



**Propel Funeral Partners Limited**

**ABN 41 616 909 310**

**Appendix 4D – Half-year Report  
For the Half-year ended 31 December 2021**

**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 2021 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.

## 1. Company details

Name of entity:	Propel Funeral Partners Limited
ABN:	41 616 909 310
Reporting period:	For the half-year ended 31 December 2021
Previous period:	For the half-year ended 31 December 2020

## 2. Results for announcement to the market

			\$'000
Revenues from ordinary activities	up	15.2% to	67,970
Operating net profit after tax ('Operating NPAT') (refer below)	down	0.7% to	8,320
Loss from ordinary activities after tax attributable to the shareholders of Propel Funeral Partners Limited ('Company')	down	212.8% to	(9,197)
Loss for the half-year attributable to the shareholders of the Company	down	212.8% to	(9,197)

### Dividends

	Amount per security cents	Franked amount per security %
Final dividend - 2021 financial year	5.75	100%
Final dividend - 2020 financial year	6.00	100%

### Comments

The statutory loss for the Company (and its subsidiaries) ('Group') after providing for income tax, for the six months ended 31 December 2021, amounted to \$9,197,000 (31 December 2020: profit of \$8,156,000).

The financial results for the six months ended 31 December 2021, were impacted by:

- one-off costs associated with the internalisation of the key senior management functions of the Company, including:
  - a termination fee of \$15,000,000 (settled 50% in cash and 50% in Propel shares) which was paid to Propel Investments Pty Limited ('Manager');
  - a share based payment revaluation expense of \$5,407,000 relating to a modification of the voluntary escrow arrangements in connection with 14.7 million escrowed shares;
  - a non cash fair value adjustment expense relating to the termination shares of \$969,000; and
  - transaction costs;
- extended COVID-19 related lock downs in parts of Australia and New Zealand; and
- part period contributions from four acquisitions completed during the reporting period and full period contributions from three acquisitions completed during the prior corresponding period.

Operating NPAT is a financial measure which is not prescribed by the Australian Accounting Standards ('AASBs') and represents the profit under AASBs adjusted for certain non-operating items, such as acquisition and transaction 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 2021</b>	<b>31 Dec 2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Net (loss)/profit after income tax	(9,197)	8,156
Add: Termination fee	15,000	-
Add: Share based payment revaluation expense	5,407	-
Add: Fair value adjustment on termination shares	969	-
Add: Acquisition and transaction costs	1,120	155
Add: Other non-operating expenses	281	119
(Less)/add: Net (gain)/loss on disposal of assets	(59)	45
Less: Net foreign exchange gain	(25)	(37)
Less: Tax effect of certain Operating NPAT adjustments	(5,176)	(58)
Operating NPAT	<u>8,320</u>	<u>8,380</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 2021</b>	<b>31 Dec 2020</b>
	<b>\$000</b>	<b>\$000</b>
Net assets	249,250	186,625
Less: Deferred tax assets	(8,449)	(3,496)
Add: Deferred tax liabilities	8,964	10,094
Less: Goodwill	(141,761)	(133,335)
Net tangible assets	<u>108,004</u>	<u>59,888</u>

	<b>Consolidated</b>	
	<b>31 Dec 2021</b>	<b>31 Dec 2020</b>
Number of ordinary shares on issue	117,895,750	99,946,016
	<b>Reporting period cents</b>	<b>Previous period cents</b>
Net tangible assets per ordinary security	<u>91.61</u>	<u>59.92</u>

#### 4. Dividends

	Amount per security cents	Franked amount per security %	Total \$'000	Payment date
<b>Half-year ended 31 December 2021</b>				
Final dividend - 2021 financial year	5.75	100%	5,880	5 October 2021
<b>Half-year ended 31 December 2020</b>				
Final dividend - 2020 financial year	6.00	100%	5,924	1 October 2020
<b>Dividend not recognised at period end</b>				
Interim dividend - 2022 financial year	6.00	100%	7,074	7 April 2022

#### 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 the Company for the Half-year ended 31 December 2021 is attached.

10. Signed



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Brian Scullin  
Chairman

23 February 2022



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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 2021**

**Propel Funeral Partners Limited**

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**Propel Funeral Partners Limited**  
**Directors' report**  
**31 December 2021**

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 2021.

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 145 properties (78 owned and 67 leased) across 7 states and territories of Australia and in New Zealand, including 32 cremation facilities and 9 cemeteries.

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 certain non-operating items, such as acquisition and transaction 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**

	Amount per security cents	Franked amount per security %	Total \$'000	Payment date
<b>Half-year ended 31 December 2021</b>				
Final dividend - 2021 financial year	5.75	100%	5,880	5 October 2021
<b>Half-year ended 31 December 2020</b>				
Final dividend - 2020 financial year	6.0	100%	5,924	1 October 2020
<b>Dividend not recognised at period end</b>				
Interim dividend - 2022 financial year	6.0	100%	7,074	7 April 2022

The interim dividend declared in connection with the half year ended 31 December 2021 of 6.0 cents per share (prior corresponding period ('PCP' or '1H FY21'): 6.0 cents per share) represents approximately 88% 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 2021 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 2021 ('1H FY22'), the Group experienced the following significant changes in its state of affairs:

- in July 2021 and with the approval of shareholders, the Company completed the internalisation of key senior management functions of Propel, which involved, among other things:
  - the assignment and termination of the management agreement and the payment of a \$15,000,000 termination fee to Propel Investments Pty Limited ('the Manager'), settled 50% in cash and 50% in Propel shares;
  - three senior executives becoming employees of the Group;
  - the transfer of intellectual property from the Manager, its officers and employees to the Group;
  - changes to the Company's constitution;
  - a modification of the voluntary escrow arrangements relating to 14,732,667 shares ('Escrowed Shares'), so that:
    - 50% of the Escrowed Shares will be released from voluntary escrow following the release of the Group's audited FY22<sup>1</sup> financial results; and
    - 50% of the Escrowed Shares will be released from voluntary escrow following the release of the Group's audited FY25<sup>1</sup> financial results;
  - the Company no longer paying fees to the Manager, including potential uncapped performance fees, ('Management Internalisation');
- in August 2021, the Group increased and extended its senior debt facilities with Westpac Banking Corporation ('Financier') by \$50,000,000 to \$200,000,000, all of which now matures in October 2024. Refer to note 11 for further details;
- completed a placement of new shares and a follow on share purchase plan raising net proceeds of \$62,314,000 ('Capital Raising'). The net proceeds from the Capital Raising were used to pay down debt to provide financial flexibility to pursue further growth initiatives, including acquisitions;
- completed four acquisitions (refer to note 19 for further details), the consideration for which totalled \$15,685,000 (excluding transaction costs and contingent consideration) as follows:
  - on 15 September 2021, the Group acquired the business and assets of State of Grace Limited ('State of Grace'), which provides funeral directing services from two locations in Auckland, New Zealand;
  - on 1 October 2021, the Group acquired 100% of the issued share capital of Charles Berry & Son Pty. Ltd., associated assets and a freehold property (with multiple titles) (together, 'Berry Funeral Directors'), which provides funeral directing services from one location in Norwood, South Australia;
  - on 1 December 2021, the Group acquired the business and assets of Glenelg Funerals, which provides funeral directing services from one location in Glenelg, South Australia; and
  - on 1 December 2021, the Group acquired the business, assets and a freehold property<sup>2</sup> of Eagars Funerals, which provides funeral directing services from one location in New Plymouth, New Zealand;
- announced that the Group had entered into binding conditional legal documentation to acquire Carol and Terry Crawford Funerals and McKee Funerals, operating in Geelong and Perth respectively; and
- continued to be impacted by COVID-19, with strict limits on funeral attendees generally isolated to COVID-19 hotspot areas that went into temporary lockdown, which impacted Average Revenue Per Funeral<sup>3</sup>.

There were no other significant changes in the state of affairs of the Group during the six months ended 31 December 2021.

<sup>1</sup> Instead of a release from escrow in November 2027.

<sup>2</sup> Subject to approval of a boundary adjustment subdivision.

<sup>3</sup> Revenue from funeral operations excluding disbursements and delivered prepaid funeral impacts divided by the number of funerals performed in the relevant period.

### **Financial and operating overview**

This financial and operating overview summarises the results for 1H FY22, including COVID-19 and other impacts and results for the PCP, unless otherwise stated.

The Group's core operating focus is on people safety, essential service continuity and financial resilience. During 1H FY22, 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 temporary lockdown;
- ensuring staff could cross state/territory borders and access 'hotspot' areas;
- working from home, where feasible;
- controlling operating costs; and
- receiving subsidies for eligible businesses in New Zealand.

Further details on the financial impacts of COVID-19 are set out in the relevant sections below.

### **Financial summary**

Given the material impact of the Management Internalisation in 1H FY22 and the material variance in government subsidies recognised in 1H FY22 versus the PCP, the directors have elected to present certain financial information on a pro forma basis, in addition to the statutory results. The pro forma results exclude one-off, non-recurring items relating to the Management Internalisation and government subsidies and include the recurring impacts of the Management Internalisation, as if it had occurred on 1 July 2020 (refer below) ('Pro forma').

In 1H FY22, the Group reported Pro forma:

- Revenue of \$67,970,000, an increase of 15.2% on the PCP;
- Operating EBITDA of \$18,407,000, an increase of 17.8% on the PCP; and
- Operating NPAT of \$7,839,000, an increase of 30.4% on the PCP.

In 1H FY22, the Group reported statutory:

- Operating EBITDA of \$19,077,000, in line with the PCP; and
- Operating NPAT of \$8,320,000, in line with the PCP.

The variance between the Group's statutory and Pro forma results arises from:

- employment of three senior executives, resulting in an increase in employment costs, net of the administration fee paid to the Manager, resulting in a net increase in Pro forma operating costs of \$1,199,000 in the PCP;
- adding back the one-off, non recurring items incurred in connection with the Management Internalisation, being:
  - the payment of a \$15,000,000 termination fee to the Manager (settled 50% in cash and 50% in Propel shares) and recognition of a non cash, fair value adjustment expense relating to the termination shares of \$969,000<sup>4</sup>;
  - a share based payment revaluation expense of \$5,407,000 relating to a modification of the voluntary escrow arrangements in connection with 14,732,667 shares;
  - transaction costs; and
  - associated tax impacts; and
- COVID-19 related government subsidies received in 1H FY22 of \$568,000, compared to \$2,178,000 in the PCP.

<sup>4</sup> Related to the fair value uplift of the termination shares measured at the share price of \$3.67 on completion date of the Management Internalisation, compared with the issue price of \$3.25 (representing the 30 day volume weighted average price to 28 May 2021).

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

	<b>31 Dec 21</b>	<b>31 Dec 20</b>	<b>31 Dec 21</b>	<b>31 Dec 20</b>
	<b>Pro forma</b>	<b>Pro forma</b>	<b>Statutory</b>	<b>Statutory</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Total revenue</b>	<b>67,970</b>	<b>59,009</b>	<b>67,970</b>	<b>59,009</b>
Gross profit	48,477	42,674	48,477	42,674
...margin	71.3%	72.3%	71.3%	72.3%
Total operating costs	(30,070)	(27,042)	(29,400)	(23,666)
<b>Operating EBITDA</b>	<b>18,407</b>	<b>15,632</b>	<b>19,077</b>	<b>19,009</b>
...margin	27.1%	26.5%	28.1%	32.2%
Depreciation	(5,028)	(4,760)	(5,028)	(4,760)
<b>Operating EBIT</b>	<b>13,379</b>	<b>10,872</b>	<b>14,049</b>	<b>14,249</b>
...margin	19.7%	18.4%	20.7%	24.1%
Termination fee	-	-	(15,000)	-
Share based payment revaluation expense	-	-	(5,407)	-
Fair value adjustment on termination shares	-	-	(969)	-
Acquisition and transaction costs	(739)	(540)	(1,120)	(155)
Net other expenses	(190)	(113)	(190)	(113)
<b>EBIT</b>	<b>12,450</b>	<b>10,219</b>	<b>(8,637)</b>	<b>13,981</b>
Net interest expense	(1,841)	(1,791)	(1,841)	(1,791)
Net financing charge on contract assets and contract liabilities	(294)	(528)	(294)	(528)
<b>Net profit/(loss) before tax</b>	<b>10,314</b>	<b>7,900</b>	<b>(10,773)</b>	<b>11,662</b>
Income tax (expense)/benefit	(3,140)	(2,381)	1,576	(3,506)
<b>Net profit/(loss) after tax</b>	<b>7,175</b>	<b>5,519</b>	<b>(9,197)</b>	<b>8,156</b>
Operating NPAT	7,839	6,013	8,320	8,380
Operating earnings per share (cps) <sup>1</sup>	7.30	5.93	7.77	8.45

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

Further to the commentary above, the table below provides a reconciliation of the Group's statutory and Pro forma operating earnings:

	<b>31 Dec 21</b>	<b>31 Dec 20</b>	<b>Var %</b>
	<b>\$'000</b>	<b>\$'000</b>	
Statutory Operating EBITDA	19,077	19,009	0.4%
Less: Management Internalisation	(102)	(1,199)	
Less: Government subsidies	(568)	(2,178)	
<b>Pro forma Operating EBITDA</b>	<b>18,407</b>	<b>15,632</b>	<b>17.8%</b>
Statutory Operating NPAT	8,320	8,380	-0.7%
Less: Management Internalisation	(72)	(839)	
Less: Government subsidies	(409)	(1,528)	
<b>Pro forma Operating NPAT</b>	<b>7,839</b>	<b>6,013</b>	<b>30.4%</b>

**Propel Funeral Partners Limited**  
**Directors' report**  
**31 December 2021**

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

	<b>31 Dec 21</b>	<b>31 Dec 20</b>	<b>31 Dec 21</b>	<b>31 Dec 20</b>
	<b>Pro forma</b>	<b>Pro forma</b>	<b>Statutory</b>	<b>Statutory</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Funeral operations	59,531	51,330	59,531	51,330
Cemetery, crematoria and memorial gardens	7,260	6,520	7,260	6,520
Other trading revenue	1,179	1,159	1,179	1,159
<b>Total revenue</b>	<b>67,970</b>	<b>59,009</b>	<b>67,970</b>	<b>59,009</b>
Cost of sales	(19,493)	(16,335)	(19,493)	(16,335)
<b>Gross profit</b>	<b>48,477</b>	<b>42,674</b>	<b>48,477</b>	<b>42,674</b>
Employment costs	(22,451)	(20,306)	(21,764)	(16,803)
Occupancy and facility costs	(3,462)	(3,189)	(3,462)	(3,189)
Administration fee	-	-	(17)	(126)
Other operating costs	(4,156)	(3,547)	(4,156)	(3,547)
<b>Total operating costs</b>	<b>(30,070)</b>	<b>(27,042)</b>	<b>(29,400)</b>	<b>(23,666)</b>
<b>Operating EBITDA</b>	<b>18,407</b>	<b>15,632</b>	<b>19,077</b>	<b>19,009</b>

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

	<b>31 Dec 21</b>	<b>31 Dec 20</b>	<b>31 Dec 21</b>	<b>31 Dec 20</b>
	<b>Pro forma</b>	<b>Pro forma</b>	<b>Statutory</b>	<b>Statutory</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Net profit/(loss) after income tax	7,175	5,519	(9,197)	8,156
Add: Termination fee	-	-	15,000	-
Add: Share based payment revaluation expense	-	-	5,407	-
Add: Fair value adjustment on termination shares	-	-	969	-
Add: Acquisition and transaction costs	739	540	1,120	155
Add: Other non-operating expenses	197	127	197	127
Less: Tax effect of certain Operating NPAT adjustments	(271)	(173)	(5,176)	(58)
<b>Operating NPAT</b>	<b>7,839</b>	<b>6,013</b>	<b>8,320</b>	<b>8,380</b>

## Revenue

Revenue increased by 15.2% from \$59,009,000 in 1H FY21 to \$67,970,000 in 1H FY22, driven by:

- a 16.0% increase in revenue from funeral operations; and
- a 11.3% increase in revenue from cemetery, crematoria and memorial gardens.

The number of funerals increased by 14.9% from 6,897 in 1H FY21 to 7,928 in 1H FY22, largely due to an increase in death volumes (refer below) and the Group completing the acquisitions of four funeral businesses during the period as well as the full period impact of two funeral businesses acquired during FY21.

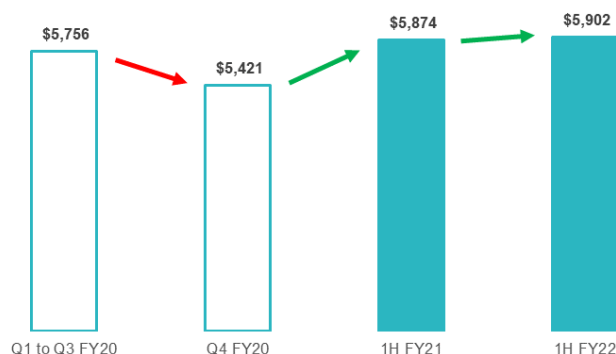
In most markets in which the Company operates, death volumes increased in 1H FY22, with Propel's comparable funeral volumes increasing by 7.8% on the PCP.

Average Revenue Per Funeral increased by 0.5% from \$5,874 in the PCP to \$5,902 in 1H FY22 and was impacted by the full period impact of two funeral businesses acquired during FY21, the part period impact of four funeral businesses acquired in 1H FY22, funeral mix and pricing. In 1H FY22, Average Revenue Per Funeral increased by 2.5% on the pre-COVID-19 period (i.e. Q1 to Q3 FY20).

Extended lock downs and strict funeral attendee limits in parts of Australia and New Zealand contributed to a higher mix of lower value funerals during 1H FY22 compared to the PCP, which impacted Average Revenue Per Funeral. For example, attendance at funerals in greater Auckland was either prohibited or limited to 10 attendees for approximately three months during 1H FY22, with similar restrictions applying in New South Wales, Victoria and other parts of Australia.

As illustrated on the chart to the right, the Group's experience since the start of the COVID-19 pandemic is that Average Revenue Per Funeral impacts from lock downs and strict funeral attendee limits have been temporary, with Average Revenue Per Funeral rebounding quickly, as restrictions have eased.

This not only reinforces the value that society places on physical attendance at a funeral service as a vital part of the grieving process, it also highlights the defensive nature and the social infrastructure characteristics of Propel's network of funeral homes, cremation facilities and cemeteries.



In 1H FY22, the Company generated 41% of its revenue from metropolitan areas, an increase from 1H FY21 (38%).

## Gross profit margin

The gross profit margin decreased from 72.3% in the PCP to 71.3% in 1H FY22, primarily due to sales mix and the financial profile of acquisitions completed during FY21 and 1H FY22.

## Operating costs and Operating EBITDA

Statutory operating costs increased by \$5,734,000 in 1H FY22, as a result of:

- the full period impact of three businesses acquired during FY21, the part period impact of four funeral businesses acquired in 1H FY22;
- lower government subsidies received (1H FY22: \$568,000 versus 1H FY21: \$2,178,000); and
- the impacts of the Management Internalisation, resulting in additional operating expenditure related to the employment of three senior executives.

Pro forma operating expenditure increased approximately 11.2% on the PCP. Comparable operating expenditure per funeral decreased approximately 3.9% on the PCP, demonstrating operational leverage as a result of materially higher comparable funeral volumes in the period.

Statutory Operating EBITDA in 1H FY22 of \$19,077,000 was in line with the PCP, primarily due to:

- the full period contributions from acquisitions completed in FY21 and the part period contributions from acquisitions completed in 1H FY22;
- a material increase in comparable funeral volumes, up 7.8% on the PCP; offset by
- lower government subsidies and the impacts of the Management Internalisation.

Pro forma Operating EBITDA in 1H FY22 was \$18,407,000, 17.8% higher than the PCP.

#### **Depreciation and other income and expenses**

Depreciation increased from \$4,760,000 in 1H FY21 to \$5,028,000 in 1H FY22, which mainly related to business and property acquisitions completed during FY21 and 1H FY22.

In connection with the Management Internalisation, the Group recognised the following one-off expenses:

- a termination fee of \$15,000,000 paid to the Manager (settled 50% in cash and 50% in Propel shares);
- a non cash, fair value adjustment expense relating to the termination shares of \$969,000; and
- a share based payment revaluation expense of \$5,407,000 relating to a modification of the voluntary escrow arrangements in connection with 14,732,667 shares.

The above one-off expenses have been excluded from the Pro forma results.

Acquisitions and transaction costs of \$1,120,000 largely related to the Management Internalisation and acquisitions.

Net other expenses of \$190,000 largely related to the administration of the Group's pre-paid contracts and other non-operating expenses.

Interest expense of \$1,882,000 in 1H FY22 was in line with the PCP (1H FY21: \$1,859,000).

#### **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 FY22, 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.

#### **Impairment**

Following a review of the carrying value of assets, no impairment was deemed necessary (1H FY21: Nil).

#### **Income tax expense**

Income tax benefit was \$1,576,000 (1H FY21: expense of \$3,506,000), impacted by the Management Internalisation. The Pro forma adjusted effective tax rate was 29.7% (1H FY21: 29.7%).

## Cash flow highlights

The statutory cash flows for the Group are presented below:

	31 Dec 21 Statutory \$'000	31 Dec 20 Statutory \$'000
Receipts from customers (inc GST)	74,280	64,145
Payments to suppliers and employees (inc GST)	(55,527)	(45,589)
	<b>18,752</b>	<b>18,556</b>
Termination fee	(7,500)	-
Transaction costs	(462)	-
Income taxes paid	(2,109)	(3,138)
Interest paid	(2,388)	(1,767)
Interest received	36	56
<b>Net cash provided by operating activities</b>	<b>6,329</b>	<b>13,707</b>
Payment for purchase of business, net of cash acquired	(16,329)	(22,538)
Net payments for property, plant and equipment	(3,860)	(8,203)
Other investing cash flows	(32)	(5)
<b>Net cash used by investing activities</b>	<b>(20,221)</b>	<b>(30,746)</b>
Proceeds from issue of shares, net of transaction costs	62,314	-
Net repayment from borrowings	(40,515)	(22,633)
Dividends paid	(5,880)	(5,923)
Other financing cash flows	(1,647)	(1,575)
<b>Net cash provided/(used) by financing activities</b>	<b>14,272</b>	<b>(30,131)</b>
Net increase/(decrease) in cash during the year	380	(47,170)
Cash at the beginning of the year	7,496	53,904
Exchange rate effects	13	42
<b>Cash at the end of the year</b>	<b>7,889</b>	<b>6,775</b>
<b>Cash flow conversion %</b>	<b>98.4%</b>	<b>97.6%</b>

1H FY22 statutory operating cash flows<sup>5</sup> were in line with the PCP, with contributions from acquisitions and solid trading being offset by employment costs paid in connection with the Management Internalisation and lower government wage subsidies received compared to the PCP.

<sup>5</sup> Ungeared, pre-tax operating cash flow, excluding the termination fee and transaction costs in connection with the Management Internalisation.



Cash flow conversion was 98.4% in 1H FY22, compared to 97.6% achieved in the PCP as shown in the table below:

	<b>31 Dec 21 Statutory \$'000</b>	<b>31 Dec 20 Statutory \$'000</b>
<b>Operating EBITDA</b>	<b>19,077</b>	<b>19,009</b>
Net cash provided by operating activities	6,329	13,707
Add: interest paid	2,388	1,767
Add: income tax paid	2,109	3,138
Add: termination fee	7,500	-
Add: transaction costs	462	-
Less: interest received	(36)	(56)
<b>Ungeared, tax free, operating cash flow</b>	<b>18,752</b>	<b>18,556</b>
<b>Cash flow conversion</b>	<b>98.4%</b>	<b>97.6%</b>

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

	<b>31 Dec 21 Statutory \$'000</b>	<b>31 Dec 20 Statutory \$'000</b>
Property refurbishments and plant and equipment	3,396	3,319
Motor vehicles	838	423
Other assets	34	44
<b>Total capital expenditure</b>	<b>4,267</b>	<b>3,785</b>

During 1H FY22, the Group incurred capital expenditure of \$4,267,000 which included:

- \$3,012,000 relating to a number of property refurbishments and new leasehold sites;
- purchasing motor vehicles totalling \$838,000;
- payments relating to a new cremators totalling \$384,000; and
- upgrades to sound systems, IT equipment, mortuary equipment and other plant and equipment.

In 1H FY22, maintenance capital expenditure amounted to 3.7% of revenue (1H FY21: 3.9%).

### **Capital management**

As at 31 December 2021, the Group had drawn down \$46,123,000 of its \$200,000,000 senior debt facilities, compared to \$86,523,000 as at 30 June 2021. The decrease in drawn debt largely related to the net proceeds received in connection with the Capital Raising which were used to repay debt, net of funding 1H FY22 acquisitions and the cash component of the termination fee and transaction costs associated with the Management Internalisation. As at 31 December 2021, the Group reported cash and cash equivalents of \$7,889,000 and net debt<sup>6</sup> of \$38,234,000 (30 June 2021: \$79,027,000).

As at 31 December 2021, the Group's gearing ratio was 13.3%<sup>7</sup>. Financial covenant ratios on the senior debt facilities comprise a net leverage ratio which must be no greater than 3.5x<sup>8</sup> and a fixed charge cover ratio which must be greater than 1.75x. Both ratios were comfortably satisfied as at 31 December 2021, being 0.8x (30 June 2021: 2.2x) and 5.4x (30 June 2020: 5.4x) respectively.

As at 31 December 2021, the Group had approximately \$149,300,000<sup>9</sup> of available funding capacity.

<sup>6</sup> Drawn senior debt less cash and cash equivalents.

<sup>7</sup> Net debt of \$38.2 million divided by net debt plus total equity of \$287.5 million.

<sup>8</sup> Including the annualised impact of acquisitions and other adjustments. A ratio of 3.5x, unless the Group elects to surge to 3.75x which endures for three consecutive testing dates, following which the covenant will reduce to 3.5x. The Group's working capital facility is excluded from the net leverage ratio calculation.

<sup>9</sup> Undrawn debt and cash at bank as at 31 December 2021, less the estimated cash required to pay the final dividend and fund acquisitions announced but not yet completed.



### **Events after the reporting period**

On 11 February 2022, the Group completed the acquisition of the business, assets and a freehold property of Carol & Terry Crawford Funerals Pty Ltd ('Crawford Funerals') in Geelong, Victoria, for \$2,625,000. Crawford Funerals generates approximately \$1,000,000 of revenue, per annum.

On 23 February 2022, the directors declared a fully franked interim dividend of 6.0 cents per ordinary share. The dividend will be paid on 7 April 2022 to shareholders on the register as at 7 March 2022. This equates to an estimated total distribution of \$7,074,000, based on the number of ordinary shares expected to be on issue as at 4 March 2022. The financial effect of the dividend declared after the reporting date is not reflected in the 31 December 2021 financial statements and will be recognised in the period to 30 June 2022.

Apart from the events disclosed above, no other matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

### **Outlook**

In terms of the outlook for the remainder of FY22 ('2H FY22'), Propel expects to benefit from:

- favourable demographics in Australia and New Zealand;
- acquisitions completed and announced to date and other potential future acquisitions in what remains a highly fragmented industry (although timing is uncertain); and
- a strong funding position.

In that regard, Propel has started 2H FY22 with positive trading momentum. In the month of January 2022:

- total and comparable funeral volumes were materially higher than the PCP; and
- a higher mix of full service funerals contributed to material growth in Average Revenue Per Funeral over the PCP.

However, it should be noted that:

- death volumes fluctuate over short time horizons; and
- ongoing COVID-19 impacts remain 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 'round-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.

### **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

23 February 2022

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 financial statements of Propel Funeral Partners Limited for the half-year ended 31 December 2021, 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: 23 February 2022

**Propel Funeral Partners Limited**  
**Consolidated statement of profit or loss and other comprehensive income**  
**For the half-year ended 31 December 2021**

		<b>Consolidated</b>	
	<b>Note</b>	<b>31 Dec 2021</b>	<b>31 Dec 2020</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>Revenue</b>	4	67,970	59,009
<b>Expenses</b>			
Cost of sales and goods		(19,493)	(16,335)
Employee costs	5	(21,948)	(16,846)
Occupancy and facility expenses		(3,478)	(3,204)
Advertising expenses		(1,644)	(1,358)
Motor vehicle expenses		(995)	(799)
Other expenses		(1,616)	(1,577)
		18,796	18,890
Termination fee	5	(15,000)	-
Share based payment revaluation expense	5	(5,407)	-
Fair value adjustment on termination shares	5	(969)	-
Acquisition and transaction costs	5	(1,120)	(155)
Net gain/(loss) on disposal of assets		59	(45)
Other income		6	14
Depreciation expense	5	(5,028)	(4,760)
Interest income		41	68
Interest expense	5	(1,882)	(1,859)
Net financing charge on contract assets and contract liabilities	6	(294)	(528)
Net foreign exchange gain		25	37
<b>(Loss)/profit before income tax benefit/(expense)</b>		(10,773)	11,662
Income tax benefit/(expense)		1,576	(3,506)
<b>(Loss)/profit after income tax benefit/(expense) for the half-year attributable to the shareholders of Propel Funeral Partners Limited</b>		(9,197)	8,156
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		513	(80)
Changes in the fair value of cash flow hedges, net of tax		81	17
Other comprehensive income for the half-year, net of tax		594	(63)
<b>Total comprehensive income for the half-year attributable to the shareholders of Propel Funeral Partners Limited</b>		<b>(8,603)</b>	<b>8,093</b>
		<b>cents</b>	<b>cents</b>
Basic earnings per share	20	(8.59)	8.23
Diluted earnings per share	20	(8.59)	8.23

*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 2021**

		<b>Consolidated</b>	
	<b>Note</b>	<b>31 Dec 2021</b>	<b>30 Jun 2021</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		7,889	7,496
Customer deposits		664	572
Contract assets	6	52,368	46,100
Trade and other receivables		6,022	4,946
Inventories		4,449	4,389
Prepayments		1,707	960
Total current assets		<u>73,099</u>	<u>64,463</u>
<b>Non-current assets</b>			
Property, plant and equipment	7	162,282	152,762
Right-of-use assets	8	37,403	34,777
Goodwill	9	141,761	131,687
Deferred tax		8,449	3,470
Other assets		198	181
Total non-current assets		<u>350,093</u>	<u>322,877</u>
<b>Total assets</b>		<u>423,192</u>	<u>387,340</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	10	8,494	7,714
Borrowings	11	14,974	10,068
Derivative financial instruments	15	144	-
Income tax		935	391
Lease liabilities		9,027	8,674
Provisions	12	7,917	5,808
Contract liabilities	6	58,354	51,924
Total current liabilities		<u>99,845</u>	<u>84,579</u>
<b>Non-current liabilities</b>			
Borrowings	11	30,982	76,739
Derivative financial instruments	15	-	260
Lease liabilities		30,437	27,994
Deferred tax liabilities		8,964	8,716
Provisions	12	3,533	1,949
Other liabilities		181	191
Total non-current liabilities		<u>74,097</u>	<u>115,849</u>
<b>Total liabilities</b>		<u>173,942</u>	<u>200,428</u>
<b>Net assets</b>		<u>249,250</u>	<u>186,912</u>
<b>Equity</b>			
Issued capital	13	280,239	203,418
Reserves		496	(98)
Accumulated losses		<u>(31,485)</u>	<u>(16,408)</u>
<b>Total equity</b>		<u>249,250</u>	<u>186,912</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 2021**

<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	2,515	-	-	-	2,515
Dividends paid (note 14)	-	-	-	(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>

<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 2021	203,418	84	(182)	(16,408)	186,912
Loss after income tax benefit for the half-year	-	-	-	(9,197)	(9,197)
Other comprehensive income for the half-year, net of tax	-	513	81	-	594
Total comprehensive income for the half-year	-	513	81	(9,197)	(8,603)
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs (note 13)	76,821	-	-	-	76,821
Dividends paid (note 14)	-	-	-	(5,880)	(5,880)
Balance at 31 December 2021	<u>280,239</u>	<u>597</u>	<u>(101)</u>	<u>(31,485)</u>	<u>249,250</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 2021**

		<b>Consolidated</b>	
	<b>Note</b>	<b>31 Dec 2021</b>	<b>31 Dec 2020</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		74,280	64,145
Payments to suppliers and employees (inclusive of GST)		(53,965)	(45,589)
		20,315	18,556
Termination fee paid (inclusive of GST)	18	(9,000)	-
Transaction costs paid (inclusive of GST)	18	(526)	-
Interest received		36	56
Interest and other finance costs paid - borrowings		(1,866)	(1,214)
Interest paid - leases (AASB 16)		(521)	(553)
Income taxes paid		(2,109)	(3,138)
Net cash from operating activities		6,329	13,707
<b>Cash flows from investing activities</b>			
Payment for purchase of business, net of cash acquired	19	(16,329)	(22,538)
Payments for property, plant and equipment		(4,532)	(8,260)
Proceeds from disposal of property, plant and equipment		672	57
Net cash outflow in contract assets and contract liabilities		(32)	(5)
Net cash used in investing activities		(20,221)	(30,746)
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares, net of transaction costs		62,314	-
Proceeds from borrowings		30,600	6,102
Repayment of borrowings		(71,046)	(28,646)
Repayment of lease liabilities		(1,647)	(1,574)
Repayment of hire purchases		(69)	(89)
Dividends paid	14	(5,880)	(5,924)
Net cash from/(used in) financing activities		14,272	(30,131)
Net increase/(decrease) in cash and cash equivalents		380	(47,170)
Cash and cash equivalents at the beginning of the financial half-year		7,496	53,904
Effects of exchange rate changes on cash and cash equivalents		13	41
Cash and cash equivalents at the end of the financial half-year		7,889	6,775

*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 as the consolidated entity (referred to hereafter as the 'Group') 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 2021. 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 23 February 2022. 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 2021 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 2021 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 2021**

	<b>Australian operations \$'000</b>	<b>New Zealand operations \$'000</b>	<b>Total \$'000</b>
<b>Revenue</b>			
Sales to external customers	54,559	13,300	67,859
Other revenue (excluding interest)	103	8	111
<b>Total revenue</b>	<b>54,662</b>	<b>13,308</b>	<b>67,970</b>
<b>Operating EBITDA</b>	<b>15,432</b>	<b>3,645</b>	<b>19,077</b>
Termination fee	(15,000)	-	(15,000)
Share based payment revaluation expense	(5,407)	-	(5,407)
Fair value adjustment on termination shares	(969)	-	(969)
Acquisition and transaction costs	(1,078)	(42)	(1,120)
Net gain/(loss) on disposal of assets	67	(8)	59
Net other (expenses)/income	(279)	4	(275)
Depreciation and amortisation	(4,135)	(893)	(5,028)
Interest income *	683	17	700
Finance costs *	(1,812)	(729)	(2,541)
Net financing charge on contract assets and contract liabilities	(294)	-	(294)
Net foreign exchange gain/(losses)	25	-	25
<b>(Loss)/profit before income tax benefit</b>	<b>(12,767)</b>	<b>1,994</b>	<b>(10,773)</b>
Income tax benefit			1,576
<b>Loss after income tax benefit</b>			<b>(9,197)</b>
<b>Assets</b>			
Segment assets	391,290	71,996	463,286
Intersegment eliminations			(40,094)
<b>Total assets</b>			<b>423,192</b>
<b>Liabilities</b>			
Segment liabilities	161,814	52,222	214,036
Intersegment eliminations			(40,094)
<b>Total liabilities</b>			<b>173,942</b>

\* Includes \$659,000 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 2021**

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

<b>Consolidated - 31 Dec 2020</b>	<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
Interest expense *	(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>

**Consolidated - 30 Jun 2021**

<b>Assets</b>			
Segment assets	358,354	66,226	424,580
Intersegment eliminations			(37,240)
<b>Total assets</b>			<b>387,340</b>
<b>Liabilities</b>			
Segment liabilities	191,435	46,233	237,668
Intersegment eliminations			(37,240)
<b>Total liabilities</b>			<b>200,428</b>

\* Includes \$308,000 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 2021 \$'000</b>	<b>30 Jun 2021 \$'000</b>
Australia	316,445	295,995
New Zealand	65,293	60,651
Intersegment eliminations	(40,094)	(37,240)
	<b>341,644</b>	<b>319,406</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 2021	31 Dec 2020
	\$'000	\$'000
Revenue from contracts with customers	67,859	58,896
<i>Other revenue</i>		
Rent	111	113
Revenue	<u>67,970</u>	<u>59,009</u>

*Disaggregation of revenue*

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

	Consolidated	
	31 Dec 2021	31 Dec 2020
	\$'000	\$'000
Funeral operations	59,531	51,330
Cemetery, crematoria and memorial gardens	7,260	6,520
Other trading revenue	1,068	1,046
	<u>67,859</u>	<u>58,896</u>

All revenue is recognised at a point in time. Refer to note 3 for information on geographical regions.

**Note 5. Expenses**

	<b>Consolidated</b>	
	<b>31 Dec 2021</b>	<b>31 Dec 2020</b>
	<b>\$'000</b>	<b>\$'000</b>
(Loss)/profit before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Buildings	1,005	901
Improvements	243	229
Plant and equipment	1,103	1,083
Motor vehicles	857	840
Total depreciation - property, plant and equipment (note 7)	3,208	3,053
Building right-of-use assets	1,631	1,507
Plant and equipment right-of-use assets	180	190
Motor vehicles right-of-use assets	9	10
Total depreciation - right-of-use assets (note 8)	1,820	1,707
Total depreciation expense	5,028	4,760
<i>Other non-operating expenses</i>		
Termination fee *	15,000	-
Share based payment revaluation expense *	5,407	-
Fair value adjustment on termination shares *	969	-
Acquisition costs	739	155
Other transaction costs *	381	-
Total non-operating expenses	22,496	155
<i>Interest expense</i>		
Interest and finance charges paid/payable on borrowings	1,361	1,306
Interest and finance charges paid/payable on lease liabilities (AASB 16)	521	553
Total interest expense	1,882	1,859
<i>Employee costs</i>		
Employee costs excluding government subsidies and superannuation expense	21,167	18,191
Australia government wage subsidies (JobKeeper)	-	(2,230)
New Zealand government subsidies	(568)	(189)
Payroll tax waivers	-	(69)
Defined contribution superannuation expense	1,349	1,143
Total employee costs	21,948	16,846

\* In connection with the internalisation of key senior management functions of the Company ('Management Internalisation'). Refer to note 18 for further disclosure.

**Note 6. Contract assets and liabilities**

	<b>Consolidated</b>	
	<b>31 Dec 2021</b>	<b>30 Jun 2021</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Contract assets</b>		
- pre-paid contracts	52,368	46,100
<b>Contract liabilities</b>		
- pre-paid contracts	56,774	50,417
- monument works	1,580	1,507
	58,354	51,924

**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 2021</b>	<b>31 Dec 2020</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	375	124
Finance charge on contract liabilities	(669)	(652)
Net financing charge on contract assets and contract liabilities - pre-paid contracts	(294)	(528)

	<b>Consolidated</b>	
	<b>31 Dec 2021</b>	<b>30 Jun 2021</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Movements in contract assets - pre-paid contracts</b>		
Opening balance	46,100	47,495
Sales of new contract assets	1,216	2,844
Redemption of contract assets following service delivery	(2,433)	(4,815)
Increase due to business combinations (note 19)	7,110	313
Increase due to investments returns	375	263
Closing balance	52,368	46,100
Contract assets expected to be realised within one year	5,356	4,688
Contract assets expected to be realised after one year	47,012	41,412
Total contract assets - pre-paid contracts	52,368	46,100

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

	<b>Consolidated</b>	
	<b>31 Dec 2021</b>	<b>30 Jun 2021</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Movements in contract liabilities - pre-paid contracts</b>		
Opening balance	50,417	51,031
Sales of new contract liabilities	1,216	2,844
Decrease following delivery of services	(2,638)	(5,068)
Increase due to business combinations (note 19)	7,110	313
Increase due to finance charge applied in accordance with AASB 15	669	1,297
	<u>56,774</u>	<u>50,417</u>
Closing balance	<u>56,774</u>	<u>50,417</u>
Contract liabilities expected to be realised within one year	5,888	5,214
Contract liabilities expected to be realised after one year	50,886	45,203
	<u>56,774</u>	<u>50,417</u>
Total contract liabilities - pre-paid contracts	<u>56,774</u>	<u>50,417</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 2021</b>	<b>30 Jun 2021</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Non-current assets</b>		
Land - at cost	55,382	50,275
Buildings - at cost	81,567	77,960
Less: Accumulated depreciation	(7,477)	(6,509)
	<u>74,090</u>	<u>71,451</u>
Improvements - at cost	9,811	9,504
Less: Accumulated depreciation	(1,449)	(1,208)
	<u>8,362</u>	<u>8,296</u>
Plant and equipment - at cost	21,418	19,148
Less: Accumulated depreciation	(8,032)	(6,931)
	<u>13,386</u>	<u>12,217</u>
Motor vehicles - at cost	15,563	14,270
Less: Accumulated depreciation	(6,731)	(6,042)
	<u>8,832</u>	<u>8,228</u>
Construction in progress - at cost	2,230	2,295
	<u>162,282</u>	<u>152,762</u>

**Note 7. Property, plant and equipment (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>Construction in progress \$'000</b>	<b>Total \$'000</b>
Balance at 1 July 2021	50,275	71,451	8,296	12,217	8,228	2,295	152,762
Additions	-	103	129	568	424	3,410	4,634
Additions through business combinations (note 19)	5,150	1,459	40	828	898	5	8,380
Disposals	(218)	(280)	(2)	(6)	(116)	-	(622)
Exchange differences	163	115	14	41	51	(48)	336
Transfers in/(out)	12	2,247	128	841	204	(3,432)	-
Depreciation expense (note 5)	-	(1,005)	(243)	(1,103)	(857)	-	(3,208)
Balance at 31 December 2021	<u>55,382</u>	<u>74,090</u>	<u>8,362</u>	<u>13,386</u>	<u>8,832</u>	<u>2,230</u>	<u>162,282</u>

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

	<b>Consolidated</b>	
	<b>31 Dec 2021 \$'000</b>	<b>30 Jun 2021 \$'000</b>
<i>Non-current assets</i>		
Land and buildings - right-of-use	43,938	39,691
Less: Accumulated depreciation	(7,118)	(5,595)
	<u>36,820</u>	<u>34,096</u>
Plant and equipment - right-of-use	1,301	1,268
Less: Accumulated depreciation	(735)	(613)
	<u>566</u>	<u>655</u>
Motor vehicles - right-of-use	60	59
Less: Accumulated depreciation	(43)	(33)
	<u>17</u>	<u>26</u>
	<u>37,403</u>	<u>34,777</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 2021	34,096	655	26	34,777
Additions	84	69	-	153
Additions through business combinations (note 19)	4,191	53	-	4,244
Lease reassessment and rent increases	80	(31)	-	49
Depreciation expense (note 5)	(1,631)	(180)	(9)	(1,820)
Balance at 31 December 2021	<u>36,820</u>	<u>566</u>	<u>17</u>	<u>37,403</u>

**Propel Funeral Partners Limited**  
**Notes to the consolidated financial statements**  
**31 December 2021**

**Note 9. Goodwill**

	<b>Consolidated</b>	
	<b>31 Dec 2021</b>	<b>30 Jun 2021</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Non-current assets</i>		
Goodwill - at cost	141,761	131,687

*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 2021	131,687
Additions through business combinations (note 19)	9,889
Adjustments for prior year business combinations	5
Exchange differences	180
Balance at 31 December 2021	141,761

**Note 10. Trade and other payables**

	<b>Consolidated</b>	
	<b>31 Dec 2021</b>	<b>30 Jun 2021</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Current liabilities</i>		
Trade payables	3,163	2,322
Deposits	788	653
Accrued expenses	2,027	2,579
GST payable	983	764
Other payables	1,533	1,396
	8,494	7,714

**Note 11. Borrowings**

	<b>Consolidated</b>	
	<b>31 Dec 2021</b>	<b>30 Jun 2021</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Current liabilities</i>		
Bank Loans	14,870	9,944
Hire purchases	104	124
	14,974	10,068
<i>Non-current liabilities</i>		
Bank Loans	30,893	76,600
Hire purchases	89	139
	30,982	76,739
	45,956	86,807

**Note 11. Borrowings (continued)**

	<b>Consolidated</b>	
	<b>31 Dec 2021</b>	<b>30 Jun 2021</b>
	<b>\$'000</b>	<b>\$'000</b>
Senior debt	46,123	86,523
Less: loan establishment costs	(549)	(212)
Equipment loans	189	233
	<hr/>	<hr/>
Total Bank Loans	<b>45,763</b>	<b>86,544</b>
	<hr/> <hr/>	<hr/> <hr/>

**Bank Loans**

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

- \$185,000,000 senior debt facility which matures in October 2024; and
- \$15,000,000 working capital facility which matures in October 2024 and is required to be cleaned down annually,

resulting in total debt facilities of \$200,000,000 (together, 'Senior Debt'), of which \$46,123,000 was drawn as at 31 December 2021 (30 June 2021: \$86,523,000). The net debt position (i.e. drawn Senior Debt less cash and cash equivalents of \$7,889,000) was \$38,234,000 as at 31 December 2021 (30 June 2021: \$79,027,000).

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 \$189,000 (30 June 2021: \$233,000) (Senior Debt and equipment loans, together 'Bank Loans').

**Hire purchase**

The Group is also party to hire purchase agreements in connection with motor vehicles where the lessors have security interest in the leased assets, recognised in the statement of financial position and revert to the lessor in the event of default.

**Note 12. Provisions**

	<b>Consolidated</b>	
	<b>31 Dec 2021</b>	<b>30 Jun 2021</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current liabilities</b>		
Employee benefits	6,408	4,930
Contingent consideration (note 15)	1,432	839
Lease make good	77	39
	<hr/>	<hr/>
	<b>7,917</b>	<b>5,808</b>
	<hr/>	<hr/>
<b>Non-current liabilities</b>		
Employee benefits	459	485
Contingent consideration (note 15)	2,581	961
Lease make good	253	280
Perpetual maintenance care provision	240	223
	<hr/>	<hr/>
	<b>3,533</b>	<b>1,949</b>
	<hr/>	<hr/>
	<b>11,450</b>	<b>7,757</b>
	<hr/> <hr/>	<hr/> <hr/>



**Note 13. Issued capital**

	<b>Consolidated</b>			
	<b>31 Dec 2021</b>	<b>30 Jun 2021</b>	<b>31 Dec 2021</b>	<b>30 Jun 2021</b>
	<b>Shares</b>	<b>Shares</b>	<b>\$'000</b>	<b>\$'000</b>
Ordinary shares - fully paid	<u>117,895,750</u>	<u>99,946,016</u>	<u>280,239</u>	<u>203,418</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 2021	99,946,016		203,418
Shares issued – termination fee (note 18)	26 July 2021	2,307,692	\$3.67	8,469
Share based payment revaluation (note 18)	26 July 2021	-	-	5,407
Shares issued - business combinations (note 19)	1 October 2021	52,546	\$3.13	165
Shares issued - placement (net of transaction costs and tax)	25 October 2021	12,245,122	\$4.10	49,115
Shares issued - share purchase plan (net of transaction costs and tax)	23 November 2021	<u>3,344,374</u>	<u>\$4.10</u>	<u>13,665</u>
Balance	31 December 2021	<u>117,895,750</u>		<u>280,239</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 14. Dividends**

*Dividends*

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

	<b>Consolidated</b>	
	<b>31 Dec 2021</b>	<b>31 Dec 2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Final dividend for the year ended 30 June 2021 of 5.75 cents (30 June 2020: 6.0 cents) per ordinary share	<u>5,880</u>	<u>5,924</u>

On 25 August 2021, the directors declared a fully franked final dividend of 5.75 cents per ordinary share which equated to a total distribution of \$5,880,000 in connection with the financial year ended 30 June 2021. The dividend was paid on 5 October 2021 and was recognised during the reporting period.

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.

*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 23 February 2022. The dividend will be paid on 7 April 2022. This equates to an estimated total distribution of \$7,074,000. The financial effect of the dividend declared after the reporting date is not reflected in the 31 December 2021 financial statements and will be recognised in the period to 30 June 2022.

**Note 14. Dividends (continued)**

*Franking credits*

	<b>Consolidated</b>
	<b>31 Dec 2021    30 Jun 2021</b>
	<b>\$'000                \$'000</b>
Franking credits available for subsequent financial years based on a tax rate of 30%	<u>16,284                15,687</u>

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 15. 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

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Consolidated - 31 Dec 2021</b>				
<i>Liabilities</i>				
<b>Current</b>				
Derivative financial instruments *	-	144	-	144
Contingent consideration	-	-	1,432	1,432
<b>Non-current</b>				
Contingent consideration	-	-	2,581	2,581
Total liabilities	<u>-</u>	<u>144</u>	<u>4,013</u>	<u>4,157</u>

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Consolidated - 30 Jun 2021</b>				
<i>Liabilities</i>				
<b>Current</b>				
Contingent consideration	-	-	839	839
<b>Non-current</b>				
Derivative financial instruments *	-	260	-	260
Contingent consideration	-	-	961	961
Total liabilities	<u>-</u>	<u>260</u>	<u>1,800</u>	<u>2,060</u>

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 of the cash flow hedges.

**Note 15. Fair value measurement (continued)**

*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:

<b>Consolidated</b>	<b>Contingent consideration \$'000</b>
Balance at 1 July 2021	1,800
Payments made (note 19)	(421)
Additions through business combinations (note 19)	2,592
Movement due to changes in discount rate	37
Foreign exchange difference	5
Balance at 31 December 2021	<u>4,013</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 \$37,000 (31 December 2020: \$31,000). A stress test of 50 basis points was conducted and found to have an immaterial impact.

**Note 16. Contingent liabilities**

The Group had \$1,270,000 bank guarantees as at 31 December 2021 (30 June 2021: \$1,183,000) 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 2021: Nil).

**Note 17. Commitments**

	<b>Consolidated 31 Dec 2021 \$'000</b>	<b>30 Jun 2021 \$'000</b>
<i>Capital commitments</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Property, plant and equipment	<u>3,995</u>	<u>2,088</u>
	<u>3,995</u>	<u>2,088</u>

#### **Note 18. Related party transactions**

On 26 July 2021, the Company completed the Management Internalisation, which involved, among other things:

- the assignment and termination of the management agreement with Propel Investments Pty Limited (ACN 117 536 357) ('the Manager') and the payment of a \$15,000,000 termination fee to the Manager, settled 50% in cash and 50% in Propel shares and a one-off fair value adjustment expense relating to the termination shares of \$969,000 \*;
- three senior executives becoming employees of the Group;
- the transfer of intellectual property from the Manager, its officers and employees to the Group;
- a modification of the voluntary escrow arrangements relating to 14,732,667 shares ('Escrowed Shares'), so that:
  - 50% of the Escrowed Shares will be released from voluntary escrow following the release of the Group's audited financial results for the financial year ended 30 June 2022 \*\*; and
  - 50% of the Escrowed Shares will be released from voluntary escrow following the release of the Group's audited financial results for the financial year ended 30 June 2025 \*\*, these amendments resulted in a one-off share based payment revaluation expense of \$5,407,000 (refer to note 13).

\* Related to the fair value uplift of the termination shares measured at the share price of \$3.67 on completion date of the Management Internalisation, compared with the issue price of \$3.25 (representing the 30 day volume weighted average price to 28 May 2021).

\*\* Instead of a release from escrow in November 2027.

#### **Note 19. Business combinations**

##### *State of Grace*

On 15 September 2021, the Group acquired the business and assets relating to State of Grace Limited ('State of Grace'), which provides funeral directing services from two locations in Auckland, New Zealand.

##### *Berry Funeral Directors*

On 1 October 2021, the Group acquired 100% of the issued share capital of Charles Berry & Son Pty. Ltd. and associated assets and a freehold property (with multiple titles) (together, 'Berry Funeral Directors'), which provides funeral directing services from one location in Norwood, South Australia. Consideration of \$14,034,000 was paid on settlement, which consisted of \$13,869,000 in cash and 52,546 ordinary shares in Propel (recognised at a fair value of \$165,000 given the escrow arrangements) and a further amount of \$1,718,000 (present value) will be paid if certain financial thresholds are achieved, representing total consideration of up to \$15,752,000.

##### *Glenelg Funerals*

On 1 December 2021, the Group acquired the business and assets relating to Glenelg Funerals ('Glenelg'), which provides funeral directing services from one location in Glenelg, South Australia.

##### *Eagars Funerals*

On 1 December 2021, the Group acquired the business, assets and a freehold property (subject to approval of a boundary adjustment subdivision) relating to Eagars Funerals ('Eagars'), which provides funeral directing services from one location in New Plymouth, New Zealand.

Details of the purchase consideration, the net assets acquired and goodwill for the acquisitions of State of Grace, Glenelg Funerals and Eagars Funerals ('Other Acquisitions') are disclosed, in aggregate, below.

**Note 19. Business combinations (continued)**

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

	<b>Berry Funeral Directors Fair value \$'000</b>	<b>Other Acquisitions Fair value \$'000</b>	<b>Total \$'000</b>
<b>Assets:</b>			
Cash and cash equivalents	351	-	351
Contract assets	3,920	3,190	7,110
Trade and other receivables *	320	6	326
Other current assets	126	196	322
Property, plant and equipment	7,862	518	8,380
Right-of-use assets	683	3,561	4,244
Deferred tax assets	95	9	104
<b>Liabilities:</b>			
Contract liabilities	(3,920)	(3,190)	(7,110)
Trade and other payables	(575)	(23)	(598)
Provisions	(322)	(77)	(399)
Lease liabilities	(668)	(3,561)	(4,229)
Deferred tax liabilities	(92)	(3)	(95)
Other liabilities	(18)	-	(18)
Net assets acquired	7,762	626	8,388
Goodwill	7,990	1,899	9,889
Acquisition-date fair value of the total consideration transferred	<u>15,752</u>	<u>2,525</u>	<u>18,277</u>
Representing:			
Cash paid or payable to vendor	13,869	1,651	15,520
Propel Funeral Partners Limited shares issued to vendor	165	-	165
Contingent consideration (discounted)	<u>1,718</u>	<u>874</u>	<u>2,592</u>
	<u>15,752</u>	<u>2,525</u>	<u>18,277</u>
Cash used to acquire business, net of cash acquired per cash flow statement:			
Cash paid to vendors	13,869	1,651	15,520
Less: cash and cash equivalents	<u>(351)</u>	<u>-</u>	<u>(351)</u>
Net cash used	<u>13,518</u>	<u>1,651</u>	<u>15,169</u>

\* The fair value of acquired trade receivables was \$326,000. The gross contractual amount for trade receivables due was \$332,000, with a loss allowance of \$6,000.

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 \$739,000. The acquisition accounting was provisional as at 31 December 2021.

**Propel Funeral Partners Limited**  
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**Note 19. Business combinations (continued)**

	<b>Consolidated 31 Dec 2021 \$'000</b>
Payment for purchase of business, net of cash acquired per cash flow statement:	
Net cash used for the Berry Funeral Directors acquisition	13,518
Net cash used for the Other Acquisitions	1,651
Contingent consideration payments (note 15)	421
Acquisition costs	739
	<hr/>
Net cash used	<b>16,329</b>

**Details of revenues and profit are as follows:**

	<b>Berry Funeral Directors \$'000</b>	<b>Other Acquisitions \$'000</b>	<b>Total \$'000</b>
Revenue generated from acquisition date to 31 December 2021	1,935	570	2,505
Net profit after tax from acquisition date to 31 December 2021	355	14	369

If the four acquisitions had occurred on 1 July 2021, it is estimated that the Group's revenue and net loss after tax for the entire half-year period would have been approximately \$71,230,000 and approximately (\$8,991,000) respectively.

**Note 20. Earnings per share**

	<b>Consolidated 31 Dec 2021 \$'000</b>	<b>31 Dec 2020 \$'000</b>
(Loss)/profit after income tax attributable to the shareholders of Propel Funeral Partners Limited	<u>(9,197)</u>	<u>8,156</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>107,103,116</u>	<u>99,123,605</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>107,103,116</u>	<u>99,123,605</u>
	<b>cents</b>	<b>cents</b>
Basic earnings per share	(8.59)	8.23
Diluted earnings per share	(8.59)	8.23

**Note 21. Events after the reporting period**

On 11 February 2022, the Group completed the acquisition of the business, assets and a freehold property of Carol & Terry Crawford Funerals Pty Ltd ('Crawford Funerals') in Geelong, Victoria, for \$2,625,000. Crawford Funerals generates approximately \$1,000,000 of revenue, per annum.

On 23 February 2022, the directors declared a fully franked dividend of 6.0 cents per ordinary share. The dividend will be paid on 7 April 2022. This equates to an estimated total distribution of \$7,074,000. The financial effect of the dividend declared after the reporting date is not reflected in the 31 December 2021 financial statements and will be recognised in the period to 30 June 2022.

Apart from the events disclosed above, no other matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

**Propel Funeral Partners Limited**  
**Directors' declaration**  
**31 December 2021**

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 2021 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



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Brian Scullin  
Chairman

23 February 2022



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Albin Kurti  
Managing Director



## 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 2021, 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 2021 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.

## 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 2021 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

Sydney, 23 February 2022