



Propel Funeral Partners Limited

ABN 41 616 909 310

**Appendix 4D – Half-year Report
For the Half-year ended 31 December 2022**

Lodged with the Australian Securities Exchange under Listing Rule 4.2A

Results for announcement to the market

This Appendix 4D is to be read in conjunction with the Interim Financial Report of Propel Funeral Partners Limited for the period ended 31 December 2022 and any public announcements made during the interim period in accordance with the continuous disclosure requirements of the Corporations Act 2001 and the ASX Listing Rules.

Propel Funeral Partners Limited
Appendix 4D
Half-year report

1. Company details

Name of entity:	Propel Funeral Partners Limited
ABN:	41 616 909 310
Reporting period:	For the half-year ended 31 December 2022
Previous period:	For the half-year ended 31 December 2021

2. Results for announcement to the market

			\$'000
Revenues from ordinary activities	up	23.3% to	83,782
Operating net profit after tax ('Operating NPAT') (refer below)	up	27.4% to	10,972
Profit from ordinary activities after tax attributable to the shareholders of Propel Funeral Partners Limited	up	211.1% to	10,221
Profit for the half-year attributable to the shareholders of Propel Funeral Partners Limited	up	211.1% to	10,221

Dividends

	Amount per security cents	Franked amount per security %
Final dividend - 2022 financial year	6.25	100%

Comments

The statutory profit for the Company (and its subsidiaries) ('Group') after providing for income tax, for the six months ended 31 December 2022, amounted to \$10,221,000 (31 December 2021: statutory loss of \$9,197,000).

Operating NPAT is a financial measure which is not prescribed by the Australian Accounting Standards ('AAS') and represents the profit under AAS adjusted for certain non-operating items, such as acquisition costs and the net financing charge. The directors consider Operating NPAT to be one of the core earnings measures of the Group.

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

	Consolidated 31 Dec 2022 \$'000	31 Dec 2021 \$'000
Net profit/(loss) after income tax	10,221	(9,197)
Add: Acquisition and transaction costs	764	1,120
Add: Other non-operating expenses	338	281
Add: Net financing charge on pre-paid contracts	302	294
Add: Termination fee	-	15,000
Add: Share based payment	-	5,407
Add: Fair value adjustment on termination shares	-	969
Less: Net foreign exchange gain	(16)	(25)
Less: Net gain on disposal of assets	(458)	(59)
Less: Other income	(122)	
Less: Tax effect of certain Operating NPAT adjustments	(57)	(5,176)
Operating NPAT	<u>10,972</u>	<u>8,614</u>

Refer to the Interim Financial Report and the Investor Presentation released to the market concurrently with this Appendix 4D Half-year Report for detailed explanation and commentary on the results.

3. Net tangible assets

	Consolidated	
	31 Dec 2022 \$000	31 Dec 2021 \$000
Net assets	253,722	249,250
Less: Deferred tax assets	(7,958)	(8,449)
Add: Deferred tax liabilities	10,315	8,964
Less: Goodwill	(148,928)	(141,761)
Net tangible assets	<u>107,151</u>	<u>108,004</u>
	Number of shares	
	31 Dec 2022	31 Dec 2021
Number of ordinary shares on issue at period-end	117,959,990	117,895,750
	Reporting period cents	Previous period cents
Net tangible assets per ordinary security	<u>90.84</u>	<u>91.61</u>

4. Dividends

	Amount per security cents	Franked amount per security %	Total \$'000	Payment date
Half-year ended 31 December 2022				
Final dividend - 2022 financial year	6.25	100%	7,368	4 October 2022
Half-year ended 31 December 2021				
Final dividend - 2021 financial year	5.75	100%	5,880	5 October 2021
Dividend not recognised at period end				
Interim dividend - 2023 financial year	7.10	100%	8,375	3 April 2023

5. Dividend reinvestment plans

Not applicable.

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

Refer to note 18 of the financial statements for further details.

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

Not applicable.

8. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Financial Report.

9. Attachments

Details of attachments (if any):

The Interim Financial Report of the Company for the half-year ended 31 December 2022 is attached.

10. Signed



Brian Scullin
Chairman

22 February 2023



Albin Kurti
Managing Director



Propel Funeral Partners Limited

ABN 41 616 909 310

**Interim Financial Report
For the Half-year ended 31 December 2022**

Propel Funeral Partners Limited

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Propel Funeral Partners Limited
Directors' report
31 December 2022

The directors of Propel Funeral Partners Limited (ACN 616 909 310) (referred to hereafter as 'Propel', the 'Company' or 'parent entity') present their report, together with the financial statements, of the consolidated entity (referred to hereafter as the 'Group') consisting of the Company and the entities it controlled at the end of, or during, the half-year ended 31 December 2022.

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

Background

The Group owns and operates businesses, properties, infrastructure and related assets in the death care industry which stand to benefit from the growing and ageing population. As at the date of this directors' report, the Group comprises of long established providers of funeral services and pet loss services operating from 152 properties (83 owned and 69 leased) across 7 states and territories of Australia and in New Zealand, including 35 cremation facilities and 9 cemeteries.

This directors' report includes certain financial measures, such as Operating EBITDA (operating earnings before interest, tax, depreciation and amortisation), Operating EBIT (operating earnings before interest and tax) and Operating NPAT (operating net profit after tax) which are not prescribed by the Australian Accounting Standards ('AAS') and represents the result under AAS adjusted for certain non-operating items, such as acquisition costs and the net financing charge. 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 half-year and up to the date of this directors' report:

Brian Scullin - Chairman
Naomi Edwards
Jennifer Lang
Peter Dowding
Albin Kurti
Fraser Henderson

Principal activities

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

Dividends

	Amount per security \$	Franked amount per security %	Total \$'000	Date of payment
Half-year ended 31 December 2022				
Final dividend - 2022 financial year	6.25	100%	7,368	4 October 2022
Half-year ended 31 December 2021				
Final dividend - 2021 financial year	5.75	100%	5,880	5 October 2021
Dividend not recognised at period end				
Interim dividend - 2023 financial year	7.10	100%	8,375	3 April 2023

The interim dividend declared in connection with the half year ended 31 December 2022 of 7.1 cents per share (prior corresponding period ('PCP' or '1H FY22'): 6.0 cents per share) represents approximately 75% of Distributable Earnings (NPAT adjusted for the non-cash net financing charge on pre-paid contracts and acquisition costs). The financial effect of the interim dividend declared after the reporting date is not reflected in the 31 December 2022 financial statements and will be recognised in the subsequent financial period.

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

Significant changes in the state of affairs

During the six months ended 31 December 2022 ('1H FY23'), the Group experienced the following significant changes in its state of affairs:

- completed three acquisitions (refer to note 18 for further details), the consideration for which totalled \$11,262,000 (excluding transaction costs and contingent consideration) as follows:
 - in November 2022, the Group acquired the business, assets and a freehold property associated with the businesses trading as Community Funerals and Cremation for Pets ('Community Funerals'), which provides funeral directing and pet loss services from four locations in and around Cairns, Queensland;
 - in November 2022, the Group acquired the business, assets and a freehold property associated with Mason Park Funerals ('Mason Park'), which provides funeral directing services from one location in Wangaratta, Victoria; and
 - in December 2022, the Group acquired 100% of the issued share capital of Pets at Rest NZ Limited ('Pets at Rest'), a pet loss service provider which operates from one location in Auckland, New Zealand;
- entered into binding conditional legal documentation to acquire Seddon Park Funeral Home (incorporating Sadliers Funeral Services) ('Seddon Park'), which provides funeral directing services from two locations in Hamilton and Morrinsville, New Zealand; and
- acquired two freehold properties, one of which was previously leased, for \$6,880,000, excluding stamp duty.

There were no other significant changes in the state of affairs of the Group during the six months ended 31 December 2022.

Review of operations

This financial and operating overview summarises the results for 1H FY23 and results for the PCP, unless otherwise stated.

The directors have elected to present certain financial information relating to the PCP on a pro forma basis, consistent with the 1H FY22 Directors Report. The pro forma results in the PCP exclude one-off, non-recurring items relating to the management internalisation and government subsidies and include the recurring impacts of the management internalisation, as if it had occurred on 1 July 2021 ('Pro forma') and therefore are more comparable to the 1H FY23 statutory results. Refer to the 1H FY22 Interim Financial Report for further details.

In 1H FY23, the Group reported:

- Revenue of \$83,782,000, an increase of 23.3% on the PCP;
- Operating EBITDA of \$23,117,000, an increase of 25.6% on the PCP¹; and
- Operating NPAT² of \$10,972,000, an increase of 34.9% on the PCP¹.

¹ Pro forma.

² Operating NPAT in the PCP has been restated to exclude the net financing charge on pre-paid contracts.

Propel Funeral Partners Limited
Directors' report
31 December 2022

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

	31 Dec 22	31 Dec 21	31 Dec 21
	Statutory	Pro forma	Statutory
	\$'000	\$'000	\$'000
Total revenue	83,782	67,970	67,970
Gross profit	58,623	48,477	48,477
...margin	70.0%	71.3%	71.3%
Total operating costs	(35,505)	(30,070)	(29,400)
Operating EBITDA	23,117	18,407	19,077
...margin	27.6%	27.1%	28.1%
Depreciation	(5,505)	(5,028)	(5,028)
Operating EBIT	17,612	13,379	14,049
...margin	21.0%	19.7%	20.7%
Other Income	-	6	6
Net interest expense	(2,043)	(1,841)	(1,841)
Operating NPBT	15,568	11,544	12,214
Income tax expense	(4,596)	(3,410)	(3,600)
Operating NPAT¹	10,972	8,133	8,614
<i>Operating earnings per share (cps)²</i>	<i>9.31</i>	<i>7.57</i>	<i>8.04</i>
Non-operating items:			
Acquisition and transaction costs	(764)	(739)	(1,120)
Net other income/(expenses)	257	(255)	(255)
Net financing charge on pre-paid contracts	(302)	(294)	(294)
Termination fee	-	-	(15,000)
Share based payment revaluation expense	-	-	(5,407)
Fair value movement on termination shares	-	-	(969)
Tax effect of adjustments	57	271	5,176
Net profit after tax	10,221	7,175	(9,197)

Note:

1. Operating NPAT in the PCP has been restated to exclude the net financing charge on pre-paid contracts.
2. Operating NPAT divided by the weighted average number of ordinary shares.

Propel Funeral Partners Limited
Directors' report
31 December 2022

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

	31 Dec 22	31 Dec 21	31 Dec 21
	Statutory	Pro forma	Statutory
	\$'000	\$'000	\$'000
Funeral operations	73,734	59,531	59,531
Cemetery, crematoria and memorial gardens	9,027	7,260	7,260
Other trading revenue	1,021	1,179	1,179
Total revenue	83,782	67,970	67,970
Cost of sales	(25,160)	(19,493)	(19,493)
Gross profit	58,623	48,477	48,477
Employment costs	(26,370)	(22,451)	(21,764)
Occupancy and facility costs	(4,069)	(3,462)	(3,462)
Advertising costs	(1,739)	(1,586)	(1,586)
Motor vehicle costs	(1,247)	(988)	(988)
Other operating costs	(2,080)	(1,583)	(1,599)
Total operating costs	(35,505)	(30,070)	(29,400)
Operating EBITDA	23,117	18,407	19,077

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

	31 Dec 22	31 Dec 21	31 Dec 21
	Statutory	Pro forma	Statutory
	\$'000	\$'000	\$'000
Net profit/(loss) after income tax	10,221	7,175	(9,197)
Add: Acquisition and transaction costs	764	739	1,120
Add: Other non-operating expenses	338	280	280
Add: Net financing charge on pre-paid contracts	302	294	294
Add: Termination fee	-	-	15,000
Add: Share based payment	-	-	5,407
Add: Fair value movement on termination shares	-	-	969
Less: Net foreign exchange losses/(gain)	(16)	(25)	(25)
Less: Net (gain)/loss on disposal of assets	(458)	(59)	(59)
Less: Other income	(122)	-	-
Less: Tax effect of certain Operating NPAT adjustments	(57)	(271)	(5,176)
Operating NPAT¹	10,972	8,133	8,614

Note:

1. Operating NPAT in the PCP has been restated to exclude the net financing charge on pre-paid contracts.

Revenue

Revenue increased by 23.3% from \$67,970,000 in 1H FY22 to \$83,782,000 in 1H FY23, driven by:

- a 23.9% increase in revenue from funeral operations; and
- a 24.3% increase in revenue from cemetery, crematoria and memorial gardens.

The number of funerals increased by 14.3% from 7,928 in 1H FY22 to 9,061 in 1H FY23, largely due to an increase in death volumes in most markets in which the Group operates and the acquisition of two funeral businesses during the period as well as the full period impact of six funeral businesses acquired during FY22.

Propel's comparable funeral volumes increased by 5.2% on the PCP, despite cycling strong growth of 7.8% in the PCP.

Average Revenue Per Funeral³ increased by 7.5% from \$5,902 in the PCP to \$6,346 in 1H FY23 and was impacted by:

- the full period impact of six funeral businesses acquired during FY22;
- the part period impact of two funeral businesses acquired in 1H FY23;
- a higher mix of full service funerals compared to the lockdown impacted PCP; and
- pricing.

Comparable Average Revenue Per Funeral increased 8.3% on the PCP.

In 1H FY23, the Group generated 44% of its revenue from metropolitan areas, an increase from 1H FY22 (41%).

Gross profit margin

The gross profit margin decreased from 71.3% in the PCP to 70.0% in 1H FY23, primarily due to funeral mix (higher mix of full service funerals compared to the lockdown impacted PCP) and the financial profile of acquisitions completed during FY22 and 1H FY23. However, the 1H FY23 gross margin was in line with pre COVID gross margins.

Operating costs and Operating EBITDA

Operating costs increased by \$5,434,000 in 1H FY23 compared to the PCP¹, as a result of:

- the full period impact of six businesses acquired during FY22;
- the part period impact of three businesses acquired in 1H FY23;
- an increase in comparable funeral volumes of 5.2% on the PCP; and
- inflationary impacts.

Operating EBITDA in 1H FY23 was \$23,117,000, 25.6% higher than the PCP¹.

Depreciation and other income and expenses

Depreciation increased from \$5,028,000 in 1H FY22 to \$5,505,000 in 1H FY23, which mainly related to business and property acquisitions completed during FY22 and 1H FY23.

Acquisitions and transaction costs of \$764,000 largely related to acquisitions (1H FY22: \$1,120,000, impacted by the management internalisation).

Net other income of \$257,000 largely related to a gain on sale of a non core property, offset by non-operating expenditure, primarily relating to the administration of the Group's pre-paid contracts.

Net Interest expense of \$2,043,000 in 1H FY23 was 11% higher than the PCP (1H FY22: \$1,841,000), primarily relating to increases in interest rates partially offset by lower net debt for part of the period.

Pre-paid contracts

Funds held in connection with pre-paid contracts are largely held with third party friendly societies who invest the funds in cash and fixed interest products (more than 90% of funds held) and other asset classes (less than 10% of funds held). In 1H FY23, pre-paid contracts that turned at need in Australia accounted for less than 10% of the Group's Australian funeral volumes, consistent with the PCP.

In accordance with AASB 15, 'Revenue from Contracts with Customers', Propel recognises investment returns generated on funds held for pre-paid contracts net of a non-cash financing charge. The net financing charge is disclosed below Operating EBITDA and Operating NPAT.

³ Revenue from funeral operations excluding disbursements and delivered pre-paid funeral impacts divided by the number of funerals performed in the relevant period.

Impairment

Following a review of the carrying value of assets including goodwill as at 31 December 2022, no impairment was deemed necessary (1H FY22: Nil).

Income tax expense

In 1H FY23, income tax expense was \$4,539,000 (1H FY22: benefit of \$1,576,000, impacted by the management internalisation). The adjusted effective tax rate was 29.6% (1H FY22: 29.7%¹).

Cash flow highlights

The statutory cash flows for the Group are presented below:

	31 Dec 22	31 Dec 21
	Statutory	Statutory
	\$'000	\$'000
Receipts from customers (inc GST)	91,650	74,280
Payments to suppliers and employees (inc GST)	(69,672)	(55,528)
	21,978	18,752
Income taxes paid	(4,552)	(2,109)
Interest paid	(1,955)	(2,388)
Interest received	105	36
Termination fee	-	(7,500)
Transaction costs	-	(462)
Net cash provided by operating activities	15,575	6,329
Payment for purchase of business, net of cash acquired	(12,797)	(16,329)
Net payments for property, plant and equipment	(12,792)	(3,860)
Other investing cash flows	(54)	(32)
Net cash used by investing activities	(25,643)	(20,221)
Proceeds from issue of shares, net of transaction costs	-	62,314
Net (repayment)/proceeds from borrowings	18,901	(40,515)
Dividends paid	(7,368)	(5,880)
Other financing cash flows	(3,491)	(1,647)
Net cash provided by financing activities	8,042	14,272
Net (decrease)/increase in cash during the year	(2,026)	380
Cash at the beginning of the year	7,869	7,496
Exchange rate effects	122	13
Cash at the end of the year	5,965	7,889

1H FY23 statutory operating cash flows⁴ were 17.2% higher than the PCP, with growth driven by contributions from acquisitions and strong trading.

⁴ Ungeared, pre-tax operating cash flow, excluding the termination fee and transaction costs in connection with the management internalisation in the PCP.

Propel Funeral Partners Limited
Directors' report
31 December 2022

Cash flow conversion was 99.2% in 1H FY23, compared to 98.4% achieved in the PCP as shown in the table below:

	31 Dec 22	31 Dec 21
	Statutory	Statutory
	\$'000	\$'000
Operating EBITDA	23,117	19,077
Net cash provided by operating activities	15,575	6,329
Add: Interest paid	1,955	2,388
Add: Income tax paid	4,552	2,109
Add: Termination fee (exc GST)	-	7,500
Add: Transaction costs (exc GST)	-	462
Add: Executive incentive timing difference	963	-
Less: Interest Received	(105)	(36)
Ungeared, tax free, operating cash flow (adjusted)	22,940	18,752
Cash flow conversion¹	99.2%	98.4%

Note:
1. The percentage of Operating EBITDA converted into ungeared, pre-tax operating cash flow, adjusted for cash flow timing differences relating to executive bonuses and excluding the termination fee and transaction costs in connection with the management internalisation.

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

	31 Dec 22	31 Dec 21
	Statutory	Statutory
	\$'000	\$'000
Maintenance	3,304	2,543
Growth	3,504	1,725
Total capital expenditure	6,808	4,267

In 1H FY23, maintenance capital expenditure amounted to 3.9% of revenue (1H FY22: 3.7%) was broadly in line with and depreciation on property, plant and equipment of \$3,621,000.

Capital management

As at 31 December 2022, the Group had drawn down \$67,073,000 of its \$200,000,000 senior debt facilities, compared to \$48,123,000 as at 30 June 2022. The increase in drawn debt largely relates to funding the 1H FY23 business and property acquisitions. As at 31 December 2022, the Group reported cash and cash equivalents of \$5,965,000 and net debt⁵ of \$61,108,000 (30 June 2022: \$40,254,000).

As at 31 December 2022, the Group's gearing ratio was 19.4%⁶. Financial covenant ratios on the senior debt facilities comprise a net leverage ratio which must be no greater than 3.5x⁷ and a fixed charge cover ratio which must be greater than 1.75x. Both ratios were comfortably satisfied as at 31 December 2022, being 1.2x (30 June 2022: 0.8x) and 6.0x (30 June 2022: 5.7x) respectively.

As at 31 December 2022, the Group had approximately \$97,043,000⁸ of available funding capacity (30 June 2022: \$136,149,000).

⁵ Drawn senior debt less cash and cash equivalents.

⁶ Net debt of \$61.1 million divided by net debt plus total equity of \$314.8 million, as at 31 December 2022.

⁷ Including the annualised impact of acquisitions and other adjustments. A ratio of 3.5x, unless the Group elects to surge to 3.75x which endures for three consecutive testing dates, following which the covenant will reduce to 3.5x. The Group's working capital facility is excluded from the net leverage ratio calculation.

⁸ Undrawn debt and cash at bank as at 31 December 2022, less the estimated cash required to pay the interim dividend and fund commitments relating to acquisitions.

Events after the reporting period

Subsequent to 31 December 2022, the Group:

- acquired the businesses, assets and a freehold property associated with Seddon Park Funeral Home (incorporating Sadliers Funeral Services) ('Seddon Park') which operates in and around Hamilton, New Zealand, for \$3,720,000. Seddon Park generates approximately \$2,500,000 of revenue, per annum; and
- announced it had executed a conditional transaction agreement to acquire the business, assets and freehold properties associated with Alfred James & Sons ('Alfred James'), which operates from seven locations in Adelaide, South Australia.

The Group is currently in the process of finalising the accounting for Seddon Park and expects to complete its preliminary allocation of the purchase consideration to the assets acquired and liabilities assumed by the end of the financial year.

On 22 February 2023, the directors declared a fully franked dividend of 7.1 cents per ordinary share. The dividend will be paid on 3 April 2023. This equates to an estimated total distribution of \$8,375,000. The financial effect of the dividend declared after the reporting date is not reflected in the 31 December 2022 financial statements and will be recognised in the period to 30 June 2023.

Apart from the events disclosed above, no other matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect the Group's operations, the results of those operations or the Group's state of affairs in future financial years.

Outlook

In terms of the outlook for the remainder of FY23 ('2H FY23'), Propel expects to benefit from:

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

In that regard, Propel has started 2H FY23 with positive trading momentum. In the month of January 2023⁹, revenue was materially higher than the PCP, reflecting:

- higher Average Revenue Per Funeral; and
- continued growth in total and comparable funeral volumes, despite the funeral industry cycling a strong PCP.

However, it should be noted that:

- death volumes fluctuate over short time horizons and, during 2023, Propel will cycle strong comparable funeral volume growth in the PCP;
- high inflation is expected to impact funeral related pricing and costs; and
- ongoing impacts from COVID-19, particularly on life expectancy and death volumes, remain uncertain.

Rounding of amounts

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'round-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

⁹ Based on the Company unaudited management accounts.


Propel Funeral Partners Limited
Directors' report
31 December 2022

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



Brian Scullin
Chairman

22 February 2023



Albin Kurti
Managing Director

To the Board of Directors of Propel Funeral Partners Limited

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

As lead audit director for the review of the financial statements of Propel Funeral Partners Limited for the half-year ended 31 December 2022, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) any applicable code of professional conduct in relation to the review.

Yours sincerely,



Nexia Sydney Audit Pty Ltd



Joseph Santangelo

Director

Date: 22 February 2023

Propel Funeral Partners Limited
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2022

	Note	Consolidated 31 Dec 2022 \$'000	31 Dec 2021 \$'000
Revenue	4	83,782	67,970
Expenses			
Cost of sales and goods		(25,160)	(19,493)
Employee costs	5	(26,533)	(21,948)
Occupancy and facility expenses		(4,086)	(3,478)
Advertising expenses		(1,791)	(1,644)
Motor vehicle expenses		(1,255)	(995)
Other expenses		(2,178)	(1,616)
		22,779	18,796
Acquisition and transaction costs	5	(764)	(1,120)
Net gain on disposal of assets		458	59
Other income		122	6
Depreciation expense	5	(5,505)	(5,028)
Interest income		109	41
Interest expense	5	(2,153)	(1,882)
Net financing charge on contract assets and contract liabilities	6	(302)	(294)
Net foreign exchange gain		16	25
Termination fee	5	-	(15,000)
Share based payment revaluation expense	5	-	(5,407)
Fair value adjustment on termination shares	5	-	(969)
Profit/(loss) before income tax (expense)/benefit		14,760	(10,773)
Income tax (expense)/benefit		(4,539)	1,576
Profit/(loss) after income tax (expense)/benefit for the half-year attributable to the shareholders of Propel Funeral Partners Limited		10,221	(9,197)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		1,888	513
Changes in the fair value of cash flow hedges, net of tax		(7)	81
Other comprehensive income for the half-year, net of tax		1,881	594
Total comprehensive income for the half-year attributable to the shareholders of Propel Funeral Partners Limited		12,102	(8,603)
		cents	cents
Basic earnings per share	19	8.67	(8.59)
Diluted earnings per share	19	8.67	(8.59)

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

Propel Funeral Partners Limited
Consolidated statement of financial position
As at 31 December 2022

		Consolidated	
	Note	31 Dec 2022 \$'000	30 Jun 2022 \$'000
Assets			
Current assets			
Cash and cash equivalents		5,965	7,869
Customer deposits		722	712
Contract assets	6	53,273	53,113
Trade and other receivables		9,383	6,956
Inventories		4,601	4,196
Prepayments		2,859	1,223
Derivative financial instruments		-	10
Total current assets		<u>76,803</u>	<u>74,079</u>
Non-current assets			
Property, plant and equipment	7	184,618	168,559
Right-of-use assets	8	30,477	35,706
Goodwill	9	148,928	141,765
Deferred tax		7,958	8,321
Other assets		213	216
Total non-current assets		<u>372,194</u>	<u>354,567</u>
Total assets		<u>448,997</u>	<u>428,646</u>
Liabilities			
Current liabilities			
Trade and other payables	10	11,506	10,791
Borrowings	11	14,882	14,898
Income tax		135	794
Lease liabilities		3,204	8,915
Provisions	12	9,041	8,898
Contract liabilities	6	59,893	59,596
Total current liabilities		<u>98,661</u>	<u>103,892</u>
Non-current liabilities			
Borrowings	11	51,916	32,904
Lease liabilities		30,016	28,983
Deferred tax liabilities		10,315	9,423
Provisions	12	4,207	4,511
Other liabilities		160	170
Total non-current liabilities		<u>96,614</u>	<u>75,991</u>
Total liabilities		<u>195,275</u>	<u>179,883</u>
Net assets		<u>253,722</u>	<u>248,763</u>
Equity			
Issued capital	13	280,462	280,237
Reserves		87	(1,794)
Accumulated losses		<u>(26,827)</u>	<u>(29,680)</u>
Total equity		<u>253,722</u>	<u>248,763</u>

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

Propel Funeral Partners Limited
Consolidated statement of changes in equity
For the half-year ended 31 December 2022

Consolidated	Issued capital \$'000	Foreign currency translation reserves \$'000	Hedging reserve \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2021	203,418	84	(182)	(16,408)	186,912
Loss after income tax benefit for the half-year	-	-	-	(9,197)	(9,197)
Other comprehensive income for the half-year, net of tax	-	513	81	-	594
Total comprehensive income for the half-year	-	513	81	(9,197)	(8,603)
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs	76,821	-	-	-	76,821
Dividends paid (note 14)	-	-	-	(5,880)	(5,880)
Balance at 31 December 2021	<u>280,239</u>	<u>597</u>	<u>(101)</u>	<u>(31,485)</u>	<u>249,250</u>

Consolidated	Issued capital \$'000	Foreign currency translation reserves \$'000	Hedging reserve \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2022	280,237	(1,801)	7	(29,680)	248,763
Profit after income tax expense for the half-year	-	-	-	10,221	10,221
Other comprehensive income for the half-year, net of tax	-	1,888	(7)	-	1,881
Total comprehensive income for the half-year	-	1,888	(7)	10,221	12,102
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs (note 13)	225	-	-	-	225
Dividends paid (note 14)	-	-	-	(7,368)	(7,368)
Balance at 31 December 2022	<u>280,462</u>	<u>87</u>	<u>-</u>	<u>(26,827)</u>	<u>253,722</u>

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

Propel Funeral Partners Limited
Consolidated statement of cash flows
For the half-year ended 31 December 2022

	Note	Consolidated 31 Dec 2022 \$'000	31 Dec 2021 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		91,650	74,280
Payments to suppliers and employees (inclusive of GST)		<u>(69,672)</u>	<u>(53,965)</u>
		21,978	20,315
Termination fee paid (inclusive of GST)		-	(9,000)
Transaction costs paid (inclusive of GST)		-	(526)
Interest received		105	36
Interest and other finance costs paid - borrowings		(1,516)	(1,866)
Interest paid - leases (AASB 16)		(440)	(521)
Income taxes paid		<u>(4,552)</u>	<u>(2,109)</u>
Net cash from operating activities		<u>15,575</u>	<u>6,329</u>
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired	18	(12,797)	(16,329)
Payments for property, plant and equipment		(14,057)	(4,532)
Proceeds from disposal of property, plant and equipment		1,265	672
Net cash outflow in contract assets and contract liabilities		<u>(54)</u>	<u>(32)</u>
Net cash used in investing activities		<u>(25,643)</u>	<u>(20,221)</u>
Cash flows from financing activities			
Proceeds from issue of shares, net of transaction costs		-	62,314
Proceeds from borrowings		23,250	30,600
Repayment of borrowings		(4,300)	(71,046)
Loans to other parties		(1,788)	-
Repayment of lease liabilities		(1,703)	(1,647)
Repayment of hire purchases		(49)	(69)
Dividends paid	14	<u>(7,368)</u>	<u>(5,880)</u>
Net cash from financing activities		<u>8,042</u>	<u>14,272</u>
Net (decrease)/increase in cash and cash equivalents		(2,026)	380
Cash and cash equivalents at the beginning of the financial half-year		7,869	7,496
Effects of exchange rate changes on cash and cash equivalents		122	13
Cash and cash equivalents at the end of the financial half-year		<u><u>5,965</u></u>	<u><u>7,889</u></u>

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

Propel Funeral Partners Limited
Notes to the consolidated financial statements
31 December 2022

Note 1. General information

These general purpose financial statements ('financial statements') relate to Propel Funeral Partners Limited as the consolidated entity (referred to hereafter as the 'Group') consisting of Propel Funeral Partners Limited (referred to hereafter as 'Propel', the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2022. 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 22 February 2023. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

The financial statements for the interim half-year reporting period ended 31 December 2022 have been prepared in accordance with AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

The financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, the financial statements are to be read in conjunction with the annual report for the year ended 30 June 2022 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the prior financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

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

AASB 17 Insurance contracts

AASB 17 Insurance contracts applies to annual reporting periods beginning on or after 1 January 2023. The Group is in the process of analysing and assessing if its current pre-paid contracts might meet the definition of insurance contracts.

Note 3. Operating segments

Identification of reportable operating segments

The Group is organised into two geographic segments, Australian operations and New Zealand operations, both of which operate in the death care related services industry. The Australian and New Zealand operations include the aggregation of a number of businesses that exhibit similar long-term financial performance and economic characteristics.

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'), which includes two reportable segments, being 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.

Propel Funeral Partners Limited
Notes to the consolidated financial statements
31 December 2022

Note 3. Operating segments (continued)

Intersegment receivables, payables and loans

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

Operating segment information

Consolidated - 31 Dec 2022	Australian operations \$'000	New Zealand operations \$'000	Total \$'000
Revenue			
Sales to external customers	65,644	17,919	83,563
Other revenue (excluding interest)	212	7	219
Total revenue	<u>65,856</u>	<u>17,926</u>	<u>83,782</u>
Operating EBITDA	17,789	5,328	23,117
Acquisition and transaction costs	(742)	(22)	(764)
Net gain on disposal of assets	457	1	458
Net other (expenses)/income	(217)	1	(216)
Depreciation and amortisation	(4,558)	(947)	(5,505)
Interest income *	965	49	1,014
Finance costs *	(2,065)	(993)	(3,058)
Net financing charge on contract assets and contract liabilities	(302)	-	(302)
Net foreign exchange losses	16	-	16
Profit before income tax expense	<u>11,343</u>	<u>3,417</u>	<u>14,760</u>
Income tax expense			(4,539)
Profit after income tax expense			<u>10,221</u>
Assets			
Segment assets	<u>407,639</u>	<u>79,120</u>	486,759
Intersegment eliminations			(37,762)
Total assets			<u>448,997</u>
Liabilities			
Segment liabilities	<u>182,710</u>	<u>50,327</u>	233,037
Intersegment eliminations			(37,762)
Total liabilities			<u>195,275</u>

* Includes \$905,000 interest charged on inter-company loan from the Australian operations to the New Zealand operations.

Propel Funeral Partners Limited
Notes to the consolidated financial statements
31 December 2022

Note 3. Operating segments (continued)

Consolidated - 31 Dec 2021	Australian operations \$'000	New Zealand operations \$'000	Total \$'000
Revenue			
Sales to external customers	54,559	13,300	67,859
Other revenue (excluding interest)	103	8	111
Total revenue	<u>54,662</u>	<u>13,308</u>	<u>67,970</u>
Operating EBITDA			
Termination fee	15,432	3,645	19,077
Share based payment revaluation expense	(15,000)	-	(15,000)
Fair value adjustment on termination shares	(5,407)	-	(5,407)
Acquisition and transaction costs	(969)	-	(969)
Net gain/(loss) on disposal of assets	(1,078)	(42)	(1,120)
Net other (expenses)/income	67	(8)	59
Depreciation and amortisation	(279)	4	(275)
Interest income *	(4,135)	(893)	(5,028)
Finance costs *	683	17	700
Net financing charge on contract assets and contract liabilities	(1,812)	(729)	(2,541)
Net foreign exchange gain/(losses)	(294)	-	(294)
Profit/(loss) before income tax benefit	<u>25</u>	<u>-</u>	<u>25</u>
Income tax benefit	(12,767)	1,994	(10,773)
Loss after income tax benefit			<u>1,576</u>
			<u>(9,197)</u>
Consolidated - 30 Jun 2022			
Assets			
Segment assets	397,258	68,468	465,726
Intersegment eliminations			(37,080)
Total assets			<u>428,646</u>
Liabilities			
Segment liabilities	168,984	47,979	216,963
Intersegment eliminations			(37,080)
Total liabilities			<u>179,883</u>

* Includes \$659,000 interest charged on inter-company loan from the Australian operations to the New Zealand operations.

Geographical information

	Geographical non-current assets	
	31 Dec 2022 \$'000	30 Jun 2022 \$'000
Australia	330,833	321,631
New Zealand	71,164	61,695
Intersegment eliminations	(37,761)	(37,080)
	<u>364,236</u>	<u>346,246</u>

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

Propel Funeral Partners Limited
Notes to the consolidated financial statements
31 December 2022

Note 4. Revenue

	Consolidated	
	31 Dec 2022	31 Dec 2021
	\$'000	\$'000
Revenue from contracts with customers	83,562	67,859
<i>Other revenue</i>		
Rent	220	111
Revenue	<u>83,782</u>	<u>67,970</u>

Disaggregation of revenue

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

	Consolidated	
	31 Dec 2022	31 Dec 2021
	\$'000	\$'000
Funeral operations	73,734	59,531
Cemetery, crematoria and memorial gardens	9,027	7,260
Other trading revenue	801	1,068
	<u>83,562</u>	<u>67,859</u>

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

Propel Funeral Partners Limited
Notes to the consolidated financial statements
31 December 2022

Note 5. Expenses

	Consolidated	
	31 Dec 2022	31 Dec 2021
	\$'000	\$'000
Profit/(loss) before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Buildings	1,117	1,005
Improvements	283	243
Plant and equipment	1,354	1,103
Motor vehicles	867	857
	<u>3,621</u>	<u>3,208</u>
Total depreciation - property, plant and equipment (note 7)		
Building right-of-use assets	1,737	1,631
Plant and equipment right-of-use assets	139	180
Motor vehicles right-of-use assets	8	9
	<u>1,884</u>	<u>1,820</u>
Total depreciation - right-of-use assets (note 8)		
Total depreciation expense	<u>5,505</u>	<u>5,028</u>
<i>Other non-operating expenses</i>		
Acquisition costs	764	739
Termination fee	-	15,000
Share based payment revaluation expense	-	5,407
Fair value adjustment on termination shares	-	969
Other transaction costs	-	381
	<u>764</u>	<u>22,496</u>
Total non-operating expenses		
<i>Interest expense</i>		
Interest and finance charges paid/payable on borrowings	1,706	1,361
Interest and finance charges paid/payable on lease liabilities (AASB 16)	447	521
	<u>2,153</u>	<u>1,882</u>
Total interest expense		
<i>Employee costs</i>		
Employee costs excluding government subsidies and superannuation expense	24,937	21,167
New Zealand government wage subsidies	(8)	(568)
Defined contribution superannuation expense	1,604	1,349
	<u>26,533</u>	<u>21,948</u>
Total employee costs		

Note 6. Contract assets and liabilities

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$'000	\$'000
<i>Contract assets</i>		
- pre-paid contracts	<u>53,273</u>	<u>53,113</u>
<i>Contract liabilities</i>		
- pre-paid contracts	58,103	57,881
- monument works	1,790	1,715
	<u>59,893</u>	<u>59,596</u>

Note 6. Contract assets and liabilities (continued)

Pre-paid contracts

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

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

	Consolidated	
	31 Dec 2022	31 Dec 2021
	\$'000	\$'000
Profit or loss impact of undelivered contract assets and contract liabilities - pre-paid contracts		
Investment income on contract assets	434	375
Finance charge on contract liabilities	(736)	(669)
	<u>(302)</u>	<u>(294)</u>

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$'000	\$'000
Movements in contract assets - pre-paid contracts		
Opening balance	53,113	46,100
Sales of new contract assets	1,110	2,312
Redemption of contract assets following service delivery	(2,908)	(4,968)
Increase due to business combinations (note 18)	1,524	9,117
Increase due to investments returns	434	552
	<u>53,273</u>	<u>53,113</u>
Closing balance		
Contract assets expected to be realised within one year	5,499	5,439
Contract assets expected to be realised after one year	47,774	47,674
	<u>53,273</u>	<u>53,113</u>

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$'000	\$'000
Movements in contract liabilities - pre-paid contracts		
Opening balance	57,881	50,417
Sales of new contract liabilities	1,110	2,312
Decrease following delivery of services	(3,148)	(5,356)
Increase due to business combinations (note 18)	1,524	9,117
Increase due to finance charge applied in accordance with AASB 15	736	1,391
	<u>58,103</u>	<u>57,881</u>
Closing balance		
Contract liabilities expected to be realised within one year	6,002	6,005
Contract liabilities expected to be realised after one year	52,101	51,876
	<u>58,103</u>	<u>57,881</u>
Total contract liabilities - pre-paid contracts		

Propel Funeral Partners Limited
Notes to the consolidated financial statements
31 December 2022

Note 6. Contract assets and liabilities (continued)

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

The assets and liabilities have been split between amounts 'expected to be realised within one year' and 'amounts expected to be realised after one year' based on historical trends.

Note 7. Property, plant and equipment

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$'000	\$'000
<i>Non-current assets</i>		
Land - at cost	60,998	56,696
Buildings - at cost	90,654	83,340
Less: Accumulated depreciation	(9,587)	(8,474)
	<u>81,067</u>	<u>74,866</u>
Improvements - at cost	11,226	10,478
Less: Accumulated depreciation	(1,965)	(1,675)
	<u>9,261</u>	<u>8,803</u>
Plant and equipment - at cost	26,257	23,055
Less: Accumulated depreciation	(10,438)	(9,070)
	<u>15,819</u>	<u>13,985</u>
Motor vehicles - at cost	17,841	16,181
Less: Accumulated depreciation	(7,874)	(7,052)
	<u>9,967</u>	<u>9,129</u>
Construction in progress - at cost	7,506	5,080
	<u>184,618</u>	<u>168,559</u>

Reconciliations

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

Consolidated	Land	Buildings	Improve-	Plant and	Motor	Construction	Total
	\$'000	\$'000	ments	equipment	vehicles	in progress	\$'000
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2022	56,696	74,866	8,803	13,985	9,129	5,080	168,559
Additions	2,866	3,592	255	1,295	739	4,703	13,450
Additions through business combinations (note 18)	995	3,103	205	1,166	600	-	6,069
Disposals	(266)	(329)	(4)	(27)	(272)	-	(898)
Exchange differences	533	348	33	65	60	20	1,059
Transfers in/(out)	174	604	252	689	578	(2,297)	-
Depreciation expense (note 5)	-	(1,117)	(283)	(1,354)	(867)	-	(3,621)
Balance at 31 December 2022	<u>60,998</u>	<u>81,067</u>	<u>9,261</u>	<u>15,819</u>	<u>9,967</u>	<u>7,506</u>	<u>184,618</u>

Propel Funeral Partners Limited
Notes to the consolidated financial statements
31 December 2022

Note 8. Right-of-use assets

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$'000	\$'000
<i>Non-current assets</i>		
Land and buildings - right-of-use	39,784	43,669
Less: Accumulated depreciation	<u>(9,965)</u>	<u>(8,475)</u>
	<u>29,819</u>	<u>35,194</u>
Plant and equipment - right-of-use	1,225	1,014
Less: Accumulated depreciation	<u>(568)</u>	<u>(511)</u>
	<u>657</u>	<u>503</u>
Motor vehicles - right-of-use	25	62
Less: Accumulated depreciation	<u>(24)</u>	<u>(53)</u>
	<u>1</u>	<u>9</u>
	<u>30,477</u>	<u>35,706</u>

Reconciliations

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

Consolidated	Land and buildings	Plant and equipment	Motor vehicles	Total
	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2022	35,194	503	9	35,706
Additions	522	268	-	790
Additions through business combinations (note 18)	767	11	-	778
Lease reassessment and rent increases	971	1	-	972
Early terminations	(6,062)	-	-	(6,062)
Exchange differences	164	13	-	177
Depreciation expense (note 5)	<u>(1,737)</u>	<u>(139)</u>	<u>(8)</u>	<u>(1,884)</u>
Balance at 31 December 2022	<u>29,819</u>	<u>657</u>	<u>1</u>	<u>30,477</u>

Note 9. Goodwill

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$'000	\$'000
<i>Non-current assets</i>		
Goodwill - at cost	<u>148,928</u>	<u>141,765</u>

Reconciliations

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

Consolidated	Goodwill
	\$'000
Balance at 1 July 2022	141,765
Additions through business combinations (note 18)	6,443
Exchange differences	<u>720</u>
Balance at 31 December 2022	<u>148,928</u>

Propel Funeral Partners Limited
Notes to the consolidated financial statements
31 December 2022

Note 10. Trade and other payables

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$'000	\$'000
<i>Current liabilities</i>		
Trade payables	4,447	4,395
Deposits	861	790
Accrued expenses	3,512	3,248
GST payable	1,025	836
Other payables	1,661	1,522
	<u>11,506</u>	<u>10,791</u>

Note 11. Borrowings

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$'000	\$'000
<i>Current liabilities</i>		
Bank Loans	14,820	14,807
Hire purchases	62	91
	<u>14,882</u>	<u>14,898</u>
<i>Non-current liabilities</i>		
Bank Loans	51,889	32,857
Hire purchases	27	47
	<u>51,916</u>	<u>32,904</u>
	<u>66,798</u>	<u>47,802</u>

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$'000	\$'000
Senior debt	67,073	48,123
Less: loan establishment costs	(364)	(459)
Total Bank Loans	<u>66,709</u>	<u>47,664</u>

Bank Loans

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

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

resulting in total debt facilities of \$200,000,000 (together, 'Senior Debt'), of which \$67,073,000 was drawn as at 31 December 2022 (30 June 2022: \$48,123,000). The net debt position (i.e. drawn Senior Debt less cash and cash equivalents of \$5,965,000) was \$61,108,000 as at 31 December 2022 (30 June 2022: \$40,254,000).

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

Hire purchase

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

Propel Funeral Partners Limited
Notes to the consolidated financial statements
31 December 2022

Note 12. Provisions

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$'000	\$'000
<i>Current liabilities</i>		
Employee benefits	7,040	7,350
Contingent consideration (note 15)	1,927	1,472
Lease make good	74	76
	<u>9,041</u>	<u>8,898</u>
<i>Non-current liabilities</i>		
Employee benefits	1,925	1,409
Contingent consideration (note 15)	1,790	2,616
Lease make good	238	228
Perpetual maintenance care provision	254	258
	<u>4,207</u>	<u>4,511</u>
	<u>13,248</u>	<u>13,409</u>

Note 13. Issued capital

	Consolidated			
	31 Dec 2022	30 Jun 2022	31 Dec 2022	30 Jun 2022
	Shares	Shares	\$'000	\$'000
Ordinary shares - fully paid	<u>117,959,990</u>	<u>117,895,750</u>	<u>280,462</u>	<u>280,237</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$'000
Balance	1 July 2022	117,895,750		280,237
Shares issued - business combinations (note 18)	1 November 2022	64,240	\$3.50	225
Balance	31 December 2022	<u>117,959,990</u>		<u>280,462</u>

Ordinary shares

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

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

Share buy-back

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

Propel Funeral Partners Limited
Notes to the consolidated financial statements
31 December 2022

Note 14. Dividends

Dividends

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

	Consolidated	
	31 Dec 2022	31 Dec 2021
	\$'000	\$'000
Final dividend for the year ended 30 June 2022 of 6.25 cents (30 June 2021: 5.75 cents) per ordinary share	<u>7,368</u>	<u>5,880</u>

On 24 August 2022, the directors declared a fully franked final dividend of 6.25 cents per ordinary share which equated to a total distribution of \$7,368,000 in connection with the financial year ended 30 June 2022. The dividend was paid on 4 October 2022 and was recognised during the reporting period.

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

Interim dividend not recognised at period end

In addition to the above, the directors declared a fully franked dividend of 7.1 cents per ordinary share on 22 February 2023. The dividend will be paid on 3 April 2023. This equates to an estimated total distribution of \$8,375,000. The financial effect of the dividend declared after the reporting date is not reflected in the 31 December 2022 financial statements and will be recognised in the period to 30 June 2023.

Franking credits

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$'000	\$'000
Franking credits available for subsequent financial years based on a tax rate of 30%	<u>15,138</u>	<u>16,185</u>

The above amounts represent the balance of the franking account as at the end of the financial half-year, adjusted for franking credits that will arise from the:

- payment of the amount of the provision for income tax at the reporting date;
- payment of dividends recognised as a liability at the reporting date;
- receipt of dividends recognised as receivables at the reporting date; and
- franking credits acquired through business combinations.

Note 15. Fair value measurement

Fair value hierarchy

This section outlines the valuation techniques used to measure fair value of financial instruments which maximises the use of relevant observable inputs and minimises the use of unobservable inputs.

The following tables detail the Group's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

Propel Funeral Partners Limited
Notes to the consolidated financial statements
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Note 15. Fair value measurement (continued)

Consolidated - 31 Dec 2022	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<i>Liabilities</i>				
Current				
Contingent consideration	-	-	1,927	1,927
Non-current				
Contingent consideration	-	-	1,790	1,790
Total liabilities	-	-	3,717	3,717
Consolidated - 30 Jun 2022	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<i>Assets</i>				
Derivative financial instruments *	-	10	-	10
Total assets	-	10	-	10
<i>Liabilities</i>				
Current				
Contingent consideration	-	-	1,472	1,472
Non-current				
Contingent consideration	-	-	2,616	2,616
Total liabilities	-	-	4,088	4,088

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

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

* Relates to interest rate swap contracts of 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's incremental borrowing rate.

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

Level 3 assets and liabilities

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

Consolidated	Contingent consideration \$'000
Balance at 1 July 2022	4,088
Payments made (note 18)	(1,374)
Additions through business combinations (note 18)	909
Movement due to changes in discount rate	39
Foreign exchange difference	55
Balance at 31 December 2022	<u>3,717</u>

Propel Funeral Partners Limited
Notes to the consolidated financial statements
31 December 2022

Note 15. Fair value measurement (continued)

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 \$39,000 (31 December 2021: \$37,000). A stress test of 50 basis points was conducted and found to have an immaterial impact.

Note 16. Contingent liabilities

The Group had bank guarantees of \$1,276,000 as at 31 December 2022 (30 June 2022: \$1,276,000).

The directors are not aware of any other contingent liabilities that existed as at the reporting date or on the date of approval of the financial statements (30 June 2022: Nil).

Note 17. Commitments

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$'000	\$'000
<i>Capital commitments</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Property, plant and equipment	3,606	5,169

Note 18. Business combinations

Community Funerals and Cremation for Pets

In November 2022, the Group acquired the businesses, assets and related infrastructure (including two cremation facilities) associated with Community Funerals and Cremation for Pets ('Community Funerals'), which provides funeral directing and pet loss services from four locations in and around Cairns in Queensland. One property was acquired as part of the transaction, one was acquired separate to the transaction and two properties are leased. Consideration of \$2,623,000 was paid on settlement, which consisted of \$2,398,000 in cash and 64,240 ordinary shares in Propel (recognised at a fair value of \$225,000 given the escrow arrangements) and a further amount of \$209,000 (present value) will be paid if certain financial thresholds are achieved, resulting in total consideration of up to \$2,833,000.

Mason Park Funerals

In November 2022, the Group acquired the business, assets and freehold property related to Mason Park Funerals ('Mason Park'), which provides funeral directing services from one location in Wangaratta, Victoria. Consideration of \$5,171,000 cash was paid on settlement and a further amount of \$268,000 (present value) will be paid if certain financial thresholds are achieved, resulting in total consideration of up to \$5,439,000.

Pets at Rest

In December 2022, the Group acquired 100% of the issued share capital of Pets at Rest Limited ('Pets at Rest'). Consideration of \$3,467,000 was paid on or around settlement and a further amount of \$432,000 (present value) will be paid if certain financial thresholds are achieved, resulting in total consideration of up to \$3,899,000.

Details of the purchase consideration, the net assets acquired and goodwill for the acquisitions of Community Funerals, Mason Park and Pets at Rest are disclosed, in aggregate, below.

Propel Funeral Partners Limited
Notes to the consolidated financial statements
31 December 2022

Note 18. Business combinations (continued)

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

	Total acquisitions Fair value \$'000
Assets:	
Cash and cash equivalents	132
Contract assets	1,524
Trade and other receivables *	142
Other current assets	163
Property, plant and equipment	6,069
Right-of-use assets	778
Deferred tax assets	38
Liabilities:	
Contract liabilities	(1,524)
Trade and other payables	(71)
Provisions	(119)
Lease liabilities	(778)
Current tax liabilities	(22)
Deferred tax liabilities	(603)
Other liabilities	(1)
Net assets acquired	5,728
Goodwill	6,443
Acquisition-date fair value of the total consideration transferred	<u>12,171</u>
Representing:	
Cash paid or payable to vendor	11,037
Propel Funeral Partners Limited shares issued to vendor	225
Contingent consideration (discounted)	909
	<u>12,171</u>
Cash used to acquire business, net of cash acquired per cash flow statement:	
Cash paid to vendors	10,819
Less: cash and cash equivalents	(132)
Net cash used	<u>10,687</u>

* The fair value of acquired trade receivables was \$142,000. The gross contractual amount for trade receivables due was \$142,000, with a nil allowance.

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 \$764,000. The acquisition accounting was provisional as at 31 December 2022.

Propel Funeral Partners Limited
Notes to the consolidated financial statements
31 December 2022

Note 18. Business combinations (continued)

	Consolidated 31 Dec 2022 \$'000
Payment for purchase of business, net of cash acquired per cash flow statement:	
Net cash used for the acquisitions	10,687
Acquisition costs	736
Contingent consideration payments (note 15)	<u>1,374</u>
Net cash used	<u><u>12,797</u></u>

Details of revenues and profit/(loss) are as follows:

	Total acquisitions \$'000
Revenue generated from acquisition date to 31 December 2022	970
Net profit after tax from acquisition date to 31 December 2022	201

If the three acquisitions had completed on 1 July 2022, it is estimated that the Group's revenue and net profit after tax for the half-year period would have been approximately \$86,193,000 and approximately \$10,773,000 respectively.

Note 19. Earnings per share

	Consolidated 31 Dec 2022 \$'000	31 Dec 2021 \$'000
Profit/(loss) after income tax attributable to the shareholders of Propel Funeral Partners Limited	<u>10,221</u>	<u>(9,197)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>117,916,698</u>	<u>107,103,116</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>117,916,698</u>	<u>107,103,116</u>
	cents	cents
Basic earnings per share	8.67	(8.59)
Diluted earnings per share	8.67	(8.59)

Note 20. Events after the reporting period

Subsequent to 31 December 2022, the Group:

- acquired the businesses, assets and a freehold property associated with Seddon Park Funeral Home (incorporating Sadliers Funeral Services) ('Seddon Park') which operates in and around Hamilton, New Zealand, for \$3,720,000. Seddon Park generates approximately \$2,500,000 of revenue, per annum; and
- announced it had executed a conditional transaction agreement to acquire the business, assets and freehold properties associated with Alfred James & Sons ('Alfred James'), which operates from seven locations in Adelaide, South Australia.

The Group is currently in the process of finalising the accounting for Seddon Park and expects to complete its preliminary allocation of the purchase consideration to the assets acquired and liabilities assumed by the end of the financial year.

On 22 February 2023, the directors declared a fully franked dividend of 7.1 cents per ordinary share. The dividend will be paid on 3 April 2023. This equates to an estimated total distribution of \$8,375,000. The financial effect of the dividend declared after the reporting date is not reflected in the 31 December 2022 financial statements and will be recognised in the period to 30 June 2023.

Apart from the events disclosed above, no other matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect the Group's operations, the results of those operations or the Group's state of affairs in future financial years.

Propel Funeral Partners Limited
Directors' declaration
31 December 2022

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



Brian Scullin
Chairman

22 February 2023



Albin Kurti
Managing Director

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Propel Funeral Partners Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Propel Funeral Partners Limited (the Company and its subsidiaries ("the Group")), which comprises the consolidated statement of financial position as at 31 December 2022, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the Corporations Act 2001 including:

- a) giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Responsibility of the Directors for the Financial Report

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

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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



Nexia Sydney Audit Pty Limited



Joseph Santangelo
Director

Sydney, 22 February 2023