KELSIAN GROUP LIMITED (FORMERLY KNOWN AS SEALINK TRAVEL GROUP LTD)
AND ITS CONTROLLED ENTITIES
ASX APPENDIX 4D
FOR THE INTERIM PERIOD ENDED 31 DECEMBER 2021

RESULTS FOR ANNOUNCEMENT TO THE MARKET

ABN: 49 109 078 257 **Previous corresponding period:** 31 December 2020	**Statutory Results Consolidated Kelsian Period Ended 31 Dec 2021**			**Underlying Results # Consolidated Kelsian Period Ended 31 Dec 2021**		
Results in brief	**2021 $m**	**2020 $m**	**Change %**	**2021 $m**	**2020 $m**	**Change %**
Revenue from Ordinary Activities	649.0	570.8	13.7%	649.0	570.8	13.7%
EBITDA *	**90.2**	**96.2**	**(6.3%)**	**90.8**	**94.6**	**(4.1%)**
Depreciation	(39.5)	(31.5)	25.4%	(39.5)	(31.5)	25.4%
EBITA	**50.7**	**64.7**	**(21.7%)**	**51.3**	**63.1**	**(18.8%)**
Amortisation of customer contracts	(11.4)	(17.9)	(36.2%)	(11.4)	(17.9)	(36.2%)
EBIT	**39.3**	**46.8**	**(16.1%)**	**39.9**	**45.2**	**(11.8%)**
Financing charges	(11.4)	(9.6)	18.1%	(11.4)	(9.6)	18.1%
Net Profit before Tax	**27.9**	**37.2**	**(25.0%)**	**28.5**	**35.6**	**(19.9%)**
Tax	(6.7)	(5.2)	28.8%	(6.6)	(5.3)	23.5%
Profit after Tax and before Amortisation	**32.6**	**49.9**	**(34.7%)**	**33.3**	**48.1**	**(30.6%)**
Profit after Tax	21.2	32.0	(33.9%)	21.9	30.2	(27.5%)

# Underlying Results adjusted for significant items for the period.		
Acquisition, transaction related costs and other ^	*(1.6)*	*(0.6)*
Gain on investment in UK Joint Venture	*1.0*	*-*
Insurance recovery - Vivonne Bay, Kangaroo Island	*-*	*2.2*
Total significant items	***(0.6)***	***1.6***
Tax impact adjustment for significant items	*(0.1)*	*0.2*

** EBITDA - Earnings Before Interest, Tax, Depreciation & Amortisation. EBITDA, EBITA and EBIT are all non-IFRS measures.*
^ Costs associated with the acquisition of Go West Tours, Lestok Tours and the UK joint venture investment including stamp duty, legal, accounting, tax and other costs.

Dividends	**Amount** Cents per share	**Franked Amount** Cents per share
2021 Fully Franked Final Dividend (paid 6 October 2021)	9.0	9.0
2022 Fully Franked Interim Dividend*	7.0	7.0
2021 Fully Franked Interim Dividend (previous corresponding period)	7.0	7.0

*Record date for determining entitlements to 2022 interim dividend is 14 March 2022. Payment date for the interim dividend is 31 March 2022.

Net tangible assets	**31 Dec 2021**	**30 June 2021**
Net tangible assets per ordinary share	0.21	0.27

The report is based on the consolidated financial statements which have been reviewed by Ernst & Young. Additional Appendix 4D disclosure requirements can be found in the Directors' Report and the consolidated financial statements.

Signed 23 February 2022

J.R. Ellison

Chair, Kelsian Group Limited

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group' or 'Kelsian') consisting of Kelsian Group Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2021.

At the Annual General Meeting of shareholders held on 26 October 2021, a resolution was passed to change the name of the Group's parent entity from SeaLink Travel Group Limited to Kelsian Group Limited. The change of name was registered with the Australian Securities and Investments Commission on 5 November 2021.

Directors

The following persons were Directors of Kelsian Group Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Jeffrey R. Ellison (B. Acc, FCA, FAICD) - Chair
Christopher D. Smerdon (MAICD) - Non-Executive Director
Andrea J.P. Staines OAM (MBA, B.Ec, FAICD) - Non-Executive Director
Terry J. Dodd - Non-Executive Director
Fiona A. Hele (B.Com, FCA, FAICD) - Non-Executive Director
Neil E. Smith (MTM, B.Arts, FCILT) – Non-Executive Director
Lance E. Hockridge (FCILT, FIML, MAICD) – Non-Executive Director

Company Secretary

Joanne H. McDonald (LLB, B.Ec, GAICD) and Andrew D. Muir (B.Ec, MBA)

Principal activities

During the financial half-year the principal continuing activities of the Group consisted of:

- domestic public bus transport operations
- international public bus transport operations
- domestic ferry services
- tourism cruises, charter cruises and accommodated cruising
- coach tours
- travel agency services and packaged holidays
- tourist accommodation.

Dividends

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

	Consolidated	
	31 December 2021 $'000	**31 December 2020 $'000**
Final dividend for the year ended 30 June 2021 paid on 6 October 2021 of 9.0 cents (2020: 4.5 cents) per ordinary share	19,656	9,828

Kelsian's Directors declared on 23 February 2022 a 7.0 cents per share fully franked interim dividend (consistent with last year) payable on 31 March 2022 to shareholders registered on 14 March 2022. The Company's policy is to aim to return to shareholders 50% - 70% of underlying net profit after tax on an annualised basis, subject to business needs and ability to pay.

The Board will continue to consider Kelsian's growth requirements, its current cash position, market conditions and the need to maintain a healthy balance sheet, when determining future dividends.

Kelsian Group Limited
(Formerly known as SeaLink Travel Group Limited)
Directors' report
31 December 2021

Review of operations

Kelsian's results for the first half of FY2022 were delivered in an environment of ongoing COVID-19 related restrictions and uncertainty across all of Kelsian's operations. The resilience of the contracted earnings base provides a sound foundation for the business. We have taken advantage of the strong cash flow and continued to invest in the business, including expanding the geographic reach of the operations during the period.

Kelsian recorded a statutory Net Profit after Tax (NPAT) of $21.2m for the December 2021 half year compared to a NPAT of $32.0m in the previous corresponding half year to 31 December 2020.

Underlying Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) was $90.8m compared to an EBITDA of $94.6m for the December 2020 half-year. Underlying EBITDA has been adjusted for significant one-off items during the period.

Kelsian's achievements in its key business segments for the first half were:

- Underlying Net Profit After Tax and before Amortisation of $33.3m, down 30.6% on prior year with total revenue of $649.0m
- Interim dividend maintained at 7.0 cents per share
- Deployment of $21.1m of capital expenditure to replace bus fleet and advance ship builds
- Successfully managing the ongoing impacts of COVID-19 across the entire business
- Completion of the acquisitions of Go West Tours (July 2021) and Lestok Tours (December 2021)
- Award of new up to 25-year contract to operate the ferries to Kangaroo Island commencing in July 2024
- Successful transition of the Sembawang-Yishun contract in Singapore
- Completion of the Joint Venture with RATP Dev in London for the Westbourne Park operations
- Ongoing asset base improvement with the arrival of the new MV The Jackson dining vessel for Sydney Harbour and new vessels in Queensland
- Relocation of MV Capricornian Sunrise from Gladstone to Rottnest Island
- Expansion of the electric bus fleet in NSW and UK and electrification of depots
- Extensions of key strategic marine contracts in Gladstone
- Change of corporate name from SeaLink Travel Group Limited to Kelsian Group Limited
- Inclusion in the S&P ASX200 Index

Kelsian's underlying cashflow profile and the cash position at 31 December 2021 is strong with all financial covenants comfortably met. Gearing (net interest-bearing debt to net debt + equity) at 31 December 2021 was 34.9% (up from 30.5% at 30 June 2021), which is well within target gearing levels and positions Kelsian well for future investment and growth.

The impacts of COVID-19 restrictions and uncertainty continued to challenge the Australian tourism industry during the entire trading period to 31 December 2021. This has had a direct impact on the results of the Marine & Tourism segment in an environment where government support has been significantly scaled back or ended and not been replaced by demand from interstate and overseas travel. The employment market remained extremely tight, and a focus was placed on retention of all employees, even in the absence of a government support scheme, so that the business is well positioned to ramp up capacity when demand requires.

Despite the emerging cost base pressures particularly around fuel and wages, the majority of the business has contracted indexed price adjustment structures that hedge these exposures. We continue to proactively manage the cost base to minimise the impact in those parts of the business which do not enjoy this protection.

Kelsian continues to be focused on the needs of our customers and growing its contract portfolio through sustainable and profitable bidding opportunities, complemented by growth through acquisition. The Company is constantly seeking to maximise its organic revenue growth and profitability from its existing businesses, including the addition of new contracts, routes and products. We have an ongoing focus and commitment to margin enhancement initiatives, via pricing strategies as well as cost savings and efficiency gains.

We remain focussed on building a diverse geographic portfolio of contracted essential services and leveraging the strong market position we have in Australia in capital cities and the large number of iconic island destinations we service.

Review of operations - Australian Bus

During the period under review, the Australian Bus operations remained focussed on addressing the COVID-19 related operational risk management requirements associated with the rapidly changing rules and regulations across the various jurisdictions we operate, including large scale lockdowns and border closures. We continued to work closely with our state government clients, staff and customers and it was pleasing that most operations and services were delivered as planned, with minimal impact on contracted revenue.

We continued to see the ongoing benefit of operating environment improvements as a result of reduced congestion on roads leading to lower accidents, improved on time running performance, better fuel consumption, less overtime from delays and reduced staff absenteeism. Despite lower advertising revenue from on-bus advertising and reduced patronage incentive payments, this reduction has been more than offset by increased rail replacement charter work (particularly in Adelaide), return of special event charters, additional COVID-19 related services and airport shuttles.

During the period we reached agreement with Transport for NSW (TfNSW) to introduce a fleet of 40 battery electric buses (BEBs) into the Leichhardt Bus Depot along with associated charging infrastructure, a stationary battery storage facility and a large-scale solar system. 12 buses were delivered in the period and are operating well. This initiative reinforces our green credentials and commitment to work with government clients to deliver zero emission solutions.

Safety remains a key focus across the Australian Bus Division and the trialling of collision avoidance systems and the fitment of vehicle telematics to buses is ongoing to provide a safer operating environment for employees, customers, and other road users.

The acquisition of Go West Tours which completed on 1 July 2021 has provided an exciting opportunity to enter the resources sector from a transport operator perspective. The integration of the business is complete, and the business is performing slightly ahead of initial expectations. During the period we also acquired the Lestok Tours business in Mount Tom Price, a business complementary to Go West Tours which further strengthens our position in the Pilbara and our ability to service key resources-based clients.

The Australian Bus Division continues to have a high level of tendering activity for new bus contracts in Australia despite not being successful in winning any new material contracts in either NSW or Victoria to add to the portfolio. Tender processes are presently being run by governments in New South Wales and the Northern Territory as well as resources based clients in Western Australia.

Review of operations - International Bus

In September 2020, the Singapore operations were awarded the PT217 Contracts to operate two combined packages of public bus services in Singapore, following a competitive tender by the Land Transport Authority of Singapore (“LTA”). The PT217 Contracts are for the operation of 56 bus routes and the maintenance of more than 700 buses, two depots, five interchanges and a terminal. The combined operation will be staffed by over 1,700 employees and results in a doubling in scale of Tower Transit Singapore’s current operations (30 routes) and its market share. The Bulim contract which we successfully retained is 29 routes which commenced from 30 May 2021, while the Sembawang-Yishun Package of 27 routes will be operated out of a newly built LTA depot and services commenced from 5 September 2021. Each package will be operated for a term of five years from the start of services with the option of a two-year extension exercisable at the LTA’s discretion. Total contract fees over the initial contract terms are estimated at more than SGD$1 billion, with potential to earn additional variable performance incentives.

From an operational perspective in Singapore, government grants under the Jobs Support Scheme ceased and a number of costs were absorbed by the business. These included enhanced cleaning and disinfecting costs for our buses, interchanges and depots as well as the ongoing provision of accommodation for a large number of Malaysian bus driving staff affected by the ongoing Malaysian border closure. In addition, there were a number of route/service level cutbacks by the LTA due to driver shortages and lower patronage levels.

The operating environment in London has continued to be extremely challenging. A highlight for the period was the successful divestment of the West London public bus transport operations at our Westbourne Park depot into an incorporated Joint Venture with RATP Dev UK Ltd. Settlement occurred in December 2021 and Kelsian now holds a 12.5% interest in the new Joint Venture Company valued at $1.0m. This provides a platform to deliver long term value through scale opportunities, synergies and the ability to maintain London as a credential for the Group.

Review of operations - Marine & Tourism

The Australian tourism industry has continued to be severely challenged during the period with international borders remaining closed and regular and unpredictable domestic border closures and lockdowns, forcing travel cancellations. The continued volatility in travel restrictions and testing requirements (before, during and after travel) caused increased concern and uncertainty for customers about future interstate travel leading to situations where customers just did not travel. For most of the period, the restrictions imposed meant that travellers from NSW and Victoria were unable to visit locations out of their home state impacting Queensland and South Australia's results. Late in the period, the opening of some state borders coincided with a new COVID-19 Omicron variant wave, which meant that anticipated border openings did not translate into an expected surge in interstate travel. Our Western Australian operations remain isolated from the rest of Australia but are enjoying good local travel demand during the warmer months.

Most of the government related supported packages and relief available in the prior year period either ended or were significantly scaled back and were not replaced by a sufficient increase in demand.

A key challenge we continue to face along with many other businesses in Australia, is the lack of workers available, particularly in hospitality roles which have relied heavily on international working holiday visa employees. In addition, COVID-19 close contact rules and the requirement to self-quarantine has led to situations where entire crews are not available further challenging operating conditions. This had a major impact on our Fraser Island business where occupancy limits had to be put in place and our Murray River cruising product where cruises had to be cancelled at the time of departure. Kelsian has been keenly focused on our employee base during this period and has invested in retention of existing staff, even in times of low levels of activity and in the absence of a government support scheme.

Our Captain Cook Cruises in New South Wales and Western Australia continued to be the most challenged by restrictions and international border closures. The scaling back or cancellation of New Years Eve's celebrations had a major impact as this is usually one of the busiest days of the year.

The successful award of a new contract to operate freight and passenger services to Kangaroo Island for up to a 25-year period post July 2024, once our current licence to operate expires, was a highlight. This provides us with the certainty to be able to invest in new vessels to operate the service as well as develop further tourism opportunities on the Island.

During the period we commenced services to Whitsunday Islands and our contracts in Gladstone were extended for another 2 years. The RiverCity Ferries contract made a full period contribution and provides further long-term contracted earnings diversification for the Marine & Tourism segment.

Investment in our fleet continued with the arrival of a new vessel (*MV The Jackson)* a new dining vessel for Sydney Harbour which provides a fantastic opportunity for our Sydney business to re-launch a new and exciting product. Construction continued on two passenger/vehicle ferries for the Southern Moreton Bay Islands service and a passenger ferry for the Magnetic Island service.

At the corporate level, a number of key appointments in People and Culture and Safety were made during the period and a significant investment in the Marine & Tourism technology platform is underway to significantly enhance the customer digital experience and improve direct sales opportunities.

Matters subsequent to the end of the financial half-year

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

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Group during the financial half-year.

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.

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.

Kelsian Group Limited
(Formerly known as SeaLink Travel Group Limited)
Directors' report
31 December 2021

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

Jeffrey R Ellison
Chair

23 February 2022

Ernst & Young
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Auditor's independence declaration to the directors of Kelsian Group Limited

As lead auditor for the review of the half-year financial report of Kelsian Group Limited for the half-year ended 31 December 2021, I declare to the best of my knowledge and belief, there have been:

a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review;

b. No contraventions of any applicable code of professional conduct in relation to the review; and

c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the review.

This declaration is in respect of Kelsian Group Limited and the entities it controlled during the financial period.

Ernst + Young

Ernst & Young

David Sanders
Partner
23 February 2022

Kelsian Group Limited
(Formerly known as SeaLink Travel Group Limited)
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General information

The financial statements cover Kelsian Group Limited (formerly SeaLink Travel Group Limited) as the Consolidated entity (referred to hereafter as 'Group' or 'Kelsian') consisting of Kelsian Group Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is Kelsian's functional and presentation currency.

At the Annual General Meeting of shareholders held on 26 October 2021, a resolution was passed to change the name of the Group's parent entity from SeaLink Travel Group Limited to Kelsian Group Limited. The change of name was registered with the Australian Securities and Investments Commission on 5 November 2021.

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

Level 3
26 Flinders Street
Adelaide SA 5000

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

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 23 February 2022.

Kelsian Group Limited
(Formerly known as SeaLink Travel Group Limited)
Interim condensed consolidated statement of profit or loss
For the half-year ended 31 December 2021

	Note	Consolidated 31 December 2021 $'000	31 December 2020 $'000
Revenue from contracts with customers	4	649,020	570,772
Other income	5	12,294	26,941
Interest income		86	174
Expenses			
Direct operating expenses:			
Direct wages		(345,987)	(313,603)
Repairs and maintenance		(37,457)	(33,645)
Fuel		(49,487)	(41,103)
Commission		(1,368)	(1,103)
Meals and beverage		(4,784)	(4,229)
Tour costs		(1,328)	(716)
Depreciation		(18,666)	(15,238)
Depreciation - ROUA		(20,816)	(16,235)
Other direct expenses		(38,624)	(30,998)
Administration expenses:			
Indirect wages		(52,203)	(46,383)
General and administration		(35,915)	(27,289)
Marketing		(2,747)	(1,818)
Financing charges		(11,376)	(9,810)
Amortisation of customer contracts and permits		(11,449)	(17,937)
Acquisition and transaction costs		(1,329)	(625)
Total expenses		(633,536)	(560,732)
Profit before income tax expense		27,864	37,155
Income tax expense	6	(6,647)	(5,152)
Profit after income tax expense for the half-year		21,217	32,003
Profit for the half-year is attributable to:			
Non-controlling interest		-	3
Owners of Kelsian Group Limited		21,217	32,000
		21,217	32,003
		Cents	**Cents**
Basic earnings per share	18	9.71	14.65
Diluted earnings per share	18	9.69	14.63

The above interim condensed consolidated statement of profit or loss should be read in conjunction with the accompanying notes

Kelsian Group Limited
(Formerly known as SeaLink Travel Group Limited)
Interim condensed consolidated statement of other comprehensive income
For the half-year ended 31 December 2021

	Consolidated	
	31 December 2021 $'000	**31 December 2020 $'000**
Profit after income tax expense for the half-year	21,217	32,003
Other comprehensive profit/(loss)		
Items that may be reclassified subsequently to profit or loss		
Net change in the fair value of cash flow hedges taken to equity, net of tax	2,254	267
Foreign currency translation of foreign operations, net of tax	5,574	(13,497)
Other comprehensive profit/(loss) for the half-year, net of tax	7,828	(13,230)
Total comprehensive income/(loss) for the half-year	29,045	18,773
Total comprehensive income/(loss) for the half-year is attributable to:		
Non-controlling interest	-	-
Owners of Kelsian Group Limited	29,045	18,773
	29,045	18,773

The above interim condensed consolidated statement of other comprehensive income should be read in conjunction with the accompanying notes

Kelsian Group Limited
(Formerly known as SeaLink Travel Group Limited)
Interim condensed consolidated statement of financial position
As at 31 December 2021

		Consolidated	
	Note	31 December 2021 $'000	30 June 2021 $'000
Assets			
Current assets			
Cash and cash equivalents	7	108,421	103,497
Trade and other receivables		112,233	92,398
Inventories		18,115	14,308
Derivative financial instruments		617	-
Other		21,620	16,716
Total current assets		261,006	226,919
Non-current assets			
Other financial assets	9	1,000	-
Property, plant and equipment	10	422,187	373,375
Right-of-use assets	8	250,621	206,119
Intangibles	11	578,025	553,026
Total non-current assets		1,251,833	1,132,520
Total assets		1,512,839	1,359,439
Liabilities			
Current liabilities			
Trade and other payables		55,771	66,284
Contract liabilities		13,477	12,991
Borrowings		20,000	19,477
Lease liabilities		35,481	27,193
Derivative financial instruments		-	734
Income tax		8,524	13,170
Employee benefits		88,261	90,112
Provisions		33,361	35,259
Other		66,308	40,303
Total current liabilities		321,183	305,523
Non-current liabilities			
Borrowings		364,201	284,845
Lease liabilities		170,295	133,120
Derivative financial instruments		423	2,292
Deferred tax		5,942	3,560
Employee benefits		14,892	9,606
Other		17,837	12,387
Total non-current liabilities		573,590	445,810
Total liabilities		894,773	751,333
Net assets		618,066	608,106

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

Kelsian Group Limited
(Formerly known as SeaLink Travel Group Limited)
Interim condensed consolidated statement of financial position
As at 31 December 2021

	Note	Consolidated 31 December 2021 $'000	30 June 2021 $'000
Equity			
Issued capital		572,377	572,377
Reserves		(463)	(8,862)
Retained profits		46,149	44,588
Equity attributable to the owners of Kelsian Group Limited		618,063	608,103
Non-controlling interest		3	3
Total equity		618,066	608,106

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

Kelsian Group Limited
(Formerly known as SeaLink Travel Group Limited)
Interim condensed consolidated statement of changes in equity
For the half-year ended 31 December 2021

Consolidated	**Issued capital $'000**	**Reserves $'000**	**Retained profits $'000**	**Non-controlling interest $'000**	**Total equity $'000**
Balance at 1 July 2020	572,377	(3,991)	31,906	-	600,292
Profit after income tax expense for the half-year	-	-	32,000	3	32,003
Other comprehensive income/(loss) for the half-year, net of tax	-	(13,230)	-	-	(13,230)
Total comprehensive profit/(loss) for the half-year	-	(13,230)	32,000	3	18,773
Transactions with owners in their capacity as owners:					
Share-based payments (note 19)	-	407	-	-	407
Dividends paid (note 12)	-	-	(9,828)	-	(9,828)
Balance at 31 December 2020	572,377	(16,814)	54,078	3	609,644

Consolidated	**Issued capital $'000**	**Reserves $'000**	**Retained profits $'000**	**Non-controlling interest $'000**	**Total equity $'000**
Balance at 1 July 2021	572,377	(8,862)	44,588	3	608,106
Profit after income tax expense for the half-year	-	-	21,217	-	21,217
Other comprehensive income/(loss) for the half-year, net of tax	-	7,828	-	-	7,828
Total comprehensive income/(loss) for the half-year	-	7,828	21,217	-	29,045
Transactions with owners in their capacity as owners:					
Share-based payments (note 19)	-	571	-	-	571
Dividends paid (note 12)	-	-	(19,656)	-	(19,656)
Balance at 31 December 2021	572,377	(463)	46,149	3	618,066

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

Kelsian Group Limited
(Formerly known as SeaLink Travel Group Limited)
Interim condensed consolidated statement of cash flows
For the half-year ended 31 December 2021

	Note	Consolidated 31 December 2021 $'000	31 December 2020 $'000
Cash flows from operating activities			
Receipts from customers		641,093	554,382
Payments to suppliers and employees (inclusive of net GST)		(580,674)	(491,830)
		60,419	62,552
Interest received		86	174
Other income		10,643	26,941
Interest and other finance costs paid		(10,540)	(9,809)
Income taxes paid		(12,278)	(19,153)
Net cash from operating activities		48,330	60,705
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired	16	(68,027)	(18,006)
Payments for property, plant and equipment	10	(21,131)	(29,971)
Payments for intangibles	11	(230)	-
Proceeds from disposal of property, plant and equipment		1,222	323
Net cash used in investing activities		(88,166)	(47,654)
Cash flows from financing activities			
Drawdown facilities		79,000	-
Payments for leases		(15,187)	(14,994)
Dividends paid	12	(19,656)	(9,828)
Net cash from/(used in) financing activities		44,157	(24,822)
Net increase/(decrease) in cash and cash equivalents		4,321	(11,771)
Cash and cash equivalents at the beginning of the financial half-year		103,497	119,903
Effects of exchange rate changes on cash and cash equivalents		603	809
Cash and cash equivalents at the end of the financial half-year	7	108,421	108,941

Deferred consideration cashflows of $18.0m have been reclassified from financing activities to investing activities in the comparative period consistent with the annual report at 30 June 2021.

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

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2021 have been prepared in accordance with Australian Accounting Standard 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'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2021 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

New or amended Accounting Standards and Interpretations

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of Kelsian's annual consolidated financial statements for the year ended 30 June 2021, except for the adoption of new standards effective for periods beginning on or after 1 January 2021. The Group has not early adopted any standard, interpretation or amendment that has been issued by the Australian Accounting Standards Board ("AASB") but is not yet effective.

Several amendments and interpretations apply for the first time in the period commencing 1 July 2021, but do not have an impact on the interim condensed consolidated financial statements of the Group.

Going concern

The financial statements are prepared on a going concern basis. As at 31 December 2021, the Consolidated Statement of Financial Position reflected an excess of current liabilities over current assets of $60.2m (30 June 2021:$78.6m). The Group has the option of funding capital expenditure through financing rather than operating cashflow (in 2021 all Australian capital expenditure was funded from operating cashflow). In addition there are amounts included in current liabilities which are not expected to be paid in the next 12 months, despite the accounting treatment requiring them to be disclosed as current liabilities, including leave liabilities and unearned income which historically have not all been paid out within 12 months. There is no indication the future operating cashflows of the business will be materially different to those achieved historically and the Company has other capital management options.

Note 2. Critical accounting judgements, estimates and assumptions

Coronavirus (COVID-19) pandemic

The Company has considered the impact of COVID-19 and other market volatility in preparing its financial statements. The areas where COVID-19 resulted in the application of additional judgement and critical accounting estimates were consistent with those disclosed in our Annual Report for the year ended 30 June 2021 such as the carrying value of financial assets and liabilities.

Note 3. Operating segments

Identification of reportable operating segments
For management purposes the Consolidated entity is organised into four operating segments. The principal products and services of each of these operating segments are as follows:

Marine and Tourism – operates vehicle and passenger ferry services, barging, coach tours and package holidays, lunch, dinner and charter cruises and accommodation facilities throughout Australia;

Australian Bus – operates metropolitan public bus services on behalf of governments in Sydney, Melbourne, Perth, Adelaide and Darwin as well as services in regional WA primarily servicing the resources sector;

International Bus – operates metropolitan public bus services on behalf of governments in London and Singapore; and

Corporate (Head Office) – provides finance, domestic and international sales and marketing, information and technology, business development, fleet management, health and safety and administration and risk management support.

These operating segments are based on the internal reports that are reviewed and used by the Board of Directors and Executive Committee (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The CODM reviews EBITDA (earnings before interest, tax, depreciation and amortisation) and EBIT (earnings before interest and tax). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

Deferred taxes are not allocated to the individual segments below as the underlying instruments are managed on a group basis.

Capital expenditure consists of additions of property, plant and equipment, intangible assets and investment properties including assets from the acquisition of subsidiaries.

The information reported to the CODM is on a monthly basis.

Intersegment transactions
Transfer pricing between operating segments is on an arm's length basis in a manner similar to transactions with third parties and inter-segment revenues are eliminated on consolidation.

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

Seasonality of results
Tourism services provided by Kelsian within the Marine and Tourism operating segment are quite seasonal in nature, with stronger turnover in the summer and autumn months. December and January have a high concentration of turnover in the tourism sector. Revenues in the second half from tourism services provided are expected to be similar to the first half.

This information is provided to allow for a proper appreciation of the results, however, management have concluded that this does not constitute "highly seasonal activity" as considered by AASB 134 *Interim Financial reporting*.

Note 3. Operating segments (continued)

Operating segment information

Consolidated - 31 December 2021	Marine and Tourism $'000	Australian Bus $'000	International Bus $'000	Corporate $'000	Total $'000
Revenue					
Sales to external customers	117,243	393,065	138,712	-	649,020
Interest revenue	1	76	-	9	86
Total revenue	117,244	393,141	138,712	9	649,106
EBITDA	27,087	54,083	19,931	(10,301)	90,800
Depreciation	(7,643)	(9,975)	(894)	(154)	(18,666)
Depreciation ROUA	(1,463)	(2,707)	(16,280)	(366)	(20,816)
Amortisation of customer contracts	(303)	(11,146)	-	-	(11,449)
Financing charges	(241)	(1,563)	(2,645)	(6,927)	(11,376)
Acquisition and transaction expenses	-	-	(1,104)	(225)	(1,329)
Revaluation of deferred consideration	-	-	-	(300)	(300)
Net fair value gain on investment	-	-	1,000	-	1,000
Profit/(loss) before income tax expense	17,437	28,692	8	(18,273)	27,864
Income tax expense					(6,647)
Profit after income tax expense					21,217
Material items include:					
Net fair value gain on investment	-	-	1,000	-	1,000
Assets					
Segment assets	302,200	774,822	396,046	39,771	1,512,839
Total assets					1,512,839
Liabilities					
Segment liabilities	73,904	181,991	199,535	433,401	888,831
Unallocated liabilities:					
Deferred tax liability					5,942
Total liabilities					894,773

Note 3. Operating segments (continued)

Consolidated - 31 December 2020	Marine and Tourism $'000	Australian Bus $'000	International Bus $'000	Corporate $'000	Total $'000
Revenue					
Sales to external customers	98,667	341,848	130,257	-	570,772
Intersegment sales	(30)	30	-	-	-
Total sales revenue	98,637	341,878	130,257	-	570,772
Interest revenue	-	-	-	174	174
Total revenue	98,637	341,878	130,257	174	570,946
EBITDA	36,825	44,919	24,963	(10,506)	96,201
Depreciation	(7,069)	(6,409)	(1,378)	(382)	(15,238)
Depreciation ROUA	(1,521)	(2,176)	(12,344)	(194)	(16,235)
Amortisation of customer contracts	(768)	(11,023)	(6,146)	-	(17,937)
Net financing charges	(117)	(1,067)	(1,219)	(7,233)	(9,636)
Profit/(loss) before income tax expense	27,350	24,244	3,876	(18,315)	37,155
Income tax expense					(5,152)
Profit after income tax expense					32,003
Consolidated - 30 June 2021					
Assets					
Segment assets	299,278	659,662	358,012	42,487	1,359,439
Total assets					1,359,439
Liabilities					
Segment liabilities	90,090	153,680	166,524	337,479	747,773
Unallocated liabilities:					
Deferred tax liability					3,560
Total liabilities					751,333

Geographical information

	Sales to external customers		**Geographical non-current assets**	
	31 December 2021 $'000	**31 December 2020 $'000**	**31 December 2021 $'000**	**30 June 2021 $'000**
Australia	510,308	440,515	920,785	826,429
Singapore	82,332	62,331	217,167	154,824
United Kingdom	56,380	67,926	113,881	151,267
	649,020	570,772	1,251,833	1,132,520

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

Note 4. Revenue from contracts with customers

	Consolidated	
	31 December 2021 $'000	31 December 2020 $'000
Goods and services transferred at a point in time	109,320	91,891
Services transferred over time	539,700	478,881
Revenue from contracts with customers	649,020	570,772

The impact of business combinations in the current period is $27.7m refer note 16.

Note 5. Other income

	Consolidated	
	31 December 2021 $'000	31 December 2020 $'000
Net foreign exchange gain	-	320
Net fair value gain on investments	998	-
Gain on disposal of property, plant and equipment	143	-
Other income	11,153	26,621
Other income	12,294	26,941

The decline in Other Income reflects significant reduction of Covid related government support in Australia, Singapore and UK.

Net fair value gain on investments reflects the divestment of assets related to the RAPT Dev Joint Venture (refer note 9).

Note 6. Income tax expense

The Group calculates the period income tax expense using the tax rate that would be applicable to expected total annual earnings, i.e. the estimated annual effective tax rate applied to the pre-tax income of the interim period.

The major components of income tax expense for the half years ended 31 December 2021 and 2020 are:

Note 6. Income tax expense (continued)

	Consolidated	
	31 December 2021 $'000	31 December 2020 $'000
Income tax expense		
Current tax expense	10,788	15,443
Deferred tax - origination and reversal of temporary differences current year	(4,141)	(11,148)
Current tax - over/under provisions in prior year	-	1,366
Deferred tax - over/under provisions in prior year	-	(509)
Aggregate income tax expense	6,647	5,152
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense	27,864	37,155
Tax at the statutory tax rate of 30%	8,359	11,147
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Exempt income	(1,930)	(2,095)
Other non-assessable income (foreign)	(100)	(701)
Non-deductible entertainment	60	6
Section 40-880	-	(3,469)
Other non-deductible expenses	238	526
	6,627	5,414
Current tax - over/under provisions in prior year	-	1,366
Difference in overseas tax rates	20	(1,119)
Deferred tax - over/under provisions temporary differences in prior year	-	(509)
Income tax expense	6,647	5,152

Note 7. Cash and cash equivalents

	Consolidated	
	31 December 2021 $'000	30 June 2021 $'000
Current assets		
Cash on hand	555	476
Cash at bank	99,206	66,886
Cash on deposit	8,660	36,135
	108,421	103,497

Note 8. Right-of-use assets

Acquisitions and disposals
During the six months ended 31 December 2021, the Group acquired rights to use leased assets with a value of $90.6m (2020: $5.9m). The acquired rights included a further $66.3m for right of use bus and property leases under the new and retained bus contracts in Singapore, $10.3m relating to accelerated fleet replacement in Sydney and $7.3m relating to new hire purchases in Go West Tours as the Group moves to finance a proportion of capital expenditure from external sources rather than cashflow as in the prior year. In addition, a further $3.8m of right of use leased property assets were acquired as part of the Go West Tours acquisition (refer note 16).

Right of use assets with a net book value of $34.3m were relinquished by the Group during the six months ended 31 December 2021 (2020: $4,998,000), all of these related to the contribution of net assets to the new RAPT Dev Joint Venture in the UK.

Note 9. Other financial assets

On 11 December 2021, Kelsian through it's Tower Transit subsidiaries, Tower Transit Operations Ltd and Tower Transit Ltd, completed entry into an incorporated joint venture with RAPT Dev UK Ltd called RATP Dev Transit London Ltd (Joint Venture Company) via transfer of net assets and liabilities. Kelsian's wholly owned subsidiary Tower Transit Ltd owns a 12.5% interest in the Joint Venture Company with a carry value of $1.0m.

The Joint Venture formation provides increased scale efficiencies and synergies for both current operators in a challenging London public bus transport market and facilitates the pooling of significant operational experience including transitions to new technology.

	Consolidated	
	31 December 2021 $'000	30 June 2021 $'000
Non-current assets		
Shares in RAPT Dev Transit London Ltd - at fair value	1,000	-
Reconciliation		
Reconciliation of the carrying amounts at the beginning and end of the current and previous financial half-year are set out below:		
Opening carrying amount	-	-
Additions	1,000	-
Closing carrying amount	1,000	-

The investment in RAPT Dev Transit London Ltd is a level 3 financial instrument and its fair value is determined by the discounted cash flow method (DCF). The inputs used in the DCF calculations are consistent with those used previously in trading forecasts for the contributed Westbourne Park business assets and related net revenue streams.

Kelsian has not accounted for this as an equity accounted investment, but as an investment under AASB 9 Financial Instruments. The Group has made the election to present in Other Comprehensive Income (OCI) subsequent changes in the fair value of the investment.

As there was only a partial month of trading after acquisition there was no change to the fair value on recognition during the period.

Note 10. Property, plant and equipment

Acquisitions and disposals
During the six months ended 31 December 2021, the Group acquired assets with a cost of $24.9m (2020: $30.0m) with a further $47.6m being acquired via business combinations (2020: Nil).

Assets with a net book value of $3.2m were disposed of by the Group during the six months ended 31 December 2021 (2020: $0.3m) resulting in a net gain on disposal of $0.1m (2020 net loss: $0.01m).

Work in progress as at 31 December 2021 was $25.8m (30 June 2021: $16.9m).

Note 11. Intangibles

Included in the movement of the carrying value of the Group's intangible assets during the six-months ended 31 December 2021 is $11.4m (2020: $17.9m) in amortisation of customer contracts and favourable exchange differences on translation of the goodwill relating to foreign operations $3.1m (2020: unfavourable $9.4m) recognised during the Transit Group acquisition.

In addition, $17.7m of goodwill and $15.4m of identifiable intangibles relating to customer contracts and relationships was recognised in relation to the acquisition of Go West Tours. Refer note 16.

Impairment of Goodwill
Goodwill is tested for impairment annually (as at June 30) and when circumstances indicate the carrying value may be impaired. The Group's impairment test for goodwill and intangible assets with indefinite lives is based on value-in-use calculations that use a discounted cash flow model.

The key assumptions used to determine the recoverable amount for the different cash generating units were disclosed in the annual financial statements for the year ended 30 June 2021. There were no changes in the carrying value of goodwill allocated to the cash generating units nor any impairment of goodwill during the current half year.

Note 12. Dividends

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

	Consolidated	
	31 December 2021 $'000	**31 December 2020 $'000**
Final dividend for the year ended 30 June 2021 paid on 6 October 2021 of 9.0 cents (2020: 4.5 cents) per ordinary share	19,656	9,828

Kelsian's Directors declared on 23 February 2022 a 7.0 cents per share fully franked interim dividend (consistent with last year) payable on 31 March 2022 to shareholders registered on 14 March 2022. The Company's policy is to aim to return to shareholders 50% - 70% of underlying net profit after tax on an annualised basis, subject to business needs and ability to pay.

The Board will continue to consider Kelsian's growth requirements, its current cash position, market conditions and the need to maintain a healthy balance sheet, when determining future dividends.

Note 13. Financial liabilities/(assets)

The Consolidated entity's financial liabilities at the reporting date were as follows:

Note 13. Financial liabilities/(assets) (continued)

	Consolidated	
	31 December 2021 $'000	30 June 2021 $'000
Derivative financial instruments designated as hedges - current:		
Fuel forward contract	186	1,283
Interest rate swaps	(803)	(549)
	(617)	734
Derivative financial instruments designated as hedges - non current:		
Fuel forward contract	470	2,292
Interest rate swaps	(47)	-
	423	2,292
Interest bearing borrowings - non current:		
Commercial bills payable	345,000	266,000
Vendor financing and other	39,201	38,322
	384,201	304,322

During the period the Consolidated entity has decreased its international credit facilities by $34.1m as a result of the RAPT Dev Joint Venture transaction (2020: increased $28.3m). In addition, domestic credit facilities were increased by $8.1m. The Consolidated entity has Nil (30 June 2021: $79.0m) in unused revolving credit facilities with the Group's financiers and $52.5m (30 June 2021: $39.7m) in available revolving letter of credit facilities.

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

Valuation techniques for fair value measurements categorised within level 2
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.

The interest rate swap is categorised as a level 2 within the fair value hierarchy with the fair value determined using a present value valuation technique based on market inputs (including interest rates) which are actively traded and quoted through the Australian banking system.

The fuel forward contract is categorised as a level 2 within the fair value hierarchy with the fair value determined using a present value valuation technique based on market inputs (including commodity swap pricing) which are actively traded and quoted through the Australian banking system. The two product types we have under the fuel forward contract are PLATTS Sing Gas Oil 10ppm and ICE Gas Oil.

Valuation techniques for fair value measurements categorised within level 3
During the period Kelsian acquired shares in RAPT Dev Transit London Ltd (refer note 9) and has made an election to account for the investment under AASB 9 Financial Instruments whereby movements in fair value are presented in Other Comprehensive Income (OCI). The fair value of the investment is determined using discounted cash flows (DCF) method.

As part of the purchase agreement with the previous owners of Go West Tours, dated 1 July 2021 (refer note 16), a portion of the consideration was determined to be contingent, based on the performance of the acquired entity. As at 31 December 2021 the trading results of Go West Tours showed that it was highly probably the target would be achieved for both the deferred consideration and earn out consideration (consistent with the assumptions made on acquisition). The fair value is determined using the discounted cash flow (DCF) method. During the period fair value was reassessed and $0.5m unrealised financing costs (no cashflow impact) were recognised.

Note 13. Financial liabilities/(assets) (continued)

The fair values of financial assets and liabilities, together with their carrying amounts in the statement of financial position, for the Group are as follows:

	31 December 2021		30 June 2021	
Consolidated	**Carrying amount $'000**	**Fair value $'000**	**Carrying amount $'000**	**Fair value $'000**
Assets				
Shares in RAPT Dev Transit London Ltd	1,000	1,000	-	-
	1,000	1,000	-	-
Liabilities				
Vendor financing and other	39,201	39,201	38,322	38,322
Commercial bills	345,000	345,000	266,000	266,000
Deferred and earn out consideration (inc. Other Liabilities) note 16	16,170	16,170	-	-
	400,371	400,371	304,322	304,322

Note 14. Commitments

	Consolidated	
	31 December 2021 $'000	**30 June 2021 $'000**
Capital commitments		
Committed at the reporting date but not recognised as liabilities, payable:		
Vessels	13,930	4,064
Buses and motor vehicles	3,257	30,638
Other	773	1,569
	17,960	36,271

Note 15. Related party transactions

Parent entity
Kelsian Group Limited is the parent entity.

Transactions with related parties
During the half year, the following purchases/services were made with entities associated with directors on a arms length basis at normal market prices:

	Consolidated	
	31 December 2021 $'000	**31 December 2020 $'000**
Payment for goods and services:		
Pacific Marine Group Pty Ltd (associated with Mr T Dodd) - Provision of marine piling services.	-	2
ST Property Trust, ST Property Trust No. 2, Newton No. 2 Trust and Bridj Pty Ltd (associated with Mr N Smith) - Rental for bus depots operated by Transit Systems Group in Australia and "on demand" software licencing costs.	1,435	1,424

Note 15. Related party transactions (continued)

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 16. Business combinations

Acquisition of Go West Tours
On 1 July 2021, Kelsian acquired 100% of the ordinary shares of S.V. Haoust Pty Ltd (Go West Tours) for the total consideration transferred of $84.6m. Go West Tours is a specialist bus passenger transport business operating in regional and remote Western Australia serving primarily the resources sector (charter, rental and tour vehicles) and its results are reported in the Australian Bus segment of the Group. It was acquired to provide a complementary platform for growth into the attractive resources sector. The goodwill of $17.7m represents the value of expected synergies and future benefits arising from the acquisition associated with the businesses track record and experience to win and retain future contracts that are not separately recognised. The acquired business contributed revenues of $27.7m and profit after tax of $3.8m to the Group for the period from 1 July 2021 to 31 December 2021. The values identified in relation to the acquisition of Go West Tours are provisional as at 23 February 2022.

Provisional details of the acquisition are as follows:

	Fair value $'000
Cash and cash equivalents	14,518
Trade receivables	8,163
Other receivables	956
Inventories	1,776
Other current assets	809
Property, plant & equipment	47,656
Right-of-use assets	3,851
Intangible assets (excl Goodwill)	15,436
Deferred tax asset	1,439
Trade payables	(775)
Other payables	(202)
Provision for income tax	(1,488)
Deferred tax liability	(6,984)
Employee benefits	(835)
Lease liability	(3,921)
Net assets acquired	80,399
Goodwill	17,725
Acquisition-date fair value of the total consideration transferred	98,124
Representing:	
Cash paid or payable to vendor	82,545
Deferred consideration	14,616
Earn out consideration (contingent)	962
	98,123
Acquisition costs expensed to profit or loss	225
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	98,124
Less: cash and cash equivalents	(14,518)
Less: payments to be made in future periods	(15,579)
Net cash used	68,027

Note 16. Business combinations (continued)

Deferred and contingent consideration
As part of the purchase agreement with the previous owners of Go West Tours, there is a deferred contingent consideration of $16.1m payable in equal instalments over two years provided current earnings levels are maintained in FY22 and FY23. This was present valued on acquisition at $14.6m. Refer note 13 for commentary on the DCF method used to calculate the fair value.

In addition, there is earn-out consideration up to $25.0m based on exceeding specific financial hurdles over the period to 30 June 2023. Management's expectation is that $1.1m in earn-out consideration will be achieved. This was present valued on acquisition at $1.0m. Refer note 13 for commentary on the DCF method used to calculate the fair value.

Other acquisitions
During the period Kelsian also acquired the business Lestok Tours on 8th December 2021 (through it's subsidiary Go West Tours) for $1.0m comprising buses and other operating assets with fair value of $1.0m. This acquisition further supports our specialist bus passenger transport business operating in regional and remote Western Australia.

Note 17. Events after the reporting period

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

Note 18. Earnings per share

	Consolidated	
	31 December 2021 $'000	**31 December 2020 $'000**
Profit after income tax	21,217	32,003
Non-controlling interest	-	(3)
Profit after income tax attributable to the owners of Kelsian Group Limited	21,217	32,000
	Cents	**Cents**
Basic earnings per share	9.71	14.65
Diluted earnings per share	9.69	14.63
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	218,399,048	218,399,048
Adjustments for calculation of diluted earnings per share:		
Performance rights	594,891	312,641
Weighted average number of ordinary shares used in calculating diluted earnings per share	218,993,939	218,711,689

Note 19. Share options and performance rights

Employee Performance Rights

In October 2021 188,572 performance rights were granted to Key Management Personnel and senior staff under the Kelsian Rights Plan. The performance rights will vest after a period of 3 years subject to the terms of the Plan including requirements for the senior employee to remain employed on such date, achievement of the performance hurdles attaching to the performance rights and Board discretion. Further information on the Kelsian Group Limited Rights Plan may be found in our notice of 2019 Annual General Meeting issued in September 2019 and available via our corporate website or via the ASX website for announcements.

Note 19. Share options and performance rights (continued)

Employee Share Options

There were no share options issued or outstanding during the period.

The amount recognised as an expense is only adjusted when performance rights do not vest due to non-market-related conditions.

For the six months ended 31 December 2021, the Group recognised $571,000 of share-based payments expense (2020: $407,000).

Kelsian Group Limited
(Formerly known as SeaLink Travel Group Limited)
Directors' declaration
31 December 2021

In the Directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, Australian Accounting Standard AASB 134 *Interim Financial Reporting*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;

- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the financial half-year ended on that date; and

- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the Directors

Jeffrey R Ellison
Chair

23 February 2022

Building a better working world

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Independent auditor's review report to the members of Kelsian Group Limited

Report on the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of Kelsian Group Limited and its subsidiaries (collectively the Group), which comprises the statement of financial position as at 31 December 2021, the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising 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 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 consolidated financial position of the Group as at 31 December2021 and of its consolidated financial 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* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year 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 and 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.

Directors' responsibility for the half-year 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 responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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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.

Ernst + Young

Ernst & Young

David Sanders
Partner
Adelaide
23 February 2022