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 2021
Previous period:	For the half-year ended 31 December 2020

2. Results for announcement to the market

				$
Revenues from ordinary activities	up	24.5%	to	30,940,110
Total comprehensive income from continuing operations attributable to the owners of Kelly Partners Group Holdings Limited	up	5.9%	to	3,371,644
Profit for the half-year attributable to the owners of Kelly Partners Group Holdings Limited	up	5.9%	to	3,370,735
Underlying Net Profit After Tax before Amortisation ('Underlying NPATA') attributable to owners of Kelly Partners Group Holdings Limited	up	18.3%	to	3,339,695

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 from continuing operations attributable to the owners of Kelly Partners Group Holdings Limited after providing for income tax and non-controlling interests amounted to $3,371,644 (31 December 2020: $3,182,851).

The underlying profit for the half-year from continuing operations attributable to the owners of Kelly Partners Group Holdings Limited after providing for income tax and non-controlling interests amounted to $3,339,695 (31 December 2020: $2,823,231).

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 1H22 $	Consolidated 1H21 $
Statutory NPAT from continuing operations attributable to owners of Kelly Partners Group Holdings Limited	3,371,644	3,182,851
Amortisation of customer relationship intangibles	472,094	252,358
NPATA attributable to owners of Kelly Partners Group Holdings Limited	3,843,738	3,435,209
Add: Non-recurring expenses		
Acquisition costs	168,171	50,801
Other non-recurring expenses	-	34,532
Less: Non-recurring income		
One-off government grants in relation to COVID-19	(684,291)	(450,458)
Change in fair value of contingent consideration	(168,300)	(194,957)
Proceeds from settlement of legal dispute	-	(49,107)
Other non-recurring income	-	(138,504)
Net non-recurring items	(684,420)	(747,693)
Less: Tax effect of non-recurring items	180,377	135,715
Underlying NPATA attributable to owners of Kelly Partners Group Holdings Limited	3,339,695	2,823,231

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	(30.97)	(9.62)

4. Control gained over entities

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

Controlled entity	Location of business acquired	Date of acquisition	Contributed revenue to Group $	Contributed profit / (loss) before tax to Group $
Kelly Partners (Hunter Region) Pty Ltd	Newcastle, NSW	01/07/2021	448,768	(85,894)
Kelly Partners (Sydney) Pty Ltd	Sydney CBD, NSW	12/07/2021	1,203,029	378,986
Kelly Partners (Western Sydney) Pty Ltd	Penrith, NSW	11/11/2021	698,511	253,170
Kelly Partners (Canberra)	Canberra, ACT	01/12/2021	17,211	(1,783)

5. Loss of control over entities

Not applicable.

6. Dividends

Current period ended 31 December 2021

	Amount per security Cents	Franked amount per security Cents
For the year ending 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

Previous period ended 31 December 2020

	Amount per security Cents	Franked amount per security Cents
For the year ended 30 June 2021:		
First interim dividend paid on 1 October 2020	1.330	1.330
Second interim dividend paid on 4 January 2021	1.330	1.330
Total dividends	2.660	2.660

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 2021 is attached.

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12. Signed

Authorised by the Board of Directors.

Signed ______________________________ Date: 7 February 2022

Brett Kelly
Executive Chairman and Chief Executive Officer
Sydney

KELLY PARTNERS GROUP HOLDINGS LIMITED

ABN 25 124 908 363

INTERIM REPORT – 31 December 2021

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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 2021.

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

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 tuck-in 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 presents the performance of the business against the comparative periods in delivering the Group's strategy.

Half-year metrics

	Strategy	Measure	1H22	1H21	1H20
(1)	Improving the earning power of the operating businesses	EBITDA margin of operating businesses	33.5%	36.6%	32.5%
(2)	Further increase earnings through tuck-in acquisitions	Contribution to revenue growth from acquired businesses	17.0%	6.5%	7.5%
(3) a.	Growing the accounting businesses	Contribution to revenue growth from existing accounting businesses	5.1%	0.0%	10.7%
(3) b.	Growing the complementary businesses	Contribution to revenue growth from existing complementary businesses	2.4%	0.4%	5.2%
		Wealth	1.0%	0.5%	0.8%
		Finance	0.9%	0.0%	0.2%
		Investment office	0.5%	(0.1%)	1.3%
		Discontinued operations	n/a	n/a	2.9%
		Insurance (from Jan-21)	n/a	n/a	n/a
		Alternative Investments (from Jan-21)	n/a	n/a	n/a
(4) a.	Making programmatic acquisitions	Number of acquisitions	2	2	2
(4) b.	Making an occasional large acquisition (i.e. greater than $5m in revenue)	Number of large acquisitions	-	-	-
(5)	Repurchasing Company's shares when available at a meaningful discount from intrinsic value	(i) Number of shares repurchased	-	344,406	95,000
		(ii) % of shares issued repurchased	0.0%	0.76%	0.21%

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Full year metrics

	Strategy	Measure	FY21	FY20	FY19	FY18	FY17 (IPO)
(1)	Improving the earning power of the operating businesses	EBITDA margin of operating businesses	33.4%	32.5%	27.7%	34.0%	30.9%
(2)	Further increase earnings through tuck-in acquisitions	Contribution to revenue growth from acquired businesses	4.8%	6.6%	6.4%	17.2%	-
(3) a.	Growing the accounting businesses	Contribution to revenue growth from existing accounting businesses	1.4%	6.6%	(6.9%)	10.5%	-
(3) b.	Growing the complementary businesses	Contribution to revenue growth from existing complementary businesses	1.2%	2.8%	1.8%	3.1%	-
		Wealth	1.0%	0.4%	0.7%	1.0%	-
		Finance	0.2%	0.4%	0.7%	0.8%	-
		Investment office	0.0%	0.9%	0.0%	0.4%	-
		Discontinued operations	n/a	1.1%	0.4%	0.9%	-
		Insurance (from Jan-21)	n/a	n/a	n/a	n/a	n/a
		Alternative Investments (from Jan-21)	n/a	n/a	n/a	n/a	n/a
(4) a.	Making programmatic acquisitions	Number of acquisitions	7	3	4	-	2
(4) b.	Making an occasional large acquisition (i.e. greater than $5m in revenue)	Number of large acquisitions	-	-	-	-	1
(5)	Repurchasing Company's shares when available at a meaningful discount from intrinsic value	(i) Number of shares repurchased	400,000	95,000	2,181	-	-
		(ii) % of shares issued repurchased	0.88%	0.21%	-	-	-

Key financial metrics

The Company uses Return on Equity ('ROE'), Return on Invested Capital ('ROIC'), Earnings Per Share ('EPS') and Owner 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, since IPO.

Half-year metrics

Key financial metric	Formula	1H22	1H21	1H20
Return to owners				
Owner earnings* - Group	Cash from operating activities – repayment of lease liabilities – maintenance capex	$9,097,814	$8,052,868	$6,622,674
Return on equity (ROE)	Trailing Twelve Months ('TTM') Underlying NPATA / Equity	42.2%	44.5%	45.6%
Return on invested capital (ROIC)^	(TTM Underlying NPATA+ cash interest) / (Equity + debt)	23.3%	28.1%	25.8%
Earnings per share (EPS) (cents per share)	Underlying attributed NPATA / Weighted average number of shares	7.42	6.24	4.01
Dividends (cents per share)**	Dividends paid	2.18	2.66	2.42
Dividends payout ratio**	Dividends per share / EPS (underlying NPATA)	29.3%	42.6%	60.4%
Cash conversion / debt				
Cash conversion	Operating cashflow / Statutory EBITDA	88.9%	92.9%	100.5%
Gearing ratio	Net Debt / Underlying EBITDA	1.32x	0.76x	1.19x
Net debt per partner	Net Debt / Number of Partners	$415,419	$267,087	$406,623
Number of partners	Number of partners	57	49	42

^ Note ROIC may be impacted where the TTM Underlying NPATA does not include a full year contribution from in year acquisitions.

Full year metrics

Key financial metric	Formula	FY21	FY20	FY19	FY18	FY17 (IPO)
Return to owners						
Owner earnings* - Group	Cash from operating activities - repayment of lease liabilities - maintenance capex	$12,807,837	$12,174,442	$9,673,451	$6,304,912	$6,619,077
Owner earnings* - Parent	Cash from operating activities - repayment of lease liabilities - maintenance capex	$5,014,894	$3,885,041	$3,128,904	n/a	n/a
Return on equity	Underlying NPATA / Equity	46.7%	44.2%	36.6%	47.8%	35.1%
Return on invested capital	(Underlying NPATA + cash interest) / (Equity + Debt)	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	11.32	8.67	7.02	9.51	4.97
Dividends (cents per share)**	Dividends paid	7.08	4.84	4.40	4.00	-
Dividends payout ratio**	Dividends per share / EPS (underlying NPATA)	62.0%	55.8%	62.7%	42.1%	-
Cash conversion / debt						
Cash conversion	Operating cashflow / Statutory EBITDA	93.5%	97.3%	116.8%	63.5%	269.6%
Gearing ratio	Net Debt / Underlying EBITDA	0.84x	0.96x	1.35x	0.79x	1.4x
Net debt per partner	Net Debt / Number of Partners	$296,758	$346,198	$366,813	$291,167	$326,230
Number of partners	Number of partners	53	44	40	39	36

* The Group uses owner earnings to measure cash flow available to the Group. Owner 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).

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

Review of operations

In the half-year ended 31 December 2021 ('1H22'), the Group has recorded a consolidated statutory net profit after income tax from continuing operations of $8,019,889 (half-year ended 31 December 2020 ('1H21'): $7,057,425). The statutory net profit attributable to the members of the parent entity was $3,371,644 (1H21: $3,182,851) an increase of 5.9%.

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 and accordingly the following table provides a reconciliation between profit after income tax expense and Underlying EBITDA.

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

	Consolidated	
	1H22	1H21
	$	$
Statutory net profit after income tax ('NPAT') from continuing operations	8,019,890	7,057,425
Finance costs	891,274	737,782
Income tax expense	1,697,671	1,133,243
Depreciation and amortisation expense	2,752,701	1,976,335
Earnings before interest, tax, depreciation and amortisation ('EBITDA')	13,361,536	10,904,785
Add: Non-recurring expenses		
Acquisition costs	165,902	93,349
Other non-recurring expenses	-	47,257
Less: Non-recurring income		
One-off government grants in relation to COVID-19	(1,328,134)	(825,368)
Change in fair value of contingent consideration	(330,000)	(382,268)
Net proceeds received from settlement of legal dispute	-	(107,963)
Other non-recurring income	-	(138,504)
Underlying EBITDA	11,869,304	9,591,288

Underlying EBITDA of the Group was $11,869,304 (1H21: $9,591,288), an increase of 23.8%.

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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	
	1H22 $	1H21 $
Statutory NPAT from continuing operations attributable to owners of Kelly Partners Group Holdings Limited	3,371,644	3,182,851
Amortisation of customer relationship intangibles	472,094	252,358
NPATA attributable to owners of Kelly Partners Group Holdings Limited	3,843,738	3,435,209
Add: Non-recurring expenses		
Acquisition costs	168,171	50,801
Other non-recurring expenses	-	34,532
Less: Non-recurring revenue		
One-off government grants in relation to COVID-19	(684,291)	(450,458)
Change in fair value of contingent consideration	(168,300)	(194,957)
Net proceeds from settlement of legal dispute	-	(49,107)
Other non-recurring income	-	(138,504)
Net non-recurring items	(684,420)	(747,693)
Less: Tax effect of non-recurring items	180,377	135,715
Underlying NPATA attributable to owners of Kelly Partners Group Holdings Limited	3,339,695	2,823,231

Underlying NPATA attributable to members of the parent entity was $3,339,695 (1H21: $2,823,231), an increase of 18.3%.

COVID-19

Management response and action

In the half-year, the Greater Sydney and Melbourne area were subject to lockdown and extensive restrictions as a result of a renewed COVID-19 outbreak. This has led to working from home arrangements being implemented across the Group. Such arrangements continue to be in place in early 2022. Due to the COVID-19 outbreak and the working from home arrangements, the Group has experienced the following impacts:

- the timing of regular compliance and advisory work being completed has been impacted or delayed where the operating businesses have had to prioritise assisting COVID-19 impacted clients with applying for government grants; and
- the fees charged in relation to assisting COVID-19 impacted clients with applying for government grants are lower and less profitable for the reasons of supporting our clients.

During the half-year, various operating businesses of the Group satisfied the criteria for JobSaver (turnover decline of >30% in a 2-week period due to the public health order) and the Group received in total $1,328,134 of government grants. As at 31 December 2021, the JobSaver program has ended. The Group views the government grants received to be one-off non-recurring in nature and has deducted such income from its underlying results for the purposes of looking through the true underlying performance of the business.

Irrespective of the above, the Group continues to grow and operate profitably in the half year. The Group has not seen a significant impact on its collections but continues to act with prudence and caution in the current pandemic environment.

In early 2022, the Group continues to monitor closely the potential impacts and risks posed by the Omicron variant and focuses heavily on protecting the physical and mental health of its people.

In FY20, the management undertook specific actions in response to the COVID-19 pandemic, including a reduction in ongoing expenses and overheads, negotiations of rent abatements, reduction in team sizes etc. In response to the recent COVID-19 outbreak, management may revisit these strategies to protect the Group from the potential impacts of the pandemic.

Quality shareholders

During the half-year the Group continued its Quality Shareholders initiative and was pleased to have William Thorndike (author of '*The Outsiders : Eight Unconventional CEOs and Their Radically Rational Blueprint for Success*') and Lawrence Cunningham (author of '*The Essays of Warren Buffett: Lessons for Corporate America*') speak at our 2021 Annual General Meeting. The Group extends its thanks and appreciation to William and Lawrence for their contributions to cultivating the Group's quality shareholder base. The Group firmly believes that attracting quality shareholders, who view themselves as part owners of the business and are willing to invest a meaningful amount of their wealth for a very long time, is critical in achieving the Group's long term vision.

Financial performance

Acquisitions and integration

Since 1 July 2021, the Group has completed two acquisitions with total annual revenues of $4.0m to $5.2m, representing an annual $0.4m to $0.5m NPATA contribution to the parent. Further, the Group has announced four acquisitions that will be completed in 2H22 with total annual revenues of $3.9m to $5.3m. In aggregate the Group in FY22 will complete six acquisitions with total annual revenues of $7.9m to $10.5m, representing 16.2% to 21.5% of FY21 revenue. The Group has well surpassed the $4.4m target acquisition for FY22 as per the Group's 5-year plan.

The completed acquisitions are listed in the table below.

#	Details	Location	Type	Acquired Revenue
1	Nov-21	Western Sydney	Tuck-in	$3.2m - $4.3m
2	Dec-21	Canberra	Marquee	$0.8m - $0.9m
	Acquisitions completed in 1H22			*$4.0m - $5.2m*
	% of FY21 Revenue ($48.9m)			*8.2% - 10.6%*
3	Jan-22	Melbourne	Tuck-in	$1.0m - $1.4m
4	Feb-22	Northern Beaches	Tuck-in	$1.0m - $1.4m
5	Feb-22	Canberra	Tuck-in	$0.9m - $1.1m
6	May-22	Central Coast	Tuck-in	$1.0m - $1.4m
	Acquisitions to be completed in 2H22			*$3.9m - $5.3m*
	% of FY21 Revenue ($48.9m)			*8.0% - 10.8%*
	Total acquisitions to be completed FY22			**$7.9m - $10.5m**
	% of FY21 Revenue ($48.9m)			**16.2% - 21.5%**

Offices and partners

As at 31 December 2021, the Group operated out of 18 offices (30 June 2021: 16). During the half-year, the Group commenced businesses in two new locations in Newcastle, NSW (Jul-21) and in Canberra, ACT (Dec-21). Both office openings were a result of acquisitions of local accounting firms that were completed during the half-year. We are pleased that 8 of our 18 offices now qualify as a top 100 accounting firm in their own right, commanding dominant market positions in their respective regions. During the half-year, 4 of our offices underwent or are currently undergoing fitout upgrades. Over the last 2 years, the Group has progressively upgraded the fitouts for each of its 18 offices in order to build a consistent brand and office experience for its people and its clients.

As at 31 December 2021, the total number of equity partners (excluding the CEO, Brett Kelly) was 57 (30 June 2021: 53) with one new partner promoted internally, one new partner recruited externally, and three partners from completed acquisitions. Post balance date, one new partner was promoted internally, taking the total number of equity partners to 58. 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 will 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. The Group is currently in the process of considering and establishing such structures to own the properties.

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Revenue
Revenue for 1H22 increased 24.5% to $30,940,110 (1H21: $24,846,180). A reconciliation of acquisition and organic growth is set out below:

	$	Growth %
1H21 Revenue	24,846,180	-
Accounting business growth	1,272,871	5.1
Complementary business growth	599,896	2.4
Total organic growth	1,872,767	7.5
Total revenue from acquired businesses	4,221,163	17.0
1H22 Revenue	30,940,110	24.5

Acquired revenue of $4,221,163 contributed 17.0% of revenue growth, with in year acquisitions completed to date in 1H22 contributing $2,381,533 and revenue from the acquisitions completed in FY21 contributing $1,839,630.

Organic revenue increased 7.5% compared to the prior period and has exceeded the Group's target annual organic growth of 5%.

Operating expenses
Employment and related expenses and Other expenses have increased 25.3% and 18.4% respectively compared to the prior period. Such increases are in line with the revenue growth of 24.5%.

Underlying EBITDA
Underlying EBITDA (which measures EBITDA before one off and non-recurring items) increased 23.8% to $11,869,303 (1H22: $9,591,288).

The directors consider underlying EBITDA margin before AASB 16 as a more meaningful measurement of performance. The underlying EBITDA margin before AASB 16 is consistent with prior year at 33.2% (1H22: 33.3%). Our aim is to increase the EBITDA margin to 35.0% 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 the AASB 16 leasing adjustment is set out in the table below.

	1H22	1H21	FY21
Underlying EBITDA	$11,869,304	$9,591,288	$18,653,935
Growth %	+23.8%	+16.8%	+17.2%
AASB 16 leasing adjustment - rent expense	$(1,585,240)	$(1,305,649)	$(2,703,699)
Underlying EBITDA before AASB 16 leasing adjustments	$10,284,064	$8,285,639	$15,950,236
Growth %	+24.1%	+19.3%	+18.4%
As a % of revenue	33.2%	33.3%	32.6%

Additional investment expenditure in the Parent Entity
The parent entity has since the IPO continued to invest in growth in order to further develop the capabilities of the central services team and for the business to be positioned for long term growth as well as to grow its competitive advantage. These investments for growth have sometime exceeded the central Services Fee and IP Fee income that the Company receives from its operating businesses, as shown in the table below.

As communicated in prior financial results releases and announcements, the Company undertook a significant review of its cost structures and additional investment expenditure made during the coronavirus outbreak in March 2020 and committed to reducing the ongoing additional investment spend to be in line with the income it receives from its operating businesses. This focus and review have brought the additional investments expenditure downwards to $371,127 for the FY21 year contributing to the uplift in the Underlying attributed NPATA for that year. Investment expenditures continued to be brought in line with the income received from its operating businesses in the current half-year.

The Company maintains its strategy to continue to improve operational efficiency impact overtime, unless attractive opportunities arise where the Company sees a benefit in committing additional investments expenditure.

	1H22	1H21	FY21
Group revenue	$30,940,110	$24,846,180	$48,906,446
Group revenue growth on prior period	+24.5%	+5.8%	+7.5%
Additional investment expenditures	$75,990	$149,561	$371,127
% of Revenue	0.2%	0.6%	0.8%

Non-recurring and one-off items
Total non-recurring income for the Group for the year was $1,658,134 (1H21: $1,454,102) and included:
(1) $1,328,134 in one-off government grants in relation to COVID-19; and
(2) $330,000 non-cash income relating to a change in fair value of contingent consideration. This relates to a completed acquisition where the vendor had not achieved the required targets for the payment of the contingent consideration.

Total non-recurring expenses for the year of $165,902 (1H21: $140,605) which included:
- $165,902 in lease expenses relating to a lease inherited as part of the Sydney CBD acquisition completed in July 2021. On completion of the acquisition, as part of integrating the acquired business, the existing team was relocated to the Kelly Partners Sydney CBD office, rendering the existing premise vacant and the lease onerous. This cost is not expected to recur post the expiration of the existing lease in October 2022, and hence has been excluded from underlying results.

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 $2,752,701 (1H21: $1,976,335) and includes depreciation expense of $1,876,928 (1H21: $1,473,331) and amortisation expense of $875,773 (1H21: $503,004). The increase in amortisation expense is due to recent acquisitions completed creating customer relationship intangible assets that are amortised in accordance with accounting standards.

Finance costs increased to $891,274 (1H21: $737,782). Finance costs include interest on lease liabilities recognised due to the implementation 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.

Income tax expense

	1H22	1H21
Profit before income tax from continuing operations	$9,717,561	$8,190,668
% Growth	18.6%	
Income tax expense	$1,697,671	$1,133,243
% of Growth	49.8%	

The Group's Income Tax Expense has increased to $1,697,671 (1H22: $1,133,243), mainly due to an increase in taxable income and an increase in the applicable tax rates. The Group's forecast revenue for FY22 is expected to be greater than $50m, resulting in the Group no longer being eligible as a 'base rate entity'. This has led to the deferred tax rates to be updated to 30% (from 26% in 1H21), such that the proportionate increase in the Income Tax Expense is much higher than the increase in Net Profit Before Tax. Note that as the majority of 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.

Cash flow

Cash from operations

Receipts from customers increased 18.2% to $32,014,203 (1H21: $27,095,943). Payments to suppliers and employees increased at a similar rate of 17.5% to $21,478,797 (1H21: $18,283,887). 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 19.6% to $10,535,406.

	1H22	1H21
Operating cashflow	$10,535,406	$8,812,056
% Growth	19.6%	

Cash from investing activities

In 1H22 the Group spent $3,309,241 on property, plant and equipment capital expenditure. Of this, $1,992,549 was used to acquire a commercial property in Canberra that will house the Kelly Partners Canberra operating business and $853,015 was used in fitout upgrades completed in the Oran Park, Hunter Region, North Sydney and Western Sydney offices. Over the last 2 years, the Group has progressively upgraded the fitouts for each of its 18 offices in order to build a consistent brand and office experience for its people and its clients. The remaining $463,677 represents office and computer equipment, new motor vehicles and other capital expenditures.

Cash from financing activities

In 1H22 the Group's borrowings (excluding overdrafts considered as working capital) increased significantly by $7,068,929 to $23,573,780 (30 June 2021: $16,504,851). Nonetheless, actual new borrowings of $12,268,824 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 $5,199,895 and reflects the Group's strong and disciplined approach in repaying debt, compared to $3,200,252 in the prior period, representing an increase of 62.5%. Proceeds from borrowings of $12,268,824 included $4,677,096 for acquisition funding, $2,200,000 for the purchase of the Canberra property, $1,731,000 for fitout funding, $1,933,047 for recapitalisation loans, $593,502 relating to the buy in by two new partners and the remaining $1,134,179 for insurance premium funding, motor vehicle financing and other uses.

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 57.4 days ($8,655,879) being in line with the prior year (31 December 2020: 55.4 days, $7,107,410). This continues to be a strong result and has been achieved alongside strong acquisition and organic growth. Note that lockup in the current half-year is inflated as the TTM revenue (which is used to calculate lockup) does not include the full 12 months' revenue of the in year acquisitions.

	1H22	1H21
Lockup $	$8,655,879	$7,107,410
Lockup days	57.4	55.4

Capital structure

The business continues to maintain a capital structure that supports its accelerated growth. As at 31 December 2021 the Group's Gearing Ratio (defined as Net Debt / TTM Underlying EBITDA) increased to 1.32x (31 Dec 20: 0.76x) mainly as a result of debt taken out to complete the in year acquisitions. 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.

	1H22	1H21
Gearing Ratio (Net Debt / TTM Underlying EBITDA)	1.32x	0.76x

Dividends

Amounts recognised as dividends:

	Consolidated 31 Dec 2021 $	Consolidated 31 Dec 2020 $
During half-year ended 31 December 2021:		
For the year ending 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	-
During half-year ended 31 December 2020:		
For the year ended 30 June 2021:		
First interim dividend of $0.01330 per ordinary share, paid on 1 October 2020	-	602,490
Second interim dividend of $0.01330 per ordinary share, paid on 4 January 2021	-	599,831
	-	1,202,321
	2,078,100	1,202,321

Significant changes in the state of affairs

Acquisition

During the financial period, the Group completed 2 acquisitions with total annual revenues of $4.0m to $5.2m. Details of the acquisitions can be found in the preceding 'Acquisitions and integration' section.

Share buy-back

On 23 September 2020, the Company announced the continuation of its share buy-back program of up to 10% of the minimum number of Company's shares outstanding in the last 12 months (being a buy-back of up to 4,530,000 shares at 23 September 2020). During the financial half-year ended 31 December 2021, the Company did not buy-back any shares. At 31 December 2021, 4,530,000 shares are authorised for on-market 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 (being a buy-back of up to 2,250,000 shares at 23 September 2020). During the financial half-year ended 31 December 2021, the Company did not buy-back any shares. At 31 December 2021, 2,250,000 shares are authorised for on-market buy-back.

COVID-19

The impacts of COVID-19 on the Group is outlined in the preceding 'COVID-19' 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

7 February 2022
Sydney

Kelly Partners Group Holdings Limited

Auditor's independence declaration under section 307c of the Corporations Act 2001

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2021 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.

William Buck

William Buck
Accountants & Advisors
ABN: 16 021 300 521

Leo Tutt

L.E. Tutt
Partner
Sydney, 7 February 2022

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Kelly Partners Group Holdings Limited
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2021

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KELLY PARTNERS GROUP HOLDINGS LIMITED

	Note	Consolidated 31 Dec 2021 $	Consolidated 31 Dec 2020 $
Revenue from continuing operations			
Professional services revenue	4	30,940,110	24,846,180
Other income	5	1,677,286	1,687,871
Total revenue and other income		32,617,396	26,534,051
Expenses			
Employment and related expenses		(14,587,042)	(11,642,266)
Rent and utilities		(133,280)	(58,257)
Other expenses		(4,369,636)	(3,689,449)
Business acquisition and restructuring costs		(165,902)	(239,294)
Depreciation and amortisation expense	6	(2,752,701)	(1,976,335)
Finance costs	6	(891,274)	(737,782)
Total expenses		(22,899,835)	(18,343,383)
Profit before income tax expense from continuing operations		9,717,561	8,190,668
Income tax expense	7	(1,697,671)	(1,133,243)
Profit after income tax expense from continuing operations		8,019,890	7,057,425
Loss after income tax benefit from discontinued operations		-	(2,644)
Profit after income tax (expense)/benefit for the half-year		8,019,890	7,054,781
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		1,782	(2,331)
Other comprehensive income for the half-year, net of tax		1,782	(2,331)
Total comprehensive income for the half-year		8,021,672	7,052,450
Profit for the half-year is attributable to:			
Non-controlling interests		4,649,155	3,872,243
Owners of Kelly Partners Group Holdings Limited		3,370,735	3,182,538
		8,019,890	7,054,781
Total comprehensive income for the half-year is attributable to:			
Continuing operations		4,650,028	3,872,243
Discontinued operations		-	-
Non-controlling interests		4,650,028	3,872,243
Continuing operations		3,371,644	3,182,851
Discontinued operations		-	(2,644)
Owners of Kelly Partners Group Holdings Limited		3,371,644	3,180,207
		8,021,672	7,052,450

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

		Cents	Cents
Earnings per share for profit from continuing operations attributable to the owners of Kelly Partners Group Holdings Limited			
Basic earnings per share	8	7.49	7.04
Diluted earnings per share	8	7.49	7.04
Earnings per share for loss from discontinued operations attributable to the owners of Kelly Partners Group Holdings Limited			
Basic earnings per share	8	-	(0.01)
Diluted earnings per share	8	-	(0.01)
Earnings per share for profit attributable to the owners of Kelly Partners Group Holdings Limited			
Basic earnings per share	8	7.49	7.03
Diluted earnings per share	8	7.49	7.03

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

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	Note	Consolidated 31 Dec 2021 $	Consolidated 30 Jun 2021 $
Assets			
Current assets			
Cash and cash equivalents		4,766,627	4,039,976
Trade and other receivables		6,831,724	6,204,659
Lease receivables		53,830	51,325
Accrued income		3,656,657	1,953,426
Other financial assets	9	1,283,039	738,200
Other assets		775,538	723,583
Total current assets		17,367,415	13,711,169
Non-current assets			
Lease receivables		101,322	128,973
Other financial assets	9	3,564,632	2,927,454
Property, plant and equipment		8,837,214	6,332,309
Right-of-use assets		10,779,734	9,485,670
Intangible assets	10	46,065,897	34,474,428
Other assets		1,164,385	554,551
Total non-current assets		70,513,184	53,903,385
Total assets		87,880,599	67,614,554
Liabilities			
Current liabilities			
Trade and other payables		3,572,049	3,028,694
Contract liabilities		1,832,502	1,316,658
Borrowings	11	12,892,568	8,290,304
Lease liabilities		2,470,153	2,383,296
Current tax liabilities		2,246,727	1,051,065
Provisions		2,691,371	1,993,586
Contingent consideration	12	526,762	697,682
Other financial liabilities	13	67,109	60,473
Total current liabilities		26,299,241	18,821,758
Non-current liabilities			
Borrowings	11	15,552,922	11,477,861
Lease liabilities		10,020,746	8,663,693
Deferred tax liabilities		1,388,790	794,503
Provisions		278,382	227,632
Contingent consideration	12	3,027,513	1,471,269
Other financial liabilities	13	863,498	969,609
Other liabilities		32,083	32,083
Total non-current liabilities		31,163,934	23,636,650
Total liabilities		57,463,175	42,458,408
Net assets		30,417,424	25,156,146

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

	Note	Consolidated 31 Dec 2021 $	Consolidated 30 Jun 2021 $
Equity			
Issued capital	14	13,469,960	13,469,960
Reserve		491	(418)
Retained profits		6,149,191	4,479,057
Equity attributable to the owners of Kelly Partners Group Holdings Limited		19,619,642	17,948,599
Non-controlling interests		10,797,782	7,207,547
Total equity		30,417,424	25,156,146

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

Consolidated	Issued capital $	Reserve $	Retained profits $	Non-controlling interests $	Total equity $
Balance at 1 July 2020	14,081,465	1,514	1,812,094	7,028,325	22,923,398
Profit after income tax expense for the half-year	-	-	3,182,538	3,872,243	7,054,781
Other comprehensive income for the half-year, net of tax	-	(2,331)	-	-	(2,331)
Total comprehensive income for the half-year	-	(2,331)	3,182,538	3,872,243	7,052,450
Transactions with owners in their capacity as owners:					
Share buy-back (note 14)	(495,136)	-	-	-	(495,136)
Amounts recognised as dividends (note 16)	-	-	(1,202,321)	-	(1,202,321)
Distributions to non-controlling interests	-	-	-	(3,623,857)	(3,623,857)
Balance at 31 December 2020	13,586,329	(817)	3,792,311	7,276,711	24,654,534

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 (note 17)	-	-	-	2,100,031	2,100,031
Equity contribution from non-controlling interests	-	-	-	975,691	975,691
Sale of equity interest in subsidiary	-	-	377,499	-	377,499
Distributions to non-controlling interests	-	-	-	(4,135,515)	(4,135,515)
Amounts recognised as dividends (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

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

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	Note	Consolidated 31 Dec 2021 $	Consolidated 31 Dec 2020 $
Cash flows from operating activities			
Receipts from customers		32,014,203	27,095,943
Payments to suppliers and employees		(21,478,797)	(18,283,887)
Other income		1,347,286	1,305,603
Finance costs paid		(479,557)	(431,460)
Income taxes paid		(625,423)	(726,625)
Net cash from operating activities		10,777,712	8,959,574
Cash flows from investing activities			
Payment for purchase of business	17	(6,621,149)	(242,939)
Sale of equity interest in subsidiary		377,499	-
Payment for contingent consideration		(194,850)	(228,000)
Payments for investments		-	(25,000)
Payments for property, plant and equipment		(3,309,241)	(1,107,441)
Payments for intangibles		(472,460)	(1,391)
Payments to employee share scheme trust		(460,249)	-
Loans to partners - loans advanced		(1,733,291)	(426,623)
Loans to partners - proceeds from repayments		521,799	621,512
Proceeds from disposal of property, plant and equipment		152,403	-
(Payments)/proceeds in respect of deposits		(146,023)	92,580
Net cash used in investing activities		(11,885,562)	(1,317,302)
Cash flows from financing activities			
Proceeds from borrowings		10,102,325	1,545,453
Proceeds from related party loans	16	2,166,499	-
Repayment of borrowings		(5,199,895)	(3,200,252)
Payments for share buy-backs		-	(427,822)
Proceeds from equity contribution, non-controlling interests		975,691	-
Dividends paid	15	(2,078,100)	(602,490)
Distributions paid to non-controlling interests		(4,135,515)	(3,623,857)
Repayment of lease liabilities		(1,634,354)	(911,864)
Proceeds from sub-lease		29,454	69,190
Net cash from/(used in) financing activities		226,105	(7,151,642)
Net (decrease)/increase in cash and cash equivalents		(881,745)	490,630
Cash and cash equivalents at the beginning of the financial half-year		776,662	1,144,324
Cash and cash equivalents at the end of the financial half-year		(105,083)	1,634,954

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 7 February 2022.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2021 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

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

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 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 31 December 2021:			
Current assets	14,659,712	2,707,703	17,367,415
Non-current assets	69,865,588	647,596	70,513,184
Current liabilities	(24,516,377)	(1,782,864)	(26,299,241)
Non-current liabilities	(29,651,755)	(1,512,179)	(31,163,934)
Net assets	30,357,168	60,256	30,417,424

	Accounting $	Other Services $	Total $
Half-year ended 31 December 2020:			
Revenue	23,870,939	975,241	24,846,180
EBITDA	8,804,810	409,056	9,213,866
Profit before income tax expense	7,791,482	396,138	8,187,620
Segment assets, liabilities and net assets at 30 June 2021:			
Current assets	11,177,990	2,533,179	13,711,169
Non-current assets	53,284,032	619,353	53,903,385
Current liabilities	(17,243,216)	(1,578,542)	(18,821,758)
Non-current liabilities	(21,995,145)	(1,641,505)	(23,636,650)
Net assets	25,223,661	(67,515)	25,156,146

Note 4. Professional services revenue

	Consolidated 31 Dec 2021 $	31 Dec 2020 $
Professional services revenue	30,940,110	24,846,180

Refer to note 3 for revenue by operating segments.

Note 5. Other income

	Consolidated 31 Dec 2021 $	Consolidated 31 Dec 2020 $
Government grants in relation to COVID-19	1,328,134	825,368
Change in fair value of contingent consideration	330,000	382,268
Proceeds from settlement of legal dispute	-	300,000
Commissions	9,565	26,677
Other income	9,587	153,558
Other income	1,677,286	1,687,871

Note 6. Expenses

	Consolidated 31 Dec 2021 $	Consolidated 31 Dec 2020 $
Profit before income tax from continuing operations includes the following specific expenses:		
Depreciation and amortisation		
Depreciation right-of-use of assets	1,215,846	1,078,344
Depreciation property, plant and equipment	661,082	394,987
Amortisation	875,773	503,004
	2,752,701	1,976,335
Finance costs		
Interest and finance charges paid/payable on lease liabilities	290,653	212,973
Interest on bank overdrafts and loans	479,557	431,460
Interest on unwinding retention	121,064	93,349
	891,274	737,782

Note 7. 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 are 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 8. Earnings per share

	Consolidated 31 Dec 2021 $	Consolidated 31 Dec 2020 $
Earnings per share for profit		
Profit after income tax	8,019,890	7,054,781
Non-controlling interests	(4,649,155)	(3,872,243)
Profit after income tax attributable to the owners of Kelly Partners Group Holdings Limited	3,370,735	3,182,538

Note 8. Earnings per share (continued)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	45,000,000	45,253,494
Weighted average number of ordinary shares used in calculating diluted earnings per share	45,000,000	45,253,494

	Cents	Cents
Basic earnings per share	7.49	7.03
Diluted earnings per share	7.49	7.03

Note 9. Other financial assets

	Consolidated	
	31 Dec 2021 $	30 Jun 2021 $
Current assets		
Loans to partners	1,283,039	738,200
Non-current assets		
Loans to partners	3,564,632	2,927,454
	4,847,671	3,665,654

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 in the financial liability. Repayment of these loans is typically made from partner equity distributions.

Note 10. Intangible assets

	Consolidated	
	31 Dec 2021 $	30 Jun 2021 $
Non-current assets		
Goodwill - at cost	32,128,907	25,264,891
Brand names and intellectual property - at cost	3,300,000	3,300,000
Customer relationships - at cost	17,096,565	11,780,770
Less: Accumulated amortisation	(6,753,561)	(5,949,854)
	10,343,004	5,830,916
Computer software - at cost	510,807	223,376
Less: Accumulated amortisation	(216,821)	(144,755)
	293,986	78,621
	46,065,897	34,474,428

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Note 10. 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 2021	25,264,891	3,300,000	5,830,916	78,621	34,474,428
Additions	-	-	289,619	287,431	577,050
Additions through business combinations (note 17)	6,864,016	-	5,026,177	-	11,890,193
Amortisation expense	-	-	(803,708)	(72,066)	(875,774)
Balance at 31 December 2021	32,128,907	3,300,000	10,343,004	293,986	46,065,897

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

Note 11. Borrowings

	Consolidated 31 Dec 2021 $	Consolidated 30 Jun 2021 $
Current liabilities		
Bank overdrafts	4,871,710	3,263,314
Bank loans	5,847,488	5,026,990
Related party loans	2,173,370	-
	12,892,568	8,290,304
Non-current liabilities		
Bank loans	15,552,922	11,477,861
	28,445,490	19,768,165

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.

In the year ended 30 June 2019, the Group commenced restructuring its debt facilities with Westpac. As at 30 June 2021, all subsidiaries had entered into the new facility structure. The facilities provide the Group with consistent terms and conditions, consistent reporting and undertaking requirements, consistent risk margins and a consistent security structure across its subsidiaries. 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 2021, the parent has a $400,000 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.

Note 11. Borrowings (continued)

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.

Covenants
The Group's financier have 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 2021 $	30 Jun 2021 $
Total facilities		
Bank overdraft	9,652,179	7,544,000
Bank loans	22,066,269	18,395,150
Related party loan	2,200,000	-
	33,918,448	25,939,150
Used at the reporting date		
Bank overdraft	4,871,710	3,263,314
Bank loans	21,400,410	16,504,851
Related party loan	2,173,370	-
	28,445,490	19,768,165
Unused at the reporting date		
Bank overdraft	4,780,469	4,280,686
Bank loans	665,859	1,890,299
Related party loan	26,630	-
	5,472,958	6,170,985

Note 12. Contingent consideration

	Consolidated	
	31 Dec 2021 $	30 Jun 2021 $
Current liabilities		
Contingent consideration	526,762	697,682
Non-current liabilities		
Contingent consideration	3,027,513	1,471,269
	3,554,275	2,168,951

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 13. Other financial liabilities

	Consolidated	
	31 Dec 2021 $	30 Jun 2021 $
Current liabilities		
Loans from partners	67,109	60,473
Non-current liabilities		
Loans from partners	863,498	969,609
	930,607	1,030,082

Refer to note 9 for details on loans to and from partners.

Note 14. Issued capital

	Consolidated			
	31 Dec 2021 Shares	30 Jun 2021 Shares	31 Dec 2021 $	30 Jun 2021 $
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 23 September 2020, the Company announced the continuation of its share buy-back program of up to 10% of the minimum number of Company's shares outstanding in the last 12 months (being a buy-back of up to 4,530,000 shares at 23 September 2020). During the financial half-year ended 31 December 2021, the Company did not buy-back any shares. At 31 December 2021, 4,530,000 shares are authorised for on-market 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 (being a buy-back of up to 2,250,000 shares at 23 September 2020). During the financial half-year ended 31 December 2021, the Company did not buy-back any shares. At 31 December 2021, 2,250,000 shares are authorised for on-market buy-back.

Note 15. Dividends

Amounts recognised as dividends:

	Consolidated 31 Dec 2021 $	Consolidated 31 Dec 2020 $
During half-year ended 31 December 2021:		
For the year ending 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	-
During half-year ended 31 December 2020:		
For the year ended 30 June 2021:		
First interim dividend of $0.01330 per ordinary share, paid on 1 October 2020	-	602,490
Second interim dividend of $0.01330 per ordinary share, paid on 4 January 2021	-	599,831
	-	1,202,321
	2,078,100	1,202,321

Note 16. 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

Key management personnel

	31 Dec 2021 $	30 Jun 2021 $
Loans (from)/to directors:		
Balance at the beginning of the period	(73,925)	18,143
- loans from	-	(72,000)
- interest on loans	(237)	(1,065)
- repayment of loans (from)/advanced	74,162	(19,004)
Balance at the end of the period	-	(73,926)

Note 16. Related party transactions (continued)

On 18 March 2020, the Board of Directors resolved and approved the advancing of a short term loan facility between the Group and an associated entity of Brett Kelly and David Irwin, the Operating Partner in the Kelly Partners Inner West Partnership ('KP(IW)P'), to assist with the purchase of 766 Darling St, Rozelle ('the Rozelle Property'). The facility is unsecured, repayable on demand and interest is charged at commercial rates. As at 30 June 2020, there was $18,143 owing on this facility. As at 30 June 2021, this facility was repaid in full.

On 23 February 2021, an associated entity of Brett Kelly and David Irwin advanced a short term loan facility to Kelly Partners Inner West Partnership. The facility is unsecured, repayable on demand and interest is charged at commercial rates. As at 31 December 2021 this facility was repaid in full.

Kelly Partners (Canberra) Property Trust

	31 Dec 2021 $	30 Jun 2021 $
Loans from related party:		
Balance at the beginning of the period	-	-
- loans from	(2,166,499)	-
- interest on loan	(6,871)	-
Balance at the end of the period	(2,173,370)	-

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. Kelly Partners (Canberra) Property Trust expects to repay the facility in full on successful refinancing of the facility with a commercial bank.

The Kelly Partners Canberra business is expected to operate out of the Canberra Property from 2H22 upon the completion of the fitout of the premise.

Employee Share trust
In FY2021 and 1H22, 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 2021 $	30 Jun 2021 $
Loans to Employee Share trust:		
Balance at the beginning of the period	116,999	-
- loans advanced	460,249	110,989
- interest on loan	9,913	6,010
Balance at the end of the period	587,161	116,999

Note 16. Related party transactions (continued)

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

Related party	Subsidiary	31 Dec 2021 Interest held	30 Jun 2021 Interest held
Paul Kuchta	Kelly Partners Norwest Partnership	-	25.50%
Paul Kuchta	Kelly Partners (Sydney) Pty Ltd	9.00%	-
Ada Poon	Kelly Partners North Sydney Partnership	10.00%	10.00%

Note 17. Business combinations

Acquisitions during the half-year ended 31 December 2021

Kelly Partners Hunter Region
On 1 July 2021, Kelly Partners (Hunter Region) Pty Ltd acquired an accounting business in Newcastle, NSW.

The acquired business contributed revenues of $448,768 and a net loss before tax of $85,894 to the Group for the period from 1 July 2021 to 31 December 2021. The loss includes one-off transaction and implementation costs, depreciation of new fitout and amortisation of customer relationship intangible assets.

Details of the acquisition are as follows:

	Fair value $
Customer relationships	312,628
Deferred tax liabilities	(35,079)
Employee benefits	(83,354)
Net assets acquired	194,195
Goodwill	889,878
Acquisition-date fair value of the total consideration transferred	1,084,073
Representing:	
Cash paid to vendor	782,012
Contingent consideration	302,061
	1,084,073

Kelly Partners Sydney
On 12 July 2021, Kelly Partners (Sydney) Pty Ltd acquired an accounting business in Sydney CBD, NSW.

The goodwill is attributable to synergies expected to be achieved from integrating the business in to the Kelly Partners Sydney business.

The acquired business contributed revenues of $1,203,029 and a net profit before tax of $378,986 to the Group for the period from 12 July 2021 to 31 December 2021.

Note 17. Business combinations (continued)

Details of the acquisition are as follows:

	Fair value $
Customer relationships	999,887
Right-of-use assets	165,902
Deferred tax liabilities	(239,097)
Employee benefits	(202,898)
Lease liability	(209,045)
Net assets acquired	514,749
Goodwill	1,693,961
Acquisition-date fair value of the total consideration transferred	2,208,710
Representing:	
Cash paid to vendor	1,801,814
Contingent consideration	406,896
	2,208,710

Kelly Partners Western Sydney

On 11 November 2021, Kelly Partners (Western Sydney) Pty Ltd acquired an accounting business in Penrith, NSW.

The goodwill is attributable to synergies expected to be achieved from integrating the business in to the Kelly Partners Western Sydney business.

The acquired business contributed revenues of $698,511 and a net profit before tax of $253,170 to the Group for the period from 11 November 2021 to 31 December 2021. The profit includes one-off transaction and implementation costs.

The revenue and net profit of the acquired business, from 1 July 2021 to the date of acquisition, has not been disclosed due to limitations in the financial information relating to the pre-acquisition period.

Details of the acquisition are as follows:

	Fair value $
Customer relationships	3,114,172
Deferred tax liabilities	(398,024)
Employee benefits	(465,976)
Net assets acquired	2,250,172
Goodwill	3,807,986
Acquisition-date fair value of the total consideration transferred	6,058,158
Representing:	
Cash paid to vendor	3,101,642
Kelly Partners (Western Sydney) equity interest issued to vendor	2,100,031
Contingent consideration	856,485
	6,058,158

Note 17. Business combinations (continued)

Kelly Partners Canberra
On 1 December 2021, Kelly Partners (Canberra) acquired an accounting business in Canberra, ACT.

The acquired business contributed revenues of $17,211 and a net loss before tax of $1,783 to the Group for the period from 1 December 2021 to 31 December 2021. The loss includes one-off transaction and implementation costs and only includes one month of result in a seasonally low period. The business continues to be integrated into the Group and management expects the business to be profitable on a full 12 month period.

The revenue and net profit of the acquired business, from 1 July 2021 to the date of acquisition, has not been disclosed due to limitations in the financial information relating to the pre-acquisition period.

Details of the acquisition are as follows:

	Fair value $
Accrued income	7,500
Fixed assets	10,000
Customer relationships	599,490
Deferred tax liabilities	(45,501)
Employee benefits	(5,699)
Net assets acquired	565,790
Goodwill	472,191
Acquisition-date fair value of the total consideration transferred	1,037,981
Representing:	
Cash paid to vendor	935,681
Contingent consideration	102,300
	1,037,981

Note 18. Events after the reporting period

Acquisitions
The following acquisitions were completed after the reporting period:

#	Date of completion	Location	Type	Revenue to Group
1	17 January 2022	Carlton, VIC	Tuck-in	$1.0m - $1.4m
2	1 February 2022	Northern Beaches, NSW	Tuck-in	$1.0m - $1.4m
3	1 February 2022	Canberra, ACT	Tuck-in	$0.9m - $1.1m
	Total			**$2.9m - $3.9m**

The Group has executed legal agreements to acquire an accounting firm located in Central Coast, NSW on 1 March 2022. The acquisition is expected to contribute approximately $1.0m to $1.4m in annual revenues to the consolidated Group.

The aforementioned acquisitions were previously announced via market releases. These acquisitions will be accounted for as required by AASB 3 Business Combinations and disclosed in the full year financials.

COVID-19
In early 2022, working from home arrangements continue to be in place for the Group's team members and the Group continues to monitor closely the potential impacts and risks posed by the Omicron variant.

Note 18. Events after the reporting period (continued)

No other matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

In the directors' opinion:

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

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

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

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

On behalf of the directors

Brett Kelly
Executive Chairman and Chief Executive Officer

7 February 2022
Sydney

William Buck

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 2021, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the 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 2021 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 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

ACCOUNTANTS & ADVISORS

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

William Buck

William Buck
Accountants & Advisors
ABN: 16 021 300 521

Leo Tutt

L.E. Tutt
Partner
Sydney, 7 February 2022

KELLY PARTNERS GROUP HOLDINGS LIMITED
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