PROPEL FUNERAL PARTNERS

Annual Report 2019

PFP PROPEL FUNERAL PARTNERS

Propel owns funeral homes, cemeteries, cremation facilities and related infrastructure in Australia and New Zealand.

Annual General Meeting

The Company's 2019 Annual General Meeting of Shareholders will be held on 19 November 2019 at the offices of Nexia Sydney, Level 16, 1 Market Street, Sydney NSW 2000. The meeting will commence at 9.30am AEST.

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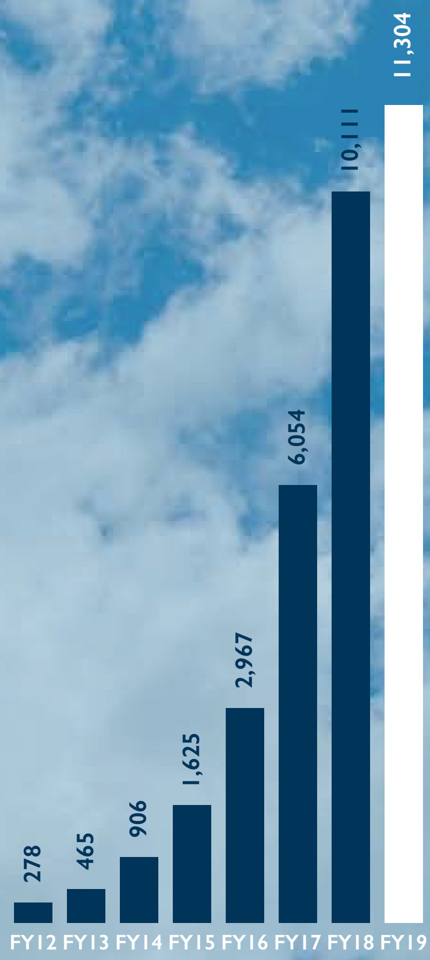
Performance Highlights

FUNERAL VOLUMES



REVENUE ($M)

FUNERAL VOLUMES UP

11.8%

in FY19 to 11,304

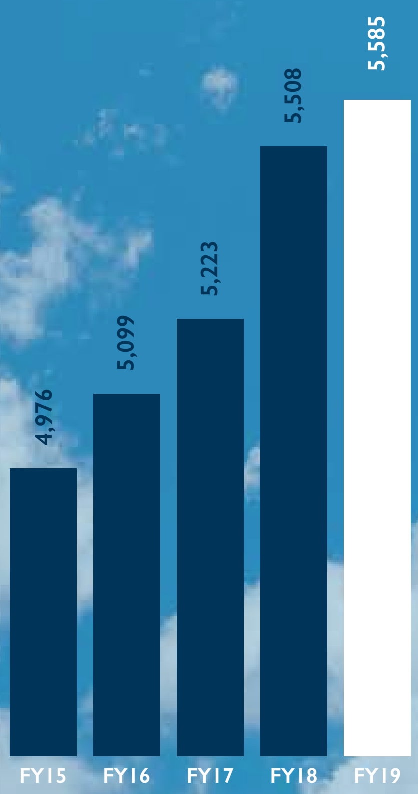
REVENUE UP

17.6%

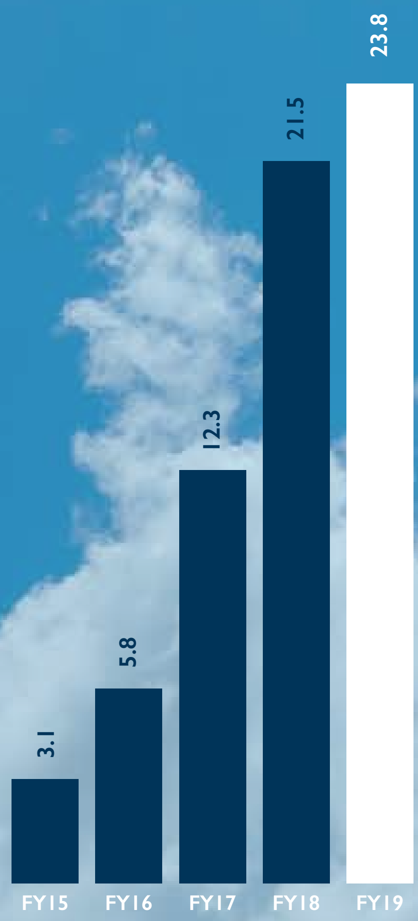
in FY19 to $95.1M

Propel achieved growth in key financial metrics during FY19, despite below trend death volumes in 1HFY19

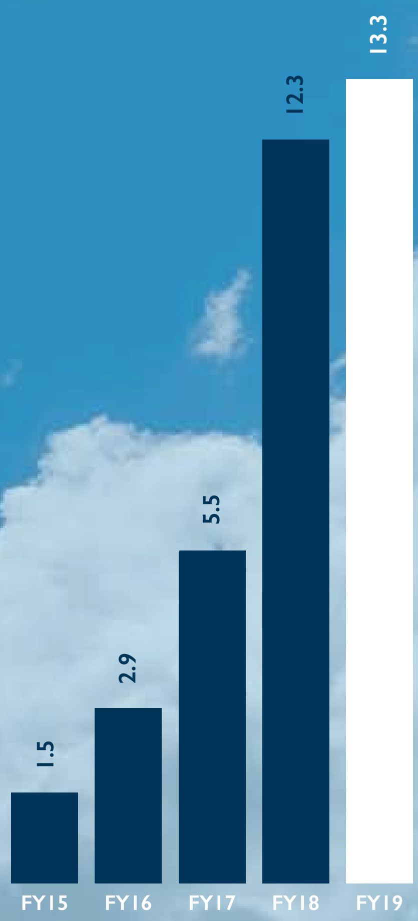
AVERAGE REVENUE PER FUNERAL ($)



OPERATING EBITDA* ($M)



OPERATING NPAT* ($M)



AVERAGE REVENUE PER FUNERAL UP

1.4%

in FY19 to $5,585

OPERATING EBITDA UP

10.6%

in FY19 to $23.8M

OPERATING NPAT UP

8.1%

in FY19 to $13.3M

* FY15-FY18 is pro-forma.

Letter from the Chairman and the Managing Director

Dear fellow shareholders,

On behalf of the Board, we are pleased to present to you the 2019 Annual Report of Propel Funeral Partners Limited ('Propel' or 'the Company').

Propel's financial results proved resilient in FY19, despite below trend death volumes in most markets in which the Company operated during 1H FY19. Propel continued its track record of delivering revenue and earnings growth, with revenue growing by 17.6% to $95.1 million, Operating EBITDA growing by 10.6% to $23.8 million and Operating NPAT growing by 8.1% to $13.3 million.

The Board declared dividends totalling 11.5 cents per share fully franked in connection with FY19, including a final dividend of 5.8 cents per share fully franked. The record date and the payment date for the final dividend will be 4 September 2019 and 4 October 2019, respectively.

Propel provides essential services to individuals and families dealing with, or preparing for, death and bereavement. This includes the collection and transfer of the deceased, mortuary services, arranging and conducting a funeral, cremation, burial and memorialisation.

The Company was established in FY12 and is now the second largest provider of death care services in Australia and New Zealand. Propel performed over 11,000 funeral services in FY19 and the Company's portfolio currently comprises 120 locations (64 owned and 56 leased) in Australia and New Zealand, including 28 cremation facilities and 9 cemeteries.

Propel remains focussed on a clearly defined investment strategy to acquire assets which operate within the death care industry in Australia and New Zealand such as:

- private funeral home operators;
- funeral related properties and infrastructure; and
- cemeteries and crematoria.

Demand for death care services is expected to grow in Australia and New Zealand because of increasing death volumes due to population growth and ageing of the "baby boomers".

The death care industry is highly fragmented with approximately 1,200 establishments in Australia and many hundreds in New Zealand. The Company believes there is

“Propel continued its track record of delivering revenue and earnings growth, with revenue growing by 17.6% to $95.1 million, Operating EBITDA growing by 10.6% to $23.8 million and Operating NPAT growing by 8.1% to $13.3 million.”

significant opportunity for further consolidation in Australia and New Zealand and Propel is well positioned to capitalise on the acquisition opportunities. In that regard, Propel acquired Newhaven Funerals NQ, Manning Great Lakes Memorial Gardens, Martin Williams Funeral Directors, Waikanae Funeral Home and the Morleys Group in FY19. During FY19, it also entered binding legal documentation to acquire the Dils Group. Subsequent to year end, the Company entered into binding legal documentation to acquire Gregson & Weight Funeral Directors. The acquisitions of the Dils Group and Gregson & Weight Funeral Directors are expected to be completed in Q2 FY19.

As at the date of this Annual Report, Propel had net debt of approximately $9.4 million. Propel recently expanded its debt facilities with Westpac Banking Corporation to $100 million and currently has uncommitted debt capacity of approximately $26.2 million.

Propel was founded and is managed by Propel Investments Pty Ltd (‘Manager’), an experienced investment manager which commenced operations in 2007. To date, all of the Company’s acquisitions have been identified, negotiated, completed and managed by the Manager on its behalf. The Manager continues to execute the Company’s investment strategy, on an exclusive basis and in accordance with the Management Agreement, the material terms of which were summarised in the Prospectus. There was no performance fee paid to the Manager in FY19.

The following directors’ report provides commentary on the Company’s FY19 performance highlights and outlook. In FY20, the Company expects to benefit from death volumes reverting to long term trend, contributions from acquisitions completed and announced during, and since, FY19 and other potential future acquisitions.

On behalf of the Board, we would like to recognise and thank our employees for their efforts and dedication.

We also take this opportunity to thank shareholders for your ongoing support and we look forward to seeing you at the Annual General Meeting to be held on 19 November 2019.

Yours faithfully,

BRIAN SCULLIN
Managing Director

ALBIN KURTI
Managing Director

Our Vision and Investment Strategy

Our Vision

Propel's vision is to further consolidate the fragmented death care industry in Australia and New Zealand in a strategic and measured way, by:

being an attractive succession planning solution for remaining independent funeral home and crematoria vendors who want the legacy of their family business to remain successful in their local communities;

operating a decentralised, partnership model with a lean, supportive and non-bureaucratic management structure;

expanding into geographies with favourable demographics and/or market structures, through organic and inorganic initiatives;

treating stakeholders with professionalism, dignity and respect; and

being recognised as the industry leading aggregator, operator and shareholder value creation platform.

Our Strategy

Propel's investment strategy is to acquire assets which operate within the death care industry in Australia and New Zealand such as:

private funeral home operators;

funeral related properties and infrastructure; and

crematoria with cremation facilities.

Propel intends to continue to grow both organically and via acquisition:

Continuing to execute a proven and disciplined acquisition strategy

Propel intends to continue to build on its strong history of making and integrating profitable acquisitions of private businesses, properties, infrastructure and related assets which operate within the death care industry in Australia and New Zealand.

Organic growth initiatives

From time to time, Propel will continue to consider organic expansion opportunities such as selectively identifying potential sites in new locations and expanding (and/or refurbishing) existing locations. Propel's portfolio also includes land and buildings adjacent to existing funeral homes that can potentially provide brownfield expansion opportunities.

As Propel continues to grow, there should be opportunities to realise further operational efficiencies through:

extracting procurement synergies and greater purchasing power through economies of scale;

sharing of human resources, assets and information such as key performance indicators; and

providing staff with career progression opportunities.

Board of Directors

The Board comprises of 5 Directors, the majority of whom are independent.

Brian Scullin
Chairman

Brian is the Chairman of Propel Funeral Partners. He is the current Chairman of the Tasmanian Development Board, Macquarie Point Development Corporation and OAK Possability. Brian is a former Chairman of Spark Infrastructure Limited, Hastings Funds Management, BT Investment Management Limited and a former Non-Executive Director of Dexus Property Group, Tasplan Super and State Super Financial Services.

Brian has more than 20 years' experience in the funds management industry in both Australia and Asia. Following a career in the Federal Government and politics, Mr Scullin was appointed the Executive Director of the Association of Superannuation Funds of Australia ("ASFA") in 1987. In 1993, Brian joined Bankers Trust, holding a number of senior positions, including President of Japan Bankers Trust. He was appointed Chief Executive Officer – Asia/Pacific for Deutsche Asset Management in 1999. He retired from that full time position in 2002, although remained a Non-Executive Director of Deutsche Asset Management until June 2007.

Brian has held many industry positions including Vice Chair of the Financial Services Council (then known as IFSA), a part-time member of the Federal Government's Financial Reporting Council and a panel member for the Financial Industry Complaints Service.

Brian has a Bachelor of Economics from the Australian National University.

Albin Kurti
Managing Director and Head of Investments

Albin co-founded Propel Funeral Partners and the Manager. He has overall responsibility for the Manager's investment decisions on behalf of Propel. Together with his colleagues, Albin plays an important role in sourcing, screening, executing and actively managing the Propel's portfolio. He chairs Propel's operating subsidiaries.

Albin commenced his career in the insolvency and corporate finance division of Arthur Andersen, where he qualified as a chartered accountant and worked in Melbourne and Brunei. In 2000, he moved to Sydney and joined Deutsche Asset Management and, in 2007, he co-led the management buy-out of the private capital division of Deutsche Bank. Albin has led, co-led or been a key investment team member on a range of M&A transactions and has been a director of numerous private companies. He played an important role in the sale of Bledisloe Holdings to InvoCare in 2011.

Albin has a Bachelor of Commerce from the University of Melbourne and a Masters in Business Administration from Victoria University of Technology.

Fraser Henderson

Executive Director – Head of M&A and General Counsel/ Company Secretary

Fraser co-founded Propel Funeral Partners and is a director of the Manager. He is Propel's Head of M&A and General Counsel/ Company Secretary and is on the board of each operating subsidiary.

Fraser commenced his legal career with Ashurst, where he worked in both London and Singapore. In 2003, he moved to Sydney and joined Minter Ellison, becoming a Partner in their Private Equity and Capital Markets team in 2006. He joined the Manager in 2008, where he became a director of a number of the Manager's investee companies. He co-led a number of transactions for the Manager, and played an important role in the sale of Bledisloe Holdings to InvoCare in 2011.

Fraser is a graduate of the University of Newcastle-Upon-Tyne (LLB) and of Sydney University (LLM). He has a Diploma in Applied Corporate Governance (FCIS), a Diploma in Investor Relations (DipInvRel), and is a graduate of the Company Directors Course (GAICD).

Naomi Edwards

Non-Executive Director

Naomi is the current Chairwoman of Tasplan Super and is a professional company director who has chaired listed ASX companies, industry super funds and not-for-profits. An actuary by training, with an executive background in the financial services industry, Naomi has a strong reputation in the responsible investing industry, having sat on the boards of two ASX listed industry leaders – Australian Ethical Investments Limited and Hunter Hall Limited. She is a member of the Tasmanian Economic Development Board and is a Non-Executive Director of the Australian Institute of Superannuation Trustees, Nikko AM and the Australian Institute of Company Directors. Naomi is a former Partner of Deloitte and a former director of Trowbridge Consulting.

Naomi has a first class honours degree in mathematics from the University of Canterbury and is a Fellow of the Institute of Actuaries (London) as well as a Fellow of the Australian and New Zealand Institutes of Actuaries.

Jonathan Trollip

Non-Executive Director

Jonathan is an experienced Non-Executive Director with over 30 years of commercial, corporate, governance, legal and transaction experience.

Jonathan is currently non-executive chairman of ASX listed Antipodes Global Investment Company Limited, Future Generation Investment Company Limited, Plato Income Maximiser Limited, Global Value Fund Limited and Spheria Emerging Companies Limited and a Non-Executive Director of Kore Potash Limited.

Prior to becoming a professional Non-Executive Director, Jonathan worked as a principal of Meridian International Capital Limited for over 20 years, and before that he was a Partner with law firm Herbert Smith Freehills. In the philanthropy area he is chairman of Science for Wildlife Limited, and a director of The Watarrka Foundation and the University of Cape Town Australia Alumni Trust.

He holds postgraduate degrees in economics and law, was admitted as a qualified lawyer in England and Australia and is a Fellow of the Australian Institute of Company Directors.

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Financial Report 2019

The Directors of Propel Funeral Partners Limited present the report, together with the consolidated financial report for the year ended 30 June 2019.

Directors' Report

for the year ended 30 June 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 year ended 30 June 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 120 properties (64 owned and 56 leased) across 7 states and territories of Australia and in New Zealand, including 28 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').

Propel was incorporated on 19 January 2017 but did not undertake any trading activities until it completed a restructure whereby PFP Midco Pty Limited (ACN 154 640 310) (formerly Propel Funeral Partners Limited) ('PFP Midco') became a wholly owned subsidiary of the Company ('Restructure'). The Restructure occurred on 16 November 2017. On 23 November 2017, the Company was admitted to the official list of the Australian Securities Exchange ('ASX') ('IPO').

As a result of the Restructure, the comparative financial information presented for the year ended 30 June 2018 represents that of PFP Midco and its subsidiaries for the year ended 30 June 2018 together with Propel from the date of the Restructure to 30 June 2018 and is presented on a pro forma basis in this directors' report, unless otherwise stated.

This directors' report includes certain financials 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') nor International Financial Reporting Standards ('IFRS') and represents the result under AASBs/IFRS adjusted for specific items including the non-cash share-based payment expense disclosed in the prospectus prepared by the Company in connection with the IPO ('Prospectus'), transaction costs and other non-operating income and expenses. 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 year and up to the date of this directors' report:

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

All of the individuals listed above were directors of PFP Midco prior to the Restructure. Albin Kurti and Fraser Henderson remain directors of PFP Midco.

Principal activities

The principal activities of the Group during the financial 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 of 5.8 cents per ordinary share. The dividend will be paid on 4 October 2019 to eligible shareholders on the register as at 4 September 2019. This equates to a total distribution of $5,713,000, based on the number of ordinary shares expected to be on issue as at 3 September 2019. When combined with the interim dividend of 5.7 cents per share paid in April 2019, the total dividend based on 2019 earnings was 11.5 cents per share, fully franked, which represents approximately 78% of Distributable Earnings (NPAT adjusted for certain non-cash, one-off and non-recurring items) for the full year ended 30 June 2019. The financial effect of the dividend declared after the reporting date is not reflected in the 30 June 2019 financial statements and will be recognised in the period to 31 December 2019.

In respect of the prior reporting period, PFP Midco paid a fully franked pre-IPO dividend to its shareholders of 46 cents per share (a total of $13,999,000) on 15 November 2017. There were no other dividends paid, recommended or declared during the year ended 30 June 2018. However, on 28 August 2018, the directors declared a fully franked final dividend of 6.4 cents per ordinary share for the circa 7 month period from the date of the IPO to 30 June 2018, which was recognised in the relevant reporting period.

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

Significant changes in the state of affairs

During the year ended 30 June 2019, the Company experienced the following significant changes in its state of affairs:

- completed acquisitions, the consideration payable for which totalled $27,579,000 (excluding transaction costs and contingent consideration) as follows:
  - on 2 July 2018, the Group completed the acquisition of the business, assets and a freehold property of Newhaven Funerals NQ ('Newhaven Funerals NQ') which operates from two locations in North Queensland;
  - on 3 December 2018, the Group acquired the business and assets of Martin Williams Funeral Directors which operates in South Auckland, New Zealand;
  - on 5 December 2018, the Group acquired 100% of the issued share capital of Noxomo Pty Limited, trading as Manning Great Lakes Memorial Gardens ('MGLMG'), which owns and operates a crematorium and lawn cemetery on the mid north coast of NSW;
  - on 28 March 2019, the Group acquired the businesses, assets and a freehold property associated with Waikanae Funeral Home and the Kaitawa Crematorium, both of which are located in Waikanae, New Zealand; and
  - on 1 May 2019, the Group acquired the entire issued capital of Morleys Funerals Pty Ltd, its associated businesses (together, the 'Morleys Group') and certain freehold properties which operates from six locations in Townsville, Queensland, which included the issue of 344,828 ordinary shares in Propel, which are subject to a three year escrow arrangement.

- on 27 August 2018, the Group entered into a 3 year $50,000,000 senior debt facility with Westpac Banking Corporation, which, as at 30 June 2019, was drawn to $12,900,000;

- on 12 December 2018, the Group executed a conditional sale agreement to acquire the entire issued share capital of Dils Funeral Services Limited, Schnapper Rock Cremations Limited and Rowley Funeral Services Limited and associated freehold properties ('Dils Group') for cash consideration of NZD21,450,000 (excluding transaction costs and contingent consideration) plus 1,210,589 of ordinary shares in Propel, which will be subject to a three year escrow arrangement;

- acquired seven freehold properties (four of which were previously tenanted by Propel) including two potential greenfield expansion opportunities and a potential brownfield expansion opportunity, the consideration payable for which totalled $9,331,000 (including stamp duty); and

- entered into a 5 year head office lease with a third party landlord.

There were no other significant changes in the state of affairs of the Group during the year ended 30 June 2019.

Financial and operating review

This financial and operating overview summarises the results for the year ended 30 June 2019 ('FY19') and proforma results for the prior corresponding period as disclosed in the directors' report for the year ended 30 June 2018 ('PCP' or 'FY18'), unless otherwise stated.

Directors' Report

for the year ended 30 June 2019

In FY19, Propel reported:
- Revenue of $95,125,000, an increase of 17.6% on the PCP;
- Operating EBITDA of $23,762,000, an increase of 10.6% on the PCP; and
- Operating NPAT of $13,313,000, an increase of 8.1% on the PCP.

The table below summarises the full-year results of the Group:

	FY19 $ '000	FY18 $ '000
Total revenue	**95,125**	**80,869**
Cost of sales	(27,853)	(24,473)
Gross profit	67,272	56,397
… margin	*70.7%*	*69.7%*
Total operating costs	(43,511)	(34,918)
Operating EBITDA	**23,762**	**21,478**
... margin	*25.0%*	*26.6%*
Depreciation	(4,140)	(3,049)
Operating EBIT	19,621	18,429
... margin	*20.6%*	*22.8%*
Performance Fee	-	-
Net other income/expenses	404	876
Transaction/acquisition costs	(1,556)	(725)
EBIT	**18,470**	**18,580**
Interest expense	(571)	(83)
Interest income	314	397
Net financing charge on contract assets and contract liabilities	(644)	(808)
Net profit before tax	**17,568**	**18,086**
Income tax expense	(5,228)	(5,582)
Net profit after tax	**12,340**	**12,504**
Operating NPAT	*13,313*	*12,318*
Adjusted earnings per share (cps) [1]	*13.55*	*12.55*

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

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

	FY19 $ '000	FY18 $ '000
Profit after income tax	12,340	12,504
Add: Acquisition/transaction costs	1,556	725
Add: Net foreign exchange losses	17	7
Add: Other non-operating expenses	301	-
Less/Add: Net loss on disposal of assets	(20)	63
Less: Tax effect of Operating NPAT adjustments	(182)	-
Less: Release of contingent consideration from prior acquisitions	(699)	(981)
Operating NPAT	**13,313**	**12,318**

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

	FY19 $ '000	FY18 $ '000	Change	%
Funeral operations	82,290	72,255	10,035	13.9%
Cemetery, crematoria and memorial gardens	10,622	6,884	3,737	54.3%
Other trading revenue	2,213	1,730	483	27.9%
Total revenue	**95,125**	**80,869**	**14,256**	**17.6%**
Cost of sales	(27,853)	(24,473)	(3,380)	(13.8)%
Gross profit	**67,272**	**56,397**	**10,876**	**19.3%**
Employment costs	(29,128)	(23,672)	(5,456)	(23.0)%
Occupancy and facility costs	(8,200)	(5,662)	(2,538)	(44.8)%
Administration fees	(243)	(240)	(3)	(1.2)%
Other operating costs	(5,939)	(5,346)	(593)	(11.1)%
Total operating costs	**(43,511)**	**(34,918)**	**(8,592)**	**(24.6)%**
Operating EBITDA	**23,762**	**21,478**	**2,283**	**10.6%**

Commentary on the results is provided below:

Revenue
Revenue increased by 17.6% from $80,869,000 in FY18 to $95,125,000 in FY19, driven by:
- a 13.9% increase in revenue from funeral operations; and
- a 54.3% increase in revenue from cemetery, crematoria and memorial gardens.

The latter was largely attributable to the full year impact of Norwood Park, a crematoria and cemetery business which operates in the Australian Capital Territory, New South Wales and Queensland.

The number of funerals increased by 11.8% from 10,111 in FY18 to 11,304 in FY19, due to Propel completing the acquisition of four funeral businesses during the year as well as the full year impact of two funeral businesses acquired during FY18. Propel's comparable funeral volumes were 2.1% lower than the PCP, below historical long term trends. During 1HFY19, the funeral industry cycled through a strong PCP (due to the severe 2017 flu season) and below trend death volumes (due to the benign 2018 flu season).

Average Revenue Per Funeral increased by 1.4% from $5,508 in FY18 to $5,585 in FY19 and was impacted by the full year impact of two funeral business acquisitions completed during FY18, the part period impact of four funeral business acquisitions completed in FY19, sales mix and pricing. The 22 funeral businesses owned throughout FY18 and FY19 experienced a 2.8% increase in Average Revenue Per Funeral during the year. The increase was in line with Propel's target annual growth of between 2.0% and 4.0% per annum.

In FY19, the Company generated 46% of its revenue from metropolitan areas, in line with FY18 (46%).

Gross profit margin
The gross profit margin increased from 69.7% to 70.7% in FY19, primarily due to the financial and operating metrics of acquisitions completed during FY18 and FY19, which included a number of crematoria businesses which typically generate higher gross profit margins.

Operating costs and Operating EBITDA
Operating costs increased by $8,592,000, which included the full period impact of acquisitions completed in FY18 and the part year impact of acquisitions completed in FY19. Operating costs for the 22 funeral businesses and one cemetery business owned throughout FY18 and FY19 increased by approximately 1.0%.

Operating EBITDA increased 10.6% from $21,478,000 in FY18 to $23,762,000 in FY19, primarily due to the full period impact of acquisitions completed in FY18 and the part period impact of acquisitions completed in FY19, offset by lower funeral volumes on the comparable businesses.

The FY19 Operating EBITDA margin of 25.0% was 1.6% lower than FY18, primarily influenced by:
- below trend death volumes in 1HFY19 (on a largely fixed cost base); and
- the financial profile of acquisitions completed in FY18 and FY19.

Depreciation and other income and expenses
Depreciation increased from $3,049,000 to $4,140,000 in FY19. Approximately $874,000 of the increase related to businesses acquired during FY18 and FY19.

Net other income/expenses of $404,000 largely related to the release of contingent consideration that were not triggered.

Transaction and acquisitions costs of $1,556,000 largely related to stamp duty on acquisitions.

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 FY19, pre-paid contracts that turned at need in Australia accounted for approximately 10.0% of Propel's Australian funeral volumes, compared to 9.6% in FY18. 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, Propel 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 1.8% (FY18: 1.8%). The non-cash financing charge applied for the period was 3.0% (FY18: 3.8%) which was based on Propel's cost of senior debt. The net financing charge is disclosed below Operating EBITDA.

Impairment
Following a review of the carrying value of assets, no impairment was deemed necessary (FY18: Nil).

Income tax expense
Income tax expense was $5,228,000 (FY18: $5,582,000), representing an effective tax rate of 29.8% (FY18: 30.9%). The effective tax rate was impacted by the net financing charge on pre-paid contracts, non-deductible acquisition expenses and non-assessable income items. Excluding the non-deductible expenses and non-assessable income, the adjusted effective tax rate was 29.8% (FY18: 29.9%).

Cash flow highlights
The cash flows for the Group are presented below:

	FY19 Statutory $ '000	FY18 Statutory $ '000
Receipts from customers (inc GST)	104,265	89,109
Payments to suppliers and employees (inc GST)	(81,115)	(68,497)
Income taxes paid	(5,625)	(3,568)
Interest paid	(470)	(2,324)
Interest received	300	452
Net cash provided by operating activities	**17,355**	**15,172**
Payment for purchase of business, net of cash acquired	(28,756)	(39,482)
Payments for property, plant and equipment	(12,956)	(3,969)
Other investing cash flows	522	195
Net cash used by investing activities	**(41,190)**	**(43,256)**
Proceeds from issue of shares, net of transaction costs	0	105,382
Net proceeds/(repayment) of borrowings	12,900	(41,699)
Dividends paid	(11,878)	(13,999)
Other financing cash flows	(263)	(145)
Net cash provided by financing activities	**759**	**49,540**
Net (decrease)/increase in cash during the year	(23,076)	21,455
Cash at the start of the year	28,259	6,843
Exchange rate effects	106	(40)
Cash at the end of the year	**5,289**	**28,259**

Statutory cash flows provided by operating activities increased by 14.4% to $17,355,000 in FY19. This was attributable to positive movements in working capital and an increase in Operating EBITDA, offset by lower interest costs due to the Group trading in a net cash position for most of the financial year.

Cash flow conversion was 97.4% in FY19, compared to 96.5% achieved in FY18 as shown in the table below:

	FY19 $ '000	FY18 $ '000
Operating EBITDA	23,762	21,364
Net cash provided by operating activities	17,355	15,172
Add: interest paid	470	2,324
Add: income tax paid	5,625	3,568
Less: interest received	(300)	(452)
Ungeared, tax free, operating cash flow	**23,149**	**20,612**
Operating EBITDA converted to ungeared, tax free, operating cash flow	**97.4%**	**96.5%**

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

	FY19 $ '000	FY18 $ '000
Property refurbishments and plant and equipment	2,662	2,888
Motor vehicles	788	631
Other assets	175	90
Total capital expenditure	**3,625**	**3,609**

During FY19, Propel incurred capital expenditure of $3,625,000 which included:
- $1,447,000 relating to a number of property refurbishments and two new leasehold sites;
- purchasing motor vehicles totalling $788,000; and
- upgrades to sound system, IT equipment, mortuary equipment and other plant and equipment.

In FY19, maintenance capital expenditure amounted to 3.2% of revenue (FY18: 3.7%).

As at 30 June 2019, the Group:
- reported cash and cash equivalents ('Cash') of approximately $5,289,000; and
- had drawn senior debt of $12,900,000.

Matters subsequent to the end of the financial year

On 2 August 2019, the Group extended its debt facilities by entering into a 3 year, $40,000,000 senior debt facility and a $10,000,000 working capital facility with the Westpac Banking Corporation. These facilities are in addition to the $50,000,000 facility it entered into in August 2018 (refer to note 16 for further details).

On 16 August 2019, the Group executed a conditional sale agreement (and related documentation) to acquire the entire issued share capital of Codfern Pty. Ltd, trading as Gregson & Weight Funeral Directors (**Gregson & Weight**), and certain freehold properties on the Sunshine Coast in Queensland for approximately $36,000,000.

In addition, the Group acquired two properties which were previously tenanted by Propel for a total consideration of approximately $4,151,000 (including stamp duty).

On 26 August 2019, the directors declared a fully franked final dividend in connection with FY19 of 5.8 cents per ordinary share. When combined with the FY19 interim dividend of 5.7 cents per share, total dividends in connection with 2019 earnings was 11.5 cents per share, fully franked, which represents approximately 78% of Distributable Earnings (NPAT adjusted for certain non-cash, one-off and non-recurring items) for FY19. Refer to note 18 for further details.

Apart from the events disclosed above, no other matter or circumstance has arisen since 30 June 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.

Likely developments and expected results of operations

The Group intends to continue to focus on managing and expanding its existing network and completing new acquisitions and investments in the death care industry in Australia and New Zealand.

Propel continues to be well positioned to generate sustainable long-term growth and value creation. The Group operates a network of assets and infrastructure in a fragmented and essential service industry that is difficult to replicate and stands to benefit from a growing and ageing population, over the long term.

The Group expects to benefit from the full period impact of five acquisitions completed in FY19, the part period impact of the acquisition of Dils Group and Gregson & Weight which are expected to complete during Q2FY20, certain freehold property transactions and other potential future acquisitions and organic growth, assuming death volumes track in line with long term trends and no material changes in market conditions.

In the year ended 30 June 2020, the Group's Operating EBITDA is estimated to increase approximately $3,400,000 and its net profit after tax is expected to decrease approximately $300,000 (subject to future events such as the Group's borrowing rate, the composition of the Group's leasing portfolio, including future acquisitions) as a result of the adoption of AASB 16 – Leases. Refer to note 2 for further details.

Environmental regulation

The Group's operations are subject to environmental regulation under the laws in the jurisdictions in which it operates. The Company's board of directors ('Board') continually reviews its obligations and monitors processes to ensure compliance with regulatory requirements.

Information on directors

Name:	Brian Edwin Scullin
Title:	Independent Non-Executive Chairman
Qualifications:	Bachelor of Economics from the Australian National University.
Experience and expertise:	Brian has more than 20 years' experience in the funds management industry in both Australia and Asia. Following a career in the Federal Government and politics, Brian was appointed the Executive Director of the Association of Superannuation Funds of Australia ('ASFA') in 1987. In 1993, he joined Bankers Trust, holding a number of senior positions, including President of Japan Bankers Trust. He was appointed Chief Executive Officer – Asia/Pacific for Deutsche Asset Management in 1999. He retired from that full time position in 2002, although remained a Non-Executive Director of Deutsche Asset Management until June 2007. Brian has been Chairman of Spark Infrastructure Limited, Hastings Funds Management, BT Investment Management Limited and Non-Executive Director of Dexus Property Group, Tasplan Super and State Super Financial Services. He has held many industry positions including Vice Chair of the Financial Services Council (then known as IFSA), a part-time member of the Federal Government's Financial Reporting Council and a panel member for the Financial Industry Complaints Service. Brian is currently Chairman of the Tasmanian Development Board, Macquarie Point Development Corporation and OAK Possability (a not-for-profit organisation in the Tasmanian disability sector).
Other current directorships:	None
Former directorships (last 3 years):	Chairman of Hastings Funds Management
Special responsibilities:	Chairman of the Board Member of Audit and Risk Committee
Interests in shares:	388,652 ordinary shares held indirectly

Name:	Naomi Jane Edwards
Title:	Independent Non-Executive Director
Qualifications:	First class honours degree in mathematics from the University of Canterbury and is a Fellow of the Institute of Actuaries (London) as well as a Fellow of the Australian and New Zealand Institutes of Actuaries.
Experience and expertise:	Naomi is a professional company director who has chaired listed ASX companies, industry super funds and not-for-profit organisations. An actuary by training, with an executive background in the financial services industry, Naomi has a strong reputation in the responsible investing industry. Naomi is the current Chairwoman of Tasplan Super, Member of the Tasmanian Economic Development Board, Non-Executive Director of the Australian Institute of Superannuation Trustees, Nikko AM and the Australian Institute of Company Directors.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Chair of Audit and Risk Committee
Interests in shares:	32,878 ordinary shares held directly

Name:	Jonathan Alfred Grey Trollip
Title:	Independent Non-Executive Director
Qualifications:	Postgraduate degrees in economics and law, was admitted as a qualified lawyer in England and Australia and is a Fellow of the Australian Institute of Company Directors.
Experience and expertise:	Jonathan is an experienced Non-Executive Director with over 30 years of commercial, corporate, governance, legal and transaction experience. Prior to becoming a professional Non-Executive Director, Jonathan worked as a principal of Meridian International Capital Limited for over 20 years, and before that he was a Partner with law firm Herbert Smith Freehills. In the philanthropy area he is Chairman of Science for Wildlife Limited, and a Director of The Watarrka Foundation and the University of Cape Town Australia Alumni Trust.
Other current directorships:	Non-Executive Chairman of ASX listed Antipodes Global Investment Company Limited, Future Generation Investment Company Limited, Plato Income Maximiser Limited, Spheria Emerging Companies Limited and Global Value Fund Limited. Non-Executive Director of Kore Potash PLC.
Former directorships (last 3 years):	Spicers Limited
Special responsibilities:	Member of Audit and Risk Committee
Interests in shares:	381,495 ordinary shares held indirectly

Name:	Albin Kurti
Title:	Managing Director and Head of Investments
Qualifications:	Chartered Accountant, Bachelor of Commerce from the University of Melbourne, Masters in Business Administration from the Victoria University of Technology
Experience and expertise:	Albin co-founded the Company and the Manager. Albin has extensive experience in sourcing, screening, executing and actively managing investments. He commenced his career in the insolvency and corporate finance division of Arthur Andersen, where he qualified as a chartered accountant and worked in Melbourne and Brunei. In 2000, he moved to Sydney and joined Deutsche Asset Management and, in 2007, he co-led the management buy-out of the private capital division of Deutsche Bank. He has led, co-led or been a key investment team member on a range of mergers and acquisitions ('M&A') transactions and has been a director of numerous private companies. He played an important role in the sale of Bledisloe Holdings to InvoCare in 2011.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	9,899,211 ordinary shares held indirectly

Name:	Fraser Henderson
Title:	Executive Director, Head of Mergers and Acquisitions, General Counsel and Company Secretary
Qualifications:	LLB from the University of Newcastle-Upon-Tyne, LLM from the Sydney University, Diploma in Applied Corporate Governance ('FCIS') and the Australasian Investor Relations Association ('DipInvRel') and has completed the directors' course run by the Australian Institute of Company Directors ('GAICD').
Experience and expertise:	Fraser co-founded the Company and is a director of the Manager. He commenced his legal career with Ashurst, where he worked in both London and Singapore. In 2003, he moved to Sydney and joined Minter Ellison, becoming a Partner in their Private Equity and Capital Markets team in 2006. He joined the Manager in 2008, where he became a director of a number of the Manager's investee companies. He co-led a number of transactions for the Manager, and played an important role in the sale of Bledisloe Holdings to InvoCare in 2011.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Company Secretary
Interests in shares:	6,999,612 ordinary shares held directly and indirectly

Other current directorships quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Former directorships (last 3 years) quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company secretary

The Company Secretary is Fraser Henderson. For his experience refer to 'Information on directors' section above.

Meetings of directors

The number of meetings of the Board held during the year ended 30 June 2019, and the number of meetings attended by each director were:

	Board*		Audit and Risk Committee	
	Attended	Held	Attended	Held
Brian Edwin Scullin	7	7	5	5
Naomi Edwards	5	5	5	5
Jonathan Trollip	5	5	5	5
Albin Kurti	7	7	2	2
Fraser Henderson	7	7	2	2

Held: represents the number of meetings held during the time the director/member held office.
*includes two sub committee board meetings held.

The Company does not have a separate Nomination Committee. However, the Board has agreed that a majority of directors must be independent directors, there must be an independent Chair and the Board must comprise directors with an appropriate mix of qualifications, skills, expertise and experience appropriate for the Company's strategy.

The directors (as a group) consider, from time to time, board succession issues as well as whether it is suitably constituted to ensure it has an appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively. These matters are also considered by the Audit and Risk Committee.

The Board does not currently have a Remuneration Committee, principally because the persons providing the services that are ordinarily provided by senior executives are not employees of the Company, and do not receive a salary from the Company.

Remuneration Report (audited)

This Remuneration Report details the nature and amount of remuneration paid to Propel Investments Pty Limited ('Manager') and each director of the Company, in accordance with the requirements of the Corporations Act 2001 Cth ('Corporations Act') and its Regulations.

The Manager

Prior to listing, the Company entered into a management agreement with the Manager with respect to the management services to be provided by the Manager ('Management Agreement') for an initial term of 10 years commencing on 17 November 2017 ('Commencement Date') ('Initial Term'). The services to be provided under the Management Agreement include, among other things, identifying and managing investments within the death care industry.

Fees

The Manager currently makes available individuals (including its officers and employees) to discharge its obligations to the Company. Their remuneration is not an expense of the Company as they are paid by the Manager. Instead, the Company pays fees to the Manager for providing management services which, during the Initial Term, comprises an Administration Fee and a Performance Fee as follows:

- Administration Fee, which was initially $60,000 per quarter, plus GST, escalated by Consumer Price Index ('CPI') on the anniversary of the Commencement Date; and
- Performance Fee, calculated on each anniversary of the Commencement Date on the following basis (subject to the recoupment of any prior Negative Outperformance Amount):
  - if the annualised Total Shareholder Return (including grossed up dividends) is less than or equal to a benchmark of 8% ('Benchmark'), the Performance Fee will be zero; and
  - if the annualised Total Shareholder Return (including grossed up dividends) is greater than the Benchmark, the Performance Fee will be 20% of the absolute dollar value that the total shareholder return is greater than the Benchmark

As an example, assuming an Opening Market Capitalisation of $256.0 million, a Total Shareholder Return of approximately 20% in the second Calculation Period and a prior year Negative Outperformance Amount of $21.1 million, the Outperformance Amount would be $9.7 million and the Performance Fee payable to the Manager would be 20% of the Outperformance Amount being $1.9 million (excluding GST), in the second Calculation Period.

During the Initial Term, no management fee is payable to the Manager. After the Initial Term, the Company will pay the Manager a quarterly management fee of 0.375% plus GST of the market capitalisation of the Company, payable in arrears. After the Initial Term, the management fee will be payable in addition to the Administration Fee and a potential Performance Fee.

The employees of the Group are employed by various subsidiaries of the Company; none of these employees are considered to be key management personnel for the purposes of this Remuneration Report. Some of these employees, such as general managers and finance managers, report into the individuals made available by the Manager.

Oversight of fee payments
There is independent oversight in respect of the calculation and payment of fees to the Manager. The calculation and payment of fees paid to the Manager are audited as part of the annual financial statement audit. The Performance Fee calculation is subject to review by the Company's auditors, Nexia Sydney Audit Pty Ltd, and review by the independent directors, at the time the fee is calculated.

Reinvestment of fees
The Manager may, by notice to the Company ('Notice') and subject to any regulatory approvals or ASX waivers, require the Company to pay up to a maximum of 50% of the Performance Fee in the Company's shares, the issue price for which would be determined by reference to the Volume Average Weighted Price ('VWAP') of the Company's shares in the 10 trading days up to and including the date of the Notice.

Expense reimbursement
The Manager is entitled to be paid or reimbursed for the fees, costs and expenses (excluding the costs incurred by the Manager in engaging its own officers and employees) properly incurred in connection with an investment, management of the Company or the acquisition, disposal or maintenance of an investment.

Directors

The Board comprises five directors, three of whom are independent non-executive directors (including the Chairman) and two of whom are non-independent executive directors that have been nominated by the Manager.

The Board considers an independent director to be a director who is not a member of management (or associated with the Manager) and who is free of any business or other relationship that could materially interfere with, or reasonably be perceived to interfere with, the director's ability to act in the best interests of the Company. The Board regularly reviews the independence of each director in light of information disclosed by each director to the Board.

The Board considers that each of Brian Scullin, Naomi Edwards and Jonathan Trollip is free from any business or any other relationship that could materially interfere with, or reasonably be perceived to interfere with the director's ability to act in the best interests of the Company, and is able to fulfil the role of an independent director.

Albin Kurti and Fraser Henderson are directors and, through their associated entities, shareholders of the Manager and are considered by the Board not to be independent.

Remuneration
Fees and payments to directors reflect the demands that are made on, and the responsibilities of, the directors and are reviewed annually by the Board. The Company determines the remuneration levels and ensures they are competitively set to attract and retain appropriately qualified and experienced directors.

Under the constitution of the Company and the ASX Listing Rules, the total amount of fees paid to all non-executive directors in any financial year must not exceed the aggregate amount of non-executive directors' fees approved by shareholders at the Company's Annual General Meeting being $250,000. In respect of the year ended 30 June 2019, the fees payable to the current non-executive directors were $180,000 (FY18: $164,000) in aggregate. The annual directors' fees agreed to be paid in the year ended 30 June 2019 to the Chairman was $80,000 (inclusive of superannuation) and to each other non-executive director was $50,000 (inclusive of superannuation).

Non-executive directors may be paid such additional or special remuneration (out of the funds of the Company) as the Board may determine is appropriate where a director performs extra work or services which are outside the scope of ordinary duties of a director of the Company or a subsidiary of the Company.

Albin Kurti and Fraser Henderson do not receive any directors' fees from the Company.

Directors' remuneration in FY19 and FY18 are set out below:

2019	Short-term benefits Cash salary and fees $	Cash bonus $	Non-monetary $	Post-employment benefits Super-annuation $	Long-term benefits Long service leave $	Share-based payments Equity-settled $	Total $
Non-Executive Directors:							
Brian Scullin	73,060	-	-	6,940	-	-	80,000
Naomi Edwards	45,662	-	-	4,338	-	-	50,000
Jonathan Trollip	45,662	-	-	4,338	-	-	50,000
	164,384	-	-	15,616	-	-	180,000

2018	Short-term benefits Cash salary and fees $	Cash bonus $	Non-monetary $	Post-employment benefits Super-annuation $	Long-term benefits Cash salary and fees $	Share-based Cash bonus $	Non-monetary $
Non-Executive Directors:							
Brian Scullin	65,956	-	-	6,266	-	-	72,222
Naomi Edwards	42,111	-	-	4,001	-	-	46,112
Jonathan Trollip	42,111	-	-	4,001	-	-	46,112
	150,178	-	-	14,268	-	-	164,446

None of the non-executive directors' remuneration is linked to performance and 100% is fixed.

Director related entities remuneration
Albin Kurti, Fraser Henderson (both directors of the Company) and Peter Dowding (a former director of the Company), through their associated entities, are shareholders of the Manager. In accordance with the Management Agreement, the Manager invoiced an Administration Fee totalling $243,000 (exclusive of GST) in the year ending 30 June 2019. As at 30 June 2019, the balance owing to the Manager in respect of the Administration Fee was $61,131.

In respect of the year ended 30 June 2018, the Manager was paid an Administration Fee of $149,000 (exclusive of GST) for the period from 17 November 2017 to 30 June 2018 in accordance with the Management Agreement. The Manager was paid fees of $302,000 (exclusive of GST) for the period 1 July 2017 to 16 November 2017, in accordance with the previous management agreement made between PFP Midco and the Manager.

In addition, the Manager is to be paid a potential Performance Fee, as outlined above and detailed in the Prospectus. No Performance Fee was triggered in FY19 and the Negative Outperformance Amount of $21.1 million has been carried forward. The second potential Performance Fee will be determined during November 2019 and, if a Performance Fee is payable, the amount of the Performance Fee will be expensed in the year ended 30 June 2020. Refer to note 22 (Contingent liabilities) to the financial statements for further details.

No director has received or become entitled to receive a benefit (other than those detailed above and in the financial report) by reason of a contract made by the Company or a related entity of the Company with the director or with a firm of which he/she is a member or with a company in which he/she has substantial financial interest.

Remuneration of senior executives
The Company considers that the Manager provides the services that would ordinarily be performed by senior executives. None of the Manager's officers and employees are paid a salary by the Company. The Manager is remunerated as outlined above.

Additional disclosures relating to key management personnel

Shareholding
The number of shares in the Company held during FY19 by each director, including their associated entities, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Other	Balance at the end of the year
Ordinary shares					
Brian Scullin	388,652	-	-	-	388,652
Naomi Edwards	32,878	-	-	-	32,878
Jonathan Trollip	381,495	-	-	-	381,495
Albin Kurti	9,839,211	-	60,000	-	9,899,211
Fraser Henderson	6,999,612	-	-	-	6,999,612
	17,641,848	-	60,000	-	17,701,848

The directors have not, during or since the end of the financial year, been granted options over unissued shares or interests in shares of the Company as part of their remuneration.

This concludes the Remuneration Report, which has been audited.

Shares under option
There were no unissued ordinary shares of the Company under option outstanding at the date of this directors' report.

Shares issued on the exercise of options
There were no ordinary shares of the Company issued on the exercise of options during FY19 and up to the date of this directors' report.

Indemnity and insurance of officers
The Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

The directors have entered into deeds of indemnity, insurance and access with the Group which confirms each director's right of access to Board papers and requires the Company to indemnify the directors on a full indemnity basis and to the fullest extent permitted by law, against all losses or liabilities (including all reasonable legal costs) incurred as an officer of the Company or of a related body corporate.

Under the deeds of indemnity, insurance and access, the Company must maintain a directors and officers insurance policy insuring each director (among others) against liability as a director and officer of the Company and its related bodies corporate until seven years after each director ceases to hold office as a director of the Company or a related body corporate (or the date any relevant proceedings commenced during the seven year period have been finally resolved). The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During FY19, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 Cth ('Corporations Act') for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during FY19 by the auditor are outlined in note 21 to the financial statements.

The directors are satisfied that the provision of non-audit services during FY19, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act.

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

Officers of the Company who are former directors of Nexia Sydney Audit Pty Ltd

There are no officers of the Company who are former directors of Nexia Sydney Audit Pty Ltd.

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 directors' 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 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.

Directors' Report

for the year ended 30 June 2019

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

On behalf of the directors

Brian Scullin
Chairman

Albin Kurti
Managing Director

26 August 2019

Auditor's Independence Declaration

Nexia Australia

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 audit of the financial statements of Propel Funeral Partners Limited for the financial year ended 30 June 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 audit; and

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

Yours sincerely

Nexia

Nexia Sydney Audit Pty Ltd

Lester Wills
Director

Date: 26 August 2019

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Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2019

	Note	Consolidated 2019 $'000	Consolidated 2018 $'000
Revenue	5	95,125	80,869
Expenses			
Cost of sales and goods		(27,853)	(24,473)
Employee costs		(29,275)	(23,739)
Occupancy and facility expenses		(8,230)	(5,688)
Advertising expenses		(2,274)	(1,785)
Motor vehicle expenses		(1,377)	(1,098)
Management/administration fees		(243)	(451)
Reversal of allowance for expected credit losses	11	112	-
Other expenses		(2,550)	(2,436)
		23,435	21,199
Share-based payment expense	7	-	(21,878)
Acquisition and IPO transaction costs	7	(1,556)	(3,505)
Loss on disposal of assets		(64)	(70)
Other income	6	811	1,117
Depreciation expense	7	(4,140)	(3,049)
Interest income		314	397
Interest expense		(571)	(2,046)
Net financing charge on contract assets and contract liabilities	8	(644)	(808)
Net foreign exchange losses		(17)	(7)
Profit/(loss) before income tax expense		17,568	(8,650)
Income tax expense	9	(5,228)	(5,620)
Profit/(loss) after income tax expense for the year attributable to the shareholders of Propel Funeral Partners Limited		12,340	(14,270)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		1,366	(1,070)
Other comprehensive income for the year, net of tax		1,366	(1,070)
Total comprehensive income for the year attributable to the shareholders of Propel Funeral Partners Limited		13,706	(15,340)
		Cents	**Cents**
Basic earnings per share	31	12.56	(19.71)
Diluted earnings per share	31	12.56	(19.71)

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

Statement of Financial Position

as at 30 June 2019

	Note	Consolidated 2019 $'000	Consolidated 2018 $'000
Assets			
Current assets			
Cash and cash equivalents	10	5,289	28,259
Customer deposits		556	719
Contract assets	8	47,901	45,640
Trade and other receivables	11	5,406	4,230
Inventories	12	3,665	2,730
Prepayments		963	727
Total current assets		63,780	82,305
Non-current assets			
Property, plant and equipment	13	97,943	72,462
Goodwill	14	106,437	91,105
Deferred tax	9	2,717	2,471
Other assets		153	121
Total non-current assets		207,250	166,159
Total assets		271,030	248,464
Liabilities			
Current liabilities			
Trade and other payables	15	7,180	5,561
Hire purchase		238	126
Income tax	9	1,265	1,586
Employee benefits		3,410	2,502
Contingent consideration	20	998	1,425
Contract liabilities	8	51,883	48,764
Other liabilities		1,896	1,162
Total current liabilities		66,870	61,126
Non-current liabilities			
Borrowings	16	13,226	284
Deferred tax	9	6,990	5,580
Employee benefits		342	327
Contingent consideration	20	656	1,179
Other liabilities		470	121
Total non-current liabilities		21,684	7,491
Total liabilities		88,554	68,617
Net assets		182,476	179,847
Equity			
Issued capital	17	200,363	199,562
Foreign currency translation reserve		1,068	(298)
Accumulated losses		(18,955)	(19,417)
Total equity		182,476	179,847

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

Statement of Changes in Equity

for the year ended 30 June 2019

Consolidated	Issued capital $'000	Foreign currency translation reserve $'000	Retained profits/ accumulated losses $'000	Total equity $'000
Balance at 1 July 2017	37,198	772	8,852	46,822
Loss after income tax expense for the year	-	-	(14,270)	(14,270)
Other comprehensive income for the year, net of tax	-	(1,070)	-	(1,070)
Total comprehensive income for the year	-	(1,070)	(14,270)	(15,340)
Transactions with shareholders in their capacity as shareholders:				
Contributions of equity, net of transaction costs (note 17)	162,364	-	-	162,364
Dividends paid (note 18)	-	-	(13,999)	(13,999)
Balance at 30 June 2018	199,562	(298)	(19,417)	179,847

Consolidated	Issued capital $'000	Foreign currency translation reserve $'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 year	-	-	12,340	12,340
Other comprehensive income for the year, net of tax	-	1,366	-	1,366
Total comprehensive income for the year	-	1,366	12,340	13,706
Transactions with shareholders in their capacity as shareholders:				
Contributions of equity, net of transaction costs (note 17)	801	-	-	801
Dividends paid (note 18)	-	-	(11,878)	(11,878)
Balance at 30 June 2019	200,363	1,068	(18,955)	182,476

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

Statement of Cashflows

for the year ended 30 June 2019

	Note	Consolidated 2019 $'000	Consolidated 2018 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		104,265	89,109
Payments to suppliers (inclusive of GST)		(81,115)	(68,497)
		23,150	20,612
Interest received		300	452
Interest and other finance costs paid		(470)	(2,324)
Income taxes paid		(5,625)	(3,568)
Net cash from operating activities	29	17,355	15,172
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired	26	(28,756)	(39,482)
Payments for property, plant and equipment		(12,956)	(3,969)
Proceeds from disposal of property, plant and equipment		501	211
Net movements in contract assets and contract liabilities		21	(16)
Net cash used in investing activities		(41,190)	(43,256)
Cash flows from financing activities			
Proceeds from issue of shares	17	-	111,555
Share issue transaction costs		(147)	(6,173)
Net proceeds of fixed rate notes	30	-	12,089
Net proceeds/(repayment) of borrowings	30	12,900	(53,787)
Net repayment of hire purchases and equipment finance	30	(116)	(145)
Dividends paid	18	(11,878)	(13,999)
Net cash from financing activities		759	49,540
Net increase/(decrease) in cash and cash equivalents		(23,076)	21,456
Cash and cash equivalents at the beginning of the financial year		28,259	6,843
Effects of exchange rate changes on cash and cash equivalents		106	(40)
Cash and cash equivalents at the end of the financial year	10	5,289	28,259

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

Notes to the Financial Statements

for the year ended 30 June 2019

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 year ended 30 June 2019. The comparative financial information for the year ended 30 June 2018 is a business continuation of PFP Midco Pty Limited (ACN 154 640 310) (formerly Propel Funeral Partners Limited) ('PFP Midco'). 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 26 August 2019. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, 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. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group during the financial year ended 30 June 2019.

Australian Accounting Standard AASB 15 'Revenue from Contracts with Customers' (and its related amendments) which was mandatorily effective for annual periods commencing on or after 1 January 2018 was early adopted by the Group with effect from 1 July 2016.

The following Accounting Standard and Interpretation has been adopted from 1 July 2018:

AASB 9 Financial Instruments
Propel adopted AASB 9 on 1 July 2018. AASB 9 replaced the provisions of AASB 139 that relate to the classification and measurement of financial assets, including impairment, financial liabilities and hedge accounting.

Classification
Under AASB 9, financial assets are classified based on the following criteria:

- the entity's business model for managing the financial assets; and
- the contractual cash flow characteristics of the financial asset - Solely Payments of Principal and Interest ('SPPI').

Based on the above, a financial asset is classified into the one of the following measurement categories:

- Measured at Amortised Cost ('AC');
- Fair Value through Other Comprehensive Income ('FVOCI'); or
- Fair Value Through Profit or Loss ('FVTPL').

Measurement
Financial assets
A financial asset shall be measured at AC if both of the following conditions are met:

Note 2. Significant accounting policies (continued)

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

The Group currently holds trade receivables and cash at AC.

A financial asset shall be measured at FVTPL if both of the following conditions are met:
- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

The Group currently has no financial assets that are measured at FVOCI.

All other financial assets are classified and measured at FVTPL unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at FVTPL to reduce the effect of, or eliminate, an accounting mismatch.

The Group currently has no financial assets that that are measured at FVTPL.

Financial liabilities
For financial liabilities designated at FVTPL, AASB 9 requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch).

The Group currently holds trade payables, other payables and hire-purchase liabilities at AC. Contingent consideration is held at FVTPL.

Impairment
AASB 9 requires the use an of 'expected credit loss' ('ECL') model to recognise an impairment. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring ECL using a lifetime expected loss allowance is available.

Summary of impact of AASB 9 on Propel
The adoption of AASB 9 has resulted in a change in accounting policy in respect of the impairment of trade receivables.

The trade receivables of the Group adopt the new ECL model to assess impairment using the simplified approach. This varies from AASB 139, as it is no longer necessary for a loss event to occur before an impairment loss is recognised. Under AASB 9, the Group is required to measure ECL, using either the measurement of 12 month expected losses or lifetime expected loss allowance for all trade receivables (refer below).

Assessment of impairment on trade receivables
The Group has assessed the ECL at a regional level. Refer to Note 11 for further details.

Assessment of impairment of other financial assets
No impairment was identified for the other financial assets of Propel including cash and cash equivalents and contract assets (relating to prepaid contracts which are largely held by friendly societies in cash and fixed interest).

The expected credit loss under AASB 9 (described above) is not materially different to the incurred loss model of AASB 139.

Note 2. Significant accounting policies (continued)

There were also consequential changes to AASB 101 'Presentation of Financial Statements' from the introduction of AASB 9.

AASB 9 was adopted using the simplified retrospective approach and as such comparatives have not been restated. The impact of adoption on opening retained profits as at 1 July 2018 was nil.

There has been no material impact on adoption of AASB 9, other than the changes to disclosure as required by the standard.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by AASB and the Corporations Act 2001 Cth ('Corporations Act'), as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Acquisition of PFP Midco and comparative information

Propel was incorporated on 19 January 2017 but did not undertake any trading activities until it completed a restructure whereby PFP Midco became a wholly owned subsidiary of the Company ('Restructure'). The Restructure occurred on 16 November 2017. This acquisition did not represent a business combination in accordance with Australian Accounting Standard AASB 3 'Business Combinations'. Instead, the appropriate accounting treatment for recognising the new group structure is on the basis that the transaction is a form of capital reconstruction and group reorganisation.

As a result of the Restructure, the comparative financial information presented for the year ended 30 June 2018 represents that of PFP Midco and its subsidiaries for the year ended 30 June 2018 together with Propel from the date of the Restructure to 30 June 2018 and is presented on a pro forma basis, unless otherwise stated.

Accordingly, the comparative financial information is a continuation of PFP Midco with the following principles having being applied:

- retained earnings and other equity balances in the Group's financial statements at acquisition date are those of PFP Midco;
- the equity structure in the Group's financial statements (the number and type of equity instruments issued) at the date of the acquisition reflects the equity structure of PFP Midco, as well as the equity instruments issued by the Company to affect the acquisition; and
- no 'new' goodwill was recognised as a result of the combination.

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the contingent consideration arising from business combinations.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Parent entity information

In accordance with the Corporations Act, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 33.

Principles of consolidation

The financial statements incorporate the assets and liabilities of all subsidiaries of Propel as at 30 June 2019 and the results of all subsidiaries for the year then ended.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Note 2. Significant accounting policies (continued)

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

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Operating segments

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.

Foreign currency translation

The financial statements are presented in Australian dollars, which is the Company's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into the Company's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into Australian dollars at the closing rate. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Leases

Leases of property, plant and equipment where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the Group, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period. Leased assets are depreciated on a straight line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses on a straight line basis over the life of the lease term.

Lease incentives under operating leases are recognised as a liability and amortised on a straight line basis over the life of the lease term.

Note 2. Significant accounting policies (continued)

Revenue recognition
The Group recognises revenue as follows:

Revenue from contracts with customers
Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Group: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are initially recognised as deferred revenue in the form of a separate refund liability.

Rendering of service and sale of goods
Revenue is recognised upon rendering of service and sale of goods; i.e. when the funeral, cremation or other service are performed or goods supplied which is at a point in time. It is also at this point that a contract asset and liability is crystallised which results in the contract asset being recognised as cash and a contract liability recognised as revenue. Refer to note 8 - contract asset and liability accounting policy for further explanation.

Interest
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue
Other revenue is recognised when it is received or when the right to receive payment is established.

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

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:
- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

Note 2. Significant accounting policies (continued)

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

Propel (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

Current and non-current classification
Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Contract assets and contract liabilities
Contract assets and contract liabilities held directly by the Group and with friendly societies are recognised in the statement of financial position. The profit or loss impact is the recognition of investment income earned on those funds and a finance charge to reflect the financing component associated with the contract liability to provide future goods and services relating to contracts liability. In addition to this, administration fees charged at the time the contract is written are recognised upon completion of the contract (i.e. when the funeral service is provided). The carrying value of the contract asset and contract liability is impacted by: the investment returns; the financing charge; contracts acquired through business combinations; sale of new contract and completion of contractual services.

Contract assets are recognised when the Group has committed to provide goods or services to the customer at a future date, but where the Group is yet to establish an unconditional right to consideration. Contract assets are treated as financial assets for impairment purposes.

Contract liabilities represent the Group's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the Group recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the Group has transferred the goods or services to the customer.

Note 2. Significant accounting policies (continued)

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Inventories

Work in progress and finished goods are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises of direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Inventories includes coffins, memorial items, unsold memorial plots and burial positions, which are primarily held for trading. These are sold, consumed or realised as part of the usual operating cycle of the Group. Even when they are not expected to be realised within twelve months, they are classified as current.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Property, plant and equipment

Each class of property, plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Buildings	20 - 40 years
Improvements	3 - 40 years
Plant and equipment	2 - 25 years
Motor vehicles	5 - 15 years
Other	2 - 10 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised and has an indefinite useful life. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Impairment of non-financial assets

Non-financial assets, other than goodwill, are tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Note 2. Significant accounting policies (continued)

Trade and other payables
These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings
Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Contingent consideration
Contingent consideration is initially recognised at the present value of the Group's probability weighted estimate of the cash outflow. It reflects management's estimate that the target will be achieved and is discounted using the Group incremental borrowing rate.

Finance costs
Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Employee benefits

Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits
The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

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

Fair value measurement
When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Note 2. Significant accounting policies (continued)

Issued capital
Ordinary shares are classified as equity.

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

Dividends
Dividends are recognised when declared during the financial year.

Business combinations
The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the Group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the Group remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquiree.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Earnings per share

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to the shareholders of the Group, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

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

Note 2. Significant accounting policies (continued)

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

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.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2019. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

AASB 16 Leases

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

Under AASB 16, the Group's accounting for operating leases as a lessee will result in the recognition of a right of use asset (i.e. the right to use the asset over the term of the lease) and a corresponding lease liability (i.e. to pay rent over the term of the lease) in the Consolidated Statement of Financial Position. The lease liability represents the present value of future lease payments, with the exception of short term (not relevant to the Group) and low value leases. An interest expense will be recognised on the lease liabilities and a depreciation charge will be recognised on the right of use assets. There will also be additional disclosure requirements under the new standard. It is expected that the Group's accounting for leases as a lessor will not change under AASB 16.

Transition

As AASB 16 is applicable to annual reporting periods beginning on or after 1 January 2019, Propel will apply AASB 16 from its mandatory adoption date of 1 July 2019. The Group intends to apply the modified retrospective transition approach and will not restate comparative amounts for the prior corresponding period. Right of use assets for property leases will be measured on transition as if the new rules have always applied. All other right of use assets will be measured at the amount of the lease liability (i.e. a simplified approach).

Estimated impact of the adoption of AASB 16

The Group has assessed the estimated impact that AASB 16 will have on its financial statements. As at the reporting date, the Group had non-cancellable operating lease commitments of $25,478,000 (refer to note 23). Of these commitments, approximately $20,000 related to low value assets which it is intended will be recognised on a straight line basis as an expense in the statement of profit and loss.

In connection with leases to which the Group was party as lessee as at the reporting date (adjusted for two freehold properties purchased, disclosed as subsequent events (refer to note 34) and excluding any future acquisitions), the Group intends to recognise right of use assets of approximately $36,000,000 on 1 July 2019, lease liabilities of approximately $37,000,000 and deferred tax assets of approximately $300,000.

Note 2. Significant accounting policies (continued)

The difference between the operating lease commitments referred to in note 23 and the lease liabilities to be recognised on transition as at 1 July 2019 mainly relate to:

- discounting the lease commitments to present value;
- fixed rental increases in accordance with lease agreements; and
- recognition of the exercise of options over leasehold properties where the Group is reasonably certain it will exercise those options.

The Group estimates that net profit after tax will decrease by approximately $300,000 in the 12 months to 30 June 2020 as a result of the application of AASB 16. However, Operating EBITDA (a non IFRS measure) is estimated to increase by approximately $3,400,000 as the operating lease payments under AASB 117 were included in Operating EBITDA but the depreciation on right of use assets and interest on lease liabilities under AASB 16 are not.

It is estimated that operating cash flows will increase and financing cash flows will decrease by approximately $3,400,000 as lease payments will be reclassified as cash flows from financing activities.

The actual impact of applying AASB 16 on the financial statements in the period of initial application may differ from the estimated impact summarised above and will depend on future events such as the Group's borrowing rate, the composition of the Group's leasing portfolio (including future acquisitions) and the extent to which the Group elects to use practical expedients and recognition exemptions, and the Group's accounting policy, which is subject to change until the Group presents its first financial statements that include the date of initial adoption in February 2020.

New Conceptual Framework for Financial Reporting
A revised Conceptual Framework for Financial Reporting has been issued by the AASB and is applicable for annual reporting periods beginning on or after 1 January 2020. This release impacts for-profit private sector entities that have public accountability that are required by legislation to comply with Australian Accounting Standards and other for-profit entities that voluntarily elect to apply the Conceptual Framework. Phase 2 of the framework is yet to be released which will impact for-profit private sector entities. The application of new definition and recognition criteria as well as new guidance on measurement will result in amendments to several accounting standards. The issue of AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework, also applicable from 1 January 2020, includes such amendments. Where the Group has relied on the conceptual framework in determining its accounting policies for transactions, events or conditions that are not otherwise dealt with under Australian Accounting Standards, the Group may need to revisit such policies.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Fair value measurement hierarchy
The Group is required to classify all assets and liabilities, measured 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; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs including any management probability analysis.

Note 3. Critical accounting judgements, estimates and assumptions (continued)

Estimation of useful lives of assets
The Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Goodwill
The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill has suffered any impairment, as outlined in note 14 and in accordance with the accounting policy stated in note 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Impairment of non-financial assets other than goodwill
The Group assesses impairment of non-financial assets other than goodwill at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Business combinations
As discussed in note 2, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the Group taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

Contingent consideration
As discussed in note 2, contingent consideration is recognised at the present value of Group's probability weighted estimate of the cash outflow. Management estimates a 100% probability that the target will be achieved and the liability is discounted using the Group incremental borrowing rate.

Note 4. 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.

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 receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

Note 4. Operating segments (continued)

Operating segment information

Consolidated - 2019	Australian operations $'000	New Zealand operations $'000	Total $'000
Revenue			
Sales to external customers	78,544	16,383	94,927
Other revenue (excluding interest)	151	47	198
Total revenue	78,695	16,430	95,125
Segment result	20,370	3,065	23,435
Acquisition and IPO transaction costs	(1,493)	(63)	(1,556)
Loss on disposal of assets	(55)	(9)	(64)
Other income	268	543	811
Depreciation and amortisation	(3,386)	(754)	(4,140)
Interest income	1,072	22	1,094
Finance costs	(549)	(802)	(1,351)
Net financing charge on contracts assets and contract liabilities	(644)	-	(644)
Net foreign exchange loss	(8)	(9)	(17)
Profit before income tax expense	15,575	1,993	17,568
Income tax expense			(5,228)
Profit after income tax expense			12,340
Assets			
Segment assets	251,615	35,727	287,342
Intersegment eliminations			(16,312)
Total assets			271,030
Liabilities			
Segment liabilities	84,359	20,507	104,866
Intersegment eliminations			(16,312)
Total liabilities			88,554

Note 4. Operating segments (continued)

Consolidated - 2018	Australian operations $'000	New Zealand operations $'000	Total $'000
Revenue			
Sales to external customers	65,490	15,260	80,750
Other revenue (excluding interest)	92	27	119
Total revenue	65,582	15,287	80,869
Segment result	18,057	3,142	21,199
Share-based payment expense	(21,878)	-	(21,878)
Acquisition and IPO transaction costs	(3,505)	-	(3,505)
Loss on disposal of assets	(20)	(50)	(70)
Other income	1,093	24	1,117
Depreciation and amortisation	(2,474)	(575)	(3,049)
Interest income	2,250	19	2,269
Finance costs	(2,051)	(1,867)	(3,918)
Net financing charge on contracts assets and contract liabilities	(808)	-	(808)
Net foreign exchange loss	(9)	2	(7)
Profit/(loss) before income tax expense	(9,345)	695	(8,650)
Income tax expense			(5,620)
Loss after income tax expense			(14,270)
Assets			
Segment assets	234,492	31,860	266,352
Intersegment eliminations			(17,888)
Total assets			248,464
Liabilities			
Segment liabilities	65,276	21,229	86,505
Intersegment eliminations			(17,888)
Total liabilities			68,617

Geographical information

	Geographical non-current assets	
	2019 $'000	2018 $'000
Australia	189,407	151,466
New Zealand	31,438	28,242
Intersegment eliminations	(16,312)	(16,020)
	204,533	163,688

The geographical non-current assets above are exclusive of, where applicable, financial instruments and deferred tax assets.

Note 5. Revenue

	Consolidated 2019 $'000	Consolidated 2018 $'000
Revenue from contracts with customers	94,927	80,750
Other revenue		
Commission	72	61
Rent	126	58
	198	119
Revenue	95,125	80,869

Disaggregation of revenue

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

	Consolidated 2019 $'000	Consolidated 2018 $'000
Funeral operations	82,290	72,255
Cemetery, crematoria and memorial gardens	10,622	6,884
Other trading revenue	2,015	1,611
	94,927	80,750

All revenue is recognised at a point in time. Refer to note 4 for geographical regions information.

Note 6. Other income

	Consolidated 2019 $'000	Consolidated 2018 $'000
Gain on disposal of assets	85	5
Release of contingent consideration from prior acquisitions	699	981
Provision release for monument works	-	112
Other income	27	19
Other income	811	1,117

Note 7. Expenses

	Consolidated 2019 $'000	Consolidated 2018 $'000
Profit/(loss) before income tax includes the following specific expenses:		
Depreciation		
Buildings	1,081	792
Improvements	339	189
Plant and equipment	1,454	891
Motor vehicles	1,266	1,177
Total depreciation	4,140	3,049
Rental expense relating to operating leases		
Minimum lease payments	3,598	2,413
Superannuation expense		
Defined contribution superannuation expense	1,758	1,388
Other non-operating expenses		
Acquisition and IPO transaction costs	1,556	3,505
Share-based payment expense (note 32)	-	21,878
Total other non-operating expenses	1,556	25,383

Note 8. Contract assets and liabilities

	Consolidated 2019 $'000	Consolidated 2018 $'000
Profit or loss impact of undelivered contract assets and contract liabilities		
Investment income on contracts assets	793	734
Finance charge on contracts liabilities	(1,437)	(1,542)
Net financing charge on contract assets and contract liabilities	(644)	(808)

	Consolidated 2019 $'000	Consolidated 2018 $'000
Movements in contract assets		
Opening balance	45,640	35,565
Sales of new contract assets	2,932	3,167
Redemption of contract assets following service delivery	(5,068)	(3,868)
Increase due to business combinations (note 26)	3,444	7,401
Increase due to business combinations - prior year	160	2,641
Increase due to investments returns	793	734
Closing balance	47,901	45,640

Note 8. Contract assets and liabilities (continued)

	Consolidated 2019 $'000	Consolidated 2018 $'000
Contract assets expected to be realised within one year	4,705	3,638
Contract assets expected to be realised after one year	43,196	42,002
Total contract assets	47,901	45,640

	Consolidated 2019 $'000	Consolidated 2018 $'000
Movements in contract liabilities		
Opening balance	48,764	38,136
Sales of new contract liabilities	2,932	3,187
Decrease following delivery of services	(5,137)	(4,144)
Increase due to business combinations (note 26)	3,727	7,401
Increase due to business combinations - prior year	160	2,642
Increase due to finance charge applied in accordance with AASB 15	1,437	1,542
Closing balance	51,883	48,764

	Consolidated 2019 $'000	Consolidated 2018 $'000
Contract liabilities expected to be realised within one year	5,107	3,887
Contract liabilities expected to be realised after one year	46,776	44,877
Total contract liabilities	51,883	48,764

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. Accordingly, because the liability is classified as current, the associated contract 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.

Note 9. Income tax

	Consolidated 2019 $'000	Consolidated 2018 $'000
Income tax expense		
Current tax	5,356	5,022
Deferred tax - origination and reversal of temporary differences	(128)	598
Aggregate income tax expense	5,228	5,620
Deferred tax included in income tax expense comprises:		
Increase in deferred tax assets	(30)	(305)
Increase/(decrease) in deferred tax liabilities	(98)	903
Deferred tax - origination and reversal of temporary differences	(128)	598
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit/(loss) before income tax expense	17,568	(8,650)
Tax at the statutory tax rate of 30%	5,270	(2,595)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Net financing charge on contract assets and liabilities	106	213
Entertainment expenses	31	26
Acquisition and IPO transaction costs	306	678
Share-based payments	-	6,563
Deferred tax balance adjustment due to the IPO	-	1,034
Deferred tax adjustment for contingent consideration payments	(233)	-
Release of contingent consideration	(200)	(304)
Other (non-assessable)/non-allowable items	(14)	21
	5,266	5,636
Current year temporary differences not recognised	-	(6)
Difference in overseas tax rates	(38)	(10)
Income tax expense	5,228	5,620

	Consolidated 2019 $'000	Consolidated 2018 $'000
Amounts credited directly to equity		
Deferred tax assets	-	(1,118)

Note 9. Income tax (continued)

	Consolidated 2019 $'000	Consolidated 2018 $'000
Deferred tax asset		
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Allowance for expected credit losses	128	197
Employee benefits	1,357	1,030
Accrued expenses	30	36
Deductible contingent consideration payments	186	-
Prepayments	47	-
Other	112	63
	1,860	1,326
Amounts recognised in equity:		
Transaction costs on share issue	857	1,145
Deferred tax asset	2,717	2,471
Movements:		
Opening balance	2,471	675
Credited to profit or loss	30	305
Credited to equity	-	1,118
Additions through business combinations (note 26)	222	169
Other adjustments	(6)	-
Reclassification of deferred tax assets	-	204
Closing balance	2,717	2,471

	Consolidated 2019 $'000	Consolidated 2018 $'000
Deferred tax liability		
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Property, plant and equipment	6,990	5,580
Deferred tax liability	6,990	5,580
Movements:		
Opening balance	5,580	3,426
Charged/(credited) to profit or loss	(98)	903
Additions through business combinations (note 26)	1,619	1,047
Other adjustments	(111)	-
Reclassification of deferred tax assets	-	204
Closing balance	6,990	5,580

Note 9. Income tax (continued)

	Consolidated 2019 $'000	Consolidated 2018 $'000
Provision for income tax	1,265	1,586

Note 10. Current assets - cash and cash equivalents

	Consolidated 2019 $'000	Consolidated 2018 $'000
Cash on hand	16	14
Cash at bank	5,273	28,245
	5,289	28,259

Note 11. Current assets - trade and other receivables

	Consolidated 2019 $'000	Consolidated 2018 $'000
Trade receivables - customer contracts	5,892	4,962
Less: Allowance for expected credit losses	(486)	(732)
	5,406	4,230

Allowance for expected credit losses
The Group has recognised a reversal of allowance for expected credit losses of $112,000 (2018: impairment of receivables of $456,000) in profit or loss for the year ended 30 June 2019.

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

Consolidated	Expected credit loss rate 2019 %	Carrying amount 2019 $'000	Allowance for expected credit losses 2019 $'000
Not overdue	1%	3,610	36
0 to 3 months overdue	2%	1,265	25
3 to 6 months overdue	19%	294	56
Over 6 months overdue	51%	723	369
		5,892	486

Note 11. Current assets - trade and other receivables (continued)

Movements in the allowance for expected credit losses are as follows:

	Consolidated 2019 $'000	Consolidated 2018 $'000
Opening balance	732	460
Allowance for expected credit losses reversed as unused	(112)	-
Net provisions recognised	-	456
Receivables written off during the year as uncollectable	(150)	(140)
Additions through business combinations	32	16
Movement in acquired provisions	(8)	(52)
Movements in exchange rates	(8)	(8)
Closing balance	486	732

Note 12. Current assets - inventories

	Consolidated 2019 $'000	Consolidated 2018 $'000
Work in progress - at cost	187	61
Finished goods - at cost	3,478	2,669
	3,665	2,730

Note 13. Non-current assets - property, plant and equipment

	Consolidated 2019 $'000	Consolidated 2018 $'000
Land - at cost	28,779	21,918
Buildings - at cost	49,830	35,707
Less: Accumulated depreciation	(3,013)	(1,942)
	46,817	33,765
Improvements - at cost	5,995	4,369
Less: Accumulated depreciation	(597)	(256)
	5,398	4,113
Plant and equipment - at cost	12,220	7,488
Less: Accumulated depreciation	(2,922)	(1,616)
	9,298	5,872
Motor vehicles - at cost	10,605	8,152
Less: Accumulated depreciation	(3,326)	(2,173)
	7,279	5,979
Construction in progress - at cost	372	815
	97,943	72,462

Note 13. Non-current assets - property, plant and equipment (continued)

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

Consolidated	Land $'000	Buildings $'000	Improve-ments $'000	Plant and equipment $'000	Motor vehicles $'000	Construc-tion in progress $'000	Total $'000
Balance at 1 July 2017	20,891	27,532	1,371	3,750	4,312	-	57,856
Additions	186	875	300	1,180	631	772	3,944
Additions through business combinations	1,208	6,377	2,625	2,020	2,346	40	14,616
Disposals	-	-	(10)	(52)	(149)	-	(211)
Exchange differences	(366)	(179)	(25)	(60)	(67)	3	(694)
Transfers in/(out)	(1)	(48)	41	(75)	83	-	-
Depreciation expense	-	(792)	(189)	(891)	(1,177)	-	(3,049)
Balance at 30 June 2018	21,918	33,765	4,113	5,872	5,979	815	72,462
Additions	3,281	5,575	1,039	1,991	1,019	393	13,298
Additions through business combinations	3,280	8,610	68	2,410	1,627	-	15,995
Disposals	(128)	(183)	-	(24)	(136)	(3)	(474)
Exchange differences	428	232	31	67	46	(2)	802
Transfers in/(out)	-	(101)	486	436	10	(831)	-
Depreciation expense	-	(1,081)	(339)	(1,454)	(1,266)	-	(4,140)
Balance at 30 June 2019	28,779	46,817	5,398	9,298	7,279	372	97,943

Property, plant and equipment secured under finance leases
Refer to note 23 for further information on property, plant and equipment secured under finance leases.

Note 14. Non-current assets - goodwill

	Consolidated 2019 $'000	Consolidated 2018 $'000
Goodwill - at cost	106,437	91,105

Note 14. Non-current assets - goodwill (continued)

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

Consolidated	Goodwill $'000
Balance at 1 July 2017	63,550
Additions through business combinations (note 26)	28,111
Deferred tax liability adjustments for prior year business combinations	(148)
Exchange differences	(408)
Balance at 30 June 2018	91,105
Additions through business combinations (note 26)	14,701
Adjustments for prior year business combinations	158
Exchange differences	473
Balance at 30 June 2019	106,437

Impairment testing
Goodwill acquired through business combinations has been allocated to Cash Generating Units ('CGUs') on a regional level, which is consistent with reporting and monitoring for management purposes. The CGUs identified for the year ended 30 June 2019 are as follows:
- New South Wales (NSW)
- Queensland (QLD)
- Victoria (VIC)
- Tasmania (TAS)
- South Australia (SA)
- Western Australia (WA)
- Australian Capital Territory (ACT)
- New Zealand (NZ)

The recoverable amount of the Group's goodwill has been determined by a value-in-use calculation using a 5 year discounted cash flow model. The Board approved budgeted cashflows have been used for the first year and then extrapolated for a further 4 years using steady rates, together with a terminal value. Budgeted cash flows have been based on past performance and expectations for the future.

Key assumptions are those to which the recoverable amount of an asset or CGU is most sensitive and are as follows:
- discount rate; and
- growth rates.

The pre-tax discount rate used for assessing the carrying value of goodwill of each CGU was 10.0% (2018: 10.9%) which reflects the risk estimates for the business as a whole.

Growth rates of 4.0% (2018: 4.1%) for revenue, 3.2% (2018: 3.5%) for cost of sales and goods and 2.1% (2018: 2.3%) for operating expenses and overheads have been adopted. These growth rates are not inconsistent with historical trends and largely consistent with forecasts prepared by market analysts.

Based on the above, the Group's recoverable amount exceeded the Group's carrying amount. Given this, no impairment was recognised.

Sensitivity
As disclosed in note 3, the directors have made judgements and estimates in respect of impairment testing of goodwill. Should these judgements and estimates not occur the resulting goodwill carrying amount may decrease. Sensitivity analysis has been performed by adjusting underlying assumptions by 10.0%. The analysis indicated that material headroom exists in the value-in-use calculations for each CGU.

Note 15. Current liabilities - trade and other payables

	Consolidated 2019 $'000	Consolidated 2018 $'000
Trade payables	2,847	2,188
Deposits	332	241
Accrued expenses	1,859	1,252
GST payable	738	511
Other payables	1,404	1,369
	7,180	5,561

Refer to note 19 for further information on financial instruments.

Note 16. Non-current liabilities - borrowings

	Consolidated 2019 $'000	Consolidated 2018 $'000
Bank Loan	12,900	-
Hire purchase	326	284
	13,226	284

Refer to note 19 for further information on financial instruments.

Financing arrangements
As at the reporting date, the Group had access to the following funding sources:

	Consolidated 2019 $'000	Consolidated 2018 $'000
Total facilities		
Bank Loan	50,000	-
Used at the reporting date		
Bank Loan	12,900	-
Unused at the reporting date		
Bank Loan	37,100	-

Bank Loan:
During the financial year, the Group entered into a 3 year, $50,000,000 secured cash advance facility agreement ('Bank Loan') with Westpac Banking Corporation ('Financier'). In connection with the Bank Loan, the Company and its subsidiaries have granted a charge in favour of the Financier over all their assets and guaranteed the payment of the secured monies. The Bank Loan can be drawn for general corporate purposes and matures in August 2021.

Hire purchase:
The hire purchase liabilities are secured as the rights to the leased assets, recognised in the statement of financial position and revert to the lessor in the event of default.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Equity - issued capital

	Consolidated			
	2019 Shares	2018 Shares	2019 $'000	2018 $'000
Ordinary shares - fully paid	98,507,917	98,163,089	200,363	199,562

Movements in ordinary share capital

Details	Date	Shares	Issue price/ fair value	$'000
Balance	1 July 2017	30,432,486		37,197
Initial Shares - Share-based payment (notes 7 and 32)	16 November 2017	14,732,667	$1.49	21,878
Restructure:				
Issue of shares to fixed rate note holders	16 November 2017	11,681,305	$2.70	31,540
Completion of the Offer:				
Sale of PFP Midco shares to Propel	16 November 2017	(7,259,652)	$2.70	(19,601)
Issue of new shares	17 November 2017	48,576,283	$2.70	131,156
Transaction costs (net of tax)	17 November 2017	-	$0.00	(2,608)
Balance	30 June 2018	98,163,089		199,562
Issue of new shares in connection with business combinations (note 26)	1 May 2019	344,828	$2.33	801
Balance	30 June 2019	98,507,917		200,363

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.

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.

Capital risk management
The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the Group may raise further debt, adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares and/or sell assets.

Note 18. Equity - dividends

Dividends
Dividends paid during the financial year were as follows:

	Consolidated	
	2019	2018
	$'000	$'000
Dividend for the circa 7 months ended 30 June 2018 of 6.4 cents (2017: 46 cents) per ordinary share	6,282	13,999
Interim dividend for the year ended 30 June 2019 of 5.7 cents per ordinary share	5,595	-
	11,878	13,999

On 25 February 2019, the directors declared a fully franked dividend of 5.7 cents per ordinary share. The dividend was paid on 5 April 2019 to eligible shareholders on the register as at 5 March 2019. This equated to a total distribution of $5,595,000.

On 28 August 2018, the directors declared a fully franked dividend 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.

On 15 November 2017, PFP Midco paid a fully franked pre IPO dividend to its shareholders of 46 cents per share (a total of $13,999,000).

Dividends not recognised at year end
In addition to the above dividends and since the reporting date, the directors declared a fully franked dividend of 5.8 cents per ordinary share on 26 August 2019. The dividend will be paid on 4 October 2019 to eligible shareholders on the register as at 4 September 2019. This equates to a total estimated distribution of $5,713,000, based on the number of ordinary shares expected to be on issue as at 3 September 2019. The financial effect of the dividend declared after the reporting date is not reflected in the 30 June 2019 financial statements and will be recognised in the subsequent financial period.

Franking credits

	Consolidated	
	2019	2018
	$'000	$'000
Franking credits available for subsequent financial years based on a tax rate of 30%	8,199	6,922

The above amounts represent the balance of the franking account as at the end of the financial 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; and
- receipt of dividends recognised as receivables at the reporting date.

Note 19. Financial instruments

Financial risk management objectives
The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group may use derivative financial instruments such as forward foreign exchange contracts to hedge certain risk exposures. During the year ended 30 June 2019 (and in the prior financial year), the Group was not a party to any derivative financial instruments. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and foreign exchange risk and ageing analysis for credit risk.

Note 19. Financial instruments (continued)

Strategic risk management is carried out by the Board. The Audit and Risk Committee is responsible for operational and financial risk management. Matters addressed by the Audit and Risk Committee include, but are not limited to, identification and analysis of the risk exposure of the Group and appropriate procedures, controls and risk limits. The Manager identifies, evaluates and hedges (where relevant) financial and operational risks within the Group's operating units. The Manager confers with the Board no less than four times a year regarding the financial and operational performance of the Group and strategic risk management matters.

Market risk

Foreign currency risk
The Group undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from recognised financial assets and financial liabilities that are denominated in a currency that is not the Group's functional currency, the Australian dollar. The foreign exchange exposure relates to the investments in controlled entities in New Zealand. However, the Group is not exposed to significant foreign currency risk.

Price risk
The Group is the ultimate beneficiary of the funds invested in various prepaid contract trusts, as described in note 2 and note 8 (Contract assets and liabilities). The funds are held in cash and fixed interest investments which have no price risk associated with the investment.

Interest rate risk
The Group's main interest rate risk arises from borrowings, cash at bank and contract assets. Borrowings, cash at bank and contract assets with variable interest rates expose the Group to interest rate risk. Borrowings and cash at bank obtained at fixed rates expose the Group to fair value interest rate risk.

As at the reporting date, the Group had the following variable rate borrowings, cash at bank and contract assets.

	2019		2018	
Consolidated	**Weighted average interest rate %**	**Balance $'000**	**Weighted average interest rate %**	**Balance $'000**
Cash at bank	1.4%	5,273	1.5%	28,245
Contract assets	1.8%	47,901	1.6%	45,640
Bank Loan	4.0%	(12,900)	-	-
Net exposure to cash flow interest rate risk		40,274		73,885

As at 30 June 2019, the cost of debt on the drawn portion of the Bank Loan was approximately 3.0%.

An analysis by remaining contractual maturities is shown in 'liquidity and interest rate risk management' below.

An official increase/decrease in interest rates of 50 (2018: 50) basis points would have a favourable/unfavourable effect on profit before tax of $201,000/($201,000) (2018: favourable/unfavourable effect of $369,000/($369,000)) and favourable/unfavourable effect on equity of $141,000/($141,000) (2018: favourable/unfavourable $258,000/($258,000)) per annum. The percentage change is based on the expected volatility of interest rates using market data and analyst forecasts.

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The maximum exposure to credit risk at the reporting date to recognise financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. Credit risk in relation to customers is highly dispersed and without concentration on any particular customer, region or segment. In respect of funeral services, in most cases, the Group collects deposits at the time the service is arranged. Cemetery and memorial products are generally not delivered prior to the receipt of all of the amounts due.

Note 19. Financial instruments (continued)

The Group has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the Group based on recent sales experience, historical collection rates and forward-looking information that is available.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

Liquidity risk

Vigilant liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The Group manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Financing arrangements

Unused borrowing facilities at the reporting date:

	Consolidated	
	2019 $'000	**2018 $'000**
Bank Loan	37,100	-

The Bank Loan has a term of 3 years and matures in August 2021.

Remaining contractual maturities

The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2019	**1 year or less $'000**	**Between 1 and 2 years $'000**	**Between 2 and 5 years $'000**	**Over 5 years $'000**	**Remaining contractual maturities $'000**
Non-derivatives					
Non-interest bearing					
Trade payables	2,847	-	-	-	2,847
Other payables	474	-	-	-	474
Contingent consideration	998	537	155	-	1,690
Interest-bearing - variable					
Bank Loan	-	-	12,900	-	12,900
Hire purchase	238	205	122	-	565
Total non-derivatives	4,557	742	13,177	-	18,476

Note 19. Financial instruments (continued)

Consolidated - 2018	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives					
Non-interest bearing					
Trade payables	2,188	-	-	-	2,188
Other payables	278	-	-	-	278
Contingent consideration	1,443	1,243	-	-	2,686
Interest-bearing - variable					
Hire purchase	148	153	157	-	458
Total non-derivatives	4,057	1,396	157	-	5,610

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Note 20. 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

Consolidated – 2019	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Liabilities				
Current				
Contingent consideration	-	-	998	998
Non-current				
Contingent consideration	-	-	656	656
Total liabilities	-	-	1,654	1,654

Consolidated – 2018	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Liabilities				
Current				
Contingent consideration	-	-	1,425	1,425
Non-current				
Contingent consideration	-	-	1,179	1,179
Total liabilities	-	-	2,604	2,604

There were no transfers between levels during the financial year.

Note 20. Fair value measurement (continued)

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.

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 incremental borrowing rate.

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

Consolidated	Contingent consideration $'000
Balance at 1 July 2017	2,393
Payments made	(307)
Additions through business combinations	1,444
Movement due to changes in discount rate	50
Foreign exchange difference	(18)
Amounts reversed	(981)
Other	23
Balance at 30 June 2018	2,604
Payments made	(1,092)
Additions through business combinations	737
Movement due to changes in discount rate	86
Foreign exchange difference	18
Amounts reversed	(699)
Balance at 30 June 2019	1,654

Fair value movements are recognised in the statement of profit or loss. Fair value movements for the period in relation to revaluation of contingent consideration amounted to $86,000 (2018: $50,000) and is recognised as an interest expense.

The fair value of contingent consideration is calculated as the present value of the expected cash flows using a discount rate that reflects the incremental costs of borrowing used to fund the acquisition. A stress test of 50 basis points was conducted and found to have an immaterial impact.

Note 21. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Nexia Sydney Audit Pty Ltd, the auditor of the Company:

	Consolidated	
	2019	2018
	$	$
Audit services - Nexia Sydney		
Audit or review of the financial statements	173,673	185,050
Other services - Nexia Sydney		
Services in relation to the IPO	-	246,341
Taxation services	34,485	25,885
	34,485	272,226
	208,158	457,276

Note 22. 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 year Negative Outperformance Amount. No Performance Fee was triggered during the year ended 30 June 2019 and the Negative Outperformance Amount of $21.1 million has been carried forward. As the Total Shareholder Return and Outperformance Amount for the current Calculation Period cannot be reliably measured as at the date of these financial statements, no provision has been made in these financial statements for any Performance Fee that maybe payable.

If a Performance Fee is payable in respect of a 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 these financial statements (30 June 2018: none).

Note 23. Commitments

	Consolidated	
	2019	**2018**
	$'000	**$'000**
Capital commitments		
Committed at the reporting date but not recognised as liabilities, payable:		
Property, plant and equipment	616	603
Dils Group acquisition	23,734	-
	24,350	603
Lease commitments – operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	3,651	3,335
One to five years	11,811	12,139
More than five years	10,016	13,858
	25,478	29,332
Lease commitments - finance (hire purchase)		
Committed at the reporting date and recognised as liabilities, payable:		
Within one year	263	148
One to five years	344	310
Total commitment	607	458
Less: Future finance charges	(43)	(48)
Net commitment recognised as liabilities	564	410
Representing:		
Hire purchase - current	238	126
Hire purchase - non-current (note 16)	326	284
	564	410

The Group leases motor vehicles and sundry office equipment under non-cancellable operating leases with terms generally from 1 to 5 years with, in some cases, options to extend. The Group also leases premises/property with terms varying from 1 to 50 years, with in some cases, options to extend. The leases have various escalation clauses.

As at 30 June 2019, finance lease commitments include contracted amounts for various motor vehicle and plant and equipment with a written down value of $581,000 (2018: $331,000) under finance leases expiring within 1 to 5 years. Under the terms of the leases, the Group has the option to acquire the leased assets for predetermined residual values on the expiry of the leases.

Note 24. Related party transactions

Parent entity
Propel Funeral Partners Limited (ACN 616 909 310) is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 27.

Key management personnel
Disclosures relating to key management personnel are set out in note 25 and in the Remuneration Report included in the directors' report.

Note 24. Related party transactions (continued)

Transactions with related parties
The Company is a party to a Management Agreement as set out in note 22. 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 which was initially $240,000 (plus GST) per annum, escalated by CPI annually; and
- the Performance Fee (refer to note 22).

An Administration Fee (relating to the Management Agreement) of $243,000 was expensed during the financial year. In the prior corresponding year, a management fee (relating to a management fee agreement previously made between PFP Midco and the Manager) and the Administration Fee of $450,779 was expensed.

During the year ended 30 June 2019, $28,000 (2018: $80,000) was paid to the Manager in respect of reimbursement of occupancy costs as approved by the Independent Directors. Related party occupancy costs ceased in October 2018 when a wholly owned subsidiary of Propel entered into a new head office lease with an unrelated third party.

During the prior corresponding year period, a non-cash share-based payment expense of $21,878,000 was recognised in connection with shares held by an entity associated with Albin Kurti, Fraser Henderson and Peter Dowding due to the Restructure (refer to note 32).

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 and previous reporting date.

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

Note 25. Key management personnel disclosures

Key Management Personnel ('KMP') are defined as those having authority and responsibility for planning, directing and controlling the activities of the Group, which includes the directors of Propel. The Board however does not manage day-to-day activities of the Group. The Company considers that the Manager provides the services that would be ordinarily performed by senior executives including managing the day to day operations of the Group. The Manager is paid a quarterly Administration Fee and Performance Fee in return for these services. None of the Manager's officers and employees are paid a salary by the Company.

Other than the non-executive directors, there are no other KMPs paid by the Company.

The aggregate compensation in the form of directors' fees that was paid to directors is as follows:

	Consolidated	
	2019	**2018**
	$	**$**
Short-term employee benefits	164,384	150,178
Post-employment benefits (superannuation)	15,616	14,268
	180,000	164,446

Note 26. Business combinations

Newhaven Funerals North Queensland
On 2 July 2018, the Group acquired the business, assets and a freehold property relating to Newhaven Funerals North Queensland ('Newhaven Funerals NQ'), a provider of funeral directing and cremation services which operates from two locations in North Queensland. Consideration of $3,739,000 was paid on settlement and a further amount of $295,000 (present value) will be paid if certain financial thresholds are achieved, representing a total consideration of $4,034,000.

Manning Great Lakes Memorial Gardens
On 5 December 2018, the Group acquired 100% of the issued capital of Noxomo Pty Ltd (trading as Manning Great Lakes Memorial Gardens) ('MGLMG'), a provider of cremation and cemetery services which operates from one location in NSW. Consideration of $4,449,000 was paid on settlement.

Martin Williams Funeral Directors
On 3 December 2018, the Group acquired the business and assets of Martin William Funeral Directors and J Weir and Company ('Martin Williams'), a provider of funeral directing services in New Zealand. Consideration of $239,000 was paid on settlement and a further amount of $43,000 (present value) will be paid if certain conditions are satisfied, representing a total consideration of $282,000. As a result of the acquisition of Martin Williams, the Group recognised $160,000 of goodwill and $109,000 of plant and equipment, among other immaterial assets and liabilities.

Waikanae Funeral Home
On 28 March 2019, the Group acquired the business and assets of Waikanae Funeral Home and Kaitawa Crematorium ('Waikanae'), a provider of funeral directing and cremation services, both of which are located in Waikanae, New Zealand. Consideration of $5,246,000 was paid on settlement and a further amount of $399,000 (present value) will be paid if certain financial thresholds are achieved, representing a total consideration of $5,645,000.

Morleys Funerals Pty Ltd
On 1 May 2019, the Group acquired 100% of the issued share capital of Morleys Funerals Pty Ltd, its associated businesses and certain freehold properties (together, the Morleys Group) which operates from six locations in Townsville, North Queensland. Consideration totalled $13,906,000 which consisted of $13,105,000 in cash (net of $200,000 cash acquired) and 344,828 ordinary shares in Propel (recognised at a fair value of $801,000 given the escrow arrangements).

Note 26. Business combinations (continued)

Details of the acquisitions (other than Martin Williams, which is not material) are as follows:

	Newhaven Funerals NQ Fair value $'000	MGLMG Fair value $'000	Morleys Group Fair value $'000	Waikanae Fair value $'000	Total Fair value $'000
Current assets:					
Contract assets	1,134	824	1,486	-	3,444
Cash and cash equivalents	-	-	200	-	200
Trade and other receivables, net	-	94	182	-	276
Inventories	45	216	365	26	652
Other current assets	-	10	65	15	90
Non-current assets:					
Property, plant and equipment	2,338	3,101	5,873	4,573	15,885
Deferred tax asset	4	18	199	1	222
Current liabilities:					
Contract liabilities	(1,417)	(824)	(1,486)	-	(3,727)
Trade and other payables	-	(54)	(590)	-	(644)
Employee benefits	(12)	(62)	(388)	(4)	(466)
Income tax payable/refund	-	(8)	124	-	116
Deferred tax liability	(291)	(455)	(585)	(288)	(1,619)
Other liabilities	-	(736)	-	-	(736)
Net assets acquired	1,801	2,124	5,445	4,323	13,693
Goodwill*	2,233	2,325	8,661	1,322	14,541
Acquisition-date fair value of the total consideration transferred	4,034	4,449	14,106	5,645	28,234
Representing:					
Cash paid or payable to vendor	3,739	4,449	13,305	5,246	26,739
Shares in the Company issued to vendor	-	-	801	-	801
Contingent consideration (discounted)	295	-	-	399	694
	4,034	4,449	14,106	5,645	28,234
Cash used to acquire business, net of cash acquired per statement cash flow:					
Cash paid to vendors	3,739	4,449	13,305	5,246	26,739
Less: cash and cash equivalents	-	-	(200)	-	(200)
Net cash used	3,739	4,449	13,105	5,246	26,539

** reference in note 14 of $14,701,000 includes $160,000 of Goodwill attributable to Martin Williams not disclosed in the table above.*

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) expensed to profit and loss was $1,556,000. The acquisition accounting was final as at 30 June 2019 for Newhaven Funerals NQ, Martin Williams and Morleys Group. The acquisition accounting was provisional as at 30 June 2019 for Waikanae and MGLMG.

In connection with acquisition of the Morley's Group, the directors of the Company determined that the fair value of the ordinary shares issued in relation to the acquisition was $2.33 per share, based on the conditions of the transaction, which included the ordinary shares being held in escrow for 3 years, the 10 day volume weighted average price leading up to the date of the announcement of the acquisition of $2.91 per share. The share price on the acquisition date was $3.10.

Note 26. Business combinations (continued)

	$'000
Payment for purchase of business, net of cash acquired per cash flow statement:	
Net cash used for the Morleys Group acquisition	13,105
Net cash used for the Waikanae acquisition	5,246
Net cash used for the MGLMG acquisition	4,449
Net cash used for the Newhaven Funerals NQ acquisition	3,739
Net cash used for the Martin Williams acquisition	239
Contingent consideration payments	1,092
Acquisition costs	850
Other	37
Net cash used	28,756

Details of revenues and profit are as follows:

	Newhaven Funerals NQ $'000	MGLMG $'000	Morleys Group $'000	Waikanae $'000	Total $'000
Revenue generated from acquisition date to 30 June 2019	1,616	521	1,267	314	3,718
Net profit before tax from acquisition date to 30 June 2019	362	64	153	71	650

If all five acquisitions had occurred on 1 July 2018, the estimated revenue and net profit before tax for the financial year would have been approximately $103,000,000 and approximately $18,600,000, respectively.

Note 27. Interests in subsidiaries

The financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

Name	Principal place of business / Country of incorporation	Ownership interest 2019 %	Ownership interest 2018 %
PFP Finance Pty Ltd	Australia	100.0	100.0
PFP Midco Pty Ltd	Australia	100.0	100.0
FV (TAS) Pty Ltd	Australia	100.0	100.0
Millingtons Cemetery Services Pty Ltd	Australia	100.0	100.0
Millingtons Funeral Services Pty Ltd	Australia	100.0	100.0
Devonport Funeral Services Pty Ltd	Australia	100.0	100.0
Phillip Stephens Funeral Services Pty Ltd	Australia	100.0	100.0
FV (QLD) Pty Limited	Australia	100.0	100.0
South Burnett Funerals & Crematorium Pty Ltd	Australia	100.0	100.0
Gympie Funeral Services Pty Ltd	Australia	100.0	100.0
Leslie G Ross Funeral Services Pty Ltd	Australia	100.0	100.0
Premier Funeral Group Pty Ltd	Australia	100.0	100.0
Integrity Funeral Services Pty Ltd	Australia	100.0	100.0
FV (NSW) Pty Ltd	Australia	100.0	100.0
Coonamble Funeral Services Pty Ltd	Australia	100.0	100.0
Riverina Funeral Services Pty Ltd	Australia	100.0	100.0
WT Howard Funeral Services Pty Ltd	Australia	100.0	100.0
Tamworth & Gunnedah Funeral Services Pty Ltd	Australia	100.0	100.0
Meadow Funeral Group Pty Ltd	Australia	100.0	100.0
FV (VIC) Pty Ltd	Australia	100.0	100.0
Quinn Funeral Services Pty Ltd	Australia	100.0	100.0

Note 27. Interests in subsidiaries (continued)

Name	Principal place of business / Country of incorporation	Ownership interest 2019 %	Ownership interest 2018 %
Hall Funeral Services Pty Ltd	Australia	100.0	100.0
Handley Funerals Pty Ltd	Australia	100.0	100.0
Latrobe Valley Funeral Services Pty Ltd	Australia	100.0	100.0
F.W. Barnes Funeral Services Pty Ltd	Australia	100.0	100.0
Mildura Funeral Services Pty Ltd	Australia	100.0	100.0
FV (SA) Pty Ltd	Australia	100.0	100.0
Eyre Peninsula Funeral Services Pty Ltd	Australia	100.0	100.0
FV (WA) Pty Ltd	Australia	100.0	100.0
PFP (NZ) Limited	New Zealand	100.0	100.0
Far North Funeral Services Limited	New Zealand	100.0	100.0
Far North Memorial Gardens Limited	New Zealand	99.9	99.9
Davis Services Group Limited	New Zealand	100.0	100.0
Davis Funeral Services Limited **	New Zealand	100.0	100.0
DFS Properties Whangarei Limited ***	New Zealand	100.0	100.0
Morris & Morris Limited *, ***	New Zealand	100.0	100.0
Hart Funerals Limited *	New Zealand	-	100.0
Maunu Crematorium Limited	New Zealand	100.0	100.0
DFS Properties Auckland Limited **	New Zealand	100.0	100.0
Funerals Made Simple Limited	New Zealand	100.0	100.0
Return To Sender Caskets Limited	New Zealand	100.0	100.0
FPT Pty Ltd	Australia	100.0	100.0
The Australian Funeral Properties Unit Trust	Australia	100.0	100.0
FPT (NZ) Pty Ltd	Australia	100.0	100.0
The New Zealand Funeral Properties Unit Trust	Australia	100.0	100.0
Traction Media Agency Ltd	New Zealand	100.0	100.0
Erceg McIntyre Pty Limited	Australia	100.0	100.0
FV (ACT) Pty Ltd	Australia	100.0	100.0
Norwood Park Pty Limited	Australia	100.0	100.0
PFP Corporate Services Pty Ltd	Australia	100.0	100.0
Newhaven Funerals (North Queensland) Pty Ltd	Australia	100.0	100.0
Noxomo Pty Ltd	Australia	100.0	-
Before Use (NZ) (1) Limited	New Zealand	100.0	-
Morleys Funerals Pty Ltd	Australia	100.0	-
Coventry Funeral Homes Pty Ltd	Australia	100.0	-
Pet Cremations (Townsville) Pty Ltd	Australia	100.0	-
Waikanae Funeral Services Ltd	New Zealand	100.0	-

* Hart Funerals Limited amalgamated with Morris & Morris Limited during the year ended 30 June 2019.
** DFS Properties Auckland Limited amalgamated with Davis Funeral Services Limited on 1 July 2019.
*** DFS Properties Whangarei Limited amalgamated with Morris & Morris Limited on 1 July 2019.

Note 28. Deed of cross guarantee

The following entities are party to a deed of cross guarantee under which each company guarantees the debts of the others:

Propel Funeral Partners Limited
PFP Midco Pty Ltd
PFP Finance Pty Ltd
FV (NSW) Pty Ltd
Meadow Funeral Group Pty Ltd

Notes to the Financial Statements

for the year ended 30 June 2019

Note 28. Deed of cross guarantee (continued)

By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare financial statements and directors' reports under ASIC Corporations (wholly-owned Companies) Instrument 2016/785 (as amended) issued by the Australian Securities and Investments Commission ('ASIC').

The above companies represent a 'Closed Group' for the purposes of the Corporations Instrument, and as there are no other parties to the deed of cross guarantee that are controlled by the Company, they also represent the 'Extended Closed Group'.

Set out below is a consolidated statement of profit or loss and other comprehensive income and statement of financial position of the 'Closed Group'.

Statement of profit or loss and other comprehensive income	**2019 $'000**	**2018 $'000**
Revenue	11,088	4,360
Cost of sales and goods	(3,038)	(1,312)
Employee costs	(3,240)	(2,067)
Occupancy and facility expenses	(1,994)	(806)
Advertising expenses	(284)	(111)
Motor vehicle expenses	(153)	(54)
Management/administration fees	(243)	(451)
Other expenses	(186)	(87)
	1,950	(528)
Share-based payment expense	-	(21,878)
Acquisition and IPO transaction costs	(133)	(2,889)
Dividend / distribution received	12,655	15,714
Loss on disposal of assets	(4)	-
Other income	-	(1)
Depreciation expense	(431)	(163)
Interest income	1,019	2,250
Interest expense	-	(1,445)
Net financing charge on contract assets and contract liabilities	15	(65)
Net foreign exchange losses	(11)	(4)
Profit/(loss) before income tax expense	15,060	(9,009)
Income tax expense	(525)	(611)
Profit/(loss) after income tax expense	14,535	(9,620)
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income for the year	14,535	(9,620)

Equity - accumulated losses	**2019 $'000**	**2018 $'000**
Accumulated losses at the beginning of the financial year	(25,439)	(1,820)
Profit/(loss) after income tax expense	14,535	(9,620)
Dividends paid	(11,877)	(13,999)
Accumulated losses at the end of the financial year	(22,781)	(25,439)

Note 28. Deed of cross guarantee (continued)

Statement of financial position	2019 $'000	2018 $'000
Current assets		
Cash and cash equivalents	592	20,383
Contract assets	3,173	3,418
Trade and other receivables	135,008	118,381
Inventories	235	335
Prepayments	94	80
	139,102	142,597
Non-current assets		
Property, plant and equipment	2,311	2,513
Goodwill	10,932	10,700
Deferred tax	969	1,355
Investment in subsidiary and unit trust	29,126	23,054
	43,338	37,622
Total assets	182,440	180,219
Current liabilities		
Trade and other payables	124	734
Hire purchase	-	19
Income tax	1,289	1,629
Employee benefits	214	224
Contract liabilities	3,188	3,452
	4,815	6,058
Non-current liabilities		
Deferred tax	2	4
Employee benefits	41	34
	43	38
Total liabilities	4,858	6,096
Net assets	177,582	174,123
Equity		
Issued capital	200,363	199,562
Accumulated losses	(22,781)	(25,439)
Total equity	177,582	174,123

Note 29. Reconciliation of profit/(loss) after income tax to net cash from operating activities

	Consolidated	
	2019 $'000	2018 $'000
Profit/(loss) after income tax expense for the year	12,340	(14,270)
Adjustments for:		
Depreciation and amortisation	4,140	3,049
Net loss/(gain) on disposal of non-current assets	(20)	70
Foreign exchange differences	57	68
Loss on movement in discount rate of earn-out	86	73
Net financing charge on contract assets and liabilities	644	808
Acquisition and IPO transaction costs	1,556	3,505
Non-cash income	(989)	(1,164)
Share-based payment expenses	-	21,878
Change in operating assets and liabilities:		
Increase in trade and other receivables	(458)	(123)
Increase in inventories	(403)	(56)
Increase in deferred tax assets	(308)	(1,627)
Increase in prepayments	(141)	(12)
Increase/(decrease) in trade and other payables	496	(764)
Increase/(decrease) in provision for income tax	(202)	1,256
Increase in deferred tax liabilities	26	2,369
Increase in employee benefits	531	112
Net cash from operating activities	17,355	15,172

Note 30. Changes in liabilities arising from financing activities

Consolidated 2019	Opening balance	Cash flows	Non-cash movement Equity conversion	Additions	Acquisition	Foreign exchange	Closing balance
Hire purchase liabilities	410	(200)	-	354	-	-	564
Equipment finance	-	84	-	-	-	(2)	82
Bank Loan	-	12,900	-		-	-	12,900

Consolidated 2018	Opening balance	Cash flows	Non-cash movement Equity conversion	Additions	Acquisition	Foreign exchange	Closing balance
Hire purchase liabilities	521	(145)	-	34	-	-	410
Bank Loan	52,274	(53,787)	-	-	1,513	-	-
Fixed rate notes	19,451	12,089	(31,540)	-	-	-	-

Note 31. Earnings per share

	Consolidated 2019 $'000	Consolidated 2018 $'000
Profit/(loss) after income tax attributable to the shareholders of Propel Funeral Partners Limited	12,340	(14,270)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	98,219,773	72,381,905
Weighted average number of ordinary shares used in calculating diluted earnings per share	98,219,773	72,381,905
	Cents	**Cents**
Basic earnings per share	12.56	(19.71)
Diluted earnings per share	12.56	(19.71)

Note 32. Share-based payments

In the comparative financial information, prior to the Restructure, the Company had 14,732,667 ordinary shares on issue ('Initial Shares') and did not undertake any trading activities. The Initial Shares are held by an entity associated with Albin Kurti, Fraser Henderson and Peter Dowding and are subject to voluntary escrow arrangements which prevents the entities from disposing of the Initial Shares until the tenth anniversary of the Company's shares being admitted to the ASX. The Initial Shares may be released early from these escrow obligations to enable, among other things, a takeover offer.

The Initial Shares were required to be fair valued as at the date of the Restructure. A discount of 45% was applied to the issue price of the shares issued in connection with the IPO multiplied by the number of Initial Shares to determine the fair value of $21,878,000. The discount adopted was based on independent advice and was, in the directors' view, considered reasonable, given the escrow arrangements referred to above. This resulted in a non-cash share-based payment expense of $21,878,000 which was recognised in profit or loss during the prior financial year.

Note 33. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent 2019 $'000	Parent 2018 $'000
Profit/(loss) after income tax	13,347	(25,013)
Total comprehensive income	13,347	(25,013)

Note 34. Events after the reporting period (continued)

Statement of financial position

	Parent	
	2019 **$'000**	**2018** **$'000**
Total current assets	30,924	19,809
Total assets	210,143	181,567
Total current liabilities	2,564	2,836
Total liabilities	33,323	7,018
Equity		
Issued capital	200,363	199,562
Accumulated losses	(23,543)	(25,013)
Total equity	176,820	174,549

The parent entity is a party to a deed of cross guarantee as disclosed in note 28. It has entered into a tax and GST sharing agreement whereby it guarantees the income tax and GST debts of its subsidiaries. In addition, in the ordinary course of business, the parent entity has also guaranteed the performance of some of its subsidiaries.

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2019 and 30 June 2018.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2019 and 30 June 2018.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 2, except for the following:
- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 34. Events after the reporting period

On 2 August 2019, the Group extended its debt facilities by entering into a 3 year, $40,000,000 senior debt facility and a $10,000,000 working capital facility with the Financer. This facility is in addition to the $50,000,000 facility it entered into in August 2018 (refer to note 16 for further details).

On 16 August 2019, the Group executed a conditional sale agreement (and related documentation) to acquire the entire issued share capital of Codfern Pty. Ltd, trading as Gregson & Weight Funeral Directors, and certain freehold properties on the Sunshine Coast in Queensland for approximately $36,000,000.

In addition, the Group acquired two properties which were previously tenanted by Propel for a total consideration of approximately $4,151,000 (including stamp duty).

On 26 August 2019, the directors declared a fully franked final dividend in connection with FY19 of 5.8 cents per ordinary share. When combined with the FY19 interim dividend of 5.7 cents per share, total dividends in connection with 2019 earnings was 11.5 cents per share, fully franked, which represents approximately 78% of Distributable Earnings (NPAT adjusted for certain non-cash, one-off and non-recurring items) for the year ended 30 June 2019.

Apart from the events disclosed above, no other matter or circumstance has arisen since 30 June 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.

Directors' Declaration

for the year ended 30 June 2019

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001 Cth ('Corporations Act'), the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 28 to the financial statements.

The directors have been given the declarations required by section 295A of the Corporations Act.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act.

On behalf of the directors

Brian Scullin
Chairman

Albin Kurti
Managing Director

26 August 2019

Independent Auditor's Report to the Members of Propel Funeral Partners Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Propel Funeral Partners Limited (the Company and its subsidiaries (the Group)), which comprises the consolidated statement of financial position as at 30 June 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 year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:

i) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended; and

ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the 'auditor's responsibilities for the audit of the financial report' section of our report. We are independent of the Group in accordance with the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Independent Auditor's Report

Key audit matter	How our audit addressed the key audit matter
Impairment testing of goodwill Refer to note 14 The Group has acquired several funeral service, cremation and cemetery businesses in Australia and New Zealand. Goodwill has been recognised on acquisition and represents a significantly material balance in the statement of financial position. It is a requirement of *AASB136 - Impairment of Assets* that goodwill is tested at least annually for impairment by management. We consider the carrying value of goodwill to be a key audit matter due to ▪ the size of the balance and the significance for users' understanding of the financial statements; ▪ the level of subjectivity involved in determining whether goodwill balances are impaired; ▪ the geographic spread of the Group's activities increasing the risk in determining the Group's CGU's and for Goodwill impairment purposes; and ▪ the complexity of audit procedures required in challenging the assertions put forward by management.	Our procedures included, amongst others: ▪ assessed management's determination of the Group's CGUs based on our understanding of the nature of the Group's business. We also analysed the internal reporting of the Group to assess how results were monitored and reported; ▪ ensure the identification of cash flows attributable to each CGU and the assets supporting those cash flows are consistent, including allocation of corporate assets and cash flows to each of the CGUs; ▪ compared the FY2020 forecasted cash flows used in the impairment model with the FY2020 budget formally approved by the Board; ▪ assessed the assumptions within the 5-year cash flow forecasts for each CGU by understanding the key factors and underlying drivers for growth, including inflation and industry trends, in the context of the Group's future plans; ▪ assessed the discount rate used for each CGU by comparing it to our view of an acceptable range based on market data, comparable companies and industry research; ▪ performed sensitivity analysis (cash flow growth rate, terminal growth rate, discount rate) for each CGU; and ▪ assessed the appropriateness of the disclosures in the financial statements.

Key audit matter	How our audit addressed the key audit matter
Business combinations and acquisition accounting Refer to note 26 The Groups recent acquisitions are required to be accounted for under *AASB 3 - Business Combinations*. There is a risk that the acquisitions of these entities have not been accounted for in accordance with AASB 3, which includes the identification of identifiable intangible assets. As part of the sale deed for business acquisitions, sometimes contingencies are attached to the purchases of these businesses. These contingencies require significant estimation and rely on the existence of future events occurring. We consider the business combinations and accounting for acquisitions as a key audit matter due to ▪ the level of estimation involved in assessing the fair value of assets acquired in a business combination and the reliance on a management's expert in determining this valuation; ▪ the risk that all assets and liabilities on acquisition are not identified and correctly recognised; and ▪ the estimates involved in the calculation of contingent consideration provisions including the probabilities that targets will be achieved.	Our procedures included, amongst others: ▪ obtained information from management supporting the allocation of identifiable intangible assets and goodwill as set out in the Purchase Price Allocation prepared by management; ▪ assessed the treatment of transactions costs; ▪ ensure that deferred tax liabilities arising from the transaction are accurately recognised; ▪ assessed the provision for contingent consideration in line with the terms of the purchase agreements including a consideration of the discount rates used and the presentation of current and non—current liabilities; ▪ assessed the underlying performance of the individual entity and management's assumptions at the balance date to ensure the probability of the contingent consideration targets being met is reasonable; and ▪ assessed the appropriateness of the disclosures in the financial statements.

Other information

The directors are responsible for the other information. The other information comprises the information in Propel Funeral Partners Limited's Directors' report for the year ended 30 June 2019, which we obtained prior to the date of this auditor's report, and the Annual Report, which is expected to be made available to us after that date. The other information does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and will request that it is corrected. If it is not corrected, we will seek to have the matter appropriately brought to the attention of users for whom our report is prepared.

Directors' responsibility for the financial report

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

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibility for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at The Australian Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_files/ar2.pdf. This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 11 to 14 of the directors' Report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Propel Funeral Partners Limited for the year ended 30 June 2019, complies with section 300A of the Corporations Act 2001.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Nexia Sydney Audit Pty Ltd

Lester Wills
Director

Dated: 26 August 2019
Sydney

Shareholder Information

The shareholder information set out below was applicable as at 19 July 2019.

The Company confirms that for the period from admission to the official list of the ASX to 30 June 2019, it has used the cash and assets in a form readily convertible to cash that it had at the time of admission to the ASX in a way consistent with its business objectives.

Number of Equity Security Holders

	Number
Shares on issue	98,507,917

Distribution of Equity Securities

Size of Holding	Number of Shareholders	Ordinary Shares	% of Issued Capital
100,001 and over	88	78,771,597	79.96
10,001 to 100,000	483	12,144,327	12.33
5,001 to 10,000	556	4,373,936	4.44
1,001 to 5,000	960	2,892,571	2.94
1 to 1,000	614	325,486	0.33
Total	**2,701**	**98,507,917**	**100.00**

Parcel

There were 56 shareholders with unmarketable parcels totalling 3,994 shares based on the closing market price as at 19 July 2019.

Twenty Largest Shareholders

On 19 July 2019, the 20 largest shareholders were as follows:

Shareholder	Number of Ordinary Shares	% of Issued Capital
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	16,356,070	16.60
DKH TI PTY LTD	14,732,667	14.96
NATIONAL NOMINEES LIMITED	5,695,097	5.78
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	5,093,912	5.17
NIBLA NO 1 PTY LTD	2,248,000	2.28
CITICORP NOMINEES PTY LIMITED	2,231,320	2.27
UBS NOMINEES PTY LTD	2,052,709	2.08
HART & MILEY NO. 1 PTY LTD	1,720,000	1.75
NETWEALTH INVESTMENTS LIMITED	1,609,671	1.63
RUAPEHU HOLDINGS PTY LIMITED	1,587,583	1.61
MR ANDREW PHILIP JOHN WADE & MRS ROSANNA WADE	1,430,917	1.45
MGH SUPER PTY LTD	1,325,305	1.35
DURBANER NOMINEES PTY LTD	1,302,885	1.32
MR COMAN FRANCIS REYNOLDS & COMANN INVESTMENTS	1,181,448	1.20
WADE AUSTRALIA PTY LTD	1,045,000	1.06
CS THIRD NOMINEES PTY LIMITED	963,186	0.98
TOMDACHOILLE PTY LTD	890,000	0.90
NEIL LITTLE & ANGELA LITTLE & BRUNO GIN	763,697	0.78
DAVID SUPERANNUATION FUND PTY LIMITED	676,636	0.69
CHARANDA NOMINEE COMPANY PTY LTD	590,570	0.60

Shareholder Information

Securities subject to Voluntary Escrow

The Company had the following restricted securities on issue as at 19 July 2019:

Class	Number of Shares	% of Issued capital	Date that the escrow period ends
Voluntary Escrow - fully paid ordinary shares	14,732,667	14.96%	17 November 2027
Voluntary Escrow - fully paid ordinary shares	344,828	0.35%	1 May 2022

Substantial Holders

As disclosed in substantial holding notices lodged with the ASX as at 19 July 2019, the Company had the following substantial holders:

Shareholder	Number of Fully Paid ordinary Shares	% of Issued Capital
DKH TI PTY LTD	14,732,667	14.96
IFM INVESTORS	7,708,647	7.85

Voting rights

In accordance with the Company's constitution, each member present at a meeting, whether in person or by proxy, or any power of attorney or a duly authorised representative in the case of a corporate member, shall have one vote on a show of hands and one vote for each fully paid ordinary share on a poll.

Unquoted Equity Securities

Nil

On market buy-back

There is no current on market buy back in relation to the Company's securities.

Section 611(7) of the Corporations Act

There are no issues of securities approved for the purposes of Item 7 of section 611 of the Corporations Act which have yet to be completed.

On market purchase of securities

During the 12 months ended 30 June 2019, no securities were purchased on-market under or for the purpose of any employee incentive scheme, to satisfy the entitlements of the holders of options or other rights to acquire securities granted under an employee incentive scheme or otherwise.

Corporate Directory

Company Details
Propel Funeral Partners Limited

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ASX: PFP

Registered Office
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Phone: 02 8514 8600

Postal Address
Level 18.03,
135 King Street,
Sydney NSW 2000

Directors
Brian Scullin (Non-executive Chairman)

Naomi Edwards (Non-executive Director)

Jonathan Trollip (Non-executive Director)

Albin Kurti (Executive Director)

Fraser Henderson (Executive Director)

Company Secretary
Fraser Henderson

Share Registry Services
Link Market Services Limited
Level 12, 680 George Street,
Sydney NSW 2000

Toll free: 1300 854 911
Fax: 02 9287 0303

Auditor
Nexia Sydney Audit
1 Market Street
Sydney NSW 2000

Website
www.propelfuneralpartners.com.au

Notice of Annual General Meeting
The Company's 2019 Annual General Meeting of Shareholders will be held on 19 November 2019 at the offices of Nexia Sydney, Level 16, 1 Market Street, Sydney NSW 2000. The meeting will commence at 9.30am AEST

Corporate Governance Statement
The Corporate Governance Statement, as at 22 August 2019, has been approved by the Board and is available for review on the Company's website (http://investors.propelfuneralpartners.com.au/investor-centre/?page=corporate-governance).

Workplace Gender Equality Report
In accordance with the Workplace Gender Equality Act 2012, Propel lodged its FY19 Workplace Gender Equality Report in July 2019. A copy of the report is available on the Company's website (http://investors.propelfuneralpartners.com.au/investor-centre/?page=corporate-governance).

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