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# INVOCARE LIMITED AND SUBSIDIARIES

## Appendix 4D (rule 4.2A)

## HALF YEAR REPORT

**For the half year ended 30 June 2022**

## Results for announcement to the market

(All comparisons to half year ended 30 June 2021)

| | 30 Jun 2022 $'000 | Up/(down) $'000 | Movement % |
|---|---|---|---|
| Revenue from continuing operations | 285,373 | 24,518 | 9.4 |
| Operating earnings after income tax attributable to ordinary equity holders of InvoCare Limited* | 27,547 | 6,596 | 31.5 |
| Net loss from ordinary activities after income tax attributable to ordinary equity holders of InvoCare Limited | (16,765) | (59,860) | (138.9) |
| Net loss after income tax attributable to ordinary equity holders of InvoCare Limited | (16,765) | (59,860) | (138.9) |

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

### Dividend information

| | Amount per share cents | Franked amount per share cents | Franking credit % |
|---|---|---|---|
| 2022 Interim dividend | 13.5 | 13.5 | 100 |

**2022 Interim dividend dates**

| | |
|---|---|
| Record date | 2 September 2022 |
| Payment date | 6 October 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 5 September 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.linkgroup.com 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

| | 30 Jun 2022 $ | Restated* 30 Jun 2021 $ |
|---|---|---|
| Net tangible asset per ordinary share | 2.44 | 2.58 |

* *The Group has changed its accounting policy for software-as-a-service arrangements (SaaS arrangements) for the financial year ended 31 December 2021 with retrospective impact to the comparative information as at 30 June 2021. Refer to Basis of preparation – Comparatives section of the attached Half Year 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 AASB 16 Leases.

### Other information

During the reporting period, InvoCare Limited had:

- no change in investment in subsidiaries
- no material interest in associates or joint ventures

Additional Appendix 4D disclosure requirements can be found in the half year financial report of InvoCare Limited for the half year ended 30 June 2022. This report is also to be read in conjunction with the Annual Report of InvoCare Limited for the year ended 31 December 2021 and any public announcements made by InvoCare Limited during the reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001 and the ASX Listing Rules.

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

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InvoCare

# INVOCARE LIMITED AND SUBSIDIARIES

**ABN 42 096 437 393**

## HALF YEAR FINANCIAL REPORT

**For the half year ended 30 June 2022**

# INVOCARE LIMITED

## Half year financial report

## Financial report content


| | Page |
|---|---|
| **Directors' report** | 3 |
| Directors | 3 |
| Company overview and principal activities | 3 |
| Operating and financial review | 3 |
| 2022 outlook | 12 |
| Subsequent events | 16 |
| Auditor's independence declaration | 16 |
| Rounding of amounts | 16 |
| **Auditor's independence declaration** | 17 |
| **Consolidated financial statements** | 18 |
| **Notes to the consolidated financial statements** | 27 |
| **Directors' declaration** | 38 |
| **Independent auditor's review report** | 39 |


Information is only being included in this 2022 Half Year 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

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# INVOCARE LIMITED AND SUBSIDIARIES

## Directors' report

Your Directors present their report together with the financial statements of the consolidated entity consisting of InvoCare Limited (the Company) and its subsidiaries (InvoCare or the Group) for the half year ended 30 June 2022 (HY22).

## Directors

The Directors of the Company at any time during or since the end of the half year are as follows. Directors were in office for the entire period unless otherwise stated.

- Bart Vogel (Chairman)
- Olivier Chretien (Chief Executive Officer and Managing Director)
- Kim Anderson
- Richard Davis
- Megan Quinn
- Keith Skinner
- Kee Wong

## Company overview and principal activities

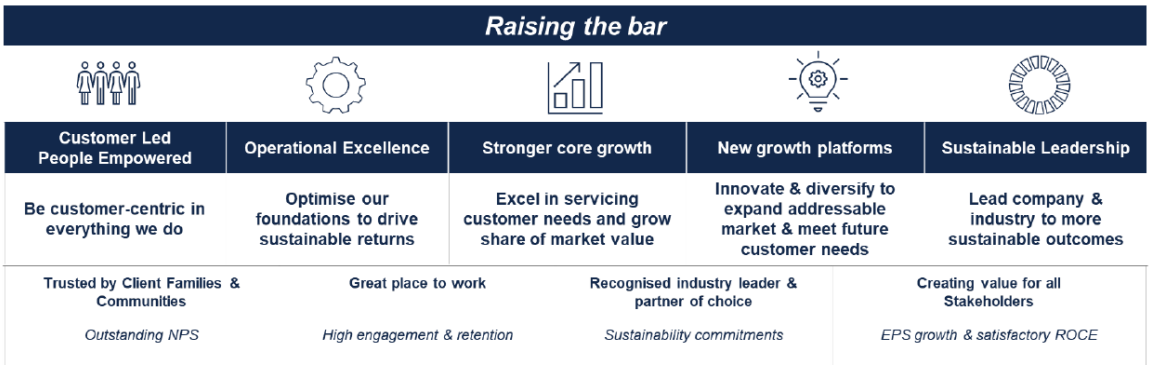
InvoCare Limited (listed on the Australian Securities Exchange, ASX:IVC), headquartered in Sydney, is a leading provider of funeral services in Australia, New Zealand and Singapore and operates private memorial parks and crematoria in Australia and New Zealand. It is also a leading provider of pet cremation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

## Operating and financial review

### Our strategic ambition for 2025 and progress to date

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

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:




Strong momentum in strategy execution continued during the period, with the Group focused on investing in its people, customers, and optimising foundations to drive sustainable returns.

- **Customer Led, People Empowered:** Our primary focus remained the care and service of our client families. NPS increased to +81.5, we launched our "WeCARE" enhanced customer feedback platform and initiated work on new CRM and data investments. We also conducted an employee engagement 'Pulse' survey to check-in with our teams, and enhanced our talent attraction, recruitment, induction processes and training offerings.
- **Operational Excellence:** We prepared for the phased rollout of our new Cemeteries & Crematoria Enterprise Resource Planning (ERP) and implemented a new Group payroll system ahead of new workforce planning tools. Investments in new shared service centres and ongoing process standardisation and simplification continued. We also brought forward the operational integration of our three Pet Cremations businesses to enable sustainable growth.
- **Stronger Core Growth:** We made targeted investments in our funeral networks and improvements to our brand value propositions, pricing and procurement strategy. We trialed new memorialisation product ranges, upgraded key websites to improve traffic conversion and initiated a program to optimise customer digital and phone channels. To support longer term growth, we conducted a strategic review of our pre-paid funerals business and progressed 'Park as a Destination' master planning for several memorial parks.
- **New Growth Platforms**: We expanded our digital self-serve capabilities as well as the breadth of activities of our Group Innovation Hub, including a recent investment in US-based Parting Stone Incorporated (solidified cremated remains product). We increased the take up of Memories digital memorialisation across our network and rolled out carer grief support training with our not-for-profit partner Violet. Our businesses continued to expand key commercial agreements – including community agreements in our memorial parks and national vet network agreements. Finally, we commenced rebuilding a pipeline of potential merger and acquisition and partnership opportunities.

- **Sustainable Leadership**: We continued to grow our two key measures of long term success, Operating EPS (up 31% to 19.3 cents) and ROCE (up 1.2 ppts on a rolling 12-month basis to 11.9%). Our continued investment and focus on safety saw the Group's injury metrics reducing by more than 30% on the PCP. We enhanced our sustainability strategy, 'People, Place, Planet', with our 2021 Sustainability Report being assessed as 'Comprehensive' by Australian Council of Superannuation Investors. Work is also underway to establish greenhouse gas emissions and reduction opportunities.

## 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 half year is set out on the following pages. The prior corresponding period (PCP) is the half year ended 30 June 2021 (HY21).

## 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 interim dividend of 13.5 cents per share for the HY22, representing a dividend payout ratio of 70% of Operating EPS, within the Group's preferred payout range.

| | Half year ended | | |
|---|---|---|---|
| | **30 Jun 2022 cents** | **Restated 30 Jun 2021 cents** | **Movement %** |
| Basic earnings per share (EPS) | **(11.7)** | 30.2 | (139) |
| Operating EPS | **19.3** | 14.7 | 31 |
| Interim dividend | **13.5** | 9.5 | 42 |
| Dividend payout ratio (%) | **70%** | 65% | 5 ppts |

## Profit performance for HY22

Strong growth in funeral case volumes and in burial and cremation volumes, growth in funeral case average and incremental growth in memorialisation sales in the Australian Cemeteries & Crematoria business and control of costs have driven record operating earnings for the first half. However, after accounting for a net loss on the 'mark-to-market' revaluation of pre-paid funeral funds under management or FUM (in relation to pre-paid funeral contracts to be delivered in the future), the Group delivered a reported net loss after tax attributable to shareholders of $16.8 million. Unlike the PCP, where equity markets generated a net revaluation gain, in HY22 the volatility in global equity markets has led to an unrealised mark-to-market revaluation loss of $46.0 million on these assets.

This volatility in accounting-driven mark-to-market revaluations of undelivered pre-paid funeral contracts is why InvoCare considers Operating earnings before interest, tax, depreciation and amortisation (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

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A reconciliation of operating to statutory financial results is included on page 13.

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

| | Half year ended | | |
|---|---|---|---|
| | 30 Jun 2022 $'000 | Restated 30 Jun 2021 $'000 | Movement % |
| Revenue | **283,332** | 257,343 | 10 |
| Expenses | **(214,853)** | (193,793) | (11) |
| EBITDA | **68,479** | 63,550 | 8 |
| Depreciation and amortisation | **(23,925)** | (24,104) | 1 |
| Pre-paid technology expenses | **(496)** | (281) | (77) |
| Business acquisition costs | **(382)** | (714) | 46 |
| Net gain on lease modifications/terminations | **337** | 1,493 | (77) |
| EBIT | **44,013** | 39,944 | 10 |
| Net finance costs | **(5,604)** | (8,583) | 35 |
| Profit before income tax | **38,409** | 31,361 | 22 |
| Income tax expense | **(10,770)** | (10,361) | (4) |
| Non-controlling interests | **(91)** | (49) | (86) |
| **Operating net profit after income tax attributable to equity holders of InvoCare Limited** | **27,548** | 20,951 | 31 |
| Operating EPS (cents per share) | **19.3** | 14.7 | 31 |
| OPEX to sales %* | **51%** | 51% | 0 ppts |
| EBITDA margin (%) | **24%** | 25% | (1 ppts) |
| EBIT margin (%) | **16%** | 16% | 0 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 8% growth in funeral case volume in Australia and 13% growth in New Zealand, 4% growth in funeral case average, 20% growth in pet cremation volumes to just under 50,000 in the half and double-digit growth in cremation and burials at our memorial parks.

A timely, disciplined pricing strategy, strong sales volume and cost control are reflected in a steady OPEX to sales percentage compared to the PCP. The $21.1 million (11%) increase in operating expenses includes an $8 million increase in 'finished goods, consumables and funeral disbursements' reflecting increased sales activity, and $10.6 million growth in employee expenses. Annualisation of capability investments made in 2021, the impact of wage increases (including Enterprise Bargaining Agreements), additional staff onboarded to meet volume growth and variable costs associated with increased sales activity, such as overtime, have all contributed to the employee cost growth.

Depreciation & amortisation expense in HY22 is lower than the PCP as this included a one-off $1.1 million 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).

The decline in net finance costs reflects the benefit of lower borrowings in the period and an improved leverage ratio reducing the interest rate margin charged by our lenders. The decrease also reflects the benefit from a $1.6 million foreign exchange rate gain on the retranslation of New Zealand dollar denominated debt, which is drawn down in Australia.

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## 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.

While there were no material acquisitions in the period, the Group disposed of one location in Australia for proceeds of $0.6 million. This transaction gave rise to a net gain on disposal of non-current assets of $0.4 million, which has been recognised in Non-Operating EBIT.

The decision was made at the end of 2021 to accelerate the operational integration of the Pet Cremations businesses acquired in H2 2020. To meet the heightened requirements for supporting a national Pet Cremations business, the leadership structure has been reviewed and some changes have occurred in HY22 to increase capability and skillset to sustainably support the division on a national basis over the long term. One-off costs associated with hiring that talent and accelerating the integration have been included within the $1.5 million of restructuring costs included within Non-Operating EBIT in the half. These restructuring costs also includes the impacts from alignment of policies with respect to inventory and bad debts provisioning.

### 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**

| | 30 Jun 2022 $'000 | 31 Dec 2021 $'000 | Movement % |
|---|---|---|---|
| Trade and other receivables | **86,054** | 80,630 | 7 |
| Inventories | **44,009** | 46,866 | (6) |
| Trade and other payables | **(59,250)** | (69,226) | 14 |
| Net working capital | **70,813** | 58,270 | 22 |
| Property, plant and equipment | **495,506** | 494,454 | 0 |
| Intangibles | **226,145** | 226,913 | (0) |
| Net pre-paid funds under management/contract liabilities | **51,512** | 109,435 | (53) |
| Deferred selling costs | **35,155** | 35,755 | (2) |
| Deferred contract assets | **1,086** | 1,963 | (45) |
| Net right of use asset and lease liabilities[a] | **(11,081)** | (12,646) | 12 |
| Deferred revenue | **(122,813)** | (127,959) | 4 |
| Net tax items | **(34,497)** | (47,095) | 27 |
| Other items[b] | **(11,848)** | (13,515) | 12 |
| Total capital employed | **699,978** | 725,575 | (4) |
| Net debt | **(154,277)** | (144,654) | (7) |
| Net assets | **545,701** | 580,921 | (6) |
| Average working capital % of sales[c] | **12.4%** | 11.4% | 1 ppts |
| ROCE %[d] | **11.9%** | 11.2% | 0.7 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 rolling 12 months for the same period.*

***d*** *ROCE = Operating EBIT rolling 12 months / (average Net assets + average Net debt).*

Increased sales activities and the payment of trade and other payables, mainly December 2021 accrued payables including short term incentives, and insurance premium liabilities, has driven an increase in working capital relative to 31 December 2021. This has also driven a 1 percentage point (ppt) increase in average working capital % of sales on a rolling 12-month (r12) basis to 12.4%.

The increase in property, plant and equipment and intangible assets from capital expenditure in the half has been offset by the impact of depreciation & amortisation in the same period, holding these asset balances relatively flat compared to December 2021.

The unfavourable mark-to-market revaluation of pre-paid FUM in the half is the largest movement in capital employed, driving the $57.9 million decrease in net pre-paid FUM/contract liabilities. This impact is partially offset by a $10.7 million decrease in net deferred tax balances (primarily from a decrease in deferred tax liabilities associated with the pre-paid FUM balances).

Deferred revenue has declined $5.1 million from December 2021 with drier conditions at the end of the second quarter (Q2) allowing for memorialisation construction in the Cemeteries & Crematoria business, although activity was constrained for much of the half due to the inclement weather.

Included within Other items is the new class of asset, pre-paid technology assets, which was $11.4 million as at 30 June 2022 and will be unwound through Operating EBIT over the period of the software services. This asset has increased by $2.8 million compared to December 2021, driven by spend on the ERP system implementation for the Cemeteries & Crematoria business primarily.

The Group achieved ROCE on a r12 basis on 30 June 2022 of 11.9%, a 0.7ppt increase from December 2021 and a 1.2 ppt increase on the PCP. This has been driven primarily by growth in Operating EBIT on a r12 basis as the impact of the decrease in net pre-paid FUM/contract liabilities and restrained capital investment in the half has held average capital employed relatively flat.

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**Net debt at reporting date**

| | 30 Jun 2022 $'000 | 31 Dec 2021 $'000 | Movement % |
|---|---|---|---|
| Cash and cash equivalents | **52,977** | 53,630 | (1) |
| Borrowings | **(194,279)** | (188,843) | (3) |
| Finance lease liabilities | **(12,975)** | (9,441) | (37) |
| Net debt | **(154,277)** | (144,654) | (7) |
| Total shareholders' equity | **545,701** | 580,921 | (6) |
| Leverage ratio (times) | **1.2** | 1.3 | 0.1 |
| Interest cover ratio (times) | **25.4** | 15.8 | 9.6 |

$3.5 million of the $9.6 million increase in net debt from December 2021 is attributed to an increase in finance lease liabilities as the Group progressively replaces its vehicle fleet. The remaining movement is from the net of a $25 million drawdown from the Syndicated Debt Facility during the half to fund capital investments and other IT and digital related projects, $19 million of which was repaid by the end of the half as cash generation improved, particularly in New Zealand.

At 30 June 2022, the Group had access to $382.4 million of loan facilities, $196.3 million of which was drawn at 30 June 2022:

- 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. $96.3 million of this was drawn at the 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 covenant ratios continued to be met as of 30 June 2022.

## 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**

| | Half year ended | | |
|---|---|---|---|
| | 30 Jun 2022 $'000 | Restated 30 Jun 2021 $'000 | Movement % |
| Operating EBITDA | **68,479** | 63,550 | 8 |
| Net change in working capital | **(31,875)** | (12,263) | (160) |
| Net finance costs paid | **(6,559)** | (7,254) | 10 |
| Tax paid | **(4,209)** | (10,488) | 60 |
| **Operating cash flows** | **25,836** | 33,545 | (23) |
| Acquisitions | **(382)** | (1,503) | 75 |
| Divestments/sale of assets | **978** | 9,353 | (90) |
| Capital expenditure | **(18,380)** | (21,885) | 16 |
| Net funds from pre-paid contracts | **12,300** | 11,888 | 3 |
| **Investing cash flows** | **(5,484)** | (2,147) | (155) |
| Dividends paid | **(16,643)** | (10,084) | (65) |
| Net draw down/(repayment) of borrowings | **5,903** | - | - |
| Net lease payments | **(10,171)** | (9,020) | (13) |
| Other | **33** | - | - |
| **Financing cash flows** | **(20,878)** | (19,104) | (9) |
| Change in cash held | **(526)** | 12,294 | (104) |
| Cash conversion %* | **72%** | 100% | (28 ppts) |
| Free cash flows* | **31,715** | 40,556 | (22) |

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

The Group ended the period with cash on hand of $53.0 million. Cash generated from operations, including net funds from pre-paid contracts, has been used to fund capital investments and dividends to shareholders and other financial liabilities.

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A stronger end to the half has led to an increase in current debtors. When combined with growth in Software-as-a-Service (SaaS) expenditure and quicker settlement of trade and other payables, this has driven a short term negative working capital swing, a 23% decline in operating cash flows and lower cash conversion of 72%. Normalised cash conversion, adjusting for these short term negative working capital impacts and the impact of the SaaS accounting policy change, would see cash conversion revert to the range of 80-90%, closer to our pre-COVID average H1 cash conversion rate.

Capital expenditure (CAPEX) of $18.4 million in the half has arisen mainly from $5.7 million of Platform investment related projects (Shared Service Centre construction and ERP implementations primarily) and $5.2 million on Growth/Network projects. The volume of such projects has reduced compared to the PCP (down $4.4 million). The remainder of spend relates primarily to recurring maintenance CAPEX of the Group's facilities and other plant and equipment and IT hardware purchases.

The Group has access to a revolving syndicated debt facility to fund its operations and capital requirements. Net financing cash flows includes the net draw down of $5.9 million of such debt facilities with $25 million of gross drawdowns made in the first quarter (Q1) mostly repaid at the end of Q2 as cash generated by the business increased, particularly in New Zealand. Dividends paid in the half is the 2021 final dividend.

**Cash conversion % calculation**

| | Half year ended | |
|---|---|---|
| | | Restated |
| | 30 Jun 2022 | 30 Jun 2021 |
| | $'000 | $'000 |
| Operating cash flows | **25,836** | 33,545 |
| Add back: Net finance costs paid | **6,559** | 7,254 |
| Add back: Tax paid | **4,209** | 10,488 |
| Net funds from pre-paid contracts | **12,300** | 11,888 |
| Other cash flows related to pre-paid contracts | **592** | 118 |
| Ungeared, tax free operating cash flows | **49,496** | 63,293 |
| Operating EBITDA | **68,479** | 63,550 |
| Cash conversion % | **72%** | 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**

| | Half year ended | |
|---|---|---|
| | | Restated |
| | 30 Jun 2022 | 30 Jun 2021 |
| | $'000 | $'000 |
| Operating cash flows | **25,836** | 33,545 |
| Net funds from pre-paid contracts | **12,300** | 11,888 |
| Interest paid | **6,729** | 7,388 |
| CAPEX (recurring and platform only) | **(13,150)** | (12,265) |
| Free cash flows | **31,715** | 40,556 |

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## 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

| | Half year ended | | |
|---|---|---|---|
| **Key performance indicators** | **30 Jun 2022** | **30 Jun 2021** | **Movement** |
| NPS | **+82.7** | +79.7 | 3 points |
| LTIFR | **12.9** | 17.0 | (24%) |
| Funeral case volumes (Number) | **19,299** | 17,960 | 8% |
| Funeral case average ($) | **8,511** | 8,227 | 4% |
| Operating revenue ($'000) | **166,567** | 149,813 | 11% |
| Operating EBITDA ($'000) | **43,857** | 37,437 | 17% |
| EBITDA margin % | **26%** | 25% | 1 ppts |
| Operating leverage | **1.5x** | 6.6x | (5.1x) |
| OPEX to sales % | **41%** | 43% | (2 ppts) |
| Capital expenditure ($'000) | **7,145** | 10,799 | (34%) |

The benefits of our diverse footprint, breadth of brands, increase in product and service offerings and positive strategic momentum continue to drive growth in earnings of the Australian funerals business. The business delivered record funeral case volumes in the half and case average grew 4%, both of which drove an 11% increase in operating revenue. Growth came from all markets but particularly New South Wales, and from key local brands, such as Le Pine in Victoria and specific multi-cultural brands, as well as national brands such as Simplicity and White Lady Funerals.

The business has delivered record case volumes in the half, but labour constraints driven by staff illness, lack of access to experienced casual labour and difficulty in hiring for vacant roles has meant the business has not been able to service all the volume available to it. The business has also incurred additional costs to deliver funeral services to client families, such as the use of third-party mortuary ambulance (up $1.7 million to $2.5 million for the half) and increased overtime and associated costs for staff.

Inflationary increases have been seen in some product lines, such as coffins, but the business has seen benefits from its revised pricing strategy taking a disciplined, quarterly approach to reviewing product and package pricing. This, combined with disciplined cost control, has meant that the top line growth has been realised in earnings with a 2 ppts improvement in OPEX to sales percentage to 41%, Operating EBITDA up 17% to $43.9 million and positive operating leverage of 1.5 times. It is noted that labour costs make up approximately 70% of the business' cost base and the business has not yet had the benefit of improved rostering and workforce planning tools to increase flexibility in its labour costs, a strategic initiative that is expected to be progressed over the next twelve months.

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## Cemeteries & Crematoria

### 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 over 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 circa 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

| | Half year ended | | |
|---|---|---|---|
| **Key performance indicators** | **30 Jun 2022** | **30 Jun 2021** | **Movement** |
| NPS | **+70.4** | +74.1 | (3.7 points) |
| LTIFR | **8.3** | 16.7 | (50%) |
| Burials (Number) | **1,674** | 1,419 | 18% |
| Cremations (Number) | **11,196** | 9,922 | 13% |
| Operating revenue ($'000) | **65,760** | 64,840 | 1% |
| Operating EBITDA ($'000) | **32,421** | 31,835 | 2% |
| EBITDA margin % | **49%** | 49% | 0 ppts |
| Operating leverage | **1.3x** | 0.9x | 0.4x |
| OPEX to sales % | **37%** | 37% | 0 ppts |
| Capital expenditure ($'000) | **4,343** | 1,316 | 230% |

AASB 15 deferred revenue and cost unwinds contributed $8.9 million to operating revenue and $7.1 million to Operating EBITDA respectively (HY21: $11.4 million and $8.6 million). This contribution continues to decline as instalment payers complete their payment plans. Arrangements are largely due to complete in FY2023.

The underlying Australian Cemeteries & Crematoria business has benefited from increased market volumes with double digit growth in the number of burials and cremations conducted contributing $2.5 million to the 6% increase in underlying operating revenue to $56.8 million (operating revenue excluding AASB 15 impact). Growth momentum in memorialisation revenue was stalled in the half with inclement weather significantly reducing foot traffic to memorial parks and inhibiting the ability to construct inventory. The easing of wet weather in June saw construction restart and a return of client families back to the major metropolitan parks, helping to close out and stimulate deferred sales. These constrained memorialisation sales ended the half up 3% on the PCP.

Associated sales incentives expense decline was more than offset by activity related increases and elevated park maintenance costs. Despite this, top line growth has been realised in earnings with underlying OPEX to sales percentage reduced by 1 ppt to 41%, underlying Operating EBITDA up 9% to $25.4 million and positive operating leverage of 1.5 times. Due to the offsetting impact of AASB 15 movements, reported OPEX to sales percentage has remained flat at 37%, Operating EBITDA has grown 2% to $32.4 million and positive operating leverage reduces to 1.3 times.

## 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 information to grieving families and veterinary clinics as to what stage of the cremation process their pet is in.

### Our performance

| | Half year ended | | |
|---|---|---|---|
| **Key performance indicators** | **30 Jun 2022** | **30 Jun 2021** | **Movement** |
| Pet cremation volumes (Number) | **49,341** | 41,160 | 20% |
| Pet case average ($) | **347** | 332 | 5% |
| Operating revenue ($'000) | **16,701** | 13,691 | 22% |
| Operating EBITDA ($'000) | **2,575** | 3,649 | (29%) |
| EBITDA margin % | **15%** | 27% | (12 ppts) |
| Operating leverage | **(1.3x)** | (0.4x) | (0.9x) |
| OPEX to sales % | **64%** | 56% | 8 ppts |
| Capital expenditure ($'000) | **693** | 1,226 | (44%) |

The Pet Cremations business in Australia continued to grow with 20% growth in pet cremation volumes the main driver of the 22% growth in operating revenue to $16.7 million.



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At the end of 2021 it was decided to bring forward the national integration of the three main Pet Cremations businesses. This has been executed in the first half and the business has experienced the impact of that integration in its cost base ahead of expected sales growth. Capability investment in national support roles and business development resources, an increase in travel costs and an increase in staffing levels and costs (FTE, temporary and overtime/fuel) to service the increased cremation volumes has driven increases in operating costs. This resulted in part from the much-delayed addition of capacity from new cremators ordered in early 2021, because of international supply chain challenges on transporting them from overseas. This increase in cost base ahead of revenue growth has led to an 8 ppts increase in OPEX to sales percentage and a decline in Operating EBITDA of 29% to $2.6 million for the half.

## 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 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

| | Half year ended | | |
|---|---|---|---|
| **Key performance indicators** | **30 Jun 2022** | **30 Jun 2021** | **Movement** |
| NPS | **+88** | +86.7 | 1.3 points |
| LTIFR | **2.6** | 16.2 | (85%) |
| Funeral case volumes (Number) | **3,703** | 3,289 | 13% |
| Funeral case average ($) | **7,530** | 7,317 | 3% |
| Operating revenue ($'000) | **30,437** | 26,340 | 16% |
| Operating EBITDA ($'000) | **7,751** | 5,337 | 45% |
| EBITDA margin % | **25%** | 20% | 5 ppts |
| Operating leverage | **2.8x** | 3.6x | (0.8x) |
| OPEX to sales % | **45%** | 48% | (3 ppts) |
| Capital expenditure ($'000) | **819** | 1,633 | (50%) |

N.B Figures included in the table above are the Australian dollar equivalents.

Like the Australian funeral services business, the New Zealand business has experienced recovery in case volume to record levels for the half and this growth was a key driver of the 16% increase in operating revenue on the PCP. Case average grew 3% on the PCP with a return to higher service funerals when conditions allowed as restrictions were eased from early April, up until then indoor gatherings were restricted to less than 200.

A tight control of costs and the benefits from a revised pricing strategy, taking a disciplined, progressive approach to reviewing product and package pricing, has led to improved cost base efficiency metrics and margins and a strong operating leverage of 2.8 times, with Operating EBITDA increasing 45% to $7.8 million.

### Our performance – Singapore

| | Half year ended | | |
|---|---|---|---|
| **Key performance indicators** | **30 Jun 2022** | **30 Jun 2021** | **Movement** |
| Funeral case volumes (Number) | **889** | 843 | 6% |
| Funeral case average ($) | **10,541** | 9,257 | 14% |
| Operating revenue ($'000) | **10,867** | 9,280 | 17% |
| Operating EBITDA ($'000) | **4,896** | 4,414 | 11% |
| EBITDA margin % | **45%** | 48% | (3 ppts) |
| Operating leverage | **0.6x** | (0.9x) | 1.5x |
| OPEX to sales % | **33%** | 32% | 1 ppts |
| Capital expenditure ($'000) | **47** | 77 | (39%) |

N.B Figures included in the table above are the Australian dollar equivalents.

Like Australia and New Zealand, Singapore is also seeing elevated market volume of deaths in the half driven partly by a surge in COVID deaths, which is contributing to the 6% growth in volumes, to a record level for the half. The easing of restrictions on gatherings from May, allowing the business to deliver its full suite of offerings, has also assisted in driving the 14% growth in funeral case average. These two factors combined have meant the business has seen a 17% increase in operating revenue compared to the PCP.

The Singapore police contract won at the beginning of the second half of 2021 has now been successfully implemented but these are at a lower case average and higher cost to serve. The business has also ramped up workforce capacity to manage the increased case volumes. Combined these additions have driven an increase in the cost base of the business and impacted margins with Operating EBITDA growing only 11% to $4.9 million.

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## 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 is 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. Pre-paid 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.

| | Half year ended | | |
|---|---|---|---|
| **Key performance indicators** | **30 Jun 2022** | **30 Jun 2021** | **Movement** |
| Pre-paid % of at need funerals | **13.9%** | 14.2% | (0.3 ppts) |
| Unrealised (loss)/gain on pre-paid contract funds under management ($'000) | **(46,021)** | 38,567 | (219%) |
| Changes in provision for pre-paid contract liabilities - significant financing ($'000) | **(10,344)** | (10,573) | (2%) |
| Pre-paid contract volumes sold (Number) | **1,956** | 2,297 | (15%) |

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.

As noted previously, the impact of deteriorating domestic and international equity markets in the half has been reflected in the accounting loss on revaluation of pre-paid FUM values compared with a net gain recognised in the PCP. The headroom on pre-paid contract liabilities (calculated as the difference between pre-paid FUM and pre-paid contract liabilities), has reduced 53% to $51.5 million at the end of June 2022 compared to December 2021.

The current model of our pre-paid funerals business relies heavily on our team's ability to speak directly to customers in locations such as aged care homes. With the recent Omicron outbreak severely limiting our ability to have these conversations, we have seen pre-paid contract sales volumes decline on the prior year and not keep pace with redemptions. This highlights the need to accelerate the implementation of the outcomes of 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, People & Culture (HR), Legal & Compliance, listed company costs and the offices of the CEO and CFO. Such costs increased by $0.2 million in the half to $10.4 million driven primarily by annualisation of capability investments made in the prior year. These increases have been partially offset by savings in LTI accrual costs incurred in the PCP following the de-centralisation of such costs into the cost centre of the respective employee eligible for such share-based payments.

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 $1.9 million in the half to $6.8 million due to the annualised impact of capability investments in the IT team made in the prior year, 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 period.

Field Support are those functions that directly support the Australian operations including marketing, field HR support, Safety & Sustainability, Procurement and Property & Facilities teams. Annualisation of capability investments in field safety and HR support teams and in marketing, have driven a $1.7 million increase in such costs in the half to $5.8 million.

## Outlook

The Group has maintained momentum with a positive start to the second half and management is confident in its ability to navigate short term uncertainties, including fluctuating death rates, the economic environment, tight labour markets and the chance of above average rainfall impacting our memorial parks. Customer satisfaction, employee engagement and safety remain key priorities.

Sustained rates of excess deaths throughout our markets underpin a strong demand outlook for the second half, and the easing of COVID restrictions is expected to support larger, higher value funerals.

Like all industries, the impacts of COVID, labour markets and general economic uncertainty will be a determining factor on the trading conditions the business faces in the second half.

Notwithstanding potential ongoing short term disruptions, with a growing and ageing population, the longer term fundamentals of our business remain positive, and we are well placed to deliver near and long term shareholder value. Whilst continuing to raise the bar on operational efficiency and maintaining a strong capital management discipline, the Group will look to leverage our strong teams, customer advocacy, market leading positions and balance sheet to increasingly focus on profitable organic and acquisitive growth.

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## 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.

| | Half year ended 30 Jun 2022 | | | Restated half year ended 30 Jun 2021 | | |
|---|---|---|---|---|---|---|
| | Operating results $'000 | Non-operating results $'000 | Statutory results $'000 | Operating results $'000 | Non-operating results $'000 | Statutory results $'000 |
| Revenue | **283,332** | **2,041** | **285,373** | 257,343 | 3,512 | 260,855 |
| Expenses* | **(214,853)** | **(2,920)** | **(217,773)** | (193,793) | (2,882) | (196,675) |
| **EBITDA** | **68,479** | **(879)** | **67,600** | 63,550 | 630 | 64,180 |
| Depreciation and amortisation | **(23,925)** | **(2)** | **(23,927)** | (24,104) | (6) | (24,110) |
| SaaS arrangements | **(496)** | **(4,673)** | **(5,169)** | (281) | (1,655) | (1,936) |
| Business acquisition costs | **(382)** | **-** | **(382)** | (714) | - | (714) |
| Restructuring costs | **-** | **(1,476)** | **(1,476)** | - | - | - |
| Net (loss)/gain on pre-paid contracts | **-** | **(56,365)** | **(56,365)** | - | 27,994 | 27,994 |
| Net gain on lease modifications/terminations | **337** | **-** | **337** | 1,493 | - | 1,493 |
| Asset sales gain | **-** | **361** | **361** | - | 5,780 | 5,780 |
| **EBIT** | **44,013** | **(63,034)** | **(19,021)** | 39,944 | 32,743 | 72,687 |
| Net finance costs | **(5,604)** | **(427)** | **(6,031)** | (8,583) | (529) | (9,112) |
| Income tax (expense)/benefit | **(10,770)** | **19,148** | **8,378** | (10,361) | (10,070) | (20,431) |
| Non-controlling interests | **(91)** | **-** | **(91)** | (49) | - | (49) |
| **Net (loss)/profit after income tax attributable to equity holders of InvoCare Limited** | **27,548** | **(44,313)** | **(16,765)** | 20,951 | 22,144 | 43,095 |
| EPS (cents per share) | **19.3** | **(31.0)** | **(11.7)** | 14.7 | 15.5 | 30.2 |
| OPEX to sales % | **51%** | | **52%** | 51% | | 51% |
| EBITDA margin (%) | **24%** | | **24%** | 25% | | 25% |
| EBIT margin (%) | **16%** | | **(7%)** | 16% | | 28% |

* *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.

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## Glossary

| Term | Description |
|---|---|
| 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. r12 measure uses rolling 12-month Operating revenue |
| CAPEX | Capital expenditure |
| Capital employed | As used in ROCE % calculation. Calculated as Net assets + 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 |
| 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 |
| Net debt | Cash and cash equivalents + Borrowings + Finance leases liabilities |
| 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 |
| 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 | Gross pet cremations revenue divided by pet cremation volumes |
| Pet cremation volumes | The number of pet cremations conducted |

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| Term | Description |
|---|---|
| **Reported profit/(loss)** | Net profit/(loss) attributable to shareholders of InvoCare Limited |
| **ROCE** | Return on capital employed |
| **ROCE %** | Calculated as Operating EBIT divided by Average capital employed. r12 measure uses rolling 12-month Operating EBIT |
| **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 |

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## Subsequent events

Other than the following matters, no other matter or circumstance has arisen since 30 June 2022 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.

- On 21 July 2022, the Group invested $1,447,000 in Parting Stone Australia Pty Limited (Parting Stone), a joint venture arrangement together with a US based partner. Parting Stone provides services to turn cremated remains into memorialisation products
- On 29 August 2022, the Board determined an interim dividend of 13.5 cents per share

Refer to Note 11 Events after reporting period for further details of the above matters.

## 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.

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



Bart Vogel

**Director**

Sydney

29 August 2022

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29 August 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 review of the half year financial report of InvoCare Limited for the half year ended 30 June 2022, 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 review; and

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

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Sandeep Chadha
Partner
Chartered Accountants



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# INVOCARE LIMITED AND SUBSIDIARIES

## Consolidated financial statements

## Introduction

This financial report is for the half year ended 30 June 2022 and comprises of the consolidated financial statements 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 for-profit 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.

This half year financial report was authorised for issue by the Directors on 29 August 2022. The Directors have the power to amend and reissue the financial report.

This half year financial report of the Group does not include all information required for annual financial statement presentation in accordance with International Financial Reporting Standards (IFRS). Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2021 and any public announcements made by the Company during the half year reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

## Financial report content


| | Page |
|---|---|
| **Consolidated financial statements** | |
| Consolidated statement of comprehensive income | 19 |
| Consolidated balance sheet | 20 |
| Consolidated statement of changes in equity | 21 |
| Consolidated statement of cash flows | 22 |
| Basis of preparation | 23 |
| **Notes to the consolidated financial statements** | |
| Note 1. Operating segments | 27 |
| Note 2. Revenue | 29 |
| Note 3. Significant profit and loss items | 29 |
| Note 4. Earnings per share | 30 |
| Note 5. Dividends | 31 |
| Note 6. Pre-paid contracts | 32 |
| Note 7. Deferred revenue and selling costs | 34 |
| Note 8. Borrowings | 36 |
| Note 9. Contributed equity | 37 |
| Note 10. Contingencies | 37 |
| Note 11. Events after reporting period | 37 |


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# INVOCARE LIMITED AND SUBSIDIARIES

## Consolidated financial statements

## Consolidated statement of comprehensive income

For the half year ended 30 June 2022

| | Notes | Half year ended 30 Jun 2022 $'000 | Restated* 30 Jun 2021 $'000 |
|---|---|---|---|
| Revenue from continuing operations | 2 | **285,373** | 260,855 |
| Finished goods, consumables and funeral disbursements | | **(70,531)** | (62,486) |
| Employee benefits expense | | **(104,776)** | (94,203) |
| Advertising and public relations expenses | | **(7,805)** | (8,796) |
| Occupancy and facilities expenses | | **(12,739)** | (11,878) |
| Motor vehicle expenses | | **(4,731)** | (3,991) |
| Technology expenses | *3* | **(13,548)** | (8,684) |
| Other expenses | | **(8,812)** | (8,573) |
| Depreciation and amortisation expenses | 3 | **(23,927)** | (24,110) |
| Loss on disposal of a business | | **-** | (278) |
| Finance costs | 3 | **(6,608)** | (9,589) |
| Interest income | | **577** | 477 |
| Net (loss)/gain on undelivered pre-paid contracts | 6 | **(56,365)** | 27,994 |
| Acquisition related costs | | **(382)** | (714) |
| Restructuring costs | | **(1,476)** | - |
| Net gain on lease modifications/terminations | | **337** | 1,493 |
| Net gain on disposal of non-current assets | | **361** | 6,058 |
| **(Loss)/profit before income tax** | | **(25,052)** | 63,575 |
| Income tax benefit/(expense) | | **8,378** | (20,431) |
| Net (loss)/profit after income tax from continuing activities | | **(16,674)** | 43,144 |
| **Net (loss)/profit after income tax for the half year** | | **(16,674)** | 43,144 |
| **Other comprehensive (loss)/income** | | | |
| **Items that may be reclassified to profit or loss** | | | |
| Changes in the fair value of cash flow hedges, net of tax | | **102** | 420 |
| Changes in foreign currency translation reserve, net of tax | | **(3,489)** | (136) |
| Other comprehensive (loss)/income for the half year, net of tax | | **(3,387)** | 284 |
| **Total comprehensive (loss)/income for the half year, net of tax** | | **(20,061)** | 43,428 |
| **(Loss)/profit is attributable to:** | | | |
| Equity holders of InvoCare Limited | | **(16,765)** | 43,095 |
| Non-controlling interests | | **91** | 49 |
| | | **(16,674)** | 43,144 |
| **Total comprehensive (loss)/income for the period is attributable to:** | | | |
| Equity holders of InvoCare Limited | | **(20,152)** | 43,379 |
| Non-controlling interests | | **91** | 49 |
| | | **(20,061)** | 43,428 |

| | Notes | Half year ended 30 Jun 2022 cents | Restated* 30 Jun 2021 cents |
|---|---|---|---|
| **Earnings per share for profit/(loss) attributable to the ordinary equity holders of InvoCare Limited** | | | |
| Basic earnings per share | 4 | **(11.7)** | 30.2 |
| Diluted earnings per share | 4 | **(11.7)** | 30.1 |

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

* *Comparatives financial information has been restated for the adoption of IFRIC agenda decision. Further details are provided in Basis of preparation – Comparatives section.*

# INVOCARE LIMITED AND SUBSIDIARIES

## Consolidated financial statements

## Consolidated balance sheet

As at 30 June 2022

| | Notes | As at 30 Jun 2022 $'000 | 31 Dec 2021 $'000 |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | | **52,977** | 53,630 |
| Trade receivables | | **54,899** | 42,451 |
| Other receivables | | **9,824** | 14,703 |
| Inventories | | **44,009** | 46,866 |
| Pre-paid contract funds under management | 6 | **48,784** | 52,959 |
| Assets held for sale | | **-** | 89 |
| Pre-paid technology assets | | **1,411** | 582 |
| Deferred selling costs | 7 | **5,446** | 6,244 |
| Deferred contract assets | | **945** | 1,811 |
| **Total current assets** | | **218,295** | 219,335 |
| **Non-current assets** | | | |
| Trade receivables | | **20,753** | 23,849 |
| Other assets | | **646** | 578 |
| Other financial assets | | **4,072** | 4,072 |
| Property, plant and equipment | | **495,506** | 494,454 |
| Right of use assets | | **151,626** | 153,315 |
| Pre-paid contract funds under management | 6 | **546,264** | 596,916 |
| Intangibles | | **226,145** | 226,913 |
| Pre-paid technology assets | | **10,036** | 8,019 |
| Deferred selling costs | 7 | **29,709** | 29,511 |
| Deferred contract assets | | **141** | 152 |
| **Total non-current assets** | | **1,484,898** | 1,537,779 |
| **Total assets** | | **1,703,193** | 1,757,114 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | | **59,250** | 69,226 |
| Contingent consideration | | **6,278** | 6,282 |
| Lease liabilities | | **20,719** | 20,671 |
| Derivative financial instruments | | **-** | 76 |
| Current tax liabilities | | **2,937** | 5,739 |
| Pre-paid contract liabilities | 6 | **44,832** | 44,437 |
| Deferred revenue | 7 | **28,739** | 34,076 |
| Provision for employee entitlements | | **18,082** | 17,133 |
| **Total current liabilities** | | **180,837** | 197,640 |
| **Non-current liabilities** | | | |
| Borrowings | 8 | **194,279** | 188,843 |
| Lease liabilities | | **154,963** | 154,731 |
| Deferred tax liabilities | | **31,560** | 42,307 |
| Pre-paid contract liabilities | 6 | **498,704** | 496,003 |
| Deferred revenue | 7 | **94,074** | 93,883 |
| Provision for employee entitlements | | **3,075** | 2,786 |
| **Total non-current liabilities** | | **976,655** | 978,553 |
| **Total liabilities** | | **1,157,492** | 1,176,193 |
| **Net assets** | | **545,701** | 580,921 |
| **Equity** | | | |
| Contributed equity | 9 | **498,106** | 497,780 |
| Reserves | | **8,636** | 10,865 |
| Retained profits | | **37,526** | 70,857 |
| Parent entity interests | | **544,268** | 579,502 |
| Non-controlling interests | | **1,433** | 1,419 |
| **Total equity** | | **545,701** | 580,921 |

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

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# INVOCARE LIMITED AND SUBSIDIARIES

## Consolidated financial statements

## Consolidated statement of changes in equity

For the half year ended 30 June 2022

| | Attributable to equity holders of InvoCare Limited | | | | | | |
|---|---|---|---|---|---|---|---|
| **Half year ended 30 Jun 2022** | **Contributed 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 2022 | **497,780** | **5,503** | **8** | **5,354** | **70,857** | **1,419** | **580,921** |
| Total comprehensive income/(loss) for the half year | **-** | **-** | **102** | **(3,489)** | **(16,765)** | **91** | **(20,061)** |
| **Transactions with owners in their capacity as owners:** | | | | | | | |
| Dividends paid (Note 5) | **-** | **-** | **-** | **-** | **(16,566)** | **(77)** | **(16,643)** |
| Employee share plan shares vested during the half year | **326** | **(293)** | **-** | **-** | **-** | **-** | **33** |
| Employee shares – value of services | **-** | **1,451** | **-** | **-** | **-** | **-** | **1,451** |
| **Balance at 30 June 2022** | **498,106** | **6,661** | **110** | **1,865** | **37,526** | **1,433** | **545,701** |
| | | | | | | | |
| **Restated* half year ended 30 June 2021** | | | | | | | |
| Balance at 1 January 2021 | 497,005 | 3,296 | (755) | 7,436 | 14,465 | 1,423 | 522,870 |
| Total comprehensive income/(loss) for the half year | - | - | 420 | (136) | 43,095 | 49 | 43,428 |
| **Transactions with owners in their capacity as owners:** | | | | | | | |
| Dividends paid (Note 5) | - | - | - | - | (10,084) | (117) | (10,201) |
| Employee share plan shares vested during the half year | 273 | (273) | - | - | - | - | - |
| Employee shares – value of services | - | 1,151 | - | - | - | - | 1,151 |
| **Balance at 30 June 2021** | 497,278 | 4,174 | (335) | 7,300 | 47,476 | 1,355 | 557,248 |

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

* *Comparatives financial information has been restated for the adoption of IFRIC agenda decision. Further details are provided in Basis of preparation – Comparatives section.*

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# INVOCARE LIMITED AND SUBSIDIARIES

## Consolidated financial statements

## Consolidated statement of cash flows

For the half year ended 30 June 2022

| | Half year ended | |
|---|---|---|
| | 30 Jun 2022 $'000 | Restated* 30 Jun 2021 $'000 |
| **Cash flows from operating activities** | | |
| Receipts from customers (including GST) | **261,666** | 266,770 |
| Payments to suppliers and employees (including GST) | **(228,182)** | (218,865) |
| Other revenue | **3,120** | 3,382 |
| | **36,604** | 51,287 |
| Interest received | **170** | 134 |
| Finance costs | **(6,729)** | (7,388) |
| Income tax paid | **(4,209)** | (10,488) |
| **Net cash flows from operating activities** | **25,836** | 33,545 |
| **Cash flows from investing activities** | | |
| Proceeds from sale of property, plant and equipment | **978** | 8,961 |
| Purchase of subsidiaries and other businesses including acquisition costs, net of cash acquired | **(382)** | (1,503) |
| Proceeds from sale of subsidiaries and other businesses, net of restructuring costs | **-** | 392 |
| Purchase of property, plant and equipment, intangibles and pre-paid technology assets | **(18,380)** | (21,885) |
| Payments to funds under management for pre-paid contract sales | **(9,197)** | (12,095) |
| Receipts from funds under management for pre-paid contracts service delivered | **21,497** | 23,983 |
| **Net cash flows from investing activities** | **(5,484)** | (2,147) |
| **Cash flows from financing activities** | | |
| Proceeds from share option vested and exercised | **33** | - |
| Proceeds from borrowings | **25,000** | - |
| Repayment of borrowings | **(19,097)** | - |
| Principal elements of lease payments | **(10,171)** | (9,020) |
| Dividends paid to InvoCare Limited equity holders | **(16,566)** | (10,084) |
| Dividends paid to non-controlling interests in subsidiaries | **(77)** | - |
| **Net cash flows from financing activities** | **(20,878)** | (19,104) |
| Net (decrease)/increase in cash and cash equivalents | **(526)** | 12,294 |
| Cash and cash equivalents at the beginning of the half year | **53,630** | 118,781 |
| Effects of exchange rate changes on cash and cash equivalents | **(127)** | 76 |
| **Cash and cash equivalents at the end of the half year** | **52,977** | 131,151 |

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

* *Comparatives financial information has been restated for the adoption of IFRIC agenda decision. Further details are provided in Basis of preparation – Comparatives section.*

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## Basis of preparation

This half year financial report has been prepared in accordance with the Corporations Act 2001 and Australian Accounting Standard AASB 134 Interim Financial Reporting, the recognition and measurement and requirements of other applicable Australian Accounting Standards adopted by the Australian Accounting Standards Board, as appropriate for for-profit oriented entities and the Australian Securities Exchange (ASX) Listing Rules.

The accounting policies adopted in the preparation of this financial report have been applied consistently by all entities in the Group and are the same as those applied for the most recent annual financial report except as described below. These financial statements have been prepared under the historical cost convention, modified, where applicable, by the measurement at fair value of certain non-current assets, financial assets and financial liabilities. The principal accounting policies adopted are consistent with those of the previous financial year and corresponding half year reporting period, unless otherwise stated.

The financial report is presented in Australian dollars, which is the functional currency of the InvoCare.

## New or amended Accounting Standards and Interpretations adopted

There are no new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

### AASB 17 Insurance Contracts

AASB 17 Insurance Contracts applies to annual reporting periods beginning on or after 1 January 2023.

The Group is in the process of analysing and assessing if its pre-paid contracts might meet the definition of insurance contracts. The Group expects this analysis to be completed prior to the end of the financial year ending 31 December 2022.

## 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 ongoing basis. Revisions to estimates are recognised prospectively.

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.

### Impairment test for goodwill

All cash generating units (CGUs) to which goodwill has been allocated were reviewed for potential indicators of impairment at 30 June 2022. There is no indicators of impairment and thus no impairment tests were performed at 30 June 2022. Impairment analysis indicates headroom exists in the value-in-use calculations for Funeral services, Cemeteries & Crematoria, Pet Cremations, New Zealand and Singapore CGUs compared to the carrying value of the assets of each CGU. There is no reasonable possible long-term shift in key assumptions considered likely which will cause impairment of any of these CGUs.

### 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. Refer to Fair value measurement section below for further information how the fair value of pre-paid contract funds under management are determined, including the valuation technique and inputs used.

### Current and non-current split – Pre-paid contract funds under management

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.

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## Comparatives

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

The following disclosures have been changed during the financial year ended 31 December 2021 which are different to the disclosure for the half year ended 30 June 2021 and thus comparatives in this half year financial report are prepared for consistency with the 2021 Annual Report disclosures:

- 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
- Changes in accounting policies – 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 30 June 2021 comparatives

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 change in accounting policy was applied retrospectively resulting in the restatement of the comparative financial statements for the year ended 31 December 2020. The impact of the change in accounting policy was reflected in the balance sheet as at 31 December 2021 and 2020.

The following tables provide the impact of the IFRIC decision on the consolidated statement of comprehensive income and consolidated statement of cash flows for the half year ended 30 June 2021.

### Impact on consolidated statement of comprehensive income

| | | For the half year ended 30 Jun 2021 | | |
|---|---|---|---|---|
| | Notes | As previously reported $'000 | Adjustments for IFRIC agenda decision $'000 | As restated $'000 |
| Technology expenses | [A] | (6,748) | (1,936) | (8,684) |
| Depreciation and amortisation expenses | [A] | (24,959) | 849 | (24,110) |
| **Profit before income tax** | | 64,662 | (1,087) | 63,575 |
| Income tax expense | | (20,757) | 326 | (20,431) |
| Net profit after income tax from continuing activities | | 43,905 | (761) | 43,144 |
| **Net profit after income tax for the year** | | 43,905 | (761) | 43,144 |
| **Total comprehensive income for the year, net of tax** | | 44,189 | (761) | 43,428 |
| **Profit is attributable to:** | | | | |
| Equity holders of InvoCare Limited | | 43,856 | (761) | 43,095 |
| Non-controlling interests | | 49 | - | 49 |
| | | 43,905 | (761) | 43,144 |
| **Total comprehensive income for the year is attributable to:** | | | | |
| Equity holders of InvoCare Limited | | 44,140 | (761) | 43,379 |
| Non-controlling interests | | 49 | - | 49 |
| | | 44,189 | (761) | 43,428 |
| | | cents | cents | cents |
| **Earnings per share for profit attributable to the ordinary equity holders of InvoCare Limited** | | | | |
| Basic earnings per share | | 30.7 | (0.5) | 30.2 |
| Diluted earnings per share | | 30.7 | (0.6) | 30.1 |
| Operating earnings per share | | 14.4 | 0.3 | 14.7 |

[A] Adoption of IFRIC interpretation decreases depreciation and amortisation expenses by $849,000 and increases technology expenses by $1,936,000.

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### Impact on consolidated statement of cash flows

| | | For the half year ended 30 Jun 2021 | | |
|---|---|---|---|---|
| | | As previously reported $'000 | Adjustments for IFRIC agenda decision $'000 | As restated $'000 |
| **Cash flows from operating activities** | | | | |
| Receipts from customers (including GST) | | 260,463 | 6,307 | 266,770 |
| Payments to suppliers and employees (including GST) | [A] | (210,903) | (7,962) | (218,865) |
| **Net cash flows from operating activities** | | 35,200 | (1,655) | 33,545 |
| **Cash flows from investing activities** | | | | |
| Purchase of property, plant and equipment, intangibles and pre-paid technology assets | | (23,540) | 1,655 | (21,885) |
| **Net cash flows from investing activities** | | (3,802) | 1,655 | (2,147) |
| Net increase in cash and cash equivalents | | 12,294 | - | 12,294 |
| Cash conversion | | 102% | | 100% |

[A] Adoption of IFRIC interpretation increases payments to suppliers and employees (including GST) by $1,655,000 and decreases purchase of property, plant and equipment, intangibles and pre-paid technology assets by $1,655,000.

## 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 & Investment Commission. In accordance with that Instrument, amounts in the Directors' report and financial report have been rounded to the nearest thousand dollars, unless otherwise stated.

## Fair value measurement

The Group's financial assets and liabilities are measured at fair value at the end of each reporting period. 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.<br><br>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 |

There were no transfers between levels during the reporting period.

### Price risk

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 the table above. There are a significant number of 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) is recognised as net gain/loss on undelivered pre-paid contracts in the statement of comprehensive income.

Refer to Note 6 Pre-paid contracts for the profit and loss impact of the pre-paid funds under management and the pre-paid contract liabilities for the half year ended 30 June 2022.

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

| | 30 Jun 2022 % | 31 Dec 2021 % |
|---|---|---|
| Equities | **36** | 43 |
| Property | **28** | 26 |
| Cash and fixed interest (includes hybrid securities) | **36** | 31 |



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## Basis of preparation

### 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 earnings per share in Note 4 Earnings per share
- Non-operating revenue as described in Note 6 Pre-paid contracts

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

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# Note 1. Operating segments

## A. Identification of reportable segments

During the second half of the 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 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 for the consolidated group).

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

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

There is no change in reportable segments and the basis of measurement of segment profit or loss for the half year ended 30 June 2022 from the 2021 Annual Report.

## B. Reportable segments information

| | Australia | | | | | | |
|---|---|---|---|---|---|---|---|
| Half year ended 30 Jun 2022 | Funeral services $'000 | Cemeteries & Crematoria $'000 | Pet Cremations $'000 | New Zealand $'000 | Singapore $'000 | Other/ unallocated $'000 | Total $'000 |
| **Segment revenue**[a] | **166,567** | **65,760** | **16,701** | **30,437** | **10,867** | **(4,959)** | **285,373** |
| **Segment expenses**[b] | **(122,710)** | **(33,339)** | **(14,126)** | **(22,686)** | **(5,971)** | **(18,941)** | **(217,773)** |
| **Segment EBITDA** | **43,857** | **32,421** | **2,575** | **7,751** | **4,896** | **(23,900)** | **67,600** |
| Depreciation and amortisation | **(14,154)** | **(2,963)** | **(1,125)** | **(2,761)** | **(730)** | **(2,194)** | **(23,927)** |
| Net gain/(loss) on lease modifications/terminations | **339** | **-** | **-** | **(2)** | **-** | **-** | **337** |
| Business acquisition costs | | | | | | | **(382)** |
| SaaS arrangements | | | | | | | **(5,169)** |
| Restructuring costs | | | | | | | **(1,476)** |
| Net loss on pre-paid contracts | | | | | | | **(56,365)** |
| Asset sales gain | | | | | | | **361** |
| **EBIT** | | | | | | | **(19,021)** |
| Net finance costs | | | | | | | **(6,031)** |
| Income tax benefit | | | | | | | **8,378** |
| Non-controlling interest | | | | | | | **(91)** |
| **Net loss after income tax attributable to equity holders of InvoCare Limited** | | | | | | | **(16,765)** |

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

*b* *Segment expenses excludes SaaS arrangements*

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| Restated half year ended 30 Jun 2021 | Australia: Funeral services $'000 | Australia: Cemeteries & Crematoria $'000 | Australia: Pet Cremations $'000 | New Zealand $'000 | Singapore $'000 | Other/ unallocated $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|
| **Segment revenue**[a] | 149,813 | 64,840 | 13,691 | 26,340 | 9,280 | (3,109) | 260,855 |
| **Segment expenses**[b] | (112,376) | (33,005) | (10,042) | (21,003) | (4,866) | (15,383) | (196,675) |
| **Segment EBITDA** | 37,437 | 31,835 | 3,649 | 5,337 | 4,414 | (18,492) | 64,180 |
| Depreciation and amortisation | (12,861) | (2,870) | (846) | (2,903) | (544) | (4,086) | (24,110) |
| Net gain/(loss) on lease modifications/terminations | 212 | - | - | (22) | - | 1,303 | 1,493 |
| Business acquisition costs | | | | | | | (714) |
| SaaS arrangements | | | | | | | (1,936) |
| Net gain on pre-paid contracts | | | | | | | 27,994 |
| Asset sales gain | | | | | | | 5,780 |
| **EBIT** | | | | | | | 72,687 |
| Net finance costs | | | | | | | (9,112) |
| Income tax expense | | | | | | | (20,431) |
| Non-controlling interest | | | | | | | (49) |
| **Net profit after income tax attributable to equity holders of InvoCare Limited** | | | | | | | 43,095 |

*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.

| | Half year ended 30 Jun 2022 $'000 | Restated 30 Jun 2021 $'000 |
|---|---|---|
| **Operating activities:** | | |
| Australia - Funeral services | **43,857** | 37,437 |
| Australia - Cemeteries & Crematoria | **32,421** | 31,835 |
| Australia - Pet Cremations | **2,575** | 3,649 |
| New Zealand | **7,751** | 5,337 |
| Singapore | **4,896** | 4,414 |
| Support costs | **(23,021)** | (19,122) |
| **Operating EBITDA** | **68,479** | 63,550 |
| Non-operating activities - EBITDA | **(879)** | 630 |
| **Segment EBITDA** | **67,600** | 64,180 |

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## Note 2. Revenue

### A. Disaggregation of revenue from contracts with customers

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

| Half year ended 30 Jun 2022 | Australia $'000 | Singapore $'000 | New Zealand $'000 | Total $'000 |
|---|---|---|---|---|
| Funeral services | **160,660** | **10,787** | **28,989** | **200,436** |
| Cemeteries & Crematoria | **65,618** | **-** | **1,340** | **66,958** |
| Pet Cremations | **16,723** | **-** | **-** | **16,723** |
| | **243,001** | **10,787** | **30,329** | **284,117** |
| Rent | **139** | **23** | **67** | **229** |
| Sundry revenue | **929** | **57** | **41** | **1,027** |
| **Total revenue from continuing operations** | **244,069** | **10,867** | **30,437** | **285,373** |
| **Half year ended 30 Jun 2021** | | | | |
| Funeral services | 146,086 | 9,068 | 25,082 | 180,236 |
| Cemeteries & Crematoria | 64,370 | - | 1,167 | 65,537 |
| Pet Cremations | 13,712 | - | - | 13,712 |
| | 224,168 | 9,068 | 26,249 | 259,485 |
| Rent | 128 | 18 | 70 | 216 |
| Sundry revenue | 939 | 194 | 21 | 1,154 |
| **Total revenue from continuing operations** | 225,235 | 9,280 | 26,340 | 260,855 |

## Note 3. 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.

| | Half year ended | |
|---|---|---|
| | 30 Jun 2022 $'000 | Restated 30 Jun 2021 $'000 |
| **A. Finance costs** | | |
| Interest paid and payable | **3,443** | 3,950 |
| Interest expense: customer advance payments | **646** | 1,030 |
| Interest expense on lease liabilities | **2,874** | 2,762 |
| Other finance costs | **(355)** | 1,847 |
| | **6,608** | 9,589 |
| Interest expense on pre-paid contracts | **10,344** | 10,573 |
| **B. Depreciation, amortisation and impairment of non-current assets** | | |
| Buildings | **3,122** | 2,949 |
| Property, plant and equipment | **8,426** | 8,127 |
| Right of use assets | **9,442** | 8,243 |
| Total depreciation | **20,990** | 19,319 |
| Amortisation of non-current assets | **2,937** | 4,791 |
| Total depreciation and amortisation | **23,927** | 24,110 |
| **C. Lease modifications and terminations impact** | | |
| Net gain on lease modifications/terminations | **337** | 1,493 |
| Additional accelerated depreciation expense | **-** | (1,079) |
| Net gain on lease modifications/terminations* | **337** | 414 |
| **D. Technology expenses** | | |
| SaaS arrangements expensed as incurred | **4,673** | 1,655 |
| Pre-paid technology expenses unwind | **496** | 281 |
| Total SaaS arrangements | **5,169** | 1,936 |
| Other technology expenses | **8,379** | 6,748 |
| Technology expenses | **13,548** | 8,684 |

* *During the prior period, the Group generated a net gain of $414,000 arising from the modifications and terminations of certain lease arrangements. The majority of the net gain relates to the relocation of the support office in North Sydney.*



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# Note 4 Earnings per share

## A. Reportable period value

| | Half year ended | |
|---|---|---|
| | 30 Jun 2022 | Restated 30 Jun 2021 |
| | $'000 | $'000 |
| Basic earnings per share | **(11.7)** | 30.2 |
| Diluted earnings per share | **(11.7)** | 30.1 |
| Operating earnings per share | **19.3** | 14.7 |

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

| | Half year ended | |
|---|---|---|
| | 30 Jun 2022 | Restated 30 Jun 2021 |
| | $'000 | $'000 |
| Net (loss)/profit after income tax | **(16,674)** | 43,144 |
| Less: Non-controlling interests | **(91)** | (49) |
| Net (loss)/profit after income tax attributable to InvoCare Limited's equity holders for calculating statutory basic and diluted earnings per share | **(16,765)** | 43,095 |
| Net (loss)/profit after income tax attributable to InvoCare Limited's equity holders for calculating statutory basic earning per share | **(16,765)** | 43,095 |
| **Less: Non-operating activities results** | | |
| Non-operating EBITDA | **879** | (630) |
| Depreciation and amortisation | **2** | 6 |
| SaaS arrangements | **4,673** | 1,655 |
| Restructuring costs | **1,476** | - |
| Net loss/(gain) on pre-paid contracts before income tax | **56,365** | (27,994) |
| Asset sales gain before income tax | **(361)** | (5,780) |
| Net finance costs | **427** | 529 |
| Loss/(profit) before income tax on non-operating activities | **63,461** | (32,214) |
| Income tax (benefit)/expense on non-operating activities | **(19,148)** | 10,070 |
| Net loss/(profit) after income tax on non-operating activities | **44,313** | (22,144) |
| Operating earnings after income tax for calculating operating earnings per share | **27,548** | 20,951 |

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

| | Half year ended | |
|---|---|---|
| | 30 Jun 2022 Number '000 | 30 Jun 2021 Number '000 |
| Weighted average number of shares used in calculating basic and operating earnings per share | **142,989** | 142,922 |
| **Adjustments for calculation of diluted earnings per share:** | | |
| Share options and rights* | **-** | 158 |
| Weighted average number of shares used in calculating diluted earnings per share | **142,989** | 143,080 |

* *For the half year ended 30 June 2022, the potential ordinary shares issued under the Performance Long-Term Incentive Plan of the Group were excluded from the calculation because they were anti-dilutive.*

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# Note 5 Dividends

## A. Dividends paid

| Half year ended 30 Jun 2022 | Cents per share | Total amount $'000 | Tax rate for franking credit % | Percentage franked % |
|---|---|---|---|---|
| **Dividends on InvoCare Limited's ordinary shares** | | | | |
| 2021 final dividend | **11.5** | **16,566** | **30%** | **100%** |
| **Half year ended 30 Jun 2021** | | | | |
| 2020 final dividend | 7.0 | 10,082 | 30% | 100% |

## B. Dividends determined and not recognised at period end

On 29 August 2022, the directors determined an interim dividend for the half year ended 30 June 2022 of 13.5 cents per share, fully franked.

As the above determined dividends occurred after the reporting date, in accordance with the Company's constitution and Corporations Act 2001, they have not been recognised in these financial statements and will be recognised in future financial statements when payments are made.

### Dividend Reinvestment Plan

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.

For the 2022 interim dividend, the Company's DRP operates by acquiring shares on market at no discount. Election notices for participation in the DRP in relation to this interim dividend must be received by 5 September 2022.

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## Note 6. 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 half year ended 30 June 2022 with the comparative information for the half year ended 30 June 2021.

### 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 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 7 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 7 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.

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 3 Section A Finance costs:

- Interest expense pre-paid contracts – this finance cost is recognised as 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 increase in administration fee in the deferred revenue – Recognition of financing costs on customer advance payments as set out in Note 7 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 in Note 1B Reportable segment information.

Operating revenue – funeral services is recognised in the consolidated 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.

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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 7 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 7)** | ↑ Deferred revenue (Note 7) | ↑ Deferred revenue (Note 7) | N/A | ↓ Deferred revenue (Note 7) | N/A |
| **Funds for pre-paid funeral services (90%)** | ↑ Pre-paid FUM<br>↑ Pre-paid contract liabilities | ↑ Pre-paid contract liabilities | ↑/↓ Pre-paid FUM | N/A | ↓ Pre-paid FUM<br>↓ 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 gain/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 account | N/A | N/A | N/A | ↓ Trust funds bank account<br>↑ InvoCare bank account |

* *FUM = Funds under management*

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

| | Half year ended 30 Jun 2022 $'000 | 30 Jun 2021 $'000 |
|---|---|---|
| Unrealised (loss)/gain on pre-paid contract funds under management | **(46,021)** | 38,567 |
| Change in provision for pre-paid contract liabilities - significant financing | **(10,344)** | (10,573) |
| Net (loss)/gain on undelivered pre-paid contracts | **(56,365)** | 27,994 |

## B. Movements in pre-paid contract funds under management

| | Half year ended 30 Jun 2022 $'000 | 30 Jun 2021 $'000 |
|---|---|---|
| Balance as at 1 January | **649,875** | 613,131 |
| Sale of new pre-paid contracts | **9,197** | 12,095 |
| Initial recognition of contracts pre-paid by instalment | **3,494** | 2,301 |
| Redemption of pre-paid contract funds following service delivery | **(21,497)** | (23,983) |
| (Decrease)/increase in fair value of pre-paid contract funds under management | **(46,021)** | 38,567 |
| Balance as at 30 June | **595,048** | 642,111 |
| Current | **48,784** | 52,764 |
| Non-current | **546,264** | 589,347 |
| Balance as at 30 June | **595,048** | 642,111 |

There is significant headroom between the pre-paid contract funds under management and pre-paid contract liabilities of $51,512,000 at 30 June 2022 (30 June 2021: $97,777,000). The decrease in headroom is mainly attributable to the unfavourable mark-to-market revaluation of the pre-paid contract funds under management.

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### C. Movements in pre-paid contract liabilities

| | Half year ended 30 Jun 2022 $'000 | 30 Jun 2021 $'000 |
|---|---|---|
| Balance as at 1 January | **540,440** | 541,309 |
| Sale of new pre-paid contracts | **9,197** | 12,095 |
| Initial recognition of contracts pre-paid by instalment | **3,494** | 2,301 |
| Decrease following delivery of services | **(19,939)** | (21,944) |
| Increase due to significant financing* | **10,344** | 10,573 |
| Balance as at 30 June | **543,536** | 544,334 |
| | | |
| Current | **44,832** | 44,951 |
| Non-current | **498,704** | 499,383 |
| Balance as at 30 June | **543,536** | 544,334 |

* *The Group adjusts the pre-paid contract liabilities using a discount rate that reflects the expected 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 the pre-paid contract the Group recognises the financing component as a component of revenue.*

## Note 7. 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 half year ended 30 June 2022 with the comparative information for the full year ended 31 December 2021.

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 diagrams 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 pre-paid Cemeteries & Crematoria contract**

| Activities/ Financial impact | Customer payments - by instalments | Finance costs* | Repeated activities until services/goods delivered: Customer payments - by instalments | Repeated activities until services/goods delivered: 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 - Customers advance payments | N/A | Finance costs - Customers 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.*

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### II. Funeral services – Pre-paid funeral contracts

For the Funeral services business, detail descriptions of what happens during the life cycle of a pre-paid funeral contract are provided in Note 6 Pre-paid contracts above. The movement table below provides the financial impact of the administration fee of the pre-paid funeral contracts for the half year ended 30 June 2022 with the comparative information for the full year ended 31 December 2021.

### III. Deferred revenue movement

| | Half year ended 30 Jun 2022 | | | Year ended 31 Dec 2021 | | |
|---|---|---|---|---|---|---|
| | Cemeteries & Crematoria $'000 | Funeral services $'000 | Total $'000 | Cemeteries & Crematoria $'000 | Funeral services $'000 | Total $'000 |
| Balance as at 1 January | **89,328** | **38,631** | **127,959** | 100,276 | 37,442 | 137,718 |
| **Add/(less): Changes during the period** | | | | | | |
| Cash received from customer instalment payments | **1,537** | **-** | **1,537** | 5,560 | - | 5,560 |
| Revenue recognised on service delivery during the period | **(9,086)** | **(1,503)** | **(10,589)** | (21,436) | (3,277) | (24,713) |
| **Revenue deferred during the period:** | | | | | | |
| Revenue deferred | **1,391** | **1,869** | **3,260** | 4,057 | 3,241 | 7,298 |
| Recognition of financing costs on customer advance payments | **219** | **427** | **646** | 871 | 1,225 | 2,096 |
| Balance at reporting date | **83,389** | **39,424** | **122,813** | 89,328 | 38,631 | 127,959 |
| Current | **25,356** | **3,383** | **28,739** | 30,763 | 3,313 | 34,076 |
| Non-current | **58,033** | **36,041** | **94,074** | 58,565 | 35,318 | 93,883 |
| Balance at reporting date | **83,389** | **39,424** | **122,813** | 89,328 | 38,631 | 127,959 |

## 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 recognition 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 half year ended 30 June 2022 with the comparative information for the full year ended 31 December 2021.

| | Half year ended 30 Jun 2022 | | | Year ended 31 Dec 2021 | | |
|---|---|---|---|---|---|---|
| | Cemeteries & Crematoria $'000 | Funeral services $'000 | Total $'000 | Cemeteries & Crematoria $'000 | Funeral services $'000 | Total $'000 |
| Balance as at 1 January | **15,509** | **20,246** | **35,755** | 17,179 | 20,533 | 37,712 |
| **Add/(less): Changes during the period** | | | | | | |
| Selling costs recognised in profit and loss related to service delivery during the period | **(982)** | **(41)** | **(1,023)** | (2,435) | (287) | (2,722) |
| Selling costs deferred on sales during the period | **423** | **-** | **423** | 765 | - | 765 |
| Balance at reporting date | **14,950** | **20,205** | **35,155** | 15,509 | 20,246 | 35,755 |
| Current | **3,775** | **1,671** | **5,446** | 4,571 | 1,673 | 6,244 |
| Non-current | **11,175** | **18,534** | **29,709** | 10,938 | 18,573 | 29,511 |
| Balance at reporting date | **14,950** | **20,205** | **35,155** | 15,509 | 20,246 | 35,755 |

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## Note 8. Borrowings

As at 30 June 2022, the Group had access to $382,440,000 of loan facilities as follows:

- $100,000,000 Note Purchase Agreement with MetLife, fully drawn at 30 June 2022 and due for repayment in February 2028
- $275,000,000 Amended Syndicated 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
- $7,440,000 working capital overdraft facility provided by ANZ

This $275,000,000 debt facility is currently drawn as follows: A$42,500,000, NZ$25,000,000 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 30 June 2022.

As at reporting date, the details of the facilities available, drawn down, unused by facilities are disclosed in the table below.

| | As at | |
|---|---|---|
| | **30 Jun 2022** | **31 Dec 2021** |
| | **$'000** | **$'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** | 375,000 |
| | **382,440** | 382,440 |
| **Drawn down at reporting date** | | |
| Working capital facility - expiring within one year | **-** | - |
| Unsecured loan facility - expiring in two to five years* | **196,340** | 191,412 |
| | **196,340** | 191,412 |
| **Unused at reporting date** | | |
| Working capital facility - expiring within one year | **7,440** | 7,440 |
| Unsecured loan facility - expiring in two to five years | **178,660** | 183,588 |
| | **186,100** | 191,028 |

* *As at reporting date, the balance of the long-term borrowings – unsecured loan facility outstanding after loan establishment costs is set out in the table below.*

| | | |
|---|---|---|
| **Long-term borrowings outstanding at reporting date** | | |
| Unsecured loan facility | **196,340** | 191,412 |
| Less: Loan establishment costs | **(2,061)** | (2,569) |
| | **194,279** | 188,843 |

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## Note 9. Contributed equity

| | As at | | As at | |
|---|---|---|---|---|
| | 30 Jun 2022 | 31 Dec 2021 | 30 Jun 2022 | 31 Dec 2021 |
| | Number '000 | Number '000 | $'000 | $'000 |
| Ordinary shares - fully paid | **144,061** | 144,061 | **511,293** | 511,293 |
| Treasury shares - fully paid | **(1,063)** | (1,086) | **(13,187)** | (13,513) |
| | **142,998** | 142,975 | **498,106** | 497,780 |

### A. Ordinary shares

| | Half year ended 30 Jun 2022 | Year ended 31 Dec 2021 | Half year ended 30 Jun 2022 | Year ended 31 Dec 2021 |
|---|---|---|---|---|
| | Number '000 | Number '000 | $'000 | $'000 |
| **Movement during the period** | | | | |
| Balance at 1 January and at reporting date | **144,061** | 144,061 | **511,293** | 511,293 |

### B. Treasury shares

| | Half year ended 30 Jun 2022 | Year ended 31 Dec 2021 | Half year ended 30 Jun 2022 | Year ended 31 Dec 2021 |
|---|---|---|---|---|
| | Number '000 | Number '000 | $'000 | $'000 |
| **Movement during the period** | | | | |
| Balance as at 1 January | **(1,086)** | (1,175) | **(13,513)** | (14,288) |
| Vested share rights/options | **23** | 61 | **326** | 468 |
| Transfer to Exempted Employee Share Plan's participants | **-** | 28 | **-** | 307 |
| Balance at reporting date | **(1,063)** | (1,086) | **(13,187)** | (13,513) |

## Note 10. Contingencies

There were no unrecognised contingent assets as at 30 June 2022 and 31 December 2021.

As at 30 June 2022, the Group had contingent liabilities in the form of bank guarantees given for leased premises of subsidiaries to a maximum of $3,487,000 (31 December 2021: $3,289,000).

## Note 11. Events after reporting period

On 21 July 2022, the Group invested $1,447,000 in Parting Stone Australia Pty Limited (Parting Stone), a joint venture arrangement together with a US based partner. Parting Stone provides services to turn cremated remains into memorialisation products.

Other than the above investment and the interim dividend as determined by the Board on 29 August as disclosed in Note 5, no other matter or circumstance has arisen since 30 June 2022 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.

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# INVOCARE LIMITED

## Directors' declaration

In the directors' opinion:

- the consolidated financial statements and Notes 1 to 11 are in accordance with the Corporations Act 2001, including:
  - complying with Accounting Standards AASB 134 Interim Financial Reporting and the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
  - giving a true and fair view of the Group's financial position as at 30 June 2022 and of its performance for the half year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

**Director**

Sydney

29 August 2022

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# Independent Auditor's Review Report to the Members of InvoCare Limited

*Conclusion*

We have reviewed the half-year financial report of InvoCare Limited (the "Company") and its subsidiaries (the "Group"), which comprises the consolidated balance sheet as at 30 June 2022, and the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the half-year ended on that date, notes comprising explanatory information, and the directors' declaration.

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

- Giving a true and fair view of the Group's financial position as at 30 June 2022 and of its performance for the half-year ended on that date; and
- Complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001.*

*Basis for Conclusion*

We conducted our review in accordance with ASRE 2410 Review of a *Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Half-year Financial Report* section of our report. We are independent of the Group in accordance with the ethical requirements of the Accounting Professional and 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 annual 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 Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

*Directors' Responsibilities for the Half-year Financial Report*

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

*Auditor's Responsibilities for the Review of the Half-year Financial Report*

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the Group's financial position as at 30 June 2022 and its performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



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

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU

Sandeep Chadha
Partner
Chartered Accountants
Sydney, 29 August 2022

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