



Propel Funeral Partners Limited

ABN 41 616 909 310

**Appendix 4D – Half-year Report
For the Half-year ended 31 December 2019**

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 2019 and any public announcements made during the interim period in accordance with the continuous disclosure requirements of the Corporations Act 2001 and the ASX Listing Rules.

Propel Funeral Partners Limited
Appendix 4D
Half-year report

1. Company details

Name of entity:	Propel Funeral Partners Limited
ABN:	41 616 909 310
Reporting period:	For the half-year ended 31 December 2019
Previous period:	For the half-year ended 31 December 2018

2. Results for announcement to the market

The Group (as defined below) adopted Accounting Standard AASB 16 'Leases' ('AASB 16') on 1 July 2019 using the modified retrospective approach and as such, the prior period comparatives have not been restated.

			\$'000
Revenues from ordinary activities	up	21.0% to	57,000
Operating earnings after tax ('Operating NPAT') (refer below)	up	22.6% to	7,790
Profit from ordinary activities after tax attributable to the shareholders of Propel Funeral Partners Limited	down	47.5% to	3,374
Profit for the half-year attributable to the shareholders of Propel Funeral Partners Limited	down	47.5% to	3,374

Dividends

	Amount per security cents	Franked amount per security cents
Dividend for the six months ended 30 June 2018 paid on 5 October 2018	6.400	6.400
Dividend for the six months ended 30 June 2019 paid on 4 October 2019	5.800	5.800

Comments

The statutory profit for the Company (and its subsidiaries) ('Group') after providing for income tax, for the six months ended 31 December 2019, amounted to \$3,374,000 (31 December 2018: statutory profit of \$6,421,000).

In connection with AASB 16, the Group had right-of-use assets of \$39,958,000 and lease liabilities of \$40,661,000 recognised in the consolidated statement of financial position as at 31 December 2019. In respect of the consolidated statement of profit or loss for the period, occupancy and other lease expenses have been replaced with depreciation charges relating to the right-of-use assets and interest charges relating to the lease liabilities. This has resulted in the Group's net profit after tax reducing by \$126,000 in the six months ended 31 December 2019. Further details on the impact of AASB 16 are set out in the Interim Financial Report.

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 and certain other non-operating items, such as acquisition costs. The directors consider Operating NPAT to be one of the core earnings of the Group.

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

	Consolidated	
	31 Dec 2019	31 Dec 2018
	\$'000	\$'000
Profit after income tax	3,374	6,421
Add: Acquisition costs	1,418	570
Add: Performance fee	4,077	-
Add: Other non-operating expenses	193	-
Add: Net loss on disposal of assets	66	42
Add: Net foreign exchange losses	14	18
Less: Tax effect of certain Operating NPAT adjustments	(1,352)	-
Less: Release of contingent consideration from prior acquisitions	-	(699)
	<u>-</u>	<u>(699)</u>
Operating NPAT	<u>7,790</u>	<u>6,352</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

	Consolidated	
	31 Dec 2019	31 Dec 2018
	\$000	\$000
Net assets	180,101	181,272
Less: Deferred tax assets	(3,386)	(2,575)
Add: Deferred tax liabilities	8,930	6,169
Less: Goodwill	(123,479)	(95,632)
	<u>62,166</u>	<u>89,234</u>

	Consolidated	
	31 Dec 2019	31 Dec 2018
	Reporting period cents	Previous period cents
Number of ordinary shares on issue	98,735,427	98,163,089
	<u>62.96</u>	<u>90.90</u>

4. Dividends

Current period

On 26 August 2019, the directors declared a fully franked final dividend in connection with FY19 of 5.8 cents per ordinary share which equated to a total distribution of \$5,713,000. The dividend was paid on 4 October 2019 and was recognised during the relevant reporting period.

Previous period

On 28 August 2018, the directors declared a fully franked final dividend in connection with FY18 of 6.4 cents per ordinary share. The dividend was paid on 5 October 2018. This equated to a total distribution of \$6,282,000.

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Interim dividend not recognised at period end

On 27 February 2020, the directors declared a fully franked interim dividend of 4.0 cents per ordinary share. The dividend will be paid on 6 April 2020 to eligible shareholders on the register as at 6 March 2020. This equates to an estimated total distribution of \$3,949,000, based on the number of ordinary shares expected to be on issue as at 6 March 2020. The financial effect of the dividend declared after the reporting date is not reflected in the 31 December 2019 financial statements and will be recognised in the period to 30 June 2020.

5. Dividend reinvestment plans

Not applicable.

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

Refer to note 19 of the financial statements for further details.

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

Not applicable.

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.

9. Attachments

Details of attachments (if any):

The Interim Financial Report of Propel Funeral Partners Limited for the half-year ended 31 December 2019 is attached.

10. Signed



Signed _____

Brian Scullin
Chairman



Signed _____

Albin Kurti
Managing Director

Date: 27 February 2020



Propel Funeral Partners Limited

ABN 41 616 909 310

**Interim Financial Report
For the Half-year ended 31 December 2019**

Propel Funeral Partners Limited

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Propel Funeral Partners Limited
Directors' report
31 December 2019

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 (referred to hereafter as the 'Group') consisting of the Company and the entities it controlled at the end of, or during, the half-year ended 31 December 2019.

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

Propel 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 long established providers of funeral services operating from 128 properties (71 owned and 57 leased) across 7 states and territories of Australia and in New Zealand, including 31 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 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

On 26 August 2019, the directors declared a fully franked final dividend in connection with FY19 of 5.8 cents per ordinary share which equated to a total distribution of \$5,713,000. The dividend was paid on 4 October 2019 and was recognised during the relevant reporting period. When combined with the interim dividend of 5.7 cents per share (a total of \$5,595,000) paid on 5 April 2019, the total dividend based on 2019 earnings was 11.5 cents per share, fully franked.

Interim dividend not recognised at period end

On 27 February 2020, the directors declared a fully franked interim dividend of 4.0 cents per ordinary share. The dividend will be paid on 6 April 2020 to eligible shareholders on the register as at 6 March 2020. This equates to an estimated total distribution of \$3,949,000, based on the number of ordinary shares expected to be on issue as at 6 March 2020. The financial effect of the dividend declared after the reporting date is not reflected in the 31 December 2019 financial statements and will be recognised in the period to 30 June 2020.

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 2019, the Group experienced the following significant changes in its state of affairs:

- on 1 July 2019, the Group adopted the new accounting standard, AASB 16 'Leases' ('AASB 16') under the modified retrospective approach, and as such, has not restated the prior corresponding period ('PCP' or '1H FY19'). As a result of the adoption of AASB 16, right-of-use assets of \$39,958,000 and lease liabilities of \$40,661,000 were recognised, the Group's Operating EBITDA increased by \$1,890,000 and its Operating NPAT decreased by \$126,000, during the reporting period. Refer to notes 2, 8 and 12 for further details;
- on 2 August 2019, the Group expanded its debt facilities by entering into a 3 year, \$40,000,000 senior debt facility and a \$10,000,000 working capital facility with Westpac Banking Corporation ('Financier'), resulting in total debt facilities of \$100,000,000. Refer below and to note 11 for further details;
- completed two acquisitions (refer to note 19 for further details), the consideration for which totalled \$43,942,000 (excluding transaction costs and contingent consideration) as follows:
 - on 1 November 2019, the Group acquired the business, assets and certain freehold properties relating to Grahams Funeral Services Limited ('Grahams'), a provider of funeral directing services which operates from 4 locations in the North Island of New Zealand; and
 - on 7 November 2019, the Group acquired 100% of the issued share capital of Gregson & Weight Pty Ltd ('Gregson & Weight'), and certain freehold properties. Gregson & Weight provides funeral directing and cremation services and operates from 4 locations on the Sunshine Coast in Queensland;
- on 16 November 2019, a Performance Fee of \$4,077,000 was triggered and subsequently paid by the Company to the Manager in connection with the Management Agreement. Refer to notes 17 and 18 for further details;
- on 5 December 2019, the Group further expanded its debt facilities by \$50,000,000 with its Financier, resulting in total debt facilities of \$150,000,000. Refer to note 11 for further details; and
- purchased two freehold properties that were previously tenanted by the Group, the consideration for which totalled \$4,151,000 (including stamp duty).

There were no other significant changes in the state of affairs of the Group during the 6 months ended 31 December 2019.

Financial and operating overview

This financial and operating overview summarises the half year results for the 6 months ended 31 December 2019 ('1H FY20') and results for the PCP, unless otherwise stated.

Given the material impact of AASB 16, the directors have elected to present certain financial information on a consistent accounting basis (i.e. excluding the impact of AASB 16) ('31 Dec 2019 Pro forma' or '1H FY20 Pro forma') which is directly comparable to the PCP. The 1H FY20 Pro forma is non-IFRS information and is unaudited.

In 1H FY20, the Group reported:

- Revenue of \$57,000,000, an increase of 21.0% on the PCP;
- Operating EBITDA of \$16,563,000, an increase of 42.1% on the PCP; and
- Operating NPAT of \$7,790,000, an increase of 22.6% on the PCP.

In respect of the 1H FY20 Pro forma results (i.e. on a consistent accounting basis, excluding the impact of AASB 16), the Group reported:

- Operating EBITDA of \$14,673,000, an increase of 25.9% on the PCP; and
- Operating NPAT of \$7,917,000, an increase of 24.6% on the PCP.

In summary, whilst AASB 16 has changed the statutory results of the Group, it had no cash impact and no impact on the Group's operations. In connection with AASB 16, the Group has recognised right-of-use assets of \$39,958,000 and lease liabilities of \$40,661,000 in the consolidated statement of financial position as at 31 December 2019. Occupancy and other lease expenses have been replaced with depreciation charges relating to the right-of-use assets and interest charges relating to the lease liabilities. This has resulted in the Group's Operating EBITDA increasing by \$1,890,000 and its net profit after tax decreasing by \$126,000 in 1H FY20. Further details on the impact of AASB 16 are set out in notes 2, 8 and 12 of the Interim Financial Report.

Propel Funeral Partners Limited
Directors' report
31 December 2019

The table below summarises the half year statutory and Pro forma results of the Group:

	31 Dec 2019	AASB 16	31 Dec 2019	31 Dec 2018
	Statutory	Adjustments²	Pro forma	Statutory
	\$'000	\$'000	\$'000	\$'000
Total revenue	57,000		57,000	47,095
Gross profit	40,738		40,738	33,066
...margin	71.5%		71.5%	70.2%
Total operating costs	(24,176)	(1,890)	(26,065)	(21,408)
Operating EBITDA	16,563	(1,890)	14,673	11,658
...margin	29.1%		25.7%	24.8%
Depreciation	(4,230)	1,529	(2,701)	(2,073)
Operating EBIT	12,332	(360)	11,972	9,585
...margin	21.6%		21.0%	20.4%
Performance fee	(4,077)		(4,077)	-
Net other income/(expenses)	(238)		(238)	483
Acquisition costs	(1,418)		(1,418)	(570)
Net interest expense	(1,260)	541	(719)	(26)
Net financing charge on contract assets and contract liabilities	(265)		(265)	(543)
Net profit before tax	5,074	181	5,255	8,929
Income tax expense	(1,700)	(54)	(1,754)	(2,508)
Net profit after tax	3,374	126	3,501	6,421
Operating NPAT	7,790	126	7,917	6,352
Adjusted earnings per share (cps) ¹	7.90		8.03	6.47

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

2. AASB 16 adjustments exclude the impact of existing finance leases (hire purchase liabilities) which were accounted for on the same basis as the PCP

The major income statement line items for the Group down to Operating EBITDA on a statutory and Pro forma basis are presented below:

	31 Dec 2019	AASB 16	31 Dec 2019	31 Dec 2018
	Statutory	Adjustments	Pro forma	Statutory
	\$'000	\$'000	\$'000	\$'000
Funeral operations	49,399		49,399	40,889
Cemetery, crematoria and memorial gardens	6,340		6,340	5,176
Other trading revenue	1,261		1,261	1,030
Total revenue	57,000		57,000	47,095
Cost of sales	(16,261)		(16,261)	(14,029)
Gross profit	40,738		40,738	33,066
Employment costs	(17,406)		(17,406)	(14,324)
Occupancy and facility costs	(2,962)	(1,883)	(4,845)	(3,929)
Administration fee	(123)		(123)	(121)
Other operating costs	(3,684)	(6)	(3,690)	(3,034)
Total operating costs	(24,176)	(1,890)	(26,065)	(21,408)
Operating EBITDA	16,563	(1,890)	14,673	11,658

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

	31 Dec 2019	31 Dec 2018
	Statutory	Statutory
	\$'000	\$'000
Profit after income tax	3,374	6,421
Add: Acquisition costs	1,418	570
Add: Performance fee	4,077	-
Add: Net foreign exchange losses	14	18
Add: Other non-operating expenses	193	-
Add: Net loss on disposal of assets	66	42
Less: Tax effect of certain Operating NPAT adjustments	(1,352)	-
Less: Release of contingent consideration from prior acquisitions	-	(699)
Operating NPAT	7,790	6,352

Commentary on the results is provided below:

Revenue

Revenue increased by 21.0% from \$47,095,000 in 1H FY19 to \$57,000,000 in 1H FY20, driven by:

- a 20.8% increase in revenue from funeral operations; and
- a 22.5% increase in revenue from cemetery, crematoria and memorial gardens.

The growth was attributable to the full period impact of acquisitions completed in FY19, the part period impact of acquisitions completed in 1H FY20, combined with growth in comparable funeral volumes and Average Revenue Per Funeral¹ (refer below).

The number of funerals increased by 17.8% from 5,644 in 1H FY19 to 6,646 in 1H FY20, largely due to the Group completing the acquisition of two funeral businesses during the period as well as the full period impact of four funeral businesses acquired during FY19. In addition, in most markets in which the Group operates, death volumes increased in 2019 following a decline in the prior year, with the Group's comparable funeral volumes increasing by 252 funerals. By way of example, registered deaths in Tasmania increased by 394² in 2019 following a decline of 484² in 2018.

Average Revenue Per Funeral increased by 3.2% from \$5,585 in FY19 to \$5,764 in 1H FY20 and was impacted by the full period impact of four funeral businesses acquired during FY19, the part period impact of two funeral businesses acquired in 1H FY20, sales mix and pricing. Comparable Average Revenue Per Funeral¹ also increased by 3.2% on FY19. The increase was in line with the Group's target annual growth range of 2.0% to 4.0% per annum.

In 1H FY20, the Company generated 59% of its revenue from regional areas, an increase from FY19 (54%) as a result of regional acquisitions.

Gross profit margin

The gross profit margin increased from 70.2% in the PCP to 71.5% in 1H FY20, primarily due to sales mix and the financial profile of acquisitions completed during FY19 and 1H FY20 (which included cremation facilities).

Operating costs and Operating EBITDA

Operating costs increased by \$2,768,000 in 1H FY20 (net of a \$1,890,000 benefit in the reduction of occupancy and other lease expenses as a result of AASB 16). On a consistent accounting basis (i.e. excluding the impact of AASB 16), Pro forma operating costs increased by \$4,657,000 which included the full period impact of acquisitions completed in FY19 and the part period impact of acquisitions completed in 1H FY20.

¹ Revenue from funeral operations excluding disbursements and delivered prepaid funeral impacts divided by the number of funerals.

² Tasmanian Registry of Births, Deaths and Marriages.

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Operating EBITDA increased by 42.1% from \$11,658,000 in the PCP to \$16,563,000 in 1H FY20, primarily due to:

- the impact of AASB 16;
- increases in comparable funeral volumes and Average Revenue Per Funeral;
- improved gross margin;
- re-leverage of higher funeral volumes on operating expenses; and
- the full period impact of acquisitions completed in FY19 and the part period impact of acquisitions completed in 1H FY20.

On a consistent accounting basis (i.e. excluding the impact of AASB 16), the 1H FY20 Pro forma Operating EBITDA of \$14,673,000 was up 25.9% on the PCP and the 1H FY20 Pro forma Operating EBITDA margin of 25.7% was 90 basis points higher than the PCP.

Performance Fee

A Performance Fee of \$4,077,000 (\$2,854,000 after tax) (excluding GST) was triggered and paid to the Manager in connection with the 12 month period ended 17 November 2019 pursuant to the Management Agreement. During this period, the Total Shareholder Return was 24.2%, outperforming the benchmark of 8.0% by 16.2%. The Performance Fee was triggered after recoupment of the underperformance amount carried forward from the prior Calculation Period. The Performance Fee is excluded from Operating EBITDA, Operating NPAT and debt covenant ratios.

Depreciation and other income and expenses

Statutory depreciation increased from \$2,073,000 to \$4,230,000 in 1H FY20. Approximately \$1,529,000 (exclusive of finance leases) of the increase related to depreciation charges in respect of AASB 16 and approximately \$580,000 of the increase related to business and property acquisitions completed during FY19 and 1H FY20.

Net other expenses of \$238,000 largely related to non-operating expenses in relation to the administration of the Group's pre-paid contracts.

Acquisitions costs of \$1,418,000 largely related to stamp duty on acquisitions completed during the reporting period.

Statutory interest expense increased from \$243,000 to \$1,325,000 in 1H FY20 as a result of:

- the impact of AASB 16 totalling \$541,000; and
- the Group trading in a net debt position in the period versus a net cash position in PCP.

Pre-paid contracts

Funds held in connection with the pre-paid contracts are largely held with third party friendly societies who invest the funds in cash and fixed interest. In 1H FY20, pre-paid contracts that turned at need in Australia accounted for approximately 9.0% of the Group's Australian funeral volumes, in line with the PCP. It should be noted that there are no pre-paid contracts in the New Zealand business.

In accordance with Australian Accounting Standard AASB 15 'Revenue from Contracts with Customers', the Group recognises investment returns generated on funds held for pre-paid contracts net of a non-cash financing charge. During the period, the average investment return on pre-paid contracts was 1.6% (1H FY19: 1.4%). The non-cash financing charge applied for the period was 2.6% (1H FY19: 3.8%) which was based on the Group's cost of senior debt as at the reporting date. The net financing charge is disclosed below Operating EBITDA.

Impairment

Following a review of the carrying value of assets, no impairment was deemed necessary (1H FY19: Nil).

Income tax expense

Income tax expense was \$1,700,000 (1H FY19: \$2,508,000), representing an effective tax rate of 33.5% (1H FY19: 28.1%). The effective tax rate was impacted by non-assessable income and non-deductible expenses. Excluding these items, the adjusted effective tax rate was 29.5% (1H FY19: 29.8%).

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Cash flow highlights

The cash flows for the Group are presented below:

	31 Dec 2019	AASB 16	31 Dec 2019	31 Dec 2018
	Statutory	Adjustments	Pro forma	Statutory
	\$'000	\$'000	\$'000	\$'000
Receipts from customers (inc GST)	62,184		62,184	52,085
Payments to suppliers and employees (inc GST)	(45,353)	(1,890)	(47,243)	(41,302)
	16,831	(1,890)	14,941	10,783
Performance fee (inc GST)	(4,484)		(4,484)	-
Income taxes paid	(3,472)		(3,472)	(3,585)
Interest paid	(1,325)	541	(784)	(240)
Interest received	60		60	196
Net cash provided by operating activities	7,610	(1,349)	6,261	7,154
Payment for purchase of business, net of cash acquired	(45,477)		(45,477)	(9,621)
Payments for property, plant and equipment	(5,994)		(5,994)	(8,978)
Other investing cash flows	(1,419)		(1,419)	(21)
Net cash used by investing activities	(52,890)		(52,890)	(18,620)
Proceeds from borrowings	54,310		54,310	-
Dividends paid	(5,713)		(5,713)	(6,282)
Other financing cash flows	(1,854)	1,349	(505)	(239)
Net cash provided by financing activities	46,742	1,349	48,091	(6,521)
Net increase in cash during the period	1,462		1,462	(17,987)
Cash at the start of the period	5,289		5,289	28,259
Exchange rate effects	(16)		(16)	74
Cash at the end of the period	6,735		6,735	10,346

Statutory cash flows provided by operating activities increased by 6.4% to \$7,610,000 during the period to 31 December 2019. This was positively impacted by solid trading and reclassifications relating to AASB 16, offset by the Performance Fee and higher interest paid in the reporting period.

Statutory cash flow conversion (excluding the Performance Fee) was 99.2% in 1H FY20, compared to 92.5% achieved in the PCP as shown in the table below:

	31 Dec 2019	AASB 16	31 Dec 2019	31 Dec 2018
	Statutory	Adjustments	Pro forma	Statutory
	\$'000	\$'000	\$'000	\$'000
Operating EBITDA	16,563	(1,890)	14,673	11,658
Net cash provided by operating activities	7,610	(1,349)	6,261	7,154
Add: interest paid	1,325	(541)	784	240
Add: income tax paid	3,472		3,472	3,585
Add: Performance Fee	4,077		4,077	-
Less: interest received	(60)		(60)	(196)
Ungeared, tax free, operating cash flow¹	16,425	(1,890)	14,535	10,784
Cash flow Conversion	99.2%		99.1%	92.5%

1. Excluding the Performance Fee

Propel Funeral Partners Limited
Directors' report
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Cash flows used in investing activities included capital expenditure related to:

	31 Dec 2019	31 Dec 2018
	Statutory	Statutory
	\$'000	\$'000
Property refurbishments and plant and equipment	1,246	1,922
Motor vehicles	545	414
Other assets	83	70
Total capital expenditure	1,874	2,406

During 1H FY20, the Group incurred capital expenditure of \$1,874,000 which included:

- \$649,000 relating to a number of property refurbishments and new leasehold sites;
- purchasing motor vehicles totalling \$545,000;
- instalment payment relating to a new cremator totalling \$144,000; and
- upgrades to sound systems, IT equipment, mortuary equipment and other plant and equipment.

In 1H FY20, maintenance capital expenditure amounted to 3.0% of revenue (1H FY19: 4.4%).

Capital Management

As at 31 December 2019, the Group had drawn down \$67,100,000 of its \$150,000,000 senior debt facilities, compared to \$12,900,000 at 30 June 2019. The increase in drawn debt largely related to the funding of acquisitions during the reporting period. The Group has a binding cash commitment to acquire the Dils Group, which will require approximately \$20,200,000 of cash on completion and, therefore, the Group is well funded to continue its acquisition led growth strategy.

Financial covenant ratios on the senior debt facilities include a net leverage ratio (including the annualised impact of acquisitions and other adjustments) which must be no greater than 3.0x¹ and a fixed charge cover ratio which must be greater than 1.75x. Both ratios were met as at 31 December 2019, being 1.9x and 6.8x respectively.

Events after the reporting period

On 27 February 2020, the directors declared a fully franked interim dividend of 4.0 cents per ordinary share. The dividend will be paid on 6 April 2020 to eligible shareholders on the register as at 6 March 2020. This equates to an estimated total distribution of \$3,949,000, based on the number of ordinary shares expected to be on issue as at 6 March 2020. The financial effect of the dividend declared after the reporting date is not reflected in the 31 December 2019 financial statements and will be recognised in the period to 30 June 2020.

Apart from the dividend disclosed above, no other matter or circumstance has arisen since 31 December 2019 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.

Outlook

The positive trading momentum in the first half of FY20 has continued into the start of the second half, with the Group's total funeral volumes during the first 7 weeks of 2020 materially higher than the PCP. However, death volumes fluctuate over short time horizons.

In terms of the outlook for the second half of FY20 and beyond, Propel expects to benefit from:

- the growing and ageing population;
- the recently expanded funding facilities;
- acquisitions completed and announced prior to and since the start of FY20; and
- other potential future acquisitions in a fragmented industry (although timing is uncertain).

Rounding of amounts

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. 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.

1 Covenant of 3.0x until the Company notifies the Financier of an election to increase the covenant to 3.5x which will endure for two consecutive testing dates, following which, the covenant will reduce to 3.25x.

Propel Funeral Partners Limited
Directors' report
31 December 2019

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.

Auditor

Nexia Sydney Audit Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

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

27 February 2020



Albin Kurti
Managing Director

To the Board of Directors of Propel Funeral Partners Limited

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

As lead audit director for the review of the interim financial statements of Propel Funeral Partners Limited for the financial half year ended 31 December 2019, 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 review; and
- (b) any applicable code of professional conduct in relation to the review.

Yours sincerely



Nexia Sydney Audit Pty Ltd



Lester Wills

Director

Date: 27 February 2020



Propel Funeral Partners Limited
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2019

		Consolidated	
	Note	31 Dec 2019	31 Dec 2018
		\$'000	\$'000
Revenue	4	57,000	47,095
Expenses			
Cost of sales and goods		(16,262)	(14,029)
Employee costs		(17,480)	(14,397)
Occupancy and facility expenses		(2,972)	(3,944)
Advertising expenses		(1,401)	(1,143)
Motor vehicle expenses		(797)	(699)
Other expenses		(1,720)	(1,388)
		<u>16,368</u>	<u>11,495</u>
Acquisition costs	5	(1,418)	(570)
Performance fee	5	(4,077)	-
Net loss on disposal of assets		(66)	(45)
Other income		35	709
Depreciation expense	5	(4,230)	(2,073)
Interest income		66	217
Interest expense	5	(1,325)	(243)
Net financing charge on contract assets and contract liabilities	6	(265)	(543)
Net foreign exchange losses		(14)	(18)
		<u>5,074</u>	<u>8,929</u>
Profit before income tax expense			
Income tax expense		(1,700)	(2,508)
		<u>3,374</u>	<u>6,421</u>
Profit after income tax expense for the half-year attributable to the shareholders of Propel Funeral Partners Limited			
		<u>3,374</u>	<u>6,421</u>
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		5	1,286
		<u>5</u>	<u>1,286</u>
Other comprehensive income for the half-year, net of tax		<u>5</u>	<u>1,286</u>
Total comprehensive income for the half-year attributable to the shareholders of Propel Funeral Partners Limited		<u>3,379</u>	<u>7,707</u>
		cents	cents
Basic earnings per share	20	3.42	6.54
Diluted earnings per share	20	3.42	6.54

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 2019

		Consolidated	
	Note	31 Dec 2019	30 Jun 2019
		\$'000	\$'000
Assets			
Current assets			
Cash and cash equivalents		6,735	5,289
Customer deposits		527	556
Contract assets	6	48,540	47,901
Trade and other receivables		5,874	5,406
Inventories		4,172	3,665
Current tax assets		841	-
Prepayments		2,413	963
Total current assets		<u>69,102</u>	<u>63,780</u>
Non-current assets			
Property, plant and equipment	7	128,641	97,943
Right-of-use assets	8	39,958	-
Goodwill	9	123,479	106,437
Deferred tax assets		3,386	2,717
Other assets		168	153
Total non-current assets		<u>295,632</u>	<u>207,250</u>
Total assets		<u>364,734</u>	<u>271,030</u>
Liabilities			
Current liabilities			
Trade and other payables	10	7,568	6,667
Borrowings	11	39	238
Income tax		-	1,265
Lease liabilities	12	6,400	-
Provisions	13	4,645	4,921
Contract liabilities	6	52,210	51,883
Other liabilities		1,216	1,896
Total current liabilities		<u>72,078</u>	<u>66,870</u>
Non-current liabilities			
Borrowings	11	67,244	13,226
Lease liabilities	12	34,261	-
Deferred tax liabilities		8,930	6,990
Provisions	13	1,898	1,167
Other liabilities		222	301
Total non-current liabilities		<u>112,555</u>	<u>21,684</u>
Total liabilities		<u>184,633</u>	<u>88,554</u>
Net assets		<u>180,101</u>	<u>182,476</u>
Equity			
Issued capital	14	200,903	200,363
Foreign currency translation reserve		1,073	1,068
Accumulated losses		<u>(21,875)</u>	<u>(18,955)</u>
Total equity		<u>180,101</u>	<u>182,476</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 2019

Consolidated	Issued capital \$'000	Foreign currency translation reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2018	199,562	(298)	(19,417)	179,847
Profit after income tax expense for the half-year	-	-	6,421	6,421
Other comprehensive income for the half-year, net of tax	-	1,286	-	1,286
Total comprehensive income for the half-year	-	1,286	6,421	7,707
<i>Transactions with owners in their capacity as owners:</i>				
Dividends paid (note 15)	-	-	(6,282)	(6,282)
Balance at 31 December 2018	<u>199,562</u>	<u>988</u>	<u>(19,278)</u>	<u>181,272</u>

Consolidated	Issued capital \$'000	Foreign currency translation reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2019	200,363	1,068	(18,955)	182,476
Adjustment for change in accounting policy (note 2)	-	-	(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 (note 14)	540	-	-	540
Dividends paid (note 15)	-	-	(5,713)	(5,713)
Balance at 31 December 2019	<u>200,903</u>	<u>1,073</u>	<u>(21,875)</u>	<u>180,101</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 2019

		Consolidated	
	Note	31 Dec 2019	31 Dec 2018
		\$'000	\$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		62,184	52,085
Payments to suppliers (inclusive of GST)		<u>(45,353)</u>	<u>(41,302)</u>
		16,831	10,783
Performance fee paid (inclusive of GST)		(4,484)	-
Interest received		60	196
Interest and other finance costs paid		(1,325)	(240)
Income taxes paid		<u>(3,472)</u>	<u>(3,585)</u>
Net cash from operating activities		<u>7,610</u>	<u>7,154</u>
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired	19	(45,477)	(9,621)
Payments for property, plant and equipment		(6,025)	(8,978)
Proceeds from disposal of property, plant and equipment		31	43
Net movement in contract assets and contract liabilities		<u>(1,419)</u>	<u>(64)</u>
Net cash used in investing activities		<u>(52,890)</u>	<u>(18,620)</u>
Cash flows from financing activities			
Share issue transaction costs*		(371)	(147)
Proceeds from borrowings		54,310	-
Repayment of lease liabilities		(1,484)	-
Dividends paid	15	(5,713)	(6,282)
Net repayment of hire purchases		<u>-</u>	<u>(92)</u>
Net cash from/(used in) financing activities		<u>46,742</u>	<u>(6,521)</u>
Net increase/(decrease) in cash and cash equivalents		1,462	(17,987)
Cash and cash equivalents at the beginning of the financial half-year		5,289	28,259
Effects of exchange rate changes on cash and cash equivalents		<u>(16)</u>	<u>74</u>
Cash and cash equivalents at the end of the financial half-year		<u><u>6,735</u></u>	<u><u>10,346</u></u>

*Stamp duty accrued in prior reporting periods and paid during the current period in connection with the IPO.

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

Propel Funeral Partners Limited
Notes to the consolidated financial statements
31 December 2019

Note 1. General information

These general purpose financial statements ('financial statements') relate to Propel Funeral Partners Limited as the consolidated entity consisting of Propel Funeral Partners Limited (referred to hereafter as 'Propel', the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2019 (referred to hereafter as the 'Group'). 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 27 February 2020. 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 2019 have been prepared in accordance with Australian Accounting Standard 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 2019 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 previous 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.

The following Accounting Standard has been adopted from 1 July 2019:

AASB 16 Leases

AASB 16 'Leases' replaced AASB 117 'Leases' on 1 January 2019. The new standard resulted in almost all leases being recognised on the balance sheet, as the distinction between operating leases and finance leases is removed.

The Group leases land and buildings, among other things, relating to its funeral homes, crematoria, cemeteries, offices, and warehouses. Leases are typically made for fixed periods of one to ten years, with some leases for up to 50 years, and in many cases, with options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are typically renegotiated. The Group also leases plant and equipment and motor vehicles under agreements typically of between three to five years.

Until 30 June 2019, leases relating to property, plant and equipment and motor vehicles were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease. There has been no change to the accounting treatment of finance leases.

Note 2. Significant accounting policies (continued)

Under AASB 16, the Group's accounting for operating leases as a lessee resulted in the recognition of right-of-use assets (i.e. the rights to use the asset over the term of the lease) and corresponding lease liabilities (i.e. to pay rent over the term of the leases). The lease liabilities represent the present value of future lease payments, with the exception of short term and low value leases. Interest expenses are recognised on the lease liabilities and depreciation charges are recognised on the right-of-use assets. The Group's accounting for leases as a lessor has not changed under AASB 16.

Impact of adoption

The Group adopted AASB 16 on 1 July 2019, applying a modified retrospective transition approach and therefore has not restated comparative amounts for the previous reporting period. Right-of-use assets for property leases were measured on transition as if the new rules have always applied. All other right-of-use assets were measured at the amount of the lease liability (i.e. a simplified approach).

The impact of the adoption of AASB 16 on opening balances as at 1 July 2019 is set out below:

	\$'000
AASB 117	
Operating lease commitments as at 30 June 2019	25,478
Finance lease commitments as at 30 June 2019	564
	<u>26,042</u>
	1 July 2019
	\$'000
AASB 16	
Operating lease commitments discounted using the lessees' incremental borrowing rate	20,321
Less: short-term leases not recognised as a right-of-use asset	(2)
Less: low-value assets leases not recognised as a right-of-use asset	(19)
Add: adjustments as a result of different treatment of extension options	8,268
Add: adjustments as a result of different treatment of purchase options	8,391
Lease liabilities recognised as at 1 July 2019	<u>36,959</u>
Lease liabilities - current	2,867
Lease liabilities - non-current	<u>34,092</u>
	<u>36,959</u>
Land and buildings	34,690
Plant and equipment	773
Motor vehicles	669
Right-of-use assets	<u>36,132</u>

The change in accounting policy affected the following items in the balance sheet on 1 July 2019:

	Increase/ Decrease	Amount \$'000
Property, plant and equipment	Decrease	568
Right-of-use assets	Increase	36,132
Net deferred tax assets	Increase	250
Lease liabilities	Increase	36,959
Hire purchase liabilities	Decrease	564
Accumulated losses net impact	Increase	581

The above tables include items previously classified as both operating leases and finance leases.

Note 2. Significant accounting policies (continued)

Right-of-use assets

Right-of-use assets are recognised at the commencement date of a lease. The right-of-use assets are measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date, net of any lease incentives and any initial direct costs incurred.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment and adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise the right-of-use assets and corresponding lease liabilities for short-term leases with terms of 12 months or less and leases relating to low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Lease liabilities

Lease liabilities are recognised at the commencement date of a lease. The lease liabilities are initially recognised at the present value of the lease payments to be made over the term of the leases, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate of 2.91% as at 1 July 2019. Lease payments comprise of fixed payments less any lease incentives, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option (when the exercise of the option is reasonably certain to occur), and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used, residual guarantee, lease term, certainty of a purchase option (i.e. when the exercise of the option is reasonably certain to occur or vice versa), and any anticipated termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Practical expedients applied

In adopting AASB 16, the Group has used the following practical expedients permitted by the standard:

- applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
- accounted for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases;
- excluded initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Critical accounting estimate

Many of the property leases to which the Group is party, have extension options. These terms maximise operational flexibility across the Group. They are only included in the calculation of the lease term if the Group is 'reasonably certain' that it will exercise the option to renew the lease. The assessment is reviewed if a significant event or change in circumstance occurs which affects this assessment and the event is within the control of the Group.

Some of the property leases to which the Group is party, have purchase options. Purchase options are only included in the measurement of the lease liabilities if the Group is 'reasonably certain' that it will exercise the option and the exercise price is fixed rather than variable.

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'). The CODM are responsible for the allocation of resources to operating segments and assessing their performance.

Propel Funeral Partners Limited
Notes to the consolidated financial statements
31 December 2019

Note 3. Operating segments (continued)

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.

Operating segment information

Consolidated - 31 Dec 2019	Australian operations \$'000	New Zealand operations \$'000	Total \$'000
Revenue			
Sales to external customers	46,853	10,065	56,918
Other revenue (excluding interest)	81	1	82
Total revenue	<u>46,934</u>	<u>10,066</u>	<u>57,000</u>
Segment result	13,917	2,451	16,368
Acquisition costs	(1,394)	(24)	(1,418)
Performance fee	(4,077)	-	(4,077)
Net loss on disposal of assets	(35)	(31)	(66)
Other income	32	3	35
Depreciation and amortisation	(3,585)	(645)	(4,230)
Interest income *	547	22	569
Finance costs *	(850)	(978)	(1,828)
Net financing charge on contract assets and contract liabilities	(265)	-	(265)
Net foreign exchange loss	(10)	(4)	(14)
Profit before income tax expense	<u>4,280</u>	<u>794</u>	<u>5,074</u>
Income tax expense			(1,700)
Profit after income tax expense			<u>3,374</u>
Assets			
Segment assets	339,340	41,876	381,216
Intersegment eliminations			(16,482)
Total assets			<u>364,734</u>
Liabilities			
Segment liabilities	176,854	24,261	201,115
Intersegment eliminations			(16,482)
Total liabilities			<u>184,633</u>

* Includes \$503,000 interest charged on inter-company loan from the Australian operations to the New Zealand operations.

Propel Funeral Partners Limited
Notes to the consolidated financial statements
31 December 2019

Note 3. Operating segments (continued)

AASB 16 was adopted using the modified retrospective transition approach. As such, the comparatives have not been restated and therefore are not directly comparable.

	Australian operations \$'000	New Zealand operations \$'000	Total \$'000
Consolidated - 31 Dec 2018			
Revenue			
Sales to external customers	38,887	8,124	47,011
Other revenue (excluding interest)	60	24	84
Total revenue	<u>38,947</u>	<u>8,148</u>	<u>47,095</u>
Segment result			
Acquisition costs	10,043	1,452	11,495
Loss on disposal of assets	(539)	(31)	(570)
Other income	(40)	(5)	(45)
Depreciation and amortisation	201	508	709
Interest income	(1,727)	(346)	(2,073)
Finance costs	202	15	217
Net financing charge on contract assets and contract liabilities	(243)	-	(243)
Net foreign exchange loss	(543)	-	(543)
Profit before income tax expense	<u>(8)</u>	<u>(10)</u>	<u>(18)</u>
Income tax expense	7,346	1,583	8,929
Profit after income tax expense			<u>(2,508)</u>
			<u>6,421</u>

Consolidated - 30 Jun 2019

Assets

Segment assets	251,615	35,727	287,342
Intersegment eliminations			(16,312)
Total assets			<u>271,030</u>

Liabilities

Segment liabilities	84,359	20,507	104,866
Intersegment eliminations			(16,312)
Total liabilities			<u>88,554</u>

Geographical information

	Geographical non-current assets	
	31 Dec 2019 \$'000	30 Jun 2019 \$'000
Australia	272,506	189,407
New Zealand	36,222	31,438
Intersegment eliminations	(16,482)	(16,312)
	<u>292,246</u>	<u>204,533</u>

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.

Propel Funeral Partners Limited
Notes to the consolidated financial statements
31 December 2019

Note 4. Revenue

	Consolidated	
	31 Dec 2019	31 Dec 2018
	\$'000	\$'000
Revenue from contracts with customers	56,918	47,043
<i>Other revenue</i>		
Rent	82	52
Revenue	<u>57,000</u>	<u>47,095</u>

Disaggregation of revenue

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

	Consolidated	
	31 Dec 2019	31 Dec 2018
	\$'000	\$'000
Funeral operations	49,399	40,889
Cemetery, crematoria and memorial gardens	6,340	5,176
Other trading revenue	1,179	978
	<u>56,918</u>	<u>47,043</u>

Refer to note 3 for geographical regions information.

Note 5. Expenses

	Consolidated	
	31 Dec 2019	31 Dec 2018
	\$'000	\$'000
Profit before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Buildings	713	510
Improvements	204	163
Plant and equipment	944	676
Motor vehicles	753	724
Total depreciation (AASB 116)	<u>2,614</u>	<u>2,073</u>
Building right-of-use assets	1,405	-
Plant and equipment right-of-use assets	165	-
Motor vehicles right-of-use assets	46	-
Total depreciation (AASB 16)	<u>1,616</u>	<u>-</u>
Total depreciation	<u>4,230</u>	<u>2,073</u>
Acquisition costs	<u>1,418</u>	<u>570</u>
Performance fee *	<u>4,077</u>	<u>-</u>
<i>Finance costs</i>		
Interest and finance charges paid/payable on borrowings	770	243
Interest and finance charges paid/payable on lease liabilities (AASB 16)	555	-
Finance costs expensed	<u>1,325</u>	<u>243</u>

Propel Funeral Partners Limited
Notes to the consolidated financial statements
31 December 2019

Note 5. Expenses (continued)

* Refer to notes 17 and 18 for further disclosures.

Note 6. Contract assets and liabilities

	Consolidated	
	31 Dec 2019	31 Dec 2018
	\$'000	\$'000
Profit or loss impact of undelivered contract assets and contract liabilities		
Investment income on contract assets	398	380
Finance charge on contract liabilities	<u>(663)</u>	<u>(923)</u>
Net financing charge on contract assets and contract liabilities	<u>(265)</u>	<u>(543)</u>

	Consolidated	
	31 Dec 2019	30 Jun 2019
	\$'000	\$'000
Movements in contract assets		
Opening balance	47,901	45,640
Sales of new contract assets	1,805	2,932
Redemption of contract assets following service delivery	(2,976)	(5,068)
Increase due to business combinations (note 19)	83	3,444
Increase due to business combinations - prior years	1,329	160
Increase due to investments returns	<u>398</u>	<u>793</u>
Closing balance	<u>48,540</u>	<u>47,901</u>
Contract assets expected to be realised within one year	4,665	4,705
Contract assets expected to be realised after one year	<u>43,875</u>	<u>43,196</u>
Total contract assets	<u>48,540</u>	<u>47,901</u>

Movements in contract liabilities		
Opening balance	51,883	48,764
Sales of new contract liabilities	1,805	2,932
Decrease following delivery of services	(3,078)	(5,137)
Increase due to business combinations (note 19)	358	3,727
Increase due to business combinations - prior years	579	160
Increase due to finance charge on contract liabilities	<u>663</u>	<u>1,437</u>
Closing balance	<u>52,210</u>	<u>51,883</u>
Contract liabilities expected to be realised within one year	5,087	5,107
Contract liabilities expected to be realised after one year	<u>47,123</u>	<u>46,776</u>
Total contract liabilities	<u>52,210</u>	<u>51,883</u>

All contract asset and contract liability amounts 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 twelve months after the reporting period. Accordingly, because the liability is classified as current, the associated prepaid asset balance is also classified as current.

The asset and liability 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.

Propel Funeral Partners Limited
Notes to the consolidated financial statements
31 December 2019

Note 7. Property, plant and equipment

	Consolidated	
	31 Dec 2019	30 Jun 2019
	\$'000	\$'000
<i>Non-current assets</i>		
Land - at cost	38,465	28,779
Buildings - at cost	68,005	49,830
Less: Accumulated depreciation	(3,731)	(3,013)
	<u>64,274</u>	<u>46,817</u>
Improvements - at cost	6,396	5,995
Less: Accumulated depreciation	(801)	(597)
	<u>5,595</u>	<u>5,398</u>
Plant and equipment - at cost	15,298	12,220
Less: Accumulated depreciation	(3,751)	(2,922)
	<u>11,547</u>	<u>9,298</u>
Motor vehicles - at cost	11,734	10,605
Less: Accumulated depreciation	(3,807)	(3,326)
	<u>7,927</u>	<u>7,279</u>
Construction in progress - at cost	833	372
	<u>128,641</u>	<u>97,943</u>

Reconciliations

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

Consolidated	Land	Buildings	Improve-	Plant and	Motor	Construc-	Total
	\$'000	\$'000	ments	equipment	vehicles	tion	\$'000
	\$'000	\$'000	\$'000	\$'000	\$'000	in progress	\$'000
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2019	28,779	46,817	5,398	9,298	7,279	372	97,943
Additions	1,445	2,511	161	773	409	892	6,191
Additions through business combinations (note 19)	8,219	15,636	213	2,374	1,414	-	27,856
Disposals	-	-	-	(52)	(127)	-	(179)
Exchange differences	12	-	1	-	(1)	-	12
Transfers in/(out)	10	23	26	187	185	(431)	-
Transfers (out) to right-of-use assets (note 2)	-	-	-	(89)	(479)	-	(568)
Depreciation expense	-	(713)	(204)	(944)	(753)	-	(2,614)
Balance at 31 December 2019	<u>38,465</u>	<u>64,274</u>	<u>5,595</u>	<u>11,547</u>	<u>7,927</u>	<u>833</u>	<u>128,641</u>

Propel Funeral Partners Limited
Notes to the consolidated financial statements
31 December 2019

Note 8. Right-of-use assets

	Consolidated 31 Dec 2019 \$'000
<i>Non-current assets</i>	
Land and buildings - right-of-use	39,706
Less: Accumulated depreciation	<u>(1,405)</u>
	<u>38,301</u>
Plant and equipment - right-of-use	1,048
Less: Accumulated depreciation	<u>(165)</u>
	<u>883</u>
Motor vehicles - right-of-use	820
Less: Accumulated depreciation	<u>(46)</u>
	<u>774</u>
	 <u><u>39,958</u></u>

Additions (excluding the opening balances) to the right-of-use assets during the half-year were \$5,442,000 including \$4,989,000 additions through business combinations (note 19) and \$259,000 in relation to make good provision recognised during the half-year (note 13).

Note 9. Goodwill

	Consolidated 31 Dec 2019 \$'000	30 Jun 2019 \$'000
<i>Non-current assets</i>		
Goodwill - at cost	<u>123,479</u>	<u>106,437</u>

Reconciliations

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

Consolidated	Goodwill \$'000
Balance at 1 July 2019	106,437
Additions through business combinations (note 19)	17,128
Adjustments for prior year business combinations	(143)
Exchange differences	<u>57</u>
Balance at 31 December 2019	<u><u>123,479</u></u>

Propel Funeral Partners Limited
Notes to the consolidated financial statements
31 December 2019

Note 10. Trade and other payables

	Consolidated	
	31 Dec 2019	30 Jun 2019
	\$'000	\$'000
<i>Current liabilities</i>		
Trade payables	3,369	2,847
Deposits	553	332
Accrued expenses	1,918	1,859
GST payable	704	738
Other payables	1,024	891
	<u>7,568</u>	<u>6,667</u>

Note 11. Borrowings

	Consolidated	
	31 Dec 2019	30 Jun 2019
	\$'000	\$'000
<i>Current liabilities</i>		
Bank Loans	39	-
Hire purchases	-	238
	<u>39</u>	<u>238</u>
<i>Non-current liabilities</i>		
Bank Loans	67,244	12,900
Hire purchases	-	326
	<u>67,244</u>	<u>13,226</u>
	<u><u>67,283</u></u>	<u><u>13,464</u></u>

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 August 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, 'Bank Loans'), of which \$67,100,000 was drawn as at 31 December 2019. In addition, the Group is party to separate bank loans relating to motor vehicle loans totalling \$183,000.

In connection with the Bank Loans, 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.

Interest rate swap

The Group's interest rate hedging policy is to maintain a hedging level of approximately 40% of the drawn senior debt in connection with the Bank Loans.

On 19 December 2019 ('Trade Date'), the Group entered into an interest rate swap ('Hedging Instrument') to partially hedge its exposure to the interest rate risk associated with drawn debt in connection with the Bank Loans. The impact of the derivative instrument was immaterial for the half year ended 31 December 2019.

Propel Funeral Partners Limited
Notes to the consolidated financial statements
31 December 2019

Note 12. Lease liabilities

	Consolidated 31 Dec 2019 \$'000
<i>Current liabilities</i>	
Lease liability	<u>6,400</u>
<i>Non-current liabilities</i>	
Lease liability	<u>34,261</u>
	<u><u>40,661</u></u>

Note 13. Provisions

	Consolidated 31 Dec 2019 \$'000	30 Jun 2019 \$'000
<i>Current liabilities</i>		
Employee benefits	4,379	3,923
Contingent consideration (note 16)	<u>266</u>	<u>998</u>
	<u>4,645</u>	<u>4,921</u>
<i>Non-current liabilities</i>		
Employee benefits	488	342
Contingent consideration (note 16)	967	656
Lease make good	259	-
Perpetual maintenance care provision	<u>184</u>	<u>169</u>
	<u>1,898</u>	<u>1,167</u>
	<u><u>6,543</u></u>	<u><u>6,088</u></u>

Note 14. Issued capital

	31 Dec 2019 Shares	30 Jun 2019 Shares	Consolidated 31 Dec 2019 \$'000	30 Jun 2019 \$'000
Ordinary shares - fully paid	<u>98,735,427</u>	<u>98,507,917</u>	<u>200,903</u>	<u>200,363</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$'000
Balance	1 July 2019	98,507,917		200,363
Shares issued - business combination (note 19)	1 November 2019	<u>227,510</u>	\$2.37	<u>540</u>
Balance	31 December 2019	<u><u>98,735,427</u></u>		<u><u>200,903</u></u>

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

Propel Funeral Partners Limited
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31 December 2019

Note 14. Issued capital (continued)

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:

	Consolidated	
	31 Dec 2019	31 Dec 2018
	\$'000	\$'000
Final dividend for the year ended 30 June 2019 of 5.8 cents (31 December 2018: 6.4 cents) per ordinary share	<u>5,713</u>	<u>6,282</u>

On 26 August 2019, the directors declared a fully franked final dividend in connection with FY19 of 5.8 cents per ordinary share which equated to a total distribution of \$5,713,000. The dividend was paid on 4 October 2019 and was recognised during the relevant reporting period.

On 28 August 2018, the directors declared a fully franked final dividend in connection with FY18 of 6.4 cents per ordinary share. The dividend was paid on 5 October 2018 to eligible shareholders on the register as at 5 September 2018. This equated to a total distribution of \$6,282,000.

Interim dividend not recognised at period end

On 27 February 2020, the directors declared a fully franked interim dividend of 4.0 cents per ordinary share. The dividend will be paid on 6 April 2020 to eligible shareholders on the register as at 6 March 2020. This equates to an estimated total distribution of \$3,949,000, based on the number of ordinary shares expected to be on issue as at 6 March 2020. The financial effect of the dividend declared after the reporting date is not reflected in the 31 December 2019 financial statements and will be recognised in the period to 30 June 2020.

Franking credits

	Consolidated	
	31 Dec 2019	30 Jun 2019
	\$'000	\$'000
Franking credits available for subsequent financial years based on a tax rate of 30%	<u>15,290</u>	<u>8,199</u>

The above amounts represent the balance of the franking account (including franking credits acquired) 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; and
- payment of dividends recognised as a liability at the reporting date.

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.

Propel Funeral Partners Limited
Notes to the consolidated financial statements
31 December 2019

Note 16. Fair value measurement (continued)

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

Consolidated - 31 Dec 2019	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<i>Liabilities</i>				
<i>Current</i>				
Contingent consideration	-	-	266	266
<i>Non-current</i>				
Contingent consideration	-	-	967	967
Total liabilities	-	-	1,233	1,233

Consolidated - 30 Jun 2019	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<i>Liabilities</i>				
<i>Current</i>				
Contingent consideration	-	-	998	998
<i>Non-current</i>				
Contingent consideration	-	-	656	656
Total liabilities	-	-	1,654	1,654

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

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.

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 2019	1,654
Payments made	(892)
Additions through business combinations (note 19)	425
Movement due to changes in discount rate	32
Foreign exchange difference	14
Balance at 31 December 2019	<u>1,233</u>

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 \$32,000 (31 December 2018: \$77,000). 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. A Performance Fee of \$4,077,000 was earned by, and paid to, the Manager during the period ended 31 December 2019.

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 maybe 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 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 2019: none).

Note 18. 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 \$123,000 (31 December 2018: \$120,000) was expensed during the financial half-year.

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 19. Business combinations

Grahams Funeral Services

On 1 November 2019, the Group acquired the business, assets and certain freehold properties relating to Grahams Funeral Services Limited ('Grahams'), a provider of funeral directing services which operates from 4 locations in the North Island of New Zealand. Consideration of \$7,292,000 was paid on settlement, which consisted of \$6,752,000 in cash and 227,510 ordinary shares in Propel (recognised at a fair value of \$540,000 given the escrow arrangements) and a further amount of \$425,000 (present value) will be paid if certain financial thresholds are achieved, representing total consideration of up to \$7,717,000.

Propel Funeral Partners Limited
Notes to the consolidated financial statements
31 December 2019

Note 19. Business combinations (continued)

Gregson & Weight Funeral Directors

On 7 November 2019, the Group acquired 100% of the issued share capital of Gregson & Weight Pty Ltd ('Gregson & Weight'), and certain freehold properties. Gregson & Weight provides funeral directing and cremation services and operates from 4 locations on the Sunshine Coast in Queensland. Consideration of \$36,600,000 was paid on settlement (or \$35,836,000 net of cash acquired).

Details of the acquisitions are as follows:

	Grahams Fair value \$'000	Gregson & Weight Fair value \$'000	Total \$'000
Assets:			
Cash and cash equivalents	-	764	764
Contract assets	-	83	83
Trade and other receivables	25	523	548
Inventories	107	281	388
Other current assets	7	209	216
Current tax assets	-	641	641
Property, plant and equipment	5,833	22,023	27,856
Right-of-use assets	78	4,911	4,989
Deferred tax assets	6	148	154
Liabilities:			
Contract liabilities	-	(358)	(358)
Trade and other payables	(30)	(453)	(483)
Employee benefits	(22)	(434)	(456)
Other provisions	-	(70)	(70)
Lease liabilities	(78)	(4,911)	(4,989)
Deferred tax liabilities	(325)	(1,719)	(2,044)
Net assets acquired	5,601	21,638	27,239
Goodwill	2,116	15,012	17,128
Acquisition-date fair value of the total consideration transferred	<u>7,717</u>	<u>36,650</u>	<u>44,367</u>
Representing:			
Cash paid or payable to vendor	6,752	36,650	43,402
Propel Funeral Partners Limited shares issued to vendor	540	-	540
Contingent consideration (discounted)	425	-	425
	<u>7,717</u>	<u>36,650</u>	<u>44,367</u>
Cash used to acquire business, net of cash acquired per cash flow statement:			
Cash paid to vendors	6,794	36,600	43,394
Less: cash and cash equivalents	-	(764)	(764)
Net cash used	<u>6,794</u>	<u>35,836</u>	<u>42,630</u>

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 during the period was \$1,955,000. The acquisition accounting was provisional as at 31 December 2019.

Propel Funeral Partners Limited
Notes to the consolidated financial statements
31 December 2019

Note 19. Business combinations (continued)

	\$'000
Payment for purchase of business, net of cash acquired per cash flow statement:	
Net cash used for the Grahams acquisition	6,794
Net cash used for the Gregson & Weight acquisition	35,836
Contingent consideration payments	892
Acquisition costs	<u>1,955</u>
Net cash used	<u><u>45,477</u></u>

Details of revenues and profit are as follows:

	Grahams \$'000	Gregson & Weight \$'000	Total \$'000
Revenue generated from acquisition date to 31 December 2019	374	1,581	1,955
Net profit before tax from acquisition date to 31 December 2019	71	388	459

If the two acquisitions had occurred on 1 July 2019, it is estimated that the Group's revenue and net profit before tax for the entire half year period would have been \$61,578,000 and \$6,155,000, respectively.

Note 20. Earnings per share

	Consolidated	
	31 Dec 2019 \$'000	31 Dec 2018 \$'000
Profit after income tax attributable to the shareholders of Propel Funeral Partners Limited	<u>3,374</u>	<u>6,421</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>98,582,105</u>	<u>98,163,089</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>98,582,105</u>	<u>98,163,089</u>
	cents	cents
Basic earnings per share	3.42	6.54
Diluted earnings per share	3.42	6.54

Note 21. Events after the reporting period

On 27 February 2020, the directors declared a fully franked interim dividend of 4.0 cents per ordinary share. The dividend will be paid on 6 April 2020 to eligible shareholders on the register as at 6 March 2020. This equates to an estimated total distribution of \$3,949,000, based on the number of ordinary shares expected to be on issue as at 6 March 2020. The financial effect of the dividend declared after the reporting date is not reflected in the 31 December 2019 financial statements and will be recognised in the period to 30 June 2020.

Apart from the dividend disclosed above, no other matter or circumstance has arisen since 31 December 2019 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 2019

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 2019 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

27 February 2020

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF PROPEL FUNERAL PARTNERS LIMITED

We have reviewed the accompanying half-year financial report of Propel Funeral Partners Limited (the 'Company') and Consolidated Entities (the 'Group'), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Group comprising the Company and the entities it controlled at the half year's end or from time to time during the half year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the half-year financial report 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 and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not presented fairly, in all material respects, in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Propel Funeral Partners Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, has been given to the directors of Propel Funeral Partners Limited.



INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF PROPEL FUNERAL PARTNERS LIMITED

(CONT'D)

Conclusion

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of Propel Funeral Partners Limited and controlled entities is not in accordance with the *Corporations Act 2001* including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
- b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



Nexia Sydney Audit Pty Ltd



Lester Wills

Director

Dated: 27 February 2020

Sydney

