



**Propel Funeral Partners Limited**

**ABN 41 616 909 310**

**Appendix 4D – Half-year Report  
For the Half-year ended 31 December 2020**

**Lodged with Australian Securities Exchange under Listing Rule 4.2A**

## **Results for announcement to the market**

This Appendix 4D is to be read in conjunction with the Interim Financial Report of Propel Funeral Partners Limited for the period ended 31 December 2020 and any public announcements made during the interim period in accordance with the continuous disclosure requirements of the Corporations Act and ASX Listing Rules.

## 1. Company details

Name of entity:	Propel Funeral Partners Limited
ABN:	41 616 909 310
Reporting period:	For the half-year ended 31 December 2020
Previous period:	For the half-year ended 31 December 2019

## 2. Results for announcement to the market

			\$'000
Revenues from ordinary activities	up	3.5% to	59,009
Operating net profit after tax ('Operating NPAT') (refer below)	up	7.6% to	8,380
Profit from ordinary activities after tax attributable to the shareholders of Propel Funeral Partners Limited	up	141.7% to	8,156
Profit for the half-year attributable to the shareholders of Propel Funeral Partners Limited ('Company')	up	141.7% to	8,156

### Dividends

	Amount per security cents	Franked amount per security %
Final dividend – 2020 financial year	6.0	100%
Final dividend – 2019 financial year	5.8	100%

### Comments

The statutory profit for the Company (and its subsidiaries) ('Group') after providing for income tax, for the six months ended 31 December 2020, amounted to \$8,156,000 (31 December 2019: \$3,374,000).

The financial results for the six months ended 31 December 2020 include:

- part period contributions from three acquisitions completed during the current financial period;
- full period contributions from two acquisitions completed during the prior corresponding period; and
- no performance fee paid (31 December 2019: \$4,077,000).

During the six months to 31 December 2020, the Group's operations continued to be impacted by COVID-19. The Group experienced below trend death volumes in key markets in which it operates. Social distancing measures, travel restrictions, an increased focus on personal hygiene and effective flu vaccinations contributed to an unusually benign flu season in 2020. In addition, government imposed strict funeral attendee limits impacted the Group's operations. However, these were generally isolated to COVID-19 hotspot areas that went into temporary lockdown.

Operating NPAT is a financial measure which is not prescribed by the Australian Accounting Standards ('AASBs') and represents the profit under AASBs adjusted for specific items, including the performance fee (if any) and certain other non-operating items, such as acquisition costs. The directors consider Operating NPAT to be one of the core earnings measures of the Group.

**Propel Funeral Partners Limited**  
**Appendix 4D**  
**Half-year report**

The following table summarises key reconciling items between statutory profit after tax attributable to the shareholders of the Company and Operating NPAT:

	<b>Consolidated</b>	
	<b>31 Dec 2020</b>	<b>31 Dec 2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Net profit after income tax	8,156	3,374
Add: Acquisition costs	155	1,418
Add: Performance fee	-	4,077
Add: Other non-operating expenses	119	193
Add: Net loss on disposal of assets	45	66
(Less)/Add: Net foreign exchange (gain)/losses	(37)	14
Less: Tax effect of certain Operating NPAT adjustments	(58)	(1,352)
Operating NPAT	<u>8,380</u>	<u>7,790</u>

Refer to the Interim Financial Report and the Investor Presentation released to the market concurrently with this Appendix 4D Half-year Report for detailed explanation and commentary on the results.

**3. Net tangible assets**

	<b>Consolidated</b>	
	<b>31 Dec 2020</b>	<b>31 Dec 2019</b>
	<b>\$000</b>	<b>\$000</b>
Net assets	186,625	180,101
Less: Deferred tax assets	(3,496)	(3,386)
Add: Deferred tax liabilities	10,094	8,930
Less: Goodwill	(133,335)	(123,479)
Net tangible assets	<u>59,888</u>	<u>62,166</u>

	<b>Consolidated</b>	
	<b>31 Dec 2020</b>	<b>31 Dec 2019</b>
Number of ordinary shares on issue	99,946,016	98,735,427
	<b>Reporting period cents</b>	<b>Previous period cents</b>
Net tangible assets per ordinary security	<u>59.92</u>	<u>62.96</u>

**4. Dividends**

	<b>Amount per security cents</b>	<b>Franked amount per security %</b>	<b>Total \$'000</b>	<b>Payment date</b>
<b>Half-year ended 31 December 2020</b>				
Final dividend - 2020 financial year	6.0	100%	5,924	1 October 2020
<b>Half-year ended 31 December 2019</b>				
Final dividend - 2019 financial year	5.8	100%	5,713	4 October 2019
<b>Dividend not recognised at period end</b>				
Interim dividend - 2021 financial year	6.0	100%	5,997	9 April 2021

## 5. Dividend reinvestment plans

Not applicable.

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## 6. Acquisition or disposals of controlled entities, businesses or assets

Refer to note 20 of the financial statements.

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## 7. Details of any associates and joint venture entities required to be disclosed

Not applicable.

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## 8. Audit qualification or review

*Details of audit/review dispute or qualification (if any):*

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Financial Report.

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## 9. Attachments

*Details of attachments (if any):*

The Interim Financial Report of the Company for the half-year ended 31 December 2020 is attached.

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## 10. Signed



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Brian Scullin  
Chairman

25 February 2021



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Albin Kurti  
Managing Director



**Propel Funeral Partners Limited**

**ABN 41 616 909 310**

**Interim Financial Report  
For the Half-year ended 31 December 2020**

**Propel Funeral Partners Limited**

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**Propel Funeral Partners Limited**  
**Directors' report**  
**31 December 2020**

The directors of Propel Funeral Partners Limited (ACN 616 909 310) (referred to hereafter as 'Propel', the 'Company' or 'parent entity') present their report, together with the financial statements, of the consolidated entity consisting of the Company and the entities it controlled (referred to hereafter as the 'Group') at the end of, or during, the half-year ended 31 December 2020.

Due to rounding, numbers presented in this directors' report may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

**Background**

The Group owns and operates businesses, properties, infrastructure and related assets in the death care industry which stand to benefit from the growing and ageing population. As at the date of this directors' report, the Group comprises of long established providers of funeral services operating from 138 properties (77 owned and 61 leased) across 7 states and territories of Australia and in New Zealand, including 32 cremation facilities and 9 cemeteries. The Group has appointed Propel Investments Pty Limited (ACN 117 536 357) ('Manager') to, among other things, identify investment opportunities and manage those investments on its behalf pursuant to a management agreement ('Management Agreement').

The Company was admitted to the official list of the Australian Securities Exchange ('ASX') ('IPO') on 23 November 2017.

This directors' report includes certain financial measures, such as Operating EBITDA (operating earnings before interest, tax, depreciation and amortisation), Operating EBIT (operating earnings before interest and tax) and Operating NPAT (operating net profit after tax) which are not prescribed by Australian Accounting Standards ('AASBs') and represents the results under AASBs adjusted for specific items including the Performance Fee (as defined in the prospectus prepared by the Company in connection with the IPO ('Prospectus')) and certain non-operating items, such as acquisition costs. The directors consider Operating EBITDA, Operating EBIT and Operating NPAT to reflect the core earnings measures of the Group. These financial measures, along with other measures, have not been subject to specific audit or review procedures by the Company's auditor, but have been extracted from the accompanying financial statements.

**Directors**

The following persons were directors of Propel during the whole of the financial half-year and up to the date of this directors' report:

Brian Scullin - Chairman  
 Naomi Edwards  
 Jonathan Trollip  
 Albin Kurti  
 Fraser Henderson

**Principal activities**

The principal activities of the Group during the financial half-year were the provision of death care related services in Australia and New Zealand.

**Dividends**

	Amount per security cents	Franked amount per security %	Total \$'000	Payment date
<b>Half-year ended 31 December 2020</b>				
Final dividend - 2020 financial year	6.0	100%	5,924	1 October 2020
<b>Half-year ended 31 December 2019</b>				
Final dividend - 2019 financial year	5.8	100%	5,713	4 October 2019
<b>Dividend not recognised at period end</b>				
Interim dividend - 2021 financial year	6.0	100%	5,997	9 April 2021

The interim dividend declared in connection with the half year ended 31 December 2020 of 6.0 cents per share (prior corresponding period ('PCP'): 4.0 cents per share) represents approximately 82% of Distributable Earnings (NPAT adjusted for certain non-cash, one-off and non-recurring items). The financial effect of the interim dividend declared after the reporting date is not reflected in the 31 December 2020 financial statements and will be recognised in the subsequent financial period.

All dividends referred to above were, or will be, fully franked at the Company tax rate of 30%.

### **Significant changes in the state of affairs**

During the six months ended 31 December 2020, the Group experienced the following significant changes in its state of affairs:

- completed three acquisitions (refer to note 20 for further details), the cash and equity consideration for which totalled \$24,737,000 (excluding transaction costs and contingent consideration) as follows:
  - on 1 October 2020, the Group acquired the business, assets and a freehold property relating to Mid West Funerals ('Mid West'), which provides funeral directing services in Geraldton, Western Australia;
  - on 2 November 2020, the Group acquired 100% of the issued share capital and certain freehold properties of, among others, Dils Funeral Services Limited, which provides funeral directing and cremation services and operates from four locations primarily on the North Shore of Auckland in New Zealand; and
  - on 18 December 2020, the Group acquired the business and assets of Pets RIP, a provider of pet cremation services operating from two locations in Toowoomba and Ipswich, thereby expanding its existing pet loss service offering in Queensland;
- purchased two freehold properties, one previously tenanted by the Group, the consideration for which totalled \$4,250,000 (excluding stamp duty); and
- strict COVID-19 related limits on funeral attendees were generally isolated to COVID-19 hotspot areas that went into lockdown and Average Revenue Per Funeral impacts were temporary.

There were no other significant changes in the state of affairs of the Group during the six months ended 31 December 2020.

### **Financial and operating overview**

This financial and operating overview summarises the half-year results for the period ended 31 December 2020 ('1H FY21'), including the key impacts of COVID-19 and results for the PCP (or '1H FY20'), unless otherwise stated.

#### **COVID-19 responses**

The Group's core operating focus is on people safety, essential service continuity and financial resilience. During 1H FY21, the Group continued to implement measures to mitigate potential operating and financial impacts from COVID-19, such as:

- ensuring government guidelines and directives were followed by staff and mourners;
- ensuring sufficient supply of personal protective equipment;
- changing seating arrangements, increasing the time and cleaning between services and ceasing certain services (e.g. catering);
- providing client families with the option of streaming services at many of its locations and holding a memorial service at a later date, particularly in COVID-19 hotspot areas that went into lockdown;
- ensuring staff could cross state/territory borders and access 'hotspot' areas;
- working from home, where feasible;
- controlling operating costs; and
- receiving wage subsidies for eligible businesses in Australia and New Zealand, enabling headcount to be maintained.

Further details on COVID-19 impacts during 1H FY21 are set out in the relevant sections below.

#### **Financial summary**

In 1H FY21, the Group reported:

- revenue of \$59,009,000, an increase of 3.5% on the PCP;
- Operating EBITDA of \$19,009,000, an increase of 14.8% on the PCP; and
- Operating NPAT of \$8,380,000, an increase of 7.6% on the PCP.



The table below summarises the half year results of the Group:

	31 Dec 20 \$'000	31 Dec 19 \$'000
<b>Total revenue</b>	<b>59,009</b>	<b>57,000</b>
Gross profit	42,674	40,738
...margin	72.3%	71.5%
Total operating costs	(23,665)	(24,176)
<b>Operating EBITDA</b>	<b>19,009</b>	<b>16,563</b>
...margin	32.2%	29.1%
Depreciation	(4,760)	(4,230)
<b>Operating EBIT</b>	<b>14,249</b>	<b>12,332</b>
...margin	24.1%	21.6%
Performance fee	-	(4,077)
Net other expenses	(113)	(238)
Acquisition costs	(155)	(1,418)
<b>EBIT</b>	<b>13,981</b>	<b>6,599</b>
Net interest expense	(1,791)	(1,260)
Net financing charge on contract assets and contract liabilities	(528)	(265)
<b>Net profit before tax</b>	<b>11,662</b>	<b>5,074</b>
Income tax expense	(3,506)	(1,700)
<b>Net profit after tax</b>	<b>8,156</b>	<b>3,374</b>
Operating NPAT	8,380	7,790
Operating earnings per share (cps) <sup>1</sup>	8.45	7.90

1. Operating NPAT divided by the weighted average number of ordinary shares

The table below provides a reconciliation of net profit after tax to Operating NPAT:

	31 Dec 20 \$'000	31 Dec 19 \$'000
Net profit after income tax	8,156	3,374
Add: Acquisition costs	155	1,418
Add: Performance fee	-	4,077
Add: Other non-operating expenses	119	193
Add: Net loss on disposal of assets	45	66
(Less)/Add: Net foreign exchange (gain)/losses	(37)	14
Less: Tax effect of certain Operating NPAT adjustments	(58)	(1,352)
<b>Operating NPAT</b>	<b>8,380</b>	<b>7,790</b>

The major income statement line items for the Group down to Operating EBITDA are presented below:

	<b>31 Dec 20</b>	<b>31 Dec 19</b>
	<b>\$'000</b>	<b>\$'000</b>
Funeral operations	51,330	49,399
Cemetery, crematoria and memorial gardens	6,520	6,340
Other trading revenue	1,159	1,261
<b>Total revenue</b>	<b>59,009</b>	<b>57,000</b>
Cost of sales	(16,335)	(16,261)
<b>Gross profit</b>	<b>42,674</b>	<b>40,738</b>
Employment costs	(16,803)	(17,406)
Occupancy and facility costs	(3,189)	(2,962)
Administration fee	(126)	(123)
Other operating costs	(3,547)	(3,684)
<b>Total operating costs</b>	<b>(23,665)</b>	<b>(24,176)</b>
<b>Operating EBITDA</b>	<b>19,009</b>	<b>16,563</b>

Commentary on the results is provided below:

#### Revenue

Revenue increased by 3.5% from \$57,000,000 in 1H FY20 to \$59,009,000 in 1H FY21, driven by:

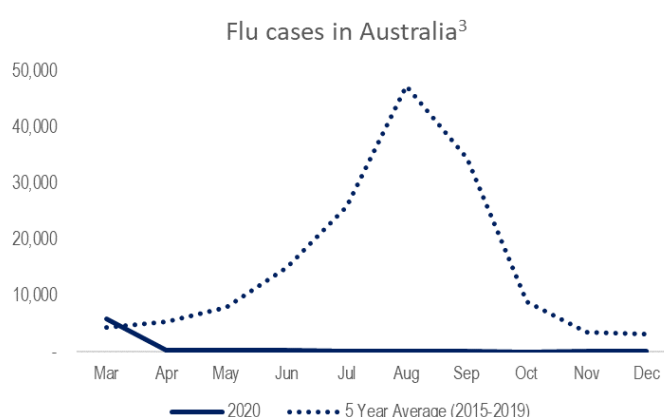
- a 3.9% increase in revenue from funeral operations; and
- a 2.8% increase in revenue from cemetery, crematoria and memorial gardens.

The growth was largely attributable to the full period contributions from two acquisitions completed in FY20, the part period contributions from three acquisitions completed in 1H FY21, combined with growth in Average Revenue Per Funeral<sup>1</sup>, partially offset by below trend funeral volumes (refer below).

The number of funerals increased by 3.8% from 6,646 in 1H FY20 to 6,897 in 1H FY21.

In 2020:

- death volumes were below historical long term trends in key markets within which the Company operates - for example, in the first five months of FY21, total registered deaths in the state of Queensland declined 10.5%<sup>2</sup> compared to the PCP;
- the Company's funeral volumes were positively impacted by contributions from acquisitions, however, comparable funeral volumes were 6.5% below the prior year;
- social distancing measures, travel restrictions, an increased focus on personal hygiene and effective flu vaccinations contributed to an unusually benign flu season; and
- as illustrated in the chart to the right, reported flu cases in Australia were circa 99%<sup>3</sup> below the prior 5 year average, which is expected to result in a deferral of death volumes into future periods.



In 1H FY21, Average Revenue Per Funeral increased 3.6% on FY20 and 2.1% on the pre-COVID-19 period in FY20 (i.e. 1 July 2019 to 31 March 2020). It was impacted by the full period contributions from two funeral businesses acquired during FY20, the part period contributions of two funeral businesses acquired in 1H FY21, funeral mix and pricing. Comparable Average Revenue Per Funeral increased by 3.5% on FY20. The increase was in line with the Group's target annual growth range of 2.0% to 4.0% per annum.

<sup>1</sup> Revenue from funeral operations excluding disbursements and delivered prepaid funeral impacts divided by the number of funerals in the relevant period.

<sup>2</sup> Source: Queensland Government.

<sup>3</sup> Source: National Notifiable Diseases Surveillance System.

Unlike the widespread impacts of strict funeral attendee limits in Australia and New Zealand during Q4 FY20:

- the easing of funeral attendee limits since the first COVID-19 wave in April and May 2020 contributed to an increase in Average Revenue Per Funeral in 1H FY21 (as illustrated to the right); and
- Average Revenue Per Funeral impacts from strict funeral attendee limits during 1H FY21 were generally isolated to COVID-19 hotspot areas that went into temporary lockdown.



In 1H FY21, the Company generated 62% of its revenue from regional areas, in line with FY20.

### Gross profit margin

The gross profit margin increased from 71.5% in the PCP to 72.3% in 1H FY21, primarily due to funeral mix and the financial profile of acquisitions completed during FY20 and 1H FY21 (which included cremation facilities).

### Operating costs and Operating EBITDA

Operating costs decreased by \$511,000 in 1H FY21, net of the benefit of government wage subsidies received (refer below) and payroll tax waivers, which were recorded against employment costs. Comparable operating expenditure decreased approximately 2.0% on the PCP.

During 1H FY21, the Group continued to implement measures to mitigate potential financial impacts of COVID-19, such as:

- controlling operating expenditure; and
- recognising government wage subsidies for eligible businesses, net of employment costs totalling \$2,178,000<sup>4</sup>, enabling headcount to be maintained.

Operating EBITDA increased by 14.8% from \$16,563,000 in the PCP to \$19,009,000 in 1H FY21, primarily due to:

- the full period contributions from acquisitions completed in FY20 and the part period contributions from acquisitions completed in 1H FY21;
- increases in Average Revenue Per Funeral, partially offset by below trend death volumes;
- improved gross margin; and
- good cost control and recognition of government wage subsidies.

### Depreciation and other income and expenses

Depreciation increased from \$4,230,000 to \$4,760,000 in 1H FY21. Approximately \$478,000 of the increase related to business and property acquisitions completed during FY20 and 1H FY21.

No Performance Fee was triggered during the third calculation period (PCP: \$4,077,000) as the total shareholder return threshold was not met and the negative outperformance amount of \$20,577,000 has been carried forward.

Net other expenses of \$113,000 largely related to the administration of the Group's pre-paid contracts and other non-operating expenses.

Acquisitions costs totalled \$155,000, materially below the PCP of \$1,418,000.

Interest expense increased from \$1,325,000 to \$1,859,000 in 1H FY21 as a result of an increase in drawn debt, which was primarily drawn to fund acquisitions.

### Pre-paid contracts

Funds held in connection with pre-paid contracts are largely held with third party friendly societies who invest the funds in cash and fixed interest products (more than 90% of funds held) and other asset classes (less than 10% of funds held). In 1H FY21, pre-paid contracts that turned at need in Australia accounted for less than 10% of the Group's Australian funeral volumes, consistent with the PCP. It should be noted that there are no pre-paid funeral contracts in the New Zealand business.

In accordance with AASB 15, 'Revenue from Contracts with Customers', Propel recognises investment returns generated on funds held for pre-paid contracts net of a non-cash financing charge. The net financing charge is disclosed below Operating EBITDA.

<sup>4</sup> Relates to net impacts of government wage subsidies recognised during the half-financial year (i.e. JobKeeper and New Zealand wage subsidies). Refer to note 5 for further details.

### Impairment

Following a review of the carrying value of assets, no impairment was deemed necessary (1H FY20: Nil).

### Income tax expense

Income tax expense was \$3,506,000 (1H FY20: \$1,700,000), representing an effective tax rate of 30.1% (1H FY20: 33.5%). The effective tax rate was impacted by non-assessable income and non-deductible expenses. Excluding these items, the adjusted effective tax rate was 29.8% (1H FY20: 29.5%).

### Cash flow highlights

The cash flows for the Group are presented below:

	<b>31 Dec 20</b>	<b>31 Dec 19</b>
	<b>\$'000</b>	<b>\$'000</b>
Receipts from customers (inc GST)	64,145	62,184
Payments to suppliers and employees (inc GST)	(45,589)	(45,353)
	<b>18,556</b>	<b>16,831</b>
Performance fee (inc GST)	-	(4,484)
Income taxes paid	(3,138)	(3,472)
Interest paid	(1,767)	(1,325)
Interest received	56	60
<b>Net cash provided by operating activities</b>	<b>13,707</b>	<b>7,610</b>
Payment for purchase of business, net of cash acquired	(22,538)	(45,477)
Net payments for property, plant and equipment	(8,203)	(5,994)
Other investing cash flows	(5)	(1,419)
<b>Net cash used by investing activities</b>	<b>(30,746)</b>	<b>(52,890)</b>
Net (repayment)/proceeds from borrowings	(22,633)	54,310
Dividends paid	(5,924)	(5,713)
Other financing cash flows	(1,574)	(1,854)
<b>Net cash provided by financing activities</b>	<b>(30,131)</b>	<b>46,742</b>
Net (decrease)/increase in cash during the half year	(47,170)	1,462
Cash at the beginning of the half year	53,904	5,289
Exchange rate effects	42	(16)
<b>Cash at the end of the half year</b>	<b>6,775</b>	<b>6,735</b>
<b>Cash flow conversion %</b>	<b>97.6%</b>	<b>99.2%</b>

Cash flows provided by operating activities increased by 80.1% to \$13,707,000 during the period to 31 December 2020. This was positively impacted by acquisitions, recognition of government wage subsidies and no Performance Fee being triggered in the third calculation period (PCP: \$4,077,000 (excluding GST)), partially offset by higher interest paid in the reporting period.

Cash flow conversion was 97.6% in 1H FY21, compared to 99.2% achieved in the PCP as shown in the table below:

	<b>31 Dec 20</b>	<b>31 Dec 19</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Operating EBITDA</b>	<b>19,009</b>	<b>16,563</b>
Net cash provided by operating activities	13,707	7,610
Add: interest paid	1,767	1,325
Add: income tax paid	3,138	3,472
Add: Performance Fee	-	4,077
Less: interest received	(56)	(60)
<b>Ungeared, tax free, operating cash flow<sup>1</sup></b>	<b>18,555</b>	<b>16,425</b>
<b>Cash flow conversion</b>	<b>97.6%</b>	<b>99.2%</b>

*1. Excluding the Performance Fee*

Cash flows used in investing activities included capital expenditure related to:

	<b>31 Dec 20</b>	<b>31 Dec 19</b>
	<b>\$'000</b>	<b>\$'000</b>
Property refurbishments and plant and equipment	3,319	1,246
Motor vehicles	423	545
Other assets	44	83
<b>Total capital expenditure</b>	<b>3,785</b>	<b>1,874</b>

During 1H FY21, the Group incurred capital expenditure of \$3,785,000 which included:

- \$3,018,000 relating to a number of property refurbishments and new leasehold sites;
- purchasing motor vehicles totalling \$423,000; and
- upgrades to sound systems, IT equipment, mortuary equipment and other plant and equipment.

In 1H FY21, maintenance capital expenditure amounted to 3.9% of revenue (1H FY20: 3.0%).

### **Capital management**

As at 31 December 2020, the Group had drawn down \$87,623,000 of its \$150,000,000 senior debt facilities, compared to \$109,823,000 as at 30 June 2020. The decrease in drawn debt largely related to the repayment of cash drawn for liquidity purposes during the first wave of COVID-19 in Q4 FY20.

As at 31 December 2020, the Group's gearing ratio was 30.2%<sup>5</sup>. Financial covenant ratios on the senior debt facilities comprise a net leverage ratio which must be no greater than 3.5x<sup>6</sup> and a fixed charge cover ratio which must be greater than 1.75x. Both ratios were comfortably satisfied as at 31 December 2020, being 2.2x and 5.3x respectively.

As at 31 December 2020, Propel remained in a strong funding position, with approximately \$63.2 million<sup>7</sup> of available funding capacity.

<sup>5</sup> Net debt of \$80.8 million divided by net debt plus total equity of \$267.4 million.

<sup>6</sup> Including the annualised impact of acquisitions and other adjustments. The ratio of 3.5x endures for two consecutive testing dates (being 31 December 2020 and 30 June 2021), following which, the covenant will reduce to 3.25x. The Company's \$10 million working capital facility is excluded from the Net Leverage Ratio calculation.

<sup>7</sup> Undrawn debt and cash at bank as at 31 December 2020, less the estimated cash that will be required to pay the interim dividend.

### **Outlook**

Historical experience suggests the below trend death volumes in 2020 should be temporary, given:

- prior period declines have rebounded quickly;
- the unusually benign flu season in 2020; and
- the growing and ageing population in Australia and New Zealand.

Recent trading indicates that death volumes may be starting to revert to long term trends, with Propel recording positive comparable funeral volume growth in the three months to mid February 2021. However, death volumes fluctuate over short time horizons.

In terms of the outlook for the second half of FY21 and beyond, Propel expects to benefit from:

- death volumes reverting to long term trends;
- acquisitions completed to date and other potential future acquisitions in what is a fragmented industry (although timing is uncertain); and
- a strong funding position.

However, COVID-19 impacts are expected to continue, particularly in COVID-19 hotspot areas which enter temporary lockdown.

### **Rounding of amounts**

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

### **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 this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



Brian Scullin  
Chairman



Albin Kurti  
Managing Director

25 February 2021

## Auditor's Independence Declaration under section 307C of the Corporations Act 2001

To the Board of Directors of Propel Funeral Partners Limited

As lead audit director for the audit of the financial statements of Propel Funeral Partners Limited for the half year ended 31 December 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) any applicable code of professional conduct in relation to the audit.

Yours sincerely



**Nexia Sydney Audit Pty Limited**



**Lester Wills**  
Director

Dated: 25 February 2021

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**Propel Funeral Partners Limited**  
**Consolidated statement of profit or loss and other comprehensive income**  
**For the half-year ended 31 December 2020**

		<b>Consolidated</b>	
	<b>Note</b>	<b>31 Dec 2020</b>	<b>31 Dec 2019</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>Revenue</b>	4	59,009	57,000
<b>Expenses</b>			
Cost of sales and goods		(16,335)	(16,262)
Employee costs	5	(16,846)	(17,480)
Occupancy and facility expenses		(3,204)	(2,972)
Advertising expenses		(1,358)	(1,401)
Motor vehicle expenses		(799)	(797)
Other expenses		(1,577)	(1,720)
		18,890	16,368
Acquisition costs	5	(155)	(1,418)
Performance fee	5	-	(4,077)
Net loss on disposal of assets		(45)	(66)
Other income		14	35
Depreciation expense	5	(4,760)	(4,230)
Interest income		68	66
Interest expense	5	(1,859)	(1,325)
Net financing charge on contract assets and contract liabilities	6	(528)	(265)
Net foreign exchange gain/(losses)		37	(14)
<b>Profit before income tax expense</b>		11,662	5,074
Income tax expense		(3,506)	(1,700)
<b>Profit after income tax expense for the half-year attributable to the shareholders of Propel Funeral Partners Limited</b>		8,156	3,374
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		(80)	5
Changes in the fair value of cash flow hedges, net of tax		17	-
Other comprehensive income for the half-year, net of tax		(63)	5
<b>Total comprehensive income for the half-year attributable to the shareholders of Propel Funeral Partners Limited</b>		<b>8,093</b>	<b>3,379</b>
		<b>cents</b>	<b>cents</b>
Basic earnings per share	21	8.23	3.42
Diluted earnings per share	21	8.23	3.42

*The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes*



**Propel Funeral Partners Limited**  
**Consolidated statement of financial position**  
**As at 31 December 2020**

		<b>Consolidated</b>	
	<b>Note</b>	<b>31 Dec 2020</b>	<b>30 Jun 2020</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		6,775	53,904
Customer deposits		571	544
Contract assets	6	46,853	47,495
Trade and other receivables		5,706	4,562
Inventories		4,425	4,233
Prepayments		1,894	745
Total current assets		<u>66,224</u>	<u>111,483</u>
<b>Non-current assets</b>			
Property, plant and equipment	7	152,599	129,318
Right-of-use assets	8	36,264	39,120
Goodwill	9	133,335	123,230
Deferred tax assets		3,496	3,607
Other assets		176	171
Total non-current assets		<u>325,870</u>	<u>295,446</u>
<b>Total assets</b>		<u>392,094</u>	<u>406,929</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	10	7,755	6,092
Borrowings	11	10,115	4,145
Income tax		691	233
Lease liabilities	12	3,072	6,136
Provisions	13	6,056	5,164
Contract liabilities	6	52,313	52,419
Total current liabilities		<u>80,002</u>	<u>74,189</u>
<b>Non-current liabilities</b>			
Borrowings	11	77,864	106,009
Lease liabilities	12	34,890	34,442
Derivative financial instruments	16	380	405
Deferred tax liabilities		10,094	8,069
Provisions	13	2,038	1,662
Other liabilities		201	212
Total non-current liabilities		<u>125,467</u>	<u>150,799</u>
<b>Total liabilities</b>		<u>205,469</u>	<u>224,988</u>
<b>Net assets</b>		<u>186,625</u>	<u>181,941</u>
<b>Equity</b>			
Issued capital	14	203,418	200,903
Reserves		(95)	(32)
Accumulated losses		<u>(16,698)</u>	<u>(18,930)</u>
<b>Total equity</b>		<u>186,625</u>	<u>181,941</u>

*The above consolidated statement of financial position should be read in conjunction with the accompanying notes*

**Propel Funeral Partners Limited**  
**Consolidated statement of changes in equity**  
**For the half-year ended 31 December 2020**

<b>Consolidated</b>	<b>Issued capital \$'000</b>	<b>Foreign currency translation reserves \$'000</b>	<b>Hedging reserve \$'000</b>	<b>Accumulated losses \$'000</b>	<b>Total equity \$'000</b>
Balance at 1 July 2019	200,363	1,068	-	(18,955)	182,476
Adjustment for change in accounting policy	-	-	-	(581)	(581)
Balance at 1 July 2019 - restated	200,363	1,068	-	(19,536)	181,895
Profit after income tax expense for the half-year	-	-	-	3,374	3,374
Other comprehensive income for the half-year, net of tax	-	5	-	-	5
Total comprehensive income for the half-year	-	5	-	3,374	3,379
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs	540	-	-	-	540
Dividends paid (note 15)	-	-	-	(5,713)	(5,713)
Balance at 31 December 2019	<u>200,903</u>	<u>1,073</u>	<u>-</u>	<u>(21,875)</u>	<u>180,101</u>
<b>Consolidated</b>	<b>Issued capital \$'000</b>	<b>Foreign currency translation reserves \$'000</b>	<b>Hedging reserve \$'000</b>	<b>Accumulated losses \$'000</b>	<b>Total equity \$'000</b>
Balance at 1 July 2020	200,903	251	(283)	(18,930)	181,941
Profit after income tax expense for the half-year	-	-	-	8,156	8,156
Other comprehensive income for the half-year, net of tax	-	(80)	17	-	(63)
Total comprehensive income for the half-year	-	(80)	17	8,156	8,093
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs (note 14)	2,515	-	-	-	2,515
Dividends paid (note 15)	-	-	-	(5,924)	(5,924)
Balance at 31 December 2020	<u>203,418</u>	<u>171</u>	<u>(266)</u>	<u>(16,698)</u>	<u>186,625</u>

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

**Propel Funeral Partners Limited**  
**Consolidated statement of cash flows**  
**For the half-year ended 31 December 2020**

		<b>Consolidated</b>	
	<b>Note</b>	<b>31 Dec 2020</b>	<b>31 Dec 2019</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		64,145	62,184
Payments to suppliers (inclusive of GST)		(45,589)	(45,353)
		18,556	16,831
Performance fee paid (inclusive of GST)		-	(4,484)
Interest received		56	60
Interest and other finance costs paid		(1,767)	(1,325)
Income taxes paid		(3,138)	(3,472)
Net cash from operating activities		13,707	7,610
<b>Cash flows from investing activities</b>			
Payment for purchase of business, net of cash acquired	20	(22,538)	(45,477)
Payments for property, plant and equipment		(8,260)	(6,025)
Proceeds from disposal of property, plant and equipment		57	31
Net movement in contract assets and contract liabilities		(5)	(1,419)
Net cash used in investing activities		(30,746)	(52,890)
<b>Cash flows from financing activities</b>			
Share issue transaction costs		-	(371)
Proceeds from borrowings		6,102	54,310
Repayment of borrowings		(28,735)	-
Repayment of lease liabilities		(1,574)	(1,484)
Dividends paid	15	(5,924)	(5,713)
Net cash (used in)/from financing activities		(30,131)	46,742
Net (decrease)/increase in cash and cash equivalents		(47,170)	1,462
Cash and cash equivalents at the beginning of the financial half-year		53,904	5,289
Effects of exchange rate changes on cash and cash equivalents		41	(16)
Cash and cash equivalents at the end of the financial half-year		6,775	6,735

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

## **Note 1. General information**

These general purpose financial statements ('financial statements') relate to Propel Funeral Partners Limited (referred to hereafter as 'Propel', the 'Company' or 'parent entity') as the consolidated entity consisting of the Company and the entities it controlled (referred to hereafter as the 'Group') at the end of, or during, the half-year ended 31 December 2020. The financial statements are presented in Australian dollars, which is the Company's functional and presentation currency.

Propel is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 18.03  
135 King Street  
Sydney NSW 2000

A description of the nature of the Group's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 25 February 2021. The directors have the power to amend and reissue the financial statements.

## **Note 2. Significant accounting policies**

The financial statements for the interim half-year reporting period ended 31 December 2020 have been prepared in accordance with AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

The financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, the financial statements are to be read in conjunction with the annual report for the year ended 30 June 2020 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the prior financial year and corresponding interim reporting period, unless otherwise stated.

### **New or amended Accounting Standards and Interpretations adopted**

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

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

## **Note 3. Operating segments**

### **Identification of reportable operating segments**

The Group is organised into two geographic segments, Australian operations and New Zealand operations, both of which operate in the death care related services industry. The Australian and New Zealand operations include the aggregation of a number of businesses that exhibit similar long-term financial performance and economic characteristics.

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'), which includes two reportable segments, being the Australian and New Zealand operations. The CODM are responsible for the allocation of resources to operating segments and assessing their performance. The CODM considers Operating EBITDA to be one of the core earnings measures of the Group.

### **Intersegment transactions**

Intersegment transactions were made at market rates. Intersegment transactions are eliminated on consolidation.

### **Intersegment receivables, payables and loans**

Intersegment loans are initially recognised at the consideration received. Intersegment loans are eliminated on consolidation.

**Note 3. Operating segments (continued)**

*Operating segment information*

**Consolidated - 31 Dec 2020**

	<b>Australian operations \$'000</b>	<b>New Zealand operations \$'000</b>	<b>Total \$'000</b>
<b>Revenue</b>			
Sales to external customers	47,898	10,998	58,896
Other revenue (excluding interest)	107	6	113
<b>Total revenue</b>	<b>48,005</b>	<b>11,004</b>	<b>59,009</b>
<b>Operating EBITDA</b>	<b>16,451</b>	<b>2,558</b>	<b>19,009</b>
Acquisition costs	(144)	(11)	(155)
Net loss on disposal of assets	(43)	(2)	(45)
Net other (expenses)/income	(108)	3	(105)
Depreciation and amortisation	(4,040)	(720)	(4,760)
Interest income *	355	21	376
Finance costs *	(1,781)	(386)	(2,167)
Net financing charge on contract assets and contract liabilities	(528)	-	(528)
Net foreign exchange gain/(losses)	38	(1)	37
<b>Profit before income tax expense</b>	<b>10,200</b>	<b>1,462</b>	<b>11,662</b>
Income tax expense			(3,506)
<b>Profit after income tax expense</b>			<b>8,156</b>
<b>Assets</b>			
Segment assets	363,217	52,973	416,190
Intersegment eliminations			(24,096)
<b>Total assets</b>			<b>392,094</b>
<b>Liabilities</b>			
Segment liabilities	196,073	33,492	229,565
Intersegment eliminations			(24,096)
<b>Total liabilities</b>			<b>205,469</b>

\* Includes \$308,000 interest charged on inter-company loan from the Australian operations to the New Zealand operations.

Note 3. Operating segments (continued)

Consolidated - 31 Dec 2019	Australian operations \$'000	New Zealand operations \$'000	Total \$'000
<b>Revenue</b>			
Sales to external customers	46,853	10,065	56,918
Other revenue (excluding interest)	81	1	82
<b>Total revenue</b>	<b>46,934</b>	<b>10,066</b>	<b>57,000</b>
<b>Operating EBITDA</b>	<b>14,112</b>	<b>2,451</b>	<b>16,563</b>
Acquisition costs	(1,394)	(24)	(1,418)
Performance fee	(4,077)	-	(4,077)
Net loss on disposal of assets	(35)	(31)	(66)
Net other (expenses)/income	(162)	2	(160)
Depreciation and amortisation	(3,585)	(645)	(4,230)
Interest income *	437	23	460
Finance costs *	(1,244)	(475)	(1,719)
Net financing charge on contract assets and contract liabilities	(265)	-	(265)
Net foreign exchange losses	(10)	(4)	(14)
<b>Profit before income tax expense</b>	<b>3,777</b>	<b>1,297</b>	<b>5,074</b>
Income tax expense			(1,700)
<b>Profit after income tax expense</b>			<b>3,374</b>

Consolidated - 30 Jun 2020

<b>Assets</b>			
Segment assets	380,843	43,194	424,037
Intersegment eliminations			(17,108)
<b>Total assets</b>			<b>406,929</b>
<b>Liabilities</b>			
Segment liabilities	217,072	25,024	242,096
Intersegment eliminations			(17,108)
<b>Total liabilities</b>			<b>224,988</b>

\* Includes \$394,000 interest charged on inter-company loan from the Australian operations to the New Zealand operations.

Geographical information

	<b>Geographical non-current assets</b>	
	<b>31 Dec 2020 \$'000</b>	<b>30 Jun 2020 \$'000</b>
Australia	298,640	273,725
New Zealand	47,829	35,222
Intersegment eliminations	(24,095)	(17,108)
	<b>322,374</b>	<b>291,839</b>

The geographical non-current assets above are exclusive of, where applicable, financial instruments, deferred tax assets, post-employment benefits assets and rights under insurance contracts.

Note 4. Revenue

	Consolidated 31 Dec 2020 \$'000	31 Dec 2019 \$'000
Revenue from contracts with customers	58,896	56,918
<i>Other revenue</i>		
Rent	113	82
Revenue	<u>59,009</u>	<u>57,000</u>

*Disaggregation of revenue*

The disaggregation of revenue from contracts with customers is as follows:

	Consolidated 31 Dec 2020 \$'000	31 Dec 2019 \$'000
Funeral operations	51,330	49,399
Cemetery, crematoria and memorial gardens	6,520	6,340
Other trading revenue	1,046	1,179
	<u>58,896</u>	<u>56,918</u>

Refer to note 3 for geographical regions information.

**Note 5. Expenses**

	<b>Consolidated</b>	
	<b>31 Dec 2020</b>	<b>31 Dec 2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Profit before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Buildings	901	713
Improvements	229	204
Plant and equipment	1,083	944
Motor vehicles	840	753
Total depreciation - property, plant and equipment (note 7)	3,053	2,614
Building right-of-use assets	1,507	1,405
Plant and equipment right-of-use assets	190	165
Motor vehicles right-of-use assets	10	46
Total depreciation - right-of-use assets (note 8)	1,707	1,616
Total depreciation expense	4,760	4,230
Acquisition costs	155	1,418
Performance fee *	-	4,077
<i>Interest expense</i>		
Interest and finance charges paid/payable on borrowings	1,306	770
Interest and finance charges paid/payable on lease liabilities (AASB 16)	553	555
Total interest expense	1,859	1,325
<i>Employee costs</i>		
Employee costs excluding government subsidies and superannuation expense	18,191	16,426
Australia government wage subsidies (JobKeeper) **	(2,230)	-
New Zealand government wage subsidies **	(189)	-
Payroll tax waivers	(69)	-
Defined contribution superannuation expense	1,143	1,054
Total employee costs	16,846	17,480

\* Refer to notes 17 and 19 for further disclosures.

\*\* During the half-year ended 31 December 2020 and related to the COVID-19 pandemic, certain entities within the Group continued to receive JobKeeper payments from the Australian government and further wage subsidies from the New Zealand government. These subsidies were passed on to the eligible employees and have been recognised in the financial statements net of employment costs over the relevant period. The net impact (gross amount less top up payments of \$241,000 to employees) recognised in the statement of profit or loss during the half-financial year was \$1,989,000 (31 December 2019: Nil) in respect of JobKeeper and \$189,000 (31 December 2019: Nil) in respect of New Zealand wage subsidies.



**Note 6. Contract assets and liabilities**

	<b>Consolidated</b>	
	<b>31 Dec 2020</b>	<b>30 Jun 2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Contract assets</b>		
- pre-paid contracts	46,853	47,495
<b>Contract liabilities</b>		
- pre-paid contracts	50,870	51,031
- monument works	1,443	1,388
	<b>52,313</b>	<b>52,419</b>

**Pre-paid contracts**

The Group recognises contract assets and contract liabilities in relation to pre-paid funerals, memorials and other products and services where the customer pays for those products and services in advance. Funds held in connection with pre-paid contracts are largely held with third party friendly societies who invest the funds in cash and fixed interest products (more than 90% of funds held) and other asset classes (less than 10% of funds held).

Profit or loss impacts and movements in contract assets and contract liabilities in relation to the pre-paid contracts are set out below:

	<b>Consolidated</b>	
	<b>31 Dec 2020</b>	<b>31 Dec 2019</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Profit or loss impact of undelivered contract assets and contract liabilities - pre-paid contracts</b>		
Investment income on contract assets	124	398
Finance charge on contract liabilities	(652)	(663)
Net financing charge on contract assets and contract liabilities - pre-paid contracts	(528)	(265)

	<b>Consolidated</b>	
	<b>31 Dec 2020</b>	<b>30 Jun 2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Movements in contract assets - pre-paid contracts</b>		
Opening balance	47,495	47,901
Sales of new contract assets	1,350	2,817
Redemption of contract assets following service delivery	(2,429)	(5,147)
Increase due to business combinations (note 20)	313	83
Increase due to business combinations - prior years	-	1,329
Increase due to investments returns	124	512
Closing balance	46,853	47,495
Contract assets expected to be realised within one year	4,294	4,888
Contract assets expected to be realised after one year	42,559	42,607
Total contract assets - pre-paid contracts	46,853	47,495

**Note 6. Contract assets and liabilities (continued)**

	<b>Consolidated</b>	
	<b>31 Dec 2020</b>	<b>30 Jun 2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Movements in contract liabilities - pre-paid contracts</b>		
Opening balance	51,031	51,883
Sales of new contract liabilities	1,350	2,817
Decrease following delivery of services	(2,476)	(5,523)
Increase due to business combinations (note 20)	313	236
Increase due to business combinations - prior year	-	579
Increase due to finance charge applied in accordance with AASB 15	652	1,039
Closing balance	<u>50,870</u>	<u>51,031</u>
Contract liabilities expected to be realised within one year	4,745	5,087
Contract liabilities expected to be realised after one year	<u>46,125</u>	<u>45,944</u>
Total contract liabilities - pre-paid contracts	<u>50,870</u>	<u>51,031</u>

All contract assets and contract liabilities have been treated as current because the asset and the liability originate from the same contract. The contract liability is recognised as a current liability as the Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. Accordingly, because the liability is classified as current, the associated contract asset balance is also classified as current.

The assets and liabilities have been split between amounts 'expected to be realised within one year' and 'amounts expected to be realised after one year' based on historical trends.

**Note 7. Property, plant and equipment**

	<b>Consolidated</b>	
	<b>31 Dec 2020</b>	<b>30 Jun 2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Non-current assets</b>		
Land - at cost	50,098	39,328
Buildings - at cost	77,452	68,085
Less: Accumulated depreciation	(5,470)	(4,569)
	<u>71,982</u>	<u>63,516</u>
Improvements - at cost	9,724	6,803
Less: Accumulated depreciation	(1,244)	(1,015)
	<u>8,480</u>	<u>5,788</u>
Plant and equipment - at cost	17,741	16,128
Less: Accumulated depreciation	(5,849)	(4,776)
	<u>11,892</u>	<u>11,352</u>
Motor vehicles - at cost	13,884	12,582
Less: Accumulated depreciation	(5,370)	(4,585)
	<u>8,514</u>	<u>7,997</u>
Construction in progress - at cost	1,633	1,337
	<u>152,599</u>	<u>129,318</u>

**Note 8. Right-of-use assets (continued)**

*Reconciliations*

Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

<b>Consolidated</b>	<b>Land \$'000</b>	<b>Buildings \$'000</b>	<b>Improve- ments \$'000</b>	<b>Plant and equipment \$'000</b>	<b>Motor vehicles \$'000</b>	<b>Construc- tion in progress \$'000</b>	<b>Total \$'000</b>
Balance at 1 July 2020	39,328	63,516	5,788	11,352	7,997	1,337	129,318
Additions	1,051	30	112	557	360	3,097	5,207
Additions through business combinations (note 20)	8,234	7,155	189	689	995	622	17,884
Disposals	-	-	(5)	(18)	(121)	-	(144)
Exchange differences	3	-	(2)	(3)	(8)	-	(10)
Transfer from right-of-use assets (note 8)	1,317	2,080	-	-	-	-	3,397
Transfers in/(out)	165	102	2,627	398	131	(3,423)	-
Depreciation expense (note 5)	-	(901)	(229)	(1,083)	(840)	-	(3,053)
Balance at 31 December 2020	<u>50,098</u>	<u>71,982</u>	<u>8,480</u>	<u>11,892</u>	<u>8,514</u>	<u>1,633</u>	<u>152,599</u>

**Note 8. Right-of-use assets**

	<b>Consolidated</b>	
	<b>31 Dec 2020 \$'000</b>	<b>30 Jun 2020 \$'000</b>
<i>Non-current assets</i>		
Land and buildings - right-of-use	39,496	40,928
Less: Accumulated depreciation	(4,101)	(2,807)
	<u>35,395</u>	<u>38,121</u>
Plant and equipment - right-of-use	1,290	1,287
Less: Accumulated depreciation	(456)	(333)
	<u>834</u>	<u>954</u>
Motor vehicles - right-of-use	59	59
Less: Accumulated depreciation	(24)	(14)
	<u>35</u>	<u>45</u>
	<u>36,264</u>	<u>39,120</u>

*Reconciliations*

Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

<b>Consolidated</b>	<b>Land and buildings \$'000</b>	<b>Plant and equipment \$'000</b>	<b>Motor vehicles \$'000</b>	<b>Total \$'000</b>
Balance at 1 July 2020	38,121	954	45	39,120
Additions	550	63	-	613
Additions through business combinations (note 20)	1,069	-	-	1,069
Lease remeasurement, rent increase and early termination	559	7	-	566
Transfer to property, plant and equipment - purchase option executed (note 7)	(3,397)	-	-	(3,397)
Depreciation expense (note 5)	(1,507)	(190)	(10)	(1,707)
Balance at 31 December 2020	<u>35,395</u>	<u>834</u>	<u>35</u>	<u>36,264</u>

**Propel Funeral Partners Limited**  
**Notes to the consolidated financial statements**  
**31 December 2020**

**Note 9. Goodwill**

	<b>Consolidated</b>	
	<b>31 Dec 2020</b>	<b>30 Jun 2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Non-current assets</i>		
Goodwill - at cost	133,335	123,230

*Reconciliations*

Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

<b>Consolidated</b>	<b>Goodwill</b>
	<b>\$'000</b>
Balance at 1 July 2020	123,230
Additions through business combinations (note 20)	9,976
Adjustments for prior year business combinations	210
Exchange differences	(81)
Balance at 31 December 2020	133,335

**Note 10. Trade and other payables**

	<b>Consolidated</b>	
	<b>31 Dec 2020</b>	<b>30 Jun 2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Current liabilities</i>		
Trade payables	3,016	1,583
Deposits	547	497
Accrued expenses	2,211	1,936
GST payable	768	851
Other payables	1,213	1,225
	7,755	6,092

**Note 11. Borrowings**

	<b>Consolidated</b>	
	<b>31 Dec 2020</b>	<b>30 Jun 2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Current liabilities</i>		
Bank Loans	9,968	3,990
Hire purchases	147	155
	10,115	4,145
<i>Non-current liabilities</i>		
Bank Loans	77,670	105,747
Hire purchases	194	262
	77,864	106,009
	87,979	110,154

**Note 11. Borrowings (continued)**

	<b>Consolidated</b>	
	<b>31 Dec 2020</b>	<b>30 Jun 2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Senior debt	87,623	109,823
Less: loan establishment costs	(274)	(335)
Equipment loans	289	249
<b>Total Bank Loans</b>	<b>87,638</b>	<b>109,737</b>

**Bank Loans**

As at the reporting date, the Group was party to the following debt facilities with Westpac Banking Corporation ('Financier'):

- \$50,000,000 senior debt facility, available for general corporate purposes which matures in August 2022;
- \$40,000,000 senior debt facility, available for acquisitions and capital expenditure which matures in August 2022;
- \$50,000,000 senior debt facility, available for acquisitions and capital expenditure which matures in December 2023; and
- \$10,000,000 working capital facility which matures in August 2022 and is required to be cleaned down annually,

resulting in total debt facilities of \$150,000,000 (together, 'Senior Debt'), of which \$87,623,000 was drawn as at 31 December 2020 (30 June 2020: \$109,823,000). The net debt position (i.e. drawn Senior Debt less cash and cash equivalents of \$6,775,000) was \$80,848,000 as at 31 December 2020 (30 June 2020: \$55,919,000).

In connection with the Senior Debt, the Company and its subsidiaries have granted a charge in favour of the Financier over all its assets and guaranteed the payment of the secured monies.

In addition, the Group is party to separate equipment loans relating to motor vehicles totalling \$289,000 (30 June 2020: \$249,000) (Senior Debt net of establishment costs and equipment loans, together 'Bank Loans').

**Hire purchase**

The Group is also party to hire purchase agreements in connection with motor vehicles and are secured as the rights to the leased assets, recognised in the statement of financial position and revert to the lessor in the event of default.

**Note 12. Lease liabilities**

	<b>Consolidated</b>	
	<b>31 Dec 2020</b>	<b>30 Jun 2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current liabilities</b>		
Lease liability	3,072	6,136
<b>Non-current liabilities</b>		
Lease liability	34,890	34,442
	<b>37,962</b>	<b>40,578</b>

**Note 13. Provisions**

	<b>Consolidated</b>	
	<b>31 Dec 2020</b>	<b>30 Jun 2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Current liabilities</i>		
Employee benefits	4,819	4,604
Contingent consideration (note 16)	1,211	527
Lease make good	26	33
	<u>6,056</u>	<u>5,164</u>
<i>Non-current liabilities</i>		
Employee benefits	514	522
Contingent consideration (note 16)	1,007	702
Lease make good	299	238
Perpetual maintenance care provision	218	200
	<u>2,038</u>	<u>1,662</u>
	<u><u>8,094</u></u>	<u><u>6,826</u></u>

**Note 14. Issued capital**

	<b>Consolidated</b>			
	<b>31 Dec 2020</b>	<b>30 Jun 2020</b>	<b>31 Dec 2020</b>	<b>30 Jun 2020</b>
	<b>Shares</b>	<b>Shares</b>	<b>\$'000</b>	<b>\$'000</b>
Ordinary shares - fully paid	<u>99,946,016</u>	<u>98,735,427</u>	<u>203,418</u>	<u>200,903</u>

*Movements in ordinary share capital*

<b>Details</b>	<b>Date</b>	<b>Shares</b>	<b>Issue price</b>	<b>\$'000</b>
Balance	1 July 2020	98,735,427		200,903
Shares issued - business combination (note 20)	2 November 2020	<u>1,210,589</u>	\$2.08	<u>2,515</u>
Balance	31 December 2020	<u><u>99,946,016</u></u>		<u><u>203,418</u></u>

*Ordinary shares*

Ordinary shares entitle the holder to participate in dividends declared and any proceeds attributable to shareholders should the Company be wound up, in proportions that consider both the number of shares held and the extent to which those shares are paid up. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

*Share buy-back*

There is no current on-market share buy-back.

**Note 15. Dividends**

*Dividends*

Dividends paid during the financial half-year were as follows:

<b>Consolidated</b>	
<b>31 Dec 2020</b>	<b>31 Dec 2019</b>
<b>\$'000</b>	<b>\$'000</b>

Final dividend for the year ended 30 June 2020 of 6.0 cents (30 June 2019: 5.8 cents) per ordinary share

<b>5,924</b>	<b>5,713</b>
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On 25 August 2020, the directors declared a fully franked final dividend of 6.0 cents per ordinary share which equated to a total distribution of \$5,924,000 in connection with the financial year ended 30 June 2020. The dividend was paid on 1 October 2020 and was recognised during the relevant reporting period.

On 26 August 2019, the directors declared a fully franked final dividend of 5.8 cents per ordinary share which equated to a total distribution of \$5,713,000 in connection with the financial year ended 30 June 2019. The dividend was paid on 4 October 2019 and was recognised during the prior relevant reporting period.

*Interim dividend not recognised at period end*

In addition to the above and since the reporting date, the directors declared a fully franked dividend of 6.0 cents per ordinary share on 25 February 2021. The dividend will be paid on 9 April 2021. This equates to an estimated total distribution of \$5,997,000. The financial effect of the dividend declared after the reporting date is not reflected in the 31 December 2020 financial statements and will be recognised in the period to 30 June 2021.

*Franking credits*

<b>Consolidated</b>	
<b>31 Dec 2020</b>	<b>30 Jun 2020</b>
<b>\$'000</b>	<b>\$'000</b>

Franking credits available for subsequent financial years based on a tax rate of 30%

<b>15,727</b>	<b>15,325</b>
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The above amounts represent the balance of the franking account as at the end of the financial half-year, adjusted for franking credits that will arise from the:

- payment of the amount of the provision for income tax at the reporting date;
- payment of dividends recognised as a liability at the reporting date;
- receipt of dividends recognised as receivables at the reporting date; and
- franking credits acquired through business combinations.

**Note 16. Fair value measurement**

*Fair value hierarchy*

This section outlines the valuation techniques used to measure fair value of financial instruments which maximises the use of relevant observable inputs and minimises the use of unobservable inputs.

The following tables detail the Group's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

Note 16. Fair value measurement (continued)

Consolidated - 31 Dec 2020	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Liabilities</b>				
<b>Current</b>				
Contingent consideration	-	-	1,211	1,211
<b>Non-current</b>				
Derivative financial instruments *	-	380	-	380
Contingent consideration	-	-	1,007	1,007
Total liabilities	-	380	2,218	2,598
Consolidated - 30 Jun 2020	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Liabilities</b>				
<b>Current</b>				
Contingent consideration	-	-	527	527
<b>Non-current</b>				
Derivative financial instruments *	-	405	-	405
Contingent consideration	-	-	702	702
Total liabilities	-	405	1,229	1,634

There were no transfers between levels during the financial half-year.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

\* Relate to interest rate swap contracts in connection of the cash flow hedges.

*Valuation techniques for fair value measurements categorised within level 2 and level 3*

Due to the nature of contingent consideration, it has been categorised as Level 3.

Contingent consideration represents the obligation to pay additional amounts to vendors in respect of businesses acquired by the Group, subject to certain conditions being met. It is measured at the present value of the estimated liability. The fair value of contingent consideration is calculated on the expected future cash outflows. Generally, the contingent consideration is a performance based payment. These are reviewed at the reporting date to provide the expected future cash outflows for each contract. Upon completion of the review the future cash outflows are then discounted to present value using the Group's incremental borrowing rate.

Derivative financial instruments have been valued using quoted market rates. This valuation technique maximises the use of observable market data where it is available and relies as little as possible on entity specific estimates.

*Level 3 assets and liabilities*

Movements in level 3 assets and liabilities during the current financial half-year are set out below:

Consolidated	Contingent consideration \$'000
Balance at 1 July 2020	1,229
Payments made (note 20)	(264)
Additions through business combinations (note 20)	1,229
Movement due to changes in discount rate	31
Foreign exchange difference	(7)
Balance at 31 December 2020	2,218



**Note 16. Fair value measurement (continued)**

Fair value movements are recognised in the statement of profit or loss as movements in interest expense. Fair value movements for the period in relation to revaluation of contingent consideration amounted to \$31,000 (31 December 2019: \$32,000). A stress test of 50 basis points was conducted and found to have an immaterial impact.

**Note 17. Contingent liabilities**

On 11 September 2017, the Company entered into a management agreement with Propel Investments Pty Limited (ACN 117 536 357) ('Manager') ('Management Agreement'). The commencement date of the Management Agreement was 17 November 2017.

In accordance with the Management Agreement, a performance fee may be payable to the Manager ('Performance Fee'). The calculation is based on, among other things, the total shareholder return (including grossed up dividends) of the Company in a calculation period being greater than the benchmark (8%). The Performance Fee for that calculation period will be 20% of the absolute dollar value that the total shareholder return outperforms the benchmark, subject to the recoupment of any prior negative outperformance amount. No Performance Fee was triggered during the period ended 31 December 2020 and the negative outperformance amount of \$20,577,000 has been carried forward and will need to be recouped before any Performance Fee will become payable.

As the total shareholder return and therefore any outperformance amount for a calculation period cannot be reliably measured as at the date of the financial statements, no provision has been made in the financial statements for any Performance Fee that may be payable in the future.

If a Performance Fee is payable in respect of the current or any future calculation period, it will be recognised in the period in which it is triggered.

The Group had \$1,180,000 bank guarantees as at 31 December 2020 (30 June 2020: \$1,180,000) in relation to premises the Group leases.

The directors are not aware of any other contingent liabilities that existed as at the reporting date or on the date of approval of the financial statements (30 June 2020: Nil).

**Note 18. Commitments**

*Capital commitments*

Committed at the reporting date but not recognised as liabilities, payable:  
 Property, plant and equipment

**Consolidated**  
**31 Dec 2020**  
**\$'000**

2,459

**Note 19. Related party transactions**

*Parent entity*

Propel Funeral Partners Limited is the parent entity.

*Transactions with related parties*

The Company is a party to a Management Agreement as set out in note 17. The Manager is an entity associated with Albin Kurti and Fraser Henderson (directors of the Company) and Peter Dowding (a former director of the Company).

The initial term of the Management Agreement is 10 years ('Initial Term'). During the Initial Term, the Manager is entitled to be paid by the Company:

- an Administration Fee (plus GST) per annum, escalated by CPI annually; and
- the Performance Fee (plus GST) (refer to note 17).

An Administration Fee (relating to the Management Agreement) of \$126,000 (31 December 2019: \$123,000) was expensed during the financial half-year.

**Note 19. Related party transactions (continued)**

*Receivable from and payable to related parties*

There were no trade receivables from, or trade payables to, related parties at the current and previous reporting date.

*Loans to/from related parties*

There were no loans to, or from, related parties at the current or previous reporting date.

*Terms and conditions*

All transactions were made on normal commercial terms and conditions and at market rates.

**Note 20. Business combinations**

*Mid West Funerals*

On 1 October 2020, the Group acquired the business, assets and a freehold property relating to Mid West Funerals ('Mid West'), which provides funeral directing services in Geraldton, Western Australia. Total consideration of \$1,026,000 in cash was paid on settlement.

*Dils Group*

On 2 November 2020, the Group acquired 100% of the issued share capital and certain freehold properties of, among others, Dils Funeral Services Limited (together, 'Dils Group'), which provides funeral directing and cremation services and operates from four locations primarily on the North Shore of Auckland in New Zealand. Consideration of \$22,881,000 was paid on settlement, which consisted of \$20,366,000 in cash and 1,210,589 ordinary shares in Propel (recognised at a fair value of \$2,515,000 given the escrow arrangements) and a further amount of \$1,085,000 (present value) will be paid if certain financial thresholds are achieved, representing total consideration of up to \$23,966,000.

*Pets RIP*

On 18 December 2020, the Group acquired the business and assets relating to Pets RIP (Pets RIP), a provider of pet loss services which operates from two locations in Toowoomba and Ipswich, Queensland. Consideration of \$830,000 in cash was paid on settlement, and a further amount of \$144,000 (present value) will be paid if certain financial thresholds are achieved, representing total consideration of up to \$974,000.

**Note 20. Business combinations (continued)**

The assets and liabilities recognised as a result of the acquisition are as follows:

	<b>Mid West Fair value \$'000</b>	<b>Dils Group Fair value \$'000</b>	<b>Pets RIP Fair value \$'000</b>	<b>Total \$'000</b>
<b>Assets:</b>				
Cash and cash equivalents	-	65	-	65
Contract assets	313	-	-	313
Trade and other receivables *	-	383	-	383
Other current assets	16	148	70	234
Property, plant and equipment	872	16,684	328	17,884
Right-of-use assets	-	910	159	1,069
Deferred tax assets	5	52	3	60
<b>Liabilities:</b>				
Contract liabilities – pre-paid contracts	(313)	-	-	(313)
Contract liabilities – monument works	-	(53)	-	(53)
Trade and other payables	-	(202)	(5)	(207)
Provisions	(17)	(125)	(52)	(194)
Borrowings	-	(397)	-	(397)
Lease liabilities	-	(899)	(118)	(1,017)
Current tax liabilities	-	(24)	-	(24)
Deferred tax liabilities	(49)	(1,764)	-	(1,813)
Net assets acquired	827	14,778	385	15,990
Goodwill	199	9,188	589	9,976
Acquisition-date fair value of the total consideration transferred	<u>1,026</u>	<u>23,966</u>	<u>974</u>	<u>25,966</u>
Representing:				
Cash paid or payable to vendor	1,026	20,366	830	22,222
Propel Funeral Partners Limited shares issued to vendor	-	2,515	-	2,515
Contingent consideration (discounted)	-	1,085	144	1,229
	<u>1,026</u>	<u>23,966</u>	<u>974</u>	<u>25,966</u>
Cash used to acquire business, net of cash acquired per cash flow statement:				
Cash paid to vendors	1,026	20,366	830	22,222
Less: cash and cash equivalents	-	(65)	-	(65)
Net cash used	<u>1,026</u>	<u>20,301</u>	<u>830</u>	<u>22,157</u>

\* The fair value of acquired trade receivables was \$383,000. The gross contractual amount for trade receivables due was \$454,000, with a loss allowance of \$71,000.

Goodwill recognised is attributable to the locations and the profitability of the acquired businesses and will not be deductible for tax purposes. Total acquisition costs (including stamp duty) paid and expensed to profit and loss was \$117,000. The acquisition accounting was provisional as at 31 December 2020.

**Note 20. Business combinations (continued)**

	<b>Consolidated 31 Dec 2020 \$'000</b>
Payment for purchase of business, net of cash acquired per cash flow statement:	
Net cash used for the Mid West acquisition	1,026
Net cash used for the Dils Group acquisition	20,301
Net cash used for the Pets RIP acquisition	830
Contingent consideration payments (note 16)	264
Acquisition costs	117
	<hr/>
Net cash used	<b>22,538</b>

If the three acquisitions had occurred on 1 July 2020, it is estimated that the Group's revenue and net profit before tax for the entire half-year period would have been approximately \$61,400,000 and approximately \$12,000,000, respectively.

**Note 21. Earnings per share**

	<b>Consolidated 31 Dec 2020 \$'000</b>	<b>31 Dec 2019 \$'000</b>
Profit after income tax attributable to the shareholders of Propel Funeral Partners Limited	<b>8,156</b>	<b>3,374</b>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	99,123,605	98,582,105
Weighted average number of ordinary shares used in calculating diluted earnings per share	99,123,605	98,582,105
	<b>cents</b>	<b>cents</b>
Basic earnings per share	8.23	3.42
Diluted earnings per share	8.23	3.42

**Note 22. Events after the reporting period**

COVID-19 impacts are expected to continue, particularly in COVID-19 hotspot areas which enter temporary lockdown.

On 25 February 2021, the directors declared a fully franked dividend of 6.0 cents per ordinary share. The dividend will be paid on 9 April 2021. This equates to an estimated total distribution of \$5,997,000. The financial effect of the dividend declared after the reporting date is not reflected in the 31 December 2020 financial statements and will be recognised in the period to 30 June 2021.

Apart from the events disclosed above, no other matter or circumstance has arisen since 31 December 2020 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.

**Propel Funeral Partners Limited**  
**Directors' declaration**  
**31 December 2020**

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the financial 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.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



Brian Scullin  
Chairman



Albin Kurti  
Managing Director

25 February 2021

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Propel Funeral Partners Limited

### Report on the Half-Year Financial Report

#### Conclusion

We have reviewed the half-year financial report of Propel Funeral Partners Limited (the Company and its subsidiaries ("the Group")), which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other 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 accompanying half-year financial report of the Group does not comply with the Corporations Act 2001 including:

- a) giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
- b) 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 Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the 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.

#### Responsibility of the Directors for the 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.

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## Auditor's Responsibility for the Review of the 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 31 December 2020 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*.

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.



**Nexia Sydney Audit Pty Limited**



**Lester Wills**  
Director

Dated: 25 February 2021