Kelly Partners Group Holdings Limited
Appendix 4D
Half-year report

1. Company details

Name of entity:	Kelly Partners Group Holdings Limited
ABN:	25 124 908 363
Reporting period:	For the half-year ended 31 December 2022
Previous period:	For the half-year ended 31 December 2021

2. Results for announcement to the market

				$
Revenues from ordinary activities	up	42.2%	to	44,008,854
Total comprehensive income attributable to the owners of Kelly Partners Group Holdings Limited	down	32.2%	to	2,286,951
Profit for the half-year attributable to the owners of Kelly Partners Group Holdings Limited	down	32.2%	to	2,286,160
Underlying Net Profit After Tax before Amortisation ('Underlying NPATA') attributable to owners of Kelly Partners Group Holdings Limited	up	7.5%	to	3,590,198

Refer below and to the 'Review of operations' section of the Directors' report accompanying this Appendix 4D for further commentary.

Comments
Total comprehensive income for the half-year attributable to the owners of Kelly Partners Group Holdings Limited after providing for income tax and non-controlling interests amounted to $2,286,951 (31 December 2021: $3,371,644).

The underlying profit for the half-year attributable to the owners of Kelly Partners Group Holdings Limited after providing for income tax and non-controlling interests amounted to $3,590,198 (31 December 2021: $3,339,695).

Underlying NPATA is a financial measure not prescribed by Australian Accounting Standards (`AAS') and represents the profit under AAS adjusted for non-operating items and amortisation. The directors consider Underlying NPATA to reflect the core earnings of the Group. This financial measure has not been subject to specific audit or review procedures by the Company's auditor, but has been extracted from the accompanying financial statements.

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KELLY PARTNERS GROUP HOLDINGS LIMITED

The following table provides a reconciliation of Statutory Net Profit After Tax ('NPAT') to Underlying NPATA attributable to owners of Kelly Partners Group Holdings Limited.

	Consolidated 1H23 $	Consolidated 1H22 $
Statutory NPAT attributable to owners of Kelly Partners Group Holdings Limited	2,286,951	3,371,644
Amortisation of customer relationship intangibles	985,013	472,094
NPATA attributable to owners of Kelly Partners Group Holdings Limited	3,271,964	3,843,738
Add: Non-recurring expenses		
Acquisition costs	545,080	168,171
Less: Non-recurring revenue		
One-off government grants in relation to COVID-19	-	(684,291)
Change in fair value of contingent consideration	(96,088)	(168,300)
Net non-recurring items	448,992	(684,420)
Less: Tax effect of non-recurring items	(130,758)	180,377
Underlying NPATA attributable to owners of Kelly Partners Group Holdings Limited	3,590,198	3,339,695

3. Net tangible assets

	31 Dec 2022 Cents	30 Jun 2022 Cents
Net tangible assets per ordinary security	(58.99)	(43.49)

4. Control gained over entities

During the current financial period, the Group acquired accounting businesses through the following controlled entities as follows:

Entity	Location of business acquired	Date of acquisition	Contributed revenue $	Contributed profit / (loss) before tax and amortisation $
Kelly Partners Hunter Region	Hunter Region, NSW	01/07/2022	2,612,470	650,685
Kelly Partners Maitland	Maitland, NSW	04/10/2022	564,511	164,935
Other business combinations	See note 18	See note 18	1,016,667	(27,100)

5. Loss of control over entities

Not applicable.

6. Dividends

Current period ended 31 December 2022

	Amount per security Cents	Franked amount per security Cents
For the year ending 30 June 2023:		
First interim dividend paid on 29 July 2022	0.399	0.399
Second interim dividend paid on 31 August 2022	0.399	0.399
Third interim dividend paid on 30 September 2022	0.399	0.399
Fourth interim dividend paid on 31 October 2022	0.399	0.399
Fifth interim dividend paid on 30 November 2022	0.399	0.399
Sixth interim dividend paid on 30 December 2022	0.399	0.399
	2.394	2.394
For the year ended 30 June 2022:		
Final dividend paid on 5 August 2022	1.390	1.390
Final dividend paid on 31 August 2022	0.110	0.110
Special dividend paid on 31 August 2022	1.160	1.160
Special dividend paid on 30 September 2022	1.160	1.160
	3.820	3.820
Total dividends	6.214	6.214

Previous period ended 31 December 2021

	Amount per security Cents	Franked amount per security Cents
For the year ended 30 June 2022:		
First interim dividend paid on 30 July 2021	0.363	0.363
Second interim dividend paid on 31 August 2021	0.363	0.363
Third interim dividend paid on 30 September 2021	0.363	0.363
Fourth interim dividend paid on 29 October 2021	0.363	0.363
Fifth interim dividend paid on 30 November 2021	0.363	0.363
Sixth interim dividend paid on 31 December 2021	0.363	0.363
	2.178	2.178
For the year ended 30 June 2021:		
Final dividend paid on 20 August 2021	0.680	0.680
Special dividend paid on 20 August 2021	0.520	0.520
Special dividend paid on 30 September 2021	0.440	0.440
Special dividend paid on 29 October 2021	0.800	0.800
	2.440	2.440
Total dividends	4.618	4.618

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

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10. Audit qualification or review

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

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

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11. Attachments

Details of attachments (if any):

The Interim Report of Kelly Partners Group Holdings Limited for the half-year ended 31 December 2022 is attached.

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12. Signed

Authorised by the Board of Directors.

Signed ______________________________ Date: 1 February 2023

Brett Kelly
Executive Chairman and Chief Executive Officer
Sydney

KELLY PARTNERS GROUP HOLDINGS LIMITED

ABN 25 124 908 363

INTERIM REPORT – 31 December 2022

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

Directors

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

Brett Kelly - Chairman
Stephen Rouvray - Deputy Chairman
Ryan Macnamee
Paul Kuchta
Ada Poon
Lawrence Cunningham (appointed 1 July 2022)

Principal activities

During the financial half-year, the principal continuing activities of the Group were the provision of chartered accounting and other professional services, predominantly to private businesses and high net worth individuals.

Strategy

The Company aims to build per-share intrinsic value by:

(1) Improving the earning power of the operating businesses;
(2) Further increase the earnings of the operating businesses through acquisitions;
(3) (a) Growing the accounting businesses;
(b) Growing the complementary businesses;
(4) (a) Making programmatic acquisitions;
(b) Making an occasional large acquisition where there is strategic alignment (i.e. greater than $5m in revenue); and
(5) Repurchasing Company's shares when available at a meaningful discount from intrinsic value.

The following tables present the performance of the business against the comparative periods in delivering the Group's strategy.

Half-year metrics

	Strategy	Measure	1H23	1H22	1H21
(1)	Improving the earning power of the operating businesses	EBITDA margin of operating businesses	30.0%	33.5%	36.6%
(2)	Further increase earnings through acquisitions	Contribution to revenue growth from acquired businesses	34.5%	17.0%	6.5%
(3) a.	Growing our accounting businesses	Contribution to revenue growth from existing accounting businesses	5.6%	5.1%	0.0%
(3) b.	Growing our complementary businesses	Contribution to revenue growth from existing complementary businesses	2.1%	2.4%	0.4%
		Wealth	1.3%	1.0%	0.5%
		Finance	0.6%	0.9%	0.0%
		Investment office	0.2%	0.5%	(0.1%)
(4) a.	Making programmatic acquisitions	Number of acquisitions	6	2	2
(4) b.	Making an occasional large acquisition (i.e. greater than $5m in revenue)	Number of large acquisitions	-	-	-
(5)	Repurchasing the Company's shares when available at a meaningful discount from intrinsic value	(i) Number of shares repurchased	-	-	344,406
		(ii) % of shares issued repurchased	0.0%	0.0%	0.75%
		(iii) number of shares on issue	45.0m	45.0m	45.0m

Full year metrics

	Strategy	Measure	FY22	FY21	FY20	FY19	FY18	FY17 (IPO)
(1)	Improving the earning power of the operating businesses	EBITDA margin of operating businesses	30.9%	33.4%	32.5%	27.7%	34.0%	30.9%
(2)	Further increase earnings through acquisitions	Contribution to revenue growth from acquired businesses	26.5%	4.8%	6.6%	6.4%	17.2%	-
(3) a.	Growing our accounting businesses	Contribution to revenue growth from existing accounting businesses	4.7%	1.4%	6.6%	(6.9%)	10.5%	-
(3) b.	Growing our complementary businesses	Contribution to revenue growth from existing complementary businesses	1.5%	1.2%	2.8%	1.8%	3.1%	-
		Wealth	0.9%	1.0%	0.4%	0.7%	1.0%	-
		Finance	0.6%	0.2%	0.4%	0.7%	0.8%	-
		Investment office	(0.2%)	0.0%	0.9%	0.0%	0.4%	-
		Discontinued operations	n/a	n/a	1.1%	0.4%	0.9%	-
		Insurance (from Jan-21)	n/a	n/a	n/a	n/a	n/a	-
(4) a.	Making programmatic acquisitions	Number of acquisitions	8	7	3	4	-	-
(4) b.	Making an occasional large acquisition (i.e. greater than $5m in revenue)	Number of large acquisitions	-	-	-	-	-	1
(5)	Repurchasing the Company's shares when available at a meaningful discount from intrinsic value	(i) Number of shares repurchased	-	400k	95k	2k	-	-
		(ii) % of shares issued repurchased	-	0.88%	0.21%	-	-	-
		(iii) number of shares in issue	45.0m	45.0m	45.4m	45.5m	45.5m	45.5m

Key financial metrics

The Company uses Return on Equity ('ROE'), Return on Invested Capital ('ROIC'), Earnings Per Share ('EPS') and Owners' earnings as key financial metrics to measure the performance of the Group and its return to shareholders. The Group continues to achieve superior returns on equity and invested capital, as measured by ROE and ROIC.

The following tables summarise the key financial metrics used by the Company to measure the performance of the Group and its return to shareholders against comparative periods.

Half-year metrics

Key financial metric	Formula	1H23	1H22	1H21
Return to owners				
Owners' earnings* - Group	Cash from operating activities – repayment of lease liabilities – maintenance capex	$9,990,910	$9,097,814	$8,052,868
Owners' earnings* - Parent	Cash from operating activities – repayment of lease liabilities – maintenance capex	$3,536,174	$3,380,384	$2,639,755
Return on equity	Trailing Twelve Months ('TTM') Underlying NPATA / Equity	43.4%	42.2%	44.5%
Return on invested capital^	(TTM Underlying NPATA+ cash interest) / (Equity + debt)	21.8%	23.3%	28.1%
Earnings per share (EPS) (cents per share)	Underlying attributed NPATA / Weighted average number of shares	7.98	7.42	6.24
Dividends (cents per share)**	Dividends paid	2.40	2.18	2.66
Dividends payout ratio**	Dividends per share / EPS (underlying NPATA)	30.0%	29.3%	42.6%
Cash conversion / debt				
Cash conversion	Operating cashflow / Statutory EBITDA	106.4%	88.9%	92.9%
Gearing ratio	Net Debt / Underlying EBITDA	1.93x	1.32x	0.76x
Net debt per partner	Net Debt / Number of Partners	$519,964	$415,419	$267,087
Number of partners	Number of partners	72	57	49

* The Group uses owners' earnings to measure cash flow available to the Group. Owners' earnings is a non-IFRS measure which is used to measure cash flow to the Group (after taxes and finance costs) and after taking into account the necessary:

- additions or deductions of working capital investment (debtors, accrued Income, and other accrual movements) required as the business grows and makes acquisitions;
- deductions required for the maintenance capital expenditure for the business to maintain on-going operations in the long term; and
- deducting the repayment of lease liability from cash from operations (which AASB16 reclassifies to cash from financing activities).

In 1H23, Owners' earnings for the 6 months were $9,990,910 (1H22: $9,097,814) up 9.8% from the prior corresponding period. Owners' earnings for the parent entity were $3,536,174 (1H22: $3,380,384), up 4.6% from the prior corresponding period.

** Ordinary dividends paid represent the dividends paid relating to the stated financial year. For example, dividends paid in FY22 relating to FY21 are shown in the FY21 column.

Full year metrics

Key financial metric	Formula	FY22	FY21	FY20	FY19	FY18	FY17 (IPO)
Return to owners							
Owners' earnings* - Group	Cash from operating activities - repayment of lease liabilities - maintenance capex	$13,959,305	$12,807,837	$12,174,442	$9,673,451	$6,304,912	$6,619,077
Owners' earnings* - Parent	Cash from operating activities - repayment of lease liabilities - maintenance capex	$6,312,568	$5,014,894	$3,885,041	$3,128,904	n/a	n/a
Return on equity	Underlying NPATA / Equity	41.7%	46.7%	44.2%	36.6%	47.8%	35.1%
Return on invested capital^	(Underlying NPATA + cash interest) / (Equity + Debt)	22.3%	27.9%	26.1%	22.7%	31.2%	21.9%
Earnings per share (EPS) (cents per share)	Underlying attributed NPATA / Weighted average number of shares	13.99	11.32	8.67	7.02	9.51	4.97
	Annual increase (EPS)	23.5%	30.7%	23.5%	(26.2%)	25.6%	-
Dividends (cents per share)**	Dividends paid	7.98	7.08	4.84	4.40	4.00	-
Dividends payout ratio**	Dividends per share / EPS (underlying NPATA)	57.0%	62.0%	55.8%	62.7%	42.1%	-
Cash conversion / debt							
Cash conversion^^	Operating cashflow / Statutory EBITDA	83.3%	93.5%	97.3%	116.8%	63.5%	269.6%
Gearing ratio	Net Debt / Underlying EBITDA	1.36x	0.84x	0.96x	1.35x	0.79x	1.4x
Net debt per partner	Net Debt / Number of Partners	$505,938	$296,758	$346,198	$366,813	$291,167	$326,230
Number of partners	Number of partners	62	54	45	41	40	37

^ Return on Invested Capital may be impacted where the TTM Underlying NPATA does not include a full year contribution from in year acquisitions.

^ Return on Invested Capital is impacted in FY22 as only part year contributions from in year acquisitions have been included in the calculation for which the entire debt capital has been used as the denominator. Adjusted ROIC for FY22 taking in to account annualised contributions from in year acquisitions is 25.5%.

^^ Cash conversion is impacted in FY22 as the initial lockup (WIP & debtors) of the in-year acquisitions reduces the cashflow in the first year. Cash conversion normalised for acquisition lockup for FY22 is 98.0% (i.e. (Cash from operating activities + debtors from in year acquisitions + accrued income from in year acquisitions)/ EBITDA)).

Review of operations

In the half-year ended 31 December 2022 ('1H23'), the Group has recorded a consolidated statutory net profit after income tax from continuing operations of $6,479,405 (half-year ended 31 December 2021 ('1H22'): $8,019,889), a decrease of 19.2%. The statutory net profit attributable to the members of the parent entity was $2,286,951 (1H22: $3,371,644), a decrease of 32.2%.

The directors consider Underlying Earnings Before Interest, Tax, Depreciation and Amortisation ('Underlying EBITDA') and Underlying Net Profit After Tax Before Amortisation ('Underlying NPATA') to reflect the core earnings of the Group. Underlying EBITDA and Underlying NPATA are financial measures not prescribed by Australian Accounting Standards ('AAS') and represents the profit under AAS adjusted for non-cash and other items which management consider to be one-off non-recurring in nature.

Underlying EBITDA and Underlying NPATA are key measurements used by management and the board to assess and review business performance.

The following table provides a reconciliation between the NPAT and the Underlying EBITDA of the consolidated Group.

	Consolidated	
	1H23	1H22
	$	$
Statutory net profit after income tax ('NPAT') from continuing operations	6,479,405	8,019,890
Finance costs	2,028,702	891,274
Income tax expense	760,458	1,697,671
Depreciation and amortisation expense	4,436,175	2,752,701
Earnings before interest, tax, depreciation and amortisation ('EBITDA')	13,704,740	13,361,536
Add: Non-recurring expenses		
Acquisition costs	415,417	165,902
Less: Non-recurring income		
One-off government grants in relation to COVID-19	-	(1,328,134)
Change in fair value of contingent consideration	(191,793)	(330,000)
Underlying EBITDA	13,928,364	11,869,304

Underlying EBITDA of the Group was $13,928,364 (1H22: $11,869,304), an increase of 17.3%.

The following table provides a reconciliation between the NPAT and the Underlying NPATA which is attributable to the owners of Kelly Partners Group Holdings Limited.

	Consolidated 1H23 $	Consolidated 1H22 $
Statutory NPAT from continuing operations attributable to owners of Kelly Partners Group Holdings Limited	2,286,951	3,371,644
Amortisation of customer relationship intangibles	985,013	472,094
NPATA attributable to owners of Kelly Partners Group Holdings Limited	3,271,964	3,843,738
Add: Non-recurring expenses		
Acquisition costs	545,080	168,171
Less: Non-recurring income		
One-off government grants in relation to COVID-19	-	(684,291)
Change in fair value of contingent consideration	(96,088)	(168,300)
Net non-recurring items	448,992	(684,420)
Less: Tax effect of non-recurring items	(130,758)	180,377
Underlying NPATA attributable to owners of Kelly Partners Group Holdings Limited	3,590,198	3,339,695

Underlying NPATA attributable to members of the parent entity was $3,590,198 (1H22: $3,339,695), an increase of 7.5%.

Financial performance

Acquisitions and integration

Since 1 July 2022, the Group has completed 6 acquisitions with total annual revenues of $8.2m to $10.7m, representing an annual $1.0m to $1.3m NPATA contribution to the parent. The Group's revenue run rate (annualised revenue including all acquisitions completed to date) for FY24 is expected to be $90m+, exceeding the target revenue of $80m as per the published 5 year plan.

The completed acquisitions are listed in the table below.

#	Details	Location	Type	Acquired revenue
(1)	Jul 22	Dungog, NSW	Marquee	$3.2m - $4.3m
(2)	Sep 22	Leeton, NSW	Marquee	$0.8m - $1.0m
(3)	Sep 22	Palm Beach, QLD	Marquee	$1.6m - $2.1m
(4)	Oct 22	Maitland, NSW	Marquee	$1.5m - $2.2m
(5)	Nov 22	Melbourne, VIC	Tuck-in	$0.5m
(6)	Dec 22	South West Brisbane, QLD	Marquee	$0.6m
	Total acquisitions completed in 1H23			**$8.2m - $10.7m**
	% of FY22 Revenue ($64.9m)			**12.6% - 16.5%**

Offices and partners

As at 31 December 2022, the Group operated out of 27 offices (30 June 2022: 19). During the half-year, the Group commenced businesses in the following new locations through acquiring local accounting firms in these areas:

(1) Hunter Region, NSW – Dungog
(2) Hunter Region, NSW – Taylors Beach
(3) Hunter Region, NSW – Singleton
(4) Hunter Region, NSW – Gloucester
(5) Leeton, NSW
(6) Palm Beach, QLD
(7) Maitland, NSW
(8) South West Brisbane, QLD

As at 31 December 2022, the total number of equity partners (including CEO, Brett Kelly) was 72 (30 June 2022: 63) with 1 partner recruited externally and 12 partners joining from completed acquisitions. Post balance date, 4 partners were promoted internally, taking the total number of equity partners to 76. The Group continues its focus in developing and recruiting new partners as part of its strategy to retain and motivate key talent and to drive revenue growth.

Properties
On 20 December 2021, Kelly Partners (Canberra) Property Trust, a wholly owned subsidiary of Kelly Partners Group Holdings Limited, purchased a 100% interest in a commercial property located in Kingston ACT for a total consideration of $2.2m. The premises house the Kelly Partners Canberra business, which completed the acquisitions of two Canberra accounting firms in December 2021 and February 2022. The office is located in a prime location on the Kingston foreshore and will assist the business in building a presence in Canberra.

As detailed in previous commentary, the Group continues to pursue a strategy of removing properties off balance sheet. Nonetheless, the Group still believes that the properties from which its business operate should be owned in a separate structure in which our operating partners can own a share. During the half-year, the Group has established the Kelly Partners Property Trust and has moved the properties within the Group in to this Trust with the intention of raising equity from our operating partners as soon as practicable.

Revenue
Revenue for 1H23 increased 42.2% to $44,008,854 (1H22: $30,940,110). A reconciliation of acquisition and organic growth is set out below:

	$	Contributed growth %	Growth on prior year %
1H22 Revenue	30,940,110	-	-
Accounting business growth	1,746,783	5.6	6.4
Complementary business growth	653,890	2.1	24.2
Total organic growth	2,400,673	7.7	8.0
Acquired growth (1H23)	10,668,071	34.5	-
1H23 Revenue	44,008,854	42.2	42.2

Acquired revenue growth of $10,668,071 contributed 34.5% of revenue growth, with in year acquisitions completed to date in 1H23 contributing $4,193,648 and revenue from the acquisitions completed in FY22 contributing $6,474,423.

Organic revenue grew 8.0% on prior period and has exceeded the Group’s target annual organic growth of 5%.

Operating expenses
Employment and related expenses have increased 52.7% compared to revenue growth of 42.2%. This is due to higher cost of sales and administration staff costs from in year acquisitions and additional team members recruited in the parent entity’s central progress team to support the Group’s growth. In many of the in year acquisitions, the outgoing vendor also receives a consulting fee for the first 1-2 years post completion to ensure a successful transition of their business and clients to Kelly+Partners. Other expenses have increased 77.3% on prior half-year and is mainly driven by additional investments by the parent entity (see section “Additional investment expenditure in the parent entity” below).

Underlying EBITDA
Underlying EBITDA (which measures EBITDA before one-off and non-recurring items) increased 17.3% to $13,928,364 (1H22: $11,869,303).

The directors consider underlying EBITDA margin before AASB 16 as a more meaningful measurement of performance. The underlying EBITDA margin before AASB 16 is lower than the prior year at 26.7% (1H22: 33.2%). Excluding the additional investments by the parent entity, the underlying EBITDA margin of our operating businesses was 30.0% (1H22: 33.5%). Consistent with FY22, the EBITDA margins have been depressed due to the large number of acquisitions completed and additional costs initially required to transform the acquired businesses in order to achieve Kelly+Partners benchmark profitability metrics. Our aim is to increase the EBITDA margin to 35% and we expect to do so once the recently completed acquisitions have undergone a successful transition and transformation under our Kelly Partners Partner-Owner-Driver™ model.

A reconciliation of Underlying EBITDA before and after adjustments to reverse the impact of AASB 16 'Leases' is set out in the table below.

	1H23	1H22	FY22
Underlying EBITDA	$13,928,364	$11,869,304	$23,113,559
Growth %	+17.3%	+23.8%	+23.9%
AASB 16 leasing adjustment - rent expense	$(2,169,938)	$(1,585,240)	$(3,129,291)
Underlying EBITDA before AASB 16 leasing adjustments	$11,758,426	$10,284,064	$19,984,268
Growth %	+14.3%	+24.1%	+25.3%
As a % of revenue	26.7%	33.2%	30.8%

Additional investment expenditure by the parent entity
Since the IPO, the parent entity has continued to invest to further develop the capabilities of the central services team and to enable the business to be positioned for long term growth as well as to increase its competitive advantage. These investments have sometimes exceeded the central Services Fee and IP Fee income that the parent entity receives from its operating businesses, as shown in the table below.

As communicated in a market announcement in October 22, the parent entity has invested heavily this half-year to

1) support the Group’s accelerated expansion through acquisitions that has occurred in the past 2 years and to enable such growth to continue in the future; and
2) expand the Group globally, particularly in to the US and UK, where significant opportunities exists.

	1H23	1H22	FY22
Group revenue	$44,008,854	$30,940,110	$64,862,110
Group revenue growth on prior period	+42.2%	+24.5%	+32.6%
Additional investment expenditures	$1,454,306	$75,990	$77,836
% of Revenue	3.3%	0.2%	0.1%

Non-recurring and one-off items
Total non-recurring income for the Group for the half-year was $191,793 (1H22: $1,658,134) which represents $191,793 (1H22: $330,000) in non-cash income relating to a change in fair value of contingent consideration. This relates to a completed acquisition in FY22 where the vendor had not achieved the required targets for the payment of the contingent consideration. The balance of the non-recurring income received in 1H22 of $1,328,134 represented government grants in relation to COVID 19.

Unlike in 2H22 we have not included the government grants in relation to apprenticeship subsidies as a non-recurring item. It is expected similar subsidies will continue to be received in the future in relation to hiring accounting trainees and graduates in our operating businesses. There were no apprenticeship subsidies received in 1H22.

Total non-recurring expenses for the Group for the half-year was $415,417 (1H22: $165,902) which included:

(1) $380,263 in implementation costs relating to the in-year acquisitions, including but not limited to legal costs, finders' fees, costs to establish financing, costs in relation to migration of databases, transitioning of servers and other IT infrastructure, relocation costs to Kelly+Partners offices, conversion of ledgers and client bases etc. These costs cover the 6 acquisitions completed in 1H23; and

(2) $35,154 in lease, occupancy and termination costs relating to the leases inherited as part of the acquisitions completed. In these acquisitions, the existing team was relocated to an existing Kelly Partners office on completion of the acquisition, rendering the existing premises vacant.

The Group classifies costs related to acquiring businesses under non-recurring and one-off items on the basis that those specific acquisition costs (related to specific businesses acquired) will not re-occur in future periods whilst their associated revenues and earnings are expected to continue into future periods. As part of its growth strategy, management continue to identify acquisition targets and any future acquisition expenses are expected to be accompanied by future revenues and earnings associated with those expenses. The separate classification of acquisition costs into non-recurring and one-off items provides transparency to look-through to the underlying performance of the Group.

Depreciation and amortisation and finance costs

Depreciation and amortisation expense increased to $4,436,175 (1H22: $2,752,701) and includes depreciation expense of $2,475,303 (1H22: $1,876,928) and amortisation expense of $1,960,872 (1H22: $875,773). The increase in depreciation expenses is due to the recent fitout upgrades as well as an increased number of leases (leading to higher number of 'right-of-use assets' that need to be depreciated). The increase in amortisation expense is due to recent acquisitions completed creating customer relationship intangible assets that are amortised in accordance with Australian Accounting Standards.

Finance costs increased to $2,028,702 (1H22: $891,274). Finance costs include interest on lease liabilities recognised due to the requirements of AASB 16 and the increase is due to new property leases that the Group has entered into as part of acquiring businesses in new locations. Finance costs on bank overdrafts and loans also increased considerably due to a rise in interest rates as well as increased term debt in the past 12 months with the accelerated rate of acquisitions completed.

Income tax expense

	1H23	1H22
Profit before income tax from continuing operations	$7,239,862	$9,717,561
Growth %	(25.5%)	18.6%
Income tax expense	$760,458	$1,697,671
Growth %	(55.2%)	49.8%

The Group's Income Tax Expense has decreased to $760,458 (1H22: $1,697,671), mainly due to a significant increase in expenses due to additional investments by the parent entity. The tax for the group is calculated on the parent entity's share of partnership income, 100% of the profit of operating businesses structured as companies, and 100% of the net parent entity expenses. The profit for 1H23 includes a significant increase in parent entity expenses. As the share of partnership income is taxed exclusive of NCI (generally approximately 50%) and the net parent entity expenses are deducted at 100%, this resulted in the higher relative reduction in tax expense.

Cash flow

Cash from operations

Receipts from customers increased 51.1% to $48,378,356 (1H22: $32,014,203). Payments to suppliers and employees increased 59.8% to $34,333,400 (1H22: $21,478,797). Operating Cashflow (defined as Receipts from Customers less Payments to suppliers and employees) excluding Other Income (which mainly consists of one-off items) was up 33.3% to $14.044.956.

	1H23	1H22
Operating cashflow	$14,044,956	$10,535,406
Growth %	33.3%	19.6%

Cash from investing activities

In 1H23 the Group spent $1,159,189 on property, plant and equipment capital expenditure. Of this, $532,512 was used to fitout the premises of the parent entity, which now houses the Central Services Progress Team, as well as some of the complementary businesses. The remaining $626,677 represents office and computer equipment, new motor vehicles and other capital expenditures.

Cash from financing activities
In 1H23 the Group's borrowings (excluding overdrafts considered as working capital) increased by $2,873,332 to $35,245,409 (30 June 2022: $32,372,077). New borrowings of $7,700,582 were taken out during the year, mainly for the completion of in year acquisitions. The difference reflects the principal repayments made during the half-year of $5,243,996 and reflects the Group's strong and disciplined approach in repaying debt. Proceeds from borrowings of $7,700,582 included $4,176,075 for acquisition funding, $1,028,900 for fitout funding, $1,711,116 relating to the buy in of new and existing partners and the remaining $784,492 for insurance premium funding, motor vehicle financing and other loan refinance.

Working capital
The Group continues to maintain a disciplined approach to managing its lockup (defined as trade receivables and accrued income less contract liabilities), with lockup of 56.4 days or $13,362,422 (calculated on run rate revenue with annualised revenue contributions from completed acquisitions) compared with the prior year (31 December 2021: 57.4 days, $8,655,879).

This continues to be a strong result and has been achieved alongside strong acquisition and organic growth. Note that lockup calculated on actual revenue (which is used to calculate lockup) does not include the full 12 months' revenue of the in-year acquisitions. For the purposes of achieving a more meaningful comparison, the lockup based on annualised revenue has been used.

	1H23	1H22
Lockup $	$13,362,422	$8,655,879
Lockup days	56.4	57.4
Debtors	$10,656,161	$6,831,724
Debtor days	45.0	45.3
Accrued income and contract liabilities	$2,706,261	$1,824,155
Accrued income and contract liabilities days	11.4	12.1

Capital structure
The business continues to maintain a capital structure that supports its accelerated growth. As at 31 December 2022 the Group's Gearing Ratio (defined as Net Debt / TTM Underlying EBITDA) increased to 1.93x (30 June 2022: 1.36x) mainly as a result of debt taken out to complete acquisitions. Net debt increased by $5,549,315 over the 6 months, primarily due to $7,700,582 of term debt taken out during the period to fund acquisitions and partner buy-ins.

The Group does not view the increased gearing ratio as a risk given acquisition debt is amortized and repaid through profits generated from the acquired business and is expected to be repaid in full over a 4-5 year term. Net Debt is a non-IFRS measure and means Total Borrowings less Cash and Cash Equivalents.

	1H23	1H22
Gearing Ratio (Net Debt / TTM Underlying EBITDA)	1.93x	1.36x

Dividends

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

	Consolidated 31 Dec 2022 $	Consolidated 31 Dec 2021 $
During half-year ended 31 December 2022:		
For the year ending 30 June 2023:		
First interim dividend of $0.00399 per ordinary share, paid on 29 July 2022	179,685	-
Second interim dividend of $0.00399 per ordinary share, paid on 31 August 2022	179,685	-
Third interim dividend of $0.00399 per ordinary share, paid on 30 September 2022	179,685	-
Fourth interim dividend of $0.00399 per ordinary share, paid on 31 October 2022	179,685	-
Fifth interim dividend of $0.00399 per ordinary share, paid on 30 November 2022	179,685	-
Sixth interim dividend of $0.00399 per ordinary share, paid on 30 December 2022	179,685	-
	1,078,110	-
For the year ended 30 June 2022:		
Final dividend of $0.0139 per ordinary share, paid on 5 August 2022	625,500	-
Final dividend of $ 0.0011 per ordinary share, paid on 31 August 2022	49,500	-
Special dividend of $0.0116 per ordinary share, paid on 31 August 2022	522,000	-
Special dividend of $0.0116 per ordinary share, paid on 30 September 2022	522,000	-
	1,719,000	-
During half-year ended 31 December 2021:		
For the year ended 30 June 2022:		
First interim dividend of $0.00363 per ordinary share, paid on 30 July 2021	-	163,350
Second interim dividend of $0.00363 per ordinary share, paid on 31 August 2021	-	163,350
Third interim dividend of $0.00363 per ordinary share, paid on 30 September 2021	-	163,350
Fourth interim dividend of $0.00363 per ordinary share, paid on 29 October 2021	-	163,350
Fifth interim dividend of $0.00363 per ordinary share, paid on 30 November 2021	-	163,350
Sixth interim dividend of $0.00363 per ordinary share, paid on 31 December 2021	-	163,350
	-	980,100
For the year ended 30 June 2021:		
Final dividend of $0.00680 per ordinary share, paid on 20 August 2021	-	306,000
Special dividend of $0.00520 per ordinary share, paid on 20 August 2021	-	234,000
Special dividend of $0.00440 per ordinary share, paid on 30 September 2021	-	198,000
Special dividend of $0.00800 per ordinary share, paid on 29 October 2021	-	360,000
	-	1,098,000
Total dividends	2,797,110	2,078,100

The seventh interim dividend for the year ending 30 June 2023 was declared and paid at $0.00399 per share on 31 January 2023.

Significant changes in the state of affairs

Acquisitions

During the financial period, the Group completed 6 acquisitions with total annual revenues of $8.2m to $10.7m. Details of the acquisitions can be found in the preceding "Acquisitions and integration" section.

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

Auditor's independence declaration

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

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

On behalf of the directors

Brett Kelly
Executive Chairman and Chief Executive Officer

1 February 2023
Sydney

Kelly Partners Group Holdings Limited

Auditor's Independence Declaration Under Section 307C of the Corporations Act 2001 to the Directors

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2022 there have been:

- no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

Yours faithfully

William Buck

William Buck
Accountants & Advisors
ABN 16 021 300 521

Leo Tutt

L. E. Tutt
Partner

Sydney, 1 February 2023

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

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	Note	Consolidated 31 Dec 2022 $	Consolidated 31 Dec 2021 $
Revenue			
Professional services revenue	4	44,008,854	30,940,110
Government grants and subsidies	5	513,168	1,328,134
Other income	6	224,555	349,152
Total revenue and other income		44,746,577	32,617,396
Expenses			
Employment and related expenses		(22,279,392)	(14,587,042)
Rent and utilities		(598,724)	(133,280)
Other expenses		(7,748,303)	(4,369,636)
Business acquisition and restructuring costs		(415,418)	(165,902)
Depreciation and amortisation expense	7	(4,436,175)	(2,752,701)
Finance costs	7	(2,028,702)	(891,274)
Total expenses		(37,506,714)	(22,899,835)
Profit before income tax expense		7,239,863	9,717,561
Income tax expense	8	(760,458)	(1,697,671)
Profit after income tax expense for the half-year		6,479,405	8,019,890
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		1,554	1,782
Other comprehensive income for the half-year, net of tax		1,554	1,782
Total comprehensive income for the half-year		6,480,959	8,021,672
Profit for the half-year is attributable to:			
Non-controlling interests		4,193,245	4,649,155
Owners of Kelly Partners Group Holdings Limited		2,286,160	3,370,735
		6,479,405	8,019,890
Total comprehensive income for the half-year is attributable to:			
Non-controlling interests		4,194,008	4,650,028
Owners of Kelly Partners Group Holdings Limited		2,286,951	3,371,644
		6,480,959	8,021,672
		Cents	**Cents**
Basic earnings per share	9	5.08	7.49
Diluted earnings per share	9	5.08	7.49

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

Kelly Partners Group Holdings Limited
Consolidated statement of financial position
As at 31 December 2022

	Note	Consolidated 31 Dec 2022 $	Consolidated 30 Jun 2022 $
Assets			
Current assets			
Cash and cash equivalents		6,323,709	2,968,829
Trade and other receivables		10,656,161	9,904,836
Lease receivables		59,100	56,416
Accrued income		5,585,340	2,717,508
Other financial assets	10	1,235,239	1,706,552
Other assets		862,291	735,296
Total current assets		24,721,840	18,089,437
Non-current assets			
Lease receivables		42,223	72,557
Other financial assets	10	7,156,853	4,565,815
Property, plant and equipment		11,980,689	11,576,552
Right-of-use assets		21,413,877	15,909,455
Intangible assets	11	65,428,838	55,892,451
Other assets		727,476	536,229
Total non-current assets		106,749,956	88,553,059
Total assets		131,471,796	106,642,496
Liabilities			
Current liabilities			
Trade and other payables		5,135,852	3,995,213
Contract liabilities		2,879,079	999,601
Borrowings	12	17,211,610	11,438,712
Lease liabilities		1,445,350	2,371,834
Current tax liabilities		2,670,300	1,982,877
Provisions		4,225,928	3,431,756
Contingent consideration	13	3,086,973	2,031,626
Other financial liabilities	14	319,190	79,658
Total current liabilities		36,974,282	26,331,277
Non-current liabilities			
Borrowings	12	26,029,543	22,898,248
Lease liabilities		23,073,947	15,907,207
Deferred tax liabilities		3,228,631	2,653,473
Provisions		493,042	460,263
Contingent consideration	13	3,923,982	3,394,771
Other financial liabilities	14	1,972,349	1,044,553
Total non-current liabilities		58,721,494	46,358,515
Total liabilities		95,695,776	72,689,792
Net assets		35,776,020	33,952,704

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

	Note	Consolidated 31 Dec 2022 $	Consolidated 30 Jun 2022 $
Equity			
Issued capital	15	13,469,960	13,469,960
Reserve		2,881	2,088
Retained profits		6,613,210	7,224,669
Equity attributable to the owners of Kelly Partners Group Holdings Limited		20,086,051	20,696,717
Non-controlling interests		15,689,969	13,255,987
Total equity		35,776,020	33,952,704

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

Kelly Partners Group Holdings Limited
Consolidated statement of changes in equity
For the half-year ended 31 December 2022

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Consolidated	Issued capital $	Reserve $	Retained profits $	Non-controlling interests $	Total equity $
Balance at 1 July 2021	13,469,960	(418)	4,479,057	7,207,547	25,156,146
Profit after income tax expense for the half-year	-	-	3,370,735	4,649,155	8,019,890
Other comprehensive income for the half-year, net of tax	-	909	-	873	1,782
Total comprehensive income for the half-year	-	909	3,370,735	4,650,028	8,021,672
Transactions with owners in their capacity as owners:					
Equity attributable to acquisitions	-	-	-	2,100,031	2,100,031
Equity contribution from non-controlling interests	-	-	-	975,691	975,691
Purchase / sale of equity interest in subsidiary	-	-	377,499	-	377,499
Distributions to non-controlling interests	-	-	-	(4,135,515)	(4,135,515)
Dividends paid (note 16)	-	-	(2,078,100)	-	(2,078,100)
Balance at 31 December 2021	13,469,960	491	6,149,191	10,797,782	30,417,424

Consolidated	Issued capital $	Reserve $	Retained profits $	Non-controlling interests $	Total equity $
Balance at 1 July 2022	13,469,960	2,088	7,224,669	13,255,987	33,952,704
Profit after income tax expense for the half-year	-	-	2,286,160	4,193,245	6,479,405
Other comprehensive income for the half-year, net of tax	-	793	-	761	1,554
Total comprehensive income for the half-year	-	793	2,286,160	4,194,006	6,480,959
Transactions with owners in their capacity as owners:					
Equity attributable to acquisitions	-	-	-	3,312,035	3,312,035
Purchase / sale of equity interest in subsidiary	-	-	(100,509)	(191,159)	(291,668)
Distributions to non-controlling interests	-	-	-	(4,880,900)	(4,880,900)
Dividends paid (note 16)	-	-	(2,797,110)	-	(2,797,110)
Balance at 31 December 2022	13,469,960	2,881	6,613,210	15,689,969	35,776,020

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

	Note	Consolidated 31 Dec 2022 $	31 Dec 2021 $
Cash flows from operating activities			
Receipts from customers		48,378,356	32,014,203
Payments to suppliers and employees		(34,333,399)	(21,478,797)
Government grants received		513,168	1,328,134
Other income		22,823	19,152
Finance costs paid		(1,130,444)	(479,557)
Income taxes paid		(905,586)	(625,423)
Net cash from operating activities		12,544,918	10,777,712
Cash flows from investing activities			
Payment for purchase of business	18	(4,640,675)	(6,621,149)
Payment for contingent consideration		-	(194,850)
Payments for purchase of equity interest in subsidiary		(83,333)	-
Proceeds from sale of equity interest in subsidiary		-	377,499
Payments for property, plant and equipment		(1,159,189)	(3,309,241)
Payments for intangibles		(306,150)	(472,460)
Payments to employee share scheme trust		(750,320)	(460,249)
Loans advanced		(1,377,581)	(1,733,291)
Proceeds from repayments of loans		450,446	521,799
Proceeds from fitout contribution		292,498	-
Proceeds from disposal of property, plant and equipment		-	152,403
Payments in respect of deposits		(187,787)	(146,023)
Net cash used in investing activities		(7,762,091)	(11,885,562)
Cash flows from financing activities			
Proceeds from borrowings		7,700,582	10,102,325
Proceeds from related party loans	17	-	2,166,499
Repayment of borrowings		(5,243,996)	(5,199,895)
Proceeds from equity contribution, non-controlling interests		16,624	975,691
Dividends paid	16	(2,797,110)	(2,078,100)
Distributions paid to non-controlling interests		(4,880,900)	(4,135,515)
Repayment of lease liabilities		(2,284,640)	(1,634,354)
Proceeds from sub-lease		30,633	29,454
Net cash (used in)/from financing activities		(7,458,807)	226,105
Net decrease in cash and cash equivalents		(2,675,980)	(881,745)
Cash and cash equivalents at the beginning of the financial half-year		1,003,945	776,662
Cash and cash equivalents at the end of the financial half-year		(1,672,035)	(105,083)

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

Note 1. General information

The financial statements cover Kelly Partners Group Holdings Limited (the 'Company' or 'parent entity') and its controlled entities as a consolidated entity consisting of Kelly Partners Group Holdings Limited and the entities (the 'Group') it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is Kelly Partners Group Holdings Limited and its controlled entities functional and presentation currency.

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

Level 8, 32 Walker Street
North Sydney
NSW 2060

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 1 February 2023.

Note 2. Significant accounting policies

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

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

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

New or amended Accounting Standards and Interpretations adopted

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

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

Note 3. Operating segments

The Group is organised into two reportable segments: (1) Accounting and (2) Other services.

The principal products and services of each of these reportable segments are as follows:

Accounting	Accounting and taxation services, corporate secretarial, outsourced CFO, audits, business structuring, bookkeeping, and all other accounting related services.
Other services	Financial broking services, wealth management, investment office and all other non-accounting services.

The operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

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

Note 3. Operating segments (continued)

Operating reportable segment information

	Accounting $	Other services $	Total $
Half-year ended 31 December 2022:			
Revenue	40,262,196	3,746,658	44,008,854
EBITDA	12,620,141	1,084,599	13,704,740
Profit before income tax expense	6,310,668	929,195	7,239,863
Segment assets, liabilities and net assets at 31 December 2022:			
Current assets	21,583,302	3,138,538	24,721,840
Non-current assets	104,493,438	2,256,518	106,749,956
Current liabilities	(34,315,690)	(2,658,592)	(36,974,282)
Non-current liabilities	(55,978,436)	(2,743,058)	(58,721,494)
Net assets	35,782,613	(6,593)	35,776,020

	Accounting $	Other Services $	Total $
Half-year ended 31 December 2021:			
Revenue	28,236,765	2,703,345	30,940,110
EBITDA	12,461,467	900,069	13,361,536
Profit before income tax expense	8,858,611	858,950	9,717,561
Segment assets, liabilities and net assets at 30 June 2022:			
Current assets	15,218,830	2,870,607	18,089,437
Non-current assets	86,340,511	2,212,548	88,553,059
Current liabilities	(24,067,820)	(2,263,457)	(26,331,277)
Non-current liabilities	(43,541,117)	(2,817,398)	(46,358,515)
Net assets	33,950,407	2,297	33,952,704

Note 4. Professional services revenue

	Consolidated	
	31 Dec 2022 $	31 Dec 2021 $
Professional services revenue	44,008,854	30,940,110

Refer to note 3 for revenue by operating segments.

Note 5. Government grants and subsidies

	Consolidated	
	31 Dec 2022 $	31 Dec 2021 $
Government grants in relation to COVID-19	-	1,328,134
Government apprenticeship support programme	513,168	-
	513,168	1,328,134

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Note 6. Other income

	Consolidated 31 Dec 2022 $	Consolidated 31 Dec 2021 $
Remeasurement of lease liabilities	9,939	-
Change in fair value of contingent consideration	191,793	330,000
Commissions	11,476	9,565
Other income	11,347	9,587
Other income	224,555	349,152

Note 7. Expenses

	Consolidated 31 Dec 2022 $	Consolidated 31 Dec 2021 $
Profit before income tax includes the following specific expenses:		
Depreciation and amortisation		
Depreciation right-of-use of assets	1,553,974	1,215,846
Depreciation property, plant and equipment	921,329	661,082
Amortisation	1,960,872	875,773
	4,436,175	2,752,701
Finance costs		
Interest and finance charges paid/payable on lease liabilities	615,964	290,653
Interest on bank overdrafts and loans	1,130,444	479,557
Interest on unwinding retention	282,294	121,064
	2,028,702	891,274

Note 8. Income tax expense

As the majority of operating businesses are structured as partnerships, the income tax expense attributable to the non-controlling interests in these partnerships is not included in the consolidated accounts. This is with the exception of subsidiaries that are in a corporate structure where the consolidated income tax expense is included in the profit attributable to non-controlling interests in these subsidiaries. The remaining balance of the consolidated income tax expense is included in the profit attributable to the shareholders in the parent entity.

Note 9. Earnings per share

	Consolidated 31 Dec 2022 $	Consolidated 31 Dec 2021 $
Profit after income tax	6,479,405	8,019,890
Non-controlling interest	(4,193,245)	(4,649,155)
Profit after income tax attributable to the owners of Kelly Partners Group Holdings Limited	2,286,160	3,370,735
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	45,000,000	45,000,000
Weighted average number of ordinary shares used in calculating diluted earnings per share	45,000,000	45,000,000

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Note 9. Earnings per share (continued)

	Cents	Cents
Basic earnings per share	5.08	7.49
Diluted earnings per share	5.08	7.49

Note 10. Other financial assets

	Consolidated	
	31 Dec 2022 $	30 Jun 2022 $
Current assets		
Loans to partners	1,235,239	1,706,552
Non-current assets		
Loans to partners	5,401,644	3,667,686
Loans to related parties	1,755,209	898,129
	7,156,853	4,565,815
	8,392,092	6,272,367

Loans to partners primarily represents amounts of money which have first been borrowed on the balance sheet of various controlled entities, and then secondly on lent to partners to assist them with their purchase of equity into that entity. This results in the controlled entity having both a financial liability to the financier, and a corresponding financial asset to the partner. These loans are typically repaid over a four to eight year period. As the loans are repaid by the partners and the financial asset amortises, there is a corresponding amortisation of the financial liability. Repayment of these loans is typically from partner equity distributions.

Note 11. Intangible assets

	Consolidated	
	31 Dec 2022 $	30 Jun 2022 $
Non-current assets		
Goodwill - at cost	40,299,821	36,058,902
Brand names and intellectual property - at cost	3,300,000	3,300,000
Customer relationships - at cost	31,360,966	24,325,076
Less: Accumulated amortisation	(9,979,352)	(8,120,351)
	21,381,614	16,204,725
Computer software - at cost	885,588	665,141
Less: Accumulated amortisation	(438,185)	(336,317)
	447,403	328,824
	65,428,838	55,892,451

Note 11. Intangible assets (continued)

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

Consolidated	Goodwill $	Brand names and intellectual property $	Customer relationships $	Computer Software $	Total $
Balance at 1 July 2022	36,058,902	3,300,000	16,204,725	328,824	55,892,451
Additions	-	-	166,800	220,450	387,250
Additions through business combinations (note 18)	4,240,919	-	6,869,090	-	11,110,009
Amortisation expense	-	-	(1,859,001)	(101,871)	(1,960,872)
Balance at 31 December 2022	40,299,821	3,300,000	21,381,614	447,403	65,428,838

Brand names and intellectual property have indefinite useful lives and are not amortised.

Note 12. Borrowings

	Consolidated 31 Dec 2022 $	Consolidated 30 Jun 2022 $
Current liabilities		
Bank overdrafts	7,995,744	1,964,883
Bank loans	7,015,866	7,273,829
Related party loans	2,200,000	2,200,000
	17,211,610	11,438,712
Non-current liabilities		
Bank loans	26,029,543	22,898,248
	43,241,153	34,336,960

Controlled entities' facilities
The Group has banking facilities in place with Westpac for all of its operating businesses. The facilities consist of overdraft facilities, term loans, bank guarantees and other ancillary facilities.

Each subsidiary's debt facilities is granted security by that entity, the corporate partners of that entity, limited personal guarantees of the operating business owners, and a guarantee provided by the parent over all existing and future assets and undertakings.

Subsidiaries also have bilateral arrangements in place with Westpac and other financiers for other facilities including credit cards, equipment finance, and bank guarantees. These facilities and their securities are permitted under the Westpac arrangements.

Parent entity facilities
As at 31 December 2022, the parent has a $3,000,000 revolving line of term credit. The debt facilities are granted security over the parent entity, as well as the guarantor group which comprises Kelly Partners Group Holdings Limited and the majority of its wholly owned subsidiaries. The guarantor group does not include the local owner-driven operating partnerships.

The parent entity also has bilateral arrangements in place with Westpac and other financiers for ancillary facilities including credit cards, equipment finance, and bank guarantees. These facilities and their securities are permitted under the Westpac arrangements.

Note 12. Borrowings (continued)

Covenants
The Group's financier has financial covenants in place, which may act to limit the total indebtedness of the Group under certain circumstances, such as if there were a significant drop in earnings. As at balance date, the Group is in compliance with its financial covenants.

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

	Consolidated 31 Dec 2022 $	Consolidated 30 Jun 2022 $
Total facilities		
Bank overdraft	15,836,126	11,450,137
Bank loans	34,050,293	30,452,116
Related party loan	2,200,000	2,200,000
	52,086,419	44,102,253
Used at the reporting date		
Bank overdraft	7,995,744	1,964,883
Bank loans	33,045,409	30,172,077
Related party loan	2,200,000	2,200,000
	43,241,153	34,336,960
Unused at the reporting date		
Bank overdraft	7,840,382	9,485,254
Bank loans	1,004,884	280,039
Related party loan	-	-
	8,845,266	9,765,293

Note 13. Contingent consideration

	Consolidated 31 Dec 2022 $	Consolidated 30 Jun 2022 $
Current liabilities		
Contingent consideration	3,086,973	2,031,626
Non-current liabilities		
Contingent consideration	3,923,982	3,394,771
	7,010,955	5,426,397

Contingent consideration relates to the fair value of the contingent component of the purchase price of the acquisitions completed in the current and prior period(s).

Note 14. Other financial liabilities

	Consolidated 31 Dec 2022 $	Consolidated 30 Jun 2022 $
Current liabilities		
Loans from partners	267,108	79,658
Loans from others	52,082	-
	319,190	79,658
Non-current liabilities		
Loans from partners	872,844	1,044,553
Loans from others	1,099,505	-
	1,972,349	1,044,553
	2,291,539	1,124,211

Loans from others relate to working capital loans provided by the vendor to Kelly Partners' operating businesses as per the terms of the acquisition. These loans are typically repaid at the same time as the payment of the contingent consideration.

Refer to note 10 for details on loans to and from partners.

Note 15. Issued capital

	Consolidated 31 Dec 2022 Shares	Consolidated 30 Jun 2022 Shares	Consolidated 31 Dec 2022 $	Consolidated 30 Jun 2022 $
Ordinary shares - fully paid	45,000,000	45,000,000	13,469,960	13,469,960

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

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

Share buy-back
On 11 October 2021, the Company announced the continuation of its share buy-back program of up to 5% of the minimum number of Company's shares outstanding in the last 12 months. During the financial half-year ended 31 December 2022, the Company did not buy-back any shares.

Note 16. Dividends

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

	Consolidated	
	31 Dec 2022	31 Dec 2021
	$	$
During half-year ended 31 December 2022:		
For the year ending 30 June 2023:		
First interim dividend of $0.00399 per ordinary share, paid on 29 July 2022	179,685	-
Second interim dividend of $0.00399 per ordinary share, paid on 31 August 2022	179,685	-
Third interim dividend of $0.00399 per ordinary share, paid on 30 September 2022	179,685	-
Fourth interim dividend of $0.00399 per ordinary share, paid on 31 October 2022	179,685	-
Fifth interim dividend of $0.00399 per ordinary share, paid on 30 November 2022	179,685	-
Sixth interim dividend of $0.00399 per ordinary share, paid on 30 December 2022	179,685	-
	1,078,110	-
For the year ended 30 June 2022:		
Final dividend of $0.0139 per ordinary share, paid on 5 August 2022	625,500	-
Final dividend of $ 0.0011 per ordinary share, paid on 31 August 2022	49,500	-
Special dividend of $0.0116 per ordinary share, paid on 31 August 2022	522,000	-
Special dividend of $0.0116 per ordinary share, paid on 30 September 2022	522,000	-
	1,719,000	-
During half-year ended 31 December 2021:		
For the year ended 30 June 2022:		
First interim dividend of $0.00363 per ordinary share, paid on 30 July 2021	-	163,350
Second interim dividend of $0.00363 per ordinary share, paid on 31 August 2021	-	163,350
Third interim dividend of $0.00363 per ordinary share, paid on 30 September 2021	-	163,350
Fourth interim dividend of $0.00363 per ordinary share, paid on 29 October 2021	-	163,350
Fifth interim dividend of $0.00363 per ordinary share, paid on 30 November 2021	-	163,350
Sixth interim dividend of $0.00363 per ordinary share, paid on 31 December 2021	-	163,350
	-	980,100
For the year ended 30 June 2021:		
Final dividend of $0.00680 per ordinary share, paid on 20 August 2021		306,000
Special dividend of $0.00520 per ordinary share, paid on 20 August 2021	-	234,000
Special dividend of $0.00440 per ordinary share, paid on 30 September 2021	-	198,000
Special dividend of $0.00800 per ordinary share, paid on 29 October 2021	-	360,000
	-	1,098,000
Total dividends	2,797,110	2,078,100

The seventh interim dividend for the year ending 30 June 2023 was declared and paid at $0.00399 per share on 31 January 2023.

Note 17. Related party transactions

Parent entity
Kelly Partners Group Holdings Limited is the parent entity.

Transactions with related parties
Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Loans to/(from) related parties

Note 17. Related party transactions (continued)

Key management personnel

	31 Dec 2022 $	30 Jun 2022 $
Loans to directors:		
Balance at the beginning of the period	-	(73,926)
- loans advanced	105,626	-
- interest on loans	1,134	(237)
- payment	-	74,163
Balance at the end of the period	106,760	-

On 30 October 2022, the Board of Directors approved a loan facility to Brett Kelly. The facility is secured and personally guaranteed by Brett Kelly with interest charged at commercial rates.

Kelly Partners (Canberra) Property Trust

	31 Dec 2022 $	30 Jun 2022 $
Loans from related party:		
Balance at the beginning of the period	(2,200,000)	-
- loans from	-	(2,200,000)
- interest on loan	(105,359)	(110,512)
- payment	105,359	110,512
Balance at the end of the period	(2,200,000)	(2,200,000)

Kelly Partners (Investment Office) Pty Ltd is the investment manager of Kelly Partners Investment Office Special Opportunities Fund #2. Kelly Partners (Canberra) Property Trust is a wholly owned subsidiary of Kelly Partners Group Holdings Limited.

On 20 December 2021, the Kelly Partners Investment Office Special Opportunities Fund #2 advanced a short term loan facility of $2.2 million to Kelly Partners (Canberra) Property Trust, to assist with the purchase of Unit 141, 39 Eastlake Parade, Kingston ACT ('the Canberra Property'). The facility is secured by a mortgage over the Canberra Property and is guaranteed by Kelly Partners Group Holdings Limited. The term of the facility is 12 months with interest charged at commercial rates and was extended for a further 12 months during the half-year ended 31 December 2022.

On 11 January 2023, $1.0 million of the loan was refinanced with a commercial bank.

The Kelly Partners Canberra business has operated out of the Canberra Property since April 2022.

Employee Share trust

In FY2022 and 1H23, a number of operating businesses paid amounts to an Employee Share Trust as part of the Employee Share Scheme ('ESS'). The monies received by the Employee Share Trust were used to acquire the shares of Kelly Partners Group Holdings Limited (KPG.ASX).

	31 Dec 2022 $	30 Jun 2022 $
Loans to Employee Share trust:		
Balance at the beginning of the period	898,129	116,999
- loans advanced	706,100	768,840
- interest on loan	44,220	13,957
- repayment of loans	-	(1,667)
Balance at the end of the period	1,648,449	898,129

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KELLY PARTNERS GROUP HOLDINGS LIMITED

Note 17. Related party transactions (continued)

Partners
Loans (to)/from partners are set out in note 10 and note 14.

Other loans
Loans from others are set out in note 14.

Direct interest in subsidiaries
The following related parties hold a direct interest in the respective subsidiary of the Group:

Related party	Subsidiary	31 Dec 2022 Interest held	30 Jun 2022 Interest held
Paul Kuchta	Kelly Partners (Sydney) Pty Ltd	10.20%	9.00%
Ada Poon	Kelly Partners North Sydney Partnership	10.00%	10.00%

Note 18. Business combinations

Acquisitions during the half-year ended 31 December 2022

Kelly Partners Hunter Region
On 1 July 2022, Kelly Partners Group Holdings Limited acquired an accounting business in Hunter Region, NSW, which has operated through Kelly Partners Hunter Region Partnership post completion.

The goodwill is attributable to synergies expected to be achieved from integrating the business in to the Kelly Partners system. The goodwill recognised is not deductible for tax purposes.

Contingent consideration is based on the acquired business achieving the target revenue post completion.

The NCI is valued based on a proportion of net assets.

The acquired business contributed revenues of $2,612,470 and a net profit before tax and amortisation of $650,685 to the Group for the period from 1 July 2022 to 31 December 2022. Note the revenue and profit figures disclosed here may be part year and include implementation and restructuring costs that may be one off and non-recurring in nature.

Note 18. Business combinations (continued)

Details of the acquisition are as follows:

	Fair value $
Trade and other receivables	528,359
Plant and equipment	150,000
Right-of-use assets	1,935,852
Customer relationships	2,438,769
Loans receivable	715,613
Other assets	107,511
Trade and other payables	(220,262)
Lease liability	(2,185,832)
Deferred tax liabilities	(631,832)
Borrowings	(416,746)
Employee benefits	(374,022)
Other liabilities	(134,215)
Net assets acquired	1,913,195
Goodwill	1,666,447
Acquisition-date fair value of the total consideration transferred	3,579,642
Representing:	
Cash paid to vendor	1,926,020
Equity contribution from NCI	1,211,679
Contingent consideration	441,943
	3,579,642

Kelly Partners Maitland

On 4 October 2022, Kelly Partners (Maitland) Pty Ltd acquired an accounting business in Maitland, NSW.

The goodwill is attributable to synergies expected to be achieved from integrating the business in to the Kelly Partners system. The goodwill recognised is not deductible for tax purposes.

Contingent consideration is based on the acquired business achieving the target revenue post completion.

The NCI is valued based on a proportion of net assets.

The acquired business contributed revenues of $564,511 and a net profit before tax and amortisation of $164,935 to the Group for the period from 4 October 2022 to 31 December 2022. Note the revenue and profit figures disclosed here may be part year and include implementation and restructuring costs that may be one off and non-recurring in nature.

Note 18. Business combinations (continued)

Details of the acquisition are as follows:

	Fair value $
Customer relationships	1,563,222
Deferred tax liabilities	(220,663)
Employee benefits	(95,068)
Net assets acquired	1,247,491
Goodwill	834,180
Acquisition-date fair value of the total consideration transferred	2,081,671
Representing:	
Cash paid to vendor	680,519
Equity contribution from NCI	1,114,082
Contingent consideration	287,070
	2,081,671

Other business combinations during the period ended 31 December 2022.

Details of accounting businesses acquired

Entity	Location of business acquired	Date of acquisition
Kelly Partners Leeton	Leeton, NSW	01/09/2022
Kelly Partners Palm Beach	Palm Beach, QLD	08/09/2022
Kelly Partners Melbourne	Melbourne, VIC	08/11/2022
Kelly Partners South West Brisbane	South West Brisbane, QLD	05/11/2022

The goodwill is attributable to synergies expected to be achieved from integrating the businesses in to the Kelly Partners system. The goodwill recognised is not deductible for tax purposes.

Contingent consideration is based on the acquired businesses achieving the target revenue post completion.

The NCI is valued based on a proportion of net assets.

The acquired businesses contributed revenues of $1,016,667 and a net loss before tax and amortisation of $27,100 to the Group for the period from the date businesses were acquired to the period ended 31 December 2022. Note the revenue and loss figures disclosed here may be part year and include implementation and restructuring costs that may be one off and non-recurring in nature.

Note 18. Business combinations (continued)

Details of the acquisitions in aggregate are as follows:

	Fair value $
Trade receivables	327,965
Accrued income	13,904
Plant and equipment	2,400
Right-of-use assets	224,091
Customer relationships	2,867,100
Lease liability	(246,606)
Deferred tax liabilities	(555,215)
Employee benefits	(276,298)
Other liabilities	(373,451)
Net assets acquired	1,983,890
Goodwill	1,739,251
Acquisition-date fair value of the total consideration transferred	3,723,141
Representing:	
Cash paid to vendor*	2,034,136
Equity contribution from NCI	684,168
Vendor working capital loan	160,000
Contingent consideration*	844,837
	3,723,141

* An existing partner of Kelly Partners acquired an interest in Kelly Partners Leeton together with Kelly Partners Group Holdings, hence both 'Cash paid to vendor' and 'Contingent consideration' includes a NCI component. This has been disclosed separately to 'Equity contribution from NCI', which represents the equity contribution from the existing vendor.

Note 19. Events after the reporting period

Apart from the matters disclosed above and dividend declared as disclosed in note 16, no other matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

In the directors' opinion:

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

- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the financial half-year ended on that date; and

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

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

On behalf of the directors

Brett Kelly
Executive Chairman and Chief Executive Officer

1 February 2023
Sydney

Kelly Partners Group Holdings Limited

Independent auditor's review report

Report on the Review of the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Kelly Partners Group Holdings Limited (the Company) and the entities it controlled at the half-year's end or from time to time during the half year (the consolidated group), which comprises the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Kelly Partners Group Holdings Limited is not in accordance with the *Corporations Act 2001* including:

a. giving a true and fair view of the consolidated entity's financial position as at 31 December 2022 and of its performance for the half year ended on that date; and

b. complying with Australian Accounting Standard 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

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

Responsibility of Management for the Financial Report

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

Auditor’s Responsibilities for the Review of the Financial Report

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

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

Yours faithfully

William Buck

William Buck
Accountants & Advisors
ABN 16 021 300 521

Leo Tutt

L. E. Tutt
Partner

Sydney, 1 February 2023

KELLY PARTNERS GROUP HOLDINGS LIMITED
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