PROPEL FUNERAL PARTNERS

ANNUAL REPORT 2021

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

Contents

Key Highlights for FY21

Revenue

$120.4m
⮝ 8.7%

Funeral Volumes

13,916
⮝ 4.6%

Average Revenue Per Funeral

$5,917
⮝ 4.3%
(up 2.8% on the pre-COVID period[1])

Operating EBITDA

$36.3m
⮝ 11.9%

Operating NPAT

$15.3m
⮝ 7.6%

Cash Flow Conversion

101.8%
⮟ 160bps

Total Dividend

11.75cps
⮝ 17.5%

Gearing Ratio[2]

29.7%

Funding Capacity[3]

$107.6m

Locations[2]

136
⮝ 6

Acquisitions[3]

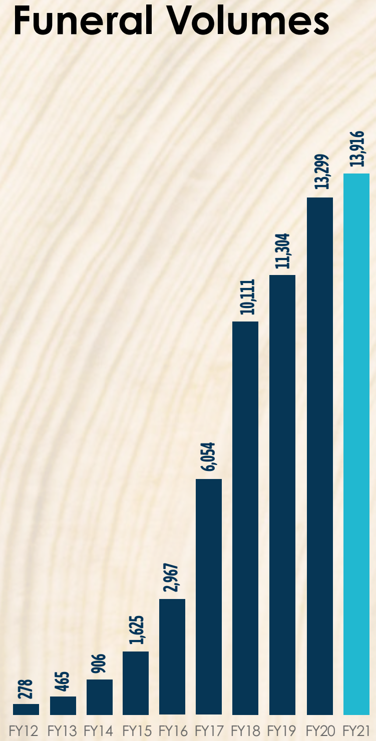
$148.2m
committed since IPO

Expansion
in NZ, WA, QLD and NSW, expansion in pet loss sector

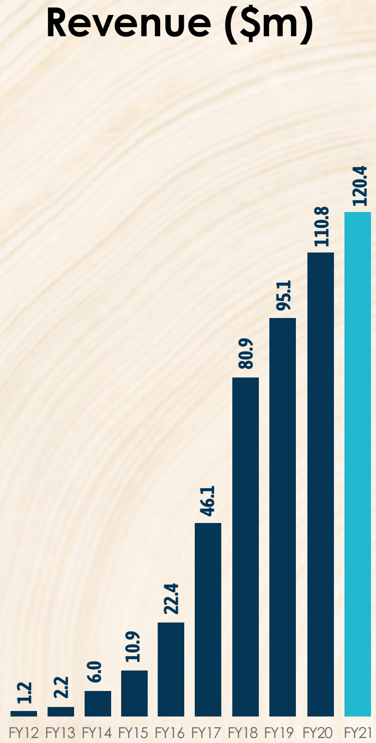
1. 1 July 2019 to 31 March 2020
2. As at 30 June 2021
3. As at 25 August 2021

Performance Highlights

Propel achieved growth in key financial metrics during FY21, despite COVID-19 impacts

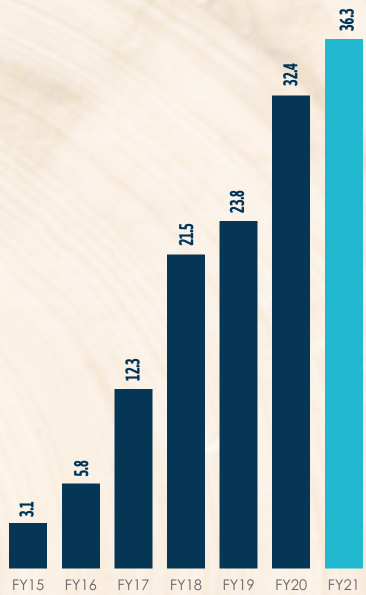


4.6%
IN FY21 TO 13,916

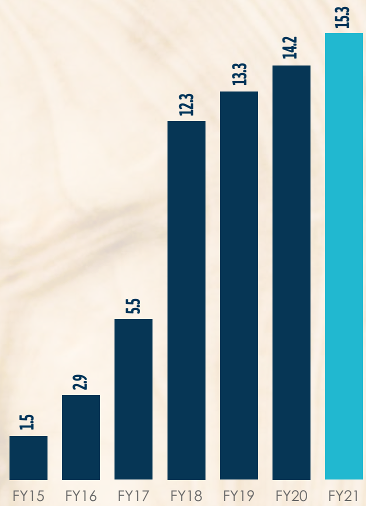


8.7%
IN FY21 TO $120.4m

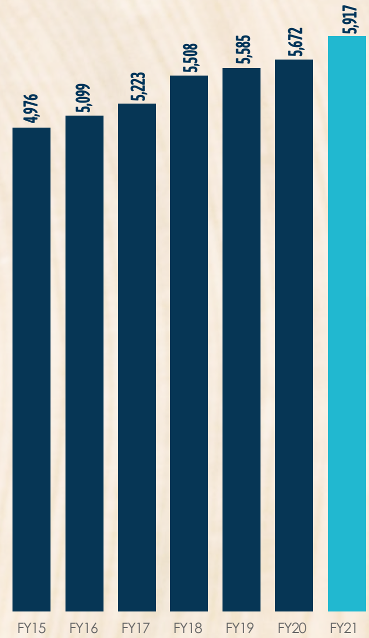
Operating EBITDA[1] ($m)



Operating NPAT[1] ($m)



Average Revenue Per Funeral[2] ($)



11.9%
IN FY21 TO $36.3m

7.6%
IN FY21 TO $15.3m

4.3%
IN FY21 TO 5,917

1. FY15-FY18 is pro-forma.
2. 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.

Letter from the Chairman and the Managing Director

Dear Fellow Shareholders,

On behalf of the Board, we are pleased to present to you the 2021 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 they served throughout FY21, particularly during the COVID-19 pandemic. We also acknowledge bereaved client families, many of whom have farewelled loved ones in particularly challenging circumstances.

Propel's core operating focus is on people safety, essential service continuity and financial resilience. During FY21, the funeral industry continued to experience operational disruptions and uncertainty, following lockdowns across multiple jurisdictions which resulted in varying funeral attendee limits, travel restrictions 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, FY21 was another record year for Propel. The Company continued its track record of delivering revenue and earnings growth, with revenue growing by 8.7% to $120.4 million, Operating EBITDA growing by 11.9% to $36.3 million and Operating NPAT growing by 7.6% to $15.3 million.

The Board declared dividends totalling 11.75 cents per share fully franked in connection with FY21 (FY20: 10.0 cents), including a final dividend of 5.75 cents per share fully franked. The final dividend will be paid on 5 October 2021, with a record date of 2 September 2021.

Throughout FY21, the Company was externally managed by Propel Investments Pty Ltd, under a management agreement dated 11 September 2017 (Management Agreement). In May 2021, the Company announced that, following negotiations initiated and led by its independent directors, it had entered into an Implementation Agreement with the Manager to give effect to an internalisation of key senior management functions of the Company. Following receipt of the relevant shareholder approvals, the Management Agreement was terminated in July 2021 and three senior executives became employees of the group.

As at 30 June 2021, the Company had a gearing ratio of 29.7% and material debt covenant headroom. In August 2021, the Company expanded its senior debt facilities with Westpac Banking Corporation by $50 million to $200 million and Propel remains in a strong funding position, with approximately $107.6 million of available funding capacity.

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 13,900 funeral services in FY21 and the Company's network currently comprises 136 locations (77 owned and 59 leased) in Australia and New Zealand, including 32 cremation facilities and 9 cemeteries.

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.

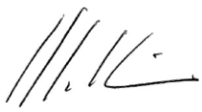
Demand for death care services is expected to grow in Australia and New Zealand because of increasing death volumes due to population growth and ageing of the "baby boomers".

The death care industry is highly fragmented with over 1,000 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 the Dils Group, Mid West Funerals, Pets RIP and two other freehold properties, one of which was previously tenanted by the group, during FY21.

The following directors' report provides commentary on the Company's FY21 performance highlights and outlook. In FY22, the Company expects to benefit from the growing and ageing population, its strong funding position, acquisitions completed to date 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 continue navigating this challenging period.

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

Yours faithfully,



Brian Scullin
Chairman

Albin Kurti
Managing Director

Our Vision and 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 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

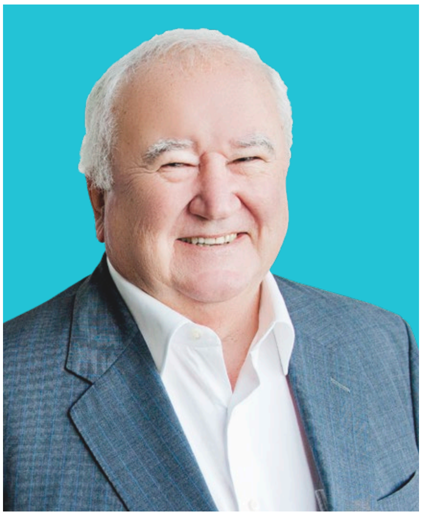
From time to time, Propel will continue to consider organic expansion opportunities such as selectively identifying potential sites in new locations and expanding (and/or refurbishing) existing locations. Propel's portfolio also includes land and buildings adjacent to existing funeral homes that can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

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 and Macquarie Point Development Corporation. Brian is a former Chairman of Spark Infrastructure Limited, Hastings Funds Management, BT Investment Management Limited, OAK Possability 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, Brian 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

Albin co-founded Propel Funeral Partners and is the Managing Director and Chief Executive Officer of the Company. 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. 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 Propel Investments in 2008, where he became a director of a number of its investee companies. He co-led a number of transactions for Propel Investments, 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 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. Naomi is the current Chair of Spirit Super, member of the Tasmanian Economic Development Board, Chair of the Risk and Audit Committee for Tasmanian State Growth, Non-Executive Director of Nikko AM and the Australian Institute of Company Directors. Naomi has sat on the boards of two ASX listed industry leaders – Australian Ethical Investments Limited and Hunter Hall Limited and 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 ASX listed BCAL Limited and 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 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 2021

The Directors of Propel Funeral Partners Limited present the report, together with the consolidated financial report for the year ended 30 June 2021.

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Directors' Report
for the year ended 30 June 2021

The directors of Propel Funeral Partners Limited (ACN 616 909 310) (referred to hereafter as 'Propel', the 'Company' or 'parent entity') present their report, together with the financial statements, of the consolidated entity (referred to hereafter as the 'Group') consisting of the Company and the entities it controlled at the end of, or during, the year ended 30 June 2021.

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

Background
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 136 properties (77 owned and 59 leased) across 7 states and territories of Australia and in New Zealand, including 32 cremation facilities and 9 cemeteries.

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 cents	Franked amount per security %	Total $'000	Date of payment
Year ended 30 June 2021				
Interim dividend – 2021 financial year	6.00	100%	5,997	9 April 2021
Final dividend – 2020 financial year	6.00	100%	5,924	1 October 2020
Total			11,921	
Year ended 30 June 2020				
Interim dividend – 2020 financial year	4.00	100%	3,949	6 April 2020
Final dividend – 2019 financial year	5.80	100%	5,713	4 October 2019
Total			9,662	
Dividend not recognised at year end				
Final dividend – 2021 financial year	5.75	100%	5,880	5 October 2021

Directors' Report

for the year ended 30 June 2021

On 25 August 2021, the directors declared a fully franked final dividend in connection with the year ended 30 June 2021 ('FY21') of 5.75 cents per ordinary share. Total dividends in connection with FY21 were 11.75 cents per share (FY20: 10.0 cents per share), fully franked, which represents approximately 81% of Distributable Earnings (NPAT adjusted for certain non-cash, one-off and non-recurring items) for FY21.

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

Significant changes in the state of affairs

During FY21, the Group experienced the following significant changes in its state of affairs:

- completed three acquisitions (refer to note 29 for further details), the cash and equity consideration for which totalled $24,792,000 (excluding transaction costs and contingent consideration) as follows:
  - on 1 October 2020, the Group acquired the business, assets and a freehold property relating to Mid West Funerals, which provides funeral directing services in Geraldton, Western Australia;
  - on 2 November 2020, the Group acquired 100% of the issued share capital and certain freehold properties of, among others, Dils Funeral Services Limited, which provides funeral directing and cremation services and operates from four locations primarily on the North Shore of Auckland, New Zealand; and
  - on 18 December 2020, the Group acquired the business and assets of Pets RIP, a provider of pet cremation services operating from two locations in Toowoomba and Ipswich, Queensland;

- purchased two freehold properties, one previously tenanted by the Group, the consideration for which totalled $4,250,000 (excluding stamp duty);

- continued to be impacted by COVID-19, with strict limits on funeral attendees generally isolated to COVID-19 hotspot areas that went into lockdown, which temporarily impacted Average Revenue Per Funeral[1]; and

- executed an implementation agreement with Propel Investments Pty Limited (ACN 117 536 357) ('Manager') on 30 May 2021 to give effect to an internalisation of key senior management functions of the Company ('Internalisation'), which completed on 26 July 2021 (refer to 'Matters subsequent to the end of the financial year' for further disclosures).

There were no other significant changes in the state of affairs of the Group during the year ended 30 June 2021.

Financial and operating review

This financial and operating overview summarises the full year results for FY21, including the key impacts of the COVID-19 pandemic and results for the prior year, unless otherwise stated.

COVID-19 Responses

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

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

Further details on the financial impact of the COVID-19 pandemic in FY21 are set out in the relevant sections 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.

Directors' Report
for the year ended 30 June 2021

Financial Summary
In FY21, the Group reported:
- Revenue of $120,442,000, an increase of 8.7% on the prior year;
- Operating EBITDA of $36,283,000, an increase of 11.9% on the prior year; and
- Operating NPAT of $15,257,000, an increase of 7.6% on the prior year.

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

	30 Jun 21 $'000	30 Jun 20 $'000
Total revenue	**120,442**	**110,845**
Gross profit	86,759	79,596
…margin	*72.0%*	*71.8%*
Total operating costs	(50,476)	(47,177)
Operating EBITDA	**36,283**	**32,420**
…margin	*30.1%*	*29.2%*
Depreciation	(9,667)	(8,826)
Operating EBIT	**26,616**	**23,594**
…margin	*22.1%*	*21.3%*
Performance fee	-	(4,077)
Net other expenses	(399)	(385)
Acquisition and transaction costs	(860)	(1,615)
EBIT	**25,356**	**17,517**
Net interest expense	(3,534)	(3,128)
Net financing charge on contract assets and contract liabilities	(1,034)	(527)
Net profit before tax	**20,787**	**13,862**
Income tax expense	(6,344)	(3,237)
Net profit after tax	**14,443**	**10,624**
Operating NPAT	*15,257*	*14,180*
Operating earnings per share (cps) [1]	*15.33*	*14.37*

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

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

	30 Jun 21 $'000	30 Jun 20 $'000
Net profit after income tax	14,443	10,624
Add: Acquisition and transaction costs	860	1,615
Add: Performance fee	-	4,077
Add: Other non-operating expenses	293	341
Add: Net loss on disposal of assets	154	80
(Less)/Add: Net foreign exchange (gain)/losses	(25)	22
Less: Tax effect of certain Operating NPAT adjustments	(345)	(1,447)
Less: New Zealand deferred tax liability restatement	(123)	(1,132)
Operating NPAT	**15,257**	**14,180**

Directors' Report

for the year ended 30 June 2021

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

	30 Jun 21 $'000	30 Jun 20 $'000
Funeral operations	104,464	96,355
Cemetery, crematoria and memorial gardens	13,744	11,975
Other trading revenue	2,235	2,515
Total revenue	**120,442**	**110,845**
Cost of sales	(33,684)	(31,249)
Gross profit	**86,759**	**79,596**
Employment costs	(36,363)	(33,473)
Occupancy and facility costs	(6,523)	(5,972)
Administration fee	(250)	(205)
Other operating costs	(7,340)	(7,526)
Total operating costs	**(50,476)**	**(47,177)**
Operating EBITDA	**36,283**	**32,420**

Commentary on the results is provided below.

Revenue

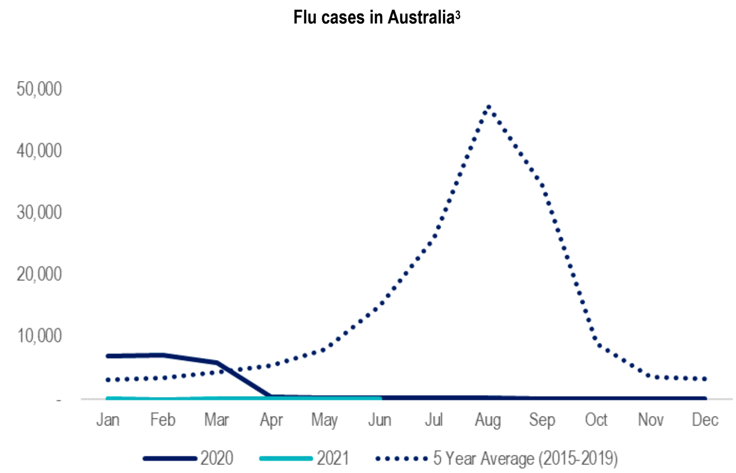
Revenue increased by 8.7% from $110,845,000 in FY20 to $120,422,000 in FY21, driven by a:

- 8.4% increase in revenue from funeral operations; and
- 14.8% increase in revenue from cemetery, crematoria and memorial gardens.

The number of funerals increased by 4.6% from 13,299 in FY20 to 13,916 in FY21.

During FY21:

- death volumes were below historical long term trends in key markets within which the Group operates - for example, total registered deaths in New South Wales and Queensland declined 4.2% compared to the prior year[2];
- the Group's comparable funeral volumes were down 3.5% on the prior year, largely due to below trend death volumes experienced during the first half of FY21, partially offset by positive comparable funeral volumes in the second half of FY21; and
- social distancing measures, travel restrictions, an increased focus on personal hygiene and effective flu vaccinations contributed to unusually benign flu seasons in 2020 and 2021 year to date ('YTD'), with reported flu cases in Australia[3] circa 99% below the 5 year average to 2019, which is expected to result in a deferral of death volumes into future periods.



Average Revenue Per Funeral increased by 4.3% from $5,672 in FY20 to $5,917 in FY21 and was influenced by the full year impact of two funeral business acquisitions completed during FY20, the part period impact of two funeral business acquisitions completed in FY21, funeral mix and pricing. In FY21, Average Revenue Per Funeral increased by 2.8% on the pre-COVID-19 period (i.e. Q1 to Q3 FY20).

2 Source: Industry association.
3 Source: National Notifiable Diseases Surveillance System.

Directors' Report

for the year ended 30 June 2021

Unlike the widespread impacts of strict funeral attendee limits in Australia and New Zealand during Q4 FY20, Average Revenue Per Funeral impacts from funeral attendee limits during FY21 were generally isolated to COVID-19 hotspot areas that went into temporary lockdown.

As illustrated in the chart to the right, those impacts were temporary and Average Revenue Per Funeral growth on the pre COVID-19 period (i.e. Q1 to Q3 FY20) returned to the Company's target range of 2-4% per annum, as restrictions eased.

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

In FY21, the Group generated 62% of its revenue from regional areas, in-line with FY20.

Gross profit margin
The gross profit margin increased from 71.8% to 72.0% in FY21, primarily due to the financial profile of the acquisitions completed during FY20 and FY21 (some of which included cremation facilities).

Operating costs and Operating EBITDA
Operating costs increased by $3,300,000 in FY21, net of government wage subsidies received in FY21 (refer below) and payroll tax waivers, which were recorded against employment costs. Comparable operating expenditure increased approximately 1.0% on FY20.

During FY21, the Group continued to implement measures to mitigate potential financial impacts of COVID-19, such as:
- controlling operating expenditure; and
- recognising government wage subsidies for eligible businesses in FY21, net of employment costs totalling $2,184,000[4], enabling headcount to be maintained (FY20: $1,482,000).

Operating EBITDA increased by 11.9% from $32,420,000 in FY20 to $36,283,000 in FY21, primarily due to:
- the full period contributions from acquisitions completed in FY20 and the part period contributions from acquisitions completed in FY21;
- increases in Average Revenue Per Funeral, partially offset by below trend death volumes;
- improved gross margin; and
- good cost control and recognition of government wage subsidies.

Depreciation and other income and expenses
Statutory depreciation increased from $8,826,000 to $9,667,000 in FY21. Approximately $750,000 of the increase related to business and property acquisitions completed during FY20 and FY21.

Net other expenses of $399,000 largely related to the administration of the Group's pre-paid contracts and other non-operating expenses.

Acquisitions costs of $258,000 largely related to stamp duty and transaction costs of $602,000 related to costs associated with the Internalisation.

Interest expense increased from $3,276,000 to $3,629,000 in FY21 as a result of an increase in drawn debt, which was primarily drawn to fund acquisitions.

Pre-paid contracts
Funds held in connection with pre-paid contracts are largely held with third party friendly societies who invest the funds in cash and fixed interest products (more than 90% of funds held) and other asset classes (less than 10% of funds held). In FY21, pre-paid contracts that turned at need in Australia accounted for less than 10% of Propel's Australian funeral volumes (FY20: less than 10%). It should be noted that there are no pre-paid contracts in the New Zealand business.

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 ran for the fortnights from 30 March 2020 until 28 March 2021. The New Zealand wage subsidy, recognised during the financial year, was received in August 2020.

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 FY21 (FY20: Nil).

Income tax expense
Income tax expense increased $3,107,000 to $6,344,000 in FY21 (FY20: $3,237,000), primarily due to:
- no Performance Fee being triggered in FY21 (FY20: $4,077,000 (excluding GST)); and
- $123,000 of New Zealand deferred tax liability restatement (FY20: $1,132,000),

representing an effective tax rate of 30.5% (FY20: 23.4%). The effective tax rate was impacted by:
- the net financing charge on pre-paid contracts;
- non-deductible expenses; and
- non-assessable income items.

Excluding these items, the adjusted effective tax rate was 29.8% (FY20: 29.7%).

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

	30 Jun 21 $'000	30 Jun 20 $'000
Receipts from customers (inc GST)	132,449	121,717
Payments to suppliers and employees (inc GST)	(95,896)	(87,799)
	36,553	**33,918**
Performance fee (inc GST)	-	(4,484)
Income taxes paid	(6,006)	(4,781)
Interest paid	(3,418)	(3,262)
Interest received	76	94
Net cash provided by operating activities	**27,205**	**21,485**
Payment for purchase of business, net of cash acquired	(23,128)	(45,656)
Net payments for property, plant and equipment	(11,583)	(9,587)
Other investing cash flows	(12)	(1,425)
Net cash used by investing activities	**(34,723)**	**(56,668)**
Net (repayment)/proceeds from borrowings	(23,866)	97,017
Dividends paid	(11,921)	(9,662)
Other financing cash flows	(3,140)	(3,465)
Net cash provided by financing activities	**(38,928)**	**83,890**
Net (decrease)/increase in cash during the year	(46,446)	48,707
Cash at the beginning of the year	53,904	5,289
Exchange rate effects	38	(92)
Cash at the end of the year	**7,496**	**53,904**
Cash flow conversion %	**101.8%**	**103.4%**

Statutory cash flows provided by operating activities increased by 26.6% to $27,204,000 during FY21. This was positively impacted by acquisitions, recognition of government wage subsidies and no Performance Fee being incurred in FY21 (FY20: $4,077,000 (excluding GST)), partially offset by higher income tax paid during the year.

Cash flow conversion was 101.8% in FY21, compared to 103.4% achieved in FY20 as shown in the table below:

	30 Jun 21 $'000	30 Jun 20 $'000
Operating EBITDA	**36,283**	**32,420**
Net cash provided by operating activities	27,205	21,485
Add: interest paid	3,418	3,262
Add: income tax paid	6,006	4,781
Add: Performance Fee	-	4,077
Add: Transaction costs	384	-
Less: interest received	(76)	(94)
Ungeared, tax free, operating cash flow[1]	**36,937**	**33,511**
Cash flow conversion	**101.8%**	**103.4%**

1. Excluding the Performance Fee in FY20

Cash flows used in investing activities, included capital expenditure relating to:

	30 Jun 21 $'000	30 Jun 20 $'000
Property refurbishments and plant and equipment	6,156	3,250
Motor vehicles	956	742
Other assets	87	63
Total capital expenditure	**7,199**	**4,055**

During FY21, Propel incurred capital expenditure of $7,199,000 which included:
- $6,156,000 relating to a number of refurbishments to freehold and leasehold sites;
- purchasing motor vehicles totalling $956,000; and
- upgrades to IT and other plant and equipment.

In FY21, maintenance capital expenditure amounted to 3.6% of revenue (FY20: 3.1%).

Capital management
As at 30 June 2021, the Group had drawn down $86,523,000 of its $150,000,000 senior debt facilities, compared to $109,823,000 as at 30 June 2020. The decrease in drawn debt largely related to the repayment of cash drawn for liquidity purposes during the first wave of COVID-19 in Q4 FY20. As at 30 June 2021, the Group reported cash and cash equivalents ('Cash') of $7,496,000 and net debt[5] of $79,027,000 (30 June 2020: $55,919,000).

As at 30 June 2021, the Group's gearing ratio was 29.7%[6]. Financial covenant ratios on the senior debt facilities comprise a net leverage ratio which must be no greater than 3.5x[7] and a fixed charge cover ratio which must be greater than 1.75x. Both ratios were comfortably satisfied as at 30 June 2021, being 2.2x (30 June 2020: 1.7x) and 5.4x (30 June 2020: 5.5x) respectively.

As at 30 June 2021, the Group had approximately $70,973,000 of available funding capacity.

Subsequent to the year end, the Group increased and extended its senior debt facilities with Westpac Banking Corporation ('Financier') by $50,000,000 to $200,000,000, all of which will mature in October 2024. The senior debt facilities include a working capital facility of $15,000,000 (to be cleaned down annually). Having regard to the commitments disclosed in 'Matters subsequent to the end of the financial year' set out below, as at the date of this report, the Group is well funded to continue its acquisition led growth strategy with approximately $107,600,000 of available funding capacity.

5 Drawn senior debt less cash and cash equivalents.

6 Net debt of $79.0 million divided by net debt plus total equity of $265.9 million.

7 Including the annualised impact of acquisitions and other adjustments. The Group's working capital facility is excluded from the net leverage ratio calculation.

Matters subsequent to the end of the financial year
On 26 July 2021, the Company completed the Internalisation, which involved, among other things:
- the assignment and termination of the Management Agreement and the payment of a $15,000,000 termination fee to the Manager, settled as follows:
  - $7,499,999 via the Company issuing 2,307,692 new fully paid ordinary shares at $3.25 per share[8]; and
  - $7,500,001 in cash;
- Albin Kurti, Fraser Henderson and Lilli Gladstone becoming employees of the Group;
- the transfer of intellectual property from the Manager, its officers and employees to the Group;
- amendments to the voluntary escrow arrangements relating to 14,732,667 shares ('Escrowed Shares') held by an associated entity of the Manager, so that:
  - 50% of the Escrowed Shares will be released from voluntary escrow following the release of the Group's audited FY22[9] financial results; and
  - 50% of the Escrowed Shares will be released from voluntary escrow following the release of the Group's audited FY25[9] financial results.

In August 2021, the Group increased and extended its senior debt facilities with the Financier by $50,000,000 to $200,000,000, all of which will mature in October 2024.

Apart from the dividend declared and the events disclosed above, no other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect, the Group's operations, the results of those operations or the Group's state of affairs in future financial years.

Likely developments and expected results of operations
In terms of the outlook for FY22, Propel expects to benefit from:
- death volumes reverting to long term trends;
- acquisitions completed to date and other potential future acquisitions in what is a highly fragmented industry (although timing is uncertain); and
- a strong funding position.

Historical experience suggests that the below trend death volumes in FY21 should be temporary, given:
- prior period declines have rebounded quickly;
- the unusually benign flu seasons in 2020 and 2021 YTD; and
- the growing and ageing population in Australia and New Zealand.

In that regard, following the Company's resilient financial performance in FY21, Propel has started FY22 with higher funeral volumes. In the month of July 2021, the Company performed a record number of funerals, with total and comparable funeral volumes materially higher than the prior corresponding period. However, death volumes fluctuate over short time horizons and COVID-19 impacts are expected to continue, particularly in hotspot areas which enter temporary lockdown.

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.

Measurable objectives
The Company respects and values diversity in the board and workforce at all levels as reflected in the diversity policy which is set out in the Company's Corporate Governance Charter, a copy of which is available on Company's website. For the financial year ended 30 June 2021, the Company had a measurable objective in respect of gender diversity on the board of the Company ('Board') which required that there be at least one woman on the Board which would represent 20% of the Board members and this measurable objective was achieved by the Company.

8 Representing the 30 day volume weighted average price of the Company's shares as at 28 May 2021.

9 Instead of a release from escrow in November 2027.

Directors' Report

for the year ended 30 June 2021

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, OAK Possability (a not-for-profit organisation in the Tasmanian disability sector) 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 and Macquarie Point Development Corporation.
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 Chair of Spirit Super, Member of the Tasmanian Economic Development Board, Chair of the Risk and Audit Committee for Tasmanian State Growth, 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 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 ASX listed BCAL Limited and 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

Directors' Report

for the year ended 30 June 2021

Name:	Albin Kurti
Title:	Managing Director
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:	9,973,700 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, Diplomas in Applied Corporate Governance ('FCIS') and the Australasian Investor Relations ('DipInvRel'). 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:	7,029,612 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[10] held during FY21, and the number of meetings attended by each director were:

	Board		Audit and Risk Committee	
	Attended	Held	Attended	Held
Brian Scullin	9	9	5	5
Naomi Edwards	9	9	5	5
Jonathan Trollip	9	9	5	5
Albin Kurti	9	9	-	-
Fraser Henderson	9	9	-	-

10 Excluding meetings held by the Independent Board Committee established in connection with the Internalisation.

Prior to the Internalisation and, therefore, throughout FY21, the Company did not have a separate Nomination Committee. However, the Board 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.

Prior to the Internalisation and, therefore, throughout FY21, the Company did not have a Remuneration Committee, principally because the persons providing the services that are ordinarily provided by senior executives were not employees of the Company, and did 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 during the year ended 30 June 2021 ('FY21'), in accordance with the requirements of the Corporations Act 2001 ('Corporations Act') and its regulations. Throughout FY21, the Company was externally managed by the Manager pursuant to a management agreement ('Management Agreement') dated 17 November 2017 (as amended) ('Commencement Date').

On 26 July 2021, the Management Agreement was terminated and three officers and employees of the Manager became employees of the Group ('Internalisation'). Further information on the Internalisation is disclosed in 'Matters subsequent to the end of the financial year' in the financial report.

The Manager

Fees

During FY21 and in accordance with the Management Agreement:
- the Manager made available individuals (including its officers and employees) to discharge its obligations to the Company and their remuneration was not an expense of the Company as they were paid by the Manager;
- the Company paid the Manager an Administration Fee of $249,690 (FY20: $205,408) (exclusive of GST); and
- no Performance Fee was triggered in FY21 (FY20: $4,077,000 (exclusive of GST)).

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, reported into the individuals made available by the Manager.

Oversight of fee payments

The calculation and payment of fees paid to the Manager are audited as part of the annual financial statement audit.

Directors

During FY21, the Board comprised five directors, three independent non-executive directors (including the Chairman) and two non-independent executive directors that were 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 executive directors and are not considered to be independent by the Board.

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 FY21, the fees paid to the non-executive directors were $197,472 (FY20: $161,333) in aggregate. The annual directors' fees agreed to be paid in FY21 to the Chairman was $83,232 (FY20: $81,600) (inclusive of superannuation), to the Chair of the Audit and Risk Committee was $62,220 (FY20: $61,000) (inclusive of superannuation) and to the other non-executive director was $52,020 (FY20: $51,000) (inclusive of superannuation). In FY20, to reduce the potential financial impacts of the COVID-19 pandemic, the non-executive directors elected to waive 100% of 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 FY20.

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 FY21.

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

Directors' remuneration in FY21 and FY20 are set out below:

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
2021	**Cash salary and fees $**	**Cash bonus $**	**Non-monetary $**	**Super-annuation $**	**Long service leave $**	**Equity-settled $**	**Total $**
Non-Executive Directors:							
Brian Scullin	76,011	-	-	7,221	-	-	83,232
Naomi Edwards	56,822	-	-	5,398	-	-	62,220
Jonathan Trollip	47,507	-	-	4,513	-	-	52,020
	180,340	-	-	17,132	-	-	197,472

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
2020	**Cash salary and fees $**	**Cash bonus $**	**Non-monetary $**	**Super-annuation $**	**Long service leave $**	**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

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 $249,690 (FY20: $205,408) (exclusive of GST) in FY21. As at 30 June 2021, there were no outstanding Administration Fees payable to the Manager. In the prior year, to reduce the potential financial impacts of the COVID-19 pandemic, the Manager elected to waive 100% of the Administration Fees payable to it for the months of April 2020 and May 2020.

No Performance Fee was triggered in FY21 (FY20: $4,077,000 (exclusive of GST)).

No director has received or become entitled to receive a benefit (other than those in connection with the Internalisation which are 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
During FY21, the Manager provided the services that would ordinarily be performed by senior executives. None of the Manager's officers and employees were paid a salary by the Company. The Manager was remunerated as outlined above.

Additional disclosures relating to key management personnel
Shareholding
The number of shares in the Company held during FY21 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	9,950,000	-	23,700	-	9,973,700
Fraser Henderson	6,999,612	-	30,000	-	7,029,612
	17,752,637	-	53,700	-	17,806,337

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 FY21 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 of the Company.

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 FY21, 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 ('Corporations Act') for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Directors' Report

for the year ended 30 June 2021

Non-audit services
Details of the amounts paid or payable to the auditor for non-audit services provided during FY21 by the auditor are outlined in note 24 to the financial statements.

The directors are satisfied that the provision of non-audit services during FY21 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 namely.

- 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 the Company's auditor, 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.

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

On behalf of the directors

Brian Scullin Chairman	Albin Kurti Managing Director

25 August 2021

Auditor's Independent Declaration

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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 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours sincerely

Nexia Sydney Audit Pty Ltd

Lester Wills
Director

Date: 25 August 2021

Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2021

	Note	Consolidated 2021 $'000	Consolidated 2020 $'000
Revenue	5	120,442	110,845
Expenses			
Cost of sales and goods		(33,683)	(31,249)
Employee costs	6	(36,476)	(33,603)
Occupancy and facility expenses		(6,555)	(6,002)
Advertising expenses		(2,801)	(2,540)
Motor vehicle expenses		(1,694)	(1,524)
Other expenses		(3,243)	(3,848)
		35,990	32,079
Acquisition and transaction costs	6	(860)	(1,615)
Performance fee	6	-	(4,077)
Net loss on disposal of assets		(154)	(80)
Other income		21	57
Depreciation expense	6	(9,667)	(8,826)
Interest income		95	148
Interest expense	6	(3,629)	(3,276)
Net financing charge on contract assets and contract liabilities	7	(1,034)	(527)
Net foreign exchange gain/(losses)		25	(22)
Profit before income tax expense		20,787	13,861
Income tax expense	8	(6,344)	(3,237)
Profit after income tax expense for the year attributable to the shareholders of Propel Funeral Partners Limited		14,443	10,624
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		(167)	(817)
Changes in the fair value of cash flow hedges, net of tax		101	(283)
Other comprehensive income for the year, net of tax		(66)	(1,100)
Total comprehensive income for the year attributable to the shareholders of Propel Funeral Partners Limited		14,377	9,524
		Cents	**Cents**
Basic earnings per share	34	14.51	10.77
Diluted earnings per share	34	14.51	10.77

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 2021

	Note	Consolidated 2021 $'000	2020 $'000
Assets			
Current assets			
Cash and cash equivalents	9	7,496	53,904
Customer deposits		572	544
Contract assets	7	46,100	47,495
Trade and other receivables	10	4,946	4,562
Inventories	11	4,389	4,233
Prepayments		960	745
Total current assets		64,463	111,483
Non-current assets			
Property, plant and equipment	12	152,762	129,318
Right-of-use assets	13	34,777	39,120
Goodwill	14	131,687	123,230
Deferred tax	8	3,470	3,607
Other assets		181	171
Total non-current assets		322,877	295,446
Total assets		387,340	406,929
Liabilities			
Current liabilities			
Trade and other payables	15	7,714	6,092
Borrowings	16	10,068	4,145
Income tax		391	233
Lease liabilities	17	8,674	6,136
Provisions	18	5,808	5,164
Contract liabilities	7	51,924	52,419
Total current liabilities		84,579	74,189
Non-current liabilities			
Borrowings	16	76,739	106,009
Derivative financial instruments	19	260	405
Lease liabilities	17	27,994	34,442
Deferred tax liabilities	8	8,716	8,069
Provisions	18	1,949	1,662
Other liabilities		191	212
Total non-current liabilities		115,849	150,799
Total liabilities		200,428	224,988
Net assets		186,912	181,941
Equity			
Issued capital	20	203,418	200,903
Reserves		(98)	(32)
Accumulated losses		(16,408)	(18,930)
Total equity		186,912	181,941

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

Statement of Changes in Equity

as at 30 June 2021

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	-	(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

Consolidated	Issued capital $'000	Foreign currency translation reserve $'000	Hedging reserve $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2020	200,903	251	(283)	(18,930)	181,941
Profit after income tax expense for the year	-	-	-	14,443	14,443
Other comprehensive income for the year, net of tax	-	(167)	101	-	(66)
Total comprehensive income for the year	-	(167)	101	14,443	14,377
Transactions with shareholders in their capacity as shareholders:					
Contributions of equity, net of transaction costs (note 20)	2,515	-	-	-	2,515
Dividends paid (note 21)	-	-	-	(11,921)	(11,921)
Balance at 30 June 2021	203,418	84	(182)	(16,408)	186,912

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

Statement Cashflows

for the year ended 30 June 2021

	Note	Consolidated 2021 $'000	Consolidated 2020 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		132,449	121,717
Payments to suppliers and employees (inclusive of GST)		(95,896)	(87,799)
		36,553	33,918
Performance fee paid (inclusive of GST)		-	(4,484)
Interest received		76	94
Interest and other finance costs paid - borrowings		(2,347)	(2,095)
Interest paid - leases (AASB 16)		(1,071)	(1,167)
Income taxes paid		(6,006)	(4,781)
Net cash from operating activities	32	27,205	21,485
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired	29	(23,128)	(45,656)
Payments for property, plant and equipment		(11,676)	(9,646)
Net movements in contract assets and contract liabilities		(12)	(1,425)
Proceeds from disposal of property, plant and equipment		93	59
Net cash used in investing activities		(34,723)	(56,668)
Cash flows from financing activities			
Share issue transaction costs		-	(371)
Proceeds from borrowings	33	22,102	102,632
Repayment of borrowings	33	(45,814)	(5,615)
Repayment of hire purchases	33	(155)	(107)
Repayment of lease liabilities	33	(3,140)	(2,987)
Dividends paid	21	(11,921)	(9,662)
Net cash (used in)/from financing activities		(38,928)	83,890
Net (decrease)/increase in cash and cash equivalents		(46,446)	48,707
Cash and cash equivalents at the beginning of the financial year		53,904	5,289
Effects of exchange rate changes on cash and cash equivalents		38	(92)
Cash and cash equivalents at the end of the financial year	9	7,496	53,904

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 2021

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 2021. The financial statements are presented in Australian dollars, which is the Company's functional and presentation currency.

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

Level 18.03
135 King Street
Sydney NSW 2000

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 25 August 2021. 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 2020:

Conceptual Framework for Financial Reporting (Conceptual Framework)
The Group has adopted the revised Conceptual Framework from 1 July 2020. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards, but it has not had a material impact on the Group's financial statements.

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.

Notes to the Financial Statements

for the year ended 30 June 2021

Note 2. Significant accounting policies (continued)

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 Earnings Before Interest, Tax, Depreciation and Amortisation ('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 2001, 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 2021 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.

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.

Note 2. Significant accounting policies (continued)

Revenue recognition
The Group recognises revenue as follows:

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

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

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

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.

Notes to the Financial Statements
for the year ended 30 June 2021

Note 2. Significant accounting policies (continued)

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 COVID-19. 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.

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.

Note 2. Significant accounting policies (continued)

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 the 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.

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.

Note 2. Significant accounting policies (continued)

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.

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 received, any initial direct costs incurred, and an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

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 or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability 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.

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.

Note 2. Significant accounting policies (continued)

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.

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.

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. Lease payments comprise of fixed payments less any lease incentives receivables, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and 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.

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.

Notes to the Financial Statements

for the year ended 30 June 2021

Note 2. Significant accounting policies (continued)

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.

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.

Note 2. Significant accounting policies (continued)

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

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

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

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

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

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

Earnings per share

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

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

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.

Note 2. Significant accounting policies (continued)

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 2021. The Group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

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 COVID-19 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 COVID-19) and growth rates of the estimated future cash flows.

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

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 COVID-19) 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.

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

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.

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.

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

Operating segment information

Consolidated - 2021	**Australian operations $'000**	**New Zealand operations $'000**	**Total $'000**
Revenue			
Sales to external customers	97,022	23,207	120,229
Other revenue (excluding interest)	198	15	213
Total revenue	97,220	23,222	120,442
Operating EBITDA	31,557	4,726	36,283
Acquisition and transaction costs	(833)	(27)	(860)
Net loss on disposal of assets	(144)	(10)	(154)
Net other (expenses)/income	(276)	4	(272)
Depreciation and amortisation	(8,031)	(1,636)	(9,667)
Interest income *	781	39	820
Interest expense *	(3,492)	(862)	(4,354)
Net financing charge on contracts assets and contract liabilities	(1,034)	-	(1,034)
Net foreign exchange gain/(loss)	26	(1)	25
Profit before income tax expense	18,554	2,233	20,787
Income tax expense			(6,344)
Profit after income tax expense			14,443
Assets			
Segment assets	358,354	66,226	424,580
Intersegment eliminations			(37,240)
Total assets			387,340
Liabilities			
Segment liabilities	191,435	46,233	237,668
Intersegment eliminations			(37,240)
Total liabilities			200,428

Notes to the Financial Statements

for the year ended 30 June 2021

Note 4. Operating segments (continued)

* Includes $726,000 interest charged on intercompany loan from the Australian operations to the New Zealand operations.

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 and transaction 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
Interest expense *	(3,128)	(950)	(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	11,411	2,450	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.

Geographical information

	Geographical non-current assets	
	2021 $'000	2020 $'000
Australia	295,995	272,427
New Zealand	60,651	36,520
Intersegment eliminations	(37,240)	(17,108)
	319,406	291,839

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.

Notes to the Financial Statements
for the year ended 30 June 2021

Note 5. Revenue

	Consolidated 2021 $'000	2020 $'000
Revenue from contracts with customers	120,229	110,632
Other revenue		
Rent	213	213
Revenue	120,442	110,845

Disaggregation of revenue

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

	Consolidated 2021 $'000	2020 $'000
Funeral operations	104,463	96,355
Cemetery, crematoria and memorial gardens	13,744	11,975
Other trading revenue	2,022	2,302
	120,229	110,632

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

Note 6. Expenses

	Consolidated 2021 $'000	Consolidated 2020 $'000
Profit before income tax includes the following specific expenses:		
Depreciation		
Buildings	1,872	1,564
Improvements	449	422
Plant and equipment	2,228	1,996
Motor vehicles	1,665	1,586
Total depreciation - property, plant and equipment (note 12)	6,214	5,568
Building right-of-use assets	3,066	2,874
Plant and equipment right-of-use assets	368	365
Motor vehicles right-of-use assets	19	19
Total depreciation - right-of-use assets (note 13)	3,453	3,258
Total depreciation	9,667	8,826
Other non-operating expenses		
Acquisition costs	258	1,615
Transaction costs *	602	-
Performance fee **	-	4,077
Total other non-operating expenses	860	5,692
Interest expense		
Interest and finance charges paid/payable on borrowings	2,558	2,109
Interest and finance charges paid/payable on lease liabilities (AASB 16)	1,071	1,167
Total interest expense	3,629	3,276
Employee costs		
Employee costs excluding government subsidies and superannuation expense	36,692	33,274
Australia government wage subsidies (JobKeeper) ***	(2,235)	(1,180)
New Zealand government wage subsidies ***	(191)	(525)
Payroll tax waivers	(70)	(91)
Defined contribution superannuation expense	2,280	2,125
Total employee costs	36,476	33,603

* In connection with the internalisation of key senior management functions of the Company ('Internalisation'). Refer to note 36 for further disclosures.

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

*** During the financial year ended 30 June 2021 and related to COVID-19, certain entities within the Group received JobKeeper payments from the Australian government and wage subsidies from the New Zealand government. These subsidies were passed to eligible employees and have been recognised in the financial statements net of employee costs over the relevant period. 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 $2,184,000 (30 June 2020: $1,482,000).

Note 7. Contract assets and liabilities

	Consolidated 2021 $'000	Consolidated 2020 $'000
Contract assets		
– pre-paid contracts	46,100	47,495
Contract liabilities		
– pre-paid contracts	50,417	51,031
– monument works	1,507	1,388
	51,924	52,419

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 2021 $'000	Consolidated 2020 $'000
Profit or loss impact of undelivered contract assets and contract liabilities - pre-paid contracts		
Investment income on contracts assets	263	512
Finance charge on contracts liabilities	(1,297)	(1,039)
Net financing charge on contract assets and contract liabilities - pre-paid contracts	(1,034)	(527)
Movements in contract assets - pre-paid contracts		
Opening balance	47,495	47,901
Sales of new contract assets	2,844	2,817
Redemption of contract assets following service delivery	(4,815)	(5,147)
Increase due to business combinations (note 29)	313	83
Increase due to business combinations - prior year	-	1,329
Increase due to investments returns	263	512
Closing balance	46,100	47,495
Contract assets expected to be realised within one year	4,688	4,888
Contract assets expected to be realised after one year	41,412	42,607
Total contract assets - pre-paid contracts	46,100	47,495

Note 7. Contract assets and liabilities (continued)

	Consolidated 2021 $'000	Consolidated 2020 $'000
Movements in contract liabilities - pre-paid contracts		
Opening balance	51,031	51,883
Sales of new contract liabilities	2,844	2,817
Decrease following delivery of services	(5,068)	(5,523)
Increase due to business combinations (note 29)	313	236
Increase due to business combinations - prior year	-	579
Increase due to finance charge applied in accordance with AASB 15	1,297	1,039
Closing balance	50,417	51,031
Contract liabilities expected to be realised within one year	5,214	5,087
Contract liabilities expected to be realised after one year	45,203	45,944
Total contract liabilities - pre-paid contracts	50,417	51,031

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 2021 $'000	Consolidated 2020 $'000
Income tax expense		
Current tax	5,601	4,400
Deferred tax – origination/(reversal) of temporary differences	866	(31)
New Zealand deferred tax restatement *	(123)	(1,132)
Aggregate income tax expense	6,344	3,237
Deferred tax included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets	215	(278)
Increase in deferred tax liabilities	651	247
Deferred tax – origination/(reversal) of temporary differences	866	(31)
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense	20,787	13,861
Tax at the statutory tax rate of 30%	6,236	4,158
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Net financing charge on contract assets and liabilities	199	56
Entertainment expenses	29	31
Acquisition costs	27	393
Other non-allowable items	21	13
	6,512	4,651
Difference in overseas tax rates	(45)	(49)
Deferred tax adjustment for contingent consideration payments	-	(233)
New Zealand deferred tax restatement *	(123)	(1,132)
Income tax expense	6,344	3,237

Note 8. Income tax (continued)

	Consolidated 2021 $'000	Consolidated 2020 $'000
Deferred tax asset		
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Allowance for expected credit losses	311	316
Employee benefits	1,723	1,615
Accrued expenses	42	44
Transaction costs	151	112
Deductible contingent consideration payments	233	326
Net movements of leases (AASB 16)	656	507
Prepayments	(6)	(3)
	3,110	2,917
Amounts recognised in equity:		
Transaction costs on share issue	282	569
Derivative financial instruments	78	121
	360	690
Deferred tax asset	3,470	3,607
Movements:		
Opening balance	3,607	2,717
(Charged)/credited to profit or loss	(215)	278
(Charged)/credited to equity	(43)	121
Additions through business combinations (note 29)	60	154
Other adjustments	61	(80)
AASB 16 adjustment on adoption	-	417
Closing balance	3,470	3,607
Deferred tax liability		
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Property, plant and equipment	8,716	8,069
Deferred tax liability	8,716	8,069
Movements:		
Opening balance	8,069	6,990
Charged to profit or loss	651	247
Additions through business combinations (note 29)	157	2,053
Other adjustments	(38)	(89)
New Zealand deferred tax restatement *	(123)	(1,132)
Closing balance	8,716	8,069

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 COVID-19. 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 $123,000 (2020: $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	
	2021 $'000	2020 $'000
Current assets		
Cash on hand	16	23
Cash at bank	7,480	53,881
	7,496	53,904

Note 10. Trade and other receivables

	Consolidated	
	2021 $'000	2020 $'000
Current assets		
Trade receivables - customer contracts	5,900	5,274
Other receivables	95	437
Less: Allowance for expected credit losses	(1,049)	(1,149)
	4,946	4,562

Allowance for expected credit losses
The Group has recognised a reversal in allowance for expected credit losses of $40,000 (2020: increase in allowance for expected credit losses of $709,000) in profit or loss for the year ended 30 June 2021.

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	2021 %	2020 %	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Not overdue	8%	9%	3,683	3,561	295	320
0 to 3 months overdue	9%	11%	998	863	92	95
3 to 6 months overdue	25%	28%	370	304	94	85
Over 6 months overdue	60%	66%	944	983	568	649
			5,995	5,711	1,049	1,149

The Group continues to monitor its debt recovery and the allowance for expected credit losses assessment includes assumptions based on the possibility of customers delaying payment or being unable to pay, due to the potential financial impacts of COVID-19.

Note 10. Trade and other receivables (continued)

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

	Consolidated 2021 $'000	Consolidated 2020 $'000
Opening balance	1,149	486
(Reversal)/recognition of allowance for expected credit losses	(40)	709
Receivables written off during the year as uncollectable	(135)	(94)
Additions through business combinations (note 29)	71	53
Movement in acquired provisions	5	(7)
Movements in exchange rates	(1)	2
Closing balance	1,049	1,149

Note 11. Inventories

	Consolidated 2021 $'000	Consolidated 2020 $'000
Current assets		
Work in progress - at cost	166	124
Finished goods - at cost	4,237	4,109
Less: Provision for inventory obsolescence	(14)	-
	4,389	4,233

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Note 12. Property, plant and equipment

	Consolidated 2021 $'000	Consolidated 2020 $'000
Non-current assets		
Land - at cost	50,275	39,328
Buildings - at cost	77,960	68,085
Less: Accumulated depreciation	(6,509)	(4,569)
	71,451	63,516
Improvements - at cost	9,504	6,803
Less: Accumulated depreciation	(1,208)	(1,015)
	8,296	5,788
Plant and equipment - at cost	19,148	16,128
Less: Accumulated depreciation	(6,931)	(4,776)
	12,217	11,352
Motor vehicles - at cost	14,270	12,582
Less: Accumulated depreciation	(6,042)	(4,585)
	8,228	7,997
Construction in progress - at cost	2,295	1,337
	152,762	129,318

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 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	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
Additions	1,064	9	243	1,230	734	5,491	8,771
Additions through business combinations (note 29)	8,231	7,155	189	689	995	625	17,884
Disposals	-	(29)	(48)	(82)	(180)	-	(339)
Exchange differences	(16)	(8)	(4)	(7)	(14)	(6)	(55)
Transfer from right-of-use assets (note 13)	1,317	2,080	-	-	-	-	3,397
Transfers in/(out)	351	600	2,577	1,263	361	(5,152)	-
Depreciation expense (note 6)	-	(1,872)	(449)	(2,228)	(1,665)	-	(6,214)
Balance at 30 June 2021	50,275	71,451	8,296	12,217	8,228	2,295	152,762

Note 13. Right-of-use assets

	Consolidated 2021 $'000	Consolidated 2020 $'000
Non-current assets		
Land and buildings - right-of-use	39,691	40,928
Less: Accumulated depreciation	(5,595)	(2,807)
	34,096	38,121
Plant and equipment - right-of-use	1,268	1,287
Less: Accumulated depreciation	(613)	(333)
	655	954
Motor vehicles - right-of-use	59	59
Less: Accumulated depreciation	(33)	(14)
	26	45
	34,777	39,120

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.

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 and buildings $'000	Plant and equipment $'000	Motor vehicles $'000	Total $'000
Balance at 1 July 2019	-	-	-	-
Additions on adoption of AASB16	35,794	837	25	36,656
Additions	69	456	39	564
Additions through business combinations	4,753	237	-	4,990
Lease modifications	379	(211)	-	168
Depreciation expense (note 6)	(2,874)	(365)	(19)	(3,258)
Balance at 30 June 2020	38,121	954	45	39,120
Additions	563	62	-	625
Additions through business combinations (note 29)	1,069	-	-	1,069
Lease modifications	839	7	-	846
Early terminations	(33)	-	-	(33)
Transfers to property, plant and equipment - purchase option executed (note 12)	(3,397)	-	-	(3,397)
Depreciation expense (note 6)	(3,066)	(368)	(19)	(3,453)
Balance at 30 June 2021	34,096	655	26	34,777

For other right-of-use related disclosures, refer to the following:
- note 6 for details of depreciation on right-of-assets and interest on lease liabilities;
- note 17 for lease liabilities at 30 June 2021;
- note 22 for undiscounted future lease commitments; and
- statement of cash flows for repayment of lease liabilities.

Note 14. Goodwill

	Consolidated 2021 $'000	Consolidated 2020 $'000
Non-current assets		
Goodwill - at cost	131,687	123,230

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 2019	106,437
Additions through business combinations	17,181
Adjustments for prior year business combinations	(59)
Exchange differences	(329)
Balance at 30 June 2020	123,230
Additions through business combinations (note 29)	8,375
Adjustments for prior year business combinations	210
Exchange differences	(128)
Balance at 30 June 2021	131,687

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 2021 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)

Goodwill is specific to each CGU and is allocated as follows:

	Consolidated 2021 $'000	Consolidated 2020 $'000
NSW	19,625	19,625
QLD	39,149	38,350
VIC	19,156	19,156
TAS	13,645	13,645
SA	899	899
WA	11,052	10,853
ACT	6,484	6,484
NZ	21,677	14,218
	131,687	123,230

Note 14. Goodwill (continued)

Impairment testing
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 COVID-19. However, it is expected that the impacts of COVID-19 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% (30 June 2020: 8.5%), 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% (30 June 2020: 4.0%) for revenue, 3.0% (30 June 2020: 3.2%) for cost of sales and goods and 1.9% (30 June 2020: 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	
	2021 $'000	2020 $'000
Current liabilities		
Trade payables	2,322	1,583
Deposits	653	497
Accrued expenses	2,579	1,936
GST payable	764	851
Other payables	1,396	1,225
	7,714	6,092

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

Notes to the Financial Statements

for the year ended 30 June 2021

Note 16. Borrowings

	Consolidated	
	2021 $'000	2020 $'000
Current liabilities		
Bank Loans	9,944	3,990
Hire purchases	124	155
	10,068	4,145
Non-current liabilities		
Bank Loans	76,600	105,747
Hire purchases	139	262
	76,739	106,009
	86,807	110,154
Senior Debt	86,523	109,823
Less: loan establishment costs	(212)	(335)
Equipment loans	233	249
Total Bank Loans	86,544	109,737

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'):
- $90,000,000 senior debt facility which matures in August 2022;
- $50,000,000 senior debt facility which matures in December 2023; and
- $10,000,000 working capital facility which matures in August 2022 and is required to be cleaned down annually,

resulting in total debt facilities of $150,000,000 (together, 'Senior Debt'), of which $86,523,000 was drawn as at 30 June 2021 (30 June 2020: $109,823,000). The net debt position (i.e. drawn Senior Debt less cash and cash equivalents of $7,496,000) was $79,027,000 as at 30 June 2021 (30 June 2020: $55,919,000).

Subsequent to year end, the Group increased and extended its senior debt facilities with the Financier by $50,000,000 to $200,000,000, all of which will mature in October 2024. Refer to note 36 for further disclosures.

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 $233,000 (30 June 2020: $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	
	2021 $'000	2020 $'000
Total Senior Debt facilities	150,000	150,000
Used at the reporting date	86,523	109,823
Unused at the reporting date	63,477	40,177

The financial covenant ratios applicable to the Senior Debt are tested biannually and calculated on a 12 month rolling basis and, as at 30 June 2021, were as follows:
- net leverage ratio which must be no greater than 3.5x; and
- a fixed charge cover ratio which must be greater than 1.75x.

Both covenant ratios were satisfied as at 30 June 2021, being 2.2x (30 June 2020: 1.7x) and 5.4x (30 June 2020: 5.5x) respectively.

Note 17. Lease liabilities

	Consolidated	
	2021 $'000	2020 $'000
Current liabilities		
Lease liability	8,674	6,136
Non-current liabilities		
Lease liability	27,994	34,442
	36,668	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 2021 $'000	Consolidated 2020 $'000
Current liabilities		
Employee benefits	4,930	4,604
Contingent consideration (note 23)	839	527
Lease make good	39	33
	5,808	5,164
Non-current liabilities		
Employee benefits	485	522
Contingent consideration (note 23)	961	702
Lease make good	280	238
Perpetual maintenance care provision	223	200
	1,949	1,662
	7,757	6,826

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 - 2021	Lease make good $'000	Perpetual maintenance care $'000
Carrying amount at the start of the year	271	200
Additional provisions recognised	25	23
Additions through business combinations	53	-
Payments	(3)	-
Unused amounts reversed	(27)	-
Carrying amount at the end of the year	319	223

Note 19. Derivative financial instruments

	Consolidated 2021 $'000	Consolidated 2020 $'000
Non-current liabilities		
Interest rate swap contracts - cash flow hedges	260	405

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

Note 19. Derivative financial instruments (continued)

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

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			
	2021 Shares	2020 Shares	2021 $'000	2020 $'000
Ordinary shares - fully paid	99,946,016	98,735,427	203,418	200,903

Movements in ordinary share capital

Details	Date	Shares	Issue price/ fair value	$'000
Balance	1 July 2019	98,507,917		200,363
Issue of new shares in connection with business combinations	1 November 2019	227,510	$2.37	540
Balance	30 June 2020	98,735,427		200,903
Issue of new shares in connection with business combinations (note 29)	2 November 2020	1,210,589	$2.08	2,515
Balance	30 June 2021	99,946,016		203,418

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

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

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

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.

Note 20. Issued capital (continued)

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 2021 $'000	Consolidated 2020 $'000
Final dividend for the year ended 30 June 2020 of 6.0 cents (30 June 2019: 5.8 cents) per ordinary share	5,924	5,713
Interim dividend for the year ended 30 June 2021 of 6.0 cents (30 June 2020: 4.0 cents) per ordinary share	5,997	3,949
	11,921	9,662

On 25 February 2021, the directors declared a fully franked interim dividend of 6.0 cents per ordinary share which equated to a total distribution of $5,997,000. The dividend was paid on 9 April 2021 and was recognised during the relevant reporting period.

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

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 relevant reporting period.

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

Dividends not recognised at year end
In addition to the above dividends and since the reporting date, the directors declared a fully franked dividend of 5.75 cents per ordinary share on 25 August 2021. The dividend will be paid on 5 October 2021. This equates to a total estimated distribution of $5,880,000. The financial effect of the dividend declared after the reporting date is not reflected in the 30 June 2021 financial statements and will be recognised in the subsequent financial period.

Franking credits

	Consolidated 2021 $'000	Consolidated 2020 $'000
Franking credits available for subsequent financial years based on a tax rate of 30%	15,687	15,325

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. The Group uses 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. During the year ended 30 June 2021, representatives of Propel Investments Pty Ltd (ACN: 117 536 357) ('Manager'):
- identified, evaluated and hedged (where relevant) financial and operational risks within the Group's operating units; and
- conferred 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 friendly societies and 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. The Group uses 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 rates on borrowings, cash at bank and contract assets, and interest rate swap contract outstanding (an analysis by maturities is provided in the liquidity risk section of this note):

	2021		2020	
Consolidated	**Weighted average interest rate %**	**Balance $'000**	**Weighted average interest rate %**	**Balance $'000**
Cash at bank	0.28%	7,480	0.40%	53,881
Contract assets	0.75%	46,100	1.10%	47,495
Senior Debt	2.29% *	(86,523)	2.64% *	(109,823)
Net exposure to cash flow interest rate risk		(32,943)		(8,447)

* 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 (2020: 50) basis points would have a (unfavourable)/favourable effect on profit before tax of ($165,000)/$165,000 (2020: ($42,000)/$42,000) and (unfavourable)/favourable effect on equity of ($115,000)/$115,000 (2020: $(30,000)/$30,000) 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	2021 $'000	2020 $'000
Carrying amount of liability	260	405
Notional amount	25,000	25,000
Maturity date	August 2022	August 2022
Hedge ratio*	1:1	1:1
Weighted average hedged fixed interest rate payable	0.94%	0.94%
Weighted average hedged variable interest rate receivable	0.10%	0.61%
Change in fair value of hedging instrument since 1 July	(145)	405

* 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, and includes assumptions based on potential financial impacts of COVID-19 and forward-looking information that is available.

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

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

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

Financing arrangements
Unused borrowing facilities at the reporting date:

	Consolidated	
	2021 $'000	2020 $'000
Senior Debt (note 16)	63,477	40,177

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 - 2021	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	2,322	-	-	-	2,322
Other payables	3,769	-	-	-	3,769
Contingent consideration	839	579	423	-	1,841
Interest-bearing					
Bank Loans	12,043	58,805	18,713	-	89,561
Hire purchase	137	96	48	-	281
Lease liability	3,943	3,424	8,480	30,137	45,984
Total non-derivatives	23,053	62,904	27,664	30,137	143,758
Derivatives					
Interest rate swaps net settled	-	260	-	-	260
Total derivatives	-	260	-	-	260

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

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:
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 - 2021	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Liabilities				
Current				
Contingent consideration	-	-	839	839
Non-current				
Derivative financial instruments *	-	260	-	260
Contingent consideration	-	-	961	961
Total liabilities	-	260	1,800	2,060

Consolidated - 2020	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Liabilities				
Current				
Contingent consideration	-	-	527	527
Non-current				
Derivative financial instruments *	-	405	-	405
Contingent consideration	-	-	702	702
Total liabilities	-	405	1,229	1,634

There were no transfers between levels during the financial year.

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

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

Valuation techniques for fair value measurements categorised within level 2 and level 3
Due to the nature of contingent consideration, it has been categorised as Level 3.

Contingent consideration represents the obligation to pay additional amounts to vendors in respect of businesses acquired by the Group, subject to certain conditions being met. It is measured at the present value of the estimated liability. The fair value of contingent consideration is calculated on the expected future cash outflows. Generally, the contingent consideration is a performance based payment. These are reviewed at the reporting date to provide the expected future cash outflows for each contract. Upon completion of the review the future cash outflows are then discounted to present value using the Group 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 2019	1,654
Payments made	(892)
Additions through business combinations	425
Movement due to changes in discount rate	50
Foreign exchange difference	(8)
Balance at 30 June 2020	1,229
Payments made (note 29)	(680)
Additions through business combinations (note 29)	1,229
Movement due to changes in discount rate	37
Foreign exchange difference	(15)
Balance at 30 June 2021	1,800

Fair value movements are recognised in the statement of profit or loss as movements in interest expense. Fair value movements for the period in relation to revaluation of contingent consideration amounted to $37,000 (30 June 2020: $50,000). 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 2021 $	Consolidated 2020 $
Audit services - Nexia Sydney		
Audit or review of the financial statements	198,267	169,669
Other services - Nexia Sydney		
Taxation services	18,475	25,800
Other assurance services	9,000	-
	27,475	25,800
	225,742	195,469

Note 25. Contingent liabilities

On 11 September 2017, the Company entered into a management agreement with Propel Investments Pty Limited (ACN 117 536 357) (‘Management Agreement’).

In accordance with the Management Agreement, a performance fee may be payable to the Manager (‘Performance Fee’). No Performance Fee was earned by, and paid to, the Manager during the year ended 30 June 2021 (30 June 2020: Performance fee of $4,077,000 (exclusive of GST) was earned and paid).

Subsequent to the year end, shareholders of the Company approved the Internalisation, which included, among other things, the Management Agreement being terminated. Refer to note 36 for further disclosures.

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Note 25. Contingent liabilities (continued)

The Group had $1,183,000 bank guarantees as at 30 June 2021 (30 June 2020: $1,180,000) in relation to premises the Group leases.

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

Note 26. Commitments

	Consolidated	
	2021 $'000	2020 $'000
Capital commitments		
Committed at the reporting date but not recognised as liabilities, payable:		
Property, plant and equipment	2,088	2,114
Dils Group acquisition	-	23,618
	2,088	25,732

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
As at the reporting date, the Company was a party to the 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).

In accordance with the Management Agreement, the Manager invoiced an Administration Fee totalling $249,690 (30 June 2020: $205,408) (exclusive of GST) in the year ending 30 June 2021.

On 30 May 2021, the Company executed an implementation agreement with the Manager in respect of the Internalisation, which completed on 26 July 2021. The Management Agreement terminated on that date, with the agreement by the relevant parties. Refer to note 36 for further disclosures.

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

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

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

Note 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 the Company. The Board however does not manage the day-to-day activities of the Group.

During the year ended 30 June 2021:
- the Manager provided the services that would ordinarily be performed by senior executives such as managing the day to day operations of the Group;
- the Manager was paid a quarterly Administration Fee;
- none of the Manager's officers and employees were paid a salary by the Company; and
- other than the non-executive directors, there were 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	
	2021 $	2020 $
Short-term employee benefits	180,340	147,336
Post-employment benefits (superannuation)	17,132	13,997
	197,472	161,333

In respect of the year ended 30 June 2021, the fees paid to the current non-executive directors were $197,472 (30 June 2020: $161,333) in aggregate.

Subsequent to the year end, and in connection with the Internalisation, Albin Kurti, Fraser Henderson and Lilli Gladstone became employees of the Group. Refer to note 36 for further disclosures.

Note 29. Business combinations

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

Dils Group
On 2 November 2020, the Group acquired 100% of the issued share capital and certain freehold properties of, among others, Dils Funeral Services Limited (together, 'Dils Group'), which provides funeral directing and cremation services and operates from four locations primarily on the North Shore of Auckland in New Zealand. Consideration of $22,936,000 was paid, which consisted of $20,421,000 in cash and 1,210,589 ordinary shares in Propel (recognised at a fair value of $2,515,000 given the escrow arrangements) and a further amount of $1,085,000 (present value) will be paid if certain financial thresholds are achieved, representing total consideration of up to $24,021,000.

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

Notes to the Financial Statements

for the year ended 30 June 2021

Note 29. Business combinations (continued)

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

	Mid West Fair value $'000	Dils Group Fair value $'000	Pets RIP Fair value $'000	Total $'000
Assets:				
Cash and cash equivalents	-	65	-	65
Contract assets	313	-	-	313
Trade and other receivables *	-	383	-	383
Other current assets	16	148	70	234
Property, plant and equipment	872	16,684	328	17,884
Right-of-use assets	-	910	159	1,069
Deferred tax asset	5	52	3	60
Liabilities:				
Contract liabilities - pre-paid contracts	(313)	-	-	(313)
Contract liabilities - monument works	-	(53)	-	(53)
Trade and other payables	-	(202)	(5)	(207)
Provisions	(17)	(125)	(52)	(194)
Borrowings	-	(397)	-	(397)
Lease liabilities	-	(899)	(118)	(1,017)
Current tax liabilities	-	(24)	-	(24)
Deferred tax liabilities	(49)	(108)	-	(157)
Net assets acquired	827	16,434	385	17,646
Goodwill	199	7,587	589	8,375
Acquisition-date fair value of the total consideration transferred	1,026	24,021	974	26,021
Representing:				
Cash paid or payable to vendor	1,026	20,421	830	22,277
Propel Funeral Partners Limited shares issued to vendor	-	2,515	-	2,515
Contingent consideration (discounted)	-	1,085	144	1,229
	1,026	24,021	974	26,021
Cash used to acquire businesses, net of cash acquired per statement of cash flows:				
Cash paid to vendors	1,026	20,421	830	22,277
Less: cash and cash equivalents	-	(65)	-	(65)
Net cash used	1,026	20,356	830	22,212

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

Goodwill recognised is attributable to the locations and the profitability of the acquired businesses and will not be deductible for tax purposes. Total acquisition costs (including stamp duty) paid and expensed to profit and loss was $236,000. The acquisition accounting was provisional as at 30 June 2021.

Note 29. Business combinations (continued)

	Consolidated 2021 $'000
Payment for purchase of business, net of cash acquired per cash flow statement	
Net cash used for the Mid West acquisition	1,026
Net cash used for the Dils Group acquisition	20,356
Net cash used for the Pets RIP acquisition	830
Contingent consideration payments (note 23)	680
Acquisition costs	236
Net cash used	23,128

	Mid West $'000	Dils Group $'000	Pets RIP $'000	Total $'000
Revenue generated from acquisition date to 30 June 2021	659	3,635	801	5,095
Net profit before tax from acquisition date to 30 June 2021	132	709	126	967

If the three acquisitions had occurred on 1 July 2020, it is estimated that the Group's revenue and net profit before tax for the entire year would have been approximately $123,233,000 and approximately $21,280,000, 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 2021 %	Ownership interest 2020 %
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%

Note 30. Interests in subsidiaries (continued)

Name	Principal place of business / Country of incorporation	Ownership interest 2021 %	Ownership interest 2020 %
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%
Morris & Morris Limited	New Zealand	100.0%	100.0%
Maunu Crematorium Limited	New Zealand	100.0%	100.0%
Funerals Made Simple Limited	New Zealand	100.0%	100.0%
Return To Sender Caskets Limited	New Zealand	100.0%	100.0%
FPT Pty Ltd	Australia	100.0%	100.0%
The Australian Funeral Properties Unit Trust	Australia	100.0%	100.0%
FPT (NZ) Pty Ltd	Australia	100.0%	100.0%
The New Zealand Funeral Properties Unit Trust	Australia	100.0%	100.0%
Traction Media Agency Ltd	New Zealand	100.0%	100.0%
Erceg McIntyre Pty Limited	Australia	100.0%	100.0%
FV (ACT) Pty Ltd	Australia	100.0%	100.0%
Norwood Park Pty Limited	Australia	100.0%	100.0%
PFP Corporate Services Pty Ltd	Australia	100.0%	100.0%
Newhaven Funerals (North Queensland) Pty Ltd	Australia	100.0%	100.0%
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%	100.0%
Dils Funeral Services Limited	New Zealand	100.0%	-
PFP (NZ) Properties Limited	New Zealand	100.0%	-
Pet Heaven Services Pty Ltd	Australia	100.0%	-
Pets RIP Pty Ltd	Australia	100.0%	-

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	2021 $'000	2020 $'000
Revenue	10,745	10,199
Cost of sales and goods	(2,998)	(2,940)
Employee costs	(3,220)	(3,235)
Occupancy and facility expenses	(1,490)	(1,238)
Advertising expenses	(230)	(260)
Motor vehicle expenses	(144)	(159)
Other expenses	(410)	(408)
	2,253	1,959
Performance fee	-	(4,077)
Dividend / distribution received	15,067	12,618
Net loss on disposal of assets	-	(2)
Other income	7	16
Depreciation expense	(1,231)	(1,307)
Interest income	762	872
Interest expense	(115)	(213)
Net financing charge on contract assets and contract liabilities	(40)	(6)
Net foreign exchange gain/(losses)	33	(4)
Profit before income tax (expense)/benefit	16,736	9,856
Income tax (expense)/benefit	(583)	767
Profit after income tax (expense)/benefit	16,153	10,623
Other comprehensive income		
Net change in the fair value of cash flow hedges taken to equity, net of tax	38	-
Other comprehensive income for the year, net of tax	38	-
Total comprehensive income for the year	16,191	10,623

Equity - accumulated losses	2021 $'000	2020 $'000
Accumulated losses at the beginning of the financial year	(21,814)	(22,775)
Profit after income tax (expense)/benefit	16,153	10,623
Dividends paid	(11,921)	(9,662)
Accumulated losses at the end of the financial year	(17,582)	(21,814)

Notes to the Financial Statements

for the year ended 30 June 2021

Note 31. Deed of cross guarantee (continued)

Statement of financial position	2021 $'000	2020 $'000
Current assets		
Cash and cash equivalents	755	45,577
Contract assets	2,667	2,909
Trade and other receivables	973	971
Inventories	214	210
Current tax assets	-	183
Prepayments	43	63
	4,652	49,913
Non-current assets		
Property, plant and equipment	2,398	2,553
Right-of-use assets	2,981	7,089
Goodwill	10,932	10,932
Deferred tax	497	740
Investment in subsidiaries and unit trusts	66,967	65,328
Other assets	104,398	53,339
	188,173	139,981
Total assets	192,825	189,894
Current liabilities		
Trade and other payables	353	380
Lease liabilities	743	3,992
Income tax	272	-
Provisions	278	267
Contract liabilities	2,722	2,929
	4,368	7,568
Non-current liabilities		
Lease liabilities	2,376	3,087
Deferred tax liabilities	88	32
Provisions	118	118
	2,582	3,237
Total liabilities	6,950	10,805
Net assets	185,875	179,089
Equity		
Issued capital	203,418	200,903
Reserves	39	-
Accumulated losses	(17,582)	(21,814)
Total equity	185,875	179,089

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

	Consolidated 2021 $'000	Consolidated 2020 $'000
Profit after income tax expense for the year	14,443	10,624
Adjustments for:		
Depreciation and amortisation	9,667	8,826
Net loss on disposal of non-current assets	154	80
Foreign exchange differences	(25)	(22)
Loss on movement in discount rate of earn-out	37	50
Net financing charge on contract assets and liabilities	1,034	527
Acquisition costs	258	1,615
Change in operating assets and liabilities:		
(Increase)/decrease in trade and other receivables	(4)	1,293
Increase in inventories	(18)	(245)
Decrease/(increase) in deferred tax assets	197	(197)
(Increase)/decrease in prepayments	(70)	717
Increase/(decrease) in trade and other payables	1,191	(785)
Decrease in provision for income tax	(314)	(391)
Increase/(decrease) in deferred tax liabilities	491	(973)
Increase in employee benefits	193	405
Decrease in other provisions	(29)	(39)
Net cash from operating activities	27,205	21,485

Note 33. Changes in liabilities arising from financing activities

Consolidated 2021	Opening balance	Cash flows	Non-cash movement	Additions	Additions through business combinations	Foreign exchange	Closing balance
Hire purchase liabilities	417	(155)	-	-	-	-	262
Equipment loans	249	(412)	-	-	397	(2)	232
Senior Debt	109,823	(23,300)	-	-	-	-	86,523
Leases liabilities	40,578	(3,140)	(426)	615	1,017	24	36,668

Consolidated 2020	Opening balance	Cash flows	Non-cash movement	Additions	Additions through business combinations	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
Leases liabilities	-	(2,987)	276	38,299	4,990	-	40,578

Note 34. Earnings per share

	Consolidated	
	2021 $'000	2020 $'000
Profit after income tax attributable to the shareholders of Propel Funeral Partners Limited	14,443	10,624
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	99,531,431	98,658,347
Weighted average number of ordinary shares used in calculating diluted earnings per share	99,531,431	98,658,347
	Cents	Cents
Basic earnings per share	14.51	10.77
Diluted earnings per share	14.51	10.77

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	
	2021 $'000	2020 $'000
Profit after income tax	15,630	10,713
Other comprehensive income for the year, net of tax	11	-
Total comprehensive income	15,641	10,713

Statement of financial position

	Parent	
	2021 $'000	2020 $'000
Total current assets	569	45,518
Total assets	324,128	324,517
Total current liabilities	279	1
Total liabilities	139,484	146,108
Net assets	184,644	178,409
Equity		
Issued capital	203,418	200,903
Reserves	12	-
Accumulated losses	(18,786)	(22,494)
Total equity	184,644	178,409

Note 35. Parent entity information (continued)

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.

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 2021 (30 June 2020: $167,000).

Capital commitments
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2021 (30 June 2020: 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

On 26 July 2021, the Company completed the Internalisation, which involved, among other things:
- the assignment and termination of the Management Agreement and the payment of a $15,000,000 termination fee to the Manager, settled as follows:
    - $7,499,999 via the Company issuing 2,307,692 new fully paid ordinary shares at $3.25 per share, representing the 30 day volume weighted average price of the Company’s shares as at 28 May 2021; and
    - $7,500,001 in cash;
- Albin Kurti, Fraser Henderson and Lilli Gladstone becoming employees of the Group;
- the transfer of intellectual property from the Manager, its officers and employees to the Group;
- amendments to the voluntary escrow arrangements relating to 14,732,667 shares (‘Escrowed Shares’) held by an associated entity of the Manager, so that:
    - 50% of the Escrowed Shares will be released from voluntary escrow following the release of the Group’s audited financial results for the year ending 30 June 2022; and
    - 50% of the Escrowed Shares will be released from voluntary escrow following the release of the Group’s audited financial results for the year ending 30 June 2025,

  instead of a release of escrow in November 2027.

In August 2021, the Group increased and extended its senior debt facilities with the Financier by $50,000,000 to $200,000,000, all of which will mature in October 2024.

On 25 August 2021, the directors declared a fully franked final dividend in connection with financial year ended 30 June 2021 of 5.75 cents per ordinary share. When combined with the fully franked interim dividend of 6.0 cents per share, total dividends were 11.75 cents per share (30 June 2020: 10.0 cents per share), fully franked, which represents approximately 81% of Distributable Earnings (NPAT adjusted for certain non-cash, one-off and non-recurring items) for the year ended 30 June 2021.

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

Apart from the events disclosed above, no other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Directors' Declaration
for the year ended 30 June 2021

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 2021 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 2021

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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 2021, 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 2021 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. The Group has acquired several funeral service, cremation and cemetery businesses in Australia and New Zealand. Goodwill has been recognised on acquisition and represents a significantly material balance in the statement of financial position. It is a requirement of *AASB136 - Impairment of Assets* that goodwill is tested at least annually for impairment by management. We consider the carrying value of goodwill to be a key audit matter due to: ▪ the size of the balance and the significance for users' understanding of the financial statements; ▪ the level of subjectivity involved in determining whether goodwill balances are impaired; ▪ the geographic spread of the Group's activities increasing the risk in determining the Group's CGU's and for Goodwill impairment purposes; and ▪ the complexity of audit procedures required in challenging the assertions put forward by management.	Our procedures included, amongst others: ▪ assessed management's determination of the Group's CGUs based on our understanding of the nature of the Group's business. We also analysed the internal reporting of the Group to assess how results were monitored and reported; ▪ 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 FY2022 forecasted cash flows used in the impairment model with the actual performance and forecasts for FY2021; ▪ 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 and 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 Group's 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	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;

Independent Auditor's Report

Key audit matter	How our audit addressed the key audit matter
accordance with AASB 3, which includes the determination of identifiable intangible assets. As part of the sale deed for business acquisitions, sometimes contingencies are attached to the purchases of these businesses. These contingencies require significant estimation and rely on the existence of future events occurring. We consider the business combinations and accounting for acquisitions as a key audit matter due to: ▪ the level of estimation involved in assessing the fair value of assets acquired in a business combination and the reliance on a management's expert in determining this valuation; ▪ the risk that all assets and liabilities on acquisition are not identified and correctly recognised; and ▪ the level of estimation involved in the calculation of contingent consideration provisions including the probabilities that targets will be achieved.	▪ ensured that deferred tax liabilities arising from the transactions are accurately recognised; ▪ assessed the provision for contingent consideration in line with the terms of the purchase agreements including a consideration of the discount rates used and the presentation of current and non—current liabilities; ▪ assessed the underlying performance of the individual entity and management's assumptions at the balance date to ensure the probability of the contingent consideration targets being met is reasonable; and ▪ assessed the appropriateness of the disclosures in the financial statements.

Other information

The directors are responsible for the other information. The other information comprises the information in Propel Funeral Partners Limited's annual report for the year ended 30 June 2021, 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 conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at The Australian Auditing and Assurance Standards Board website at: www.auasb.gov.au/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 21 to 23 of the directors' Report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Propel Funeral Partners Limited for the year ended 30 June 2021, 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 Ltd

Lester Wills
Director

Date: 25 August 2021

Shareholder Information

The shareholder information set out below was applicable as at 6 August 2021.

Number of Equity Security Holders

	Number
Ordinary shares on issue	102,253,708

Distribution of Equity Securities

Size of Holding	Number of Shareholders	Ordinary Shares	% of Issued Capital
100,001 and over	92	80,921,207	79.14
10,001 to 100,000	469	12,180,099	11.91
5,001 to 10,000	572	4,531,020	4.43
1,001 to 5,000	1,393	3,872,967	3.79
1 to 1,000	1,526	748,415	0.73
Total	4,052	102,253,708	100.00

Unmarketable Parcel

There were 72 shareholders with unmarketable parcels totalling 1,839 ordinary shares based on the Company's closing market price as at 6 August 2021.

Twenty Largest Shareholders

On 6 August 2021, the 20 largest registered shareholders of the Company were as follows:

Shareholder	Number of Ordinary Shares	% of Issued Capital
DKH TI PTY LTD	14,732,667	14.41
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	11,293,824	11.04
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	8,755,163	8.56
NATIONAL NOMINEES LIMITED	4,312,693	4.22
BNP PARIBAS NOMS PTY LTD	3,662,773	3.58
NIBLA NO 1 PTY LTD	3,201,598	3.13
CITICORP NOMINEES PTY LIMITED	2,928,917	2.86
HART & MILEY NO. 1 PTY LTD	1,801,456	1.76
RUAPEHU HOLDINGS PTY LTD	1,587,583	1.55
HENKAY TI PTY LTD	1,542,771	1.51
NETWEALTH INVESTMENTS LIMITED	1,458,311	1.43
MR ANDREW PHILIP JOHN WADE + MRS ROSANNA WADE	1,430,917	1.40
MGH SUPER PTY LTD	1,308,305	1.28
DURBANER NOMINEES PTY LTD	1,302,885	1.27
COMANN INVESTMENTS PTY LTD	1,156,448	1.13
WADE AUSTRALIA PTY LTD	1,045,000	1.02
TOMDACHOILLE PTY LTD	890,000	0.87
STEPHEN DIL + HEIDI DIL + PRINCE & PARTNERS TRUSTEE COMPANY LIMITED	795,008	0.78
GLEN AYR NO 1 PTY LIMITED ATF GLADSTONE FAMILY TRUST NO 1	764,338	0.75
NEIL LITTLE + ANGELA LITTLE + BRUNO GIN	712,097	0.70

Shareholder Information

Securities subject to Voluntary Escrow

The Company had the following restricted securities on issue as at 6 August 2021:

Class	Number of Shares	% of Issued Capital	Date that the Escrow Period Ends
PFPESC0825	7,366,334	7.20	August 2025
PFPESC0822	7,366,333	7.20	August 2022
PFPESC1121	403,530	0.39	2 November 2021
PFPESC1122	403,530	0.39	2 November 2022
PFPESC1123	403,529	0.39	2 November 2023
PFPESC22	344,828	0.34	1 May 2022
PFPESC1022	227,510	0.22	31 October 2022

Substantial Holders

The share balances in this table are extracted from substantial shareholder notices received by the Company and as at 6 August 2021, the Company had the following substantial holders:

Shareholder	Number of Ordinary Shares	% of Issued Capital	Date of Last Notice
DKH TI Pty Ltd	14,732,667	14.41	22 November 2017
Viburnum Funds Pty Ltd	9,283,742	9.08	16 September 2020

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 2001

There are no issues of securities approved for the purposes of Item 7 of section 611 of the Corporations Act 2001 which have yet to be completed.

On market purchase of securities

During the 12 months ended 30 June 2021, 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 23 August 2021, 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 FY21 Workplace Gender Equality Report in August 2021. The report will be uploaded to the Company's website once available.

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