretion (either negative or positive) may be applied to STI outcomes for the Executive KMP and ELT. The guiding principle will be to ensure fairness in assessing STI outcome and alignment with shareholder interests.
Cessation of employment	In the event of cessation of employment due to resignation or dismissal for cause, all entitlements in relation to the performance period, and any deferral, are forfeited. Where an Executive KMP's employment is terminated by the Company for any reason other than cause, the Board may consider the executive a 'good leaver' and use its discretion to pay all or part of the award. A good leaver will generally be determined by the Board (or its delegate) at the time of cessation of employment having regard to the circumstances at that time.

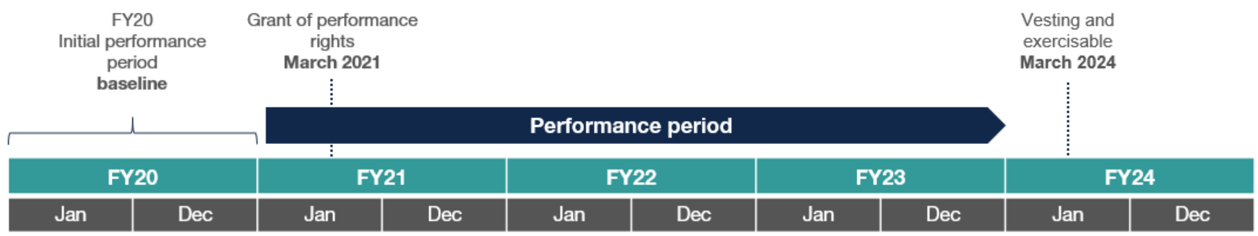
Long term incentive (LTI)

InvoCare's remuneration structure aims to align long term incentives for Executive KMPs and other senior executives with outcomes for shareholders to ensure participants are rewarded in line with economic value created.

LTI awards are currently granted in the form of performance rights.

Executive KMP participated in the 2020 and/or 2021 grants of the LTI plan.

The following graphic provides a detailed timeline of the 2021 LTI grant throughout its vesting lifecycle. Further details comparing the features of 2021 and 2020 and prior terms and conditions of the LTI plan are provided in the table below.



Purpose of the LTI plan	The LTI Plan aims to attract, retain and reward high performing executives who contribute to the overall medium and long term success of InvoCare.
Participation	Participation is limited to Executive KMP and selected senior management positions by invitation and as approved by the Board.
Size of LTI award grant	The 2021 LTI target opportunity was 70% of TFR for the Executive KMP.
Grant calculation	The number of performance rights granted will be calculated by dividing the LTI dollar value by the VWAP transacted for the first 10 days of the trading window immediately after the announcement of InvoCare's ASX annual financial results for the STI performance year.

Changes to the LTI Plan	**2020**	**2021**
Plan features	Participants were able to choose a mix of options and performance rights but were limited to the following combinations: • 100% of either options or performance rights • 50% each of options and performance rights • 25% of one, and 75% of the other	To simplify the LTI plan design, only performance rights were granted.

Changes to the LTI Plan	2020	2021

Performance hurdles	The performance hurdles for the 2020 LTI plan were:
	• Continued employment condition
	• Two financial performance hurdles:
	  ◦ 50% weighting on compound annual growth rate (CAGR) in normalised EPS
	  ◦ 50% weighting on average ROIC
	EPS is calculated based on the operating EPS adjusted to reflect constant currency.
	ROIC in each year is calculated based on operating EBIT divided by the average invested capital.
		The performance hurdles for the 2021 LTI plan were:
		• Continued employment condition
		• Two financial performance hurdles:
		  ◦ 50% weighting on CAGR in normalised EPS
		  ◦ 50% weighting on Average ROCE
		Detailed definitions of CAGR, EPS and ROCE can be found in the glossary (pages 22 and 23).

Restriction period	The LTI plan was subject to a 12 month restriction period after the three year vesting period.	The 12 month LTI plan restriction period after the three year vesting period was removed. The Board believes that the conditions pertaining to malus and clawback policies within the LTI plan rules are sufficient to allow the Board to recover any vested or unvested performance rights in certain circumstances.
Performance and vesting periods	Performance is measured over three years. Vesting of the options and performance rights are tested at the end of this three-year period, subject to a further 12 months restriction period. It also permits for malus in the event of governance concerns and Board discretion to be applied if performance is impacted by events outside management's control.	Performance is measured over three years. Vesting of performance rights are tested at the end of this three-year period. There is no restriction period. It also permits for malus in the event of governance concerns and Board discretion to be applied if performance is impacted by events outside management's control.
Performance conditions	**50% on EPS** • 6% to 10% CAGR in EPS results in 30% to 100% of LTI vesting in straight line **50% on ROIC** • 10% to 12% average ROIC over the three year period results in 30% to 100% of LTI vesting in straight line	**50% on EPS** • 10% to 15% CAGR in EPS results in 30% to 100% of LTI vesting in straight line **50% on ROCE** • 10% to 12% average ROCE over the three year period results in 30% to 100% of LTI vesting in straight line
Why were these measures chosen?	CAGR of normalised EPS was selected as the most suitable and reliable measure of organisational performance, based on independent advice and analysis by the Board. The reasons for this conclusion include: • InvoCare is a unique and relatively stable business • EPS growth is aligned with InvoCare's strategic objectives and is intended to underwrite appropriate dividend returns to shareholders • ROIC was selected as the second performance measure as it is intended to ensure effective capital deployment	CAGR of normalised 2020 EPS. ROCE was selected in line with the new 5 year strategic plan as it is a more relevant measure of effective capital deployment at the enterprise level
Dividends or voting rights	There are no voting rights attached to the performance rights awarded. In accordance with the plan rules, performance rights are entitled to dividends, if determined by the InvoCare Board, during the performance period. The number of additional rights granted are calculated by the number of performance rights times the dividend paid per share divided by the dividend reinvestment plan VWAP price. These additional rights granted – dividend entitlement will only be payable as additional shares on date of vesting of the original grant.	

Cessation of employment	For LTI to vest, the executive must be employed at the date of vesting unless determined to be a good leaver. If the Board determines that an executive is a good leaver, and providing the participant has been in continuous employment with InvoCare for at least three years, the Board may at its discretion allow unvested LTI grants to continue to remain on foot and vest subject to the original terms and performance conditions attached to the relevant grants, regardless of whether the participant remains employed by InvoCare at the relevant vesting time. Otherwise all unvested LTI equity held by the participant will lapse upon termination of employment. The Board has the discretion to determine that any LTI benefit payable in the above termination circumstances can be settled in cash.
Change in control	In the event of a change in control or other circumstances where the Board determines it is not practical or appropriate for the unvested LTI to continue on foot, the Board has the discretion to determine the extent to which all or part of any unvested LTI may vest and the specific performance tests to be applied.
Clawback policy	Payments or vesting related to performance conditions associated with an LTI are subject to a clawback policy. The Group will seek to clawback all or part of an executive's incentives that have already been paid to ensure the executive has not been inappropriately rewarded in circumstances including: • A material misstatement or omission in the Group's financial statements • Actions or inactions seriously damaging the Group's reputation or putting the Group at significant risk and/or • A material abnormal occurrence resulting in an unintended increase in the award
Board discretion	Board discretion (either negative or positive) may be applied to LTI outcomes for the Executive KMP and ELT. The guiding principle will be to ensure fairness in assessing LTI vesting outcome and alignment with shareholder interests. Any Board discretion applied will be disclosed at the latest when vesting occurs.
InvoCare Share Trading Policy	In accordance with InvoCare's Share Trading Policy, senior managers are prohibited from trading in the Company's shares other than during specified trading windows, or with approval in exceptional circumstances, provided they do not possess inside information. In addition, senior managers are not permitted to enter into transactions with their shareholding in the Company which operate to limit the economic risk of their shareholding (e.g. margin loans, hedging or cap and collar arrangements), including limiting the economic risk of holdings of unvested entitlements associated with LTI securities.

III. Remuneration governance framework

Board of Directors	People, Culture & Remuneration Committee	Management
Ensuring the Group's remuneration framework is aligned with the Group's purpose, core values, strategic objectives and risk appetite.	Approving the Group's overall remuneration policy and process.	Implementing of remuneration policies and practices.
Approving Non-Executive Directors and Executive KMP remuneration.	Reporting to the Board on corporate culture within the Group and making recommendations to the Board regarding corporate governance policies to support a strong corporate culture.	Providing information relevant to remuneration decisions to assist the PCR Committee to review and make recommendations to the Board with respect to remuneration arrangements.
Monitoring Executive KMP and the ELT performance and implementation of the Group's objectives against measurable and qualitative indicators.	Reviewing and recommending to the Board arrangements for the Executive KMP and the ELT in relation to their terms of employment, remuneration and incentives (including performance targets).	Providing information to the PCR Committee in relation to the design and implementation of the remuneration strategy and structure.
Ensuring a succession and leadership and development plans are in place for the ELT.	Reviewing and recommending to the Board the remuneration arrangements for the Chair and Non-Executive Directors of the Board.	Ensuring that diversity and equality are reflected in the remuneration of all employees.
Ensuring the culture of the Company reflects the values and purpose of the Company as outlined in the strategic plan and vision for the Company	The PCR Committee Charter is available on InvoCare's website.	

Independent remuneration advisors

From time to time, the PCR Committee engages external remuneration consultants to provide independent benchmarking data and information on best practice and community expectations.

During 2021, the PCR Committee commissioned an external consultancy group to assist in the review of InvoCare's remuneration practices. No remuneration recommendations as defined by the Corporations Act 2001 were provided by the external consultancy group.

3. Executive KMP remuneration

The table below provides a snapshot of the remuneration outcomes for the Executive KMP for FY21.

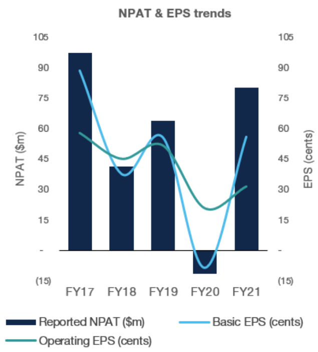
TFR	STI outcome	LTI outcome
There was no KMP increase effective 1 January 2021. The CFO received a 7.4% increase to TFR effective 1 July 2021.	The average STI outcome for the 2021 year for Executive KMP was 93% based on their balanced scorecard. For further details of 2021 STI outcome, refer to Section V.	The current Executive KMP did not participate in LTI grants that were tested in FY21.

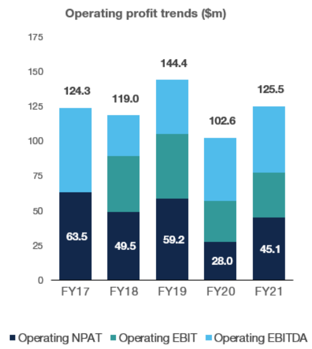
I. InvoCare's performance and remuneration outcomes

a. Group financial performance

One of the key principles of the Company's remuneration framework is to align Executive KMP remuneration outcomes with Company performance. This section provides a summary of the Company's five year financial performance outcomes and the link to remuneration outcomes over this period.

Remuneration performance measures



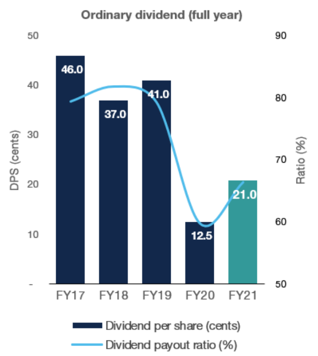


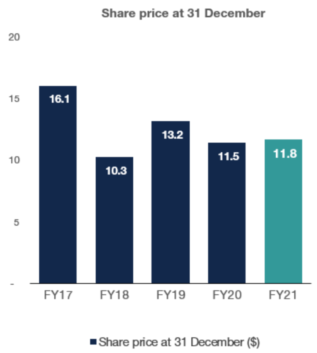
Footnotes to the graphs above

a The Group has changed its accounting policy for software-as-a-service arrangements (SaaS arrangements). Refer to Note 12 for further details.

b Operating EBIT was a financial performance indicator only reported from 2018 onwards, no comparative was provided for 2017 in the graph above.

Other performance metrics





Five year incentive outcomes

	2021	2020	2019	2018	2017
Payout % of STI to CEO	**93%**	27%	62%	32%	69%
Average payout % of STI to other Executive KMP	**93%**	27%	57%	35%	67%
LTI vesting outcome (% of maximum)	**N/A***	66%	-	33%	33%

* *During FY21, there was no LTI held by the current Executive KMP that was due for a vesting test.*

b. 2021 STI outcome

The table below sets out the targets and outcomes for the Executive KMP for the financial year. It should be noted that outcomes were directly and indirectly impacted by the COVID. For details of achievements and dollar value of STI awarded for FY21, refer to Section V.

Key performance indicators	2021 performance targets	Weight	2021 performance outcome
Financial	Group EBITDA	30%	Target was partially met
	Group case volume	10%	Target was met
	Personal financial objective	10%	Target was met
Customer	Net promoter score (NPS)	10%	Target was met
People	Employee turnover < 12-month tenure	10%	Target was partially met
Safety	Lost time injury frequency rate (LTIFR)	15%	Target was met
	Workplace inspections	5%	Target was partially met
Personal	Project objective	10%	Target was met

c. 2021 LTI outcome

The current Executive KMP did not participate in LTI grants that were tested in FY21.

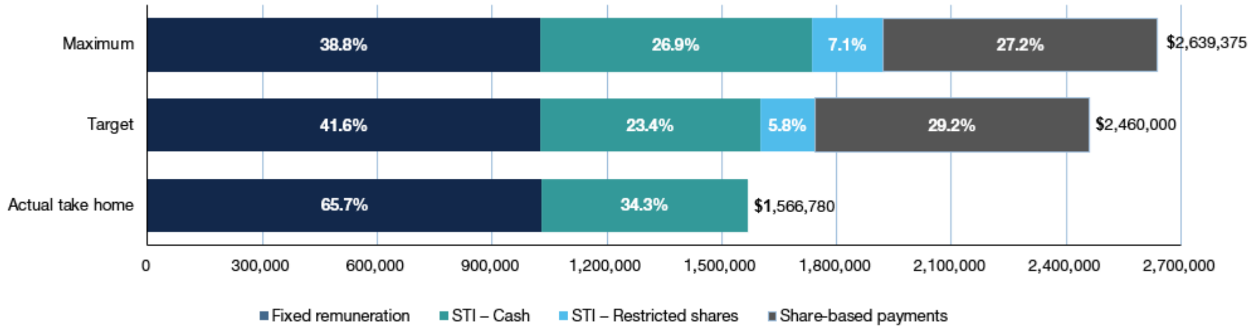
II. CEO 2021 remuneration details

The remuneration of the CEO places a considerable portion of his remuneration at risk to align with both the Group's performance and shareholder outcomes. The maximum, at target and actual remuneration outcomes for the CEO for the full year are summarised in the graph below.

Maximum remuneration represents total potential remuneration of TFR, STI and LTI. For STI, the amount includes the 150% achievement for financial targets as prescribed by the STI performance targets conditions.

Target remuneration represents total potential remuneration including TFR, STI (achieved at 100% for both financial and non-financial targets reflecting both cash and restricted shares components) and LTI awarded at 100% in accordance with performance and employment conditions).

2021 CEO maximum, target and actual take home



2021 CEO remuneration breakdown

TFR	TFR of $1,025,000 per annum. No increase to TFR in FY21.
STI	Target STI of $717,500 (70% of TFR). The STI was based on the following performance measures: • Financials • Customer • People • Safety • Personal project objective For further detail on STI outcomes refer to Section V below.
LTI	Target LTI of $717,500 (70% of TFR).
Sign-on incentive	$400,000 in the form of 34,782 share rights granted under the InvoCare Employee Share Plan (ESP), subject to a continuous employment condition of 2 years (vesting on 1 January 2023).

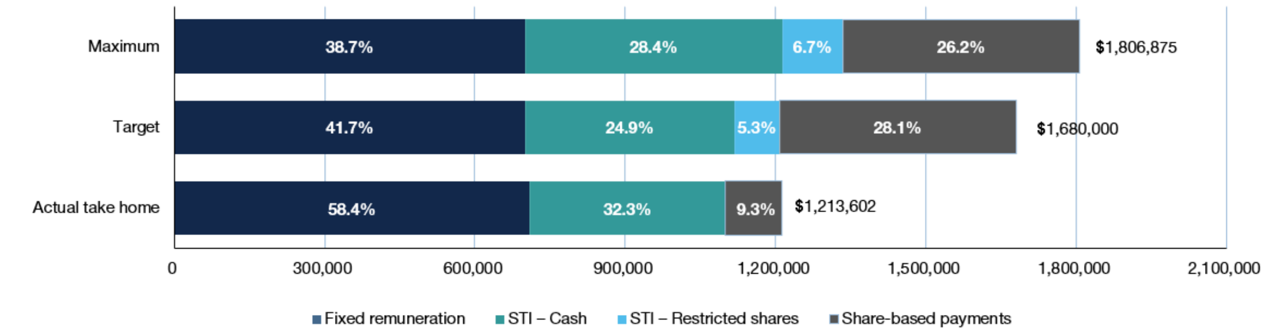
III. CFO 2021 remuneration details

The remuneration of the CFO places a considerable portion of his remuneration at risk to align with both the Group's performance and shareholder outcomes. The maximum, at target and actual remuneration outcomes for the CFO for the full year are summarised in the graph below.

Maximum remuneration represents total potential remuneration of TFR, STI and LTI. For STI, the amount includes the 150% achievement for financial targets as prescribed by the STI performance targets conditions.

Target remuneration represents total potential remuneration including TFR, STI (achieved at 100% for both financial and non-financial targets reflecting both cash and restricted shares components) and LTI awarded at 100% in accordance with performance and employment conditions)

2021 CFO maximum, target and actual take home



2021 CFO remuneration breakdown

TFR	TFR of $725,000 per annum at 31 December 2021. The CFO received a 7.4% increase to TFR effective 1 July 2021.
STI	Target STI of $507,500 (70% of TFR at 31 December 2021). The STI was based on the following performance measures: • Financials • Customer • People • Safety • Personal project objective For further detail on STI outcomes refer to Section V below.
LTI	Target LTI of $472,500 (70% of TFR at 1 January 2021 and does not reflect the TFR increase effective 1 July 2021).

IV. Actual reported remuneration outcomes – Executive KMP

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

Actual remuneration in the table below represents the pre-tax amounts received by each Executive KMP in 2021 and 2020. This consists of cash salary, non-monetary benefits, STI paid in cash and vested share-based payments exercised or exercisable. Refer to table notes below for further details on how these amounts were determined.

In assessing the financial results for 2021 STI outcomes, the Board did not make any adjustments, that is, neither negative nor positive discretion was applied.

Executive KMP remuneration details – actual pre-tax received

	Short-term employee benefits			Post-employment benefits		Long-term benefits	Share-based payments	Total
Table note	**1**	**2**	**1**	**1**			**3, 4**	
	Cash salary $	**Short term incentive-cash $**	**Non-monetary benefits $**	**Super-annuation $**	**Termina-tion payments $**	**Long service leave accruals $**	**Share-based payments vested $**	**$**
Olivier Chretien, appointed 1 January 2021								
2021	**1,000,000**	**537,795**	**3,985**	**25,000**	**-**	**-**	**-**	**1,566,780**
Adrian Gratwicke, appointed 3 August 2020								
2021	**680,353**	**391,367**	**3,985**	**24,597**	**-**	**-**	**113,300**	**1,213,602**
2020	272,211	63,652	1,949	10,847	-	-	-	348,659

Table notes:

1. Cash salary, non-monetary benefits and superannuation represents actual amounts received during the financial year. Cash salary excludes the movement of annual leave accruals.
2. STI awarded based on 2021 and 2020 achievement of performance targets and payable in cash (FY20) or a mix of cash and restricted shares (FY21).

   For FY21, 25% of the STI awarded that exceeds $150,000 is subject to deferral and has been paid in the form of restricted shares. The shares will be held in trust for 12 months. The 2021 deferred STI will be granted in the next financial year, so no value was included in the total actual remuneration received in the table above.
3. For the financial year ended 31 December 2021, no LTI grants for current Executive KMP were eligible for testing.
4. Adrian Gratwicke received a portion of the sign-on incentive grant as InvoCare's shares during FY21 in accordance with the vesting rules of this grant. The value of the 10,000 shares received noted in the table above was based on the 12-month VWAP of InvoCare shares for the financial year ended 31 December 2021 times the number of vested and exercised sign-on incentive shares. The 12-month VWAP was $11.33.

V. STI outcomes – Executive KMP

The table below provides details of each Executive KMP's STI measures, the level of achievement and the financial outcome for the financial year ended 31 December 2021.

				Actual STI awarded			
Executive KMP	**Target STI potential[a] $**	**Performance target overall achievement %**	**Actual STI awarded as a % of target STI potential %**	**Cash $**	**Deferred STI[b] $**	**Total $**	**STI forfeited as a % of target STI potential %**
Olivier Chretien	717,500	93	93	537,795	129,265	667,060	7
Adrian Gratwicke	507,500	93	93	391,367	80,456	471,823	7

Footnotes:

a Target STI potential and actual STI awarded is based on the total fixed remuneration as at 31 December 2021.

b The 2021 deferred STI awarded will be granted as shares in the financial year ending 31 December 2022.

VI. Reported remuneration – Executive KMP remuneration details – statutory basis

The below discloses the remuneration for Executive KMP calculated in accordance with statutory requirements and Australian accounting standards. Refer to table notes for the relevant statutory and accounting requirements.

	Short-term employee benefits			Post-employment benefits		Long-term benefits	Share-based payments	Total
Table note	1	2	3	4		5	6	
	Cash salary $	Short term incentive-cash $	Non-monetary benefits $	Super-annuation $	Termina-tion payments $	Long service leave accruals $	Shares, share rights and perform-ance rights $	$
Olivier Chretien, appointed 1 January 2021								
2021	**1,058,415**	**537,795**	**3,985**	**25,000**	**-**	**5,556**	**464,363**	**2,095,114**
Adrian Gratwicke, appointed 3 August 2020								
2021	**675,563**	**391,367**	**3,985**	**24,597**	**-**	**5,062**	**350,017**	**1,450,591**
2020	297,365	63,652	1,949	10,847	-	1,499	137,018	512,330

Footnotes:

a The remuneration mix for the Executive KMP based on the remuneration details in table above are:

- Olivier Chretien: 52% fixed and 48% at-risk
- Adrian Gratwicke: 49% fixed and 51% at-risk (2020: 61% fixed and 39% at-risk)

b For the following former Executive KMP ceased during the financial year ended 31 December 2020, their total remuneration was:

- Martin Earp (ceased as Executive KMP effective 31 December 2020): $1,143,930. Mr Earp resigned as Director effective 4 January 2021. As 1 to 3 January 2021 are public holidays or weekend, Mr Earp provided no service as Director and no remuneration is paid/payable for these days when he was holding the office as Director.
- Damien MacRae (ceased as Executive KMP effective 31 December 2020): $1,196,041
- Josée Lemoine (ceased as Executive KMP effective 3 August 2020): $354,443

Table notes:

1 The total cost of cash salary and leave accruals, including annual leave taken and the increase or decrease in the annual leave provision applicable as determined in accordance with the Accounting Standard, AASB 119 Employee Benefits.

2 The amount to be settled in cash relating to performance of the Group and the individual for the financial year from 1 January to 31 December. The proportions of STI awarded and forfeited are set out in Section V above of this Remuneration Report.

The 2021 deferred STI awarded, as disclosed in Section V above, will be granted in the next financial year, so no value was included in the total remuneration in the table above.

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

4 Superannuation contributions are paid in line with legislative requirements.

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

6 The share-based payments value in the table represents the amount of sign-on incentive (in the form of shares or share rights), deferred STI and LTI (in the form of unvested performance rights) grants made in the current and past financial years. They are accounted for in accordance with AASB 2 Share-based Payments. Subject to meeting the vesting conditions of the grants, the shares, share rights or performance rights will vest, or be forfeited, in future financial years. Section VII below provides the further information and breakdown of share-based payments.

VII. Breakdown of share-based payments – Executive KMP

	Deferred STI in the form of shares[a] $	Sign-on incentive in the form of shares $	Sign-on incentive in the form of share rights $	LTI in the form of performance rights $	Total share based payments $
Olivier Chretien, appointed 1 January 2021[b]					
2021	**-**	**-**	**212,652**	**251,711**	**464,363**
Adrian Gratwicke, appointed 3 August 2020[c,d]					
2021	**-**	**143,509**	**-**	**206,508**	**350,017**
2020	-	108,008	-	29,010	137,018

Footnotes:

a The 2021 deferred STI awarded, as disclosed in Section V above, will be granted in the financial year ending 31 December 2022 and there is a one-year deferral period from grant, so no value was recognised for FY21.

b Olivier Chretien received a sign-on incentive grant in the form of share rights. They will vest on 1 January 2023 provided that Mr Chretien meets the continuous employment condition at the date of vesting.

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

d Adrian Gratwicke was appointed 3 August 2020. The share-based payments for FY20 were only recognised for the period from the date commenced as Executive KMP to 31 December 2020. For FY21, his share-based payments were recognised for the full financial year.

a. 2020 sign-on incentive grant under the Deferred Employee Share Plan

As part of his appointment as CFO during August 2020, Adrian Gratwicke received a one-off sign-on incentive in the form of 30,000 InvoCare's shares, which will be held in trust within the InvoCare Deferred Employee Share Plan (DESP). The shares will vest in three equal tranches on 1 July 2021, 1 July 2022 and 1 July 2023, respectively, provided that he is still employed by InvoCare at those dates and the applicable vesting conditions are met as described in the DESP rules. The table below provides details of the grant date fair value and maximum value for the sign-on incentive granted.

Grant date fair value and maximum value for sign-on incentive

Executive KMP	Grant date	Grant date fair value per sign-on incentive $	Number of shares granted	Vesting period	Maximum value to be recognised from grant date $
Sign-on incentive – shares granted under DESP					
Adrian Gratwicke	15/06/2020	11.10	30,000	15 June 2020 to 1 July 2023	333,000

b. 2021 sign-on incentive grant under the Employee Share Plan

As part of his appointment as CEO, Olivier Chretien received a one-off sign-on incentive of $400,000 in the form of 34,782 share rights through the InvoCare Employee Share Plan (ESP), which was approved at the 2020 Annual General Meeting. The number of share rights are calculated by the value of the sign-on incentive divided by the value of a "Share" determined by the VWAP of InvoCare shares traded in the last 10 trading days immediately before Mr Chretien's commencement date as CEO on 1 January 2021, being $11.50. The share rights will vest on 1 January 2023, two years after Mr Chretien's appointment date of 1 January 2021, provided that he is still employed by InvoCare on 1 January 2023 and the applicable vesting conditions are met as described in the ESP rules. The table below provides details of the grant date fair value and maximum value for the sign-on incentive granted.

Grant date fair value and maximum value for sign-on incentive

Executive KMP	Grant date	Grant date fair value per sign-on incentive $	Number of share rights granted	Vesting period	Maximum value to be recognised from grant date $
Sign-on incentive – share rights granted under ESP					
Olivier Chretien	18/11/2020	11.57	34,782	18 November 2020 to 1 January 2023	402,428

c. LTI plan

The Executive KMP were granted LTI in the form of performance rights under the LTI Plan (LTIP).

The key terms and conditions of the LTI granted are disclosed in Note 22 Share-based remuneration Section B and C

The table below summarises the performance to date for the LTI grants under the LTIP since 2020 which impact remuneration in the current or a future financial year. Neither 2020 nor 2021 performance rights granted are due for vesting test during the financial year ended 31 December 2021.

Grant/ Tranche	Performance hurdle*	Performance test date	EPS baseline for CAGR measure	Testing of unvested rights	Vesting outcome %
2020 grant – one tranche, two performance hurdles					
50% of 2020 grant	30% vesting at 6% CAGR EPS 100% vesting at 10% CAGR EPS Pro rata vesting in between 6% and 10% CAGR EPS 0% vesting if less than 6% CAGR EPS	March 2023	46.9 cents	N/A	N/A
50% of 2020 grant	30% vesting at 10% ROIC 100% vesting at 12% ROIC Pro rata vesting in between 10% and 12% ROIC 0% vesting if less than 10% ROIC	March 2023		N/A	N/A
2021 grant – one tranche, two performance hurdles					
50% of 2021 grant	30% vesting at 10% CAGR EPS 100% vesting at 15% CAGR EPS Pro rata vesting in between 10% and 15% CAGR EPS 0% vesting if less than 10% CAGR EPS	March 2024	24.0 cents	N/A	N/A
50% of 2021 grant	30% vesting at 10% ROCE 100% vesting at 12% ROCE Pro rata vesting in between 10% and 12% ROCE 0% vesting if less than 10% ROCE	March 2024		N/A	N/A

* *The performance targets are three-year compound annual growth rate (CAGR) in normalised EPS growth and average return on invested capital (ROIC)/return on capital employed (ROCE) from 1 January of grant year.*

d. Grant date fair value and maximum value for LTI grants

The table below provides the grant date fair value and the maximum potential value of all outstanding LTI grants at grant date for the Executive KMP. If the performance conditions are not met, the minimum value of the LTI will be nil.

Fair value and maximum value for LTI grants

Executive KMP	Grant date	Grant date fair value per LTI[a] $	Number of LTI granted	Performance period	Maximum value to be recognised from grant date $
Performance rights granted under LTIP[a]					
Olivier Chretien	18/11/2020	11.57	63,777	1 January 2021 to 31 December 2023	737,900
Adrian Gratwicke	15/06/2020	9.70	17,107	15 June 2020 to 3 August 2023[b]	165,938
	01/01/2021	11.57	42,000	1 January 2021 to 31 December 2023	485,940

Footnotes:

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

b The performance hurdles for the 2020 grant to Adrian Gratwicke are based on the 3-years financial outcomes from 1 January 2020 to 31 December 2020 in line with the plan rules. The performance period for this grant is from 15 June 2020 (i.e. the signing date of the employment condition which is deemed to be the commencement date of performance period as per AASB2). The vesting date will be on 3 August 2023, that is, three-year period effective 3 August 2020, his employment commencement date.

e. Movement in share-based payments granted

The table below provides the movement of all share-based payments granted to the Executive KMP.

Grant/ Executive KMP	Balance at 1 January 2021 Number	Granted during 2021 Number	Grant - dividend entitlements during 2021* Number	Vested and exercised during 2021 Number	Lapsed during 2021 Number	Balance at 31 December 2021 Number
Sign-on incentive - shares granted under DESP						
Adrian Gratwicke	30,000	-	-	(10,000)	-	20,000
Sign-on incentive - share rights granted under ESP						
Olivier Chretien	-	34,782	-	-	-	34,782
Performance rights granted under LTIP						
Olivier Chretien	-	63,777	504	-	-	64,281
Adrian Gratwicke	17,107	42,000	574	-	-	59,681

* *In accordance with the LTIP plan rules, performance rights entitled to dividends, if determined and paid by InvoCare Board, during the performance period. Additional performance rights will be granted to the participants of the LTIP at the dividend payment date. The number of performance rights granted are calculated by the number of share rights or performance rights times the dividend paid per share divided by the dividend reinvestment plan VWAP price. These additional performance rights granted – dividend entitlements will only be payable as additional shares on date of vesting of the originally granted performance rights.*

VIII. Loans to Executive KMP

There were no loans at the beginning or at the end of the financial year ended 31 December 2021 to the Executive KMP. No loans were made available to the Executive KMP during 2021.

IX. Executive KMP employment terms

The key employment terms are summarised below.

Role	Term of agreement	Notice period (by company or by employee)	Post-employment restraints	Termination benefits
Olivier Chretien	No expiry date	Six months	12 months	If there are any termination entitlements to be paid, they will be limited by the current Corporations Act 2001 (Cth) or the ASX Listing Rules or both.
Adrian Gratwicke	No expiry date	Six months	12 months	If there are any termination entitlements to be paid, they will be limited by the current Corporations Act 2001 (Cth) or the ASX Listing Rules or both.

5. Non-Executive Director remuneration

The following table outlines the Non-Executive Directors (NEDs) fee policy and changes introduced for 2022.

Maximum aggregate fees approved by shareholders	Non-Executive Directors' base fee for services as Directors is determined within an aggregate Directors' fee pool cap, which is periodically approved by shareholders. At the date of this report, the pool cap is $1,250,000, being the amount approved by shareholders at the AGM held on 22 May 2015.
Contracts	Upon appointment to the Board, NEDs receive a letter of appointment which summarises the Board policies and terms, including remuneration, relevant to the office of Director.
Non-Executive Director fee reviews	The Board reviews NED fees annually, taking into account the size and scope of InvoCare's activities and general industry practice. This ensures the Group can attract and retain suitably skilled, experienced and committed individuals to serve on the Board and remunerate them appropriately for their time and expertise, and for their responsibilities and liabilities as public company Directors. NEDs are entitled to be reimbursed for all reasonable costs and expenses incurred by them in performing their duties. **NED fee changes FY21** There were no changes to the Board base fees in 2021. In recognition of the additional workloads for Chairs of committees and alignment, the decision was made to extend the current Chair fee of $11,560 for the Audit, Risk & Compliance (ARC) Committee to the Chair of the People, Culture and Remuneration (PCR) Committee and the Chair of the Investment Committee. It should be noted that the Investment Committee was dismantled effective 31 March 2021, with no meeting in 2021, and accountabilities transferred to the ARC Committee and the Board. **NED fee changes FY22** The Board base fees and committee fees remain unchanged. The table following details the 2021 base and committee fees. The aggregation of Board and committee fees for 2021 remain below the pool cap of $1,250,000.
Additional or special duties	NED's base fees exclude any remuneration determined by the Directors where a Director performs additional or special duties for the Company. If a NED performs additional or special duties for the Company, they may be remunerated as determined by the Board and that remuneration can be in addition to the limit mentioned above. There have been no additional payments made to directors in 2021.
Superannuation	The fees set out in the table below include superannuation contributions in accordance with relevant statutory requirements.
Equity participation	NEDs may receive options as part of their remuneration, subject only to shareholder approval. No options are held by any NED at the date of this report. NEDs of InvoCare Limited are encouraged to acquire a minimum equity interest in the Company equivalent in value to 50% of their annual Director's fee applying at the time of their appointment as a director of the Company, and NEDs are allowed up to three years to accumulate the required shareholding. NEDs equity holdings are set out in Section 5.
Post employment benefits	NEDs are not entitled to any compensation on cessation of appointment.

Non-Executive Director fees (inclusive of superannuation)

Board/Committee	Role	From 1 January 2021 Per role $	Total $
Board base fee	Chairman	285,691	285,691
	Non-Executive Directors	142,840	714,200
Audit, Risk & Compliance Committee	Chairman	11,560	11,560
Investment Committee[a]	Chairman[b]	11,560	11,560
People, Culture & Remuneration Committee	Chairman[b]	11,560	11,560
Total			**1,034,571**

Footnotes:

a Investment Committee dismantled effective 31 March 2021.

b The Chair Committee fee structure was aligned from 1 January 2021 to $11,560 per annum for all committees – previously it was only the Chair of the Audit, Risk & Compliance Committee on a higher fee structure.

Reported remuneration – Non-Executive Directors – statutory basis

The table below discloses the remuneration for the Non-Executive Directors calculated in accordance with statutory requirements and Australian accounting Standards.

For any Directors appointed during the financial year, their remuneration has been pro-rated from the date of appointment to the end of the financial year. For any Directors who resigned or retired during the financial year, their remuneration has been pro-rated to the date of resignation or retirement.

Total Non-Executive Directors remuneration

		Short-term employee benefits	Post-employment benefits	Total
		Board and committee fees $	Super-annuation $	$
Bart Vogel	**2021**	**263,060**	**22,631**	**285,691**
	2020	240,535	21,348	261,883
Kim Anderson, appointed 11 May 2021	**2021**	**90,325**	**8,932**	**99,257**
Richard Davis	**2021**	**132,790**	**12,940**	**145,730**
	2020	119,577	11,420	130,997
Megan Quinn	**2021**	**130,151**	**12,689**	**142,840**
	2020	119,577	11,420	130,997
Keith Skinner	**2021**	**140,684**	**13,716**	**154,400**
	2020	129,254	12,279	141,533
Kee Wong, appointed 1 November 2021	**2021**	**21,642**	**2,164**	**23,806**
Former Non-Executive Directors retired/resigned during the financial year				
Jackie McArthur, retired 28 May 2021	**2021**	**54,353**	**5,164**	**59,517**
	2020	119,577	11,420	130,997
Robyn Stubbs, resigned 1 February 2021	**2021**	**11,750**	**1,116**	**12,866**
	2020	119,577	11,420	130,997

5. Additional information

The table below summarises the movement in holdings of InvoCare ordinary shares during the year and the balance at the end of the financial year, both in total and held indirectly by related parties of the KMP.

Movement of shareholding interests of Directors in accordance with section 205G of the Corporations Act 2001 and the other Executive KMP

	Balance as at 1 January 2021 Number	Grant as compensation Number	Exercise of vested share-based payments during 2021 Number	Net other changes during 2021 Number	Total shares held directly and indirectly as at 31 December 2021[a] Number
Non-Executive Directors:					
Bart Vogel	19,343	-	-	-	19,343
Kim Anderson[b]	-	-	-	10,079	10,079
Richard Davis	160,000	-	-	(40,000)	120,000
Megan Quinn	-	-	-	-	-
Keith Skinner	3,968	-	-	-	3,968
Kee Wong[b]	-	-	-	-	-
Executive KMP:					
Olivier Chretien[b]	-	-	-	15,850	15,850
Adrian Gratwicke	-	-	10,000	(4)	9,996
Former KMP ceased during the financial year:					
Jackie McArthur[c]	4,480	-	-	-	4,480
Robyn Stubbs[c]	7,905	-	-	-	7,905

Footnotes:

a Shares held indirectly are included in the column headed Total shares held at 31 December 2021. Total shares are held directly by the KMP and indirectly by the KMP's related parties, inclusive of domestic partner, dependents and entities controlled, jointly controlled or significantly influenced by the KMP.

b For KMP who commenced during FY21, the balance as at 1 January 2021 is shown as no shares. The KMP are Kim Anderson, Kee Wong and Olivier Chretien.

c For KMP ceased during FY21, movement of shares are only recorded till their effective date ceased as KMP. The KMP are Jackie McArthur and Robyn Stubbs.

Directors

The directors of InvoCare Limited at any time during or since the end of the financial year are as follows. Directors were in office for the entire period until otherwise stated:

Name	Role	Date of appointment/resignation
Bart Vogel	Chairman	
Olivier Chretien	Chief Executive Officer and Managing Director	Appointed 4 January 2021
Kim Anderson	Independent non-executive director	Appointed 11 May 2021
Richard Davis	Independent non-executive director	
Megan Quinn	Independent non-executive director	
Keith Skinner	Independent non-executive director	
Kee Wong	Independent non-executive director	Appointed 1 November 2021
Former directors retired/resigned during the financial year		
Martin Earp	Chief Executive Officer and Managing Director	Resigned 4 January 2021
Jackie McArthur	Independent non-executive director	Retired 28 May 2021
Robyn Stubbs	Independent non-executive director	Resigned 1 February 2021

Directorship of other listed companies

Directorship of other listed companies held by the directors in the three years preceding the end of the financial year are as follows.

Name	Company	Period of directorship
Bart Vogel	Macquarie Telecom Limited	Since 2014
	Infomedia Ltd	Since 2015
	Salmat Limited	From May 2017 to November 2019
Olivier Chretien	None	
Kim Anderson	carsales.com Limited	Since 2010
	Marley Spoon AG	Since 2018
	Infomedia Ltd	Since 2020
	WPP AUNZ Ltd	From November 2010 to April 2021
Richard Davis	Australian Vintage Ltd	Since 2009
	Monash IVF Group Limited	Since 2014
Megan Quinn	City Chic Collective Limited (formerly known as Specialty Fashion Group Limited)	Since 2012
	Reece Limited	Since 2017
Keith Skinner	Emeco Holdings Limited	Since 2017
Kee Wong	carsales.com Limited	Since 2018

Directors' profiles

Bart Vogel BCom (Hons), FCA, FAICD

Independent Non-executive Chairman

Bart Vogel was appointed to the InvoCare Board of Directors on 1 October 2017, and as Chairman of the board from 1 October 2018.

Bart's career includes 20 years in the management consulting industry, as a partner with Deloitte Consulting, A.T. Kearney and Bain & Company, focussed on the technology and services sectors. In his consulting roles, Bart has spent extensive time working in global markets with multinational corporates and government bodies. He also spent 13 years in senior executive roles at Asurion Australia, Spherion Limited and as the Asia Pacific leader of Lucent Technologies.

Bart is a director of listed companies, Infomedia Ltd (ASX:IFM) (serves as chairman) and Macquarie Telecom Limited (ASX: MAQ). He is also a director of BAI Communications and of the Children's Cancer Institute Australia and was a director of Salmat Limited (delisted on 3 September 2020).

Olivier Chretien MEng, MBA, GAICD

Managing Director and Chief Executive Officer

Olivier Chretien was appointed as Managing Director and Chief Executive Officer effective from 1 January 2021 and to the InvoCare Board of Directors on 4 January 2021.

Olivier was previously Group Chief Strategy Officer with Ramsay Health Care, where he was in charge of Group Strategy, M&A and Ventures, the Australian Pharmacy business, and a director of the European and Asian JV Boards.

Prior to this, Olivier spent 12 years with Wesfarmers. His last role was managing director, Business Development for the Group, where he was also a director of the retail divisional Boards (Coles, Bunnings, Kmart, Officeworks). He was previously the managing director of the Wesfarmers Industrial & Safety division for 7 years, with more than 4,000 employees and 250 locations across Australia, New Zealand, China, Indonesia and the United Kingdom.

Prior to Wesfarmers, he spent 9 years with Boston Consulting Group in France and Australia, consulting to clients in the pharmaceuticals and travel & tourism services industries. He started his career in engineering. Olivier holds an Executive MBA (AMP) from Harvard Business School (Boston USA), an MBA from INSEAD (France), and a Master of Engineering from Ecole Centrale de Paris (France).

Kim Anderson BA, PGDip

Independent Non-executive Director

Kim Anderson was appointed to the InvoCare Board of Directors on 11 May 2021.

Kim is the Chair of the People, Culture & Remuneration Committee.

Kim has more than 30 years of experience as a chief executive officer and senior executive in a range of media companies including Southern Star Entertainment, PBL and Ninemsn and Reading Room Inc (bookstr.com) of which she was chief executive officer and founder.

Kim is a director of listed companies, Infomedia Ltd (ASX: IFM), carsales.com Limited (ASX:CAR), Marley Spoon (ASX:MMM). She is also the director of the Sax Institute, a national leader in promoting the use of research evidence in health policy. She is a former Fellow of the University of Sydney Senate. Kim was a director of WPP AUNZ Ltd until the completion of its takeover by WPP PLC in April 2021.

Richard Davis BEc

Independent Non-executive Director

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

Richard previously retired as InvoCare's Chief Executive Officer and Managing Director on 31 December 2008 after 20 years with InvoCare. For the majority of that time, he held the position of Chief Executive Officer and successfully initiated and managed the growth of the business through a number of ownership changes and over 20 acquisitions, including Singapore Casket Company (Private) Limited, the Company's first international acquisition.

Richard is the chairman of listed companies, Australian Vintage Limited (ASX: AVG) and Monash IVF Group Limited (ASX:MVF). Richard is also serving as chairman of Singapore Casket Company (Private) Limited.

Megan Quinn GAICD

Independent Non-executive Director

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

Megan is internationally regarded as a disruption, transformation, marketing, retail and business expert and is invited to speak and consult on service, innovation, creativity, strategy, building a global brand, business excellence and customer experience for companies, conferences and media outlets around the world. Named a global game changer and one of Australia's most powerful women in retail, Megan was a co-founder of the world's premier online luxury fashion retailer, NET-A-PORTER. She is focused on generating resonance, trust and sustainable growth

Megan is a director of listed companies, City Chic Collective Limited (ASX: CCX) and Reece Limited (ASX: REH). Having previously served on the board and national committee of UNICEF Australia, she is a keen advocate for the Rights of the Child and is a passionate ambassador of Fitted For Work.

Keith Skinner BCom, FCA, GAICD

Independent Non-executive Director

Keith Skinner was appointed to the InvoCare Board of Directors on 1 September 2018.

Keith is the Chair of Audit, Risk & Compliance Committee.

Keith has a strong record in business management, restructuring, finance, accounting, risk and governance. He commenced his career as an auditor with Deloitte Australia in 1974, later moving to the firm's Restructuring Services division, and was appointed a partner in 1986. He was a leading practitioner for company turnarounds for over a decade, before becoming chief operating officer of Deloitte Australia in 2001. Keith was also a member of the Deloitte Global Board from 2013 -2015.

Since retirement from Deloitte in 2015, Keith has been a director of a number of public and private organisations. Currently he is a director of Emeco Holdings Limited (ASX: EHL). He has been a board member for the North Sydney Local Health Board and the not for profit organisation Lysicrates Foundation. He has also been Independent Chair of the Audit and Risk Committee of the Australian Digital and Health Agency and has consulted to a number of organisations on strategy execution, restructuring and operational improvement.

Kee Wong BEng (Hons), MBA, GradDipComp (Distinction), FAICD

Independent Non-executive Director

Kee Wong was appointed to the InvoCare Board of Directors on 1 November 2021.

Kee is an entrepreneur with a background and qualifications in Engineering, Information technology and Business. He has started several businesses and was the founder and managing director of e-Centric Innovations, a management and technology consulting company that provides strategic advice and systems integration services in e-business and IT for large enterprises and government in Australia, New Zealand, the United States and South East Asia. Kee has made investments across a number of industries which include technology, services, retail, food and beverage, trading and property. Prior to his career as an entrepreneur Kee's career included experience in IT and management consulting and he was a senior executive at IBM running part of its e-business group in the Asia Pacific region, including Australia and New Zealand.

Kee is director of listed company, carsales.com Limited (ASX: CAR). He is director of the Australian Energy Market Operator, the Institute of Company Directors and Breakthrough Victoria Pty Ltd. Amongst previous board positions, he was chairman of the Australian Information Industry Association (AIIA), a deputy chairman of Asialink and a director of LaunchVic. Kee is Adjunct Professor of Engineering and IT at La Trobe University. He was awarded a Fellow of Monash University in 2010 and Distinguished Alumni in 2014.

Meetings of directors

The number of meetings of the Company's Board of Directors (the Board) and each Board committee held during the financial year ended 31 December 2021, and the number of meetings attended by each director were as follows.

	Board		Audit, Risk & Compliance Committee[e]		People, Culture & Remuneration Committee[e]		Nomination Committee	
Name	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Bart Vogel	12	12	3	3	5	5	1	1
Olivier Chretien[a]	12	12	-	-	-	-	-	-
Kim Anderson[a]	9	9	-	-	3	3	-	-
Richard Davis	12	12	1	1	4	4	1	1
Megan Quinn	12	12	3	2	5	5	1	1
Keith Skinner	12	12	4	4	-	-	1	1
Kee Wong[a]	2	2	1	1	-	-	-	-
Former directors retired/resigned during the financial year[b,c]								
Jackie McArthur[b]	4	4	2	2	-	-	1	1

a *Olivier Chretien, Kim Anderson and Kee Wong appointed 4 January 2021, 11 May 2021 and 1 November 2021, respectively. The number of meetings they attended only contained those held when they are eligible to attend after the date of their appointment as a director.*

b *Jackie McArthur retired effective 28 May 2021. The number of meetings she attended only contained those held when she was eligible to attend before the effective date of retirement.*

c *Martin Earp, the former Chief Executive Office and Managing Director resigned as director on 4 January 2021. Robyn Stubbs resigned effective 1 February 2021. As there was no meeting held before their resignation date in 2021, they are not included in the above meetings of directors table.*

d *Investment Committee ceased its operation from 31 March 2021. There was no meeting held from 1 January to 31 March 2021.*

e *Changes were made to committee memberships effective 1 November 2021. Therefore, the number of meetings the committee members attended only contained those held when they were eligible to attend.*

In addition to the formal meetings of directors there were numerous informal meetings of the non-executive directors during the year. Those meetings were concerned, for the most part, with succession planning, environmental, social and governance and customer strategy and site visits.

The composition of the Board and Board Committees is a minimum of three directors. Board Committees consist entirely of independent non-executive directors.

Company secretary

Heidi Aldred BEc, LLB

Heidi Aldred was appointed as Company Secretary on 15 March 2019. Heidi, a qualified lawyer, has over 20 years' experience in secretarial and general counsel roles in a wide variety of areas with both listed and unlisted companies. Her early career included working with legal firms Arnold Bloch Leibler and Allens Linklaters (formerly Arthur Robinson & Hedderwicks).

Significant changes in the state of affairs

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

- On 11 August 2021, InvoCare announced a strategic investment and commercial partnership with a global market leader in digital memorisation, Memories Group Limited, to offer customer-focused online memorial products to InvoCare's client families
- On 27 August 2021, InvoCare entered into binding documentation to amend and extend its Syndicated Debt Facility resulting in the repayment of $59,680,000 of the debt facilities

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

Dividends

Details of dividends paid or determined by the Company during the financial year ended 31 December 2021 are set out in Note 4.

Subsequent events

Other than the Board determined a final dividend of 11.5 cents per share, fully franked, there have been no other matter or circumstance arising since 31 December 2021 that has significantly affected affect InvoCare's operations, results or state of affairs, or may do so in future financial years.

Indemnification and insurance of officers

To the extent permitted by law, InvoCare has indemnified the directors and executives of InvoCare for liability, damages and expenses incurred, in their capacity as a director or an executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, InvoCare paid a premium in respect of an insurance policy to insure directors and officers of the company against a liability to the extent permitted by the Corporations Act 2001. The insurance policy specifically prohibits disclosure of the nature and liability covered and the amount of the premium paid.

Environmental regulation and performance

InvoCare is committed to the protection of the environment, the health and safety of its employees, customers and the general public, as well as compliance with all applicable environmental laws, rules and regulations in the jurisdictions in which InvoCare operates its business. The Group is subject to environmental regulation in respect of its operations, including some regulations covering the disposal of mortuary and pathological waste and the storage of hazardous materials. InvoCare has appropriate risk management systems in place at its locations.

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

Corporate governance

InvoCare and the Board of Directors are committed to achieving and demonstrating the highest standards of corporate governance. The Board adopts a continuance improvement approach and regularly reviews corporate governance and reporting practices. For 2021, InvoCare's Corporate Governance Statement will be published at the time of publication of the 2021 Annual Report.

The 2020 InvoCare Corporate Governance Statement is available on the InvoCare website at: https://www.invocare.com.au/investor-relations/corporate-governance/

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in Note 27 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Directors are of the opinion that the services as disclosed in Note 27 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company jointly sharing economic risks and rewards.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after the directors' report.

Rounding of amounts

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

This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the Directors on 28 February 2022.

Bart Vogel
Chairman

Deloitte.

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Australia

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28 February 2022

The Board of Directors
InvoCare Limited
Level 5, 40 Mount Street
North Sydney NSW 2060

Dear Board Members

Auditor's Independence Declaration to InvoCare Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of InvoCare Limited.

As lead audit partner for the audit of the financial statements of InvoCare Limited for the year ended 31 December 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Sandeep Chadha

Sandeep Chadha
Partner
Chartered Accountants

Introduction

This is the financial report of InvoCare Limited (the Company) and its subsidiaries (together referred to as InvoCare or the Group).

InvoCare Limited (ABN 42 096 437 393) is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 5, 40 Mount Street

North Sydney NSW 2060

A description of the nature of the Group's operations and its principal activities is included in the Directors' Report.

The financial report was authorised for issue by the Directors on 28 February 2022. The Directors have the power to amend and reissue the financial report.

About this report

This financial report's disclosures are split into five distinct groups to enable better understanding of how the Group has performed. Accounting policies and critical accounting judgements applied in the preparation of the financial statements are shown together with the related accounting balance and where the financial statement matter is disclosed.

Consolidated statement of comprehensive income

For the year ended 31 December 2021

	Notes	2021 $'000	Restated 2020 $'000
Revenue from continuing operations	2	**532,453**	477,652
Finished goods, consumables and funeral disbursements		**(128,827)**	(122,503)
Employee benefits expense		**(196,064)**	(174,764)
Advertising and public relations expenses		**(17,095)**	(17,725)
Occupancy and facilities expenses		**(23,983)**	(22,533)
Motor vehicle expenses		**(7,860)**	(7,484)
Technology expenses		**(18,925)**	(23,862)
Other expenses		**(19,973)**	(22,289)
		119,726	86,492
Depreciation and amortisation expenses	5	**(47,766)**	(42,565)
Impairment loss on intangibles	12	**-**	(19,324)
Impairment reversal on cemetery land	11	**4,000**	6,000
Loss on disposal of a business		**(278)**	-
Finance costs		**(17,474)**	(24,929)
Interest income		**987**	1,059
Net gain/(loss) on undelivered pre-paid contracts	9	**44,085**	(16,618)
Acquisition related costs		**(743)**	(1,918)
Net gain on lease modifications/terminations		**1,517**	-
Net gain on disposal of non-current assets		**6,808**	7,383
Profit/(loss) before income tax		**110,862**	(4,420)
Income tax expense	6	**(30,591)**	(6,955)
Net profit/(loss) after income tax from continuing activities		**80,271**	(11,375)
Net profit/(loss) after income tax for the year		**80,271**	(11,375)
Other comprehensive income			
Items that may be reclassified to profit or loss			
Changes in the fair value of cash flow hedges, net of tax		**763**	(320)
Total realised loss on early settlement of interest rate swaps reclassified to profit or loss		**-**	2,419
Net changes to cash flow hedges, net of tax		**763**	2,099
Changes in foreign currency translation reserve, net of tax		**(2,082)**	(1,091)
Other comprehensive income for the year, net of tax		**(1,319)**	1,008
Total comprehensive income/(loss) for the year, net of tax		**78,952**	(10,367)
Profit/(loss) is attributable to:			
Equity holders of InvoCare Limited		**80,158**	(11,542)
Non-controlling interests		**113**	167
		80,271	(11,375)
Total comprehensive income/(loss) for the year is attributable to:			
Equity holders of InvoCare Limited		**78,839**	(10,534)
Non-controlling interests		**113**	167
		78,952	(10,367)

	Notes	2021 cents	2020 cents
Earnings per share for profit/(loss) attributable to the ordinary equity holders of InvoCare Limited			
Basic earnings per share	3	**56.1**	(8.6)
Diluted earnings per share	3	**56.0**	(8.6)

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

Consolidated balance sheet

As at 31 December 2021

	Notes	2021 $'000	Restated 2020 $'000
Assets			
Current assets			
Cash and cash equivalents	7	**53,630**	118,781
Trade receivables	8	**42,451**	38,757
Other receivables		**14,703**	13,710
Inventories		**46,866**	44,117
Pre-paid contract funds under management	9	**52,959**	50,268
Assets held for sale		**89**	2,788
Pre-paid technology assets	13	**582**	637
Deferred selling costs	10	**6,244**	3,644
Deferred contract assets		**1,811**	1,541
Total current assets		**219,335**	274,243
Non-current assets			
Trade receivables	8	**23,849**	29,445
Other receivables		**578**	670
Other financial assets	21	**4,072**	4
Property, plant and equipment	11	**494,454**	464,277
Right of use asset	11	**153,315**	144,368
Pre-paid contract funds under management	9	**596,916**	562,863
Intangibles	12	**226,913**	225,386
Pre-paid technology assets	13	**8,019**	4,655
Deferred selling costs	10	**29,511**	34,068
Deferred contract assets		**152**	2,525
Total non-current assets		**1,537,779**	1,468,261
Total assets		**1,757,114**	1,742,504
Liabilities			
Current liabilities			
Trade and other payables		**69,226**	60,514
Contingent considerations	19	**6,282**	9,265
Lease liabilities	11	**20,671**	19,465
Derivative financial instruments		**76**	600
Current tax liabilities		**5,739**	1,874
Pre-paid contract liabilities	9	**44,437**	44,685
Deferred revenue	10	**34,076**	28,632
Provision for employee entitlements		**17,133**	16,613
Total current liabilities		**197,640**	181,648
Non-current liabilities			
Contingent considerations	19	**-**	7,909
Borrowings	14	**188,843**	246,039
Lease liabilities	11	**154,731**	146,459
Derivative financial instruments		**-**	548
Deferred tax liabilities	6	**42,307**	28,832
Pre-paid contract liabilities	9	**496,003**	496,624
Deferred revenue	10	**93,883**	109,086
Provision for employee entitlements		**2,786**	2,489
Total non-current liabilities		**978,553**	1,037,986
Total liabilities		**1,176,193**	1,219,634
Net assets		**580,921**	522,870
Equity			
Contributed equity	15	**497,780**	497,005
Reserves		**10,865**	9,977
Retained profits		**70,857**	14,465
Parent entity interests		**579,502**	521,447
Non-controlling interests		**1,419**	1,423
Total equity		**580,921**	522,870

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

INVOCARE LIMITED AND SUBSIDIARIES

Consolidated financial statements

Consolidated statement of changes in equity

For the year ended 31 December 2021

	Attributable to equity holders of InvoCare Limited						
2021	**Contri-buted equity $'000**	**Share-based payment reserve $'000**	**Hedging reserve $'000**	**Foreign currency translation reserve $'000**	**Retained profits $'000**	**Non-controlling interests $'000**	**Total equity $'000**
Balance at 1 January 2021	**497,005**	**3,296**	**(755)**	**7,436**	**14,465**	**1,423**	**522,870**
Total comprehensive income/(loss) for the year	**-**	**-**	**763**	**(2,082)**	**80,158**	**113**	**78,952**
Transactions with owners in their capacity as owners:							
Dividends paid (Note 4)	**-**	**-**	**-**	**-**	**(23,766)**	**(117)**	**(23,883)**
Employee share plan shares vested during the year	**468**	**(468)**	**-**	**-**	**-**	**-**	**-**
Transfer of shares from treasury shares for grant of shares through the InvoCare Exempt Share Plan Trust	**307**	**-**	**-**	**-**	**-**	**-**	**307**
Employee shares – value of services	**-**	**2,675**	**-**	**-**	**-**	**-**	**2,675**
Balance at 31 December 2021	**497,780**	**5,503**	**8**	**5,354**	**70,857**	**1,419**	**580,921**
Restated 2020							
Balance at 1 January 2020	219,826	2,055	(2,854)	8,527	68,169	1,256	296,979
Change in accounting policy	-	-	-	-	(6,730)	-	(6,730)
Restated balance at the beginning of the year	219,826	2,055	(2,854)	8,527	61,439	1,256	290,249
Total comprehensive income/(loss) for the year	-	-	2,099	(1,091)	(11,542)	167	(10,367)
Transactions with owners in their capacity as owners:							
Dividends paid (Note 4)	-	-	-	-	(29,514)	-	(29,514)
Employee share plan shares vested during the year	48	(16)	-	-	-	-	32
Issue of ordinary shares as part of dividend reinvestment plan (Note 4)	5,918	-	-	-	(5,918)	-	-
Issue of ordinary shares, net of transaction costs	270,862	-	-	-	-	-	270,862
Transfer of shares from treasury shares for grant of shares through the InvoCare Exempt Share Plan Trust	351						351
Employee shares – value of services	-	1,257	-	-	-	-	1,257
Balance at 31 December 2020	497,005	3,296	(755)	7,436	14,465	1,423	522,870

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

Consolidated statement of cash flows

For the year ended 31 December 2021

	2021 $'000	Restated 2020 $'000
Cash flows from operating activities		
Receipts from customers (including GST)	**534,372**	505,716
Payments to suppliers and employees (including GST)	**(440,669)**	(429,054)
Other revenue	**8,027**	11,192
	101,730	87,854
Interest received	**302**	373
Finance costs	**(14,521)**	(17,419)
Income tax paid	**(9,771)**	(14,424)
Net cash flows from operating activities	**77,740**	56,384
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	**10,788**	11,908
Purchase of subsidiaries and other businesses including acquisition costs, net of cash acquired	**(12,648)**	(40,581)
Proceeds from sale of subsidiaries and other businesses, net of restructuring costs	**392**	-
Purchase of property, plant and equipment and intangibles	**(62,703)**	(60,952)
Purchase of other financial assets	**(4,068)**	-
Payments to funds under management for pre-paid contract sales	**(26,599)**	(32,169)
Receipts from funds under management for pre-paid contracts service delivered	**55,905**	45,026
Net cash flows from investing activities	**(38,933)**	(76,768)
Cash flows from financing activities		
Share capital issue, net of transaction costs	**-**	270,875
Payments for share option vested and exercised	**-**	(69)
Proceeds from borrowings	**-**	5,000
Repayment of borrowings	**(59,680)**	(111,761)
Payment for early settlement of interest rate swaps	**-**	(3,115)
Principal elements of lease payments	**(20,196)**	(11,599)
Dividends paid to InvoCare Limited equity holders	**(23,766)**	(29,514)
Dividends paid to non-controlling interests in subsidiaries	**(117)**	-
Net cash flows from financing activities	**(103,759)**	119,817
Net (decrease)/increase in cash and cash equivalents	**(64,952)**	99,433
Cash and cash equivalents at the beginning of the year	**118,781**	19,560
Effects of exchange rate changes on cash and cash equivalents	**(199)**	(212)
Cash and cash equivalents at the end of the year	**53,630**	118,781

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

Basis of preparation

This consolidated financial report is a general purpose financial report which:

- Has been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards (AASBs) and Interpretations adopted by the Australian Accounting Standards Board, as appropriate for for-profit oriented entities and the Australian Securities Exchange (ASX) Listing Rules
- Complies with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board
- Is presented in Australian dollars ($) which is the functional currency of InvoCare
- Is prepared under the historical cost basis except for the following assets and liabilities, which are stated at their fair value: derivative financial instruments; fair value through profit or loss funds under management; and liabilities for cash settled share-based compensation plans. Recognised assets and liabilities that are hedged are stated at fair value in respect of the risk that is hedged. Refer to the specific accounting policies within the notes to the financial statements for the basis of valuation of assets and liabilities measured at fair value

Significant accounting policies have been:

- Included in the relevant notes to which the policies relate, while other significant accounting policies are discussed in Note 28: Other accounting policies
- Consistently applied to all financial years presented in the consolidated financial statements and by all entities in the Group, except as explained in Note 28: Other accounting policies – New and revised accounting standards and interpretations not yet mandatory or early adopted

Critical accounting estimates and judgements

The preparation of a financial report that complies with AASBs requires management to make judgements, estimates and assumptions.

This can affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to estimates are recognised prospectively.

The significant accounting policies highlight information about accounting judgements in applying accounting policies that have the most significant effects on reported amounts and further information about estimated uncertainties that have a significant risk of resulting in material adjustments within the next financial year.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed within the notes following the financial information of those transactions or activities. The key ones are:

- Note 2 Revenue – recognition of deferred revenue on pre-paid funerals and plaque and miscellaneous merchandise sales on pre-paid cemeteries and crematorium and significant financing
- Note 9 Pre-paid contracts – fair value measurements on pre-paid funds under management
- Note 11 Non-current operating assets – estimated impairment of non-financial assets and the determination of the lease term
- Note 12 Intangibles – assumptions used in the impairment testing on intangibles
- Note 13 Pre-paid technology assets – determination whether configuration and customisation services are distinct from the SaaS access

The on-going COVID-19 pandemic (COVID) has not significantly increased the estimation uncertainty in the preparation of the consolidated financial statements. A thorough consideration of potential COVID impacts on carrying values of assets and liabilities, contracts and potential liabilities has been made, with no material impact to the financial statements, except as recognised in these consolidated financial statements.

Current and non-current split

The Group presents assets and liabilities in the consolidated balance sheet as current or non-current:

- Current assets include assets held primarily for trading purposes, cash and cash equivalents, and assets expected to be realised in, or intended for sale or use in, the course of the Group's operating cycle (that is 12 months). All other assets are classified as non-current.
- Current liabilities include liabilities held primarily for trading purposes, liabilities expected to be settled in the course of the Group's operating cycle and those liabilities due within one year from the reporting date. All other liabilities are classified as non-current where the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Comparatives

Where necessary, comparatives have been reclassified, repositioned and restated for consistency with current year disclosures.

The following disclosures have been changed during the current year:

- Note 1 Operating segments – identifiable reportable segments are updated to align with the latest discrete financial information reported to the Chief Operating Decision Maker and the Board of Directors
- Note 12 Intangibles – adjusted certain capitalised software due to the change in accounting policy in adopting the International Financial Reporting Standards Interpretation Committee (IFRIC) decision *Configuration and Customisation Costs in a Cloud Computing Arrangement (AASB 138 Intangible Assets)*

Restated 2020 comparatives

In April 2021, the IFRIC decision *Configuration or Customisation Costs in a Cloud Computing Arrangement (AASB 138 Intangible Assets)* which considers whether an intangible asset can be recognised in relation to configuration or customisation of application software. The financial impact and additional disclosures required are provided in Note 12 Intangibles.

This change in accounting policy is to be applied retrospectively resulting in the need to restate the comparative financial statements for the year ended 31 December 2020. The impact of the change in accounting policy is therefore reflected in the restated financial statements and notes presented on relevant pages of this report.

Rounding

The Group is of the kind referred to in the ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by the Australian Securities & Investments Commission. In accordance with that instrument, amounts in the financial report have been rounded to the nearest thousand dollars, unless otherwise indicated.

Non-IFRS information

Some of the financial data in the notes to the financial statements as listed below are not disclosures in accordance with the current AASBs' requirements:

- EBITDA (earnings before interest, tax, depreciation and amortisation) and EBIT (earnings before interest and tax) in Note 1 Operating segments
- Operating EBITDA and EBIT in key performance metrics section
- Voluntary tax transparency code disclosure in Note 6 Income tax
- Cash conversion ratio in Note 7 Cash flow information

However, all financial data is based on the information disclosed in the audited financial statements and notes to the financial statements of InvoCare and follow the recognition requirement of AASBs.

Operating earnings before interest, tax, depreciation and amortisation (Operating EBITDA) is a key measure used to assess the Group's performance. This section of the Financial Report focuses on disclosure that enhances a user's understanding of Operating EBITDA.

Operating segment provides a breakdown of revenue and profit by the operational activity. The key line items of the consolidated statement of comprehensive income along with their components provide detail behind the reported balances. Group performance will also impact the earnings per ordinary share capital and dividend payout.

Finally, the cash flows reflect the core results of the Group's capital management strategy and therefore the disclosure on these items has been included in this section.

Note 1. Operating segments	Note 5. Significant profit and loss items
Note 2. Revenue	Note 6. Income tax
Note 3. Earnings per share	Note 7. Cash flow information
Note 4. Dividends	

Note 1. Operating segments

A. Identification of reportable segments

During the second half of this financial year ended 31 December 2021, the Group re-organised its reportable segments into the following:

- Australia – Funeral services
- Australia – Cemeteries & Crematoria
- Australia – Pet cremations
- New Zealand
- Singapore
- Other/unallocated

These reportable segments are based on the recent changes in internal reports that are reviewed and used by the Chief Executive Officer & Managing Director (who is identified as the Chief Operating Decision Maker (CODM)) in assessing performance and in determining the allocation of resources. There is no aggregation of reportable segments.

The reportable segments are identified by management based on the products sold or services provided in Australia and other countries where their products and services are mainly related to the provision of Funeral services. Discrete financial information about each of these operating segments is reported to CODM and the Board of Directors regularly.

The CODM reviews Group and segment performance using, among other key financial and non-financial measures, Operating EBITDA (for each reportable segment) and Operating EBIT (only on consolidated group).

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

As the changes in the reportable segments occurred in second half of this financial year ended 31 December 2021, comparative information are re-organised and disclosed to align with the current reporting period's disclosure for consistency purposes.

B. Reportable segments information

	Australia						
2021	Funeral services $'000	Cemeteries & Crematoria $'000	Pet cremations $'000	New Zealand $'000	Singapore $'000	Other/ unallocated $'000	Total $'000
Segment revenue[a]	**311,016**	**127,602**	**29,613**	**53,486**	**18,907**	**(8,171)**	**532,453**
Segment expenses[b]	**(230,495)**	**(66,191)**	**(22,640)**	**(42,388)**	**(10,569)**	**(35,196)**	**(407,479)**
Segment EBITDA	**80,521**	**61,411**	**6,973**	**11,098**	**8,338**	**(43,367)**	**124,974**
Depreciation and amortisation	**(26,353)**	**(5,741)**	**(1,884)**	**(5,730)**	**(1,224)**	**(6,834)**	**(47,766)**
Net gain on lease modifications/terminations	**236**	**-**	**-**	**(22)**	**-**	**1,303**	**1,517**
Business acquisition costs							**(743)**
Net gain on prepaid contracts							**44,085**
SaaS arrangements							**(5,248)**
Net impairment gain of non-current assets							**4,000**
Asset sales gain							**6,530**
EBIT							**127,349**
Net finance costs							**(16,487)**
Income tax expense							**(30,591)**
Non-controlling interest							**(113)**
Net profit after income tax							**80,158**
Restated 2020							
Segment revenue[a]	292,282	119,988	4,642	51,990	19,404	(10,654)	477,652
Segment expenses[b]	(229,770)	(62,992)	(4,140)	(43,212)	(10,012)	(29,908)	(380,034)
Segment EBITDA	62,512	56,996	502	8,778	9,392	(40,562)	97,618
Depreciation and amortisation	(24,021)	(5,779)	(803)	(5,362)	(1,187)	(5,413)	(42,565)
Business acquisition costs							(1,918)
Net loss on prepaid contracts							(16,618)
SaaS arrangements							(11,126)
Net impairment loss of non-current assets							(13,324)
Asset sales gain							7,383
EBIT							19,450
Net finance costs							(23,870)
Income tax expense							(6,955)
Non-controlling interest							(167)
Net loss after income tax							(11,542)

a *Other/unallocated balance includes Non-operating activities' revenue and intersegment eliminations.*

b *Segment expenses excludes SaaS arrangements*

The table below provided the reconciliation of the reportable segments' operating EBITDA to the segment EBITDA as disclosed in the tables above.

	2021 $'000	2020 $'000
Operating activities:		
Australia - Funeral services	**80,521**	62,512
Australia - Cemeteries & Crematoria	**61,411**	56,996
Australia - Pet cremations	**6,973**	502
New Zealand	**11,098**	8,778
Singapore	**8,338**	9,392
Support costs	**(42,864)**	(35,615)
Operating EBITDA	**125,477**	102,565
Non-operating activities - EBITDA	**(503)**	(4,947)
Segment EBITDA	**124,974**	97,618

C. Accounting policy for segment reporting

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

Note 2. Revenue

A. Disaggregation of revenue from contracts with customers

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

2021	Australia $'000	Singapore $'000	New Zealand $'000	Total $'000
Funeral services	**301,401**	**18,555**	**50,277**	**370,233**
Cemeteries & Crematoria	**127,060**	**-**	**2,408**	**129,468**
Pet cremations	**29,658**	**-**	**-**	**29,658**
	458,119	**18,555**	**52,685**	**529,359**
Rent	**248**	**146**	**158**	**552**
Sundry revenue	**1,693**	**206**	**643**	**2,542**
Total revenue from continuing operations	**460,060**	**18,907**	**53,486**	**532,453**
2020				
Funeral services	278,699	18,593	48,004	345,296
Cemeteries & Crematoria	119,463	-	2,212	121,675
Pet cremations	4,646	-	-	4,646
	402,808	18,593	50,216	471,617
Rent	411	29	121	561
Sundry revenue	3,039	782	1,653	5,474
Total revenue from continuing operations	406,258	19,404	51,990	477,652

InvoCare's New Zealand and Singapore businesses were eligible for government subsidies during periods of government restrictions. The government subsidies were recognised as sundry revenue during the financial year ended 31 December 2021 and 31 December 2020.

B. Critical accounting judgements, estimates and assumptions

I. Significant financing

The Group receives payment from customers for pre-paid funerals, burial and cremation services prior to the transfer of the promised goods or services to the customer. As the period between receipt of the consideration and transfer of the goods or services can exceed one year, the Group adjusts deferred revenue using a discount rate. The Group determines the discount rate that best reflects the at-need funerals price the customers would have paid (that is the cash selling price as if the customer had paid the consideration at the time when the services are performed or the goods delivered).

II. Timing of recognition of deferred plaque and miscellaneous merchandise revenue

Pre-paid cemetery/crematorium plaque and miscellaneous merchandise sales are currently brought to account over an assumed 15 year period. Unredeemed merchandise sales (included within deferred revenue on the balance sheet) total $56,403,000 at 31 December 2021 (2020: $54,267,000).

The 15 year period is based on a periodically updated actuarial assessment of the average period between a customer entering into a pre-paid funeral plan (included within pre-paid contract liabilities on the balance sheet) and the contract becoming at-need. The actual history of a pre-paid cemetery/crematorium contract may differ from the profile of a pre-paid funeral plan; however, in the absence of more specific data being available, the funeral data has been applied.

The average 15 year period is an assumption only and therefore subject to uncertainty. It is possible that there will remain unperformed contracts at the end of the 15 year amortisation period, yet all revenue will have been recognised. Offsetting this is the likelihood that contracts performed during the 15 year period will have unrecognised revenue.

Actual redemptions information has been collated for a sample of sites in order to determine a more accurate historical pattern of cemetery/crematorium pre-paid sale redemptions. The information collated suggests there is no material misstatement of revenue using the assumed 15 years period. The impact of recognising revenue over five years less (or five years more) than 15 years would be to increase annual revenue by approximately $3,314,000 (2020: $3,500,000) or decrease by $1,657,000 (2019: $1,700,000).

C. Accounting policy – revenue recognition

The Group derives its revenue from the transfer of goods and services on delivery of the underlying good or service.

The Group predominately generates revenue through the following streams:

I. Funeral services, including pre-paid funerals, burial and crematorium services
II. Cemetery and crematorium memorial products ('memorial products')

Each of the above goods and services delivered or to be delivered to the customers are considered separate performance obligations even though for some situations they may be governed by a single legal contract with the customer.

Refer to Note 9 Pre-paid contracts and Note 10 Deferred revenue and selling costs for further explanation of how pre-paid funerals, burial and crematorium services contracts impact revenue recognition of InvoCare.

Revenue recognition for each of the above revenue streams are as follows:

I. Funeral services, including pre-paid funerals, burial and crematorium services

The Group's performance obligations under funeral services contracts are:

- **At-need funeral services** – Revenue is recognised when the funeral, burial, cremation and other services are performed or the goods supplied.

- **Pre-paid (Pre-need) funerals services** – The Group enters into pre-paid contracts to provide funerals, burial and cremation services or other services in the future. For these contracts, the period between payment by the customer and transfer of the promised goods or services to the customer can exceed one year.

  Revenue relating to unperformed pre-paid funeral services contracts are deferred (included within pre-paid contract liabilities on the balance sheet).

  The funds received are placed in trust and are not recognised as revenue until the service is performed. As a result, the Group adjusts the deferred revenue and pre-paid contract liabilities using a discount rate that results in revenue being recognised that approximates the cash selling price the customer would have paid if the consideration was paid at the same time as the services are provided.

  On delivery of a pre-paid funeral service contract, the Group recognises the financing component as a component of revenue.

II. Cemetery and crematorium memorial products ('memorial products')

Revenue relating to undelivered memorials and merchandise are deferred (included within deferred revenue on the balance sheet) until delivered or made ready for use.

The Group's deliverables under memorial contracts are:

- **Interment right** – An interment right is the right to be committed in a designated space in a cemetery. The specific site is allocated at the time of signing the contract. Revenue is recognised when control of the interment right and associated memorial passes to the customer.

  Pre-2018 memorial product contracts
  For memorial product contracts entered into with customers prior to 1 January 2018, the customer gains control of the interment right on full and final settlement.

  Post-2018 memorial product contracts
  For contracts entered into from 1 January 2018, the customer gains control of the interment right at contract inception, thereby allowing revenue to be recognised on delivery.

- **Headstone/monument/gardens** – In a memorial products contract, a customer purchases a memorial, such as headstone/heritage garden/monument, to be installed on the interment site. The memorial may be on site at the time of purchase or may be delivered at a future time. Typically, there is a considerable time lag between a contract being signed and the delivery of the memorial. These items are tracked on a contract by contract basis and recognised as revenue upon delivery of products.

- **Plaques (and other associated smaller merchandise)** – These products are delivered to the customer on an 'at-need' basis (generally when the beneficiary has passed away). The revenue recognised for plaques and other associated smaller merchandise such as ash containers, vases and photos, where actual deliveries are not individually tracked, are managed on a portfolio basis given the small value of the individual items. The revenue is recognised over a 15 year period on a straight line basis. The 15 year period represents an actuarial estimate of when the contracts will be delivered.

Billing and collection of memorial products contracts can be immediate and in full upon contract signing. However, most memorial products contracts are paid via instalments over a period of up to five years (although the payment periods do vary). The interment right, memorial products and plaques are each considered to be distinct performance obligations under AASB 15 Revenue from Contracts with Customers (AASB 15) as a customer can use the site without a memorial and there is not a transformative or integrated relationship between the products. The transfer of control of these distinct performance obligations determines when revenue should be recognised.

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, allowances, duties and taxes paid.

Minor items such as plaques, ash containers and vases where actual deliveries are not individually tracked are released to revenue over 15 years.

Note 3. Earnings per share

A. Reported period value

	2021 cents	Restated 2020 cents
Basic earnings per share	**56.1**	(8.6)
Diluted earnings per share	**56.0**	(8.6)
Operating earnings per share	**31.6**	20.9

InvoCare determines the dividends to be paid for any financial periods from Operating earnings after tax. Operating earnings is derived from basic earnings after excluding the impact of significant items such as material impairments, asset sales gains/losses and costs of restructuring operations. Operating earnings also exclude the impact of accounting for the Group's funds under management and pre-paid funerals business which requires net gains and losses from undelivered pre-paid contracts to be included in reported profit. This is a financial measure which is not prescribed by Australian Accounting Standards and represents the earnings prepared under Australian Accounting Standards adjusted for specific items as per the table below from the statement of comprehensive income.

B. Reconciliation of earnings used in calculating earnings per share

	2021 $'000	Restated 2020 $'000
Net profit/(loss) after income tax	**80,271**	(11,375)
Less: Non-controlling interests	**(113)**	(167)
Net profit/(loss) after income tax attributable to InvoCare Limited's equity holders for calculating statutory basic and diluted earnings per share	**80,158**	(11,542)
Net profit/(loss) after income tax attributable to InvoCare Limited's equity holders for calculating statutory basic earnings per share	**80,158**	(11,542)
Less: Non-operating activities results		
Non-operating EBITDA	**503**	4,947
Net (gain)/loss on pre-paid contracts before income tax	**(44,085)**	16,618
Depreciation and amortisation	**7**	12
SaaS arrangements	**4,594**	7,184
Impairment (gain)/loss on non-current assets	**(4,000)**	16,516
Asset sales gain before income tax	**(6,530)**	(7,383)
Net finance costs	**1,225**	3,386
(Profit)/loss before income tax on non-operating activities	**(48,286)**	41,280
Income tax expense/(benefit) on non-operating activities	**13,271**	(1,744)
Net (profit)/loss after income tax on non-operating activities	**(35,015)**	39,536
Operating earnings after income tax for calculating operating earnings per share	**45,143**	27,994

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

	2021 Number '000	2020 Number '000
Weighted average number of shares used in calculating basic and operating earnings per share	**142,946**	133,927
Adjustments for calculation of diluted earnings per share:		
Share options and rights*	**251**	-
Weighted average number of shares used in calculating diluted earnings per share	**143,197**	133,927

* *For the year ended 31 December 2020, the potential ordinary shares issued under the Performance Long-Term Incentive Plan of the Group were excluded from the calculation because they are anti-dilutive.*

D. Accounting policy for earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the equity holders of InvoCare Limited by the weighted average number of ordinary shares outstanding during the financial year, adjusted for any bonus elements in ordinary shares issued during the financial year and excluding treasury shares.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued at no consideration received in relation to dilutive potential ordinary shares.

Note 4. Dividends

A. Dividends paid

2021	Cents per share	Total amount $'000	Tax rate for franking credit %	Percentage franked %
Dividends on InvoCare Limited's ordinary shares				
2021 interim dividend	**9.5**	**13,684**	**30**	**100**
2020 final dividend	**7.0**	**10,082**	**30**	**100**
		23,766		
2020				
2020 interim dividend	5.5	7,894	30	100
2019 final dividend	23.5	27,538	30	100
		35,432		

B. Dividends determined and not recognised at year end

On 28 February 2022, the Directors determined a final dividend of 11.5 cents per share, fully franked, to be paid on 8 April 2022. As this occurred after the reporting date, the dividends determined have not been recognised in these financial statements and will be recognised in future financial statements.

The Company has a Dividend Reinvestment Plan (DRP) that allows equity holders to elect to receive their dividend entitlement in the form of the Company's ordinary shares. The price of DRP shares is the average market price, less a discount if any (determined by the directors) calculated over the pricing period (which is at least five trading days) as determined by the directors for each dividend payment date.

The Company's DRP operates by acquiring shares on market. Election notices for participation in the DRP in relation to this final dividend must be received by 7 March 2022.

C. Franking credits

	2021 $'000	2020 $'000
As at 31 December	**32,588**	35,133

Franking credits available for subsequent financial years include:

- Franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date
- Any franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- Franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date

D. Accounting policy for dividends

Dividends are recognised when determined during the financial year.

Note 5. Significant profit and loss items

The table below provides further details on significant profit and loss items as reported in the consolidated statement of comprehensive income.

	2021 $'000	Restated 2020 $'000
A. Finance costs		
Interest paid and payable	**7,588**	11,122
Interest expense: customer advance payments	**2,096**	3,232
Interest expense on lease liabilities	**5,718**	5,297
Other finance costs	**2,072**	3,156
Realised loss on early settlement of interest rate swaps	**-**	2,122
	17,474	24,929
Interest expense on pre-paid contracts	**20,612**	20,277
B. Depreciation, amortisation and impairment of non-current assets		
Buildings	**5,957**	5,927
Property, plant and equipment	**16,123**	13,723
Right of use assets	**17,331**	16,384
Total depreciation	**39,411**	36,034
Cemetery land	**390**	445
Leasehold land and buildings	**141**	141
Leasehold improvements	**4,503**	2,642
Brand names	**1,197**	1,457
Capitalised software	**2,124**	1,846
Amortisation of non-current assets	**8,355**	6,531
Total depreciation and amortisation	**47,766**	42,565
Impairment of non-current assets		
Cemetery land impairment reversal	**(4,000)**	(6,000)
Impairment loss on intangibles	**-**	19,324
Impairment (gain)/loss on intangibles	**(4,000)**	13,324
Total depreciation, amortisation and impairment	**43,766**	55,889
C. Impairment loss – financial assets		
Trade receivables	**1,599**	3,598
D. Leases expense		
Expense relating to short term leases	**484**	936
Expense relating to leases of low value assets not included in short term leases	**730**	905
	1,214	1,841
E. Lease modifications and terminations impact		
Net gain on lease modifications/terminations	**1,517**	-
Additional accelerated depreciation expense	**(1,079)**	-
Net gain on lease modifications/terminations	**438**	-
F. Employee benefits expense		
Defined contribution superannuation expense	**12,194**	10,993
Share-based payments expense	**2,894**	1,192
G. SaaS arrangements		
SaaS arrangements expensed as incurred	**4,170**	7,184
Pre-paid technology expenses	**654**	750
Accelerated unwind of pre-paid technology assets	**424**	3,192
	5,248	11,126

H. Accounting policies

The accounting policies on the above specified expenses are located in the notes where the assets or liabilities are disclosed other than defined contribution superannuation expense disclosed below.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Note 6. Income tax

	2021 $'000	Restated 2020 $'000
A. Income tax expense		
Current tax	**18,155**	7,232
Deferred tax	**14,331**	(1,537)
(Over)/under provided in prior years	**(1,895)**	1,260
Income tax expense	**30,591**	6,955
B. Reconciliation of income tax expense to prima facie tax payable		
Profit/(loss) before income tax	**110,861**	(4,419)
Prima facie tax at 30% (2020: 30%) on profit/(loss) before income tax	**33,259**	(1,326)
Tax effect of amounts which are not deductible/(taxable) in calculation of taxable income:		
Effect of foreign tax rate differences	**(931)**	(192)
Acquisition costs	**250**	465
Capital gains not subject to tax as offset against capital losses	**(1,604)**	(405)
Impairment loss on intangibles	**-**	5,850
Non-deductible interest expense	**199**	232
Effect of interest rate swap settlement	**-**	1,005
Other items (net)	**1,313**	66
	32,486	5,695
(Over)/under provision in prior years	**(1,895)**	1,260
Income tax expense attributable to continuing operations	**30,591**	6,955
C. Tax expense relating to items of other comprehensive income		
Cash flow hedges	**311**	880

D. Deferred tax liability

The deferred tax liability balances comprised temporary differences attributable to:

	2021 $'000	Restated 2020 $'000
Amounts recognised in profit and loss:		
Cemetery land	**32,180**	30,750
Property, plant and equipment	**5,774**	3,831
Deferred selling costs	**10,727**	11,938
Prepayments and other	**410**	485
Pre-paid technology assets	**2,708**	1,588
Brand names	**1,534**	2,408
Capitalised software	**(6,726)**	(6,272)
Pre-paid contracts	**32,828**	21,777
Provisions	**(6,877)**	(6,480)
Receivables	**(2,125)**	(1,923)
Accruals and other	**(7,797)**	(3,027)
Deferred revenue	**(13,769)**	(19,318)
Leased assets	**(6,539)**	(6,593)
Amounts recognised directly in equity:		
Cash flow hedge reserve	**(21)**	(332)
	42,307	28,832
The net movement in the deferred tax liability is as follows:		
Balance at the beginning of the year	**28,832**	31,942
Net charge/(credit) to statement of comprehensive income – current period	**14,331**	(1,537)
Net credit to statement of comprehensive income – prior periods	**(2,505)**	(1,939)
Amounts recognised directly in equity	**311**	880
Additions from business combinations	**-**	544
Effect of movements in exchange rates	**1,338**	(1,058)
Balance at the end of the year	**42,307**	28,832

E. Tax losses

The Australian Group has nil capital losses (2020: nil) available to offset against capital gains in future years.

F. Voluntary tax transparency code disclosure

The Tax Transparency Code (TTC) is a set of principles and minimum standards to guide medium and large businesses on public disclosure of tax information. The TTC was developed by the Board of Taxation and endorsed by the Government in the Federal Budget 2016–17.

Adoption of the TTC is voluntary and intended to complement Australia's existing tax transparency measures. The TTC is designed to encourage greater transparency within the corporate sector, particularly by multinationals, and to enhance the community's understanding of the corporate sector's compliance with Australian's tax laws.

Companies (including entities treated as companies for Australian tax purposes) that are medium or large businesses are encouraged to adopt the TTC. For the purpose of TTC, InvoCare is currently classified as a medium business and elected to adopt TTC. InvoCare has formally submitted to the Board of Tax to be added as a signatory to the TTC.

Income tax expense on reported profit of the Group was $30,591,000 (2020: $6,955,000), representing an effective rate of 29.3% (2020: 38.1%). An analysis of tax paid, based on tax residency status, for Australia and the Group is set out below.

	Australia		Group	
		Restated		Restated
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Profit/(loss) before income tax	**108,050**	16,678	**110,862**	(4,420)
Tax at nominal rate in relevant country	**32,415**	5,003	**32,328**	(1,518)
Increase/(decrease) due to non-temporary differences				
Non-deductible acquisition costs	**241**	465	**250**	465
Capital gains offset against capital losses or not subject to tax	**(1,620)**	(517)	**(1,604)**	(405)
Impairment loss on intangibles	**-**	-	**-**	5,411
Foreign exempt dividends	**(1,168)**	(2,478)	**-**	-
Non-deductible interest expense	**-**	-	**175**	232
Other items	**23**	165	**51**	194
Increase/(decrease) due to temporary differences				
Unrealised pre-paid contract funds under management gains and losses	**(11,282)**	6,655	**(11,282)**	6,655
Impairment of capitalised software	**-**	895	**-**	895
Impairment of cemetery land	**(1,200)**	(1,800)	**(1,200)**	(1,800)
Technology expenses capitalised for tax	**196**	2,423	**196**	2,423
Property, plant and equipment temporary differences	**(1,834)**	(3,914)	**(2,273)**	(4,075)
Deferred revenue subject to tax in prior years	**(4,591)**	(4,540)	**(4,591)**	(4,540)
Deferred selling expenses	**460**	890	**460**	1,054
Provisions	**165**	1,075	**232**	1,129
Accruals	**2,832**	326	**2,861**	356
Share based payments	**761**	(227)	**761**	(227)
Other items	**(147)**	1,358	**312**	983
Current income tax paid or payable	**15,251**	5,779	**16,676**	7,232
Current income tax paid rate[a,b]	**14.1%**	34.7%	**15.0%**	29.1%
Current year income tax expense[c]	**30,766**	4,137	**32,486**	5,695
Effective tax rate[a,d]	**28.5%**	24.8%	**29.3%**	38.1%
Prior period tax adjustments	**(2,029)**	1,427	**(1,895)**	1,260

a *2020 Group current income tax paid rate and effective tax rate disclosed above are calculated after removing the impact of the New Zealand group loss before tax of $21,026,000, which is largely attributable to the impairment loss on intangibles of $19,324,000; and adjusting for the impact of the remaining New Zealand loss and Hong Kong loss on the respective rate*

b *Calculated as the current income tax paid or payable divided by the profit before income tax, subject to footnote a above*

c *Current year tax expense excludes prior period tax adjustments*

d *Calculated as the current year income tax expense divided by the profit before income tax, subject to footnote a above*

Governance of tax planning for the Group has been delegated by the Board to the Audit, Risk & Compliance Committee (Committee), which pursues a non-aggressive tax planning strategy which is principled, transparent and sustainable in the long term. It oversees the Group's tax affairs in a pro-active manner that seeks to maximise shareholder value, while operating in accordance with the law, and not participating in any aggressive tax planning activities. The Committee receives a regular report on the Group's tax compliance. Tax planning initiatives are not implemented until they receive approval from the Committee. Tax risks and opportunities are rated according to their potential impact which determines whether management or the Committee has the delegated authority to resolve the matter.

During 2021, $1,459,294 of capital gains were realised on the sale of land and buildings.

The Group has a limited number of international related party arrangements in place. They are:

- An Australian subsidiary receives dividends from Singapore Casket Company, which is resident in Singapore
- The New Zealand group is charged management fees, based on time spent, for management, administration, accounting and other services provided by the Australian operation
- Loans from the Australian group to subsidiaries outside Australia are made occasionally under documented loan agreements. A loan of NZ$50,000,000 was made by InvoCare Limited to InvoCare Holdings New Zealand Limited on 23 September 2021

In addition to income tax paid, the Australian group paid the following types of taxes and fees during 2021:

- Payroll tax of $5,588,000 (2020: $6,779,000)
- Fringe benefits tax of $1,480,000 (2020: $1,791,000)
- Land tax on owned buildings of $5,159,000 (2020: $5,360,000), to various state governments
- Council and water rates paid to various authorities of $3,228,000 (2020: $3,330,000)

G. Accounting policy for income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously. Deferred tax balances are presented as non-current assets/liabilities on the balance sheet.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised in equity.

Note 7. Cash flow information

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

	2021 $'000	Restated 2020 $'000
Net profit/(loss) from ordinary activities after income tax	80,158	(11,542)
Adjustments for non-cash items in (loss)/profit from ordinary activities		
Depreciation and amortisation	47,766	42,565
Pre-paid technology expenses	654	750
Impairment loss on intangibles	-	19,324
Impairment loss on pre-paid technology assets	424	3,192
Impairment reversal on cemetery land	(4,000)	(6,000)
Share-based payments expense	2,894	1,192
Loan establishment costs	964	890
Net gain on disposal of property, plant and equipment	(6,808)	(7,382)
Unrealised loss/(gain) on pre-paid contracts	(44,085)	16,618
Other pre-paid contract movements	20,564	15,749
Interest expense: customer advance payments	2,096	3,232
Other non-cash deferred revenue/deferred selling costs movements	(30,082)	(26,120)
Foreign exchange gain	(1,069)	-
Loss on disposal of business	278	-
Non-cash interest expense on interest rate swaps	839	-
Gain on lease modifications/terminations	(1,517)	-
Business acquisition costs classified in investing activities	743	1,918
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries		
(Increase)/decrease in trade and other receivables	1,001	(1,117)
(Increase)/decrease in inventories	(2,773)	(11)
(Increase)/decrease in deferred contract assets	2,104	2,383
(Increase)/decrease in deferred selling expenses	1,956	2,217
Increase/(decrease) in trade and other payables	(2,795)	(780)
Increase/(decrease) in deferred revenue	(9,758)	(1,583)
Increase/(decrease) in income taxes payable	3,866	1,061
Increase/(decrease) in deferred taxes	13,476	(2,565)
Increase/(decrease) in provisions	844	2,393
Net cash flows from operating activities	77,740	56,384

B. Non-cash investing and financing activities

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

- Dividends satisfied by the issue of shares under the dividend reinvestment plan of $Nil as shares are bought on market (2020: $5,918,000)
- Performance rights and shares issued to employees under the Employee Share Trusts Plan and employee share scheme for no cash consideration.

C. Net debt reconciliation

The tables set out below provide an analysis of net debt and the movements in net debt for the current and last financial year.

2021	Cash and cash equivalents $'000	Borrowings $'000	Lease liabilities $'000	Net debts $'000
Net debt as at 1 January 2021	118,781	(246,039)	(165,924)	(293,182)
Cash flows	(64,952)	59,680	20,196	14,924
Additions through business combinations	-	-	(237)	(237)
Additions/variations	-	-	(30,218)	(30,218)
Surrender/terminations	-	-	7,197	7,197
Interest expense on lease liabilities	-	-	(5,718)	(5,718)
Foreign exchange adjustments	(199)	(2,484)	(698)	(3,381)
Net debt as at 31 December 2021	53,630	(188,843)	(175,402)	(310,615)

2020	Cash and cash equivalents $'000	Borrowings $'000	Lease liabilities $'000	Net debts $'000
Net debt as at 1 January 2020	19,560	(357,189)	(162,901)	(500,530)
Cash flows	99,433	106,761	11,599	217,793
Additions/variations	-	-	(9,631)	(9,631)
Interest expense on lease liabilities	-	-	(5,297)	(5,297)
Foreign exchange adjustments	(212)	4,389	306	4,483
Net debt as at 31 December 2020	118,781	(246,039)	(165,924)	(293,182)

D. Cash conversion ratio

The cash conversion ratio is one of the key cash performance metrics of the Group, refer to the table below for detail calculation.

	2021 $'000	Restated 2020 $'000
Operating cash flows	**77,740**	56,384
Add back: Net finance costs paid	**14,219**	17,046
Add back: Tax paid	**9,771**	14,424
Net funds from pre-paid contracts	**29,306**	12,857
Other cash flows related to pre-paid contracts	**877**	1,429
Ungeared, tax free operating cash flows	**131,913**	102,140
Operating EBITDA	**125,477**	102,565
Cash conversion %	**105%**	100%

The conversion ratio calculation and the line items as shown in the table below are all non-IFRS information. However, all financial data is based on the information disclosed in the audited financial statements and notes to the financial statements of InvoCare and follow the recognition requirements of Australian Accounting Standards. Although the adoption of AASB 15 and AASB 16 have significant financial impacts on the Group, they have had no cash impact.

E. Cash and cash equivalents

	2021 $'000	2020 $'000
Cash on hand	**99**	126
Cash at bank	**53,531**	118,655
	53,630	118,781

Cash at bank is non-interest bearing as at 31 December 2020 and 2021. Therefore, the weighted average interest rate for cash at bank is rounded to zero for both 2020 and 2021.

Significant assets and liabilities

This section contains the key assets and liabilities in relation to the three main streams of businesses, being funeral business (at-need and pre-need) and the cemetery and crematoria business. These assets and liabilities are disclosed in:

Note 8. Trade receivables	Note 11. Non-current operating assets
Note 9. Pre-paid contracts	Note 12. Intangibles
Note 10. Deferred revenue and selling costs	Note 13. Pre-paid technology assets

Note 8. Trade receivables

	2021 $'000	2020 $'000
Current		
Trade receivables	**49,565**	45,230
Less: loss allowance	**(7,114)**	(6,473)
	42,451	38,757
Non-current		
Trade receivables	**23,849**	29,445
Less: loss allowance	**-**	-
	23,849	29,445

A. Loss allowance

The ageing of the impaired trade receivables provided for above are as follows:

	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
	2021 %	2020 %	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Forward aged (12 - 60 months contracts)	**-**	-	**38,887**	36,482	**-**	-
Current	**0.2**	0.2	**14,738**	13,718	**29**	27
Over 30 days past due	**1.5**	1.5	**3,978**	5,765	**60**	86
Over 60 days past due	**10.5**	10.5	**2,194**	3,535	**230**	371
Over 90 days past due	**49.9**	39.5	**13,617**	15,175	**6,795**	5,988
			73,414	74,675	**7,114**	6,473

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

	2021 $'000	2020 $'000
As at 1 January	**6,473**	3,675
Loss allowance recognised during the year	**1,289**	3,667
Receivables written off as uncollectable	**(648)**	(869)
As at 31 December	**7,114**	6,473

B. Accounting policies

I. Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are initially recognised at the amount of consideration that is unconditional. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Trade receivables are usually due for settlement no more than 30 days from the date of recognition, except where extended payment terms (up to a maximum of 60 months) have been made available on cemetery and crematorium memorial contracts for sale of interment rights and associated memorials and other merchandise.

Receivables arising from cemetery and crematorium memorial contracts, which are initially expected to be collected over a period exceeding twelve months, are recognised as non-current receivables and measured as the net present value of estimated future cash receipts, discounted at an imputed effective interest rate. Upon initial recognition of the contract receivables, any undelivered portion of the contracts is included in deferred revenue until delivery.

II. Loss allowance on trade receivables

The Group has applied the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

When a trade receivable is uncollectible, it is written off against the loss allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against sundry revenue in the consolidated statement of comprehensive income.

During the year, the Group experienced an increase in the number and amount of uncollectible trade receivables, due to both the age of the balances and certain customers' financial circumstance. At 31 December 2021, the Group's loss allowance on trade receivables has been increased with all of the increase related to the Cemeteries & Crematoria and New Zealand Funerals businesses. The increase in provision reflects the Group's assessment of the potential impact of customers' inability to repay debts due to financial hardship. The Group has implemented a range of initiatives to mitigate any further deterioration in the risk characteristics of its trade receivables, including requiring the payment of up-front deposits and the introduction of key performance metrics focused on collecting outstanding trade receivables. These initiatives have resulted in the increase in the cash conversion ratio in 2021, however as collection of older trade receivables remains challenging, an increase in the provision is required.

Note 9. Pre-paid contracts

This note provides details on the movements for the pre-paid contract funds under management and liabilities arising from the sales of pre-paid funeral services for the year ended 31 December 2021 with the comparative information for the year ended 31 December 2020.

What happens when a pre-paid contract is signed

A pre-paid contract is a three-way agreement whereby the Group agrees to deliver to a customer a specified funeral service at a future date, usually greater than one year but which could be more than 20 years after the signing of the pre-paid contract.

Pre-paid contracts are either paid in full or via instalments for a period as specified in the contract. The cash received (funds) from the customer is then passed to independently managed trusts to be invested. The Group is the ultimate beneficiary to the invested funds of the pre-paid contracts, that is, the total future value of the invested funds (including the investment returns, either gains or losses), but only receives those funds once the Group has demonstrated it has performed the funeral services.

Part of the initial pre-paid contract relates to an administration fee (usually 10% of the contract value). The administration fee is unable to be recognised as revenue at the date of signing the contract as not all of the conditions of the contract have been performed or delivered at that point. Therefore, the administration fee is deferred and recognised as a liability on the balance sheet (disclosed in Note 10 Section A Deferred revenue). Similarly, any commission paid to pre-paid funeral salespersons is also deferred as a deferred selling cost as an asset on the balance sheet (disclosed in Note 10 Section B Deferred selling costs).

Sale of new pre-paid contracts (listed in the movement table in Section B and C below) represents cash received from customers for new pre-paid contracts sold during the period. The sale of new pre-paid contracts increases both the pre-paid contract funds under management and pre-paid contract liabilities and represents the value of the remaining 90% of the pre-paid contracts after the deferral of the 10% administration fee as deferred revenue.

What happens during the periods when pre-paid contracts remain undelivered

Australian Accounting Standards require InvoCare to update the carrying value of the pre-paid contract funds under management and pre-paid contract liabilities, including the need to account for the time value of money.

InvoCare uses asset statement reports issued by the trusts to revalue the pre-paid contract funds under management to reflect the current fair value of the invested funds. Such an adjustment may give rise to unrealised gains or losses on these assets. Due to the volatility of such movements, and because these unrealised movements are 'non-cash revaluations', the unrealised gains or losses are excluded from the Group's Operating earnings and disclosed within Non-operating earnings.

By entering a pre-paid contract, the customer is benefiting from the ability to lock in the price of their future funeral service at today's price. The Group receives payment from customers for pre-paid contracts prior to the transfer of the promised goods or services to the customer. As the period between receipt of the consideration and the transfer of the goods or services can exceed one year, the Group adjusts deferred revenue and pre-paid contract liabilities using a discount rate. The Group determines the discount rate that best reflects the current price the customers would have paid (that is the cash selling price as if the customer had paid the consideration at the time when the services are performed or the goods delivered).

These adjustments to increase deferred revenue and pre-paid contract liabilities are recognised as finance costs. These financing components are included in the following two items in Note 5 Section A Finance costs:

- Interest expense pre-paid contracts – this finance cost is recognised as an increase in pre-paid contract liabilities - Increase due to significant financing as set out in Section C below
- Interest expense: customer advance payments – this finance cost is reflected as an increase in administration fee in the deferred revenue – Recognition of financing costs on customer advance payments as set out in Note 10 Section A Deferred revenue under Funeral services movement for the period

What happens when a pre-paid contract is delivered

When the funeral service is delivered, the corresponding amount of deferred revenue relating to the administration fee is released to the income statement, disclosed as Non-operating revenue.

Operating revenue – funeral services is recognised in the statement of comprehensive income with the corresponding pre-paid contract liabilities reduced accordingly (being the initial contract value plus the increases in the liability relating to the financing components recognised since contract inception).

Once the services have been delivered, the fair value of the pre-paid contract is redeemed from the trusts and the Group receives the cash. The Group's right to redeem the invested funds only becomes unconditional when the Group demonstrates it has delivered the services specified in the pre-paid contract with the customer.

The following diagram details the key activities throughout the life cycle of a pre-paid contract and how these activities are recognised within the pre-paid contract funds under management, pre-paid contract liabilities and deferred revenue for administration fees (disclosed in Note 10 Section A Deferred revenue).

Life cycle of a pre-paid funeral contract

Activities/ Financial impact	Customer payments - cash received	Financial impact at reporting dates before service delivery		Funeral service delivered	Pre-paid FUM redemptions - cash received
		Finance costs	Revaluation of FUM*		
Balance sheet impact					
Admin fees (10%) (Note 10)	↑ Deferred revenue (Note 10)	↑ Deferred revenue (Note 10)	N/A	↓ Deferred revenue (Note 10)	N/A
Funds for Pre-paid funeral services (90%)	↑ Pre-paid FUM* ↑ Pre-paid contract liabilities	↑ Pre-paid contract liabilities	↑/↓ Pre-paid FUM*	N/A	↓ Pre-paid FUM* ↓ Pre-paid contract liabilities
Profit and loss impact					
Admin fees (10%)	N/A	Finance costs - Admin fee	N/A	Non-operating revenue - Admin fee	N/A
Funds for pre-paid funeral services (90%)	N/A	Finance costs - Customers advance payments	Unrealised gains/loss on pre-paid FUM	N/A	Non-operating revenue - Net gain/loss on pre-paid FUM redemptions
Revenue - At-need funeral services	N/A	N/A	N/A	Operating revenue - Funeral services	N/A
Cash flows impact					
Admin fees (10%)	↑ InvoCare bank account	N/A	N/A	N/A	N/A
Funds for pre-paid funeral services (90%)	↑ Trust funds bank accounts	N/A	N/A	N/A	↓ Trust funds bank accounts ↑ InvoCare bank account

* *FUM = Funds under management*

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

	2021 $'000	2020 $'000
Unrealised gain on pre-paid contract funds under management	**64,697**	3,659
Change in pre-paid contract liabilities due to significant financing	**(20,612)**	(20,277)
Net gain/(loss) on undelivered pre-paid contracts	**44,085**	(16,618)

B. Movements in pre-paid contract funds under management

	2021 $'000	2020 $'000
Balance as at 1 January	**613,131**	619,389
Sale of new pre-paid contracts	**25,715**	32,169
Initial recognition of contracts pre-paid by instalment	**2,734**	3,908
Redemption of pre-paid contract funds following service delivery	**(56,402)**	(45,026)
Movement due to business combinations	**-**	(968)
Increase in fair value of pre-paid contract funds under management	**64,697**	3,659
Balance at reporting date	**649,875**	613,131
Current	**52,959**	50,268
Non-current	**596,916**	562,863
Balance at reporting date	**649,875**	613,131

C. Movements in pre-paid contract liabilities

	2021 $'000	2020 $'000
Balance as at 1 January	**541,309**	525,383
Sale of new pre-paid contracts	**25,715**	32,169
Initial recognition of contracts pre-paid by instalment	**2,734**	3,908
Decrease following delivery of services	**(49,930)**	(39,460)
Movement due to business combinations	**-**	(968)
Increase due to significant financing	**20,612**	20,277
Balance at reporting date	**540,440**	541,309
Current	**44,437**	44,685
Non-current	**496,003**	496,624
Balance at reporting date	**540,440**	541,309

D. Classification of pre-paid funds under management and liabilities

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

E. Critical accounting judgements, estimates and assumptions

I. Fair value measurements – Pre-paid contract funds under management

The fair values of the pre-paid contract funds under management are recognised and measured based on inputs that require judgements and estimates. To provide an indication about the reliability of the inputs used in determining fair value of the pre-paid contract funds under management, the Group has used Level 2 inputs as prescribed under the accounting standards. Level 2 input for fair value is described as observable inputs either directly (as prices) or indirectly (derived from prices) for the asset or liability, other than the unadjusted quoted prices in active markets.

II. Current and non-current split

The Group determines the classification of current and non-current portions of pre-paid contract asset and liabilities based on the pattern of usage (based on an independent actuarial review) associated with the timing of actual contract redemptions. This pattern of usage is based on historical data, which is reviewed annually and has remained consistent over the past five years.

F. Accounting policies for pre-paid contracts

The Group 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. The Group initially recognises a liability equal to the value of the undelivered service associated with pre-paid contracts and adjusts the deferred revenue using a discount rate that results in revenue being recognised that approximates the cash selling price the customer would have paid if the consideration is paid at the same time as the services are provided.

When the service is delivered, the liability is derecognised and included in revenue.

Note 10. Deferred revenue and selling costs

This note provides details on the movements for the deferred revenue and deferred selling costs arising from the sales of pre-paid funeral, cremation and burial contracts and undelivered memorials and merchandise for the year ended 31 December 2021 with the comparative information for the year ended 31 December 2020.

The movements are disclosed according to the activities performed to align with the disclosure in Note 2 Revenue.

A. Deferred revenue

I. Cemeteries & Crematoria

For the Cemeteries & Crematoria business, deferred revenue represents the undelivered contractual obligations relating to burial, cremation and memorial services/merchandise products.

The transfer of control of these distinct performance obligations determines when revenue should be recognised.

Billing and collection of the pre-paid contracts can be immediate and in full upon contract signing. However, most pre-paid contracts are paid via instalments over a period of up to five years (although the payment periods do vary).

The following diagram details the key activities throughout the life cycle of a pre-paid Cemeteries & Crematoria contract and how these activities are recognised within deferred revenue.

Life cycle of a prepaid Cemeteries & Crematoria contract

			Repeated activities until services/goods delivered		
Activities/ Financial impact	Customer payments - by instalments	Finance costs*	Customer payments - by instalments	Finance costs*	Services/goods delivered
Balance sheet impact					
Cemeteries & Crematoria services/goods	↑ Deferred revenue	↑ Deferred revenue	↑ Deferred revenue	↑ Deferred revenue	↓ Deferred revenue
Profit and loss impact					
Cemeteries & Crematoria services/goods	N/A	Finance costs - Customer advance payments	N/A	Finance costs - Customer advance payments	Operating revenue - Cemeteries & Crematoria
Cash flows impact					
Cemeteries & Crematoria services/goods	↑ InvoCare bank account	N/A	↑ InvoCare bank account	N/A	N/A

* *This represents the Australian Accounting Standards requirement to account for the time value of money.*

II. Funeral services – Pre-paid funeral contracts

For the Funeral services business, detailed descriptions of what happens during the life cycle of a pre-paid funeral contract are provided in Note 9 Pre-paid contracts above. The movement table below provides the financial impact of the administration fee of the pre-paid funeral contracts for the year ended 31 December 2021 with the comparative information for the year ended 31 December 2020.

III. Deferred revenue movement

	2021			2020		
	Cemeteries & Crematoria $'000	Funeral services $'000	Total $'000	Cemeteries & Crematoria $'000	Funeral services $'000	Total $'000
Balance as at 1 January	**100,276**	**37,442**	**137,718**	103,507	35,794	139,301
Add/(less): Changes during the period						
Cash received from customer instalment payments	**5,560**	**-**	**5,560**	9,938	-	9,938
Revenue recognised on service delivery during the period	**(21,436)**	**(3,277)**	**(24,713)**	(19,844)	(2,667)	(22,511)
Revenue deferred during the period:						
Revenue deferred	**4,057**	**3,241**	**7,298**	4,720	3,038	7,758
Recognition of financing costs on customer advance payments	**871**	**1,225**	**2,096**	1,955	1,277	3,232
Balance at reporting date	**89,328**	**38,631**	**127,959**	100,276	37,442	137,718
Current	**30,763**	**3,313**	**34,076**	28,632	-	28,632
Non-current	**58,565**	**35,318**	**93,883**	71,644	37,442	109,086
Balance at reporting date	**89,328**	**38,631**	**127,959**	100,276	37,442	137,718

B. Deferred selling costs

Deferred selling costs in relation to both Cemeteries & Crematoria and Funeral services businesses represent selling commissions and directly related fulfillment costs which are deferred and recognised as cost of sales in line with the reversal of the related deferred revenue of those businesses (that is, upon delivery/performance of the underlying services/goods).

The movement table below provides the financial impact of selling costs arising from the sales of pre-paid funeral, cremation and burial contracts and undelivered memorials and merchandise for the year ended 31 December 2021 with the comparative information for the year ended 31 December 2020.

	2021			2020		
	Cemeteries & Crematoria $'000	Funeral services $'000	Total $'000	Cemeteries & Crematoria $'000	Funeral services $'000	Total $'000
Balance as at 1 January	**17,179**	**20,533**	**37,712**	19,265	20,663	39,928
Add/(less): Changes during the period						
Selling costs recognised in profit and loss related to service delivery during the period	**(2,436)**	**(287)**	**(2,722)**	(2,605)	(130)	(2,735)
Selling costs deferred on sales during the period	**765**	**-**	**765**	519	-	519
Balance at reporting date	**15,508**	**20,246**	**35,755**	17,179	20,533	37,712
Current	**4,571**	**1,673**	**6,244**	3,644	-	3,644
Non-current	**10,938**	**18,573**	**29,511**	13,535	20,533	34,068
Balance at reporting date	**15,509**	**20,246**	**35,755**	17,179	20,533	37,712

C. Accounting policies

I. Deferred revenue

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

II. Deferred selling costs

Direct selling costs applicable to deferred revenue on undelivered memorials and merchandise are deferred until the revenue is recognised. Direct selling costs applicable to sale of pre-paid funeral, cremation, and burial contracts are deferred until the underlying service is delivered.

Note 11. Non-current operating assets

This note includes the information for the following two categories of non-current operating assets:

- Property, plant and equipment
- Right of use assets and the related lease liability

A. Property, plant and equipment

2021	Cemetery land $'000	Freehold land $'000	Buildings $'000	Leasehold land and buildings $'000	Leasehold Improve-ments $'000	Plant and equip-ment $'000	Total $'000
Composition as at 31 December 2021							
Cost	122,754	102,082	265,366	4,534	40,736	175,480	710,952
Accumulated depreciation/amortisation	(9,958)	-	(80,323)	(3,972)	(11,333)	(105,613)	(211,199)
Accumulated impairment	(5,299)	-	-	-	-	-	(5,299)
Net book value	107,497	102,082	185,043	562	29,403	69,867	494,454
Movement for the year ended 31 December 2021							
Opening net book value	103,712	100,478	172,959	703	24,386	62,039	464,277
Additions	196	560	22,312	-	6,694	24,005	53,767
Additions through business combinations	-	-	-	-	-	102	102
Disposals	(34)	(1,152)	(1,985)	-	(422)	(917)	(4,510)
Depreciation/amortisation charge	(390)	-	(5,957)	(141)	(4,503)	(16,123)	(27,114)
Impairment reversal	4,000	-	-	-	-	-	4,000
Effect of movement in exchange rates	13	706	(227)	-	5	735	1,232
Transfers from held for sale	-	1,490	(2,059)	-	3,243	26	2,700
Closing net book value	107,497	102,082	185,043	562	29,403	69,867	494,454

2020	Cemetery land $'000	Freehold land $'000	Buildings $'000	Leasehold land and buildings $'000	Leasehold Improve-ments $'000	Plant and equip-ment $'000	Total $'000
Composition as at 31 December 2020							
Cost	122,579	100,478	246,480	4,534	33,574	160,000	667,645
Accumulated depreciation/amortisation	(9,568)	-	(73,521)	(3,831)	(9,188)	(97,961)	(194,069)
Accumulated impairment	(9,299)	-	-	-	-	-	(9,299)
Net book value	103,712	100,478	172,959	703	24,386	62,039	464,277
Movement for the year ended 31 December 2020							
Opening net book value	97,094	102,503	148,459	844	20,187	57,868	426,955
Additions	1,146	515	32,478	-	6,310	15,939	56,388
Business combinations	-	-	-	-	668	1,697	2,365
Disposals	-	(2,670)	(2,090)	-	(102)	408	(4,454)
Depreciation/amortisation charge	(445)	-	(5,927)	(141)	(2,642)	(13,723)	(22,878)
Impairment reversal	6,000	-	-	-	-	-	6,000
Effect of movement in exchange rates	(83)	(1,671)	(1,177)	-	(35)	(150)	(3,116)
Transfers to held for sale	-	1,801	1,216	-	-	-	3,017
Closing net book value	103,712	100,478	172,959	703	24,386	62,039	464,277

I. Assets in the course of construction

The carrying amounts of assets disclosed above include the following expenditure recognised in relation to property, plant and equipment which is in the course of construction.

	2021 $'000	2020 $'000
Cemetery land improvements	**-**	31
Freehold buildings	**7,754**	6,945
Leasehold improvements	**548**	574
Plant and equipment	**2,049**	696
Total assets in the course of construction	**10,351**	8,246

II. Impairment

All cemetery and crematorium sites were assessed during the year using consistently applied methodology and no changes to the impairment provision were deemed necessary except as noted below.

In 2017, the Allambe Gardens Memorial Park was impaired due to a reassessment of the land available for memorialisation plots. In 2018, remediation of the residual land at the Memorial Park commenced. The remediation of the residual land was completed in January 2020. Once all phases of the monumental developments are complete, the Lakeside development will ultimately result in over 3,000 burial spaces, increasing the lifespan of the park. In 2021 the Allambe Gardens Memorial Park continued to deliver improved results allowing for a reversal of $4,000,000 of the previous impairment to be recognised at 31 December 2021 (2020: $6,000,000).

The recoverable amount of cash-generating units is based on value-in-use calculations. These calculations use cash flow projections based on financial estimates approved by management based on past performance and future expectations. The cash flows cover an initial five-year period and are then extrapolated beyond five years using estimated growth rates of 2.5% (2020: 2.5%) in revenue and 2.0% (2020: 2.0%) in expenses which are not inconsistent with historical trends and forecasts included in reports prepared by market analysts. A sensitivity analysis has been conducted on the impaired sites by moving the underlying assumptions both up and down 10%, considered to be within the reasonably possible range of long-term outcomes. This analysis demonstrates that changing the assumptions is unlikely to result in a material change in the currently recognised impairment losses. The pre-tax discount rate used was 9.2% (2020: 9.2%), reflecting the risk estimates for the business as a whole.

III. Asset held for sale

Asset held for sale represents property identified as surplus to the Group's requirements.

B. Right of use assets and lease liabilities

The Group leases various properties, cemeteries, equipment and motor vehicles. Rental contracts are typically made for fixed periods of 5 to 10 years, with some leases for periods of 30 years.

Extension and termination options are included in a number of property leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, and leased assets may not be used as security for borrowing purposes.

This section provides information for leases where the Group is a lessee. The consolidated balance sheet shows the following types of assets and liabilities related to leases:

- Right of use assets
- Lease liabilities

I. Right of use assets

2021	Properties $'000	Equipment $'000	Motor vehicles $'000	Total $'000
Composition as at 31 December 2021				
Cost	**172,530**	**621**	**18,456**	**191,607**
Accumulated depreciation	**(30,974)**	**(308)**	**(7,010)**	**(38,292)**
Net book value	**141,556**	**313**	**11,446**	**153,315**
Movement for the year ended 31 December 2021				
Opening net book value	**133,179**	**356**	**10,833**	**144,368**
Additions	**23,680**	**-**	**4,249**	**27,929**
Additions through business combinations	**237**	**-**	**-**	**237**
Lease modifications/terminations	**(2,435)**	**-**	**-**	**(2,435)**
Depreciation	**(13,652)**	**(43)**	**(3,636)**	**(17,331)**
Effect of movement in exchange rates	**547**	**-**	**-**	**547**
Closing net book value	**141,556**	**313**	**11,446**	**153,315**

2020	Properties $'000	Equipment $'000	Motor vehicles $'000	Total $'000
Composition as at 31 December 2020				
Cost	156,103	721	14,480	171,304
Accumulated depreciation	(22,924)	(365)	(3,647)	(26,936)
Net book value	133,179	356	10,833	144,368
Movement for the year ended 31 December 2020				
Opening net book value	129,359	425	14,217	144,001
Additions	9,309	27	130	9,466
Additions through business combinations	6,978	-	-	6,978
Depreciation	(12,774)	(96)	(3,514)	(16,384)
Effect of movement in exchange rates	307	-	-	307
Closing net book value	133,179	356	10,833	144,368

II. Lease liabilities on related right of use assets

	2021 $'000	2020 $'000
Current	**20,671**	19,465
Non-current	**154,731**	146,459
Balance as at 31 December	**175,402**	165,924

C. Critical accounting judgements, estimates and assumptions

I. Estimated impairment of non-financial assets

The Group annually considers if events or changes in circumstances indicate that the carrying value of non-financial assets may not be recoverable. Similarly, at each reporting date, the non-financial assets that suffered a previous impairment are reviewed for possible reversals of the impairment. The recoverable amounts are determined based on value-in-use calculations which require the use of assumptions. Refer to section A.II above for details of these assumptions and the potential impact to changes to the assumptions.

II. Determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The Group has assessed it is reasonably certain that it will exercise its option to renew all leases.

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the Group.

D. Accounting policies

I. Property, plant and equipment

Property, plant and equipment are carried at historical cost less depreciation or amortisation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Repairs, maintenance, and minor renewals are charged to the statement of comprehensive income during the financial period in which they are incurred.

Cemetery land is carried at cost less accumulated depreciation and impairment write-downs. The Group sells interment and inurnment rights while retaining title to the property. Cemetery land is amortised, as the right to each plot or space is sold, to write off the net cost of the land over the period in which it is utilised and an economic benefit has been received. Other freehold land is not depreciated or amortised.

Depreciation of other assets is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

- Buildings: 40 years
- Plant and equipment: 3-10 years

The cost of improvements to or on leasehold properties is amortised over the unexpired period of the lease or the estimated useful life of the improvement to the Group, whichever is shorter. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. Gains and losses are included in the statement of comprehensive income.

II. Right of use assets and lease liabilities

InvoCare recognises a right of use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right of use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable
- Amounts expected to be payable by the Group under residual value guarantees
- Exercise price of a purchase option if the Group is reasonably certain to exercise that option
- Payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the Group's incremental borrowing rate is used, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right of use assets are measured at cost comprising the following:

- Amount of the initial measurement of lease liability
- Any lease payments made at or before the commencement date less any lease incentives received
- Any initial direct costs
- Restoration costs

Payments associated with short term leases and leases of low-value assets (less than $10,000) are recognised on a straight-line basis as an expense in profit or loss. Short term leases are leases with a lease term of 12 months or less. Low-value assets comprise information technology equipment and small items of office equipment.

Note 12. Intangibles

2021	Goodwill $'000	Brand name $'000	Capitalised software $'000	Total $'000
Composition as at 31 December 2021				
Cost	**257,386**	**19,847**	**21,277**	**298,510**
Accumulated amortisation	**-**	**(14,615)**	**(13,464)**	**(28,079)**
Impairment	**(43,518)**		**-**	**(43,518)**
Net book value	**213,868**	**5,232**	**7,813**	**226,913**
Movement for the year ended 31 December 2021				
Opening net book value	**212,706**	**6,399**	**6,281**	**225,386**
Additions	**-**	**30**	**3,656**	**3,686**
Additions through business combinations	**324**	**-**	**-**	**324**
Finalisation of prior period acquisitions	**289**	**-**	**-**	**289**
Amortisation charge	**-**	**(1,197)**	**(2,124)**	**(3,321)**
Effect of movement in exchange rates	**549**	**-**	**-**	**549**
Closing net book value	**213,868**	**5,232**	**7,813**	**226,913**
Restated 2020				
Composition as at 31 December 2020				
Cost	256,066	19,748	18,374	294,188
Accumulated amortisation	-	(13,349)	(12,093)	(25,442)
Impairment	(43,360)	-	-	(43,360)
Net book value	212,706	6,399	6,281	225,386
Movement for the year ended 31 December 2020				
Opening net book value	182,469	6,465	6,002	194,936
Additions	-	-	1,767	1,767
Additions through business combinations	51,676	1,491	366	53,533
Amortisation charge	-	(1,457)	(1,846)	(3,303)
Impairment loss	(19,324)	-	-	(19,324)
Effect of movement in exchange rates	(2,115)	(100)	(8)	(2,223)
Closing net book value	212,706	6,399	6,281	225,386

A. Impairment test

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

The reorganisation of the Group's Australian-based operations (Funerals, Cemeteries & Crematoria and Pet Cremations) has altered the composition of the cash generating units (CGU) to which goodwill has been previously allocated. The Group has apportioned the goodwill to the three Australian-based operations based on the relative values of the recoverable amounts of each CGU.

New Zealand and Singapore operations are separate CGUs and the associated goodwill arising from their acquisition has been allocated to the individual New Zealand or Singapore CGU.

As a result, the lowest level within the Group at which goodwill is monitored for management purposes comprises both the lines of business within Australia and for the international operations, the CGUs within a country of operation. The recoverable amounts of the Funerals, Cemetery & Crematoria, Pet Cremations, New Zealand and Singapore CGUs are based on value-in-use calculations. These calculations use cash flow projections based on approved financial estimates covering a five year period. Cash flows beyond the five year period have been extrapolated using estimated growth rates. The assessment also considered the reasonable possible long term shift in key assumptions which may potentially cause an impairment to arise.

	2021 $'000
Funeral services	**100,273**
Cemeteries & Crematoria	**24,729**
Pet cremations	**46,896**
Singapore operations	**14,936**
New Zealand operations	**27,034**
Total goodwill	**213,868**

I. Goodwill

a. Impairment of New Zealand CGU

Sensitivity analysis indicates headroom exists in the value-in-use calculation for the New Zealand CGU compared to the carrying value of goodwill for the period ended 31 December 2021. The New Zealand CGU was impaired by $19,324,000 in the period ended 31 December 2020.

b. Sensitivity – New Zealand CGU

The New Zealand CGU is particularly sensitive to a reasonable possible change in the key assumptions of terminal growth rate and post-tax weighted average cost of capital used to discount the future cash flows.

For 2021, if the terminal growth rate decreased by 0.5% and post-tax weighted average cost of capital increased by 0.3% an additional impairment of $1,824,000 would be recognised, while other assumptions are held constant.

For 2020, a decrease in the terminal growth rate by 0.5% would have resulted in an additional impairment of $4,800,000. Alternatively, an increase in the post-tax weighted average cost of capital by 0.3% would have resulted in an additional impairment of $3,789,000.

c. Key assumptions used for value-in-use calculations

Budgeted cash flows have been based on past performance and expectations for the future. The growth rates of 2.5% (2020: 2.5%) in revenue, 2.0% (2020: 2.0%) in expense and 1.0% (2020: 1.0%) in volume growth projections are not inconsistent with historical trends and forecasts included in reports prepared by market analysts. In the calculation of the terminal value, the long term annual growth rate of the real gross domestic product (GDP) of the country is used as a basis for the terminal growth rate. For goodwill, these assumptions are based on the CGU to which the goodwill is attributed.

The pre-tax discount rate used for assessing the carrying value of goodwill in each CGU was as follows:

	2021 %	2020 %
Funeral services	**9.2**	9.2
Cemeteries & Crematoria	**9.2**	9.2
Pet cremations	**9.2**	9.2
Singapore operations	**9.2**	9.2
New Zealand operations	**10.0**	10.0

These discount rates reflect the risk estimates for each business as a whole.

Sensitivity analysis indicates significant headroom exists in the value-in-use calculations for Australian based operations and Singapore CGUs compared to the carrying value of goodwill. There is no reasonable possible long term shift in key assumptions considered likely which will cause impairment of any of these CGUs.

B. Changes in accounting policies – capitalised software

IFRIC agenda decision Configuration or Customisation Costs in a Cloud Computing Arrangement (AASB 138 Intangible Assets)

In April 2021, the IFRS interpretation committee published agenda decision *Configuration or Customisation Costs in a Cloud Computing Arrangement (AASB 138 Intangible Assets)* ('IFRIC interpretation') which considers whether an intangible asset can be recognised in relation to configuration or customisation of application software. The Group has identified several assets that have configuration or customisation costs included in the asset's cost base. These assets at 31 December 2021 had a written down value of $29,141,000 (31 December 2020: $20,172,000).

The decision sets out options for accounting for costs incurred for customisation of cloud computing arrangements:

- the customer recognises the costs as an expense when it receives the configuration or customisation services
- if the contract to deliver the configuration or customisation services to the customer is with the supplier of the application software (including cases in which the supplier subcontracts services to a third party), the customer determines when the supplier of the application software performs those services in accordance with the contract to deliver them as follows:
  - if the services the customer receives are distinct, then the customer recognises the costs as an expense when the supplier configures or customises the application software
  - if the services the customer receives are not distinct (because those services are not separately identifiable from the customer's right to receive access to the supplier's application software), then the customer recognises the costs as an expense when the supplier provides access to the application software over the contract term
- if the contract to deliver the configuration or customisation services to the customer is with a third-party supplier, the customer determines when the third-party supplier performs those services in accordance with the contract to deliver them. In applying these requirements, the customer recognises the costs as an expense when the third-party supplier configures or customises the application software
- if the customer pays the supplier of the configuration or customisation services before receiving those services, it recognises the prepayment as an asset.

Refer to Note 13 for the accounting policy adopted by the Group for customisation and configuration services which are pre-paid.

The Group has considered the impact of the accounting policy change on the results reported in the current and comparative reporting periods. The Group has retrospectively adjusted the carrying values of intangibles – capitalised software. As at 31 December 2020 the impact of this change in accounting policy was:

Impact on the consolidated balance sheet:

- a decrease in capitalised software of $18,129,000 (2019: $15,789,000)
- recognition of pre-paid technology assets of $5,292,000 (2019: $6,174,000), refer to Note 13
- decrease in deferred tax liabilities of $3,807,000 (2019: $2,885,000)
- a decrease in retained earnings of $9,030,000 (2019: $6,730,000)

Impact on the consolidated statement of comprehensive income:

- an increase in technology expenses of $11,126,000
- decrease in amortisation expense of capitalised software of $1,727,000
- a decrease in the impairment loss on intangibles of $6,176,000
- a decrease in tax expense of $923,000

I. Impact on consolidated statement of comprehensive income

	Notes	For the year ended 31 December 2020 As previously reported $'000	Adjustments for IFRIC agenda decision $'000	As restated $'000
Technology expenses	[A]	(12,736)	(11,126)	(23,862)
Depreciation and amortisation expenses	[A]	(44,292)	1,727	(42,565)
Impairment loss on intangibles	[B]	(25,500)	6,176	(19,324)
Loss before income tax		(1,197)	(3,223)	(4,420)
Income tax expense		(7,878)	923	(6,955)
Net loss after income tax from continuing activities		(9,075)	(2,300)	(11,375)
Net loss after income tax for the year		(9,075)	(2,300)	(11,375)
Total comprehensive loss for the year, net of tax		(8,067)	(2,300)	(10,367)
Loss is attributable to:				
Equity holders of InvoCare Limited		(9,242)	(2,300)	(11,542)
Non-controlling interests		167	-	167
		(9,075)	(2,300)	(11,375)
Total comprehensive loss for the year is attributable to:				
Equity holders of InvoCare Limited		(8,234)	(2,300)	(10,534)
Non-controlling interests		167	-	167
		(8,067)	(2,300)	(10,367)
		cents	**cents**	**cents**
Earnings per share for profit/(loss) attributable to the ordinary equity holders of InvoCare Limited				
Basic earnings per share		(6.9)	(1.7)	(8.6)
Diluted earnings per share		(6.9)	(1.7)	(8.6)
Operating earnings per share		20.4	0.5	20.9

[A] Adoption of IFRIC interpretation decreases depreciation and amortisation expenses by $1,727,000 and increases technology expenses by $11,126,000.

[B] Due to the earlier expensing of capitalised software and the reclassification of pre-paid technology assets upon adoption of the IFRIC interpretation, the impairment loss on intangibles is decreased by $6,176,000 and an expense for the acceleration of the unwind of pre-paid technology assets of $3,192,000 is recognised within the $11,126,000 adjusted technology expenses.

II. Impact on consolidated balance sheet

	As at 31 December 2020			As at 31 December 2019		
	As previously reported $'000	Adjustments for IFRIC agenda decision $'000	As restated $'000	As previously reported $'000	Adjustments for IFRIC agenda decision $'000	As restated $'000
Pre-paid technology assets	-	5,292	5,292	-	6,174	6,174
Intangibles	243,515	(18,129)	225,386	210,724	(15,789)	194,935
Deferred tax liabilities	(32,639)	3,807	(28,832)	(34,826)	2,885	(31,941)
Other net assets/(liabilities)	321,024	-	321,024	121,081	-	121,081
Net assets	531,900	(9,030)	522,870	296,979	(6,730)	290,249
Retained earnings	23,495	(9,030)	14,465	68,169	(6,730)	61,439
Other equity balances	508,405	-	508,405	228,810	-	228,810
Total equity	531,900	(9,030)	522,870	296,979	(6,730)	290,249

III. Impact on consolidated statement of cash flows

Amendments to AASB 138 have no impacts on the total cash flows for the year ended 31 December 2020 or cash and cash equivalents at the end of the same period.

Cash outflows related to operating activities increased as operational expenses for SaaS arrangements are no longer recognised as payments for intangibles. Line items that were not affected by the change in accounting policy have not been included below.

The difference between the technology expenses of $11,126,000 and the operating cash flows of $7,184,000 relate to the non-cash acceleration of the unwind of the pre-paid technology assets. In 2020, the additional expenses were included within the impairment of capitalised software and depreciation and amortisation expenses.

	For the year ended 31 December 2020		
	As previously reported $'000	Adjustments for IFRIC agenda decision $'000	As restated $'000
Cash flows from operating activities			
Payments to suppliers and employees (including GST)	(421,870)	(7,184)	(429,054)
Net cash flows from operating activities	63,568	(7,184)	56,384
Cash flows from investing activities			
Purchase of property, plant and equipment and intangibles	(68,136)	7,184	(60,952)
Net cash flows from investing activities	(83,952)	7,184	(76,768)
Net increase in cash and cash equivalents	99,433	-	99,433
Cash conversion	107%		100%

C. Critical accounting judgements, estimates and assumptions

I. Key assumptions applied in determining recoverable amount

The Group annually considers if events or changes in circumstances indicate that the carrying value of goodwill or cash-generating units may not be recoverable. Similarly, at each reporting date, cash-generating units that suffered a previous impairment are reviewed for possible reversals of the impairment. The recoverable amounts are determined based on value-in-use calculations which require the use of assumptions. Refer to section C. above for details of these assumptions and the potential impact to changes to the assumptions.

II. Capitalisation of configuration and customisation costs in SaaS arrangements

In implementing SaaS arrangements, the Group has developed software code that either enhances, modifies or creates additional capability to the existing owned software. This software is used to connect with the SaaS arrangement cloud-based application.

Judgement has been applied in determining whether the changes to the owned software meet the definition of and recognition criteria for an intangible asset in accordance with AASB 138 Intangible Assets.

During the financial year, the Group recognised $3,189,000 (2020: $1,246,000) as intangible assets in respect of customisation and configuration costs incurred in implementing SaaS arrangements.

D. Accounting policies

I. Goodwill

Goodwill arises on acquisition of business/subsidiary. Goodwill acquired in business combinations is not amortised. Instead, goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed if the related assets subsequently increases in value.

II. Trademarks and brand names

Trademarks and brand names recognised through business acquisitions have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight line method to allocate the cost of trademarks and brand names over their estimated useful lives of ten years.

III. Capitalised software

Capitalised software is carried at historical cost less accumulated amortisation and impairment write-downs. Historical cost includes expenditure that is directly attributable to the acquisition of the software. Amortisation is calculated using the straight line method to allocate the cost of software over its estimated useful life of ten years.

IV. Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or half yearly only if events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to depreciation or amortisation are reviewed for impairment indicators every six months. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Note 13. Pre-paid technology assets

	2021 $'000	2020 $'000
Balance at 31 December		
Current	**582**	637
Non-current	**8,019**	4,655
Balance at 31 December	**8,601**	5,292
Movement for the year		
Opening balance at 1 January	**5,292**	6,173
Additions	**4,387**	3,061
Less: Amounts recognised within the consolidated statement of comprehensive income		
Pre-paid technology expenses	**(654)**	(750)
Accelerated unwind	**(424)**	(3,192)
Closing balance at 31 December	**8,601**	5,292

A. Critical accounting judgements, estimates and assumptions

Determination whether configuration and customisation services are distinct from the SaaS access

Costs incurred to configure or customise the cloud provider's application software are recognised as operating expenses when the services are received. In a contract where the cloud provider provides both the SaaS configuration and customisation, and the SaaS access over the contract term, judgement has been applied to determine whether these services are distinct from each other or not, and therefore, whether the configuration and customisation costs incurred are expensed as the software is configured or customised (i.e. upfront), or over the SaaS contract term.

Specifically, where the configuration and customisation activities significantly modify or customise the cloud software, these activities will not be distinct from the access to the cloud software over the contract term. Judgement has been applied in determining whether the degree of customisation and modification of the cloud-based software that would be deemed significant.

During the financial year, the Group recognised $3,963,000 (net of accelerated unwind of pre-paid technology assets of $424,000) (2020: $3,060,000) as prepayments in respect of configuration and customisation activities undertaken in implementing SaaS arrangements which are considered not to be distinct from the access to the SaaS application software over the contract term.

B. Accounting policies

Software-as-a-Service (SaaS) arrangements

SaaS arrangements are service contracts providing the Group with the right to access the cloudprovider's application software over the contract period. As such the Group does not receive a software intangible asset at the contract commencement date. A right to receive future access to the supplier's software does not, at the contract commencement date, give the customer the power to obtain the future economic benefits flowing from the software itself and to restrict others' access to those benefits.

The following outlines the accounting treatment of costs incurred in relation to SaaS arrangements:

Recognise as an operating expense over the term of the service contract (pre-paid technology expenses), which is typically 3 – 10 years	• Fee for use of application software • Customisation costs
Recognise as an operating expense as the service is received (SaaS arrangement expensed as incurred)	• Configuration costs • Setting up of standard functionality of the system • Data conversion and migration costs • Testing costs • Training costs

Costs incurred for the development of software code that enhances or modifies, or creates additional capability to, existing on-premise systems and meets the definition of and recognition criteria for an intangible asset are recognised as capitalised software assets. Refer to Note 12 for an outline of accounting for intangible assets.

The Group's activities expose it to a variety of financial risks. The Group's overall financial risk management strategy focuses on the unpredictability of financial markets and seeks to minimise adverse effects on the Group's financial performance. This section contains disclosures of financial risks the Group is exposed to and how the Group manages those risks.

The capital management, impact of contingencies, commitments, and events subsequent to reporting period are also considered in this section.

Note 14. Financial risk management

The Group operates in different jurisdictions and markets. Strategic risk management is carried out by the Board of Directors. The Audit, Risk & Compliance Committee, which operates under policies approved by the Board, is responsible for operational and financial risk management. These policies provide written principles for overall risk management, as well as policies covering specific areas such as interest rate risk and currency risk.

The table below summarises the key risks identified, exposures, and management of exposures.

Risk identified	Definition	Exposures	Management of exposures
Market risk – interest rate	The risk that the value of a financial asset or liability or cash flow associated with the financial asset or liability will fluctuate due to changes in market interest rates	• Financial assets: mainly cash at bank • Financial liabilities: mainly borrowings, pre-paid contract liabilities, lease liabilities • Further information for interest rate risk exposure and hedging effectiveness is provided in section A below	• Fixed interest rate borrowings • Derivative financial instruments, mainly interest rate swaps • Speculative trading is not permitted
Market risk – foreign currency	The risk in local currency terms that the value of a financial commitment or a recognised asset or liability, will fluctuate due to changes in foreign currency exchange rates	• Foreign currency earnings • Net investments in foreign operations • Foreign currency borrowings • Further information on foreign currency risk exposures is provided in section B below	• Physical financial instruments, including natural hedges from matching foreign assets and liabilities • Speculative trading is not permitted
Market risk – price	The risk that the investment returns of funds under management on pre-paid contracts impact future income	• Investment returns of the funds under management of pre-paid contracts • Majority of the funds under management is placed with the Over Fifty Guardian Friendly Society (OFGFS) • Further information on pricing risk exposures is provided in section C below	• Maintain Board representation in OFGFS • Monitor the investment strategy of OFGFS and the investment assets mix
Credit risk	The risk that a counterparty will not be able to meet its obligations in respect of a financial instrument, resulting in a financial loss to the Group	• Recoverability of receivables • Recoverability of other financial assets and cash deposits • Further information on credit risk exposures is detailed in section D below	• The Group's policy is to only deal with banks and financial institutions with minimum independent credit ratings • Operations of the Group results in no concentration of customers in any particular region or sector • Enhanced alternative payment methods for customers in regional areas

Risk identified	Definition	Exposures	Management of exposures
Liquidity risk	The risk of having insufficient funds to settle financial liabilities as and when they fall due	• Insufficient levels of committed credit facilities • Settlement of financial liabilities • Further information on liquidity risk exposures is detailed in section E below	• Maintaining sufficient levels of cash and committed credit facilities to meet financial commitments and working capital requirements • Timely review and renewal of credit facilities

The Group holds the following financial assets and liabilities.

	2021 $'000	2020 $'000
Financial assets		
Cash and cash equivalents	**53,630**	118,781
Trade receivables	**66,300**	68,195
Pre-paid contract funds under management	**649,875**	613,131
Other financial assets	**4,072**	4
	773,877	800,111
Financial liabilities		
Trade and other payables	**69,226**	60,618
Contingent considerations	**6,282**	17,072
Borrowings	**188,843**	246,039
Lease liabilities	**175,402**	165,923
Derivative financial instruments	**76**	1,148
	439,829	490,800

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

The Group's main interest rate risk arises from long term bank borrowings. Bank borrowings are typically at variable interest rates determined by a margin over the reference rate based on the Group's leverage ratio. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Group's policy is to limit its exposure to adverse fluctuations in interest rates, which could erode the Group's profitability and adversely affect shareholder value. The Group reviews interest rate risk exposure on an ongoing basis (at least once each quarter) or whenever a major change in borrowing levels is anticipated. The review includes a reference to ongoing cash flow forecasts and considers future mergers, acquisitions, divestments, capital management and capital expenditure as appropriate. Recommendations in relation to interest rate hedging are provided to the Chief Financial Officer for approval, as required. When applicable, the Group manages interest rate exposure generally by entering into interest rate swap contracts under which it receives interest at variable rates and pays interest at fixed rates.

In addition to swaps, the Group has also entered into a note purchase agreement in February 2018 that is denominated in Australian dollars at a fixed interest rate. This assists in minimising the Group's overall interest rate risk by fixing the interest rate for core level of debt.

The interest rate swaps position and the coverage on outstanding bank borrowings as at end of the financial years are set out in the table below.

	2021 %	2020 %
Bank borrowings[a]		
Effective average interest rate as at 31 December	**3**	3
Interest rate swaps position as at 31 December		
Weighted average fixed interest rate payable	**2.27**	2.49
Weighted average variable interest rate receivable	**0.61**	0.12
Interest rate swaps coverage on outstanding bank borrowings		
Australia	**-**	39
New Zealand	**33**	40
Singapore[b]	**Nil**	Nil
Combined Australia and New Zealand	**15**	30

a *The effective average interest rate includes swaps and margins but excluding establishment fees.*

b *Due to the relative stability of Singapore interest rates, Singapore denominated debt has been allowed to stay at floating rates.*

Hedging for interest rate risk exposure

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

The Group enters into interest rate swaps that have similar critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount. The Group does not hedge 100% of its loans; therefore the hedged item is identified as a proportion of the outstanding loans up to the notional amount of the swaps. As all critical terms were matched during the year, the economic relationship was 100% effective.

Hedge ineffectiveness for interest rate swaps is assessed by performing a qualitative assessment of effectiveness. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the Group uses the hypothetical derivative method to assess effectiveness.

Hedge ineffectiveness may occur due to:

- The credit value/debit value adjustments on the interest rate swaps which is not matched by the loans
- Differences in critical terms between the interest rate swaps and loans

The following variable rate bank borrowings and interest rate swap contracts are outstanding at the reporting date.

	2021		2020	
	Weighted average interest rate %	Balance $'000	Weighted average interest rate %	Balance $'000
Variable borrowings	**1.76**	**91,412**	2.71	114,308
Interest rate swaps (notional principal)	**2.27**	**(14,114)**	2.49	(44,723)
Net exposure to cash flow interest rate risk		**77,298**		69,585

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

	Nominal value		Swap liability	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Less than one year	**14,114**	30,681	**76**	600
One to two years	**-**	14,042	**-**	548
	14,114	44,723	**76**	1,148

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

As a consequence, the Group is exposed to interest rate risks on that portion of total borrowings not swapped to fixed rates and to potential movements in the margin due to changes in the Group's leverage ratio. Where possible, borrowings are made in the same country as the operation being funded to provide a natural hedge against currency volatility. Where this is not possible, other techniques, such as foreign currency bank accounts, are used to mitigate the profit and loss volatility due to currency movements.

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

The interest rate swap contracts were all judged to be effective at 31 December 2021 and the movements in the fair value of these instruments have been quarantined in equity.

The overall impact and sensitivities of the interest bearing assets and liabilities and related derivatives of the Group has been summarised in section G Summarised sensitivity analysis in this note.

B. Foreign currency risk exposure

The Group rarely undertakes significant commercial transactions in currencies other than in the functional currency of the operating subsidiaries in New Zealand and Singapore.

Foreign currency risks arise from recognised assets and liabilities that are denominated in a currency other than the Group's functional currency, the Australian dollar. The major foreign currency risk relates to the investments in subsidiaries in New Zealand and Singapore. This exposes the Group to foreign currency risk on the assets and liabilities.

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

The Group has no significant unhedged foreign exchange exposures at 31 December 2021. Therefore, there was no ineffectiveness to be recorded from net investments in foreign entity hedges.

The Group's exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollars, was as follows.

	New Zealand dollars		Singapore dollars	
	2021	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
Borrowings	**46,000**	50,000	**30,000**	35,000
Derivatives	**81**	678	**-**	-

C. Price risk exposure

The Group is the ultimate beneficiary of pre-paid contract funds under management (Invested Funds) invested in various pre-paid contract trusts, as described in Note 9. There are a several trusts in existence with various investment profiles.

Accordingly, the Group's future income is sensitive to the price risk relating to the investment returns of these funds under management.

These funds are invested in a range of asset classes with different price risk variables including cash, fixed interest, Australian and international equities, hybrids and direct and indirect property. The return on these funds (net of the increase in the liability to deliver the future services) are recognised as net gain/loss on undelivered pre-paid contracts in the statement of comprehensive income.

Refer to Note 9 Pre-paid contracts for the profit and loss impact of the pre-paid funds under management and the pre-paid contract liabilities for the year ended 31 December 2021.

90% of the funds are managed by the Over Fifty Guardian Friendly Society (OFGFS) which is controlled by a five-member independent Board with two InvoCare representatives. Non OFGFS funds are primarily invested in capital guaranteed funeral bonds managed by a range of APRA regulated institutions.

The OFGFS Board has appointed an Investment Committee (GIC) which is responsible for the management of the Invested Funds in accordance with an approved Investment Policy Statement (IPS). The IPS provides guidance on the ongoing prudent and efficient management of the investment arrangements. The principal objective of the Invested Funds is to maximise returns without exceeding risk levels specified in the Investment Guidelines. By pursuing these objectives, the Invested Funds are expected to provide a long-term rate of return sufficient to meet the original plus subsequent increases in retail prices of delivering the promised funeral services after considering all Invested Funds expenses and tax.

The GIC regularly sets a target asset allocation to ensure investment activity sits within the stated risk profile and to also ensure that other limits specified in the IPS are being met. External consultants are engaged to review the risk and return forecasts on a regular basis and recommend amendments to the target asset allocation if required.

Normally funds are invested for extended periods, with the median life of a pre-paid funeral contract being circa nine years. Liquidity risk is considered low with the flow of funds from the sale of new contracts normally exceeding redemptions in a typical year. The fund can therefore take a long-term view on its investment horizon and absorb short term fluctuations in returns caused by market volatility.

The asset allocation at reporting date of pre-paid contract funds under management is as follows.

	2021 %	2020 %
Equities	**43**	40
Property	**26**	28
Cash and fixed interest (includes hybrid securities)	**31**	32

Other than disclosed above, the Group does not hold any investments in equities or commodities and is therefore not subject to price risk.

Based on the asset allocation as at 31 December 2021 and 31 December 2020 the following changes in investment returns are reasonably probable.

	2021		2020	
	Increase $'000	Decrease $'000	Increase $'000	Decrease $'000
Asset class				
Equities (plus or minus 10%)	**24,093**	**(24,093)**	20,819	(20,819)
Property (plus or minus 3%)	**4,367**	**(4,367)**	4,305	(4,305)
Cash and fixed interest (no price risk)	**-**	**-**	-	-
	28,460	**(28,460)**	25,124	(25,124)

D. Credit risk exposure

Credit risk is managed on a Group basis. Credit risk arises from cash and deposits with banks and financial institutions, derivative financial instruments, as well as credit exposures to customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of A are accepted.

Credit risks in relation to customers are highly dispersed and without concentration on any particular region or sector. The trade receivables are non-interesting bearing. Funeral homes attempt to collect deposits at the time the service is commissioned both as a sign of good faith and in order to cover out-of-pocket expenses. Cemetery and crematorium and pet cremation products are generally not delivered prior to the receipt of all or substantially all of the amounts due.

The Group applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of rolling 24 months before the financial year end 31 December 2021. Refer to Note 8 for details of loss allowance and movement for the financial year.

The Group's own collection activity, which varies based on the nature and relative age of the debt, is routinely applied to all past due accounts. When these activities do not result in a successful recovery of the debt, it is referred to external debt collection agencies.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators include amongst others, the failure of the debtor to engage in a repayment plan with the Group. Once all attempts to recover the debt have been exhausted, then a debt is considered to be in default and written off. Subsequent recoveries of amounts previously written off are credited against sundry revenue in the consolidated statement of comprehensive income.

E. Liquidity risk exposure

Prudent liquidity management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the relatively stable nature of the Group's business, management aims to maintain a large portion of committed credit lines on a long term basis.

As part of the reset of the Group's strategy to 2025, a review of the Group's financing structure and tenor of the Group's debt facilities was undertaken. On 27 August 2021, InvoCare successfully entered into binding documentation to amend and extend its Syndicated Debt Facility. Under the amendment, agreed with syndicated lenders, InvoCare:

- Repaid the fully drawn A$67,500,000, NZ$50,000,000 and S$35,000,000 Facility A Term Loans on 23 September 2021 and this term facility is subsequently cancelled
- Increased the limit of its Facility B, Multi-Currency Revolving Cash Advance facility from A$200,000,000 to A$275,000,000
- Extended the tenor of Facility B to the end of August 2024 (the facility was previously due to expire in February 2023)
- Agreed a simplified and more favourable common pricing grid with syndicate lenders

From 27 August 2021, the Group had access to $382,440,000 of loan facilities as follows:

- $100,000,000 Note Purchase Agreement with MetLife, fully drawn at 31 December 2021 and due for repayment in February 2028
- $275,000,000 Syndicated Debt Facility Agreement supported by ANZ, Westpac, Mizuho and SMBC providing available funds through a Multi-Currency Revolving Cash Advance facility, with a tenor of three years to the end of August 2024

This $275,000,000 debt facility is currently drawn as follows: A$17,500,000, NZ$46,000,000 and SG$30,000,000.

The financial covenant ratios included on the debt facilities are calculated on an adjusted Operating EBITDA basis (primarily to include the proforma earnings contributions from acquisitions and to adjust for costs arising from restructuring and other initiatives). The covenant target ratios are as follows:

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

The above ratios continued to be met as of 31 December 2021.

As at 31 December 2021, the details of the facilities available, drawn down, unused by facility are disclosed in the table below.

	2021 $'000	2020 $'000
Total facilities available		
Working capital facility - expiring within one year	**7,440**	7,440
Unsecured loan facility - expiring in two to five years	**375,000**	448,702
	382,440	456,142
Drawn down at reporting date		
Working capital facility - expiring within one year	**-**	-
Unsecured loan facility - expiring in two to five years	**191,412**	248,717
	191,412	248,717
Unused at reporting date		
Working capital facility - expiring within one year	**7,440**	7,440
Unsecured loan facility - expiring in two to five years	**183,588**	199,985
	191,028	207,425
Long-term borrowings outstanding at reporting date		
Unsecured loan facility	**191,412**	248,717
Less: Loan establishment costs	**(2,569)**	(2,678)
	188,843	246,039

The table below analyses the Group's financial liabilities into the relevant maturity groupings based on their contractual terms as at the reporting date. Trade and other payables, lease liabilities and borrowings are non derivative liabilities.

2021	Less than one year $'000	Two to three years $'000	More than three years $'000	Total $'000
Trade and other payables	**69,226**	**-**	**-**	**69,226**
Contingent considerations	**6,282**	**-**	**-**	**6,282**
Lease liabilities	**20,855**	**36,454**	**167,000**	**224,309**
Borrowings	**-**	**91,412**	**100,000**	**191,412**
Derivatives	**76**	**-**	**-**	**76**
2020	**$'000**	**$'000**	**$'000**	**$'000**
Trade and other payables	60,514	-	-	60,514
Contingent considerations	9,265	7,909	-	17,174
Lease liabilities	19,465	36,486	109,973	165,924
Borrowings	-	148,717	100,000	248,717
Derivatives	600	548	-	1,148

F. Fair value measurement

The Group's financial assets and liabilities are measured at fair value at the end of each reporting period. They are measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: Unobservable inputs for the asset or liability

The following table gives information about how the fair value of financial assets and liabilities are determined, including the valuation technique and inputs used. For the Group's financial assets and liabilities not measured at fair value, their carrying amount provides a reasonable approximation of their fair values.

Financial assets or liabilities	Fair value hierarchy	Valuation technique	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Pre-paid contract funds under management	Level 2	The fair value is calculated based on the number of units multiplied by the unit price of the funds which administers the invested funds. The unit price of the funds is based on the fair value of the underlying investments, which include equities, cash, fixed interest deposits and property.	Not applicable	Not applicable
Derivative financial instruments	Level 2	The fair value is calculated as the present value of the estimated future cash flows based on observable yield curves	Not applicable	Not applicable
Contingent consideration	Level 3	The fair value is calculated based on the contracted terms of performance measures, eg revenue, EBITDA or net profit	Forecast performance measures per the contracts	The estimated fair value would increase/decrease if the forecast performance measures per the contracts were higher/lower. Refer to Note 19C for further details

There were no transfers between levels during the reporting period.

G. Summarised sensitivity analysis

The following table summarises the sensitivity of the Group's financial assets and financial liabilities to interest rate risk and foreign exchange risk net of applicable income tax.

		Interest rate risk				Foreign exchange risk			
		-100 basis point		+100 basis point		-10%		+10%	
2021	**Carrying value $'000**	**Profit/ (loss) $'000**	**Equity $'000**	**Profit/ (loss) $'000**	**Equity $'000**	**Profit/ (loss) $'000**	**Equity $'000**	**Profit/ (loss) $'000**	**Equity $'000**
Financial assets									
Cash and cash equivalents	**53,630**	**(375)**	**-**	**375**	**-**	**-**	**-**	**-**	**-**
Trade receivables	**66,300**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Pre-paid contract funds under management	**649,875**	**(4,529)**	**-**	**4,529**	**-**	**-**	**-**	**-**	**-**
Other financial assets	**4,072**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Financial liabilities									
Trade and other payables	**(69,226)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Contingent considerations	**(6,282)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Lease liabilities	**(175,402)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Borrowings	**(188,843)**	**(1,241)**	**-**	**1,241**	**-**	**(120)**	**22**	**98**	**(131)**
Derivatives	**(76)**	**-**	**102**	**-**	**(102)**	**-**	**(22)**	**-**	**131**
Total increase/ (decrease)		**(6,145)**	**102**	**6,145**	**(102)**	**(120)**	**-**	**98**	**-**
2020									
Financial assets									
Cash and cash equivalents	118,781	(831)	-	831	-	-	-	-	-
Trade receivables	68,202	-	-	-	-	-	-	-	-
Pre-paid contract funds under management	613,131	(188)	-	188	-	-	-	-	-
Other financial assets	4	-	-	-	-	-	-	-	-
Financial liabilities									
Trade and other payables	(60,516)	-	-	-	-	-	-	-	-
Contingent considerations	(17,175)	-	-	-	-	-	-	-	-
Lease liabilities	(165,923)	-	-	-	-	-	-	-	-
Borrowings	(246,039)	(888)	-	888	-	(179)	(520)	147	(1,114)
Derivatives	(1,148)	-	626	-	(626)	-	520	-	1,114
Total increase/ (decrease)		(1,907)	626	1,907	(626)	(179)	-	147	-

Note 15. Contributed equity

	2021 Number '000	2020 Number '000	2021 $'000	2020 $'000
Ordinary shares - fully paid	**144,061**	144,061	**511,293**	511,293
Treasury shares - fully paid	**(1,086)**	(1,175)	**(13,513)**	(14,288)
	142,975	142,886	**497,780**	497,005

A. Ordinary shares

	2021 Number '000	2020 Number '000	2021 $'000	2020 $'000
Movement during the year				
Balance as at 1 January	**144,061**	117,185	**511,293**	234,513
Shares issued for Dividend Reinvestment Plan	**-**	527	**-**	5,918
Shares issued for Institutional Placement and Share Purchase Plan, net of transaction costs	**-**	26,349	**-**	270,862
Balance at reporting date	**144,061**	144,061	**511,293**	511,293

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Since 2006, the Company activated its Dividend Reinvestment Plan (DRP) under which equity holders of ordinary shares may elect to have all or part of their dividend entitlements satisfied in ordinary shares rather than by being paid in cash. The ordinary shares to be transferred to the DRP participants would either be by acquiring shares on market or issuing new shares as determined by the Board of Directors for each dividend payable.

B. Treasury shares

	2021 Number '000	2020 Number '000	2021 $'000	2020 $'000
Movement during the year				
Balance as at 1 January	**(1,175)**	(1,225)	**(14,288)**	(14,687)
Disposal of shares - vested share rights/options	**61**	19	**468**	48
Disposal of shares - transfer to Exempted Employee Share Plan's participants	**28**	31	**307**	351
Balance at reporting date	**(1,086)**	(1,175)	**(13,513)**	(14,288)

Treasury shares are shares in InvoCare Limited that are held by the InvoCare Deferred Employee Share Plan Trust and Employee Share Plan Trust for the purpose of issuing shares under the InvoCare Deferred Employee Share Plan and InvoCare Employee Share Plan, as set out in Note 22.

C. Capital management

The Group's capital management objectives and strategies seek to maximise total shareholder returns, while maintaining a capital structure with acceptable debt and financial risk.

The capital management goals can be broadly described as:

- Manage the amount of equity and the expectation of returns – including dividend distribution policy, dividend reinvestment and share buy-back policies
- Maintain debt and gearing that is prudent, cost effective, supports operational needs and provides flexibility for growth and development
- Avoid excessive exposure to interest rate fluctuations and debt refinancing risk
- Balance asset maintenance with growth focused investment

The goals are actively managed by the use of quantifiable measures. These measures and relevant comments are as follows:

- Maximising shareholder returns: Earnings per share (EPS) is a key measure and for 2021, basic EPS was 56.1 cents (2020: (8.6) cents). Operating EPS, which excludes restructuring costs, gains and losses on the disposal or impairment of non-current assets and on undelivered pre-paid contracts, non-controlling interests, disposal of subsidiaries and SaaS costs expensed as incurred, was 31.6 cents (2020: 20.9 cents). Importantly, senior management of the Group have long-term incentives linked to EPS growth, thus aligning employee and shareholder interests. The Group's aim is to deliver stable, predictable, growing returns to shareholders represented by compound annual growth in Operating EPS in the low to mid-teens through the cycle.
- Maintaining a minimum ordinary dividend payout ratio of between 60% to 80% of operating earnings after tax. The aggregate of the interim and final 2021 dividends represents a payout ratio of 66% (2020: 60%) of operating earnings after tax.
- Confirming compliance with the debt covenant ratios, as defined in the facility agreements, through bi-annual calculations. The Group has complied with its banking covenants as follows:
    - Leverage ratio (being net debt to adjusted Operating EBITDA) must be no greater than 3.5 times
    - Interest cover ratio (being adjusted Operating EBITDA to net interest adjusted to remove interest related to AASB 16 Leases) must be greater than 3.0 times
- Maintaining an optimal leverage ratio: The optimal capital structure, which has the lowest cost of capital, is indicatively at a leverage ratio (i.e. Net debt/Adjusted operating EBITDA) of no higher than a range between 2.0 times and 2.5 times through the cycle with an interest cover ratio of greater than 4.0 times. A liquidity buffer of at least $10 million should be maintained. Where the capacity exists, debt financing will be used for small acquisitions and capital expenditure. In the absence of opportunities to invest in growing the business, the Group will consider applying excess debt capacity to make returns to shareholders.
- Managing refinancing risk: Spreading the tenor of the debt available to the Group minimises its exposure to the risks that all the debt will become due at a single point of time.
- When allocating capital to drive strategic outcomes, those investment opportunities will be assessed in line with portfolio management criteria depending on the type of opportunity and will be aimed at delivering an enterprise Return on Capital Employed of greater than 12% by 2025.
- Recurring maintenance CAPEX will approximate depreciation & amortisation (excluding the AASB 16 impact of leases), this in turn will sustain our asset base for the long term.

D. Accounting policy for ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Note 16. Contingencies

There were no unrecognised contingent assets as at 31 December 2021 and 31 December 2020.

The Group had the following guarantees which are determined to be contingent liabilities at 31 December 2021:

- Bank guarantees given for leased premises of subsidiaries to a maximum of $3,289,000 (2020: $2,870,000)
- Deed of cross guarantee entered into by a number of the Group's entities.

Refer to Note 24 for further details of bank guarantees entered into by the parent entity.

Note 17. Commitments

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

	2021 $'000	2020 $'000
A. Capital commitments		
Contracted and conditionally contracted - within one year		
Building extensions and refurbishments	**2,780**	301
Leasehold improvements	**-**	1,112
Plant and equipment purchases	**5,053**	511
B. Other commitments		
Documentary letters of credit - within one year	**169**	104

C. Lease commitments

The Group leases premises, motor vehicles and sundry office equipment under leases with terms generally from one to five years. The Rookwood Crematorium lease expires in 2025. The Great Southern Garden of Remembrance lease expires in 2047 with an option to renew for a further 50 years.

From 1 January 2019, the Group has recognised right of use assets for these leases, except for short term and low value leases, see Note 11. B. Right of use assets for further information.

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

	2021 $'000	2020 $'000
Within one year	**669**	669
One to five years	**-**	137
	669	806

Note 18. Events after reporting period

Other than the dividend determined as disclosed in Note 4, no other matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

This section provides information on how the Group structure affects the financial position and performance of the Group as a whole. The disclosures detail the types of entities and transactions included in the consolidation and those excluded.

Note 19. Business combination

A. Acquisition for the year ended 31 December 2021

During the year ended 31 December 2021, the Group acquired the business assets of Pets at Peace Central West, a pet cremation business operating in the Central West region of New South Wales. A summary of the purchase consideration, goodwill and identifiable assets and liabilities acquired for the acquisition is as follows:

- Total consideration, only paid in cash: $450,000, with net cash outflow: $423,000
- Fair value of assets and liabilities acquired:
  - Inventories: $24,000
  - Property, plant and equipment: $102,000
  - Right of use assets: $237,000
  - Lease liabilities: $(181,000)
  - Provision for employee entitlements: $(27,000)
  - Other liabilities: $(56,000)
- Goodwill: $324,000

The accounting for this acquisition is provisional as at 31 December 2021.

The goodwill recognised is attributable to the location, workforce and the profitability of the acquired business. It will not be deductible for tax purposes.

If new information obtained within one year from the acquisition date about facts and circumstances that existed at the acquisition date identifies adjustments to the above amounts, then the acquisition accounting will be revised.

Revenue and profit after tax for the period from the acquisition date are $53,000 and $10,000, respectively.

If the acquisition had occurred on 1 January 2021, consolidated revenue and profit after tax for the year ended 31 December 2021 would have increased by approximately $800,000 and $82,000, respectively.

Acquisition costs incurred during the year ended 31 December 2021are $743,000.

B. Acquisition for the year ended 31 December 2020

For all 3 acquisitions settled during the prior year ended 31 December 2020, the accounting for all of them has been finalised during 2020. There have been no material changes to the financial information disclosed for each acquisition. Refer to 2020 Annual Report for further details of those acquisitions.

C. Fair value measurement – contingent consideration

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

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

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

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

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

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

III. Level 3 – contingent consideration

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

	2021 $'000	2020 $'000
Balance at 1 January	**17,174**	894
Contingent consideration relating to business combinations	**-**	16,780
Payments during the financial year	**(10,892)**	(500)
Balance at 31 December	**6,282**	17,174

The contingent consideration is all due and payable within 12 months and is classified as a current liability on the Balance Sheet.

Sensitivity analysis on fair value of contingent consideration

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

- Profitability, adjustments on EBITDA: a 5% decrease in the profitability of each acquired business over the remaining contingent consideration period (all are less than 12 months) would not result in a decrease in the contingent consideration.

D. Accounting policies for business combination

The purchase method of accounting is used to account for all acquisitions of assets (including business combinations) regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised directly in the statement of comprehensive income, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of acquisition. Any variations in the initial estimates of deferred consideration and the final amount payable are remeasured through the statement of comprehensive income.

The present value of contingent consideration is classified as a financial liability and is subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

The acquisition-related costs are recorded in the statement of comprehensive income.

Note 20. Interests in subsidiaries

A. Interests in subsidiaries

Set out below are the Group's principal trading subsidiaries at 31 December 2021. Unless otherwise stated, the subsidiaries as listed below have share capital consisting solely of ordinary shares, which are held directly by the Group, and the proportion of ownership interests held equals to the voting rights held by the Group. The country of incorporation or registration is also their principal place of business. The principal activities of all these subsidiaries are funeral services provider.

		Ownership interest held by the Group	
Name of subsidiaries	Country of incorporation	2021 %	2020 %
InvoCare Australia Pty Limited	Australia	**100**	100
Bledisloe Australia Pty Limited	Australia	**100**	100
InvoCare PetCare Pty Limited	Australia	**100**	100
Family Pet Care Pty Limited	Australia	**100**	100
InvoCare New Zealand Limited	New Zealand	**100**	100
Singapore Casket Company (Private) Limited	Singapore	**100**	100

Shares in subsidiaries are carried at cost and relate to InvoCare Limited's ownership interest in InvoCare Australia Pty Limited, InvoCare PetCare Pty Limited, Family Pet Care Pty Limited, InvoCare (Singapore) Pty Limited, InvoCare New Zealand Limited. All shares held are ordinary shares.

InvoCare Australia Pty Limited, InvoCare PetCare Pty Limited, Family Pet Care Pty Limited, InvoCare (Singapore) Pty Limited and Bledisloe Australia Pty Ltd have been granted relief from the necessity to prepare financial reports in accordance with ASIC Corporations Instrument 2016/785 issued by the Australian Securities & Investments Commission. For further information refer to Note 25.

B. Significant restrictions

Other than those imposed by the legislative provisions in the respective country of incorporation, for the subsidiaries listed above, the Group has no significant restriction on its ability to access or use assets and settle liabilities.

C. Subsidiaries with non-controlling interests (NCI)

One subsidiary, Macquarie Memorial Park Pty Limited, has non-controlling interests of 16.86% (2020: 16.86%). During the year dividends totaling $117,000 were paid to non-controlling interests (2020: $Nil).

D. Employee share trust

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

E. Accounting policies

I. Subsidiaries

Subsidiaries are all entities (including employee share trust) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

II. Consolidation of subsidiaries

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to Note 19.D).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of non-wholly owned subsidiaries are shown separately in the consolidated statement of comprehensive income and balance sheet, respectively.

III. Employee share trust

The employee share trusts are consolidated, as the substance of the relationship is that the trusts are controlled by the Group. Shares held by the InvoCare Employee Share Plan and InvoCare Deferred Employee Share Plan Trusts are disclosed as treasury shares and deducted from contributed equity.

IV. Foreign currency translation on subsidiaries

The results and financial positions of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- Income and expenses for each statement of comprehensive income are translated at average exchange rates
- All resulting exchange differences are recognised in other comprehensive income

On consolidation, exchange differences arising from the translation of any net investment in foreign subsidiaries, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences will be recognised in the statement of comprehensive income, as part of the gain or loss on sale where applicable.

Goodwill and fair value adjustments arising on the acquisition of a foreign subsidiary are treated as assets and liabilities of the foreign subsidiaries and translated at the closing rate.

Note 21. Other financial assets

	2021 $'000	2020 $'000
Balance at 1 January	**4**	4
Addition in investment	**4,068**	-
Balance at 31 December	**4,072**	4

A. Other financial assets

Other financial assets consist mainly the Group's investment in Memories Group Limited (Memories), a provider of secure digital memorialisation services. The Group's investment represents 9.6% of Memories total equity. The investment is classified as a financial asset.

B. Critical accounting judgements, estimates and assumptions

Estimated impairment of financial assets

The Group annually considers the loss allowance for financial assets based on assumptions about expected loss rates. The Group applies judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history and existing market conditions as well as forward-looking estimates at the end of each reporting period.

C. Accounting policy

Other financial assets are measured at fair value through profit and loss, less any expected credit loss.

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

Note 22. Share-based remuneration

The ultimate objective of share-based remuneration is to align the participants with delivery of shareholder value. Long term incentives, with appropriate performance hurdles, align participants to the long-term strategies, goals and objectives of the Group, and provide greater incentive for senior employees to have broader involvement and participation in the Group beyond their immediate role. Equity participation also assists the Group to attract and retain skilled and experienced senior employees.

The obligations under share-based payment arrangements are settled by either issuing new ordinary shares in the Company or acquiring ordinary shares of the Company on market. Overseas participants receive cash equivalent to the value of the equity awarded that vests.

Trading in InvoCare's ordinary shares awarded under the share-based remuneration arrangements is governed by the InvoCare's Share Trading Policy. The policy restricts employees from trading in InvoCare's shares when they are in a position to be aware, or are aware, of price sensitive information. The policy also implements blackout periods which prohibit trading in InvoCare's shares in the lead up to the Group's half year and annual result announcements, unless Board express approval is obtained.

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

Four plans are currently in operation under the Company's Employee Share Plan Rules. They include:

- A plan which is available to eligible employees who meet the employment conditions:
  - Exempt Employee Share Plan (EESP) – in the form of shares to the maximum value of $1,000 instead of cash salary
- Three plans which are only available to nominated employees:
  - Long-term Incentive Plan (LTIP) – in the forms of options and/or performance rights or cash equivalent, which will vest if the performance and employment conditions are both met
  - Deferred Employee Share Plan (DESP) – in the form of shares or share appreciation rights (SARs) for overseas employees which will vested when employment condition is met
  - Service Based Equity Plan (SEP) – in the form of rights or cash equivalent, which will vest if the employment condition is met

A. Exempt Employee Share Plan

Australian based permanent employees with more than six months service and a salary less than $180,000 per annum and casual staff with more than two years service routinely working at least 40% of a full time equivalent are annually offered the opportunity to acquire $1,000 worth of InvoCare Limited shares through a salary sacrifice arrangement as permitted by Australian Taxation Legislation. During 2021, 308 employees accepted the offer and at 31 December 2021 a further $166,000 was remaining to be collected via payroll deductions.

B. Long-term Incentive Plan

LTIP was introduced during 2016. The plan permits settlement in either equity or cash, at the Board's discretion. The plan provides options and/or performance rights to senior management team and a selected group of critical roles within the Group, so employees are incentivised to maximise shareholder value in the longer term.

Key terms and conditions of the LTIP						
Grant year	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**
Base year (financial year ended 31 December	2015	2016	2017	2018	2019	2020
Form of grant[a]						
Performance rights	Yes	Yes	Yes	Yes	Yes	Yes
Options	Yes	Yes	Yes	Yes	Yes	N/A
Form of settlement when exercising vested LTI						
Australian participants[b]	Shares	Shares	Shares	Shares	Shares	Shares
Overseas	Cash	Cash	Cash	Cash	Cash	Cash
Grant date fair value						
Rights – grant date value	$12.08	$14.06	$13.91	$12.96	$9.70	$11.57
Options – grant date value	$2.40	$2.93	$2.78	$2.51	$2.14	N/A
Dividend entitlement[c]						
Performance rights	No	No	No	No	Yes	Yes
Performance hurdle(s) and vesting scale						
CAGR in EPS target[d]						
Maximum (100% vesting)	12%	12%	12%	12%	10%	15%
Minimum (30% vesting)	7%	7%	8%	8%	6%	10%
Average ROIC target[e]						
Maximum (100% vesting)	N/A	N/A	N/A	N/A	12%	N/A
Minimum (30% vesting)	N/A	N/A	N/A	N/A	10%	N/A
Average ROCE target[f]						
Maximum (100% vesting)	N/A	N/A	N/A	N/A	NA	12%
Minimum (30% vesting)	N/A	N/A	N/A	N/A	NA	10%
Number of tranches for the grant						
Performance rights/options	3	3	2	2	1	1
Performance testing time for each tranche (T)						
Feb-18	T1					
Feb-19	T2 + PY residue	T1				
Feb-20	T3 + PY residue	T2 + PY residue				
Feb-21	Final re-testing All residue	T3 + PY residue	T1			
Feb-22		Final re-testing All residue	T2 + PY residue	T1		
Feb-23				T2 + PY residue		
Mar-23					Only one testing	
Mar-24						Only one testing

a *Both options and performance rights are granted for nil consideration, they are not entitled to voting rights during the vesting period*

b *For each vested option and performance rights, upon exercise:*

- For Australian participants, each option (after paying the options exercise price) and performance right entitle the participant to subscribe for one InvoCare ordinary share
- For overseas participants, each option (after paying the options exercise price) and performance right entitle the participant to receive cash equivalent value of one InvoCare ordinary share at the market value at date of exercise of the options and performance rights

c *For those performance rights entitled to dividends, if determined and paid by InvoCare Board, during the performance period. Additional performance rights will be granted to the participants of LTIP at the dividend payment date. The number of performance rights granted are calculated by the number of share rights or performance rights times the dividend paid per share divided by the dividend reinvestment plan VWAP price. These additional performance rights granted – dividend entitlement will only be payable as additional shares on date of vesting of the originally granted performance rights*

- ***d*** *Normalised EPS means constant currency EPS adjusted to exclude the after tax impacts of funds under management movements, the gain or loss on the sale, disposal or impairment of non-current assets, non-cash movements in derivative financial instruments reported in profit before tax and impacts of changed accounting policies because of changes of accounting standards from the base year. For 2020 grant onwards, EPS is calculated based on operating earnings (normalised for non-operating items)*
- ***e*** *For 2016 to 2019 grant, vesting of these grants is conditional on meeting a minimum level of ROIC as specified in the invitation, being no LTI vesting will occur if the ROIC for the year does not exceed the weighted average cost of capital (WACC) in that year. For the vesting test on the second anniversary (ie re-testing), the average of years one and two ROIC and WACC are to be used*
- ***f*** *ROIC means return on invested capital and is calculated by dividing the operating earnings by the average invested capital*
- ***g*** *ROCE means return on capital employed and is calculated by dividing the operating earnings before interest and tax by the average capital employed*
- ***h*** *Upon termination of employment, all unvested options and performance rights will be forfeited unless Board approval is granted for the "Good Leaver"*
- ***i*** *Clawback and malus: the Board, at its sole discretion, may determine that all or part of any vested and unvested options or performance rights may be forfeited in certain circumstances*

The fair value of the options and performance rights at grant date is estimated using Black-Scholes Pricing model. The model takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield, the risk-free interest rate for the term of the option.

The following information related to the options and performance rights issued under the LTIP.

Grant date	Expiry date	Fair value at grant date	Balance at the start of the year Number	Granted Number	Grant - dividend entitlements Number	Vested Number	Lapsed Number	Balance at the end of the year Number
Options								
1/01/2016	1/01/2026	$2.40	449,094	-	-	-	(174,924)	274,170
22/02/2016	22/02/2026	$2.40	20,946	-	-	-	(20,946)	-
1/01/2017	1/01/2027	$2.93	413,565	-	-	-	(154,786)	258,779
22/02/2017	22/02/2027	$2.93	16,221	-	-	-	-	16,221
1/01/2018	1/01/2028	$2.78	623,232	-	-	-	(13,822)	609,410
1/01/2019	1/01/2029	$2.51	789,956	-	-	-	(25,466)	764,490
1/03/2020	1/03/2028	$0.58	513,820	-	-	-	(16,062)	497,758
			2,826,834	-	-	-	(406,006)	2,420,828
Performance rights								
1/01/2016	1/01/2026	$12.08	32,477	-	-	-	(32,477)	-
22/02/2016	22/02/2026	$12.08	2,770	-	-	-	(2,770)	-
1/01/2017	1/01/2027	$14.06	43,320	-	-	-	(13,739)	29,581
22/02/2017	22/02/2027	$14.06	3,380	-	-	-	-	3,380
1/01/2018	1/01/2028	$13.91	58,943	-	-	-	(2,762)	56,181
1/01/2019	1/01/2029	$12.96	69,208	-	-	-	(4,419)	64,789
1/03/2020	1/03/2035	$9.70	105,068	-	1,443	-	(7,145)	99,366
3/08/2020	1/08/2035	$9.70	17,107	-	242	-	-	17,349
1/01/2021	1/01/2036	$11.57	-	284,872	2,279	-	(6,197)	280,954
			332,273	284,872	3,964	-	(69,509)	551,600

The value of the options and performance rights exercised is based on the VWAP for the year ended 31 December 2021 and was $11.33 (2020: $11.10).

C. Deferred Employee Share Plan

This plan introduced in 2007 is settled by the transfer of InvoCare ordinary shares to participants upon vesting. This plan is for recognising, rewarding and retaining InvoCare's key talent in critical roles in middle management level. Therefore, from 2016 onwards, this plan has only one vesting condition, being ongoing employment condition met at vesting dates. Eligible employees participate in this plan based on nomination only.

The required ordinary shares can be purchased on market and held by the Employee Share Plan Trust or issue of new shares. This plan if in operation, grants normally occur in March following the previous full year results announcement. For new grants, the number of shares to be allocated to eligible employees is based on the volume weighted average price (VWAP) of InvoCare ordinary shares traded during the first 10 days of the trading window that immediately follows the announcement of the previous full year results.

The key terms and conditions of this plan:

- In the form of shares to be granted as approved by the Board
- Shares are granted for nil consideration
- The vesting condition is to meet ongoing employment condition
- Each grant of shares is divided in three equal tranches
- From 2021, the waiting period is shortened by 12 months for ongoing employment condition, the vesting date of the three tranches are:
  - Tranche 1 – completion of 12 months employment from grant date
  - Tranche 2 – completion of 24 months employment from grant date
  - Tranche 3 – completion of 36 months employment from grant date
- Prior 2021, the waiting period for ongoing employment condition, the vesting date of the three tranches are:
  - Tranche 1 – completion of 24 months employment from grant date
  - Tranche 2 – completion of 36 months employment from grant date
  - Tranche 3 – completion of 48 months employment from grant date
- Entitle to receive any dividends that may become payable on the shares during the vesting period
- Entitle to voting rights of the shares during the vesting period
- Upon vesting:
  - For Australian participants, vested shares will be transferred to the vested shares account of the participants
  - For overseas participants, each shares entitle the participant to receive cash equivalent value of one InvoCare ordinary share at the market value at date of vesting
- Upon termination of employment, all unvested shares will be forfeited

D. Service Based Equity Plan

The Service Based Equity Plan (SEP) introduced in 2020. SEP is for recognising, rewarding and retaining InvoCare's key talent in critical roles in middle management level. This plan has only one vesting condition, being ongoing employment condition met at vesting dates. Eligible employees participate in this plan based on nomination only.

The key terms and conditions of this plan:

- In the form of rights to be granted as approved by the Board
- Rights are granted for nil consideration
- The vesting condition is to meet ongoing employment condition
- Each grant of rights is divided in six equal tranches
- For ongoing employment condition only rights, the vesting date of the six tranches is every six months from the grant date
- These rights are entitled to dividends, if determined and paid by InvoCare Board, during the performance period. Additional rights will be granted to the participants of SBP at the dividend payment date. The number of rights granted are calculated by the number of share rights or performance rights times the dividend paid per share divided by the dividend reinvestment plan VWAP price. These additional rights granted – dividend entitlement will only be payable as additional shares on date of vesting of the originally granted rights
- For each vested right, upon exercise:
  - For Australian participants, each right entitles the participant to subscribe for one InvoCare ordinary share
  - For overseas participants, each right entitles the participant to receive cash equivalent value of one InvoCare ordinary share at the market value at date of exercise
- Upon termination of employment, all unvested rights and any cumulated dividend (in the form of rights) will be forfeited

The following information relates to the rights issued under the SEP and shares held in the share plan trust under DESP.

Grant date	Expiry date	Fair value at grant date	Balance at the start of the year Number	Granted Number	Grant - dividend entitlements Number	Vested Number	Lapsed Number	Balance at the end of the year Number
Rights - ongoing employment condition only								
1/09/2020	1/09/2035	$9.70	135,948	-	1,789	(8,106)	(16,210)	113,421
19/10/2020	1/09/2035	$10.50	14,000	-	198	-	-	14,198
1/01/2021	31/12/2035	$11.57	-	34,782	-	-	-	34,782
3/05/2021	3/05/2036	$11.57	-	2,000	15	-	-	2,015
			149,948	36,782	2,002	(8,106)	(16,210)	164,416
Shares - ongoing employment condition only								
1/03/2017	1/03/2032	$14.06	3,662	-	-	(3,662)	-	-
1/03/2018	1/03/2028	$13.91	8,285	-	-	(4,128)	(648)	3,509
1/03/2019	21/02/2029	$14.46	29,064	-	-	(9,862)	(872)	18,330
1/03/2020	1/03/2035	$10.70	1,758	-	-	-	-	1,758
15/06/2020	1/07/2035	$11.10	30,000	-	-	(10,000)	-	20,000
1/03/2021	1/03/2031	$10.70	-	12,000	-	-	-	12,000
1/09/2021	1/09/2036	$11.10	-	34,421	-	-	-	34,421
			72,769	46,421	-	(27,652)	(1,520)	90,018

The value of the options and performance rights exercised is based on the VWAP for the year ended 31 December 2021 and was $11.33 (2020: $11.10).

Note 23. Related party transactions

A. Key management personnel compensation

	2021 $	2020 $
Short-term employee benefits	**2,671,110**	3,330,600
Post-employment benefits	**49,597**	156,079
Other long-term benefits	**10,618**	(101,930)
Termination benefits	**-**	428,909
Share based payments	**814,380**	320,490
	3,545,705	4,134,148

B. Parent entity

The ultimate parent entity within and for the Group is InvoCare Limited.

C. Transactions with subsidiaries

All transactions that have occurred among the subsidiaries within the Group have been eliminated for consolidation purposes.

D. Transactions with other related parties

The contributions to superannuation funds on behalf of employees are disclosed in Note 5.F.

Note 24. Parent entity information

A. Summary financial information

The financial information provided in the table below is only for InvoCare Limited, the parent entity of the Group.

	2021 $'000	2020 $'000
Statement of comprehensive income		
Profit after income tax	**56,023**	59,662
Total comprehensive income	**56,382**	61,279
Balance sheet		
Current assets	**85**	44,936
Total assets	**897,139**	866,746
Current liabilities	**4,854**	1,582
Total liabilities	**160,574**	165,779
Equity		
Contributed equity	**497,779**	497,005
Share-based payments reserve	**5,503**	3,296
Cash flow hedges reserve	**-**	(359)
Foreign currency reserve	**1,080**	1,080
Retained profits	**232,203**	199,945
Total equity	**736,565**	700,967

B. Guarantees entered into by the parent entity

The parent entity provided the following guarantees during the year ended 31 December 2021 and 31 December 2020:

- Bank guarantees given for leased premises of subsidiaries to a maximum of $3,289,000 (2020: $2,870,000)
- Under the terms of a General Security Trust Deed executed on 16 February 2018 the parent entity, InvoCare Limited, and its material wholly-owned subsidiaries (the Guarantors) have individually guaranteed to the financiers the due and punctual payment in full of any liabilities or obligations provided under the terms of the Syndicated Facility Agreement and the Note Purchase Agreement both dated 16 February 2018. The Guarantors have also indemnified the financiers against any loss or damage suffered by the financiers arising from any failure by a borrower or any Guarantor to satisfy the obligations.

C. Contingent liabilities

Other than the guarantees as disclosed in section B above, there were no unrecognised contingent liabilities as at 31 December 2021 and 31 December 2020.

D. Capital commitment – property, plant and equipment

The parent entity has no capital commitments for the acquisition of property, plant or equipment at 31 December 2021 and 31 December 2020.

E. Tax consolidation group

InvoCare Limited (the head entity) and its wholly-owned Australian subsidiaries implemented the tax consolidation legislation from 1 January 2004.

On adoption of the tax consolidation legislation, the entities in the tax consolidated group entered into a tax sharing and funding agreement which, in the opinion of the directors, limits the joint and several liability of the wholly-owned subsidiaries in the case of a default by the head entity.

This agreement was updated on 5 June 2007 and provides that the wholly-owned subsidiaries will continue to fully compensate InvoCare Limited for any current tax payable assumed and be compensated by InvoCare Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to InvoCare Limited under the tax consolidation legislation.

The amounts receivable or payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. InvoCare Australia Pty Limited, as permitted by the tax funding agreement, acts on behalf of InvoCare Limited for the purpose of meeting its obligations to make tax payments, or receive refunds, and reimburses, or is compensated by, that entity through the intercompany loan account for amounts of tax paid, or received, except for the tax allocated to that entity.

F. Accounting policy applicable to parent entity

The accounting policies of the parent entity are consistent with those of the Group, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment

Note 25. Deed of cross guarantee

InvoCare Limited, InvoCare Australia Pty Limited and InvoCare (Singapore) Pty Limited entered into a Deed of Cross Guarantee on 11 December 2006 under which each company guarantees the debts of the others. Effective from 15 June 2011, Bledone Pty Ltd and Bledisloe Australia Pty Ltd became parties to this Deed of Cross Guarantee. Effective from 19 February 2021, InvoCare PetCare Pty Limited and Family Pet Care Pty Limited became parties to this Deed of Cross Guarantee. By entering into the deed, the wholly-owned subsidiaries have been relieved from the requirement to prepare a Financial Report and Directors' Report under ASIC Corporations Instrument 2016/785 issued by the Australian Securities & Investments Commission.

The above companies represent a "Closed Group" for the purposes of the ASIC Corporations Instrument, and as there are no other parties to the Deed of Cross Guarantee that are controlled by InvoCare Limited, they also represent the "Extended Closed Group".

Set out below is a consolidated statement of comprehensive income, summary of movements in consolidated retained profits and consolidated balance sheet for the year ended 31 December 2021 of the Closed Group.

	2021 $'000	Restated 2020 $'000
A. Consolidated statement of comprehensive income of the Closed Group		
Revenue from continuing operations	**474,679**	387,544
Finished goods, consumables and funeral disbursements	**(101,256)**	(96,351)
Employee benefits expense	**(164,393)**	(143,212)
Advertising and public relations expenses	**(11,235)**	(11,921)
Occupancy and facilities expenses	**(20,151)**	(18,985)
Motor vehicle expenses	**(9,152)**	(8,125)
Technology	**(16,761)**	(18,134)
Other expenses	**(17,417)**	(18,811)
	134,314	72,005
Depreciation and amortisation expenses	**(37,965)**	(32,903)
Pre-paid technology expenses	**(654)**	(750)
Impairment loss on intangibles	**(424)**	(3,191)
Reversal of impairment of cemetery land	**4,000**	6,000
Finance costs	**(34,372)**	(38,573)
Interest income	**1,943**	1,539
Acquisition related costs	**(743)**	(1,918)
Net gain on undelivered pre-paid contracts	**64,697**	2,691
Inter-segment revenue	**1,616**	1,317
Gain on lease termination	**1,517**	-
Net gain on disposal of non-current assets	**6,852**	7,521
Profit before income tax	**140,781**	13,738
Income tax expense	**(27,230)**	(6,373)
Net profit after income tax for the year	**113,551**	7,365
Other comprehensive income		
Items that may be reclassified to profit and loss		
Changes in fair value of cash flow hedges, net of tax	**(359)**	(1,240)
Total realised loss on early settlement of interest rate swaps reclassified to profit or loss	**-**	1,611
Net changes to cash flow hedges, net of tax	**(359)**	371
Changes in foreign currency translation reserve, net of tax	**-**	(1,595)
Other comprehensive income for the year, net of tax	**(359)**	(1,224)
Total comprehensive income for the year, net of tax	**113,192**	6,141
B. Summary of movements in consolidated retained profits of the Closed Group		
Retained profits as at 1 January	**158,414**	186,481
Profit after income tax for the year	**113,551**	7,365
Dividends paid	**(34,843)**	(35,432)
Retained profits as at 31 December	**237,122**	158,414

	2021 $'000	Restated 2020 $'000
C. Consolidated balance sheet of the Closed Group		
Current assets		
Cash and cash equivalents	**40,467**	107,219
Trade receivables	**1,695**	15,894
Other receivables	**16,386**	15,119
Inventories	**42,592**	40,000
Pre-paid technology assets	**582**	637
Pre-paid contract funds under management	**52,959**	50,268
Asset held for sale	**89**	2,333
Deferred selling costs	**4,571**	3,644
Deferred contract assets	**1,811**	1,541
Total current assets	**161,152**	236,655
Non-current assets		
Trade and other receivables	**171,376**	81,076
Shares in subsidiaries	**246,777**	246,777
Investment in Business Assets	**4,068**	-
Property, plant and equipment	**406,138**	378,461
Right of use asset	**118,219**	118,667
Pre-paid contract funds under management	**596,916**	562,863
Pre-paid technology assets	**8,019**	4,655
Intangible assets	**106,599**	105,140
Deferred selling costs	**10,550**	13,151
Deferred contract assets	**152**	2,525
Total non-current assets	**1,668,814**	1,513,315
Total assets	**1,829,966**	1,749,970
Current liabilities		
Trade and other payables	**58,749**	51,480
Contingent consideration	**6,187**	9,171
Lease liabilities	**17,977**	16,786
Derivative financial instruments	**-**	512
Current tax liabilities	**4,044**	77
Pre-paid contract liabilities	**44,315**	44,533
Deferred revenue	**30,758**	28,627
Provision for employee benefits	**15,895**	15,463
Total current liabilities	**177,925**	166,649
Non-current liabilities		
Contingent consideration	**-**	7,909
Borrowings	**188,843**	199,285
Lease liabilities	**130,278**	121,252
Derivative financial instruments	**-**	-
Deferred tax liabilities	**45,933**	32,144
Pre-paid contract liabilities	**496,003**	496,624
Deferred revenue	**56,220**	69,391
Provision for employee entitlements	**2,560**	2,444
Total non-current liabilities	**919,837**	929,049
Total liabilities	**1,097,762**	1,095,698
Net assets	**732,204**	654,272
Equity		
Contributed equity	**497,005**	497,005
Reserves	**(1,923)**	(1,147)
Retained profits	**237,122**	158,414
Total equity	**732,204**	654,272

Note 26. Economic dependence

The parent entity depends on dividend and interest income from, and management fees charged to, its subsidiaries to source the payment of future dividends and fund its operating costs and debt service obligations as borrower under the bank loan facility agreements. The parent entity's financial position is sound. Adequate cash resources are available to enable it to meet its obligations as and when they fall due, through either drawing on unused finance facilities, which at the reporting date amounted to $191,028,000 as outlined in Note 14.E., or by on-demand repayment of intercompany advances.

Note 27. Remuneration of auditors

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

	2021 $	2020 $
A. Audit services		
Deloitte Touche Tohmatsu (2020: PricewaterhouseCoopers) - Australian firm		
Audit and review of financial reports	**550,000**	525,121
Deloitte Touche Tohmatsu (2020: PricewaterhouseCoopers) - non-Australian firm		
Audit and review of financial reports	**-**	22,443
Non-Deloitte Touche Tohmatsu (2020: Non-PricewaterhouseCoopers) - Singaporean firm		
Audit and review of financial reports	**29,569**	32,152
Total remuneration for audit services	**579,569**	579,716
B. Non-audit services		
Deloitte Touche Tohmatsu (2020: PricewaterhouseCoopers) - Australian firm		
Assurance services	**26,741**	22,400
Taxation services	**55,000**	11,500
Other services	**246,486**	-
Deloitte Touche Tohmatsu (2020: PricewaterhouseCoopers) - non-Australian firm		
Taxation services	**-**	49,033
Other services	**-**	1,633
Non-Deloitte Touche Tohmatsu (2020: Non-PricewaterhouseCoopers) - Singaporean firm		
Other services	**-**	11,476
Total remuneration for non-audit services	**328,227**	96,042
C. Non-audit services prior to appointment as auditors		
Deloitte Touche Tohmatsu - Australian firm		
Taxation services	**113,566**	-
Other services	**121,149**	-
Total remuneration for non-audit services	**234,715**	-

It is the Company's policy to employ Deloitte Touche Tohmatsu on assignments additional to their statutory audit duties where Deloitte Touche Tohmatsu's expertise and experience with the Group are important and auditor independence is not compromised. These assignments are principally tax advice and advisory services, or where Deloitte Touche Tohmatsu is awarded assignments on a competitive basis. It is the Company's policy to seek competitive tenders for any major consulting projects.

Note 28. Other accounting policies

A. New or amended accounting standards and interpretations adopted

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

In April 2021, the IFRS interpretation committee published agenda decision Configuration or customisation costs in a cloud computing arrangement (AASB 138 Intangible Assets) which considers whether an intangible asset can be recognised in relation to configuration or customisation of application software. The financial impact and additional disclosures required are provided in Note 12 Intangibles.

B. Other accounting policies applicable

I. Foreign currency translation

a. Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Australian dollars, which is InvoCare Limited's functional and presentation currency.

b. Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

II. Inventories

Inventories comprising of funeral merchandise and memorialisation property items in the Cemeteries & Crematoria and Pets Cremation business, primarily held for the purpose of trading, are sold, consumed or realised as part of the normal operating cycle even when they are not expected to be realised within twelve months, and are classified as current.

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where appropriate, a proportion of variable and fixed overhead. Costs are assigned to individual items of inventory predominantly on the basis of weighted average cost. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

III. Deferred contract assets

Deferred contract assets represent items to be delivered related to the pre-2018 memorial product contracts. These contract assets will be unwind to cost of goods sold as the performance obligations of these contracts are met.

IV. Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year which had not been settled at balance date. The amounts are unsecured and are usually paid within 60 days of recognition.

V. Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest rate method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

VI. Derivative financial instruments

The Group uses derivative financial instruments, interest rate swaps, to hedge its risks associated with exchange and interest rate fluctuations. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- Hedges of the risks associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges)
- Hedges of a net investment in a foreign operation

The Group documents at inception the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment of whether the derivatives that are used in hedging transactions have been, and will continue to be, highly effective in offsetting changes in fair values or cash flows or hedged items.

The fair value of interest rate swap contracts is calculated as the present value of the estimated future cash flows. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than twelve months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than twelve months.

Hedges that meet the criteria for hedge accounting are accounted for as follows.

a. Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the statement of comprehensive income within finance costs.

Amounts accumulated in equity are recycled in the statement of comprehensive income within finance costs in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place).

When a hedging instrument expires, is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the statement of comprehensive income.

When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the statement of comprehensive income.

b. Hedges of a net investment

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a similar way to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised directly in equity while any gains or losses relating to the ineffective portion are recognised in the statement of comprehensive income. On disposal of the foreign operation, the cumulative value of any such gains or losses recognised directly in equity is transferred to the statement of comprehensive income.

VII. Employee benefits

a. Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12-months of the reporting date are recognised in other payables and provision for employee benefits in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled, including appropriate on-costs.

b. Long service leave

The liability for long service leave is recognised in the provision for employee benefits and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date, including appropriate on-costs. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

c. Bonus plans

The Group recognises a liability in other payables and an expense for bonus plans when there is no realistic alternative but to settle the liability and at least one of the following conditions is met:

- There are formal terms in the plan for determining the amount of the benefit
- The amounts to be paid are determined before the time of completion of the financial report
- Past practices give clear evidence of a constructive obligation

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

There are no Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, that have been early adopted by the Group for the annual reporting period ended 31 December 2021.

Directors' declaration

In the directors' opinion:

- The financial statements and Notes 1 to 28 are in accordance with the Corporations Act 2001, including:
  - complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements
  - giving a true and fair view of the Company's and the Group's financial position as at 31 December 2021 and of their performance for the financial year ended on that date
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable
- at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in Note 25 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in Note 25

Basis of preparation on page 54 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the Corporations Act 2001.

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

Bart Vogel

Chairman

Sydney

28 February 2022

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Independent Auditor's Report to the members of InvoCare Limited

Opinion

We have audited the financial report of InvoCare Limited (the "Entity"), and its subsidiaries (the "Group") which comprises the consolidated balance sheet as at 31 December 2021, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the declaration by the Directors.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Group's financial position as at 31 December 2021 and of its financial performance for the year then ended; and
- complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the Directors of the Entity, would be in the same terms if given to the Directors as at the time of this auditor's report.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key Audit Matter and why it was considered to be a matter of most significance in the audit	How the Key Audit Matter was addressed in the audit
<u>Accounting for pre-paid funeral contracts</u> As disclosed in note 9, the Group enters into pre-paid funeral contracts whereby it agrees to deliver a specified funeral, cremation or burial service at the time of need. The beneficiary ("customer") invests the current price of the service to be delivered with a financial institution and conditionally assigns the benefit to the Group. For each pre-paid funeral contract, the Group records an asset for the value of the funds invested (pre-paid contract funds under management) and a liability to deliver the services (pre-paid contract liabilities). As at 31 December 2021, the Group had recorded $649.9 million of pre-paid contract funds under management and $540.4 million of pre-paid contract liabilities. We have considered pre-paid funeral contracts to be a key audit matter due to the: - size of the asset and liability balances; and - judgement involved in determining whether the pre-paid funeral contracts include a significant financing component as well as the discount rate used to account for the significant financing component within the contracts, as a result of significant time differences that may arise between receipt of cash from customers and the subsequent recognition of revenue on the delivery of services (redemption date).	For the pre-paid contract funds under management, we performed the following procedures amongst others: - agreeing a sample of balances recorded by the Group to statements and confirmations received from independent custodians; and - testing the valuation of the invested funds under management by comparing a sample of underlying investments to relevant unit prices using market pricing data and custodian confirmations. For the pre-paid contract liabilities, we performed the following procedures amongst others: - reviewing management's paper in determining whether or not these pre-paid contract liabilities include a significant financing component; and - developing an independent expectation using an appropriate discount rate and applying it to the movements in the year for new contracts and redemptions to assess the reasonableness of the significant financing component recognised during the year. For both the pre-paid contract funds under management and the pre-paid contract liabilities, we performed the following procedures amongst others: - evaluating management's processes and controls in respect of pre-paid funeral contracts; - agreeing the date and value of a sample of contracts entered into during the year to the contract; - selecting a sample of redeemed contracts (recognised revenue) to assess whether the Group's performance obligation under the pre-paid funeral contracts had been satisfied. This included comparing the relevant original contracts to service delivery documents and investment returns to the amounts received back from the fund; and - evaluating the reasonableness of the disclosures against the requirements of Australian Accounting Standards, in particular assessing the current and non current classification in line with the allocation as determined by an independent actuarial expert.

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Other Information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

The Directors' Responsibilities for the Financial Report

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

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

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- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 24 to 42 of the Directors' report for the year ended 31 December 2021.

In our opinion, the Remuneration Report of the Group, for the year ended 31 December 2021, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of the Group are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

DELOITTE TOUCHE TOHMATSU

Sandeep Chadha
Partner
Chartered Accountants

Sydney, 28 February 2022