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 2019
Previous period:	For the half-year ended 31 December 2018

2. Results for announcement to the market

				$
Revenues from ordinary activities	up	23.4%	to	24,344,848
Profit from ordinary activities after tax attributable to the owners of Kelly Partners Group Holdings Limited	up	39.7%	to	1,542,581
Profit for the half-year attributable to the owners of Kelly Partners Group Holdings Limited	up	39.7%	to	1,542,581
Underlying Net Profit After Tax before Amortisation ('Underlying NPATA')	up	52.9%	to	1,961,436

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

Comments
The profit for the Group after providing for income tax and non-controlling interest amounted to $1,542,581 (31 December 2018: $1,104,249).

Reconciliation of Statutory Net Profit After Tax ('NPAT') to Underlying NPATA attributable to owners of Kelly Partners Group Holdings Limited.

	Consolidated	
	31 Dec 2019 $	31 Dec 2018 $
Statutory NPAT attributable to owners of Kelly Partners Group Holdings Limited	1,542,581	1,104,249
Amortisation of customer relationship intangibles	201,576	178,705
NPATA attributable to owners of Kelly Partners Group Holdings Limited	1,744,157	1,282,954
Acquisition and integration costs	299,695	-
Tax effect of acquisition and integration costs	(82,416)	-
Underlying NPATA attributable to owners of Kelly Partners Group Holdings Limited	1,961,436	1,282,954

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	(36.24)	(10.06)

Net tangible assets excludes right-of-use assets $8,953,843 as a result of AASB 16 Leases.

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 Melbourne CBD	Melbourne CBD, VIC	01/11/2019	399,836	(58,354)
Kelly Partners Blue Mountains & Central Tablelands	Glenbrook, NSW	01/11/2019	159,104	(17,182)
			558,940	(75,536)

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

	Amount per security Cents	Franked amount per security Cents
Special dividend paid on 18 September 2019	0.550	0.550
First interim dividend for the year ending 30 June 2020, paid on 30 September 2019	1.210	1.210
Second interim dividend for the year ending 30 June 2020, paid on 2 January 2020	1.210	1.210
Total	2.970	2.970

Previous period

	Amount per security Cents	Franked amount per security Cents
Final dividend for the year ended 30 June 2018, paid on 12 July 2018	1.000	1.000
First interim dividend for the year ended 30 June 2019, paid on 30 October 2018	1.100	1.100
Second interim dividend for the year ended 30 June 2019, paid on 31 December 2018	1.100	1.100
Total	3.200	3.200

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 2019 is attached.

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12. Signed

Signed ____________________________ Date: 25 February 2020

Brett Kelly
Executive Chairman and Chief Executive Officer
Sydney

KELLY PARTNERS GROUP HOLDINGS LIMITED

ABN 25 124 908 363

INTERIM REPORT - 31 December 2019

KP+GH
KELLY PARTNERS GROUP HOLDINGS LIMITED

The directors present their report, together with the financial statements, on 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 2019.

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
Ada Poon (appointed on 6 September 2019)
Paul Kuchta
Ryan Macnamee

Principal activities

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

Review of operations

In the half-year ended 31 December 2019 (1H20), the Group has recorded a consolidated statutory net profit after providing for income tax of $4,758,922 (1H19: $3,285,380). The statutory net profit attributable to members of the parent entity was $1,542,581 (1H19: $1,104,249).

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 significant expenses.

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 implementation of AASB 16 'Leases' has favourably impacted the Group's measure of EBITDA and Underlying EBITDA by $1,268,165. On a like for like basis with the accounting standard change backed out, the Group's Underlying EBITDA has increased 55.6% to $7,326,888 (1H19: $4,709,175). A reconciliation of statutory results to underlying EBITDA and NPATA are set out below.

	Consolidated	
	31 Dec 2019 $	31 Dec 2018 $
Statutory net profit after income tax ('NPAT')	4,758,922	3,285,380
Finance costs	774,559	391,711
Income tax expense	769,289	489,207
Depreciation and amortisation expense	1,925,565	542,877
Earnings before interest, tax, depreciation and amortisation ('EBITDA')	8,228,335	4,709,175
Acquisition and integration costs	366,718	-
Underlying EBITDA	8,595,053	4,709,175
Impact on adoption of AASB 16	(1,268,165)	-
Underlying EBITDA before implementation of AASB 16	7,326,888	4,709,175

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

	Consolidated	
	31 Dec 2019 $	31 Dec 2018 $
Statutory NPAT attributable to owners of Kelly Partners Group Holdings Limited	1,542,581	1,104,249
Amortisation of customer relationship intangibles	201,576	178,705
NPATA attributable to owners of Kelly Partners Group Holdings Limited	1,744,157	1,282,954
Acquisition and integration costs	299,695	-
Tax effect of acquisition and integration costs	(82,416)	-
Underlying NPATA attributable to owners of Kelly Partners Group Holdings Limited	1,961,436	1,282,954

Financial performance

Acquisitions and integration
During 1H20, the Group has acquired two accounting businesses located in Melbourne and Glenbrook (Blue Mountains). Completion for both occurred on 1 November 2019. The acquired entities have contributed two months revenue of $558,940 and are expected to contribute approximately $3,200,000 to $3,950,000 in recurring revenue on a full year basis.

Strategically, the Melbourne acquisition achieves expansion into Victoria by moving into an existing premise and taking on the holding costs (lease and fitout) that were being borne by the Group. The Melbourne acquisition is expected to contribute $2,000,000 to $2,550,000 in annual recurring revenue to the consolidated Group and approximately $500,000 of EBITDA to the parent post transaction improvement.

The Glenbrook acquisition, together with the Group's offices in Penrith and Bathurst, provide a very significant presence in the outer west of Sydney, one of Sydney's fastest growing markets. The acquisition is expected to contribute $1,200,000 to $1,400,000 in annual recurring revenue to the consolidated group and approximately $300,000 of EBITDA to the parent entity post transaction improvement.

Acquired businesses generally have had lower gross margins and higher operating costs due to their smaller size. It is expected that the dilutive impact of their existing margins will reduce over time as they evolve to our more efficient business model.

During 1H20, the Group benefited from the contribution for the full half year from the four acquisitions made in FY19 (Inner West, Northern Beaches, North Sydney and Oran Park).

Offices and partners
As at 31 December 2019, the Group operates out of 15 offices (30 June 2019: 15), having opened offices in Glenbrook and closed the Parramatta office during the half year. The Melbourne office is now fully operational with the completion of the Melbourne acquisition.

At 31 December 2019, total equity partners (excluding the CEO, Brett Kelly) was 42 (30 June 2019: 40) with 2 new partners promoted internally and 1 new partner as a result of acquisitions in the period. The equity partner of Kelly Partners Government Incentives & Innovation exited from the business following his successful election to Federal Parliament. The dissolution of the Kelly Partners Government Incentives & Innovation partnership is not expected to have any material or adverse impact on the Group. Post balance date, on 1 January 2020, a further one new partner was also promoted internally.

Properties
As at 31 December 2019, the Group, through its property holding entity (Kelly Partners Property Group Holdings Pty Ltd) 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. During the period, a contract was also exchanged to acquire the Inner West office property, with settlement expected during the second half of FY20.

Revenue

	31 Dec 2019 $	31 Dec 2018 $	Change $	Change %
Acquisitions – 1H20	558,940	-	558,940	-
Acquisitions – FY19	1,675,600	749,276	926,324	123.6%
Total acquisition growth	2,234,540	749,276	1,485,264	198.2%
Organic growth – Accounting	20,097,921	18,080,046	2,017,875	11.2%
Organic growth – Complementary businesses	2,012,387	902,909	1,109,478	122.9%
Total organic growth	22,110,308	18,982,955	3,127,353	16.5%
Total revenue	24,344,848	19,732,231	4,612,617	23.4%

Revenue growth of $1,485,264 from acquisitions consisted of $558,940 from acquisitions completed in 1H20, as well as $926,324 in additional revenue from the four acquisitions completed in the prior twelve month period.

Organic revenue growth has come from:
- Accounting businesses grew by 11.2% to $20,097,921 in 1H20.
- Complementary businesses (which primarily includes Kelly Partners (Finance) Pty Ltd, Kelly Partners (Wealth) Pty Ltd, Kelly Partners (Corporate Advisory) Pty Ltd and Kelly Partners (Investment Office) Pty Ltd) grew 122.9% to $2,012,387. Complementary businesses are still in their growth phase. The increase in revenue includes a substantial success fee earned in Kelly Partners (Corporate Advisory) Pty Ltd and a management bonus earned in Kelly Partners (Investment Office) Pty Ltd as a result of a strong performance in the Special Opportunities Fund #1. Excluding these items, the underlying revenue grew 28.2% to $894,049.

Operating expenses
- Employment and related expenses have increased 11.7% to $10,948,082, with acquired businesses making up $324,078 (3.3%) of the increase, and the remainder (8.4%) from existing businesses, well below the organic growth in revenue.
- Rent and utilities expense have dropped from $1,350,659 to $130,003. This predominantly reflects a reclassification of expenses on implementation of AASB 16 from rent to depreciation and finance costs.
- Other expenses have increased by $765,219 or 19.6% to $4,676,646, with acquired businesses making up $66,710 of the increase. The remaining increase of $698,509 is from existing businesses.

Underlying EBITDA
Underlying EBITDA (which measures EBITDA before acquisition and integration costs) increased 82.5% to $8,595,053 (1H19: $4,709,175). The current period Underlying EBITDA is impacted by the implementation of AASB 16 and is not directly comparable to the prior period.

Underlying EBITDA on a like for like basis has increased 55.6% to $7,326,888 (1H19: $4,709,175). The underlying EBITDA margin before AASB 16 has increased to 30.1% (1H19: 23.9% and 1H18: 29.9%). The business continues to target 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.

	1H20 $	1H19 $	1H18 $
Underlying EBITDA	8,595,053	4,709,175	5,780,598
AASB 16 leasing adjustment - Rent expense	(1,268,165)	-	-
Underlying EBITDA before AASB16 leasing adjustments	7,326,888	4,709,175	5,780,598
As a % of revenue	30.10%	23.90%	29.90%

Acquisition and integration costs
Acquisition and integration costs for the half year totalled $366,718 (1H19: $nil) and included:
- $246,599 in acquisition costs relating to the Melbourne and Glenbrook acquisitions;
- $56,944 in costs relating to the surrender of the lease in Parramatta; and
- $63,175 in other costs including legal fees.

The Group classifies costs related to successfully acquired business under acquisition and integration costs 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 and integration costs allows management to look-through into the underlying performance of the Group.

Depreciation and amortisation and finance costs
Depreciation and amortisation expense increased to $1,925,565 (1H19: $542,877) and includes depreciation expense of $1,501,376 (1H19: $180,745). The increase in depreciation expense is predominantly due to the implementation of AASB 16 and reclassification of rent expense to finance and depreciation costs.

Finance costs increased to $774,559 (1H19: $391,711). The increase in finance costs is predominantly due to the implementation of AASB16 and reclassification of rent expense to finance and depreciation costs. On a cash basis, finance costs increased marginally to $408,707 (1H19: $391,711) due to an increase in average debt levels, partially offset by reductions in interest rates.

Income tax expense
The Group's income tax expense has increased to $769,289 (1H19: $489,207). As the majority of businesses are structured as partnerships, the income tax expense attributable to the minority interests in these partnerships are not included in the consolidated accounts.

Cash flow
Cash from operations
Receipts from customers increased 15.7% to $26,740,996 (1H19: $23,108,160) whilst payments to suppliers and employees increased by 6.7% to $18,423,312 (1H19: $17,259,613), with operating cashflow (defined as receipts from customers less payments to suppliers and employees) up 42.2% to $8,317,684. As a result of the implementation of AASB 16, the principal portion of lease payments are now disclosed separately in financing activities, while the interest portion is disclosed in finance costs paid within operating activities. Operating cashflow before AASB 16 is $7,353,833 up 25.7% from the prior year. This is predominantly attributable to increased billings as well as a $1,174,247 decrease in net working Capital Investment (defined as trade and receivables plus accrued income less trade payables and contract liabilities).

Cash from investing activities
In 1H20 the Group spent $1,957,814 on property, plant and equipment capital expenditure. This included $1,617,088 on property purchases and $88,136 on leaseholds improvements to upgrade existing locations. The remaining $252,590 represents office equipment, new motor vehicles and other capital expenditures.

Cash from financing activities
In the 6 months to 31 December 2019, the Group's borrowings increased by $2,476,136 to $21,103,769 (30 June 2019: $18,627,633). Proceeds from borrowings of $4,993,126, included $2,517,733 relating to the Melbourne and Glenbrook acquisitions, $1,519,181 related to property purchases, $610,000 related to partner buy-in loans, and $346,212 in other items.

Repayment of borrowings of $2,322,829 relates to acquisition and partner-buy-in loans, with the Group maintaining a disciplined approach to the amortisation of its acquisition debt.

1H20 Dividends of $1,300,063 includes the special dividend of $249,881 paid in September 2019.

As a result of the implementation of AASB 16, lease payments which were previously classified under cash from operations, are now disclosed separately under cash from financing activities.

Working capital
The Group continues to maintain a disciplined approach to managing its Net Working Capital Investment (defined as trade and receivables plus accrued income less trade payables and contract liabilities), which reduced 9.7% to $4,472,053 (36.6 days) as at 31 Dec 2019 from $5,395,745 (49.3 days) as at 30 June 2019. This is a strong result and has been achieved alongside acquisitions and increases in revenues.

Capital structure
The business continues to maintain an appropriately conservative capital structure. As at 31 December 2019 the Group's Gearing Ratio (defined as Net Debt / Trailing 12 month underlying EBITDA) reduced to 1.16x (30 June 2019: 1.35x). On a like for like basis before the implementation of AASB16, the Group's Gearing Ratio is 1.26x (30 June 2019: 1.35x). The lower gearing metric includes only two months of acquired earnings from Melbourne and Glenbrook in the denominator, whilst including full debt contribution in the numerator. Net Debt is a non-IFRS measure and means Total Borrowings less Cash and Cash Equivalents.

Equity to Total Assets ratio has decreased to 35.7% (30 June 2019: 48.7%). The decrease is predominantly due to the change in accounting standards (AASB 16). Reversing out the impact of AASB 16 on the balance sheet, the adjusted equity to adjusted total assets ratio is 44.2%, demonstrating the well capitalised nature of the balance sheet which includes $14,081,465 in issued capital and $8,421,484 in non-controlling equity interests.

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 Company and its return to shareholders. The Group continues to achieve superior returns on equity and invested capital, as measured by ROE and ROIC.

Return on equity
= Trailing 12 months NPATA/Equity
= $9,421,866 / $22,942,688
= 41.1%

Return on invested capital
= (Trailing 12 months NPATA + Trailing 12 months Cash Interest) / (Equity + Debt)
= ($9,421,866 + $885,591) / ($22,942,688 + $21,103,769)
= 23.4%

6 months Earnings per Share
= Profit attributable to owners / Weighted average number of shares
= $1,542,581 / 45,436,628
= 3.40 cps

Owners' earnings
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; and
- Deductions required for the maintenance capital expenditure for the business to maintain on-going operations in the long term.

In 1H20, Owners' earnings for the 6 months were $6,980,713.

	$
Net cash from operating activities post implementation of AASB 16	7,130,713
Less: Maintenance capex	(150,000)
Owners' earnings	6,980,713

Dividends
Amounts recognised as dividends:

	Consolidated 31 Dec 2019 $	Consolidated 31 Dec 2018 $
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 ending 30 June 2020 of $0.0121 per ordinary share, paid on 30 September 2019	549,737	-
Second interim dividend for the year ending 30 June 2020 of $0.0121 per ordinary share, paid on 2 January 2020	549,340	-
During half-year ended 31 December 2018:		
Final dividend for the year ended 30 June 2018 of $0.01 per ordinary share, paid on 12 July 2018	-	454,972
First interim dividend for the year ended 30 June 2019 of $0.011 per ordinary share, paid on 30 October 2018	-	500,469
Second interim dividend for the year ended 30 June 2019 of $0.011 per ordinary share, paid on 31 December 2018	-	500,469
	1,348,958	1,455,910

On 2 January 2020, the Company paid the second interim dividend for the year ending 30 June 2020 of $0.0121 per ordinary share. This dividend equates to a distribution of $549,340, based on the number of ordinary shares on issue as at 31 December 2019. The financial effect of this dividend that was declared prior and paid subsequent to the reporting date, is reflected in the 31 December 2019 financial statements.

Significant changes in the state of affairs
Acquisition
During the financial half-year, the Company acquired two accounting businesses in Melbourne CBD and Blue Mountains.

Synergies are expected to be achieved from integrating these businesses into the existing Kelly Partners business.

Share buy-back
On 17 April 2019, the Company announced a 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 4,549,718 shares at 17 April 2019). The Company announced the closure of this share buy-back on 2 September 2019. The Company purchased and cancelled a total of 64,372 shares during the period 17 April 2019 to 2 September 2019 including 62,191 during the financial half-year ended 31 December 2019.

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 half-year ended 31 December 2019, the Company purchased and cancelled 32,809 shares. At 31 December 2019, 4,446,099 shares are authorised for on-market buy-back.

Property Purchase
On 4 November 2019, the Kelly Partners (Inner West) Property Trust paid a deposit to purchase a property in Rozelle NSW for $3,150,000, with settlement due on 30 April 2020. Kelly Partners (Inner West) Pty Ltd currently operates its business from this premise and will continue to do so post purchase.

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

Matters subsequent to the end of the financial half-year
Apart from the dividends paid subsequent to the reporting date as disclosed in note 23, no other matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

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KELLY PARTNERS GROUP HOLDINGS LIMITED

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

25 February 2020
Sydney

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The Board of Directors
Kelly Partners Group Holdings Limited
Level 8, 32 Walker Street
North Sydney NSW 2060

25 February 2020

Dear Board Members

Kelly Partners Group Holdings Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Kelly Partners Group Holdings Limited.

As lead audit partner for the review of the financial statements of Kelly Partners Group Holdings Limited for the half-year ended 31 December 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Cheryl Kennedy
Partner
Chartered Accountants

	Note	Consolidated 31 Dec 2019 $	Consolidated 31 Dec 2018 $
Revenue	5	24,344,848	19,732,231
Other gains		4,936	42,125
Total revenue and other gains		24,349,784	19,774,356
Expenses			
Employment and related expenses		(10,948,082)	(9,803,095)
Rent and utilities		(130,003)	(1,350,659)
Other expenses	6	(4,676,646)	(3,911,427)
Business acquisition and restructuring costs		(366,718)	-
Depreciation and amortisation expense	7	(1,925,565)	(542,877)
Finance costs	7	(774,559)	(391,711)
Total expenses		(18,821,573)	(15,999,769)
Profit before income tax expense		5,528,211	3,774,587
Income tax expense	8	(769,289)	(489,207)
Profit after income tax expense for the half-year		4,758,922	3,285,380
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		85	-
Other comprehensive income for the half-year, net of tax		85	-
Total comprehensive income for the half-year		4,759,007	3,285,380
Profit for the half-year is attributable to:			
Non-controlling interest		3,216,341	2,181,131
Owners of Kelly Partners Group Holdings Limited		1,542,581	1,104,249
		4,758,922	3,285,380
Total comprehensive income for the half-year is attributable to:			
Non-controlling interest		3,216,341	2,181,131
Owners of Kelly Partners Group Holdings Limited		1,542,666	1,104,249
		4,759,007	3,285,380
		Cents	Cents
Basic earnings per share	11	3.40	2.43
Diluted earnings per share	11	3.40	2.43

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

	Note	Consolidated 31 Dec 2019 $	Consolidated 30 Jun 2019 $
Assets			
Current assets			
Cash and cash equivalents		4,025,593	3,955,119
Trade and other receivables		6,147,602	6,099,138
Lease receivables		162,180	-
Accrued income		2,681,692	2,009,017
Other financial assets	9	1,724,319	1,704,255
Other assets		742,573	687,972
Total current assets		15,483,959	14,455,501
Non-current assets			
Lease receivables		204,064	-
Financial assets		14,526	15,481
Other financial assets	10	3,113,880	3,212,503
Property, plant and equipment		5,349,651	3,957,842
Right-of-use assets	12	8,953,843	-
Intangible assets	13	30,440,144	27,227,897
Other assets		709,760	633,005
Total non-current assets		48,785,868	35,046,728
Total assets		64,269,827	49,502,229
Liabilities			
Current liabilities			
Trade and other payables		3,198,251	2,229,838
Contract liabilities		1,158,990	482,572
Borrowings	14	6,669,588	5,874,545
Lease liabilities	15	2,127,209	-
Current tax liabilities		861,606	570,187
Provisions		1,660,413	1,981,007
Contingent consideration	16	536,260	-
Other financial liabilities	17	590,104	-
Other liabilities		-	193,991
Total current liabilities		16,802,421	11,332,140
Non-current liabilities			
Borrowings	18	14,434,181	12,753,088
Lease liabilities	19	8,527,755	-
Deferred tax liabilities		418,448	412,468
Provisions		308,060	285,385
Contingent consideration	20	688,648	544,719
Other financial liabilities	21	101,382	-
Other liabilities		46,244	46,244
Total non-current liabilities		24,524,718	14,041,904
Total liabilities		41,327,139	25,374,044
Net assets		22,942,688	24,128,185

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

	Note	Consolidated 31 Dec 2019 $	30 Jun 2019 $
Equity			
Issued capital	22	14,081,465	14,169,601
Reserves		893	808
Retained profits		438,846	698,437
Equity attributable to the owners of Kelly Partners Group Holdings Limited		14,521,204	14,868,846
Non-controlling interest		8,421,484	9,259,339
Total equity		22,942,688	24,128,185

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 2018	14,171,477	-	719,566	9,228,760	24,119,803
Profit after income tax expense for the half-year	-	-	1,104,249	2,181,131	3,285,380
Other comprehensive income for the half-year, net of tax	-	-	-	-	-
Total comprehensive income for the half-year	-	-	1,104,249	2,181,131	3,285,380
Transactions with owners in their capacity as owners:					
Distributions to non-controlling interests	-	-	-	(3,376,644)	(3,376,644)
Amounts recognised as dividends (note 23)	-	-	(1,455,910)	-	(1,455,910)
Balance at 31 December 2018	14,171,477	-	367,905	8,033,247	22,572,629

Consolidated	Issued capital $	Reserve $	Retained profits $	Non-controlling interest $	Total equity $
Balance at 1 July 2019	14,169,601	808	1,198,882	9,259,339	24,628,630
Adjustment for change in accounting policy (note 3)	-	-	(453,214)	(488,852)	(942,066)
Amounts recognised as dividends (note 23)	-	-	(500,445)	-	(500,445)
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 22)	(88,136)	-	-	-	(88,136)
Distributions to non-controlling interests	-	-	-	(3,565,344)	(3,565,344)
Amounts recognised as dividends (note 23)	-	-	(1,348,958)	-	(1,348,958)
Balance at 31 December 2019	14,081,465	893	438,846	8,421,484	22,942,688

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

	Note	Consolidated 31 Dec 2019 $	31 Dec 2018 $
Cash flows from operating activities			
Receipts from customers		26,740,996	23,108,160
Payments to suppliers and employees		(18,423,312)	(17,259,613)
Finance costs paid	7	(713,021)	(391,711)
Income taxes paid		(473,950)	(96,110)
Net cash from operating activities		7,130,713	5,360,726
Cash flows from investing activities			
Payment for purchase of business	25	(2,531,000)	(2,603,276)
Payments for property, plant and equipment		(1,957,814)	(1,493,739)
Payments for intangibles		(957)	-
Loans to partners - loans advanced		(164,110)	(760,386)
Loans to partners - proceeds from repayments		934,163	333,579
Proceeds from disposal of property, plant and equipment		20,000	-
Deposits refunded		80,745	157,977
Net cash used in investing activities		(3,618,973)	(4,365,845)
Cash flows from financing activities			
Proceeds from borrowings		4,993,126	5,303,687
Repayment of borrowings		(2,322,829)	(1,740,636)
Payments for share buy-backs		(88,136)	-
Dividends paid	23	(1,300,063)	(1,455,910)
Distributions paid to non-controlling interests		(3,565,344)	(3,376,644)
Repayment of lease liabilities		(1,051,774)	-
Proceeds from sub-lease		87,923	-
Net cash used in financing activities		(3,247,097)	(1,269,503)
Net increase/(decrease) in cash and cash equivalents		264,643	(274,622)
Cash and cash equivalents at the beginning of the financial half-year		1,428,680	1,440,262
Cash and cash equivalents at the end of the financial half-year		1,693,323	1,165,640

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:

	31 Dec 2019	31 Dec 2018
Cash at bank and in hand	4,025,593	3,512,729
Bank overdrafts	(2,332,270)	(2,347,089)
	1,693,323	1,165,640

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

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 25 February 2020.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2019 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 2019 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.

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 or Interpretations that are not yet mandatory have not been early adopted.

The following Accounting Standards and Interpretations are most relevant to the Group:

AASB 16 Leases
The Group has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in depreciation and amortisation expense) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

Refer to note 3 for impact of adoption of AASB 16 Leases.

Note 2. Significant accounting policies (continued)

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

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

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

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

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

Note 3. Impact of adoption of AASB 16 Leases

AASB 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated. The impact of adoption on opening retained earnings as at 1 July 2019 was as follows:

	1 July 2019 $
Operating lease commitments as at 30 June 2019	11,896,194
Discounted using the Group's incremental borrowing rate of 4.63% - 5.13%	(1,636,026)
Add: finance lease liabilities recognised as at 1 July 2019	93,433
Less: short-term leases recognised on a straight-line basis as expense	(37,445)
Add: adjustments as a result of a different treatment of extension and termination options	909,233
Lease liability recognised at 1 July 2019	11,225,389

	1 July 2019 $
Right-of-use assets	9,413,661
Lease receivable	454,167
Lease liability	(11,225,389)
Deferred rent liability	193,912
Tax effect on the above adjustments	221,583
Reduction in retained profits as at 1 July 2019	(942,066)

Note 4. 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, corporate advisory, 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.

Operating reportable segment information

	Accounting $	Other Services $	Total $
Half-year ended 31 December 2019:			
Revenue	22,332,461	2,012,387	24,344,848
EBITDA	7,178,340	1,049,995	8,228,335
Profit before income tax expense	4,491,399	1,036,812	5,528,211
Segment assets, liabilities and net assets at 31 December 2019:			
Current assets	14,701,444	782,515	15,483,959
Non-current assets	48,726,628	59,240	48,785,868
Current liabilities	(16,537,406)	(265,015)	(16,802,421)
Non-current liabilities	(24,375,950)	(148,768)	(24,524,718)
Net assets	22,514,717	427,971	22,942,688

	Accounting $	Other Services $	Total $
Half-year ended 31 December 2018:			
Revenue	18,742,293	989,938	19,732,231
EBITDA	4,530,475	178,700	4,709,175
Profit before income tax expense	3,608,877	165,710	3,774,587
Segment assets, liabilities and net assets at 30 June 2019:			
Current assets	13,893,346	562,155	14,455,501
Non-current assets	35,029,513	17,215	35,046,728
Current liabilities	(11,188,084)	(144,056)	(11,332,140)
Non-current liabilities	(13,945,216)	(96,688)	(14,041,904)
Net assets	23,789,560	338,625	24,128,185

Note 5. Revenue

	Consolidated	
	31 Dec 2019	31 Dec 2018
	$	$
Provision of services	24,344,848	19,732,231

Refer to note 4 for disaggregation of revenue.

Note 6. Other expenses

	Consolidated	
	31 Dec 2019	31 Dec 2018
	$	$
Information technology and telecommunication expenses	1,052,581	906,848
Memberships, subscriptions and staff related expenses	707,907	583,471
Other expenses	2,916,158	2,421,108
	4,676,646	3,911,427

Note 7. Expenses

	Consolidated	
	31 Dec 2019	31 Dec 2018
	$	$
Profit before income tax includes the following specific expenses:		
Depreciation and amortisation		
Depreciation right-of-use assets	1,091,168	-
Depreciation property, plant and equipment	410,208	180,745
Amortisation	424,189	362,132
	1,925,565	542,877
Finance costs		
Interest and finance charges paid/payable on lease liabilities	304,314	-
Interest on bank overdrafts and loans	470,245	391,711
	774,559	391,711
Leases (included in rent and utilities expense)		
Short-term lease payments	26,053	-

Note 8. 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 9. Current assets - other financial assets

	Consolidated	
	31 Dec 2019	30 Jun 2019
	$	$
Loans to partners	1,724,319	1,704,255

Note 10. Non-current assets - other financial assets

	Consolidated	
	31 Dec 2019	30 Jun 2019
	$	$
Loans to partners	3,113,880	3,212,503

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

Note 11. Earnings per share

	Consolidated	
	31 Dec 2019	31 Dec 2018
	$	$
Profit after income tax	4,758,922	3,285,380
Non-controlling interest	(3,216,341)	(2,181,131)
Profit after income tax attributable to the owners of Kelly Partners Group Holdings Limited	1,542,581	1,104,249
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	45,436,628	45,497,181
Weighted average number of ordinary shares used in calculating diluted earnings per share	45,436,628	45,497,181
	Cents	Cents
Basic earnings per share	3.40	2.43
Diluted earnings per share	3.40	2.43

Note 12. Non-current assets - right-of-use assets

	Consolidated	
	31 Dec 2019	30 Jun 2019
	$	$
Right-of-use assets	15,725,861	-
Less: Accumulated depreciation	(6,772,018)	-
	8,953,843	-

The Group leases land and buildings for its offices under agreements of between 1 to 7 years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated. The Group also leases office equipment under agreements of between 2 to 5 years. Refer note 3 for further details.

Note 12. Non-current assets - right-of-use 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	Right-of-use asset $
Balance at 1 July 2019	9,413,661
Additions	150,000
Additions through business combinations (note 25)	596,234
Disposals	(114,884)
Depreciation expense	(1,091,168)
Balance at 31 December 2019	8,953,843

Note 13. Non-current assets - intangible assets

	Consolidated 31 Dec 2019 $	Consolidated 30 Jun 2019 $
Goodwill - at cost	22,438,348	20,211,955
Brand names and intellectual property - at cost	3,300,000	3,300,000
Customer relationships - at cost	9,014,899	7,605,813
Less: Accumulated amortisation	(4,446,208)	(4,053,672)
	4,568,691	3,552,141
Computer software - at cost	219,728	218,771
Less: Accumulated amortisation	(86,623)	(54,970)
	133,105	163,801
	30,440,144	27,227,897

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 2019	20,211,955	3,300,000	3,552,141	163,801	27,227,897
Additions	-	-	-	957	957
Additions through business combinations (note 25)	2,226,393	-	1,409,086	-	3,635,479
Amortisation expense	-	-	(392,536)	(31,653)	(424,189)
Balance at 31 December 2019	22,438,348	3,300,000	4,568,691	133,105	30,440,144

Note 14. Current liabilities - borrowings

	Consolidated 31 Dec 2019 $	Consolidated 30 Jun 2019 $
Bank overdrafts	2,332,270	2,526,439
Bank loans	4,337,318	3,348,106
	6,669,588	5,874,545

Refer to note 18 for further information.

Note 15. Current liabilities - lease liabilities

	Consolidated 31 Dec 2019 $	Consolidated 30 Jun 2019 $
Lease liabilities	2,127,209	-

Refer to note 19 for further information.

Note 16. Current liabilities - contingent consideration

	Consolidated 31 Dec 2019 $	Consolidated 30 Jun 2019 $
Contingent consideration	536,260	-

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

Note 17. Current liabilities - other financial liabilities

	Consolidated 31 Dec 2019 $	Consolidated 30 Jun 2019 $
Loans from partners	590,104	-

Note 18. Non-current liabilities - borrowings

	Consolidated 31 Dec 2019 $	Consolidated 30 Jun 2019 $
Bank loans	14,434,181	12,753,088

Note 18. Non-current liabilities - borrowings (continued)

Total secured liabilities
The total secured liabilities (current and non-current) are as follows:

	Consolidated	
	31 Dec 2019 $	30 Jun 2019 $
Bank overdrafts	2,332,270	2,526,439
Bank loans	18,771,499	16,101,194
	21,103,769	18,627,633

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 and bank guarantees.

In the prior year ended 30 June 2019, the Group commenced restructuring its debt facilities with Westpac. As at 31 December 2019, 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 2019, the parent has a $2,000,000 revolving line of term credit, as well as a $1,207,561 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 of each of its wholly owned subsidiaries. The guarantor group does not include the local owner-driven operating partnerships, as these controlled entities are not wholly owned.

The parent entity also has 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.

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.

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Note 18. Non-current liabilities - borrowings (continued)

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

	Consolidated 31 Dec 2019 $	Consolidated 30 Jun 2019 $
Total facilities		
Bank overdrafts	4,909,506	4,224,506
Bank loan	19,081,729	17,759,989
	23,991,235	21,984,495
Used at the reporting date		
Bank overdrafts	2,332,270	2,526,439
Bank loan	18,771,499	16,101,194
	21,103,769	18,627,633
Unused at the reporting date		
Bank overdrafts	2,577,236	1,698,067
Bank loan	310,230	1,658,795
	2,887,466	3,356,862

Note 19. Non-current liabilities - lease liabilities

	Consolidated 31 Dec 2019 $	Consolidated 30 Jun 2019 $
Lease liabilities	8,527,755	-

The total lease liabilities (current and non-current) are as follows:

	Consolidated 31 Dec 2019 $	Consolidated 30 Jun 2019 $
Lease liabilities - current	2,127,209	-
Lease liabilities - non-current	8,527,755	-
	10,654,964	-

Contractual maturities of lease liabilities at 31 December 2019 is set below:

	Carrying amount $	Less than 6 months $	6-12 months $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Total contractual cashflows $
Lease liabilities	10,654,964	1,365,716	1,250,568	2,100,779	5,612,102	2,003,170	12,332,335

Note 20. Non-current liabilities - contingent consideration

	Consolidated	
	31 Dec 2019 $	30 Jun 2019 $
Contingent consideration	688,648	544,719

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

Note 21. Non-current liabilities - other financial liabilities

	Consolidated	
	31 Dec 2019 $	30 Jun 2019 $
Loans from partners	101,382	-

Note 22. Equity - issued capital

	Consolidated			
	31 Dec 2019 Shares	30 Jun 2019 Shares	31 Dec 2019 $	30 Jun 2019 $
Ordinary shares - fully paid	45,400,000	45,495,000	14,081,465	14,169,601

Details	Date	Shares		$
Balance	1 July 2019	45,495,000		14,169,601
Share buy-back	1 July 2019	(4,353)	$0.83	(3,613)
Share buy-back	20 August 2019	(40,647)	$0.90	(36,582)
Share buy-back	27 August 2019	(1,000)	$0.93	(930)
Share buy-back	28 August 2019	(1,000)	$0.88	(879)
Share buy-back	29 August 2019	(1,000)	$0.88	(880)
Share buy-back	30 August 2019	(14,191)	$0.93	(13,158)
Share buy-back	21 October 2019	(25,745)	$0.97	(24,960)
Share buy-back	22 October 2019	(7,064)	$1.01	(7,134)
Balance	31 December 2019	45,400,000		14,081,465

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

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

Share buy-back
On 17 April 2019, the Company announced a 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 4,549,718 shares at 17 April 2019). The Company announced the closure of this share buy-back on 2 September 2019. The Company purchased and cancelled a total of 64,372 shares during the period 17 April 2019 to 2 September 2019 including 62,191 during the financial half-year ended 31 December 2019.

Note 22. Equity - issued capital (continued)

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 half-year ended 31 December 2019, the Company purchased and cancelled 32,809 shares. At 31 December 2019, 4,446,099 shares are authorised for on-market buy-back.

Note 23. Equity - dividends

Amounts recognised as dividends:

	Consolidated	
	31 Dec 2019 $	31 Dec 2018 $
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 ending 30 June 2020 of $0.0121 per ordinary share, paid on 30 September 2019	549,737	-
Second interim dividend for the year ending 30 June 2020 of $0.0121 per ordinary share, paid on 2 January 2020	549,340	-
During half-year ended 31 December 2018:		
Final dividend for the year ended 30 June 2018 of $0.01 per ordinary share, paid on 12 July 2018	-	454,972
First interim dividend for the year ended 30 June 2019 of $0.011 per ordinary share, paid on 30 October 2018	-	500,469
Second interim dividend for the year ended 30 June 2019 of $0.011 per ordinary share, paid on 31 December 2018	-	500,469
	1,348,958	1,455,910

On 2 January 2020, the Company paid the second interim dividend for the year ending 30 June 2020 of $0.0121 per ordinary share. This dividend equates to a distribution of $549,340, based on the number of ordinary shares on issue as at 31 December 2019. The financial effect of this dividend that was declared prior and paid subsequent to the reporting date, is reflected in the 31 December 2019 financial statements.

Dividends are recognised when declared during the financial year and no longer at the discretion of the Company. Upon review of prior year dividends it was determined that a provision for dividends was not recognised at the point in time dividends were declared by the directors. Accordingly, the comparative amounts in respect of dividends have been amended to recognise a provision for dividend upon such dividends being declared.

Note 24. 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.

On 27 June 2019, the Board of Directors resolved and approved the purchase of 89 William Street, Bathurst NSW ('The Bathurst Property'), by the Kelly Partners (Central Tablelands) Property Trust, from an associated entity of Brett Kelly. The purchase price was $599,000 and settlement occurred on 13 August 2019. The transaction was completed at market value and there was no gain on sale made by the associated entity of Brett Kelly.

On 28 June 2019, The Bathurst Property was leased to Kelly Partners (Central Tablelands) Pty Ltd under a short term lease. The Board of Directors approved the related party lease noting that the lease was on market terms and was short term in nature. The lease was terminated when settlement on the Bathurst Property occurred on 13 August 2019.

Note 24. Related party transactions (continued)

Loans from/(to) related parties
There were no loans to or from related parties at the current and previous reporting date other than those set out in note 9, note 10, note 17 and note 21.

Note 25. Business combinations

Acquisitions during the half-year ended 31 December 2019

Kelly Partners Melbourne CBD
On 1 November 2019, Kelly Partners (Melbourne CBD) Pty Ltd acquired an accounting business in Melbourne, VIC.

The acquired business contributed revenues of $399,836 and net loss before tax of $58,354 to the Group for the period from 1 November 2019 to 31 December 2019. The loss includes one off transaction and implementation costs and only includes two months of results in a seasonally low period. The business continues to be integrated in to the Kelly Partners group and management expect the business to be profitable on a full 12 month basis.

Details of the acquisition are as follows:

	Fair value $
Customer relationships	771,176
Deferred tax liabilities	(113,841)
Employee benefits	(143,953)
Provisions	(67,500)
Net assets acquired	445,882
Goodwill	1,741,460
Acquisition-date fair value of the total consideration transferred	2,187,342
Representing:	
Cash paid to vendor	1,811,733
Contingent consideration	375,610
	2,187,343

Note 25. Business combinations (continued)

Kelly Partners Blue Mountains & Central Tablelands
On 1 November 2019, Kelly Partners (Blue Mountains & Central Tablelands) Pty Ltd acquired an accounting business in Glenbrook, NSW.

The acquired business contributed revenues of $159,104 and net loss before tax of $17,182 to the Group for the period from 1 November 2019 to 31 December 2019. The loss includes one off transaction and implementation costs and only includes two months of results in a seasonally low period. The business continues to be integrated in to the Kelly Partners group and management expect the business to be profitable on a full 12 month basis.

Details of the acquisition are as follows:

	Fair value $
Right-of-use assets	596,234
Customer relationships	637,910
Deferred tax liabilities	(109,802)
Employee benefits	(50,733)
Lease liability	(596,234)
Net assets acquired	477,375
Goodwill	484,933
Acquisition-date fair value of the total consideration transferred	962,308
Representing:	
Cash paid to vendor	719,267
Contingent consideration	243,041
	962,308

Note 26. Events after the reporting period

Apart from the dividends paid subsequent to the reporting date as disclosed in note 23, no other matter or circumstance has arisen since 31 December 2019 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.

KP+GH
KELLY PARTNERS GROUP HOLDINGS LIMITED

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 2019 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

25 February 2020
Sydney

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Independent Auditor's Review Report to the Members of Kelly Partners Group Holdings Limited

We have reviewed the accompanying half-year financial report of Kelly Partners Group Holdings Limited (" the Company"), which comprises the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit and loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, 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 2019 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*. As the auditor of Kelly Partners Group Holdings Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Kelly Partners Group Holdings Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Deloitte.

Conclusion

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 2019 and of its performance for the half-year ended on that date; and

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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Cheryl Kennedy
Partner
Chartered Accountants
Sydney, 25 February 2020

KELLY PARTNERS GROUP HOLDINGS LIMITED
Office - Level 8/32 Walker Street, North Sydney, NSW 2060