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 2023
Previous period:	For the half-year ended 31 December 2022

2. Results for announcement to the market

		%		$'000
Revenues from ordinary activities	up	23.1%	to	52,862
Profit for the year attributable to the owners of Kelly Partners Group Holdings Limited	down	(14.3%)	to	1,958
Underlying net profit after tax before amortisation ('Underlying NPATA') attributable to owners of Kelly Partners Group Holdings Limited	up	25.0%	to	4,399

Refer below and 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 $1,958,000 (31 December 2022: $2,285,000).

Total comprehensive income for the half-year attributable to the owners of Kelly Partners Group Holdings Limited after providing for income tax and non-controlling interests amounted to $1,907,000 (31 December 2022: $2,287,000).

The underlying NPATA for the half-year attributable to the owners of Kelly Partners Group Holdings Limited after providing for income tax and non-controlling interests amounted to $4,399,000 (31 December 2022: $3,518,000).

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

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

	Consolidated	
	1H24 $'000	1H23 $'000
NPAT attributable to owners of Kelly Partners Group Holdings Limited	1,831	2,279
Amortisation of customer relationship intangibles	1,490	928
NPATA attributable to owners of Kelly Partners Group Holdings Limited	3,321	3,207
Add: Non-recurring expenses		
Acquisition costs	544	534
Strategic review costs	972	-
Less: Non-recurring revenue		
Government grants in relation to Australian Apprenticeships Incentives Program	(30)	-
Change in fair value of contingent consideration	(13)	(96)
Net non-recurring items	1,473	438
Less: Tax effect of non-recurring items	(395)	(127)
Underlying NPATA attributable to owners of Kelly Partners Group Holdings Limited	4,399	3,518

3. Net tangible assets

	31 Dec 2023 Cents	30 Jun 2023 Cents
Net tangible assets per ordinary security	(61.36)	(60.16)

4. Control gained over entities

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

Entity	Location of business acquired	Date of acquisition
Kelly Partners Griffith	Griffith, NSW, AU	03/07/2023
Kelly Partners HR & Payroll Services (Riverina)	Griffith, NSW, AU	03/07/2023
Kelly Partners Bundall	Bundall, QLD, AU	15/08/2023
Kelly Partners Woodland Hills	Los Angeles, CA, USA	01/12/2023

The acquired businesses contributed revenues of $6,234,000 and a net profit before tax and amortisation of $1,683,000 to the Group for the period from the date businesses were acquired to the period ended 31 December 2023.

5. Loss of control over entities

Entity	Date of sale	Contributed profit / (loss) before tax during the period	Contributed profit / (loss) before tax during the prior year
Kelly Partners Private Wealth (Central & Hunter Region) Pty Ltd and Kelly Partners Life Insurance Services (Central Coast & Hunter Region) Pty Ltd	1/12/2023	160,560	125,595

6. Dividends

Current period ended 31 December 2023

	Amount per security Cents	Franked amount per security Cents
For the year ending 30 June 2024:		
First interim dividend paid on 31 July 2023	0.439	0.439
Second interim dividend paid on 31 August 2023	0.439	0.439
Third interim dividend paid on 29 September 2023	0.439	0.439
Fourth interim dividend paid on 31 October 2023	0.439	0.439
Fifth interim dividend paid on 30 November 2023	0.439	0.439
Sixth interim dividend paid on 29 December 2023	0.439	0.439
	2.634	2.634

The seventh interim dividend for the year ending 30 June 2024 was declared and paid at $0.00439 per share on 31 January 2024. The final dividend for FY23 of 1.65 cents per share was not paid as at 31 December 2023 due to funds being required to complete the acquisition of the accounting firm located in Burbank, California in Jan-24.

Previous period ended 31 December 2022

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

7. Dividend reinvestment plans

Not applicable.

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8. Details of associates and joint venture entities

Not applicable.

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9. Foreign entities

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

Not applicable.

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10. Audit qualification or review

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

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

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11. Attachments

Details of attachments (if any):

The Interim Report of Kelly Partners Group Holdings Limited for the half-year ended 31 December 2023 is attached.

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12. Signed

Authorised by the Board of Directors.

Signed ______________________________ Date: 1 February 2024

Brett Kelly
Executive Chairman and Chief Executive Officer
Sydney

KELLY PARTNERS GROUP HOLDINGS LIMITED

ABN 25 124 908 363

INTERIM REPORT – 31 December 2023

The directors present their report, together with the financial statements, of the consolidated entity (referred to hereafter as the 'Group') consisting of Kelly Partners Group Holdings Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2023.

Directors

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

Brett Kelly - Chairman
Stephen Rouvray - Deputy Chairman
Ryan Macnamee
Lawrence Cunningham
Paul Kuchta
Ada Poon

Principal activities

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

Strategy

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

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

Structure

Kelly Partners’ businesses operate under the Kelly Partners’ Partner-Owner-Driver® model, where Kelly Partners and the operating partners respectively own a 51%/49% interest in the operating business. The Partner-Owner-Driver® structure drives long term strategic alignment and establishes a foundation for long term success and growth for the clients, people and partners of Kelly Partners.

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

Half-year metrics

	Strategy	Measure	1H24	1H23[1]	1H22	1H21	1H20
(1)	Improving the earning power of the operating businesses	EBITDA margin of operating businesses	30.6%	30.3%	33.5%	36.6%	32.5%
		Less: Depreciation on PPE	(1.9%)	(2.1%)	(2.1%)	(1.6%)	(1.7%)
		EBITA margin of operating businesses	29.2%	28.8%	31.4%	35.0%	30.8%
(2)	Further increase earnings through acquisitions	Contribution to revenue growth from acquired businesses	20.4%	34.5%	17.0%	6.5%	7.5%
(3) a.	Growing our accounting businesses	Contribution to revenue growth from existing accounting businesses	3.1%[2]	5.6%	5.1%	0.0%	10.7%
(3) b.	Growing our complementary businesses	Contribution to revenue growth from existing complementary businesses	(0.4%)	2.1%	2.4%	0.4%	5.2%
		Wealth	6.2%	1.3%	1.0%	0.5%	0.8%
		Finance	(35.9%)[3]	0.6%	0.9%	0.0%	0.2%
		Investment office	(4.8%)	0.2%	0.5%	(0.1%)	1.3%
		Human resource	88.8%[4]	-	-	-	-
(4) a.	Making programmatic acquisitions	Number of acquisitions	3	6	2	2	2
(4) b.	Making an occasional large acquisition (i.e. greater than $5m in revenue)	Number of large acquisitions	-[5]	-	-	-	-
(5)	Repurchasing the Company's shares when available at a meaningful discount from intrinsic value	(i) Number of shares repurchased	-	-	-	344k	95k
		(ii) % of shares issued repurchased	0.0%	0.0%	0.0%	0.8%	0.2%
		(iii) number of shares on issue	45.0m	45.0m	45.0m	45.0m	45.3m

[1] 1H23 numbers and metrics presented in this Directors' Report have been restated to exclude operations that were discontinued in 1H24 for like for like comparison. For details on discontinued operations, please refer to the "Sale of Businesses" section.
[2] For further details, explanation and breakdown please refer to the "Revenue" section.
[3] Revenue declines in the Finance broking business due to a significant drop in finance settlements due to higher interest rates and cost of living pressure.
[4] Relates to two new human resource consulting businesses that commenced in Jul-22 and in Jul-23.
[5] Kelly Partners Griffith is a large acquisition completed on 1 July 2023 but was already included in FY23 metrics as it was announced in FY23.

Full year metrics

	Strategy	Measure	FY23	FY22	FY21	FY20	FY19	FY18
(1)	Improving the earning power of the operating businesses	EBITDA margin of operating businesses	27.3%	30.9%	33.4%	32.5%	27.7%	34.0%
		Less: Depreciation on PPE	(2.3%)	(2.3%)	(2.4%)	(1.6%)	(1.3%)	(1.0%)
		EBITA margin of operating businesses	25.0%	28.6%	31.0%	30.9%	26.4%	33.0%
(2)	Further increase earnings through acquisitions	Contribution to revenue growth from acquired businesses	28.7%	26.5%	4.8%	6.6%	6.4%	17.2%
(3) a.	Growing our accounting businesses	Contribution to revenue growth from existing accounting businesses	2.9%	4.7%	1.4%	6.6%	(6.9%)	10.5%
(3) b.	Growing our complementary businesses	Contribution to revenue growth from existing complementary businesses	1.8%	1.5%	1.2%	2.8%	1.8%	3.1%
		Wealth	1.4%	0.9%	1.0%	0.4%	0.7%	1.0%
		Finance	0.3%	0.6%	0.2%	0.4%	0.7%	0.8%
		Investment office	0.1%	(0.2%)	0.0%	0.9%	0.0%	0.4%
		Discontinued operations	n/a	n/a	n/a	1.1%	0.4%	0.9%
		Insurance (from Jan-21)	n/a	n/a	n/a	n/a	n/a	n/a
(4) a.	Making programmatic acquisitions	Number of acquisitions	8	8	7	3	4	-
(4) b.	Making an occasional large acquisition (i.e. greater than $5m in revenue)	Number of large acquisitions	1	-	-	-	-	-
(5)	Repurchasing the Company's shares when available at a meaningful discount from intrinsic value	(i) Number of shares repurchased	-	-	400k	95k	2k	-
		(ii) % of shares issued repurchased	-	-	0.88%	0.21%	-	-
		(iii) number of shares in issue	45.0m	45.0m	45.0m	45.4m	45.5m	45.5m

Key financial metrics

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

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

Half-year metrics

Key financial metric	Formula	1H24	1H23	1H22	1H21	1H20
Return to owners						
Owners' earnings - Group ($'000)[6]	Cash from operating activities – repayment of lease liabilities – maintenance capex	11,109	9,991	9,098	8,053	6,623
Owners' earnings - Parent ($'000)	Cash from operating activities – repayment of lease liabilities – maintenance capex	4,168	3,536	3,380	2,640	1,948
Return on equity	Trailing Twelve Months ('TTM') Underlying NPATA / Equity	35.3%[7]	42.7%	42.2%	44.5%	45.6%
Return on invested capital	(TTM Underlying NPATA+ cash interest) / (Equity + debt)	19.9%[8]	21.5%	23.3%	28.1%	25.8%
Earnings per share (EPS) (cents per share)	Underlying attributed NPATA / Weighted average number of shares	9.78	7.82	7.42	6.24	4.01
Dividends (cents per share)[9]	Dividends paid	2.64	2.40	2.18	2.66	2.42
Dividends payout ratio	Dividends per share / EPS (underlying NPATA)	27.0%	30.0%	29.3%	42.6%	60.4%
Closing share price	Closing share price	$4.92	$4.49	$4.35	$2.12	$0.99
Market capitalisation	Share price x number of shares outstanding	$221.4m	$202.1m	$195.8m	$95.4m	$44.6m
Cash conversion / debt						
Cash conversion	Operating cashflow / Statutory EBITDA	101.4%	106.4%	88.9%	92.9%	100.5%
Gearing ratio	Net Debt / Underlying EBITDA	1.94x	1.93x	1.32x	0.76x	1.19x
Net debt per partner ($'000)	Net Debt / Number of Partners	518	520	415	267	407
Number of partners	Number of partners	88	72	57	49	42

In 1H24, Owners' earnings for the 6 months were $11,109,000 (1H23: $9,991,000) up 11.2% from the prior corresponding period. Owners' earnings for the parent entity were $4,168,000 (1H23: $3,536,000), up 17.9% from the prior corresponding period.

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6 The Group uses owners' earnings to measure cash flow available to the Group. Owners' earnings is a non-IFRS measure which is used to measure cash flow to the Group (after taxes and finance costs) and after taking into account the necessary:
- additions or deductions of working capital investment (debtors, accrued Income, and other accrual movements) required as the business grows and makes acquisitions;
- deductions required for the maintenance capital expenditure for the business to maintain on-going operations in the long term; and
- deducting the repayment of lease liability from cash from operations (which AASB16 reclassifies to cash from financing activities).

7 Return on equity impacted where the TTM Underlying NPATA does not include a full year contribution from in year acquisitions. Adjusting for this results in a 38.5% ROE.

8 Return on Invested Capital impacted where the TTM Underlying NPATA does not include a full year contribution from in year acquisitions. Adjusting for this results in a 21.9% ROIC.

9 Dividends paid represent the dividends paid relating to the stated financial year. For example, dividends paid in FY23 relating to FY22 is shown in the FY22 column. Ordinary dividends exclude special dividends.

Full year metrics

Key financial metric	Formula	FY23	FY22	FY21	FY20	FY19	FY18
Return to owners							
Owners' earnings - Group ($'000)	Cash from operating activities - repayment of lease liabilities - maintenance capex	14,934	13,959	12,808	12,174	9,673	6,305
Owners' earnings- Parent ($'000)	Cash from operating activities - repayment of lease liabilities - maintenance capex	5,999	6,313	5,015	3,885	3,129	n/a
Return on equity	Underlying NPATA / Equity	38.4%	41.7%	46.7%	44.2%	36.6%	47.8%
Return on invested capital	(Underlying NPATA + cash interest) / (Equity + Debt)	20.0%	22.3%	27.9%	26.1%	22.7%	31.2%
Earnings per share (EPS) (cents per share)	Underlying attributed NPATA / Weighted average number of shares	12.01	13.99	11.32	8.67	7.02	9.51
	Annual increase (EPS)	(14.2%)	23.5%	30.7%	23.5%	(26.2%)	25.6%
Dividends (cents per share)	Dividends paid (inc. special dividends)	7.32	8.17	7.08	4.84	4.40	4.00
Ordinary dividends (cents per share)	Ordinary dividends paid (exc. special dividends)	4.79[10]	5.86	5.32	4.84	4.40	4.00
Dividends payout ratio	Dividends per share / EPS (underlying NPATA)	61.0%	57.0%	62.0%	55.8%	62.7%	42.1%
Closing share price	Closing share price	$4.72	$3.88	$3.40	$0.88	$0.89	$1.23
Market capitalisation	Share price x number of shares outstanding	$212.4m	$174.6m	$153.0m	$39.6m	$40.1m	$55.4m
Cash conversion / debt							
Cash conversion	Operating cashflow / Statutory EBITDA	94.4%	83.3%	93.5%	97.3%	116.8%	63.5%
Gearing ratio	Net Debt / Underlying EBITDA	1.65x	1.36x	0.84x	0.96x	1.35x	0.79x
Net debt per partner ($'000)	Net Debt / Number of Partners	512	506	297	346	367	291
Number of partners	Number of partners	78	62	54	45	41	40

10 The final dividend anticipated for FY23 of 1.65 cents per share is yet to be declared and paid due to funds being required to complete the acquisition of the accounting firm located in Burbank, California in Jan-24.

Review of operations

In the half-year ended 31 December 2023 ('1H24'), the Group has recorded a consolidated statutory net profit after income tax from continuing operations of $7,325,000 (half-year ended 31 December 2022 ('1H23'): $6,456,000), an increase of 13.4%. The statutory net profit attributable to the members of the parent entity was $1,831,000 (1H23: $2,279,000), a decrease of 19.7%.

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

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

Underlying EBITDA as a core measure ignores the cash implications of capital investment requirements. Kelly Partners has historically used EBITDA as a measure of performance because typically depreciation charges have been extremely low or negligible (1.5% of revenue prior to FY20), reflecting the minimal capital requirements in accounting businesses. Where depreciation charges have been minimal, EBITDA equates roughly to EBITA. However, depreciation charges for the group have increased in recent years due to depreciation of the cost of fitouts completed across Kelly Partners offices and now amounts to ~2.3% of group revenues. In light of this, management has introduced EBITA as a measure of business performance. The targeted EBITA ratio will be 32.5% (35.0% EBITDA target less depreciation of ~2.3%).

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

	Consolidated	
	1H24 $'000	1H23 $'000
Statutory net profit after income tax ('NPAT') from continuing operations	7,325	6,456
Finance costs	3,134	2,008
Income tax expense	997	751
Depreciation and amortisation expense	5,591	4,319
Earnings before interest, tax, depreciation and amortisation ('EBITDA')	17,047	13,534
Add: Non-recurring expenses		
Acquisition costs	373	394
Strategic review	972	-
Less: Non-recurring income		
Government subsidies in relation to Australian Apprenticeships Incentive Program	(58)	-
Change in fair value of contingent consideration	(25)	(192)
Underlying EBITDA	18,309	13,736
Less: Depreciation expense	(2,849)	(2,457)
Underlying EBITA	15,460	11,279

Underlying EBITDA of the Group was $18,309,000 (1H23: $13,736,000), an increase of 33.3%.

Underlying EBITA of the Group was $15,460,000 (1H23: $11,279,000), an increase of 37.0%.

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

	Consolidated 1H24 $'000	Consolidated 1H23 $'000
Statutory NPAT from continuing operations attributable to owners of Kelly Partners Group Holdings Limited	1,831	2,279
Amortisation of customer relationship intangibles	1,490	928
NPATA attributable to owners of Kelly Partners Group Holdings Limited	3,321	3,207
Add: Non-recurring expenses		
Acquisition costs	544	534
Strategic review costs	972	-
Less: Non-recurring income		
Government grants in relation to Australian Apprenticeships Incentives Program	(30)	-
Change in fair value of contingent consideration	(13)	(96)
Net non-recurring items	1,473	438
Less: Tax effect of non-recurring items	(395)	(127)
Underlying NPATA attributable to owners of Kelly Partners Group Holdings Limited	4,399	3,518

Underlying NPATA attributable to members of the parent entity was $4,399,000 (1H23: $3,518,000), an increase of 25.0%.

Financial performance

Acquisitions and integration

During 1H24, the Group completed three acquisitions with estimated total annual revenues in the range of $10.3m to $14.6m. Further, the Group completed two acquisitions in January 2024 with estimated total annual revenues in the range of $4.4m to $5.3m. In aggregate the Group has completed five acquisitions (up to the date of the Directors' Report) with estimated total annual revenues in the range of $14.7m to $19.9m, representing 17.0% to 23.0% of FY23 revenue. The Group's revenue run rate (annualised revenue including all acquisitions completed to date) for FY24 is expected to be ~$110m, exceeding the target revenue of $80m as per the published 5-year plan.

The completed acquisitions are listed in the table below.

#	Details	Location	Type	Acquired revenue
(1)	Jul-23	Griffith, NSW	Marquee	$7.0m - $10.0m
(2)	Aug-23	Bundall, QLD	Marquee	$1.5m - $2.1m
(3)	Dec-23	Woodland Hills, California, United States	Marquee	$1.8m - $2.5m
	Total acquisitions completed in 1H24			**$10.3m - $14.6m**
	% of FY23 Revenue ($86.5m)			**11.9% - 16.9%**
(4)	Jan-24	Burbank, California, United States	Marquee	$4.0m - $4.8m
(5)	Jan-24	Bendigo, VIC	Tuck-in	$0.4m - $0.5m
	Total acquisitions completed in 2H24			**$4.4m - $5.3m**
	% of FY23 Revenue ($86.5m)			**5.1% - 6.1%**
	Total acquisitions completed in FY24			**$14.7m - $19.9m**
	% of FY23 Revenue ($86.5m)			**17.0% - 23.0%**

Sale of businesses

In December 2023, Kelly Partners sold all of the Company's shares in Kelly Partners Private Wealth (Central Coast & Hunter Region) Pty Ltd and Kelly Partners Life Insurance Services (Central Coast & Hunter Region) Pty Ltd, as well as the retail wealth management business operated from Kelly Partners Private Wealth Sydney Partnership. The rationale behind the sale of these businesses is as follows:

1. The businesses are not the core focus for Kelly Partners, nor do they sit within Kelly Partners' circle of competence. They were initially acquired as there was an associated accounting business. It was also part of the Group's strategy to explore investing and operating such complementary businesses. Kelly Partners' core strategy is to acquire and perpetually own and operate accounting businesses. However, from time to time the Group may own and operate businesses that are complementary to its accounting businesses, and the Group may exit such businesses if the businesses do not align with its mission, values and strategy.
2. The businesses have been significantly underperforming as can be seen from the summary results below, and whilst numerous attempts and measures were implemented to improve profitability, the nature of retail financial planning business (with large numbers of small clients, thereby significantly increasing costs of compliance and administration) makes it difficult to earn appropriate margins.
3. Kelly Partners received an offer to sell the businesses at a valuation higher than acquisition cost and can reinvest the capital elsewhere achieving better returns.

A summary of the financial performance of these businesses are included below:

	FY22	FY23	1H23	1H24
Revenue	$2,401,000	$2,287,000	$1,078,000	$867,000
EBITA	$305,000	$332,000	$51,000	$142,000
EBITA%	12.7%	14.5%	4.7%	16.4%
NPATA	$108,000	$205,000	$22,000	$85,000
NPATA%	4.5%	8.9%	2.0%	9.9%

A calculation of the gain on sale of the businesses is shown below:

	$'000
Consideration	2,596
Less: Net Assets	(2,112)
Gain on disposal of subsidiaries (per Note 9. Discontinued Operations)	484

Offices and partners
As at the date of this report, the Group operates out of 34 offices (30 June 2023: 30). Since 1 July 2023, the Group commenced businesses in the following new locations through acquiring local accounting firms in these areas:
(1) Griffith, NSW
(2) Bundall, QLD
(3) Woodland Hills, California, United States
(4) Burbank, California, United States

As at 31 December 2023, the total number of equity partners (including CEO, Brett Kelly) was 88 (30 June 2023: 78) with 2 partners recruited externally, 2 partners promoted internally, and 13 partners joining from completed acquisitions. Post balance date, 3 partners joined the Group via completed acquisitions, taking the total number of equity partners to 91. The Group continues its focus in developing and recruiting new partners as part of its strategy to retain and motivate key talent and to drive revenue growth.

Property portfolio
On 28 July 2023, Kelly Partners (Central Coast) Property Trust completed the purchase of a commercial property in Leeton, NSW for $650,000. The purchase was funded through bank borrowings. Kelly Partners Leeton operates its accounting business from this premise.

As stated in previous reports, the Group continues to pursue a strategy of removing properties from the Group's balance sheet. The Group believes that the properties from which its business operates should be owned in a separate structure in which our operating partners can own a share.

Revenue
Revenue for 1H24 increased 23.1% to $52.9m (1H23: $42.9m). A reconciliation of acquisition and organic growth is set out below:

	$'000	Contributed growth %	Growth on prior year %
1H23 Revenue from continuing operations	42,931		
Accounting business growth	1,328	3.1%	3.3%
Complementary business growth	(138)	(0.4%)	(5.2%)
Total organic growth	1,190	2.7%	(1.9%)
Acquired growth (1H24)	8,741	20.4%	-
1H24 Revenue from continuing operations	52,862	23.1%	23.1%

Acquired revenue growth of $8.7m contributed 20.4% of revenue growth, with in year acquisitions completed to date in 1H24 contributing $6.0m and revenue from acquisitions completed in FY23 contributing $2.7m.

Organic revenue grew 2.8% on prior period, and was impacted by:
1. revenue decline in the Canberra business due to client losses from the Canberra acquisitions completed in FY22. The Group was nevertheless protected by the non-payment of the amount retained from the acquisition price due to revenue targets not being met;
2. revenue declines in the Finance broking business due to a significant drop in finance settlements resulting from the impact of higher interest rates and cost of living pressures;
3. subscale businesses that were merged into larger and more established businesses in the Group during the year; and
4. two other retail financial planning and mortgage broking businesses that the Group is in the process of selling.

Excluding the above impacts, organic revenue growth was in line with the Group's target growth of 5%.

Operating expenses
Employment and related expenses have increased 19.2% and operating expenses have increased 11.3% on prior half-year, compared to revenue growth of 23.1%.

Underlying EBITA
Underlying EBITA (which measures EBITA before one-off and non-recurring items) increased 35.5% to $14,447,000 (1H23: $10,665,000).

The directors consider underlying EBITA margin before AASB 16 as a more meaningful measurement of performance. Underlying EBITDA as a core measure ignores the cash implications of capital investment requirements. Kelly Partners has historically used EBITDA as a measure of performance because typically depreciation charges have been extremely low or negligible (1.5% of revenue prior to FY20), reflecting the minimal capital requirements in accounting businesses. Where depreciation charges have been minimal, EBITDA equates roughly to EBITA. However, depreciation charges for the group have increased in recent years due to depreciation of the cost of fitouts completed across Kelly Partners offices and now amounts to ~2.3% of group revenues. In light of this, management has introduced EBITA as a measure of business performance. The targeted EBITA ratio will be 32.5% (35.0% EBITDA target less depreciation of ~2.3%).

The underlying EBITA margin before AASB 16 is higher than prior year at 27.3% (1H23: 24.8%). Excluding the additional investments by the parent entity, the underlying EBITA margin of our operating businesses was 29.2% (1H23: 28.8%). Our aim is to increase the EBITA margin to 32.5% and we expect to do so once the recently completed acquisitions have undergone a successful transition and transformation under our Kelly Partners Partner-Owner-Driver™ model.

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

	1H24	1H23	FY23
Underlying EBITDA ($'000)	$18,309	$13,738	$24,264
Growth %	+33.3%	+15.7%	+5.0%
AASB 16 leasing adjustment - rent expense ($'000)	($2,842)	($2,170)	($4,604)
Underlying EBITDA before AASB 16 leasing adjustments ($'000)	$15,467	$11,568	$19,660
Growth %	+33.7%	+12.5%	-1.6%
As a % of revenue	29.3%	26.9%	22.7%
Less: Depreciation on PPE ($'000)	($1,020)	($903)	($2,030)
Underlying EBITA ($'000)	**$14,447**	**$10,665**	**$17,630**
Growth %	**+35.5%**	**+10.8%**	**-4.7%**
As a % of revenue	**27.3%**	**24.8%**	**20.4%**

Additional investment expenditure by the parent entity

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

	1H24	1H23	FY23
Group revenue ($'000)	52,862	42,931	86,524
Group revenue growth on prior period	+23.1%	+38.8%	+33.4%
Additional investment expenditures ($'000)	726	1,454	2,479
% of Revenue	1.4%	3.4%	2.9%

Non-recurring and one-off items

Total non-recurring income for the Group for the year was $83,000 (1H23: $192,000) and included:

(1) $25,000 (1H23: $192,000) in non-cash income relating to the change in fair value of contingent considerations. This relates to an acquisition completed in FY22 where the vendor had not fully achieved the required targets for the payment of the contingent consideration in full. This represents 7.0% of the total retention payable, and 93% was paid out to the vendor.

(2) $58,000 (1H23: $nil) in subsidies received through the Australian Apprenticeships Incentives Program.

Total non-recurring expenses for the Group for the half-year was $1,345,000 (1H23: $394,000) which included:

(1) $972,000 in costs for undertaking the Strategic Review as disclosed in market announcements. This included legal costs with US and Australian legal counsels on exploring potential redomiciliation of the Company to the US.

(2) $373,000 in legal costs relating to the US acquisitions completed. This included a redocumentation and Americanising of the Group's Australian legal agreements, such as the Partnership Agreement and Acquisition Agreement, and several other sub deeds.

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

Depreciation and amortisation and finance costs
Depreciation and amortisation expense increased to $5,591,000 (1H23: $4,319,000) and includes depreciation expense of $2,849,000 (1H23: $2,457,000) and amortisation expense of $2,742,000 (1H23: $1,861,000). The increase in depreciation expenses is due to an increased number of leases (leading to higher number of 'right-of-use assets' that need to be depreciated). The increase in amortisation expense is due to recent acquisitions completed creating customer relationship intangible assets that are amortised in accordance with Australian Accounting Standards.

Finance costs increased to $3,134,000 (1H23: $2,008,000). Finance costs include interest on lease liabilities of $1,012,000 (1H23: $616,000) recognised due to the requirements of AASB 16 and the increase is due to new property leases that the Group has entered into as part of acquiring businesses in new locations. Finance costs on bank overdrafts and loans of $1,852,000 (1H23: $1,114,000) also increased considerably due to a rise in interest rates as well as increased term debt in the past 12 months with the accelerated rate of acquisitions completed.

Income tax expense
The Group's Income Tax Expense has increased to $997,000 (1H23: $751,000) and is in line with the increase in the net profit before tax of the Group. The tax for the group is calculated on the parent entity's share of partnership income, 100% of the profit of operating businesses structured as companies, and 100% of the net parent entity expenses.

Cash flow
Cash from operations
Receipts from customers increased 22.0% to $59,024,000 (1H23: $48,378,000). Payments to suppliers and employees increased 22.4% to $42,015,000 (1H23: $34,330,000). Operating Cashflow (defined as Receipts from Customers less Payments to suppliers and employees) was up 21.1% to $17,009,000.

	1H24	1H23
Operating cashflow ($'000)	17,009	14,048
Growth %	21.1%	33.3%

Cash from investing activities
In 1H24 the Group spent $2,570,000 on property, plant and equipment capital expenditure. Of this, $681,000 was used to purchase the commercial property in Leeton where Kelly Partners Leeton operate from. $1,280,000 was used to fitout the premises of Kelly Partners Bendigo and Kelly Partners South West Sydney. The remaining $609,000 represents office and computer equipment, new motor vehicles and other capital expenditures, including $220,000 of initial computer hardware equipment purchased for the commencement of the Group's Mumbai office, which currently houses 30+ team members.

Cash from financing activities
In 1H24 the Group's borrowings (excluding overdrafts considered as working capital) increased by $10,422,000 to $44,557,000 (30 June 2023: $34,135,000). New borrowings of $15,852,000 were taken out during the year, mainly for the completion of in year acquisitions. The difference reflects the principal repayments made during the half-year of $5,428,000 and reflects the Group's strong and disciplined approach in repaying debt. Proceeds from borrowings of $15,852,000 included $9,274,000 for acquisition funding, $1,318,000 for fitout funding, $2,512,000 relating to the buy in of new and existing partners, $650,000 for the purchase of the Leeton property, $650,000 for the payment of costs relating to the strategic review, and the remaining $1,447,000 for insurance premium funding, motor vehicle financing and other loan refinance.

Working capital
The Group continues to maintain a disciplined approach to managing its lockup (defined as trade receivables and accrued income less contract liabilities), with lockup of 55.2 days or $16,079,000 (calculated on run rate revenue with annualised revenue contributions from completed acquisitions) compared with the prior year (31 December 2022: 56.4 days, $13,362,000).

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

	1H24	1H23
Lockup ($'000)	16,079	13,362
Lockup days	55.2	56.4
Debtors ($'000)	12,664	10,656
Debtor days	43.4	45.0
Accrued income and contract liabilities ($'000)	3,414	2,706
Accrued income and contract liabilities days	11.7	11.4

Capital structure

The business continues to maintain a capital structure that supports its accelerated growth. As at 31 December 2023 the Group's Gearing Ratio (defined as Net Debt / TTM Underlying EBITDA) increased to 1.94x (30 June 2023: 1.65x) mainly as a result of debt taken out to complete acquisitions, fitouts and new partner buy ins. Net debt increased by $5,666,000 over the 6 months, primarily due to $15,852,000 of term debt taken out during the period (see the preceding section "Cash from financing activities" for further details).

The gearing ratio is impacted by acquisitions that only contributed part year EBITDA. Adjusting for this, the gearing ratio is at ~1.75x.

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

	1H24	1H23
Gearing Ratio (Net Debt / TTM Underlying EBITDA)	1.94x	1.93x

Dividends

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

	Consolidated 31 Dec 2023 $'000	Consolidated 31 Dec 2022 $'000
During half-year ended 31 December 2023:		
For the year ending 30 June 2024:		
First interim dividend of $0.00439 per ordinary share, paid on 31 July 2023	197	-
Second interim dividend of $0.00439 per ordinary share, paid on 31 August 2023	197	-
Third interim dividend of $0.00439 per ordinary share, paid on 29 September 2023	197	-
Fourth interim dividend of $0.00439 per ordinary share, paid on 31 October 2023	197	-
Fifth interim dividend of $0.00439 per ordinary share, paid on 30 November 2023	197	-
Sixth interim dividend of $0.00439 per ordinary share, paid on 29 December 2023	197	-
	1,182	-
During half-year ended 31 December 2022:		
For the year ended 30 June 2023:		
First interim dividend of $0.00399 per ordinary share, paid on 29 July 2022	-	180
Second interim dividend of $0.00399 per ordinary share, paid on 31 August 2022	-	180
Third interim dividend of $0.00399 per ordinary share, paid on 30 September 2022	-	180
Fourth interim dividend of $0.00399 per ordinary share, paid on 31 October 2022	-	180
Fifth interim dividend of $0.00399 per ordinary share, paid on 30 November 2022	-	180
Sixth interim dividend of $0.00399 per ordinary share, paid on 30 December 2022	-	180
	-	1,080
For the year ended 30 June 2022:		
Final dividend of $0.0139 per ordinary share, paid on 5 August 2022	-	626
Final dividend of $ 0.0011 per ordinary share, paid on 31 August 2022	-	50
Special dividend of $0.0116 per ordinary share, paid on 31 August 2022	-	522
Special dividend of $0.0116 per ordinary share, paid on 30 September 2022	-	522
	-	1,720
Total dividends	1,182	2,800

The seventh interim dividend for the year ending 30 June 2024 was declared and paid at $0.00439 per share on 31 January 2024. The Company continued to pay monthly dividends of 0.44 cents per share, increasing 10% on prior year (0.40 cents per share). The Company has grown its ordinary dividends by 10% annually since the IPO.

During the half year, the Company did not declare and pay the final dividend for FY23 of 1.65 cents per share due to funds being required to complete the acquisition of the accounting firm located in Burbank, California in Jan-24.

In relation to the Company’s dividend policy, the strategic review undertaken in the half year found that more shareholder value could be created from investing capital currently being paid out as dividends.

Significant changes in the state of affairs

Acquisitions

During the financial period, the Group completed 3 acquisitions with total acquired revenues of $10.3m to $14.6m. Details of the acquisitions can be found in the preceding “Acquisitions and integration” section.

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

Rounding of amounts

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

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

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

On behalf of the directors

____
Brett Kelly
Executive Chairman and Chief Executive Officer

1 February 2024
Sydney

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the directors of Kelly Partners Group Holdings Limited

As lead auditor for the review of Kelly Partners Group Holdings Limited for the half-year ended 31 December 2023, I declare that, to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Kelly Partners Group Holdings Limited and the entities it controlled during the period.

Yours faithfully

William Buck

William Buck
Accountants & Advisors
ABN: 16 021 300 521

Leo Tutt

L.E. Tutt
Partner
Sydney, 1 February 2024

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	Note	Consolidated 31 Dec 2023 $'000	31 Dec 2022 $'000
Revenue			
Professional services revenue	4	52,862	42,931
Government grants and subsidies	5	58	513
Other income	6	276	225
Total revenue and other income		53,196	43,669
Expenses			
Employment and related expenses		(25,703)	(21,558)
Occupancy costs		(761)	(556)
Other expenses		(8,341)	(7,627)
Business acquisition and restructuring costs		(1,344)	(394)
Depreciation and amortisation expense	7	(5,591)	(4,319)
Finance costs	7	(3,134)	(2,008)
Total expenses		(44,874)	(36,462)
Profit before income tax expense from continuing operations		8,322	7,207
Income tax expense	8	(997)	(751)
Profit after income tax expense from continuing operations		7,325	6,456
Profit after income tax expense from discontinued operations	9	425	22
Profit after income tax expense for the half-year		7,750	6,478
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		(88)	2
Other comprehensive income for the half-year, net of tax		(88)	2
Total comprehensive income for the half-year		7,662	6,480
Profit for the half-year is attributable to:			
Continuing operations		5,496	4,177
Discontinued operations		296	16
Non-controlling interests		5,792	4,193
Continuing operations		1,831	2,279
Discontinued operations		127	6
Owners of Kelly Partners Group Holdings Limited		1,958	2,285
		7,750	6,478

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 2023 $'000	 31 Dec 2022 $'000
Total comprehensive income for the half-year is attributable to:			
Continuing operations		5,459	4,177
Discontinued operations		296	16
Non-controlling interests		5,755	4,193
Continuing operations		1,780	2,281
Discontinued operations		127	6
Owners of Kelly Partners Group Holdings Limited		1,907	2,287
		7,662	6,480
		Cents	**Cents**
Earnings per share for profit from continuing operations attributable to the owners of Kelly Partners Group Holdings Limited			
Basic earnings per share	10	4.07	5.06
Diluted earnings per share	10	4.07	5.06
Earnings per share for profit from discontinued operations attributable to the owners of Kelly Partners Group Holdings Limited			
Basic earnings per share	10	0.28	0.01
Diluted earnings per share	10	0.28	0.01
Earnings per share for profit attributable to the owners of Kelly Partners Group Holdings Limited			
Basic earnings per share	10	4.35	5.08
Diluted earnings per share	10	4.35	5.08

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

Kelly Partners Group Holdings Limited
Consolidated statement of financial position
As at 31 December 2023

KP+GH
KELLY PARTNERS GROUP HOLDINGS LIMITED

	Note	Consolidated 31 Dec 2023 $'000	Consolidated 30 Jun 2023 $'000
Assets			
Current assets			
Cash and cash equivalents		3,374	5,331
Trade and other receivables		12,664	12,380
Lease receivables		42	62
Accrued income		6,786	4,153
Other financial assets	11	2,880	2,542
Other assets		1,355	1,431
Total current assets		27,101	25,899
Non-current assets			
Lease receivables		-	11
Other financial assets	11	9,272	7,696
Property, plant and equipment		13,142	11,833
Right-of-use assets		26,360	20,614
Intangible assets	12	77,552	65,853
Other assets		689	681
Total non-current assets		127,015	106,688
Total assets		154,116	132,587
Liabilities			
Current liabilities			
Trade and other payables		5,671	6,060
Contract liabilities		3,371	2,443
Borrowings	13	14,291	19,265
Lease liabilities		3,147	2,798
Current tax liabilities		1,739	1,717
Provisions		4,593	4,075
Contingent consideration	14	4,016	4,112
Other financial liabilities	15	583	1,499
Total current liabilities		37,411	41,969
Non-current liabilities			
Borrowings	13	34,666	25,984
Lease liabilities		27,524	21,125
Deferred tax liabilities		3,491	3,038
Provisions		744	640
Contingent consideration	14	3,052	2,370
Other financial liabilities	15	1,597	1,990
Total non-current liabilities		71,074	55,147
Total liabilities		108,485	97,116
Net assets		45,631	35,471

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

	Note	Consolidated 31 Dec 2023 $'000	Consolidated 30 Jun 2023 $'000
Equity			
Issued capital	16	13,470	13,470
Reserve		(81)	(30)
Retained profits		7,875	7,099
Equity attributable to the owners of Kelly Partners Group Holdings Limited		21,264	20,539
Non-controlling interests		24,367	14,932
Total equity		45,631	35,471

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

Consolidated	Issued capital $'000	Reserve $'000	Retained profits $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 July 2022	13,470	2	7,225	13,256	33,953
Profit after income tax expense for the half-year	-	-	2,285	4,193	6,478
Other comprehensive income for the half-year, net of tax	-	1	-	1	2
Total comprehensive income for the half-year	-	1	2,285	4,194	6,480
Transactions with owners in their capacity as owners:					
Equity attributable to acquisitions	-	-	-	3,312	3,312
Purchase / sale of equity interest in subsidiary	-	-	(101)	(191)	(292)
Distributions to non-controlling interests	-	-	-	(4,881)	(4,881)
Dividends paid (note 17)	-	-	(2,800)	-	(2,800)
Balance at 31 December 2022	13,470	3	6,609	15,690	35,772

Consolidated	Issued capital $'000	Reserve $'000	Retained profits $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 July 2023	13,470	(30)	7,099	14,932	35,471
Profit after income tax expense for the half-year	-	-	1,958	5,792	7,750
Other comprehensive income for the half-year, net of tax	-	(51)	-	(37)	(88)
Total comprehensive income for the half-year	-	(51)	1,958	5,755	7,662
Transactions with owners in their capacity as owners:					
Equity attributable to acquisitions	-	-	-	9,209	9,209
Purchase / sale of equity interest in subsidiary	-	-	-	(192)	(192)
Distributions to non-controlling interests	-	-	-	(5,337)	(5,337)
Dividends paid (note 17)	-	-	(1,182)	-	(1,182)
Balance at 31 December 2023	13,470	(81)	7,875	24,367	45,631

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

	Note	Consolidated 31 Dec 2023 $'000	Consolidated 31 Dec 2022 $'000
Cash flows from operating activities			
Receipts from customers		59,024	48,378
Payments to suppliers and employees		(42,015)	(34,330)
Government grants received		58	513
Other income		225	23
Finance costs paid		(1,868)	(1,130)
Income taxes paid		(1,471)	(906)
Net cash from operating activities		13,953	12,548
Cash flows from investing activities			
Payment for purchase of business	19	(5,432)	(4,641)
Payment for contingent consideration		(1,542)	-
Proceeds/(payments) for purchase of equity interest in subsidiary		2,159	(83)
Payments for property, plant and equipment		(2,570)	(1,159)
Payments for intangibles		(811)	(306)
Payments to employee share scheme trust		(64)	(750)
Loans advanced		(3,196)	(1,378)
Proceeds from repayments of loans		198	450
Proceeds from fitout contribution		454	292
Payments in respect of deposits		(8)	(188)
Net cash used in investing activities		(10,812)	(7,763)
Cash flows from financing activities			
Proceeds from borrowings		15,852	7,701
Repayment of borrowings		(5,428)	(5,244)
Proceeds from equity contribution, non-controlling interests		207	17
Dividends paid	17	(1,182)	(2,800)
Distributions paid to non-controlling interests		(5,337)	(4,881)
Repayment of lease liabilities		(2,526)	(2,285)
Proceeds from sub-lease		30	31
Net cash from/(used in) financing activities		1,616	(7,461)
Net increase/(decrease) in cash and cash equivalents		4,757	(2,676)
Cash and cash equivalents at the beginning of the financial half-year		(5,783)	1,004
Cash and cash equivalents at the end of the financial half-year		(1,026)	(1,672)

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

Note 1. General information

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

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

Level 8, 32 Walker Street
North Sydney
NSW 2060

A description of the nature of the Group's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 1 February 2024.

Note 2. Material accounting policy information

These general purpose financial statements for the interim half-year reporting period ended 31 December 2023 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 2023 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 accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

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

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

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

Note 3. Operating segments

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

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

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

Note 3. Operating segments (continued)

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

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

Operating reportable segment information

	Accounting $'000	Other services $'000	Discontinued operations $'000	Total $'000
Half-year ended 31 December 2023:				
Revenue	50,062	2,800	867	53,729
EBITDA	16,061	986	708	17,755
Profit before income tax expense	7,479	841	606	8,926
Segment assets, liabilities and net assets at 31 December 2023:				
Current assets	24,164	2,430	507	27,101
Non-current assets	124,894	2,120	1	127,015
Current liabilities	(36,005)	(1,406)	-	(37,411)
Non-current liabilities	(69,039)	(2,035)	-	(71,074)
Net assets	44,014	1,109	508	45,631

EBITDA and profit before income tax of discontinued operations include a gain on disposal of the subsidiaries and assets. Please refer to note 9 for details.

	Accounting $'000	Other services $'000	Discontinued operations $'000	Total $'000
Half-year ended 31 December 2022:				
Revenue	40,262	2,668	1,078	44,008
EBITDA	12,426	1,106	172	13,704
Profit before income tax expense	6,211	996	32	7,239
Segment assets, liabilities and net assets at 30 June 2023:				
Current assets	23,065	1,038	1,796	25,899
Non-current assets	104,501	1,488	699	106,688
Current liabilities	(39,286)	(1,115)	(1,568)	(41,969)
Non-current liabilities	(52,722)	(1,104)	(1,321)	(55,147)
Net assets	35,557	308	(394)	35,471

Note 4. Professional services revenue

	Consolidated	
From continuing operations	**31 Dec 2023 $'000**	**31 Dec 2022 $'000**
Professional services revenue	52,862	42,931

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

Note 4. Professional services revenue (continued)

Refer to note 3 for revenue by operating segments.

Note 5. Government grants and subsidies

From continuing operations	Consolidated 31 Dec 2023 $'000	Consolidated 31 Dec 2022 $'000
Government apprenticeship support programme	58	513

Note 6. Other income

From continuing operations	Consolidated 31 Dec 2023 $'000	Consolidated 31 Dec 2022 $'000
Remeasurement of lease liabilities	5	10
Change in fair value of contingent consideration	25	192
Interest	123	-
Commissions	108	12
Other income	15	11
Other income	276	225

Note 7. Expenses

	Consolidated 31 Dec 2023 $'000	Consolidated 31 Dec 2022 $'000
Profit before income tax from continuing operations includes the following specific expenses:		
Depreciation and amortisation		
Depreciation right-of-use of assets	1,830	1,554
Depreciation property, plant and equipment	1,019	903
Amortisation	2,742	1,862
	5,591	4,319
Finance costs		
Interest and finance charges paid/payable on lease liabilities	1,012	616
Interest on bank overdrafts and loans	1,852	1,114
Interest on unwinding retention	270	278
	3,134	2,008

Note 8. Income tax expense

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

Note 9. Discontinued operations

Description
In December 2023, Kelly Partners sold all of the Company's shares in Kelly Partners Private Wealth (Central Coast & Hunter Region) Pty Ltd and Kelly Partners Life Insurance Services (Central Coast & Hunter Region) Pty Ltd as well as its retail wealth management business operated from Kelly Partners Private Wealth Retail Partnership.

The business' cashflows and operations can clearly be distinguished operationally and financially from the rest of the Group and hence these are disclosed as discontinued operations.

	Consolidated	
	31 Dec 2023 $'000	31 Dec 2022 $'000
Professional services revenue	867	1,078
Other income	24	-
Total revenue	891	1,078
Employment and related expenses	(549)	(722)
Occupancy costs	-	(43)
Other expenses	(89)	(123)
Business acquisition and restructuring costs	(28)	(22)
Depreciation and amortisation expense	(83)	(117)
Finance costs	(20)	(20)
Total expenses	(769)	(1,047)
Profit before income tax expense	122	31
Gain on disposal before income tax	484	-
Income tax expense	(181)	(9)
Profit after income tax expense from discontinued operations	425	22

Cash flow information

	Consolidated	
	31 Dec 2023 $'000	31 Dec 2022 $'000
Net cash from operating activities	170	264
Net cash from/(used in) investing activities	518	(39)
Net cash used in financing activities	(440)	(238)
Net increase/(decrease) in cash and cash equivalents from discontinued operations	248	(13)

Note 9. Discontinued operations (continued)

Carrying amounts of assets and liabilities disposed

	Consolidated 31 Dec 2023 $'000	Consolidated 31 Dec 2022 $'000
Cash and cash equivalents	29	-
Trade and other receivables	40	-
Accrued income	20	-
Other financial assets	1,946	-
Other current assets	15	-
Intangibles	3,118	-
Total assets	5,168	-
Trade and other payables	294	-
Borrowings	2,158	-
Other liabilities	412	-
Total liabilities	2,864	-
Net assets	2,304	-

Details of the disposal of subsidiaries

	Consolidated 31 Dec 2023 $'000	Consolidated 31 Dec 2022 $'000
Total sale consideration	2,596	-
Carrying amount of net assets disposed	(2,304)	-
Derecognition of non-controlling interest	192	-
Gain on disposal before income tax	484	-

Note 10. Earnings per share

	Consolidated 31 Dec 2023 $'000	Consolidated 31 Dec 2022 $'000
Earnings per share for profit from continuing operations		
Profit after income tax	7,325	6,456
Non-controlling interest	(5,494)	(4,177)
Profit after income tax attributable to the owners of Kelly Partners Group Holdings Limited	1,831	2,279
	Cents	**Cents**
Basic earnings per share	4.07	5.06
Diluted earnings per share	4.07	5.06

Note 10. Earnings per share (continued)

	Consolidated	
	31 Dec 2023 $'000	31 Dec 2022 $'000
Earnings per share for profit from discontinued operations		
Profit after income tax	425	22
Non-controlling interest	(298)	(16)
Profit after income tax attributable to the owners of Kelly Partners Group Holdings Limited	127	6
	Cents	**Cents**
Basic earnings per share	0.28	0.01
Diluted earnings per share	0.28	0.01

	Consolidated	
	31 Dec 2023 $'000	31 Dec 2022 $'000
Earnings per share for profit		
Profit after income tax	7,750	6,478
Non-controlling interest	(5,792)	(4,193)
Profit after income tax attributable to the owners of Kelly Partners Group Holdings Limited	1,958	2,285
	Cents	**Cents**
Basic earnings per share	4.35	5.08
Diluted earnings per share	4.35	5.08
	Number	**Number**
Weighted average number of ordinary shares		
Weighted average number of ordinary shares used in calculating basic earnings per share	45,000,000	45,000,000
Weighted average number of ordinary shares used in calculating diluted earnings per share	45,000,000	45,000,000

Note 11. Other financial assets

	Consolidated	
	31 Dec 2023 $'000	30 Jun 2023 $'000
Current assets		
Loans to partners	2,000	1,681
Loans to related parties (note 18)	880	861
	2,880	2,542
Non-current assets		
Loans to partners	7,417	5,978
Loans to related parties (note 18)	1,855	1,718
	9,272	7,696
	12,152	10,238

Note 11. Other financial assets (continued)

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

Note 12. Intangible assets

	Consolidated 31 Dec 2023 $'000	Consolidated 30 Jun 2023 $'000
Non-current assets		
Goodwill - at cost	46,958	41,239
Brand names and intellectual property - at cost	3,300	3,300
Customer relationships - at cost	40,860	32,867
Less: Accumulated amortisation	(14,680)	(12,038)
	26,180	20,829
Other intangible assets - at cost	1,905	1,094
Less: Accumulated amortisation	(791)	(609)
	1,114	485
	77,552	65,853

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

Consolidated	Goodwill $'000	Brand names and intellectual property $'000	Customer relationships $'000	Other intangible assets $'000	Total $'000
Balance at 1 July 2023	41,239	3,300	20,829	485	65,853
Additions	-	-	-	811	811
Additions through business combinations (note 19)	7,945	-	8,921	-	16,866
Derecognised on disposal of subsidiaries	(2,226)	-	(892)	-	(3,118)
Exchange differences	-	-	(35)	-	(35)
Amortisation expense	-	-	(2,643)	(182)	(2,825)
Balance at 31 December 2023	46,958	3,300	26,180	1,114	77,552

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

Note 13. Borrowings

	Consolidated	
	31 Dec 2023 $'000	30 Jun 2023 $'000
Current liabilities		
Bank overdrafts	4,400	11,114
Bank loans	8,716	6,976
Related party loans (note 18)	1,175	1,175
	14,291	19,265
Non-current liabilities		
Bank loans	34,666	25,984
	48,957	45,249

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

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

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

Parent entity facilities
As at 31 December 2023, the parent has a $8,000,000 amortising line of term credit. The debt facilities are granted security over the parent entity, as well as the guarantor group which comprises Kelly Partners Group Holdings Limited and the majority of its wholly owned subsidiaries. The guarantor group does not include the local owner-driven operating partnerships.

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

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

Note 13. Borrowings (continued)

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

	Consolidated 31 Dec 2023 $'000	Consolidated 30 Jun 2023 $'000
Total facilities		
Bank overdraft	15,540	16,280
Bank loans	47,611	33,920
Related party loan	1,175	1,175
	64,326	51,375
Used at the reporting date		
Bank overdraft	4,400	11,114
Bank loans	43,382	32,960
Related party loan	1,175	1,175
	48,957	45,249
Unused at the reporting date		
Bank overdraft	11,140	5,166
Bank loans	4,229	960
Related party loan	-	-
	15,369	6,126

Note 14. Contingent consideration

	Consolidated 31 Dec 2023 $'000	Consolidated 30 Jun 2023 $'000
Current liabilities		
Contingent consideration	4,016	4,112
Non-current liabilities		
Contingent consideration	3,052	2,370
	7,068	6,482

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

Contingent consideration is classified as Level 3 in the fair value hierarchy and has been estimated using a present value approach. The contingent consideration fair value is estimated by discounting the future cash outflows by the discount rate 7.7% (2022: 8.1%). The discount rate is calculated using the WACC of the Group.

Note 15. Other financial liabilities

	Consolidated	
	31 Dec 2023 $'000	30 Jun 2023 $'000
Current liabilities		
Loans from partners	233	71
Loans from others	350	1,428
	583	1,499
Non-current liabilities		
Loans from partners	758	1,048
Loans from others	839	942
	1,597	1,990
	2,180	3,489

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

The current portion of 'Loans from others' as at 30 June 2023 primarily relates to the upfront payment made for the acquisition of the East Sydney business on 5 July 2023. Although the payment occurred on 5 July 2023, the completion of the transaction was back dated to 3 April 2023.

Refer to note 11 for details on loans to and from partners.

Note 16. Issued capital

	Consolidated			
	31 Dec 2023 Shares	30 Jun 2023 Shares	31 Dec 2023 $'000	30 Jun 2023 $'000
Ordinary shares - fully paid	45,000,000	45,000,000	13,470	13,470

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

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

Share buy-back
On 11 October 2021, the Company announced the continuation of its share buy-back program of up to 5% of the minimum number of Company's shares outstanding in the last 12 months. During the financial half-year ended 31 December 2023, the Company did not buy back any shares.

Note 17. Dividends

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

	Consolidated	
	31 Dec 2023 $'000	31 Dec 2022 $'000
During half-year ended 31 December 2023:		
For the year ending 30 June 2024:		
First interim dividend of $0.00439 per ordinary share, paid on 31 July 2023	197	-
Second interim dividend of $0.00439 per ordinary share, paid on 31 August 2023	197	-
Third interim dividend of $0.00439 per ordinary share, paid on 29 September 2023	197	-
Fourth interim dividend of $0.00439 per ordinary share, paid on 31 October 2023	197	-
Fifth interim dividend of $0.00439 per ordinary share, paid on 30 November 2023	197	-
Sixth interim dividend of $0.00439 per ordinary share, paid on 29 December 2023	197	-
	1,182	-
During half-year ended 31 December 2022:		
For the year ended 30 June 2023:		
First interim dividend of $0.00399 per ordinary share, paid on 29 July 2022	-	180
Second interim dividend of $0.00399 per ordinary share, paid on 31 August 2022	-	180
Third interim dividend of $0.00399 per ordinary share, paid on 30 September 2022	-	180
Fourth interim dividend of $0.00399 per ordinary share, paid on 31 October 2022	-	180
Fifth interim dividend of $0.00399 per ordinary share, paid on 30 November 2022	-	180
Sixth interim dividend of $0.00399 per ordinary share, paid on 30 December 2022	-	180
	-	1,080
For the year ended 30 June 2022:		
Final dividend of $0.0139 per ordinary share, paid on 5 August 2022	-	626
Final dividend of $ 0.0011 per ordinary share, paid on 31 August 2022	-	50
Special dividend of $0.0116 per ordinary share, paid on 31 August 2022	-	522
Special dividend of $0.0116 per ordinary share, paid on 30 September 2022	-	522
	-	1,720
Total dividends	1,182	2,800

The seventh interim dividend for the year ending 30 June 2024 was declared and paid at $0.00439 per share on 31 January 2024. The final dividend for FY23 of 1.65 cents per share was not paid as at 31 December 2023 due to funds being required to complete the acquisition of the accounting firm located in Burbank, California in Jan-24.

Note 18. 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.

Note 18. Related party transactions (continued)

Loans to/(from) related parties

Key management personnel

	31 Dec 2023 $	30 Jun 2023 $
Loans to directors:		
Balance at the beginning of the period	860,681	-
- loans advanced	7,630	1,796,423
- interest on loans	36,896	31,415
- payment	(25,243)	(967,157)
Balance at the end of the period	879,964	860,681

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

Kelly Partners (Canberra) Property Trust

	31 Dec 2023 $	30 Jun 2023 $
Loans from related party:		
Balance at the beginning of the period	(1,175,000)	(2,200,000)
- interest on loan	(57,301)	(163,381)
- payment	57,301	1,188,381
Balance at the end of the period	(1,175,000)	(1,175,000)

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

On 20 December 2021, the Kelly Partners Investment Office Special Opportunities Fund #2 advanced a short term loan facility of $2.2 million to Kelly Partners (Canberra) Property Trust, to assist with the purchase of Unit 141, 39 Eastlake Parade, Kingston ACT ('the Canberra Property'). The facility is secured by a mortgage over the Canberra Property and is guaranteed by Kelly Partners Group Holdings Limited. On 11 January 2023, $1.0 million of the loan was refinanced with a commercial bank. Interest is charged at commercial rates and the term of the related party loan was extended to 30 June 2024.

Employee Share trust
In 1H24, a number of operating businesses paid amounts to an Employee Share Trust as part of the Employee Share Scheme ('ESS'). The monies received by the Employee Share Trust were used to acquire the shares of Kelly Partners Group Holdings Limited (KPG.ASX).

	31 Dec 2023 $	30 Jun 2023 $
Loans to Employee Share trust:		
Balance at the beginning of the period	1,717,894	898,129
- loans advanced	79,041	771,700
- interest on loan	72,661	61,204
- repayment of loans	(15,015)	(13,139)
Balance at the end of the period	1,854,581	1,717,894

Partners
Loans (to)/from partners are set out in note 11 and note 15.

Note 18. Related party transactions (continued)

Other loans
Loans from others are set out in note 15.

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

Related party	Subsidiary	31 Dec 2023 Interest held	30 Jun 2023 Interest held
Paul Kuchta	Kelly Partners (Sydney) Pty Ltd	10.20%	10.20%
Ada Poon	Kelly Partners North Sydney Partnership	10.00%	10.00%

Note 19. Business combinations

Acquisitions during the half-year ended 31 December 2023

During the half-year ended 31 December 2023, Kelly Partners acquired a 50.1% - 51.0% equity interest in the following accounting and HR businesses.

Details of businesses acquired

Entity	Location of business acquired	Date of acquisition
Kelly Partners Griffith	Griffith, NSW, AU	03/07/2023
Kelly Partners HR & Payroll Services (Riverina)	Griffith, NSW, AU	03/07/2023
Kelly Partners Bundall	Bundall, QLD, AU	15/08/2023
Kelly Partners Woodland Hills	Los Angeles, CA, USA	01/12/2023

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

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

The fair value of the contingent consideration represents the Group's estimate of the probable cash outflows discounted using a discount rate of 7.7%.

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

The acquired businesses contributed revenues of $6,234,000 and a net profit before tax and amortisation of $1,683,000 to the Group for the period from the date businesses were acquired to the period ended 31 December 2023. Note the revenue and loss figures disclosed here may be part year and include implementation and restructuring costs that may be one off and non-recurring in nature.

Note 19. Business combinations (continued)

Details of the acquisition are as follows:

	Fair value $'000
Trade receivables and accrued income	2,321
Plant and equipment	77
Right-of-use assets	4,147
Customer relationships	8,921
Deferred tax liabilities	(1,227)
Employee benefits	(813)
Lease liability	(4,346)
Other liabilities	(15)
Net assets acquired	9,065
Goodwill	8,170
Acquisition-date fair value of the total consideration transferred	17,235
Representing:	
Cash paid to vendor	5,432
Equity contribution from NCI	8,878
Contingent consideration*	2,925
	17,235

* Where an existing partner of the acquired business acquired an interest together with Kelly Partners Group Holdings Limited, contingent consideration may include an NCI component.

Acquisitions during the half-year ended 31 December 2022

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

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

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

The fair value of the contingent consideration represents the Group's estimate of the probable cash outflows discounted using a discount rate of 8.1%.

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

The acquired business contributed revenues of $2,612,000 and a net profit before tax and amortisation of $651,000 to the Group for the period from 1 July 2022 to 31 December 2022. Note the revenue and profit figures disclosed here may include implementation and restructuring costs that may be one off and non-recurring in nature.

Note 19. Business combinations (continued)

Details of the acquisition are as follows:

	Fair value $'000
Trade and other receivables	528
Plant and equipment	150
Right-of-use assets	1,936
Customer relationships	2,439
Loans receivable	716
Other assets	108
Trade and other payables	(220)
Lease liability	(2,186)
Deferred tax liabilities	(632)
Borrowings	(417)
Employee benefits	(374)
Other liabilities	(134)
Net assets acquired	1,914
Goodwill	1,666
Acquisition-date fair value of the total consideration transferred	3,580
Representing:	
Cash paid to vendor	1,926
Equity contribution from NCI	1,212
Contingent consideration	442
	3,580

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

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

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

The fair value of the contingent consideration represents the Group's estimate of the probable cash outflows discounted using a discount rate of 8.1%.

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

The acquired business contributed revenues of $565,000 and a net profit before tax and amortisation of $165,000 to the Group for the period from 4 October 2022 to 31 December 2022. Note the revenue and profit figures disclosed here may be part year and include implementation and restructuring costs that may be one off and non-recurring in nature.

Note 19. Business combinations (continued)

Details of the acquisition are as follows:

	Fair value $'000
Customer relationships	1,563
Deferred tax liabilities	(221)
Employee benefits	(96)
Net assets acquired	1,246
Goodwill	835
Acquisition-date fair value of the total consideration transferred	2,081
Representing:	
Cash paid to vendor	680
Equity contribution from NCI	1,114
Contingent consideration	287
	2,081

Other business combinations during the period ended 31 December 2022

Details of accounting businesses acquired

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

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

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

The fair value of the contingent consideration represents the Group's estimate of the probable cash outflows discounted using a discount rate of 8.1%.

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

The acquired businesses contributed revenues of $1,017,000 and a net loss before tax and amortisation of $27,000 to the Group for the period from the date businesses were acquired to the period ended 31 December 2022. Note the revenue and loss figures disclosed here may be part year and include implementation and restructuring costs that may be one off and non-recurring in nature.

Note 19. Business combinations (continued)

Details of the acquisitions in aggregate are as follows:

	Fair value $'000
Trade receivables	328
Accrued income	14
Plant and equipment	2
Right-of-use assets	224
Customer relationships	2,867
Lease liability	(247)
Deferred tax liabilities	(555)
Employee benefits	(276)
Other liabilities	(373)
Net assets acquired	1,984
Goodwill*	1,624
Acquisition-date fair value of the total consideration transferred	3,608
Representing:	
Cash paid to vendor**	2,034
Equity contribution from NCI	684
Vendor working capital loan	160
Contingent consideration**	730
	3,608

* The provisionally determined fair values were finalised during the period ended 31 December 2023 resulting in a decrease in goodwill of $115,000 and a decrease in contingent consideration of $115,000.

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

Other business combinations during year ended 30 June 2023

Details of accounting businesses acquired

Entity	Location of business acquired	Date of acquisition
Kelly Partners Leeton	Leeton, NSW	01/09/2022
Kelly Partners Palm Beach	Palm Beach, QLD	08/09/2022
Kelly Partners Melbourne	Melbourne, VIC	08/11/2022
Kelly Partners South West Brisbane	South West Brisbane, QLD	05/12/2022
Kelly Partners Brisbane	Brisbane, QLD	03/04/2023
Kelly Partners East Sydney	Sydney, NSW	03/04/2023

Note 19. Business combinations (continued)

The provisionally determined fair values of other business combinations during the year ended 30 June 2023 were finalised during the period ended 31 December 2023 resulting in a decrease of $225,000 in goodwill and a decrease of $949,000 in contingent consideration, as follows:

	31 December 2023 Fair value $'000	30 June 2023 Fair value $'000	Increase/ (decrease) Fair value $'000
Trade receivables	440	440	-
Accrued income	14	124	(110)
Plant and equipment	2	2	-
Right-of-use assets	224	224	-
Customer relationships	4,373	4,373	-
Deferred tax liabilities	(751)	(751)	-
Employee benefits	(511)	(511)	-
Lease liability	(247)	(247)	-
Other liabilities	(988)	(374)	(614)
Net assets acquired	2,556	3,280	(724)
Goodwill	2,455	2,680	(225)
Acquisition-date fair value of the total consideration transferred	5,011	5,960	(949)
Representing:			
Cash paid or payable to vendor	3,395	3,395	-
Contingent consideration	749	1,698	(949)
Equity contribution from NCI	707	707	-
Vendor working capital loan	160	160	-
	5,011	5,960	(949)

Note 20. Events after the reporting period

Partnerships
On 1 January 2024, a subsidiary of Kelly Partners Group Holdings Limited, partnered with an accounting firm located in Burbank, California, United States taking a 50.01% interest. The partnership is expected to contribute approximately US$2.7m to US$3.3m (A$4.0m to A$4.8m) in annual revenues to the consolidated Group and approximately US$0.3m to US$0.4m (A$0.4m to A$0.6m) NPATA to the Parent (based on achieving benchmark profitability metrics post improvements). For further details on the above partnership, please refer to the latest ASX announcements.

The Group is in the process of determining the fair values of the acquired assets and assumed liabilities and therefore disclosure of the fair values of the net identifiable assets and the goodwill arising from the acquisition cannot be made. This will be disclosed in the financial statements for the year ending 30 June 2024.

Apart from the matters discussed above and dividends declared as disclosed in note 17, no other matter or circumstance has arisen since 31 December 2023 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 2023 and of its performance for the financial half-year ended on that date; and

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

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

On behalf of the directors

____
Brett Kelly
Executive Chairman and Chief Executive Officer

1 February 2024
Sydney

Independent auditor's review report to the members of Kelly Partners Group Holdings Limited

Report on the half-year financial report

Our conclusion

Based on our review, which is not an audit, of the half-year financial report of Kelly Partners Group Holdings Limited (the Company), and its subsidiaries (the Group), nothing has come to our attention that causes us to believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001*, including:

— giving a true and fair view of the Group's financial position as at 31 December 2023 and of its financial performance for the half-year then ended; and

— complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

What was reviewed?

We have reviewed the accompanying half-year financial report of the Group, which comprises:

— the consolidated statement of financial position as at 31 December 2023,

— the consolidated statement of profit or loss and other comprehensive income for the half-year then ended,

— the consolidated statement of changes in equity for the half-year then ended,

— the consolidated statement of cash flows for the half-year then ended,

— notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and

— the directors' declaration.

Basis for conclusion

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

William Buck
ACCOUNTANTS & ADVISORS

Responsibilities of the directors 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 responsibilities for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2023 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

Yours faithfully

William Buck

William Buck
Accountants & Advisors
ABN: 16 021 300 521

L.E. Tutt
Partner
Sydney, 1 February 2024

KELLY PARTNERS GROUP HOLDINGS LIMITED
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