

Annual Report

2021–2022



We acknowledge the Traditional Owners and Custodians of Country throughout Australia and their continuing connection to the land, waterways and community. We pay our respects to Aboriginal and Torres Strait Island Cultures, people and Elders past, present and emerging.

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KELSIAN GROUP

Our purpose is to be a world leader in delivering essential journeys through safe and intelligent transport solutions and create brilliant customer experiences.

Kelsian Group is Australia's largest integrated multi-modal transport provider and tourism operator with established international operations.

The Group provides essential journeys for our customers by delivering safe and intelligent transport solutions designed to improve the sustainability and liveability of the communities we serve.

Headquartered in Adelaide, the Group has demonstrated its resilience and ability to be agile through uncertain times and is uniquely positioned for future growth.

The Group is made up of SeaLink Marine & Tourism operations and facilities, Transit Systems Group - Australia and Tower Transit - international, which operate public transport contracts.

Kelsian has over 30 years' experience delivering tourism and passenger transport services. Collectively in FY22 the Group moved more than 240 million customers, had approximately 8,800 employees and operated approximately 4,100 buses, 115 vessels and 24 trams.

The Group is committed to increasing its operational footprint whilst achieving business outcomes that are sustainable. This is demonstrated through the expansion of its electric and hydrogen fuel cell bus fleet and broadened sustainability disclosures.

A safe and diverse culture also remains a priority with an increased focus on HSEQ, diversity and inclusivity, and a Group-wide RAP.

Electric Buses, Transit Systems New South Wales

FIVE YEAR FINANCIAL HIGHLIGHTS

KELSIAN GROUP

PERFORMANCE

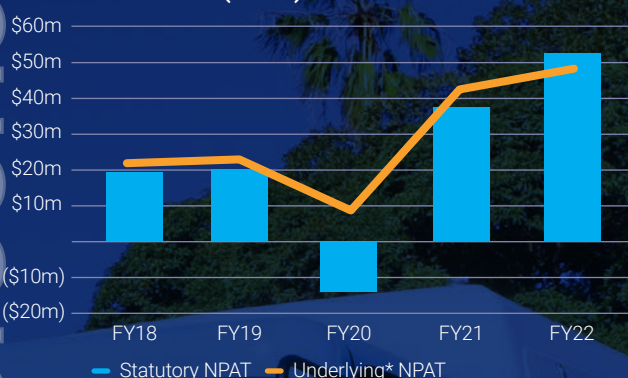
		2018	2019	2020	2021	2022
Total Revenue	\$m	209.4	251.3	646.5	1,211.7	1,346.1
Underlying* EBIT	\$m	33.6	31.5	29.9	73.1	83.9
EBIT margin	%	16.0	12.5	4.6	6.0	6.2
Underlying* NPAT	\$m	22.1	23.4	8.7	43.0	48.5
Statutory NPAT	\$m	19.6	21.5	(13.6)	37.8	52.9
Operating cash flow	\$m	28.6	40.6	90.1	111.9	138.5
Underlying* EPS (basic)	cents	21.8	23.1	5.3	19.7	22.2
Dividend per share (100% franked)	cents	14.5	15.0	11.0	16.0	16.5

FINANCIAL STRENGTH

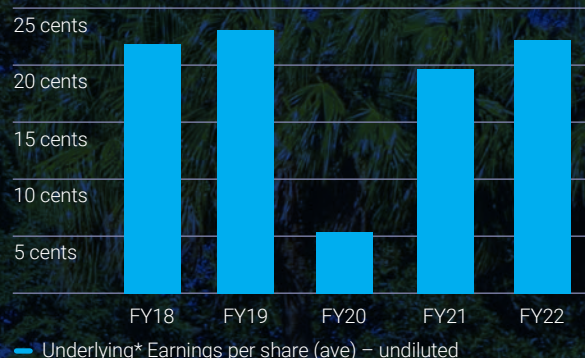
Net Assets	\$m	152.2	157.9	600.2	608.1	640.0
Net Tangible Assets per share	cents	101.0	106.0	5.0	27.0	35
Gearing	%	46	36	31	31	31

*Adjusted for significant items for the period ending 30 June 2022. This is a non-IFRS measure and has not been audited.

NET PROFIT/(LOSS) AFTER TAX



UNDERLYING EARNINGS PER SHARE UNDILUTED



CHAIR REPORT

Dear fellow Shareholders,

Kelsian Group performed extremely well during the financial year, despite continued and ongoing challenges in the travel and tourism industries. The business environment has been faced by overlapping waves of both local and global COVID-related lockdowns affecting the confidence of our customers to travel, particularly to new tourist designations.

Notwithstanding this, the strength of our strategy and infrastructure-like businesses in contracted metropolitan and regional bus services and island ferry operations saw Kelsian maintain strong revenue while management created significant efficiencies in managing costs.

The strong growth of Kelsian continues, through a new contract award in Kalgoorlie, acquisitions in Western Australia of Go West Tours, Swan Valley Tours, Dave's Transit and Lestok Tours, and the renewal of the Kangaroo Island ferry service contract in South Australia.

Aside from the many operational highlights the Company transitioned the parent company name from SeaLink Travel Group to Kelsian Group. SeaLink has a special place in the hearts of many and we are very proud of its legacy. Kelsian is an anagram of SeaLink that pays respect to our very proud history and origins but also represents the transformational growth of the business.

During the year we were privileged to join the Australian Securities Exchange (ASX) S&P Dow Jones Top 200 listed companies. This inclusion recognises our large, diverse business that holds financial stability and sustained growth prospects resulting in investor confidence in our company.

Financial performance

Financially, Kelsian demonstrated its resilience and capability in an ever-changing operational environment.

Our statutory net profit after tax of \$52.9 million was up 40.1% for the year ending 30 June 2022. The Group has achieved a record underlying earnings before interest, taxes, depreciation and amortisation (EBITDA) of \$185.1 million and increased the earnings per share and dividends.

Cost control and operational efficiency will continue to be a focus as the scale of the business increases, supported by a strong balance sheet offering resilience and options with net debt \$215.2 million and leverage 1.6 Net Debt to EBITDA.

Governance

We have an unwavering commitment to reducing our carbon footprint and an increased focus on addressing climate change. We are a leader in the operation of electric buses with 57 electric buses currently in our fleet and another 50 on order.

We are also the first operator to introduce hydrogen buses in Australia, further leveraging our extensive experience of operating hydrogen buses in the UK.

We aim to continue to lead the transition to zero-emission transport in Australia with our commitment to new technology and service rollout.

Dividend

The Group declared a fully franked final dividend of 9.5 cents per share. Total 2022 dividends of 16.5 cents represents a 50.4% return of net profit after tax and before amortisation to shareholders, which is in line with the Company's policy of returning 50% - 70% of net profit after tax and before amortisation, subject to business needs and ability to pay.

Future Operations

Kelsian is positioned to be resilient in challenging markets through secured revenue flows from our many government and industry service contracts and the provision of essential services to our customers.

Our key objective in improving service efficiency is complimented by our strong commitment to growth through competitive tendering and acquisition of value creating companies. Kelsian has a well-defined growth strategy that balances organic and inorganic growth opportunities in markets that provide highly contracted revenues. The discipline that underpinned the growth ambitions in 2022 will continue into the future as the Company considers growth opportunities.

We are very positive about the future of the business with a number of related industry growth opportunities and the return of a stronger international tourism market.

Acknowledgement

I would like to acknowledge the outstanding contributions of our Group CEO, Clint Feuerherdt and our senior management team who have continued to challenge the company, increased earnings and improved our service levels.

I would also like to acknowledge the great work of our 8,800 employees and their commitment to providing a high level of service, comfort and safety to our customers.

Finally, I wish to thank my fellow board members for their contributions, advice, and commitment to making the Kelsian Group a great Australian company.

Jeffrey Ellison AM
Chairman



CEO REPORT

Dear Shareholders,

I am pleased to deliver the strong financial results and achievements of financial year 2022, the first full year reporting period as the newly branded Kelsian Group.

Our diverse contracted earnings profile has once again delivered an exceptionally strong financial result for The Group under very challenging operating conditions.

Whilst our team has focused on delivering a strong financial performance, we have simultaneously pursued numerous strategic organic and inorganic growth opportunities, maintained balance sheet strength and improved the overall business.

The safety of our employees and customers has been an ongoing priority. I am pleased to report significant reductions in Lost Time Injury Frequency Rate, down 16.3%, and Total Reportable Injury Frequency Rate, down 25.4%. This is reflective of our ongoing global focus on safety initiatives, communication and training.

During FY22 we made three large structural improvements to the business. We successfully restructured our London operations. We now participate in a joint venture with RATP Dev, and the east London operations were sold and yielded a great result for shareholders. We doubled the size of our Singapore operation to over 1,500 people through the addition of the new Sembawang-Yishun contract and in Australia, we welcomed Go West Tours.

The acquisition of Go West Tours illustrates our strategy of using acquisitive growth to unlock additional sources of organic growth. Go West Tours provide a leading position in bus transportation to mine sites and resources companies in Western Australia and is already seeing strong organic growth.

All public transport operations performed an extremely important task during the COVID-19 pandemic, keeping our cities connected and providing transport options to the essential workers. Kelsian's workforce provided an essential service throughout the pandemic, and I would like to thank each and every employee for their important contribution to our communities.

Kelsian's resilient earnings profile was on display through FY22. Our public transport contracts are not exposed to fare box risk and contain price indexation mechanisms to match revenue to inflationary pressures. More than 80% of revenue is protected from both demand volatility and macroeconomic inflationary conditions.

Our Marine & Tourism division exhibits similar essential transport characteristics as we are often one of the only connections for island communities to the mainland. We take this responsibility seriously and our island destinations have enjoyed a consistent and reliable service.

Unfortunately, this division missed some important summer trading volumes due to the Omicron outbreak. However, I am pleased to say that very good travel volumes were experienced through the Easter period and strong demand for our unique island products continues.

A highlight for Marine & Tourism this year was the retention of the licence to operate vehicle and passenger ferries to Kangaroo Island for up to a further 25 years from 2024.

The strength of the underlying business and addition of the new businesses delivered a record operating cash flow result, up 24% to \$138.5 million. This strong cash flow facilitated some of the inorganic growth through the period and allowed us to invest in lifting the quality of our asset base, whilst maintaining a very strong balance sheet position.

We also welcomed several new vessels to our fleet, including MV The Jackson, a new \$15 million super yacht inspired dining and entertainment vessel for Sydney Harbour. In addition to the marine fleet investment, we continued to lead Australia in the transition to a zero-emission future, with 57 electric buses in operation at the end of the financial year with a further 50 on order.

Tenders

Tendering and greenfields deployments offer the most organic growth for our business. We are a leading operator in an active public transport market. Throughout the year we submitted bids for contracts in Melbourne and Sydney and were awarded more than any other company in Australia. Pleasingly, we have a strong pipeline of significant tenders domestically and abroad, including Manchester in the UK. Kelsian's experience and reputation supports further portfolio expansion.

Outlook

A global focus on decarbonisation is setting the scene for record levels of investment in public transport. We are well positioned to pursue complementary contracting and acquisition opportunities to our existing portfolio and provide further organic growth opportunities. At the end of the financial year, we had approximately \$300 million of liquidity and a very strong balance sheet position.

Early signs are that there is a strong level of travel confidence coming into financial year 2023 and Marine & Tourism is expected to lift on volumes that were lost in financial year 2022.

I would like to credit the Kelsian team once again for the enormous effort and dedication shown during a year of change and challenges. I would also like to thank our Chairman, Jeff Ellison AM, and the board of directors. We have an extremely experienced and talented board and I very much appreciate your support throughout the year.

Clinton Feuerherdt
Group CEO



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AUSTRALIAN PUBLIC TRANSPORT

KELSIAN
CONNECTING PEOPLE & PLACES

SEALINK
Marine & Tourism

MARINE & TOURISM

Brilliant
TRAVELS

INTERNATIONAL BUS

OUR BRANDS



South Australia

Gladstone

Western Australia

North Queensland

Fraser Island

Tasmania

Whitsundays

South East Queensland

Northern Territory



THE JACKSON



OUR GLOBAL OPERATIONS

Through 2021-22, Kelsian's operations continued to grow and diversify. Here is a snapshot of the numbers at 30 June 2022.

240 million
passengers

Ferries Buses Tourism Trams

Australia



≈8,800
EMPLOYEES



8
CAPITAL CITIES

OUR GLOBAL OPERATIONS

Singapore



81

DEPOTS / PORTS



4,134

BUSES



19

ISLAND
CONNECTIONS



115

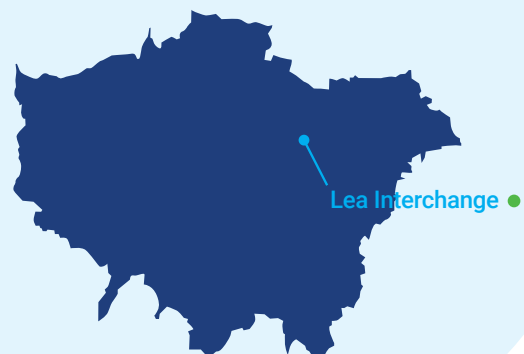
VESSELS



24

TRAMS

London



Sustainability Report



Electrification
of Leichhardt
Depot in Sydney



Delivered 240
million customer
journeys



Zero emissions
electric bus
trial in Victoria



Board oversight on
ESG matters via Audit,
Risk and Sustainability
Committee



Contributed more
than \$370,000
towards community
support



Kelsian Group
Reconciliation Action
Plan (RAP) working
group formed





Improved
safety
performance



Conducted
TCFD gap
analysis

EMERGENCY EXIT

JOINT
GREEN
FUTURE HAS ARRIVED

JOINT FUTURE JOINTRANSIT.COM.AU

IN THE FUTURE OF AUSTRALIAN PUBLIC TRANSPORT

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SUSTAINABILITY REPORT

MESSAGE FROM THE CHAIR OF THE BOARD AUDIT, RISK AND SUSTAINABILITY COMMITTEE

I am pleased to deliver Kelsian's Sustainability Report which provides an overview of our non-financial performance for FY22.

As I reflect on 2022, I am proud to see the Group's developing and evolving focus on sustainability and climate change matters. Over the reporting period, Kelsian has continued to focus on securing growth opportunities whilst maintaining a focus on achieving business outcomes in a sustainable, well considered manner. As Kelsian advances its operations, we will continue to review and align our non-financial reporting with internationally recognised reporting guidelines as appropriate.

In FY22, Kelsian conducted a materiality assessment to identify important issues that are relevant to our business and stakeholders, the results of which shape the content of this report. This exercise ensures we are addressing the issues with the most potential to impact our business performance or influence the decisions of our stakeholders. We will revisit our material topics every year to ensure we are assessing emerging issues and aligning our reporting and disclosures accordingly.

Safety remains a key priority for Kelsian. We continue to maintain our focus on improving the safety culture by putting in place a strategic roadmap for Health, Safety, Environment and Quality (HSEQ) to continue to improve our safety performance. Additionally, we set ourselves a safety target of reducing our Injury Frequency Rates by at least 10%, and I am pleased to announce that in FY22 we achieved a year-on-year improvement of 16.3% for LTIFR and 25.4% for TRIFR.

We recognise climate change is a significant issue that will impact the long-term prosperity of our economy and way of life. As such, our services play an important role in providing essential transportation solutions that meets the need for a more sustainable world. We continue to work with state governments and land transport authorities to help them achieve their decarbonisation goals by providing zero emissions modes of transport.

This year we also reviewed the voluntary guidelines of the Task Force on Climate Related Financial Disclosures (TCFD) with the aim to progressively improve our disclosures in this area. Our response to the TCFD recommendations is addressed on page 18.

I have been exceptionally pleased with what we continue to accomplish in such challenging times and how we are integrating sustainability into the culture of our business.




I am very confident that we will continue to be a leader in the deployment of zero and low emissions vehicles whilst managing our ongoing commitment to other environmental, social and governance priorities that matter to our Company and industry.



A handwritten signature in black ink that reads 'Fiona Hele'.

FIONA HELE

Chair – Audit, Risk and Sustainability Committee
24 August 2022



Our services play an important role in providing essential transportation solutions that meets the need for a more sustainable world.

Torrens Connect, South Australia

ABOUT THIS REPORT

Scope of this report

This report outlines Kelsian Group Limited's (Kelsian) sustainability performance and covers assets owned and operated by Kelsian for the period 1 July 2021 – 30 June 2022.

People related data included in this report refers to all direct employees working within Kelsian's operations. Kelsian reports on Health, Safety and Environment (HSE) information from operations within its control.

All monetary amounts reported are in Australian dollars, unless otherwise stated. Our non-operated activities are excluded from the scope of this report unless specifically stated.

Reporting guidelines

This report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards' 'Core' option. Refer to the GRI content index on page 31 of this report.

Our operations

Kelsian is the parent company of businesses operating in geographically diverse locations and across the public transport and tourism industries. Headquartered in Adelaide, South Australia, Kelsian is Australia's largest land and marine transport service provider and tourism operator, with established operations in London and Singapore.

The Group is made up of:

- SeaLink Marine & Tourism, providing essential transport links to island communities around Australia and connecting travellers with Australia's most iconic holiday destinations and experiences
- Transit Systems Group, which operates essential domestic public transport contracts spanning six Australian states and territories
- Tower Transit, operating international public transport contracts in Singapore and London.

SUSTAINABILITY REPORT

MANAGING SUSTAINABILITY

Governance & Risk Management

Risk is inherent in every industry, and effective risk management is crucial to the long-term viability of the company. Our approach to sustainability is governed by our Group Sustainability Policy which outlines our commitment to effectively manage our material sustainability risks.

The board provides oversight of risks and proactively considers and reviews risks relating to financial and non-financial issues. Kelsian has a group-wide Risk Management Framework for the identification, analysis, evaluation and management of risk and uncertainty. It enables identified risks, and their treatment, to be considered. Risks include, but are not limited to, those associated with maintaining the company's reputation, health, safety, environment, climate change management, and cyber security. Significant and emerging risks are regularly reviewed and updated in the corporate risk framework.

MATERIALITY

Material issues and our focus

For the purpose of this report, Kelsian conducted a materiality assessment which aimed to identify and prioritise sustainability issues that may have a significant impact on our business and on our stakeholders. The materiality process involved:

1. Identification of topics.
2. Interviews with relevant stakeholders.
3. Material issues identification.

As a result of this exercise, the following material sustainability issues were identified and are addressed further in this report. A number of these issues are strengths and opportunities for Kelsian, with others being potential risks that are managed to achieve improvement.

OUR MATERIAL ISSUES



SUSTAINABILITY REPORT

Our stakeholders

Engaging with our stakeholders strengthens our relationships with them and helps us make better business decisions and deliver on our commitments. Our primary stakeholders include shareholders, employees, regulators, contractors, suppliers, joint venture parties, customers, clients (transport authorities), media, the investment community, local and indigenous communities.

Kelsian seeks to develop positive relationships with all its stakeholders by engaging with them in many ways, some of which are detailed below.

Employees

Surveys, performance reviews, emails, training, intranet site, regular management meetings, engagement with unions, social functions and leadership site visits.

Regulators

Meetings, feedback and information sharing through enquiries and other reporting obligations.

Suppliers

Regular meetings, supplier forums, tender contract documents, emails, and industry events.

Customers

Community events, on-mode signage, timetables, disruption notices, website/s, social media, electronic direct mail (EDM), customer apps.

Media

Announcements, media releases, corporate website, social media channels, media monitoring software, key industry journalists, industry events, industry partnerships and sponsorships (Australian Hydrogen Council, ITS, SA press club).

Investment Community

Company website, AGM, periodic reporting, investor presentations, roadshows, regular meetings, email alert service, ASX announcements, Half Year & Annual accounts.

Joint Venture Parties

Regular meetings, communication, and information sharing.

Local and Indigenous Communities

Regular meetings, participation in community programs etc.

Clients (Governments)

Operational reports, client meetings, tenders and proposal submissions.



Sealink, Queensland

SUSTAINABILITY REPORT

MANAGING OUR ENVIRONMENTAL IMPACT

Environment

OUR APPROACH

We recognise our responsibility to operate in a manner that minimises the impact on the natural environment. Kelsian's Health, Safety, Environment and Quality policy outlines the Company's commitment to preserving the natural environment through efficient use of resources while minimising our environmental impact. We give our clients and partners assurance by delivering to international, national, local, and client-based requirements through accreditations in various jurisdictions and environments that we operate in. This includes having an integrated management system underpinning our operations that is built to internationally recognised standards including ISO 14001:20015 Environmental Management Systems, ISO 9001:2015 Quality Assurance Systems, ISO 45001:2018 Occupational Health & Safety Management System and ISO 55001:2014 Asset Management. Most of our businesses have ISO accreditations which we maintain through robust internal auditing and external auditing.

The Board, Executive and Senior Leaders of the businesses meet regularly to ensure we have robust governance in place to deliver our strategies and plans to achieve our Health, Safety and Environment related commitments.

MINIMISING OUR IMPACT ON THE ENVIRONMENT

We understand the role of passenger transport in the society and the impact it has on the environment. As part of the Environmental Management Plan, which is specifically developed for every contract, several key elements are taken into consideration to reduce our environmental impact.

KPIs, strategies and actions are considered and put in place to minimise fuel consumption and emissions from our vehicles and vessels. This includes tracking fuel efficiency performance, monitoring driver behaviours to determine economical fuel consumption, and liaising with regulatory authorities to facilitate adoption of low and zero emissions solutions. The following measures are taken to improve the efficiency of our diesel-powered vehicles and vessels:

- Regular monitoring of fuel usage
- Use of telematics technology and staff training to encourage efficient and safe driving
- Use of efficient buses
- Use of additives such as Adblue to reduce pollution
- Efficient planning and schedule to reduce "dead runs"
- Development of plans for operations to optimise fuel usage
- All new buses comply with or exceed Australian emissions standards

CASE STUDY

Electrification of Leichhardt Depot in Sydney

During the year and with the assistance of Clean Energy Finance Corporation and ARENA, Kelsian was able to initiate an electrification project for the Leichhardt depot in Sydney. This project, which includes the installation of a 388 kW Solar System, a large stationary battery storage arrangement, grid upgrade and 40 bus charging units, will drive the commercialisation of electric buses in Australia and continue the development of the Australian Government's Future Fuel Strategy which aims to empower consumer choice, stimulate industry development and reduce emissions in the road transport sector. As part of the project, the Leichhardt depot is being retrofitted to include the use of 40 electric buses. The electric bus fleet will service public routes in Sydney's Inner West, the CBD, Mascot and Green Square areas. This project is one of its kind in Australia as previous electric bus trials have involved fewer than four buses each making this it important to demonstrate the technical and commercial feasibility of the electrification of large depot-scale bus fleets capable of travelling and completing a full day's service without needing to be re-charged.



SUSTAINABILITY REPORT

Spills Incident Prevention and Response

The operation of buses and vessels involve storage and regular use of liquid materials such as hydrocarbon oils, fuels and radiator coolants. Accidental spills at depots, workshops, roads and in waterways can lead to contamination of the surrounding environment. We strive to minimise the negative impact of our operations by following regulatory guidelines and our standard work procedures. If a spill does occur, established practices and resources are employed to assist with spill remediation and response.

Some of the actions undertaken to minimise risk of spills include:

- Maintaining an up-to-date Safety Data Sheets (SDS) for all hazardous materials used and ensuring that they are easily accessible;
- Ensuring the accessibility of spill response material within workshops, on-road support vehicles and fuel bays to contain any spills;
- Maintaining specific Emergency Response Plans that outline the emergency response procedure for a spill and contact details of relevant personnel;

- Maintaining a Dangerous Goods Manifest as per regulations with current and accurate information and accessible to emergency services;
- Maintaining spill containment equipment such as spill boom on vessels;
- Keeping containers of liquid (e.g. drums) tightly sealed and regularly inspecting containers for leaks;
- Keeping all above ground stored liquids greater than five litres in volume in a bunded area to contain any spillages or leaks. This prevents a slipping hazard and pollution risk to stormwater and sewerage drains and the environment; and
- Using re-fuelling funnel to avoid spills when refuelling vehicles on the road.

No reportable significant spills occurred during the reporting period. Spills related data is also disclosed in the performance table on page 30.



SUSTAINABILITY REPORT

Climate Change

OUR APPROACH

This year we reviewed the voluntary guidelines of the Task Force on climate-related financial disclosures and undertook a gap assessment against these guidelines with the aim to improve our climate-related disclosures. Following on from this phase of work, we plan to implement some of these recommendations over the next few years. This is our inaugural climate-related disclosure in line with the TCFD recommendations and marks a significant step down the TCFD pathway. Kelsian intends to continuously improve the quality of climate change-related disclosures as our processes and understanding of climate-related matters mature.

Climate change is undoubtedly the biggest challenge of our time and one that poses a fundamental threat to our natural ecosystems, our infrastructure and people's livelihoods. It therefore requires significant investment and innovation from governments and organisations to help minimise the impact.

KEY FACTS

- Transport is Australia's third largest source of greenhouse gas emissions, with the highest rate of growth.
- Cars are responsible for roughly half of transport related emissions
- Collectively, cars in Australia emit the same as Queensland entire fossil-fuelled electricity supply
- An international scorecard ranked Australia second-worst for transport energy efficiency.¹

CORE ELEMENTS OF CLIMATE-RELATED FINANCIAL DISCLOSURES



Governance

The organisation's governance around climate-related risks and opportunities

Strategy

The actual and potential impacts of climate-related risks and opportunities on the organisation's business, strategy, and financial planning

Risk Management

The processes used by the organisation to identify, assess, and manage climate-related risks and opportunities

Metrics and Targets

The metrics and targets used to assess and manage relevant climate-related risks and opportunities

¹ <https://www.climatecouncil.org.au/wp-content/uploads/2017/09/FactSheet-Transport.pdf>

SUSTAINABILITY REPORT

GOVERNANCE

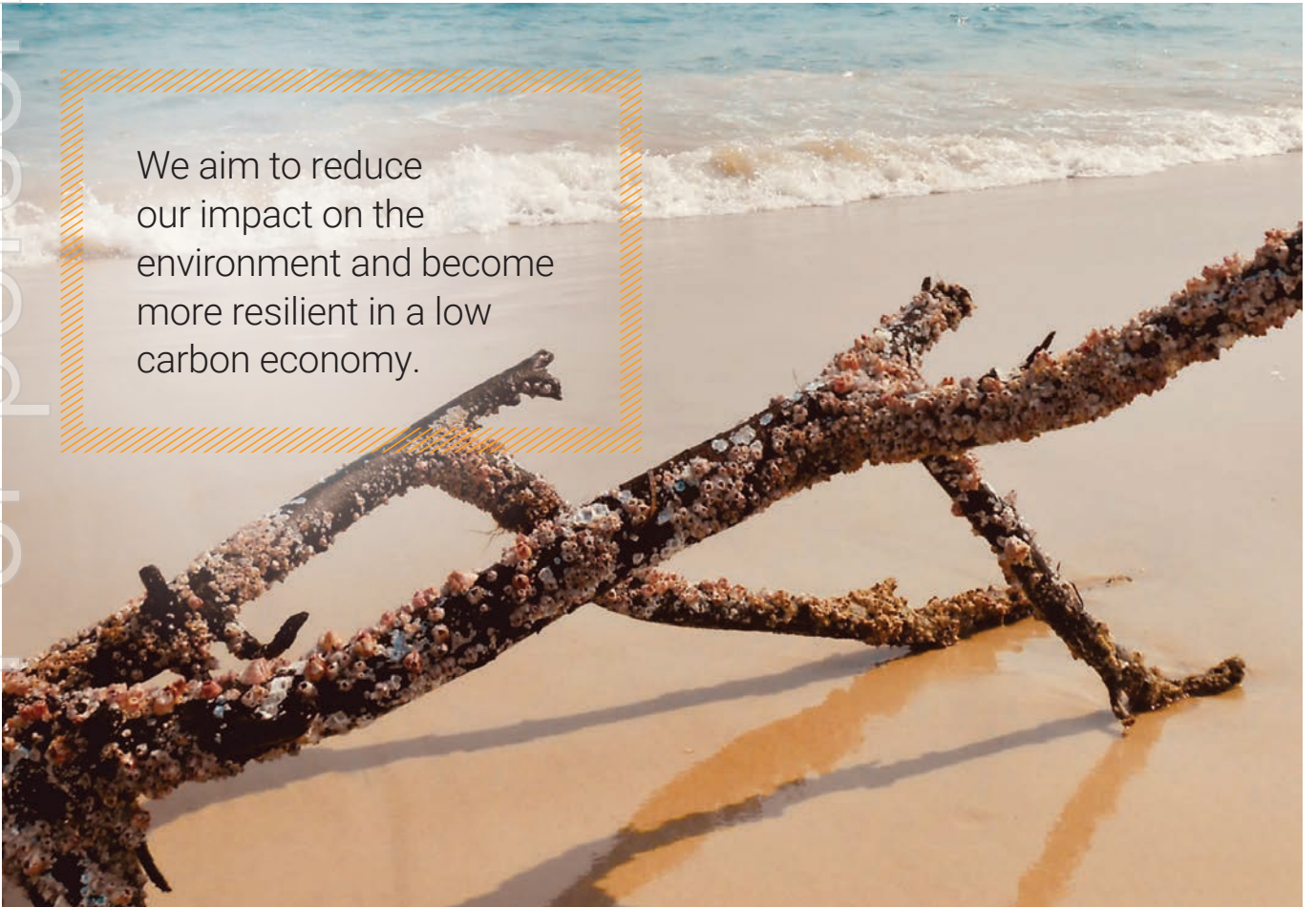
Kelsian's highest level of direct responsibility over matters relating to climate change sits with its Board, which meets monthly. The newly named board Audit, Risk and Sustainability Committee (previously the Audit and Risk Committee), which meets every quarter, provides oversight on all ESG issues including climate change and assists the board in making decisions pertaining to these matters. Further work is underway to make the governance of ESG and climate issues more robust across the group.

STRATEGY

We believe that public transport has a very important role to play as the world transitions to a low carbon future. According to the 2021 IEA report², for us to achieve Net Zero Emissions by 2050, global emissions need to peak in the next several years and then begin to decline, averaging year-on-year decreases of 2.1% from 2021 to 2030. To achieve this reduction in emissions, a worldwide adoption of Zero Emissions Vehicle mandates is required along with rapid electrification of buses and deployment of hydrogen powered heavy vehicles and associated infrastructure.

Domestic and international transport contributes around 20 percent of greenhouse gas emissions³ globally which is expected to increase to 40 percent by 2030 and 60 percent by 2050 without any immediate action. Recognising this, governments around the world already have or are in the process of setting transport-related emissions reduction targets which are to be mainly delivered by changing the internal combustion fleet to zero emissions battery electric or hydrogen fuel cell vehicles.

We are supporting this cause by providing sustainable transport solutions to our communities. By putting more zero-emissions vehicles powered by battery and hydrogen on the roads and proactively working with state and local governments to provide low emission and/or zero-emissions ferries, we aim to reduce our impact on the environment and become more resilient in a low carbon economy. A summary of initiatives being carried out across the group is illustrated on page 20.



We aim to reduce our impact on the environment and become more resilient in a low carbon economy.

² IEA (2021), Trucks and Buses, IEA, Paris <https://www.iea.org/reports/trucks-and-buses>

³ Transport Overview (worldbank.org)

SUSTAINABILITY REPORT

LOW/ZERO EMISSIONS TRANSPORT	DECARBONISATION OF FACILITIES	BEHAVIOURAL CHANGES	PARTNERSHIPS
Expansion of electric bus fleet in NSW (currently 55 battery electric buses in service)	Leichhardt depot electrification, including solar energy generation and battery energy storage	Employee training to drive efficiently	Secured state funding to design and construct a world-first internationally compliant hydrogen-powered passenger ferry servicing LNG projects on Curtis island
Zero Emissions Bus Trial in Victoria - including nine battery electric buses and two Australian built hydrogen fuel cell buses	Working with TfNSW ⁴ to electrify the Kingsgrove Bus depot, including the procurement of 99 battery electric buses	Use of greenroad telematics system to promote green driving	Support TfL ⁵ target of electrifying the entire fleet by 2034.
First Operator in Australia to purchase hydrogen fuel cell buses to service public transport contracts.	Joondalup Depot (Swan Transit) has solar powered infrastructure installed with the first 2 electric buses operated by Swan Transit	Strict maintenance regime maintained for greater fuel efficiency	Transit Systems are members of the Australian Hydrogen Council which is the peak body for the Hydrogen industry.
Currently operating two battery electric buses in Perth, with two more to arrive in July 2022	5.5-star NBERS rating for Brisbane office	Board Audit and Risk Committee now called the Audit, Risk and Sustainability committee and will provide oversight on Climate Change related matters	
Expanding our fleet of hybrid buses in Adelaide - currently operating 12 hybrid buses	Lea Interchange Depot Electrification in UK	The Innovation Hub - central database for current and potential initiatives	
RiverCity ferries - in consultation with council - proposal to develop battery electric ferries	Exploring battery storage solution to provide grid services to the network and support the peak energy requirements of local community		
Operated 8-10 Hydrogen Fuel Cell buses in London from 2013 until 2020 when project ended.	Tracking and reporting of utilities usage and discussions held at monthly management meetings		
Trailed new technology of charging bus batteries via induction at both ends of a route (R69). Trial finished in mid-21.	Use of water chiller for energy efficient cooling system at Yishun Bus interchange		
Singapore – operating 7 Yutong electric buses, 4 BYD electric minibuses and 17 diesel hybrid buses	Use of motion activated lights in toilets, energy saving LED lights at bus parks, depots and interchanges in Singapore		
Currently exploring Aramco's mobile carbon capture system on a bus	Green Mark certification for Mandai Bus Depot, Jurong East Bus Interchange, other sites in progress Use of solar panels at Mandai Bus Depot and in progress at Bulim Bus Depot LED project to switch all Torrens Transit depots to a more sustainable lighting solution by replacing all old halogen and flood lights. Reducing energy consumption and increasing depot visibility from a safety perspective		

SUSTAINABILITY REPORT

RISK MANAGEMENT

Kelsian is committed to the management of risk throughout its operations and takes a holistic approach to protect our people and the environment in which we operate. Kelsian delivers this through its Risk Management Framework allowing for the identification, analysis, evaluation and management of risk and uncertainty throughout the Group.

Our approach combines a top-down (strategic) and bottom-up (tactical) processes for the identification and reporting of risk at both a strategic level as well as at an operational level, ensuring risk is considered as part of the Group's strategic planning and decision-making processes as well as operational risk management. This enables risks, and their treatment, to be considered where such risks manifest themselves.

Material risks are reported to and reviewed by the Board, Audit, Risk and Sustainability Committee and Group Executive Risk Committee as part of the risk reporting process.

Climate Change related risks and opportunities

Strategic, regulatory and operational risks and opportunities associated with climate change are incorporated into the strategic and tactical risk management processes, outlined on p22.

This year, Kelsian undertook a comprehensive review of the climate related transitional and physical risks, and opportunities, relevant to the Group. To understand Kelsian's current climate-related risks and opportunities, high level research was conducted around the primary climate-related risks and opportunities relevant to Kelsian. The analysis was drawn from relevant academic, industry and government publications such as IPCC Reports, IEA publications and other relevant material.

The risks and opportunities identified in this exercise have been analysed and evaluated using the Group's risk methodology, which is based on ISO31000, shared with the Group's Board and Executive Risk Committees and targeted plans developed to mitigate risk and progress opportunities.

The following summarises some of the key climate-related, transitional and physical risks and opportunities identified by Kelsian.

Kelsian is committed to the management of risk throughout its operations and takes a holistic approach to protect the people and the environment in which we operate.



Transit Systems New South Wales, Electric Bus

SUSTAINABILITY REPORT

Transition Risks

Transitioning to a lower-carbon economy may entail extensive policy, legal, technology, and market changes to address mitigation and adaptation requirements related to climate change. Depending on the nature, speed, and focus of these changes, transition risks may pose varying levels of financial and reputational risk to the Group.

RISK TYPE	DECARBONISATION OF FACILITIES	BEHAVIOURAL CHANGES
Policy & Legal Risk	<ul style="list-style-type: none"> Frequently changing regulatory landscape, creates uncertainty in planning Policy changes, like carbon taxes to facilitate decarbonisation of the economy 	<ul style="list-style-type: none"> Active engagement with government and key stakeholder groups in respect of transport decarbonisation policies, plans and targets. Expansion of low or zero-emission buses and ferries can provide long-term economic advantage in the context of changing policy around carbon pricing
Technology Risk	<ul style="list-style-type: none"> The upfront costs associated with R&D and the implementation of low and zero-emission technologies may be significant Rapid transition in technology (driven by policy) resulting in early retirement of fleet or infrastructure Skills and capabilities to facilitate transition of fleets across operating markets may not be available, or sufficiently developed 	<ul style="list-style-type: none"> The development of infrastructure that is climate resilient has the potential to improve service reliability, extend asset life and protect asset returns Hydrogen and battery electric vehicle technology can provide long-term cost reductions given rising fuel costs for fossil fuel reliant vehicles Partnerships and funding becoming available to help facilitate the transition in fleet and infrastructure
Market Risk	<ul style="list-style-type: none"> Increased pressure from regulators, customers, and shareholders to analyse and act on climate threats Vendors and tenderers have not decarbonised fleet appropriately (i.e. predominately diesel vehicles) Coverage / affordability of insurance as a result of transportation and assets present in risky areas 	<ul style="list-style-type: none"> Kelsian's reputation as a market leader in sustainable technology and solutions Tender criteria preferencing capabilities to run and operate electrified and decarbonised fleets Development of environmentally friendly product offering (i.e. Carbon Neutral products)
Reputation & Legal Risk	<ul style="list-style-type: none"> Kelsian's reputation may become increasingly tied to its efforts to move towards net-zero emissions Challenges attached to reporting and disclosure requirements 	<ul style="list-style-type: none"> Opportunity to establish reputation as a low emission footprint transport and tourism services provider

SUSTAINABILITY REPORT

Physical Risks

Physical risks resulting from climate change can be event driven (acute) or longer-term shifts (chronic) in climate patterns. Physical risks may have financial implications for organisations, such as direct damage to assets and indirect impacts from supply chain disruption. Organisations' financial performance may also be affected by changes in water availability, sourcing, and quality; food security; and extreme temperature changes affecting organisations' premises, operations, supply chain, transport needs, and employee safety.

Climate-related Opportunities

The efforts outlined in the tables above to mitigate and adapt to climate change also produce opportunities for Kelsian, for example, through resource efficiency and cost savings, the adoption and increased use of low-emission energy sources, the development of new products and services, access to new markets, and building resilience along the supply chain. These bring opportunity and benefit both in terms of meeting our climate-change obligations and commitments as well as enhancing Kelsian's reputation and performance.

RISK TYPE	DECARBONISATION OF FACILITIES	BEHAVIOURAL CHANGES
Acute Risk	<ul style="list-style-type: none"> Increased prevalence and severity of extreme weather events such as storms, floods and bushfires which impact safe and consistent operations Increased temperatures over an extended period of time and the impact on operating assets and infrastructure Increasing frequency of disruptive weather conditions i.e. Cyclonic activity or, high winds, will lead to the increased cancellation of services Electricity grid not operating effectively or efficiently during heat waves 	<ul style="list-style-type: none"> Enhance business resilience and emergency response and continuity plans
Chronic Risk	<ul style="list-style-type: none"> Rising sea temperatures causes coral bleaching. Persistent bleaching may cause reduced tourism on the Great Barrier Reef Drought can restrict operations and decrease the appeal for tourists 	<ul style="list-style-type: none"> Changing climatic conditions can open up possibilities for increased tourism in locations of traditionally cooler weather, or greater tourist comfort in existing locations

METRICS AND TARGETS

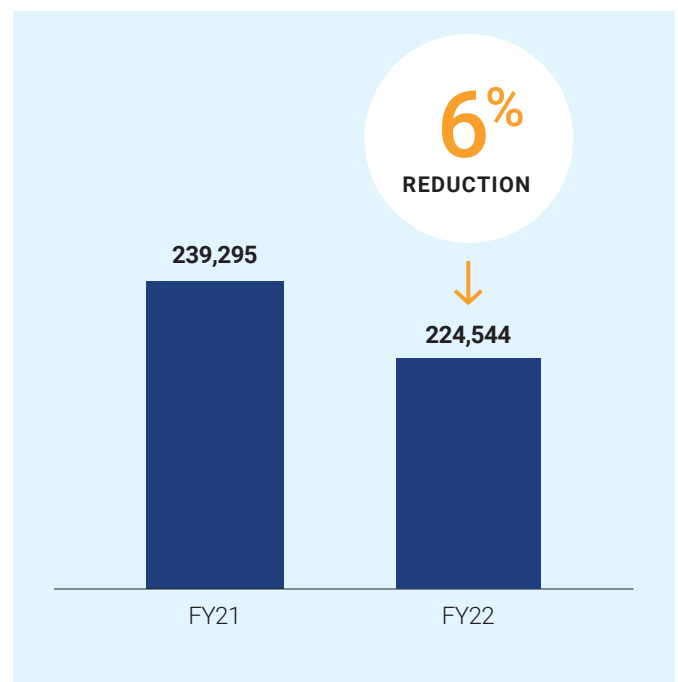
We report greenhouse gas emissions associated with our operations under the Australian National Greenhouse and Energy Reporting Scheme as well as the Streamlined Energy and Carbon Reporting (SECR) in the UK.

In FY22, total (Scope 1 and 2) greenhouse gas emissions from our Australian operations were 213,114 tonnes of CO₂-e, whereas the UK operations emitted 11,430 tonnes of CO₂-e.

FY23 TARGETS

- Continue to improve climate change related disclosure in line with TCFD recommendations

KELSIAN GROUP EMISSIONS



SUSTAINABILITY REPORT

LOOKING AFTER OUR PEOPLE

Health and Safety

OUR APPROACH

At Kelsian, we are committed to creating a safe and healthy environment for our employees and customers. Our 'Safety Focused' value means we make safety a priority in everything we do. During the year we provided an efficient, reliable, and safe experience to 240million passengers across three countries, which was made possible by the commitment and dedication of our nearly 9000 employees.

All the work we do is guided by the overarching Kelsian – Health, Safety, Environment and Quality (HSEQ) Policy, ensuring the same commitment and values are delivered consistently across all the businesses under our portfolio. This allows us to continue to modify our policies, procedures, and systems to minimise our risk profile and achieve industry best practice, while being nimble and flexible to cater to local individual business requirements in managing HSEQ. Most of our businesses have ISO accreditations which are maintained through robust internal and external audit programs. ISO standards we are accredited to include the following:

- ISO 45001:2018 Occupational Health and Safety Management Systems
- ISO 45001:2018 Occupational Health & Safety Management System
- ISO 9001:2015 Quality Assurance Systems
- ISO 55001:2014 Asset Management

The Board's People, Culture and Remuneration Committee, company executives and senior leaders of the businesses meet regularly to ensure we have robust governance in place to deliver our strategies and plans to achieve our Health and Safety targets

GENERAL PERFORMANCE

In FY22, a strategic framework for HSEQ FY22-25 was put in place as a roadmap for Kelsian to sharpen its focus in three areas - Capability, Accountability and Awareness. The framework is critical in delivering safety and wellbeing performance improvements by:

- Reviewing HSEQ structures, systems and resources to put in a model to support capability, growth and performance improvement through a business partnering model;
- Having leaders own the accountability through ensuring targets were understood, and achievable; and
- Building awareness in the business through initiatives to embed our value of being Safety Focused

We continued with our journey to safety excellence through the development of SafeConnect, our very own HSE platform accessible through web browser or an app on devices to digitise our records, workflows, and create consistent reporting, governance, and readily available information across all countries. It will not only mobilise our entire workforce when implemented in FY23 but will also reduce our impact on the environment by going paperless.

During the year, we set out with a goal to reduce our safety incidents and Injury Frequency Rates (LTIFR and TRIFR) by 10% and are pleased to announce that we have achieved year-on-year reduction of 16.3% for LTIFR and 25.4% for TRIFR.

In relation to COVID-19 management, we continued to deliver a brilliant customer experience by keeping abreast with the changing landscape of mandates and guidelines of authorities in the jurisdictions where we operate. Our team worked closely with relevant agencies to ensure we had up-to-date COVID-19 Management Plans to ensure the health and wellbeing of our employees and customers.

CASE STUDY

Using technology to encourage sustainable driving behaviour

Kelsian completed a global arrangement with its telematic contractor to provide innovative technology across all bus operations in Australia, United Kingdom and Singapore.

This includes new features such as:

- Faster real time GPS to fast track bus locations and manage headway
- Integration with our frontline communication app so drivers can easily view their driving performance and where improvement is required
- 15 second GPS sampling rate and tracking to improve data in regards to incident investigations and kilometre recording
- Posted in speed vehicle that alerts the drivers with live feedback whilst driving to slow down
- Near crash detection and live reporting data to our control centre live so we can take action immediately

Additionally, implementation of new hardware as part of this arrangement enables us to:

- Monitor the vehicle health in real time to identify and repair any mechanical issues
- Trial advanced video kits that record the road and driver to protect against incidents and driver fatigue
- Deploy Start Inhibit technology that makes the bus inoperable should an unauthorised person tries to drive the bus. This protects against potential terror threat or someone trying to steal the bus

SUSTAINABILITY REPORT

Diversity and Inclusion

OUR APPROACH

Our global workforce of nearly 9,000 people is essential to sustaining business performance. We have been working to accelerate the development of our employees, strengthening leadership capabilities, and cultivating a diverse and inclusive workplace to ensure Kelsian remains a great place to work.

OUR PERFORMANCE

Kelsian is committed to encouraging an environment that promotes diversity and cultivates inclusion in the workforce. To support this commitment, an inaugural Diversity and Inclusion Strategy⁶ was launched to champion inclusivity and promote and support a diverse workforce that is representative of the communities in which we operate. This strategy will be implemented over the FY22-FY26 period and outlines a roadmap to sustain our responsibility in providing a safe, inclusive, and accessible workplace, where team-members and customers feel respected, appreciated, and celebrated.

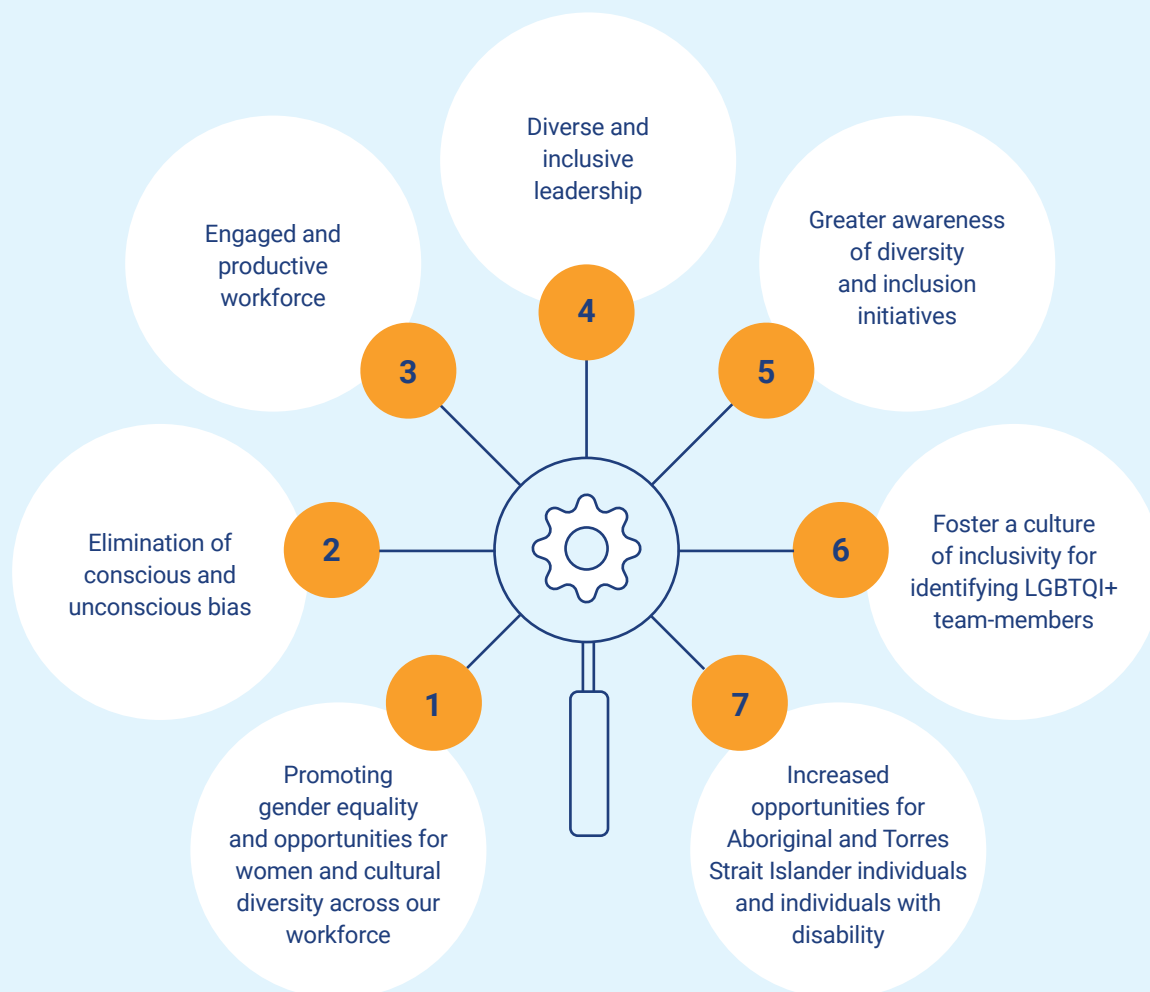
FY23 TARGETS

To continue our journey to safety excellence, we are committing to the following targets:

- Improve our injury frequency rates (LTIFR and TRIFR) by 10%
- Increase our lead indicator reporting to 20% of our workforce headcount
- Mobilise SafeConnect to our Australian and Singapore operations

6 Focused on Australian operations only

FOCUS AREAS FOR THE DIVERSITY AND INCLUSION STRATEGY



SUSTAINABILITY REPORT

Following work was carried out during the reporting period in relation to the Diversity and Inclusion Strategy. Some of these will be ongoing actions to ensure we continue to foster a culture of diversity and inclusivity at Kelsian.

- Reviewed of pre-employment medical procedures and requirements, considering barriers for visible and non-visible disabilities;
- Establishing relationships with communities and targeted organisations to access diverse talent pools for recruitment initiatives;
- Commenced review of policies with the aim to incorporate inclusive language and to ensure key workplace information is easily accessible;
- Introduced HR Onboard, a National Onboarding automation project which includes self-identification opportunities for Aboriginal and/or Torres Strait Islanders and people with Gender/Non-Binary identification; and
- Rolled out a Cultural Capability Course to the Executive leadership team.

Over the year, we also conducted an employee check-in survey to measure employee engagement, satisfaction and morale throughout the organisation. The results indicate that majority of our workforce is proud to work for their respective business units. While this is a positive outcome, we acknowledge there are some areas that require our attention. Recognising this, over the next twelve months we will continue to improve our engagement with our employees and implement actions that create a conducive workplace.

FY23 TARGETS

- Conduct workplace survey to understand our people data – current workforce and underrepresented groups.
- Roll out the Anti-Racism and Unconscious Bias training
- Roll out of a Cultural Leave policy

HELPING OUR COMMUNITIES

OUR APPROACH

Kelsian acknowledges the importance of maintaining a trusting and mutually respectful relationship with the communities in which we operate and actively supports these communities by providing local employment, supporting local businesses, and making a positive impact through sponsorships, donations and offering additional services in times of need.

Supporting Aboriginal communities

We continue to engage proactively with the communities where we operate, including engagement with businesses operated by Aboriginal groups. We are active members of the K'gari World Heritage Area Advisory Committee and the NIAA Palm Island Remote Engagement Program and are strengthening our partnerships with Land Councils and Aboriginal education organisations. We are proactively seeking procurement opportunities, have participated in Supply Nations events, provided ad-hoc spend with 100% Indigenous owned businesses and services and are proud to be the founding corporate partner with Knowledge Water (Indigenous-owned business supporting jobs and education) in our NT operations.

We continue to work on the consolidation of the Kelsian RAP which brings together our vision and commitment for reconciliation as a group. Since 2020, Sealink, Transit Systems and River City Ferries held individual RAPs registered with Reconciliation Australia. However, work is underway to renew the 2022-2023 RAP which will be registered officially under the Kelsian ABN and supersede all previous RAPs. All actions in relation to the RAP is overseen by an internal RAP committee which meets monthly to ensure momentum is maintained.

Social investment

Creating a positive impact in our communities allows us to demonstrate our responsibility to enhance the communities in which we operate and extend our care to those in need. Kelsian provides direct and indirect contributions to the communities through the payment of taxes, provision of essential services, employment, as well as sponsorships and donations. Over the year, Kelsian collectively invested \$370,858 in our local communities in the form of direct cash contributions, in-kind support, services, and time volunteered.

CASE STUDY

Supporting Conservation Efforts Kangaroo Island/Victor Harbor Dolphin Watch

We support a myriad of small organisations and groups in carrying out conservation, restoration and rehabilitation efforts. One such initiative is the Kangaroo Island/Victor Harbor Dolphin Watch which is a community volunteer project researching dolphin behaviours, movement patterns, preferred habitat, migratory pathways and

home range for populations on Kangaroo Island since 2005 and in Victor Harbor on mainland South Australia since 2011. The work conducted by this organisation is fundamental in conservation and protection of this keystone species.



CASE STUDY

Supporting Small Aboriginal Businesses Partnership with CT iWorkforce

Kelsian is continuously aiming to support small businesses and employ indigenous workforce where possible, and is working with an indigenous owned and operated workforce management company offering tailored workforce solutions. By partnering with CT iWorkforce, Kelsian intends to strengthen our brand and attract great talent to meet our organisational goals while providing employment opportunities for local Aboriginal job seekers.

Through this partnership, Kelsian is taking practical actions to achieve stronger engagement with Aboriginal and Torres Strait Islander peoples, support and recognise their strengths, skills and contributions; and help create a strong, inclusive and sustainable workplace.

SUSTAINABILITY REPORT

BUSINESS ETHICS AND TRANSPARENCY

OUR APPROACH

At Kelsian, we are committed to conducting our business ethically and transparently. Our Code of Conduct aligns with our values and sets clear expectations for all employees to comply with legal obligations but also to act ethically and responsibly. We provide employees with training so they can understand and work in line with our values and Code of Conduct. All material breaches are reported to the Kelsian Board. The Code of Conduct is further supported by Company policies⁷ that set out guidelines to ensure all activities are conducted ethically and transparently and in compliance with the laws and regulations of each jurisdiction in which we operate.

Despite the disruption and various challenges from the COVID-19 pandemic, Kelsian has remained focused on our values and behaviours, our Code of Conduct and our commitment to being an ethical operator. The pandemic required us to consider our short-term crisis management plans and our business continuity plans while preserving our ethics and compliance culture.

REPORTING GRIEVANCES

We are committed to maintaining an environment of fairness, honesty and integrity and where employees, contractors, suppliers and other stakeholders feel safe to raise questions or concerns and report unethical or unsafe behaviours through appropriate channels.

Breaches are reportable under the Whistleblower Policy and reported to the designated officer. Reports can also be made anonymously via EMA Call Service which is Kelsian's third-party disclosure service.

All reported breaches of the Code of Conduct are investigated and subject to disciplinary action. Employees reporting misconduct are protected and the confidentiality of the person reporting is maintained. In FY22 there were no reports received under the whistleblowing program and no incidents of policy violations relating to bribery and corruption or anti-competitive behaviour were reported.

BUSINESS APPROACH TO INDUSTRIAL NEGOTIATIONS AND EMPLOYEE WAGE PAYMENTS

Maintaining a stable and productive workforce is critical to Kelsian's success, as it is our employees that deliver the quality services for our customers. Kelsian has a diverse workforce whose terms and conditions are underpinned by a number of industrial instruments, which includes 38 Enterprise Agreements. Kelsian has experienced leaders and a local people and culture team with established respectful relationships with unions, which provides for agreements to be successfully negotiated and issues to be resolved quickly.

TAX TRANSPARENCY



We comply with the tax laws in all jurisdictions where we operate. In order to maintain transparency around our tax payments, we published our first tax transparency statement in 2020 which builds on the information we already provide in our annual reports. Our [Tax Transparency Report](#), which is publicly available on the Kelsian website, represents our commitment to the Australian Voluntary Tax Transparency Code and provides detailed information about how we approach tax related matters, our taxation strategy and the payments we make as a listed public company.

POLITICAL DONATIONS

In FY22, Kelsian made a payment of \$12,727.27 in political donations to the Future SA Liberal National Party and \$10,909.09 to SA Progressive Australian Labor party. Donated amounts are not inclusive of GST and are also reported in the performance table on page 30.

⁷ Including, but not limited to, the Anti-bribery and Corruption Policy, Continuous Disclosure Policy, Grievance Policy, Whistleblower Protection Policy.

SUSTAINABILITY REPORT

CYBER SECURITY

As cyber-related threats continue to rise in frequency and diversity, they present organisations with the challenge of developing, implementing and constantly reviewing cybersecurity strategies that prevent disruptions to business operations and protect critical IT systems. While Kelsian has not been impacted directly in the past, we acknowledge that we must take robust steps to ensure we continue to provide services to our customers without any interruptions, while maintaining a sustained approach to continuously improving our management of cybersecurity risks.

The Board Audit, Risk and Sustainability Committee has oversight of all cybersecurity matters and is regularly updated on cybersecurity issues via a Cyber Security Report that is prepared by the Group's Lead Cyber Security Engineer and the Chief Information Officer (CIO).

In addition, an internal Group Cybersecurity Governance Committee meets monthly to review the contents of the monthly Cybersecurity Report and related matters.

Since 2020, Kelsian has bolstered its cybersecurity management by investing in full time resources and cyber protection software. This includes implementation of multi-factor authentication, application whitelisting, antivirus on all endpoints, access restrictions, asset scanning software, patching and hygiene programs, enhancing backup and disaster recovery capabilities. Additionally, we have built the foundation for a secure environment by aligning to the ISO 27001 framework which is a leading international standard focused on information security.

In FY22, the following key changes were implemented to strengthen our cybersecurity management, including:

ASD 8

Uplifted cyber posture through implementation of all eight controls recommended by the ASD.

Application Control

Implemented an application control tool to enable more control and restrictions on all devices by allowing only approved application to run.

Patch Management

Continuous patching of all our systems to proactively prevent any known exploits that hackers are utilising.

Vulnerability Management

Implemented a vulnerability management system that continuously scans our environment for vulnerabilities that are then prioritised and remediated.

DMARC

Helps prevent non-authorised senders from spoofing our email addresses and restricts it to only approved senders.

Phishing awareness training

Set up automated phishing simulation that tests and trains staff to look out for suspicious emails.

Cyber Security Governance Committee

Set up a monthly meeting to discuss various cyber security projects and events that impact the business.

Device Encryption

Enabled device encryption to safeguard the data in the event a device is lost or stolen.

Incident response procedures will be further improved by undertaking a simulated cyber response exercise involving senior management and board members in FY23.

MODERN SLAVERY

As a responsible operator, Kelsian is committed to ethical dealings and the highest standard of business conduct with its customers, suppliers, employees and the communities in which we operate.

We acknowledge Modern Slavery as a key risk within our supply chain. As such, this year we formed an internal Modern Slavery working group with the aim to manage our commitments and actions to abolish Modern Slavery from our supply chain.

An overview of our commitment and work in this area can be found in our Modern Slavery Statements which are available on our Company website. Kelsian is not aware of any human rights related incidents or violations that occurred in relation to its employees or suppliers during the reporting period.

SUSTAINABILITY REPORT

PERFORMANCE TABLE

	2022	2021
People		
HEALTH AND SAFETY		
Fatalities	0	0
Number of safety fines/prosecutions	0	0
EMPLOYEE DATA		
Total number of employees (Global)	8,745	8,940
Australia	7,147	6,999
UK	11	1,078
Singapore	1,586	853
Other	1	1
% Board (M:F)	71: 29	71: 29
% CEO (M:F)	100 : 0	100: 0
% KMP ⁸ (M:F)	88: 13	88: 13
Our Communities		
SPONSORSHIPS		
Total expenditure (\$ AUD)	372,218 ⁹	-
POLITICAL DONATIONS¹⁰		
\$	23,636	24,091
Our Environment		
SIGNIFICANT SPILLS¹¹		
Number of spills to water	0	0
Volume of spills to water	0	0
Number of spills to land	0	0
Volume of spills to land	0	0
Total number of spills	0	0
Total Volume of spills	0	0
FINES		
Number of fines for non-compliance with environmental regulations	0	0
GREENHOUSE GAS EMISSIONS BY COUNTRY		
Australia		
Scope 1 emissions (tCO ₂ e)	203,813	212,833
Scope 2 emissions (tCO ₂ e)	9,301	8,685
Total GHG emissions (tCO ₂ e)	213,114	221,491
Scope 1 & 2 emissions intensity (Co ₂ -e/AUD\$m)	202	241
UK		
Scope 1 emissions (tCO ₂ e)	11,147	17,452
Scope 2 emissions (tCO ₂ e)	283	352
Total GHG emissions (tCO ₂ e)	11,430	17,804
Scope 1 & 2 emissions intensity (tCO ₂ ^e /AUD\$m)	135	132
Total Group level emissions¹²		
Scope 1 emissions (tCO ₂ ^e)	214,960	230,285
Scope 2 emissions (tCO ₂ ^e)	9,584	9,037
Total GHG emissions (tCO ₂ ^e)	224,544	239,295
Scope 1 & 2 emissions intensity (Co ₂ -e/AUD\$m)	197	228
Scope 1 emissions by Division		
Australian Bus	163,158	175,402
Australian marine and tourism	40,655	37,431
International - bus (UK only)	11,147	17,452
WATER CONSUMPTION (CUBIC METERS)		
	FY22	FY21
Australia	218,139	-
UK	13,475	-
Singapore	72,136 ¹³	-
Total water consumption	303,750	-

SUSTAINABILITY REPORT

GRI CONTENT INDEX - GENERAL STANDARD DISCLOSURES

GENERAL STANDARD DISCLOSURES	DISCLOSURE TITLE	PAGE NUMBER (OR LINK)
STRATEGY AND ANALYSIS		
GRI 102-14	Letter from Chair of Audit, Risk and Sustainability Committee	Message from the Chair of the Board Audit, Risk and Sustainability Committee, p.12
ORGANISATIONAL PROFILE		
GRI 102-1	Name of Organisation	About this report, p.13
GRI 102-2	Activities, brands, products and services	About this report, p.6-7,13
GRI 102-3	Headquarters location	About this report, p.2,13
GRI 102-4	Location of operations	About this report, p.13
GRI 102-5	Ownership and legal form	Kelsian is publicly listed on the Australian Stock Exchange
GRI 102-6	Markets served	Company Website
GRI 102-7	Scale of organisation	Company Website
GRI 102-8	Information on employees and other workers	Performance Table, p.30
GRI 102-9	Supply Chain	Modern Slavery Statement, p.29
GRI 102-10	Organisational changes during the reporting period	Change of corporate name from SeaLink Travel Group Limited to Kelsian Group Limited and inclusion in the S&P ASX200 Index
GRI 102-11	Precautionary principle	Issues relating to the precautionary approach or principle are considered through our Risk Management Framework which guides managers and decision makers within the business to assess current and future risks and opportunities
GRI 102-12	External initiatives	Kelsian is not currently endorsing any externally developed economic, social, and environmental charters or principles
GRI 102-13	Memberships of associations	Kelsian is a member of the Australian Hydrogen Council
REPORTING PRACTICE		
GRI 102-45	Entities included in consolidated financial statements	Annual Report, p.117
GRI 102-46	Defining report content and topic boundaries	Materiality, p.14
GRI 102-47	List of material topics	Materiality, p.14
GRI 102-48	Restatements	None
GRI 102-49	Changes in reporting	None
GRI 102-50	Reporting period	1 July 2021- 30 June 2022
GRI 102-51	Date of most recent previous report	30 June 2021
GRI 102-52	Reporting cycle	Annual
GRI 102-53	Contact point	Rashveen Maini – Group Sustainability Manager: rashveen.maini@kelsian.com
GRI 102-54	In accordance option	This report has been prepared in accordance with the GRI Standards: Core Option
GRI 102-55	GRI Content Index	GRI Content Index - General Standard Disclosures, p.31
GRI 102-56	External assurance	Non-financial disclosures currently do not undergo external verification
GOVERNANCE		
GRI 102-18	Governance structure	Managing Sustainability, p.14

8 KMP : Key Management Personnel or Executives

9 Includes cash donations, in-kind support and value of employee time

10 Excluding GST

11 Defined as incidents that are reportable to the EPA

12 Excluding emissions from Singapore emissions which are currently not being quantified

13 Increase in water consumption is due to operation of Bulim and Mandai Bus depots. In FY21, Singapore only operated the Bulim bus depot

SUSTAINABILITY REPORT

GRI CONTENT INDEX - GENERAL STANDARD DISCLOSURES (CONTINUED)

GENERAL STANDARD DISCLOSURES	DISCLOSURE TITLE	PAGE NUMBER (OR LINK)
STAKEHOLDER ENGAGEMENT		
GRI 102-40	List of stakeholder groups	Our Stakeholders, p.15
GRI 102-41	Employees covered by collective bargaining agreements	-
GRI 102-42	Identifying and selecting stakeholders	Our Stakeholders, p.15
GRI 102-43	Approach to stakeholder engagement	Our Stakeholders, p.15
GRI 102-44	Key topics and concerns raised	Our Material Issues, p.14
ETHICS AND INTEGRITY		
GRI 102-16	Values, principles, standards and norms of behaviour	Business Ethics and Transparency, p.28

GRI CONTENT INDEX - SPECIFIC STANDARD DISCLOSURES

SPECIFIC STANDARD DISCLOSURES	DISCLOSURE TITLE	PAGE NUMBER (OR LINK)
CATEGORY : ETHICAL CONDUCT & TRANSPARENCY		
GRI 103-1 GRI 103-2 GRI 103-3	Generic Disclosure on Management Approach	Business Ethics and Transparency, p.28
CATEGORY : PEOPLE		
GRI 103-1 GRI 103-2 GRI 103-3	Generic Disclosure on Management Approach	Looking After Our People, p.24
GRI 403-2	Injury rates	Health and Safety, p.24 , Performance Table, p.30
GRI 103-1 GRI 103-2 GRI 103-3	Generic Disclosure on Management Approach	Diversity and Inclusion, p.25
GRI 405-1	Composition of governance bodies and employees	Performance Table, p.30
CATEGORY : SOCIAL/COMMUNITIES		
GRI 103-1 GRI 103-2 GRI 103-3	Generic Disclosure on Management Approach	Helping Our Communities, p.26
GRI 403-1	Operations with implemented local community engagement, impact assessments and development programs	Specific information requested is currently not reported by the company
GRI 411-1	Incidents of violations involving rights of indigenous peoples	There were no violations involving rights of indigenous peoples in the reporting period
GRI 205-2	Communicating and training on anti-corruption policies and procedures	Business Ethics and Transparency, p.28
GRI 205-3	Confirmed incidents of corruption and actions taken	Business Ethics and Transparency, p.28
CATEGORY : ENVIRONMENT		
GRI 103-1 GRI 103-2 GRI 103-3	Generic Disclosure on Management Approach	Managing our Environmental Impact, p.16
GRI 306-3	Number and volume of spills	Performance Table, p.30
GRI 305-1	Direct greenhouse gas emissions (Scope 1)	Performance Table, p.30
GRI 305-2	Indirect greenhouse gas emissions (Scope 2)	Performance Table, p.30

SUSTAINABILITY REPORT

GLOSSARY

ASD Essential 8	Australian Signals Directorate's Essential 8 model is intended to provide an appropriate baseline standard for organisations to mitigate their own Cyber Exposure
Fatalities	Death resulting from work related injuries or occupational illness
GRI	The Global Reporting Initiative is a network-based organisation that sets out guidelines and indicators that organisations can use to measure and report their economic, social, and environmental performance
MTI	Medical Treatment Injury (MTI) is defined as an injury or disease that resulted in a certain level of treatment (not First Aid Treatment) given by physician or other medical personnel
Scope 1	Greenhouse gas emissions that are released to the atmosphere as a direct result of an activity such as diesel combustion in buses and marine vessels
Scope 2	Greenhouse gas emissions that are released to the atmosphere from the indirect consumption of an energy commodity such as from electricity purchased from the grid
SDS	Safety Data Sheet (SDS) is a document that provides health and safety information about products, substances or chemicals that are classified as hazardous substances or dangerous goods
tCO2e	tonnes of carbon dioxide equivalent is a term for describing different greenhouse gases in a common unit
TCFD	Task Force on Climate Related Financial Disclosures
LTI	Lost Time Injury meaning occurrence that results in a fatality, permanent disability or time lost from work of one day/shift or more
LTIFR	Lost Time Injury Frequency Rate calculated as $(LTI/workhours) * 1,000,000$



River City Ferries, Queensland

REVIEW OF OPERATIONS

RESULT OVERVIEW

Kelsian Group Limited ("Kelsian" or "Group") has successfully navigated another challenging operational year. The strength of the underlying contracted revenue of Kelsian as well as the essential nature of its operations and execution of its growth strategy is illustrated in another strong financial result.

Kelsian delivers an essential service and that was evident throughout the past year. Whilst suppressed travel demand endured as a result of the new Omicron COVID-19 variant, the vast majority of our operational units operated to deliver essential transport links in their communities. The Group is proud of the continuation of operations throughout the markets and geographies it operates in and fortunately, despite ongoing COVID-19 outbreaks, travel demand during Easter 2022 and for the remainder of the financial year has been much stronger than the first half.

Kelsian recorded a statutory Net Profit after Tax (NPAT) of \$52.9m for the twelve-month period ended 30 June 2022 compared to a NPAT of \$37.8m in the previous year.

Underlying Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) was \$183.1m compared to an EBITDA of \$167.5m for the June 2021 year. Underlying EBITDA has been adjusted for significant one-off items during the period.

The Company has prudently decided to move to the lower end of the stated dividend pay-out range of 50-70% of net profit after tax and before amortisation (NPATA) and has declared a final dividend of 9.5 cents per share, up from 9.0 cents in the prior comparable period. This brings the full year dividend to 16.5 cents per share, up from 16.0 cents per share last year.

Kelsian's achievements for the year were:

- Underlying NPAT of \$48.5m, up 12.6% on prior year with total revenue of \$1.32bn
- Delivered strong gross operating cashflow
- Final dividend of 9.5 cents, an increase of 0.5 cents per share over the prior corresponding period
- Deployment of \$43.1m 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), Lestok Tours (December 2021) and Dave's Transit (June 2022)
- Award of a new 25-year contract to operate the ferry 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 (December 2021) and divestment of the Lea Interchange operations (June 2022)
- Ongoing asset base improvement with the arrival of the new MV The Jackson dining vessel for Sydney Harbour and new vessels in Queensland
- Expansion of the electric bus fleet in NSW and electrification of depots in NSW
- 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

REVIEW OF OPERATIONS

Operationally the Group overcame a number of challenges to ensure the continuation of service. While not unique to Kelsian, the Group saw workforce availability become much more of an issue during the second half of the year and the Group is focused on recruitment, attracting and retaining key talent across all of its divisions. Structural changes to the cost base have not been experienced and are not expected, but short-term employment incentives and overtime costs are being incurred.

While the Group is managing costs relating to staffing, it is also proactively managing other cost base pressures, particularly for fuel, but the Group is well insulated against most of these external forces through contract indexation mechanisms and an ability to pass on persistent cost base increases via fare increases in its marine division.

The Group's focus on its international footprint has seen some impressive milestones achieved in FY22, notably in the doubling in size of the Singapore bus operations and the restructure of its London bus business. The formation of the new RATP Dev Transit London joint venture company and sale of the Lea Interchange depot and bus operations opens an exciting new chapter for Kelsian UK.

In addition to the growth delivered in Singapore, the Group pursued opportunities for sensible international acquisitions in New Zealand and United Kingdom. The Group has always maintained a disciplined approach to acquisitive growth in considering opportunities. The Group's well defined organic growth strategy will continue with considerable opportunity in Australia, United Kingdom, Singapore and New Zealand that will be pursued in parallel to assessing future acquisition opportunities.

Overall, the Group continued to deliver impressive cash flow during the period that translated into further strengthening of the balance sheet. The Group continues to lead the way in Australia in the transition to zero emission fleet and further capital is earmarked for this transition. While capital expenditure was slightly less than expected due to COVID-19 supply chain delays, there is an ongoing commitment to asset renewal and the zero emission transition.

Kelsian's underlying cashflow profile and the cash position at 30 June 2022 is strong with all financial covenants comfortably met and undrawn capacity, if required. Gearing (net interest-bearing debt to net debt + equity) at year end was 31.2% up from 30.5% at 30 June 2021, which is well within target gearing levels and positions us well for future investment and growth.

REVIEW OF OPERATIONS

Review of operations - Australian Bus

The Australian Bus Division once again performed in line with expectations despite the tumultuous operating environment – the businesses within this division enjoying contracted revenue from government and large corporate clients and contracts that have very robust indexation mechanisms that insulate the Group against inflationary pressures.

Like Marine & Tourism, patronage demand was suppressed across this division for most of the financial year reaching 70-80% of pre-COVID levels at the end of FY22. The services delivered by the Australian Bus division are however gross cost contracts, meaning that the revenue of this division is not materially affected by patronage levels – they are fixed fee for the provision of services. This meant that even in times of complete city-wide lockdowns, our public transport services continued to operate in most cases and full contract payments were payable by our government clients.

Across the portfolio, despite lower advertising revenue from on-bus advertising and reduced patronage incentive payments, this revenue reduction has been more than offset by increased rail replacement charter work (particularly in Adelaide and Sydney), return of special event charters, additional COVID-19 related services, COVID-19 cleaning payments and airport shuttles.

The ongoing contracted revenue also meant that the Group was able to provide certainty of employment for our 5,000+ strong workforce in the Australian Bus division. In the second half of FY22, finding employees to replace natural attrition became much more challenging. New recruitment initiatives and reverting to training new heavy vehicle drivers up from car licences became a priority. During the final months of the financial year, there was an uptick in overtime costs to cover the driver shortages – both structural shortages and absenteeism due to COVID-19 sickness and close contact isolation.

The industrial relations environment is naturally challenging, as is evidenced by the ongoing commentary about inflationary pressures and real wage growth. The indexation mechanisms in the majority of contracts in the Australian Bus division enjoy Wage Price Indexation which flows through to the Enterprise Agreements so, whilst there is a slight lag, the contract revenue will provide for higher levels of wages to naturally flow through to our employees, funded by the Government contracts.

Some industrial disputes existed in Sydney as the Region 6 contract undergoes a harmonisation of working arrangements between the ex-Government employees and the more recently employed private sector employees and private sector employment conditions. The Group is making progress on undertaking this reform but expects some level of industrial disruption to be ongoing in Sydney into the new financial year.

Fuel inflation does not present an adverse financial impact on the Group in the Australian Bus division as fuel price is very well indexed on a monthly basis.

Other input costs have been very well managed through long term contracts with suppliers and some excellent work by the national procurement team, delivering stable or better buying terms for key inputs.

We continue to work closely with our government clients on the transition to a zero emission fleet and saw the arrival of several battery electric buses (BEBs) during the year and a large number on order for delivery in FY23. At the end of the financial year, the Australian Bus division had [58] battery electric buses in service across the portfolio, exceeding our target of 55.

Safety remains a key focus across the Australian Bus division and the trialling of collision avoidance systems, fatigue / distraction monitoring systems, the fitment of vehicle telematics and 360-degree cameras 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 and provide services to the Australian resources sector from a transport operator perspective. The integration of the business is complete, and the business is performing ahead of initial expectations. During the period some additional smaller complementary acquisitions were completed; Lestok Tours business in Mount Tom Price, and Dave's Transit in Port Sampson which further strengthens our position in the Pilbara region and our ability to service key resources-based clients. Both of the new bolt on acquisitions have already delivered positive outcomes.



REVIEW OF OPERATIONS

Despite not being successful in winning any new material contracts in either NSW or Victoria to add to the portfolio, the Australian Bus Division continues to have a high level of tendering activity for new bus contracts in Australia. Tender processes are presently being run in New South Wales which consists of four tranches of tenders including Tranche 2 which includes our Region 3 Bus Contract in western Sydney.

In terms of state by state performance, some of the highlights include:

NEW SOUTH WALES

Region 3 and Region 6 continue to be the stand-out performers amongst other NSW bus operators from an On Time Running and customer experience perspective. During FY22, we reached agreement with TfNSW to introduce a fleet of 40 BEBs into the Leichhardt Bus Depot along with associated charging infrastructure, a stationary battery storage facility and a large-scale solar system. In NSW we currently operate a fleet of 55 BEBs which is targeted to increase to 154 BEBs in the coming 12 months. This initiative reinforces our green credentials and commitment to work with government clients to deliver zero emission solutions. In addition, two Hydrogen Fuel Cell Buses (HFCBs) arrived in Sydney in late June 2022 and will undergo pre-delivery and compliance checks, along with extensive testing prior to operational deployment in the early part of FY23.

WESTERN AUSTRALIA

All operational aspects of our Western Australian operations are performing well and in line with expectations. In February 2022, Swan Transit in conjunction with the Western Australia Public Transport Authority, commenced operating two BEBs from the Joondalup Depot including the installation of charging infrastructure (chargers, solar power array and battery storage system). The next two BEBs are scheduled for deployment in July/August 2022.

SOUTH AUSTRALIA

The business benefited from the full closure of the Gawler Railway Line in Adelaide for electrification works which continued throughout FY22. This delivered significant

additional operational activity and charter income for rail replacement services which came to a conclusion when the Gawler Line was re-opened on 12 June 2022. Furthermore, the Adelaide Tram Network continues to deliver impressive performance with improved safety, on-time running and excellent customer satisfaction.

VICTORIA

The Victorian contracted bus operations have performed well, however there was a decline in revenue derived from the school and charter operations due to extended COVID-19 lockdowns. The Victorian operations continue to expand with the deployment of a demand responsive bus service into the Melton region. In anticipation of further growth, the Group has acquired industrial land in the Melton area and will be developing a new bus depot in FY23, including installation of electric bus charging facilities. In line with this strategy, the Group was successful in tendering for the deployment of further zero emission buses in Melbourne, which will see nine Australian-built BEBs and two hydrogen fuel cell buses entering service West Footscray in 2023.

NORTHERN TERRITORY

In June 2022, the Northern Territory Government awarded the entire Darwin Bus Network to a single competing operator. As a result, we were required to transition-out of the Darwin city metropolitan bus contract (34 buses) that Transit Systems had operated since October 2014. The transition-out was undertaken seamlessly and the handover of fleet and depot completed on 1 July 2022.

In addition to the Marine & Tourism operations in Darwin, the Group maintains an active bus transport presence in the Northern Territory operating the Katherine School Bus Contract which is operating well.

FUTURE PIPELINE OF TENDER OPPORTUNITIES

In Australia there is a significant pipeline of future bus tender opportunities. We have strengthened our business development team to ensure we have sufficient capacity and expertise to tender for all of these opportunities. We continue to lobby the benefits of competitive tendering in Queensland, Tasmania and the Australian Capital Territory, the last remaining public bus transport markets that are yet to move to modern contracting in Australia.



REVIEW OF OPERATIONS

Review of operations - International Bus

The International Bus division has undergone an immense amount of change during FY22. Most notably, the doubling of size in Singapore and completion of the London restructure, seeing a new joint venture created and the divestment of the East London Operations. All of these activities have been completed in an exceptional manner and exceeded internal expectations.

The contract structure of the international bus operations is very similar to the Australian portfolio so very consistent levels of revenue were experienced despite the patronage demand fluctuations as a result of COVID-19. Similar levels of inflationary protection in the contract structure is also afforded.

SINGAPORE

Commencing in September 2021, the Group transitioned into the new Sembawang-Yishun package awarded by the Land Transport Authority of Singapore ("LTA"). This involved a doubling of the scale of our operations and market share in Singapore and taking over a new depot at fit out stage in Mandai. Both contracts now held are for an initial 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 \$1 billion, with potential to earn additional variable performance incentives.

The Group supported the Singaporean Government response to COVID-19 throughout the year, including enhanced sanitisation arrangements and providing accommodation for our Malaysian workforce. These accommodation arrangements and associated costs ended in May following the opening of the Singapore/Malaysia border in April 2022.

Staff absenteeism and general labour shortages were also being experienced in Singapore in the second half of FY22.



REVIEW OF OPERATIONS

Additional overtime is being incurred until recruiting rates increase with the borders opening and labour availability stabilises. Where there has been persistent absenteeism, the LTA have reduced service levels adversely affecting service revenue and performance incentives but, in all cases, the LTA reasonably covers the unavoidable costs of not delivering the services.

The success in retaining the Bulim contract and the award of the Sembawang-Yishun package solidifies our strong position in Singapore and we are hopeful of further increasing our market share as tender deliverables are demonstrated and more contracts are released by the LTA for future bidding.

LONDON

In London, our operations from Lea Interchange in the east of London ended the year at the top of league tables for operational performance which are collated and reported by Transport for London ("TfL").

The strategic repositioning of our business in London was completed and all actions closed out during the year.

In December 2021, the western area of our operations were merged with those of French operator RATP Dev, and an incorporated joint venture formed where Kelsian has a 12.5% interest in the new joint venture company, RATP Dev Transit London Ltd. This provides a platform to deliver long term value through scale opportunities, greater synergies and the ability to maintain London as an important credential for the Group.

In June 2022, the eastern area of our operations were sold to Stagecoach Group, a leading UK operator, for the sum of £20 million, £10 million initial consideration, and £10 million deferred by equal instalments over the coming 10 years.

We retained our interest in the real estate in West London and enjoy a rental income that can be used to support the costs of maintaining the residual management presence in the UK whilst the next phase of growth is pursued.

The restructure was achieved with minimal job losses, and key executive talent has been retained to prosecute acquisition projects in the wider UK and European markets.

During the period we were unsuccessful in acquiring The Go-Ahead Group plc in the UK. The volatility of Australian equity markets at the time of our approach and external events adversely impacted the Kelsian share price and as a consequence, the Board determined not to proceed with a firm offer to acquire the business.



REVIEW OF OPERATIONS

Review of operations - Marine & Tourism

In what was another challenging year for the travel industry in general, the majority of our marine operations continued to provide essential transport links to our island communities and subsequently delivered a strong financial result, despite the challenging operating conditions.

Although the first half of the financial year was suppressed due to ongoing border closures and the outbreak of the Omicron COVID-19 variant, from Easter 2022 onwards, very strong demand has been experienced in most parts of the Marine & Tourism portfolio.

Our southeast Queensland operations were the standout performer for the division with strong demand and patronage throughout the year.

Our operations in New South Wales and Western Australia continued to be the most challenged by restrictions and international border closures, with these businesses relying heavily on interstate and overseas visitors. We continued to operate reduced services focused on minimising operational costs and delivering products to local and interstate travellers, as well as focussing on special event and charter markets.

The lack of labour availability has impacted the Marine & Tourism division more than other parts of the business during FY22, particularly in the hospitality roles. During the summer period, our product on Fraser Island needed to put in place occupancy caps due to lack of staff, however from Easter onwards, the labour shortage had been largely rectified and the resorts had the capability of operating at capacity.

Labour availability has also been impacted by COVID-19 infection and close contact isolation. Some services have been affected by COVID-19 employee sickness and isolation but mostly services continue to operate by accessing casual staff and incurring overtime which has a short-term effect of increasing the cost base.

Other inflationary pressures are being experienced, particularly fuel costs. These inflationary costs were well managed in FY22 with approximately 70% of fuel consumption fully hedged through to 30 June 2022 and a national procurement team providing excellent procurement outcomes for other key inputs. In anticipation of ongoing inflationary pressures, fare increases in all marine businesses were planned prior to the end of FY22 for implementation early in the new financial year.

Beyond the effects of COVID-19, the Marine & Tourism division contended with some very severe weather events on the east coast of Australia.

These events had some impact on cancellations and lower levels of demand, but fortunately these were not prolonged. RiverCity Ferries suffered some damage to the Brisbane City Council owned fleet, as a result of the Brisbane floods, including one City Cat that was a total loss, thankfully with no injuries to employees or customers. All asset damage was covered by insurance and an agreed level of contracted services resumed quickly to see contract payments continue for this business with minimal financial impact on the employees or the Group.

During the period we experienced an increase in bookings from the travel agent network including signs of a gradual return of demand from international markets for travel from late 2022. Nationally, we have continued to work with key trade partners including Tourism Australia and Qantas to market our destinations and products via our national consumer marketing brand – Brilliant Travels. The VIVID annual light event on Sydney Harbour in June 2022 was particularly successful, delivering record numbers to the event and on our dining and sightseeing products.

A highlight of the period was the successful bids for the up to 25-year (15 +5 +5) contract to continue to operate freight, vehicle and passenger services to Kangaroo Island commencing at the end of our current contract in July 2024 and the up to eight-year (4 +2 +2) contract for the Queensland Ambulance Service to continue operating the Southern Moreton Bay Islands Ambulance vessel. Both contracts include the construction of purpose-built vessels for these services.

Investment in our fleet continued with the arrival of a new dining and charter vessel (MV The Jackson) for Sydney Harbour. This provided a fantastic opportunity for our Sydney business to re-launch a new and exciting product offering, which has been received well into the event and charter market. The construction of a new vessel for the Magnetic Island service (MV Maggie Cat) was completed and construction continued for two passenger/vehicle ferries for the Southern Moreton Bay Islands service.

Our investment in enhancing technology and the customer experience saw the launch of a new sealink.com.au website, our Brilliant Benefits loyalty offers portal and a mobile App for regular commuters on our ferry services.

The Directors would like to thank our employees, customers, suppliers and shareholders for their ongoing support and commitment over the past year. The hard-working talented people at Kelsian are central to our ongoing future growth and success.

KEY RESULTS

RESULTS IN BRIEF

	STATUTORY RESULTS			UNDERLYING RESULTS [#]		
	JUNE 2022 \$M	JUNE 2021 \$M	CHANGE %	JUNE 2022 \$M	JUNE 2021 \$M	CHANGE %
Revenue from Ordinary Activities	1,324.7	1,173.1	12.9	1,324.7	1,173.1	12.9
EBITDA *	185.1	161.0	15.0	183.1	167.5	9.3
Depreciation	(80.6)	(62.7)	28.6	(80.6)	(62.7)	28.6
EBITA	104.5	98.3	6.3	102.5	104.8	(2.2)
Amortisation of customer contracts	(18.6)	(31.7)	(41.2)	(18.6)	(31.7)	(41.2)
EBIT	85.9	66.6	28.9	83.9	73.1	14.7
Net finance costs	(21.4)	(17.6)	21.2	(21.4)	(17.6)	21.2
Profit Before Tax	64.5	49.0	31.7	62.5	55.5	12.7
Tax	(11.6)	(11.2)	3.4	(14.0)	(12.4)	12.8
Profit after Tax and before Amortisation	71.5	69.5	2.9	67.1	74.7	(10.2)
Profit after Tax	52.9	37.8	40.1	48.5	43.0	12.6

Underlying Results adjusted for significant items for the period.

Acquisition, transaction related costs and other[^]

(3.0) (5.0)

Net gain on investments

5.0

Insurance recovery - Vivonne Bay, Kangaroo Island

- 2.2

Impairment of assets/intangibles

- (3.8)

Total significant items

2.0 (6.5)

Tax impact adjustment for significant items

(2.4) 1.3

* 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, UK divestments and NZ Bus including stamp duty, legal, due diligence, accounting, tax and other costs.

DIVIDEND INFORMATION

	AMOUNT PER SHARE (CENTS)	FRANKED AMOUNT PER SHARE (CENTS)
2021		
Interim Dividend	7.0	7.0
Final Dividend	9.0	9.0
2022		
Interim Dividend	7.0	7.0
Final Dividend	9.5	9.5

FINAL DIVIDEND DATES

Record date	5 September 2022
Payment date	5 October 2022

NET TANGIBLE ASSETS

	JUNE 2022	JUNE 2021
Net tangible assets per ordinary share	\$0.35	\$0.27

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

DIRECTORS' REPORT

DIRECTORS

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 year ended 30 June 2022.

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.

The names and details of the Company's Directors in office during the financial year and until the date of this report are set out below. Directors have been in office for the entire period unless otherwise stated.



JEFFREY R. ELLISON AM
B. ACC, FCA, FAICD
CHAIR

Mr Ellison holds a Bachelor of Arts Degree in Accounting from the University of South Australia, is a Fellow of the Chartered Accountants Australia and New Zealand and the Institute of Company Directors. He previously held the position of Chief Executive Officer of Kelsian Group Limited since 1997 and was appointed Managing Director in 2008. Mr Ellison retired as Managing Director and CEO on 16 January 2020 and following a month of transition as an Executive Director, became a non-executive director from 17 February 2020. He was subsequently appointed Acting Chair with effect from 1 July 2020 and Chair on 23 February 2021.

Mr Ellison is Deputy Chair of Tourism Australia and Chair of Hayborough Investment Partners Pty Ltd. Mr Ellison is a former Board member of the South Australian Tourism Commission, Tourism and Transport Forum Australia, the Adelaide Convention Centre and the South Australian Botanic Gardens and State Herbarium Board. On 22 February 2022, Mr Ellison became a member of the Company's People, Culture and Remuneration Committee.



CHRISTOPHER D. SMERDON
MAICD
NON-EXECUTIVE DIRECTOR

Mr Smerdon has extensive experience in the Information Technology and Cyber Security field having established and built companies with national and international operations. He is currently Managing Director of Vectra Corporation, a company that provides specialist Cyber Security services to organisations globally handling sensitive data, financial information and large volumes of credit card transactions. Clients include banks, telcos, payment gateways, airlines and utilities.

Mr Smerdon joined the Board in 2004 and was a member of the Company's Audit, Risk and Sustainability Committee until 22 February 2022. Mr Smerdon has previously held directorships on both government and public company boards. Mr Smerdon is a Member of the Australian Institute of Company Directors.



ANDREA J.P. STAINES OAM
MBA, B.EC, FAICD
NON-EXECUTIVE DIRECTOR

Ms Staines has extensive experience in the transport and tourism sector and is a former CEO of Qantas subsidiary, Australian Airlines (mk II), which she co-launched. Ms Staines is currently Deputy Chair of Australia Post and sits on the boards of UnitingCare Qld and ASX listed Acumentis.

Ms Staines has been a professional non-executive director for fifteen years, is a Fellow of the Australian Institute of Company Directors, and has held previous directorships with a range of entities including NZX listed Freightways, ASX listed Aurizon, QIC, Tourism Australia, North Queensland Airports and Australian Rail Track Corporation.

Ms Staines joined the Board in 2016 and was Chair of the Company's People, Culture and Remuneration Committee until 22 February 2022 and became a member of the Audit, Risk and Sustainability Committee on 22 February 2022.



TERRY J. DODD
NON-EXECUTIVE DIRECTOR

Mr Dodd has extensive experience in business management and the marine industry. After qualifying as a commercial diver in the USA and working as a commercial diver in the onshore and offshore oil and gas industry, he successfully established a recreational diving business and a travel agency in North Queensland.

Mr Dodd is Managing Director and owner of Pacific Marine Group Pty Ltd, one of Australia's largest marine construction and commercial diving companies. Mr Dodd was previously Managing Director of Sunferries, a ferry transport business based in Townsville, prior to its sale to Kelsian in March 2011 when Mr Dodd joined the Board of Kelsian.

Mr Dodd is a member of the Company's People, Culture and Remuneration Committee.

DIRECTORS' REPORT



FIONA A. HELE

B.COM, FCA, FAICD
NON-EXECUTIVE DIRECTOR

Ms Hele is a Non-Executive Director and an experienced Audit and Risk Chair with a strong commercial and finance background. Ms Hele is a Chartered Accountant with over 25 years' experience in both the private and public sectors specialising in strategic business advisory, mergers and acquisition, risk management and corporate governance.

Ms Hele is a Fellow of the Institute of Chartered Accountants, Australia and New Zealand, and a Fellow of the Institute of Company Directors. During the financial year ended 30 June 2022, Ms Hele was a director of Adelaide Venue Management Corporation, Celsus Securitisation Pty Ltd and the South Australian Water Corporation. From 1 July 2022, Ms Hele became a director of Argo Global Listed Infrastructure Limited.

Past Directorships include the South Australian Tourism Commission and the Adelaide Fringe Festival.

Ms Hele joined the Board in 2016 and is Chair of the Company's Audit, Risk and Sustainability Committee.



NEIL E. SMITH

MTM, B.ARTS, FCILT
NON-EXECUTIVE DIRECTOR

Mr Smith was one of the founding shareholders and the former Chairman of the Transit Systems Group prior to the acquisition by Kelsian. He has over 30 years of commuter transport operations experience.

Mr Smith commenced his career within the Sydney bus industry, before acquiring a number of bus operations in rural NSW and then Queensland. In 1995, Mr Smith joined with Graham Leishman and Lance Francis to found Transit Systems and in 2013, was a founding shareholder of Tower Transit.

Mr Smith holds a Bachelor of Arts Degree and a Masters of Transport Management from the University of Sydney and is a Fellow of the Chartered Institute of Transport and Logistics.

Mr Smith joined the board in 2020.



LANCE E. HOCKRIDGE

FCILT, FIML, MAICD
NON-EXECUTIVE DIRECTOR

Mr Hockridge has extensive international experience in the transportation, manufacturing and logistics sectors with a focus on safety, operational and financial transformation of businesses.

Mr Hockridge was previously the Managing Director and CEO of Aurizon Holdings Limited (2010 to 2016) following the demerger of Queensland Rail and QR National from a government owned railway to an ASX50 company. Other notable accomplishments as an executive include the oversight of BHP's global transport business, together with key roles in financial and operational reform in the heavy industrial sector and leading a major turnaround for BlueScope Steel's North American operations.

Mr Hockridge is Chair and Director of AVADA Group Limited as well as Chair of the Salvation Army Queensland Advisory Council, and an active advocate for diversity in the workforce.

Mr Hockridge joined the board in July 2021 and is a member of the Audit, Risk & Sustainability Committee and became Chair of the People, Culture and Remuneration Committee on 22 February 2022.



ANDREW D. MUIR

B.EC, MBA
JOINT COMPANY SECRETARY

Mr Muir (Group Chief Financial Officer) was appointed Company Secretary on 1 June 2018. Mr Muir has also held a number of similar financial positions with other ASX listed and private companies. Mr Muir holds a Bachelor of Economics and a Master of Business Administration from the University of Adelaide.



JOANNE H. McDONALD

LLB (HONS), B.EC, GAICD, FGIA
JOINT COMPANY SECRETARY

Ms McDonald (Chief Legal and Risk Officer, appointed August, 2022) was appointed Company Secretary on 21 August 2018. Ms McDonald has over 25 years' experience in governance, commercial and corporate law holding company secretarial and senior legal and commercial positions with private and statutory corporations. She holds a Bachelor of Laws (Hons) and Bachelor of Economics from the University of Adelaide as well being a graduate of the Australian Institute of Company Directors and Fellow of the Australian Governance Institute.

DIRECTORS' REPORT

INTEREST IN THE SHARES OF THE COMPANY AND RELATED BODIES CORPORATE

As at the date of this report, the interests of the Directors in the shares of the Company were:

	NUMBER OF ORDINARY SHARES
N Smith	25,444,556
C Smerdon	5,686,875
T Dodd	5,386,578
J Ellison AM	5,049,769
F Hele	38,172
L Hockridge	100,000
A Staines OAM	-

COMMITTEE MEMBERSHIP

During the reporting period the Company had the following Committees with nominations responsibilities retained at Board level and being addressed as part of the Board meetings. The Board resolved to form a separate Nominations Committee from July 2022 to further support the Board's oversight of nominations and responsibilities. Membership of the FY22 Committees of the Board changed following the February 2022 Board meeting and for the period was as follows:

Audit, Risk & Sustainability	People, Culture & Remuneration
F Hele (Chair)	L Hockridge (Chair)
L Hockridge	T Dodd
A Staines OAM (From February 2022)	J Ellison AM (From February 2022)
C Smerdon (From 1 July 2021 to February 2022)	A Staines OAM ((From 1 July 2021 to February 2022)

DIRECTORS' MEETINGS

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2022, and the number of meetings attended by each Director were:

	BOARD MEETINGS	AUDIT AND RISK COMMITTEE MEETINGS	PEOPLE, CULTURE & REMUNERATION COMMITTEE MEETINGS
Number of meetings held:	25	4	5
J Ellison AM* (Board Chair)	24	-	1
C Smerdon*	25	3	-
T Dodd	25	-	5
A Staines OAM*	24	1	4
F Hele	23	4	-
N Smith	24	-	-
L Hockridge	25	4	4

Held: represents the total number of meetings of that body held during the financial year: Attended: represents the number of meetings attended by a director.

To the extent that directors who are not members of the relevant Committee attend Committee meetings as guests from time to time their attendance is not recorded in the table above.

*During FY22 the number of eligible Committee meetings held during the time the following directors were members of the relevant Committee is less than the total meetings for the year indicated in the above table and is as follows:

J Ellison AM — eligible to attend 1 People, Culture and Remuneration Committee meeting

C Smerdon — eligible to attend 3 Audit, Risk and Sustainability Committee meetings

A Staines OAM — eligible to attend 1 Audit, Risk and Sustainability Committee meeting and 3 People, Culture and Remuneration Committee meetings

PRINCIPAL ACTIVITIES

During the financial year the principal continuing activities of the consolidated entity 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

SHARES UNDER OPTION

At 30 June 2022, there were 742,219 (2021: 553,647) options/performance rights outstanding to acquire ordinary shares in the Company. No options or performance rights to acquire shares or interests in the Company or a controlled entity were granted since the end of the financial year.

During the year, no options were exercised by employees.

DIRECTORS' REPORT

DIVIDENDS

Dividends paid during the financial year were as follows:

	CONSOLIDATED	
	2022 \$'000	2021 \$'000
Interim fully franked dividend for the year ended 30 June 2022 paid 31 March 2022 of 7.0 cents (2021: 7.0 cents) per ordinary share	15,288	15,288
Final fully franked dividend for the year ended 30 June 2021 paid 2 October 2021 of 9.0 cents (2020: 4.5 cents) per ordinary share	19,656	9,828
	34,944	25,116

Kelsian's Directors declared a 9.5 cents per share fully franked final dividend payable on 5 October 2022 to shareholders registered on 5 September 2022. Total 2022 dividends of 16.5 cents represents a 50.3% return of net profit after tax and before amortisation to shareholders, which is in line with the Company's policy of returning 50% - 70% of underlying net profit after tax and before amortisation, subject to business needs and ability to pay. The interim dividend for the half-year ended 31 December 2021 was 7.0 cents per share.

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.

RISK MANAGEMENT

To deliver our strategy it is important we understand and manage the risks that face the Group. Kelsian's Risk Management Framework supports a holistic approach to risk management, identifying and understanding principal risks across our operating divisions then consolidating these with Group risks to produce a Group view of our material business risks.

Material risks are reported to and reviewed by the Board, the Audit, Risk and Sustainability Committee and Group Executive Risk Committee as part of risk reporting processes. The Board Audit, Risk and Sustainability Committee, along with the Group Executive Risk Committee, monitor these risks to ensure the risk is within the Group's risk appetite, whilst at the same time identifying and analysing emerging risks that we face in the pursuit of our objectives. The Group has developed a risk appetite framework which informs the business of the Board's appetite for certain risks.

Risk management is also integrated into key business decision-making activities, including strategic planning, investment decisions, financial risk management and project/change management. Internal audits and risk reviews are undertaken to confirm risks are being effectively managed and continually improve the quality of risk management information reported to the Board through the Audit, Risk and Sustainability Committee.

The achievement of Kelsian's strategic objectives and future financial performance is subject to various risks that arise from the activities and operations of the Group. The table below outlines our principal risks that could affect results and performance. (Note this is not an exhaustive list nor in order of materiality.)

DIRECTORS' REPORT

RISK EXTERNAL RISKS	DESCRIPTION	MITIGATION
Economic Condition	Like all organisations, the Group is exposed to economic fluctuations which can impact on customer needs, supply chain costs and growth opportunities. The global economic outlook is looking uncertain specifically in respect of supply chain costs, labour and fuel prices all of which increase uncertainty around financial resources.	In addition to hedging through financial instruments, the Group have natural hedging within many of its contracts to significantly manage this risk. This is further supported by innovative and efficient business operating models that support our clients in delivering safe, reliable, sustainable and economical solutions.
Climate Change	<p>Businesses globally continue to come under increasing pressure from all stakeholders to demonstrate strong progress on their climate related progress and performance. Failure to manage the risks, and expectations, in respect of climate-change could negatively impact the Group's reputation, performance and growth opportunities.</p> <p>Kelsian believes that the transition to a lower carbon economy presents opportunities as well as risks for our business. The transition to decarbonisation presents opportunities to embrace new technologies that are more efficient and innovate our services. Increased use of public transport services can be a positive contributor to lowering carbon emissions in metropolitan cities where we operate.</p> <p>The risks include Transition risks; extensive policy, legal, technology and market changes as well as physical risks which result from climate change. Depending on the nature, speed, and focus of these changes, transition risks may pose varying levels of financial and reputational risk to the Group.</p>	<p>During 2022, Kelsian partnered with KPMG to assess our position in respect of the TCFD recommendations around Governance, Strategy, Risk Management and Metrics and Targets.</p> <p>Through this exercise we have undertaken a comprehensive review of the climate related transitional and physical risks, and opportunities, relevant to the Group. The risks and opportunities identified in this exercise have been analysed and evaluated using the Group's risk methodology and targeted plans developed to mitigate risk and progress opportunities.</p> <p>Our understanding of risk will continue to evolve through climate-related scenario analysis to help assess how the future, and our business, might look like if certain trends continue.</p> <p>Kelsian, who are seen as a market leader in sustainable technology and solutions in the markets in which we currently operate, actively engage with all key stakeholders in respect of decarbonisation policies, plans and targets.</p>
Geopolitical/ Government Policy	<p>Kelsian is exposed to risks of changes in government policies and regulations which may impact financially on the Group's cost base or future prospects and opportunities for new or renewed contracts. The Group's operations depend heavily on government policy, funding regimes and infrastructure plans initiatives continuing to support private company operators in public transport.</p> <p>Such changes have the potential to impact (both positively and adversely) on Kelsian's profitability and future growth prospects.</p>	<p>Kelsian manages these risks by putting in place dedicated resources to manage and monitor government policies and implement appropriate systems and processes to ensure compliance with changing regulatory environments.</p> <p>Kelsian, as far as possible, incorporates consideration of changes in regulatory requirements and government policies into its corporate and financial plans and forecasts.</p>

DIRECTORS' REPORT

RISK STRATEGIC RISKS	DESCRIPTION	MITIGATION
Competition Growth	<p>Kelsian provides its services and products to individuals, companies and government agencies across a range of economic sectors. This is carried out in competitive markets where we compete in areas of price, quality and service options.</p> <p>Failure to effectively compete in the market and/or develop new and innovative solutions could lead to non-renewal of contracts and failure to win new tenders. Should these crystallise these risks can impact on the financial performance of the group.</p>	<p>Kelsian's focus is on being a world leader in delivering essential travels through safe and intelligent transport solutions and create brilliant customer experiences. This purpose is built on core strategic strengths within the Group – Customer Experience, Operational Excellence, Safety and Innovation and Sustainability.</p> <p>Kelsian has a dedicated Business Development Function who oversee the Group's competitive tendering process as well as monitoring and assessing market conditions in areas where we bid/operate. This team also work with our operational divisions to identify and evaluate new business opportunities.</p> <p>Our continued focus in these areas will ensure Kelsian will continue to remain competitive and attractive to customers and clients who value these values in their business partner.</p>
Contracted Services	<p>Over 80% of the Group's revenue is secured through long-term government/commercial contracts. Such contracts attract inherent risks around achieving operational and financial performance. Unmanaged, these risks can impact on the Group's financial performance as well as our reputation and ability to renew and secure new contracts.</p>	<p>As an experienced and established operator, Kelsian and its Operating Division have extensive expertise to ensure we meet the requirements and standards on all our contracts. This is backed up with excellent customer/client relations to ensure expectations are understood and managed.</p> <p>Kelsian's financial and operational excellence models provide for effective financial monitoring of all business activities and efficient business operations.</p>

DIRECTORS' REPORT

OPERATIONAL RISKS	DESCRIPTION	MITIGATION
Financial Risks	Kelsian's continued ability to operate its business and effectively implement its business plans is exposed to a variety of financial risks including credit risk, interest and currency risk, liquidity risk as well as Balance Sheet risk.	Information on how Kelsian manages financial risks is included in the Notes to the Financial Statements.
Health & Safety	Transport, tourism and hospitality inherently include safety risks many of which are outside our control. Significant safety incidents, or failings in our safety management systems, could result in reputational, legal and financial damage.	<p>Kelsian has a strong safety culture and is committed to continuous improvement and maintaining safety standards for all our operations.</p> <p>Kelsian has robust Safety Management Systems across all its operations which ensure that safety hazards and risks are identified and managed. Many of our operations are certified to AS 4801 / ISO 45001 and those that are not, are either working towards certification or have safety systems that meet the equivalent of these standards.</p> <p>As an experienced transport and tourism operator, Kelsian understand the safety risks inherent in our business and have an extensive range of controls to protect our people and customers.</p> <p>The Group employs dedicated professionals to manage health and safety outcomes and to provide support, education and training to the Group's employees with respect to health and safety matters in the workplace.</p>
Environmental	<p>The nature of our activities which occur in some environmentally sensitive areas such as marine waters in Australia have the potential to cause harm to the environment if not managed appropriately.</p> <p>Failure to operate in accordance with environmental standards not only has the potential to result in environmental harm but also increases compliance costs, jeopardises our community relations and causes reputational damage with our stakeholder and investors.</p>	Kelsian undertakes comprehensive risk assessments to ensure the environmental risks and hazards we face are identified and risks managed to acceptable standards.
Cyber and Information Security	Kelsian like any business faces an everchanging cyber security threat and needs to have adequate arrangements in place to prevent, detect and respond to such threats ensuring no loss of or disruption to our systems and data.	<p>The Group aligns with ISO 27001 (Information Security Management) and the ACSC (Australian Cyber Security Centre) Essential 8 Maturity Model.</p> <p>We have an established suite of technical and procedural solutions, as well as routine activities, such as cyber awareness training, to ensure levels of security and resilience are at the optimum level.</p> <p>Our security arrangements are routinely reviewed, through external and internal reviews, and upgraded or reinforced as necessary to ensure their adequacy.</p>

DIRECTORS' REPORT

OPERATIONAL RISKS	DESCRIPTION	MITIGATION
People	<p>Employee costs represent the largest operating cost of the Group. In addition to the management of the various financial aspects of employee costs, the Group also face challenges around talent management - recruitment, retention and training, regulatory compliance and Industrial Relations management. Failing to manage these appropriately could have adverse financial, reputational and operational impacts.</p>	<p>Kelsian have a team of dedicated People & Culture professionals to support the business on all P&C related matters. We have HR strategies, policies and remuneration packages to attract, retain and motivate our people, whilst ensuring succession planning is in place for key staff. We are also experienced at industrial relations management and take into consideration changes in the labour market in our financial planning and contractual arrangements.</p>
Business Resilience	<p>As a key element of a location's infrastructure, prolonged and unplanned interruption to Kelsian's operations could significantly impact the financial performance of the Group and its reputation.</p> <p>Whilst a number of these risks are outside our control, we need to ensure that we manage those within our control and our response to their occurrence in order to provide high levels of availability and reliability of our services and products.</p>	<p>Kelsian has an extensive range of controls and strategies in place to manage such risks, including crisis management plans, business continuity plans, inspection and maintenance procedures, customer service training, compliance programs as well as appropriate insurances.</p>

DIRECTORS' REPORT

INDEMNITY AND INSURANCE OF OFFICERS

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

During the financial year, the Company paid a premium in respect of a contract to insure the Directors and executives of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company is party to Deeds of Indemnity in favour of each of the Directors, referred to in this report who held office during the year and certain officeholders of the Company. The indemnities operate to the full extent permitted by law and are not subject to a monetary limit. Kelsian is not aware of any liability having arisen, and no claims have been made, during or since the financial year ending 30 June 2022 under the Deeds of Indemnity.

INDEMNITY AND INSURANCE OF AUDITOR

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young Australia, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount).

No payment has been made to indemnify Ernst & Young during or since the financial year.

PROCEEDINGS ON BEHALF OF THE COMPANY

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

NON-AUDIT SERVICES

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 33 to the financial statements.

The Directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Directors are of the opinion that the services as disclosed in note 33 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and

- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

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.

ENVIRONMENTAL REGULATION

The Group's operations are subject to various Australian Commonwealth, State and Territory environmental regulations as well as certain environmental regulations applicable to London and Singapore. The types of key activities subject to these regulations relate to emissions reporting, storage of fuels and hazardous substances, regulatory controls on water quality, marine parks, noise, and other impacts of operating transport.

Each operating Division has an environmental management framework and supporting environmental management systems to manage these risks, maintain standards and ensure compliance with applicable regulatory and licence requirements. Environmental performance is monitored by site and business division and information about the Group's performance is reported to and reviewed by divisional management, Group Executive management and the People, Culture and Remuneration Committee. All of the bus operations within the Group's business units have achieved or are working towards certification to ISO14001:2015. Marine safety systems applicable to our marine businesses also apply a systematic approach to managing environmental impacts of our marine businesses.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

A fully franked dividend of 9.5 cents per share was declared by Kelsian's Directors on 24 August 2022, representing a total payment of \$20,747,910 to be paid 5 October 2022 based on the current number of ordinary shares on issue.

AUDITORS 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.

AUDITED REMUNERATION REPORT

LETTER FROM CHAIR OF PEOPLE, CULTURE AND REMUNERATION COMMITTEE

Dear Shareholder,

I am pleased to present our Remuneration Report for the financial year ended 30 June 2022, which summarises Kelsian Group Limited's ('Kelsian') remuneration framework, governance, and outcomes for Key Management Personnel (Executives and Non- Executive Directors) ('KMP').

Our Year

Kelsian has delivered a pleasing financial performance in FY22, particularly in light of the volatile operating conditions surrounding the Omicron outbreak and global uncertainty. Amongst the challenges presented by the operational aspects of the business, the management team has delivered an excellent result in the restructuring of the UK operations, seamlessly mobilised a significant contract in Singapore to double the size of that operation and successfully integrated Go West Tours, which represents the first services for Kelsian in the mining resources sector.

Kelsian's financial performance illustrates the resilience of the businesses and the capability of the management team in managing an ever-changing operating environment. The results for this year (described in more detail in other sections of the Directors' Report) include increasing statutory net profit after tax to \$52.9 million for the year ended 30 June 2022, achieving a record underlying EBITDA of \$183.1million and increasing earnings per share and dividends.

Some specifics

It was pleasing to note the delivery of improved safety outcomes across the larger Group and progress made on initiatives to integrate and strengthen the consistency of safety measurement and management.

We have responded to feedback regarding the 2021 Remuneration Report

Whilst last year's Remuneration Report received strong support (86.99% in favour) at the 2021 AGM, the People, Culture and Remuneration Committee and the Board have continued to listen carefully to the feedback received regarding this Report building on improvements to reporting started in FY20. Based on this feedback and ongoing engagement with key stakeholders during FY22, we have continued to include greater disclosure of KPIs which are not commercially sensitive to provide greater clarity and transparency.

KMP Changes

Throughout FY22, there was only one change to the Executive Leadership Team (ELT) as a result of a retirement in the International Division.



Mr. L. Hockridge
Chair, People, Culture & Remuneration Committee
Kelsian Group Limited
24 August 2022

AUDITED REMUNERATION REPORT

This Remuneration Report forms part of the Directors' Report and sets out the remuneration framework and arrangements of Kelsian Group Limited ('Group' or 'Kelsian') for the Key Management Personnel ('KMP') of the consolidated entity, for the purposes of the Corporations Act 2001 and Accounting Standards for the financial year ended 30 June 2022.

This information has been audited as required by Section 308 (3A) of the Corporations Act 2001.

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2. FY22 Remuneration Snapshot
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4. Overview of Financial Performance
5. Remuneration Framework
6. Remuneration Outcomes
7. Executive and NED Remuneration
8. Options, Shareholdings, and Performance Rights of KMP

1. KEY MANAGEMENT PERSONNEL (KMP)

The KMP for the purposes of this Report are those having the authority and responsibility for planning, directing and controlling major activities of the Group, directly or indirectly, including any Director (whether Executive or otherwise) of Kelsian. The term Executive includes the Group Chief Executive Officer and other Executives. The following persons set out in the table below were KMP for the reporting period 1 July 2021 to 30 June 2022:

TABLE 1.1: KMP FROM 1 JULY 2021 TO 30 JUNE 2022

NON-EXECUTIVE DIRECTORS (NEDS)

Name	Role	Appointed	PCRC
J Ellison AM	Chair	Appointed Chair on 23 February 2021 Director since 9 July 2008	✓
T Dodd	Non-Executive Director	28 March 2011	✓
G Smerdon	Non-Executive Director	13 May 2004	
A Staines OAM	Non-Executive Director	15 February 2016	
F Hele	Non-Executive Director	13 September 2016	
N Smith	Non-Executive Director	16 January 2020	
L Hockridge	Non-Executive Director	1 July 2020	Committee Chair

EXECUTIVES

Name	Role	Commenced in KMP Role
C Feuerherdt	Group Chief Executive Officer	16 January 2020
A Muir	Chief Financial Officer & Joint Kelsian Secretary	5 January 2017
G Legh	Chief Development Officer	16 January 2020
P Cox	Chief Operating Officer – International	1 July 2021
W Toh	Managing Director – Singapore	16 January 2020
D Gauci	Chief Operating Officer – Marine & Tourism	11 October 2013
G Balkin	Chief Operating Officer – Australian Bus	1 September 2020
R Carpenter	Chief People and Culture Officer	12 April 2021

AUDITED REMUNERATION REPORT

2. FY22 REMUNERATION SNAPSHOT

The below information provides a high-level overview of remuneration outcomes and any changes to the framework or disclosures in respect of FY22

KEY FOCUS	OUTCOME	SUMMARY
EXECUTIVE REMUNERATION	Zero to 3.8% increase	There were increases of 0% to 3.8%
STI OUTCOMES	48 - 100%	<p>The FY22 STI was payable based on performance against Group financial performance and individual performance.</p> <p>During FY22 there were changes to the FY22 STI Goals:</p> <p>In July 2021 the People, Culture and Remuneration Committee endorsed changing the financial metric target for the group profit goal from NPATA to EBIT.</p> <p>Targets were amended to achieve better alignment between Group and Divisional targets as well as improve transparency, ease of reporting and understanding for future STI payments.</p> <p><i>Refer to section 5 for further information relating to the STI Plan and STI Outcomes.</i></p>
LTI OUTCOMES	100%	<p>The FY20 grant was payable in full on achievement of the threshold gate and performance hurdles for both Tranche 1 and Tranche 2 of the LTI Plan.</p> <p>Note – For FY23 it is proposed that the grant of Performance Rights in FY23 for the Group CEO will be submitted for shareholder vote at the 2022 Annual General Meeting prior to the grant of such rights.</p> <p><i>Refer to section 5 for further information relating to the LTI Plan.</i></p>
NON-EXECUTIVE REMUNERATION	1.96% increase	<p>Non-Executive director fees were increased by 1.96% inclusive of superannuation where applicable.</p> <p><i>Refer to section 7 for information relating to Non-Executive Directors.</i></p>
FY23 AND BEYOND		<p>During the course of FY22 Kelsian has developed a more comprehensive Remuneration Framework, in which external benchmarking of KMP was undertaken by Korn Ferry. Further market insights were also provided by Godfrey Remuneration Group and Morrow Sodali to understand market trends, the practice of the organisation's peers, and feedback from the AGM and Proxy Advisors. As a result, several changes will be implemented for FY23 including:</p> <ol style="list-style-type: none"> 1. Shift from Key Performance Indicators to Performance Objectives, shifting primary focus from inputs to outcomes. 2. Performance objectives will be: <ul style="list-style-type: none"> • limited to a maximum of eight. • tailored to each KMP, to ensure Executives focus on objectives with the largest contribution to the business. • weighted according to the level of impact on the organisation. 3. Development of formal STI Plan Rules. 4. Deferral of 50% of the financial objective component of the STI, to be paid as equity subject to a 12-month deferral period and any disposal restrictions required for legal compliance reasons. No service test will apply to the deferred component.

AUDITED REMUNERATION REPORT

3. REMUNERATION GOVERNANCE FRAMEWORK

Kelsian's remuneration governance framework is illustrated below. While the Board retains ultimate responsibility, Kelsian's remuneration policy is implemented through the People, Culture and Remuneration Committee.



AUDITED REMUNERATION REPORT

The People, Culture and Remuneration Committee operates under a Charter that outlines its structure and responsibilities. The Charter is available on the [Kelsian corporate website](#). Membership of the Committee during the period 1 July 2021 to 30 June 2022 was comprised of the following four Non-Executive Directors (NEDs) and chaired by an independent NED for the whole year:

Mr. L Hockridge	Non-Executive Director, Independent (Committee Chair from 22 Feb 2022)
Mr. T Dodd	Non-Executive Director, Independent
Mr. J Ellison AM Board Chair	Non-Executive Director, Non-Independent (member from 22 February 2022)
Ms. A Staines OAM	Non-Executive Director, Independent (ceased as member and Committee Chair on 22 February 2022)

The People, Culture and Remuneration Committee met regularly throughout the year. The Group Chief Executive Officer, Chief Financial Officer and Chief People and Culture Officer attend Committee meetings by invitation, where management input is required. However, Executives are not present during discussions related to their own remuneration arrangements.

Throughout the year, the People, Culture and Remuneration Committee and Kelsian management received information about remuneration practices, market trends and general information related to remuneration market data and analysis from external advisors such as Korn Ferry.

During the year Korn Ferry provided benchmarking information and data to the Board and Committee to assist them in assessing the current remuneration levels and mix for the Group CEO and other KMP. Korn Ferry is a renowned global remuneration specialist that has assisted Kelsian in establishing a Remuneration Framework, which also included the benchmarking of all KMP. The recommendations that the PCRC makes to the Board are based on its own independent assessment of the information and advice provided by Korn Ferry and other external remuneration consultants.

In addition, Kelsian engaged with remuneration consultants from Godfrey Remuneration Group (GRG) and Morrow Sodali, to provide market insights and UK lawyers and accountants to procure and provide expert tax and legal advice in relation to the offer of its Long-Term Incentive Program to residents of the United Kingdom.

No remuneration recommendations as defined in s9B of the Corporations Act 2001 were received from any external party providing the services described above.

4. OVERVIEW OF FINANCIAL PERFORMANCE

Kelsian has successfully navigated another challenging operational year. The strength of the underlying contracted revenue and the essential nature of its operations is illustrated in another strong financial result. Whilst suppressed travel demand endured as a result of the new Omicron COVID-19 variant, a vast majority of our operational units continued to operate and deliver essential transport links to their communities. Kelsian recorded a statutory Net Profit after Tax (NPAT) of \$52.9 million for the twelve-month period ended 30 June 2022 compared to a statutory Net Profit after Tax (NPAT) of \$37.8 million in the previous year.

Underlying Earnings Before Interest, Tax, (EBIT), another record was achieved at \$83.9 million compared to an underlying EBIT of \$73.1 million for the June 2021 year. Underlying EBIT has been adjusted for significant one-off items during the period.

Kelsian has prudently decided to move to the lower end of the stated dividend pay-out range of 50-70% of net profit after tax and before amortisation and has declared a final dividend of 9.5 cents per share, up from 9.0 cents in the prior comparable period. This brings the full-year dividend to 16.5 cents per share, up from 16.0 cents per share last year.

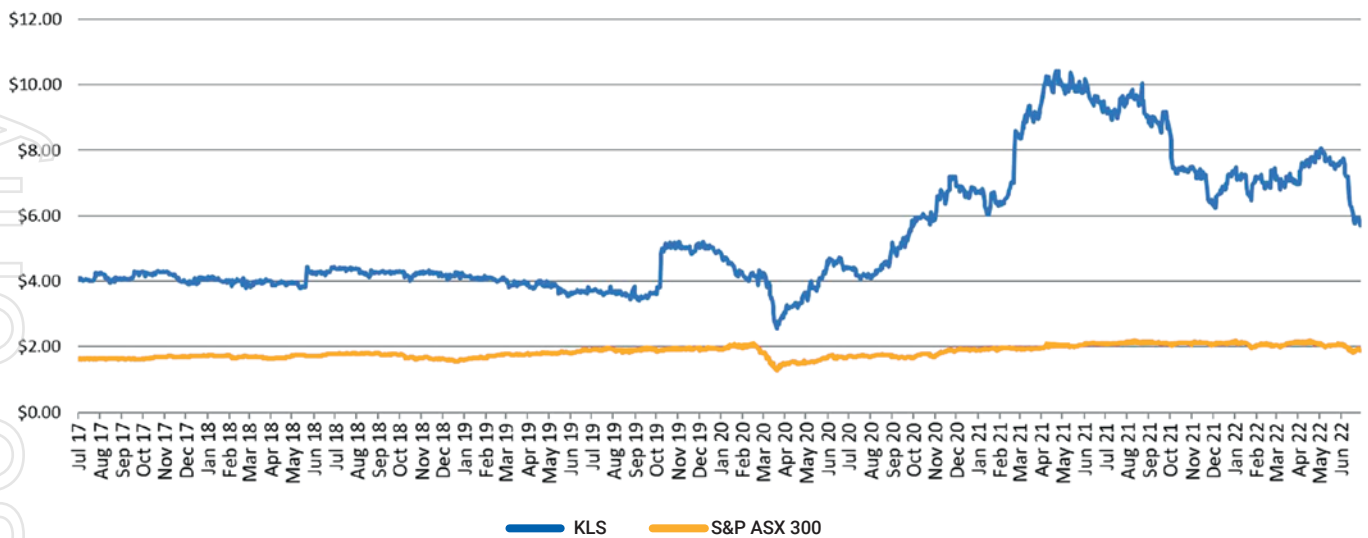
TABLE 4.1

Kelsian's financial performance as measured by statutory Earnings Before Interest Tax and Depreciation (EBITDA), Earnings Before Interest and Tax (EBIT), Net Profit After Tax and before Amortisation (NPATA) from continuing operations, earnings per share, gross dividends paid, the dividend paid per share, and the share price at year-end

	30 JUNE 2018 \$'000	30 JUNE 2019 \$'000	30 JUNE 2020 \$'000	30 JUNE 2021 \$'000	30 JUNE 2022 \$'000
Revenue (\$m)	209.4	251.4	646.5	1,211.7	1,324.7
EBITDA (\$m)	43.5	47.5	56.7	132.7	185.1
EBIT (\$m)	30.6	29.5	2.4	66.6	85.9
NPATA (\$m)	21.1	22.5	7.3	69.5	71.5
Gross Dividend Paid (\$'m)	14.7	15.2	18.1	25.1	34.9
Earnings Per Share (cents)	19.3	21.3	(8.2)	17.3	24.2
Dividend Paid Per Share (cents)	14.5	15.0	11.0	16.0	16.5
Share Price (\$)	4.43	3.81	4.42	9.41	5.87

AUDITED REMUNERATION REPORT

CHART 4.2: KELSIAN'S SHARE PRICE PERFORMANCE SINCE 1 JULY 2017 RELATIVE TO S&P ASX 300



The Compound Annual Growth Rate (CAGR) of Kelsian's share price during the five-year period 2017-2022 period was 39.0% compared with the CAGR of the S&P ASX 300 which was 16.2%.

5. REMUNERATION FRAMEWORK

Remuneration Framework and Details for Executives

(i) Objectives

Kelsian's approach to remunerating and rewarding Executives ensures that:

- Remuneration is at levels that are competitive with market rates to attract, motivate and retain high calibre candidates;
- Parity exists for similar roles to maintain stability within the Executive group; and
- Executives are incentivised to drive and sustain long-term growth and increase shareholder value.

The objective of Kelsian's Executive Remuneration Framework is to ensure it aligns Executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of the reward. The Board ensures that Executive reward satisfies the following key criteria for good reward governance practices:

- Competitiveness and reasonableness;
- Acceptability to shareholders;
- Performance linkage / alignment of Executive compensation; and
- Transparency.

The reward framework for Executives is designed to align Executive rewards to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:

- Having economic profit as a core component of the reward framework design;
- Focusing on sustained growth in shareholder wealth, consisting of growth in dividends and in earnings per share, and delivering a constant or increasing return on assets as well as focusing Executives on key non-financial drivers of value; and
- Attracting, motivating and retaining high calibre Executives.

(ii) Components

The Executive remuneration and reward framework has three components:

- Fixed remuneration;
- Short-term performance incentives (STI); and
- Long-term performance incentives (LTI).

The combination of these comprises the Executive's total remuneration.

Kelsian has taken advice on market remuneration practices and considered the appropriate level of fixed and "at-risk components" for Executive remuneration. The Committee will review the current mix, market practice and levels of Executive remuneration again during FY23 as part of our ongoing commitment to ensuring Kelsian's remuneration practices are transparent, fit for purpose and exhibit a strong alignment between value creation, Executive reward and shareholders' interests. While it is encouraged, there is no requirement for KMP to hold shares in Kelsian.

AUDITED REMUNERATION REPORT

Fixed Remuneration (FY22)

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, is reviewed annually by the People, Culture and Remuneration Committee on behalf of the Board. This is based on individual responsibility and contribution, business unit performance, the overall performance of the consolidated entity and comparable market remuneration taking into account the scale of Kelsian's business and responsibilities. Executives may receive their fixed remuneration in the form of cash and other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to Kelsian and provides additional value to the Executive.

STI Program/Plan

For FY22, the short-term performance incentives ('STI') program is designed to align the targets of Kelsian and operating business units with the performance hurdles of Executives. STI payments are granted to Executives based on specific annual financial and operational targets and key performance indicators ('KPIs') being achieved which include stretch targets and both financial and non-financial goals. These goals are chosen to drive outcomes and behaviours that support the safe operation and delivery of Kelsian's objectives and lead to the creation of long-term growth in shareholder value. KPIs include financial

and non-financial performance measures. Non-Financial performance measures were aligned to the key components of the overall strategic plan. These comprise the areas of safety, people, customer, growth, technology & innovation, and operational excellence. STI payments are "at-risk" cash components paid to Executives when agreed stretch targets have been met, they are discretionary and do not form part of the employment contract.

Short Term Performance Incentives

Kelsian measures KPIs covering financial and non-financial measures, at both Group and Business Unit levels. Some of the Group CEO goals are cascaded to Executives to further align all KMP on delivering Group-wide value for shareholders.

Earnings Before Interest and Tax (EBIT) (Group EBIT, and where applicable, Divisional and business unit EBIT) is the primary financial measure against which management and the Board assess the short-term financial performance of the Group.

For KMP, STI remuneration paid varies by Executive depending on the influence on the Group and the Business Unit, achievement of defined business goals, achievement of specific business unit EBIT targets as well as the extent to which the Group achieved the Board-approved budget for the year.

CHART 5.1: POTENTIAL REMUNERATION MIX FY22 – GROUP CEO

The approximate mix of fixed and at-risk components (STI and LTI) of potential remuneration of the Group CEO based on the current remuneration mix for FY22 is shown below based on the achievement of maximum stretch opportunities.

In October 2021, the Group CEO remuneration mix was adjusted slightly to reflect a reduction in short-term remuneration and an increase in fixed remuneration taking into account receipt of independent benchmarking and market information on the Group CEO role from Korn Ferry.

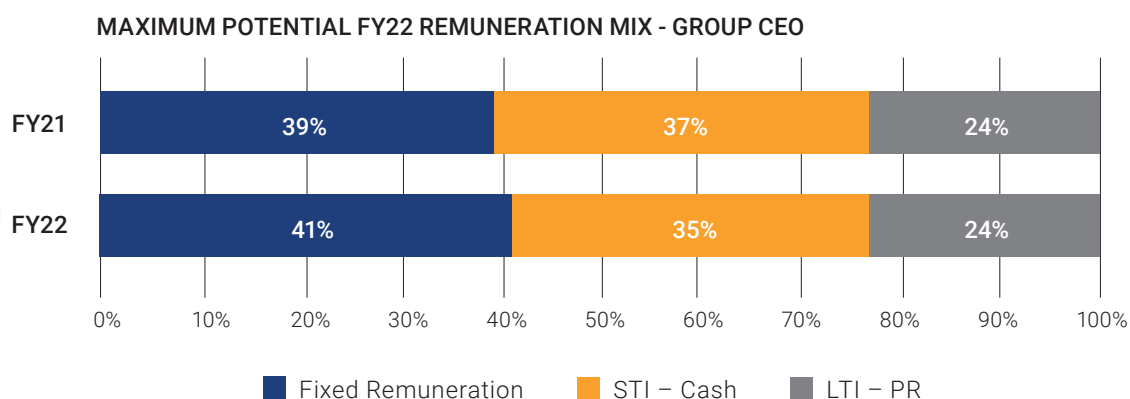


TABLE 5.2: EXECUTIVE POTENTIAL REMUNERATION MIX FY22 – OTHER KMP

THE REMUNERATION MIX OF OTHER EXECUTIVE KMP POTENTIAL OPPORTUNITIES RANGES IN FY22 AS FOLLOWS*:	MAXIMUM STRETCH
Fixed Remuneration	47% to 79%
STI-Cash	12% to 33%
LTI-PR	5% to 26%

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TABLE 5.3: EXECUTIVE SHORT TERM INCENTIVE PROGRAM FY22

How is it paid?	STI awards are paid in cash.
What is the performance period and how much can the Executive earn?	<p>The effective maximum STI opportunity for the Group CEO during this period is 90% of the Base Salary per annum.</p> <p>The effective maximum STI opportunity for other Executives' during this period is a range of between 20%-70% of Base Salary per annum.</p> <p>The actual outcome depends on the Executive's performance level of achievement against each key performance indicator (KPI).</p> <p>Board discretion may be applied that represents the delivery of outstanding performance for Executives to be remunerated for achievements that were not foreseen at the time of target formulation.</p>
How is performance measured?	<p>The Board sets and assesses the KPIs applicable to the Group CEO and approves the KPIs for direct reports to the Group CEO. The Group CEO sets and assesses the KPIs for other Executives.</p> <p>The KPIs set Group and individual objectives that are financial and non-financial and align with both Kelsian's Strategic Plan and the Group's values.</p> <p>For FY22, the rationale for choosing the measures is outlined in the table below. The STI performance measures were chosen as they reflect the key drivers of short-term performance and also provide a framework for delivering sustainable, long-term value to Kelsian and its shareholders.</p>
FINANCIAL MEASURES: UP TO 50%	
PERFORMANCE AREAS & WEIGHTINGS	RATIONALE FOR CHOOSING THIS MEASURE
Group Profit Incentive: CEO, CDO, CFO, CPCO = 50% All Other KMP = 20%	Financial measures focus senior executives on constantly working towards improving not only the efficiency of our team but the financial success of Kelsian and producing strong financial performance and value creation for our shareholders.
Divisional or Business Unit Profit Incentive: All Other KMP = 30%	
NON-FINANCIAL MEASURES: UP TO 50%	
PERFORMANCE AREAS & WEIGHTINGS	RATIONALE FOR CHOOSING THIS MEASURE
Safety All KMP = 10%	Ensure that the health and safety of employees and customers is of the highest importance and our workplace supports achievement by our people.
People CDO = 0% All other KMP = 8%	Operate with strong safety capability to ensure we operate with maximum defences against causing harm to anyone.
Customer CDO = 0% All other KMP = 8%	Investing in our people to become an employer of choice.
Technology and Innovation CDO = 5% All Other KMP = 8%	Our success is underpinned by delivering and exceeding our customer's expectations in order to continue to attract customers and renew contracts for the success of our business. Our strategy requires Executives to focus on our customers thereby delivering long-term business success.
Operational Excellence CDO = 15% All Other KMP = 8%	Innovation, operational excellence and growth are all priority focus areas that will contribute to our success both now and in the future. Consistently working towards improving the business across these areas has and will continue to support delivering strong results for shareholders and create long-term sustainable value.
Growth CDO = 20% All Other KMP = 8%	

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Gate	There is a specific safety KPI that applies to safety performance and accounts for 10% of the total STI award. Should any serious employee injury or fatality occur during a given year, the safety component will automatically result in a 0% outcome for this KPI.
How is STI assessed?	The Chair of the Board reviews the Group CEO's performance against the performance targets and objectives set for that year. The Group CEO assesses the performance of the Executive team as he has direct oversight of their work. The performance assessment of the Group CEO and direct reports to the Group CEO are reviewed by the People, Culture and Remuneration Committee and approved by the Board.
What happens to STI awards when an Executive ceases employment?	<p>If the Executive's employment is terminated for cause, no STI will be paid.</p> <p>If the Executive resigns before the end of the performance period or release of full-year financial accounts for the relevant performance period, the STI may be granted on a pro-rata basis in relation to the period of service completed, subject to the discretion of the Board and conditional upon the individual performance of the Executive and taking into consideration the interests of Kelsian and its shareholders.</p>
Is there an overriding performance condition or clawback provision?	<p>Yes. The Board has the discretion to not pay or reduce the amount of the STI otherwise payable, taking into consideration the interests of Kelsian and its shareholders.</p> <p>In the event of a critical or serious safety incident, the Board will assess all available information relating to the incident and apply discretion where appropriate.</p> <p>In the event of serious misconduct or a material misstatement in Kelsian's financial statements, the Board may cancel the STI payment and may also claw back STI payments paid in previous financial years, to the extent this can be done in accordance with the law.</p>
Are any STI payments deferred?	<p>STI awards in FY22 did not have a deferral component.</p> <p>For FY23, it is proposed that the company will introduce a deferral component of 12 months applicable to 50% of the STI payments arising from the Financial STI measures applied to KMP.</p>

Long-Term Incentive Plan

To align the interests of Executives with the creation of long-term shareholder value, Kelsian generally awards its KMP long-term incentives (LTI) in the form of Performance Rights (PR). PRs are granted at no cost to the Executive and only vest if Kelsian meets a number of performance hurdles.

If a KMP resigns before the PR has vested then any unvested rights are forfeited, unless and to the extent otherwise determined by the Board. The LTI plan is discretionary and does not form part of the employment contract. Vesting conditions for PR are determined by the Board annually as part of each invitation with the conditions selected for PR being intended to create alignment with indicators of shareholder value creation over the measurement period.

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TABLE 5.4: EXECUTIVE LONG-TERM INCENTIVE RIGHTS PLAN FY22

How is the award delivered?	Awards are in the form of Performance Rights (PR) over ordinary shares in the Company for no consideration. The PR carry neither rights to dividends nor voting rights.
How often are awards made and was an award made in FY22?	Awards are made annually at the discretion of the Board and were made to KMP and others in FY22.
What is the quantum of the award and what allocation methodology is used?	<p>The quantum of PR granted to an Executive is determined by the Executive's Base Salary; the applicable multiplier; and the face value of Kelsian shares, calculated as the 10-day volume-weighted average price (VWAP) at the date of release of full-year results for the financial year prior to the year of grant of rights.</p> <p>For FY22 the Group CEO's maximum potential PR award is 63.1% of Base Salary.</p> <p>The maximum potential PR award for other Executives' during this period is a range of between 20.0% to 57.8% of Base Salary.</p>
What are the performance conditions?	<p>Overarching Gate: The Company's TSR must be positive.</p> <p>There are two tranches of Performance Rights with the following weighting of performance conditions, referred to as vesting conditions:</p> <p>Tranche 1: Compound Annual Growth Rate (CAGR): earnings per share compound annual growth rate, 50% weighting at target performance</p> <p>Tranche 2: Indexed Total Shareholder Return (iTSR): Total Shareholder Return (TSR) measured against companies in the ASX 300 Total Return Index, 50% weighting at target performance.</p> <p>There is also a service condition that is met if employment with Kelsian is continuous for the period commencing on or around the grant date until the date the PR vest.</p>
What is EPS CAGR?	EPS CAGR is a method for calculating the compound annual growth rate in the Company's earnings per common share, calculated on a fully diluted basis from continuing operations.
What is iTSR?	TSR is a method for calculating the return shareholders would earn if they held a notional number of shares over a period of time. iTSR measures the growth in a company's share price together with the value of dividends during the period, assuming that all of those dividends are reinvested into new shares. This growth is measured against the applicable index for Kelsian at the commencement of the first year of the measurement period for the PR. For FY22 this was the ASX 300 Total Return Index.
Why were the performance conditions selected?	<p>In selecting the performance conditions and the structure of the tranches the Board through a process of consultation with external advisers, reviewing market trends and the company's strategic objectives in structuring the existing LTI plan. The Board then reviews the performance conditions annually to determine the appropriate hurdles based on Kelsian's strategy and prevailing market practice.</p> <p>Service-based conditions are used to encourage retention.</p> <p>Following its annual review of the most appropriate measures to align the interests of shareholders and management the Board selected the following:</p> <ul style="list-style-type: none"> • TSR as an external measure of long-term return performance with the strongest link to shareholder returns • CAGR as a measure of incentivising growth to reflect long-term growth yields or shareholders
What is the performance period?	The LTI performance period for Kelsian is three financial years commencing 1 July of each applicable financial year.

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What level of relative EPS and iTSR performance is required for the Rights to vest?

For PR granted in FY22 half of the PR will only vest where the EPS CAGR performance is

EPS CAGR (annualised) of Kelsian	Percentage of Performance Rights that vest
Less than 5%	Nil
5%	50% of rights vest
Greater than 5% but less than 10%	Between 50% and 100% rights vest
10% and above	100% of rights vest

For PR granted in FY22 half of the PR will only vest where the TSR performance of the Company relative to the Total Return Index for the financial year in which the PR granted, measured over the performance period is as follows for FY22.

TSR of Kelsian relative to ASX 300 Total Return Index	Percentage of Performance Rights that vest
Less than Index TSR	Nil
Index TSR	50% of rights vest
Greater than Index TSR but less than 10% above Index TSR	Between 50% and 100% rights vest
Greater than Index TSR + 10%	100% of rights vest

Kelsian intends to employ an independent organisation to calculate the TSR at the time of potential vesting of any LTI to ensure an objective assessment of the relative TSR comparison.

What happens to Performance Rights granted under the LTI Plan when an Executive ceases employment?

If the Executive's employment is terminated for cause, or due to resignation, all unvested PR will lapse, unless the Board determines otherwise. In all other circumstances, unless the Board decides otherwise, a pro-rata portion of the Executive's PR, calculated in accordance with the proportion of the performance period that has elapsed, will remain on foot, subject to the performance condition as set by the Board. If and when the PR vest, shares will be allocated in accordance with the Plan rules and any other condition of the grant.

Can Kelsian clawback LTI awards?

In the event of serious misconduct or a material misstatement in the Company's financial statements, the Board may:

- Reset the vesting conditions and/or alter the performance period applying to the award,
- Deem all awards which have not vested to have lapsed or been forfeited,
- Deem all or any shares following the vesting of an award to have lapsed or been forfeited; and/or

Where shares have been allocated to an Executive and have been subsequently sold, require the Executive to repay the net proceeds of such as sale to the extent this can be done in accordance with the relevant laws.

What happens in the event of a change in control?

In the event of a change in control, the Board will exercise its discretion, and determine the treatment of the unvested awards which may include a pro-rata vesting.

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6. REMUNERATION OUTCOMES

Fixed Remuneration

Non-Executive Directors received a 1.96% increase in fixed remuneration for FY22 (inclusive where applicable of an 0.5% increase in Superannuation Guarantee Charge).

During the period, Executives received an increase of 0% to 3.8% in fixed remuneration effective from 1 July 2021.

STI Outcomes

Table 6.2 identifies the performance measures, relevant weightings and outcomes for FY22 short-term incentives for Executive KMP. Table 6.1 expands on that information in relation to the Group CEO.

Despite dynamic and challenging conditions arising due to COVID-19 impacts throughout the reporting period, strong financial performance was achieved for the Group at levels above the stretch/maximum set for the financial Group measure applicable to all KMP. At the Divisional level, there was some variation in the achievement of financial targets with Australian Bus and International Bus divisions achieving above stretch targets, while most Marine & Tourism businesses failed to meet set financial targets, largely due to the ongoing effects of the pandemic on customer demand.

In order for the safety-related incentive to be awarded, the gateway of no workplace employee fatality or serious injury (permanent impairment) occurring in any part of the group during the reporting period must be achieved. The safety gate was achieved for FY22 and the award of the individual safety targets set for each KMP were then assessed with the results as set out in the tables below.

Individual KMP non-financial STI targets for FY22 were set to achieve initiatives and target outcomes identified in our strategic plans aligned to delivering long-term growth and shareholder value. Important growth opportunities were achieved along with a continued focus on stakeholder relations and tender pipeline opportunities. Key goals achieved during the period include successfully restructuring the UK operations, doubling the size of the business in Singapore, completing on Go West Tours acquisition, undertaking integration works and securing the new Kangaroo Island ferry contract.

A particular technology focus has seen the development and implementation of the enhanced Cyber Security Plan to build resilience and security into our technology platforms. Maintaining employee wellbeing throughout a COVID-19 affected time has continued to be a key Safety & People focus.

TABLE 6.1: GROUP CEO FY22 PERFORMANCE OBJECTIVES AND OUTCOMES

TYPE OF PERFORMANCE MEASURE AND WEIGHTING	KMP PERFORMANCE MEASURE	TARGET/S	FY22 PERFORMANCE	ACHIEVEMENT
Group Financial 50% of total STI	Group Budgeted EBIT (50%)	Achievement of Group Budgeted EBIT	<ul style="list-style-type: none"> Budgeted EBIT achieved. 	50%
	Safety (10%)	Safety Gateway: No employee fatality or serious injury (permanent impairment) during the period. Delivery of improvement in key safety metrics as well as enhancement to safety governance.	<ul style="list-style-type: none"> No employee fatalities or serious injuries Kelsian delivered a 25.7% improvement in TRIFR and 16.3% improvement in LTIFR. Simplification and automation of the Safety Management System well advanced. 	8%
Non-Financial 50% of total STI	People (8%)	Delivery of key people related projects for improved governance and organisational performance.	<ul style="list-style-type: none"> Inaugural Employee Engagement surveys completed for Australia and Singapore. Implementation of Executive Leadership Program. Implementation of Diversity & Inclusion Strategy, including RAP. 	4%
	Growth (8%)	Grow the business through the delivery of key strategic projects aligned to plans for shareholder value creation and EPS growth.	<ul style="list-style-type: none"> Successfully secured Kangaroo Island tender. Integration of Transit Systems and Sealink Travel Group. 	6%

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TYPE OF PERFORMANCE MEASURE AND WEIGHTING	KMP PERFORMANCE MEASURE	TARGET/S	FY22 PERFORMANCE	ACHIEVEMENT
Non-Financial 50% of total STI	Operational Excellence (8%)	Delivery of targeted operational efficiencies aligned to integration synergies and cost reduction initiatives.	<ul style="list-style-type: none"> Successful integration of acquisitions. Significant savings achieved in Procurement. 	6%
	Technology and Innovation (8%)	Manage the impact of business on the environment.	<ul style="list-style-type: none"> Development and implementation of enhanced Cyber Security Plan. 	4%
	Customer Excellence (8%)	Strategic customer service and engagement-related targets.	<ul style="list-style-type: none"> Implementation of CRM, One SeaLink website and dynamic pricing. Enhance customer service through the commencement of the Brilliant Customer Service Program. 	7%

TABLE 6.2: GROUP CEO FY22 PERFORMANCE OBJECTIVES AND OUTCOMES

The following table outlines the percentage of each target STI achieved (and forfeited) in relation to each KMP for FY22.

EXECUTIVE	TARGET STI OPPORTUNITY	MAX STI OPPORTUNITY	FINANCIAL			NON-FINANCIAL			% OF MAXIMUM STI AWARDED	
			WEIGHTING %	ACHIEVED %	FORFEITED %	WEIGHTING %	ACHIEVED %	FORFEITED %	STI AWARDED	STI AWARDED
C Feuerherdt	\$508,313	\$762,470	50%	100%	0%	50%	70%	30%	85%	\$648,100
A Muir	\$195,388	\$293,081	50%	100%	0%	50%	78%	22%	89%	\$260,842
G Legh	\$205,038	\$307,558	50%	100%	0%	50%	74%	26%	87%	\$267,575
G Balkin	\$65,975	\$98,963	50%	100%	0%	50%	20%	80%	60%	\$59,378
D Gauci	\$71,736	\$107,604	50%	40%	60%	50%	56%	44%	48%	\$51,650
P Cox	\$47,102	\$70,653	50%	100%	0%	50%	100%	0%	100%	\$70,653
W Toh	\$87,878	\$131,817	50%	100%	0%	50%	100%	0%	100%	\$131,817
R Carpenter	\$75,000	\$112,500	50%	100%	0%	50%	82%	18%	91%	\$102,375

LTI Outcomes

The LTI award granted in FY20 consisted of two performance measures, EPS CAGR annualised (50% weighting) and index TSR relative to the performance of the ASX 300/ASX 300 Industrials Total Return Index (50%). The vesting scales are as below:

EPS CAGR (ANNUALISED) OF KELSIAN	PERCENTAGE OF PERFORMANCE RIGHTS THAT VEST
Less than 10%	Nil
10%	50% of rights vest
Greater than 10% but less than 12%	Between 50% and 100% of rights vest
12% and above	100% of rights vest
TSR OF KELSIAN RELATIVE TO ASX 300/ASX 300 INDUSTRIALS TOTAL RETURN INDEX	PERCENTAGE OF PERFORMANCE RIGHTS THAT VEST
Less than Index TSR	Nil
Index TSR	50% of rights vest
Greater than Index TSR but less than 10% above Index TSR	Between 50% and 100% of rights vest pro-rata
Greater than Index TSR + 10%	100% of rights vest

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The index TSR tranche resulted in the TSR of Kelsian outperforming the ASX 300 Total Return Index by 57.1% and the ASX 300 Industrials Total Return Index by 53.14% (Kelsian TSR was 63.8% for the performance period). This resulted in 100% of the TSR tranche vesting.

The EPS CAGR annualised, based on NPATA, is approximately 12.27%, which is above the stretch requirement of 12.0%. This resulted in 100% of the EPS CAGR annualised tranche vesting.

The calculation of EPS CAGR for Kelsian is set to ensure that the measure is fit for purpose and reflects alignment with shareholder value creation. Accounting standards require Kelsian to recognise and amortise identifiable goodwill (customer contracts) for acquisitions such as Transit Systems where we recognised \$142.9 million of contracts. The non-cash amortisation charge is excluded (i.e. added back) to statutory NPAT to determine EPS. Kelsian's dividend policy specifically adds this non-cash amortisation chargeback when determining the dividend payout ratio. The Board has, as a result, determined that the NPATA statutory results be used to assess the achievement of EPS CAGR each year for EPS tranche assessment.

Further details on the vested awards can be found in the table in section 8.

The Board also retains the discretion to increase or decrease the extent of vesting in relation to each Tranche of PR if it forms the view that it is appropriate to do so given the circumstances that prevailed during the Measurement Period. No such normalisation has been applied in FY22.

7. EXECUTIVE AND NED REMUNERATION

TABLE 7.1: GROUP CEO AND EXECUTIVE KMP EMPLOYMENT TERMINATION CONDITIONS

CONTRACT TERM	GROUP CEO	OTHER EXECUTIVES
Contract Type	Permanent	Permanent
Notice Period by Kelsian	6 Months	2 – 4 Months
Notice Period by Executive	6 Months	2 – 4 Months
Termination Payment	<p>All Executives have termination benefits that are within the limit allowed by the Corporations Act 2001 without security holder approval.</p> <p>Specifically, in the case where the Executive is not employed for the full period of notice, a payment in lieu of notice may be made. The payment in lieu of notice is based on fixed remuneration unless other arrangements are required to align with applicable local employment legislation and rules.</p>	

Remuneration framework and details for non-executive directors (NEDs)

(i) Objectives

The key objectives of Kelsian's NED Remuneration Framework are to:

- Secure and retain talented and qualified Directors – fee levels are set with regard to time commitment and workload, experience and expertise, risk and responsibility of the role, and market benchmarking of listed companies with a similar market capitalisation;
- Promote independence and impartiality – fee levels do not vary according to the performance of the Group; and
- Align Director and shareholder interests – Kelsian encourage its NEDs to build a long-term stake in the Group and Directors can acquire shares through acquisition on market during permitted trading windows.

(ii) Details

NED fees are reviewed annually by the People, Culture and Remuneration Committee. The People, Culture and Remuneration Committee may, from time to time, receive advice from independent remuneration consultants to ensure NED fees and payments are appropriate and in line with the market.

NEDs do not receive share options, other incentives or retirement benefits and there are no additional fees for chairing or serving on a sub-committee of the Board.

NEDs are entitled to be reimbursed for all business-related expenses.

The remuneration of NEDs consists of Director fees, inclusive of statutory superannuation, which for FY22 were as follows, on an annualised basis:

- The Chair receives; \$224,319 and
- All other NEDs receive \$122,356.

The increase in fixed remuneration of NEDs for FY22 was 1.96%, which includes the 0.5% increase in Superannuation Guarantee Charge where applicable. An increase of 3.97% in NED fees is proposed for FY23, which also includes the FY23 increase in the Superannuation Guarantee Charge applicable to Australian directors.

In accordance with Kelsian's Constitution and ASX Listing Rules, the aggregate amount paid to all NEDs must not exceed the maximum determined and approved by shareholders in a General Meeting. The most recent determination of the maximum aggregate remuneration ('pool') for NEDs was at the General Meeting of shareholders held on 18 December 2019, where the shareholders approved a pool of \$1.25 million. The total directors' fees paid for FY22 were \$958,456 which is less than the maximum approved pool.

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TABLE 7.2: NED REMUNERATION FOR THE YEARS ENDED 30 JUNE 2021 AND 30 JUNE 2022

NON-EXECUTIVE DIRECTOR	YEAR	DIRECTOR FEE	SHORT TERM INCENTIVE	NON-MONETARY BENEFITS	OTHER	SUPER	LONG-TERM BENEFIT LSL	PERFORM. RIGHTS/ OPTIONS	TOTAL
J Ellison AM	2022	203,927	-	-	-	20,393	-	-	224,319
	2021	200,913	-	-	-	19,087	-	-	220,000
A Staines OAM	2022	111,233	-	-	-	11,123	-	-	122,356
	2021	109,589	-	-	-	10,411	-	-	120,000
C Smerdon	2022	111,233	-	-	-	11,123	-	-	122,356
	2021	109,589	-	-	-	10,411	-	-	120,000
T Dodd	2022	111,233	-	-	-	11,123	-	-	122,356
	2021	109,589	-	-	-	10,411	-	-	120,000
F Hele	2022	111,233	-	-	-	11,123	-	-	122,356
	2021	109,589	-	-	-	10,411	-	-	120,000
L Hockridge	2022	111,233	-	-	-	11,123	-	-	122,356
	2021	109,589	-	-	-	10,411	-	-	120,000
N Smith	2022	122,356	-	-	-	-	-	-	122,356
	2021	120,000	-	-	-	-	-	-	120,000

TABLE 7.3: EXECUTIVE REMUNERATION FOR THE YEARS ENDED 30 JUNE 2021 AND 30 JUNE 2022

EXECUTIVE	YEAR	SALARY	SHORT TERM INCENTIVE	NON-MONETARY BENEFITS	OTHER	SUPER	LONG-TERM BENEFIT LSL	PERFORM. RIGHTS	TOTAL
C Feuerherdt	2022	848,586	648,100	29,018	-	27,500	48,610	475,272	2,077,085
	2021	788,149	756,202	43,544	-	25,000	39,773	372,395	2,025,063
D Gauci	2022	366,987	51,650	-	-	25,000	9,634	65,427	518,698
	2021	360,892	96,935	-	-	25,000	9,368	51,064	543,259
G Balkin***	2022	327,188	59,378	33,674	-	23,568	9,808	36,106	489,721
	2021	355,294	90,480	33,674	-	21,694	22,895	22,896	546,934
A Muir	2022	418,450	260,842	-	-	25,000	21,998	116,416	842,707
	2021	416,322	271,425	-	-	25,000	18,330	88,473	819,550
G Legh	2022	436,906	267,575	20,629	-	25,000	11,672	243,266	1,005,048
	2021	436,880	303,013	20,448	-	21,694	8,458	186,198	976,690
P Cox*	2022	309,594	70,653	11,209	-	-	-	30,633	422,089
	2021	-	-	-	-	-	-	-	-
W Toh	2022	486,190	131,817	-	182,376	9,730	-	16,574	826,687
	2021	453,105	130,055	-	-	11,234	-	10,567	604,960
R Carpenter**	2022	371,819	102,375	-	-	25,000	995	15,017	515,206
	2021	80,769	-	-	-	6,250	101	-	87,121

* Became a KMP on 1 July 2021; ** Became a KMP on 12 April 2021; *** Became a KMP on 1 September 2020.

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8. OPTIONS, SHAREHOLDINGS AND PERFORMANCE RIGHTS OF KMP

TABLE 8.1: OPTIONS HELD BY KMP IN PREVIOUS AND CURRENT REPORTING YEARS

YEAR END 30 JUNE 2021	BALANCE 01/07/2020	GRANT DATE	AWARDED/ (FORFEITED)	EXERCISED	BALANCE 30/06/2021	FAIR VALUE PER OPTION AT AWARD DATE	EXPIRY DATE	INTRINSIC VALUE OF OPTIONS EXERCISED/SOLD
DIRECTORS	-	-	-	-	-	-	-	-
KMP	-	-	-	-	-	-	-	-
Total	-				-			

YEAR END 30 JUNE 2022	BALANCE 01/07/2021	GRANT DATE	AWARDED/ (FORFEITED)	EXERCISED	BALANCE 30/06/2022	FAIR VALUE PER OPTION AT AWARD DATE	EXPIRY DATE	INTRINSIC VALUE OF OPTIONS EXERCISED/SOLD
DIRECTORS	-	-	-	-	-	-	-	-
KMP	-	-	-	-	-	-	-	-
Total	-				-			

TABLE 8.2: SHAREHOLDINGS HELD BY KMP IN PREVIOUS AND CURRENT REPORTING YEARS

YEAR END 30 JUNE 2021	BALANCE 01/07/2020	EXERCISE OF OPTIONS	ACQUIRED/ (SOLD)	BALANCE 30/06/2021 #	AMOUNT PAID PER SHARE ON OPTION EXERCISE
DIRECTORS					
J Ellison AM	5,749,769	-	(700,000)	5,049,769	-
T Dodd	5,786,578	-	(400,000)	5,386,578	-
F Hele	28,172	-	10,000	38,172	-
A Staines OAM	-	-	-	-	-
N Smith	33,444,556	-	(3,000,000)	30,444,556	-
L Hockridge	-	-	100,000	100,000	-
C Smerdon	6,486,875	-	(800,000)	5,686,875	-
OTHER KMP					
C Feuerherdt	5,744,171	-	(700,000)	5,044,171	-
D Gauci	31,250	-	-	31,250	-
A Muir	100,000	-	-	100,000	-
G Legh	40,000	-	-	40,000	-
W Toh	30,000	-	-	30,000	-
G Balkin***	-	-	-	-	-
R Carpenter **	-	-	-	-	-
Total	57,441,371	-	(5,490,000)	51,951,371	-

Became a KMP on 12 April 2021; * Became a KMP on 1 September 2020.

The balance reflects the number of shares held as at 30 June 2021.

AUDITED REMUNERATION REPORT

YEAR END 30 JUNE 2022	BALANCE 01/07/2021	EXERCISE OF OPTIONS	ACQUIRED/ (SOLD)	BALANCE 30/06/2022 #	AMOUNT PAID PER SHARE ON OPTION EXERCISE
DIRECTORS					
J Ellison AM	5,049,769	-		5,049,769	-
T Dodd	5,386,578	-		5,386,578	-
F Hele	38,172	-		38,172	-
A Staines OAM	-	-		-	-
N Smith	30,444,556	-	(5,000,000)	25,444,556	-
L Hockridge	100,000	-		100,000	-
C Smerdon	5,686,875	-		5,686,875	-
OTHER KMP					
C Feuerherdt	5,044,171	-		5,044,171	-
D Gauci	31,250	-	-	31,250	-
A Muir	100,000	-	-	100,000	-
G Legh	40,000	-	20,000	60,000	-
W Toh	30,000	-	-	30,000	-
P Cox *	246,939			246,939	
G Balkin	-	-	-	-	-
R Carpenter **	-	-	-	-	-
Total	52,198,310	-	(4,980,000)	47,218,310	-

* Became a KMP on 1 July 2021; ** Became a KMP on 12 April 2021

The balance reflects the number of shares held as at 30 June 2022.

All equity transactions with KMP have been entered into under terms and conditions no more favourable than those Kelsian would have adopted if dealing on an arm's length basis.

Performance Rights (PRs) are generally granted to Executive KMP as part of an LTI plan. When a participant ceases employment prior to the vesting of their PR or where the performance hurdle is not met, the PRs are forfeited, unless and

to the extent that the Board determines otherwise. Should all conditions be met, one Ordinary Share is issued for each PR at no consideration.

There were a total of 198,195 PRs issued to Executives in the 12-month period to 30 June 2022 with 156,005 of those being issued to KMP. As of 30 June 2022, 742,219 PRs to KMP remained outstanding.

AUDITED REMUNERATION REPORT

TABLE 8.3 – PERFORMANCE RIGHTS HELD BY KMP IN PREVIOUS AND CURRENT REPORTING

KEY MANAGEMENT PERSONNEL	DATE OF GRANT	PERFORMANCE RIGHTS ON ISSUE 30 JUNE 2021	FAIR VALUE PER PR \$	GRANTED	VESTED/ EXERCISED	PERFORMANCE RIGHTS ON ISSUE 30 JUNE 2022	VESTING DATE
C Feuerherdt	12/06/2020	156,392	-	-	-	156,392	31/08/2022
	21/12/2020	100,604	-	-	-	100,604	31/08/2023
	25/10/2021	-	5.134	60,115	-	60,115	31/08/2024
Total		256,996		-	-	317,111	
Total \$				308,630			
A Muir	12/06/2020	31,904	-	-	-	31,904	31/08/2022
	21/12/2020	27,666	-	-	-	27,666	31/08/2023
	25/10/2021	-	5.134	16,328	-	16,328	31/08/2024
Total		59,570		-	-	75,898	
Total \$				83,828			
G Legh	12/06/2020	78,196	-	-	-	78,196	31/08/2022
	21/12/2020	53,879	-	-	-	53,879	31/08/2023
	25/10/2021	-	5.134	29,688	-	29,688	31/08/2024
Total		132,075		-	-	161,763	
Total \$				152,418			
G Balkin	21/12/2020	13,078	-	-	-	13,078	31/08/2023
	25/10/2021	-	5.134	7,719	-	-	31/08/2024
Total		13,078		-	-	13,078	
Total \$				39,629			
W Toh	21/12/2020	6,036	-	-	-	6,036	31/08/2023
	25/10/2021	-	5.134	3,510	-	-	31/08/2024
Total		6,036		-	-	6,036	
Total \$				18,020			
P Cox	25/10/2021	-	5.134	17,900	-	17,900	31/08/2024
Total		-		17,900	-	17,900	
Total \$				91,899			
R Carpenter	25/10/2021	-	5.134	8,775	-	8,775	31/08/2024
Total		-		8,775	-	8,775	
Total \$				45,051			
D Gauci	12/06/2020	21,269	-	-	-	21,269	31/08/2022
	21/12/2020	13,921	-	-	-	13,921	31/08/2023
	25/10/2021	-	5.134	8,393	-	8,393	31/08/2024
Total		35,190		-	-	43,583	
Total \$				43,090			

* Disclosures required in the remuneration report by the Corporations Act, particularly the inclusion of accounting values for LTI PRs awarded but not vested, can vary significantly from the remuneration actually paid to Executives. This is because Accounting Standards require a value to be placed on a PR at the time it is granted to an Executive and then reported as remuneration even if ultimately the Executive does not receive any actual value, for example, because performance conditions are not met, and the PRs do not vest.

Signed in accordance with a resolution of the Directors.
On behalf of the Directors



Mr. L. Hockridge
Chair, People, Culture & Remuneration Committee
Kelsian Group Limited
24 August 2022

AUDITOR'S INDEPENDENCE DECLARATION



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Auditor's Independence Declaration to the Directors of Kelsian Group Limited

As lead auditor for the audit of the financial report of Kelsian Group Limited for the financial year ended 30 June 2022, 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 audit;
- b) No contraventions of any applicable code of professional conduct in relation to the audit; and
- c) No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

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

Ernst & Young

Ernst & Young

David Sanders
Partner
24 August 2022

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Financial Report

General information

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

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

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 24 August 2022. The Directors have the power to amend and reissue the financial statements.

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KELSIA GROUP LIMITED AND ITS CONTROLLED ENTITIES

STATEMENT OF PROFIT OR LOSS

CONSOLIDATED

FOR THE YEAR ENDED 30 JUNE 2022	NOTE	2022 \$'000	2021 \$'000
Revenue from contracts with customers	4	1,324,672	1,173,083
Other income	5	21,243	38,409
Interest income		136	219
EXPENSES			
Direct Operating Expenses			
Direct wages		(694,010)	(644,475)
Repairs and maintenance		(77,437)	(71,019)
Fuel		(111,539)	(87,911)
Commission		(3,987)	(2,941)
Meals and beverage		(10,720)	(9,059)
Tour costs		(4,166)	(3,251)
Depreciation		(37,654)	(30,560)
Depreciation – ROUA		(42,978)	(32,100)
Other direct expenses		(78,073)	(67,956)
Administration Expenses			
Indirect wages		(104,807)	(91,659)
General and administration		(66,355)	(60,119)
Marketing		(5,597)	(4,347)
Financing charges		(21,507)	(17,635)
Amortisation of customer contracts and permits		(18,643)	(31,697)
Acquisition and transaction costs		(4,104)	(4,194)
Impairment of assets		–	(3,799)
Total expenses		(1,281,577)	(1,162,722)
Profit before income tax expense		64,474	48,989
Income tax expense	6	(11,564)	(11,188)
Profit after income tax expense for the year		52,910	37,801
Profit for the year is attributable to:			
Non-controlling interest		–	3
Owners of Kelsian Group Limited	28	52,910	37,798
		52,910	37,801
Earnings Per Share		CENTS	CENTS
Basic earnings per share	43	24.2	17.3
Diluted earnings per share	43	24.2	17.3

FINANCIAL REPORT

KELSIAN GROUP LIMITED AND ITS CONTROLLED ENTITIES

STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2022	2022 \$'000	2021 \$'000
Profit after income tax expense for the year	52,910	37,801
Other comprehensive profit/(loss)		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Net change in the fair value of cash flow hedges taken to equity, net of tax	6,964	2,271
Foreign currency translation	5,833	(7,957)
Other comprehensive income/(loss) for the year, net of tax	12,797	(5,686)
Total comprehensive income/(loss) for the year	65,707	32,115
Total comprehensive income/(loss) for the year is attributable to:		
Non-controlling interest	–	–
Total comprehensive income/(loss) for the year attributable to: Owners of Kelsian Group Limited	65,707	32,115

FINANCIAL REPORT

KELSIAN GROUP LIMITED AND ITS CONTROLLED ENTITIES

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2022	NOTE	2022 \$'000	2021 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	7	141,093	103,497
Trade and other receivables	8	119,900	92,398
Inventories	9	19,338	14,308
Derivative financial assets	11	3,211	549
Other assets	12	20,869	16,716
Subtotal		304,411	227,468
Non-current assets classified as held for sale	13	7,657	–
Total Current Assets		312,068	227,468
Non-Current Assets			
Derivative financial assets	11	3,711	–
Other financial assets	14	948	–
Property, plant and equipment	15	404,818	373,375
Right-of-use assets	10	209,888	206,119
Intangibles	16	584,820	563,008
Other assets	12	12,622	–
Total Non-Current Assets		1,216,807	1,142,502
Total Assets		1,528,875	1,369,970
LIABILITIES			
Current Liabilities			
Trade and other payables	17	67,162	66,285
Contract liabilities	18	14,354	12,991
Borrowings	19	19,411	19,477
Lease liabilities	20	37,071	27,193
Derivative financial liabilities	21	–	1,283
Income tax	6	3,057	13,170
Employee benefits	22	92,635	90,112
Provisions	23	27,589	35,259
Other liabilities	24	79,156	40,303
		340,435	306,073
Liabilities directly associated with assets classified as held for sale	25	997	–
Total Current Liabilities		341,432	306,073
Non-Current Liabilities			
Borrowings	19	345,000	284,845
Lease liabilities	20	162,925	133,120
Derivative financial liabilities	21	–	2,292
Deferred tax liabilities	6	21,310	13,541
Employee benefits	22	8,451	9,606
Other liabilities	24	9,745	12,387
Total Non-Current Liabilities		547,431	455,791
Total Liabilities		888,863	761,864
Net Assets		640,012	608,106
EQUITY			
Issued capital	26	572,377	572,377
Reserves	27	5,078	(8,862)
Retained profits	28	62,554	44,588
Equity attributable to the owners of Kelsian Group Limited		640,009	608,103
Non-controlling interest	29	3	3
Total Equity		640,012	608,106

FINANCIAL REPORT

KELSIAN GROUP LIMITED AND ITS CONTROLLED ENTITIES

STATEMENT OF CHANGES IN EQUITY

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 year	–	–	37,798	3	37,801
Other comprehensive income/(loss) for the year, net of tax	–	(5,686)	–	–	(5,686)
Total comprehensive income/(loss) for the year	–	(5,686)	37,798	3	32,115
<i>Transactions with owners in their capacity as owners:</i>					
Share-based payments (note 44)	–	815	–	–	815
Dividends paid (note 30)	–	–	(25,116)	–	(25,116)
Balance at 30 June 2021	572,377	(8,862)	44,588	3	608,106

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 year	–	–	52,910	–	52,910
Other comprehensive income/(loss) for the year, net of tax	–	12,797	–	–	12,797
Total comprehensive income/(loss) for the year	–	12,797	52,910	–	65,707
<i>Transactions with owners in their capacity as owners:</i>					
Share-based payments (note 40)	–	1,143	–	–	1,143
Dividends paid (note 30)	–	–	(34,944)	–	(34,944)
Balance at 30 June 2022	572,377	5,078	62,554	3	640,012

FINANCIAL REPORT

KELSIAN GROUP LIMITED AND ITS CONTROLLED ENTITIES

STATEMENT OF CASH FLOWS

CONSOLIDATED

FOR THE YEAR ENDED 30 JUNE 2022	NOTE	2022 \$'000	2021 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		1,313,894	1,169,711
Payments to suppliers and employees		(1,153,277)	(1,054,407)
Gross operating cashflow		160,617	115,304
Interest received		136	219
Other revenue		21,243	38,146
Interest and other finance costs paid		(19,482)	(17,635)
Income taxes paid		(23,974)	(24,180)
Net cash from operating activities	42	138,540	111,854
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for purchase of business, net of cash acquired	37	(68,027)	(29,759)
Payments for property, plant and equipment	15	(43,108)	(41,700)
Payments for intangibles	16	(1,187)	–
Proceeds from disposal of business		17,634	–
Proceeds from disposal of property, plant and equipment		8,602	1,897
Net cash used in investing activities		(86,086)	(69,562)
CASH FLOWS FROM FINANCING ACTIVITIES			
Drawdown facilities		79,000	–
Payments for leases		(39,134)	(33,298)
Repayment of vendor loan		(20,000)	–
Dividends paid	30	(34,944)	(25,116)
Net cash used in financing activities		(15,078)	(58,414)
Net increase/(decrease) in cash and cash equivalents		37,376	(16,122)
Cash and cash equivalents at the beginning of the financial year		103,497	119,903
Effects of exchange rate changes on cash and cash equivalents		220	(284)
Cash and cash equivalents at the end of the financial year	7	141,093	103,497

FINANCIAL REPORT

KELSIAN GROUP LIMITED AND ITS CONTROLLED ENTITIES

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KELSIAN GROUP LIMITED AND ITS CONTROLLED ENTITIES

NOTE 1 Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

NEW OR AMENDED ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED

The consolidated entity 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 and relevant.

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

BASIS OF PREPARATION

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

From time to time comparative balances are restated to better align with current year classification or for compliance with the Group's accounting policies.

Comparatives have been restated to adjust for the under-recording of deferred tax liabilities relating to a historical business combination with a corresponding adjustment to goodwill. As a result of this adjustment, deferred tax liabilities (refer note 6) and goodwill (refer note 16) have been increased by \$9.8 million as at 1 July 2020 and 30 June 2021. There is no impact on the Group's reported profit or cashflows for the comparative periods.

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Funding and liquidity

The financial statements are prepared on a going concern basis. As at 30 June 2022, the Consolidated Statement of Financial Position reflected an excess of current liabilities over current assets of (\$29.4m) (2021:(\$78.6m)).

The amount of the deficit is covered by the Company's undrawn cash banking facilities of \$150.0m (2021:\$79.0m) as at 30 June 2022. 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 Group will be materially different to those achieved in this financial period and the company has other capital management options.

PARENT ENTITY INFORMATION

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 36.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Kelsian Group Limited ('Company' or 'parent entity') as at 30 June 2022 and the results of all subsidiaries for the year then ended. Kelsian Group Limited and its subsidiaries together are referred to in these financial statements as the 'Group'.

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

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

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

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss, statement of financial position and statement of changes in equity of the Group. Losses incurred by the Group are attributed to the non-controlling interest in full, even if that results in a deficit balance.

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

FINANCIAL REPORT

KELSIAN GROUP LIMITED AND ITS CONTROLLED ENTITIES

OPERATING SEGMENTS

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

FOREIGN CURRENCY TRANSLATION

The financial statements are presented in Australian dollars, which is Kelsian Group Limited's functional and presentation currency.

Foreign currency transactions

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

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

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

REVENUE RECOGNITION

The Group recognises revenue as follows:

Revenue from contracts with customers

Revenue from the transport of passengers, freight and accommodation is recognised at the time of delivery of the service to the customer. This is the time where the control is transferred and when each separate performance obligation in the customer contract is fulfilled given the short time services are provided (less than a day). This typically occurs on a departure date or booking date basis whereby customers who have paid for services have actually departed on those travel or accommodation services. The revenue is recognised in the month of the departure date.

Some of the ferry and freight transportation have a series of performance obligations, but as the duration of these are short term the impact from splitting these contract into "distinct services" does not have material impact.

Revenue in relation to retailing of travel services is recognised on a gross basis when customers have paid for their travel services.

Revenue is recognised at the amount that reflects the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer,

excluding GST and after deduction of trade discounts. Trade Receivables typically do not contain a significant financing component. The general credit terms are overall short and aligned with market terms.

Accounting estimates and judgements are made in order to determine time of delivery and account for income accruals when it is deferred. These accounting estimates and judgements are based on experience and continuous follow-up on services delivered.

Delivery of services

Revenue from bus contracts to provide services is recognised over time as the services are delivered based on agreed contractual rates for delivery of the defined services. If services are increased or decreased, a pre-determined contractual adjustment on a per kilometre basis is made against the contractual rates.

Contract revenue includes the revenue from any pre-operational phase, initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably.

Interest

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

Other revenue

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

Government grants

Revenue for government grants is recognised when you have reasonable assurance that the obligations under the government grant will be satisfied. Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Covid-19 related support and similar payments from governments received in Australia, United Kingdom and Singapore have been accounted for in Other Income.

INCOME TAX

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

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

FINANCIAL REPORT

KELSIAN GROUP LIMITED AND ITS CONTROLLED ENTITIES

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

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

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

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

CURRENT AND NON-CURRENT CLASSIFICATION

Assets and liabilities are presented in the Consolidated Statement of Financial Position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the

reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

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

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

CASH AND CASH EQUIVALENTS

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

TRADE AND OTHER RECEIVABLES

Trade receivables are initially recognised at transaction price and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement between 30-60 days.

The consolidated entity has established a provision matrix that is based on its historical loss experience, adjusted for forward looking factors specific for the debtors and the economic environment. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

CUSTOMER ACQUISITION COSTS

Customer acquisition costs are capitalised as an asset where such costs are incremental to obtaining a contract with a customer and are expected to be recovered. Customer acquisition costs are amortised on a straight-line basis over the term of the contract.

Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained or which are not otherwise recoverable from a customer are expensed as incurred to profit or loss. Incremental costs of obtaining a contract where the contract term is less than one year is immediately expensed to profit or loss.

INVENTORIES

Stock on hand is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

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

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DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Derivatives are classified as current or non-current depending on the expected period of realisation.

Cash flow hedges

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

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

If cashflow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cashflows are still expected to occur and released to profit or loss when the forecast transaction occurs. Otherwise the amount will be immediately reclassified to profit or loss as a reclassification adjustment.

Hedges of a net investment

Hedges of a net investment in a foreign operation include monetary items that are considered part of the net investment. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised directly in equity whilst gains or losses relating to the ineffective portion are recognised in profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recognised directly in equity is transferred to profit or loss.

NON-CURRENT ASSETS OR DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

Non-current assets and assets of disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use. They are measured at the lower of their carrying amount and fair value less costs of disposal. For non-current assets or assets of disposal groups to be classified as held for sale, they must be available for immediate sale in their present condition and their sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write down of the non-current assets and assets of disposal groups to fair value less costs of disposal. A gain is recognised for any subsequent increases in fair value less costs of

disposal of a non-current assets and assets of disposal groups, but not in excess of any cumulative impairment loss previously recognised.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of assets held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current assets. The liabilities of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current liabilities.

INVESTMENTS AND OTHER FINANCIAL ASSETS

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Financial assets at amortised cost

A financial asset is measured at amortised cost only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Group's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is

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measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

PROPERTY, PLANT AND EQUIPMENT

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

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

Buildings	14-60 years
Leasehold improvements	4-22 years
Plant and equipment	3-30 years
Vessels	5-25 years
Motor vehicles	3-20 years

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

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

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

RIGHT-OF-USE ASSETS (ROUA)

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

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

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

INTANGIBLE ASSETS

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill

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

Customer contracts

Customer contracts acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their estimated finite life of between 1 to 10 years.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets including right of use assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

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

TRADE AND OTHER PAYABLES

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30-60 days of recognition.

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CONTRACT LIABILITIES

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

BORROWINGS

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

LEASE LIABILITIES

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset may fully written down after taking into account remaining lease term and any options to extend or terminate the agreement.

FINANCE COSTS

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

PROVISIONS

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

EMPLOYEE BENEFITS

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave, long service leave and accumulating sick leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled. Non-accumulating sick leave is expensed to profit or loss when incurred.

Other long-term employee benefits

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

Share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

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- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in the Statement of Profit or Loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

FAIR VALUE MEASUREMENT

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

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

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

Valuation techniques for fair value measurements categorised within levels 1 & 2

Level 1 and 2 financial assets and liabilities 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.

Valuation techniques for fair value measurements categorised within level 3

Level 3 financial assets and liabilities have been valued by using the discounted cash flows (DCF) method.

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

ISSUED CAPITAL

Ordinary shares are classified as equity.

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

DIVIDENDS

Dividends are recognised when declared during the financial year and no longer at the discretion of the Company.

BUSINESS COMBINATIONS

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

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

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

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

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Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

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

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

From time to time comparative balances are restated to better align with current year classification or for compliance with the Group's accounting policies.

EARNINGS PER SHARE

Basic earnings per share

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

Diluted earnings per share

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

GOODS AND SERVICES TAX ('GST') AND OTHER SIMILAR TAXES

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

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

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

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

ROUNDING OF AMOUNTS

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

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET MANDATORY OR EARLY ADOPTED

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2022. The Group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

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NOTE 2 Critical accounting judgements, estimates and assumptions

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

Carrying value of property, plant & equipment

The Group has assessed the carrying value of its tangible assets at the reporting date for indicators of impairment and, where applicable, reviewed the measurement of the carrying value of such tangible assets. Such assessment incorporated a consideration of the impact of COVID-19.

Impairment of financial assets specifically trade receivables

The Group has reviewed the expected credit losses for its trade receivables balances. AASB 9 requires forward-looking information (including macroeconomic information) to be considered both when assessing whether there has been a significant increase in credit risk and when measuring expected credit losses. There were no adjustments required to the carrying values of trade receivables from the impact of COVID-19 as at 30 June 2022.

Impairment of non-financial assets

Intangible assets comprise of goodwill and other intangible assets with both finite and indefinite lives. Consistent with the Group's accounting policies, it has evaluated the conditions specific to the Group and the assets subject to impairment to assess whether any impairment triggers that may lead to impairment have been identified. In doing this, the Group has reviewed the key assumptions in its previous annual impairment assessment to assess whether any changes to the assumptions within that impairment assessment would result in an impairment loss at 30 June 2022. Such assessment incorporated a consideration of COVID-19. (refer note 16)

Risk management

The Group's risk management framework continues to be applied and the CODM continue to monitor the impact of COVID-19 on the Group's risk profile. Non-financial risks emerging from global and local movement restrictions, liquidity, remote working by our staff, counterparties, clients and suppliers, are being identified, assessed, managed

and governed through timely application of Group's risk management framework.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Fair value measurement hierarchy

The Group is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

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

Estimation of useful lives of assets

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

Goodwill and other indefinite life intangible assets

The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

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Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The Group assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Income tax

The Group is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on the Group's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses. The Group applies judgement in estimating future taxable profits from internal budgets and forecasts. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Employee benefits provision

As discussed in note 1, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Business combinations

As discussed in note 1, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the Group taking into consideration all available information at the reporting date, a key judgement of which is the identification, recognition and measurement of intangible assets recognised on acquisition. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

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 & 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. Operates regional and remote bus services supporting the resources sector in Western Australia.

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.

Current taxes and 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.

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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.

Major customers

During the year ended 30 June 2022, approximately 83.0% (2021: 79.9%) of the consolidated entity's external revenue was derived from sales to governments.

Operating segment information

	MARINE AND TOURISM \$'000	AUSTRALIAN BUS \$'000	INTERNATIONAL BUS \$'000	CORPORATE \$'000	TOTAL \$'000
CONSOLIDATED - 2022					
REVENUE					
Sales to external customers	252,608	803,913	268,151	–	1,324,672
Interest received	2	96	–	38	136
Total revenue	252,610	804,009	268,151	38	1,324,808
EBITDA					
Depreciation	(15,419)	(20,263)	(1,644)	(328)	(37,654)
Depreciation ROUA	(2,663)	(6,362)	(33,220)	(733)	(42,978)
Amortisation of customer contracts	(610)	(18,033)	–	–	(18,643)
Net finance costs	(456)	(2,717)	(5,532)	(12,666)	(21,371)
Business acquisition expenses	(15)	(13)	(1,132)	(2,944)	(4,104)
Revaluation of deferred consideration	–	–	–	1,098	1,098
Gain on divestment of UK operations	–	–	4,960	–	4,970
Profit/(loss) before income tax expense	36,195	61,619	4,774	(38,114)	64,474
Income tax expense					(11,564)
Profit after income tax expense					52,910
ASSETS					
Segment assets	299,108	798,889	367,936	62,942	1,528,875
Total assets					1,528,875
LIABILITIES					
Segment liabilities	72,230	211,803	165,396	418,124	867,553
Unallocated liabilities:					
Deferred tax liability					21,310
Total liabilities					888,863

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KELSIAN GROUP LIMITED AND ITS CONTROLLED ENTITIES

Operating segment information cont.

CONSOLIDATED - 2021	MARINE AND TOURISM \$'000	AUSTRALIAN BUS \$'000	INTERNATIONAL BUS \$'000	CORPORATE \$'000	TOTAL \$'000
REVENUE					
Sales to external customers	215,146	702,100	255,837	–	1,173,083
Interest received	24	41	2	152	219
Total revenue	215,170	702,141	255,839	152	1,173,302
EBITDA					
Depreciation	(14,073)	(13,173)	(2,542)	(772)	(30,560)
Depreciation ROUA	(3,326)	(4,252)	(24,151)	(371)	(32,100)
Impairment of assets	(3,799)	–	–	–	(3,799)
Amortisation of customer contracts	(1,136)	(20,920)	(9,641)	–	(31,697)
Finance costs	(406)	(1,715)	(2,124)	(13,390)	(17,635)
Business acquisition expenses	–	–	–	(4,194)	(4,194)
Revaluation of deferred consideration	–	–	–	(769)	(769)
Insurance proceeds	2,220	–	–	–	2,220
Profit/(loss) before income tax expense	38,452	49,987	493	(39,943)	48,989
Income tax expense					(11,188)
Profit after income tax expense					37,801
ASSETS					
Segment assets	299,278	667,335	360,320	43,037	1,369,970
Total assets					1,369,970
LIABILITIES					
Segment liabilities	90,090	153,680	166,524	338,029	748,323
Unallocated liabilities:					
Deferred tax liability					13,541
Total liabilities					761,864

Geographical information

	SALES TO EXTERNAL CUSTOMERS		GEOGRAPHICAL NON-CURRENT ASSETS	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Australia	1,056,521	917,246	938,917	826,429
Singapore	183,427	123,212	217,648	154,824
United Kingdom	84,724	132,625	60,242	151,267
	1,324,672	1,173,083	1,216,807	1,132,520

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

NOTE 4 Revenue from contracts with customers

	CONSOLIDATED	
	2022 \$'000	2021 \$'000
Goods transferred at a point in time	224,989	199,266
Services transferred over time	1,099,683	973,817
Revenue from contracts with customers	1,324,672	1,173,083

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KELSIAN GROUP LIMITED AND ITS CONTROLLED ENTITIES

NOTE 5 Other income

	CONSOLIDATED	
	2022 \$'000	2021 \$'000
Gain on divestment of UK operations	4,970	–
Gain on disposal of property, plant and equipment	–	263
Other income	16,273	38,146
Other income	21,243	38,409

Other income earned includes some Covid relief, insurance proceeds, favourable derivative movement, grants, rebates and other sundry items.

NOTE 6 Income tax

	CONSOLIDATED	
	2022 \$'000	2021 \$'000
Income tax expense		
Current tax	13,087	20,030
Deferred tax – origination and reversal of temporary differences	(769)	(8,519)
Adjustment recognised for prior periods	(754)	(118)
– s40-880 (off balance sheet)	–	(205)
Aggregate income tax expense	11,564	11,188
Deferred tax included in income tax expense comprises:		
Increase in deferred tax assets	(769)	(8,519)

Numerical reconciliation of income tax expense and tax at the statutory rate

Profit before income tax expense	64,474	48,989
Tax at the statutory tax rate of 30%	19,342	14,697
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Impairment of assets	–	1,140
Share-based payments	343	271
Non-taxable income	(2,050)	(4,085)
Tax effect of other non-assessable foreign expenses	(7,688)	(772)
s408-880	–	(204)
Other non-deductible expenses	573	1,563
	10,520	12,610
Adjustment recognised for prior periods	(754)	(118)
Current year tax losses not recognised	–	146
Difference in overseas tax rates	(1,723)	(1,450)
Transferred losses	1,870	–
Deferred adjustment recognised for prior periods	1,180	–
Other	471	–
Income tax expense	11,564	11,188
Amounts charged/(credited) directly to equity		
Deferred tax assets	2,981	973

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KELSIAN GROUP LIMITED AND ITS CONTROLLED ENTITIES

NOTE 6 Income tax cont.

	CONSOLIDATED	
	2022 \$'000	2021 \$'000
Deferred tax liability		
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Tax losses	1,587	5,898
Allowance for expected credit losses	50	57
Employee benefits	32,160	25,132
Leases	23,431	13,527
Provisions	1,543	3,694
Property, plant and equipment	(51,399)	(32,967)
Customer contracts and other intangible assets	(28,066)	(28,464)
Finance costs	–	(133)
Other	1,461	(1,193)
	(19,233)	(14,449)
Amounts recognised in equity:		
Derivative financial instruments	(2,077)	908
Deferred tax liability	(21,310)	(13,541)
Movements		
Opening balance	(13,541)	(20,184)
Credited to profit or loss	769	8,519
Charged to equity	(2,981)	(973)
Other	(5,557)	(903)
Closing balance	(21,310)	(13,541)
From time to time comparative balances are restated to better align with current year classification or for compliance with the Group's accounting policies. Comparatives have been restated to adjust for the under-recording of deferred tax liabilities relating to a historical business combination with a corresponding adjustment to goodwill. As a result of this adjustment, deferred tax liabilities and goodwill have been increased by \$9.8 million as at 1 July 2020 and 30 June 2021. There is no impact on the Group's reported profit or cashflows for the comparative periods.		
Provision for income tax payable		
Provision for income tax payable	3,057	13,170

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NOTE 7 Cash and cash equivalents

	CONSOLIDATED	
	2022 \$'000	2021 \$'000
Current assets		
Cash on hand	729	476
Cash at bank	109,092	66,886
Cash on deposit	31,272	36,135
	141,093	103,497

NOTE 8 Trade and other receivables

	CONSOLIDATED	
	2022 \$'000	2021 \$'000
Current assets		
Trade receivables	94,231	71,975
Less: Allowance for expected credit losses	(168)	(194)
	94,063	71,781
Other receivables	25,837	20,617
	119,900	92,398

Allowance for expected credit losses

Trade receivables are non-interest bearing and are generally on 30-60 day terms. An allowance is made for trade receivables and other receivables as the Group applies a simplified approach in calculating expected credit losses (ECLs). Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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

	EXPECTED CREDIT LOSS RATE		CARRYING AMOUNT		ALLOWANCE FOR EXPECTED CREDIT LOSSES	
	2022 %	2021 %	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
CONSOLIDATED						
Not overdue	–	–	111,265	89,827	–	–
0 to 1 month overdue	–	–	4,188	1,199	–	–
1 to 2 months overdue	–	–	1,189	1,138	–	–
2 to 3 months overdue	–	16.50%	2,913	280	–	46
Over 3 months overdue	32.74%	100.00%	513	148	168	148
			120,068	92,592	168	194

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

	CONSOLIDATED	
	2022 \$'000	2021 \$'000
Opening balance	194	356
Receivables written off during the year as uncollectable	(26)	(162)
Closing balance	168	194

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KELSIA GROUP LIMITED AND ITS CONTROLLED ENTITIES

NOTE 9 Inventories

	CONSOLIDATED	
	2022 \$'000	2021 \$'000
Current assets		
Goods held for resale – at cost	3,587	1,768
Less: Provision for impairment	(31)	(31)
	3,556	1,737
Fuel at cost	3,753	2,934
Spare parts at cost	12,299	10,278
Less: Provision for impairment	(270)	(641)
	19,338	14,308

The majority of the reduction in the provision for impairment associated with Spare parts at cost relates to the divestment of the UK operations and has been expensed as part of these transactions.

NOTE 10 Right-of-use assets

	CONSOLIDATED	
	2022 \$'000	2021 \$'000
Non-current assets		
Land and buildings – right-of-use	72,776	118,780
Less: Accumulated depreciation	(20,919)	(11,770)
	51,857	107,010
Motor vehicles – right-of-use	186,511	114,898
Less: Accumulated depreciation	(28,480)	(15,789)
	158,031	99,109
	209,888	206,119

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Reconciliations:

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

CONSOLIDATED	LAND AND BUILDINGS \$'000	MOTOR VEHICLES '000	TOTAL \$'000
Balance at 1 July 2020	113,292	36,128	149,420
Additions	6,158	87,694	93,852
Disposals	(4,867)	(14)	(4,881)
Revaluation increments	–	224	224
Revaluation decrements	(83)	–	(83)
Exchange differences	758	29	787
Transfers in/(out)	–	(1,100)	(1,100)
Depreciation expense	(8,248)	(23,852)	(32,100)
Balance at 30 June 2021	107,010	99,109	206,119
Additions	8,979	132,299	141,278
Additions through business combinations (note 37)	3,851	–	3,851
Disposals	(54,854)	(40,401)	(95,255)
Exchange differences	(3,094)	928	(2,166)
Transfers in/(out)	–	(961)	(961)
Depreciation expense	(10,035)	(32,943)	(42,978)
Balance at 30 June 2022	51,857	158,031	209,888

Current year additions include the hire purchase financed replacement bus fleet program in Go West Tours of \$10.0m, \$42.8m of leases for the electric bus infrastructure in NSW and renewal of all the ROU bus leases under the new and retained bus contracts in Singapore of \$68.8m (2021: \$57.3m). Prior year additions also included \$20.2m of hire purchase financed electric buses in the UK.

NOTE 11 Derivative financial assets

	CONSOLIDATED	
	2022 \$'000	2021 \$'000
Current assets		
Interest rate swap contracts - cash flow hedges	2,401	–
Fuel price swap contracts - cash flow hedges	810	549
	3,211	549
Non-current assets		
Interest rate swap contracts - cash flow hedges	3,711	–
	6,922	549

Refer to note 31 for further information on financial instruments.

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NOTE 12 Other assets

	CONSOLIDATED	
	2022 \$'000	2021 \$'000
Current assets		
Prepayments	12,178	12,203
Deferred expenses	4,411	532
Other deposits	–	3,981
Deferred consideration receivable	1,846	–
Other current assets	2,434	–
	20,869	16,716
Non-current assets		
Deferred consideration receivable	12,622	–
	33,491	16,716

Deferred expenses relate to the new Singapore bus contract which commenced in September 2021 and will be amortised over the life of the contract.

Deferred consideration receivable relates to the divestment of the Lea interchange business in London. The deferred component of the Lea interchange divestment will be payable in ten equal instalments of 1.0m Pound Sterling on the anniversary of the sale for the next 10 years and is shown at present value converted to Australian dollars.

NOTE 13 Non-current assets classified as held for sale

	CONSOLIDATED	
	2022 \$'000	2021 \$'000
Plant and equipment	113	–
Motor vehicles	7,271	–
Stock and parts	273	–
	7,657	–

Kelsian was unsuccessful with its tender for the new, expanded Darwin public bus services contract package and was therefore required to sell all of the operating assets (buses, fuel and spare parts) to the incoming operator on commencement of the new contract on 1 July 2022. The assets and liabilities held for sale are reported in the Australian Bus segment.

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NOTE 14 Other financial assets

On 11 December 2021, Kelsian through its 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 carrying value of \$0.9m.

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	
	2022 \$'000	2021 \$'000
Non-current assets		
Shares in RAPT Dev Transit London Ltd - at fair value	948	-
Reconciliation		
Reconciliation of the carrying amounts at the beginning and end of the current and previous financial year are set out below:		
Opening carrying amount	-	-
Additions	1,000	-
Foreign currency translation	(52)	-
Closing carrying amount	948	-

The investment in RAPT Dev Transit London Ltd is a level 3 financial instrument and changes in its fair value are determined with reference to a discounted cash flow (DCF) model. The inputs used in the DCF calculations are derived from the approved business plan of the Joint Venture Company and management's assumption of an appropriate discount rate, terminal growth rate and associated volatility. As at 30 June 2022 management have reviewed the projected DCF calculations for the operations of the underlying investment and concluded that based on these inputs there is no change to the fair value of the financial asset.

Kelsian has accounted for this 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.

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KELSIAN GROUP LIMITED AND ITS CONTROLLED ENTITIES

NOTE 15 Property, plant and equipment

	CONSOLIDATED	
	2022 \$'000	2021 \$'000
Non-current assets		
Land and buildings – at cost	88,970	83,715
Less: Accumulated depreciation	(7,257)	(6,185)
	81,713	77,530
Leasehold improvements – at cost	5,222	7,286
Less: Accumulated depreciation	(3,264)	(3,271)
	1,958	4,015
Plant and equipment – at cost	44,933	36,933
Less: Accumulated depreciation	(24,118)	(18,590)
	20,815	18,343
Motor vehicles – at cost	183,965	151,338
Less: Accumulated depreciation	(38,873)	(24,229)
	145,092	127,109
Vessels – at cost	221,098	200,241
Less: Accumulated depreciation	(75,725)	(65,557)
Less: Accumulated Impairment	(3,908)	(5,249)
	141,465	129,435
Capital works in progress – at cost	13,775	16,943
	404,818	373,375

Reconciliations

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

CONSOLIDATED	LAND & BUILDINGS \$'000	LEASEHOLD IMPROVE \$'000	PLANT & EQUIPMENT \$'000	MOTOR VEHICLES \$'000	VESSELS \$'000	CWIP \$'000	TOTAL \$'000
Balance at 1 July 2020	75,880	4,509	17,641	124,522	122,626	16,586	361,764
Additions	1,156	418	4,928	14,802	1,803	18,593	41,700
Disposals	–	(6)	(49)	(320)	(1,259)	–	(1,634)
Exchange differences	917	(7)	144	(11)	–	–	1,043
Write off of assets	–	–	(38)	–	–	–	(38)
Transfers in/(out)	623	–	969	1,549	16,195	(18,236)	1,100
Depreciation expense	(1,046)	(899)	(5,252)	(13,433)	(9,930)	–	(30,560)
Balance at 30 June 2021	77,530	4,015	18,343	127,109	129,435	16,943	373,375
Additions	7,679	1,020	4,850	8,416	1,577	19,566	43,108
Additions through business combinations (note 37)	1,203	161	746	45,546	–	–	47,656
Classified as held for sale (note 13)	–	–	(113)	(7,271)	–	–	(7,384)
Disposals	(167)	(2,788)	(911)	(10,052)	(155)	–	(14,073)
Exchange differences	(1,404)	32	262	(61)	–	–	(1,171)
Transfers in/(out)	(1,934)	15	3,061	1,229	21,324	(22,734)	961
Depreciation expense	(1,194)	(497)	(5,423)	(19,824)	(10,716)	–	(37,654)
Balance at 30 June 2022	81,713	1,958	20,815	145,092	141,465	13,775	404,818

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KELSIAN GROUP LIMITED AND ITS CONTROLLED ENTITIES

At 30 June 2022, three vessels are under construction and nine electric buses (Victoria) and four hydrogen fuel cell buses (NSW and Victoria) with a further eight conventional buses (Go West Tours) are under contract (21 buses total).

At 30 June 2021, four vessels were under construction and one bus was under contract to be purchased in Australia and three buses were under contract internationally.

Refer to note 19 for further information on assets pledged as security for financing arrangements.

NOTE 16 Intangibles

	CONSOLIDATED	
	2022 \$'000	2021 \$'000
Non-current assets		
Goodwill – at cost	499,067	475,185
Less: Accumulated impairment	(7,799)	(7,799)
	491,268	467,386
Customer contracts – at cost	158,975	141,771
Less: Accumulated amortisation	(74,836)	(56,365)
	84,139	85,406
Other intangible assets – at cost	3,381	4,089
Less: Accumulated amortisation	(1,341)	(1,909)
	2,040	2,180
Customer relationships – Sita Coaches	8,700	8,700
Less: Accumulated amortisation	(1,327)	(664)
	7,373	8,036
	584,820	563,008

Reconciliations

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

CONSOLIDATED	GOODWILL \$'000	CUSTOMER CONTRACTS \$'000	OTHER INTANGIBLES \$'000	CUSTOMER RELATIONSHIPS \$'000	TOTAL \$'000
Balance at 1 July 2020	479,602	116,874	2,496	8,700	607,672
Exchange differences	(8,417)	(751)	–	–	(9,168)
Impairment of assets	(3,799)	–	–	–	(3,799)
Amortisation expense	–	(30,717)	(316)	(664)	(31,697)
Balance at 30 June 2021	467,386	85,406	2,180	8,036	563,008
Additions	50	954	183	–	1,187
Additions through business combinations (note 37)	18,419	15,436	–	–	33,855
Exchange differences	5,413	–	–	–	5,413
Amortisation expense	–	(17,657)	(323)	(663)	(18,643)
Balance at 30 June 2022	491,268	84,139	2,040	7,373	584,820

Prior year goodwill has been increased by \$9.8m and allocated across the CGU's that formed part of the Transit acquisition due to the under-recording of deferred tax liabilities that formed part of that business combination as at 1 July 2020 and 30 June 2021 (refer note 6).

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KELSIAN GROUP LIMITED AND ITS CONTROLLED ENTITIES

There was no impairment of assets made in 2022 (2021: \$3.8m). See commentary below.

IMPAIRMENT TESTING

Goodwill acquired through business combinations have been allocated to the following cash-generating units (CGU's):

	CONSOLIDATED	
	2022 \$'000	2021 \$'000
Transit - WA & NT	162,030	162,030
Tower Transit - Singapore	104,237	98,824
Transit - NSW	61,155	61,155
Transit - SA	59,649	59,649
Transit - Victoria (Sita)	45,727	45,727
SeaLink - South East QLD	30,081	30,081
Go West Tours - WA	18,419	–
SeaLink - QLD	6,420	6,420
Fraser Island, QLD	3,500	3,500
Swan Valley Tours, WA	50	–
	491,268	467,386

The business combinations assessment for Go West Tours is now finalised. Refer note 37 for further details.

The recoverable amount of the consolidated entity's goodwill has been determined by value-in-use calculations using a discounted cash flow model. The cashflow projections are based on annual financial budgets approved by senior management and the Board, extrapolated using the growth rates below for a five-year period as approved by management together with a terminal value. The assumptions for determining the recoverable amount are based on past experience and senior management's expectation for the future taking into consideration the longer-term impact of COVID-19 and recent trading performance.

A terminal value growth rate of 3.0% has been used for Marine & Tourism CGUs, with a terminal value growth rate of 1.5% for all Australian and International Public Bus CGUs (2021: 2.5% for all CGUs). The terminal value growth rates are used to determine the terminal value of a CGU based on long range forecasts for CPI or comparable indices in the geographies we operate in.

Key assumptions are those to which the recoverable amount of an asset or CGU is most sensitive. The key general assumptions used in the discounted cash flow models and value in use calculations are the pre-tax discount rates and the projected revenue growth rates detailed below.

The pre-tax discount rates reflect management's estimate of the time value of money and the consolidated entity's weighted average cost of capital adjusted for, the risk-free rate and the volatility of the share price relative to market movements.

	MARINE & TOURISM %	AUSTRALIAN BUS %	INTERNATIONAL BUS %
Discount rate used in impairment calculations 2022	11.9%	10.2%	8.9%
Discount rate used in impairment calculations 2021	9.5%	11.3%	9.8%

Management believe the projected revenue growth rates are prudent and justified given the current uncertainty of the market.

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Marine & Tourism CGU's

Marine & Tourism CGU's not significantly impacted by COVID-19 have had growth rates applied of 3.0% (2021: 2.0%), this is based on historical experience and current operating trends within these CGUs

For those Marine & Tourism CGU's where the impact of COVID-19 has had a more noticeable effect on the business it has been assumed that revenues and expenses will return to pre-COVID-19 levels in year 2 of the forecast period at the earliest. At which point management has assumed subsequent growth rates of 3.0%.

This specific application to Marine & Tourism CGUs is outlined further below:

Sealink – QLD

Passenger numbers to Magnetic Island - An increase of 3.0% in traffic has been built into forecast sales based on strong domestic growth, continued recovery of the backpacker and adventure tourist markets as well as a growing population base in Townsville.

Sealink – SE Queensland

An increase in revenue of 3.0% to reflect underlying traffic growth based on increased tourism flow to Stradbroke Island, CPI increases built into fixed contracts and growth in vessel charter opportunities and rates.

Fraser Island – QLD

Despite strong performance from the intrastate and interstate markets, Fraser Island revenue is not expected to return to pre-Covid-19 levels until year 2 of the forecast period. Management consider this to be a conservative estimate given the performance of the CGU in the most recent period where travel restrictions and staffing shortages have posed operational challenges.

Swan Valley Tours – WA

An increase in revenue of 3.0% to reflect the Western Australian tourism industry's delayed emergence from COVID-19 relative to other Australian States and Territories.

Australian Bus and International Bus CGUs

Contracted increases in revenue – all CGU's within the Australian Bus and International Bus Segments have had contracted revenue grow by at least 1.5% (2021: 1.5%). This is based on the contracted nature of these businesses and the increases reflected in the contracts it has with its government clients.

SENSITIVITY

As disclosed in note 2, Management have made assumptions and estimates in respect of impairment testing of goodwill. Should these assumptions and estimates not occur the resulting goodwill carrying amount may decrease.

SUMMARY OF GOODWILL IMPAIRMENT TESTING

Management have reviewed the changes to the key assumptions in the model and based on those changes have assessed there would not be an impairment of goodwill for any of the Group's CGU's. (2021: KI Odysseys and Captain Cook Cruises WA).

Management believes that other reasonable changes in the key assumptions on which the recoverable amount of each segment's goodwill is based would not cause the CGU's carrying amount to exceed its recoverable amount.

CUSTOMER CONTRACTS, RELATIONSHIPS AND OTHER INTANGIBLES (PERMITS AND TRADEMARKS)

Customer contracts of \$7.4m are associated with several government contracts for ferry services in the Southern Moreton Bay, Gladstone and Perth. As part of the Fraser Island acquisition in 2018, touring and access permits were acquired with a fair value of \$3.2m.

As part of the Transit Systems Group acquisition in 2020, bus contracts in Australia and Singapore were acquired with a fair value of \$134.7m. In addition, \$8.7m of intangible customer relationships were also recognised for Transit - Victoria (Sita).

A further \$15.4m of customer contracts associated with bus contracts in the resources sector were part of the Go West Tours acquisition on 1 July 2021. In addition, the asset acquisition of Dave's Transit in June 2022 resulted in a further \$0.9m customer contract intangible being recognised.

During the period the Group recorded amortisation of \$18.6m (2021: \$31.7m) associated with customer contracts and permits with an associated reduction in the Deferred Tax Liability of \$5.6m (2021: \$9.5m).

All customer contracts are amortised over their estimated finite life and the amortisation period ranges between 1 and 10 years.

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NOTE 17 Trade and other payables

	CONSOLIDATED	
	2022 \$'000	2021 \$'000
Current liabilities		
Trade payables	36,760	34,736
BAS payable	10,419	8,591
Other payables	19,983	22,958
	67,162	66,285

Refer to note 31 for further information on financial instruments.

Trade creditors are non-interest bearing and are normally settled on 30-60 day terms.

NOTE 18 Contract liabilities

	CONSOLIDATED	
	2022 \$'000	2021 \$'000
Current liabilities		
Contract liabilities	14,354	12,991
Reconciliation		
Reconciliation of the written down values at the beginning and end of the current and previous financial year are set out below:		
Opening balance	12,991	7,408
Deferred during the year	74,833	74,377
Recognised during the year	(73,470)	(68,794)
Closing balance	14,354	12,991

A contract liability is recognised if a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e. transfers control of the related goods or services to the customer).

Unsatisfied performance obligations

The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied at the end of the reporting period was \$3,576,692,000 as at 30 June 2022 (\$4,516,361,000 as at 30 June 2021) and is expected to be recognised as revenue in future periods as follows:

	CONSOLIDATED	
	2022 \$'000	2021 \$'000
Within one year	962,224	1,032,455
More than one year	2,614,468	3,483,906
	3,576,692	4,516,361

NOTE 19 Borrowings

	CONSOLIDATED	
	2022 \$'000	2021 \$'000
Current liabilities		
Other loans	19,411	19,477
Non-current liabilities		
Other loans	—	18,845
Commercial bills payable	345,000	266,000
	345,000	284,845
	364,411	304,322

Refer to note 31 for further information on financial instruments.

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Total secured liabilities

Other loans relates to vendor financing of \$19.4m (2021: \$38.3m) which attracts an interest rate of 6.0% per annum relating to Transit Systems Group's (TSG) acquisition of the Sita bus business in Victoria prior to Kelsian's acquisition of TSG. A final \$20.0m instalment for the Sita vendor financing is due April 2023. The remeasurement to present value at each balance date has no cash impact.

The remaining borrowings are commercial bills under the Group's multi tranche facility negotiated immediately preceding the TSG acquisition in 2020 and were recently increased by \$150.0m in June 2022 and the term extended.

Interest bearing loans and borrowings have a fair value of \$364.4m (2021: \$304.3m) and a carrying value of \$364.4m (2021: \$304.3m). During the year, \$20.0m was repaid from funds raised through cashflow from operations (2021: Nil). During the year \$79.0m funds (2021: Nil) were drawn down.

Financing arrangements

Unrestricted access was available at the reporting date to the following lines of credit:

	CONSOLIDATED	
	2022 \$'000	2021 \$'000
Total facilities		
Facility A – multi currency term loan	230,000	230,000
Facility B1 – revolving credit	200,000	50,000
Facility B2 – revolving credit	65,000	65,000
Facility C – revolving letter of credit	125,000	125,500
Vendor financing facility	19,401	38,322
Insurance bonds	13,130	12,448
	652,531	521,270
Used at the reporting date		
Facility A – multi currency term loan	230,000	230,000
Facility B1 – revolving credit	50,000	36,000
Facility B2 – revolving credit	65,000	–
Facility C – revolving letter of credit	74,737	85,825
Vendor financing facility	19,401	38,322
Insurance bonds	13,130	12,448
	452,268	402,595
Unused at the reporting date		
Facility A – multi currency term loan	–	–
Facility B1 – revolving credit	150,000	14,000
Facility B2 – revolving credit	–	65,000
Facility C – revolving letter of credit	50,263	39,675
Vendor financing facility	–	–
Insurance bonds	–	–
	200,263	118,675

The facilities are provided on a floating rate basis referenced to the BBSY rate. As at year end, the balance of Facility A (fully drawn) \$230.0m had an average rate of 2.96% (2021: 1.57%) and the balance of Facility B \$50.0m had an average rate of 2.80% (2021: 1.30%) with the weighted average rate for Facility A and B 2.93% (2021: 1.53%). All current facilities are at floating rates. Committed financing facilities A, B1 and B2 total \$495.0m (2021: \$345.0m) and were available to the consolidated entity at the end of the financial year. As at that date, \$345.0m (2021: \$266.0m) of these facilities were in use.

During the current year, there were no defaults or breaches.

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Financing cash flows

During the period \$79.0m (2021:Nil) of borrowings were drawn down together with a (\$11.0m) reduction in letters of credit and the revaluation of the Sita Vendor loan, neither of the latter two having a cashflow impact.

Assets pledged as security

Kelsian and each borrower, have provided security in respect of all of their respective assets and undertakings, including direct shares and units in entities within the Group other than those which cannot be charged without third party consent and real property mortgages over its freehold real property

(excluding the bus depot at Westbourne Park, UK) and certain leasehold property. Also registered mortgages over all vessels and buses in the fleet that are not leased, except for the Tasmanian Bruny Island vessels. Assets pledged as security (minus exclusions) total \$366.7m (2021:\$321.7m). Kelsian and certain guarantors have provided a guarantee and indemnity to the Lenders in respect of the financing facilities.

Various guarantees / performance bonds have been provided as surety on a range of material operational contracts and lease contracts. Guarantees provided total \$74.7m (2021: \$85.8m), the decrease relates to the return of guarantees relating to expired contracts required to be held for 6 months after the end of a contract when new guarantees were already provided.

NOTE 20 Lease liabilities

	CONSOLIDATED	
	2022 \$'000	2021 \$'000
Current liabilities		
Lease liability – Current	37,071	27,193
Non-current liabilities		
Lease liability – Non current	162,925	133,120
	199,996	160,313
	CONSOLIDATED	
	2022 \$'000	2021 \$'000
Opening balance	160,313	104,383
Additions	144,349	92,097
Additions through business combinations (note 37)	3,921	–
Exchange differences	239	670
Lease payments	(39,134)	(33,298)
Lease related interest	(4,374)	(3,539)
	199,996	160,313

Short term lease payments of \$2.4m were made during the period (2021: \$2.6m)

Refer to note 31 for further information on financial instruments.

NOTE 21 Derivative financial liabilities

	CONSOLIDATED	
	2022 \$'000	2021 \$'000
Current liabilities		
Interest rate swap contracts – cash flow hedges	–	1,283
Non-current liabilities		
Interest rate swap contracts – cash flow hedges	–	2,292
	–	3,575

Refer to note 31 for further information on financial instruments.

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NOTE 22 Employee benefits

	CONSOLIDATED	
	2022 \$'000	2021 \$'000
Current liabilities		
Annual leave	52,601	51,956
Long service leave	38,719	36,818
Sick leave	1,118	1,206
Employee benefits	197	132
	92,635	90,112
Non-current liabilities		
Long service leave	8,451	9,606
	101,086	99,718

NOTE 23 Provisions

	CONSOLIDATED	
	2022 \$'000	2021 \$'000
Current liabilities		
Deferred consideration	24,646	25,744
Other provisions	2,943	9,515
	27,589	35,259

Movements in provisions

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

	MOTOR CLAIMS \$'000	MAKE GOOD \$'000	BUS PARTS \$'000	DEFERRED CONSIDERATION \$'000	OTHER \$'000
CONSOLIDATED - 2022					
Carrying amount at the start of the year	4,461	2,240	2,539	25,744	275
Additional provisions recognised	1,831	–	86	–	–
Amounts used	(3,810)	(2,142)	(2,359)	–	–
Exchange differences	(53)	(98)	(27)	(1,098)	–
Carrying amount at the end of the year	2,429	–	239	24,646	275

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NOTE 24 Other liabilities

	CONSOLIDATED	
	2022 \$'000	2021 \$'000
Current liabilities		
Deferred consideration	20,725	–
Accrued expenses	50,928	39,354
Deferred revenue	7,150	662
Revenue received in advance	42	69
Subsidies and grants received in advance	217	218
Other current liabilities	94	–
	79,156	40,303
Non-current liabilities		
Deferred consideration	9,530	11,957
Subsidies and grants received in advance	215	430
	9,745	12,387
	88,901	52,690

There is one remaining instalment of deferred consideration due in August 2022 in relation to the acquisition of TSG with the balance of deferred consideration relating to the Go West Tours acquisition in July 2021, \$8.1m payable in August 2022 and the balance in August 2023.

NOTE 25 Liabilities directly associated with assets classified as held for sale

	CONSOLIDATED	
	2022 \$'000	2021 \$'000
Current liabilities		
Employee entitlements	997	–

Refer note 13 for further details of the transaction requiring the liabilities be held for sale.

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NOTE 26 Issued capital

	2022	2021	CONSOLIDATED	
	SHARES	SHARES	2022 \$'000	2021 \$'000
Ordinary shares – fully paid	218,399,048	218,399,048	572,377	572,377

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

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

Share buy-back

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

Capital risk management

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

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

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

The Group would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current Company's share price at the time of the investment. The Group is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The Group is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

The capital risk management policy remains unchanged from the 30 June 2021 Annual Report.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'trade and other payables' and 'borrowings' as shown in the statement of financial position) less 'cash and cash equivalents' as shown in the statement of financial position. Total capital is calculated as 'total equity' as shown in the statement of financial position (including non-controlling interest) plus net debt.

The gearing ratio at the reporting date was as follows:

	CONSOLIDATED	
	2022 \$'000	2021 \$'000
Current liabilities – trade and other payables (note 17)	67,162	66,285
Current liabilities – borrowings (note 19)	19,411	19,477
Non-current liabilities – borrowings (note 19)	345,000	284,845
Total borrowings	431,573	370,607
Current assets – cash and cash equivalents (note 7)	(141,093)	(103,497)
Net debt	290,480	267,110
Total equity	640,012	608,106
Total capital	930,492	875,216
Gearing ratio	31%	31%

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NOTE 27 Reserves

	CONSOLIDATED	
	2022 \$'000	2021 \$'000
Foreign currency reserve	(3,090)	(8,923)
Hedging reserve – cash flow hedges	4,846	(2,118)
Options reserve	3,322	2,179
	5,078	(8,862)

Foreign currency reserve

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

Hedging reserve – cash flow hedges

The reserve is used to recognise the effective portion of the gain or loss of cash flow hedge instruments that is determined to be an effective hedge.

Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees and Directors as part of their remuneration, and other parties as part of their compensation for services.

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

CONSOLIDATED	SHARE OPTION SURPLUS \$'000	CASH FLOW HEDGING \$'000	FOREIGN CURRENCY \$'000	TOTAL \$'000
Balance at 1 July 2020	1,364	(4,389)	(966)	(3,991)
Revaluation – gross	–	3,244	–	3,244
Deferred tax	–	(973)	–	(973)
Share option expense	815	–	–	815
Foreign currency translation	–	–	(7,957)	(7,957)
Balance at 30 June 2021	2,179	(2,118)	(8,923)	(8,862)
Revaluation – gross	–	9,948	–	9,948
Deferred tax	–	(2,984)	–	(2,984)
Share option expense	1,143	–	–	1,143
Foreign currency translation	–	–	5,833	5,833
Balance at 30 June 2022	3,322	4,846	(3,090)	5,078

NOTE 28 Retained profits

	CONSOLIDATED	
	2022 \$'000	2021 \$'000
Retained profits at the beginning of the financial year	44,588	31,906
Profit/(loss) after income tax expense for the year	52,910	37,798
Dividends paid (note 30)	(34,944)	(25,116)
Retained profits at the end of the financial year	62,554	44,588

NOTE 29 Non-controlling interest

The non-controlling interest \$3.0k, relates to Torrens Connect Pty Ltd which is a majority owned subsidiary in the consolidated group under accounting standards however operationally is a joint venture entity used to service the Torrens Transit Tram contract in South Australia.

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NOTE 30 Dividends

Dividends

Dividends paid during the financial year were as follows:

	CONSOLIDATED	
	2022 \$'000	2021 \$'000
Interim fully franked dividend for the year ended 30 June 2022 paid 31 March 2022 of 7.0 cents (2021: 7.0 cents) per ordinary share	15,288	15,288
Final fully franked dividend for the year ended 30 June 2021 paid 6 October 2021 of 9.0 cents (2020: 4.5 cents) per ordinary share	19,656	9,828
	34,944	25,116

Franking credits

	CONSOLIDATED	
	2022 \$'000	2021 \$'000
Franking credits available at the reporting date based on a tax rate of 30%	124,806	117,928
Franking credits available for subsequent financial years based on a tax rate of 30%	124,806	117,928

The above amounts represent the balance of the franking account as at the end of the financial year.

NOTE 31 Financial instruments

FINANCIAL RISK MANAGEMENT OBJECTIVES

The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses derivative financial instruments such as forward foreign exchange contracts to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the Group and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the Group's operating units. Finance reports to the Board on a monthly basis.

MARKET RISK

Foreign currency risk

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

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

In order to protect against exchange rate movements, the consolidated entity has entered into forward foreign exchange contracts. These contracts are hedging highly probable forecasted cash flows for the ensuing financial year. Management has a risk management policy to hedge 100% of purchases and 50% of anticipated foreign currency transactions for the subsequent 6 months.

The carrying amount of the Group's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

	ASSETS		LIABILITIES	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
US dollars	6	14	–	–
Pound Sterling	21,057	15,647	–	69,015
New Zealand dollars	6	16	–	–
Singapore dollars	60,672	33,583	125,116	65,289
	81,741	49,260	125,116	134,304

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The consolidated entity had net current assets denominated in foreign currencies of \$10.3m (assets of \$90.7m less liabilities of \$80.4m) as at 30 June 2022 (2021: Net current liabilities of \$12.3m, \$52.1m less liabilities of \$64.4m). Based on this exposure, had the Australian dollar weakened by 5.0%/strengthened by 5.0% (2021: weakened by 5.0%/strengthened by 5.0%) against these foreign currencies with all other variables held constant, the consolidated entity's profit before tax for the year would have been \$0.5m higher/\$0.5m lower (2021: \$0.6m lower/\$0.6m higher) and equity would have been \$0.3m higher/\$0.3m lower (2021: \$0.4m lower/\$0.4m higher). The percentage change is the expected overall volatility of the significant currencies, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last 6 months each year and the spot rate at each reporting date. The net foreign exchange loss for the year ended 30 June 2022 was loss of (\$1.4m) (2021: loss of (\$1.1m)).

PRICE RISK

The consolidated entity is not exposed to any significant price risk from fluctuations in fuel price as this is indexed in the bus contracts and passed through to the customer.

INTEREST RATE RISK

The consolidated entity's main interest rate risk arises from long-term borrowings. Borrowings obtained at variable rates expose the consolidated entity to interest rate risk. Borrowings obtained at fixed rates expose the consolidated entity to fair value interest rate risk. The policy is to maintain approximately 50% of current borrowings at fixed rates using interest rate swaps to achieve this when necessary.

As at the reporting date, the consolidated entity had the following average interest rate borrowings and interest rate swap contracts outstanding:

	2022		2021	
	WEIGHTED AVERAGE INTEREST RATE %	BALANCE \$'000	WEIGHTED AVERAGE INTEREST RATE %	BALANCE \$'000
CONSOLIDATED				
Commercial bills – floating	2.96%	345,000	1.53%	266,000
Vendor financing – fixed	6.00%	19,411	6.00%	38,322
Net exposure to cash flow interest rate risk		364,411		304,322

The consolidated entity has entered into a interest rate swap of \$120.0m (2021: \$120.0m) that effectively hedges approximately 50.0% (2021: 50.0%) of the company's exposure to fluctuations in interest rates.

An analysis by remaining contractual maturities is shown in Liquidity Risk management below.

For the consolidated entity the commercial bills outstanding, totalling \$345.0m (2021: \$266.0m) are interest only payment loans. Monthly cash outlays of approximately \$0.4m (2021: \$0.3m) per month are required to service the interest payments. An official increase in interest rates of 1.0% and decrease of 0.5% (2021: increase 0.5%, decrease 1.0%) basis points would have an adverse effect on profit before tax of \$2.3m and positive effect of \$1.2m respectively (2021: adverse effect on profit before tax of \$2.2m and positive effect of \$4.4m). The percentage change is based on the expected volatility of interest rates using market data and analysts forecasts. There are no minimum principal repayments due (2021: nil).

CREDIT RISK

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The Group obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Group does not hold any collateral.

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on references, industry knowledge, ability to pay and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored with an analysis reported to the Board monthly. Material debtors are largely associated with government agencies and are reviewed by management taking into consideration the associated credit ratings and risk applicable to the relevant country for (international operations) or state within Australia and are generally considered relatively low risk.

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

There were no exposures that comprised more than 30% of trade receivables. Collection of this debt is generally not considered doubtful however some small provisions have been made for debts with the indicators of no reasonable recovery, mainly businesses impacted by COVID-19.

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Audit, Risk and Sustainability Committee in accordance with the Group's policy. Investments of surplus funds are only placed with the Group's major bank.

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LIQUIDITY RISK

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

The consolidated entity manages liquidity risk using a liquidity planning tool and by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, interchangeable limits, finance leases and hire purchase contracts. The Group's policy is to ensure that the core funding limits have no less than a 12 month maturity date. The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing or alternative lenders.

Financing arrangements

Unused borrowing facilities at the reporting date:

	CONSOLIDATED	
	2022 \$'000	2021 \$'000
Facility B1 – revolving credit	150,000	14,000
Facility B2 – revolving credit	–	65,000
Facility C – revolving letter of credit	50,263	39,675
	200,263	118,675

Subject to the continuance of satisfactory credit ratings, the bank loan facilities may be drawn at any time and have an average maturity of 4.0 years (2021: 2.5 years).

Remaining contractual maturities

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

	WEIGHTED AVERAGE INTEREST RATE %	1 YEAR OR LESS \$'000	BETWEEN 1 AND 5 YEARS \$'000	OVER 5 YEARS \$'000	REMAINING CONTRACTUAL MATURITIES \$'000
CONSOLIDATED – 2022					
Non-derivatives					
<i>Non-interest bearing</i>					
Trade payables	–	36,760	–	–	36,760
Other payables	–	19,983	–	–	19,983
BAS payables	–	10,419	–	–	10,419
Other loans	–	19,411	–	–	19,411
Financial guarantee contracts (on demand)	–	74,737	–	–	74,737
Insurance bonds	–	13,130	–	–	13,130
<i>Interest-bearing – variable</i>					
Commercial bills	2.96%	10,195	345,000	–	355,195
<i>Interest-bearing – fixed rate</i>					
Hire purchase	3.17%	2,139	6,786	–	8,925
Lease liability	2.49%	38,267	122,234	33,950	194,451
Vendor financing	6.00%	20,000	–	–	20,000
Total non-derivatives		245,041	474,020	33,950	753,011

FINANCIAL REPORT

KELSIAN GROUP LIMITED AND ITS CONTROLLED ENTITIES

CONSOLIDATED – 2021	WEIGHTED AVERAGE INTEREST RATE %	1 YEAR OR LESS \$'000	BETWEEN 1 AND 5 YEARS \$'000	OVER 5 YEARS \$'000	REMAINING CONTRACTUAL MATURITIES \$'000
Non-derivatives					
<i>Non-interest bearing</i>					
Trade payables	–	36,201	–	–	36,201
Other payables	–	21,492	–	–	21,492
BAS payables	–	8,591	–	–	8,591
Financial guarantee contracts (on demand)	–	85,825	–	–	85,825
Insurance bonds	–	12,448	–	–	12,448
<i>Interest-bearing – variable</i>					
Commercial bills	2.21%	4,070	276,175	–	280,245
<i>Interest-bearing – fixed rate</i>					
Hire purchase	2.69%	3,534	10,641	13,735	27,910
Lease liability	2.91%	24,436	75,353	37,219	137,008
Vendor financing	6.00%	20,000	20,000	–	40,000
Total non-derivatives		216,597	382,169	50,954	649,720
Derivatives					
Forward foreign exchange contracts net settled	–	1,283	2,292	–	3,575
Fuel price swaps net settled	–	(549)	–	–	(549)
Total derivatives		734	2,292	–	3,026

Details about the financial guarantee contracts are provided in note 19. The amounts disclosed in the above tables are the maximum amounts allocated to the earliest period in which the guarantee could be called upon. The Group does not expect these payments to eventuate.

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

FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

Level 3 financial assets and liabilities have been valued by using the discounted cash flows (DCF) method.

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 derived from the approved business plan of the Joint Venture Company and management's assumption of an appropriate discount rate, terminal growth rate and associated volatility.

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KELSIA GROUP LIMITED AND ITS CONTROLLED ENTITIES

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:

CONSOLIDATED	2022		2021	
	CARRYING AMOUNT \$'000	FAIR VALUE \$'000	CARRYING AMOUNT \$'000	FAIR VALUE \$'000
Assets				
Cash on hand	729	729	476	476
Cash at bank	109,092	109,092	66,386	66,386
Cash on deposit	31,272	31,272	36,135	36,135
Trade receivables	94,063	94,063	73,226	73,226
Other receivables	25,837	25,837	19,172	19,172
Cash flow hedges	6,922	6,922	–	–
	267,915	267,915	195,395	195,395
Liabilities				
Trade payables	36,760	36,760	36,201	36,201
Other payables	19,983	19,983	21,492	21,492
BAS payable	10,419	10,419	8,591	8,591
Commercial bills	345,000	345,000	266,000	266,000
Lease liability	199,996	199,996	160,313	160,313
Cash flow hedges	–	–	3,026	3,026
Vendor financing	19,411	19,411	38,322	38,322
	631,569	631,569	533,945	533,945

The fair value of the financial assets and liabilities is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Management assessed that cash and short-term deposits, trade receivables, trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

NOTE 32 Key management personnel disclosures

Directors

The following persons were Directors of Kelsian Group Limited during the financial year:

Non-executive directors

J Ellison AM	Chair
T Dodd	Non-Executive Director
C Smerdon	Non-Executive Director
A Staines OAM	Non-Executive Director
F Hele	Non-Executive Director
N Smith	Non-Executive Director
L Hockridge	Non-Executive Director

FINANCIAL REPORT

KELSIA GROUP LIMITED AND ITS CONTROLLED ENTITIES

Other key management personnel

The following person also had the authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, during the financial year:

CEO and Senior executives

C Feuerherdt	Group Chief Executive Officer	
A Muir	Chief Financial Officer & Joint Kelsian Secretary	
G Legh	Chief Development Officer	
P Cox	Chief Operating Officer – International	Appointed 1 July 2021
W Toh	Managing Director – Singapore	
D Gauci	Chief Operating Officer – Marine & Tourism	
G Balkin	Chief Operating Officer – Australian Bus	
R Carpenter	Chief People and Culture Officer	

Compensation

The aggregate compensation made to Directors and other members of key management personnel of the Group is set out below:

	CONSOLIDATED	
	2022 \$'000	2021 \$'000
Short-term employee benefits	6,554	6,388
Long-term benefits	103	98
Share-based payments	999	732
	7,656	7,218

NOTE 33 Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Ernst & Young, the auditor of the Company, and unrelated firms:

	CONSOLIDATED	
	2022 \$'000	2021 \$'000
Audit services – Ernst & Young		
Audit or review of the financial statements	680	645
Other services – Ernst & Young (Australia)		
Taxation compliance	106	–
Due diligence	43	–
Other	15	–
	164	–
	844	645
Other services – overseas member firms of Ernst & Young (Australia)		
Due diligence	417	–
Other	8	–
	425	–
Audit services – unrelated firms		
Audit or review of the financial statements	272	231
Other services – unrelated firms		
Other	231	181
	503	412

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KELSIA GROUP LIMITED AND ITS CONTROLLED ENTITIES

NOTE 34 Commitments

	CONSOLIDATED	
	2022 \$'000	2021 \$'000
Capital commitments		
Committed at the reporting date but not recognised as liabilities, payable:		
Vessels	7,650	22,051
Buses and motor vehicles	9,511	2,501
Other	3,924	1,445
	21,085	25,997

NOTE 35 Related party transactions

Parent entity

Kelsian Group Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 38.

Key management personnel

Disclosures relating to key management personnel are set out in note 32 and the remuneration report included in the Directors' report.

Transactions with related parties

The following transactions occurred with related parties at arms length prices:

	CONSOLIDATED	
	2022 \$	2021 \$
Payment for goods and services:		
Pacific Marine (associated with Mr T Dodd) – Provision of marine piling services.	–	3,133
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.	2,869,037	2,845,187

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.

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KELSIAN GROUP LIMITED AND ITS CONTROLLED ENTITIES

NOTE 36 Parent entity information

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

Statement of profit or loss and other comprehensive income

	PARENT	
	2022 \$'000	2021 \$'000
Profit after income tax	20,354	11,690
Total comprehensive income/(loss)	20,354	11,690

Statement of financial position

	PARENT	
	2022 \$'000	2021 \$'000
Total current assets	42,434	1,372
Total assets	903,676	785,308
Total current liabilities	42,742	18,366
Total liabilities	335,652	208,423

Equity

Issued capital	572,378	572,378
Hedging reserve – cash flow hedges	4,846	–
Options reserve	3,322	2,179
Retained profits/(accumulated losses)	(12,522)	2,328
Total equity	568,024	576,885

There have been some reclassifications of prior year balances in the parent entity note to ensure comparability with current year.

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent has entered into various cross-guarantees with its subsidiaries to support borrowings across the Group. Refer note 40 for further details.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2022. (2021:Nil)

Capital commitments – Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2022. (2021:Nil)

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

NOTE 37 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 \$98.8m. 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 \$18.4m 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 \$56.7m and profit after tax of \$7.6m to the Group for the period from 1 July 2021 to 30 June 2022. The values identified in relation to the acquisition of Go West Tours are final as at 24 August 2022.

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Details of the acquisition are as follows:

	FAIR VALUE \$'000
Cash and cash equivalents	14,518
Trade and other receivables	9,118
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 and other payables	(977)
Provision for income tax	(1,488)
Deferred tax liability	(6,984)
Employee benefits	(835)
Lease liability	(3,921)
Net assets acquired	80,398
Goodwill	18,419
Acquisition-date fair value of the total consideration transferred	98,817
Representing	
Cash paid or payable to vendor	82,545
Deferred cash consideration	14,616
Earn out consideration (contingent)	1,656
	98,817
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	98,817
Less: cash and cash equivalents	(14,518)
Less: payments to be made in future periods	(16,272)
Net cash used	68,027

The amounts disclosed above are final.

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 16 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 \$1.8m in earn-out consideration will be achieved. This was present valued on acquisition at \$1.7m. Refer note 16 for commentary on the DCF method used to calculate the fair value.

Other acquisitions

During the period Kelsian acquired the assets of two businesses through it's subsidiary S.V Haooust Pty Ltd. First, Lestok Tours on 8 December 2021 for \$1.0m comprising buses and other operating assets with fair value of \$1.0m followed by Dave's Transit on 10 June 2022 for \$2.0m comprising buses and other operating assets with fair value of \$1.1m and a customer contract intangible of \$0.9m. These acquisitions further supports our specialist bus passenger transport business operating in regional and remote Western Australia. Kelsian also acquired the assets of Swan Valley Tours in WA through it's subsidiary Vyscot Pty Ltd for \$0.1m on 13 September 2021 to complement it's existing tourism businesses.

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KELSIA GROUP LIMITED AND ITS CONTROLLED ENTITIES

NOTE 38 Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

NAME	PRINCIPAL PLACE OF BUSINESS / COUNTRY OF INCORPORATION	OWNERSHIP INTEREST	
		2022 %	2021 %
Australia Inbound Pty Ltd	Australia	100.00%	100.00%
Avonward Pty Ltd	Australia	100.00%	100.00%
Big Red Cat Pty Ltd	Australia	100.00%	100.00%
BITS Assets Pty Ltd	Australia	100.00%	100.00%
BITS Ferry Services Pty Ltd	Australia	100.00%	100.00%
Captain Cook Cruises Pty Ltd	Australia	100.00%	100.00%
Curtis Island Assets Pty Ltd	Australia	100.00%	100.00%
Curtis Island Services Pty Ltd	Australia	100.00%	100.00%
Kangaroo Island Adventure Tours Pty Ltd	Australia	100.00%	100.00%
Kangaroo Island Odysseys Pty Ltd	Australia	100.00%	100.00%
Kangaroo Island SeaLink Pty Ltd	Australia	100.00%	100.00%
KBRV Resort Operations Pty Ltd	Australia	100.00%	100.00%
KBRV Services Pty Ltd	Australia	100.00%	100.00%
Kelsian UK Limited	United Kingdom	100.00%	100.00%
Magnetic Island Cruise Corporation Pty Ltd	Australia	100.00%	100.00%
Pacific Transit Pty Ltd	New Zealand	100.00%	100.00%
PDW Pty Ltd	Australia	100.00%	100.00%
RiverCity Ferries Pty Ltd	Australia	100.00%	100.00%
S. V. Haoust Pty Ltd	Australia	100.00%	–
Sea Stradbroke Services Pty Ltd	Australia	100.00%	100.00%
SeaCap Pte Ltd	Singapore	100.00%	–
SeaLink Ferries Pty Ltd	Australia	100.00%	100.00%
SeaLink Fraser Island Pty Ltd	Australia	100.00%	100.00%
SeaLink KI Ferries Pty Ltd	Australia	100.00%	100.00%
SeaLink KI Holding Pty Ltd	Australia	100.00%	–
SeaLink Marina Pty Ltd	Australia	100.00%	100.00%
SeaLink Northern Territory Pty Ltd	Australia	100.00%	100.00%
SeaLink Queensland Pty Ltd	Australia	100.00%	100.00%
SeaLink SA Ferry Services Pty Ltd	Australia	100.00%	–
SeaLink Tasmania Pty Ltd	Australia	100.00%	100.00%
SeaLink Vessels Pty Ltd	Australia	100.00%	100.00%
Sita Coaches Pty Ltd	Australia	100.00%	100.00%
Sita Tours Pty Ltd	Australia	100.00%	100.00%
STG Properties Pty Ltd	Australia	100.00%	100.00%
Stradbroke Assets Pty Ltd	Australia	100.00%	100.00%
Stradbroke Ferries Pty Ltd	Australia	100.00%	100.00%
Sunferries Travel Pty Ltd	Australia	100.00%	100.00%
Swan Transit Canning Pty Ltd	Australia	100.00%	100.00%
Swan Transit Group Pty Ltd	Australia	100.00%	100.00%
Swan Transit Kalamunda Pty Ltd	Australia	100.00%	100.00%
Swan Transit Marmion Pty Ltd	Australia	100.00%	100.00%
Swan Transit Midland Pty Ltd	Australia	100.00%	100.00%
Swan Transit Pty Ltd	Australia	100.00%	100.00%
Swan Transit Services (South West) Pty Ltd	Australia	100.00%	100.00%

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NAME	PRINCIPAL PLACE OF BUSINESS / COUNTRY OF INCORPORATION	OWNERSHIP INTEREST	
		2022 %	2021 %
Swan Transit Services (South) Pty Ltd	Australia	100.00%	100.00%
Swan Transit Services Pty Ltd	Australia	100.00%	100.00%
Swan Transit South West Pty Ltd	Australia	100.00%	100.00%
Swan Transit Southern River Pty Ltd	Australia	100.00%	100.00%
Swan Transit Trust	Australia	100.00%	100.00%
Territory Transit Holdings Pty Ltd	Australia	100.00%	100.00%
Territory Transit Pty Ltd	Australia	100.00%	100.00%
The Living Classroom Pty Ltd	Australia	100.00%	100.00%
The Port Jackson & Manly Steamship Company Pty Ltd	Australia	100.00%	100.00%
The South Australian Travel Company Pty Ltd	Australia	100.00%	100.00%
Torrens Connect Pty Ltd*	Australia	55.00%	55.00%
Torrens Transit Group Pty Ltd	Australia	100.00%	100.00%
Torrens Transit Pty Ltd	Australia	100.00%	100.00%
Torrens Transit Services (North) Pty Ltd	Australia	100.00%	100.00%
Torrens Transit Services Pty Ltd	Australia	100.00%	100.00%
Torrens Transit Trust	Australia	100.00%	100.00%
Tower Transit Asset Holdings Ltd	United Kingdom	100.00%	100.00%
Tower Transit Europe Pty Ltd	Australia	100.00%	100.00%
Tower Transit Holdings USA Inc.	United States of America	100.00%	100.00%
Tower Transit Ltd	United Kingdom	100.00%	100.00%
Tower Transit Operations Ltd	United Kingdom	100.00%	100.00%
Tower Transit Property Holdings Ltd	United Kingdom	100.00%	100.00%
Tower Transit Singapore Pte Ltd	Singapore	100.00%	100.00%
Tower Transit Training Singapore Pty Ltd	Australia	100.00%	100.00%
Transit (NSW) Group Pty Ltd	Australia	100.00%	100.00%
Transit (NSW) Liverpool Pty Ltd	Australia	100.00%	100.00%
Transit (NSW) Services Pty Ltd	Australia	100.00%	100.00%
Transit (NSW) Trust	Australia	100.00%	100.00%
Transit Systems (Victoria) Pty Ltd	Australia	100.00%	100.00%
Transit Systems MBF Pty Ltd	Australia	100.00%	100.00%
Transit Systems Melbourne Pty Ltd	Australia	100.00%	100.00%
Transit Systems NSW Pty Ltd	Australia	100.00%	100.00%
Transit Systems Pty Ltd	Australia	100.00%	100.00%
Transit Systems WA Pty Ltd	Australia	100.00%	100.00%
Transit Systems West Pty Ltd	Australia	100.00%	100.00%
Transit Systems West Services Pty Ltd	Australia	100.00%	100.00%
TravelLink Pty Ltd	Australia	100.00%	100.00%
TravelLink Technology Pty Ltd	Australia	100.00%	100.00%
TSA Ferry Group Pty Ltd	Australia	100.00%	100.00%
Vivonne Bay Outdoor Education Centre Pty Ltd	Australia	100.00%	100.00%
Vyscot Pty Ltd	Australia	100.00%	100.00%

Torrens Connect Pty Ltd is a subsidiary member of the consolidated group for accounting purposes but operationally functions as a joint venture. Refer note 29.

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NOTE 39 Interests in joint ventures

Kelsian has a 50% joint controlling interest in International Travel Technology Pty Ltd which was not trading at 30 June 2022 (2021: Not trading.).

NOTE 40 Deed of cross guarantee

The parent has entered into various cross-guarantees with its subsidiaries to support borrowings across the Group. Pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785, Kelsian Group Limited and the following subsidiaries have entered into a Deed of Cross Guarantee on 3 June 2019: Kangaroo Island Sealink Pty Ltd, Captain Cook Cruises Pty Ltd, Sealink Queensland Pty Ltd, Curtis Island Assets Pty Ltd, Curtis Island Services Pty Ltd, TSA Ferry Group Pty Ltd, Stradbroke Ferries Pty Ltd, Stradbroke Assets Pty Ltd, Sealink Ferries Pty Ltd, KBRV Resort Operations Pty Ltd and SeaLink Fraser Island Pty Ltd.

On 9 June 2020 the following subsidiaries entered into a deed of assumption and also became parties to that Deed of Cross Guarantee: Transit Systems (Victoria) Pty Ltd (formerly Sita Bus Lines Pty Ltd), Sita Coaches Pty Ltd, Transit Systems Pty Ltd, Swan Transit Pty Ltd, Swan Transit Services Pty Ltd, Torrens Transit Pty Ltd, Torrens Transit Services Pty Ltd, Transit (NSW) Services Pty Ltd, Transit Systems West Pty Ltd, Transit Systems West Services Pty Ltd, Sita Tours Pty Ltd, Swan Transit Group Pty Ltd and Transit (NSW) Group Pty Ltd.

On 25 June 2021, the following subsidiary entered into a deed of assumption and also became party to that Deed of Cross Guarantee: Transit NSW (Liverpool) Pty Ltd.

On 23 June 2022, the following subsidiary entered into a deed of assumption and also became party to that Deed of Cross Guarantee: S.V. Haooust Pty Ltd (trading as Go West Tours).

The effect of the deed is that Kelsian Group Limited has guaranteed to pay any deficiency in the event of winding up any controlled entity or if they do not meet their obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee. The controlled entities have also given a similar guarantee in the event Kelsian Group Limited is wound up or it does not meet its obligations under the terms of the overdrafts, loans, leases or other liabilities subject to the guarantee.

In reliance on ASIC Corporations (Audit Relief) Instrument 2016/784, subsidiary companies in the closed group (as described above) that are also large proprietary companies have complied with the terms of that instrument and relied on it for relief from individual auditing requirements for those companies as separate entities.

The statement of profit or loss and other comprehensive income and statement of financial position are substantially the same as the Group and therefore have not been separately disclosed.

NOTE 41 Events after the reporting period

No matter or circumstance has arisen since 30 June 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.

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NOTE 42 Reconciliation of profit after income tax to net cash from operating activities

	CONSOLIDATED	
	2022 \$'000	2021 \$'000
Profit after income tax expense for the year	52,910	37,801
Adjustments for		
Depreciation and amortisation	99,275	94,357
Impairment	–	3,799
Share-based payments	1,144	815
Write off of assets	–	35
Net gain on disposal of non-current assets	–	(263)
Finance costs – non-cash	2,025	203
Foreign currency differences	3,296	(215)
Change in operating assets and liabilities		
Increase in trade and other receivables	(18,386)	(1,421)
Increase in inventories	(3,254)	(427)
Decrease in deferred tax assets	1,439	–
Decrease/(increase) in prepayments	834	(1,379)
Increase in other operating assets	(18,020)	(2,762)
Increase/(decrease) in trade and other payables	19,612	(40,369)
Increase in contract liabilities	1,363	5,583
Decrease in derivative liabilities	(2,984)	(1)
Decrease in provision for income tax	(14,634)	(5,376)
Increase/(decrease) in deferred tax liabilities	785	(7,616)
Increase in employee benefits	533	17,019
Decrease in other provisions	(6,673)	(914)
Increase in other operating liabilities	19,275	12,985
Net cash from operating activities	138,540	111,854

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KELSIA GROUP LIMITED AND ITS CONTROLLED ENTITIES

NOTE 43 Earnings per share

	CONSOLIDATED	
	2022 \$'000	2021 \$'000
Profit after income tax	52,910	37,801
Non-controlling interest	–	(3)
Profit after income tax attributable to the owners of Kelsian Group Limited	52,910	37,798
	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	683,312	430,345
Weighted average number of ordinary shares used in calculating diluted earnings per share	219,082,360	218,829,393
	CENTS	CENTS
Basic earnings per share	24.2	17.3
Diluted earnings per share	24.2	17.3

NOTE 44 Share-based payments

	CONSOLIDATED	
	2022 \$'000	2021 \$'000
Recognised share-based payment expenses		
Expense arising from performance rights issued in 2020	375	375
Expense arising from performance rights issued in 2021	445	440
Expense arising from performance rights issued in 2022	323	–
	1,143	815

TYPES OF SHARE OPTION PLANS

Employee Performance Rights “EPRP”

Performance rights are generally granted to senior executives with more than 12 months service. The EPRP is designed to align participants interests with those of shareholders. When a participant ceases employment prior to the vesting of their performance rights or where the performance hurdle is not met, the performance rights lapse. Should all conditions be met, one ordinary share is issued for each performance right for no consideration to the participant.

For the 2020, 2021 and 2022 EPRP issue there are two tranches of Performance Rights with the following weighting:

- 50% for earnings per share growth (Tranche 1).
- 50% for Total Shareholder Return (TSR) measured against companies in the ASX 300 Total Return Index (Tranche 2).

For the 2020, 2021 and 2022 Performance Rights to vest in total, Kelsian must achieve the following conditions:

Tranche 1 – a compound annual growth rate (CAGR) of earnings per share (EPS) measured over a three-year measurement period, commencing 1 July 2019 (2020 issue), 1 July 2020 (2021 issue) and 1 July 2021 (2022 issue). A target CAGR over that three-year

period of 10% for the 2020 and 2021 issues will result in 50% of the Performance Rights vesting, with pro rata vesting for the 2020 and 2021 issues for achievement for between 10% and 12% of CAGR for the three-year measurement period. For the 2022 issue a target threshold CAGR over that three-year period of 5% will result in 50% of the Performance Rights vesting, with pro rata vesting for the 2022 issue for achievement for between 5% and 10% of CAGR for the three-year measurement period.

Tranche 2 – an Annualised Indexed TSR measured against the ASX 300 Total Return Index for the three-year measurement period, commencing 1 July 2019 (2020 issue), 1 July 2020 (2021 issue) and 1 July 2021 (2022 issue). A threshold annualised TSR over that three year period meeting the Index will result in 50% of the Performance Rights vesting, with pro rata vesting of the remaining remainder of the tranche for achievement up to 10% above the Index TSR for the three-year measurement period.

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

The fair value of the performance rights granted is estimated at the date of grant using a custom binomial lattice pricing model, taking into account terms and conditions upon which the performance rights were granted.

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KELSIAN GROUP LIMITED AND ITS CONTROLLED ENTITIES

EFFECTIVE DATE ISSUED	2020 ISSUE	2021 ISSUE	2022 ISSUE
Number of Performance Rights issued	299,130	254,517	188,572
Minimum hurdle share price	Nil	Nil	Nil
Dividend yield	3.30%	2.45%	2.2%
Expected volatility (as per valuation)	40.0%	40.0%	40.0%
Risk free interest rate	0.30%	0.1%	0.7%
Expected life (years)	2.0	2.5	2.7
Valuation per performance right (Tranche 1)	\$3.303	\$4.351	\$3.250
Valuation per performance right (Tranche 2)	\$4.227	\$6.153	\$7.018

PERFORMANCE RIGHTS	NUMBER (000'S) 2022	WEIGHTED AVERAGE EXERCISE PRICE 2022	NUMBER (000'S) 2021	WEIGHTED AVERAGE EXERCISE PRICE 2021
Outstanding at the beginning of the year	554	n/a	299	n/a
Granted (under the Employee Performance Rights Plan)	188	\$Nil	255	\$Nil
Forfeited	–	\$Nil	–	\$Nil
Exercised	–	n/a	–	n/a
	742		554	

DIRECTOR'S DECLARATION

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2022 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 40 to the financial statements.

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

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

On behalf of the Directors



Jeffrey R Ellison AM
Chair
24 August 2022

AUDITOR'S REPORT



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Independent Auditor's Report to the Members of Kelsian Group Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Kelsian Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit and loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2022 and of its consolidated financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the 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 financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

AUDITOR'S REPORT



Impairment of Intangible Assets

Why significant

The Group carries a significant amount of goodwill and other intangible assets.

As disclosed in Note 16 to the financial statements, the carrying value of goodwill and other intangible assets are tested annually for impairment. The Group performed its annual impairment test and determined the recoverable amount on a value in use basis, of its individual cash generating units (CGUs) to which the goodwill was allocated. The Group's impairment assessment resulted in no impairment for the period.

Goodwill impairment was considered a key audit matter because the assessment process required significant estimates, judgements, and assumptions. The Group makes assumptions in respect of future market and economic conditions such as economic growth, expected inflation rates, demographic developments, revenue and margin development.

Key assumptions relating to the impairment test are disclosed in Note 16 to the financial statements.

Significant assumptions used in the impairment testing referred to above, are inherently subjective and in times of economic uncertainty the degree of subjectivity is higher than it might otherwise be. Changes in certain assumptions can lead to significant changes in the recoverable amount of these assets.

In this situation the disclosures in the financial report provide important information about the assumptions made in the impairment testing and the market conditions at 30 June 2022. As a result, we consider the impairment testing of goodwill and other intangible assets and the related disclosures in the financial report to be particularly significant to our audit. For the same reasons we consider it important that attention is drawn to the information in Note 16 to the financial statements.

How our audit addressed the key audit matter

Our audit procedures included the following:

- We considered the relationship between market capitalisation and net assets of the Group.
- We agreed the projected cash flows for FY2023 used in the impairment model to Board approved budgets.
- We tested the mathematical accuracy of the cash flow models.
- We evaluated the Group's key assumptions, analysed the extent to which the outcome of the impairment test was sensitive to changes in key assumptions and assessed the historical accuracy of the Group's budgeting process.
- We involved our valuation specialists to assess the discount rate and both the short and long term growth rates used in management's impairment models for the different CGUs.
- We compared the recoverable amount calculated within the value in use models to the carrying value recorded at 30 June 2022.
- We assessed the adequacy of the disclosures in Note 16 to the financial statements.

AUDITOR'S REPORT



Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2022 Annual Report other than the financial report and our auditor's report thereon. We obtained the Directors' Report that is to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

AUDITOR'S REPORT



- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the Directors' Report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Kelsian Group Limited for the year ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

Ernst & Young

Ernst & Young

David Sanders Partner

Adelaide
24 August 2022

A MEMBER FIRM OF ERNST & YOUNG GLOBAL LIMITED

LIABILITY LIMITED BY A SCHEME APPROVED UNDER PROFESSIONAL STANDARDS LEGISLATION

ASX ADDITIONAL INFORMATION

Additional information required by the Australian Securities Exchange and not shown elsewhere in this report is as follows.
The information is current as of 26 August 2022.

A Distribution of EQUITY securities

(i) Ordinary share capital

218,399,048 fully paid ordinary shares are held by 4,719 individual shareholders. All issued ordinary shares carry one vote per share and carry the right to dividends.

(ii) Performance Rights

742,219 performance rights are held by eighteen employees of the Company. Pursuant to the Rules of the Kelsian (formerly SeaLink Travel) Group Rights Plan, performance rights do not carry voting or dividend entitlements. Shares issued when performance rights vest rank equally with fully paid ordinary shares.

The number of holders of equity securities, by size of holding in each class are:

HOLDING RANGES	FULLY PAID ORDINARY SHARES			PERFORMANCE RIGHTS		
	NUMBER OF HOLDERS	NUMBER OF SECURITIES	% OF CLASS	NUMBER OF HOLDERS	NUMBER OF SECURITIES	% OF CLASS
1–1,000	1,753	670,170	0.31	0	0	0.00
1,001–5,000	1,740	4,715,556	2.16	0	0	0.00
5,001–10,000	599	4,355,366	1.99	9	66,904	9.01
10,001–100,000	555	12,737,498	5.83	7	196,441	26.47
100,001 and over	72	195,920,458	89.71	2	478,874	64.52
Total	4,719	218,399,048	100.00	18	742,219	100.00
Holdings less than a marketable parcel (based on a closing price of \$5.49 on 26 August 2022)	339	9,512	0.0044	N/A	N/A	N/A

ASX ADDITIONAL INFORMATION

B Substantial shareholders

Substantial shareholders as disclosed by notices received by the Company as at 26 August 2022.

SUBSTANTIAL HOLDER ^A	NUMBER OF VOTING SHARES IN WHICH THE SUBSTANTIAL HOLDER OR AN ASSOCIATE HAD A RELEVANT INTEREST AS AT THE DATE OF NOTICE	DATE OF NOTICE
SMITH ENTITIES ^{^^}	25,444,556	16/03/2022
LEISHMAN ENTITIES ^{^^^}	23,000,000	20/02/2022

^A Sarto Pty Ltd provided a notice on 21/06/2019 stating that it had a relevant interest in 5,331,000 voting shares. No notice of ceasing to be a substantial holder has been received from Sarto Pty Ltd as at 26/08/2022. However, as at 26/08/2022 Sarto Pty Ltd held approximately 2.9% based on details of the previous notice and accordingly has not been listed a substantial holder in the table above.

^{^^} As at 22 February 2022, the registered holders of the voting shares in which the Smith Entities had a relevant interest were: (i) Relay (Australia) Pty Ltd (formerly Pacific Transit Pty Limited) as trustee for The Relay Trust (Australia) (formerly the Pacific Transit Trust); and (ii) Accuro Trustees (Jersey) Ltd as trustee for the Inubia Paulista Trust as described in the ASX notice dated 22 February 2022; and

^{^^^} As at 20 February 2022 the registered holders of the voting shares in which the Leishman Entities had a relevant interest were: (i) Leishman Australia Pty Ltd as trustee for the Leishman Enterprises Trust; and (ii) Finchton Enterprises Pty Ltd as trustee for the Leishman Family Trust No 2 as described in the ASX notice dated 20 February 2022.

C Twenty largest holders of quoted equity securities

ORDINARY SHAREHOLDERS	BALANCE AS AT 26/08/2022	%
CITICORP NOMINEES PTY LIMITED	25,603,007	11.723%
FINCHTON ENTERPRISES PTY LTD <THE LEISHMAN FAMILY NO 2 A/C>	18,371,572	8.412%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	17,624,462	8.070%
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	17,493,014	8.010%
RELAY (AUSTRALIA) PTY LTD <THE RELAY (AUSTRALIA) A/C>	13,671,572	6.260%
ACCURO TRUSTEES (JERSEY) LTD <THE INUBIA PAULISTA A/C>	11,772,984	5.391%
WINDFURY PTY LIMITED <THE CLEVELAND TRANSPORT A/C>	9,200,000	4.212%
NATIONAL NOMINEES LIMITED	7,981,158	3.654%
SARTO PTY LTD <R ZAPPIA & SONS P/FUND A/C>	6,326,960	2.897%
SMITH FEUERHERDT HOLDINGS PTY LTD <THE RUBICON A/C>	5,044,171	2.310%
WG ADMINISTRATION PTY LTD <RELAY FOUNDATION A/C>	5,000,000	2.289%
PRESCOTT NO 22 PTY LTD <PRESCOTT NO 22 A/C>	4,837,000	2.215%
LEISHMAN AUSTRALIA PTY LTD <THE LEISHMAN ENTERPRISES A/C>	4,628,428	2.119%
BNP PARIBAS NOMS PTY LTD <DRP>	4,250,510	1.946%
SUNROP PTY LTD <SUNROP UNIT A/C>	4,202,503	1.924%
EQUILINK PTY LTD <F A MANN FAMILY A/C>	3,721,000	1.704%
ARISTOS NOMINEES PTY LTD <BJ MAYFIELD FAMILY A/C>	3,363,692	1.540%
HEBDEN PTY LTD	2,549,769	1.167%
MR JEFFREY ROY ELLISON & MRS TONI ALICE ELLISON <ELLISON SUPERANNUATION A/C>	2,500,000	1.145%
BELAHVILLE PTY LTD	2,432,144	1.114%
Total Securities of Top 20 Holdings	170,573,946	78.102%
Total of Securities	218,399,048	

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