

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 2018
Previous period:	For the half-year ended 31 December 2017

2. Results for announcement to the market

The Group has adopted Accounting Standards AASB 9 'Financial Instruments' and AASB 15 'Revenue from Contracts with Customers' for the half-year ended 31 December 2018. The adoption of these standards did not materially impact the financial position or performance of the Group in either the current or prior period.

			\$
Revenues from ordinary activities	up	2.6% to	19,732,231
Profit from ordinary activities after tax attributable to the owners of Kelly Partners Group Holdings Limited	up	5.7% to	1,104,249
Profit for the half-year attributable to the owners of Kelly Partners Group Holdings Limited	up	5.7% to	1,104,249

Dividends

	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 ending 30 June 2019, paid on 30 October 2018	1.100	1.100
Second interim dividend for the year ending 30 June 2019, paid on 31 December 2018	1.100	1.100

Comments

The profit for the Group after providing for income tax and non-controlling interest amounted to \$1,104,249 (31 December 2017: \$1,044,373).

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>(10.06)</u>	<u>(7.78)</u>

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current 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 ending 30 June 2019, paid on 30 October 2018	1.100	1.100
Second interim dividend for the year ending 30 June 2019, paid on 31 December 2018	1.100	1.100

Previous period

	Amount per security Cents	Franked amount per security Cents
First interim dividend for the year ended 30 June 2018, paid on 16 November 2017	1.000	1.000

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.

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.

11. Attachments

Details of attachments (if any):

The Interim Report of Kelly Partners Group Holdings Limited for the half-year ended 31 December 2018 is attached.

12. Signed

Signed _____

Date: 25 February 2019

Brett Kelly
Executive Chairman and Chief Executive Officer
Sydney

Kelly Partners Group Holdings Limited

ABN 25 124 908 363

Interim Report - 31 December 2018

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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 2018.

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
 Pauline Michelakis
 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.

Dividends

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

	Consolidated	
	31 Dec 2018	31 Dec 2017
	\$	\$
First interim dividend for the year ended 30 June 2018 of \$0.01 per ordinary share, paid on 16 November 2017	-	454,972
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 ending 30 June 2019 of \$0.011 per ordinary share, paid on 30 October 2018	500,469	-
Second interim dividend for the year ending 30 June 2019 of \$0.011 per ordinary share, paid on 31 December 2018	500,469	-
	<u>1,455,910</u>	<u>454,972</u>

Review of operations

Financial performance

Revenue and other gains for the half-year totalled \$19,774,356 which was up 2.3% from \$19,323,563 in the prior half-year.

The profit for the Group after providing for income tax and non-controlling interest amounted to \$1,104,249 (31 December 2017: \$1,044,373), up 5.7%.

Significant changes in the state of affairs

During the financial half-year, subsidiaries of the Group acquired three accounting businesses in North Sydney, Inner West of Sydney and Warriewood. Synergies are expected to be achieved from integrating these businesses into the existing Kelly Partners businesses.

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

On 1 February 2019, Kelly Partners Oran Park acquired an accounting business in South West Sydney. The profit contribution of the business acquired is not expected to be material to the Group.

No other matter or circumstance has arisen since 31 December 2018 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.

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 2019
Sydney

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

25 February 2019

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.

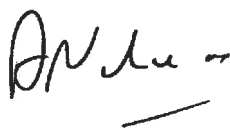
As lead audit partner for the review of the financial statements of Kelly Partners Group Holdings Limited for the half-year ended 31 December 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (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



Alfred Nehama
Partner
Chartered Accountants

Kelly Partners Group Holdings Limited
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2018

KELLY + PARTNERS

		Consolidated	
	Note	31 Dec 2018 \$	31 Dec 2017 \$
Revenue	4	19,732,231	19,235,872
Other gains		42,125	87,691
Expenses			
Depreciation and amortisation expense		(542,877)	(509,967)
Impairment of receivables		(331,169)	(141,615)
Employment and related expenses		(9,803,095)	(9,295,840)
Rent and utilities		(1,350,659)	(1,170,071)
Initial public offering and other transaction costs		-	(143,692)
Employee shares issued and related expenses		-	(247,029)
Other expenses		(3,580,258)	(3,515,216)
Finance costs		(391,711)	(309,567)
Total expenses		<u>(15,999,769)</u>	<u>(15,332,997)</u>
Profit before income tax expense		3,774,587	3,990,566
Income tax expense	5	<u>(489,207)</u>	<u>(580,273)</u>
Profit after income tax expense for the half-year		3,285,380	3,410,293
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year		<u>3,285,380</u>	<u>3,410,293</u>
Profit for the half-year is attributable to:			
Non-controlling interest		2,181,131	2,365,920
Owners of Kelly Partners Group Holdings Limited		<u>1,104,249</u>	<u>1,044,373</u>
		<u>3,285,380</u>	<u>3,410,293</u>
Total comprehensive income for the half-year is attributable to:			
Non-controlling interest		2,181,131	2,365,920
Owners of Kelly Partners Group Holdings Limited		<u>1,104,249</u>	<u>1,044,373</u>
		<u>3,285,380</u>	<u>3,410,293</u>
		Cents	Cents
Basic earnings per share	14	2.43	2.30
Diluted earnings per share	14	2.43	2.30

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

	Consolidated	
Note	31 Dec 2018	30 Jun 2018
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	3,512,729	3,410,934
Trade and other receivables	6,127,760	6,602,607
Accrued income	2,602,201	3,484,037
Other financial assets	365,379	626,925
Other assets	676,932	481,870
Total current assets	<u>13,285,001</u>	<u>14,606,373</u>
Non-current assets		
Financial assets	15,093	14,780
Other financial assets	3,541,429	2,853,078
Property, plant and equipment	3,786,750	2,439,659
Intangible assets	6 27,150,024	23,876,857
Other assets	540,468	698,445
Total non-current assets	<u>35,033,764</u>	<u>29,882,819</u>
Total assets	<u>48,318,765</u>	<u>44,489,192</u>
Liabilities		
Current liabilities		
Trade and other payables	3,083,661	2,795,950
Borrowings	7 5,397,940	4,627,422
Current tax liabilities	701,365	97,012
Provisions	1,398,414	1,181,645
Contingent consideration	8 110,231	231,418
Other liabilities	147,868	152,721
Total current liabilities	<u>10,839,479</u>	<u>9,086,168</u>
Non-current liabilities		
Borrowings	9 13,307,987	10,139,039
Deferred tax liabilities	813,072	827,427
Provisions	168,541	270,511
Contingent consideration	10 570,813	-
Other liabilities	46,244	46,244
Total non-current liabilities	<u>14,906,657</u>	<u>11,283,221</u>
Total liabilities	<u>25,746,136</u>	<u>20,369,389</u>
Net assets	<u>22,572,629</u>	<u>24,119,803</u>
Equity		
Issued capital	11 14,171,477	14,171,477
Retained profits	367,905	719,566
Equity attributable to the owners of Kelly Partners Group Holdings Limited	14,539,382	14,891,043
Non-controlling interest	8,033,247	9,228,760
Total equity	<u>22,572,629</u>	<u>24,119,803</u>

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

Kelly Partners Group Holdings Limited
 Consolidated statement of changes in equity
 For the half-year ended 31 December 2018

KELLY + PARTNERS

Consolidated	Issued capital \$	Retained profits \$	Non- controlling interest \$	Total equity \$
Balance at 1 July 2017	13,988,051	(2,298,172)	8,144,162	19,834,041
Profit after income tax expense for the half-year	-	1,044,373	2,365,920	3,410,293
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	1,044,373	2,365,920	3,410,293
<i>Transactions with owners in their capacity as owners:</i>				
Shares issued to employees	220,473	-	-	220,473
Share issue costs	(37,047)	-	-	(37,047)
Distributions to non-controlling interests	-	-	(2,327,310)	(2,327,310)
Dividends paid (note 12)	-	(454,972)	-	(454,972)
Balance at 31 December 2017	14,171,477	(1,708,771)	8,182,772	20,645,478

Consolidated	Issued capital \$	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
<i>Transactions with owners in their capacity as owners:</i>				
Distributions to non-controlling interests	-	-	(3,376,644)	(3,376,644)
Dividends paid (note 12)	-	(1,455,910)	-	(1,455,910)
Balance at 31 December 2018	14,171,477	367,905	8,033,247	22,572,629

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

Kelly Partners Group Holdings Limited
Consolidated statement of cash flows
For the half-year ended 31 December 2018

KELLY + PARTNERS

	Consolidated	
Note	31 Dec 2018	31 Dec 2017
	\$	\$
Cash flows from operating activities		
Receipts from customers	23,108,160	20,910,129
Payments to suppliers and employees	(17,259,613)	(17,430,370)
Finance costs paid	(391,711)	(309,567)
Income taxes paid	(96,110)	(74,666)
	<u>5,360,726</u>	<u>3,095,526</u>
Cash flows from investing activities		
Payment for purchase of business	13 (2,603,276)	-
Payments for property, plant and equipment	(1,493,739)	(225,374)
Payments for intangibles	-	(88,676)
Deposits refunded	157,977	45,816
Loans to partners - loans advanced	(760,386)	(136,985)
Loans to partners - proceeds from repayments	333,579	652,043
	<u>(4,365,845)</u>	<u>246,824</u>
Cash flows from financing activities		
Proceeds from borrowings	5,303,687	701,666
Repayment of borrowings	(1,740,636)	(1,489,156)
Dividends paid	12 (1,455,910)	(454,972)
Distributions paid to non-controlling interests	(3,376,644)	(2,327,310)
Share issue costs	-	(37,047)
	<u>(1,269,503)</u>	<u>(3,606,819)</u>
Net cash used in financing activities		
Net decrease in cash and cash equivalents	(274,622)	(264,469)
Cash and cash equivalents at the beginning of the financial half-year	1,440,262	1,187,485
Cash and cash equivalents at the end of the financial half-year	<u>1,165,640</u>	<u>923,016</u>

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 2019.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2018 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 2018 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 9 Financial Instruments

The Group has adopted AASB 9 from 1 July 2018. The Group has adopted the modified retrospective approach where comparatives are not restated. The Group has no complex financial instruments and does not apply hedge accounting. The primary impact is in relation to the calculation of impairment losses that impacts the way the Group calculates the bad debts provision, now termed the credit loss allowance.

All recognised financial assets that are within the scope of AASB 9 are required to be subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The directors of the Company reviewed and assessed the Group's existing financial assets and liabilities as at 1 July 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of AASB 9 has had no impact on the classification and measurement of the Group's financial assets and liabilities.

In relation to the impairment of financial assets, AASB 9 requires an expected loss model in relation to the determination of impairment of trade receivables including trade receivables and accrued income. The Group has applied the simplified approach to measuring expected credit losses in respect of trade receivables and accrued income balances. Expected credit losses have been determined based on historical credit loss experience and considered future information. Trade receivables and accrued income are written off when there is no reasonable expectation of recovery.

Note 2. Significant accounting policies (continued)

On adoption of the new standard there was no material change to retained earnings or the classification of financial assets and financial liabilities which continue to be measured at amortised cost, or fair value where applicable.

AASB 15 Revenue from Contracts with Customers

The Group has adopted AASB 15 from 1 July 2018. The standard moves away from the previous focus on identifying whether the seller has transferred to the buyer the significant risks and rewards of ownership. The core principle of the new standard is to recognise revenue to depict the transfer of promised services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those services.

For each type of contract entered into by Kelly Partners, the Group has identified the contract; identified the performance obligations in the contract; determined the transaction price; allocated the transaction price to performance obligations and recognised the revenue as and when the performance obligations are satisfied. Professional services provided by Kelly Partners are primarily contracted via an engagement letter ("contract") which sets out the engagement, performance obligations, the consideration and the terms of the business.

The standard defines a customer as 'a party that has contracted with an entity to obtain services that are an output of the entity's ordinary activities in exchange for consideration'. Management has undertaken an exercise to assess the Group's contractual arrangements with its customers as part of its implementation of AASB 15.

Performance obligations are identified at contract inception and represent each promise to transfer services whereby the customer can benefit from the service either on its own or with other readily available resources.

The transaction price allocated to the performance obligation is determined at the amount that reflects the consideration to which the entity expects to be entitled in exchange for those services. Consideration promised in a contract may therefore be variable and such variables may be either explicitly or implicitly stated in the contract.

Revenue is only recognised to the extent to which it is considered highly probable that there will be no significant reversal of that revenue. This determination is made having regard to contract terms, the nature of the services provided and past experience with the customer.

The transition provisions of AASB 15 allow an entity to not restate comparatives. However, accrued income which was previously included within trade and other receivables has been reclassified as accrued income.

The application of AASB 15 has not had a significant impact on the financial position and/or the financial performance of the Group. There was no material change to retained earnings arising on adoption of the new standard.

New Accounting Standards and Interpretations not yet mandatory or early adopted

AASB 16 Leases

This standard is currently applicable to annual reporting periods beginning on or after 1 January 2019. AASB 16 replaces the current AASB 117 'Leases' standard and sets out a comprehensive model for identifying lease arrangement and the subsequent measurement. A contract contains a lease if it conveys the right to control the use of an identified asset for a period of time. The majority of leases from the lessee perspective within the scope AASB 16 will require the recognition of a 'right of use' asset and a related lease liability, being present value of future lease payments. This will result in an increase in the recognised assets and liabilities in the Statement of Financial Position as well as a change in expense recognition, with interest and depreciation replacing lease expense, with the exception of leases of low value assets and leases with a term of 12 months or less.

The Group expects to adopt the standard from 1 July 2019 and the primary impact from adoption will be the treatment of premises and leased office equipment across the Group. The adoption of the standard will increase net current assets and lease liabilities due to the recognition of the lease liability and right of use asset; expense relating to minimum lease payments will reduce and there will be an increase in interest expense. However, at present it is not practical to provide a reliable estimate of the financial impact of the adoption of this standard. Final determination of the impact of the adoption of AASB 16 is subject to the resolution of the following key matters:

- finalisation of choice of transition method;
- finalisation of discount rates to be applied; and
- consideration of the impact of practical expedients.

Note 2. Significant accounting policies (continued)

Revenue recognition

The Group recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring services to a customer. For each contract with a customer, the Group: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are initially recognised as deferred revenue in the form of a separate refund liability.

Rendering of services

Revenue from a contract to provide services is recognised over time as the services are rendered based on either a fixed price or an hourly rate.

Commissions and other income

Commissions and other income is recognised when it is received or when the right to receive the payment is established.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

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

Accrued income

An accrued income asset arises where the Group has performed by transferring goods or services to a customer prior to the receipt of consideration from the customer or prior to payment becoming due and represents the Group's right to consideration for the transferred good or service.

Accrued income of \$3,484,037 previously included within trade and other receivables at 30 June 2018 has been reclassified as accrued income.

Note 3. Operating segments

The Group has only one reportable segment. The Group primarily provides accounting and tax services to small and medium enterprises predominantly in Australia. This assessment is based on the internal reports that are reviewed by the Board of Directors (identified as the Chief Operating Decision Maker) in assessing performance and in determining allocation of resources.

The operating segment information is the same information as provided throughout the financial statements and are therefore not duplicated.

No revenue from a single customer exceeds 10% of Group revenue.

Note 4. Revenue

	Consolidated	
	31 Dec 2018	31 Dec 2017
	\$	\$
Provision of services	19,732,231	19,235,872

Timing of revenue recognition

The revenue from provision of services from contracts with customers is recognised over time.

Note 5. 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 6. Non-current assets - intangible assets

	Consolidated	
	31 Dec 2018	30 Jun 2018
	\$	\$
Goodwill - at cost	20,065,613	17,847,638
Brand names and intellectual property - at cost	3,300,000	3,300,000
Customer relationships - at cost	7,412,357	6,008,429
Less: Accumulated amortisation	(3,705,205)	(3,356,471)
	<u>3,707,152</u>	<u>2,651,958</u>
Computer software - at cost	107,300	93,904
Less: Accumulated amortisation	(30,041)	(16,643)
	<u>77,259</u>	<u>77,261</u>
	<u><u>27,150,024</u></u>	<u><u>23,876,857</u></u>

Consolidated	Brand names and intellectual property				Total
	Goodwill	intellectual property	Customer relationships	Computer Software	
	\$	\$	\$	\$	\$
Balance at 1 July 2018	17,847,638	3,300,000	2,651,958	77,261	23,876,857
Additions	-	-	-	13,396	13,396
Additions through business combinations (note 13)	2,217,975	-	1,403,928	-	3,621,903
Amortisation expense	-	-	(348,734)	(13,398)	(362,132)
Balance at 31 December 2018	<u><u>20,065,613</u></u>	<u><u>3,300,000</u></u>	<u><u>3,707,152</u></u>	<u><u>77,259</u></u>	<u><u>27,150,024</u></u>

Note 7. Current liabilities - borrowings

	Consolidated	
	31 Dec 2018	30 Jun 2018
	\$	\$
Bank overdrafts	2,347,089	1,970,672
Bank loans	3,050,851	2,656,750
	<u>5,397,940</u>	<u>4,627,422</u>

Note 8. Current liabilities - contingent consideration

	Consolidated	
	31 Dec 2018	30 Jun 2018
	\$	\$
Contingent consideration	<u>110,231</u>	<u>231,418</u>

Contingent consideration relates to the fair value of the contingent component of the purchase price in relation to the acquisitions in the current period.

The contingent consideration in the prior period relating to the contingent component of the purchase price for Kelly Partners Southern Highlands was paid in August 2018.

Note 9. Non-current liabilities - borrowings

	Consolidated	
	31 Dec 2018	30 Jun 2018
	\$	\$
Bank loans	<u>13,307,987</u>	<u>10,139,039</u>

Total secured liabilities

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

	Consolidated	
	31 Dec 2018	30 Jun 2018
	\$	\$
Bank overdrafts	2,347,089	1,970,672
Bank loans	16,358,838	12,795,789
	<u>18,705,927</u>	<u>14,766,461</u>

The Group has debt facilities in place for each of its operating businesses with the loans of each operating business being non-recourse to the cash flows and assets of the parent entity. The loans comprise of overdraft facilities, term loans and equipment finance facilities. Typically, each operating business' debt facilities are granted security by that entity as well as having personal guarantees from the operating business owners.

Note 10. Non-current liabilities - contingent consideration

	Consolidated	
	31 Dec 2018	30 Jun 2018
	\$	\$
Contingent consideration	570,813	-

Non-current contingent consideration relates to the fair value of the contingent component of the purchase price in relation to the acquisitions in the current period.

Note 11. Equity - issued capital

	Consolidated			
	31 Dec 2018	30 Jun 2018	31 Dec 2018	30 Jun 2018
	Shares	Shares	\$	\$
Ordinary shares - fully paid	45,497,181	45,497,181	14,171,477	14,171,477

Note 12. Equity - dividends

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

	Consolidated	
	31 Dec 2018	31 Dec 2017
	\$	\$
First interim dividend for the year ended 30 June 2018 of \$0.01 per ordinary share, paid on 16 November 2017	-	454,972
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 ending 30 June 2019 of \$0.011 per ordinary share, paid on 30 October 2018	500,469	-
Second interim dividend for the year ending 30 June 2019 of \$0.011 per ordinary share, paid on 31 December 2018	500,469	-
	<u>1,455,910</u>	<u>454,972</u>

Note 13. Business combinations

Kelly Partners North Sydney

On 1 September 2018, Kelly Partners North Sydney acquired an accounting business in North Sydney.

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

The acquired business contributed revenues of \$379,407 and profit before tax of \$114,804 to the Group for the period from 1 September 2018 to 31 December 2018.

Note 13. Business combinations (continued)

Details of the acquisition are as follows:

	Fair value \$
Customer relationships	835,023
Deferred tax liabilities	(117,112)
Employee benefits	(30,277)
	<hr/>
Net assets acquired	687,634
Goodwill	822,551
	<hr/>
Acquisition-date fair value of the total consideration transferred	<u>1,510,185</u>
Representing:	
Cash paid to vendor	1,289,722
Contingent consideration	220,463
	<hr/>
	<u>1,510,185</u>

Kelly Partners Inner West

On 4 September 2018, Kelly Partners Inner West acquired an accounting business in the Inner West of Sydney.

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

The acquired business contributed revenues of \$369,869 and profit before tax of \$92,697 to the Group for the period from 4 September 2018 to 31 December 2018.

Details of the acquisition are as follows:

	Fair value \$
Customer relationships	437,958
Deferred tax liabilities	(66,812)
Employee benefits	(61,424)
	<hr/>
Net assets acquired	309,722
Goodwill	788,065
	<hr/>
Acquisition-date fair value of the total consideration transferred	<u>1,097,787</u>
Representing:	
Cash paid to vendor	825,147
Contingent consideration	272,640
	<hr/>
	<u>1,097,787</u>

Note 13. Business combinations (continued)

Kelly Partners Northern Beaches

On 3 December 2018, Kelly Partners Northern Beaches acquired an accounting business in Warriewood.

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

Details of the acquisition are as follows:

	Fair value \$
Customer relationships	130,947
Deferred tax liabilities	(43,591)
Employee benefits	(18,365)
	<hr/>
Net assets acquired	68,991
Goodwill	607,359
	<hr/>
Acquisition-date fair value of the total consideration transferred	<u>676,350</u>
Representing:	
Cash paid to vendor	488,409
Contingent consideration	187,941
	<hr/>
	<u>676,350</u>

Note 14. Earnings per share

	Consolidated	
	31 Dec 2018	31 Dec 2017
	\$	\$
Profit after income tax	3,285,380	3,410,293
Non-controlling interest	(2,181,131)	(2,365,920)
	<hr/>	<hr/>
Profit after income tax attributable to the owners of Kelly Partners Group Holdings Limited	<u>1,104,249</u>	<u>1,044,373</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>45,497,181</u>	<u>45,495,518</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>45,497,181</u>	<u>45,495,518</u>
	Cents	Cents
Basic earnings per share	2.43	2.30
Diluted earnings per share	2.43	2.30

Note 15. Events after the reporting period

On 1 February 2019, Kelly Partners Oran Park acquired an accounting business in South West Sydney. The profit contribution of the business acquired is not expected to be material to the Group.

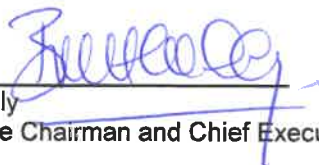
No other matter or circumstance has arisen since 31 December 2018 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

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 2018 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 2019
Sydney

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 2018, 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 2018 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.

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 2018 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



Alfred Nehama
Partner
Chartered Accountants
Sydney, 25 February 2019