PFP PROPEL FUNERAL PARTNERS

ANNUAL REPORT 2020

PFP | PROPEL FUNERAL PARTNERS

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

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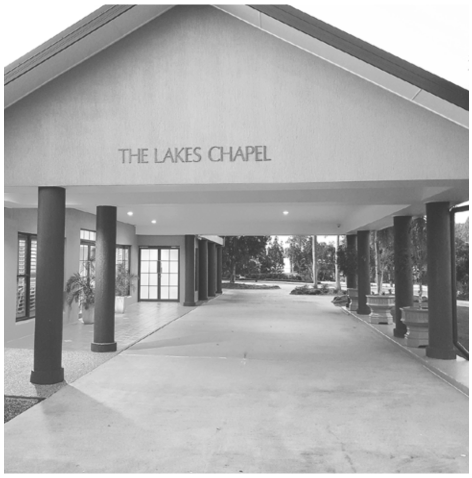
QUINN
FUNERALS


THE LAKES CHAPEL


CHAPEL


NORTH WEST FUNERALS


INTEGRITY CHAPEL

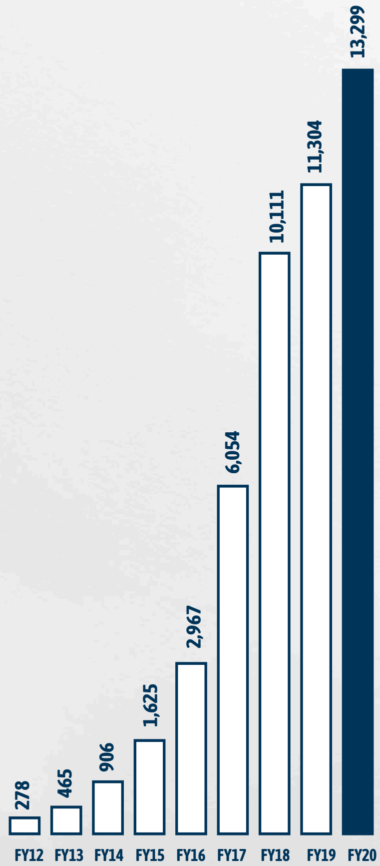

cedarwood


Davis Funerals

Performance Highlights

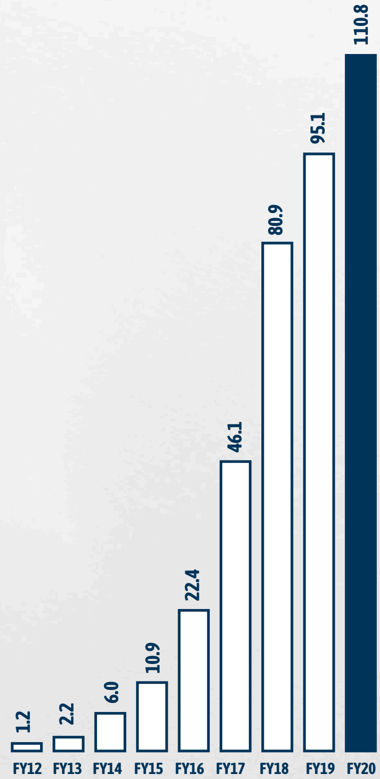
Propel achieved growth in key financial metrics during FY20, despite COVID-19 impacts

Funeral Volumes



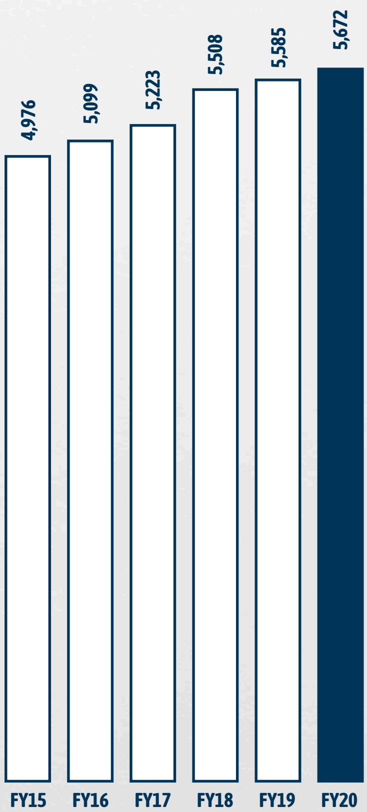
UP
17.6%
IN FY20 TO 13,299

Revenue ($m)



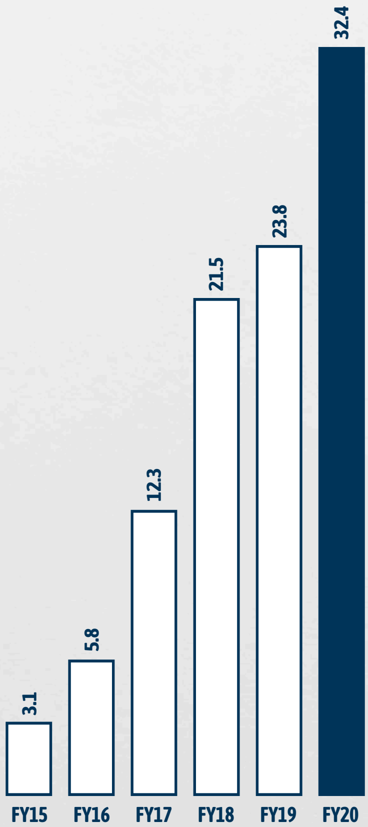
UP
16.5%
IN FY20 TO $110.8m

Average Revenue Per Funeral[1] ($)



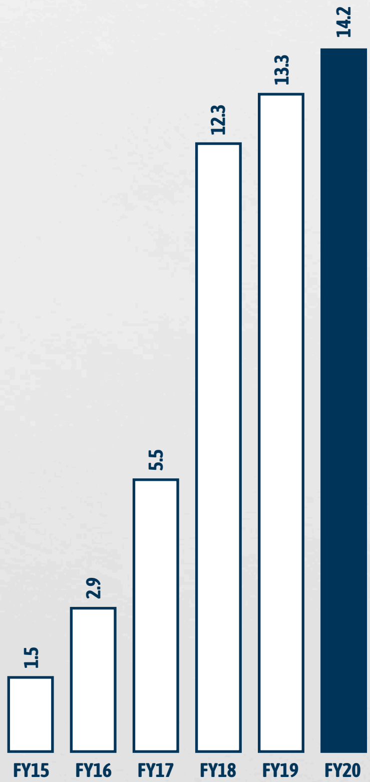
UP
1.6%
IN FY20 TO $5,672

Operating EBITDA[2] ($m)



UP
36.4%
IN FY20 TO $32.4m

Operating NPAT[2] ($m)



UP
6.5%
IN FY20 TO $14.2m

1. Revenue from funeral operations, excluding direct disbursements (such as third party cemetery fees and third party cremation fees) and delivered pre-paid impacts, divided by the number of funerals performed in the relevant period.
2. 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 2020 Annual Report of Propel Funeral Partners Limited ('Propel' or 'Company').

First and foremost, we thank our dedicated staff in Australia and New Zealand for their hard work, professionalism, flexibility and commitment to providing essential and caring funeral and related services to the communities served throughout FY20, particularly during the COVID-19 pandemic. We also acknowledge bereaved client families, many of whom have farewelled loved ones in particularly challenging circumstances in recent months.

Propel's core operating focus is on people safety, essential service continuity and financial resilience. In late March 2020, the funeral industry confronted unprecedented disruption and uncertainty, following the introduction of funeral attendee limits and social distancing directives aimed at curbing the spread of COVID-19. Measures were implemented to mitigate potential operating and financial impacts from the pandemic. These measures, combined with the Company's diversification in providing essential funeral and related services across seven states and territories of Australia and in New Zealand, including regional and metropolitan markets, delivered considerable resilience in earnings and operating cash flows.

Despite COVID-19 impacts, FY20 was another record year for Propel. The Company continued its track record of delivering revenue and earnings growth, with revenue growing by 16.5% to $110.8 million, Operating EBITDA growing by 36.4% to $32.4 million and Operating NPAT growing by 6.5% to $14.2 million. On a consistent accounting basis (i.e. excluding the impact of AASB 16), Operating EBITDA increased 19.7% and Operating NPAT increased 8.4% on the prior year.

The Board declared dividends totalling 10.0 cents per share fully franked in connection with FY20, including a final dividend of 6.0 cents per share fully franked. The final dividend will be paid on 1 October 2020, with a record date of 31 August 2020.

In December 2019, Propel expanded its debt facilities with Westpac Banking Corporation to $150.0 million. As at 30 June 2020, the Company held cash at bank of approximately $53.9 million, had approximately $67 million of available funding capacity, was comfortably in compliance with its debt covenants and had no near term debt maturities.

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 13,000 funeral services in FY20 and the Company's network currently comprises 130 locations (72 owned and 58 leased) in Australia and New Zealand, including 31 cremation facilities and 9 cemeteries.

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".

Propel is 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.

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 significant opportunity for further consolidation in Australia and New Zealand and Propel is well positioned to capitalise on the acquisition opportunities. In that regard, the Company acquired Gregson & Weight (including three freehold properties), Grahams Funeral Services (including four freehold properties) and three other freehold properties, two of which were previously tenanted by the Company, during FY20. Completion of the Mid West Funerals acquisition, and the previously announced acquisition of the Dils Group, is expected to occur by 31 December 2020.

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 Propel's 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. As disclosed in November 2019, a Total Shareholder Return of 24.2% was achieved in the second Calculation Period and a $4.1 million Performance Fee was earned by the Manager during FY20.

The following directors' report provides commentary on the Company's FY20 performance highlights and outlook. In FY21, the Company expects to benefit from the growing and ageing population, its strong funding position, acquisitions completed in FY20, the proposed acquisitions of the Dils Group and Mid West Funerals and other potential future acquisitions (although the timing of which is unknown). While the magnitude and duration of COVID-19 are uncertain, demand for essential funeral services continues and is underpinned by favourable demographics. With a strong funding position, no near term debt maturities, the support of our dedicated staff and the understanding of client families, Propel is well placed to navigate this challenging period.

Finally, we thank shareholders for their ongoing support and we look forward to reporting the Company's further progress, as and when appropriate.

BRIAN SCULLIN
Managing Director

ALBIN KURTI
Managing Director

FY20 was another record year for Propel, despite COVID-19 impacts. The Company continued its track record of delivering revenue and earnings growth and declared dividends totalling 10.0 cents per share fully franked in connection with FY20.

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 continue to serve 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
- cemeteries and crematoria.

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

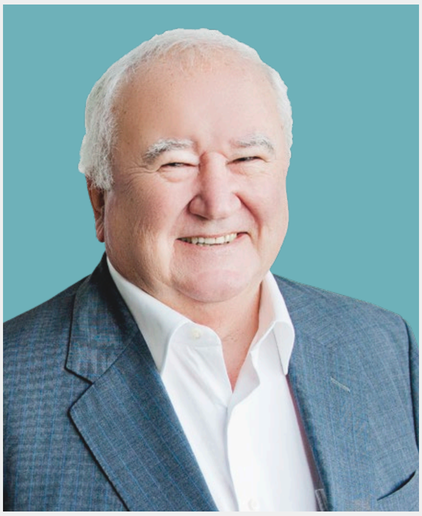
Continuing to execute a proven and disciplined acquisition strategy
Propel intends to continue to build on its strong history of making and integrating profitable acquisitions of private businesses, properties, infrastructure and related assets which operate within the death care industry in Australia 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



From left to right: Brian Scullin, Albin Kurti, Fraser Henderson, Naomi Edwards and Jonathan Trollip.

The Board comprises five 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 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 Investment & Financial Services Association), 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 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 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 Pinnacle Charity Foundation.

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.

FINANCIAL REPORT 2020

The Directors of Propel Funeral Partners Limited present the report, together with the consolidated financial report for the year ended 30 June 2020.

Directors' Report

for the year ended 30 June 2020

The directors of Propel Funeral Partners Limited (ACN 616 909 310) (referred to hereafter as 'Propel', the 'Company' or 'parent entity') present their report, together with the financial statements, of the consolidated entity (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 2020.

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

Background
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 130 properties (72 owned and 58 leased) across 7 states and territories of Australia and in New Zealand, including 31 cremation facilities and 9 cemeteries. The Group has appointed Propel Investments Pty Limited (ACN 117 536 357) ('Manager') to, among other things, identify investment opportunities and manage those investments on its behalf pursuant to a management agreement ('Management Agreement').

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

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

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

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

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

Dividends

	Amount per security	Franked amount per security %	Total $'000	Date of payment
Year ended 30 June 2020				
Interim dividend – 2020 financial year	4.0	100%	3,949	6 April 2020
Final dividend – 2019 financial year	5.8	100%	5,713	4 October 2019
Total			9,662	
Year ended 30 June 2019				
Interim dividend – 2019 financial year	5.7	100%	5,595	5 April 2019
Final dividend – 2018 financial year	6.4	100%	6,282	5 October 2018
Total			11,877	
Dividend not recognised at year end				
Final dividend – 2020 financial year	6.0	100%	5,924	1 October 2020

Dividends declared in connection with the year ended 30 June 2020 ('FY20') totalled 10.0 cents per share (FY19: 11.5 cents per share), fully franked, which represents approximately 85% of Distributable Earnings (NPAT adjusted for certain non-cash, one-off and non-recurring items). The financial effect of the final dividend declared after the reporting date is not reflected in the 30 June 2020 financial statements and will be recognised in the subsequent financial period.

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

Significant changes in the state of affairs

During FY20, the Group experienced the following significant changes in its state of affairs:

- adopted the new accounting standard, AASB 16 'Leases' ('AASB 16') on 1 July 2019, under the modified retrospective approach, and as such, has not restated the prior corresponding period ('prior year' or 'FY19'). As a result of the adoption of AASB 16, right-of-use assets of $39,120,000 and lease liabilities of $40,578,000 were recognised at 30 June 2020, the Group's Operating EBITDA increased by $3,967,000 and its net profit after tax decreased by $253,000, during the financial year. Refer to notes 2, 13 and 17 for further details;

- expanded its debt facilities on 2 August 2019, by entering into a 3 year, $40,000,000 senior debt facility and a $10,000,000 working capital facility with Westpac Banking Corporation ('Financier'), resulting in total debt facilities of $100,000,000. Refer below and to note 16 for further details;

- completed two acquisitions (refer to note 29 for further details), the consideration for which totalled $43,929,000 (excluding transaction costs and contingent consideration) as follows:
  - on 1 November 2019, the Group acquired the business, assets and certain freehold properties relating to Grahams Funeral Services Limited ('Grahams'), a provider of funeral directing services which operates from 4 locations in the North Island of New Zealand; and
  - on 7 November 2019, the Group acquired 100% of the issued share capital of Gregson & Weight Pty Ltd ('Gregson & Weight'), and certain freehold properties. Gregson & Weight provides funeral directing and cremation services and operates from 4 locations on the Sunshine Coast in Queensland;

- in November 2019, a Performance Fee of $4,077,000 was triggered and subsequently paid by the Company to the Manager pursuant to the Management Agreement. Refer to notes 25, 27 and 28 for further details;

- further expanded its debt facilities by $50,000,000 with the Financier on 5 December 2019, resulting in total debt facilities of $150,000,000. Refer to note 16 for further details;

- purchased three freehold properties, two of which were previously tenanted by the Group, the consideration for which totalled $5,560,000 (including stamp duty);

- operations were impacted by government imposed restrictions on funeral attendance in Australia and New Zealand in the final quarter of FY20 ('Q4 FY20') due to the COVID-19 pandemic. Despite challenging trading conditions during the final quarter, the Group's financial performance was resilient in FY20 (refer below for further details); and

- elected to prudently increase its liquidity position in light of the COVID-19 pandemic, with cash at bank of $53,904,000 as at 30 June 2020.

Financial and operating review

This financial and operating overview summarises the full year results for FY20, including the key impacts of the COVID-19 pandemic and results for the prior year, unless otherwise stated.

COVID-19 Responses

The Group's operations were impacted by government imposed restrictions on funeral attendance in Australia and New Zealand in Q4 FY20 due to the COVID-19 pandemic. In Australia, attendance at funeral services was generally limited to 10 mourners from late March 2020 to early May 2020. In early May 2020, funeral attendee limits in Australia increased to 30 mourners outdoor and 20 mourners indoor and increased to at least 50 mourners in most states in early June 2020, with further relaxation announced on 14 June 2020. In New Zealand, attendance at funeral services was prohibited from late March 2020 to late April 2020 and then increased to 50 mourners (both indoor and outdoor), before increasing to 100 mourners in late May 2020 and then no restrictions in early June 2020. Restrictions on gatherings and social distancing measures affected the Group's ability to offer a full range of services to its client families which impacted Average Revenue Per Funeral[1] in Q4 FY20 (refer below).

1 Revenue from funeral operations excluding direct disbursements and delivered prepaid funeral impacts divided by the number of funerals performed in the relevant period.

Propel's focus in Q4 FY20 was its commitment to the health and well-being of its staff, client families, the communities to whom it provides essential services and other stakeholders. The Company monitored and continues to monitor the impact of the COVID-19 pandemic on its teams, trading and suppliers, with the health and safety of its employees and client families front of mind. In Q4 FY20, the Group's COVID-19 responses included:

- communicating government guidelines and directives regarding funeral attendee limits and social distancing measures to staff and mourners;
- ensuring sufficient supply of personal protective equipment;
- reconfigured seating arrangements, increased cleaning of facilities and time between funeral services;
- cessation of catering after funeral services and non-essential travel;
- working from home where feasible;
- regular dialogue with team leaders and other staff, suppliers and industry associations, who communicated with governments and the wider funeral industry, to ensure essential service continuity;
- implemented measures to mitigate potential operating and financial impacts from COVID-19, such as:
  - providing client families with the option of streaming services at many of its locations and a memorial service at a later date;
  - ensuring government guidelines and directives were followed by staff and mourners;
  - operating expenditure reductions (refer below);
  - receiving government wage subsidies for eligible businesses;
  - deferring non-essential capital expenditure; and
  - prudently increasing its liquidity levels, with cash at bank of $53,904,000 as at 30 June 2020.

Further details on the financial impact of the COVID-19 pandemic in FY20 are set out in the relevant sections below.

Financial Summary

Given the material impact of AASB 16, the directors have elected to present certain financial information on a consistent accounting basis (i.e. excluding the impact of AASB 16) ('30 June 2020 Pro forma' or 'FY20 Pro forma') which is directly comparable to the prior year. The FY20 Pro forma is non-IFRS information and is unaudited.

In FY20, the Group reported:

- Revenue of $110,845,000, an increase of 16.5% on the prior year;
- Operating EBITDA of $32,420,000, an increase of 36.4% on the prior year; and
- Operating NPAT of $14,180,000, an increase of 6.5% on the prior year.

The FY20 Revenue and Operating EBITDA were both approximately 1.0% above the FY20 guidance issued by the Company to the ASX in June 2020 ('FY20 Guidance').

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

- Operating EBITDA of $28,453,000, an increase of 19.7% on the prior year; and
- Operating NPAT of $14,433,000, an increase of 8.4% on the prior year.

In summary, whilst AASB 16 has changed the statutory results of the Group, it had no cash impact and no impact on the Group's operations. In connection with AASB 16, the Group has recognised right-of-use assets of $39,120,000 and lease liabilities of $40,578,000 in the consolidated statement of financial position as at 30 June 2020. Occupancy and other lease expenses have been replaced with depreciation charges relating to the right-of-use assets and interest charges relating to the lease liabilities. This resulted in the Group's Operating EBITDA increasing by $3,967,000 and its net profit after tax decreasing by $253,000 in FY20. Refer to notes 2, 13 and 17 for further details.

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

	30 Jun 2020 Statutory $'000	*AASB 16 Adjustments[2] $'000*	30 Jun 2020 Pro forma $'000	30 Jun 2019 Statutory $'000
Total revenue	**110,845**		**110,845**	**95,125**
Gross profit	79,596		79,596	67,272
...margin	*71.8%*		*71.8%*	*70.7%*
Total operating costs	(47,177)	*(3,967)*	(51,143)	(43,511)
Operating EBITDA	**32,420**	***(3,967)***	**28,453**	**23,762**
...margin	*29.2%*		*25.7%*	*25.0%*
Depreciation	(8,826)	*3,178*	(5,648)	(4,140)
Operating EBIT	**23,594**	***(789)***	**22,805**	**19,621**
...margin	*21.3%*		*20.6%*	*20.6%*
Performance fee	(4,077)		(4,077)	-
Net other income/(expenses)	(385)		(385)	404
Acquisition costs	(1,615)		(1,615)	(1,556)
Net interest expense	(3,128)	*1,151*	(1,977)	(258)
Net financing charge on contract assets and contract liabilities	(527)		(527)	(644)
Net profit before tax	**13,862**	***362***	**14,223**	**17,568**
Income tax expense	(3,237)	*(109)*	(3,346)	(5,228)
Net profit after tax	**10,624**	***253***	**10,877**	**12,340**
Operating NPAT	*14,180*	*253*	*14,433*	*13,313*
Adjusted earnings per share (cps)[1]	*14.37*		*14.63*	*13.55*

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

2. AASB 16 adjustments exclude the impact of existing finance leases which were accounted for on the same basis as the prior year

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

	30 Jun 2020 Statutory $'000	30 Jun 2019 Statutory $'000
Net profit after income tax	10,624	12,340
Add: Acquisition costs	1,615	1,556
Add: Performance fee	4,077	-
Add: Net foreign exchange losses	22	17
Add: Other non-operating expenses	341	301
Add/(Less): Net loss/(gain) on disposal of assets	80	(20)
Less: Tax effect of certain Operating NPAT adjustments	(1,447)	(182)
Less: New Zealand deferred tax liability restatement	(1,132)	-
Less: Release of contingent consideration from prior acquisitions	-	(699)
Operating NPAT	**14,180**	**13,313**

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

	30 Jun 2020 Statutory $'000	*AASB 16 Adjustments $'000*	30 Jun 2020 Pro forma $'000	30 Jun 2019 Statutory $'000
Funeral operations	96,355		96,355	82,290
Cemetery, crematoria and memorial gardens	11,975		11,975	10,622
Other trading revenue	2,515		2,515	2,213
Total revenue	**110,845**		**110,845**	**95,125**
Cost of sales	(31,249)	-	(31,249)	(27,853)
Gross profit	**79,596**		**79,596**	**67,272**
Employment costs	(33,473)		(33,473)	(29,128)
Occupancy and facility costs	(5,972)	*(3,947)*	(9,919)	(8,200)
Administration fee	(205)		(205)	(243)
Other operating costs	(7,526)	*(19)*	(7,545)	(5,939)
Total operating costs	**(47,177)**	***(3,967)***	**(51,143)**	**(43,511)**
Operating EBITDA	**32,420**	***(3,967)***	**28,453**	**23,762**

Commentary on the results is provided on the following pages.

Revenue

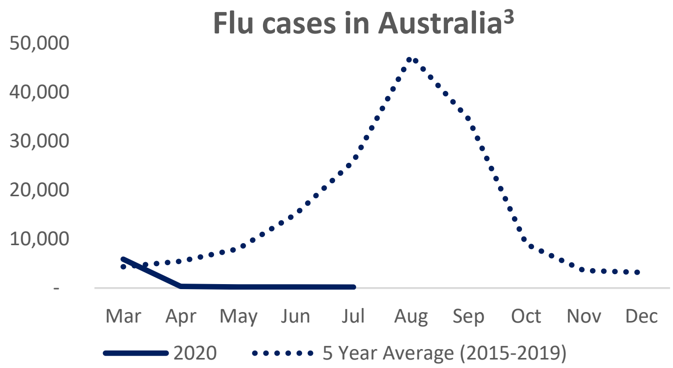
Revenue increased by 16.5% from $95,125,000 in FY19 to $110,845,000 in FY20, driven by:

- a 17.1% increase in revenue from funeral operations; and
- a 12.7% increase in revenue from cemetery, crematoria and memorial gardens.

The number of funerals increased by 17.6% from 11,304 in FY19 to 13,299 in FY20, primarily due to the Group completing the acquisition of two funeral businesses during the year and the full year impact of four funeral businesses acquired during FY19. As previously disclosed, in the 12 months ended 30 April 2020, the Group's comparable funeral volume growth was approximately 1.0% over the prior year.

However, in Q4, FY20:

- reported flu cases in Australia were more than 95%[2] below the prior 5 year average;
- there was only one reported flu death in Australia[2];
- there were 106 reported COVID-19 deaths in Australia and New Zealand[3]; and
- Propel's funeral volumes cycled a strong prior corresponding period ('PCP') and were below the Company's pre COVID-19 expectations (by approximately 350 funerals).



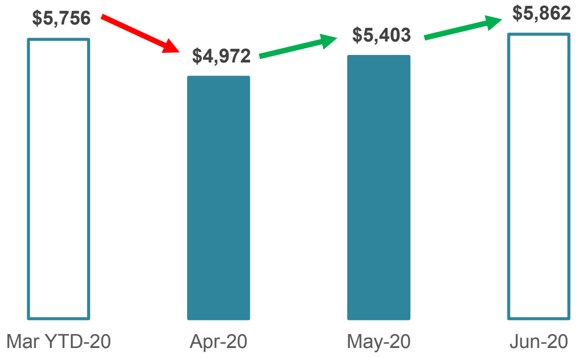
The above factors contributed to the Group's comparable funeral volume growth in FY20 ending approximately 2.2% below FY19.

Average Revenue Per Funeral increased by 1.6% from $5,585 in FY19 to $5,672 in FY20 and was influenced by the full year impact of four funeral business acquisitions completed during FY19, the part period impact of two funeral business acquisitions completed in FY20, sales mix, pricing and in Q4 FY20, an increase in lower value funerals because of funeral attendee limits due to the COVID-19 pandemic. The limits imposed affected the Group's ability to offer a full range of services to its client families, which negatively impacted the Group's Average Revenue Per Funeral in Q4 FY20.

2 Source: National Notifiable Diseases Surveillance System.

3 Source: World Health Organisation Coronavirus Disease (COVID-19) Dashboard.

The chart to the right illustrates the Group's Average Revenue Per Funeral for the nine months to 31 March 2020 as well as the impact of funeral attendee limits on Average Revenue Per Funeral in month of April 2020 and the subsequent recovery experienced in the months of May 2020 and June 2020, as funeral attendee limits were progressively eased.



In FY20, comparable Average Revenue Per Funeral increased by 2.1% on FY19. The increase was within with the Group's target annual growth range of 2.0% to 4.0% per annum, despite the negative impacts of the COVID-19 pandemic in Q4 FY20.

In FY20, the Group generated 62% of its revenue from regional areas, compared with 54% in FY19.

Gross profit margin
The gross profit margin increased from 70.7% to 71.8% in FY20, primarily due to the financial profile of acquisitions completed during FY19 and FY20 (which included cremation facilities) and funeral mix in Q4 FY20.

Operating costs and Operating EBITDA
Operating costs increased by $3,666,000 in FY20 (net of a $3,967,000 benefit in the reduction of occupancy and other lease expenses as a result of AASB 16). On a consistent accounting basis (i.e. excluding the impact of AASB 16), Pro forma operating costs increased by $7,632,000 which included the full year impact of acquisitions completed in FY19, the part year impact of acquisitions completed in FY20 and net of the benefit of government wage subsidies received which were recorded against employment costs (refer below).

During Q4 FY20, the Group reduced its operating costs and implemented other measures to mitigate potential financial impacts from the COVID-19 pandemic, such as:
- recognising government wage subsidies for eligible businesses, net of employment costs totalling $1,482,000[4];
- temporarily reducing staff costs, while maintaining headcount, including optimising staffing mix, rostering 8-9 day working fortnights and encouraging permanent staff to take leave;
- the Independent Directors and the Manager waiving 100% of their fees for the months of April and May 2020;
- negotiating rent reductions and accessing payroll tax waivers; and
- ceasing non-essential operating expenditure.

Operating EBITDA increased by 36.4% from $23,762,000 in FY19 to $32,420,000 in FY20, primarily due to:
- the impact of AASB 16;
- comparable Average Revenue Per Funeral growth;
- improved gross margin;
- the full year impact of acquisitions completed in FY19 and the part year impact of acquisitions completed in FY20; and
- effective cost control and the benefit of government wage subsidies.

On a consistent accounting basis (i.e. excluding the impact of AASB 16), the FY20 Pro forma Operating EBITDA of $28,453,000 was up 19.7% on FY19 and the FY20 Pro forma Operating EBITDA margin of 25.7% was 70 basis points higher than FY19.

Performance Fee
A Performance Fee of $4,077,000 ($2,854,000 after tax) (excluding GST) was triggered and paid to the Manager in connection with the 12 month period ended 16 November 2019 pursuant to the Management Agreement. During this period, the total shareholder return was 24.2%, outperforming the benchmark of 8.0% by 16.2%. The Performance Fee was triggered after recoupment of the prior underperformance amount carried forward from the first Calculation Period. The Performance Fee is excluded from Operating EBITDA, Operating NPAT and debt covenant ratios.

4 Relates to net impacts of government wage subsidies recognised during the financial year, i.e. JobKeeper and New Zealand wage subsidies. The JobKeeper payment scheme, in its current form, runs for the fortnights from 30 March 2020 until 27 September 2020. The New Zealand wage subsidy, recognised during the financial year, commenced in March 2020 and covered a 12 week period.

Depreciation and other income and expenses

Statutory depreciation increased from $4,140,000 to $8,826,000 in FY20. Approximately $3,178,000 of the increase related to depreciation charges in respect of AASB 16 and approximately $1,219,000 of the increase related to business and property acquisitions completed during FY19 and FY20.

Net other expenses of $385,000 largely related to the administration of the Group's pre-paid contracts and other non-operating expenses.

Acquisitions costs of $1,615,000 largely related to stamp duty.

Statutory interest expense increased from $571,000 to $3,276,000 in FY20 as a result of:
- the impact of AASB 16 totalling $1,151,000; and
- the Group trading in a net debt position in the period versus a net cash position for the majority of FY19.

Pre-paid contracts

Funds held in connection with pre-paid contracts are largely held with third party friendly societies who invest the funds in cash and fixed interest products (more than 90% of funds held) and other asset classes (less than 10% of funds held). In FY20, pre-paid contracts that turned at need in Australia accounted for approximately 9.0% of Propel's Australian funeral volumes (FY19: 10.0%). 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. The net financing charge is disclosed below Operating EBITDA.

Impairment

Following a review of the carrying value of assets, no impairment was deemed necessary in FY20 (FY19: Nil).

Income tax expense

Income tax expense was $3,237,000 (FY19: $5,228,000), representing an effective tax rate of 23.4% (FY19: 29.8%). The effective tax rate was impacted by:
- the restatement of the Group's deferred tax liability relating to a change in New Zealand tax legislation (as a result of the COVID-19 pandemic) of $1,132,000 in respect of depreciation on buildings (refer to note 8 for further details);
- the net financing charge on pre-paid contracts; and
- non-deductible acquisition expenses and non-assessable income items.

Excluding these items, the adjusted effective tax rate was 29.7% (FY19: 29.8%).

Cash flow highlights

The cash flows for the Group are presented below:

	30 Jun 2020 Statutory $'000	*AASB 16 Adjustments $'000*	30 Jun 2020 Pro forma $'000	30 Jun 2019 Statutory $'000
Receipts from customers (inc GST)	121,717		121,717	104,265
Payments to suppliers and employees (inc GST)	(87,799)	*(3,967)*	(91,765)	(81,115)
	33,918	***(3,967)***	**29,953**	**23,150**
Performance fee (inc GST)	(4,484)		(4,484)	-
Income taxes paid	(4,781)		(4,781)	(5,625)
Interest paid	(3,262)	*1,151*	(2,112)	(470)
Interest received	94		94	300
Net cash provided by operating activities	**21,485**	***(2,816)***	**18,669**	**17,355**
Payment for purchase of business, net of cash acquired	(45,656)		(45,656)	(28,756)
Payments for property, plant and equipment	(9,587)		(9,587)	(12,956)
Other investing cash flows	(1,425)		(1,425)	522
Net cash used by investing activities	**(56,668)**		**(56,668)**	**(41,190)**
Proceeds from borrowings	97,017		97,017	12,900
Dividends paid	(9,662)		(9,662)	(11,878)
Other financing cash flows	(3,465)	*2,816*	(649)	(263)
Net cash provided by financing activities	**83,890**	***2,816***	**86,705**	**759**
Net increase in cash during the year	48,707		48,707	(23,076)
Cash at the start of the year	5,289		5,289	28,259
Exchange rate effects	(92)		(92)	106
Cash at the end of the year	**53,904**		**53,904**	**5,289**

Statutory cash flows provided by operating activities increased by 23.8% to $21,485,000 during FY20. This was positively impacted by earnings growth, reclassifications relating to AASB 16 and positive movements in working capital, offset by the Performance Fee and higher interest paid during the financial year. Income tax paid was lower than the prior year, largely due to the deductibility of the Performance Fee.

Cash flow conversion was 103.4% in FY20, compared to 97.4% achieved in FY19 as shown in the table below:

	30 Jun 2020 Statutory $'000	*AASB 16 Adjustments $'000*	30 Jun 2020 Pro forma $'000	30 Jun 2019 Statutory $'000
Operating EBITDA	**32,420**	***(3,967)***	**28,453**	**23,762**
Net cash provided by operating activities	21,485	*(2,816)*	18,669	17,355
Add: interest paid	3,262	*(1,151)*	2,112	470
Add: income tax paid	4,781		4,781	5,625
Add: Performance Fee	4,077		4,077	-
Less: interest received	(94)		(94)	(300)
Ungeared, tax free, operating cash flow[1]	**33,511**	***(3,967)***	**29,545**	**23,149**
Cash flow conversion	**103.4%**		**103.8%**	**97.4%**

1. Excluding the Performance Fee

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

	30 Jun 2020 Statutory $'000	30 Jun 2019 Statutory $'000
Property refurbishments and plant and equipment	3,250	2,662
Motor vehicles	742	788
Other assets	63	175
Total capital expenditure	**4,055**	**3,625**

During FY20, Propel incurred capital expenditure of $4,055,000 which included:
- $3,250,000 relating to a number of refurbishments to freehold and leasehold sites;
- purchasing motor vehicles totalling $742,000; and
- upgrades to sound systems, IT equipment, mortuary equipment and other plant and equipment.

In FY20, maintenance capital expenditure amounted to 3.1% of revenue (FY19: 3.2%).

Some capital expenditure earmarked for Q4 FY20 was deferred as one of the measures introduced to mitigate the potential financial impacts of the COVID-19 pandemic. It is expected that the deferred capital expenditure will be incurred during subsequent financial periods.

Capital Management

In March 2020, the Group elected to prudently increase its liquidity levels in light of the COVID-19 pandemic, drawing on a further $44,000,000 of its senior debt facilities. As at 30 June 2020, the Group had drawn down $109,823,000 of its $150,000,000 senior debt facilities, compared to $12,900,000 as at 30 June 2019. As at 30 June 2020, the Group reported cash and cash equivalents ('Cash') of $53,904,000 and net debt[5] of $55,919,000. The Group has binding cash commitments to acquire the Dils Group and Mid West Funerals (which will require approximately $21,535,000 of cash on completion) and to fund the FY20 final dividend (of $5,924,000). The Group is well funded to continue its acquisition led growth strategy with approximately $66,621,000 of available funding capacity.

Financial covenant ratios on the senior debt facilities include a net leverage ratio which must be no greater than 3.0x[6] and a fixed charge cover ratio which must be greater than 1.75x. Both covenant ratios were comfortably satisfied as at 30 June 2020, being 1.7x (31 December 2019: 1.9x) and 5.5x (31 December 2019: 6.8x) respectively.

5 Drawn senior debt less cash and cash equivalents.

6 Including the annualised impact of acquisitions and other adjustments. Covenant of 3.0x until Propel notifies the Financier of an election given in connection with a permitted acquisition to increase the covenant to 3.5x which will endure for two consecutive testing dates, following which, the covenant will reduce to 3.25x. The Company's $10 million working capital facility is excluded from the net leverage ratio calculation.

Matters subsequent to the end of the financial year

In respect of COVID-19, post balance date:

- current restrictions in Victoria and Auckland limit funeral attendance to 10 mourners, with Average Revenue Per Funeral impacts expected to be temporary; and
- the Australian and New Zealand governments have announced extensions to wage subsidy schemes. The Group intends to monitor the eligibility of its businesses in respect of those schemes in due course.

In August 2020, the Group executed a conditional sale agreement to acquire the business, assets and freehold property of Mid West Funerals in Geraldton, in Western Australia, for $1,050,000. Mid West Funerals performs approximately 120 funerals and generates approximately $700,000 of revenue, per annum.

On 25 August 2020, the directors declared a fully franked final dividend in connection with FY20 of 6.0 cents per ordinary share. When combined with the fully franked interim dividend of 4.0 cents per share, total dividends were 10.0 cents per share (FY19: 11.5 cents per share), fully franked, which represents approximately 85% of Distributable Earnings (NPAT adjusted for certain non-cash, one-off and non-recurring items) for FY20.

Apart from the events disclosed above, no other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect, the Group's operations, the results of those operations or the Group's state of affairs in future financial years.

Likely developments and expected results of operations

In the month of July 2020:

- resilience in operating earnings continued;
- Average Revenue Per Funeral continued to improve, with growth over the PCP within the Company's target range of 2-4%; and
- the Group performed approximately 1,200 funerals, in line with the PCP but below the Company's expectations (potential deferral of death volumes into future periods).

Expected growth drivers for the year ending 30 June 2021 and beyond include:

- the growing and ageing population;
- its strong funding position; and
- acquisitions completed in FY20, the proposed acquisitions of the Dils Group and Mid West Funerals (expected to be completed by 31 December 2020) and other potential future acquisitions in a fragmented industry (although timing is uncertain).

COVID-19 related disruptions and uncertainties are expected to continue:

- as at the date of this report, restrictions in Victoria and Auckland limit funeral attendance to 10 mourners, with Average Revenue Per Funeral impacts expected to be temporary;
- Propel's diversification in providing essential funeral and related services across seven states and territories of Australia and in New Zealand, including regional and metropolitan markets, has delivered considerable resilience in earnings and operating cash flows in recent months; and
- with a strong funding position, no near term debt maturities, the support of our dedicated staff and the understanding of client families, Propel is well placed to navigate COVID-19 related disruptions and uncertainties.

Environmental regulation

The Group's operations are subject to environmental regulation under the laws in the jurisdictions in which it operates. The directors are not of aware of any environmental issues or claims which have had, or are likely to have, a material impact on the Group's business.

Information on directors

Name:	Brian 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 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 Finance Services. He has held many industry positions including Vice Chair of the Financial Services Council (then known as the Investment & Financial Services Association), 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:	Chair of the Board Member of Audit and Risk Committee
Interests in shares:	388,652 ordinary shares held indirectly

Name:	Naomi 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 organisation. 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 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 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 Pinnacle Charity Foundation.
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 (ASX, AIM and JSE listed).
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:	9,950,000 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 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 listed directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships of listed entities (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 Company's Board of Directors ('the Board') held during the year ended 30 June 2020, and the number of meetings attended by each director were:

	Board		Audit and Risk Committee	
	Attended	Held	Attended	Held
Brian Scullin	12	14	5	6
Naomi Edwards	14	14	6	6
Jonathan Trollip	13	14	5	6
Albin Kurti	14	14	-	-
Fraser Henderson	14	14	-	-

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 ('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 underperformance 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 $303.7 million, an annualised total shareholder return of approximately 10% in the third Calculation Period, the Performance Fee payable to the Manager would be approximately $1.2 million (excluding GST), in the third 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 the 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. To date, 100% of the Performance Fee paid to the Manager has been in cash.

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. In respect of the year ended 30 June 2020, the fees payable to the current non-executive directors were $161,333 (FY19: $180,000) in aggregate. The annual directors' fees agreed to be paid in the year ended 30 June 2020 to the Chairman was $81,600 (FY19: $80,000) (inclusive of superannuation), to the Chair of the Audit and Risk Committee was $61,000 (FY19: $50,000) (inclusive of superannuation) and to the other non-executive director was $51,000 (FY19: $50,000) (inclusive of superannuation). However, to minimise the potential financial impacts of the COVID-19 pandemic in Q4 FY20, the non-executive directors elected to waive the fees payable to them for the months of April 2020 and May 2020, which resulted in each of the non-executive directors being paid ten-twelfths of their respective annual fees in the year ended 30 June 2020.

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. No fees of this nature were paid in the year ended 30 June 2020.

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

Directors' remuneration in FY20 and FY19 are set out below:

2020	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	62,100	-	-	5,900	-	-	68,000
Naomi Edwards	46,423	-	-	4,410	-	-	50,833
Jonathan Trollip	38,813	-	-	3,687	-	-	42,500
	147,336	-	-	13,997	-	-	161,333

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

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

Director related entities remuneration
Albin Kurti and Fraser Henderson (both directors 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 $205,408 (FY19: $243,000) (exclusive of GST) in the year ending 30 June 2020 which reflects the Manager's election to waive 100% of the Administration Fee for the months of April 2020 and May 2020 to minimise the potential financial impacts of the COVID-19 pandemic in Q4 FY20. As at 30 June 2020, there were no outstanding Administration Fees payable to the Manager.

A Performance Fee of $4,077,000 ($2,854,000 after tax) (excluding GST) was triggered and paid to the Manager in connection with the 12 month period ended 16 November 2019 pursuant to the Management Agreement. During this period, the total shareholder return was 24.2%, outperforming the benchmark of 8.0% by 16.2%. The Performance Fee was triggered after recoupment of the prior underperformance amount carried forward from the first Calculation Period.

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 FY20 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	9,899,211	-	50,789	-	9,950,000
Fraser Henderson	6,999,612	-	-	-	6,999,612
	17,701,848	-	50,789	-	17,752,637

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 options 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 FY20 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 FY20, 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 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 FY20 by the auditor are outlined in note 24 to the financial statements.

Directors' Report

for the year ended 30 June 2020

The directors are satisfied that the provision of non-audit services during FY20 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 (including Independence Standards) 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.

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	Albin Kurti
Chairman	Managing Director

25 August 2020

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 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

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

Yours sincerely

Nexia

Nexia Sydney Audit Pty Ltd

Lester Wills
Director

Date: 25 August 2020

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Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2020

	Note	Consolidated 2020 $'000	Consolidated 2019 $'000
Revenue	5	110,845	95,125
Expenses			
Cost of sales and goods		(31,249)	(27,853)
Employee costs	6	(33,603)	(29,275)
Occupancy and facility expenses		(6,002)	(8,230)
Advertising expenses		(2,540)	(2,274)
Motor vehicle expenses		(1,524)	(1,377)
Other expenses		(3,848)	(2,681)
		32,079	23,435
Acquisition costs	6	(1,615)	(1,556)
Performance fee	6	(4,077)	-
Net (loss)/gain on disposal of assets		(80)	20
Other income		57	727
Depreciation expense	6	(8,826)	(4,140)
Interest income		148	314
Interest expense	6	(3,276)	(571)
Net financing charge on contract assets and contract liabilities	7	(527)	(644)
Net foreign exchange losses		(22)	(17)
Profit before income tax expense		13,861	17,568
Income tax expense	8	(3,237)	(5,228)
Profit after income tax expense for the year attributable to the shareholders of Propel Funeral Partners Limited		10,624	12,340
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		(817)	1,366
Changes in the fair value of cash flow hedges, net of tax		(283)	-
Other comprehensive income for the year, net of tax		(1,100)	1,366
Total comprehensive income for the year attributable to the shareholders of Propel Funeral Partners Limited		9,524	13,706
		Cents	**Cents**
Basic earnings per share	34	10.77	12.56
Diluted earnings per share	34	10.77	12.56

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 2020

	Note	Consolidated 2020 $'000	Consolidated 2019 $'000
Assets			
Current assets			
Cash and cash equivalents	9	53,904	5,289
Customer deposits		544	556
Contract assets	7	47,495	47,901
Trade and other receivables	10	4,562	5,406
Inventories	11	4,233	3,665
Prepayments		745	963
Total current assets		111,483	63,780
Non-current assets			
Property, plant and equipment	12	129,318	97,943
Right-of-use assets	13	39,120	-
Goodwill	14	123,230	106,437
Deferred tax	8	3,607	2,717
Other assets		171	153
Total non-current assets		295,446	207,250
Total assets		406,929	271,030
Liabilities			
Current liabilities			
Trade and other payables	15	6,092	6,667
Borrowings	16	4,145	238
Income tax		233	1,265
Lease liabilities	17	6,136	-
Provisions	18	5,164	4,921
Contract liabilities	7	52,419	53,765
Other liabilities		-	14
Total current liabilities		74,189	66,870
Non-current liabilities			
Borrowings	16	106,009	13,226
Derivative financial instruments	19	405	-
Lease liabilities	17	34,442	-
Deferred tax liabilities	8	8,069	6,990
Provisions	18	1,662	1,167
Other liabilities		212	301
Total non-current liabilities		150,799	21,684
Total liabilities		224,988	88,554
Net assets		181,941	182,476
Equity			
Issued capital	20	200,903	200,363
Reserves		(32)	1,068
Accumulated losses		(18,930)	(18,955)
Total equity		181,941	182,476

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 2020

Consolidated	Issued capital $'000	Foreign currency translation reserve $'000	Hedging 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 20)	801	-	-	-	801
Dividends paid (note 21)	-	-	-	(11,878)	(11,878)
Balance at 30 June 2019	200,363	1,068	-	(18,955)	182,476

Consolidated	Issued capital $'000	Foreign currency translation reserve $'000	Hedging reserve $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2019	200,363	1,068	-	(18,955)	182,476
Adjustment for change in accounting policy (AASB 16) (note 2)	-	-	-	(937)	(937)
Balance at 1 July 2019 - restated	200,363	1,068	-	(19,892)	181,539
Profit after income tax expense for the year	-	-	-	10,624	10,624
Other comprehensive income for the year, net of tax	-	(817)	(283)	-	(1,100)
Total comprehensive income for the year	-	(817)	(283)	10,624	9,524
Transactions with shareholders in their capacity as shareholders:					
Contributions of equity, net of transaction costs (note 20)	540	-	-	-	540
Dividends paid (note 21)	-	-	-	(9,662)	(9,662)
Balance at 30 June 2020	200,903	251	(283)	(18,930)	181,941

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 2020

	Note	Consolidated 2020 $'000	Consolidated 2019 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		121,717	104,265
Payments to suppliers and employees (inclusive of GST)		(87,799)	(81,115)
		33,918	23,150
Performance fee paid (inclusive of GST)		(4,484)	-
Interest received		94	300
Interest and other finance costs paid - borrowings		(2,095)	(470)
Interest paid - leases (AASB 16)		(1,167)	-
Income taxes paid		(4,781)	(5,625)
Net cash from operating activities	32	21,485	17,355
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired	29	(45,656)	(28,756)
Payments for property, plant and equipment		(9,646)	(12,956)
Net movements in contract assets and contract liabilities		(1,425)	21
Proceeds from disposal of property, plant and equipment		59	501
Net cash used in investing activities		(56,668)	(41,190)
Cash flows from financing activities			
Share issue transaction costs		(371)	(147)
Net proceeds of borrowings	33	97,017	12,900
Net repayment of hire purchases	33	(107)	(116)
Repayment of lease liabilities		(2,987)	-
Dividends paid	21	(9,662)	(11,878)
Net cash from financing activities		83,890	759
Net increase/(decrease) in cash and cash equivalents		48,707	(23,076)
Cash and cash equivalents at the beginning of the financial year		5,289	28,259
Effects of exchange rate changes on cash and cash equivalents		(92)	106
Cash and cash equivalents at the end of the financial year	9	53,904	5,289

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 2020

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 2020. The financial statements are presented in Australian dollars, which is the Company's functional and presentation currency.

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

Level 18.03
135 King Street
Sydney NSW 2000

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 25 August 2020. 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.

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

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

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

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

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

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

Note 2. Significant accounting policies (continued)

Impact of adoption

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

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

	$'000
AASB 117	
Operating lease commitments as at 30 June 2019	25,478

	1 July 2019 $'000
AASB 16	
Operating lease commitments discounted using the lessees' incremental borrowing rate	19,592
Less: short-term leases not recognised as a right-of-use asset	(2)
Less: low-value assets leases not recognised as a right-of-use asset	(19)
Add: adjustments as a result of different treatment of extension options	10,063
Add: adjustments as a result of different treatment of purchase options	8,391
Lease liabilities recognised as at 1 July 2019	38,025
Lease liabilities - current	2,761
Lease liabilities - non-current	35,264
Total lease liabilities	38,025
Land and buildings	35,794
Plant and equipment	837
Motor vehicles	25
Right-of-use assets	36,656

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

	Increase/ Decrease	Amount $'000
Property, plant and equipment	Decrease	63
Right-of-use assets	Increase	36,656
Net deferred tax assets	Increase	417
Lease liabilities	Increase	38,025
Other liabilities	Decrease	78
Accumulated losses net impact	Increase	937

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

Right-of-use assets

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

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

Note 2. Significant accounting policies (continued)

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

Lease liabilities
Lease liabilities are recognised at the commencement date of a lease. The lease liabilities are initially recognised at the present value of the lease payments to be made over the term of the leases, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate of 2.91% as at 1 July 2019. Lease payments comprise of fixed payments less any lease incentives, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option (when the exercise of the option is reasonably certain to occur), and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred. Variable lease payments include rent concessions in the form of rent forgiveness or a waiver as a direct consequence of the COVID-19 pandemic and which relate to payments originally due on or before 30 June 2021.

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

Incremental borrowing rate
Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the Group estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

Practical expedients applied
In adopting AASB 16, the Group has used the following practical expedients permitted by the standard:
- applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
- accounted for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases;
- excluded initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

AASB 2020-4 Amendment to Australian Accounting Standards - COVID-19 Related Rent Concessions
The amendment provides a practical expedient for lessees to account for COVID-19 related rent concessions and allows an entity not to assess rent concessions as a lease modification. As a result, to the extent that lease concessions represent a forgiveness or waiver of lease payments, such concessions are treated as variable lease payments recognised in profit or loss. To the extent that the lease concession represents a delay in lease repayments, the lease liability is not extinguished. The Group has applied the practical expedient to rent concessions that meet the above-mentioned criteria. The impact of COVID-19 rent concessions to the Group is not material and is detailed in note 6.

Interpretation 23 Uncertainty over Income Tax
The Group has adopted Interpretation 23 from 1 July 2019. The interpretation clarifies how to apply the recognition and measurement requirements of AASB 112 ‘Income Taxes’ in circumstances where uncertain tax treatments exists. The interpretation requires: the Group to determine whether each uncertain tax treatment should be treated separately or together, based on which approach better predicts the resolution of the uncertainty; the Group to consider whether it is probable that a taxation authority will accept an uncertain tax treatment; and if the Group concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, it shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates, measuring the tax uncertainty based on either the most likely amount or the expected value. In making the assessment, it is assumed that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations. The application of the Interpretation 23 is not expected to have a material impact on the Group’s financial statements.

Note 2. Significant accounting policies (continued)

Basis of preparation
These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the AASB and the Corporations Act 2001, 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').

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 and derivative financial instruments.

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.

Reclassifications and restatements of comparatives
Where applicable, the comparative information has been reclassed or restated to be consistent with the current financial year's presentation.

Non-IFRS information
The notes to the financial statements include certain financial measures which are not prescribed by the AASBs, namely the reference to Operating EBITDA in note 4. Operating EBITDA is used to report the operating segments given the directors assess this to be one of the core earnings measures for the Group. This measure has not been subject to specific audit. However, it has been extracted from the information disclosed in the audited financial statements.

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 35.

Principles of consolidation
The financial statements incorporate the assets and liabilities of all subsidiaries of Propel as at 30 June 2020 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.

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.

Note 2. Significant accounting policies (continued)

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.

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 7 for further explanation.

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

Interest income
Interest income is recognised in the statement of profit or loss over the relevant period using the effective interest method.

Government grants
Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants are recognised in profit or loss over the period necessary to match with the costs that they are intended to compensate. The Group received government grants relating to COVID-19 wage subsidies in Australia and New Zealand during the year. The grants are netted off against employee costs in the statement of profit or loss and are detailed in note 6.

Note 2. Significant accounting policies (continued)

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.

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.

COVID-19 Response (Taxation and Social Assistance Urgent Measures) Act (‘COVID-19 Response Act’)

The COVID-19 Response Act was enacted by the New Zealand government on 25 March 2020 and introduced taxation and social assistance amendments in response to the economic impacts of the COVID-19 pandemic. The act allows an entity to reinstate tax depreciation deductions in relation to non-residential buildings. AASB 112 ‘Income Taxes’ requires deferred tax to be accounted for based on tax legislation enacted by the end of the relevant financial reporting period. As such, the Group has restated its deferred tax liability in relation to the buildings it owns in New Zealand, to reflect an increase in the future tax deductions that are now available. The corresponding adjustment was recognised to income tax expense in the statement of profit or loss. Refer to note 8 for further details.

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.

Note 2. Significant accounting policies (continued)

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 contract 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.

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.

Derivative financial instruments
The Group uses derivative financial instruments, i.e. interest rate swaps, to manage its risk in respect of the variability in cash flows associated with its borrowings. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Note 2. Significant accounting policies (continued)

At inception of the hedge relationship, the Group documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

Derivatives are classified as current or non-current depending on the expected period of realisation. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months. It is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

Cash flow hedges
Cash flow hedges are used to cover the Group's exposure to variability in cash flows that is attributable to particular risks associated with a recognised asset or liability or a firm commitment which could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income through the cash flow hedges reserve in equity, whilst the ineffective portion is recognised in profit or loss. Amounts taken to equity are transferred out of equity and included in the measurement of the hedged transaction when the forecast transaction occurs.

Cash flow hedges are tested for effectiveness on a regular basis both retrospectively and prospectively to ensure that each hedge is highly effective and continues to be designated as a cash flow hedge. If the forecast transaction is no longer expected to occur, the amounts recognised in equity are transferred to profit or loss.

If the hedging instrument is sold, terminated, expires, exercised without replacement or rollover, or if the hedge becomes ineffective and is no longer a designated hedge, the amounts previously recognised in equity remain in equity until the forecast transaction occurs.

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 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.

Goodwill is allocated to Cash-Generating Units ('CGUs') for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being at the regional levels. Refer to note 14 for further details.

Note 2. Significant accounting policies (continued)

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 CGU to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a CGU.

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.

Borrowings are classified as current liabilities when the Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

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. AASB 107 'Statement of Cash Flows' does not specify how to classify cash flows from interest paid as operating or financing cash flows. The Group has chosen to present interest paid on borrowings and leases as operating cash flows in the statement of cash flows.

Provisions

Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

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.

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.

Note 2. Significant accounting policies (continued)

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.

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.

Note 2. Significant accounting policies (continued)

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.

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 2020. 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.

Conceptual Framework for Financial Reporting (Conceptual Framework)
The revised Conceptual Framework is applicable to annual reporting periods beginning on or after 1 January 2020 and early adoption is permitted. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards. Where the Group has relied on the existing framework in determining its accounting policies for transactions, events or conditions that are not otherwise dealt with under the Australian Accounting Standards, the Group may need to review such policies under the revised framework. At this time, the application of the Conceptual Framework is not expected to have a material impact on the Group's financial statements.

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.

Allowance for expected credit losses
The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each ageing group. These assumptions include historical collection rates, the potential financial impacts of the COVID-19 pandemic and forward-looking information that is available. The allowance for expected credit losses, as disclosed in note 10, is calculated based on the information available at the time of preparation. The actual credit losses in future years may be higher or lower.

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.

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 CGUs 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, budgeted cash flows (adjusted for the estimated potential financial impacts of the COVID-19 pandemic) 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. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital, budgeted cash flows (adjusted for the estimated potential financial impacts of the COVID-19 pandemic) and growth rates of the estimated future cash flows.

Investment income on contracts assets
Funds held in connection with pre-paid contracts are largely held with third party friendly societies who invest the funds in cash and fixed interest products (more than 90% of funds held) and other asset classes (less than 10% of funds held). Investment income on contract assets in relation to pre-paid contracts is calculated using an estimated rate which is based on past performance of the investments, having regard to interest rates during the reporting period.

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

Significant financing on contract liabilities
The Group recognises contract liabilities in relation to pre-paid funerals and other products and services where the customer pays for those products and services in advance. As the period between when the customer pays for that good or service and when the Group transfers the goods or service to a customer usually exceeds one year, it is determined there is a significant financing component for the pre-paid contracts in accordance with AASB 15 'Revenue from Contracts with Customers'. The Group discounts the nominal amount of the promised consideration to the price that the customer would pay in cash for the goods or services when (or as) they transfer to the customer, also considering the credit characteristics of the third party friendly societies where the funds are largely held.

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's incremental borrowing rate.

Lease term
The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the Group's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The Group reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

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

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

Note 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'), which includes two reportable segments, being Australian and New Zealand operations. The CODM are responsible for the allocation of resources to operating segments and assessing their performance. The CODM considers Operating EBITDA to be one of the core earnings measures of the Group.

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

Note 4. Operating segments (continued)

Intersegment receivables, payables and loans
Intersegment loans are initially recognised at the consideration received. Intersegment loans are eliminated on consolidation.

Operating segment information

Consolidated - 2020	Australian operations $'000	New Zealand operations $'000	Total $'000
Revenue			
Sales to external customers	91,696	18,936	110,632
Other revenue (excluding interest)	212	1	213
Total revenue	91,908	18,937	110,845
Operating EBITDA	27,693	4,727	32,420
Acquisition costs	(1,591)	(24)	(1,615)
Performance fee	(4,077)	-	(4,077)
Net loss on disposal of assets	(49)	(31)	(80)
Net other (expenses)/income	(291)	7	(284)
Depreciation and amortisation	(7,500)	(1,326)	(8,826)
Interest income *	899	51	950
Finance costs *	(2,326)	(1,752)	(4,078)
Net financing charge on contracts assets and contract liabilities	(527)	-	(527)
Net foreign exchange loss	(18)	(4)	(22)
Profit before income tax expense	12,213	1,648	13,861
Income tax expense			(3,237)
Profit after income tax expense			10,624
Assets			
Segment assets	380,843	43,194	424,037
Intersegment eliminations			(17,108)
Total assets			406,929
Liabilities			
Segment liabilities	217,072	25,024	242,096
Intersegment eliminations			(17,108)
Total liabilities			224,988

* Includes $802,000 interest charged on intercompany loan from the Australian operations to the New Zealand operations.

Note 4. Operating segments (continued)

Consolidated - 2019	Australian operations $'000	New Zealand operations $'000	Total $'000
Revenue			
Sales to external customers	78,616	16,383	94,999
Other revenue (excluding interest)	79	47	126
Total revenue	78,695	16,430	95,125
Operating EBITDA *	20,696	3,066	23,762
Acquisition costs	(1,493)	(63)	(1,556)
Net gain on disposal of assets	3	17	20
Net other (expenses)/income	(118)	518	400
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	15,573	1,995	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

* AASB 16 was adopted on 1 July 2019 using the modified retrospective transition approach. As such, the comparatives have not been restated and therefore are not directly comparable to the segment results in the current financial year.

** Includes $780,000 interest charged on intercompany loan from the Australian operations to the New Zealand operations.

Geographical information

	Geographical non-current assets	
	2020 $'000	2019 $'000
Australia	256,617	189,407
New Zealand	52,330	31,438
Intersegment eliminations	(17,108)	(16,312)
	291,839	204,533

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

Note 5. Revenue

	Consolidated 2020 $'000	Consolidated 2019 $'000
Revenue from contracts with customers	110,632	94,999
Other revenue		
Rent	213	126
Revenue	110,845	95,125

Disaggregation of revenue

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

	Consolidated 2020 $'000	Consolidated 2019 $'000
Funeral operations	96,355	82,290
Cemetery, crematoria and memorial gardens	11,975	10,622
Other trading revenue	2,302	2,087
	110,632	94,999

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 6. Expenses

	Consolidated 2020 $'000	Consolidated 2019 $'000
Profit before income tax includes the following specific expenses:		
Depreciation		
Buildings	1,564	1,081
Improvements	422	339
Plant and equipment	1,996	1,454
Motor vehicles	1,586	1,266
Total depreciation - property, plant and equipment	5,568	4,140
Building right-of-use assets	2,874	-
Plant and equipment right-of-use assets	365	-
Motor vehicles right-of-use assets	19	-
Total depreciation - right-of-use assets (AASB 16)	3,258	-
Total depreciation	8,826	4,140
Other non-operating expenses		
Acquisition costs	1,615	1,556
Performance fee *	4,077	-
Total other non-operating expenses	5,692	1,556
Interest expense		
Interest and finance charges paid/payable on borrowings	2,109	571
Interest and finance charges paid/payable on lease liabilities (AASB 16)	1,167	-
Total interest expense	3,276	571
Lease expense		
Minimum lease payments	-	3,598
Variable lease payments including COVID-19 related rent concessions	(43)	-
Short-term lease payments	8	-
Low-value assets lease payments	19	-
Total lease expense	(16)	3,598
Employee costs		
Employee costs excluding government subsidies and superannuation expense	33,274	27,517
Australia government wage subsidies (Jobkeeper) **	(1,180)	-
New Zealand government wage subsidies **	(525)	-
Payroll tax waivers	(91)	-
Defined contribution superannuation expense	2,125	1,758
Total employee costs	33,603	29,275

* Refer to notes 25, 27 and 28 for further disclosures.

Note 6. Expenses (continued)

** During the financial year and related to the COVID-19 pandemic, certain entities within the Group received JobKeeper support payments from the Australian government and wage subsidies from the New Zealand government. The JobKeeper payment scheme, in its current form, runs for the fortnights from 30 March 2020 until 27 September 2020. The relevant entities are eligible for JobKeeper support from the Australian government on the condition that employee benefits continue to be paid. The New Zealand wage subsidy, recognised during the financial year, commenced in March 2020 and covered a 12 week period. These subsidies were passed on to the eligible employees and have been recognised in the financial statements net of employment costs over the relevant periods. The net impact (gross amount less top up payments to casual employees) recognised in the statement of profit or loss during the financial year was $957,000 (FY19: Nil) in respect of JobKeeper and $525,000 (FY19: Nil) in respect of New Zealand wage subsidies.

Note 7. Contract assets and liabilities

	Consolidated	
	2020	2019
	$'000	$'000
Contract assets		
– pre-paid contracts	47,495	47,901
Contract liabilities		
– pre-paid contracts	51,031	51,883
– monument works	1,388	1,882
	52,419	53,765

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

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

	Consolidated	
	2020	2019
	$'000	$'000
Profit or loss impact of undelivered contract assets and contract liabilities - pre-paid contracts		
Investment income on contracts assets	512	793
Finance charge on contracts liabilities	(1,039)	(1,437)
Net financing charge on contract assets and contract liabilities - pre-paid contracts	(527)	(644)

Note 7. Contract assets and liabilities (continued)

	Consolidated 2020 $'000	Consolidated 2019 $'000
Movements in contract assets - pre-paid contracts		
Opening balance	47,901	45,640
Sales of new contract assets	2,817	2,932
Redemption of contract assets following service delivery	(5,147)	(5,068)
Increase due to business combinations (note 29)	83	3,444
Increase due to business combinations - prior year	1,329	160
Increase due to investments returns	512	793
Closing balance	47,495	47,901
Contract assets expected to be realised within one year	4,888	4,705
Contract assets expected to be realised after one year	42,607	43,196
Total contract assets - pre-paid contracts	47,495	47,901
Movements in contract liabilities - pre-paid contracts		
Opening balance	51,883	48,764
Sales of new contract liabilities	2,817	2,932
Decrease following delivery of services	(5,523)	(5,137)
Increase due to business combinations (note 29)	236	3,727
Increase due to business combinations - prior year	579	160
Increase due to finance charge applied in accordance with AASB 15	1,039	1,437
Closing balance	51,031	51,883
Contract liabilities expected to be realised within one year	5,087	5,107
Contract liabilities expected to be realised after one year	45,944	46,776
Total contract liabilities - pre-paid contracts	51,031	51,883

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

The 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 8. Income tax

	Consolidated 2020 $'000	Consolidated 2019 $'000
Income tax expense		
Current tax	4,400	5,356
Deferred tax - origination and reversal of temporary differences	(31)	(128)
New Zealand deferred tax restatement *	(1,132)	-
Aggregate income tax expense	3,237	5,228
Deferred tax included in income tax expense comprises:		
Increase in deferred tax assets	(278)	(30)
Increase/(decrease) in deferred tax liabilities	247	(98)
Deferred tax - origination and reversal of temporary differences	(31)	(128)
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense	13,861	17,568
Tax at the statutory tax rate of 30%	4,158	5,270
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Net financing charge on contract assets and liabilities	56	106
Entertainment expenses	31	31
Acquisition costs	393	306
Release of contingent consideration	-	(200)
Other non-allowable/(non-assessable) items	13	(14)
	4,651	5,499
Difference in overseas tax rates	(49)	(38)
Deferred tax adjustment for contingent consideration payments	(233)	(233)
New Zealand deferred tax restatement *	(1,132)	-
Income tax expense	3,237	5,228

Note 8. Income tax (continued)

	Consolidated 2020 $'000	Consolidated 2019 $'000
Deferred tax asset		
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Allowance for expected credit losses	316	128
Employee benefits	1,615	1,357
Accrued expenses	44	30
Finance facility establishment costs	112	112
Deductible contingent consideration payments	326	186
Net lease liability recognised (AASB 16)	507	-
Prepayments	(3)	47
	2,917	1,860
Amounts recognised in equity:		
Transaction costs on share issue	569	857
Derivative financial instruments	121	-
	690	857
Deferred tax asset	3,607	2,717
Movements:		
Opening balance	2,717	2,471
Credited to profit or loss	278	30
Credited to equity	121	-
Additions through business combinations (note 29)	154	222
Other adjustments	(80)	(6)
AASB 16 adjustment on adoption (note 2)	417	-
Closing balance	3,607	2,717

	Consolidated 2020 $'000	Consolidated 2019 $'000
Deferred tax liability		
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Property, plant and equipment	8,069	6,990
Deferred tax liability	8,069	6,990
Movements:		
Opening balance	6,990	5,580
Charged/(credited) to profit or loss	247	(98)
Additions through business combinations (note 29)	2,053	1,619
Other adjustments	(89)	(111)
New Zealand deferred tax restatement *	(1,132)	-
Closing balance	8,069	6,990

Note 8. Income tax (continued)

* On 25 March 2020, the New Zealand government enacted the COVID-19 Response Act which introduced taxation and social assistance amendments in response to the economic impacts of the COVID-19 pandemic. The act allows an entity to reinstate tax depreciation deductions in relation to non-residential buildings. AASB 112 'Income taxes' requires deferred tax to be accounted for based on tax legislation enacted by the end of the relevant financial reporting period. As such, the Group has restated its deferred tax liability in relation to the buildings it owns in New Zealand, to reflect an increase in the future tax deductions that are now available. The restatement resulted in a $1,132,000 reduction in the Group's deferred tax liability, with a corresponding reduction in income tax expense.

Note 9. Cash and cash equivalents

	Consolidated	
	2020 $'000	2019 $'000
Current assets		
Cash on hand	23	16
Cash at bank	53,881	5,273
	53,904	5,289

Note 10. Trade and other receivables

	Consolidated	
	2020 $'000	2019 $'000
Current assets		
Trade receivables - customer contracts	5,274	5,873
Other receivables	437	19
Less: Allowance for expected credit losses	(1,149)	(486)
	4,562	5,406

Other receivables
Other receivables of $437,000 mainly relates to receivables of the government wage subsidies as at 30 June 2020.

Allowance for expected credit losses
The Group has recognised an allowance for expected credit losses of $709,000 (2019: a reversal of allowance for expected credit losses of $112,000) in profit or loss for the year ended 30 June 2020.

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

	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
Consolidated	2020 %	2019 %	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Not overdue	9%	1%	3,561	3,610	320	36
0 to 3 months overdue	11%	2%	863	1,265	95	25
3 to 6 months overdue	28%	19%	304	294	85	56
Over 6 months overdue	66%	51%	983	723	649	369
			5,711	5,892	1,149	486

Note 10. Trade and other receivables (continued)

The Group has increased its monitoring of debt recovery given there is an increased possibility of customers delaying payment or being unable to pay, due to the potential financial impacts of the COVID-19 pandemic. In line with the above and to be prudent, the calculation of expected credit losses has been revised as at 30 June 2020 and rates have increased in each category.

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

	Consolidated 2020 $'000	Consolidated 2019 $'000
Opening balance	486	732
Allowance for expected credit losses	709	(112)
Receivables written off during the year as uncollectable	(94)	(150)
Additions through business combinations	53	32
Movement in acquired provisions	(7)	(8)
Movements in exchange rates	2	(8)
Closing balance	1,149	486

Note 11. Inventories

	Consolidated 2020 $'000	Consolidated 2019 $'000
Current assets		
Work in progress - at cost	124	187
Finished goods - at cost	4,109	3,478
	4,233	3,665

Note 12. Property, plant and equipment

	Consolidated 2020 $'000	Consolidated 2019 $'000
Non-current assets		
Land - at cost	39,328	28,779
Buildings - at cost	68,085	49,830
Less: Accumulated depreciation	(4,569)	(3,013)
	63,516	46,817
Improvements - at cost	6,803	5,995
Less: Accumulated depreciation	(1,015)	(597)
	5,788	5,398
Plant and equipment - at cost	16,128	12,220
Less: Accumulated depreciation	(4,776)	(2,922)
	11,352	9,298
Motor vehicles - at cost	12,582	10,605
Less: Accumulated depreciation	(4,585)	(3,326)
	7,997	7,279
Construction in progress - at cost	1,337	372
	129,318	97,943

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 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 (note 6)	-	(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
Additions	2,576	2,709	368	1,134	1,385	2,200	10,372
Additions through business combinations (note 29)	8,184	15,585	213	2,374	1,414	-	27,770
Disposals	-	-	-	(129)	(643)	-	(772)
Exchange differences	(220)	(113)	(24)	(38)	(28)	(4)	(427)
Transfers in/(out)	9	82	255	709	176	(1,231)	-
Depreciation expense (note 6)	-	(1,564)	(422)	(1,996)	(1,586)	-	(5,568)
Balance at 30 June 2020	39,328	63,516	5,788	11,352	7,997	1,337	129,318

Note 13. Right-of-use assets

	Consolidated	
	2020	2019
	$'000	$'000
Non-current assets		
Land and buildings - right-of-use	40,928	-
Less: Accumulated depreciation	(2,807)	-
	38,121	-
Plant and equipment - right-of-use	1,287	-
Less: Accumulated depreciation	(333)	-
	954	-
Motor vehicles - right-of-use	59	-
Less: Accumulated depreciation	(14)	-
	45	-
	39,120	-

Additions (excluding the opening balances) to the right-of-use assets during the year were $5,618,000 including $4,990,000 additions through business combinations (note 29) and $271,000 in relation to make good provision recognised during the year (note 18).

Right-of-use assets are tested for impairment whenever events or changes in circumstances indicates that their carrying amounts may not be recoverable. For impairment testing, the right-of-use assets have been allocated to the regional CGUs. Refer to note 14 for further information on the impairment testing key assumptions and sensitivity analysis.

Note 14. Goodwill

	Consolidated	
	2020	2019
	$'000	$'000
Non-current assets		
Goodwill - at cost	123,230	106,437

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 2018	91,105
Additions through business combinations	14,701
Adjustments for prior year business combinations	158
Exchange differences	473
Balance at 30 June 2019	106,437
Additions through business combinations (note 29)	17,181
Adjustments for prior year business combinations	(59)
Exchange differences	(329)
Balance at 30 June 2020	123,230

Note 14. Goodwill (continued)

Impairment testing
Goodwill acquired through business combinations has been allocated to CGUs on a regional level, which is consistent with reporting and monitoring for management purposes. The CGUs identified for the year ended 30 June 2020 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, which include the estimated potential financial impacts of the COVID-19 pandemic. However, it is expected that the impacts of the COVID-19 pandemic will be temporary.

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

The key assumptions, including the pre-tax discount rate which was 8.5% (2019: 10.0%), used for assessing the carrying value of goodwill of each CGU reflect the risk estimates for the business as a whole.

Growth rates of 4.0% (2019: 4.0%) for revenue, 3.2% (2019: 3.2%) for cost of sales and goods and 2.1% (2019: 2.1%) for operating expenses and overheads have been adopted, which were applied to a COVID-19 adjusted base year. These growth rates are in line with historical trends and broadly 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. Trade and other payables

	Consolidated	
	2020 $'000	2019 $'000
Current liabilities		
Trade payables	1,583	2,847
Deposits	497	332
Accrued expenses	1,936	1,859
GST payable	851	738
Other payables	1,225	891
	6,092	6,667

Refer to note 22 for further information on financial risk management.

Note 16. Borrowings

	Consolidated 2020 $'000	Consolidated 2019 $'000
Current liabilities		
Bank Loans	3,990	-
Hire purchases	155	238
	4,145	238
Non-current liabilities		
Bank Loans	105,747	12,900
Hire purchases	262	326
	106,009	13,226
	110,154	13,464
Senior Debt	109,823	12,900
Less: loan establishment costs	(335)	-
Equipment loans	249	-
Total Bank Loans	109,737	12,900

Refer to note 22 for further information on financial risk management.

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

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

resulting in total debt facilities of $150,000,000 (together, 'Senior Debt'), of which $109,823,000 was drawn as at 30 June 2020. In March 2020, the Group elected to draw an additional $44,000,000 of the Senior Debt to increase its liquidity position as a result of the COVID-19 pandemic. The net debt position (i.e. drawn Senior Debt less cash and cash equivalents of $53,904,000) was $55,919,000 as at 30 June 2020.

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

In addition, the Group is party to separate equipment loans relating to motor vehicles totalling $249,000 (Senior Debt and equipment loans, together 'Bank Loans').

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

Note 16. Borrowings (continued)

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

	Consolidated 2020 $'000	2019 $'000
Total Senior Debt facilities	150,000	50,000
Used at the reporting date	109,823	12,900
Unused at the reporting date	40,177	37,100

The financial covenant ratios on the Senior Debt are tested biannually and calculated on a 12 month rolling basis and are follows:
- net leverage ratio which must be no greater than 3.0x*; and
- a fixed charge cover ratio which must be greater than 1.75x.

Both covenant ratios were satisfied as at 30 June 2020, being 1.7x (31 December 2019: 1.9x) and 5.5x (31 December 2019: 6.8x) respectively.

* Including the annualised impact of acquisitions and other adjustments. Covenant of 3.0x until the Group notifies the Financier of an election given in connection with a permitted acquisition to increase the covenant to 3.5x which will endure for two consecutive testing dates, following which, the covenant will reduce to 3.25x. The Group's $10,000,000 working capital facility is excluded from the net leverage ratio calculation.

Note 17. Lease liabilities

	Consolidated 2020 $'000	2019 $'000
Current liabilities		
Lease liability	6,136	-
Non-current liabilities		
Lease liability	34,442	-
	40,578	-

Refer to note 13 for further information on right-of-use assets.

Refer to note 22 for further information on financial risk management.

Note 18. Provisions

	Consolidated 2020 $'000	Consolidated 2019 $'000
Current liabilities		
Employee benefits	4,604	3,923
Contingent consideration (note 23)	527	998
Lease make good	33	-
	5,164	4,921
Non-current liabilities		
Employee benefits	522	342
Contingent consideration (note 23)	702	656
Lease make good	238	-
Perpetual maintenance care provision	200	169
	1,662	1,167
	6,826	6,088

Lease make good
The provision represents the present value of the estimated costs to make good the premises leased by the Group at the end of the respective lease terms.

Perpetual maintenance care provision
The provision represents the estimated perpetual maintenance care of the Group's cemeteries and memorial sites.

Movements in provisions
Movements in each class of provision during the current financial year, other than employee benefits and contingent consideration, are set out below:

Consolidated - 2020	Lease make good $'000	Perpetual maintenance care $'000
Carrying amount at the start of the year	-	169
Additional provisions recognised	271	31
Carrying amount at the end of the year	271	200

Note 19. Derivative financial instruments

	Consolidated 2020 $'000	Consolidated 2019 $'000
Non-current liabilities		
Interest rate swap contracts - cash flow hedges	405	-

Refer to note 22 for further information on financial risk management.

Refer to note 23 for further information on fair value measurement.

Note 19. Derivative financial instruments (continued)

Interest rate swap
The Group's interest rate risk policy is to maintain a hedging level of approximately 40% of the net debt in connection with the Senior Debt (excluding the working capital facility) at any given reporting date.

The Group entered into an interest rate swap ('Hedging Instrument') to partially hedge its exposure to the interest rate risk associated with its net debt. The Group does not hedge 100% of its loans, therefore the hedged item is identified as a proportion of the outstanding loans up to the notional amount of the swap. The derivative has similar critical terms as the hedged item, such as reference date, reset date, payment dates, maturity, and notional amount. As all critical terms matched during the year, the economic relationship was 100% effective. There was no recognised ineffectiveness during the year in relation to the interest rate swap.

Note 20. Issued capital

	Consolidated			
	2020 Shares	2019 Shares	2020 $'000	2019 $'000
Ordinary shares - fully paid	98,735,427	98,507,917	200,903	200,363

Movements in ordinary share capital

Details	Date	Shares	Issue price/ fair value	$'000
Balance	1 July 2018	98,163,089		199,562
Issue of new shares in connection with business combinations	1 May 2019	344,828	$2.33	801
Balance	30 June 2019	98,507,917		200,363
Issue of new shares in connection with business combinations (note 29)	1 November 2019	227,510	$2.37	540
Balance	30 June 2020	98,735,427		200,903

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 21. Dividends

Dividends
Dividends paid during the financial year were as follows:

	Consolidated 2020 $'000	Consolidated 2019 $'000
Final dividend for the year ended 30 June 2019 of 5.8 cents (7 months ended 30 June 2018: 6.4 cents) per ordinary share	5,713	6,282
Interim dividend for the year ended 30 June 2020 of 4.0 cents (30 June 2019: 5.7 cents) per ordinary share	3,949	5,596
	9,662	11,878

On 27 February 2020, the directors declared a fully franked interim dividend of 4.0 cents per ordinary share which equated to a total distribution of $3,949,000. The dividend was paid on 6 April 2020 and was recognised during the current financial year.

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

On 25 February 2019, the directors declared a fully franked interim dividend of 5.7 cents per ordinary share in connection with the financial year ended 30 June 2019. 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 $5,596,000 and was recognised during the prior financial year.

On 28 August 2018, the directors declared a fully franked final dividend of 6.4 cents per ordinary share in connection with the financial year ended 30 June 2018. 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 and was recognised during the prior financial year.

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 6.0 cents per ordinary share on 25 August 2020. The dividend will be paid on 1 October 2020, with a record date of 31 August 2020 and ex-dividend date of 28 August 2020. This equates to a total estimated distribution of $5,924,000. The financial effect of the dividend declared after the reporting date is not reflected in the 30 June 2020 financial statements and will be recognised in the subsequent financial period.

Franking credits

	Consolidated 2020 $'000	Consolidated 2019 $'000
Franking credits available for subsequent financial years based on a tax rate of 30%	15,325	8,199

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;
- receipt of dividends recognised as receivables at the reporting date; and
- franking credits acquired through business combinations.

Note 22. Financial risk management

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. During the year ended 30 June 2020, the Group entered into an interest rate swap to partially hedge its exposure to the interest rate risk associated with its net debt. 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.

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 7. The majority of the funds are held in cash and fixed interest investments which have minimal 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.

The Group’s interest rate risk policy is to maintain a hedging level of approximately 40% of the net debt in connection with the Senior Debt (excluding the working capital facility) at any given reporting date. During the year, the Group entered into an interest rate swap to partially hedge its exposure to the interest rate risk associated with its net debt.

As at the reporting date, the Group had the following variable rate borrowings, cash at bank and contract assets and interest rate swap contracts outstanding (an analysis by maturities is provided in the liquidity risk section of this note):

	2020		2019	
Consolidated	**Weighted average interest rate %**	**Balance $'000**	**Weighted average interest rate %**	**Balance $'000**
Cash at bank	0.40%	53,881	1.40%	5,273
Contract assets	1.10%	47,495	1.80%	47,901
Senior Debt	2.64% *	(109,823)	4.00%	(12,900)
Net exposure to cash flow interest rate risk		(8,447)		40,274

* The weighted average interest rate includes the interest rate swap and establishment fees.

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

Note 22. Financial risk management (continued)

An official increase/decrease in interest rates of 50 (2019: 50) basis points would have a (unfavourable)/favourable effect on profit before tax of ($42,000)/$42,000 (2019: favourable/(unfavourable) effect of $201,000/($201,000)) and (unfavourable)/favourable effect on equity of ($30,000)/$30,000 (2019: favourable/(unfavourable) $141,000/($141,000)) per annum.

Effects of hedge accounting on the financial position and performance
The effects of the interest rate swap on the Group's financial position and performance are as follows:

Interest rate swaps	2020 $'000
Carrying amount of liability	405
Notional amount	25,000
Maturity date	August 2022
Hedge ratio*	1:1
Change in fair value of hedging instrument since 1 July 2019	405
Weighted average hedged fixed interest rate payable	0.94%
Weighted average hedged variable interest rate receivable	0.61%

* The interest rate swap is denominated in the same currency as the underlying debt and all the critical terms match. Therefore, the hedge ratio is 1:1.

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.

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 historical collection rates, potential financial impacts of the COVID-19 pandemic and forward-looking information that is available. As disclosed in note 10, due to the potential financial impacts of the COVID-19 pandemic and to be prudent, the calculation of expected credit losses has been revised as at 30 June 2020 and rates have increased in each category.

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	
	2020 $'000	2019 $'000
Senior Debt (note 16)	40,177	37,100

The key terms and covenants relating to the Senior Debt financing arrangements are disclosed in note 16.

Note 22. Financial risk management (continued)

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 - 2020	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	1,583	-	-	-	1,583
Other payables	2,909	-	-	-	2,909
Contingent consideration	527	410	312	-	1,249
Interest-bearing					
Bank Loans	6,351	2,219	106,688	-	115,258
Hire purchase	170	137	144	-	451
Lease liability	3,919	3,653	8,483	29,677	45,732
Total non-derivatives	15,459	6,419	115,627	29,677	167,182
Derivatives					
Interest rate swaps net settled	-	-	405	-	405
Total derivatives	-	-	405	-	405

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	2,663	-	-	-	2,663
Contingent consideration	998	537	155	-	1,690
Interest-bearing					
Bank Loans	-	-	12,900	-	12,900
Hire purchase	238	205	122	-	565
Total non-derivatives	6,746	742	13,177	-	20,665

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

Fair value of financial instruments
Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 23. 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:

Note 23. Fair value measurement (continued)

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 - 2020	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Liabilities				
Current				
Contingent consideration	-	-	527	527
Non-current				
Interest rate swap contracts - cash flow hedges	-	405	-	405
Contingent consideration	-	-	702	702
Total liabilities	-	405	1,229	1,634

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

There were no transfers between levels during the financial year.

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

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.

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

Note 23. Fair value measurement (continued)

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 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
Payments made	(892)
Additions through business combinations (note 29)	425
Movement due to changes in discount rate	50
Foreign exchange difference	(8)
Balance at 30 June 2020	1,229

Fair value movements are recognised in the statement of profit or loss as movements in interest expense. Fair value movements for the period in relation to revaluation of contingent consideration amounted to $50,000 (30 June 2019: $86,000). A stress test of 50 basis points was conducted and found to have an immaterial impact.

Note 24. 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	
	2020 $	2019 $
Audit services - Nexia Sydney		
Audit or review of the financial statements	169,669	173,673
Other services - Nexia Sydney		
Taxation services	25,800	34,485
	195,469	208,158

Note 25. 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 annualised 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 annualised total shareholder return outperforms the benchmark, subject to the recoupment of any prior underperformance amount. A Performance Fee of $4,077,000 was earned by, and paid to, the Manager during the year ended 30 June 2020.

Note 25. Contingent liabilities (continued)

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

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

The Group had $1,180,000 bank guarantees as at 30 June 2020 (30 June 2019: Nil) in relation to leased premises of its subsidiaries.

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 2019: Nil).

Note 26. Commitments

	Consolidated	
	2020 $'000	2019 $'000
Capital commitments		
Committed at the reporting date but not recognised as liabilities, payable:		
Property, plant and equipment	2,114	616
Dils Group acquisition	23,618	23,734
	25,732	24,350

Note 27. Related party transactions

Parent entity
Propel Funeral Partners Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 30.

Key management personnel
Disclosures relating to key management personnel are set out in note 28 and in the Remuneration Report included in the directors' report.

Transactions with related parties
The Company is a party to a Management Agreement as set out in note 25. The Manager is an entity associated with Albin Kurti and Fraser Henderson (directors of the Company) and Peter Dowding (a former director of the Company).

The initial term of the Management Agreement is 10 years ('Initial Term'). During the Initial Term, the Manager is entitled to be paid by the Company:
- an Administration Fee (plus GST) per annum, escalated by CPI annually; and
- the Performance Fee (plus GST) (refer to note 25).

In accordance with the Management Agreement, the Manager invoiced an Administration Fee totalling $205,408 (FY19: $243,000) (exclusive of GST) in the year ending 30 June 2020 which reflected the Manager's election to waive 100% of the Administration Fee for the months of April 2020 and May 2020 to minimise the potential financial impacts of the COVID-19 pandemic.

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.

Note 27. Related party transactions (continued)

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 28. 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 (waived in the months of April and May 2020 to minimise the potential financial impacts of the COVID-19 pandemic) and a 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	
	2020	2019
	$	$
Short-term employee benefits	147,336	164,384
Post-employment benefits (superannuation)	13,997	15,616
	161,333	180,000

In respect of the year ended 30 June 2020, the fees payable to the current non-executive directors were $161,333 (FY19: $180,000) in aggregate. To minimise the potential financial impacts of the COVID-19 pandemic, the non-executive directors elected to waive the fees payable to them in the months of April 2020 and May 2020, which resulted in each of the non-executive directors being paid ten-twelfths of their respective annual fees in the year ended 30 June 2020.

Note 29. Business combinations

Grahams Funeral Services
On 1 November 2019, the Group acquired the business, assets and certain freehold properties relating to Grahams Funeral Services Limited ('Grahams'), a provider of funeral directing services which operates from 4 locations in the North Island of New Zealand. Consideration of $7,279,000 was paid on settlement, which consisted of $6,739,000 in cash and 227,510 ordinary shares in Propel (recognised at a fair value of $540,000 given the escrow arrangements) and a further amount of $425,000 (present value) will be paid if certain financial thresholds are achieved, representing total consideration of up to $7,704,000.

Gregson & Weight Funeral Directors
On 7 November 2019, the Group acquired 100% of the issued share capital of Gregson & Weight Pty Ltd ('Gregson & Weight'), and certain freehold properties. Gregson & Weight provides funeral directing and cremation services and operates from 4 locations on the Sunshine Coast in Queensland. Consideration of $36,650,000 was paid on settlement (or $35,886,000 net of cash acquired).

Note 29. Business combinations (continued)

	Gregson & Weight Fair value $'000	Grahams Fair value $'000	Total $'000
Assets:			
Cash and cash equivalents	764	-	764
Contract assets	83	-	83
Trade and other receivables *	523	-	523
Inventories	217	107	324
Other current assets	208	7	215
Current tax assets	641	-	641
Property, plant and equipment	22,024	5,746	27,770
Right-of-use assets	4,911	79	4,990
Deferred tax asset	148	6	154
Liabilities:			
Contract liabilities	(236)	-	(236)
Trade and other payables	(453)	(33)	(486)
Employee benefits	(434)	(22)	(456)
Other provisions	(70)	-	(70)
Lease liabilities	(4,911)	(79)	(4,990)
Deferred tax liabilities	(1,719)	(334)	(2,053)
Net assets acquired	21,696	5,477	27,173
Goodwill	14,954	2,227	17,181
Acquisition-date fair value of the total consideration transferred	36,650	7,704	44,354
Representing:			
Cash paid or payable to vendor	36,650	6,739	43,389
Propel Funeral Partners Limited shares issued to vendor	-	540	540
Contingent consideration (discounted)	-	425	425
	36,650	7,704	44,354
Cash used to acquire businesses, net of cash acquired per statement of cash flows:			
Cash paid to vendors	36,650	6,739	43,389
Less: cash and cash equivalents	(764)	-	(764)
Net cash used	35,886	6,739	42,625

* The fair value of acquired trade receivables was $523,000. The gross contractual amount for trade receivables due was $576,000, with a loss allowance of $53,000.

Goodwill recognised is attributable to the locations and the profitability of the acquired businesses and will not be deductible for tax purposes. Total acquisition costs (including stamp duty) paid during the year was $2,139,000. The acquisition accounting was provisional as at 30 June 2020.

Note 29. Business combinations (continued)

	Consolidated 2020 $'000
Payment for purchase of business, net of cash acquired per cash flow statement	
Net cash used for the Grahams acquisition	6,739
Net cash used for the Gregson & Weight acquisition	35,886
Acquisition costs	2,139
Contingent consideration payments	892
Net cash used	45,656

	Gregson & Weight $'000	Grahams $'000	Total $'000
Revenue generated from acquisition date to 30 June 2020	6,611	1,493	8,104
Net profit before tax from acquisition date to 30 June 2020	1,210	348	1,558

If the two acquisitions had occurred on 1 July 2019, it is estimated that the Group's revenue and net profit before tax for the entire year would have been approximately $115,000,000 and approximately $14,700,000, respectively.

Note 30. 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 2020 %	Ownership interest 2019 %
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
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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 30. Interests in subsidiaries (continued)

Name	Principal place of business / Country of incorporation	Ownership interest 2020 %	2019 %
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
Morris & Morris Limited **	New Zealand	100.0	100.0
Maunu Crematorium Limited	New Zealand	100.0	100.0
DFS Properties Auckland Limited *	New Zealand	-	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
Manning Great Lakes Memorial Gardens Pty Ltd	Australia	100.0	100.0
Grahams Funeral Services Limited ***	New Zealand	100.0	100.0
Morleys Funerals Pty Ltd	Australia	100.0	100.0
Coventry Funeral Homes Pty Ltd	Australia	100.0	100.0
Pet Cremations (Townsville) Pty Ltd	Australia	100.0	100.0
Waikanae Funeral Services Ltd	New Zealand	100.0	100.0
Gregson & Weight Pty Ltd	Australia	100.0	-

* 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.
*** Previously known as Before Use (NZ) 1 Limited.

Note 31. 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
FV (QLD) Pty Ltd
Meadow Funeral Group Pty Ltd

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'.

Note 31. Deed of cross guarantee (continued)

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	2020 $'000	2019 $'000
Revenue	10,199	11,088
Cost of sales and goods	(2,940)	(3,038)
Employee costs	(3,235)	(3,240)
Occupancy and facility expenses	(977)	(1,994)
Advertising expenses	(260)	(284)
Motor vehicle expenses	(159)	(153)
Other expenses	(408)	(429)
	2,220	1,950
Acquisition costs	-	(133)
Performance fee	(4,077)	-
Dividend / distribution received	12,618	12,655
Net (loss)/gain on disposal of assets	(2)	(4)
Other income	16	-
Depreciation expense	(1,307)	(431)
Interest income	872	1,019
Interest expense	(213)	-
Net financing charge on contract assets and contract liabilities	(6)	15
Net foreign exchange losses	(4)	(11)
Profit before income tax benefit/(expense)	10,117	15,060
Income tax benefit/(expense)	767	(525)
Profit after income tax benefit/(expense)	10,884	14,535
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income for the year	10,884	14,535

Equity - accumulated losses	2020 $'000	2019 $'000
Accumulated losses at the beginning of the financial year	(22,781)	(25,439)
Profit after income tax benefit/(expense)	10,884	14,535
Dividends paid	(9,662)	(11,877)
Accumulated losses at the end of the financial year	(21,559)	(22,781)

Note 31. Deed of cross guarantee (continued)

Statement of financial position	2020 $'000	2019 $'000
Current assets		
Cash and cash equivalents	45,577	592
Contract assets	2,909	3,173
Trade and other receivables	54,571	135,008
Inventories	210	235
Current tax assets	183	-
Prepayments	63	94
	103,513	139,102
Non-current assets		
Property, plant and equipment	2,553	2,311
Right-of-use assets	7,089	-
Goodwill	10,932	10,932
Deferred tax	740	969
Investment in subsidiaries and unit trusts	65,328	29,126
	86,642	43,338
Total assets	190,155	182,440
Current liabilities		
Trade and other payables	380	124
Lease liabilities	3,992	-
Income tax	-	1,289
Provisions	267	214
Contract liabilities	2,929	3,188
	7,568	4,815
Non-current liabilities		
Lease liabilities	3,087	-
Deferred tax liabilities	32	2
Provisions	118	41
	3,237	43
Total liabilities	10,805	4,858
Net assets	179,350	177,582
Equity		
Issued capital	200,903	200,363
Accumulated losses adjustment for change in accounting policy (AASB 16)	6	-
Accumulated losses	(21,559)	(22,781)
Total equity	179,350	177,582

Note 32. Reconciliation of profit after income tax to net cash from operating activities

	Consolidated 2020 $'000	Consolidated 2019 $'000
Profit after income tax expense for the year	10,624	12,340
Adjustments for:		
Depreciation and amortisation	8,826	4,140
Net loss/(gain) on disposal of non-current assets	80	(20)
Foreign exchange differences	(22)	57
Loss on movement in discount rate of earn-out	50	86
Net financing charge on contract assets and liabilities	527	644
Acquisition costs	1,615	1,556
Non-cash income	-	(989)
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	1,293	(458)
Increase in inventories	(245)	(403)
Increase in deferred tax assets	(197)	(308)
Decrease/(increase) in prepayments	717	(141)
(Decrease)/increase in trade and other payables	(785)	496
Decrease in provision for income tax	(391)	(202)
(Decrease)/increase in deferred tax liabilities	(973)	26
Increase in employee benefits	405	531
Decrease in other provisions	(39)	-
Net cash from operating activities	21,485	17,355

Note 33. Changes in liabilities arising from financing activities

Consolidated 2020	Opening balance	Cash flows	Non-cash movement	Additions	Acquisition	Foreign exchange	Closing balance
Hire purchase liabilities	564	(107)	(40)	-	-	-	417
Equipment loans	82	94	68	-	-	5	249
Senior Debt	12,900	96,923	-	-	-	-	109,823

Consolidated 2019	Opening balance	Cash flows	Non-cash movement	Additions	Acquisition	Foreign exchange	Closing balance
Hire purchase liabilities	410	(200)	-	354	-	-	564
Equipment loans	-	84	-	-	-	(2)	82
Senior Debt	-	12,900	-	-	-	-	12,900

Note 34. Earnings per share

	Consolidated	
	2020 $'000	2019 $'000
Profit after income tax attributable to the shareholders of Propel Funeral Partners Limited	10,624	12,340
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	98,658,347	98,219,773
Weighted average number of ordinary shares used in calculating diluted earnings per share	98,658,347	98,219,773
	Cents	**Cents**
Basic earnings per share	10.77	12.56
Diluted earnings per share	10.77	12.56

Note 35. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	2020 $'000	2019 $'000
Profit after income tax	10,713	13,347
Total comprehensive income	10,713	13,347

Statement of financial position

	Parent	
	2020 $'000	2019 $'000
Total current assets	45,518	30,924
Total assets	324,517	210,143
Total current liabilities	1	2,564
Total liabilities	146,108	33,323
Net assets	178,409	176,820
Equity		
Issued capital	200,903	200,363
Accumulated losses	(22,494)	(23,543)
Total equity	178,409	176,820

The parent entity is a party to a deed of cross guarantee as disclosed in note 31. 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.

Note 35. Parent entity information (continued)

Contingent liabilities
The parent entity had a $167,000 bank guarantee in relation to leased premises of one of its subsidiaries as at 30 June 2020 (30 June 2019: Nil).

Capital commitments
The parent entity had a commitment to issue ordinary shares equivalent to the value of $3,133,000 as part of consideration in respect of the Dils Group acquisition as at 30 June 2020 (30 June 2019: $3,206,000). The parent entity had no capital commitments for property, plant and equipment as at 30 June 2020 (30 June 2019: Nil).

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; and
- 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 36. Events after the reporting period

In respect of COVID-19, post balance date:
- current restrictions in Victoria and Auckland limit funeral attendance to 10 mourners, with Average Revenue Per Funeral impacts expected to be temporary; and
- the Australian and New Zealand governments have announced extensions to wage subsidy schemes. The Group intends to monitor the eligibility of its businesses in respect of those schemes in due course.

In August 2020, the Group executed a conditional sale agreement to acquire the business, assets and freehold property of Mid West Funerals in Geraldton, in Western Australia, for $1,050,000. Mid West Funerals performs approximately 120 funerals and generates approximately $700,000 of revenue, per annum.

On 25 August 2020, the directors declared a fully franked final dividend in connection with financial year ended 30 June 2020 of 6.0 cents per ordinary share. When combined with the fully franked interim dividend of 4.0 cents per share, total dividends were 10.0 cents per share (FY19: 11.5 cents per share), fully franked, which represents approximately 85% of Distributable Earnings (NPAT adjusted for certain non-cash, one-off and non-recurring items) for the year ended 30 June 2020.

Apart from the events disclosed above, no other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect, the Group's operations, the results of those operations or the Group's state of affairs in future financial years.

Directors' Declaration

for the year ended 30 June 2020

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, 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 2020 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 31 to the financial statements.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

Brian Scullin
Chairman

Albin Kurti
Managing Director

25 August 2020

Nexia Australia

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 2020, 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 2020 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 & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the 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.

Key audit matter	How our audit addressed the key audit matter
Impairment testing of goodwill	
Refer to note 14.	Our procedures included, amongst others:
The Group has acquired several funeral service, cremation and cemetery businesses in Australia and New Zealand. Goodwill has been recognised on	▪ assessed management's determination of the Group's CGUs based on our understanding of the nature of the Group's

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Key audit matter	How our audit addressed the key audit matter
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.	business. We also analysed the internal reporting of the Group to assess how results were monitored and reported; ▪ ensured 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 FY2021 forecasted cash flows used in the impairment model with the actual performance and forecasts for FY2020; ▪ 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, the potential impacts of the COVID-19 pandemic, 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.
Business combinations and acquisition accounting Refer to note 29. 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	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; ▪ ensured that deferred tax liabilities arising from the transaction are accurately recognised;

Key audit matter	How our audit addressed the key audit matter
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.	▪ 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 annual report for the year ended 30 June 2020, but does not include the financial report and the 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, we conclude that there is a material misstatement of the other information we are required to report that fact. We have nothing to report in this regard.

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

Independent Auditor's Report

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: https://www.auasb.gov.au/admin/file/content102/c3/ar2_2020.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 23 to 26 of the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Propel Funeral Partners Limited for the year ended 30 June 2020, 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

Nexia Sydney Audit Pty Limited

Lester Wills
Director

Dated: 25 August 2020
Sydney

Shareholder Information

The shareholder information set out below was applicable as at 16 July 2020.

Number of Equity Security Holders

	Number
Shares on issue	98,735,427

Distribution of Equity Securities

Size of Holding	Number of Shareholders	Ordinary Shares	% of Issued Capital
100,001 and over	86	74,929,755	75.89
10,001 to 100,000	507	13,280,080	13.45
5,001 to 10,000	660	5,210,753	5.28
1,001 to 5,000	1,603	4,448,179	4.51
1 to 1,000	1,720	866,660	0.88
Total	4,576	98,735,427	100.00

Unmarketable Parcel

There were 231 shareholders with unmarketable parcels totalling 28,188 shares based on the closing market price as at 16 July 2020.

Twenty Largest Shareholders

On 16 July 2020, the 20 largest shareholders are as follows:

Shareholder	Number of Ordinary Shares	% of Issued Capital
DKH TI PTY LTD	14,732,667	14.92
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	9,692,788	9.82
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	9,399,827	9.52
BNP PARIBAS NOMS PTY LTD	4,766,945	4.83
NATIONAL NOMINEES LIMITED	3,250,104	3.29
NIBLA NO 1 PTY LTD	2,248,000	2.28
HART & MILEY NO. 1 PTY LTD	1,753,956	1.78
NETWEALTH INVESTMENTS LIMITED	1,606,988	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	1,308,305	1.33
DURBANER NOMINEES PTY LTD	1,302,885	1.32
CITICORP NOMINEES PTY LIMITED	1,290,317	1.31
COMANN INVESTMENTS PTY LTD	1,156,448	1.17
WADE AUSTRALIA PTY LTD	1,045,000	1.06
TOMDACHOILLE PTY LTD	890,000	0.9
NEIL LITTLE + ANGELA LITTLE + BRUNO GIN	737,097	0.75
LYMAL PTY LTD	633,601	0.64
NEWECONOMY COM AU NOMINEES PTY LIMITED	600,565	0.61
HENKAY TI PTY LIMITED	564,271	0.57

Shareholder Information

Securities subject to Voluntary Escrow

The Company had the following restricted securities on issue as at 16 July 2020:

Class	Number of Shares	% of Issued capital	Date that the escrow period ends
Voluntary Escrow – fully paid ordinary shares	14,732,667	14.92%	17 November 2027
Voluntary Escrow – fully paid ordinary shares	344,828	0.35%	1 May 2022
Voluntary Escrow – fully paid ordinary shares	227,510	0.23%	31 October 2022

Substantial Holders

As disclosed in substantial holding notices lodged with the ASX as at 16 July 2020, the Company had the following substantial holders:

Shareholder	Number of Fully Paid ordinary Shares	% of Issued Capital
DKH TI Pty Ltd	14,732,667	14.92
Viburnum Funds Pty Ltd	7,646,477	7.74

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 2020, 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
ACN: 616 909 310
ASX: PFP

Registered Office
Level 18.03,
135 King Street,
Sydney NSW 2000

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

Corporate Governance Statement
The Corporate Governance Statement, as at 20 August 2020, 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 FY20 Workplace Gender Equality Report in July 2020. A copy of the report is available on the Company's website (http://investors.propelfuneralpartners.com.au/investor-centre/?page=corporate-governance).

PFP PROPEL FUNERAL PARTNERS