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 2020
Previous period:	For the half-year ended 31 December 2019

2. Results for announcement to the market

				$
Revenues from ordinary activities	up	9.0%	to	26,534,051
Profit from continuing operations after tax attributable to the owners of Kelly Partners Group Holdings Limited	up	127.0%	to	3,182,851
Profit for the half-year attributable to the owners of Kelly Partners Group Holdings Limited	up	106.3%	to	3,182,538
Underlying Net Profit After Tax before Amortisation ('Underlying NPATA') attributable to owners of Kelly Partners Group Holdings Limited	up	55.0%	to	2,823,231

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

Comments
The 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 interest amounted to $3,182,851 (31 December 2019: $1,402,120).

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.

	Company	
	1H21 $	1H20 $
Statutory NPAT from continuing operations attributable to owners of Kelly Partners Group Holdings Limited	3,182,851	1,402,120
Amortisation of customer relationship intangibles	252,358	201,576
NPATA attributable to owners of Kelly Partners Group Holdings Limited	3,435,209	1,603,696
Add: Non-recurring expenses		
Acquisition costs	50,801	299,695
Other non-recurring expenses	34,532	-
Less: Non-recurring income		
One-off government grants in relation to COVID-19	(450,458)	-
Change in fair value of contingent consideration	(194,957)	-
Proceeds from settlement of legal dispute	(49,107)	-
Other non-recurring income	(138,504)	-
Less: Tax effect of non-recurring items	135,715	(82,416)
Underlying NPATA attributable to owners of Kelly Partners Group Holdings Limited	2,823,231	1,820,975

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	(9.62)	(13.61)

4. Control gained over entities

During the current financial period, the Group acquired accounting businesses as follows:

Subsidiary	Location of business acquired	Date of acquisition	Contributed revenue $	Contributed profit before tax $
Kelly Partners (Oran Park) Pty Ltd	Camden, NSW	16/11/2020	24,965	11,527

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

	Amount per security Cents	Franked amount per security Cents
First interim dividend for the year ending 30 June 2021, paid on 1 October 2020	1.33	1.33
Second interim dividend for the year ending 30 June 2021, paid on 4 January 2021	1.33	1.33
	2.66	2.66
Total	2.66	2.66

Previous period

	Amount per security Cents	Franked amount per security Cents
Special dividend paid on 18 September 2019	0.55	0.55
First interim dividend for the year ended 30 June 2020, paid on 30 September 2019	1.21	1.21
Second interim dividend for the year ended 30 June 2020, paid on 2 January 2020	1.21	1.21
Total	2.97	2.97

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

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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 2020 is attached.

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12. Signed

Authorised by the Board of Directors.

Signed ___________________________ Date: 12 February 2021

Brett Kelly
Executive Chairman and Chief Executive Officer
Sydney

KELLY PARTNERS GROUP HOLDINGS LIMITED

ABN 25 124 908 363

INTERIM REPORT - 31 December 2020

Contents

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 2020.

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 earnings power of our subsidiaries;
(2) Further increase our subsidiaries' earnings through tuck-in acquisitions;
(3) a. Growing our accounting subsidiaries;
b. Growing our complementary businesses;
(4) Repurchasing the Company's shares when available, at a meaningful discount from intrinsic value; and
(5) Making an occasional large acquisition (i.e. greater than $5m in revenue).

The following table presents the performance of the business against the comparative year in delivering the Group's strategy:

Strategy	Measure	1H21	1H20	FY20	FY19	FY18	FY17 (IPO)
(1) Improving the earnings power of its subsidiaries	EBITDA margin of operating businesses	36.6%	32.5%	32.5%	27.7%	34.0%	30.9%
(2) Further increase their earnings through tuck-in acquisitions	Contribution to revenue growth from acquired businesses	6.5%	7.5%	6.6%	6.4%	17.2%	-
(3) a. Growing our accounting subsidiaries	Contribution to revenue growth from existing accounting businesses	0.0%	10.7%	6.6%	(6.9%)	10.5%	-
(3) b. Growing our complementary businesses	Contribution to revenue growth from existing complementary businesses	0.4%	5.2%	2.8%	1.8%	3.1%	-
	Wealth	0.5%	0.8%	0.4%	0.7%	1.0%	-
	Finance	0.0%	0.2%	0.4%	0.7%	0.8%	-
	Investment office	(0.1%)	1.3%	0.9%	0.0%	0.4%	-
	Discontinued operations*	0.0%	2.9%	1.1%	0.4%	0.9%	-
	Insurance (from Jan-21)	n/a	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	n/a
(4) Repurchasing the Company's shares when available, at a meaningful discount from intrinsic value	(i) Number of shares repurchased	344,406	95,000	95,000	2,181	-	-
	(ii) % of shares issued repurchased	0.76%	0.21%	0.21%	-	-	-
(5) Making an occasional large acquisition (i.e. greater than $5m in revenue)	Number of large acquisitions	-	-	-	-	-	1

* Discontinued operations being Kelly Partners Corporate Advisory.

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 table summarizes the key financial metrics used by the Company to measure the performance of the Group and its return to shareholders, since IPO:

Key financial metric	Formula	1H21	1H20	FY20	FY19	FY18	FY17 (IPO)
Return to owners							
Return on equity	Trailing 12 months Underlying NPATA / Equity	44.5%	45.6%	45.1%	36.6%	47.8%	35.1%
Return on invested capital	(Trailing 12 months Underlying NPATA + Trailing 12 months cash interest) / (Equity + Debt)	28.1%	25.8%	26.6%	22.7%	31.2%	21.9%
Earnings per share (EPS) (cents per share)	Underlying attributed NPATA / Weighted average number of shares	6.24	4.01	8.81	7.02	9.51	4.97
Owners' earnings*	Cash from operating activities - repayment of lease liabilities - maintenance capex	$8,052,868	$6,622,674	$12,516,189	$9,673,451	$6,304,912	$6,619,077
Ordinary Dividends (cents per share)	Ordinary Dividends paid	2.66	2.42	5.39	4.40	4.00	-
Ordinary Dividends payout ratio**	Ordinary Dividends per share / EPS (underlying NPATA)	42.6%	60.4%	61.2%	62.7%	42.1%	-
Cash conversion / debt							
Cash conversion	Operating cashflow / Statutory EBITDA	92.9%	100.5%	97.8%	116.8%	63.5%	269.6%
Gearing ratio	Net Debt / Underlying EBITDA	0.76x	1.19x	0.94x	1.35x	0.79x	1.40x
Net debt per partner	Net Debt / Number of Partners	$267,087	$406,623	$346,198	$366,813	$291,167	$326,230
Number of partners	Number of partners	49	42	44	40	39	36

*The Group uses owner's earnings to measure cash flow available to the group. Owner's 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;
- deducting the repayment of lease liability from cash from operations (which AASB16 reclassifies to cash from financing activities).

In 1H21, Owners' earnings for the 12 months were $8,052,868 (1H20: $6,622,674) up 21.6% from the prior corresponding period.

Review of operations

In the half-year ended 31 December 2020 ('1H20'), the Group recorded a consolidated statutory net profit after providing for income tax from continuing operations of $7,057,425 (1H20: $4,432,121). The statutory net profit attributable to members of the parent entity was $3,182,851 (1H20: $1,402,120), an increase of 127.0%.

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 profit after income tax expense and Underlying EBITDA.

	Consolidated 1H21 $	Consolidated 1H20 $
Statutory net profit after income tax ('NPAT') from continuing operations	7,057,425	4,432,121
Finance costs	737,782	774,559
Income tax expense	1,133,243	715,978
Depreciation and amortisation expense	1,976,335	1,925,565
Earnings before interest, tax, depreciation and amortisation ('EBITDA')	10,904,785	7,848,223
Add: Non-recurring expenses		
Acquisition costs	93,349	366,718
Other non-recurring expenses	47,257	-
Less: Non-recurring income		
One-off government grants in relation to COVID-19	(825,368)	-
Change in fair value of contingent consideration	(382,268)	-
Other non-recurring income	(138,504)	-
Proceeds from settlement of legal dispute	(107,963)	-
Underlying EBITDA	9,591,288	8,214,941

Underlying NPATA attributable to members of the parent entity was $2,823,231 (1H20: $1,820,975), an increase of 55.0%.

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.

	Company 1H21 $	Company 1H20 $
Statutory NPAT attributable to owners of Kelly Partners Group Holdings Limited	3,182,851	1,402,120
Amortisation of customer relationship intangibles	252,358	201,576
NPATA attributable to owners of Kelly Partners Group Holdings Limited	3,435,209	1,603,696
Add: Non-recurring expenses		
Acquisition costs	50,801	299,695
Other non-recurring expenses	34,532	-
Less: Non-recurring income		
One-off government grants in relation to COVID-19	(450,458)	-
Change in fair value of contingent consideration	(194,957)	-
Proceeds from settlement of legal dispute	(49,107)	-
Other non-recurring income	(138,504)	-
Less: Tax effect of non-recurring items	135,715	(82,416)
Underlying NPATA attributable to owners of Kelly Partners Group Holdings Limited	2,823,231	1,820,975

COVID-19

Management response and action

As at 31 December 2020 the Group has not experienced a decline in revenue or collections. In FY20, out of an abundance of prudence and caution the Group has sought to protect margins through reducing expenses and protect the balance sheet by managing working capital and maximising liquidity through increasing its bank lines of credit. The Group continues to operate with the additional headroom provided under the increased credit lines in this half year.

Operationally the Group continues its focus in protecting the physical health, safety and mental wellbeing of its people. The Group has also sought to maximise the integration and use of technology whilst simultaneously upgrading its IT infrastructure and security. In respect of acquisitions, the Group continues to see strong pipeline and has adjusted its commercial terms and due diligence processes to reflect the current market environment.

Up to 31 December 2020, management undertook the following specific actions:

Income and expenses

- Reduced parent company senior executive salaries by 20% for the months of April, May and June in 2020.
- Reduced ongoing expenses in both the parent and the operating businesses through renegotiating spend on overheads, advertising, marketing and other discretionary expenses.
- The Group has negotiated rent abatements for some of its leases where the business operating from the premise has, or was expected, to be impacted by the pandemic.
- Reduced team size. There was no reduction in partner numbers. This was not an easy decision for the business and management sought to limit the impact on staff through firstly reducing non-salary overheads and secondly through voluntary attrition.
- Received government assistance of $825,368 for the period 1 July 2020 to 30 September 2020. This income is non-taxable and has been excluded from underlying performance measures.
- Ordinary dividends grew but at a slower rate than profits with payout ratio reduced to 42.6% (1H20: 60.4%).

Balance Sheet

- Increased group working capital facility limits by $4,179,000 (an increase of 99% on the working capital facilities available to the group at 30 Jun 19) to provide additional liquidity lines of credit out of an abundance of caution. There were no changes to the Group's financial covenants as part of this arrangement and the Group's unused limits at 31 December 2020 were $8,874,113 (30 Jun 20: $8,745,859).
- The Group applied additional focus on managing the invoicing of work in progress (WIP) and the collection of debtors. Notably the Group's Working Capital (defined as Trade Receivables plus Accrued Income less Contract Liabilities and Trade Payables) reduced by 10.2% over the year to $4,015,980 (31 Dec 19: $4,472,053) and runs at 31.3 days.

Financial performance

Acquisitions and integration

During 1H21 the Group acquired one accounting business located in Camden as well as purchasing a small fee base in Rozelle. The Camden acquisition was completed on 16 November 2020. The acquisition has contributed one month of revenue of $24,965 and is expected to contribute approximately $500,000 in recurring revenue and approximately $40,000 of NPATA to the parent entity on a full year basis. Strategically, Kelly Partners Oran Park, having completed two tuck in acquisitions in Feb-19 and now in Nov-20, together with Kelly Partners South West Sydney, provide a significant presence in the south west region of Sydney.

During 1H21, the Group also benefited from the contribution for the half-year from the two acquisitions made in FY20 (Melbourne and Glenbrook).

Offices and partners

As at 31 December 2020, the Group operates out of 15 offices (30 Jun 20: 15). During the half year, the Group negotiated renewals of its North Sydney office lease at competitive rates. The Group also undertook a fitout upgrade to its Wollongong office, having relocated the business to a more modern and aesthetic premise upon the termination of its existing lease. The new premise is located at street level with excellent exposure and visibility and is an ideal location for the Wollongong business to operate from in the long run. Subsequent to the end of the half year, the Group also launched a new greenfield office in Avalon with a view of creating a dominant presence in the Northern Beaches region together with the existing Kelly Partners Northern Beaches office in Brookvale.

At 31 December 2020, the total number of equity partners (excluding the CEO, Brett Kelly) was 49 (30 June 2020: 44) with 2 new partners promoted internally and 3 new partners recruited externally. Post balance date, on 1 January 2021, 1 new partner was also promoted internally and 1 new partner was recruited externally, taking the total number of equity partners to 51. The Group continues its focus in admitting and recruiting new partners as part of its strategy to retain and motivate key talents and to drive top line revenue growth.

Properties
As at 31 December 2020, the Group holds controlling interests in two of the properties out of which the Group operate. These properties house the Central Coast and Central Tablelands offices which the Group acquired controlling interests in August 2019. Following a review of the property strategy, the Group will look at unlocking its capital tied to these properties and removing the properties off the balance sheet.

Revenue
Revenue for 1H21 increased 5.8% to $24,846,180. A reconciliation of acquisition and organic growth is set out below:

Revenue	$	Growth rate %
1H20 Revenue	23,485,966	-
Complementary business growth	87,186	0.4
Accounting business growth	(105)	-
Total organic growth	87,081	0.4
FY20 annualised acquisition revenue	1,507,626	6.4
1H21 In Year acquisitions	24,965	0.1
Acquisition revenue	1,532,591	6.5
Investment Office share of fund's realised gains in 1H20	(259,456)	(1.1)
1H21 Revenue	24,846,180	5.8

Acquired revenue of $1,532,591 contributed 6.5% of revenue growth, with in year acquisitions completed in FY21 contributing $24,965 and the annualised revenue from two acquisitions completed in FY20 contributing $1,507,626.

Organic revenue is flat compared to the prior period as the Group has invested significant amounts of billable time written off to support clients during the COVID-19 period. Organic revenue is expected to increase post COVID-19 with more opportunities for price and volume increases across the network.

Operating expenses
- Employment and related expenses are the Group's largest expense. Whilst the expense went up 9.8% to $11,642,266, importantly, the expense includes provisions made towards the Employee Share Scheme ('ESS'). The details of the ESS are yet to be finalised but is expected to be provided to Kelly Partners team members that meet certain performance hurdles and demonstrates Kelly Partners values. Excluding the provision for the ESS, total employment and related expenses is $11,062,491 and has increased 4.3% on the prior corresponding period (1H20: $10,605,311). This increase is in line with the revenue growth of 5.8%.
- Other expenses have decreased by $851,198 or 18.7% to $3,689,449, and is mainly due to a reduction in parent entity investments, as outlined in the "Additional investments in the Parent Entity" section below.

Underlying EBITDA
Underlying EBITDA (which measures EBITDA before one off and non-recurring items) increased 16.8% to $9,591,288 (1H20: $8,214,941).

The directors consider underlying EBITDA margin before AASB 16 as a more meaningful measurement of performance. The underlying EBITDA margin before AASB 16 has increased to 33.3% (1H20: 29.6% and FY20: 29.6%). The EBITDA margin improvement has come about from significant reductions in the parent entity additional investments, as outlined in the subsequent section below.

The Group continues to target minimum Underlying EBITDA margins (before AASB 16) of 32.5%. A reconciliation of Underlying EBITDA before and after the AASB 16 leasing adjustment is set out in the table below.

	1H21 $	1H20 $	FY20 $
Underlying EBITDA	9,591,288	8,214,941	16,182,561
AASB 16 leasing adjustment - lease payments	(1,305,649)	(1,268,165)	(2,456,469)
Underlying EBITDA before AASB 16 leasing adjustments	8,285,639	6,946,776	13,726,092
As a % of revenue	33.30%	29.60%	29.60%

Additional investments in the Parent Entity

The parent entity has since the IPO continued to invest significantly 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 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 investments 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 significantly downwards to $149,561 for the first half year contributing significantly to the uplift in the Underlying attributed NPATA for the 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.

	1H21 $	FY20 $	FY19 $	FY18 $
Additional investments	149,561	1,630,905	742,439	371,913

Non-recurring and one-off items

Total non-recurring income for the Group for the year was $1,454,102 (1H20: $nil) which included:

(1) $825,368 in one-off government grants in relation to COVID-19;
(2) $382,268 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 earn out;
(3) $107,963 in net proceeds received from the settlement of a legal dispute. The legal dispute relates to the vendor of a previously completed transaction who had breached the terms of the acquisition agreement and had agreed on settlement of the dispute upon arbitration. The amount shown is net of legal fees incurred in pursuing the dispute; and
(4) $138,504 in other non-recurring income.

Total non-recurring expenses for the year of $140,605 (1H20: $366,718) which included:

(1) $93,349 in non-cash adjustments in relation to interest on unwinding of the contingent consideration payable on acquisitions, that were discounted to presented value on initial recognition per the accounting standards; and
(2) $47,256 in non-recurring costs such as the make good costs incurred on termination of the lease in the Wollongong premise.

The Group classifies costs related to successfully acquired business under non-recurring and one off items on the basis that those specific acquisitions 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 marginally to $1,976,335 (1H20: $1,925,565) and includes depreciation expense of $1,473,331 (1H20: $1,501,376) and amortisation expense of $503,004 (1H20: $424,189). The increase in amortisation expense is due to recent acquisitions completed which creates customer relationship intangible assets that are amortised in accordance with accounting regulations.

Finance costs decreased marginally to $737,782 (1H20: $774,559). Finance costs include interest on lease liabilities arisen due to the implementation of AASB 16 and the reclassification of rent expense to finance and depreciation costs.

Income tax expense

The Group's income tax expense has increased to $1,133,243 (1H20: $715,978) as a result of the increase in the Group's net profit before tax. As the majority of businesses are structured as partnerships, the income tax expense attributable to the minority interests in these partnerships is not included in the consolidated accounts.

Cash flow

Cash from operating activities

Receipts from customers increased 1.3% to $27,095,943 (1H20: $26,740,996) whilst payments to suppliers and employees decreased by 0.8% to $18,283,887 (1H20: $18,423,312). This is predominantly attributable to increased billings and a reduction in operating expenses. 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 5.9% to $8,812,056.

Cash from investing activities

In 1H21 the Group spent $1,107,441 on property, plant and equipment capital expenditure. This included $923,549 on fitout upgrades completed in the Wollongong and Rozelle offices. The remaining $183,892 represents office and computer equipment, new motor vehicles and other capital expenditures.

Cash from financing activities

In the 6 months to 31 December 2020, the Groups' borrowings decreased by $1,580,757 to $17,431,086 (30 Jun 20: $19,011,843) following a continuing disciplined approach in paying down debt. Proceeds from borrowings of $1,545,453, included $819,500 relating to fitout upgrades and refinances, $288,000 relating to partner buy-in loans, $124,109 relating to an acquisition of a small fee parcel, and $313,845 in other items.

Repayment of borrowings of $3,200,252 increased 37.8% (1H20: $2,322,829) demonstrating the Group's disciplined approach in the repayment of its debt.

Working capital

The Group continues to maintain a disciplined approach to managing its lockup (defined as trade receivables and accrued income less contract liabilities), which reduced 7.3% to $7,107,410 (55.4 days) as at 31 December 2020 from $7,670,304 (64.0 days) as at 31 December 2019. This is a strong result and has been achieved alongside acquisition and organic revenue growth.

Capital structure

The business continues to maintain an appropriately conservative capital structure. As at 31 December 2020 the Group's Gearing Ratio (defined as Net Debt / Underlying EBITDA) reduced to 0.76x (30 Jun 20: 0.94x). Net Debt is a non-IFRS measure and means Total Borrowings less Cash and Cash Equivalents.

Equity to Total Assets ratio has increased to 40.3% (30 Jun 20: 39.7%), demonstrating the well capitalised nature of the balance sheet which includes $13,586,329 in issued capital, $7,276,711 in non-controlling equity interests, and retained profits of $3,792,311.

Dividends

Amounts recognised as dividends:

	Consolidated 31 Dec 2020 $	Consolidated 31 Dec 2019 $
During half-year ended 31 December 2020:		
First interim dividend for the year ending 30 June 2021 of $0.0133 per ordinary share, paid on 1 October 2020	602,490	-
Second interim dividend for the year ending 30 June 2021 of $0.0133 per ordinary share, paid on 4 January 2021	599,831	-
	1,202,321	-
During half-year ended 31 December 2019:		
Special dividend of $0.0055 per ordinary share, paid on 18 September 2019	-	249,881
First interim dividend for the year ended 30 June of $0.0121 per ordinary share, paid on 30 September 2019	-	549,737
Second interim dividend for the year ended 30 June 2020 of $0.0121 per ordinary share, paid on 2 January 2020	-	549,340
	-	1,348,958
	1,202,321	1,348,958

On 4 January 2021, the Company paid the second interim dividend for the year ending 30 June 2021 of $0.0133 per ordinary share. This dividend equates to a distribution of $599,831, based on the number of ordinary shares on issue as at 31 December 2020. The dividend was declared before the reporting date and is reflected in the 31 December 2020 financial statements.

The Company paid ordinary dividends of 2.66 cents per share for the half year ended 31 December 2020, representing an increase of 10% compared to the prior year (1H20: 2.42 cents per share, excluding the special dividend paid in Sep 2019).

In November 2020, the Company announced the payment of monthly dividends from January 2021 onwards. For FY21, the monthly dividends is expected to be 0.33 cents per share, with a final dividend for FY21 to be determined on finalisation of the FY21 results and paid in November 2021. The total dividends paid in relation to FY21 is expected to be 5.32 cents per share, representing a 10% increase on the prior year ordinary dividends paid (FY20: 4.84 cents per share).

Significant changes in the state of affairs

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

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

12 February 2021
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 2020 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, 12 February 2021

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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 2020

KP+GH
KELLY PARTNERS GROUP HOLDINGS LIMITED

	Note	Consolidated 31 Dec 2020 $	31 Dec 2019 $
Revenue from continuing operations			
Professional services revenue	4	24,846,180	23,485,966
Other income	5	1,687,871	4,936
Total revenue and other income		26,534,051	23,490,902
Expenses			
Employment and related expenses		(11,642,266)	(10,605,311)
Rent and utilities		(58,257)	(130,003)
Other expenses		(3,689,449)	(4,540,647)
Business acquisition and restructuring costs		(239,294)	(366,718)
Depreciation and amortisation expense	6	(1,976,335)	(1,925,565)
Finance costs	6	(737,782)	(774,559)
Total expenses		(18,343,383)	(18,342,803)
Profit before income tax expense from continuing operations		8,190,668	5,148,099
Income tax expense	7	(1,133,243)	(715,978)
Profit after income tax expense from continuing operations		7,057,425	4,432,121
(Loss)/profit after income tax (expense)/benefit from discontinued operations	8	(2,644)	326,801
Profit after income tax (expense)/benefit for the half-year		7,054,781	4,758,922
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		(2,331)	85
Other comprehensive income for the half-year, net of tax		(2,331)	85
Total comprehensive income for the half-year		7,052,450	4,759,007
Profit for the half-year is attributable to:			
Non-controlling interest		3,872,243	3,216,341
Owners of Kelly Partners Group Holdings Limited		3,182,538	1,542,581
		7,054,781	4,758,922
Total comprehensive income for the half-year is attributable to:			
Continuing operations		3,872,243	3,030,086
Discontinued operations		-	186,255
Non-controlling interest		3,872,243	3,216,341
Continuing operations		3,182,851	1,402,120
Discontinued operations		(2,644)	140,546
Owners of Kelly Partners Group Holdings Limited		3,180,207	1,542,666
		7,052,450	4,759,007

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	9	7.04	2.68
Diluted earnings per share	9	7.04	2.68
Earnings per share for profit/(loss) from discontinued operations attributable to the owners of Kelly Partners Group Holdings Limited			
Basic earnings per share	9	(0.01)	0.31
Diluted earnings per share	9	(0.01)	0.31
Earnings per share for profit attributable to the owners of Kelly Partners Group Holdings Limited			
Basic earnings per share	9	7.03	3.40
Diluted earnings per share	9	7.03	3.40

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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KELLY PARTNERS GROUP HOLDINGS LIMITED

	Note	Consolidated 31 Dec 2020 $	30 Jun 2020 $
Assets			
Current assets			
Cash and cash equivalents		4,343,805	3,779,132
Trade and other receivables		5,647,682	5,782,772
Lease receivables		48,912	92,956
Accrued income		2,442,328	1,656,656
Other financial assets	10	1,571,557	903,610
Other assets		638,756	635,113
Total current assets		14,693,040	12,850,239
Non-current assets			
Lease receivables		155,152	180,298
Other financial assets	10	1,920,308	2,865,078
Property, plant and equipment		5,900,506	5,188,052
Right-of-use assets		7,643,201	5,895,450
Intangible assets	11	30,352,751	30,299,572
Other assets		476,655	453,754
Total non-current assets		46,448,573	44,882,204
Total assets		61,141,613	57,732,443
Liabilities			
Current liabilities			
Trade and other payables		3,091,430	2,312,757
Contract liabilities		982,600	564,334
Borrowings	12	8,784,240	6,291,235
Lease liabilities		1,533,801	1,742,850
Current tax liabilities		1,412,224	886,105
Provisions		2,301,669	2,202,475
Contingent consideration	13	866,111	637,256
Other financial liabilities	14	-	10,992
Total current liabilities		18,972,075	14,648,004
Non-current liabilities			
Borrowings	12	8,646,846	12,720,608
Lease liabilities		7,474,303	5,351,024
Deferred tax liabilities		187,489	307,394
Provisions		223,251	237,313
Contingent consideration	13	339,444	808,544
Other financial liabilities	14	618,974	689,914
Other liabilities		24,697	46,244
Total non-current liabilities		17,515,004	20,161,041
Total liabilities		36,487,079	34,809,045
Net assets		24,654,534	22,923,398

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

	Note	Consolidated 31 Dec 2020 $	Consolidated 30 Jun 2020 $
Equity			
Issued capital	15	13,586,329	14,081,465
Reserve		(817)	1,514
Retained profits		3,792,311	1,812,094
Equity attributable to the owners of Kelly Partners Group Holdings Limited		17,377,823	15,895,073
Non-controlling interest		7,276,711	7,028,325
Total equity		24,654,534	22,923,398

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

Consolidated	Issued capital $	Reserve $	Retained profits $	Non-controlling interest $	Total equity $
Balance at 1 July 2019	14,169,601	808	698,437	9,259,339	24,128,185
Adjustment for change in accounting policy	-	-	(453,214)	(488,852)	(942,066)
Balance at 1 July 2019 - restated	14,169,601	808	245,223	8,770,487	23,186,119
Profit after income tax expense for the half-year	-	-	1,542,581	3,216,341	4,758,922
Other comprehensive income for the half-year, net of tax	-	85	-	-	85
Total comprehensive income for the half-year	-	85	1,542,581	3,216,341	4,759,007
Transactions with owners in their capacity as owners:					
Share buy-back (note 15)	(88,136)	-	-	-	(88,136)
Distributions to non-controlling interests	-	-	-	(3,565,344)	(3,565,344)
Amounts recognised as dividends (note 16)	-	-	(1,348,958)	-	(1,348,958)
Balance at 31 December 2019	14,081,465	893	438,846	8,421,484	22,942,688

Consolidated	Issued capital $	Reserve $	Retained profits $	Non-controlling interest $	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 15)	(495,136)	-	-	-	(495,136)
Distributions to non-controlling interests	-	-	-	(3,623,857)	(3,623,857)
Dividends paid (note 16)	-	-	(1,202,321)	-	(1,202,321)
Balance at 31 December 2020	13,586,329	(817)	3,792,311	7,276,711	24,654,534

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

	Note	Consolidated 31 Dec 2020 $	Consolidated 31 Dec 2019 $
Cash flows from operating activities			
Receipts from customers		27,095,943	26,740,996
Payments to suppliers and employees		(18,283,887)	(18,423,312)
Other income		1,305,603	-
Finance costs paid		(431,460)	(713,021)
Income taxes paid		(726,625)	(473,950)
Net cash from operating activities		8,959,574	7,130,713
Cash flows from investing activities			
Payment for purchase of business	18	(242,939)	(2,531,000)
Payment for contingent consideration		(228,000)	-
Payments for investments		(25,000)	-
Payments for property, plant and equipment		(1,107,441)	(1,957,814)
Payments for intangibles		(1,391)	(957)
Loans to partners - loans advanced		(426,623)	(164,110)
Loans to partners - proceeds from repayments		621,512	934,163
Proceeds from disposal of property, plant and equipment		-	20,000
Proceeds from release of deposits		92,580	80,745
Net cash used in investing activities		(1,317,302)	(3,618,973)
Cash flows from financing activities			
Proceeds from borrowings		1,545,453	4,993,126
Repayment of borrowings		(3,200,252)	(2,322,829)
Payments for share buy-backs		(427,822)	(88,136)
Dividends paid	16	(602,490)	(1,300,063)
Distributions paid to non-controlling interests		(3,623,857)	(3,565,344)
Repayment of lease liabilities		(911,864)	(1,051,774)
Proceeds from sub-lease		69,190	87,923
Net cash used in financing activities		(7,151,642)	(3,247,097)
Net increase in cash and cash equivalents		490,630	264,643
Cash and cash equivalents at the beginning of the financial half-year		1,144,324	1,428,680
Cash and cash equivalents at the end of the financial half-year		1,634,954	1,693,323

Reconciliation to cash and cash equivalents at the end of the financial half-year
The above figures are reconciled to cash and cash equivalents at the end of the financial half-year as shown in the statement of cash flows as follows:

Cash at bank and in hand	4,343,805	4,025,593
Bank overdrafts	(2,708,851)	(2,332,270)
	1,634,954	1,693,323

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 12 February 2021.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2020 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 2020 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, except for the policies stated below.

Discontinued operations
A discontinued operation is a component of the Group that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of profit or loss and other comprehensive income.

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.

Note 3. Operating segments (continued)

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.

Operating reportable segment information

	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 31 December 2020:			
Current assets	13,856,932	836,108	14,693,040
Non-current assets	46,379,136	69,437	46,448,573
Current liabilities	(18,328,463)	(643,612)	(18,972,075)
Non-current liabilities	(17,515,004)	-	(17,515,004)
Net assets	24,392,601	261,933	24,654,534

	Accounting $	Other Services $	Total $
Half-year ended 31 December 2019:			
Revenue	22,332,461	2,012,387*	24,344,848
EBITDA	7,173,404	1,049,995	8,223,399
Profit before income tax expense	4,491,399	1,036,812	5,528,211
Segment assets, liabilities and net assets at 30 June 2020:			
Current assets	12,080,406	769,833	12,850,239
Non-current assets	44,837,660	44,544	44,882,204
Current liabilities	(14,157,099)	(490,905)	(14,648,004)
Non-current liabilities	(20,137,154)	(23,887)	(20,161,041)
Net assets	22,623,812	299,586	22,923,398

* Other services revenue of $2,012,387 includes $858,882 relating to the success fee earned in Kelly Partners Corporate Advisory (now defunct) and $259,456 relating to the manager's carry accrued in Kelly Partners Investment Office.

Note 4. Professional services revenue

	Consolidated 31 Dec 2020 $	Consolidated 31 Dec 2019 $
Professional services revenue	24,846,180	23,485,966

Refer to note 3 for revenue by operating segments.

Note 5. Other income

	Consolidated	
	31 Dec 2020 $	31 Dec 2019 $
Government grants in relation to COVID-19	825,368	-
Change in fair value of contingent consideration	382,268	-
Proceeds from settlement of legal dispute	300,000	-
Commissions	26,677	-
Other income	153,558	4,936
Other income	1,687,871	4,936

Note 6. Expenses

	Consolidated	
	31 Dec 2020 $	31 Dec 2019 $
Profit before income tax from continuing operations includes the following specific expenses:		
Depreciation and amortisation		
Depreciation right-of-use of assets	1,078,344	1,091,168
Depreciation property, plant and equipment	394,987	410,208
Amortisation	503,004	424,189
	1,976,335	1,925,565
Finance costs		
Interest and finance charges paid/payable on lease liabilities	212,973	304,314
Interest on bank overdrafts and loans	431,460	408,707
Interest on unwinding retention	93,349	61,538
	737,782	774,559
Leases (included in rent and utilities expense)		
Short-term lease payments	-	26,053

Note 7. Income tax expense

As the majority of operating businesses are structured as partnerships, the income tax expense attributable to the minority 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 minority 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. Discontinued operations

Description
In August 2020, Kelly Partners Corporate Advisory ceased operating with the exit of its operating business partner. The business' cashflows and operations can clearly be distinguished operationally and financially from the rest of the Group and hence is disclosed as a discontinued operation.

Note 8. Discontinued operations (continued)

Financial performance information

	Consolidated 31 Dec 2020 $	Consolidated 31 Dec 2019 $
Professional services revenue	-	858,882
Employment and related expenses	-	(342,771)
Other expenses	(3,048)	(135,999)
Total expenses	(3,048)	(478,770)
(Loss)/profit before income tax (expense)/benefit	(3,048)	380,112
Income tax (expense)/benefit	404	(53,311)
(Loss)/profit after income tax (expense)/benefit from discontinued operations	(2,644)	326,801

Cash flow information

	Consolidated 31 Dec 2020 $	Consolidated 31 Dec 2019 $
Net cash (used in)/from operating activities	(10,968)	433,039
Net cash used in investing activities	-	(1,180)
Net cash used in financing activities	(3,695)	(174,514)
Net (decrease)/increase in cash and cash equivalents from discontinued operations	(14,663)	257,345

Note 9. Earnings per share

	Consolidated 31 Dec 2020 $	Consolidated 31 Dec 2019 $
Earnings per share for profit from continuing operations		
Profit after income tax	7,057,425	4,432,121
Non-controlling interest	(3,872,243)	(3,216,341)
Profit after income tax attributable to the owners of Kelly Partners Group Holdings Limited	3,185,182	1,215,780
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	45,253,494	45,436,628
Weighted average number of ordinary shares used in calculating diluted earnings per share	45,253,494	45,436,628
	Cents	**Cents**
Basic earnings per share	7.04	2.68
Diluted earnings per share	7.04	2.68

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Note 9. Earnings per share (continued)

	Consolidated 31 Dec 2020 $	Consolidated 31 Dec 2019 $
Earnings per share for profit/(loss) from discontinued operations		
(Loss)/profit after income tax	(2,644)	326,801
Non-controlling interest	-	(186,255)
(Loss)/profit after income tax attributable to the owners of Kelly Partners Group Holdings Limited	(2,644)	140,546
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	45,253,494	45,436,628
Weighted average number of ordinary shares used in calculating diluted earnings per share	45,253,494	45,436,628
	Cents	**Cents**
Basic earnings per share	(0.01)	0.31
Diluted earnings per share	(0.01)	0.31

	Consolidated 31 Dec 2020 $	Consolidated 31 Dec 2019 $
Earnings per share for profit		
Profit after income tax	7,054,781	4,758,922
Non-controlling interest	(3,872,243)	(3,216,341)
Profit after income tax attributable to the owners of Kelly Partners Group Holdings Limited	3,182,538	1,542,581
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	45,253,494	45,436,628
Weighted average number of ordinary shares used in calculating diluted earnings per share	45,253,494	45,436,628
	Cents	**Cents**
Basic earnings per share	7.03	3.40
Diluted earnings per share	7.03	3.40

Note 10. Other financial assets

	Consolidated 31 Dec 2020 $	Consolidated 30 Jun 2020 $
Current assets		
Loans to partners	1,571,557	903,610
Non-current assets		
Loans to partners	1,920,308	2,865,078
	3,491,865	3,768,688

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Note 10. Other financial assets (continued)

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 11. Intangible assets

	Consolidated	
	31 Dec 2020 $	30 Jun 2020 $
Non-current assets		
Goodwill - at cost	22,598,253	22,438,348
Brand names and intellectual property - at cost	3,300,000	3,300,000
Customer relationships - at cost	9,753,984	9,359,097
Less: Accumulated amortisation	(5,398,620)	(4,916,586)
	4,355,364	4,442,511
Computer software - at cost	223,377	221,986
Less: Accumulated amortisation	(124,243)	(103,273)
	99,134	118,713
	30,352,751	30,299,572

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 2020	22,438,348	3,300,000	4,442,511	118,713	30,299,572
Additions	-	-	127,000	1,391	128,391
Additions through business combinations (note 18)	159,905	-	267,887	-	427,792
Amortisation expense	-	-	(482,034)	(20,970)	(503,004)
Balance at 31 December 2020	22,598,253	3,300,000	4,355,364	99,134	30,352,751

Note 12. Borrowings

	Consolidated 31 Dec 2020 $	Consolidated 30 Jun 2020 $
Current liabilities		
Bank overdrafts	2,708,851	2,634,808
Bank loans	6,075,389	3,656,427
	8,784,240	6,291,235
Non-current liabilities		
Bank loans	8,646,846	12,720,608
	17,431,086	19,011,843

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 June 2020, the Group's financier approved working capital facility increases in aggregate of $4,179,000 across the operating businesses. The Group requested the facility increases out of an abundance of caution to provide additional lines of liquidity in response to the COVID-19 related slow down to the economy. The additional facilities are in place for 12 months. As part of the approved facilities there were no changes to the Group's financial covenants or existing amortisation arrangements which continue to be met. The Group considers the additional working capital lines to be both precautionary and prudent. The Group has not taken up any of the banks, COVID-19 Customer Support packages or deferral of interest payments. As at the date of this report, these additional working capital lines have not been utilised.

In the year ended 30 June 2019, the Group commenced restructuring its debt facilities with Westpac. As at 30 June 2020, 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 subsidiaries 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 2020, the parent has a $2,000,000 revolving line of term credit, as well as a $577,777 term amortising loan. 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.

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.

Note 12. Borrowings (continued)

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

	Consolidated 31 Dec 2020 $	Consolidated 30 Jun 2020 $
Total facilities		
Bank overdraft	9,958,000	10,559,000
Bank loans	16,347,199	17,198,702
	26,305,199	27,757,702
Used at the reporting date		
Bank overdraft	2,708,851	2,634,808
Bank loans	14,722,235	16,377,035
	17,431,086	19,011,843
Unused at the reporting date		
Bank overdraft	7,249,149	7,924,192
Bank loans	1,624,964	821,667
	8,874,113	8,745,859

Note 13. Contingent consideration

	Consolidated 31 Dec 2020 $	Consolidated 30 Jun 2020 $
Current liabilities		
Contingent consideration	866,111	637,256
Non-current liabilities		
Contingent consideration	339,444	808,544
	1,205,555	1,445,800

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 2020 $	Consolidated 30 Jun 2020 $
Current liabilities		
Loans from partners	-	10,992
Non-current liabilities		
Loans from partners	618,974	689,914
	618,974	700,906

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

Note 15. Issued capital

	Consolidated			
	31 Dec 2020 Shares	30 Jun 2020 Shares	31 Dec 2020 $	30 Jun 2020 $
Ordinary shares - fully paid	45,055,594	45,400,000	13,586,329	14,081,465

Details	Date	Shares	Issue price	$
Balance	1 July 2020	45,400,000		14,081,465
Share buy-back	25 August 2020	(9,882)	$1.17	(11,515)
Share buy-back	26 August 2020	(63,638)	$1.23	(78,230)
Share buy-back	27 August 2020	(26,480)	$1.25	(32,968)
Share buy-back	15 October 2020	(3,670)	$1.30	(4,771)
Share buy-back	16 October 2020	(6,330)	$1.36	(8,592)
Share buy-back	20 October 2020	(136,000)	$1.36	(184,996)
Share buy-back	26 October 2020	(2,497)	$1.46	(3,646)
Share buy-back	28 October 2020	(1,503)	$1.54	(2,307)
Share buy-back	29 October 2020	(47,615)	$1.55	(73,908)
Share buy-back	30 October 2020	(1)	$1.61	(2)
Share buy-back	7 December 2020	(2,384)	$1.68	(4,005)
Share buy-back	29 December 2020	(11,557)	$1.98	(22,883)
Share buy-back	30 December 2020	(32,339)	$2.05	(66,252)
Share buy-back	31 December 2020	(510)	$2.08	(1,061)
Total share buy-back		(344,406)		(495,136)
Balance		45,055,594		13,586,329

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 9 September 2019, the Company announced a new share buy-back 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 4,543,280 shares at 9 September 2019) less shares bought back in the buy-back closed on 2 September 2019 (being 64,372 shares), therefore a total of 4,478,908 shares. During the financial year ended 30 June 2020, the Company purchased and cancelled 32,809 shares. At 30 June 2020, 4,446,099 shares are authorised for on-market 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 2020, the Company bought back 344,406 shares. At 31 December 2020, 4,285,594 shares are authorised for on-market buy-back.

Note 16. Dividends

Amounts recognised as dividends:

	Consolidated 31 Dec 2020 $	Consolidated 31 Dec 2019 $
During half-year ended 31 December 2020:		
First interim dividend for the year ending 30 June 2021 of $0.0133 per ordinary share, paid on 1 October 2020	602,490	-
Second interim dividend for the year ending 30 June 2021 of $0.0133 per ordinary share, paid on 4 January 2021	599,831	-
	1,202,321	-
During half-year ended 31 December 2019:		
Special dividend of $0.0055 per ordinary share, paid on 18 September 2019	-	249,881
First interim dividend for the year ended 30 June 2020 of $0.0121 per ordinary share, paid on 30 September 2019	-	549,737
Second interim dividend for the year ended 30 June 2020 of $0.0121 per ordinary share, paid on 2 January 2020	-	549,340
	-	1,348,958
	1,202,321	1,348,958

On 4 January 2021, the Company paid the second interim dividend for the year ending 30 June 2021 of $0.0133 per ordinary share. This dividend equates to a distribution of $599,831, based on the number of ordinary shares on issue as at 31 December 2020. The dividend was declared before the reporting date and is reflected in the 31 December 2020 financial statements.

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

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

Key management personnel
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. The KW(IW)P business operates out of the Rozelle Property. As at 31 December 2020, there was $18,851 owing on this facility (30 June 2020: $18,143).

Note 18. Business combinations

Acquisitions during the half-year ended 31 December 2020

Kelly Partners (Oran Park) Pty Ltd
On 16 November 2020, Kelly Partners (Oran Park) Pty Ltd acquired an accounting business in Camden, NSW.

The acquired business contributed revenues of $24,965 and a net profit before tax of $11,527 to the Group for the period from 16 November 2020 to 31 December 2020.

Note 18. Business combinations (continued)

Details of the acquisition are as follows:

	Fair value $
Customer relationships	267,887
Employee benefits	(35,179)
Net assets acquired	232,708
Goodwill	159,905
Acquisition-date fair value of the total consideration transferred	392,613
Representing:	
Cash paid to vendor	242,939
Contingent consideration	149,674
	392,613

Note 19. Events after the reporting period

The Group continues to monitor the impact of COVID-19 on its operating businesses. Despite the challenges from COVID-19, KPG remains well positioned to execute its long term growth strategy and deliver shareholder wealth.

Apart from the matters discussed above and dividend declared as disclosed in note 16, no other matter or circumstance has arisen since 31 December 2020 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 2020 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

12 February 2021
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 entity), which comprises the consolidated statement of financial position as at 31 December 2020, 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 2020 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 consolidated entity 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 consolidated entity's financial position as at 31 December 2020 and its performance for the half-year ended on

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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.

William Buck

William Buck
Accountants & Advisors
ABN: 16 021 300 521

L.E. Tutt
Partner
Sydney, 12 February 2021